

## Examining Intellectual Clout on A Taken Action

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### Abstract

Accounting area of research has encompassed ethical decision made by professional accountant as a result of escalating corporate scandals which exhibit the failure in accounting practice. Taking on Thorne's and Rest's ethical decision making process, this study aims to look over whether one's ethical development clout is linear to his/her ethical behavior. Upon obtaining data through questionnaires, quantitative method is used to undertake a test over the data. The result suggests that individual's degree of ethical development has no linear influence on his/her ethical behavior. One who knows the ideal solution to cope with an ethical issue, may not carry it out as his/her actual action. As education plays important role on this issue, educator really needs to specify the goal of having ethics taught.

**Keywords:** Ethical development, cognitive moral development, ethical character, ethics education

### 1. Introduction

A hot potato in accounting research has altered in the past few years in which the researchers have been stressing their works on ethical development and/or behavior of accounting and business practitioners (Loh and Wong, 2009). This vogue is formed by the rising number of business scandals which engage accountant profession inside.

Thorne, in associate with ethical problem in accounting, proposed a model that integrates ethical decision making by Rest with the tenets of virtue ethics theory (Armstrong et al, 2003). Rest himself, built his model by basing it on Kohlberg's cognitive moral development. Either Thorne or Rest split up ethical decision making process into two components, comprehending moral and/or ethical development and ethical behavior. Kohlberg argued, one whose high moral development, reflects high degree of ethical behavior as well. Moral and/or ethical development that consists of an ability to analyze an ethical substance in an issue constitutes a natural intellectual which attained through education, ethical behavior education in particular. Whilst ethical behavior according to Thorne, is a virtue possessed by an individual.

Being set out from the ethical decision making model mentioned above, in addition to investigate the effectiveness of contemporary literature in accounting ethics education, this study too aims to examine the validity of the statement with regard to linear relationship of moral and/or ethical development and ethical behavior on accounting students of Manado State Polytechnic. This study result, generally can accomplish previous studies and in turn for accounting department of Manado State Polytechnic that makes use of this study to re-evaluate and foster the courses of ethics education in order to train students using their cognitive moral development both in having good understand of complex ethical dilemma in emerging financial and accounting issues and making sound ethical decision making.

### 2. Literature Review and Hypotheses Development

#### 2.1 Cognitive Moral Development

Kohlberg defined ethical development as cognitive moral development (CMD) of the individual, governing the thought processes involved in making a decision concerning right or wrong. This term has been widely used to investigate auditor's ethical judgment. Kohlberg focalized his concept on the idea of individual's ethical behavior and how their perceptions dictate their abilities to make decisions (Ponemon, 1992). Kohlberg's concept implies that high ethical development positively impacts behavior. It is categorized into three main stages; the *pre-conventional level* (ethical judgement influenced by external authority, law, and award), *conventional* (judgement about what is right and what is wrong is shaped by rules, constitutions, and working cultures), and *post-conventional* (one bases his action on moral thought). (Rajeev, 2011).

#### 2.2 Ethical Decision Making

Rest's ethical decision making process depicts how one first identifies an ethical dilemma through to his/her intention and eventually coin a courage to behave ethically (Loh and Wong, 2009). Kohlberg's concept is inclined to how to get a system developed that can stand for ethical logical reasoning, whereas Rest extended Kohlberg's work by developing a valid and reliable instrument to measure it (Richmond, 2001). Thorne, then integrated Rest's model with a principle of virtue ethics theory. According to virtue ethics theory, virtue itself classifies the decision makers. Armstrong et al (2003) in their study, argued that virtue increases the contingency a decision maker will make an ethics-based judgement. Virtue can enhance the likelihood one will act in accordance with his ethical judgement. Thorne observed that the first two components of Rest's concept are pure

natural intellectual, and the other two components are close to the virtue, therefore the two basic of Thorne's model are moral development (cognitive action to recognize an issue and think through it) and virtue (ethical motivation and intention to act morally as well as ethical character to bring that intention to fruition (Armstrong et al, 2003).

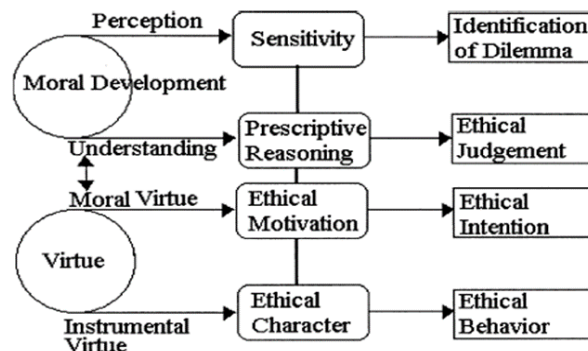


Figure 1. Thorne's Integrated Model of Ethical Decision Making

### 2.3 Hypotheses Development

Kohlberg's cognitive moral development (CMD) concept implies that there is a positive clout from level degree of ethical development which is described as intellectual towards an individual's ethical character (virtue). This however has still been debatable due to different results of previous studies. As cited in the study undertaken by Iswarini and Mutmainah (2013), Sudibyo (1995) in Marwanto (2007) suggested that accounting education has an impact on auditor's behaviour, thus hypotheses developed in this study are:

H0: Ethical development has no linear effect to individual's ethical character

H1: Ethical development has linear effect to individual's ethical character

### 3. Research Method

This is a quantitative study. Variables used in this study consist of dependent variable which represents ethical character, measured by individual's intention to act ethically, and independent variable, that is ethical development, appraised by ability to recognize ethical issue and to reason it.

Svanberg (2012), ethical sensitivity is a process that interprets the situation in ethically relevant aspects. Butterfield et al (2000) as cited by Musbah (2010) further defined ethical sensitivity as an individual's recognition that his or her potential decision or action could influence the interests, welfare, or expectations of the self or others in a way that may conflict with one or more ethical principles. Svanberg (2012) too defined ethical reasoning as a process that judges which action that should be most justifiable in ethical terms. Rest (1986) in Jamshidinavid and Kamari (2012), ethical motivation is the degree of commitment to taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes.

Samples in this study are both third and fourth year accounting students at Manado State Polytechnic. The Reason for this is that they have learnt ethical behaviour courses in accounting curriculum, among others are behaviour accounting as well as ethics in business and profession. They were picked because the contemporary students reflect future leaders' behaviour. Samples were asked to fill in a questionnaire comprising four scenarios. The current study adopts the scenarios used by Musbah (2010) originally produced in a video tape by Institute of Management Accountants (IMA) in the U.S, and abstracted by Flory and his colleagues in their study. Each scenario presents different company policy violence. Flory and his colleagues (1992) in Musbah (2010) explained that scenarios 1, 2, and 3 all implicitly involve an accountant's job security but it seems that the individuals in each situations are worried about their company's interest; in contrast, scenario 4 highlights the accountant's personal circumstances.

There are 4 to 6 statements following each scenario, which measure deliberative and prescriptive reasoning based on Thorne's model by requiring samples to provide (1) their opinion as to the existence of ethical dilemma, (2) what they believe to be the ideal correct course of action, and (3) what they will actually choose to do (or ethical intention/ethical behaviour). The first and second components are believed to be the moral development by Thorne's model representing ethical development variable in this study, whereas the third component is virtue. Buchan (2005) and Uddin as well Gillet (2002), some research has found that behavioural intentions can be likely predictors of their corresponding behaviours. The responses to each statement is measured with using Likert scale.

Hypotheses is fulfilled with using SPSS regression analyse method to figure out the relationship between moral development and virtue (ethical character). In this study, Microsoft Excel application too is employed in processing several data that SPSS can't do.

#### 4. Study Result and Discussion

##### 4.1 Data Distribution

Table 1. Questionnaire Distribution Summary

No	Description	Quantity	Percentage
1	Distributed Questionnaire	115	100%
2	Returned Questionnaire	113	98%
3	Unreturned Questionnaire	2	2%
4	Unusable Questionnaire	5	4%
5	Usable Questionnaire	108	94%

##### 4.2 Participants' Demography

Table 2. Participants' Demography

Characteristic		Frequency 108		Percentage 100%	
Gender	Male	35	108	32.4%	100%
	Female	73		67.6%	
Age	21 – 22 years old	95	108	88%	100%
	23 – 24 years old	10		9.3%	
	Over 25 years old	3		2.7%	
Grade Point Average	2.00 – 2.75	2	108	1.8%	100%
	2.76 – 3.50	40		37%	
	3.51 – 3.99	64		59.2%	
	4.00	2		1.8%	

##### 4.3 Descriptive Statistics

Table 3. Variables Descriptive Statistic

Variable	N	Response		Mean	Std. Deviation
		Min	Max		
Ethical development	108	40	66	52.61	4.91
Ethical character	108	18	40	29.34	3.97

##### 4.4 Hypotheses Testing and Discussion

Table 4. Regression Analyze Result

F Testing		
Model	F	Sig
Regression	6.571	0.12
Linear Regression Testing		
Model	B	Sig
Constanta	19.064	.000
Ethical development	.195	.012
Determinant coefficient testing		
Model	R	R Square
1	.242	.058
Participants	108	

The signification standard employed in this study is 0.05, on a condition that if output sig. is lower than 0.05, so regression model is linear thus it accepts H1 and refuses H0, and it applies on the contrary. Based on F testing, the output sig. is 0.120, and since the hypotheses of this study is one-way hypotheses then it must be divided by two, generating 0.60. The generated sig. surpasses the signification standard which implies that the regression model does not fulfill linearity criteria, therefore H0 is accepted and H1 is refused. The equation formed through this regression testing is  $Y = 19.064 + 0.195 X$ . Further, determinant coefficient testing exhibits 0.242 as the correlation result. This can be interpreted that the relationship between those two variables tested is classified to be weak as the R square is only 0.058. The result can be paraphrased that the independent variable, that is ethical development contributes 5.8% only to dependent variable (ethical character). The other 94.2% is influenced by variable which is not comprised in this study.

To perform deeper analyze, all responses are categorized into three level (low, medium, and high) in accordance with the quartile calculation of SPSS. This is to discover the relationship between ethical development and ethical character

Table 4. Participants' responses classification

		Ethical Character			Total
		High	Medium	Low	
Ethical Development	High	10	14	3	27
	Medium	9	34	11	54
	Low	3	13	11	27
Total		22	61	25	108

The table above shows that, those whose high degree of ethical development and ethical character are 10 participants in total, while 34 participants are in medium level for both their ethical development and ethical character. Only 11 participants are believed to possess low ethical development and ethical character. On the other hand, those whose ethical development degree differs from their ethical character amount 53 participants, representing 49 out of 100%.

We can also find the participants' ethical development degree classification based on Kohlberg's concept. In total of 27 participants possess high ethical development. They are believed to be in post-conventional stage in Kohlberg's concept. On this stage, the principles of justice, moral, and honesty are influential to their judgement. Other 54 participants are in conventional stage. Their judgement is shaped by law and social norms, whereas those in pre-conventional stage, represented by the other 27 participants, base their judgment on external factor, self-interest, award, and punishment they might be sentenced to once a course of action taken (Loh and Wong, 2009).

Figures 2 and 3 below exhibit the dissimilarity between the curve of ethical development and ethical character degrees shown by all participants in the questionnaire.



Figure 2. Ethical development degree curve

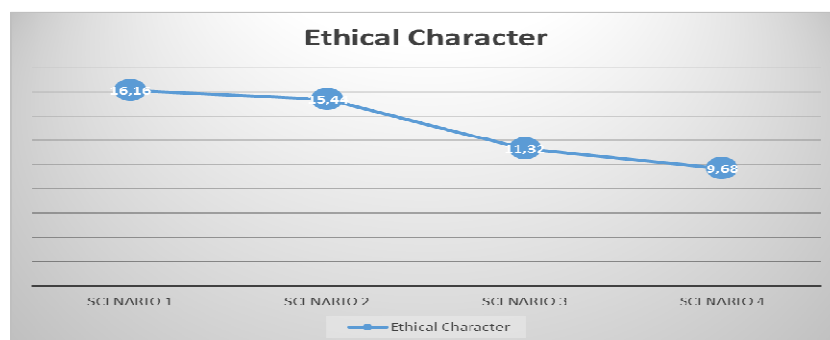


Figure 3. Ethical character degree curve

The curve of ethical development degree is not linear to that of ethical character. However, whereas the ethical development curve fluctuates slightly, that of ethical character consistently sinks from scenario 1 to scenario 4. Most participants, in the third scenario, choose more ethical action to be the ideal solution than the second scenario, surprisingly it is not directly proportional to the actual action they decide to do. The gap of ethical development degree amongst each scenario is minor, in contrast to it, the gap shown in the ethical character chart amongst scenarios widens towards the end of the scenario.

The hypotheses testing result suggests that the linear relationship between ethical and/or moral development and ethical character and/or virtue is not empirically proved in the current study. Student's intellectuality can't measure his/her virtue. This data is also backed up by participants' responses classification. However though several students exhibit the same degree of their both ethical development and ethical character, some other students exhibit the opposite thing.

In spite of having learnt ethical behavior education in accounting curriculum, students remain capable to show ethical substance in their personal character. Bebeau (2002) argued that sensitivity of a moral content of

a situation or dilemma, one of ethical development attributes, can't be ensured by the completion of a related professional training. Further, Bebeau (2002) also assumed, training and/or education that focuses on ethical reasoning can't influence one's interpretive process, and that this component is distinct from ethical sensitivity.

In contrast to Bebeau's assumption, Iswarini and Mutmainah (2013) in their empirical study involving 141 accounting students from 3 different universities in Semarang as their participants, found that ethical reasoning has positive clout on ethical sensitivity. They, then, concluded that good ethical reasoning will generate an individual whose high ethical sensitivity. A study by John Filos (2013) concerning curriculums of couple popular courses in Greece, that it is a matter of urgency for business ethics to be added to accounting and other courses (auditing, information technology, business ethics, and law business).

The result generated from this study differs from the statement proposed by Kohlberg as to the linear relationship between the degrees of moral development and ethical behavior. According to Kohlberg's concept, what is right and what is wrong is determined by cognitive moral development. Triki (2011) in his study, cognitive moral development alone is not sufficient to account for or to predict what one might do, for an individual's action can also be shaped by situational and individual factors, such as demography and psychology. Trevino (1986), cited by Triki (2011) presented 3 individual factors that may influence ethical decision making, among others are ego, dependence field, and self-control. Three situational factors are also suggested, comprising work-pressure, organization culture (normative structure, obedience to authority and consequence responsibility) and work characteristic (role and resolution for moral conflict). The model proposed by Trevino implies that the certain interaction between individual and situational factors will impact the relationship between ethical action and thought.

Some other previous studies that found similar result, as revealed by Loh and Wong (2009), are Ponemon's in 1983, as well as Bay and Greenberg's in 2001 and Loh and Wong's itself. Richmond (2001) also found that ethical reasoning does not significantly have something to do with ethical character. In addition, Armstrong et al (2003) argued that the same result was also found by Thorne in her study

## 5. Conclusion

Knowing the principles of kindness, honesty, fairness, values, and social norms as well as applied constitution, also punishment and reward are not sufficient to account for the contingency of a course of action taken. Demographic condition, psychology, and situational factors too contribute to what one may do in respond to an issue. This is the reason for why the current study does not agree with Kohlberg's cognitive moral development, showed by the testing result whose sig. value (0.60) exceeds the sig. standard (0.05).

In addition to investigate Kohlberg's concept, this study also highlights the importance and the effectiveness of ethics education in accounting curriculum concerning students' reasoning process. Regardless of that matter, educators need to review and re-evaluate the goal of teaching ethics. The right goal can help bring the learning process to fruition. It should be questioned whether ethics education aims to instruct students not to break the law, or attempt to improve their character and instill virtue values, or whether it is to get students more aware of ethical substance in daily life. The goal must be specified.

This study's limitation is on its participants' character, which the demographic conditions are not collected in detail, whereas this factor can also be essential to analyze the data more deeply. Besides, a philosophical question may emerge, that whether participants' responds are to be their actual choices when they encounter the real situation. Sample of this study is from a certain college only that may not represent the entire accounting students. Eventually, this study provides space to further research as to ethics and behavior. Researcher can undertake an empiric test about factor that may influence individual's ethical intention, or measure the difference between those who have and have not learnt ethics education and its association to their character, or can also examine the effectiveness of ethics education in accounting curriculum

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