HOW DO ETHICS INFLUENCE BEHAVIOR OF ACCOUNTING PROFESSIONALS IN THEIR FIRMS’ ENVIRONMENT?

SKRIPSI

By

Melisa Anggreni
008201200007

Presented to
The Faculty of Business, President University
In partial fulfillment of the requirements for
Bachelor Degree in Economics, Major in Accounting

PRESIDENT UNIVERSITY
Cikarang Baru – Bekasi
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PANEL OF EXAMINERS APPROVAL SHEET

Herewith, the Panel of Examiners declares that the skripsi entitled “HOW DO ETHICS INFLUENCE BEHAVIOR OF ACCOUNTING PROFESSIONALS IN THEIR FIRMS’ ENVIRONMENT?” submitted by Melisa Anggreni, Accounting Study Program, Faculty of Business, has been assessed and proved to pass the Oral Examination on 15th February, 2016.

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Cikarang, Indonesia, 21st January, 2016

Acknowledge

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DECLARATION OF ORIGINALITY

I hereby declare that the skripsi entitled “HOW DO ETHICS INFLUENCE BEHAVIOR OF ACCOUNTING PROFESSIONALS IN THEIR FIRMS’ ENVIRONMENT?” is originally written by myself based on my own research and has never been used for any other purpose before. I, therefore, request for Oral Defense of the Skripsi.

Cikarang, Indonesia, 21st January, 2016
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HOW DO ETHICS INFLUENCE BEHAVIOR OF ACCOUNTING PROFESSIONALS IN THEIR FIRMS’ ENVIRONMENT?

ABSTRACT

After the Enron scandal about manipulation of financial statement is revealed in 2002, the auditor of Enron (Arthur Andersen) is collapsed because Arthur Andersen was found guilty of illegally destroying documents. It means that Arthur Andersen is doing unethical behavior. Therefore, the ethical behavior in accounting profession is very important. This research aimed to analyze the influence of roles, public interest, and organizational fit on accounting professionals’ perceptions toward ethical behavior by ethical environment.

The sample used in this research is public accountant in Indonesia. The researcher uses questionnaire to gather the data. The sample of this research is external auditor. This research used 101 respondents. The statistical method used is Structural Equation Model – Partial Least Square (SEM-PLS) with WarpPLS software.

The result of this research indicates that role, public interest and organizational fit are significantly related to ethical environment. In addition, ethical environment is mediation between role and public interest to ethical behavior, but is not mediation between organizational fit to ethical behavior.

Key word: Roles, Public Interest, Organizational Fit, Ethical Environment, Ethical Behavior
ACKNOWLEDGEMENT

First of all, I would like to express my gratitude and thank to Jesus Christ for all the blessing in my life and give me opportunity to accomplish my skripsi to obtain Bachelor Degree in President University majoring in Accounting.

I fully realize that without the help of other people, the researcher would face many difficulties in preparing and finishing the skripsi. Thus, I would like to express my deepest gratitude to some people who have supported and helped me during the process of preparing and finishing the skripsi. They are as follow:

1. My beloved family, especially my parents, my sister and my brothers who support and motivate me in finishing my skripsi. Thank you for always pray for me.
2. Mr. Misbahul Munir, Dean of faculty Business and Head of Accounting Study Program, who has given a lot of knowledge and teaching me during my learning process in President University.
3. Mrs. Andi Ina Yustina as my advisor who support, guide and help me in finishing my skripsi.
4. My partner in crime, Mbame and Panjul who always makes me laugh and support me.
5. My other sisters: Febby, Pita, and Sapphira. Thank you for the support and always encourage me to finishing my skripsi.
7. My beloved roommate Petty and Nanda. Thank you for your love, support and laugh.
8. Other parties that I cannot mention one by one that have helped me to finish this skripsi.
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CHAPTER I

INTRODUCTION

1.1 Research Background

Ethical environment is one of important factors in the organization. In this era, it will be the one important factor of key successful of a firm. According to Guffey and McCartney, 2008, p. 327 state that:

“Recent events such as the Enron and WorldCom scandals underscore the importance that ethical reasoning plays in business environment. Auditors’ reports add value to financial statements in large part because of the public’s trust in auditors as ethical and objective evaluators of those financial statements. It is important for the accounting profession to create and foster ethical professionals who serve the public interest.”

In a reality, there are so many corporate collapse because lack of professional ethics. One of the examples is Enron scandal which is revealed in 2002. Enron scandal is very big scandal which makes the world paying attention to this scandal. As the result of this scandal, the auditor of Enron (Arthur Andersen) is collapsed. Enron’s auditor, Arthur Andersen, was found guilty in a United States District Court of illegally destroying documents relevant to the SEC investigation which voided its license to audit public companies. Martinov and Mladenovic, 2015 p.189 state that:

“The numerous corporate collapses and scandals in the US, Australia and Europe, together with the demise of Arthur Andersen, have prompted increased public scrutiny of business and accounting practices – with particular focus on professional ethics (or lack of it).”
A cursory review of Big 4 public accounting firm websites indicates that practitioners are aware of the importance of a strong ethical environment. For example, Deloitte states “at Deloitte LLP … the responsibility for ethical behavior is taken seriously—by everyone, at every level” (emphasis added; Deloitte Development LLC, 2012).

There are supporting factors that can affect the ethical behavior. Booth and Schulz (2004) suggest that by focusing on several internal factors related to the ethical behavior of employees, an organization can create a strong ethical environment. According to Zohar and Luria (2004), the organizational environment will strongly influence the role behavior of all organizational members. Organization can influence the ethical behavior of their members via the organizational ethical environment (Arnold et al., 1999, 2000; Booth and Schulz, 2004). In particular, Booth and Schulz (2004) articulate three specific components of an organization’s ethical environment: (1) social norms (mission and values; leadership and management influence; and peer group influence); (2) social practices (procedures, rules and codes of ethics; and ethics training); and (3) outcomes (rewards and sanctions).

Given that prior research (e.g., Booth and Schulz, 2004; Martinov-Bennie and Pflugrath, 2009; Shafer and Wang, 2011) has shown that a firm’s ethical environment can influence ethical decision making, it is important to understand how these views are formed. Several other studies have examined the effect of the ethical environment on auditors’ behavior. Martinov-Bennie and Pflugrath (2009) found experimentally that audit managers reacted to differences in the strength of the ethical environment, while audit seniors did

In related study, Bobek et al., (2015) investigated the ethical environment by involving multiple participants from individual public accounting offices, from all positions in the firm, in order to control for both position (partners and non partners) and firm effects. They investigate differences in leaders’ and non-leaders’ perceptions of the ethical environment of their accounting firms. The result support the finding of Bobek et al., (2010) that firm leaders perceive the ethical environment as significantly stronger than non-leader accounting professionals. While Bobek et al., (2015) find that the differences in leaders’ and non-leaders’ perceptions of the ethical environment are influenced by their role in participating in shaping and maintaining the ethical environment of their firms, the stronger public interest orientation and higher frequency of receiving mentoring.
Based on prior research done by Bobek et al., (2010), they consider several theoretically plausible influences on accounting professionals’ perceptions of their ethical environment, including individuals’ role in shaping and maintaining the firm ethical environment, public interest orientation (i.e., feeling a responsibility to serve the public interest), and organizational fit.

This study will extend the prior research done by Bobek et al., (2015). This research will give the contribution by adding one variable which is ethical behavior in the model because the prior research did not investigate the link between ethical environment perceptions and ethical actions or behavior. Bobek et al., 2015 p.139 state “future research may wish to investigate the link between ethical environment perceptions and ethical actions or behavior.” Therefore, this research is still important and interesting to be explored. In this study, the researcher wants to continue the prior research by investigating the link between ethical environment perceptions and ethical actions or behavior. This concern makes the researcher motivated to do the research titled, “How Do Ethics Influence Behavior of Accounting Professionals in Their Firms’ Environment?”

1.2 Problem Identification and Statement

Based on the research background, the researcher identified four problems identification as follow:

1. How will the ethical environment influence ethical behavior directly?
2. How can roles determine the ethical environment?
3. How the public interest can be a determinant of ethical environment?
4. How is the relationship between organizational fit and ethical environment?

1.3 Research Objectives

There are four objectives of this research based on the problem identifications, which are:

1. To figure out the influence of ethical environment towards ethical behavior.
2. To investigate about how the roles can determine the ethical environment.
3. To investigate about how the public interest can be a determinant of ethical environment.
4. To ascertain the relationship between organizational fit and ethical environment.

1.4 Research Benefits

The benefits obtained from this research include:

1. For the business:
   This research can be useful for the firm to evaluate their ethical environment to build their employee’s character of ethical behavior. Therefore, the firm can increase their performance.

2. For writer:
   This research gives the benefit for the researcher about the knowledge of how to conduct a research. This research also provides new
knowledge to the researcher about how the ethical behavior which the researcher learns theoretically is implemented in the real business organizations.

3. For literature:

To expand the knowledge theoretically and it can be useful for further researcher to conduct their research. Therefore, this research can be base for their future research.
2.1 Social Identity Theory

Social identity theory is a theory about a person’s sense of who they are based on their group membership. In other word, it means a sense of belonging to the membership. Every action or role of a person in organization reflects the organization itself. Therefore, our role or action reflects the environment of the organization.

According to Social Identity Theory, people tend to classify themselves and others into various social categories, such as organizational membership, religious affiliation, gender, and age cohort (Tajfel and Turner, 1985). Categories are defined by prototypical characteristics abstracted from the members (Turner, 1985). Social classification serves two functions. First, it cognitively segments and orders the social environment, providing the individual with a systematic means of defining others. Second, social classification enables the individual to locate or define him or herself in the social environment (Asforth and Mael, 1989). The major focus of both Social Identity Theory and this research is to understand the implications of the second function of classification.

According to Asforth and Mael (1989), organizational identification is a specific form of social identification. They said that through social identification and comparison, the individual is argued to vicariously partake in the successes and status of the group. The individual’s social identity may be derived from his or her work group, department, union, lunch group, age cohort, fast-track group, and
so on. Albert and Whetten (1985) distinguished between holographic organizations in which individuals across subunits share a common identity (or identities) and ideographic organizations in which individuals display subunit-specific identities.

Hall et al., (1970) defined organizational identification as the process by which the goals of the organization and those of the individual become increasingly integrated and congruent and Patchen (1970) defined it as shared characteristics, loyalty, and solidarity.

2.2 Roles

Role is one of factors that have positive influence to the ethical environment. Gibson (2004 p. 136) state the definition of role model as follow:

“... role model as a cognitive construction based on the attributes of people in social roles an individual perceives to be similar to him or herself to some extent and desires to increase perceived similarity by emulating those attributes.”

From an observer’s perspective, role modeling is a process that involves identifying “someone I can look up to” (Weaver et al., 2005) as well as a process of learning from that model.

According to Gibson (2004), role modeling can be differentiated from mentoring in that it does not require a close, personal relationship between models and observers. In fact, there are wide varieties of potentially important people who can be selected as role models such as distant leaders, co-workers, and inspiring individuals from all walks of life (e.g., teachers, sports heroes, religious figures, family members) (Brown et al., 2014).
Many researchers have been written about the impact of models and mentors on important workplace outcome (Allen et al., 2004; Gibson, 2003; Manz and Sims, 1981; Regins et al., 2000) in general, and on ethical behaviors in particular (Moberg, 2000; Weaver et al., 2005). Qualitative research by Weaver et al., 2005 found that the presence of an ethical role model in the workplace helps foster ethical behavior. And, having an ethical model might encourage learners to act as an ethical mentor or model for others.

2.3 Public Interest

Public interest is one of the factors that can influence ethical behavior. Stuebs and Wilkinson (2010) argue that one cause of ethical breakdowns (unethical behavior) is a loss of a public interest emphasis. Public interest is one important thing for a firm who service the public. In this research, the researcher uses the public accounting firm as the participants. Public accounting firm is one of firms that has big role in serving the public interest. It is because the outcome of public accounting firm which is the information in audit report is very useful for the public. Shafer et al (2002) state the public accountant plays a greater role in serving and protecting the public interest than do other accounting professionals.

Professional accountants are member of a profession. Preston et al., (1995) state as members of a profession, both firm leaders and other professional accountants are responsible for serving and acting in the public interest. According to AICPA Professional Code of Conduct, Section 53, Article II state that members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to professionalism. Public
accountants who put a high priority on serving the public interest might also have very high standards with regard to assessing the ethical environment. Accounting professionals with a strong sense of responsibility to the public may be more likely to choose or seek employment at firms with strong ethical environments or to help create strong ethical environments at their firms.

2.4 Organizational Fit

Organizations devote substantial resources to establishing and maintaining a “good fit” between people and their jobs because they assume that certain people are better suited to perform jobs than others (Caldwell and O’Reilly, 1990). Person-organizational or organizational fit is the “congruence between patterns of organizational values and patterns of individual values in an organization” (Chatman 1991 p. 459). Higher degrees of organizational fit are associated with positive perceptions relating to the work environment (e.g., Verquer et al., 2003). Furthermore, individuals who perceive a stronger degree of congruence with the values of an organization and its employees are more likely to have positive work attitudes (ethical behavior) (Cable and Judge, 1996).

Researchers seem to agree that culture may be an important factor in determining how well an individual fits an organizational context (e.g., Kilmann, Saxton, & Serpa, 1986; Schein, 1985). Person-culture fit fundamentally drawn from an interactional psychology perspective in which aspects of both individual and situation combine to influence a focal individual’s response to a given situation (e.g., Chatman, 1989; Schneider, 1987; Terborg, 1981).
2.4.1 Person-Situation Fit

Two major theories of vocational choice (Holland, 1985; Super, 1957) postulate that an individual will select a career or occupation that is similar to or that fits with that person’s self-concept. Empirical results have typically supported the hypothesis that congruence between individuals’ personalities and the demands of their occupations are associated with positive affect (Mount & Munchinsky, 1978; Spokane, 1985) and a high likelihood of their staying in their jobs (Meir & Hasson, 1982).

A similar logic characterizes a series of studies of work adjustment conducted by Lofquist and Dawis (1969). For instance, they proposed that satisfaction results from “a harmonious relationship between the individual and his environment, suitability of the individual to the environment and vice versa” (1969; p. 45). Tom (1971) recast this notion of person-situation complementary to focus on person-organization fit. He studies the role of personality and organizational images in the recruiting process and found that the greater the similarity between an individual’s self-concept and his or her image of an organization, the more that individual preferred that organization.

2.4.2 Person-Culture Fit

The pervasiveness and importance of values in organizational culture are fundamentally linked to the psychological process of identity formation in which individuals appear to seek a social identity that provides meaning and connectedness (Ashforth & Mael, 1989). A substantial body of research has shown that individuals tend to classify themselves into social categories, such as
gender, race, ethnicity, and organizational affiliation, and to use those categories to define themselves. For instance, people appear particularly able to discriminate between in-groups and out-groups and to be attracted to those seen as similar to themselves (Brewer, 1979; Moreland, 1985). Drawing on underlying values, individuals may manage their lives in ways that help them choose congruent roles, occupations, and even organizations (Albert & Whetten, 1985; Sampson, 1978; Stryker & Serpe, 1982). Schneider (1987) proposed that individuals may be attracted to organizations they perceive as having values similar to their own. In addition, organizations attempt to select recruits who are likely to share their values.

2.5 Ethical Environment

Conceptually, the notion of an ethical climate reflects a set of organizational norms, policies, practices, and procedures embedded in organizational life (Martin & Cullen, 2006). According to Cullen, Parboteeah, and Victor (2003), such climate comes about when organization members believe that ethical behavior is an expected standard for decision making in the organization. Victor and Cullen (1988) define an ethical climate as prevailing perceptions of typical organizational practices and procedures that have ethical content. Research suggests that an important factor that may influence behavior among employees is the ethical climate of an organization (DeConinck, 2010; Schepers, 2003). For instance, when an employee is faced with an ethical dilemma, his/her decision would be influences by the organization’s ethical climate.
Arnold et al., (1999, 2000) develop a framework indicating that organizations can foster ethical environments that eventually lead to more ethical behavior. Using Arnold et al., (1999, 2000) as theoretical support, Booth and Schulz (2004) identify six factors that comprise an organization’s ethical environment. The first three factors (mission and values, leadership and management values, and peer group influence) represent the social norms in the work environment. Organizations with well-defined missions and values can influence and guide ethical decision making (Ford and Richardson, 1994; Kitson and Campbell, 1996). Furthermore, the tone at the top (i.e., leadership and management values) influences ethical behavior as employees tend to follow organizational leadership (Hegarty and Sims, 1979). Likewise, prior research indicates that peer group influence affects ethical behavior (Nichols and Day, 1982).

The next two ethical environment factors (procedures, rules, and code of conduct, and ethics training) represent the social practices of an organization. Organizational practices such as Codes of Ethics and ethics training reinforce the ethical norms of a work environment and encourage ethical decision making (Ford and Richardson, 1994). Finally, the last ethical environment factor, rewards and sanctions, reflects the importance of reward structures in endorsing ethical behavior. Performance evaluation systems that explicitly reward individuals for ethical behavior and punish individuals for violations of ethical standards are critical in the promotion of organizational ethical behavior (Ford and Richardson, 1994; Chonko and Hunt, 1985).
Prior research finds that an organization’s ethical environment can influence ethical behavior across various contextual settings. For example, Booth and Schulz (2004) find that a strong ethical environment can help reduce the tendency of managers to behave opportunistically when agency problem exist. Other research finds that a firm’s ethical environment can influence the ethical decision making of auditors an tax professionals (Ponemon, 1992; Windsor and Ashkanasy, 1995; Sweeney et al., 2010; Bobek and Radtke, 2007).

2.6 Ethical Behavior

Ethics has been defined as “…the discipline that examines one’s moral standards” (Alas 2006 p. 238). As such, ethics are the standard of appropriate conduct that individuals use to guide decisions in both their work and non-work environments (Ralston et al., 2009). In the organizational context, “ethical behavior” is an encompassing category that includes and/or relate to an array of behavior that occur in organizational settings, such as leadership, followership, organizational citizenship, decision making, and communication (Collins, 2000; Trevino et al., 2006).

Individual ethical behavior is relevant to numerous aspects of organizational life that involve human capital (Trevino et al., 1999). Consequently, understanding the relationship between individual values and ethical behavior is very important for understanding work behavior in organizations.
2.7 Hypothesis Development

2.7.1 Role to ethical environment

Role is one of the important factors that will affect the ethical environment. Identification theories predict that individuals’ social groups and roles will affect their perceptions of an organization. Simply stated, social identity theory predicts that individuals’ identification with a firm or organization will affect their perceptions of organizational behavior (Ashforth and Mael, 1989). Trevino et al., (2008), drawing on social identity theory (Tajfel and Turner, 1979; Ashforth and Mael, 1989), suggest that because individuals’ perceptions of their organizations influence their own identity in self-affirming ways, “… in general, organization members are likely to see their organizations in a positive light.”

The role that an individual perceives he or she plays within a firm is one factor that may influence their behavior and perceptions of the firm. The crux of social identity theory pertains to how an individual sees his/her role, along with the expectations and performance of that role (Burke and Tully, 1977). Role behavior then is guided by the meaning and expectations of the role (Burke, 1991).

Every profession has their own roles. Those roles will be their contribution to the firm. If a person gives the big contribution to the firm, he/she usually will be role model for other members. In reality, higher level managements have dominant role/contribution to the firm, so there will be many people who pay attention to them. Based on Trevino et al., (2008), higher levels of management are the leaders of the organization who are responsible for developing and framing the perceptions of acceptable organizational practices.
and policies. They state there is a disconnection in the perceptions of organizational ethics between the higher and lower levels of an organization, with employees at higher levels of a corporate hierarchy perceiving the organizational ethics in a more positive light. They also state that upper management has a more optimistic view of an organization’s ethical climate than lower-level employees. It means that the possibility of unethical behavior is small. Not only influence your behavior, role will influence the ethical environment of a firm.

If there is one person as a role model in a firm, it will influence the ethical environment in that firm because the other members are motivated naturally. Therefore, the role model person will influence, motivate and lead other members. It means that it will shape the environment in that firm to become ethical. Trevino et al., (2003 p. 6) state “. . . the ethical dimension of executive leadership is thought to be uniquely important because of the executive’s potential to influence employee and organizational behavior”. This finding has been empirically demonstrated in the literature, in that executives tend to shape an organization’s ethical environment (Posner and Schmidt, 1992).

Those explanations is happened in all organizations, include in public accounting firms. In public accounting firm, a person who has big role will be role model in the organization. It means that person will motivate, influence and lead the other member indirectly which will shape and maintain the ethical environment indirectly. Bobek et al., (2010) state the discrepancies stated by
Trevino et al., (2008) is also exist within CPA firms. Thus, the researcher state hypothesis as:

\( \text{H1a:} \) Accounting professionals who perceive that they have role in shaping and maintaining the ethical environment of their firm will perceive their firm’s ethical environment as stronger.

Weaver et al. (2015) found that the presence of an ethical role model in the work place helps foster ethical behavior which means there is relationship between role and ethical behavior. Then, Trevino et al. (2008) state upper management has a more optimistic view of an organization’s ethical climate than lower-level employees which means there is relationship between role of the members (upper –level and lower level employees) and ethical environment. On the other hand, Deshpande and Joseph (2009) demonstrated that the ethical environment of an organization significantly influences the ethical behavior of employees which means there is relationship between ethical environment and ethical behavior. Therefore, the researcher concludes that the role will influence ethical behavior indirectly through ethical environment. Thus, the researcher state hypothesis as:

\( \text{H1b:} \) Accounting professionals who perceive that they have role in shaping and maintaining the ethical environment of their firm will influence indirectly ethical behavior as stronger through the perception of their firm’s ethical environment.
2.7.2 Public interest to ethical environment

Public interest is one of factors that will influence the ethical environment of a firm strongly. If a firm has big interest from public, so that firm will be act carefully because any small mistake will be seen easily by public. If a firm has more public interest, it means that the firm will get more pressure because public will pay more attention to every single of action. Therefore, it will form the environment to become more ethical.

Stuebs and Wilkinson (2010) argue that one cause of ethical breakdowns is a loss of a public interest emphasis. These findings suggest an association between the ethical environment of accounting firms and their members’ views of the importance of serving the public. However, it is not entirely clear how this association will manifest itself. Bobek et al., 2015 p. 128 state that:

“….. accounting professionals with a strong sense of responsibility to the public may be more likely to choose or seek employment at firms with strong ethical environments or to help create strong ethical environments at their firms. This would suggest a positive relationship between perceptions of the ethical environment and accounting professionals’ beliefs about serving the public interest.”

In that statement, Bobek et al., (2015) found a positive relationship between perceptions of ethical environment and accounting professionals’ beliefs about serving the public interest. Based on this statement from Bobek et al., (2015), the researcher states the hypothesis as:

H2a: Accounting professionals who believe their obligation to serve the public interest will affect their perceptions of ethical environment of the firm.
Bobek et al., (2015) state accounting professionals with a strong sense of responsibility to the public may be more likely to choose or seek employment at firms with strong ethical environments or to help create strong ethical environments at their firms. This would suggest a positive relationship between perceptions of the ethical environment and accounting professionals’ beliefs about serving the public interest. This means that there is relationship between public interest and ethical environment. Then, Stuebs and Wilkinson (2010) argue that one cause of ethical breakdowns (unethical behavior) is a loss of a public interest emphasis. It means that there is also relationship between public interest and ethical behavior. On the other hand, Deshpande and Joseph (2009) demonstrated that the ethical environment of an organization significantly influences the ethical behavior of employees which means there is relationship between ethical environment and ethical behavior. Therefore, the researcher concludes that the public interest will influence ethical behavior indirectly through ethical environment. Thus, the researcher state hypothesis as:

H2b: Accounting professionals who believe their obligation to serve the public interest will affect the ethical behavior indirectly through their perceptions of ethical environment of the firm.

2.7.3 Organizational fit to ethical environment

People usually will look forward a company or firm that can make them work comfortably. Therefore, they will seek a company or firm that has the same values with them. If the values of the employee and organization can be in same line, so the company or firm will form the good work environment which is
ethical work environment. Those explanations can be called person-organizational fit. Therefore, person-organizational fit will influence the ethical environment.

Organizational fit has typically been conceptualized as the degree of congruence between employee and organizational beliefs, norms, values (Chatman, 1989; 1991), and goals (Kristof-Brown et al., 2005). The importance attached to the degree of organizational fit is in line with various theoretical frameworks, including the theory of cognitive dissonance (Festinger, 1957) that, as applied to the work environment, states that in those situations in which an employee perceives a meaningful discrepancy between their norms and values and those of the company, the resulting dissonance would result in negative work and organizational outcomes.

Those conditions are also happened in public accounting firm. Accounting professionals who has strong organizational fit will work comfortably because their value fits with the value of the organizations. Therefore, it will shape the ethical environment itself. Cable and Judge (1996) state individuals who perceive a stronger degree of congruence with the values of an organization and its employees are more likely to have positive work attitude. Bobek et al., (2015) expect that stronger degrees of organizational fit in public accounting professionals should also be related to more positive perceptions of their firms’ ethical environment. Based on the research, Bobek et al., (2015) found that organizational fit of public accounting professionals is significantly positively correlated with ethical environment. Thus, the researcher state third hypothesis as:
H3a: Accounting professionals who have strong organizational fit will perceive the ethical environment as stronger.

Bobek et al., (2015) found that stronger degrees of organizational fit in public accounting professionals should also be related to more positive perceptions of their firms’ ethical environment. Then, Cable and Judge (1996) state individuals who perceive a stronger degree of congruence with the values of an organization and its employees are more likely to have positive work attitudes (ethical behavior). It means that there is relationship between organizational fit and ethical behavior. On the other hand, Deshpande and Joseph (2009) demonstrated that the ethical environment of an organization significantly influences the ethical behavior of employees which means there is relationship between ethical environment and ethical behavior. Therefore, the researcher concludes that the organizational fit will influence ethical behavior indirectly through ethical environment. Thus, the researcher state hypothesis as:

H3b: Accounting professionals who has strong organizational fit will influence ethical behavior indirectly through the perception of the ethical environment.

2.7.4 Ethical environment to ethical behavior

An organization’s ethical environment reflects the pervasive ethical climate regarding what constitutes ethical behavior in the organization (Victor and Cullen, 1988). Booth and Schulz (2004) suggest that by focusing on several internal factors related to the ethical behavior of employees, an organization can create a strong ethical environment. Bobek and Radtke (2007)
state an ethical environment characterized by strong social norms and reinforcing social practices is consistent with more ethical behavior. Several studies focus on the ethical environment or culture of an organization and offer suggestions for firms to improve the ethical climate. A work climate can be defined as the perceptions of psychologically meaningful moral attitudes in a work environment (Schneider, 1975).

Booth and Schulz (2004) suggest that a strong ethical environment can induce agents to act in the interest of the organization and reduce agent’s tendency to maximize self-interest at the firm’s expense. They identify the following factor as influence on the strength of the ethical environment of an organization: (1) social norms (mission and values, leadership and management influence, and peer group influence); (2) social practices (procedures, rules, and code of ethics, and ethics training); and (3) outcomes (rewards and sanctions).

Based on previous study, they suggest that an organization’s ethical environment can impact on the ethical behavior of its employees (Victor and Cullen, 1988). Deshpande and Joseph (2009) demonstrated that the ethical environment of an organization significantly influences the ethical behavior of employees. Thus, the researcher state fourth hypothesis as:

**H4:** The organization with strong ethical environment will positively influence the ethical actions or behavior of the member.
2.8. **Research Model**

Based on Hypothesis development, this research concludes the research model as follow:

![Research Model Diagram]

*Figure 2.1 Research Model*
CHAPTER III
RESEARCH METHODOLOGY

3.1 Population and Sample

In this research, the researcher chooses the certified public accountants in Indonesia as the population. The researcher chooses certified public accountants because certified public accountant is one of the accounting professions that have their own regulation about code of ethic. Certified public accountants are regulated under AICPA (American Institute of Certified Public Accountants) and PCAOB (Public Company Accounting Oversight Board). Therefore, public accounting firm is the suitable participants for this research. The sample of this research that will be the participants is the auditors in public accounting firms located in Jakarta. The researcher choose public accounting firms in Jakarta because based on the website of BPK (Badan Pemeriksa Keuangan) and IAPI (Ikatan Akuntan Publik Indonesia), the majority of public accounting firms in Indonesia is located in Jakarta.

For determining the sample, the researcher use non-probability sampling method which is Snowball Sampling. Snowball sampling is a technique of determining the number of samples were initially small and then continue to grow like a snowball. The researcher will distribute the questionnaire to the some respondents and then those respondents will also distribute the questionnaire to other respondents.

The researcher determines the number of sample based on Hair (2010). Hair, 2010 p. 173 explains about Sample Size. He states that:
“In addition to its role in determining statistical power, sample size also affects the generalizability of the results by the ratio of observations to independent variables. A general rule is that the ratio should never fall below 5:1, meaning that five observations are made for each independent variable in the variate. Although the minimum ratio is 5:1, the desired level is between 15 to 20 observations for each independent variable. When this level is reached, the results should be generalizable if the sample is representative.”

This research has three independent variables which are role, public interest and organizational fit. Based on Hair (2010) requirement, the minimum sample for research is 60 respondents.

3.2 Types and Sources Data

3.2.1 Source data

This research is quantitative research. Therefore, this research uses primary data. Based on Sekaran et al., (2013), primary data refer to information obtained first-hand by the researcher on the variables of the interest for the specific purpose of the study.

3.2.2 Data collection method

The researcher use questionnaires as the data collection method. All indicators of each variable in the questionnaire is modified by the research in order to conform with the purpose of this research. According to Sekaran et al., (2013), a questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. They are an efficient data collection mechanism when a study is
descriptive or explanatory in nature, questionnaires are generally less expensive and time consuming than interviews and observation. Questionnaires are generally designed to collect large numbers of quantitative data. They can be administered personally, mailed to the respondents, or electronically distributed.

This research distributes the questionnaire electronically, especially using web basis in docs.google.com. The researcher choose web basis because the respondents in this research are public accountants which are busy people. The researcher distributes the questionnaire in November 2015 until December 2015 period. This period is the hectic period or peak season which means that the auditor in that period is really busy. Therefore, the researcher chooses the web basis to make it easier to collect the data. Then, the auditor can also fill out the questionnaire anytime. It means that the researcher will not distract their times and therefore, the respondents can answer the questions freely without pressure.

3.3 Variable Measurement

3.3.1 Independent variable

Sekaran et al., (2013) define independent variable as one that influences the dependent variable in either a positive or negative way. There are three independent variables in this research, include:

1. Role

ROLE, which represent participants’ perceptions of the role that they have in shaping and maintaining their firms’ ethical environment, is measured as the sum of participants’ responses to one item: (1) “I feel I have a meaningful role in helping to form the ethical
environment of my firm.” Responses are on a seven point scales with 1 = strongly disagree and 7 = strongly agree. This item is based on prior research done by Bobek et al., (2015).

2. Public interest

The researcher measures PUBLIC INTEREST as participants’ response to the following item (on a seven-point scale with 1 = strongly disagree and 7 = strongly agree): “I identify with the ideal espoused by the accounting profession to serve the public interest.” This item is adopted from prior research done by Bobek et al., (2015).

3. Organizational fit

ORGANIZATIONAL FIT is measured using three-item scale adapted from Cable and Judge (1996). The two items are: (1) “My values seem to fit in well with the values of my firm;” and (2) “The personality of my firm reflects my own personality.” Responses are on a seven-point scale anchored by 1 = strongly disagree and 7 = strongly agree. These items are also adopted from prior research done by Bobek et al., (2015).

3.3.2 Intervening variable

According to Sekaran et al., (2013), a mediating variable (or intervening variable) is one that surfaces between the time the independent variables start operating to influence the dependent variable and the time their impact is felt on it. The mediating variable surfaces as a function of the independent variable(s) operating in any situation, and helps to conceptualize and explain the influence
of the independent variable(s) on the dependent variable. The intervening variable for this study, ETHICAL ENVIRONMENT, is participants’ perception of the ethical environment of their firm. It is based on a scale developed by Bobek and Radtke (2007) that assess the ethical environment of accounting firms rather than organizations in general. Whereas some “ethical climate” scales measure a corporation’s general ethical climate (e.g., Victor and Cullen, 1988), Bobek and Radtke scale specifically targets CPA firms. The items used to measure ethical environment are adopted from Bobek et al., (2015). In this research, the researcher modified those items and chooses three items scale. Responses are on seven point scale with 1 = strongly disagree and 7 = strongly agree.

3.3.3 Dependent variable

The dependent variable is the variable of primary interest to the researcher. The researcher’s goal is to understand and describe the dependent variable, or to explain its variability, or predict it. In other words, it is the main variable that lends itself for investigation as a viable factor. Through the analysis of the dependent variable, it is possible to find answers or solutions to the problem (Sekaran et al., 2013). The dependent variable for this study, ETHICAL BEHAVIOR, is assessed by using items adopted form W. Fu (2014). In this research, the researcher modified those items and chooses four items scale. Responses are on seven point scale with 1 = strongly disagree and 7 = strongly agree.
3.4 Pilot Test

This research is adopted from Bobek et al., (2015) and the indicators measurement for each variable is also adopted from prior research. It means that the indicators measurement for each variable used English, whereas this research is conducted in Indonesia which means there are differences in time, place and respondents. Therefore, the researcher do pilot test by translating the indicators measurement for each variable into Indonesian language. Then, the researcher distributes ten questionnaires in Indonesian language to the students of President University in their last semester, majoring in Accounting, have studied Accountant Professional Ethics subject, and have taken internship in Public Accounting Firm.

The pilot test is conducted two times in November 3, 2015 and November 5, 2015. First, the researcher distributes the questionnaire to the 10 students. The result of first pilot test is there are some input, correction and suggestion from those respondents. In the second pilot test, the researcher distributes questionnaire to the 10 other students. The purpose of the pilot test is to know whether the respondents can understand the questions or not.

3.5 Analysis Statistic

Structural Equation Modeling (SEM) is one of multivariate analysis (Hair, 2010). SEM is a family of statistical models that seek to explain the relationship among multiple variables. SEM is often used to assess unobservable latent construct. SEM has the ability to incorporate latent variables into the analysis. A latent construct (also termed a latent variable) is a hypothesized and unobserved
concept that can be represented by observable or measurable variables. It is measured indirectly by examining consistency among multiple measured variables, sometimes referred to as manifest variables, or indicators, which are gathered through various data collection methods.

There are two approaches of SEM which are Component-based estimation approach and Covariance-based approach. Covariance-based SEM is usually used with an objective of model validation and needs a large sample (preferably more than 200 subjects). Component-based SEM is a generalization of covariance-based SEM. It mainly can be carried out on very small samples. There are many kinds software of SEM, such WarpPLS, LISREL, AMOS, etc. The output models for each of software are different.

In this research, the researcher is using Partial Least Square (SEM-PLS) which is component-based estimation approach with WarpPLS software (Sholihin et al., 2013). The purpose of SEM-PLS is to predict or explain the construct or targeted latent variable. SEM-PLS can work efficiently with the small sample size and complex model. SEM-PLS also can maximize the variance of dependent variable and evaluate quality of data based on measurement model. SEM-PLS is combination between regression and factor analysis. The advantages of SEM-PLS beside can use small sample size is SEM-PLS can work efficiently with single indicator. Therefore, the researcher chooses to use SEM-PLS.

In other approaches of SEM, there are two steps approach which are evaluate measurement model (confirmatory factor analysis) and evaluate structural model. In SEM-PLS, there are outer model and inner model (Sholihin et
al., 2013). Outer model is to evaluate the measurement model. Inner model is to evaluate structural model.

1. Outer Model

In outer model, there two types of measurement construct which are reflective and formative. Formative construct means all indicators will shape latent variable. The direction of arrow is from indicators to latent variable. Therefore, eliminating one indicator will result in changing the meaning of latent variables. On the other hand, reflective construct means all indicators are the reflection of the latent variable. The direction of arrow is from latent variable to the indicators. Therefore, eliminating one indicator will not change the meaning of latent variable. In this research, all latent variables are reflective variable. Outer model section will evaluate the goodness of fit, validity and reliability. In other words, outer model is used to evaluate the measurement model of exogenous latent variables.

2. Inner Model

Inner model is used to evaluate the measurement model of endogenous latent variables. Inner model section will result the estimation of path coefficient and the significance which will be used for decision making of hypothesis test.
3.6 Test of Measurement Model (Outer Model)

3.6.1 Validity

According to Sekaran et al., (2013), validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. In other words, validity is concerned with whether we measure the right concept. Based on Ghozali (2013), validity test is used to measure whether the questionnaire is valid or not. The questionnaire is valid if the questions on questionnaire were able to reveal something that will be measured by the questionnaire.

In this research, the researcher is using construct validity. Based on Sekaran et al., (2013), construct validity testifies to how well the results obtained from the use of the measure fit the theories around which the test is designed. This is assessed through convergent validity and discriminant validity.

3.6.1.1 Convergent Validity

Convergent validity is established when the scores obtained with two different instruments measuring the same concept are highly correlated. Based on Sholihin et al., (2013), the requirements of convergent validity for reflective construct are (1) the loading value is more than 0.4, (2) p-value is less than 0.05 and (3) Average Variance Extracted (AVE) is more than 0.50.

3.6.1.2 Discriminant Validity

Discriminant validity is established when, based on theory, two variables are predicted to be uncorrelated, and the scores obtained by measuring them are
indeed empirically found to be so (Sekaran et al., 2013). Based on Sholihin et al., (2013), discriminant validity will be fulfilled if the cross-loadings value is less than the loading value.

3.6.2 Reliability

According to Sekaran et al., (2013), reliability is a test of how consistently a measuring instrument measures whatever concept it is measuring. In other words, reliability is concerned with stability and consistency of measurement. The reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument. In other words, the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure.

Based on Sholihin et al., (2013), reliability of instrument is measured by the value of composite reliability and cronbach’s alpha. Composite reliability and Cronbach’s alpha should be more than 0.70, but in exploratory research, 0.60 – 0.70 is still acceptable.

3.6.3 Multicollinearity

Based on Sekaran et al., (2013), multicollinearity is an often encountered statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated. According to Sholihin et al., (2013), the requirement of multicollinearity is the value of Variance Inflation Factor (VIF) must less than 3.3 (VIF < 3.3).
3.7 Test of Structural Model (Inner Model)

3.7.1 Determinant Coefficient (R-squared)

Based on Ghozali (2013), determinant coefficient (R²) measure how far the model can explain the variation of dependent variable. The value of determinant coefficient is between 0 until 1 (0 ≤ R² ≤ 1). If the value of R² approaches to zero, it means independent variables can explain limited information about dependent variable. If the value of R² approaches to one, it means independent variables can give all needed information to predict dependent variable. The higher R-squared value indicates the good model.

3.7.2 Predictive Relevance

Predictive relevance measures the predictive validity or the relevance between predictor latent variable and criterion latent variable. Based on Sholihin et al. (2013), if Q-squared is more than zero (Q-squared > 0), it means predictor latent variable has predictive relevance to criterion latent variable.

3.7.3 Effect Size

Effect size measures the contribution of each predictor latent variable to the criterion latent variable. There are three categories of effect size which are 0.02 (weak), 0.15 (medium), and 0.35 (strong).

3.7.4 Goodness of Fit

The goodness of fit of a statistical model describes how well a set of observations. Goodness of fit show whether all independent variable can explain
the dependent variable significantly. Based on Sholihin et al, (2013), there are three indicators of fit which are Average Path Coefficient (APC), Average R-Squared (ARS), and Average Variance Inflation Factor (AVIF). The model is good/fit if p-values of APC and ARS are less than 0.05 (significant) and value of AVIF is less than 5.

3.8 Test of Mediation Model (Hypothesis Test)

There are two steps to test the mediating variable. Those two steps are Direct Effect and Indirect Effect.

3.8.1 Direct Effect

In direct effect step, the researcher makes path analysis between independent variable and dependent variable. Direct effect will show the direct relationship between independent variable and dependent variable without mediating/intervening variable. This step will result path coefficient and p-values (significance) of each relationship. If the p-value is less than 0.05, it means there is significant relationship.

3.8.2 Indirect Effect

In indirect effect, the researcher makes path analysis between independent variable, mediating/intervening variable, and dependent variable. There are three categories of mediation:

1. If the path coefficient between independent variable and dependent variable is the same as direct effect and still significant. In other words, there are no changes between direct effect and indirect effect, it means mediating hypothesis is not supported.
2. If the path coefficient between independent variable and dependent variable is declining, but still significant, it means it is partial mediation. Partial mediation shows that our mediating variable is not the only mediation between independent variable and dependent variable.

3. If the path coefficient between independent variable and dependent variable is declining and become not significant, it means it is full mediation.
4.1 Demographic Data of Respondents

The sample of this research is an external auditors in Indonesia. The researcher use questionnaire to get the data. The questionnaire is distributed by using “snowball” sampling method which is the questionnaire will be distributed to some auditors and they will help to distribute it to the another auditor that they know. In this research, the researcher get back the 101 questionnaire which means the total respondents is 101. In the questionnaire, the researcher also ask about the demographic data of the respondents. Then, the researcher make an agreement in the questionnaire that state the respondents is agree to answer the questionnaire objectively without any pressure and their answer is confidential and will be used only for the purpose of this research. Therefore, this questionnaire will prevent and reduce the bias from the respondents. In this section, the researcher will show the demographic data of respondents.
<table>
<thead>
<tr>
<th>Classification</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17-25</td>
<td>86</td>
<td>85.1%</td>
</tr>
<tr>
<td>26-35</td>
<td>12</td>
<td>11.9%</td>
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<tr>
<td>36-45</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>&gt;45</td>
<td>1</td>
<td>1.0%</td>
</tr>
<tr>
<td>EXPERIENCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 year</td>
<td>64</td>
<td>63.4%</td>
</tr>
<tr>
<td>2 year</td>
<td>17</td>
<td>16.8%</td>
</tr>
<tr>
<td>3 year</td>
<td>9</td>
<td>8.9%</td>
</tr>
<tr>
<td>4 year</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>5 year</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>&gt;5 year</td>
<td>7</td>
<td>6.9%</td>
</tr>
<tr>
<td>LAST EDUCATION</td>
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<td></td>
</tr>
<tr>
<td>D3</td>
<td>7</td>
<td>6.9%</td>
</tr>
<tr>
<td>S1</td>
<td>93</td>
<td>92.1%</td>
</tr>
<tr>
<td>S2</td>
<td>1</td>
<td>1.0%</td>
</tr>
<tr>
<td>GENDER</td>
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<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>38.6%</td>
</tr>
<tr>
<td>Female</td>
<td>62</td>
<td>61.4%</td>
</tr>
<tr>
<td>POSITION</td>
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<td></td>
</tr>
<tr>
<td>Associate</td>
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</tr>
<tr>
<td>Senior Associate</td>
<td>15</td>
<td>14.9%</td>
</tr>
<tr>
<td>Assistant Manager</td>
<td>13</td>
<td>12.9%</td>
</tr>
<tr>
<td>AUDIT FIRM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PwC</td>
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<td>26.7%</td>
</tr>
<tr>
<td>KPMG</td>
<td>8</td>
<td>7.9%</td>
</tr>
<tr>
<td>Deloitte</td>
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<td>12.9%</td>
</tr>
<tr>
<td>PKF</td>
<td>5</td>
<td>5.0%</td>
</tr>
<tr>
<td>RSM AAJ</td>
<td>9</td>
<td>8.9%</td>
</tr>
<tr>
<td>Kreston</td>
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<td>19.8%</td>
</tr>
<tr>
<td>BDO</td>
<td>14</td>
<td>13.9%</td>
</tr>
<tr>
<td>GT</td>
<td>4</td>
<td>4.0%</td>
</tr>
<tr>
<td>Moore Stephen</td>
<td>1</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Table 4.1 Demographic Data
In the questionnaire, the researcher ask demographic data of respondents about age, work experience, last education, gender, position in a firm, and audit firm. Table 4.1 shows the demographic data from collected questionnaire. There are 86 respondents or 85.1% who is between 17-25 years old. The respondents aged 26-35 years old are 12 respondents with the percentage of 11.9%. There are only few respondents aged between 36-45 and more than 45 years old. The respondents aged between 36-45 years old are 2 respondents with the percentage of 2%. Last, there is only 1 respondent aged more than 45 years old with the percentage of 1%. The majority of respondents are aged between 17-25 years old and the minority of respondents are aged more than 45 years old.

The second information is about work experience. There are respondents who has experience of 1 year, 2 years, 3 years, 4 years, 5 years and more than 5 years. The respondents who have the experience of 1 year, 2 years, 3 years, 4 years, 5 years, and more than 5 years respectively are 64 respondents, 17 respondents, 9 respondents, 2 respondents, 2 respondents, and 7 respondents respectively or with the percentage of 63.4% (1 year), 16.8% (2 years), 8.9% (3 years), 2% (4 years), 2% (5 years), and 6.9% (more than 5 years) respectively. The majority of respondents are have experiences for 1 year in their firm.

The third information is about last education of the respondents. The majority of respondents has “Strata 1” (S1) as their last education with percentage of 92.1% or 93 respondents out of 101 respondents. The respondents who has “Strata 2” (S2) as their last education are only 1 respondent with the percentage of 1%. Last, there are some respondents (7 respondents) who have “Diploma 3” (D3) as their last education with the percentage of 6.9%.
The fourth information is about gender. The majority of respondents are female with the percentage of 61.4% (62 respondents). The rest of respondents are male with the percentage of 38.6% (39 respondents). The fifth information is about the position of the respondents in their firm. The respondents who are in Associate position are 73 respondents or 72.3% which means it is the majority position of respondents. The rest respondents are in Senior Associate position with 14.9% (15 respondents) and Assistant Manager with 12.9% (13 respondents).

The last information is about the audit firm where the respondents work. The respondents is come from several audit firms such as PwC (PricewaterhouseCoopers), KPMG, Deloitte, PKF, RSM AAJ, Kreston International, BDO, GT (Grant Thornton), and Moore Stephen. There are 27 respondents of PwC (26.7%), 8 respondents of KPMG (7.9%), 13 respondents of Deloitte (12.9%), 5 respondents of PKF (5%), 9 respondents of RSM AAJ (8.9%), 20 respondents of Kreston International (19.8%), 14 respondents of BDO (13.9%), 4 respondents of GT (4%), and 1 respondent of Moore Stephen (1%).

4.2 Test of Measurement Model (Outer Model)

4.2.1 Validity

Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. The result of validity test will be explained by Table 4.2.
### Table 4.2 Validity Test

Table 4.2 show the result of validity test of the construct. Based on Table 4.2, it shows that the convergent validity and discriminant validity. The p-value of each item is less than 0.001 (p-value < 0.001). It means that those items are fulfilling the requirement of convergent validity which is p-value must less than 0.05. Then, the loading value of each item is more than 0.4 (loading factor > 0.4). It also means that those items are fulfilling the requirement of convergent validity which is loading value must more than 0.4. It is showed in the value with the bracket. The loading value of role’s indicator is 1. The loading value of public interest’s indicator is 1. The loading values of organizational fit’s indicator are 0.923 for OF1 and 0.923 for OF2. The loading values of ethical environment’s indicators are 0.827 for EE1, 0.641 for EE2, and 0.792 for EE3. The loading values of ethical behavior’s indicators are 0.701 for EB1, 0.830 for EB2, 0.601 for EB3, and 0.803 for EB4. In addition, the other requirement of convergent validity is the AVE’s value should be more than 0.50 (AVE > 0.50). The result shows the AVE’s values of all variables are more than 0.50. The AVE’s values of each

<table>
<thead>
<tr>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
<th>P VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>1.000</td>
<td>0.000</td>
<td>-0.000</td>
<td>-0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>PI1</td>
<td>0.000</td>
<td>1.000</td>
<td>-0.000</td>
<td>-0.000</td>
<td>-0.000</td>
</tr>
<tr>
<td>OF1</td>
<td>-0.005</td>
<td>-0.026</td>
<td>(0.923)</td>
<td>0.198</td>
<td>0.024</td>
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<td>OF2</td>
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<td>0.026</td>
<td>(0.923)</td>
<td>-0.198</td>
<td>-0.024</td>
</tr>
<tr>
<td>EE1</td>
<td>0.392</td>
<td>-0.093</td>
<td>-0.056</td>
<td>(0.827)</td>
<td>-0.260</td>
</tr>
<tr>
<td>EE2</td>
<td>-0.146</td>
<td>-0.159</td>
<td>-0.100</td>
<td>(0.641)</td>
<td>0.447</td>
</tr>
<tr>
<td>EE3</td>
<td>-0.291</td>
<td>0.226</td>
<td>0.140</td>
<td>(0.792)</td>
<td>-0.091</td>
</tr>
<tr>
<td>EB1</td>
<td>-0.459</td>
<td>-0.126</td>
<td>0.141</td>
<td>0.085</td>
<td>(0.701)</td>
</tr>
<tr>
<td>EB2</td>
<td>-0.020</td>
<td>-0.088</td>
<td>-0.171</td>
<td>0.106</td>
<td>(0.830)</td>
</tr>
<tr>
<td>EB3</td>
<td>0.531</td>
<td>0.189</td>
<td>-0.057</td>
<td>-0.043</td>
<td>(0.601)</td>
</tr>
<tr>
<td>EB4</td>
<td>0.024</td>
<td>0.060</td>
<td>0.097</td>
<td>-0.151</td>
<td>(0.803)</td>
</tr>
</tbody>
</table>

### AVE Table

<table>
<thead>
<tr>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVE</td>
<td>1.000</td>
<td>1.000</td>
<td>0.852</td>
<td>0.574</td>
</tr>
</tbody>
</table>

**Table 4.2 Validity Test**
variable respectively are 1.000 for role, 1.000 for public interest, 0.852 for organizational fit, 0.574 for ethical environment, and 0.547 for ethical behavior. In conclusion, the items/indicators of each variable measuring the same concept is correlated each other. In other words, all indicators are valid.

Table 4.2 also shows the result of discriminant validity. The requirement of discriminant validity is the cross loading value is less than the loading value. In other words, the loading value is more than the other value horizontally. Based on Table 4.2, all loading values of each item/indicator are more than their cross loading value.

4.2.2 Reliability

Reliability is a test of how consistently a measuring instrument measures whatever concept it is measuring. The result of reliability test will be discussed in Table 4.3.

<table>
<thead>
<tr>
<th></th>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite reliability</td>
<td>1.000</td>
<td>1.000</td>
<td>0.920</td>
<td>0.800</td>
<td>0.826</td>
</tr>
<tr>
<td>Cronbach’s alpha</td>
<td>1.000</td>
<td>1.000</td>
<td>0.827</td>
<td>0.624</td>
<td>0.718</td>
</tr>
</tbody>
</table>

Table 4.3 Reliability Test

Table 4.3 shows the result of reliability test. Based on Sholihin et al. (2013), the requirement of reliability the composite reliability and Cronbach’s alpha should be more than 0.70, but in exploratory research, 0.60 – 0.70 is still acceptable. Table 4.3 shows that the composite reliability of all variables are more than 0.70. All composite reliability of each variable respectively are 1.000 for role, 1.000 for public interest, 0.920 for organizational fit, 0.800 for ethical environment, and 0.826 for ethical behavior. Then, all cronbach’s alpha of each
variable are also more than 0.70, except for ethical environment. All cronbach’s alpha of each variable respectively are 1.000 for role, 1.000 for public interest, 0.827 for organizational fit, 0.624 for ethical environment, and 0.718 for ethical behavior. In conclusion, the instrument is stable and consistent.

4.2.3 Multicollinearity

Multicollinearity is an often encountered statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated. The result of multicollinearity test will be explained in Table 4.4.

<table>
<thead>
<tr>
<th>Full collinearity VIF</th>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.855</td>
<td>1.330</td>
<td>1.961</td>
<td>2.345</td>
<td>1.377</td>
</tr>
</tbody>
</table>

Table 4.4 Multicollinearity Test

Table 4.4 shows the result of multicollinearity test. The requirement of multicollinearity is the full collinearity VIF (Variance Inflation Factor) must be less than 3.3. The result shows the VIF of all variables are less than 3.3 (VIF < 3.3). The VIF’s value of role, public interest, organizational fit, ethical environment, and ethical behavior respectively are 1.855, 1.330, 1.961, 2.345, and 1.377.

4.3 Test of Structural Model (Inner Model)

4.3.1 Determinant Coefficient (R-squared)

Determinant coefficient (R²) measure how far the model can explain the variation of dependent variable. The result of determinant coefficient test will be discussed in Table 4.5.
Table 4.5 Determinant Coefficient

The result of determinant coefficient (R-squared) is also shown in Table 4.5. There are two endogenous variables in this chapter which means there are two R-squared also. The first R-squared is ethical environment. The R-squared of ethical environment is 0.527 which means the exogenous variables (role, public interest, and organizational fit) can explain the ethical environment about 52.7%. The second R-squared is ethical behavior. The R-squared of ethical behavior is 0.248 which means the exogenous variables (role, public interest, organizational fit, and ethical environment) can explain the ethical behavior about 24.8%.

4.3.2 Predictive Relevance

Predictive relevance measures the predictive validity or the relevance between predictor latent variable and criterion latent variable. The result of predictive relevant test will be explained by Table 4.6.

<table>
<thead>
<tr>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.527</td>
<td>0.248</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.6 Predictive Relevance

The result in Table 4.6 shows that all Q-squared are more than zero (Q-squared > 0). Q-squared of ethical environment is 0.550 and Q-squared of ethical behavior is 0.255. It means that predictor latent variable and criterion latent variable are relevance.
4.3.3 Effect Size

Effect size measures the contribution of each predictor latent variable to the criterion latent variable. The result of effect size test will be explained in Table 4.7.

<table>
<thead>
<tr>
<th></th>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETHBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROLE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUBINT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORGFIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETHENV</td>
<td>0.143</td>
<td>0.101</td>
<td>0.283</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETHBE</td>
<td>0.061</td>
<td>0.011</td>
<td>0.021</td>
<td>0.217</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.7 Effect Size

Table 4.7 shows the result of effect size. There are three categories of effect size which are 0.02 (weak), 0.15 (medium), and 0.35 (strong). The result shows that there are four weak effect sizes which are role to ethical behavior with 0.061, organizational fit to ethical behavior with 0.021, role to ethical environment with 0.143, and public interest to ethical environment with 0.101. It means that the contribution of predictor variable to enhance the criterion variable is weak. The effect size of public interest and ethical behavior is very weak (0.011) which is below 0.02. There are two medium effect sizes which are organizational fit to ethical environment with 0.283, and ethical environment to ethical behavior with 0.217. It means that the contribution of predictor variable to enhance the criterion variable is medium.

4.3.4 Goodness of Fit

The goodness of fit of a statistical model describes how well a set of observations. The result of goodness of fit test will be discussed in Table 4.8.
Table 4.8 Goodness of Fit

There are three indicators of fit which are Average Path Coefficient (APC), Average R-Squared (ARS), and Average Variance Inflation Factor (AVIF). The model is good/fit if p-values of APC and ARS are less than 0.05 (significant) and value of AVIF is less than 5. Table 4.8 shows the result that all requirements are fulfilled. The p-values of APC and ARS are p < 0.001. Then, the value of AVIF is 1.650. In conclusion, the model is good/fit.

4.4 Test of Mediation Model (Hypothesis Test)

4.4.1 Direct Effect

Direct effect will show the direct relationship between independent variable and dependent variable without mediating/intervening variable. The result of direct effect will be explained by Figure 4.1.
In direct effect step, the researcher makes path analysis between independent variable and dependent variable without mediating variable. Figure 4.1 show the result of direct effect which is path analysis of role, public interest and organizational fit toward ethical behavior. The result shows that there are relationship between role to ethical behavior and public interest to ethical behavior. In contrary, there is no relationship between organizational fit and ethical behavior. In other words, the role and public interest are significantly related to ethical behavior, but organizational fit is not significantly related to ethical behavior. It can be seen from the p-value of each relationship. The p-value between role to ethical behavior and public interest to ethical behavior respectively are 0.02 and 0.04 (those are below 0.05) which means those variables are significantly related to ethical behavior. On the other hand, the p-value between organizational fit to ethical behavior is 0.29 (above 0.05) which means these variable is not significantly related to ethical behavior. However, the R-squared of 0.18 (18%) is quite modest.

Figure 4.1 shows that role is significantly related to ethical behavior (p = 0.02). It is in line with Weaver et al., (2005) who state the presence of an ethical role in the work place helps foster the ethical behavior. It means that ethical role will influence positively to ethical behavior. If people have good role (ethical role), so their behaviors tend to become ethical too.

The result also shows that public interest is significantly related to ethical behavior (p = 0.04). Stuebs and Wilkinson (2010) argue that one cause of ethical breakdowns (unethical behavior) is a loss of a public interest emphasis. It means that unethical behavior is caused by the bad public interest emphasis. If the
organization is lack of public interest emphasis, so the members is easily tend to
do unethical behavior because the public will not pay attention to their actions. In
public accounting firm, this issue is really important because public accounting
firm is really related to the public. The public will use the outcome of public
accounting firm. Therefore, public accountants as professional accounting
profession will act carefully.

Based on the result, organizational fit is not significantly related to ethical
behavior (p = 0.29). Stuebs and Wilkinson (2010, p.31) state that “rewarding
employees in concrete ways for good judgment as a way to encourage ethical
behavior and improve professionalism.” Therefore, organizational fit is not
significantly related to ethical behavior because there is other variable which has
dominant relation with the ethical behavior which is reward system. This is also
supported by Colby and Kohlberg, 1987 who state the reward system as the basic
level of moral reasoning.

4.4.2 Indirect Effect

In indirect effect, the researcher makes path analysis between independent
variable, mediating/intervening variable, and dependent variable. The result of
indirect effect will be explained by Figure 4.2.
In indirect effect, the researcher makes path analysis between independent variable, mediating/intervening variable, and dependent variable. Indirect effect also gives the result of hypothesis test. Consistent with Hypothesis 1a (H1a), role is significantly related to ethical environment (p < 0.01). The more participants agreed that they had a role in shaping and maintaining the ethical environment of their firm, the stronger they perceived the ethical environment of their firm to be. Trevino et al. (2008) state there is a disconnection in the perceptions of organizational ethics between the higher and lower levels of an organization, with employees at higher levels of a corporate hierarchy perceiving the organizational ethics in a more positive light. They also state that upper management has a more optimistic view of an organization’s ethical climate than lower-level employees. Bobek et al. (2010) state the discrepancies stated by Trevino et al., (2008) is also exist within CPA firms.
Consistent with Hypothesis 1b (H1b), role has indirect effect to ethical behavior through ethical environment. It can be seen from the result of direct effect and indirect effect. In the result of direct effect, the role is significantly related to ethical behavior (p = 0.02 and β = 0.26). In contrary, the role is not significantly related to ethical behavior in the indirect effect (p = 0.12 and β = 0.16). It means that the beta is declining from 0.26 to 0.16 and the p value become insignificant form 0.02 to 0.12. In conclusion, this result shows that it is a full mediation.

With regard to Hypothesis 2a (H2a), public interest is significantly related to ethical environment (p < 0.01). The more participants agreed with the ideal of serving the public interest, the stronger they perceived the ethical environment of their firm. Bobek et al., (2015) state Public accountants who put a high priority on serving the public interest might also have very high standards with regard to assessing the ethical environment. Accounting professionals with a strong sense of responsibility to the public may be more likely to choose or seek employment at firms with strong ethical environments or to help create strong ethical environments at their firms. This would suggest a positive relationship between perceptions of the ethical environment and accounting professionals’ beliefs about serving the public interest.

Consistent with Hypothesis 2b (H2b), public interest has indirect effect to ethical behavior through ethical environment. It can be seen from the result of direct effect and indirect effect. In the result of direct effect, the public interest is significantly related to ethical behavior (p = 0.04 and β = 0.16). In contrary, the public interest is not significantly related to ethical behavior in the indirect effect.
(p = 0.33 and β = 0.04). It means that the beta is declining from 0.16 to 0.33 and the p value become insignificant from 0.04 to 0.33. In conclusion, this result shows that it is a full mediation.

The researcher finds support for Hypothesis 3a (H3a), as organizational fit is significantly related to ethical environment (p < 0.01). Thus, the better the organizational fit, the stronger participants perceived the ethical environment to be. Bobek et al., (2015) expect that stronger degrees of organizational fit in public accounting professionals should also be related to more positive perceptions of their firms’ ethical environment. Based on the research, Bobek et al., (2015) found that organizational fit of public accounting professionals is significantly positively correlated with ethical environment.

Based on the path analysis, the result shows that the Hypothesis 3b (H3b) which state organizational fit has indirect effect to ethical behavior through ethical environment is rejected. It can be seen from the path analysis result of direct effect and indirect effect. In direct effect, the organizational results that organizational fit is not significantly related to ethical behavior (p = 0.29 and β = 0.10). In other words, organizational fit has no relationship with ethical behavior. Then, the indirect effect results organizational fit is significantly related to ethical environment (p = < 0.01), but is not significant to ethical behavior (p = 0.31 and β = 0.07). It means that both p-values between organizational fit and ethical behavior in direct effect and indirect effect are not significant. The p-value is increasing from 0.29 to 0.31. In conclusion, the organizational fit is significantly related to ethical environment, but is not significantly related to ethical behavior.
Therefore, ethical environment is not mediating between organizational fit and ethical behavior.

Finally, the researcher also finds support for Hypothesis 4 (H4), as the ethical environment is significantly related to ethical behavior (p < 0.01). Therefore, the ethical behavior of the member of the organization will be reflected from the ethical environment of the organization. Victor and Cullen (1998) suggest that an organization’s ethical environment can impact on the ethical behavior of its employee. Deshpabde and Joseph (2009) demonstrated that the ethical environment of an organization significantly influences the ethical behavior of employees.
CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The conclusions of this research are this research can verify that role is significantly related to ethical environment. When the members of organization have role in shaping and maintaining the ethical environment of their firm, the stronger they perceived the ethical environment of their firm to be. This research also give the same result for the relationship between role and ethical behavior which is role is significantly related to ethical behavior. It means that the bigger role of the members, they will tend to do more ethical behavior. This result is in line with Trevino et al., (2008) state there is a disconnection in the perceptions of organizational ethics between the higher and lower levels of an organization, with employees at higher levels of a corporate hierarchy perceiving the organizational ethics in a more positive light. They also state that upper management has a more optimistic view of an organization’s ethical climate than lower-level employees. Bobek et al., (2010) state the discrepancies stated by Trevino et al., (2008) is also exist within CPA firms.

Not only role, public interest also has relationship to ethical environment and ethical behavior. This research verify about it. Public interest is significantly related to ethical environment and ethical behavior. The more participants agreed with the ideal of serving the public interest, the stronger they perceived the ethical environment of their firm. Then, if the organization is lack of public interest emphasis, so the members is easily tend to do unethical behavior because the
public will not pay attention to their actions. This result is in line with Bobek et al., (2015) who state there is positive relationship between perceptions of the ethical environment and accounting professionals’ beliefs about serving the public interest.

In contrary, organizational fit is significantly related to ethical environment, but is not significantly related to ethical behavior. The better the organizational fit, the stronger participants perceived the ethical environment to be. Otherwise, the bad organizational fit, participants will perceived the ethical environment as weak. Organizational fit is not significantly related to ethical behavior because in researching about ethic, it cannot be measured accurately. Ethic is all about perceptions and judgments. Every people have different perceptions and judgments. In addition, every people are also faced ethical dilemma. This result is in line with Bobek et al., (2015) who found organizational fit of public accounting professionals is significantly positively correlated with ethical environment.

This research can also verify that there is significant relationship between ethical environment and ethical behavior. Ethical environment is significantly related to ethical behavior. The ethical behavior of the member of the organization will be reflected from the ethical environment of the organization. Someone who has good ethical behavior usually has good ethical environment in their organization, and vice versa. This result is in line with Deshpabde and Joseph (2009) who demonstrated the ethical environment of an organization significantly influences the ethical behavior of employees.
For mediation testing, this research results ethical environment is mediation between role to ethical behavior and public interest to ethical behavior. In contrary for organizational fit, this research results ethical environment is not mediation between organizational fit and ethical behavior. It is in line with the result that state organizational fit is not significantly related to ethical behavior, but is significantly related to ethical environment. It means organizational fit only has direct relationship with ethical environment, not ethical behavior. Therefore, ethical environment is not mediation between organizational fit and ethical behavior.

5.2 Limitation

This research has several limitations, include:

1. This research is using small sample, only 101 respondents because of the limitation of time. The researcher gathers the data within 1 month. Therefore, it cannot show the more accurate result.

2. The majority of participants in our sample were from international CPA firms, and regional firms were not represented.

3. The majority of participants are from one region which is Jakarta. Therefore, it potentially limiting the generalizability of the result.

4. Internal validity of using questionnaire is weak.
5.3 **Recommendation**

The researcher has some recommendations regarding the limitations of this research that can help the future researcher to explore more about this research. The recommendations are:

1. Future researcher should get more samples. Therefore, the result can be more accurate and can use another software of SEM, such as Lisrel to maximize the result.

2. Future researcher should get the participants from international and regional CPA firms to know the difference of ethical behavior between them.

3. Future researcher should get the participants from many regions, not only from one region. Therefore, it can enhance the potential of generalizability of the result.

4. Future research can empirically investigate the link between reward system and ethical behavior.

5. The future research should distribute the questionnaire using paper based, so we can choose the sample specifically.
REFERENCES


## Appendix 1. Questionnaire

<table>
<thead>
<tr>
<th>No</th>
<th>Pertanyaan</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Saya merasa bahwa saya memiliki peran penting dalam membantu perusahaan saya untuk menciptakan lingkungan yang etis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Saya berpendapat bahwa tujuan dasar profesi akuntansi adalah untuk melayani kepentingan publik.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Nilai-nilai etika yang saya miliki cocok dengan nilai-nilai etika yang diterapkan perusahaan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Perusahaan saya sangat memerhatikan perilaku etis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Rekan kerja dalam perusahaan saya tidak berperilaku etis.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Perusahaan saya memiliki kode etik yang sesuai dengan kode etik AICPA.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Saya menggunakan layanan perusahaan untuk keperluan pribadi.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Saya menyalahkan rekan kerja yang tak bersalah atas kesalahan yang terjadi.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Saya menerima hadiah/bantuan khusus sebagai balasan untuk memberikan perlakuan istimewa.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Saya tidak membocorkan rahasia perusahaan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 = Sangat Tidak Setuju    7 = Sangat Setuju

### Demografi:
1. Berapakah usia anda?
2. Berapa lama anda bekerja dalam perusahaan ini?
3. Apa pendidikan terakhir anda?
4. Jenis Kelamin?
5. Apa posisi anda saat ini?
6. Di Kantor Akuntan Publik (KAP) manakah anda bekerja saat ini?

## Appendix 2. Statistic SEM-PLS Result
### Combined loadings and cross-loadings

<table>
<thead>
<tr>
<th></th>
<th>ROLE</th>
<th>PUBINT</th>
<th>ORGFIT</th>
<th>ETHENV</th>
<th>ETH-BE</th>
<th>SE</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>1.000</td>
<td>0.000</td>
<td>0.000</td>
<td>-0.000</td>
<td>0.000</td>
<td>0.050</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>P1</td>
<td>-0.000</td>
<td>1.000</td>
<td>-0.000</td>
<td>-0.000</td>
<td>-0.000</td>
<td>0.059</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Q1</td>
<td>-0.005</td>
<td>-0.026</td>
<td>0.923</td>
<td>0.198</td>
<td>0.024</td>
<td>0.084</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Q2</td>
<td>0.005</td>
<td>0.026</td>
<td>0.923</td>
<td>-0.198</td>
<td>-0.024</td>
<td>0.071</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E1</td>
<td>0.392</td>
<td>-0.093</td>
<td>-0.056</td>
<td>0.827</td>
<td>-0.260</td>
<td>0.076</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E2</td>
<td>-0.146</td>
<td>-0.159</td>
<td>-0.100</td>
<td>0.641</td>
<td>0.447</td>
<td>0.126</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E3</td>
<td>0.281</td>
<td>0.226</td>
<td>0.140</td>
<td>0.792</td>
<td>-0.091</td>
<td>0.111</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E4</td>
<td>-0.459</td>
<td>-0.126</td>
<td>0.141</td>
<td>0.085</td>
<td>0.701</td>
<td>0.096</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E5</td>
<td>-0.020</td>
<td>-0.088</td>
<td>-0.171</td>
<td>0.106</td>
<td>0.830</td>
<td>0.125</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E6</td>
<td>0.531</td>
<td>0.189</td>
<td>-0.057</td>
<td>-0.043</td>
<td>0.601</td>
<td>0.110</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>E7</td>
<td>0.024</td>
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<td>0.057</td>
<td>-0.151</td>
<td>0.803</td>
<td>0.133</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

Note: P values < 0.05 are desirable for reflective indicators.

### Latent variable coefficients

<table>
<thead>
<tr>
<th></th>
<th>R-squared</th>
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<th>ETH-BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R2</td>
<td>0.527</td>
<td>0.243</td>
<td>0.920</td>
<td>0.800</td>
<td>0.836</td>
</tr>
<tr>
<td>C2</td>
<td>1.000</td>
<td>1.000</td>
<td>0.827</td>
<td>0.524</td>
<td>0.718</td>
</tr>
<tr>
<td>A2</td>
<td>1.000</td>
<td>1.000</td>
<td>0.852</td>
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<td>0.243</td>
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Composite reliability: 1.000
Cronbach’s alpha: 1.000
Avg. var. extrac.: 1.000
Full collin. VIF: 1.855
Q-squared: 0.527

P values < 0.05 are desirable for reflective indicators.
**Standard errors for path coefficients**

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<tr>
<th>ROLE</th>
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<th>ETHENV</th>
<th>ETHBE</th>
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**Effect sizes for path coefficients**

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**Model fit indices and P values**

- APC = 0.228, P < 0.001
- ARS = 0.387, P < 0.001
- AVIF = 1.860, Good if < 5
### Path coefficients

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<th>ETHENV</th>
<th>ETHBE</th>
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### P values

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