

THE EFFECT OF THE AUDITORY EXPERIENCE, THE ORGANIZATIONAL COMMITMENT AND THE ETHICAL ORIENTATION VARIABLE TOWARD THE ETHICAL DECISION-MAKING WITH THE ORGANIZATIONAL CULTURE VARIABLE AS THE MODERATOR

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Abstract: *The research aims at examining the situational factors (organization culture) in ethical decision-making of APIP's auditors. The participants are asked to chose an answer from five alternative answers (respond). The reserach was conduted in East Java which is the second biggest province in Indonesia after DKI Jakarta and and it absorbs Rp 43, 16 trillion of the total regional expenditure budget in 2010. The reasearh applies quantitative approach. Variables used in this research are: the aditory experience, the professional commitment, the ethical orientation, the organizational culture, and the ethical decision-making. The research has some conclusion i.e. API auditors with the high auditory experience are able to do the ethical decision-making. The high identification shows that the APIP auditors have understood the aim and the values of professional organization. Include the moral and ethical values. Then, it is argued that the higher level of loyalty shaped becayse the APIP auditory have had the emotional bond toward the proffesional organization. The APIP auditors' ethical organization has not became the important factor in affecting the ethical decision-making. The APIP auditors in East Java have not been aware of the consequence of a decision which is made by keeping on the morality values track. Besides, the low perception toward the realitivsm shows that the APIP auditors in East Jave by having a view that every individual have various and universal views about the ethical. The organizatinal culture of APIP auditor in the East Java has not been the important factors in influencing the ethical decision-making. The organizational culture which is not support the profesionalism values can be seen in all employess who do not notice their jobs as the responsibility that should be taken.*

Keywords: *Auditory Experience, Organizational Commitment, Ethical Orientation, Organizational Culture*

1. INTRODUCTION

Ethical decision is a decision both legally and morally can be accepted by the society (Trevino, 1986; Jones, 1991). Ethical orientation shows the views which is adopted by each individual when facing a situational problem which needs the problem solving and ethical solving or ethical dilemma.

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Many researches are conducted in some empirical studies in order to comprehend the moral intellectual development level of auditors comprehensively. It is done well, as same as comprehend factors which affect the ethical behaviour (Shaub, 1994).

The research aims at examining the situational factors (organization culture) in ethical decision-making of APIP's auditors. The participants are asked to choose an answer from five alternative answers (respond). Those answers will inform us about the participants' answers whether they are very unethical, unethical, neutral, ethical, or very ethical based on the ethical scenarios.

2. LITERATURE REVIEW

The moral development stages are the dimension of someone moral level based on the moral intellectual development as what has been explained by (Lawrence Kohlberg, 1958)

This theory views that moral intellectual is the basic point of ethical behaviour and has six development stages which are categorized into three levels i.e. pre-conventional, conventional, and post-conventional.

Jabatan Fungsional Auditor (JFA) was formed in 1996 based on the MENPAN regulation 19/1996 and firstly applied in BPKP as a further development of financial auditor functionaries and it has been started from 1983 in BPKP environment. Along with the demand of the professionalism improvement in monitoring, in 2000/2001 JFA is also applied in *Itjen Department/ LPND* environment. While in *Bawasda* in Province/ regency/ city environment, the JFA was just applied in 2003/ 2004.

Gibson *et al.* (1996) defines organization culture as a value system, belief, and unique norms which is possessed by all members of an organization. Organization culture can be the positive and negative powers in achieving the effective organization achievement.

The auditory experience is the auditors' experience in auditing the financial report both in the long time section and the duties they have. Libby and Frederick (1990) finds that the more experience the auditor have, the more various assumption they have in explaining the auditory findings.

Research Conceptual Framework

Trevino (1986) states that ethical decision-making by someone depends on individual moderators such as strength, field dependence, and locus of control and situational factor such as immediate job context, organization culture, and characteristics of the work.

3. RESEARCH METHODOLOGY

The research applies quantitative approach. The research was conducted in East Java which is the second biggest province in Indonesia after DKI Jakarta and it absorbs Rp 43,16 trillion of the total regional expenditure budget in 2010. Data collection technique was by questionnaire given to the inspectorate office. It aims at getting the higher response rate so that the researcher can know and understand more about organization culture in every inspectorate office.

The populations in this research come from all APIP's auditors who have auditor functional position and work in an inspectorate office which has applied the JFA in East Java for 95 employees. According to Arikunto (2006: 120) when the subjects are less than 100 persons, it is advisable to involve all of them to be samples. Variables used in this research are: the auditory experience, the professional commitment, the ethical orientation, the organizational culture, and the ethical decision-making. There were some written questions item and the respondents were asked to give respond based on their own perception about the items which are related to those five research variables i.e. the auditory experience (X1), the professional commitment (X2), the ethical orientation (X3), the organizational culture (M), and the ethical decision-making (Y).

4. ANALYSIS RESULT

The variable used in the research are the auditory experience variable which contains two indicators i.e. the working experience (X1.1), and the time experience (X1.2), the professional commitment variable (X2) which contains three indicators i.e. the identification (X2.1), the involvement (X2.2), and the loyalty (X3.1), the ethical orientation variables which consists of two indicators i.e. idealism (X3.1), and relativism (X3.2), the organizational culture variable (M) which consists of six indicators i.e. the professionalism (M1), the distance of management (M2), believing partners (M3), the regularity (M4), the hospitality (M5), and the integrity (M6), and moderator and ethical decision-making variables (Y) which consists of five scenarios i.e. informing the tender opportunities (Y1), the organizational regulation (Y2), finding the cases (Y3), the organization practice (Y4), and clearing the information (Y5).

4.1. Measurement Model

Based on Table 3, it shows that the strongest indicator as the measurement tool of auditory experience is time experience (loading factor 0,768 and mean 3,85). Thus, it is known that the auditors got their first auditory experience from experience in time period. From the professional commitment variable (X2), it is known that the most dominant indicator as its measurement tool is the identification (loading factor 0,728 and mean 3,92). So, it is concluded that the auditors show the

the main professional commitment is the identification made by the auditors. Furthermore, the result of the confirmatory factor analysis on Table 5.1. shows that the most dominant indicator of ethical orientation measurement tool is relativism (loading factor 0.786 and mean 3.43). thus, it is concluded that the auditors have ethical orientation mostly because the relativism aspect. CFA result of organizational culture variable shows that the most dominant indicator for organizational culture measurement tool is intergiy (loading factor 0.804 and mean 3.36) and the ethical decision variable (Y) shows that the most dominant indicator for ethical decision measurement tool is scenario 1 (loading factor 0.602 and mean 3.27). Thus, it is concluded that auditors have ethical decision because the scenario 1 aspect which informs the tender opportunities.

4.2. Structural Equation Modelling (SEM) Analysis

The hypothesis testing result is shown in Table 4 and Picture 1. The hypothesis testing result informs some points:

1. The value of auditory experience variable in ethical decision-making is value of 0.374 with p-value of 0.0009. because the value of p-value is <0.05 , it is concluded that the first hypothesis which states that the more improvement the auditory experience has, the better APIP auditors ethical decision-making will be is accepted. Since the coefficient is positive, it is concluded that they have the same aim. It means that the more auditory experience they have, the better ethical decision-making they chose.
2. The values of the professional commitment variable in the ethical decision-making is 0.405 with the p-value 0.007. Since the p-value is <0.05 , it is concluded that the second hypothesis which states that the better professional commitment, the better APIP auditors' ethical decision-making is accepted. Since the coefficient is positive, it is concluded that their relationships are on the same direction. It means that the better professional commitment impacts on the better ethical decision-making.
3. The value of the ethical orientation variable in ethical decision-making is 0.107 with the p-value of 0.363. since the value of p-value is >0.05 , it is concluded that the third hypothesis which stated the better ethical orientation, the better APIP auditor's ethical decision-making is rejected. It means that ethical orientation does not influence ethical decision-making process.
4. The value of organizational culture variable in the ethical decision-making is 0.125 with the p-value 0.245. since the p-value is >0.05 , it is concluded that the fourth hypothesis which states that the better organizational culture, the better APIP auditors' ethical decision making is rejected. It means

that the organizational culture does not have a role in ethical decision-making.

5. The value of the organizational cultural modernization effect and auditory experience in ethical decision-making is 0.374 with the p-value 0.002. Since the p-value is <0.05 , it is concluded that the fifth hypothesis which states that the organizational culture makes the auditory experience effect stronger in APIP auditors' ethical decision-making is accepted. Organization culture acts as Quasi-moderator variable because the moderator variable of organizational culture succeeds in modifying the forms between the predictor variable (auditor experience) and the respond variable (ethical decision-making) in which the moderator variable interacts with the predictor variable and be the predictor variable at once.
6. The value of the organization culture modernization effect and the professional commitment in the ethical decision-making is 0.402 with the p-value 0.001. Since the p-value is <0.05 , it is concluded that the sixth hypothesis which states that the organization culture makes the professional commitment effect stronger in the APIP auditors' ethical decision-making is accepted. The organization culture is as the Quasi-moderator variable because the organization culture moderator variable succeeds in modifying the relationship forms between the predictor variable (professional commitment) and the respond variable (ethical decision-making) where the moderator variable interacts with the predictor variable and be the predictor variable in once.
7. The value of the organizational culture modernization effect and ethical orientation in the ethical decision-making is 0.514 with the p-value 0.001. Since the p-value is <0.05 , it is concluded that the seventh hypothesis which states that the organizational culture makes the ethical orientation effect stronger in the APIP auditors' ethical decision-making is accepted. The organizational culture acts as the pure moderator variables because the organizational culture moderator variable is a variable which is modified the relationship form between the predictor variable (ethical orientation) and the respond variable (ethical decision-making) where the pure moderator variable interacts with the predictor variable without being the predictor variable at once.

5. CONCLUSION, LIMITATION AND SUGGESTION

The research has some conclusion i.e. API auditors with the high auditory experience are able to do the ethical decision-making. The high identification shows that the APIP auditors have understood the aim and the values of professional organization. Include the moral and ethical values. Then, it is argued that the higher

level of loyalty shaped because the APIP auditors have had the emotional bond toward the professional organization.

The APIP auditors' ethical organization has not become the important factor in affecting the ethical decision-making. The APIP auditors in East Java have not been aware of the consequence of a decision which is made by keeping on the morality values track. Besides, the low perception toward the realism shows that the APIP auditors in East Java by having a view that every individual have various and universal views about the ethical.

The organizational culture of APIP auditor in the East Java has not been the important factors in influencing the ethical decision-making. The organizational culture which is not support the professionalism values can be seen in all employees who do not notice their jobs as the responsibility that should be taken.

The modernization organizational culture is the effect of the auditors' experience in the ethical decision-making. The auditors' experience effect in the ethical decision-making will be stronger if it is supported by the higher APIP auditors' organizational culture and it is vice versa. The organizational culture has roles as Quasi-Moderator because organizational culture moderator variable succeeds in modifying the relationship forms between the predictor variable (auditors' experience) and the respond variable (ethical decision-making). The moderator variable (the organizational culture) interacts with the predictor variable and be the predictor variable at once.

The modernization organizational culture affects the professional commitment in the ethical decision-making. The effect of the professional commitment in the APIP auditors' ethical decision-making will be stronger if it is supported by the better APIP auditors' organizational culture and it is vice versa. The organizational culture is as the Quasi Moderator because the research findings shows that the organizational culture moderator variable succeeds in modifying the relationship forms between the predictor variable (professional commitment) and the respond variable (ethical decision-making) where the moderator variable interacts with the predictor variable and be the predictor variable at once.

The organizational culture gives the smallest modernizational effect toward the ethical orientation effect in the ethical decision-making despite of the professional commitment and the auditors' experiences. The ethical orientation effect in the ethical decision-making will be stronger if it is supported by the better APIP auditors' organizational culture and it is vice versa. The organizational culture acts as the Pure Moderator variable. As the moderator variable, the organizational culture is a variable which modifies the relationship forms between the predictor variable (ethical orientation) and the respond variable (ethical decision-making), the pure moderator variable interacts with the predictors variable without being the predictor variable at once.

These research results give some findings. In this reserach, the observation is conducted by using time limitation which is cross sections. It means that the data gotten from a certain periode of time or it is only a treatment while the research was conduted. The APIP auditors' behaviour in the time series does not belong to the reserach and the research object is limited to the APIP auditors in the East Java inspectorate office. As the result, the research findings cannot be overgeneralized for others areas.

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