Moral Intensity, Organizational Factors, and Ethical Decision Making: An Empirical Examination of Postgraduate Accounting and Business Students

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ABSTRACT

Employing and modifying the model by Jones (1991), this study examines the effects of moral intensity and organizational factors on individual ethical decision making. Organizational factors, used to be ignored in previous research, are also believed to influence the ethical decision making process. A survey applying four different scenarios was conducted to master and doctoral degree students in accounting and business majors in an eminent university in Indonesia to catch their work experiences. The results show that different ethical scenarios do not affect the moral intensity as well as the ethical decision making. Moral intensity is multidimensional and social consensus is evident to be the most influencing determinant in ethical decision making process. Organizational factors such as the existence of code of conduct and tone at the top are confirmed generally not to impact on moral intensity to create ethical decision. In the meantime, postgraduate accounting students are justified to have higher ethical sensitivity than those from other business departments. These findings may imply that the ethical sensitivity of individuals to identify ethical dilemma in particular cases are not simply affected by the moral intensity. This relationship is more complex in nature to understand the way how individual act ethically.

Keywords: moral intensity, organizational factors, ethical decision making, accounting and business postgraduate students

1. INTRODUCTION

The discussion on accounting profession and the role of accountants cannot be separated from ethical issues. Financial manipulation scandals in Enron, Worldcom, Xerox, Tesco, and Satyam were the examples of ethical problems faced by accounting professionals (Armstrong et al., 2003; Leitsch, 2004, Jackling et al., 2007; Rausch et al., 2014). Those scandals were triggered by the lack of attention to the ethical conduct and professionalism such as honesty, integrity, objectivity, due care, and commitment to the protection of public interest (Jennings, 2004; Parker, 2005). The relationship between the profession and ethical issues is also connected with the important characteristics and functions of accounting profession which is to prioritize the efforts to protect the interests of financial reports' users and other stakeholders above the individuals' (Jackling et al., 2007). Furthermore, Jackling et al. (2007) also states that the main

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challenges of accounting profession in current condition are related to the ethical issues faced and the way how the profession may enhance the consideration to public interest.

An example for the claim to prioritize public interest in the accounting profession is in the field of management accounting which then creates internal accountant profession in corporations and later guides the accountants' roles for the preparation of financial statements. On the other side, in auditing field, accountants who act as auditors are faced with their roles as the analysts and examiners of their audit clients' financial statements. Both as the firms' internal accountants or auditors, the accountants combine their technical competence and professional judgment in doing their jobs. Their professional judgment in works is affected by moral acts, consideration of ethical principles, and ethical behavior they owned (Leitsch, 2004; Billiot et al., 2012; Rausch et al. 2014). Moreover, in relation to the professional judgment including moral acts in every decision making activity, Ferrell and Gresham (1985) have designed contingency framework which portrait contingency factors in decision making.

Ferrell and Gresham (1985) believe that decision making process by an individual is affected by individual and organizational factors. The individual factors include knowledge, values, attitudes, and intentions. Meanwhile, organizational factors consist of opportunity (professional codes, corporate policy, rewards, and punishment) and significant others (differential, association, role set, and configuration). This contingency framework was supported by the research results by Jones (1991) which stated that moral intensity is an important determinant of behavior and ethical decision making. In the design of Issue-Contingent Model of Ethical Decision Making in Organizations, Jones (1991) mentions that when someone has recognized a moral issue which then motivates the moral judgment and is later reflected in the moral behavior, then one of them will be affected by moral intensity factor. The components of moral intensity stated by Jones (1991) include magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect.

Decision making model designed by Ferrell and Gresham (1985) and Jones (1991) was then empirically tested by other researchers such as Leitsch (2004) as well as Sweeney and Costello (2009). Both studies were focused on the influence of individual factors, namely moral intensity, on the ethical decision making. By taking the sample of undergraduate students in accounting, the studies found the effect of moral intensity on decision making process in different situations and scenarios. Based on that previous research, the current study was conducted with the purpose of detecting the effect of individual factors reflected in moral intensity and combined with organizational factors on ethical decision making. The additional variable of organizational factors may shed lights to the determinants of decision making model. Because of this, the study used postgraduate (master and doctoral) students in accounting and management as the samples, as they mostly have work experiences. With this sample specification, the scenarios given to the samples are well understood as the content is close to the cases found in the real workplaces. Therefore, the main aim of this study is to develop the ethical decision making model by Jones (1991) which has been previously tested by Sweeney and Costello (2009).

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Specifically, this study is conducted to understand the relationship between moral intensity, organizational factors and ethical decision making process. Besides, this study also aims to test the differences of moral intensity, organizational factors and ethical decision making process in different business scenarios. Finally, this research tries to know whether different majors may have different effect on moral intensity, organizational factors and ethical decision making. The paper is divided into several parts which include research background and purpose, literature review, and research methods in the following part. The next description is the findings and discussion, and finally ends up with the conclusion, research limitation and suggestions for future research.

2. LITERATURE REVIEW

Research in ethics on the accounting field have been massively developed since Rest (1979 in Sweeney & Costello, 2009) modeled the steps of individual ethical act which was then expanded by Jones (1991) by adding moral intensity and organizational factors. The stages started from the identification of ethical dilemma concerning the realization that the dilemma can affect the welfare of other individuals. Someone should be able to identify an ethical dilemma before he decided a particular ethical action, which would then affect the consideration, intention and ultimately the decisions taken. By the time the dilemma has been identified, the individual will enter the stage of ethical consideration. At this stage, individuals evaluate the end result will be acquired in a given situation. Ethical consideration here is part of a person's moral development.

After making the ethical consideration, one then formulates an intention or the intention to act ethically at all three stages of the assessment process based on the supposed choice when compared to other alternative measures. Ethical intention at this stage is a critical stage to ultimately determine the action to be taken on the part of the latter, in this case is the ethical action. This last stage is still difficult to measure because it is associated with the determinants of behavior. Rest (1986 in Sweeney & Costello, 2009) underlines that a person's success in completing the stages of ethical decision making does not necessarily reflect his success through the next stages because each of these stages has differences. Therefore, the relationship between the stages of ethical decision-making is interesting to be more understood.

Jones (1991) states that the moral intensity is a construct that captures the breadth of issues related to moral which are extremely important in certain situations. Moral intensity consists of six components as described in previous section. Moral intensity can be very varied substantially from one issue to the other. And this is likely to produce high or low levels. A situation will not be perceived to have the element of ethics by the decision-maker if the moral intensity of the situation is considered weak in terms of the components in moral intensity. In more detailed, each component of moral intensity can be explained as follows:

1. The magnitude of the consequences represents the sum of the losses or gains that will be experienced by the other party due to an act which is morally questionable. The more serious the consequences will be, the more someone is likely to disagree with a particular action.

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2. The social consensus is defined as the level of social approval whether an action is considered good or bad. If one does not understand what is meant by good ethics in a particular situation, it will be difficult for him to act ethically. When a person feels unsure about what counts as good ethics, he would ask for advice to others in accordance with socially acceptable act. Therefore, Jones (1991) believes that the ambiguity regarding the ethically correct action can be minimized when there is a high social consensus.
3. The probability of effect is a combined function of the probability that the action in question will ultimately be taken and it is then really will result in a predicted loss or gain. The smaller possibility will reflect lower moral intensity.
4. Temporal immediacy is the period between the current and beginning consequences of a moral act. The shorter the duration, the greater the moral intensity.
5. Concentration of effect is the inverse function of the number of people who will be affected by the action of a specific amount. Individuals would be more considerate on an action resulting in greater losses and concentrated impact than not.
6. Proximity is the socially, culturally, psychologically, or physically closed feeling that is owned by an individual on the victim or the beneficiaries of a questionable action. The high proximity implies a high moral intensity.

Jones (1991) believes that the six components represent the characteristics of a moral issue and is expected to have interactive effects. If a component increases or decreases, in general it can be said that all of the tiers of moral intensity will also experience the same thing, and vice versa, assuming the other components are in a constant state. However, for moral intensity can vary significantly on a certain level, all components must be known and the measurement is possible to do in particular capacity.

3. HYPOTHESES DEVELOPMENT

Ethical decision making has several stages (Jones, 1991) as described previously. To be able to make an ethical dimension into a decision, people have to go through these stages. This study examines the relationship between the stages of ethical decision-making from the identification of ethical dilemmas, ethical considerations and moral intentions. Barnett and Valentine (2004), Carlson et al. (2002), and Sweeney *et al.* (2010) found that the recognition of ethical issues significantly related to ethical considerations and both variables are also significantly associated with the intention of doing an action. Thus, the hypotheses are structured as follows:

H1 (a): Identification of ethical dilemma has positive influence on the ethical consideration.
H1 (b): Identification of ethical dilemma has positive effect on the ethical intention.
H1 (c): Ethical considerations have positive effect on the ethical intention.

Jones (1991) also stated that issues related to high moral intentions will be recognized more often as a moral issue rather than the low moral intention. Identification of the ethical dilemmas depends on the significance of the issue and also its clarity. An issue will have importance because it has a certain background. Ethical dilemmas that have these characteristics tend to elicit more information from the individual’s memory and will capture the interest of the individual's emotional. It will then dominate the

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individual attention and recognition of their ethical dilemma is becoming increasingly apparent (Nisbett & Ross, 1980 in Sweeney & Costello, 2009). Research on the relationship between the moral intensity and ethical dilemmas identification gives different results (Singhapakdi et al., 1996; May & Pauli, 2002; Morris & McDonald, 2013; McMahon & Harvey, 2007). Therefore, it should be re-tested in this study by drawing up the following hypothesis:

H2 (a): Moral intensity has positive effect on the ethical dilemmas identification.

Individual can also economize effort expended to make ethical considerations, where ethical issues will be taken into account because ethical consideration will take time and energy (Jones, 1991). Issues concerning the moral intensity will produce more complex ethical considerations (cognitive moral development at a higher level) than the issues that have a low moral intensity (Jones, 1991). The relationship between the stages of the process of ethical decision-making and moral intensity has gained tremendous attention empirically where social consensus and magnitude of the consequences of being the most significant component in moral intensity (Sweeney & Costello, 2009). Thus, the hypothesis in this study is:

H2 (b): Moral intensity has positive influence on the ethical considerations.

Jones (1991) stated that moral intensity plays an important role in shaping the ethical intentions through proximity, which is a desire to avoid the consequences of a conflict in which social consensus are high and also its impact on emotions, feelings and moods. Jones (1991) later postulated that moral intentions will form more frequently where the issue of high moral intensity is also related in it when compared with low moral intensity. Frey (2000), May and Pauli (2002) and Paolillo and Vitell (2002) found research results that the ethical intention and social consensus has a significant relationship. This is also applied on the case for ethical intentions and the magnitude of the consequences. The hypothesis in this regard is:

H2 (c): Moral intensity of has positive effect on the moral and ethical intentions.

Ferrell Gresham (1985) states that ethics is not just associated with the normative evaluation, but also a set of perceptions about how to act in everyday life. In a positive perspective, success is determined by the daily performance of managers in achieving its targets. Thus there will be pressure from within the organization to maximize the achievement, so this will be the main determinant of ethical and unethical behavior. The hypothesis that was developed for this is:

H3: Organizational factors have positive effect on the ethical intention.

Results of previous studies showed that the importance of moral intensity components along with their impact on ethical decision-making process is influenced by the type of situations that exist in each scenario. There is also a possibility of the differences between a more ethical or unethical issue (Leitsch, 2004). Sensitivity related to ethical characteristics of an issue, including ethical considerations, ethical intentions and perceived moral intensity will be different between ethical and unethical issue. Thus,

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differences in the context of ethical issues will affect individual behavior intention. The hypothesis to be tested is as follows:

H4: Type of situations affects the importance of moral intensity component and ethical decision-making process.

Singhapakdi et al. (2000), Harris and Sutton (1995), and Pierce and Sweeney (2010), state that the educational background will influence ethical decision-making process. However, Borkowski and Ugras (1998) actually reported the opposite. Logically it may be explained that students whose major or field of study are vulnerable to the case of ethics, such as accounting major, will be more likely to be sensitive to situations that lead to ethical dilemmas. It can also be due to the curriculum that specifically teaches about ethical theories and concepts of ethical decision-making in the accounting department. Therefore, it can be hypothesized that:

H5: Majors influence the moral intensity and ethical decision-making process.

4. RESEARCH METHODS

This research was conducted using a survey method. Questionnaires were used as survey instrument to postgraduate students majoring in accounting, management and economics at the Faculty of Economics and Business, University of Brawijaya, Indonesia. Management and economics majors were selected to represent non-accounting majors as a comparison. This is in accordance with the research objectives. Faculty of Economics and Business, University of Brawijaya was determined as a test site for easier access to obtain data. Participation by respondents in this study is voluntary and students received assurances that the field survey is confidential and will not be disseminated beyond research purposes. Survey instruments were distributed in the classroom and students were instructed to complete and returned the survey questionnaires at the time the class ended. By using this method of distribution, the expected rate of return is high and data that can be used for statistical analysis to a maximum quantity.

The content of existing scenarios in this research survey instrument was adapted from Flory et al. (1992), Leitsch (2004) and Sweeney and Costello (2009) with modifications based on the researcher's consideration on the variable of organizational factors. Questions pertaining to organizational factors were adopted from Dobni (2008), Koh and Boo (2001), Hussein (2008), Jones and Kavanagh (1996), and Gaudine and Thorne (2001). The questionnaire in this case was developed with four scenarios in the form of mini case that focuses on ethical issues in decision-making activities. Detailed questionnaires and their mini case can be seen in the appendix of this paper. Each mini case consists of approving prohibited expenditures by the company, manipulating financial statements, cutting the flow of capitalized expenditure policy, and approving risky sales for the company. Each scenario ends with the action taken by the actors in the scenario to ensure that respondents would react to the actions of the actor. Each scenario was also followed by 12 statements and the duty of the respondent is responding to the mini case for each scenario using a seven-point Likert scale that has been provided in the questionnaire. Detail of each statement is as follows:

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1. Statement no. 1 measures the identification of ethical dilemmas (Singhapakdi et al., 1996).
2. Statement no. 2 measures the ethical considerations (May & Pauli, 2002).
3. Statement no. 3 measures the ethical intention (Singhapakdi et al., 1996).
4. Statement no. 4-9 measure each component in moral intensity, the magnitude of the consequences, social consensus, probability of effect, temporal immediacy, proximity, and the concentration of effect (Singhapakdi et al., 1996).
5. Statement no. 10-12 measure organizational factors, namely the group dynamics, the authority factors, and the socialization processes (Dobni, 2008; Koh and Boo, 2001; Husein, 2008; Jones & Kavanagh, 1996; and Gaudine & Thorne, 2001).

As explained previously, the targeted respondents expected to fill and provide feedback of any existing scenario in the questionnaire are the postgraduate program students of the Faculty of Economics and Business University of Brawijaya, in particular students of Master of Accounting and Master of Management programs. Postgraduate students were chosen as respondents based on suitability to the research needs. Postgraduate students were justified as those who have been practicing different types of decision-making processes in their work environments. Additionally, postgraduate students were believed to have maturity in solving scientific problem compared to undergraduate students, so that they were assumed to be able to understand each scenario in the comprehensive survey instrument. Furthermore, the choice to have students from accounting as respondents was based on the conformance with the issues and the main purpose of the study, which determine the effect of moral intensity and organizational factors on the process of decision-making in the field of accounting. While the choice of students in master of management and economics as respondents was based on the research objective to compare whether there was differences in test results between respondents' educational background. The targeted number of respondents was 50 from the accounting department and 50 from the department of management and economics, so there would be 100 in total. This target has been well achieved. When the data has been collected, data analysis was conducted using multiple linear regression and other different tests by utilizing SPSS software. In more detail, referring to Sweeney and Costello (2009), data analysis was done gradually.

The first stage is to use factor analysis to determine the grouping of factors that shape the moral intensity. The result of the first phase analysis is the raw material to carry out the second stage of analysis, namely the correlation analysis. This analysis was conducted to determine the relationship between the stages of ethical decision making as well as the relationship between the factors found in the analysis of the first phase to represent the moral intensity and ethical decision-making stages. Univariate analysis was applied in this stage. The third stage was a hierarchical multiple regression analysis (hierarchical regressions) to investigate the impact of moral intensity factor at each stage of ethical decision making and in the same time also to determine the relationship between these stages. This analysis was done in a hierarchical manner, and was a multivariate analysis. Organizational factors were then regressed with ethical decision making process in the fourth stage by using univariate regression analysis. Sixth, MANOVA test was done to determine whether there was an average difference between each of the variables in each scenario, so it will be able to see which scenario is considered as the most potential to generate an ethical dilemma. Lastly, the test is used

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to determine the impact of different majors in response to a given twelve statements in each scenario.

5. RESEARCH RESULTS

5.1 Factor Analysis

Moral intensity consists of six components which are associated with one another. Factor analysis with varimax rotation was conducted to determine the relationship between the six components that will be visible for the groupings in each scenario. The results of the factor analysis showed that there are two factors of the components that have more than one eigenvalue. Part of each factor was selected from the loading factor which was greater than 0.5. The first factor (factor 1) was composed from the magnitude of the consequences, the probability of effect, temporal accuracy, and concentration of effects. This factor was then named 'potential losses that could occur'. The second factor (factor 2) included social consensus and accuracy, and then labeled 'perceived social pressure'. This is consistent with that generated by Singhapakdi (1996). All scenarios gave the same factor analysis results. This was then used for the second phase. The result of factor analysis test is in Table 1.

Table 1. Factor analysis test of moral intensity components

	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	Approving prohibited expenditures by the company		Manipulating financial statements		Cutting the flow of capitalized expenditure policy		Approving risky sales for the company	
	Factor 1	Factor 2	Factor 1	Factor 2	Factor 1	Factor 2	Factor 1	Factor 2
Magnitude of consequences	**0.642**	0.089	**0.889**	-0.033	**0.772**	0.185	**0.878**	0.134
Social concensus	0.212	**0.815**	0.237	**0.790**	0.391	**0.724**	0.150	**0.757**
Probability of effect	**0.844**	-0.219	**0.852**	-0.047	**0.877**	-0.085	**0.884**	0.155
Temporal immediacy	**0.711**	-0.080	**0.643**	0.211	**0.629**	-0.037	**0.754**	-0.263
Proximity	0.095	**0.822**	-0.225	**0.663**	-0.189	**0.828**	-0.256	**0.758**
Concentration of effect	**0.795**	-0.084	**0.868**	-0.120	**0.799**	-0.216	**0.810**	0.030
Eigenvalue	2.316	1.410	2.788	1.126	2.587	1.300	2.866	1.259
% of variance explained	38.593	23.493	46.468	18.767	43.111	21.662	47.771	20.987

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5.2 Correlation analysis

The relationship between the three stages in the ethical decision-making and moral intensity by using two factors that have been found in the first stage and the relationship between the stages of ethical decision making was tested by using correlation analysis. Statistical test result showed that there is no correlation between ethical dilemmas and ethical considerations in scenario 2, 3 and 4. However, scenario 1 shows the negative correlation. Furthermore, there is no correlation between ethical dilemmas and ethical intentions in scenario 2, 3 and 4, while the first scenario shows the opposite, where there is a negative correlation between the two. The positive correlation between ethical judgments and ethical intention also occurs in scenario 1, 3 and 4, while the second scenario did not show a correlation between them.

Potential losses that occur (the first factor) were found to have no correlation with the identification of ethical dilemmas in the four scenarios, while the factors of social pressure (the second factor) has a positive correlation with the identification of ethical dilemmas. However, in scenarios 2 and 3 there is no correlation between the two factors with the identification of ethical dilemmas. Furthermore, the occurring potential loss factors have no correlation with ethical considerations in scenario 1, 2 and 4. However, in the third scenario there is a positive correlation between the two. For the factor of perceived social pressure, there is a correlation with ethical considerations in the whole scenarios. In relation to ethical intentions, the first factor has a positive correlation in all four scenarios, while for the second factor, a positive correlation is found only in scenarios 1 and 2. In scenario 3 and 4 there is no correlation between the factors of social pressures and ethical intentions. More comprehensive testing on the effects of moral intensity at each stage of ethical decision-making is done in the next step, namely the hierarchical multiple regression analysis. Table 2 describes the correlation analysis results.

5.3 Hierarchical Multiple Regression Analysis

The results from the hierarchical analysis showed that the variables added to each model are significant at the time the effects of the variables previously added has been removed. Overall, the results of the hierarchical regression analysis are consistent with the results of correlation analysis that was presented in the previous section. The results of hierarchical multiple regression analysis are available on Table 3.

5.4 Regression Analysis

Regression analysis was performed to examine the relationship between organizational factors with moral intentions. Statistical tests showed that in scenarios 1, 2 and 4 organizational factors which consist of group dynamics, authority factors and socialization processes, does not affect the ethical intentions. However, in scenario 3, only the socialization process that influence the ethical intentions. This is in contrast to the predictions of Jones (1991). Below are the results of simple regression analysis.

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Table 2. Correlation analysis results

	Identification of ethical dilemma	Ethical judgment	Ethical intentions
Scenario 1- Approving prohibited expenditures by the company			
Factor 1	-0.067 (0.514)	0.136 (0.181)	**0.461 (0.000)**
Factor 2	**-0.406 (0.000)**	**0.502 (0.000)**	**0.383 (0.000)**
Identification of ethical dilemma		**-0.389 (0.000)**	**-0.321 (0.001)**
Ethical judgment			**0.251 (0.013)**
Scenario 2 – Manipulating financial statements			
Factor 1	0.019 (0.856)	0.012 (0.905)	**0.500 (0.000)**
Factor 2	0.079 (0.441)	**0.375 (0.000)**	**0.203 (0.045)**
Identification of ethical dilemma		-0.088 (0.390)	-0.148 (0.146)
Ethical judgment			0.145 (0.155)
Scenario 3 – Cutting the flow of capitalized expenditure policy			
Factor 1	-0.071 (0.486)	**0.402 (0.000)**	**0.479 (0.000)**
Factor 2	0.104 (0.310)	**0.328 (0.001)**	**0.270 (0.007)**
Identification of ethical dilemma		0.157 (0.123)	-0.054 (0.594)
Ethical judgment			**0.231 (0.022)**
Scenario 4 – Approving risky sales for the company			
Factor 1	0.043 (0.676)	0.084 (0.410)	**0.540 (0.000)**
Factor 2	**0.241 (0.017)**	**0.379 (0.000)**	0.135 (0.184)
Identification of ethical dilemma		0.198 (0.051)	-0.143 (0.160)
Ethical judgment			**0.227 (0.024)**

Table 3. Hierarchical regression analysis results

	Scenario 1: Approving prohibited expenditures by the company		
	Coefficient	Std. Error	Sig. *t*
Dependent variable: Ethical judgment Model 1			
Ethical identification	-0.429	0.104	**0.000**
Constant	6.500	0.571	**0.000**
Model Summary	Adj. Rsq =0.142	F = 17.099	Sig. F = 0.000
Model 2			
Ethical identification	-0.234	0.104	**0.027**
Factor 1	0.257	0.181	0.159
Factor 2	0.877	0.198	**0.000**
Constant	5.492	0.565	**0.000**

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	Scenario 1: Approving prohibited expenditures by the company		
	Coefficient	Std. Error	Sig. *t*
Model Summary	Adj. Rsq =0.286	F = 13.958	Sig. F = 0.000
Dependent variable: Ethical intentions Model 1			
Ethical identification	-0.350	0.105	**0.001**
Constant	5.360	0.580	**0.000**
Model Summary	Adj. Rsq =0.094	F = 11.051	Sig. F = 0.001
Model 2			
Ethical identification	-0.288	0.114	**0.013**
Ethical judgment	0.146	0.103	0.159
Constant	4.408	0.885	**0.000**
Model Summary	Adj. Rsq =0.103	F = 6.592	Sig. F = 0.002
Model 3			
Ethical identification	-0.189	0.100	**0.063**
Ethical judgment	-0.047	0.097	0.629
Faktor 1	0.949	0.172	**0.000**
Faktor 2	0.700	0.204	**0.001**
Constant	4.726	0.752	**0.000**
Model Summary	Adj. Rsq =0.356	F = 14.390	Sig. F = 0.000

	Scenario 2: Manipulating financial statements		
	Coefficient	Std. Error	Sig. *t*
Dependent variable: Ethical judgment Model 1			
Ethical identification	-0.231	0.103	**0.028**
Constant	5.897	0.570	**0.000**
Model Summary	Adj. Rsq =0.039	F = 4.984	Sig. F = 0.028
Model 2			
Ethical identification	-0.264	0.103	**0.012**
Factor 1	-0.027	0.197	0.892
Factor 2	0.540	0.196	**0.007**
Constant	6.069	0.565	**0.000**
Model Summary	Adj. Rsq =0.092	F = 4.295	Sig. F = 0.007
Dependent variable: Ethical intentions Model 1			
Ethical identification	-0.215	0.108	0.050
Constant	4.948	0.597	**0.001**
Model Summary	Adj. Rsq =0.030	F = 3.949	Sig. F = 0.050

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	Scenario 2: Manipulating financial statements		
	Coefficient	Std. Error	Sig. *t*
Model 2			
Ethical identification	-0.188	0.111	0.094
Ethical judgment	0.119	0.107	0.269
Constant	4.249	0.867	**0.000**
Model Summary	Adj. Rsq =0.032	F = 2.597	Sig. F = 0.080
Model 3			
Ethical identification	-0.148	0.110	0.181
Ethical judgment	0.100	0.107	0.353
Factor 1	0.609	0.204	**0.004**
Factor 2	0.154	0.211	0.467
Constant	4.133	0.873	**0.000**
Model Summary	Adj. Rsq =0.103	F = 3.784	Sig. F = 0.007

	Scenario 3: Cutting the flow of capitalized expenditure policy		
	Coefficient	Std. Error	Sig. *t*
Dependent variable: Ethical judgment Model 1			
Ethical identification	0.185	0.119	0.123
Constant	3.215	0.657	**0.000**
Model Summary	Adj R sq. = 0.014	F = 2.419	Sig. F= 0.123
Model 2			
Ethical identification	0.181	0.103	0.082
Factor 1	0.773	0.163	**0.000**
Factor 2	0.584	0.163	**0.001**
Constant	3.233	0.569	**0.000**
Model Summary	Adj R sq. = 0.270	F = 12.983	Sig. F= 0.000
Dependent variable: Ethical intentions Model 1			
Ethical identification	-0.065	0.121	0.594
Constant	4.272	0.671	**0.000**
Model Summary	Adj R sq. = -0.007	F = 0.285	Sig. F= 0.594
Model 2			
Ethical identification	-0.111	0.120	0.358
Ethical judgment	0.249	0.102	**0.016**
Constant	3.473	0.732	**0.000**
Model Summary	Adj R sq. = 0.042	F = 3.140	Sig. F= 0.48
Model 3			

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Ethical identification	-0.047	0.105	0.653
Ethical judgment	-0.061	0.104	0.557
Factor 1	0.947	0.182	**0.000**
Factor 2	0.556	0.175	**0.002**
Constant	4.436	0.663	**0.000**
Model Summary	Adj R sq. = 0.278	F = 10.344	Sig. F= 0.000

	Scenario 4: Approving risky sales for the company		
	Coefficient	Std error	Sig. *t*
Dependent variable: Ethical judgment Model 1			
Ethical identification	0.220	0.111	0.051
Constant	3.287	0.595	**0.000**
Model Summary	Adj R sq. = 0.029	F = 3.910	Sig. F= 0.051
Model 2			
Ethical identification	0.122	0.108	0.264
Factor 1	0.144	0.172	0.402
Factor 2	0.641	0.177	**0.000**
Constant	3.788	0.578	**0.000**
Model Summary	Adj R sq. = 0.136	F = 6.073	Sig. F= 0.001
Dependent variable: Ethical intentions Model 1			
Ethical identification	-0.165	0.117	0.160
Constant	5.130	0.625	**0.000**
Model Summary	Adj R sq. = 0.010	F = 2.009	Sig. F= 0.160
Model 2			
Ethical identification	-0.226	0.116	0.053
Ethical judgment	0.277	0.104	**0.009**
Constant	4.221	0.696	**0.000**
Model Summary	Adj R sq. = 0.069	F = 4.610	Sig. F= 0.012
Model 3			
Ethical identification	-0.267	0.098	**0.008**
Ethical judgment	0.189	0.093	**0.045**
Factor 1	1.010	0.155	**0.000**
Factor 2	0.231	0.170	0.177
Constant	4.817	0.628	**0.000**
Model Summary	Adj R sq. = 0.353	F = 14.242	Sig. F= 0.000

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Table 4. Results of regression analysis

	Coefficient	Std. Error	Sig. *t*
Dependent variable: Ethical intentions Scenario 1			
Group dynamics	-0.009	0.218	0.969
Authority factor	-0.08	0.215	0.969
Socialization process	0.300	0.185	0.108
Constant	1.901	1.120	0.093
Model Summary	Adj. Rsq =0.000	F = 0.986	Sig. F = 0.403
Scenario 2			
Group dynamics	-0.203	1.353	0.207
Authority factor	-0.041	0.160	0.818
Socialization process	0.098	0.179	0.649
Constant	4.722	0.214	0.001
Model Summary	Adj. Rsq =0.004	F = 0.887	Sig. F = 0.451
Scenario 3			
Group dynamics	-0.069	0.115	0.550
Authority factor	-0.020	0.153	0.894
Socialization process	0.568	0.155	**0.000**
Constant	1.169	0.899	0.197
Model Summary	Adj R sq. = 0.114	F = 5.171	Sig. F= 0.002
Scenario 4			
Group dynamics	0.157	0.184	0.395
Authority factor	-0.279	0.186	0.136
Socialization process	0.297	0.187	0.115
Constant	3.204	1.248	0.012
Model Summary	Adj R sq. = 0.008	F = 1.251	Sig. F= 0.296

5.5 MANOVA

The results of MANOVA test show that H4 is rejected because of the type of situation only affects the components of ethical considerations (at a rate of 5%) and ethical intentions (at a rate of 10%). Type of situation also has no impact on ethical decision-making process, in this case is the factor of social pressures they face and the potential losses which will be accepted. The fourth scenario does not affect the identification component of ethical dilemmas. The MANOVA result is in Table 5.

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5.6 *t* Test

The demographic factor tested using the *t* test is the differences among respondents from accounting and non-accounting majors. Almost all statements in each scenario have a higher average score in respondents from the accounting department when compared to non-accounting. Respondents from accounting view all scenarios are likely to contain an ethical dilemma, while respondents from non-accounting majors do not have the same view. The statistical result is as under.

Table 5. MANOVA test results

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	F statistic
	Approving prohibited expenditures by the company	Manipulating financial statements	Cutting the flow of capitalized expenditure policy	Approving risky sales for the company	(sig.)
Identifying Dilemma					
Mean	5.163	5.49	5.306	5.102	0.393
Standard deviation	0.172	0.172	0.172	0.172	
Ethical Judgment					
Mean	4.286	5.245	4.194	4.408	0.000
Standard deviation	0.187	0.187	0.187	0.187	
Ethical Intentions					
Mean	3.551	3.99	3.929	4.286	0.072
Standard deviation	0.197	0.197	0.197	0.197	
Factor 1					
Mean	-1.30E-17	-0.01	2.04E-07	4.08E-07	1.000
Standard deviation	0.101	0.101	0.101	0.101	
Factor 2					
Mean	-1.02E-07	-4.08E-07	3.06E-07	-2.56E-23	1.000
Standard deviation	0.101	0.101	0.101	0.101	

Table 6. Results of *t* test

Statement	**Accounting mean**	**Non Accounting mean**	***t***	**Sig.**
Group dynamics-Scenario 1	5.00	4.30	55.026	0.015
Authority factors-Scenario 1	5.68	5.49	95.750	0.001
Magnitude of consequences-Scenario 2	5.45	4.54	58.769	0.004
Probability of effects-Scenario 2	5.64	4.70	71.989	0.001
Probability of effects-Scenario 3	5.27	4.34	2.591	0.013
Temporal immediacy-Scenario 3	5.09	4.17	2.528	0.015
Concentration of effects-Scenario 3	5.36	4.30	3.167	0.003
Group dynamics-Scenario 3	5.50	4.61	2.677	0.010
Temporal immediacy-Scenario 4	4.91	4.12	2.279	0.027
Group dynamics-Scenario 4	5.77	5.30	2.180	0.022

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6. DISCUSSIONS

The results of this study indicate that the moral intensity significantly and directly affect the ethical considerations and ethical intentions in several scenarios. The identification of ethical dilemmas and ethical intentions do not have a significant relationship. Scenario 1 instead showed a negative correlation between the identification of ethical dilemma with ethical considerations and ethical intentions. Thus, the results generally cannot prove a link between the three stages of ethical decision-making. Organizational factors are also found not to have significant impact on the moral intentions. However, the major differences are shown to affect several variables of ethical decision-making.

The moral intensity can be proved to have relevance to the stages of decision-making, in this case is only for ethical considerations and ethical intentions, where the stage is supposed to be influenced by organizational factors (Jones, 1991; Detert & Trevino, 2008; Soutar et al., 1994; Verbeke, 1996; Heyler et al., 2016; Musbah et al., 2016). However, uniqueness happens in this study, where the organizational factors do not affect the ethical intentions. Jones (1991) has been predicting this, which the actual organizational background will actually produce specific challenges to the individual, so that the individual is likely to ignore the conditions around him at the time of making ethical decisions. Individuals are more likely to offer resistance when the organizational pressure becomes too great.

Factor of social pressure also does not affect the process of ethical decision making in all four scenarios. Anggraini and Siswanto (2016) have also proved that ethical decision making depends on the environment in which people interact. This is in contrast to Smith et al. (2016), Musbah et al. (2016) and Bansal et al. (2016). In relation to social consensus, there are indications that the perception of respondents regarding the behavior of the public about an issue would influence their decision. This is because social networks owned by every individual could potentially produce pressures for them. Therefore, social relations as well as individual factors and organizational linkages have not lost (Brass et al., 1998). Moreover, the admissibility of an action or decision made by the individual is also associated with social and cultural conditions in their surroundings (Vitell et al., 1993; Robertson & Fadil, 1999; Fok et al., 2016).

Furthermore, the whole scenarios show that the social pressure is not associated with ethical intentions. This means that the ethics case is in such scenario cannot be seen clearly and cannot be identified directly by the respondents. Then, the relationship between the three stages of ethical decision-making with moral intensity is proved to be insignificant. This contrasts with research by Valentine et al. (2016) which states that all components in moral intensity are positively related to ethical considerations and ethical intentions. However, the result is in line with the same statement delivered by Winkler and Duminy (2016) that proximity should be replaced by infinity, where proximity is based on the ethics of inter-subjective and situational, while infinity is based on higher realism on ethical behavior. Then, for the difference in the majors, it appears that respondents accounting and non-accounting majors have significant differences in identifying the ethical dilemmas that occur in three scenarios. This could be due to students majoring in accounting having widely examined various cases of ethical

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violations on a large scale such as Enron and Worldcom scandals that make them more sensitive to ethical issues.

7. CONCLUSIONS AND RESEARCH IMPLICATIONS

The purpose of this study is to examine the relationship between moral intensity, organizational factors, and the stages of ethical decision-making by using four different scenarios with different ethical case, and include individual factors such as field of study or major as an additional factor in making ethical decisions. The results of data analysis show that moral intensity, organizational factors and individual factors do not affect the stages of ethical decision making. This shows that the ethical decision-making model first developed by Jones (1991) cannot explain the relationship between the variables that support a person to take certain ethical action. The results of this study contrast with previous studies. This indicates that the process of ethical decision-making is a stage that is unique and very personal so that it may not include organizational factors.

The results of this study have theoretical, practical, and policy implications. Theoretically, this research generally cannot prove a model of ethical decision-making which is influenced by the moral intensity and organizational factors. This contrasts with the results of other studies in the same topic, so that the concept of ethical decision making needs to be studied further. Next, related to the practical implications, this study also provides evidence that individuals have different moral intensity when faced with different ethical dilemmas. This evidence may provide input for the organization or company that ethics education such as training or other informal activities are very important to be implemented. Public accounting firms or accounting division in the company which often recruit young workers from undergraduates should be able to instill moral intensity early and establish good ethical environment for its employees. If this is not done, then there is a potential that the action or decision to be taken by employees will be dry in the ethical considerations and ultimately will likely to harm the company. However, it is necessary to bear in mind that too much pressure on employees to act ethically can be turned into a boomerang for the organization so that the organization must provide ethics education on an adequate portions.

Both research implications that have been described previously will be strongly supported by the ethics policy made by the organization, such as the code of conduct or other rules which specifically regulate the ethical conduct of members of the organization. In addition, regulations or code of conduct must be ensured to run properly. Organizations should also conduct continuous review and evaluation in order to monitor the policy implementation, and provides improvement opportunities in the future to establish a better organizational culture. In the academic field, the role of educators, in this case are lecturers, in shaping a high moral intensity of the students, has become a point that cannot be abandoned. Universities and other higher institutions have responsibility to make certain policies or standards related to the curriculum which include learning methods supported with ethics, especially in the majors that will produce graduates that intersect closely with ethical issues such as in accounting department. The role of institution then becomes the main determinant in providing ethics education (Widianingsih, 2013).

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8. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

A statement model which was previously used by Sweeney and Costello (2009) inherently adopts only one statement for each component of moral intensity, where it is considered inadequate. Any other statements that may support an assessment of the individual components of the moral intensity still cannot be formulated. Another weakness is the same sequence of statements made for each scenario may provide risk that respondents will repeat the answers from previous scenarios to accelerate the time to fill out the questionnaire. However, by choosing respondents from graduate students who already have work experience, it is expected that more or less the limitation can be overcome. The next limitation is because during the questionnaire distribution the respondents were given information that it was a research on ethical decision making, it was possible that the respondents became resistant to ethical issues so that the ethical sensitivity of respondents to be lower than it should be. Therefore, they assumed that all of these scenarios did not contain ethical dilemmas.

The recommendation for future research is to add samples from other universities that have graduate programs in accounting and non-accounting. Students who take the program must be those who already have work experiences. In addition, the statements in each scenario can be modified in such a way that the effect of giving answers sequentially and similarly between these scenarios can be minimized. Modifications can be done by changing the sequence of statements between the scenarios with each other. Another advice that can be given is to use the respondents of accountants who work in public accounting firms or companies, so that their work experiences may be linked directly to the ethical decisions making.

APPENDICES - QUESTIONNAIRE

Scenario 1

Tommy Winarta is a young management accountant at a large, diversified company. After some experience in accounting at headquarters, he has been transferred to one of the company’s recently acquired divisions run by its previous owner and president, Hosham Helka. Hosham has been retained as vice-president of this new division, and Tommy is his accountant. With a marketing background and a practice of calling his own shots, Hosham seems to play by a different set of rules than those to which Tommy is accustomed. So far it is working, as earnings are up and sales projections are high. The main area of concern to Tom is Hosham’s expense reports. Hosham’s boss, the division president, approves the expense reports without review, and expects Tom to check the details and work out any discrepancies with Hosham. After a series of large and questionable expense reports, Tommy challenges Hosham directly about charges to the company for typing that Hosham’s wife did at home. Although company policy prohibits such charges, Hosham’s boss again signed off the expense. Tommy feels uncomfortable with this and tells Hosham that he is considering taking the matter to the Board Audit Committee for review. Hosham reacts sharply, reminding Tommy that ‘the Board will back me anyway’ and that Tommy’s position in the company would be in jeopardy.

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ACTION: Tommy decides not to report the expense charge to the Audit Committee.

Scenario 2

Anne Avanta, company controller, is told by the chief financial officer that, in an executive committee meeting, the CEO told them that the company 'has to meet its earnings forecast, is in need of working capital and that's final'. Unfortunately, Anne does not see how additional working capital can be raised even through increased borrowing, since income is well below the forecast sent to the bank. Seth suggests that Anne review bad debt expense for possible reduction and holding sales open longer at the end of the month. He also brushes off the management letter request from the outside auditors to write down the spare parts stock to reflect its 'net sales value'. At home at the weekend, Anne discusses the situation with her husband, Roland, a senior manager of another company in town. 'They're asking me to manipulate the books', she says. 'On the one hand', she complains, 'I'm supposed to be the conscience of the company and on other, I'm supposed to be absolutely loyal'. Roland tells her that companies do this all the time and, when business picks up again, she will be covered. He reminds her how important her salary is to help maintain their comfortable lifestyle, and that she should not do anything drastic that might cause her to lose her job.

ACTION: Anne decides to go along with the suggestions proposed by her boss.

Scenario 3

Dewi Iskan, the plant's chief accountant, is having a friendly conversation with Leo Pakubuwono, operations manager and old college buddy, and Fredy Merkara, the sales manager. Leo tells Dewi that the plant needs a new computer system to increase operating efficiency. Fredy adds that with the increased efficiency and decreased late deliveries their plant will be the top plant next year. However, Leo wants to bypass the company policy which requires that items greater than $5,000 receive prior Board approval and be capitalized. Leo would prefer to generate orders for each component part of the system, each being under the $5,000 limit, and thereby avoid the approval 'hassle'. Dewi knows that this is clearly wrong from a company and an accounting standpoint, and he says so. Nevertheless, he eventually says that he will go along. Six months later, the new computer system has not lived up to its expectations. Dewi indicates to Fredy that he is really worried about the problems with the computer, and that the auditors will disclose how the purchase was handled in the upcoming visit. Fredy acknowledges the situation by saying that production and sales are down and his sales representatives are also upset. Leo wants to correct the problems by upgrading the system (and increasing the expenses), and urges Dewi to 'hang in there'.

ACTION: Feeling certain that the system will fail without the upgrade, Drew agrees to approve the additional expense.

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Scenario 4

Poniman is the assistant controller at a medium-sized manufacturer of electrical equipment. Poniman is in his late fifties and plans to retire soon. His daughter has been accepted into medical school, and financial concerns are weighing heavily on his mind. Poniman's boss is out of the office recuperating from health problems, and in his absence, Poniman is making all decisions for the department. Poniman receives a telephone call from an old friend requesting a sizable amount of equipment on credit for his new business. Poniman is sympathetic but aware of the risk of extending credit to a new company, especially under company's strict credit control policy for such transactions. When Poniman mentions this conversation to Waskito, the general manager, he is immediately interested. Waskito notes that the company needs an additional $250,000 in sales to meet the quarterly budget and, thus ensure bonuses for management, including Poniman.

ACTION: Poniman decides to make the sale to his friend's new business.

Evaluate the actions taken by the actors by circling the extent of your agreement with each of the following statements:

1. The situation above involves an ethical dilemma						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

2. The actor should not do the proposed action						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

3. If I were the actor, I would make the same decision						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

4. The overall harm (if any) done as a result of the actor's action would be very small						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

5. Most people would agree that actor's action is wrong						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

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6. There is a very small likelihood that the actor's action will actually cause any harm						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

7. The actor's action will not cause any harm in the immediate future						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

8. If the actor is a personal friend of the 'victim', the action is wrong						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

9. The actor's action will harm very few people (if any)						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

10. Suggestions from peers on the same or higher level will affect the actor's action						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

11. Instructions from higher level management will affect the actor's action						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

12. Continuous and consistent socialization and implementation of company's code of conduct will affect the actor in ethical decision making						
1	2	3	4	5	6	7
Strongly disagree	Disagree	Slightly disagree	Neither agree/disagree	Slightly agree	Agree	Strongly agree

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