SEARCHING FOR A MORAL CHARACTER:
THE GENESIS OF THE AUDITOR'S DUTY

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ABSTRACT

Frequently, questions are asked to the accounting profession in the face of ethical dilemmas such as how auditors should behave. Many studies have shown moral character is important in ethical judgment, but there is very little explanation about the moral character of its own. This study aimed to test empirically the effect of individual personality factors, such as moral character variables comprising the dimensions of spirituality, idealism, moral courage, and perspective taking in the ethical judgment. Research data was obtained by distributing questionnaires to the auditor in Surabaya and Jakarta. Auditors' ethical decision-making is measured by making a story of ethical scenarios. Furthermore, the data were analyzed using software WarpPLS. This study shows importance of moral character in an auditor's ethical decision. This study shows that being an accountant is a choice being a noble human being and not a mere pursuit of economic benefits.

Key words:*Ethical Decision-Making, Moral Character, Spirituality, Moral Courage, Idealism, Perspective Taking.*

MENCARI KARAKTER MORAL: AWAL MULA TUGAS AUDITOR

ABSTRAK

Sering muncul pertanyaan diajukan kepada profesi akuntan dalam menghadapi dilema etika. Misalnya, bagaimana auditor harus bersikap. Banyak penelitian telah menunjukkan bahwa karakter moral itu penting dalam penilaian etika, tetapi hanya sedikit sekali penjelasan tentang apa itu karakter moral. Penelitian ini bertujuan untuk menguji secara empiris pengaruh faktor kepribadian seseorang, seperti variabel karakter moral yang terdiri dari dimensi spiritualitas, idealisme, keberanian moral, dan perspective taking dalam penilaian etika. Data penelitian diperoleh dengan menyebarkan kuesioner kepada auditor di Surabaya dan Jakarta. Pembuatan keputusan etis oleh auditor diukur dengan membuat cerita skenario etis. Selanjutnya, data dianalisis dengan menggunakan software WarpPLS. Studi ini menunjukkan pentingnya karakter moral dalam keputusan etis auditor. Studi ini juga menunjukkan bahwa menjadi seorang akuntan adalah pilihan menjadi manusia mulia yang tidak sekadar mengejar keuntungan ekonomi semata.

Kata Kunci: *Ethical Decision-Making, Moral Character, Spirituality, Moral Courage, Idealism, Perspective Taking.*

INTRODUCTION

Ethical issues in the accounting profession have always been a concern of society. In this case, auditors are often faced with a dilemma situation that not independent in their activity (Bazerman, Morgan, and Loewenstein 1997; Finn, Chonko, and Hunt 1988; Kaplan 2004). Clement, Neill, and Stovall (2012) state that the auditor inherently has a conflict of interest. Kaplan (2004) refers to the relationship between the auditor and client is a major source of conflict or the Mother of All Conflicts. Auditor should be independent of the client, but at the same time they depend on the client's needs because it received a contract fee, so is often the auditors are in a dilemma situation.

When faced with conflicts audit, auditors often face ethical dilemmas because auditors are in a situation that should make decision with ethical affect and has impact to various parties. They often had situation of ethical dilemma because various parties have many interests. That parties strongly influenced by decisions made by the auditor. Situation of ethical dilemma is a situation when one is dealing with two or more choices that are relevant, but that choices are mutually contradictory and fraught with ethical problem, or when each decision alternative taken, it would be undesirable impact on one or more persons other (Dolgoff & Skolnik 1996)

Ethical decision-making is antecedent of ethical behavior. An ethical decision according to Jones (1991) is a decision both legally and morally acceptable by the public. Hunt and Vitell (1986) define an ethical decision is a decision that the most ethical choice among the alternatives in ethical problems. Rest (in Sparks and Pan 2010) states that ethical decision is a psychological construct that characterizes a process by which an individual determines that one course of action in a particular situation is morally right, and another course of action is morally wrong.

Some models of the ethical decision-making process describe how a person can take decisions under ethical dilemmas (Wo-

truba 1993). McMahon and Harvey (2007) also state that a model of ethical decision-making is not to explain how a person should attempt to make ethical decisions, but rather focus on how the process of ethical decision-making itself. Rest (in Jones 1991) develops a model that used in understanding the ethical decision-making process.

Such a model states that the model of decision-making and ethical behavior consists of four stages: first, the stage when someone responds about the moral issues in an ethical dilemma situation. The primary stage often referred to ethical sensitivity, because it describes the stages of a person moral sensitivity when dealing with moral issues in an ethical dilemma. Then the second stage is ethical decision-making, people makes a decision after responding to an ethical issue.

Third stage is a ethical intention, intention of a person to want to behave ethically or otherwise, as a continuation the chosen decision. Finally, the fourth is moral behavior, the actions of a person to behave ethically or unethically himself. According to Jones (1991), in the ethics topic's research, researchers looked only at the stage of ethical decision-making and not ethical behavior, because after a process of ethical decision-making, behavior may occur that are not in line with previous decisions. This happens because many behavior factors influence after taking a decision.

Several research studies have revealed a range of variables that influence ethical decision-making (Ford and Richardson 1994; Loe, Ferrell, and Mansfield 2000; O'Fallon and Butterfield 2005; Paolillo and Vitell 2002). Those reviews summarize the various researches on ethical decision-making in many disciplines and many situations. An important finding in the research study was twofold: the main variables in ethical decision-making are the variables that are uniquely associated with personal decision maker and the variables that are the result of the socialization process and development of each person in the social environment (envi-

ronmental factors). Trevino (1986) also states the ethical decision-making is an interaction between personal and situational variables. The personnel's unique variable is a variable that is personal characteristic as gender, age, nationality and so on, and then an environment variable is as an organization, work environment, professional environment and so on

THEORETICAL FRAMEWORK AND HYPOTHESIS
Spirituality
Burkhardt (2010) states modern culture has been dominated by the materialistic life, and the process of secularization has turned into the important dimensions of spirituality in life. Spirituality according to Paloutzian & Ellison (2009) has two dimensions, dimensions of religiosity, and existential dimensions. Spirituality describes (a) the dimensions of religiosity in relation to God (their relationship with God or what they understand to be their spiritual being) and (b) dimensions of existence (the existence of) the purpose of human life in this world (their sense of satisfaction with life or purpose in life) (Saroglou & Munoz-Garcia 2008).

Some research on spirituality shows, that the values of honesty and spirituality can improve a person's self-confidence (Freshman 1999; Wagner-Marsh & Conley 1999). Research conducted by Saroglou & Munoz-Garcia (2008) also mentioned that the level of personal spirituality would distinguish and define its ethical stance. Furthermore, the study Giacalone & Jurkiewicz (2003) also states that a person's spirituality affects their perceptions of unethical actions when doing business.

Robinson (2008:79) states that spirituality, in its broadest sense, a reflection, and a response from the central ethics. Spirituality is a frame of mind to respond ethical issues. In contrast, research conducted by Hegarty & Sims (1978), and Kidwell, Stevens & Bethke (1987) produce different things. Religious orientation had no significant effect with personal ethical behavior. This study wanted to get empirical evidence of spirituality as one dimension forming moral character in ethical decision. We propose the following hypothesis:

H1: The level of spirituality is positively associated with auditors' ethical decision-making.

Idealism
Forsyth (1980) state people have different ethical orientation. Ethical orientation or ethical ideology is an individual's ability to test and consider the ethical values in an event. Ethical orientation shows the view adopted by people when faced with situations that need problem-solving and resolving ethical in an ethical dilemma. Furthermore, Forsyth (1980) states that human beings consist of two orientations, idealism versus pragmatism, which is a measure of personal ethical orientation. Idealism suggests that the consequences of a decision can get without breaking the noble values of morality.

Individuals with high idealism believe that ethical actions should have positive consequences and always will not adversely affect the other person no matter how small. Individuals with an idealistic ethical orientation will behave more ethically in situations when facing ethical dilemmas. On the other hand, the opposite of idealism is pragmatism, and if necessary, ignore the values of morality for profit.

Ziegenfuss & Singhapakdi (1994) conducted a study on perception of ethical and personal values of the person to the ethical decision-making Results of this study show that auditor's ethical orientation has a positive influence with ethical decision-making Auditors with high idealism will tend to make decisions that are more ethical and vice versa. This study also wanted to test empirically the influence of idealism as a variable in the process of forming the moral character of auditor's ethical decision-making. Based on the above arguments, we propose the following hypothesis:

H2: The level of idealism is positively associated with auditors' ethical decision-making.

Moral Courage

The concept of courage describes individual ability facing of danger, uncertainty, and challenges and overcomes them without fear (Mahoney 1998). Courage is an act which respected by everyone. When a person asked to describe the courage, often most people would imagine a hero savior of a physical danger without fear likes Superman. Moral courage is courage in a moral hazard. Moral courage is not only the courage to face physical challenges, but there are moral and mental challenges. Kidder (2005a: p. 10) states there are five major components of moral courage: honesty, respect, responsibility, fairness and compassion which are an important part of moral character.

Christensen, Barnes & Rees (2007) states that in the process of ethical decision-making need a moral courage to carry it out. In the auditing process, the moral courage is an important factor when growing many current pressures faced by auditors in their work. Moral courage in the face of pressure will help prevent to behave unethically (Christensen et al. 2007; Gibbs et al. 1986). Moral courage is an act of glory (virtue action) in the face of moral challenges (Sekerka, Bagozzi & Charnigo 2009). This study wanted to test empirically the moral courage as one dimension of moral character and its influence in ethical decision. We propose the following hypothesis:
H3: The level of moral courage is positively associated with auditors' ethical decision-making.

Perspective Taking

Hogan (1973) states the elements forming the moral character is empathy or 'ethical point of view'. Perspective taking is an important part of personal empathy (Davis 1980). Empathy is one of the indispensable individual skills when interacting with others. Empathy consists of three main components: a) affective responses to other people's attitudes or feelings (affective response), b) perspective-taking is the cognitive process to see from the perspective of others and c) the process of consciously to act empathy (Segal, Gerdes, Stromwall & Napoli 2010). Ku, Wang & Galinsky (2010) defines the perspective taking as "... the process of imagining the world from another's vantage point or imagining oneself in another's shoes." Perspective taking is an individual's ability to analyze a situation from the point of view of others, as well, a person's ability to perform the sophisticated cognitive process of seeing things from another person's perspective (Epley & Caruso 2009).

Ferrell & Gresham (1985) stated that ability of a person who able to see with the 'others' perspectives can categorize as a unique variable moral character in the process of ethical decision-making models. A person with a high level of perspective taking will see his, often from the point of view of others and see others from his point of view. Individuals who have high levels of perspective taking will have an advantage in coordinating actions when interact with others or when faced with a very complex problem situation. This study also wanted to prove empirically the perspective taking as forming moral character dimensions and their influence on ethical decision-making. Based on the above arguments, we propose the following hypothesis:
H4: The level of perspective taking is positively associated with auditors' ethical decision-making.

Moral Character and Ethical Decision Making

The character comes from the Greek, character, which literally means 'impression' or 'characteristic' as seen on a coin of money. During its development, the human characters often called a person's personality. In the book Nicomachean Ethics, Aristotle (384-322 BC) states that there are two kinds of virtue in the person of a man, the primacy of thought and character virtues. Primacy of thought related to the knowledge possessed by a person, while the virtues of character (or the glory of character, moral virtue) the

emphasis is not on just a mere quirk, but the combination of qualities that make someone a respectable person (Crisp 2004).

Moral character is two words that inter-related, that is moral and character. Moral is the spirit of the character, without moral, character will be weak. Bebeau, Rest & Narvaez (1999) states a person's morality made up of four components, 1) moral sensitivity 2) moral decisions 3) moral motivation and 4) moral character. Bebeau et al. (1999) further explained that the first three components are important, but without the last part, the moral character, and then people will easily distress and failed to behave ethically. Moral character is important because the moral character contained in the glory, the strength of character that allows people to develop as an individual with a complete moral integrity. Individual glory will be able to apply practical wisdom. Practical wisdom is the ability to know when and how to make the best behavior with a moral perspective.

Francis (1990) states the auditor's moral character is essential to protect public interest. Auditors are moral agents who have responsibility of public trust. Auditor must uphold the glory of moral character, because the main role of the auditor is to protect the public interest (Libby & Thorne 2007). A moral character quality of an auditor is an important factor to make professional and ethical decisions by the expectations of society to the auditor. Primacy of moral character also becomes important when the auditor faced the pressures of work activity (Lord & Dezoort 2001; Windsor & Ashkanasy 1995).

Moral character variable is complex and a multidimensional construct and not unidimensional (Peterson & Park 2006; Wright & Goodstein 2007). One-dimensional character is spirituality (Gavanagh & Bandsuch 2002; Maxwell 2003). Lapsley & Lasky (2001) states explicitly that the dimension of moral character is idealism. Walker & Pitts (1998) called it a principle-idealistic, which has integrity and can trust. Kidder (2005a) states moral courage is one important dimension of moral character. Other dimensions of moral

character are perspective taking, an altruistic nature of someone who put the interests of others than self-interest (Underwood & Moore 1982). Libby & Thorne (2004) and Vitell & Ho (1997) stated that despite many studies that look at personal values in ethical decision-making, but still need more research on the moral character and explain how the moral character is important in decision ethical decisions. Based on the above arguments, we propose the following hypothesis:

H5: The level of moral character is positively associated with auditors' ethical decision-making.

RESEARCH METHOD

A questionnaire has distributed to all registered public accountant who participated in the IAPI (Indonesian Institute of CPA) meeting in Surabaya and Jakarta, Indonesia. Respondents fill out the questionnaire in about 25 minutes and then handed over to the researcher at the end of the meeting. Some 129 public accountants completed questionnaires, and this questionnaire can process further in this study.

Measures Used
Ethical Decision-Making
Hunt and Vitell (1986) define an ethical decision is the most ethical choice between alternative options in the ethical problem (the most ethical alternative). Ethical decision-making variables in this study measure by preparing a case scenario approach ethical dilemma's situation that accountant's real job situation. Many researchers (Claypool, Fetyko, and Pearson 1990; Cohen, Pant, and Sharp 1996; Mumford et al. 2006; Sims and Keon 1999) have actually done the use of scenarios to study ethics to describe the situation. Scenarios will help to standardize the social stimulus of respondents and at the same time a more realistic picture of the cognitive process of ethical decision-making. There are five scenarios of ethical dilemma situations faced by accountants. Respondents asked for their opinion on

whether they agree about ethical intensity in every scenario. Subsequently, respondents asked to state the possibility of agreement on the action in the scenario that reflecting ethical decision-making These measurements correspond to the first two stages in the process of ethical decision-making according to Rest (in Ziegenfuss and Martinson 2002) , the first phase, an understanding of the presence or absence of ethical issues, and the second stage, the ethical decision-making itself. (See Appendix 1)

Spirituality

According to Paloutzian and Ellison (2009), spirituality has two dimensions: the dimensions of religiosity and existential dimensions of the person. Spirituality describes (a) the dimensions of religiosity relation to God and (b) the existence human life in this world. The level of spirituality defined as a person's perceived level of closeness with God and the level of self-perception of the existence life in this world. The measurement of an auditor's level of spirituality adapted from an instrument developed by Paloutzian and Ellison (2009) and commonly used to measure the level of spirituality and has a high level of validity (Hill and Maltby 2009). The spirituality variable measured by twelve indicators, which include six indicators to measure the dimensions of religiosity, and six indicators to measure the dimensions of human existence.

Idealism

Idealism defined as an individual's perceived level of ideal actions realized with the slightest action should not harm others and has positive consequences. Idealism shows the desired impact a decision can get without breaking the noble values of morality (Forsyth 1980). Individuals who have high idealism believe that ethical actions should have positive consequences and will not adversely affect others. Idealism in this study measured with the six indicators adapted from an instrument developed by Forsyth (1980).

Moral Courage

Moral courage is a courage in a moral challenge. Moral courage to face the challenge of not only physical courage, there is moral content and mental courage (Kidder 2005a). In this study, the level of the auditor moral courage defined as a person's perception of the level of consistent courage in the face of moral challenges. Moral courage dimensional in this study adapted from an instrument developed by Gibbs et al. (1986). This dimension measures the consistency principle of moral courage and measured by five indicators, each indicator measured by 5-point Likert scale the degree of agreement.

Perspective Taking

Perspective taking is an important part of personal empathy (Davis 1980). Individuals who have a high perspective taking will check and process the cognitively in seeing any action performed from the perspective of another person. The level of perspective taking defined as perception the level of the personnel's ability to analyze the situation, from the point of view of others, as well as, the ability to conduct evaluations and cognitive processes in the view of the action, from the point of view of others. Perspective-taking dimensions in this study adapted from an instrument developed by Davis (1980). This dimension measures the personal perspective on a situation or condition. The higher a person's level of perspective taking, it will have a more diverse perspective and not just seen from a perspective of himself only. The perspective-taking variables measured with six indicators.

Moral Character

Character defined as a disposition to express behavior in consistent patterns of functions across a range of situations (Pervin 1994). Moral character is the consistent behavior of people is a noble (virtue) for the benefit of humanity and high moral courage as well. This reflects the attitude of the ideal shape and desired by the community (MacIntyre 2007). So the moral character variable is

complex and is a multidimensional construct which is not one-dimensional (Peterson and Park 2006; Wright and Goodstein 2007). The dimensions of the moral character of this research are spirituality (Maxwell 2003), idealism (Lapsley and Lasky 2001; Walker and Pitts 1998), moral courage (Kidder 2005) and the dimensions of perspective-taking (Underwood and Moore 1982).

DATA ANALYSIS AND DISCUSSION

Respondent is a public accountant with an average age of 56.16 years (with a standard deviation of 5.488 years) and the average work experience of 14.31 years as a public accountant (with a standard deviation of 4.8 years). The results of the test data showed that the instrument used in the study is valid for measurement (see Appendix 2). Except for ethical decision-making scenarios, everything is reliable as a proxy measure of the variable. Only on ethical decision variables, having Average Variance Extracted (AVE) below 0.5, which is 0.477, but the researchers believe is enough and can be used for further analysis. Furthermore, the path coefficient value of each variable and its influence on ethical decision-making has a value of 0.237 (spirituality), 0.192 (idealism), 0.184 (moral courage), 0.214 (perspective taking) with a P-value of each variable is 0.001 (spirituality), 0.022 (idealism), 0.039 (moral courage), 0.012 (perspective taking). Statistically result shown that hypothesis 1 to hypothesis 4 can definitely accept.

Moral Character and Ethical Judgment

The next step is to transform the elements of moral character consists of spirituality, idealism, moral courage, and perspective taking. From the analysis of factorial variables spirituality, idealism, moral courage and perspective-taking into a multidimensional variables, derived variables whose moral character has composite reliability value of 0.802; Cronbach's alpha 0.670; Average Variable Extraction 0.504, and Full Collinearity VIF 1.532. The test results show that the moral character variable is a variable that is multidimensional

and consists of spirituality, idealism, moral courage, and perspective taking. The fifth hypothesis testing is to test influence the moral character to ethical decisions, generate path coefficients 0.592 (with p-value <0.001), meaning that very significant and hypothesis 5 is accepted.

Discussion

Public accounting is of the public trust profession. Audit reports produced by auditors addressed to the three interested parties: corporate management, shareholders, and interested parties outside the company such as investors or creditors (Goldman & Barlev 1974). Understanding of the relationship between the three groups with the auditor will find the basic explanation of independence and conflicts of interest within the auditor.

How Auditors Should Behave?

The philosopher Socrates (470 BC - 399 BC) questioned the ethical behavior of a person with a philosophical question "How Ought We to Behave?" This question can be applied to the auditors with the question "how should auditors behave?"

There are two mainstream approaches to normative ethical principles: first, Deontology (Rule-Based Ethics), a principle that based on the primacy of a job (the idea of duty). The second is teleology (Consequence-Based Ethics), which focused upon the consequences of a behavior (McPhail & Walters 2009). Deontologically ethics emphasize the human obligation to do well. Deontology adheres to the principle of the Golden Rule. That is, in their behavior; people should refer to the principles of universal ethical obligations (Rule-Based Ethics). The act is good if a person acts solely as an obligation of respect for the moral law, which is a liability for the task responsibility, in other words, deontologically duties or obligations without thinking about the consequences first.

On the other hand, teleology measures the merits of an action based on the purpose or effect achieved by the act itself or the result of an action. In contrast to the deonto-

logical judge right and wrong in what became an obligation (duty) itself, well teleology bad judge an action by its 'consequences' or 'effect' of such action. An ethical principle of teleology is more situational, because the purpose and consequences of an action can depend on certain special circumstances. Teleological ethics focus on the result of a decision; consequentialism ethic with the main character is the British philosopher John Stuart Mills (1806-1873M).

Duality theory of ethics, deontology, and teleology, not quite articulate the behavior of an actual accountant. Accountant should not be the place accountable for the consequences of decisions made, such as the concept of teleology, or be responsible for such duties as the accountant in deontology. However, the accountant is a man, be a man of character, which is not limited to liability only, or the consequences of decisions taken, but it should be to be a noble human being completely. This again reminds the statement Mautz & Sharaf (1961) almost sixty years ago on the human concept when it became an accountant. An accountant is not the person that has the nature of homo-economicus, but the accountant is a noble and high moral character.

Virtue-Based Ethics
McPhail & Walters (2009) stated that in actual practice, the application normative deontological ethics criticized because making rules that are too general and universal. Deontology does not fit in the ethical dilemma facing special circumstances, but on the contrary, the principle of teleological ethics criticized because it will be very difficult to find any effects of an action. Teleological ethics are also not acceptable because it can misuse for criminal acts.

Bhuyan (2007) states that in addition to alternative deontology, and teleological ethics are ethics based on glory moral character (virtue-based ethics). Noble ethical or moral character is an ethical principle, which is not subject to duties and obligations, or not de-pending on how one should behave as in normative ethics deontology and teleology, but rather the self-development as a whole to be a noble human. Virtue ethic is not only what sort of the action, we "ought to do" but also what kind of person we "ought to be" (MacIntyre 2007).

The research results are also in line with Jacobs (2002:p.67) which states that people of noble character (or virtuous agent) does not consider the ethical behavior with the behavior of her actions run as a liability (as in the principles of deontological ethics). The noble character does not consideration of the impact of her behavior do (like the principle of teleological ethics), but he behaved as naturally as do demands for a noble man.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS
The researchers hope that this research can be used to the attention of the accountants, educator and accounting industry, that the accountant is a noble profession and become an accountant is not to seek economic benefits, but being an accountant is a choice to be a noble human being. The results of this study can also be used as a reference in the audit services industry, that the accountant is not just an expert in the science of accounting but also should have high moral character. Furthermore, people expect the auditor to have a strong moral character, as the auditor guards the public interest. Although this study cannot be generalized in general, but the main idea of strengthening the moral character within the auditor is very important in doing his job.

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APPENDICES

Appendix 1:
Example of Measurements

Ethics Scenario:
     In the examination of bank financial statements, the auditor found some things not been disclosed in the previous examination. All records of this leads to a serious violation of banking regulations set by the government. Although this incident had no impact on the bank's current financial position, in the end will seriously affect the financial performance of banks.
Action: Auditor did not take any action
1. Do you think there are ethical issues in such cases?
2. If you are an auditor, it may act like that.
3. Does your partner may act as the auditor?

Spirituality:
1. I do not find satisfaction in prayer to God (N)
2. I do not know where my life purpose (N)
3. I believe that God loves and cares me
4. I feel life is not having a lot of sense (N)

Idealism:
1. Earn profits by harming others is immoral
2. Should not hurt other people physically and psychologically
3. Harm to others is an act that cannot be tolerated

Moral courage:
1. I am a person who always consistently hold my principles
2. I always defend the truth even if it will not be liked by others
3. I will defend the people who are treated unfairly even though I do not know that person

Perspective Taking:
1. I always try to see both sides point of view in each of the problems I had
2. When I am angry with someone, I always try to understand the mindset of the person

Appendix 2:
Composite Reliability (CR), Cronbach's alpha and Average Variance Extracted (AVE)

Item	Spirituality	Idealism	Moral Courage	Perspective-Taking	Ethical Judgment
CR	0.916	0.897	0.891	0.879	0.820
Alpha	0.898	0.861	0.846	0.834	0.725
AVE	0.524	0.593	0.623	0.547	0.477
VIFs	1.328	1.651	1.321	1.653	1.542

Variance Inflation Factors VIFs <2.5 are desirable for formative indicators.