

# Phenomenon of the First Stage Kohlberg's Theorem in Accounting Lecturer's Ethical Decision Making

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**Abstract**—Previous research of ethical decision making (EDM) was describes the phenomenon of the first and second of the Kohlberg's six stages ethical judgments, those were about orientation of obedience on avoidance sanctions and an egoistic oriented for receiving money income. EDM process have also divided to be ethical awareness, ethical judgments, and ethical intentions, then also ethical behaviour. This study will use moderated regression analysis (MRA) in the evaluations of which one between junior and senior lecturer, also master degree or doctoral degree lecturer allow the rewards and sanctions among the levels of ethical awareness, ethical judgments, and ethical intentions or ethical behaviour in the EDM.

**Keywords:** *master and doctor degree accounting lecturer, ethical decision making*

## I. INTRODUCTION

This research is concerned on the stages of cognitive moral development (CMD) that has been developed by Kohlberg (1969, 1981), which is originally done under the early work of Piaget (1932 until 1965). CMD has been theoretically used as the based for various versions of ethical decision making researches theories (Haines & Leonard, 2007a; Rest, Bebeau, & Volker, 1986). It was describe how do the cognitive moral development processes of ethical decision making become sophisticated step by step as individuals or organizational developments (Haines & Leonard, 2007a). Treviño (1986) used Kohlberg's model to develop up a theory of ethical decision making that concerning to the principles of the individual decision making. Their model brings ethical judgement to ethical behavior and proposes that individual factors influence connected throughout the process of ethical decision making rather than only ethical judgments of whether the behavior was acceptable and ethically can be applied (Haines & Leonard, 2007a).

Based on this respect, Rest developed the instrument of Defining Issues Test (DIT), that usually use to determine the stage of individual's moral development and the reasons behind ethical decisions of individuals (Forte, 2004). Much research has indicated that CMD directly influences the individual ethical decision making process (Ashkanasy, Windsor, & Treviño, 2006; Reynolds, 2006; Thorne, 1999; Treviño, 1986).

Events the purpose of current study is not to elaborate extensively upon the theoretical aspects of cognitive moral development, some explanations of Kohlberg's theory were

the best concept in order to understand the theoretical background of the study. The theory of CMD is concerning to the questions, how judgments are made and why individual formulates judgment. This theory, which was based on interview data and direct observation, consists of three levels and within each level there are two different stages. Level one (stages one and two), which is known as pre-conventional level.

In stage one, obeying the rules is important because it is a means to avoid punishment. Individuals at stage two base their ethical judgments on a type of cost-benefit analysis, primarily reflecting their personal interests. At stage three individuals behave ethically in order to satisfy the interests of significant others. At stage four, the focus is on maintaining law and order by following the rules, doing one's duty, and respecting authority. Individuals at stage five begin to account for the differences in values, opinions, and beliefs of others. At stage six, ethical behaviour is based on maintaining universal principles of justice and ethics (Carlson & Kacmar, 1997; Kohlberg, 1969; Steven et al., 2006). Generally higher levels of moral reasoning are indicative of higher ethical standards (Jackling et al., 2007).

Early, individual's moral development, which is theorized to have a strong relationship with ethical judgment, was found to be positively impacted by the individual's level of education (Kohlberg, 1981; Rest, 1975). In addition, it is argued that the length of formal education is one of the crucial variables in individuals' ethical judgment (Kohlberg, 1981).

Prior to 1990, research had not yet provided clear results regarding the impact of educational level on ethical decision making process. In the review of Ford and Richardson (1994), six studies examined the impact of educational level on ethical decision making. While three studies revealed clearly that educational level had no significant relationship with ethical decision making process (Dubinsky & Ingram, 1984; Kidwell et al., 1987), the remaining three showed some statistical differences in ethical decisions based on educational level (Browning & Zabriskie, 1983; Lane, Schaupp, & Parsons, 1988). After removing studies that had already reviewed by Ford and Richardson, one new study (Laczniak & Inderrieden, 1987) was reported by Loe et al. (2000). It indicated that the educational level had no impact on ethical decision

More recent research has shown to some extent different direction that level of education had some significant positive impact on ethical perceptions of the decision makers. O'Fallon and Butterfield (2005) reported thirteen studies that

examined the impact of level of education on ethical decision making stages. Out of these studies, three investigated the relationship between ethical recognition and educational level. Ethical recognition was not significantly influenced by the level of education in two studies, for example in the study by Cohen et al. (2001) there were no significant differences between students and professional accountants in their sensitivity of ethical issues; one study indicated that level of education had an impact on ethical recognition.

With regard to ethical judgment, seven studies were conducted to examine its relationship with educational level; most of these studies (five) revealed that level of education had significant positive relationship with ethical judgment (Kracher, Chatterjee, & Lundquist, 2002; Razzaque & Hwee, 2002), while the remaining two showed no significant results (Cohen et al., 2001; Shafer et al., 2001). Ethical intention was reported in three studies; while two studies (Cohen et al., 2001) showed that ethical intention was found to be positively affected by the level of education, Shafer et al.(2001) provided no significant impact for level of education on intentions. The majority of the above studies (8 studies), which reviewed by O'Fallon and Butterfield, conclude that there are some significant positive relationships/impacts with/on ethical decision making stages that based on educational level.

Based on these phenomenon we propose the hypotheses about education level of accounting lecturers not strong again in recognizing the ethical dilemma and also weak in retaining their argumentation. Higher level educated accounting lecturer would not be more aware, and lower level of accounting lecturer would be more orientation and intention in ethics.

## II. LITERATURE REVIEW

The meaning of education was the education level of accounting lecturers in Tangerang. Musbah 2010 have explained that While fifteen studies revealed few or significant positive relationships between education level and ethical decision making process, fourteen studies showed no significant results. However, it can be concluded that research has shown clear conclusion that no significant negative relationships have been found. Students sample could be one reason in providing such findings that more than 13 of the above studies used convenience universities students; eight of these studies showed no significant results.

Ethical decision making is defined as "a process by which individuals use their base to determine whether a certain issue is right or wrong" (Carlson et al., 2002). Jones (1991) adds that ethical decision is both legal and morally acceptable to the larger group. theoretical frameworks are possibly the most important writing on the ethical decision making process within organizations. He proposed a four-stage ethical decision making sequence to describe individuals' cognitive stages when they faced ethical dilemma. These stages comprise 1) ethical recognition – being able to interpret the situation as being ethical or unethical; 2) ethical judgment – deciding which course of action is morally right; 3) ethical intention – prioritizing ethical alternative over other alternatives; and 4) ethical behaviour – engaging in ethical behaviour. Rest argues that each stage is conceptually

different and that success in one stage does not mean success in any other stage.

While he influence of top management is frequently seen through its manipulation of rewards and sanctions available through its organizational position as discussed above, some research has been done which specifically investigate he influence of rewards and sanctions on ethical decision making behavior. All the studies noted that rewards abd sanctions have relationship on ethical behavior of individual decision maker (Fritzche and Becker,, 1985). If top management can be considered a speciak case of group influence then the findings concerning top management amplifies the findings on the importance of peer influence. It is clear that top management does have an impact on an individual's peers both through how it acts and through its granting or withholding orgnizational rewards and sanctions.

## III. METHOD

Data from one hundred thirty eight respondens of accounting lecturer was voluntary in Tangerang. A survey questionnaire was used to collect the data We use SPSS 21 to process data, identified moderated regression analysist, and t – test.

## IV. RESULTS

The results of moderated regression analysist, and t-test decribed in the table 1: Moderated Regression Analysist:

TABLE 1. MULTIPLE REGRESSION ANALYSIST

Independen t variables	MODERATED REGRESSION ANALYSIS (138 RESPONDENS)					
	Beta	P- Value	Beta	P- Value	Beta	P- Value
Constants	15,595	0,000	13,704	0,000	12,891	0,000
Education	-1,601	0,010	-3,645	0,000	-0,759	0,346
Moderated	-0,499	0,119	0,153	0,330	-0,280	0,502
Rewards & Sanctions	0,543	0,001	0,066	0,000	0,367	0,092

In Confidence Level (CL) 95% or Standard Error (SE) 5%, education has Beta constants almost same significant streng impats to ethical awareness, judgments, and intentions as of 15,595; 13,704, and 12,89t1. Meanings that education after interacted by rewards and sanctions have high impact to ethical awareness, judgments, and intentions, event education has only negative influent to the awareness and judgments, and the strengthening fower of rewards and sanctions was not significant, and has also negative on awareness and intentions. In the total effects of situational factors – rewards and sanctions with the beta values of 0,543; 0,066; and 0,367 has significant interaction effects to the individual factors of eduation, and those can be described as p-values 0,001; 0,000; and 0,092 all of them < 0,05 (SE) 5%.

Based in the strength ethical awareness of accounting lecturers in Tangerang, we have identified that educaion level can only promote ethical awareness and intentions event if itsn't interacted or moderated by rewards and sanctions. Those evidences revealed in the table 2: Regression Analysist Before Rewards and Sanctions as follow:

TABLE 2. REGRESSION ANALYSIS BEFORE MODERATED REWARDS AND SANCTIONS

Independent variables	REGRESSION ANALYSIS (138 RESPONDENTS)					
	AWARENESS		JUDGMENTS		INTENTIONS	
	Beta	P-Value	Beta	P-Value	Beta	P-Value
Constants	4,875	0,041	3,169	0,159	3,385	0,046
Education	0,503	0,039	0,138	0,547	0,155	0,000

With constants beta of 4,875 and 3,385 in ethical awareness and intentions and p-value of 0,039 and 0,000 the education level has promote ethical decision making especially in recognize questionable ethical actions and the argumentations to support the right accounting lecturers ethical decision making. In the stage of ethical judgments high education level has not strong influence again, based on the better capability in recognizing each ethical action as the right ethical decision or wrong, higher educated accounting lecturers sometime in vice versa have less correct in ethical judgments.

## V. CONCLUSION

If rewards and sanctions have been implemented, accounting lecturers with higher education would be higher in recognizing each ethical dilemma and continue the awareness as an ethical actions.

In the stage of ethical judgments accounting lecturers with higher education don't want to involve in the argumentation of ethics to each others, especially to the lower level educated accounting lecturers

Accounting lecturers with higher education will retired from ethical decision making focussed of discussion (FGD). They don't like to retain their recognition about ethical dilemma based on the Beta 0,138 under the P-value of 0,547.

## VI. IMPLICATION

This study suggest accounting lecturers in Tangerang not only enough to continue their professional education with techniques of accounting only, but should also follow periodical ethical decision making works throught on the job basis or focussed group discussion.

Professional organization condition depended on country conditions, Indonesian Accountants Institutes will move each accounting lecturers to join scheduled ethical decision making boards in professional organizations.

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