

Article History:

Submitted: January 22, 2026; Revised: February 15, 2026; Accepted: March 31, 2026

Paper Type: Research Paper

Examining Ethical Recognition as a Mediator of Ethical Judgment in Public Organizations

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ABSTRACT

Study's aim: This study aims to examine and provide empirical evidence on the effects of moral relativism, corporate ethical values, and probability of effect on ethical judgment, with ethical recognition as a mediating variable. **Design/Methodology/Approach:** Using purposive sampling, this study involved 145 respondents from 18 Regional Apparatus Organizations (RAOs) in Sumedang Regency. Data were collected through a self-administered questionnaire and analyzed using partial least squares structural equation modeling (PLS-SEM). **Findings:** The findings indicate that moral relativism and corporate ethical value significantly influence both ethical recognition and ethical judgment, whereas probability of effect affects only ethical judgment. However, ethical recognition is not found to mediate the relationships between the antecedent variables and ethical judgment. **Theoretical Contribution/Originality:** Theoretically, this study confirms the relevance of Moral Development Theory while showing that, in public organizations, ethical judgment is shaped more by direct influences than by the mediation of ethical recognition. **Practitioner/Policy Implication:** Practically, this study implies that improving ethical judgment in Sumedang Regency RAOs requires not only raising awareness of ethical issues but also directly strengthening organizational ethical values, consistent moral standards, and employees' sensitivity to the consequences of their decisions.

Keywords: Moral Relativism; Corporate Ethical Value; Probability of Effect; Ethical Judgement; Ethical Recognition



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Introduction

The issue of ethical judgment is becoming increasingly important to study because organizations, including government agencies, are required to carry out their functions of public service, public policy management, and public oversight in a fair, transparent, and accountable manner. In practice, ethical violations still occur frequently, both at the professional and organizational levels, thereby eroding public trust and undermining institutional integrity (Aziz & Cahyonowati, 2015; Susilawati et al., 2022). In the Indonesian context, the case of financial statement manipulation at PT Garuda Indonesia where they reported a profit despite the company actually suffering substantial losses, demonstrates how decisions made without ethical consideration can have serious implications, including for the public accountants involved (Christian et al., 2022; Dewi et al., 2023). Similarly, the case of embezzlement of village funds in Sumedang Regency demonstrates that ethical issues are not only relevant in the corporate sector but are also evident in public sector governance (Andriana, 2023). These phenomena indicate that the core issue is not merely the presence or absence of rules, but rather how individuals make ethical judgments when facing situations involving moral dilemmas. Therefore, research on the factors influencing ethical judgment is crucial to explaining why someone may arrive at an ethical judgment or the opposite.

Citation:

Amalia, D. U., & Saud, I. M. (2026). Examining Ethical Recognition as a Mediator of Ethical Judgment in Public Organizations. *Journal of Sustainable Accounting, Business, and Economic Policy*, 1(1), 60-76.

A number of previous studies have explored the determinants of ethical judgment from both personal and organizational perspectives. From a personal perspective, moral relativism is understood as the view that judgments of right and wrong depend on specific social, cultural, and perspective contexts, meaning there are no fully universal moral standards (Forsyth, 1992; Ariyanti & Widanaputra, 2018). Empirical findings have yielded results that are not entirely consistent. Oboh (2019) found that moral idealism significantly influences ethical judgment, whereas moral relativism does not have a significant effect. Conversely, Ismail and Rasheed (2019) demonstrated that relativism has a negative effect on ethical judgments, while idealism has a positive effect.

From an organizational perspective, corporate ethical values are understood as a set of ethical values embedded within an organization—through both formal and informal systems—that serve as the foundation for distinguishing between right and wrong actions (Dewayanti et al., 2022; Hunt et al., 1989; Sharma et al., 2009; Nicotera & Cushman, 1992; Kaur & Sharma, 2016). In this context, Ghazali (2021) demonstrates that corporate ethical values have a positive influence on ethical judgments. Additionally, the probability of effect—that is, the perception of the likelihood that an action will actually result in benefits or harm—is also considered relevant in the formation of ethical judgments because individuals fundamentally consider the consequences of the actions they take (McMahon & Harvey, 2007a; Narsa & Prananjaya, 2017). Thus, prior research indicates that ethical judgment is influenced by a combination of an individual's moral orientation, the organization's ethical environment, and consideration of the consequences of actions.

Nevertheless, findings from prior research also suggest that explanations regarding ethical judgment remain insufficient if they merely focus on the direct relationship between antecedent variables and ethical judgment. In the literature on ethical decision-making, ethical recognition is understood as an individual's ability to interpret whether a situation involves an ethical issue or not (Narsa & Prananjaya, 2017; Winata, 2014). Conceptually, this variable is important because an individual will not arrive at an adequate ethical judgment if they fail from the outset to recognize that the situation at hand has a moral dimension. The theoretical justification for this position can be explained through Rest's (1986) stages of ethical decision-making, which positions ethical recognition as the initial step preceding ethical judgment, as well as through Kohlberg's Moral Development Theory, which asserts that the higher an individual's moral development, the greater their ability to consider decisions ethically (Marta & Serly, 2023). Thus, the existence of ethical recognition is important not merely as an additional variable but as a conceptual mechanism explaining how personal and organizational factors are first translated into ethical awareness before culminating in ethical judgment. It is at this point that Oboh's (2019) research offers room for further development, because although it examined the factors of personal and moral intensity in the ethical decision-making process, the study also acknowledged the existence of other variables that could further explain the process more comprehensively.

The public sector, particularly the regional government agencies of Sumedang Regency, is also worthy of research focus because ethical issues in this sector have consequences that directly affect the public interest. Unlike the private sector, which is primarily business-oriented, public organizations carry a stronger mandate of service, accountability, and public trust. The case of village fund embezzlement in Sumedang demonstrates that when ethical judgment is weak, the impact is not merely internal to the organization but also results in state losses and erodes institutional legitimacy in the eyes of the public (Andriana, 2023). Therefore, testing ethical judgment within the context of the Regional Apparatus Organizations (RAOs) in Sumedang Regency is justifiable because this context represents a decision-making arena laden with moral, administrative, and social responsibilities. Furthermore, since most of the literature still largely originates from the accounting profession and the corporate environment, testing the model within the context of local government also provides contextual added value for the development of organizational ethics research.

This study aims to analyze the influence of moral relativism, corporate ethical values, and probability of effect on ethical judgment, with ethical recognition as the mediating variable, within the government agencies of Sumedang Regency. Theoretically, this study offers novelty by integrating the determinants of ethical judgment into a framework that positions ethical recognition as an initial stage bridging the formation of ethical judgment, thereby expanding the model referenced from Oboh (2019) through the perspectives of moral development theory. Practically, this study is expected to provide a foundation for local government

agencies to not only strengthen organizational ethical values but also enhance employees' ability to identify ethical issues early on, ensuring that the assessment and decision-making processes proceed more responsibly.

Literature Review and Hypotheses Development

Moral Development Theory

An individual's cognitive moral development determines how a person understands ethical dilemmas and processes decisions regarding what is considered right or wrong in a given situation (Trevino, 1986). In this context, Kohlberg and Hersh (1977) represents a further elaboration of theory of cognitive development. This theory explains that moral reasoning, as the foundation of ethical behavior, develops gradually through three main levels—preconventional, conventional, and postconventional—each consisting of two stages. Through these stages, individuals demonstrate changes in the basis of moral judgment, ranging from an orientation centered on personal consequences to universal ethical principles.

At the pre-conventional level, moral decisions are primarily based on rewards and punishments (Kohlberg & Hersh, 1977). The first stage, known as the punishment and obedience orientation, indicates that an action is judged good or bad based on the physical consequences it entails; thus, an action is considered morally wrong if it results in punishment (Kohlberg & Hersh, 1977). The harsher the punishment received, the worse the action is judged to be. The second stage, the instrumental relativist orientation, emphasizes that a correct action is one that fulfills individual needs and is based on reciprocal relationships (Kohlberg & Hersh, 1977). At this level, moral considerations are still oriented toward personal interests and the direct benefits gained by the individual.

Next, at the conventional level, individuals begin to base moral judgments on social expectations, environmental acceptance, and compliance with rules (Kohlberg & Hersh, 1977). At the "good child" orientation stage, individuals begin to align their behavior with the expectations of those around them, making social approval and acceptance a crucial foundation for moral judgment (Kohlberg & Hersh, 1977). Meanwhile, at the stage of law and order orientation, actions are considered good if they align with applicable laws, rules, and obligations (Kohlberg & Hersh, 1977). At this stage, individuals begin to realize the importance of respecting others, authority, and the social order in forming ethical decisions (Kohlberg & Hersh, 1977).

At the post-conventional level, individuals evaluate actions based on universal moral principles that transcend formal rules. The stage of legalistic social contract orientation describes actions as the result of a social consensus that respects each individual's differing opinions, rights, and beliefs (Kohlberg & Hersh, 1977). Therefore, respect for justice and the rights of others is paramount. The highest stage, namely the orientation toward universal ethical principles, indicates that individuals base their actions on consciously chosen ethical principles, such as justice, truth, human rights, and respect for human dignity, even though these principles may transcend existing rules or agreements (Kohlberg & Hersh, 1977). Thus, Kohlberg's theory asserts that the higher a person's level of moral development, the stronger their tendency to base ethical decisions on universal and consistent principles.

Hypotheses Development

The Effect of Moral Relativism Towards Ethical Judgement

Moral relativism can be defined as a stance that rejects the existence of any universal truths. Relativism holds that what is good and evil, right and wrong, depends on the individual and the culture of their society. Ethical relativism is the view that there are no universally true moral principles; the truth of moral principles is relative and depends on culture or individual choice (Poje & Zaman Groff, 2023). Individuals with a high degree of moral relativism tend to have a low level of ethical judgment. According to Kohlberg and Hersh (1977) individuals who reach a high level of moral development tend to possess more mature ethical judgment. Moral relativism, which rejects universal truth, can hinder the development of higher-order ethical judgment.

Previous studies have shown that moral relativism has a negative impact on ethical judgment (Ismail and Rasheed 2019; Oboh 2019). In Oboh's (2019) study, moral relativism had a negative effect on ethical decision-making. Therefore, individuals with high levels of relativism tend to engage in unethical decision-making. The results of the study by Ismail and Rasheed (2019) indicate that relativism has a negative influence on the ethical considerations of future accountants. Based on the above discussion, the following hypothesis can be formulated:

H₁ : Moral relativism negatively affects ethical judgement.

The Effect of Corporate Ethical Value Towards Ethical Judgement

Corporate ethical values are the ethical values that exist within a company. According to Hunt et al. (1989), corporate ethical values are a combination of the individual ethical values of managers and the formal and informal policies in effect within an organization. In this regard, according to Kohlberg and Hersh (1977), individuals generally follow established social norms and rules. Corporate ethical values implemented within an organization can be regarded as social norms that employees must follow. If effectively implemented by the company, these values can influence the culture and behavioral norms among employees. Consequently, corporate ethical values tend to foster a healthy and ethical work environment. Additionally, employees will tend to emulate attitudes and behaviors aligned with the highly valued ethical principles. Thus, consistently implemented corporate ethical values can shape an individual's ethical stance toward business situations.

In Gustini's (2016) study, organizational ethical values were found to have a significant influence on ethical decision-making. In line with this, Ghazali's (2021) research indicated that corporate ethical values significantly influence ethical judgments; the role of an organizational culture that promotes ethical values can influence individuals to act more ethically. Based on these findings, the author formulates the following hypothesis:

H₂ : Corporate ethical value positively affects ethical judgement.

The Effect of Probability of Effect Towards Ethical Judgement

The probability of an effect is defined as a composite function of the likelihood of an action occurring and the expected consequences of that action (Morris & McDonald, 1995), whereas ethical judgment involves considering moral values and principles to determine whether the action is right or wrong. The probability of an effect plays a crucial role in assessing how likely a particular outcome or impact is to result from the action taken. Thus, it can influence how a person assesses the level of risk and the potential benefits or losses of an action. Probability of effect has a positive relationship with the ethical decision-making process (Narsa & Prananjaya, 2017). Therefore, the higher an individual's probability of effect, the more that individual considers the losses resulting from the action taken. Based on the above explanation, the following hypothesis can be formulated:

H₃ : Probability of effect positively affects ethical judgement.

The Effect of Moral Relativism Towards Ethical Recognition

Moral relativism, which asserts that moral values are relative and dependent on cultural, social, or individual contexts, poses a significant challenge to efforts to achieve universal moral consensus. In the study by Musbah et al. (2016), moral relativism was found to have a negative impact on ethical decision-making, particularly during the ethical recognition stage. Individuals who adopt a relativist perspective tend to believe that there are no universal moral rules, so ethical issues become less of a priority among various other issues. This suggests that a relativist perspective, which questions the validity of universal moral rules, can hinder an

individual's ability to accurately recognize and assess ethical issues. Therefore, the hypothesis is formulated as follows:

H4 : Moral relativism negatively affects ethical recognition.

The Effect of Corporate Ethical Value Towards Ethical Recognition

Corporate values have long been regarded as a crucial aspect of corporate culture and serve as a distinguishing feature that sets one company apart from another. A corporate's ethical values regarding ethical recognition reflect the relationship between its ethical values and the extent to which those values are acknowledged and valued by stakeholders such as employees, customers, business partners, and the community. This recognition is reflected in the support, trust, and positive reputation that stakeholders bestow upon the company. When a company's ethical values are recognized and valued by stakeholders, these values can contribute to the company's long-term sustainability.

Companies perceived as having high ethical standards tend to attract more talent, retain customers, and build strong relationships with business partners. In a previous study conducted by Pulungan and Fitrianingrum (2019), it was found that accountants who have a strong perception of corporate ethical values tend to be less willing to engage in unethical actions. This indicates that promoting corporate ethical values can have a positive impact on encouraging accountants to make more ethical decisions. Based on the above explanation, the following is the hypothesis:

H₅ : Corporate ethical value positively affects ethical recognition.

The Effect of Probability of Effect Towards Ethical Recognition

The probability of an effect refers to the likelihood that a particular action or decision will have a specific impact or consequence. The probability of an effect and the stage of ethical recognition indicate that these factors play a role in the ability to make ethical decisions. When the probability of an action's effect is considered high, individuals or organizations tend to be more careful in recognizing and considering the ethical implications of that action. They are more likely to recognize that the action has the potential for significant ethical impact, and this can trigger deeper moral consideration before making a decision. Conversely, if the probability of effect is considered low, there may be a tendency to pay less attention to ethical aspects.

Research conducted by Narsa and Prananjaya (2017) found that the probability of an effect has a significant negative relationship with ethical recognition. In other words, the greater the likelihood of actual harm resulting from an action, the lower the respondents' awareness that the situation involves ethical issues. Based on the above explanation, the following hypothesis can be formulated:

H₆: Probability of effect negatively affects ethical recognition.

The Effect of Ethical Recognition Towards Ethical Judgment

Ethical recognition is the ability to identify and understand the ethical aspects of a situation or event. Ethical judgment, on the other hand, is the ability to evaluate actions and decisions from an ethical perspective. This involves assessing whether those actions and decisions align with recognized ethical values.

Ethical recognition has a significant influence on a person's ethical judgment. This is because when an individual recognizes certain ethical values or moral principles, this can serve as the foundation for ethical decision-making. Ethical recognition establishes the foundation for an individual's moral judgment by providing an understanding of accepted ethical norms or standards. Thus, ethical recognition creates the basis for ethical judgment. Without recognition of the ethical aspects of a situation, it is difficult to make meaningful

ethical judgments. Ethical recognition helps individuals or groups understand the moral context of decisions or actions. In line with research (Oboh et al., 2020), the first stage in the decision-making model is ethical recognition (moral awareness or sensitivity), and this is crucial for initiating the ethical decision-making process. This is because ethical sensitivity is fundamental to making ethical decisions. Based on the above explanation, the following hypothesis can be formulated:

H₇: Ethical recognition positively affects ethical judgement.

Mediation Role of Ethical Recognition

Moral relativism is the idea that ethical values are relative and depend on cultural, historical, or individual contexts. When individuals tend to be relativists, they are likely to view ethical issues as relative and dependent on context or subjective perspectives, which can cloud their judgment regarding the rightness or wrongness of an action. In this context, ethical awareness can serve as a mediating variable linking moral relativism to ethical judgment. Ethical recognition reflects the extent to which an individual can identify and acknowledge ethical issues in a given situation. If an individual tends to be relativistic, this can affect their ability to accurately identify and assess the ethical issues that arise, thereby influencing the overall ethical judgment process. A study by Aziz & Cahyonowati (2015) showed that moral relativism has a negative effect on ethical judgment. Similarly, a study by Musbah et al. (2016) found that moral relativism has a negative effect on ethical judgment, ethical recognition, and ethical intentions.

H₈: Moral relativism negatively affects ethical judgement, mediated by ethical recognition

Corporate ethical values refer to the ethical principles upheld and practiced by a company in its business activities. These values reflect the company's commitment to ethics and integrity. Ethical awareness can be defined as an individual's ability to recognize and understand situations and actions that involve ethical considerations. This includes the ability to determine whether an action or decision is consistent with prevailing ethical values. When business ethical values are consistently practiced within an organization, these values enhance the ability of individuals (employees, managers, etc.) to recognize and understand ethical issues in various business situations. Companies with strong ethical values create an environment where employees are more likely to understand and recognize ethical dilemmas. In this context, corporate ethical values do not directly influence ethical judgment but rather through the process of recognition and understanding of ethical values among individuals within the company. When ethical recognition is enhanced through the implementation of corporate ethical values, individuals tend to have a stronger foundation for making more ethical decisions. This creates a relationship in which an understanding of corporate ethical values plays a crucial role in shaping an individual's perspective on specific actions and decisions. Ghazali's (2021) study indicates that corporate ethical values have a positive influence on ethical judgment.

H₉: Corporate ethical value positively affects ethical judgement, mediated by ethical recognition.

Effect probability refers to an individual's assessment of the potential impact of a decision or action on the parties involved. This may include both positive and negative consequences that may arise from the decision. Ethical judgment is an individual's evaluation of whether an action is ethical. Ethical awareness refers to a person's ability to recognize and understand the ethical aspects of a situation. The higher the probability of an action's effect, the greater the likelihood that an individual will recognize the ethical aspects of the situation and subsequently make an appropriate ethical judgment. Thus, ethical recognition can influence how a person makes ethical judgments about their actions. Therefore, it can be concluded that the probability of effect not only directly influences ethical judgment but also through its influence on ethical recognition. This process reflects the complexity of the interaction between the perception of the probability of impact, the recognition of ethical values, and ultimately the ethical judgment of an action. In the study by Narsa & Pranajaya (2017), the probability of effect was found to have a positive relationship with the decision-making process.

H₁₀: Probability of effect positively affects ethical judgement, mediated by ethical recognition.

Based on the hypotheses development, the research model is depicted in Figure 1.

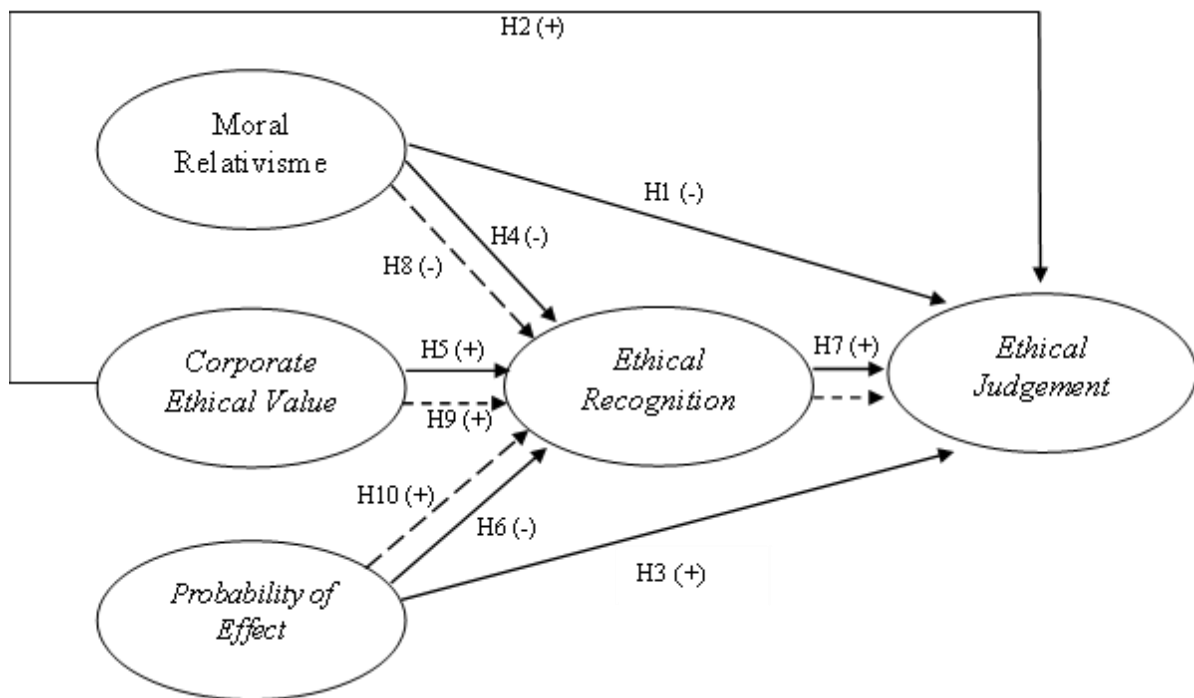


Figure 1 Research Model

Method

This study employed a quantitative method in which data were collected directly from respondents who completed the distributed research questionnaire. The respondents in this study were employees of Regional Apparatus Organizations (RAOs) in the Sumedang Regency Government. The sample was determined based on purposive sampling, with the following criteria: (1) heads or staff in the accounting and finance departments; and (2) having a minimum of 1 year of service, considering that the respondents already possessed sufficient knowledge and experience regarding the work environment. Of the 163 questionnaires distributed directly to respondents, 145 were usable and analyzed, with the demographic distribution of respondents as presented in Table 1 (response rate: 89%). This was due to some questionnaires being left blank, incomplete, or lost upon return.

Based on demographic characteristics (Table 1), the respondents were predominantly women, numbering 84 (58%), while men numbered 61 (42%). In terms of age, the largest group was in the 36–50 age range, comprising 66 people (46%), followed by the 20–35 age range with 45 people (31%) and those over 50 years old with 34 people (23%). This composition indicates that the majority of respondents are of working age, so it can generally be assumed that they have sufficient experience and understanding of the context of organizational ethics. In terms of education, the majority of respondents held a bachelor's degree (87 people, 60%), followed by "other" (22 people, 15%), diploma (19 people, 13%), and master's degree (17 people, 12%). The respondents' educational backgrounds were also relatively diverse, with the "others" category dominating at 68 people (47%), followed by management at 40 people (28%), accounting at 24 people (17%), and economics at 13 people (9%). Meanwhile, tenure at the current institution was dominated by respondents with over 10 years of experience, totaling 69 people (48%), while tenure in the current position was most common in the 1–5 year range, with 67 people (46%). In terms of job titles, the majority of respondents were accounting/finance staff, totaling 91 people (63%), followed by the "others" category with 44 people (30%) and accounting/finance managers with 10 people (7%). Overall, this profile indicates that the research sample is dominated by operational staff with relatively long institutional experience, making it sufficiently representative to provide an overview of ethical perceptions within RAOs.

Table 1 Respondent Demography

| Description | Amount | % |
|--------------------------------|------------|------------|
| <i>Gender</i> | | |
| Male | 61 | 42 |
| Female | 84 | 58 |
| Total | 145 | 100 |
| <i>Age</i> | | |
| > 20 y.o. | 0 | 0 |
| 20-35 y.o. | 45 | 31 |
| 36-50 y.o. | 66 | 46 |
| > 50 y.o. | 34 | 23 |
| Total | 145 | 100 |
| <i>Last Education Degree</i> | | |
| Diploma | 19 | 13 |
| Bachelor | 87 | 60 |
| Master | 17 | 12 |
| Profession | 0 | 0 |
| Other | 22 | 15 |
| Total | 145 | 100 |
| <i>Educational Background</i> | | |
| Accounting | 24 | 17 |
| Management | 40 | 28 |
| Economics | 13 | 9 |
| Others | 68 | 47 |
| Total | 145 | 100 |
| <i>Length of Work</i> | | |
| < 1 y.o | 0 | 0 |
| 1-5 y.o | 39 | 27 |
| 6-10 y.o | 37 | 26 |
| >10 y.o | 69 | 48 |
| Total | 145 | 100 |
| <i>Length of Work Position</i> | | |
| < 1 y.o | 0 | 0 |
| 1-5 y.o | 67 | 46 |
| 6-10 y.o | 38 | 26 |
| >10 y.o | 40 | 28 |
| Total | 145 | 100 |
| <i>Status Degree</i> | | |
| Head of Accounting/Finance | 10 | 7 |
| Staff of Accounting/Finance | 91 | 63 |
| Others | 44 | 30 |
| Total | 145 | 100 |

In developing the questionnaire, this study drew upon several previous studies on the variables of ethical judgment (Yeoh, 2014), moral relativism (Forsyth, 1980), corporate ethical values (Jin et al., 2007), probability of effect (Narsa & Prananjaya, 2017), and ethical recognition (Yang & Wu, 2009), with the operational definitions of each variable presented in Table 2. Furthermore, each questionnaire item was measured using a Likert scale, where “1” indicates strongly disagree and “5” indicates strongly agree.

Furthermore, a non-response bias test was conducted to determine whether there were differences in response characteristics between respondents who returned the questionnaire on time (within two weeks) and those who returned it late or did not return it at all. In this study, respondents were divided into two groups: (1) The first group consisted of respondents who returned the questionnaire on time (within two weeks) as specified by the researcher; and (2) The second group consisted of respondents who returned the questionnaire late (more than two weeks) or did not return it at all. The results of the bias test using Levene’s

test (Gaswirth et al., 2009) indicate that there is no bias between questionnaires returned on time and those returned late.

Data analysis in this study involved two main approaches: (1) descriptive statistical testing and analysis, and (2) model testing using Partial Least Square-Structural Equation Modeling (PLS-SEM). Descriptive statistics provided insights into overall research results, including respondents' feedback and demographic information. PLS-SEM was employed to evaluate both the measurement model and the structural model (Chin et al., 2003). PLS-SEM was employed because the study is prediction-oriented, involves a relatively complex mediation model, and uses Likert-type data that may not satisfy multivariate normality assumptions. In addition, PLS-SEM is suitable for relatively small sample sizes (Hair et al., 2019), and it remains relevant for theoretical development (Chin et al., 2003)

Table 2 Operational Definition of Variabel

| Variabel | Definition | Sumber |
|-------------------------|--|-----------------------------------|
| Moral Relativism | An ethical perspective that rejects the existence of universal moral values or rules as guidelines for regulating behavior | Sugiantari and Widanaputra (2016) |
| Corporate Ethical Value | A component of ethical culture that governs interactions within formal and informal behavioral control systems, encouraging ethical or unethical behavior. | Trevino et al. (2001) |
| Probability of Effect | The likelihood that an event will occur and the likelihood that it will result in a loss or a gain | Narsa and Prananjaya (2017) |
| Ethical Recognition | The ability to determine whether a particular situation is ethical or unethical. | Yang and Wu (2009) |
| Ethical Judgement | A process in which a person decides on a course of action in a moral dilemma to determine whether something is ethical or unethical. | Sparks dan Pan (2010) |

Results

Statistic Descriptive

Based on Table 3, in general, the actual mean values of most variables are above the theoretical mean, namely moral relativism ($30.620 > 30$), corporate ethical values ($36.120 > 30$), ethical recognition ($14.730 > 12$), and ethical judgment ($16.600 > 12$). These findings indicate that respondents tend to have a positive perception of organizational ethics, a relatively high ability to recognize ethical issues, and strong ethical judgment. Conversely, probability of effect has an actual mean below the theoretical mean ($10.830 < 12$), suggesting that respondents' perception of the likelihood of impact or consequences from an action remains relatively lower compared to other variables.

In terms of data distribution, moral relativism has the highest standard deviation (5.371), indicating the greatest variation in respondents' answers regarding this aspect. Conversely, ethical judgment has the lowest standard deviation (2.559), suggesting that respondents' ethical judgments tend to be more consistent. Substantively, these results suggest that respondents' primary strengths lie in the context of organizational ethical values and the ability to make ethical judgments, while the aspect that still needs to be strengthened is awareness of the magnitude of the consequences of an action.

Table 3 Statistic Descriptive Result

| Variable | Std. Devianition | Theoretical Range | | | Actual Range | | |
|--------------------------|------------------|-------------------|-----|------|--------------|-----|--------|
| | | Min | Max | Mean | Min | Max | Mean |
| Moral Relativisme | 5.371 | 10 | 50 | 30 | 14 | 42 | 30.620 |
| Corporate Ethical Values | 4.424 | 10 | 50 | 30 | 22 | 47 | 36.120 |
| Probability Of Effect | 3.850 | 4 | 20 | 12 | 4 | 20 | 10.830 |
| Ethical Recognition | 4.345 | 4 | 20 | 12 | 4 | 20 | 14.730 |
| Ethical Judgement | 2.559 | 4 | 20 | 12 | 10 | 20 | 16.600 |

Measurement Model Assessment

Hair et al. (2019) suggest that a construct measurement can be concluded as valid and reliable by evaluating its convergent and discriminant validity value, and its Cronbach's alpha (CA) and composite reliability (CR) value. Table 4 shows that all questionnaire items have outer loading values above 0.60, indicating they meet the criteria for convergent validity (Hair et al., 2021). Additionally, the average variance extracted (AVE) values exceed 0.50, confirming the questionnaire's convergent validity (Hair et al., 2019). Furthermore, both CA and CR values are above 0.60, except for POE. Nevertheless, Taherdoost (2018) noted that value of more than 0.50 is still considered reliable with low reliability. Therefore, it can be concluded that the questionnaire has fulfilled the reliability threshold (Hair et al., 2019).

Table 4 Convergent Validity and Reliability Test Result

| Code | Indicator | Loading |
|--|--|---------|
| <i>MR for Moral Relativism (AVE = 0.626; CA = 0.939)</i> | | |
| MR 2 | What is considered right varies from one situation to another and from one society to another. | 0.796 |
| MR 3 | Moral standards must be viewed as individualistic; what one person considers moral may be considered immoral by another. | 0.812 |
| MR 10 | Whether lying is justifiable or not depends on the circumstances surrounding it. | 0.765 |
| <i>CEV for Corporate Ethical Value (AVE = 0.673; CA = 0.518)</i> | | |
| CEV 1 | The leaders at my workplace have made it clear that unethical behavior will not be tolerated. | 0.774 |
| CEV 7 | The leaders at my workplace will withhold information that is detrimental to their personal interests (negative question). | 0.864 |
| <i>POE for Probability of Effects (AVE = 0.769; CA = 0.939)</i> | | |
| POE 1 | Andi's decision not to report Bima's fraud is unlikely to result in any losses. | 0.927 |
| POE 3 | It is unlikely that Rahma's decision to manipulate the financial statements will result in losses. | 0.824 |
| <i>ER for Ethical Recognition (AVE = 0.843; CA = 0.711)</i> | | |
| ER 1 | It is unlikely that Rahma's decision to manipulate the financial statements will result in losses. | 0.897 |
| ER 2 | The case of Rahma described above presents an ethical dilemma. | 0.924 |
| ER 3 | The case of Saleh described above presents an ethical dilemma. | 0.921 |
| ER 4 | The case of Yusuf described above presents an ethical dilemma. | 0.752 |
| <i>EJ for Ethical Judgement (AVE = 0.676; CA = 0.706)</i> | | |
| EJ 2 | Rahma must carry out the proposed action, which involves manipulating the financial statements. | 0.869 |
| EJ 3 | Saleh must take the proposed action, which is to refrain from reporting his superior's misconduct. | 0.840 |
| EJ 4 | Yusuf must take the proposed action, which is to extend high-risk credit to the new company. | 0.752 |

Subsequently, a construct exhibits discriminant validity when the square root of each AVE exceeds its association with other constructs (Fornell & Larcker, 1981). Based on Table 5, it can be concluded that all variables have higher AVE root values than the AVE root values of the other variables.

Table 5 Discriminant Validity Test Result (Fornell-Larcker)

| | CEV | EJ | EJ | MR | POE |
|-----|--------------|--------------|--------------|--------------|--------------|
| CEV | 0.820 | | | | |
| EJ | 0.517 | 0.822 | | | |
| ER | 0.215 | 0.004 | 0.918 | | |
| MR | -0.090 | -0.261 | -0.278 | 0.791 | |
| POE | -0.109 | -0.005 | 0.166 | 0.129 | 0.877 |

Note: EJ = Ethical Judgement; MR = Moral Relativism; CEV = Corporate Ethical Value; POE = Probability Of Effect; ER = Ethical Recognition.

Structural Model Assessment

Table 6 shows that only five of the ten proposed hypotheses were supported, all of which concern direct effects. Specifically, MR had a significant negative effect on EJ ($\beta = -0.287$, $p = 0.000$) and on ER ($\beta = -0.288$, $p = 0.001$), indicating that stronger relativistic moral orientations tend to weaken both the recognition of ethical issues and the final ethical judgement. In contrast, CEV exhibited a significant positive effect on EJ ($\beta = 0.552$, $p = 0.000$) and ER ($\beta = 0.213$, $p = 0.019$), suggesting that a stronger ethical climate within the organization contributes to better ethical awareness and judgement. POE also had a significant positive effect on EJ ($\beta = 0.128$, $p = 0.046$), showing that perceived consequences of actions play a role in strengthening ethical judgement.

Table 6 Hypotheses Test Result

| | Hypotheses | Original Sample | P Values | Conclusion |
|-------------------------------|---------------------|-----------------|----------|---------------|
| <i>Direct Effect</i> | | | | |
| MR ->EJ | H ₁ (-) | -0.287 | 0.000 | Supported |
| CEV->EJ | H ₂ (+) | 0.552 | 0.000 | Supported |
| POE->EJ | H ₃ (+) | 0.128 | 0.046 | Supported |
| MR->ER | H ₄ (-) | -0.288 | 0.001 | Supported |
| CEV->ER | H ₅ (+) | 0.213 | 0.019 | Supported |
| POE->ER | H ₆ (-) | 0.226 | 0.008 | Not Supported |
| ER->EJ | H ₇ (+) | -0.215 | 0.003 | Not Supported |
| <i>Indirect Effect</i> | | | | |
| MR->ER->EJ | H ₈ (-) | 0.062 | 0.025 | Not Supported |
| CEV->ER->EJ | H ₉ (+) | -0.046 | 0.054 | Not Supported |
| POE->ER->EJ | H ₁₀ (+) | -0.049 | 0.045 | Not Supported |
| <i>Adjusted R²</i> | | | | |
| EJ | 0.341 | | | |
| ER | 0.146 | | | |

Note: EJ = Ethical Judgement; MR = Moral Relativism; CEV = Corporate Ethical Value; POE = Probability Of Effect; ER = Ethical Recognition.

However, the findings also show that ER did not operate as the expected mediating mechanism. Although several paths involving ER were statistically significant, their directions were inconsistent with the hypothesized relationships, and all three indirect effects were unsupported. This pattern indicates that ethical judgement in this context is shaped more strongly by direct influences of moral orientation, organizational ethical values, and perceived consequences than through a sequential process of ethical recognition leading to judgement. In addition, the model explains 34.1% of the variance in EJ and 14.6% of the variance in ER, suggesting that the model has weak explanatory power for ethical judgement (Hair et al., 2019) but relatively limited power for ethical recognition.

Discussion

The Direct Effect of Moral Relativism, Corporate Ethical Value, and Probability of Effect Towards Ethical Judgement and Ethical Recognition

The results of this study indicate that moral relativism and corporate ethical values have a significant effect on ethical judgment and ethical recognition, whereas the probability of effect has a significant effect only on ethical judgment. These findings suggest that, within the context of the Sumedang Regency RAOs, employees' ethical judgments are primarily shaped directly by individual moral orientation, the ethical values embedded within the organization, and considerations regarding the consequences of actions. Meanwhile, the ability to recognize the presence of ethical issues is primarily influenced by how individuals perceive moral standards as well as by the strength or weakness of the shared ethical values within the organization.

The negative influence of moral relativism on ethical judgment suggests that the higher an individual's tendency to judge right and wrong situationally, the lower their tendency to produce strong ethical judgments. This finding aligns with the research by Ismail and Rasheed (2019), Oboh (2019), and Aziz and Cahyonowati (2015), which indicates that moral relativism tends to have a negative impact on ethical judgment.

From the perspective of Kohlberg's Moral Development Theory (Kohlberg & Hersh, 1977), individuals with higher moral development tend to base their judgments on universal moral principles, whereas a relativistic approach emphasizes specific situations over general principles. This is also consistent with Forsyth's (1980) view that moral relativism constitutes a rejection of absolute moral values, as well as the assertion by Poje and Zaman Groff (2023) that actions are evaluated based on specific environments, cultures, or social contexts. Thus, the stronger the relative moral orientation, the weaker the universal foundation individuals rely on when assessing an ethical dilemma.

Conversely, corporate ethical values were found to have a positive influence on ethical judgment, meaning that the stronger the perceived ethical values within an organization, the higher the tendency for individuals to make ethical judgments. This finding is consistent with Gustini (2016), who found that organizational ethical values significantly influence ethical decision-making, as well as Ghazali (2021), who asserts that an organizational culture promoting ethical values can influence individuals to act more ethically. Within Kohlberg and Hersh's (1977) framework, this phenomenon can be explained through the conventional stage, where individuals tend to follow social norms and environmental expectations. Therefore, organizational ethical values within the Sumedang Regency RAOs can be understood as normative guidelines that strengthen the formation of employees' ethical judgments and foster a work environment that supports ethical practices.

Furthermore, the probability of effect, which has a positive influence on ethical judgment, indicates that the greater the likelihood of a consequence resulting from an action, the higher the tendency for respondents to evaluate that action as ethical. This finding aligns with Narsa and Prananjaya (2017), who demonstrated that the probability of effect has a significant influence on the ethical decision-making process. This explanation is further supported by McMahon and Harvey (2007), who state that the probability of effect relates to the likelihood that an action will actually occur and result in benefits or harm. From Kohlberg and Hersh's (1977) perspective, individuals at the conventional stage consider prevailing social norms and rules, including the consequences of their actions. Thus, as employees become more aware of the potential impacts of a decision, they tend to be more cautious in evaluating whether the action aligns with accepted ethical standards.

On the other hand, research findings also indicate that moral relativism has a negative effect on ethical recognition. This means that the higher an individual's tendency to view morality as relative, the lower their ability to recognize that a situation involves ethical issues. This finding aligns with Musbah et al. (2016), who demonstrated that moral relativism negatively impacts ethical decision-making, particularly during the ethical recognition stage. This explanation is further supported by Schlenker and Forsyth (1977), who state that relativists view moral rules as relative to society and culture, as well as by Sparks and Hunt (1998), who explain that individuals with high moral relativism tend not to see the existence of absolute moral truth and may even regard ethical issues as less important. Within Kohlberg and Hersh's (1977) framework, this indicates that recognition of ethical issues is stronger when individuals possess a more mature moral orientation and are

closer to universal principles. Thus, in the context of the Sumedang Regency RAOs, moral relativism can weaken employees' sensitivity in identifying ethical issues from the outset.

Meanwhile, corporate ethical values have a positive influence on ethical recognition, indicating that strong organizational ethical values help employees become more sensitive in identifying ethical issues. This finding is consistent with Pulungan and Fitriningrum (2019), who demonstrated that the stronger the perception of organizational ethical values, the less likely individuals are to engage in unethical behavior. These findings also align with Sharma et al. (2009), who assert that corporate ethical values can enhance employee ethics and influence work-related attitudes. From a Kohlberg and Hersh's (1977) perspective, positive organizational ethical values can help individuals move toward higher levels of moral development as they increasingly understand and accept prevailing moral principles. Therefore, the ethical values embedded within the Sumedang Regency government organization not only influence final judgments but also strengthen the initial stages of ethical decision-making—specifically, the ability to recognize that a situation involves ethical dimensions.

The Absent of Mediation Role of Ethical Recognition Towards Ethical Judgement

The results of this study indicate that ethical recognition does not mediate the relationship between moral relativism, corporate ethical values, and the probability of effect on ethical judgment. These findings suggest that, within the context of the Sumedang Regency RAOs, ethical judgment is not formed through a step-by-step process in which ethical recognition serves as the primary link between antecedent factors and ethical decisions. In other words, although individuals may recognize the existence of ethical issues, such recognition does not necessarily serve as an effective mechanism in bridging the formation of ethical judgments. This pattern suggests that within the context of public bureaucracy, ethical judgments appear to be more directly influenced by individual moral orientation, organizational ethical values, and perceptions of the consequences of actions rather than through mediation by ethical recognition.

Regarding the indirect relationship between moral relativism and ethical judgment via ethical recognition, the research results indicate that mediation was not proven. This finding is inconsistent with Musbah et al. (2016), who demonstrated that moral relativism has a negative effect on ethical recognition, ethical judgment, and ethical intentions. However, these results align with those of Alfitriani et al. (2021), who found that moral relativism has a positive effect on accounting students' ethical perceptions regarding the accounting ethics crisis. This explanation is also consistent with Forsyth's (1992) view that individuals with high relativism tend to respond more permissively to ethical violations because they consider context when evaluating a situation. From the perspective of Kohlberg and Hersh's (1977), this indicates that recognizing the existence of an ethical dilemma does not necessarily lead to better ethical judgment when individuals still prioritize context as the primary basis for moral consideration. Thus, while relativistic individuals may be more open to acknowledging the complexity of a situation, this openness is not sufficiently strong to establish ethical recognition as a consistent mediating pathway toward ethical judgment.

The same pattern is evident in the relationship between corporate ethical values and ethical judgment through ethical recognition. The research findings indicate that ethical recognition fails to mediate the influence of organizational ethical values on ethical judgment. This finding does not align with Ghazali (2021), who demonstrated that corporate ethical values have a positive influence on ethical judgments, but it shares the same line of argument with Dewayanti et al. (2022), who found that corporate ethical values do not influence dysfunctional behavior. These findings suggest that the strength of organizational ethical values does not automatically guarantee that individuals will arrive at better ethical judgments through the recognition process. Within Kohlberg and Hersh's (1977) framework, an ethical environment can indeed help shape an individual's moral orientation, but moral development does not stop at the awareness that a situation involves an ethical issue. Ethical judgment still requires the internalization of values, consistency of principles, and the courage to use those values as the basis for evaluation. Therefore, in the context of the Sumedang Regency RAOs, corporate ethical values appear to play a greater role as a direct influence on the formation of ethical judgment than as an indirect influence through ethical recognition.

Furthermore, the indirect relationship between the probability of effect and ethical judgment via ethical recognition was also not supported. These results are inconsistent with Narsa and Prananjaya (2017), who found that the probability of an effect is positively associated with the ethical decision-making process. However, these findings can still be understood in line with Indriani (2020) and Puspitosari (2019), who demonstrated that moral intensity does not always lead to the expected ethical response, particularly when environmental factors are not supportive.

Substantively, these results indicate that perceptions regarding the likelihood of harm or the actual consequences of an action do not necessarily enhance the recognition that the situation constitutes an ethical issue, and consequently do not necessarily strengthen ethical judgment through a mediating pathway. From a Kohlbergian perspective, this suggests that consideration of the consequences of an action does not always progress linearly through the recognition stage toward judgment. In the context of local bureaucracy, individuals may be aware of the potential impact of a decision, but that awareness is not automatically translated into an ethical recognition that subsequently strengthens ethical judgment. This means that broader contextual factors are still very likely to influence how respondents interpret situations and make decisions.

Theoretical and Practical Implication

Theoretically, this study confirms the relevance of Moral Development Theory in explaining the influence of individual moral orientation and the organizational ethical environment on ethical decision-making. However, these results also indicate that in the context of public organizations, this relationship is not always linear, as ethical judgment is shaped more by direct influence than through the mediation of ethical recognition. Practically, these findings suggest that improving ethical judgment in the Sumedang Regency RAOs should focus directly on strengthening organizational ethical values, reinforcing consistent moral standards, and increasing employees' sensitivity to the consequences of decisions. This means that ethics training is not sufficient merely to build awareness of ethical issues but must also ensure that such awareness is truly translated into ethical judgment.

Conclusion

This study aims to examine the mediating role of ethical recognition in the relationship between moral relativism, corporate ethical values, and the probability of effects on ethical judgment. The results of the analysis of 145 respondents from RAOs in Sumedang Regency indicate that, directly, moral relativism, corporate ethical values, and the probability of effects have a significant influence on ethical judgment; however, only the probability of effects does not influence ethical recognition. Furthermore, the mediation test results also indicate that ethical recognition does not mediate the relationship with ethical judgment, suggesting that ethical judgment within the RAOs of Sumedang Regency is directly influenced only by individual moral values, the ethical values upheld within the organization, ethical awareness, and an understanding of cause-and-effect consequences.

However, this study has several limitations, such as the sample being limited to the finance department, so it is necessary to include a larger sample size. Furthermore, there were delays in the return of some questionnaires; although the bias test results did not indicate questionnaire bias, this should be considered when determining the timing of questionnaire distribution to minimize response bias.

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Conflict of Interest

The authors declare no conflict of interest. The founders had no role in the design of the study, the collection, analysis, or interpretation of data, the writing of the manuscript, or the decision to publish the results.