

# The Effect of Organizational Ethical Culture as A Moderating Variable in Ethical Decision Making on Tax Consultants

Wiwik Tiswiyanti, Haryadi, Sri Rahayu, Enggar Diah Puspa Arum



**Abstract:** This study aims to analyze the effect of experience on ethical decisions and the influence of organizational ethical culture in moderating the relationship between experience and ethical decisions in tax consultants in the Sumatran Region including Lampung, Bangka Belitung, Palembang and Jambi consisting of 139 respondents. The analysis technique uses SEM WarpPLS with the help of the WarpPLS 7.0 application. The findings in this study, indicate that there is no significant effect between experience and ethical decisions and in an indirect relationship between experience and ethical decisions with organizational ethical culture as a moderating variable showing the results, organizational ethical culture can moderate the relationship with a significant influence. The research has met the requirements of the SEM-WarpPLS fit model

**Keyword:** Experience, Organizational Ethical Culture and Ethical Decisions

## I. INTRODUCTION

Tax consultants as agents and intermediaries between taxpayers and tax authorities are considered a profession that has complete tax knowledge compared to taxpayers, so that taxpayers can exercise their rights and fulfill their tax obligations appropriately in accordance with applicable tax laws. Consultants are required to be able to maintain independence, integrity and professionalism in increasing acceptance and criticizing regulations, so that tax consultants have a dual role (Rizki and Sawarjuwono, 2020). The increase in tax revenues until the end of 2020 amounted to Rp. 1,069.98 trillion or 80.25 percent and did not meet the targets that had been previously set (Widyastuti, 2021) The use of tax consultant services in Indonesia and in various countries illustrates the importance of this profession in helping taxpayers fulfill their obligations. Indonesia with a population of 267,000,000 people only has 5,025 consultants, which overall is not ideal when compared to other countries.

To provide optimal service to taxpayers, the ideal ratio for one tax consultant can reach 5,000 taxpayers (Setiawan, 2020). Meanwhile, the existing condition is that one tax consultant reaches more than 53,000 taxpayers. Tax consultants take shelter in various tax consulting organizations. One of the oldest organizations is the Indonesian Tax Consultants Association (IKPI) which was founded in 1965. The number of IKPI members in 2020 for all of Indonesia is 4,788 people (IKPI, 2020). There are still many violations related to the code of ethics, such as the consultant's decision to help clients do tax evasion by falsifying data, taking illegal actions, reporting null or incorrect Tax Returns (SPT) and others. Decision making is not an easy thing because various alternative decisions can cause conflict. Conflict occurs when unsure of choices or worried about the consequences of making wrong decisions (Anthony & Wilson, 1982). This decision-making is influenced by various individual factors, both individual and . Situational Trevino (1986) states, there are two views that affect individual unethical actions. First, influenced by the moral character of the individual and second, influenced by the environment. (Suryanto, 2020) states that if someone faces an ethical dilemma, then the behavior that appears is influenced by the interaction between characteristics related to the individual and outside the individual. This study departs from the suggestions of previous researchers Casali and Perano who suggested that for future research to examine, among others, the code of ethics, organizational ethical culture, the experience of these factors has a significance level of 75% or greater but is rarely studied. A person's experience will have an impact on the decisions taken by someone who is experienced tends to be bolder, faster and more precise in making a decision. Work experience is very important to look at individual knowledge and skills, because the longer the work experience a tax consultant has, the greater the level of knowledge and skills possessed by a tax consultant (Harmana et al., 2017). Organizational ethical culture is an employee's perception of the ethical actions of leaders regarding the importance of prioritizing ethics and providing sanctions for deviant and immoral actions within the organization. Organizational ethical culture is a combination of the individual ethical values of managers with informal and formal policies on organizational ethics (Vitell and Hidalgo, 2006). Organizational ethical culture (corporate ethical value) as a standard that guides the external adaptation and internal integration of the organization (Leiwakabessy, 2009).

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# The effect of Organizational Ethical Culture as A Moderating Variable in Ethical Decision Making on Tax Consultants

This research was conducted on a tax consultant in the Southern Sumatra Region and registered as a member of the Indonesian Tax Consultants Association (IKPI). With the aim of knowing the effect on Ethical Decision making and the influence of Organizational Ethical Culture in moderating the relationship between Experience and Ethical Decision making on tax consultants in the Southern Sumatra Region

## II. LITERATURE REVIEW

### A. Experience with Ethical Decision Making

Experience influences ethical decision making, because various kinds of individual experiences will affect the implementation of a task, and someone with experience is considered to have a more detailed and complete way of thinking than an inexperienced person (Ludigdo, 2007). Specific experience can be measured by the time span that has been used on a job or task. Larkin, (2000) conducted a study involving internal auditors in financial institutions and found that experienced internal auditors tend to be more conservative in dealing with ethical dilemma situations. H1: The size of independent commissioners influences the quality of Islamic social reporting disclosure Arrazaqu et al., (2016) stated that experienced auditors will have an advantage in detecting errors, understanding errors and finding the causes of errors. This means that the experience of a tax consultant will be related to the ethical decisions he makes. The results of research by Harmana (2021) state that experience has a positive effect on ethical decisions. This means that the more experienced a tax consultant is, the more ethical the decisions made will be. Several previous studies that support the results of previous studies are Harmana (2021); Hasmanto (2019); Dwirandra (2018); Harmana et al., (2017); Mudassir (2016); Arrazaqu et al., (2016); Tjongari and Widuri (2014); Purnamasari & Christmastuti (2006) ; Richmond (2001)

**H1: Experience has a positive effect on ethical decisions**

### B. Organizational Ethical Culture Moderates Relationship Between Experience and Ethical Decisions

Organizational ethical culture moderates the influence of audit experience on ethical considerations. Organizational ethical culture can strengthen the influence of audit experience in ethical decision making. His research indicates the effect of audit experience on ethical decision making. The higher the organizational ethical culture of the APIP auditor, the higher the level of ethical decision making. Conversely, it will be lower if the support for organizational culture owned by APIP auditors is also lower (Mudassir, 2016). Cahyadini (2020); Noviyari (2018); Falah (2017); Tjongari and Widuri (2014); Douglas et al (2001). This research model is illustrated as follows:

**H2: organizational ethical culture is able to moderate the relationship between experience and ethical decisions**

## III. RESEARCH METHODS

### A. Population And Sample

The population is all tax consultants who join the Indonesian Tax Consultants Association (IKPI) in the Southern Sumatra Region covering Palembang, Jambi, Lampung and Bangka Belitung, totaling 139 people.

Sampling with a saturated sampling technique (census) that is by making all the population used as research samples. The use of the saturated sample technique because the number of existing population is relatively small, namely 139 people..

### B. Definition of Variable Operations

#### 1. Experience

The measurement of the Experience variable uses an instrument developed by Bawono and Singgih (2010) using indicators, including: Length of service period gives better work results, attitudes and actions; Experience makes more rule-abiding; More professional training consists of 6 (six) question items.

#### 2. Organizational Ethical Culture

The measurement of the organizational ethical culture variable is measured from Hunt and Vittel's research instrument developed by Falah, (2017) with indicators in organizational ethical culture, namely: superior leadership style; Punishment for unethical actions/behaviors in the organization will improve themselves and behave ethically; Compromise on unethical behavior is not justified. The instrument in this variable consists of 7 (seven) question items

#### 3. Ethical Decision Variables

The measurement of the ethical decision-making variable (Y) was measured using an instrument adopted from research (Arrazaqu et al., 2016) which was adapted to the research that the researcher did and the addition of an instrument from the consultant code of ethics chapter three article 4 which regulates the relationship between tax consultants and clients, which in total consists of 26 (twenty six) question items.

## IV. RESULT AND DISCUSSION

### C. Descriptive Statistical Analysis

The results of the recapitulation of respondents' responses to the ethical decision variable provide an average answer value of the ethical decision variable of 6.85. It can be said that the majority of respondents strongly agree. The results of the recapitulation of respondents' responses to the experience variable gave an average answer value of the experience variable of 6.81. It can be said that the majority of respondents were very good. The results of the recapitulation of respondents' responses to the organizational ethical culture variable, giving an average value of the organizational ethical culture variable of 6.85, it can be said that the majority

### D. Quantitative Analysis

The instruments that were filled in and returned were 109 respondents from Tax Consultants in the Southern Sumatra Region. The data was inputted and processed using PLS-SEM with the following steps:

### E. Validity test

The validity of the measurement shows the value of EVA (Average Variance Extracted). Measurements can be categorized as having validity if the AVE value is  $> 0.5$  (Jogiyanto, 2015).

**F. Reliability Test**

Evaluation of Composite Reability (CR) Value aims to evaluate the reliability of the internal questionnaire (Internal consistency reliability). Composite Reability CR values greater than 0.7 (> 0.7) are acceptable.

**Tabel nilai Average variance extracted (EVA)**

| Variabel laten | AVE   | Kriteria | Keterangan |
|----------------|-------|----------|------------|
| Pgln (X3)      | 0.768 | > 0,5    | Valid      |
| BEO (X4)       | 0.608 | > 0,5    | Valid      |
| KE (Y)         | 0.599 | > 0,5    | Valid      |

Source: Research Data

**Tabel Composite Reability (CR)**

| Variabel laten | CR    | Kriteria | Keterangan |
|----------------|-------|----------|------------|
| Pgln (X3)      | 0.952 | > 0,7    | Realible   |
| BEO (X4)       | 0.915 | > 0,7    | Realible   |
| KE (Y)         | 0.957 | > 0,7    | Realible   |

Source: Research Data

**G. Path Coefficient Estimation (Path Analysis)**

The results of the analysis of the path coefficients (Path Coefficients) are used to analyze the effect of variables on other variables by looking at the parameter coefficient values and significance values. A research hypothesis can be known to have a significant effect or not based on the p-value. If the p-value is less than 0.05 ( $\leq 0.05$ ) then  $H_0$  is rejected and  $H_a$  is accepted, meaning that there is a significant effect and vice versa, if the p-value is greater than 0.05 ( $\geq 0.05$ ) then  $H_0$  is accepted and  $H_a$  is rejected, meaning that there is a insignificant effect. While the results of the path coefficient estimation are to test the strength of the influence between variables and carry out the firmness of the relationship between variables. The test results can be seen in the following table:

**Tabel Result Path Analysis**

| H | Keterangan                 | Path Coefisien | P value | Ideal | Hasil    |
|---|----------------------------|----------------|---------|-------|----------|
| 1 | Pgln (X3) - KE (Y)         | -0,05          | 0,30    | <0,5  | rejected |
| 2 | BOE (X4) *Pgln (X3) -KE(Y) | 0,18           | 0,03    | <0,5  | accepted |

**H. Hypothesis Testing Direct effect and indirect effect**

The estimation results of direct influence testing for hypotheses one to five from the results of path analysis testing are obtained as follows:

**H1: Experience influences ethical decisions**

he test results show that Experience has a negative value to Ethical Decisions (Y) of -0.05 and p 0.30 (>5%). This shows that  $H_4$  is rejected.

**H2: Organizational ethical culture moderates the relationship between Experience and ethical decisions**

The results show that organizational ethical culture is able to moderate the relationship between experience and ethical decisions (Y) as a quasi-moderation (quasi-moderation) with a positive value of -0.18 and p value of 0.003 (< 0.05). . This shows that  $H_2$  is accepted

**E. Discussion**

**I. The Effect of Experience on Ethical Decisions**

The experience variable has a direct influence on the ethical decision variables of tax consultants in the Southern Sumatra Region. This can be seen from the negative path coefficient ( $\beta$  -0.05) with a significance level of  $p < 0.30$  ( $> 0.05$ ), which means that experience does not affect the ethical decisions of tax consultants in the Southern Sumatra region. Experience is a learning process and an increase in potential behavior obtained from formal and non-formal education. Experience can also be obtained from trainings, performance reviews and others that have been carried out in tax matters (Januarti, 2011). Experience can have an impact on the accuracy of decisions taken by tax consultants. The more experienced a tax consultant, the better the decisions he makes. Experienced tax consultants also tend to be bolder and faster in making decisions, and conversely tax consultants with less experience will be more careful in making decisions. (Harmana, 2021). In Attribution Theory (Heider, 1958) it is stated that a person's behavior is determined by a combination of internal and external forces. One of the internal strengths is knowledge (experience) and external forces such as luck, opportunity and the environment. The same thing is also stated by Luthans (2005) that factors that influence decisions can arise from internal and external individuals. The results of this study found that the experience of tax consultants in the Southern Sumatra Region had a negative and insignificant effect on ethical decision making, this is contrary to the view that experienced people will be more thorough than those who are not experienced (Libby and Frederick, 1990). . So that experienced people will be more ethical in making decisions. Based on interviews from several consultants stated that, the more experienced the more findings are taken as knowledge enhancers, so they can predict risks and dare to make decisions. That is, the more experienced a person is, the faster or braver they will make decisions.

**J. Organizational Ethical Culture Moderates Relationships Ethical Experiences and Decisions**

The organizational ethical culture variable can moderate the relationship between the experience variable and the ethical decision variable in tax consultants in the Southern Sumatra Region. This can be seen from the positive path coefficient ( $\beta$  0.18) with a significance level of  $p < 0.03$  ( $< 0.05$ ) which means that organizational ethical culture can strengthen the influence of the relationship between experience and ethical decisions on existing tax consultants. in the Southern Sumatra Region. Organizational ethical culture is a view of the actions of leaders regarding the importance of prioritizing ethics and providing sanctions or actions against irregularities and immoral attitudes that occur within the organization (Hunt, 1986). The essence of organizational culture is the growth and embedding of strong ethical values in the organization, where these values can create effectiveness and make it easier for members of the organization to achieve the desired goals and if not implemented properly result in higher levels of fraud that occur.



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(Kinicki and Angelo, 2003). Organizational culture as an ethical culture (ethical culture organization) that reflects the environment formed through management and supported by values that can prevent unethical actions (Douglas, et al., 2001) This study shows the results that organizational ethical culture has a strong influence in moderating the relationship between experience and ethical decision making, meaning that the stronger the influence of organizational ethical culture will increasingly affect the relationship between experience and ethical decision making. Ethical culture is a basic value in an organization that is deeply embedded and must be understood by members of the organization. If members accept these values, the greater the member's commitment to cultural values. A strong culture will reflect a strong or high agreement among members in the organization. Organizational ethical culture becomes a pseudo moderator variable (Quasi Moderator) meaning that as a moderator variable organizational ethical culture has succeeded in modifying the form of the relationship between the predictor variable (Experience) and the response variable (Ethical Decision), where the moderator variable interacts with the predictor variable as well as the predictor variable.

## V. CONCLUSIONS

This research model has fulfilled the model fit requirements and found that: Experience has no effect on ethical decision making. there is no relationship between experience and ethical decision making. Organizational Ethical Culture moderates experience and ethical decision-making, meaning that organizational ethical culture can have a strong influence on the relationship between experience and ethical decision-making. It is classified as a quasi moderator (Quasi Moderator) meaning that the ethical culture of the organization as a moderating variable interacts with experience as a predictor variable, and at the same time becomes a predictor variable.

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