

**Religiosity and Managers' Attitudes to Offering a Financial Incentive:
Moderating and Mediating Roles of Ethical Climate**

A thesis submitted in partial fulfillment of the requirements for
the degree of Master of Research

by

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ABSTRACT

The aim of this study is to investigate the factors that influence managers' attitudes to offering a financial incentive, namely religiosity and perceived ethical climate. A survey of 573 MBA students in Indonesia was undertaken and 368 valid responses were analysed. A statistical analysis was performed using SEM-PLS to simultaneously analyse three variables (religiosity, ethical climate, and managers' attitude to offering a financial incentive).

This study finds that religiosity has a negative association with managers' attitudes to offering a financial incentive described here as a bribe. People who scored high on religiosity scale are less likely to think that it is alright to offer a financial incentive. Further, this study investigates the moderating and mediating roles of ethical climate in this association.

Mediation analysis shows that religiosity has a positive association with ethical climate and ethical climate has a significant negative association with managers' attitudes to offering a financial incentive. Further analysis finds that there is a partial mediation effect of ethical climate in the association between religiosity and managers' attitudes to offering a financial incentive. Nevertheless, it is found that ethical climate does not have a moderation effect in this association.

Keywords: religiosity, ethical climate, private-to-private bribery, mediation, moderation

STATEMENT OF ORIGINALITY

This work entitled “*Religiosity and Managers’ Attitudes to Offering a Financial Incentive: Moderating and Mediating Roles of Ethical Climate*” has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself. The Ethics Committee’s approval was obtained (Ethics Reference Number: 5201700536).

Arika Artiningsih

Date: 30 October 2017

DEDICATION

This thesis is dedicated to my husband, A Sudiana Sasmita for his constant, unconditional love and support.

I also dedicate this thesis to the memory of my Mother (Jaena Noor Candarawati Jatiningsih) and my Aunt (Widowati Noor Ratna Puspaningsih). Your love is still my guide.

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CHAPTER 1

OVERVIEW OF THE THESIS

1.1 Introduction

The title of this Master of Research (MRes) is *"Religiosity and Managers' Attitudes to Offering a Financial Incentive: Moderating and Mediating Roles of Ethical Climate"*. In this study, financial incentive is specifically referred to as a bribe. This chapter provides an overview of the thesis including topic area, research motivation, research questions as well as potential contribution and structure of the thesis.

1.2 Overview of This Study

The topic area of this study is bribery, specifically private-to-private bribery. The Association of Certified Fraud Examiners (ACFE)¹ in the *Occupational Fraud Classification System (Fraud Tree)* describes bribery as a sub-category of corruption (ACFE, 2016). Further, Argandoña (2003, p. 253) describes private-to-private corruption as *"the type of corruption that occurs when a manager or employee exercises a certain power or influence over the performance of a function, task or responsibility within a private organisation or corporation"* (Argandoña, 2003, p. 255). Private-to-private bribery is a specific form *"when it is the person who pays who takes the initiative"* (Argandoña, 2003, p. 255)². This study specifically defines private-to-private bribery as a bribery transaction that occurs when a manager or an employee of a company offers money to another company to secure a procurement contract.³

Several surveys and empirical studies from an economic perspective present circumstances where an enormous loss is associated with corruption and bribery, such as increasing the cost of doing business and holding back economic growth (Wu, 2009). Serafeim (2013) and Healy and Serafeim (2016) also find that corruption and bribery have a significant negative impact on companies' performance and employees' morale. The tremendous loss associated with bribery has attracted researchers (Benk, Yüzbaşı, & McGee, 2017; McGee, Benk, & Yüzbaşı, 2015; Powpaka, 2002; Rabl, 2011; Rabl & Kühlmann, 2008; Wu, 2009) to investigate the factors that may influence people to engage in corruption and bribery.

¹ Please refer to <http://www.acfe.com/default.aspx>

² When it is the payee who takes an initiative for asking money and the payer does not has option but to pay the money it termed as economic extortion (Argandoña, 2003). However, the distinction is not always clear as what at first looks like to be bribery may "conceal" an act of extortion or an act of bribery may be "justified" alleging a prior attempt at extortion (Argandoña, 2003, p. 256).

³ A specific definition is required as *"corruption is a varied and shifting phenomenon; it is difficult to define it in terms that are clear and universally valid"* (Argandoña, 2003, p. 255).

More studies are focused on the demand side of bribery rather than the supply side⁴ as bribe payers are assumed to be innocent and victims of corrupt officials (Powpaka, 2002; Wu, 2009). However, recent cases of bribery show that managers are offering a bribe when they have an interest to secure their business in a country where corruption and bribery are prevalent. An example is the case of *Rolls-Royce Holding plc* that offered bribes in six countries including Thailand, Indonesia, China and Russia to secure orders (Watt, Pegg, & Evans, 2017).

The present study addresses the limitation of prior studies by investigating the factors that may influence managers' attitudes to offering a financial incentive from the supply side, particularly the supply side of private-to-private bribery. Cutting off the supply side of bribery is an important step in limiting economic problems caused by corrupt practice (Arvis & Berenbeim, 2003).

Further, this study proposes that religiosity has an association with managers' attitudes to offering a financial incentive on the basis that religiosity provides moral guidance, rules, and creeds that shape adherents' personality to behave morally or ethically. This is consistent with Benk et al. (2017), Marquette (2012), McGee et al. (2015), Yeganeh and Sauers (2013) who examine the influence of religiosity on managers' attitudes to accepting a bribe on the basis that religion has provided its adherents with ethical guidance to not engage in bribery. David Nussbaum⁵ also calls for a "new entry point" to fight corruption and believes personality or personal values, shaped by religious teachings, may have a significant role as an "anti-corruption" deterrent (Marquette, 2012, p. 12). It is suggested that "religious people" may be less likely to engage in bribery than people who are "non-religious" as they comply with their religious teaching to not engage in bribery (Benk et al., 2017; Marquette, 2012, p. 11; McGee et al., 2015).

Nevertheless, as individuals perform their actions in a social context, the influence of religiosity on individuals' attitudes may be explained or modified by a situational variable. People may come to an organisation with particular values given by their religion; however, they may adjust how they cope with a particular situation based on the ethical climate that is prevalent in their workplace. This was explained by Trevino (1986, p. 601) who considers the "person-situation interactionist" relationship in describing individuals' ethical behaviour in the context of ethical decision-making in

⁴ According to Powpaka (2002), demand side of bribery refers to government officials or employees who misuse their position to obtain personal benefits by accepting a bribe. Supply side of bribery refers to managers or employees who pay a bribe.

⁵ Former Chief Executive at Transparency International

an organisation. Treviño, Weaver, and Reynolds (2006) also find that ethics in an organisation is mostly influenced by ethical climate. Fritzsche (2000) who investigates the influence of ethical climate on ethical decision-making finds that someone's ethical behaviour in an organisation can be situational or depend on the characteristics of workplace's environment.

This study examines the role of ethical climate in the association between religiosity and managers' attitudes to offering a financial incentive. In particular, this study investigates the mediating and moderating roles of ethical climate. Exploring the mediation effect of ethical climate explains the underlying process of the influence of religiosity on managers' attitudes to offering a bribe. As far as moderation is concerned, it is expected that the strength of the association between religiosity and manager's attitudes to offering a financial incentive will be influenced by whether ethical climate is high or low. In other words, religiosity in different ethical climates will have difference influences on managers' attitudes.

The case of private-to-private bribery in Indonesia is used to empirically test the association between religiosity and managers' attitude to offering a financial incentive, as well the roles of ethical climate in this relationship. The case of Indonesia where a high level of exposure to bribery is an ethical issue rather than a legal issue provides an appropriate setting for this study.

As described by Prabowo (2013, Para 17), "*winning tender selection (in Indonesia) is not based on the competence and quality of work but rather on how much companies or business can pay the decision makers*". A recent survey from the *Asia-Pacific Fraud Survey* shows that 36% of managers state that bribes must be paid when they want to secure their business contracts in Indonesia (Ernst and Young, 2013). Further, the *International Business Attitudes to Corruption Survey* in 2016 finds that 46% of companies fail to win a procurement contract in Indonesia when there is a strong indication that their competitors are offering bribes to the decision maker (Bray, 2016). The history of Indonesia shows how the social and administration system in Indonesia during pre-colonial and colonial times influenced the way people worked and 'did business'. Specifically, people needed to pay commissions to those who were appointed as middlemen⁶ (Holloway, 2002).

From a legal perspective, there is still a lack of regulation of private-to-private bribery in Indonesia. *The Indonesian Anti-Corruption Law (Law No. 20/2001)* and

⁶ The middlemen could be the Javanese aristocracies who had a role as public servant or the Chinese entrepreneurs who had a trust relationship for spices trade with the Dutch (Holloway, 2002).

Presidential Regulation on E-Procurement No.54/2010 are focussed on corruption and e-procurement in the public sector only⁷. The measures covered under *the Anti-Corruption Law* only apply to “private commercial bribery” where there is a loss incurred by “state finance” or “the economy” (Sidharta & Ratna, 2015, p. 92)⁸. As a result, offering a bribe in the private sector to secure a procurement contract is an ethical dilemma rather than a legal issue that places Indonesian managers in a quandary whether “to bribe” or “not to bribe”.

Nevertheless, a survey by the *PEW Research Center* demonstrates that in Indonesia, religion has an important role in people’s lives (Theoudorou, 2015)⁹. This religious situation in Indonesia also provides an appropriate setting to specifically test the influence of religiosity on individuals’ attitudes to offering a financial incentive.

Finally, the purpose of this study is to investigate the relationship between religiosity and managers’ attitudes to offering a financial incentive in the context of ethical decision-making in an organisation. In addition, the mediating and moderating role of ethical climate in this relationship are investigated.

A survey of 573 executive MBA students in the Master of Management Faculty of Economics and Business, Universitas Gadjah Mada (MM UGM) was undertaken in Indonesia. 368 valid responses were obtained. The survey shows that religiosity is directly related to managers’ attitudes to offering a financial incentive. In particular, the association was negative, which means that religiosity decreases the possibility that managers think it is alright to offer a financial incentive. Further, this study finds that ethical climate has a partial mediation effect in this relationship. However, the moderation effect of ethical climate in this relationship was not found.

1.3 Research Motivation

The motivation of this study comes from the movement of the Unifying Organisation for Employers across Indonesia (Asosiasi Pengusaha Indonesia (APINDO)) that initiated a “clean business movement” in procurement in 2014 to maintain their competitiveness in the global market, particularly in the ASEAN Free Trade Area (AFTA) (Hasanuddin, 2014, Para 1). The stated objective of this movement is to improve transparency, accountability, integrity, and ethical business practices.

⁷Please refer to *Indonesian Anti-Corruption Law (Law No. 20/2001)* (www.hukumonline.com/pusatdata/downloadfile/lt4f196975b851e/parent/339)

⁸Please refer to http://www.soemath.com/advocates/public/images/page/download1_298_GTDT%20edition-338-chapter-42-150528035515977-anti-corruption-regulation-2015-indonesia.pdf

⁹ Please refer to PEW Research Center’s survey (<http://www.pewresearch.org/fact-tank/2015/12/23/americans-are-in-the-middle-of-the-pack-globally-when-it-comes-to-importance-of-religion/>)

Further, this study responds to calls from researchers such as Powpaka (2002); Argandoña (2003); Rabl and Kühlmann (2008) and Rabl (2011) to address particular ethical issues in business practice. In particular, investigating factors behind managers' attitude to offering a financial incentive in the context of ethical decision-making in an organisation.

1.4 Research Questions

Two research questions are proposed as follows:

Research Question 1: What is the association between religiosity and managers' attitudes to offering a financial incentive?

Research Question 2: What is the role of ethical climate in the association between religiosity and managers' attitudes to offering a financial incentive?

1.5 Potential Research Contributions

1.5.1 Theoretical Contribution

From a theoretical perspective, this study contributes to the extant literature by explaining the factors that might influence managers' attitudes to offering a financial incentive. Even though this study is undertaken in Indonesia, a general understanding of individuals or managers' attitudes in a business organisation still can be concluded. This study also contributes to reassessing the reliability and validity of Ethical Climate Index (ECI) and Muslim Religiosity Personality Inventory (MRPI) as (relatively) new scales to measure ethical climate in an organisation and religiosity in a country that is dominated by Islam.

1.5.2 Empirical Contribution

Most of the studies that investigate the association between religiosity and bribery (Benk et al., 2017; McGee et al., 2015; Wu, 2009) have relied on datasets such as the *World Value Survey (WVS)*¹⁰ and *Corruption Perception Index (CPI)*¹¹. The use of a survey provides a deeper understanding of the relationship between religiosity and managers' attitudes to offering a financial incentive in the context of ethical decision-making in an organisation. Further, the unhealthy business environment in Indonesia was a consideration as the participants have experience and knowledge of business practices in Indonesia. Consequently, they are able to transfer their experience into particular attitudes through the scenario provided in the survey instrument.

¹⁰ Please refer to www.worldvaluessurvey.org

¹¹ Please refer to <https://www.transparency.org>

Data collected in Indonesia extends previous studies regarding religiosity that are dominated by western perspectives and Christian values (Krauss, Hamzah, Juhari, & Hamid, 2005; Shamsuddin, 1992). According to Krauss et al. (2007, p. 148), a religiosity scale based on Christian values may not be able to capture the “uniqueness” of Islamic belief. Thus, this study empirically contributes to the literature of religiosity by employing a religiosity scale that was specifically created for Muslims in a country that is dominated by Islam. Similarly, most of the studies of ethical climate are undertaken in western countries. Thus, this study empirically contributes to the literature by employing Ethical Climate Index (ECI) to measure the ethical climate that is prevalent in South East Asia.

1.5.3 Practical contribution

From a practical perspective, the results may be used by APINDO to support their clean business movement. Moreover, as suggested by Schminke, Arnaud, and Kuenzi (2007), ethical climate scale can be used as an assessment and support tool that enables managers to identify where the organisation is running well and where it needs to improve. In addition, it may help managers to set a company’s tone through training and development tools that create a work environment with an ethical climate that minimises unethical behaviour or possible illegal behaviour.

Finally, the findings may attract interest from regulators and policy-makers in emerging and transitional economies. In particular, the study can contribute to better development of policies, procedures, and legislation in relation to private-to-private bribery and to improving ethical business practices by considering cultural aspects particularly religiosity in a country and organisational aspects particularly ethical climate.

1.6 Structure of Thesis

The thesis consists of five chapters. *Chapter One* is an introduction and gives a research overview followed by research motivation, research question, and potential contribution. This chapter also describes the structure of the thesis. *Chapter Two* is a literature review and hypotheses development. This chapter discusses the literature that underpins this study, and develops the testable hypotheses. *Chapter Three* is research method and presents the survey design, including data sources and sample collection, data analysis technique, details of the questionnaire and descriptions of survey implementation. *Chapter Four* provides the results of data analyses. *Chapter Five* provides discussion, conclusions, implications, and limitations of the research.

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Introduction

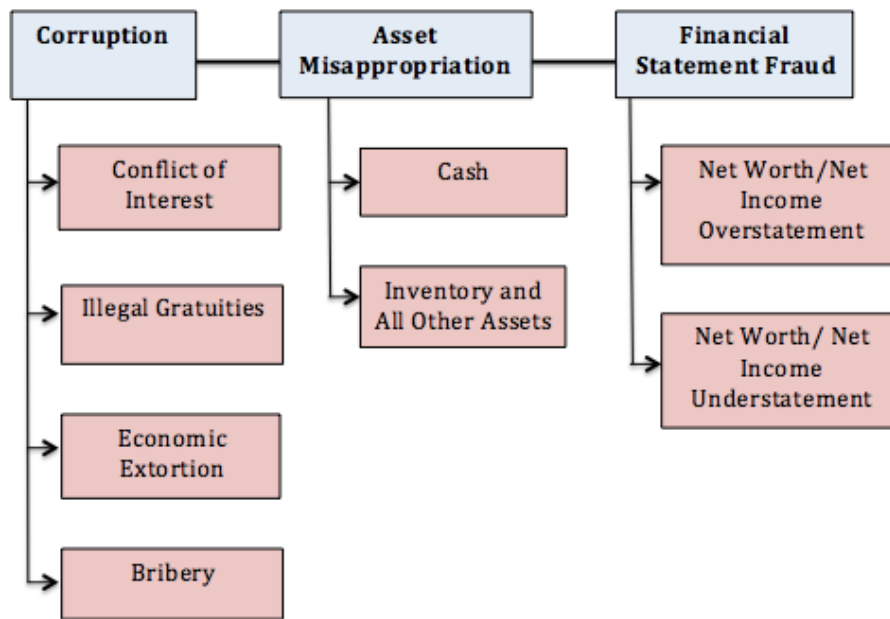
This chapter undertakes a literature review that relates to hypothesis development of the association between religiosity and managers' attitudes to offering a financial incentive, described here as a bribe. Then the review extends to the roles of ethical climate in the association between religiosity and managers' attitudes to offering a financial incentive. First, section 2.2 introduces the concept of fraud and bribery. Then, section 2.3 reviews the concept of religiosity, religiosity scales, and empirical studies on the association between religiosity and bribery, as well developing a testable hypothesis. Section 2.4 reviews the concept of ethical climate, ethical climate scales, as well as describing and developing testable hypotheses about the roles of ethical climate as a moderator and a mediator variable. Finally, section 2.5 concludes this chapter.

2.2 Occupational Fraud, Corruption, and Bribery

Occupational fraud is defined as *"an intentional act within the course of one's employment that is illegal or highly unethical, the victim of which may be other individuals or the organization itself"* (Albrecht, Albrecht, Albrecht, & Zimbelman, 2014). This definition implies that unethical actions can be considered as occupational fraud when the action has deceived someone or an organisation even though the perpetrator may not breach laws or regulations.

The Association of Certified Fraud Examiners (ACFE) classifies occupational fraud within an *Occupational Fraud Classification System (Fraud Tree)*. There are three major types of fraud in the ACFE Fraud Tree: misappropriation of assets, corruption, and financial statement fraud. The classification can be seen in **Figure 2.1**. This study focuses on bribery, as a sub category of corruption.

Figure 2.1 Occupational Fraud and Abuse Classification System (Fraud Tree)



Source: Adapted from ACFE Report to the Nations on Occupational Fraud and Abuse (2016, p.11)

Bribery has been described as the oldest white-collar crime found since the early development of the business system (Albrecht et al., 2014; Green, 2006). Bribery is “a transaction between two people with one offering money (or other goods) to a second in order to induce that person to commit an improper act” (D'Andrade, 1985, p. 256). Offering bribes can be also be treated as a “purchase a virtual guarantee” that the bribed person will commit a particular action based on the request of the briber (D'Andrade, 1985, p. 239).

Argandoña (2003, p. 253) classifies corruption into two categories: “private-to-public” and “private-to-private”. Private-to-public corruption occurs when a citizen or a company pays money to a government official to “obtain an advantage” or to “avoid a disadvantage” (Argandoña, 2003, p. 253). Whereas, private-to-private corruption is described as “the type of corruption that occurs when a manager or employee exercises a certain power or influence over the performance of a function, task or responsibility within a private organization or corporation” (Argandoña, 2003, p. 255). Further, Argandoña (2003, p. 255) explains that private-to-private bribery is a specific form “when it is the person who pays who takes the initiative”. Baker McKenzie in Baker McKenzie Global Compliance News (2017, para 2) also classifies bribery as “private-to-public” and “private-to-private”.

According to Kaufmann (2016), the conservative amount of bribery cost in the public and private sectors of industrialised and emerging economies is estimated to be about one trillion dollars. This amount represents how bribery diminishes economic global wealth regardless of the type of bribery. Bribery also creates unhealthy business competition (Powpaka, 2002) and serious moral and political problems as well as reduces the effectiveness of good governance (Kaufmann, 2016).

Empirical studies at firm level have been undertaken by Serafeim (2013) and Healy and Serafeim (2016). Surveying the clients of PwC Forensic Services (6,806 companies around the world), Serafeim (2013) finds that bribery attacks employees' morale. In particular, companies with high-morale employees have better financial performance in terms of stock price. This is because the stock price reflects a company's "business relation", "reputation" and "regulatory relation" (Serafeim, 2013, p. 1). Furthermore, using 480 of the top firms from Forbes' *March 2007 Global 2000*, Healy and Serafeim (2016) provide further evidence that companies have lower sales growth when they include more disclosure about anti-corruption policies in their annual report: specifically when their business operations are located in regions where corruption and bribery are considered as the norm of doing business.

Despite the tremendous loss associated with bribery in the private sector, private-to-private bribery is being overlooked. Through an exploratory study by surveying business students at a university in Northeastern USA, Gopinath (2008) finds the reasons for this phenomenon. Private-to-private bribery is being overlooked because people fail to recognise that private-to-private bribery is an "unethical or possibly illegal" activity (Gopinath, 2008, p. 747). Similarly, Argandoña (2003, pp. 253-254) also describes four reasons that may cause people to undermine private-to-private corruption (included bribery). First, the private sector is more efficient at protecting its own interest and assets. Corruption will be less likely to occur in the private sector as it takes necessary actions to prevent employees from acting in ways that are likely to harm the organisation. Second, corruption and bribery are considered as inefficient behaviours in effective competition economies. Dealing with this typical behaviour can be penalised by the market itself. Third, some people believe that economic, social, and ethical impacts of private-to-private corruption are less than private-to-public corruption. Finally, only a few cases of private-to-private corruption are reported. Most organisations prefer to cover-up this fraudulent action from the public and then solve it through an internal disciplinary action or by trying to reach an agreement with the injured parties.

This section has introduced the concept of occupational fraud and bribery as well as their impact on economic growth and companies' performance. It has described reasons why private-to-private corruption and particularly private-to-private bribery have been overlooked despite enormous loss associated with private-to-private bribery. The next section reviews the literature that suggests an association between religiosity and managers' attitudes to offering a financial incentive.

2.3 Religiosity

Religiosity is defined as *"the degree of involvement in some or all facets of religion"* (Zuckerman, Silberman, & Hall, 2013, p. 325). Similarly, in the study about the influence of religiosity on delinquency, Johnson, Jang, Larson, and De Li (2001, p. 25) define religiosity as *"the extent to which an individual is committed to the religion he or she professes and its teachings, such that the individual's attitudes and behaviours reflect this commitment"*.

The importance of religious influences on society or individuals can be argued through their relationship with culture. According to Khraim (2010), religion is part of a culture that spreads and influences every aspect of a society and permeates life. Alteer, Yahya, and Haron (2013b, p. 120) add that religion contains "rules", "obligations" and "sanctions" that may influence and control individuals' behaviour as well as shaping norms, attitudes, and values in a society. Similarly, McDaniel and Burnett (1990, p. 103) contend that *"people's religious belief have a discernible effect on attitude and on behaviour"*.

Religion also provides moral guidance and gives its adherents a "worldview" that has particular "moral instruction", "values" and "commitments" (Shaw & Barry, 2010, p. 9). Moreover, religion prescribes a "formal system" for social relationship such as the mandate to "do unto others as you would have them do unto you" termed as the "Golden Rule" that represents the "highest moral ideal" in all religions (Shaw & Barry, 2010, p. 10). Consistent with Krauss et al. (2005), when someone commits to a religion and practices its teachings, their behaviours will reflect religious values.

2.3.1 Religiosity Scales

Several scales have been developed to measure religiosity. The scales are either based on specific values found in a particular religion (Albelaikhi, 1997; Allport, 1950; Benson, Donahue, & Erickson, 1993; Krauss et al., 2005; McDaniel & Burnett, 1990; Olufadi, 2016) or simply religious behaviour such as church attendance (Benk et al., 2017; Conroy & Emerson, 2004; Marquette, 2012; McGee et al., 2015).

Specifically, most of the scales that focus on a particular religion's values are either based on Christian values (Allport, 1950; Benson et al., 1993) or Islamic values (Albelaikhi, 1997; Almarri, Oei, & Al-Adawi, 2009; Ji & Ibrahim, 2007; Krauss et al., 2005; Olufadi, 2016; Wilde & Joseph, 1997).

Allport's (1950) Religious Orientation Scale (ROS) is one of the oldest religiosity scales that is still employed in recent studies. ROS suggests that religiosity has two main orientations: intrinsic and extrinsic. Intrinsic religiosity is an internal motivation and commitment towards religion. Whereas, extrinsic religiosity is a selfish reason for being religious, for example when someone attends religious services to seek social acceptability (Allport, 1950). According to Hutchinson, Patock-Peckham, Cheong, and Nagoshi (1998), ROS is frequently used to measure religiosity in western society among Protestant and Catholic adherents. Examples include Singhapakdi, Vitell, Lee, Nisius, and Yu (2013) and Vitell et al. (2009) who investigate the influence of religiosity on ethical decision-making by surveying US business practitioners and US business students respectively.

Nevertheless, McDaniel and Burnett (1990, p. 105) argue that religiosity also can be evaluated from "a multidimensional approach"¹². In particular, through two perspectives named "religious affiliation" and "religious commitment". Religious affiliation measures the domination of "membership" or "religious identification" of the individual (McDaniel & Burnett, 1990, p. 104). Religious affiliation is measured by an open-ended question "*Please indicate your current religious denomination or sect*" and responses are classified into three denominational categories: "Catholic, Protestant and Jew". Meanwhile, religious commitment can be measured by both, "*cognitively*" (an individual's degree of belief towards religion) and "*behaviourally*" (i.e. frequency of church attendance). In particular, religious commitment is measured by asking: "*Indicate how religious you view yourself to be*" on a five-point Likert scale ("very religious", "moderately religious", "slightly religious", "not religious", and "anti-religious"); and "*My religion is very important to me*" and "*I believe in God*" on a six-point Likert scale.

Other studies measure religiosity simply based on religious behaviour. Conroy and Emerson (2004) only use church attendance rates to measure religiosity. Similarly, McGee et al. (2015) and Benk et al. (2017) use the frequency of religious services and religious prayer apart from weddings and funerals to assess someone's degree of religiosity. The use of a religious behaviour survey can be critiqued as Robinson (2001)

¹² McDaniel and Burnett (1990) use this religiosity scale to measure consumer religiosity.

and Walsh (1998) find that there is a bias on religious behaviour surveys. Specifically, Robinson (2001) and Walsh (1998) find that 17% of American adults state that they give 10-13% of their income to the church. However, only 13% really do. Similarly, about 40% say that they regularly attend a religious service. However, the true figure was only 20%.

In addition, the use of church attendance has been critiqued by Saat, Porter, and Woodbine (2009) who argue that there may not always be a strong link between behaviour and religious commitment. Saat et al. (2009) propose the use of Faith Maturity Scale (FMS) developed by Benson et al. (1993) to assess religiosity and its association with ethical values and ethical sensitivity. Saat et al. (2009, p. 22) believe that FMS is a better measure of religiosity as it shows the degree of “priorities, commitments and perspectives” on particular religious traits. Specifically, Saat et al. (2009) use FMS to measure religiosity in Malaysia.

The use of FMS to measure religiosity of religions in Malaysia that is dominated by Islam can be critiqued as FMS was developed in North America where most of the population is either Protestant or Catholic. Eleven thousand Protestant adolescents and adults were surveyed in the development of FMS that focuses on common understandings of personal faith and spirituality within the church (Benson et al., 1993).

Even though FMS was adapted for other faiths through a few adjustments (i.e. changing the term of “God” to another referent point), it may not be able to capture or measure specific values owned by Islam. Krauss et al. (2007, p. 148) argue that a religiosity scale based on Christian values may not capture the “uniqueness” of Islamic belief. This is consistent with Saat et al. (2009) who argue that each religion has different values and there are several basic principles of ethical values in Islam that do not present in other religions.

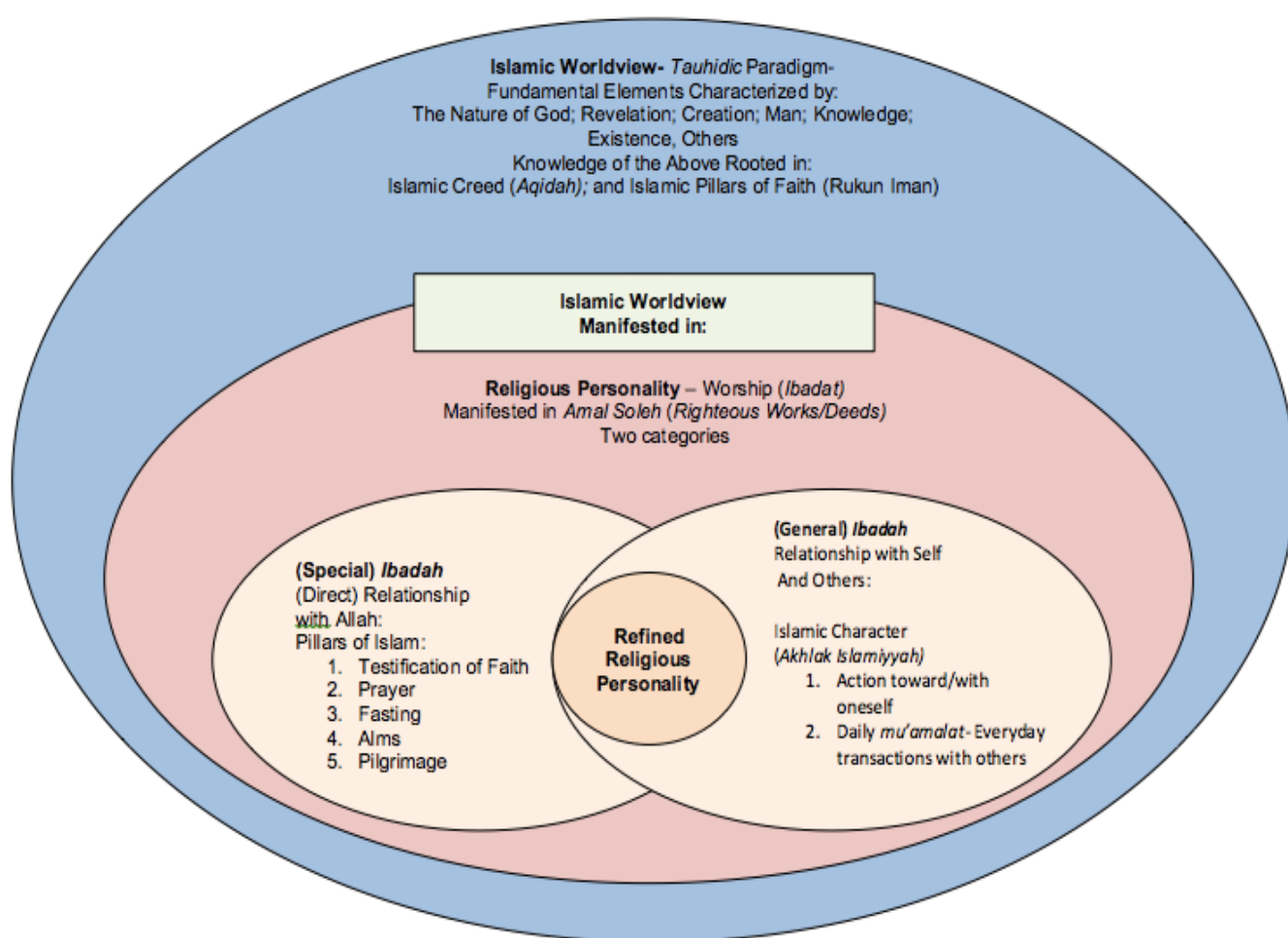
2.3.2 Muslim Religiosity-Personality Inventory (MRPI)

Most of the religiosity studies are dominated by western countries and most of the scales are developed based on Christian values as well as tested among Protestants and Catholics (Ghorbani, Watson, Ghramaleki, Morris, & Hood, 2000). Shamsuddin (1992, p. 105) as cited in Krauss et al. (2005, p. 176) argues that Muslims need a scale developed based on Islamic values. Any scale based on other religions may fail to capture particular values in Islam that are not present in other religions (Krauss et al., 2005). Motivated by

this problem, Krauss et al. (2005, p. 174) propose a “multidimensional” Islamic religiosity scale named “*Muslim Religiosity-Personality Inventory (MRPI)*”.

MRPI has two main dimensions: “Islamic Worldview” and “Religious Personality”. Islamic Worldview reflects the “Islamic *tawhidic*” defined as “doctrine of the oneness of God” (Krauss et al., 2005, p. 177). Meanwhile, Religious Personality is the “manifestation” of the religious worldview in the “righteous works” (Krauss et al., 2005, p. 177). Religious Personality includes “behaviours, motivations, attitudes and emotions” to assess individuals’ exemplification of the Islamic teaching and commands (Krauss et al., 2005, p. 177). The conceptual framework of MRPI is shown in **Figure 2.2**.

Figure 2.2 Conceptual Framework of MRPI

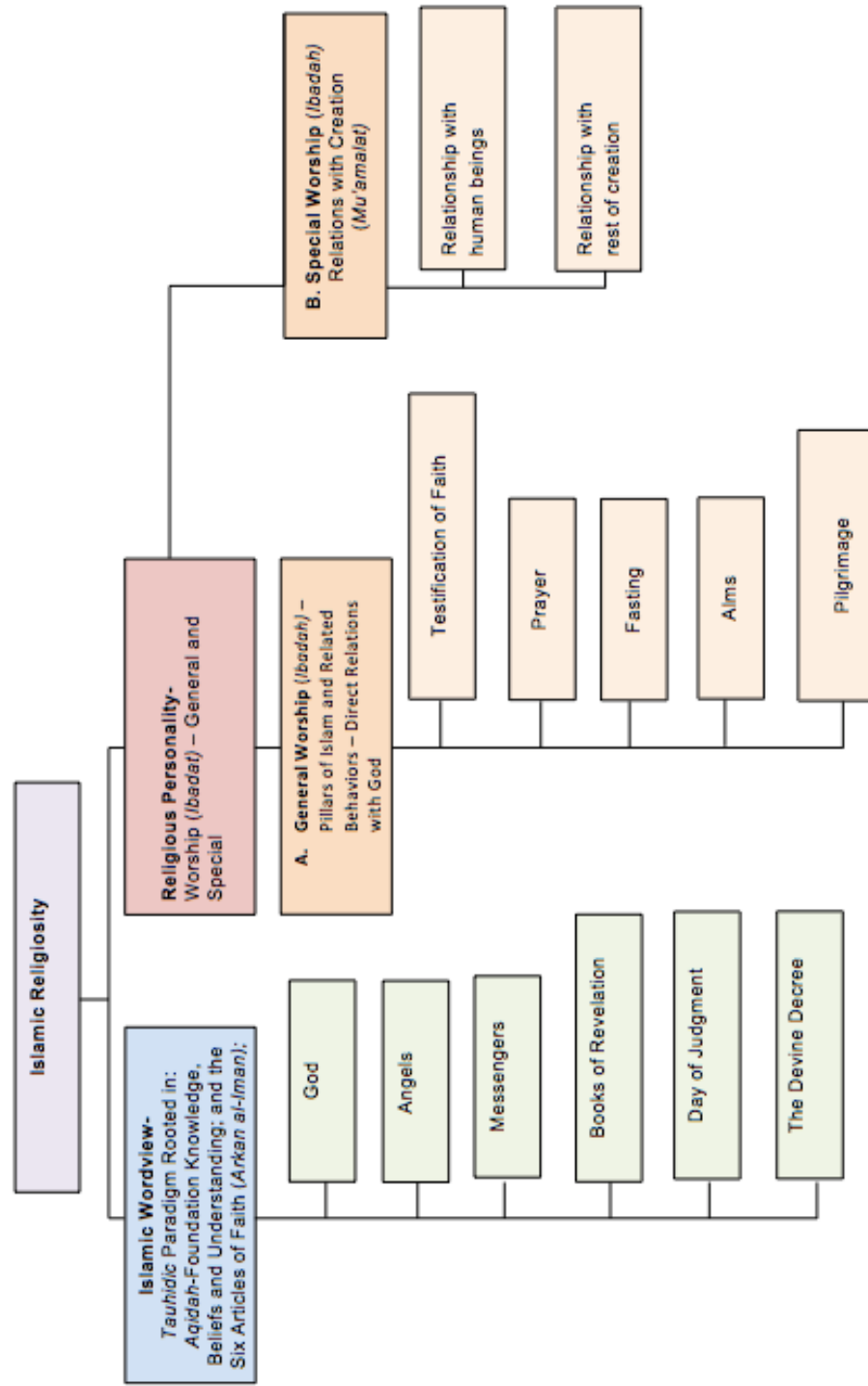


Sources: Krauss and Hamzah (2011, p. 5)

Further, the Islamic Worldview assesses someone’s agreement and compliance with Islamic creeds that cover “*what a Muslim should know, believe, and inwardly comprehend about God and religion*” given by Qur’an and Sunnah (way of the Prophet Muhammad) (Krauss et al., 2006, p. 239). This includes someone’s level of agreement with the “six Islamic pillars of faith”, which are “*belief in God, Angels, Messengers and Prophets of God,*

Books of Revelation, The Day of Judgement, and Divine Decree" (Krauss et al., 2005, p. 177). On the other hand, religious personality assesses the ritual worship that reflects someone's "direct relationship with God" and the "religiously guided behaviour" towards human beings and other creations (Krauss et al., 2005, p. 177). The MRPI measurement model is provided in **Figure 2.3**.

Figure 2.3 MRPI Measurement Model



Sources: Krauss and Hamzah (2011, p. 6)

MRPI has been tested by several studies in Malaysia to assess the religious commitment among groups of youth in Malaysia as well as to investigate the influence of religiosity on their behaviour (Krauss et al., 2005); to explore the regional differences among Muslims in Malaysia (Krauss et al., 2006); and to assess the religiosity of Malaysian youth in four different faith communities (Krauss et al., 2007).

Krauss et al. (2005) investigate the association between religiosity and behaviour by involving five different groups: IPTA (public university) youth who represent the 'successful' youth; youth affiliated with youth organisations who represent 'general' and unaffiliated youth; youth in Serenti drug treatment centres who represent 'troubled' youth; youth affiliated with political parties, young factory workers and 'at large' youth sampled at a shopping centre. They find that IPTA youth scored the highest on Islamic Worldview while political party youth scored highest on Religious Personality. Further, Serenti youth scored lowest on both dimensions. Furthermore, MRPI was employed by Krauss et al. (2006) to investigate the differences in religiosity levels in rural and urban areas of Malaysia. The finding shows a higher level of religiosity for Muslims in rural areas than urban areas. Finally, Krauss et al. (2007) adapted the religious personality dimension of MRPI for use with four faith communities in Malaysia (Muslims, Hindus, Buddhists and Christians). Psychometric analysis indicates that the scale is reliable and valid. Importantly, concerns about Social Desirability Response Bias (SDRB) that are mostly presence in religiosity scales were addressed using a "lie scale" indicator (Krauss et al., 2007, p. 151). Consequently, MRPI is an appropriate scale to measure religiosity in Indonesia as it is also dominated by Islam.

2.3.3 Religiosity and Managers' Attitudes to Offering a Bribe

The involvement of religion in the fight against bribery has increased on the basis of the assumption that religion provides its adherents with ethical guidance to not engage in bribery (Benk et al., 2017; Marquette, 2012; McGee et al., 2015; Yeganeh & Sauers, 2013). The prohibition to offering a financial incentive, described here as a bribe has been explicitly mentioned in several religious teachings. This aligns with Johnson et al. (2001) who suggest that religious teachings contain universal ethical principles regardless of the religion that is followed.

Islam explicitly prohibits bribery and considers it as one of the major, unforgivable sins in Qur'an Al-Baqarah 188¹³ and Hadith (the words of Prophet

¹³ See <https://quran.com/2/188>

Muhammad)¹⁴ (Al-Qaradawi, 1999). Referring to a bribe as a “present” or “a gift” also does not change the substance of a bribe (Al-Qaradawi, 1999, p. 328). In Christianity, Green (2006, p. 195) explains that the prohibition is found in the Bible, particularly in Exodus 23:9 and Deuteronomy 16:19¹⁵.

Those religious rules provide valuable and essential guidance to combat bribery. Consequently, the inclusion of religion in actions to combat corruption are well justified. A recent example is provided by Pope Francis who encouraged the fight against corruption in his speeches in Africa by remarking that corruption “*is like sugar, we like, it’s easy. Please don’t develop that taste for that sugar which is called corruption*” (Pullella & Obulutsa, 2015, para 11-12).

Several studies were undertaken to provide further empirical evidence on the association between religiosity and bribery based on various methodologies, datasets, and scales. McGee et al. (2015) in a cross-country study based on the *World Value Survey (WVS)* investigate the influence of religiosity on attitudes to accepting a bribe. Five-item religiosity measurements were employed in this study termed “attendance at religious services”, “believe in God”, “importance of God”, “praying”, “importance of religion”, and “religious person”. Further, these measurements were employed in five different religions (Christian, Muslim, Hindu, Baha’i, Buddhist, Jew) (McGee et al., 2015, p. 1172). McGee et al. (2015) find a negative association between religiosity and attitudes to accepting a bribe with Islam as the religion most opposed to bribery.

Using the data of the sixth wave (2010-2014) of the WVS, Benk et al. (2017) provide further evidence that religiosity significantly influences attitudes to accepting a bribe. Benk et al. (2017, p. 1) undertook “a country-cluster analysis of demographic and religiosity perspectives”. The countries are classified into two clusters. Cluster one¹⁶ is the countries whose respondents have “a low level of bribery acceptability” (Benk et al., 2017, p. 9). Further, cluster two¹⁷ is the countries whose respondents have “a high level of bribery acceptability”. Individuals’ attitudes to accepting a bribe are measured by a statement “*someone accepting a bribe in the course of their duties*” with a ten-point Likert scale, where “1= never justifiable” and “10= always justifiable” (Benk et al., 2017, p. 5). Then, the influence of religiosity¹⁸, demographic¹⁹ and attitudinal²⁰ variables on

¹⁴ Hadith states that: “Allah’s curse is on the one who offers the bribe and on the judge who accepts it”.

¹⁵ Exodus 23:9 states that: “Do not take bribes, for bribes blind the clear-sighted and upset the pleas of those who are in the right”; Deuteronomy 16:19: (similar)

¹⁶ Included in this cluster are Australia, the US, South Korea, Germany, Pakistan, Yemen, and Armenia.

¹⁷ Included in this cluster are Algeria, Ecuador, Ghana, Malaysia, Mexico, Russia, Kazakhstan, and Kyrgyzstan.

¹⁸ Included in religiosity variables are “attendance at religious services”, “believe in God (yes=1)”, “importance of God”, “praying”, “importance of religion”, and “religious person (religious person=1)”.

individuals' attitude to accepting a bribe is investigated. In cluster one, Benk et al. (2017, p. 11) find that there is a positive association between "the importance of God", "believe in God" and "religious people" with beliefs that bribery is never justified. Whereas, "attendance at religious service" and "importance of religion" are negatively associated with beliefs that bribery is never justified. In cluster two, "religious people" is positively associated with beliefs that bribery is never justified. Whereas, "attendance at religious services", "importance of religion" and "praying" are negatively associated with beliefs that bribery is never justified (Benk et al., 2017, p. 11).

Even though several researchers (Benk et al., 2017; Marquette, 2012; McGee et al., 2015) contend that religiosity should have a negative association with corruption and bribery, Yeganeh and Sauers (2013, p. 155) find unanticipated results, with a positive association between "communist heritage", religiosity and the pervasiveness of corruption. This study is a cross-national study based on the secondary data of the WVS and CPI. Further, *Human Development Index*²¹ is employed as a control variable²² to control for the "mediation effects" of "socioeconomic development" (Yeganeh & Sauers, 2013, p. 161).

According to Marquette (2012), contradictory findings about the causal-relationship between religiosity and bribery in cross-country studies may come from a methodological issue, particularly in the reliability of datasets employed as biased and deficient data will fail to describe the causal relationship. In addition, there are critiques that cross-country studies may be not able to explain the influence of religiosity on the formation of someone's attitude toward corrupt actions as well as how people justify their behaviour using the language of religions.

Despite these mixed findings, Marquette (2012) has undertaken cross-culture studies in India and Nigeria through semi-structured interviews and Focus Group Discussion involving 240 respondents. The first objective of this research is to investigate the influence of culture and religiosity on bribery and corruption. The second objective is to understand how people justify these actions using religious language. He finds that religiosity has an influence on attitudes towards corrupt action. However, it is less likely to influence actual corrupt behaviour, especially when corruption has turned into a collective problem in the country rather than a personal

¹⁹ Included in demographic variables are age, gender (female=1), education level, social class, marital status, scale of income, and life satisfaction.

²⁰ Included in attitudinal variables are political scale, government responsibility, importance of democracy, confidence in government, ownership of business, pride of nationality, and happiness.

²¹ Please refer to <http://hdr.undp.org/en/content/human-development-index-hdi>

²² Socioeconomic development needs to be considered as a control variable as previous researchers (Inglehart, 1997; Inglehart & Welzel, 2005) found that religiosity and socioeconomic development are closely interrelated.

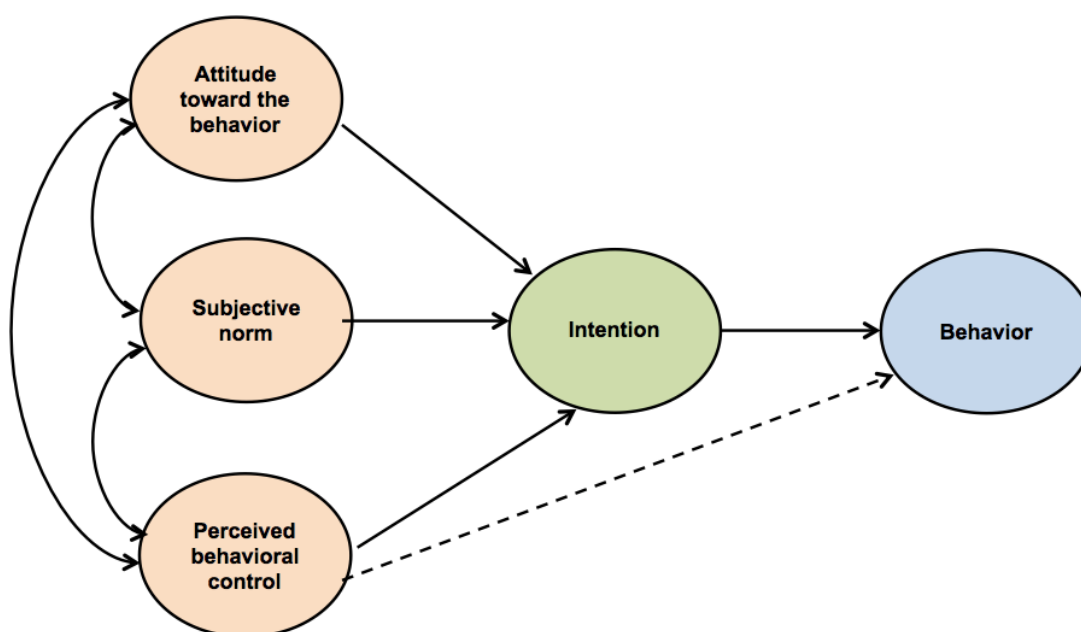
ethical dilemma. Respondents believe that corruption is pervasive because being incorrupt is not logical (Marquette, 2012).

2.3.4 Hypothesizing the Association between Religiosity and Managers' Attitudes to Offering a Financial Incentive

The previous literature (Benk et al., 2017; Marquette, 2012; McGee et al., 2015; Yahya, Yean, Johari, & Saad, 2015) shows the association between religiosity and attitudes towards bribery and corruption in cross-countries and within-country studies. Following these previous studies, this study aims to contribute to the extant literature by investigating the association between religiosity and managers' attitudes to offering a financial incentive described here as a bribe in the context of ethical decision-making in an organisation.

The previous studies are either focused on attitude, intention, or behaviour. More studies are focused on attitude and intention (Benk et al., 2017; McGee et al., 2015; Powpaka, 2002; Yahya et al., 2015) rather than behaviour (Murphy & Free, 2015; Stachowicz-Stanusch & Simha, 2013). However, there is an association between, attitude, intention, and behaviour. This association can be explained using the Theory of Planned Behaviour (TPB) (Ajzen, 1985; Ajzen, 1991). According to TPB, an individual's intention to commit a particular action will be determined by three factors namely "*attitude toward behaviour, subjective norms and perceived behavioural control*" (Ajzen, 1991, p. 188) (see **Figure 2.4**).

Figure 2.4 Theory of Planned Behaviour



Sources: Ajzen (1991, p. 182)

Moreover, the more favourable the attitude towards a particular behaviour, the more likely it is that people will have strong intentions to perform the behaviour under consideration (Ajzen, 1991). Also, “*the stronger the intention to engage in a behaviour, the more likely should be its performance*” (Ajzen, 1991, p. 181). This implies that strong attitude and intention will most likely turn into behaviour or action. As a result, capturing strong attitude or intention can be used to predict an individual’s behaviour.

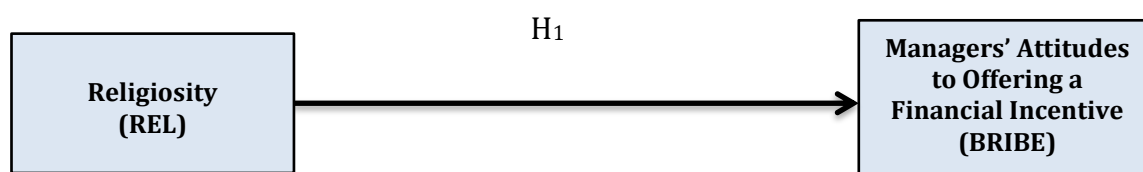
This study investigates attitude rather than behaviour, as it does not commit an observation of day-to-day actions of the participants. Capturing behaviour requires researchers to observe the participants’ day-to-day actions. Several studies (Benk et al., 2017; Marquette, 2012; McGee et al., 2015; Yeganeh & Sauers, 2013) are cross sectional and do not observe the participants’ day-to-day actions. Using a survey, this study is also cross sectional that collects the data at one time. Further, this study argues that capturing attitude is acceptable as there is still a strong correlation between attitude and behaviour as mentioned in the general rule of TPB that is tested in previous studies (Powpaka, 2002; Rabl, 2011; Rabl & Kühlmann, 2008).

Powpaka (2002), Rabl and Kühlmann (2008), and Rabl (2011) have tested the association between attitude, intention and behaviour using an experimental study. In an experiment with 188 MBA students in Thailand Powpaka (2002) finds that intention to offer a bribe in an organisation is positively influenced by attitude. Rabl and Kühlmann’s (2008, p. 479) and Rabl’s (2011) studies of “model of corrupt action” find that attitude favouring corruption will lead to desire and intention to commit a corrupt action in an organisation.

This research proposes that religiosity may have an association with someone’s attitude to offering a financial incentive. The hypothesis is below:

H₁: Religiosity is associated with managers’ attitudes to offering a financial incentive

Figure 2.5 Primary Hypothesis



This section discusses the association between religiosity and bribery as well as developing a testable hypothesis. The next section discusses ethical climate in an organisation as a moderator and mediator variable in the association between religiosity and managers’ attitudes to offering a financial incentive.

2.4 Ethical Climate

The previous section proposes that religiosity is associated with managers' attitudes to offering a financial incentive described here as a bribe. However, as individuals will perform their actions in an organisation, they may modify their ethical behaviour based on the prevalent norms within that organisation (Trevino, 1986). Further, Trevino's (1986, p. 601) "*Person-Situation Interactionist Model*" states that individuals' ethical/unethical behaviour cannot be completely understood without considering the situational variables within the organisation where the action will be performed.

Situational variable is defined as characteristics attached to a situation in a particular environment (Trevino, 1986). In the Person-Situation Interactionist Model, situational variables refers specifically to "job context", "organisational culture", and "characteristics of the work" (Trevino, 1986, p. 603). Person-Situation Interactionist Model has been used in previous studies (Alteer, Yahya, & Haron, 2013a; Alteer et al., 2013b; Ambrose, Arnaud, & Schminke, 2008; Barnett & Vaicys, 2000; Miska, Stahl, & Fuchs, 2016) as a theoretical framework to explain the influence of situational variable on individual behaviour in an organisation.

Further, there are several factors such as reward system, norms, code of ethics and organisational culture that may influence individual behaviour in the context of ethical/unethical decision-making in an organisation (Barnett & Vaicys, 2000; Jones, 1991; Trevino, 1986). Yahya et al. (2015) surveyed 110 Malaysian Gen-Y employees (who were less than 34 years old) who worked for a Malaysian public sector organisation to provide evidence about the influence of religiosity and organisational culture on corruption. They find that religiosity and organisational culture have an influence on Gen-Y's attitudes toward corruption in their organisation. Likewise, studies on business ethics show that the ethics of companies are mostly influenced by ethical climate within an organisation (Salamon & Mesko, 2016; Treviño, Butterfield, & McCabe, 1998).

Victor and Cullen's (1987, pp. 51-52) definition of ethical climate is "*the shared perceptions of what is ethically correct behaviour and how ethical issues should be handled*". Victor and Cullen (1988, p. 102) also provide an example of ethical climate that is relevant for this study. The example is about how people in an organisation decide whether "*it is right or wrong*" to pay "*kickbacks*". Ethical climate also reflects employees "*perception about policies, practices and procedures, and (their) patterns of interaction and behaviours*" (Patterson et al., 2005, p. 381). Likewise, Schminke et al.

(2007) as mentioned in Uhl-Bien (2007, p. 120) refer to ethical climate as an “internal system of ethics” that maintain “the ethical well-being” of an organisation.

The role of ethical climate in determining someone’s attitude, intention, and behaviour in the context of ethical/unethical behaviour is supported by recent studies on ethical climate (Arnaud, 2010; Gils, Hogg, Quaquebeke, & Knippenberg, 2017; Kalshoven, Den Hartog, & De Hoogh, 2013; Murphy & Free, 2015; Parboteeah, Seriki, & Hoegl, 2014; Salamon & Mesko, 2016; Schminke et al., 2007; Simha & Cullen, 2012).

This section describes the importance of considering ethical climate as a situational variable that may influence managers’ attitudes and behaviour about ethical/unethical issues in the workplace. The next section describes the measurement tools of ethical climate that are employed in this study.

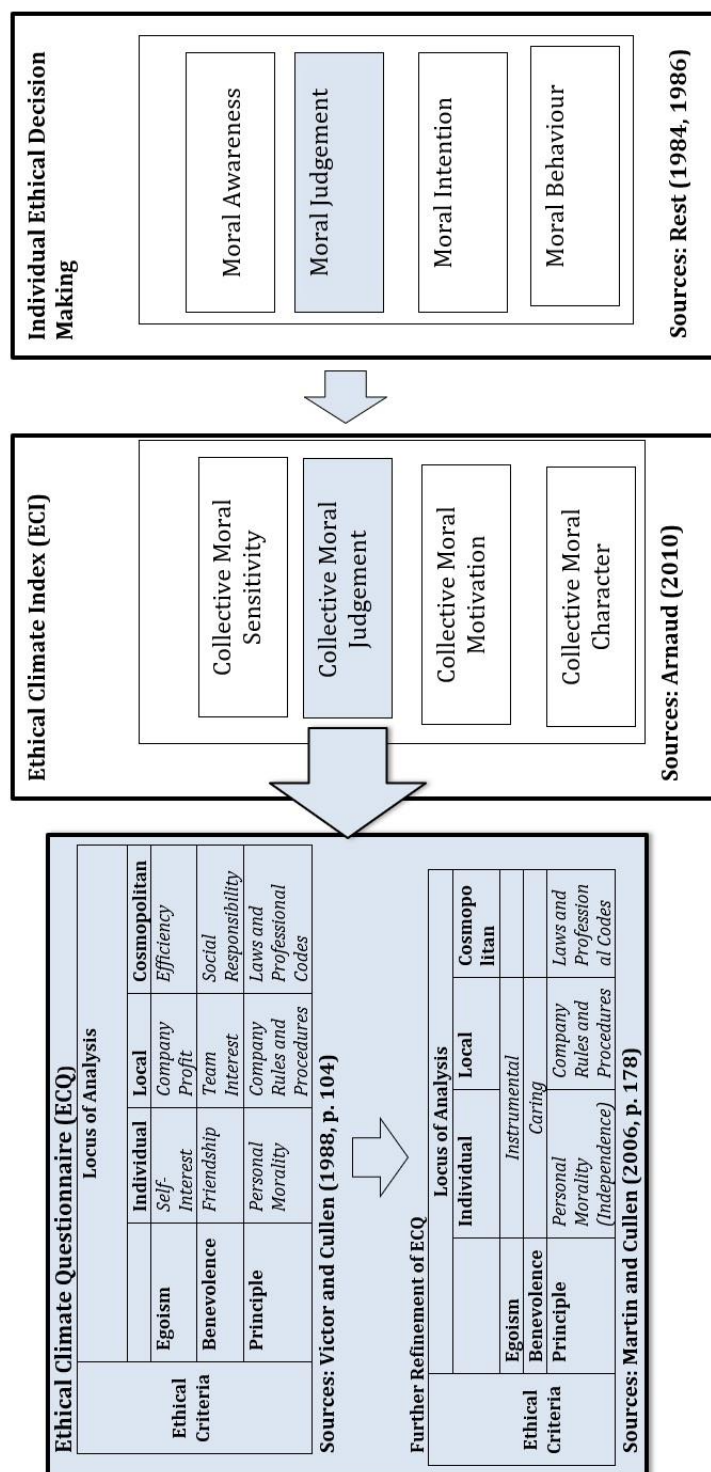
2.4.1 Ethical Climate Scales

Two survey tools are mostly used to assess ethical climate in an organisation (Schminke et al., 2007, p. 178). They are Victor and Cullen’s (1988) Ethical Climate Questionnaire (ECQ) and Arnaud’s (2010) Ethical Climate Index (ECI). However, Schminke et al. (2007) and Arnaud (2010) argue that ECQ’s dimensions only capture the prevalent ethical climate in the workplace partially. In particular, it only captures **the collective moral judgement dimension** of ethical climate. This is because ECQ is developed based on Kohlberg’s Stages of Moral Development (1984) elements that are required by an individual to make a moral judgement (Arnaud, 2010).

Nevertheless, ECI is comprehensive (Arnaud, 2010) and is conceptualised based on Rest’s (1984, 1986) four components of individual ethical decision-making that are brought into the “social system level” (Arnaud, 2010, p. 347). Recent researchers (Arnaud, 2010; Gils et al., 2017; Goebel & Weienberger, 2017; Kalshoven et al., 2013; Salamon & Mesko, 2016; Westermann-Behaylo, 2010) employ ECI to assess ethical climate and its influence on an organisation’s performance and ethics/ethics-related attitudes or behaviour. This aligns with Schminke et al. (2007, p. 178) who contend that ECI provides a “*better measure of ethical work climate*” in an organisation.

A link that describes the association between the four components of individual ethical decision-making (Rest, 1984, 1986), Ethical Climate Index (Arnaud, 2010) and Ethical Climate Questionnaire (Victor & Cullen, 1988) can be seen in **Figure 2.6**.

Figure 2.6 A Link between Individual Ethical Decision Making, ECI and ECQ



Sources: Adapted from Rest (1984, 1986); Arnaud (2010); Victor and Cullen (1988); and Martin and Cullen (2006)

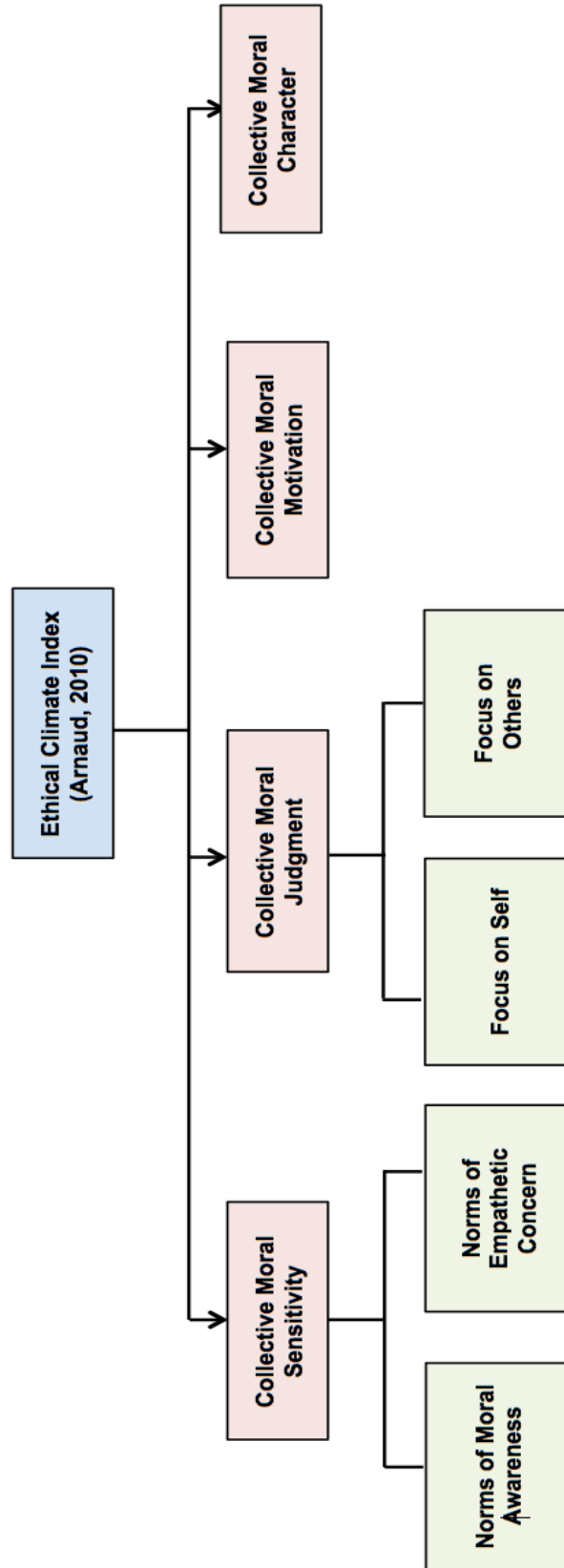
The previous discussion presents the two survey tools that are mostly used to assess ethical climate in the workplace. Consistent with (Arnaud, 2010; Schminke et al., 2007; Uhl-Bien, 2007) this study argues that Arnaud's (2006) ECI measures ethical climate more comprehensively than Victor and Cullen's (1988) ECQ. As a result, this study employs the ECI questionnaire to measure ethical climate in the workplace. The subsections below discuss ECI and develop testable hypotheses about the roles of ethical climate as a moderator and a mediator variable in the association between religiosity and managers' attitudes to offering a financial incentive.

2.4.2 Ethical Climate Index (ECI)

ECI is proposed as a response to the call for a new assessment scale to measure ethical climate in the workplace. This call came at the 2004 conference of the *International Association for Business and Society* in a session named "*Revisiting Victor and Cullen's theory and measure of EWCs*" (Arnaud, 2010, p. 346). ECI is proposed by Arnaud (2010, pp. 348-349) who brings Rest's "four components of ethical decision-making" namely "*moral awareness*", "*moral judgement*", "*moral intention*" and "*moral behaviour*" into "*the social system level*". Arnaud (2010) creates four distinct dimensions of ethical climate, which are "*collective moral sensitivity*", "*collective moral judgement*", "*collective moral motivation*" and "*collective moral character*".

These dimensions of ECI were found through surveying 652 employees from 113 departments and 101 organisations where the individual responses were aggregated into department-level to assess and identify the ethical climate dimension preserved in each department. ECI scales are rated on five-point Likert scale ranging from "describes my department very well (1)" to "does not describe my department at all (5)" (Arnaud, 2006, p. 179). ECI's dimensions and components can be seen in **Figure 2.7** and they are explained below.

Figure 2.7 ECI Dimensions



Sources: Adapted from Arnaud (2010, pp. 348-349)

2.4.2.1 Collective Moral Sensitivity

Arnaud (2006, p. 169) defines collective moral sensitivity as "*the prevalent mode (within the social system) of imagining what alternative actions are possible, and evaluating the consequences of those actions in terms of how they affect others and who would be affected by them*". There are two components found in this dimension, named "*norms of moral awareness*" and "*norms of empathy/role-taking*" or "*norms of empathetic concern*" (Arnaud, 2006, p. 169). According to Arnaud (2010), moral awareness captures the prevalent norm of possible options of actions in the social system. Likewise, empathetic concern reflects the prevalent mode of analysing the impacts of those actions toward others who may be impacted by the actions.

2.4.2.2 Collective Moral Judgment

Collective moral judgment is defined as "*the norms of moral reasoning used to judge which course of action is morally right*" (Arnaud, 2006, p. 170). Furthermore, Arnaud (2006, p. 170) argues that this dimension will reflect the prevalent form of moral reasoning employed to determine which course of action is "morally justifiable". The items used to measure ethical climate in this dimension are based on Victor and Cullen's (1988) instrumental, caring and principle climate items (Arnaud, 2006, 2010; Westermann-Behaylo, 2010). Two components are found being: "*focus on self*" and "*focus on others*" (Arnaud, 2010, p. 351). "Focus on self" asks whether individuals in an organisation mostly show a tendency to prioritise their own interest. Whereas "focus on others" mainly asks whether individuals in an organisation consider the interests and welfare of others (Westermann-Behaylo, 2010, p. 41). Furthermore, Arnaud (2006) contends that "focus on others" may lead to ethical behaviour. In contrast, "focus on self" may negatively affect the ethical behaviour of the employees. This is consistent with the findings from previous studies. For example, Murphy and Free (2015) identify the presence of instrumental climate when fraud was perpetrated. Similarly, Stachowicz-Stanusch and Simha (2013) find that instrumental climate was positively associated with organisational corruption.

2.4.2.3 Collective Moral Motivation

Rest (1986) as cited in Westermann-Behaylo (2010, p. 44) explains that moral motivation forms the "ethical intent" to act in accordance with the ethical judgement made in the previous step of individual ethical decision-making processes. Specifically, it assesses someone's "will" or "intent" towards particular ethical action (Westermann-Behaylo, 2010, p. 44). Arnaud (2010, p. 349) assesses collective moral motivation by

evaluating whether “ethical concerns dominate other concerns”, and whether moral values such as “honesty”, “fairness” and “helping” are considered to be more important than “power”, “control” or “personal achievement” (Arnaud, 2010, p. 349). A high score on moral motivation means that “power”, “control” or “personal achievement” are considered to be more important than the values of “honesty”, “fairness” and “helping” (Arnaud, 2010, p. 349).

2.4.2.4 Collective Moral Character

Collective moral character involves “*the norms for implementing a planned course of action*” (Arnaud, 2010, p. 349). This aligns with the final step of the four components of individual ethical decision-making (Rest, 1984, 1986) describes as “*having the courage and fortitude to take responsibility, carry through and turn ethical intentions into ethical behaviour*” (Westermann-Behaylo, 2010, pp. 47-48).

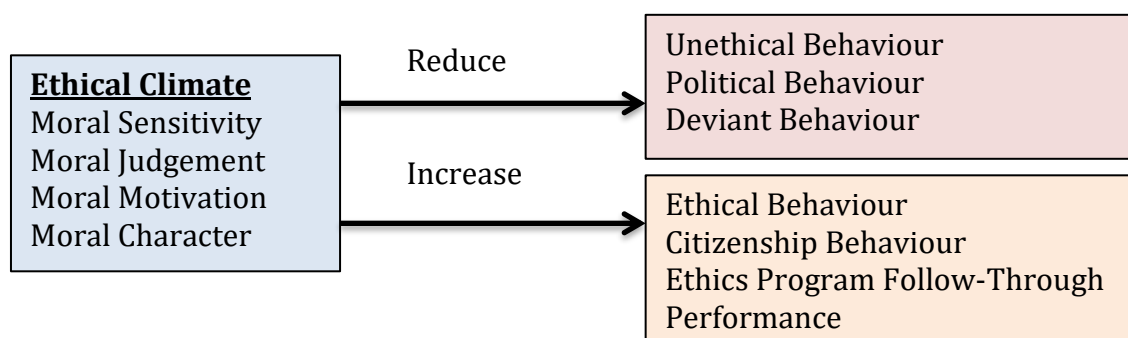
Referring to ECI’s dimensions and components, Schminke et al. (2007) provide an illustration of people who scored high on ECI. First, employees who scored high in ECI are more aware about a company’s unethical activities and understand how they impact other people (moral sensitivity). Then, they may decide that these activities are “unethical” as they refer to the “principles of “rights and justice” and thus they will defend stakeholders’ interests by disallowing unethical action (moral judgement). This decision is guided by a strong commitment to ethical values such as honesty, fairness, and justice (moral motivation). Finally, employees with strong moral character will behave ethically no matter the consequences that they may receive (moral character).

As well as conceptualising ECI, Arnaud (2006, pp. 207-210) also investigates the influence of ethical climate measured by ECI towards attitudes such as “*job satisfaction, job affective commitment and turnover intentions*” as well as behaviour, particularly “*ethical behaviour, ethics program follow-through, interpersonal deviance, organizational citizenship behaviour, political behaviour and performance*”.

Arnaud (2010) finds that ECI is able to explain 22% of the variance in ethical behaviour, 42% of the variance in political behaviour, and 12% of the variance in perceived performance. First, collective moral sensitivity-norms empathetic concern, collective moral motivation and collective moral character are significant predictors of ethical behaviour. Second, collective moral sensitivity-empathetic concern, collective moral judgement-focus on others and lower collective moral judgement-focus on self are negatively associated with political behaviour. Third, higher collective moral motivation and collective moral character are associated with higher levels of perceived performance. Finally, collective moral sensitivity-norms of empathetic concern have a

negative association related to perceived performance (Arnaud, 2006, 2010). The summary of the impacts of ECI dimensions on attitude and behaviour is provided in **Figure 2.8**.

Figure 2.8 The Impacts of ECI dimensions on Behaviour



Sources: Schminke et al. (2007, p. 179)

This section discusses ethical climate, ethical climate scales, and Ethical Climate Index (ECI) that is claimed as a comprehensive scale to measure ethical climate in an organisation. The next section discusses the mediating and moderating roles of ethical climate in the association between religiosity and managers' attitudes to offering a financial incentive.

2.4.3 Hypothesizing Ethical Climate as a Moderator Variable

One of the objectives of this study is to examine the roles of ethical climate on the relationship between religiosity and managers' attitudes to offering a financial incentive. The first role of ethical climate tested in this study is its role as a moderator. Dawson (2014, p. 1) defines a moderator variable as *"any variable that affects the association between two or more other variables; moderation is the effect the moderator has on this association"*. As a moderator variable, ethical climate should affect the strength and/or direction of the relationship between religiosity and managers' attitudes to offering a financial incentive. As well, the association between religiosity and managers' attitude might be different in a low or high ethical climate.

Barnett and Vaicys (2000, p. 351) investigate the "moderating effect" of perceived ethical climate on an individual's ethical judgement and intention. They find that ethical climate has a moderation effect in the association between an individual's ethical judgement and intention to commit an ethically questionable activity.

Meanwhile, Alteer et al. (2013b) propose an investigation of the influence of religiosity on auditors' ethical sensitivity with ethical climate as a moderator variable. Particularly, the influence of religiosity on auditor's ethical sensitivity is predicted to be stronger at a "higher level" of ethical climate (Alteer et al., 2013b, p. 119). Besides, Alteer

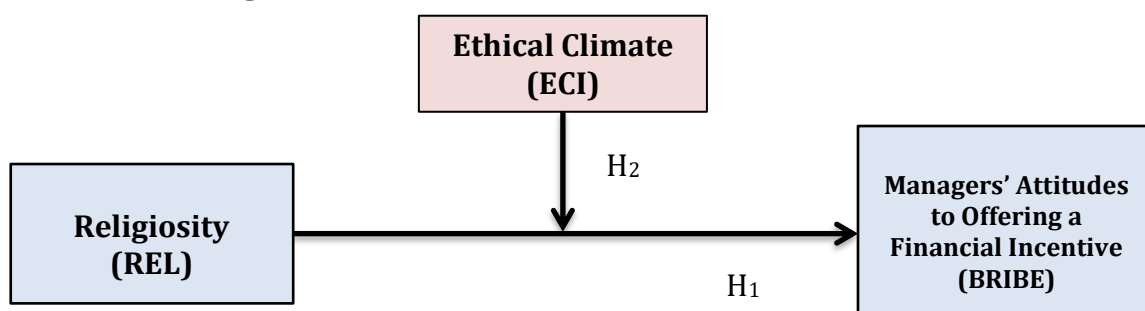
et al. (2013a) also propose that auditor ethical judgements can be influenced by ethical sensitivity. Whereas, ethical sensitivity can be influenced by personal values that include individual values, social values, competence values and moral values. The influence of personal values on ethical sensitivity is predicted to be stronger at a “higher level” of ethical climate (Alteer et al., 2013a, p. 862).

Being more specific, Kalshoven et al. (2013) investigate the role of ethical climate dimensions, collective moral awareness and empathetic concern as a moderating variable on the association between ethical leadership²³ and follower helping and courtesy. This study confirms that the association between ethical leadership and follower’s helping and courtesy is stronger when moral awareness is low. However, the association is stronger when empathetic concern is high. When empathetic concern is low, no association is found between ethical leadership and courtesy. For helping, no interaction with empathetic concern is found. Similarly, Gils et al. (2017, p. 155) investigate the moderation effect between “the organisational identification perspective” and collective moral judgement perspective toward ethical decision-making. The interaction has been investigated through two business ethics dilemma case studies in the US and the UK, involving 144 and 356 participants respectively. Gils et al. (2017) find that organisational identification increases ethical decision-making only when the organisation's climate is perceived to be ethical.

Following these previous studies that investigate the moderation effect of ethical climate, the hypothesis of ethical climate as a moderator variable in the association between religiosity and managers’ attitudes to offering a financial incentive is stated below:

H2: Ethical climate has a moderation effect on the association between religiosity and managers’ attitude to offering a financial incentive

Figure 2.9 Ethical Climate as a Moderator Variable



²³ Brown, Treviño, and Harrison (2005, p. 120) define ethical leadership as a leadership style that entails “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to followers through two-way communication, reinforcement and decision-making.”

2.4.4 Hypothesizing Ethical Climate as a Mediator Variable

Even though there are previous studies on the influence of religiosity on managers' attitudes to offering or accepting a bribe (2017; Marquette, 2012; McGee et al., 2015), there is little empirical evidence about why and how religiosity matters. According to Cooper (2015, p. 2), a mediator variable will explain "how or why" an independent variable is associated to a dependent variable, specifically "*how did it work?*". Baron and Kenny (1986, p. 1172) also state that a variable can be a mediator variable to the extent that "*it accounts for the relation between the predictor and the criterion*".

This study also investigates the role of ethical climate as a mediator variable that may explain how religiosity is associated with managers' attitudes to offering a bribe. Consistent with Cooper (2015, p. 2), the focus of investigating a mediation effect or indirect effect of religiosity on managers' attitudes is to obtain an understanding about "the underlying process" of how religiosity is associated with managers' attitudes through "the mechanism" of ethical climate in the workplace.

To be a mediator variable, there should be a link describing an association between religiosity and ethical climate as well as a link describing an association between ethical climate and managers' attitudes to offering a financial incentive. Further, the main effect between religiosity and managers' attitudes should be significant before the mediator variable is introduced in the equation model.

Religiosity is widely believed to affect its adherent's ethical standards through providing ethical guidelines in the form of normative ethical standards (Shaw & Barry, 2010). Further, as religiosity is a "potential" source of ethical norms, it may influence individuals in "ethical evaluations" (Clark & Dawson, 1996, p. 359). As cited in Conroy and Emerson (2004, p. 384), "*the degree of religiosity is generally associated with higher ethical attitudes*".

Conroy and Emerson (2004) find that religiosity is a significant predictor for ethical awareness and attitudes of US students. Similarly, Saat et al. (2009) find that religiosity has impacts on students' ethical sensitivity in Malaysia even though the impacts are situational²⁴. Clark and Dawson (1996) also investigate the influence of

²⁴ It was found that students who attend Islamic secondary schools are having higher-scores of ethical sensitivity in eight out of sixteen scenarios. However, there is no significant different on ethical sensitivity between Islamic and non-Islamic University students. Nevertheless, students from Islamic University show higher-scores ethical sensitivity in the scenarios involving serious legal and reportable issues. Malaysian students also demonstrate low-scores ethical sensitivity for an "opportunistic event". For an example, the students tend to agree that "distributing gift" during festive seasons are acceptable in the situation that they feel it is "necessary to ensure a company's survival" (Saat et al., 2009, p. 33).

“personal religiousness”²⁵ and individual’s ethical judgement. They find that there are variations in individual ethical judgements among “the religious” and “the non-religious” (Clark & Dawson, 1996, p. 366). Further, Singhapakdi et al. (2013) find that religiosity and ethical judgement have significant influence on ethical intention in marketing situations. Weaver, Bradley, and Agle (2002, p. 80) also present that “religious self-identity” described as religious role expectations may influence ethical behaviour.

Literature reviews on ethical decision-making also suggest the influence of religiosity on individuals’ ethical decision-making. O’Fallon and Butterfield (2005) find that studies on ethical decision-making from 1996 to 2003 underpin a positive influence of religiosity on individuals’ ethical decision-making. Meanwhile, in a review of literature published between 2004 and 2011, Craft (2012) finds inconsistent results of the influence of religiosity on ethical decision-making. Likewise, Lehnert, Park, and Singh (2015) find an inconsistent result when extending their literature review to include 141 additional articles. They focus on four components of ethical decision-making: Awareness, Judgment, Intention, and Behavior.

A link between religiosity and ethical climate can be argued from the studies that find an association between religiosity and individual components of ethical decision-making. Collectively these individual components of ethical decision-making create the ethical climate in an organisation. This is consistent with Arnaud (2010) and Victor and Cullen (1988). Arnaud (2010, p. 348) conceptualises ECI by raising individuals’ ethical decision-making processes into a “social system”. Similarly, Victor and Cullen (1988) conceptualise ECQ by raising Kohlberg’s (1981) stage of moral development into a “social system” (Arnaud, 2010, p. 348).

The previous discussion links religiosity and the various dimensions and components of ethical climate. This next discussion extends the links from ethical climate to managers’ attitudes to offering a bribe (See **Figure 2.10**)

In the absence of regulation on private-to-private bribery, offering a financial incentive to secure a business contract could fall into the category of unethical behaviour in an organisation. Several studies were undertaken to investigate the association between ethical climate and ethical/unethical behaviour. Arnaud and Schminke (2012, p. 1767) investigate the important role of ECI’s components namely focus on self and focus on others in ethical/unethical behaviour. They find that focus on self is significant and negatively associated with ethical behaviour, whereas focus on

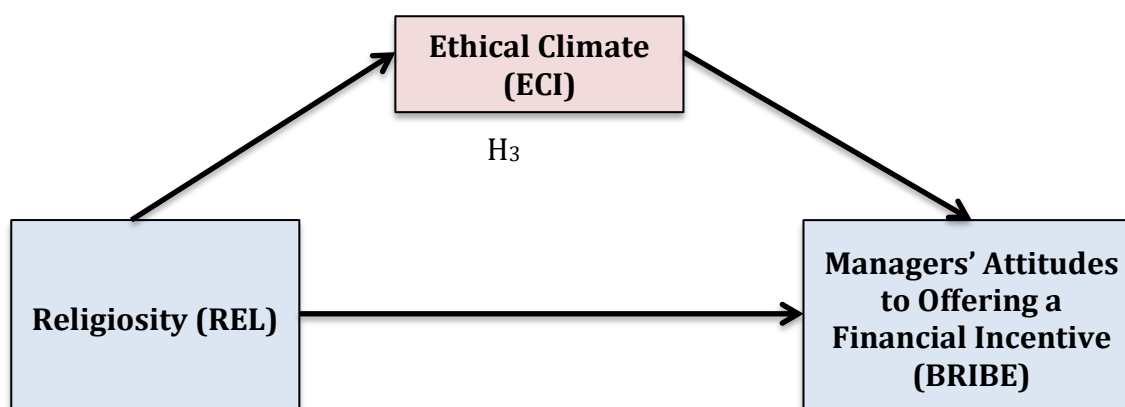
²⁵ Clark and Dawson (1996) acknowledged that the use of religion, religiousness and religiosity were interchangeably in previous studies. Clark and Dawson (1996, p. 361) decided to use the religiousness terminology as the term of religiosity is a “value laden” construct.

others is not significant. Another study was undertaken by Salamon and Mesko (2016) who identified the prevalent ethical climate dimensions in small and medium-sized Slovenian companies. They investigate the impact of the ethical climate dimensions on lack of “payment discipline”²⁶ which is argued to be a form of poor business ethics practice (Salamon & Mesko, 2016, p. 73). Their analysis discovered a new dimension of ethical climate termed lack of norms of empathetic concern. Further, only this dimension has a positive association with payment discipline. Then, the association between ethical climate and fraud can be seen in Murphy and Free (2015), Parboteeah et al. (2014), and Stachowicz-Stanusch and Simha (2013). They show that ethical climate has a significant role in determining someone’s attitude and behaviour in the context of ethical/unethical behaviour as well as illegal action in an organisation.

By describing a link between religiosity and ethical climate as well as a link between ethical climate and ethical/unethical behaviour including fraud, this study argues that ethical climate can be a mediator variable in the association between religiosity and managers’ attitudes to offering a financial incentive. Therefore, this study hypothesises the following:

H₃: Ethical climate has a mediation effect in the association between religiosity and managers’ attitude to offering a financial incentive

Figure 2.10 Ethical Climate as a Mediator Variable



²⁶ Salamon and Mesko (2016) specifically define lack of payment discipline as a late payment or payment delay to creditors or suppliers. Further, they consider lack of payment discipline as an unfair business practice

2.5. Summary

This chapter summarises the theories and empirical studies that are relevant for this study. In particular, the literature review discusses the theories and empirical studies on bribery, religiosity, and ethical climate. In addition, this chapter develops three testable hypotheses to examine the association between religiosity and managers' attitude to offering a financial incentive with ethical climate as a moderator and mediator variable. The next chapter discusses the research design of this study, including data sources, sample collection, and detailed descriptions of variables employed.

CHAPTER 3

RESEARCH DESIGN

3.1 Introduction

This chapter discusses the research design of this study while section 3.2 discusses data sources and sample collection procedures. Section 3.3 discusses the analysis techniques for testing hypothesis. This section is followed by definition and measurement of variables. Finally, section 3.5 summarises the chapter.

3.2 Data Sources and Sample Collection

Purposive random sampling was employed in this study. Purposive random sampling is a non-probability sampling method used to obtain information from certain kinds of participants that comply with the research purpose and criteria (Cavana, Delahaye, & Sekaran, 2001). A questionnaire was designed to examine the factors that may influence managers' attitude to offering a financial incentive.

Executive MBA students at the Master of Management Faculty of Economics and Business, Universitas Gadjah Mada (MM UGM) in Indonesia were invited to participate in the study.²⁷ They have at least three years' work experience and hold positions as middle to high-level managers. It is important that the participants have experience and knowledge of business practices in Indonesia as it was the inclusion criterion. They were required to reflect on their experience and to apply it to particular attitudes through the scenario given.

Further, the locations of MM UGM are Jakarta and Yogyakarta, two big cities on Java Island as well as important commercial and education centres in Indonesia. This study was conducted at both locations. As the students also came from other cities, the participants represented the wider population of Indonesia.

3.3 Partial Least Square Structural Equation Modelling (PLS-SEM)

Data analysis was undertaken using Structural Equation Modeling (SEM) that estimates "*multiple*" and "*interrelated dependence relationship*" simultaneously (Hair et al., 2014, p. 547). In assessing multiple relationships, SEM examines the "structure" of "interrelationship" expressed in "*a series of equations*" such as in multiple regression

²⁷ *Executive program* is for people who have job and work experience. Please refer to the official website of MM UGM (http://mm.feb.ugm.ac.id/id/?page_id=1500).

equations (Hair et al., 2014, p. 546). These equations present all of the relationships among “constructs” involved in the analysis.

Hair et al. (2014) also describe three characteristics of SEM analysis. First, SEM estimates the interrelated dependence relationship that can be found when a dependent variable in a relationship turns into an independent variable in subsequent relationships, creating an “*Interdependent structural model*” (Hair et al., 2014, p. 547). In this study, this interrelated dependence relationship can be found when ethical climate is introduced as a mediator variable in the relationship between religiosity and managers’ attitudes to offering a financial incentive. Second, SEM can describe an unobserved construct termed as a latent variable²⁸. Both, religiosity and ethical climate are considered as latent variables. Multiple indicators and items were used to measure the constructs. Finally, SEM provides a complete picture of the relationship between latent variables as it can test the equations in the model simultaneously.

Variance-Based SEM (PLS-SEM) was used in this exploratory study. Path coefficient and f-square (effect sizes) were observed in testing the hypotheses.

3.4 Description of Latent Variable

The latent variables in this study are religiosity (REL) and ethical climate (ECI). Further, the exogenous construct²⁹ in this study is REL and the endogenous constructs³⁰ are ECI and BRIBE. The details of REL, ECI and BRIBE are discussed in the next section.

3.4.1 Scenario Development

The survey was a Scenario-Based Survey. Following Flory, Phillips, Reidenbach, and Robin (1992, p. 290), a scenario-based survey was preferred as it uses a “realistic ethical problem” and retains “essential complexity” of the ethical problem.

A bribery scenario developed primarily by Powpaka (2002) was used to represent a bribe-giving decision under an ethical decision context in an organisation. This scenario was designed to measure and explain managers' attitude and intention to bribe in Thailand where there is a similar external environment to Indonesia. Notably, this environment is the absence of legislation to prosecute private-to-private bribery, and it has gift-giving as a standard business practice. Also, the scenario covered the

²⁸ Latent variable is “a variable that is measured through multiple variables called indicators or manifest variables (MVs)” (Kock, 2012, p. 52).

²⁹ Exogenous constructs are “multi-item equivalent of independent variables”, whereas Endogenous constructs are “multi-item equivalent to dependent variables” (Hair et al., 2014, p. 549). Exogenous constructs are determined by factors outside the SEM model. An exogenous construct “does not have any path (one-headed arrows) from any other construct or variable going into it” (Hair et al., 2014, p. 549).

³⁰ Endogenous constructs are determined by factors “within the model” and dependent on “other constructs” (Hair et al., 2014, p. 549). This dependence can be seen from a path to an endogenous construct from an exogenous construct or from another endogenous construct (Hair et al., 2014, p. 549).

elements of the fraud diamond, i.e. opportunity, pressure, rationalisation and capability (Wolfe & Hermanson, 2004). The presence of these fraud elements challenged the managers' attitudes as it turns the scenario into a realistic situation that is present in most fraud cases.

This scenario describes a situation where a manager in an Indonesian mining company is looking for a joint venture partner to meet production goals and long-term growth. Participants are advised "*You have been appointed as the project manager in an attempt to set up a joint venture*". Further, there is intense competition between companies to get this deal. A middleman told the manager that he received "insider" information that they will get the contract if they offer a "financial incentive" to the top ranking employee who has the final word in the joint venture. Further, the subjects were asked to indicate their willingness to offering a financial incentive. Participants do not need to have real experience of bribe-giving problem.

Managers' attitudes to offering a financial incentive were measured by a single indicator "*I think I will pay the money to get the joint venture contract*". A seven-point Likert scale was used, where 1=strongly disagree, and 7=strongly agree. Further, as described by Rossi, Wright, and Anderson (1983), SDRB is a prevalent problem in ethics studies. Consistent with Patel (2007, p. 103); Shawver and Sennetti (2009); Shafer, Morris, and Ketchand (2001) and Izraeli (1988), participants' perceptions of their peers attitude were measured to address SDRB. A statement "*my peers will pay the money to get the joint venture contract*" with a seven-point Likert scale where 1=strongly disagree and 7=strongly agree was employed for the SDRB check. The mean difference in the participants' responses between "I will" and "my peers will" statements are the measures of SDRB.

A manipulation check was put at the end of the scenario. Participants were asked to report the time that they spent on reading the scenario. The manipulation check assessed whether the participants paid attention to the scenario and instructions provided. To ensure the robustness of the data, participants who fail to follow the instruction are excluded from data analysis.

3.4.2 Measurement of Religiosity

Religiosity is measured by the *Muslim Religiosity-Personality Inventory (MRPI)* developed by Krauss et al. (2005). Consistent with Krauss et al. (2007, p. 147) and Krauss et al. (2006), this study uses a refinement scale of MRPI for use with different "faith communities". According to Krauss et al. (2007, p. 146) and (Krauss et al., 2006) multistage processes were undertaken to make sure of the reliability (internal

consistency), convergent validity, and discriminant validity of MRPI so that it could be applied to and relevant for different faith communities. As a result, this study was able to measure and capture the religiosity of other religions that are legally acknowledged³¹ in Indonesia. Besides, MRPI was developed and tested in Malaysia, and it thus incorporates the Syafi'i school from Sunni *madhhab*³² that is also followed in Indonesia.

There are two indicators in religious personality, *general worship* and *special worship*. To be more specific, MRPI comprises 32 items, with 17 items representing special worship³³ and 15 items representing general worship³⁴ (see **Table 3.1**). The responses are rated on a five-point Likert scale ranging from "Never practice (1)" to "Always practice (5)" religious teachings. Participants were asked to indicate their religious practices by asking participants "*For each of the following statements, please indicate the practices that most accurately reflect your own not practices that you think you should do.*"

Table 3.1 Latent Variable-Religiosity Indicators

No	Descriptions	ΣItems
1.	Special Worship	17
2.	General Worship	15
	TOTAL ITEM	32

Source: Adapted from Krauss et al. (2007) and Krauss et al. (2006)

Further, SDRB needs to be considered as previous religiosity surveys in the U.S. are prone to SDRB (Robinson, 2001; Walsh, 1998). SDRB was addressed in the MRPI by using a "lie scale" or a truthfulness indicator. Krauss and Hamzah (2011, p. 6) provide seven items from the MRPI that can be used as a "lie scale" indicator. Consistent with Krauss and Hamzah (2011, p. 6), five out of seven "lie scale" items were selected³⁵. Then, the participants who present a total summed score exceeding 20 (greater than 80 per cent) were removed. This technique is consistent with Leite and Beretvas' (2005)

³¹ There are six religions that legally acknowledged in Indonesia, which are: Islam, Protestant, Catholic, Buddhist, Hindu, and Confucianism.

³² Madhhab is the different schools of law, which grew up in early Islamic times. Madhhab represents a shared method and doctrine. Islam has two major madhhabs, which are Sunni and Shia. Further, there are four main schools of thought in Sunni Islam: the Hanafis, the Malikis, the Shafi'i, and the Hanbalis (Humphreys, 1991). Each of them has differences in how they interpret judgement and jurisprudence (Humphreys, 1991). Unlike the MRPI, Muslim religiosity scales such as the *Muslim Religiosity Scale* (MRS) by Albelaikhi (1997) or *Muslim Daily Religiosity Assessment Scale* (MUDRAS) by Olufadi (2016) are based on Hanbalis that mostly follow in the Middle East. MUDRAS and OLUFADI would not be fit for a region with Syafi'i.

³³ Special worship reflects someone's relationship with God.

³⁴ General worship reflects someone's relations with human beings and others' of God's creation, such as animals and the environment (Krauss & Hamzah, 2011; Krauss et al., 2005).

³⁵ The selected five items for "lie scale" indicators were below:

1. I make an effort to be clean at all time.
2. I frequently share my religious values with my friends.
3. I find time to recite the Qur'an/Holy book/Scriptures even if I am busy.
4. I set aside money every year for religious purposes.
5. I feel happy when beggars come to my house

finding on their “extensive literature review” on SDRB scales that some authors delete the scores of participants with high SDRB (Krauss & Hamzah, 2011, p. 6).

By employing MRPI as a religiosity scale, this study responds to a criticism made by Shamsuddin (1992, p. 105) and Ghorbani et al. (2000, p. 2) that religiosity scales are dominated by Christianity and tested in western societies.

3.4.3 Measurement of Ethical Climate

The reliability and validity of ECI have been tested within organisations (Gils et al. (2017); Goebel and Weienberger (2017); Kalshoven et al. (2013); Salamon and Mesko (2016); Westermann-Behaylo (2010) and in virtual teams that are working across countries (Mullane, 2017). The objective of these studies was to identify the ethical climate dimension that was prevalent in an organisation and its impact on various organisations' outcomes such as ethical behaviour and performance. Evidence was obtained from several countries such as the US, Canada, the UK, Germany, Australia, Slovenia and the Netherlands. Data was gathered either from an online survey or paper-based survey such as a mail survey. Since several recent studies (Gils et al. (2017); Goebel and Weienberger (2017); Kalshoven et al. (2013); Mullane (2017)) are focused on particular ECI's dimension(s) or component(s) only, this study addresses this limitation by using a 19-item ECI that is divided into six indicators consisting of ECI's dimension and ECI's component to provide holistic insight into ethical climate (**Table 3.2**).

Further, it was suggested by Victor and Cullen (1988) and Victor and Cullen (1987) that measures of ethical climate in the workplace should be focused on description rather than a subjective feeling of participants. By providing descriptions about the ethical climate in the workplace and requiring the participants to express their agreement/ disagreement with the statements, the participants focus on the description of ethical climate rather than focus on subjective evaluation of whether the ethical climate is good or bad or they behaved ethically or not. The 19-items ECI measures ethical climate in respondents' current organisation and is rated on a five-point Likert scale ranging from “strongly disagree with the actual condition in my organisation (1) to “strongly agree with the actual condition in my organisation (5)”.

Table 3.2 Latent Variable-Ethical Climate Index Indicators

No.	Descriptions	Items
1	Collective moral Sensitivity- Norms of moral awareness	3
2	Collective moral Sensitivity- Norms of empathetic concern	4
3	Collective Moral Judgement- Focus on self	3
4	Collective Moral Judgement- Focus on others	3
5	Collective moral motivation	3
6	Collective moral character	3
	TOTAL ITEM	19

Source: Arnaud (2010, p. 356)

3.4.4 Measurement of Control Variables

Other factors that may influence managers' attitudes to offering a financial incentive also are controlled in this study. For example, Benk et al. (2017) find that there is an association between age, gender, marital status, scale of income and ownership of business with people's attitudes to accepting a bribe. Similarly, McGee et al. (2015) find that attitudes to taking a bribe may differ by religion. In particular, Islam is the religion most opposed to accepting a bribe compared with other faiths such as Hindu, Buddhist, Jew and Baha'i.

The last part of the questionnaire collects demographic information about the participants, such as age, gender and religion as well information about participants' organisations such as scope of operation, industry, and the presence of written code of ethics. The collected information is used as control variables. The control variables of this study are presented in **Table 3.3**.

Table 3.3 Control Variables

Variables	Questions and Descriptions
Gender (GENDER)	A binary variable (male=1 and female=2)
Age (AGE)	A statement asks: "How old are you?" Responses are coded on 9-point ordinal scale from "Under 26 (1)" to "Above 60 (9)"
Religion (BELIEF)	A statement asks: "What is your religion" Responses are coded into a binary variable (Islam=1 Non-Islam=2)
Number of Dependant (DEPNANT)	A statement asks: "How many children that you have?" Responses are coded on 4-point ordinal scale from "none (1)" to "more than 4(4)"
Business Ownership (OWN)	A statement asks: "What is your current company legal status?" Responses are coded on 5-point categorical scale, termed "Listed (1)"; "Private (2)"; "State-Owned" (3); "Partnership (4)"; "Others (5)"
Business Sector (INDUSTRY)	A statement asks: "What is your current company's business?" Responses are coded on 6-point categorical scale, termed "Manufacture (1)"; "Banking and Finance (2)"; "Service" (3); "Mining (4)"; "Construction (5)"; "Others (6)"
Scope of Operation (SCOPE)	A binary variable (National = 1 and Multinational = 2)
Size of Company (SIZE)	A statement asks: "How many people are working in your current company" Responses are coded on 4-point ordinal scale from "1-4 employees (1)" to "More than 100 employees (4)"
Presence of Code of Ethics (ETHICS)	A binary variable (Yes= 1 and No= 2)

3.5 Translation, Pilot-test, Focus Check and Survey Implementation

The questionnaire has four parts. Part one consists of a scenario. After participants read the scenario, two statements asked them to measure their attitude to offering a financial incentive. Part two collects data about ethical climate using a 19-item ECI based on participants' real/actual conditions in their organisation. Part three gathers religiosity based on participants' actual practice. Part four collects demographic information about the participants.

The questionnaires were initially designed in English; an exception was the religiosity questionnaire that was originally designed in Malay. Consequently, an equivalent version of the questionnaire in Bahasa (the national language of Indonesia) was needed. Translation and back-translation method was used for the scenario and ethical climate questionnaire. This study used a certified International and Localization translation service³⁶ to translate the questionnaire of ethical climate and scenario from English to Bahasa. Then, a bilingual expert back-translated the questionnaire from Bahasa into English. The difference in translation was discussed and modified until the difference was removed. Meanwhile, translation and back-translation method was not used for the religiosity scale as there is a Malay version that can be translated to Bahasa with few of adjustments. Malay and Bahasa language are very similar.³⁷

In total, participants were required to respond to 53-items from the questionnaire, excluding the demographic information. Two items were from the scenario, 19 items from ethical climate scale, and 32 items from the religiosity scale. To ensure that the participants concentrated on reading all of these items, three items of focus checks were placed between the ethical climate's and religiosity's statements. These focus checks ask the participants to follow a specific instruction such as "*please circle number 2 (two) in this row*". Participants who fail to follow the instruction were removed as it can be used as an indicator that they did not read the statements carefully.

The questionnaire was pilot tested to increase its readability and understandability. This process involved administering the questionnaires to 15 Indonesians who have at least three years working experience. Several minor editorial modifications were undertaken based on their feedback. In addition, pilot-test participants were interviewed to obtain comment on readability and understandability

³⁶ See <http://pemad.or.id>

³⁷ Malay was adopted in Indonesia as its national language since 1920 in early of independence movement (Hoy-Kee, 1971). It was "renamed" as Bahasa Indonesian to symbolise a new status of Indonesia independency in 1945 (Hoy-Kee, 1971, p. 74).

of the questionnaire. The pilot-test showed that the scenario was realistic and the statements were free from bias.

Participants were also be provided with Participant Information and Consent Form (PICF) attached to the questionnaire, which explained the research project, including research objectives, research process and relevant information about privacy issues. The PICF explicitly states that participation is voluntary and participants were free to withdraw at any time without having to give a reason and without consequence. The PICF was left with participants in case they had questions or concerns about the project as well as if they want to request a summary of the results via email as stated in the PICF.

The PICF was distributed by an independent person (an administration staff from MM UGM) one week before the questionnaires were distributed in the classroom. Thus, participants had enough time to consider their participation in this study. In the following week, the questionnaire and envelopes were distributed in the classroom by the author. Participants were instructed that after they have completed the questionnaires, they are returned to the envelope and sealed. Also if the participants did not complete the surveys, they were returned to the envelope and sealed. To ensure that the participation in this study was confidential and without coercion or pressure, the author waited outside the classroom while the participants filled in the questionnaires and the sealed envelopes.

3.6 Summary

To sum up, the objective of this thesis is to provide empirical evidence on the influence of religiosity on managers' attitudes to offering a financial incentive. Further, the roles of ethical climate as a moderator and mediator variable in this association are investigated. A scenario-based survey was designed to achieve these objectives.

Ethics approval for this study was obtained from the Human Research Ethics Committee, Macquarie University [Reference No. 5201700536]. The Final ethics approval letter can be found in **Appendix 1** and the English and Bahasa versions of the questionnaire can be found in **Appendix 2** and **Appendix 3**, respectively.

This chapter has described the research design of this study including data source and collection procedures, SEM analysis for the testing hypothesis, and latent variables employed. The next chapter will discuss the descriptive analysis and hypothesis testing.

CHAPTER 4

DATA ANALYSIS AND HYPOTHESIS TESTING

4.1 Introduction

Section 4.2 provides sample description followed by section 4.3 that provides descriptive statistics of all variables involved. Section 4.4 provides a correlation matrix for the primary variables tested, which are religiosity (REL), ethical climate (ECI) and managers' attitude to offering a financial incentive (BRIBE). Scatter plots are provided to describe the association between variables. Section 4.5 presents the reliability and validity of the instrument followed by section 4.6 that presents hypothesis testing. Finally, section 4.7 concludes this chapter.

4.2 Data Collection and Sample Description

The total of executive MBA students surveyed is 573: 102 responses from MM UGM Yogyakarta and 471 responses from MM UGM Jakarta. However, 205 respondents were removed because of their failure to pass the "lie scale", manipulation and focus checks. A summary of 368 participants' demographic profiles can be seen in the **Table 4.1** and **Table 4.2**. **Table 4.1** presents demographic profiles of respondents and **Table 4.2** presents demographic profiles of respondents' organisation

Table 4.1 Demographic Profiles of Respondents

Demographic Profile of Respondents				Summary
Frequency Table				
Descriptions		Frequency	Percent (%)	
Gender	Male	231	62.8	62.8% are male
	Female	137	37.2	
Age	<26	85	23.1	59% are aged between 26 and 30. Then 37.5% are aged between 31 and 45.
	26-30	134	36.4	
	31-35	75	20.4	
	36-40	49	13.3	
	41-45	14	3.8	
	46-50	6	1.6	
	51-55	5	1.4	
Religion	Islam	274	74.5	74.5% (274 respondents) are Muslim.
	Christianity	51	13.9	
	Hindu	34	9.2	
	Buddhist	4	1.1	
	Confucianism	5	1.4	
Marital Status	Single	211	57.3	57.3% are married
	Married	155	42.1	
	Divorced	2	0.5	
Number of Children	0	237	64.4	35.6% have children
	1	46	12.5	
	2 or 3	82	22.3	
	4 or more	3	0.8	
Origins	Java Island	275	74.7	74.7% are from Java Island
	Others	93	25.3	
Salary	Less than 5 million IDR	46	12.5	55.7 have salary more than 10 Million IDR
	6-10 million IDR	117	31.8	
	11-15 million IDR	79	21.5	
	More than 16 million IDR	126	34.2	
Experience	3 years	88	23.9	54.1% have work experience from 3 to 6 years and 45.9% have work experience more than 7 years.
	4-6 years	111	30.2	
	7-9 years	57	15.5	
	More than nine years	112	30.4	
Position in Organisation	Staff	161	43.8	43.8 % are staff and 43.2% are managers, directors and commissioners
	Manager	139	37.8	
	Director	18	4.9	
	Commissioner	2	0.5	
	Others	48	13	

Table 4.2 Demographic Profile of Respondents' Organisation

Demographic Profile of Respondents' Organisation				Summary
Frequency Table				
Descriptions		Frequency	Percent (%)	
Industry	Manufacturer	40	10.9	Respondents are from a manufacturing company (10.9%), a Bank and Financial Institution (29.3%) and Services (25%).
	Bank and Financial Institution	108	29.3	
	Services	92	25	
	Mining	9	2.4	
	Construction	26	7.1	
	Others	93	25.3	
Size of Company	1-4 Employees (Micro)	5	1.4	77.7% are from a company with employees more than 100 (big company)
	5-19 Employees (Small)	22	6	
	20-99 Employees (Medium)	55	14.9	
	More than 100 Employees (Big)	286	77.7	
Status of Organisation	Listed Company	133	36.1	36% respondents are from a listed company and 26% are from a private company
	Private Company	98	26.6	
	State Owned Enterprises	66	17.9	
	Partnership	17	4.6	
	Others	54	14.7	
Scope of Operation	National	201	54.6	54.6% from a national company and 45.4% from a multinational company
	Multinational	167	45.4	
Presence of Whistle Blowing Policy	Yes	246	66.8	66.8% have a whistle blowing policy
	No	122	33.2	
Presence of Code of Ethics	Yes	319	86.7	86.7% have a written code of ethics
	No	49	13.3	
Presence of Anti-Fraud Training	Yes	246	66.8	66.8% have anti-fraud training
	No	122	33.2	

4.3 Descriptive Statistics and Measures of SDRB

This section describes the descriptive statistics and SDRB analysis for managers' attitudes to offering a financial incentive (BRIBE). The descriptive statistics of the primary variables employed are in **Table 4.3**. Further, the result of the SDRB check for BRIBE³⁸ is in **Table 4.3** and **Table 4.4**.

Table 4.3 shows that the minimum total score for 19-items on the ECI is 40, and the maximum score is 95. The mean is 66.68 with a standard deviation of 9.15. Meanwhile, there are 32-items on the religiosity scale with a minimum total score is 79 and a maximum total score of 153. The mean of this variable is 129.61 with a standard deviation of 10,814. The standard deviation of ethical climate and religiosity show that

³⁸ Measuring SDRB is important as SDRB perceptions "*holier than you*" is more likely to create an unethical organisational culture (Tyson, 1990, p. 715)

the values in the data set do not spread too far from the mean. It indicates that the outliers did not influence the data sets. In addition, **Table 4.3** also shows that the values of mean and median of the variables employed in this study are similar. It indicates that the data sets have a normal distribution.

Table 4.3 Descriptive Statistics of Main Variable

Descriptions	Min	Max	Mean	Median	Std. Dev
Attitude					
I think I will pay the Money	1	7	3.19	3	1.847
My peers will pay the money	1	7	4.24	4	2.8
Paired T-Test for Attitude	-14.594***				
Ethical Climate (ECI)	40	95	66.68	68	9.15
Norms of Moral awareness	5	15	11.45	12	2.058
Norms of Empathetic Concern	6	20	14.27	15	2.447
Focus on Self	3	15	8.76	9	2.701
Focus on Others	5	15	11.17	12	1.86
Collective Moral Motivation	3	15	10.44	11	2.717
Collective Moral Character	5	15	10.6	11	1.916
Religiosity (REL)	79	153	129.61	130	10.814
Special Worship	35	79	65.61	67	7.737
General Worship	44	75	63.99	64	5.125

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

Further, **Table 4.3** shows each of the statements “*I think I will pay the money*” and “*My peers will pay the money*” and shows that the mean (median) scores are higher on perceptions of their peers’ decision compared to their own attitude. These findings show that managers present themselves as behaving more ethically than their peers by being less likely to offer a financial incentive in the scenario. The results from Paired-Samples T-test also reveal there are significant differences between the scores at $p < 0.00$ (2-tailed). To further clarify the results in **Table 4.3**, non-parametric Wilcoxon test was undertaken and the result presented in **Table 4.4**.

Table 4.4 Non-Parametric Test for SDRB

Wilcoxon Signed Ranks Tests	
My peers will < I think will	26
My peers will > I think will	214
My peers will = I think will	128
Total	368
Z	-11.580***

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

Both the parametric and non-parametric tests indicate that SDRB presents in the managers' attitude to offering a financial incentive. This finding aligns with previous studies on ethical judgment and decision-making, such as Patel (2007) who finds that there is SDRB in accountants' ethical judgment, in which they present themselves as behaving more ethically than their peers.

Consequently, this study will follow Shawver and Sennetti (2009); Shafer et al. (2001); Izraeli (1988) and Karacaer, Gohar, Aygün, and Sayin (2009), who use "my peers" or "my colleagues" as the dependent variable rather than participants' own decision. Consistent with Izraeli (1988, p. 263), *"the best predictor of respondents' ethical behaviour is their belief and perceptions concerning their peers' behaviour"*. Shawver and Sennetti (2009, p. 674) also use a single indicator, which is *"will your peers"* to evaluate ethical dilemmas as he argues that respondents will behave in way they think that their peers might undertake any action. Similarly, Shafer et al. (2001) and Karacaer et al. (2009) argue that the primary predictors of ethical behaviour are perceptions of what someone's peers might do under a similar situation.

4.4 Correlation Matrix and Scatter Plot

Scatter plot and correlation matrix describe a relationship between two sets of variables' data. The correlation matrix (**Table 4.5**) shows that the main variables tested (REL, BRIBE and ECI) have a low correlation and have an absolute value of their correlation coefficients of less than 0.29. Correlation coefficient of less than 0.29 is described as a low correlation and indicates that the results of this study are not affected by multicollinearity.

Further, correlation matrix shows that religiosity and managers' attitudes to offering a financial incentive are negatively correlated (correlation coefficient -0.133). Further, Religiosity and ethical climate are positively correlated (correlation coefficient 0.263). Finally, ethical climate and managers' attitudes to offering a financial incentive are negatively correlated (correlation coefficient -0.264).

Several control variables also show a significant correlation with BRIBE. In particular, BRIBE has a negative correlation with age (AGE), size of an organisation

(SIZE), and respondent's number of children (DEPENDENT). This negative correlation could be interpreted as younger respondents; smaller organisation; and people who have fewer children have lower attitude-scores to offering a financial incentive rather than older respondents, bigger organisations, and respondents with more children. Further, as a categorical variable, scope of operation (SCOPE) and presence of code of ethics (ETHICS) also show a significant correlation with BRIBE. Respondents working in an organisation that has a national scope of operation have higher attitude-scores to offering a financial incentive rather than people who work for a multinational organization. Further, respondents working in an organisation that does not has code of ethics have higher attitudes-scores to offering a financial incentive rather than respondents working for an organisation that has code of ethics.

Table 4.5 Correlation Coefficients

Descriptions	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. BRIBE	4.24	2.8	-										
2. ECI	66.68	9.15	-0.264***	-									
3. REL	129.61	10.814	-0.133***	0.263**	-								
4. GENDER	1.37	0.484	0.006	0.084	0.057	-							
5. AGE	2.49	1.295	-0.320***	0.123*	0.051	-0.129**	-						
6. BELIEF	1.26	0.437	-0.051	-0.060	-0.110**	0.026	0.030	-					
7. INDUSTRY	3.41	1.774	0.075	0.027	0.101**	-0.030	0.058	-0.038	-				
8. SIZE	3.69	0.645	-0.153***	-0.070	0.076	0.004	0.096*	-0.028	-0.157***	-			
9. OWNERSHIP	2.35	1.389	-0.068	0.075	0.061	0.049	0.003	-0.108**	0.239***	-0.164**	-		
10. SCOPE	1.45	0.499	-0.142***	0.013	-0.003	-0.002	0.029	0.067	-0.169***	0.235**	-0.116**	-	
11. ETHICS	1.13	0.340	0.149***	-0.093*	-0.078	-0.004	-0.123**	0.009	0.148***	-0.457**	0.068	-0.181**	-
12. DEPENDENT	1.60	0.859	-0.165***	0.074	0.047	-0.161***	0.682***	-0.116**	0.042	0.107*	0.128**	-0.085	-0.151**

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

In the scatter plot, the data are presented as points where one variable determines the position in the horizontal axis (Y) and the other variable determines the position in the vertical axis (X). A summary of scatter plot patterns between variables is provided in **Table 4.6** that show linear associations between REL and BRIBE; ECI and BRIBE and REL and ECI.

Table 4.6 Scatter Plots Pattern

Description	REL	ECI
BRIBE	Linear	Linear
REL		
ECI	Linear	

The visualisation could be seen in scatter plot diagrams **Figure 4.1**, **Figure 4.2** and **Figure 4.3**. The scatter plots show a consistent pattern with the correlation coefficient from **Table 4.5**.

Figure 4.1 shows a negative correlation between REL and BRIBE. Respondents who have a high score on religiosity scale have a low score on attitude to offering a financial incentive.

Figure 4.1 Association Between REL and BRIBE

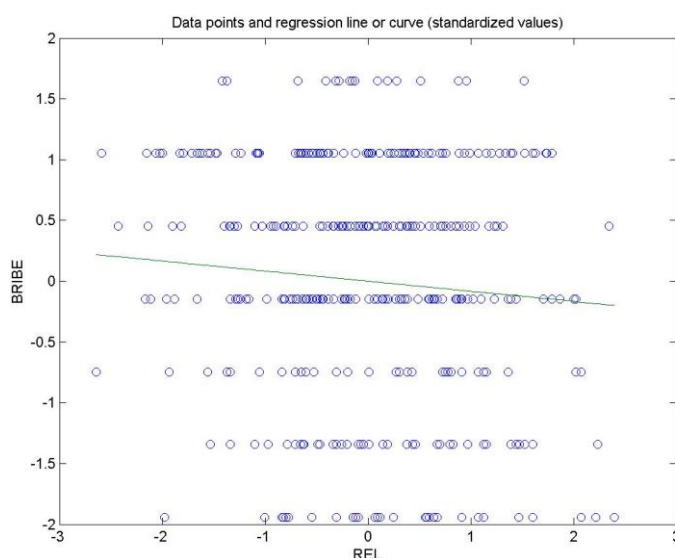


Figure 4.2 presents a positive correlation between REL and ECI. Respondents who have a high score on religiosity scale have a high score on ethical climate.

Figure 4.2 Association Between REL and ECI

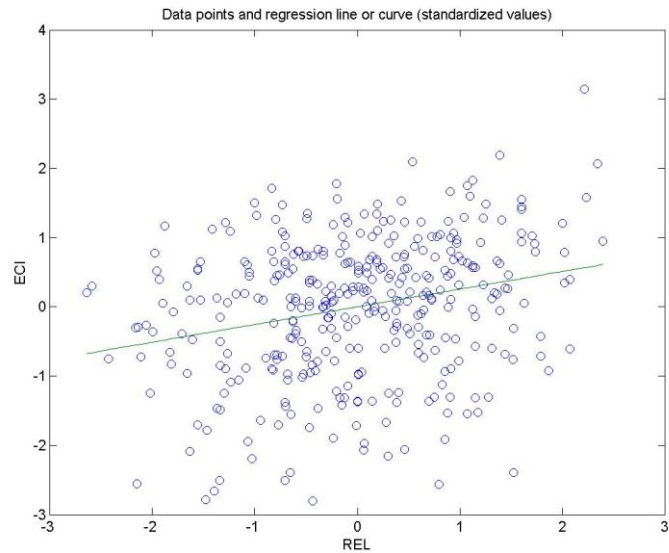
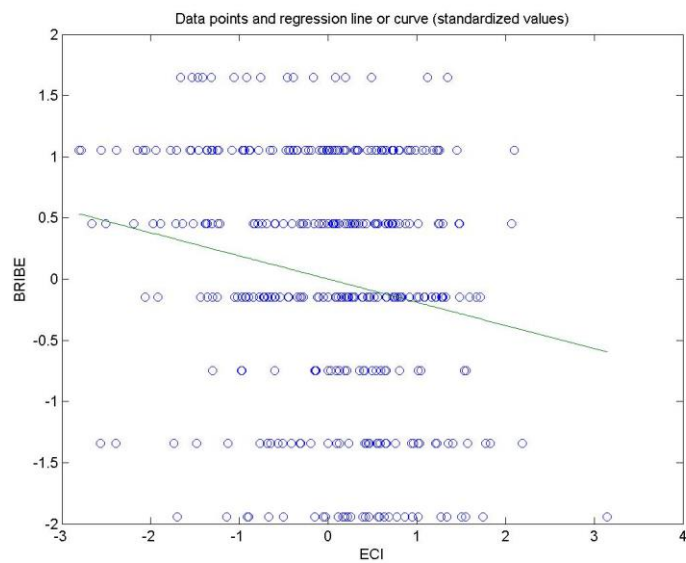


Figure 4.3 shows a negative relationship between ECI and BRIBE. Respondents who have a high score in ethical climate have a low score on attitude to offering a financial incentive.

Figure 4.3 Association Between ECI and BRIBE



4.5 Reliability and Validity of the Instruments

This study employed Arnaud's (2010) Ethical Climate Index (ECI) to measure ethical climate and Muslim Religiosity Personality Inventory (MRPI) by Krauss et al. (2005) and Krauss and Hamzah (2011) to assess religiosity.

These instruments are relatively new. ECI was developed in the U.S. and mostly tested in Western societies (US, Germany, the Netherlands, Slovenia, and the UK). MRPI was developed based on Islamic values and tested in Malaysia that is dominated by Islam. Further refinement was undertaken by Krauss et al. (2007) and Krauss et al. (2006) to use this instrument with other religions.

Therefore, reliability and validity tests for the instruments were undertaken even though their reliability and validity were tested in previous studies. To our knowledge, this may be the first time of MRPI is tested in Indonesia and the first time that all the ECI's dimensions and components are tested in South East Asia.

Reliability analysis was undertaken to measure the "quality" of the instrument. An instrument has good reliability if the items or statements associated with each "latent variable" measured are understood in the same way by different respondents (Kock, 2012, p. 53).

Reliability of the instruments was measured using composite reliability and Cronbach's Alpha coefficient. A conservative approach requires both the value of Cronbach's Alpha and Composite Reliability coefficient to be greater than 0.7 (Nunnally, 1978; Nunnally & Bernstein, 1994). The results are reported in **Table 4.7**. The values of Composite Reliability for all dimensions and Components of ethical climate as well religiosity are greater than 0.7. In addition, Cronbach's Alpha showed values more than 0.7 with exceptions for Focus on Others (0.565) and Collective Moral Character (0.643). Consistent with Fornell and Larcker (1981), as the Composite Reliability coefficient shows values that are greater than 0.7 (0.775 for Focus on others and 0.808 for Collective Moral Character), this study concludes that the instruments are reliable. Variance Inflation Factors (VIFs) lower than 3.3 also suggest the absence of multicollinearity in the model (Kock, 2012).

Table 4.7 Reliability Analysis

Descriptions	Composite Reliability	Cronbach's Alpha	VIF
Special Worship	0.880	0.854	1.209
General Worship	0.844	0.802	1.187
Norms of Awareness	0.861	0.758	1.214
Norms of Empathetic Concerns	0.850	0.764	1.347
Focus on Self	0.889	0.811	1.561
Focus on Others	0.775	0.565	1.293
Collective Moral Motivation	0.902	0.837	1.612
Collective Moral Character	0.808	0.643	1.400

Next, discriminant and convergent validity analysis was undertaken to examine the validity of the instruments. An instrument has good discriminant validity if the items associated with each latent variable are not confused by the subjects answering the questionnaire with the items associated with other latent variables, specifically in terms of the meaning of the items (Kock, 2012). Average Variance Extracted (AVE) is used to examine discriminant validity. According to Kock (2012) and Fornell and Larcker (1981), to satisfy the discriminant validity criteria, the square root of the AVE must be higher than any of the correlation involving that latent variable. **Table 4.8** presents the square root of the AVE for each dimension and component of religiosity and ethical climate. The square roots of AVE for each dimension and component are higher than any correlation involving that latent variable. Therefore, ethical climate and religiosity instruments satisfy the discriminant validity criteria.

Table 4.8 Discriminant Validity (The square roots of AVE)

Description	1	2	3	4	5	6	7	8
1. Special Worship	0.560	0.363	0.128	0.199	-0.097	0.209	-0.177	0.158
2. General Worship	0.363	0.520	0.167	0.156	-0.074	0.199	-0.110	0.123
3. Norms of Awareness	0.128	0.167	0.821	0.235	-0.249	0.295	-0.312	0.271
4. Norms of Empathetic Concerns	0.199	0.156	0.235	0.767	-0.369	0.325	-0.289	0.369
5. Focus on Self	-0.097	-0.074	-0.249	-0.369	0.853	-0.143	0.549	-0.328
6. Focus on Others	0.209	0.199	0.295	0.325	-0.143	0.741	-0.208	0.362
7. Collective Moral Motivation	-0.177	-0.110	-0.312	-0.289	0.549	-0.208	0.869	-0.397
8. Collective Moral Character	0.158	0.123	0.271	0.369	-0.328	0.362	-0.397	0.765

Next, an instrument has good convergent validity if the items associated with the latent variable are understood by the subjects in the same way as they were purposed by the creator of the items (Kock, 2012). Combined loading and cross loading are used to measure convergent validity. To satisfy convergent validity, two criteria need to be satisfied, which are (1) factor loading should be greater than 0.7 and (2) P-value should be significant ($p < 0.05$) (Hair, Hult, Ringle, & Sarstedt, 2013). However, with a sample of 350 respondents, Hair et al. (2014, p. 115) suggest that an item with a factor loading of 0.3 can be retained. Consistent with Hair et al. (2014, p. 115), this study retains items with a factor loading greater than 0.3 as it has a sample of 368 respondents. In addition, this is consistent with Krauss et al. (2007) and Krauss et al. (2006) who retain religiosity's items with a 0.3 factor loading in their instrument. This study finds that each items shows a factor loading greater than 0.3. Therefore, all items are retained. As both instruments satisfy convergent and discriminant validity, it is concluded that they are valid.

Table 4.9 Convergent Validity (Combined Loading and Cross-Loading)

Item (s)	Special Worship	General Worship	Norms of Awareness	Norms of Empathetic Concerns	Focus on Self	Focus on Others	Collective Moral Motivation	Collective Moral Character	SE	P value
R1	0.617	-0.045	0.070	-0.015	0.134	-0.037	-0.157	-0.055	0.071	<0.001
R2	0.740	-0.069	0.055	0.076	0.178	0.000	-0.119	0.029	0.059	<0.001
R3	0.349	0.145	0.116	0.018	0.140	0.066	-0.239	-0.113	0.074	<0.001
R4	0.436	0.152	0.013	-0.030	0.092	0.028	0.041	0.016	0.065	<0.001
R5	0.652	-0.118	0.004	-0.124	0.029	-0.069	-0.021	0.132	0.062	<0.001
R6	0.763	0.000	-0.078	0.029	0.070	-0.045	-0.019	0.122	0.052	<0.001
R7	0.668	-0.020	0.010	0.119	0.100	-0.020	-0.051	-0.054	0.057	<0.001
R8	0.587	-0.093	-0.056	0.021	-0.090	0.119	0.052	-0.068	0.057	<0.001
R9	0.510	-0.163	-0.105	-0.016	-0.104	0.058	0.161	0.092	0.059	<0.001
R10	0.583	-0.129	0.001	0.113	-0.003	-0.133	0.045	-0.014	0.052	<0.001
R11	0.511	0.072	0.025	-0.058	-0.088	-0.189	0.008	0.155	0.065	<0.001
R12	0.470	0.053	0.063	-0.074	-0.180	0.073	0.054	-0.076	0.093	<0.001
R13	0.713	0.001	0.079	-0.049	-0.041	-0.179	-0.072	0.046	0.064	<0.001
R14	0.482	0.074	-0.109	-0.026	-0.178	0.177	0.140	-0.121	0.081	<0.001
R15	0.441	0.064	-0.096	-0.074	-0.104	0.239	0.031	-0.146	0.086	<0.001
R16	0.411	0.157	0.049	-0.082	-0.042	0.065	0.150	0.017	0.071	<0.001
R17	0.316	0.236	-0.058	0.152	-0.083	0.099	0.167	-0.177	0.062	<0.001
R18	-0.064	0.466	-0.008	0.011	0.106	0.190	-0.043	-0.008	0.067	<0.001
R19	-0.065	0.406	-0.109	0.119	-0.093	0.035	0.012	-0.122	0.084	<0.001
R20	-0.029	0.557	0.008	-0.125	-0.094	0.027	0.050	0.070	0.052	<0.001
R21	0.190	0.474	0.026	-0.002	0.054	-0.030	-0.013	0.126	0.079	<0.001
R22	-0.109	0.557	-0.073	0.146	0.083	-0.031	-0.083	-0.076	0.054	<0.001
R23	-0.110	0.648	0.044	0.029	0.071	-0.079	0.018	0.052	0.048	<0.001
R24	0.019	0.536	0.069	-0.128	-0.036	0.048	0.106	0.063	0.051	<0.001
R25	0.013	0.548	0.016	0.167	-0.091	-0.156	0.023	-0.127	0.064	<0.001
R26	0.038	0.544	0.092	0.092	0.013	0.026	-0.029	-0.262	0.070	<0.001
R27	-0.087	0.438	-0.050	0.103	0.087	-0.008	-0.105	0.011	0.072	<0.001
R28	-0.092	0.602	0.033	-0.194	0.058	0.171	-0.099	-0.012	0.051	<0.001
R29	-0.033	0.447	-0.103	-0.125	-0.099	-0.024	-0.089	-0.004	0.063	<0.001
R30	0.367	0.378	-0.052	0.077	0.030	-0.098	0.024	0.071	0.068	<0.001

Item (s)	Special Worship	General Worship	Norms of Awareness	Norms of Empathetic Concerns	Focus on Self	Focus on Others	Collective Moral Motivation	Collective Moral Character	SE	P value
R31	0.051	0.635	0.023	0.000	-0.014	-0.123	0.061	0.118	0.060	<0.001
R32	0.028	0.468	0.001	-0.123	-0.097	0.081	0.154	0.094	0.062	<0.001
MS1	-0.041	-0.013	0.825	-0.015	-0.031	-0.029	-0.017	0.016	0.057	<0.001
MS2	0.044	-0.068	0.850	0.034	0.024	0.014	0.088	-0.009	0.052	<0.001
MS3	-0.004	0.087	0.788	-0.022	0.006	0.016	-0.078	-0.006	0.045	<0.001
MS4	0.011	0.086	0.017	0.676	-0.121	0.005	-0.020	0.099	0.064	<0.001
MS5	0.009	-0.002	0.003	0.843	0.040	-0.036	0.008	-0.003	0.045	<0.001
MS6	0.012	-0.077	0.035	0.794	-0.017	-0.036	0.010	-0.065	0.043	<0.001
MS7	-0.033	0.005	-0.055	0.745	0.083	0.074	-0.001	-0.016	0.060	<0.001
MJ1	0.008	0.070	-0.012	-0.179	0.810	0.096	-0.012	-0.122	0.042	<0.001
MJ2	0.027	-0.041	0.030	0.051	0.886	-0.042	-0.082	0.030	0.034	<0.001
MJ3	-0.035	-0.023	-0.019	0.116	0.861	-0.047	0.095	0.084	0.036	<0.001
MJ4	0.054	0.001	0.112	-0.011	-0.260	0.465	-0.001	0.241	0.121	<0.001
MJ5	-0.085	-0.011	0.073	-0.032	0.009	0.833	0.078	-0.029	0.062	<0.001
MJ6	0.053	0.010	-0.131	0.037	0.132	0.860	-0.075	-0.102	0.061	<0.001
MM1	0.004	-0.009	-0.022	-0.051	-0.130	-0.061	0.889	0.079	0.037	<0.001
MM2	0.037	-0.019	0.060	0.016	0.247	-0.010	0.835	-0.032	0.044	<0.001
MM3	-0.039	0.027	-0.034	0.036	-0.102	0.071	0.882	-0.049	0.040	<0.001
MC1	-0.052	-0.010	-0.021	0.164	-0.003	0.054	-0.050	0.667	0.067	<0.001
MC2	0.024	-0.050	0.010	-0.032	-0.075	-0.045	0.157	0.815	0.053	<0.001
MC3	0.019	0.059	0.008	-0.103	0.078	0.001	-0.117	0.806	0.063	<0.001

4.6 Hypothesis Testing

SEM analysis using WarpPLS-3³⁹ software is used to estimate the relationships between religiosity (REL), ethical climate (ECI) and managers' attitudes to offering a financial incentive (BRIBE). PLS-Regression Algorithm ⁴⁰ and Bootstrapping ⁴¹ resampling methods are employed. As explained in Hair et al. (2014, p. 562) "*all estimates relationships*" in SEM equations are calculated at the same time using the information from all equations that "*makes up the model*". This means that the estimations of relationships are computed simultaneously rather than computed in separate equations, such as in regression analysis (Hair et al., 2014).

Outliers are eliminated from the data analysis through restricting the values of the predictor variable (REL) between -2.5 and 2.5 for minimum and maximum standardised value. Five outliers are excluded from the data with 363 remaining responses.

4.6.1 Direct Effect of Religiosity (REL) and Managers' Attitudes to Offering a Financial Incentive (BRIBE)

Figure 4.4 presents the association between REL and BRIBE with control variables⁴², which are business ownership (OWNER), religion (BELIEF), scope of operation (SCOPE), gender (GENDER), size of company (SIZE), age (AGE), DEPENDENT (DEPENDENT), business sector (INDUSTRY), and presence of code of ethics (ETHICS). Control variables are included in the model to hold the effects of other factors or "*demographic variables*" that may influence the results of the SEM analysis (Kock, 2011, p. 3).

³⁹ Please refer to <http://warppls.blogspot.com.au>

⁴⁰ Please refer to https://www.researchgate.net/publication/265219569_WarpPLS_30_User_Manual

⁴¹ As stated in (Kock, 2010, Para. 2) "*Bootstrapping tends to generate more stable resample path coefficients (and thus more reliable P values) with larger samples and with samples where the data points are evenly distributed on a scatter plot*". A number of data resamples used in this study is 100.

⁴² The goodness of fit test was performed to assess the measurement model's validity Three indicators are used: Average Path Coefficient (APC), Average R-squared (ARS) and Average Variance Inflation Factor (AVIF). To satisfy the goodness of fit test, it is recommended that "*P values for the APC and ARS are significant at the 0.05 level*" (Kock, 2012, p. 30). Further, it is recommended that "*AVIF be lower than 5*" as it indicates that the model is free from any multicollinearity problem (Kock, 2012, pp. 30-31). The model shows p-values of APC and ARS are significant (p<0.001) and AVIF is lower than 5 (AVIF= 1.331)

Figure 4.4 Direct Effect REL-BRIBE

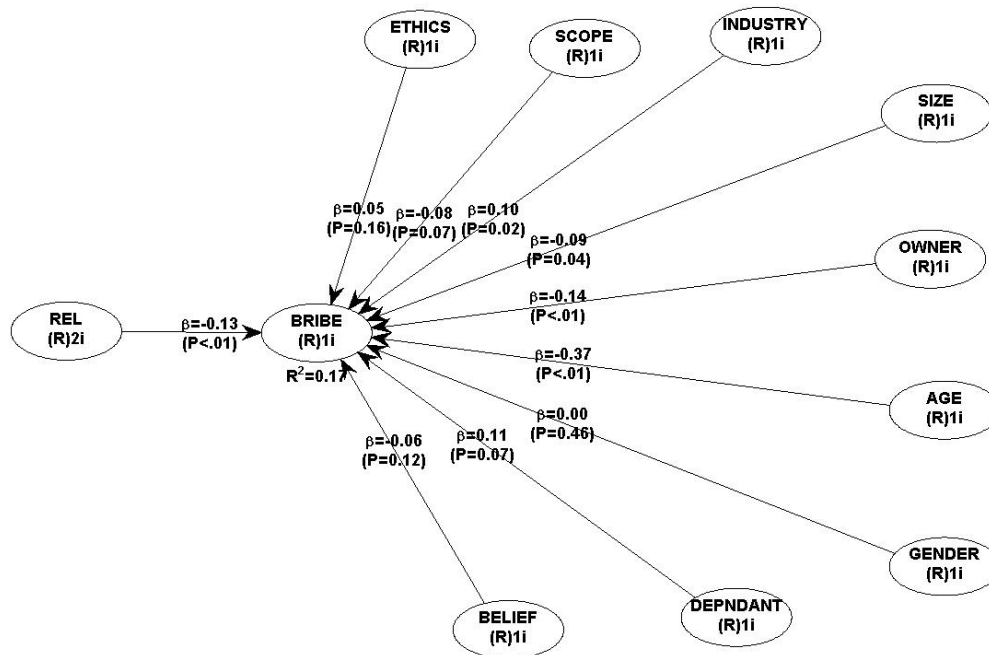


Figure 4.4 shows that the explanatory power (R^2) of REL and control variables on BRIBE are 17%. According to Cohen (1988) and Sawilowsky (2009) this explanatory power is considered as small effect. Further, the individual contributions of the predictor variables to R^2 are examined and termed as “*effect sizes*”(f^2) for *path coefficient*” (Kock, 2012, p. 33). Effect size for path coefficient can be categorised as small, medium or large. This effect classification follows Cohen (1988), being 0.02 for a small effect, 0.15 for a medium effect and 0.35 for a large effect. Sawilowsky (2009) revisits Cohen’s (1988) categories and includes 0.01 for a very small effect. Hypothesis testing and effect size for each predictor latent variable can be seen in **Table 4.10**.

Table 4.10 Direct Effect Model

Description	Direction Path Coefficient (β) Effect Sizes (f^2)
REL (Religiosity)	(-) 0.128*** 0.018
OWNER (Business Ownership) <i>"Listed (1)"; "Private (2)"; "State-Owned" (3); "Partnership (4)"; "Others (5)"</i>	(-) 0.141*** 0.011
BELIEF (1= Islam; 2= Other Religions)	(-) 0.062 0.004
SCOPE (1= National; 2= Multinational)	(-) 0.076* 0.010
GENDER (1= Male; 2= Female)	(+) 0.01 0.000
SIZE (Size of company) <i>"1-4 employees (1)" to "More than 100 employees (4)"</i>	(-) 0.092** 0.014
AGE (Respondent's age) <i>"Under 26 (1)" to "Above 60 (9)"</i>	(-) 0.372*** 0.117
DEPENDENT (Number of Children) <i>"none (1)" to "more than 4(4)"</i>	(+) 0.110* 0.02
INDUSTRY (Business Sector) <i>"Manufacture (1)"; "Banking and Finance (2)"; "Service" (3); "Mining (4)"; "Construction (5)"; "Others (6)"</i>	(+) 0.096** 0.018
ETHICS (Written Code of Ethics, Yes=1; No=2)	(+) 0.05 0.007

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

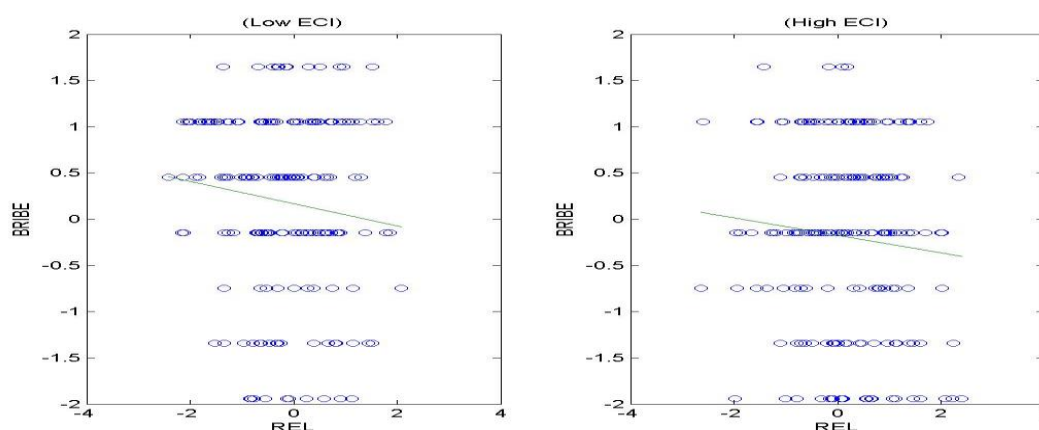
Table 4.10 shows that REL has a negative significant association with BRIBE regardless of the control variables. Further, the effect size of REL on BRIBE is 1.8%, which is considered as a small effect. This finding supports the H₁ that religiosity has a negative association with managers' attitude to offering a financial incentive. It means that religiosity decreases the possibility that managers think it is alright to offer a financial incentive. The next section will examine the moderating and mediating roles of ethical climate on the relationship between religiosity and managers' attitudes to offering a financial incentive.

4.6.2 Ethical Climate (ECI) as a Moderator Variable

Moderating relationships have three variables: a moderator variable and two latent variables that are connected through a "direct link" (Kock, 2012, p. 48). In this study, ECI is a moderator variable and the two latent variables connected are REL and BRIBE⁴³. To test the moderation effect of ECI on REL, an interaction variable (ECI*REL) is created and entered into the model. The notation of ECI in Figure 4.6 represents this interaction variable.

Next, for moderation effects, two plots are presented side by side. **Figure 4.5** presents scatter plots of the association between REL and BRIBE in low and high-ECI. Both, in low and high-ECI, an increase in REL results in a decrease in BRIBE. However, the influence of REL on BRIBE in a high ethical climate is more neutral than in a low ethical climate.

Figure 4.5 Scatter Plots for REL and BRIBE in a Low and a High ECI



Further, p-values and path coefficients for the moderation model are presented in **Figure 4.6** and **Table 4.11**. The notation of ECI*REL in **Table 4.11** describes the influence of religiosity on managers attitudes to offering a financial incentive that was moderated by ethical climate. It can be seen that the association between REL and BRIBE was significant with a path coefficient value $\beta = -0.127$ at $p < 0.01$. However, path coefficient ($\beta = -0.01$) for a moderating relationship is not significant ($p = 0.433$).

⁴³ The goodness of fit of the model shows that APC and ARS are significant ($p < 0.001$) and AVIF is 1.304. The model employed meets the goodness of fit test and does not have a multicollinearity problem.

Figure 4.6 Ethical Climate as a Moderator Variable

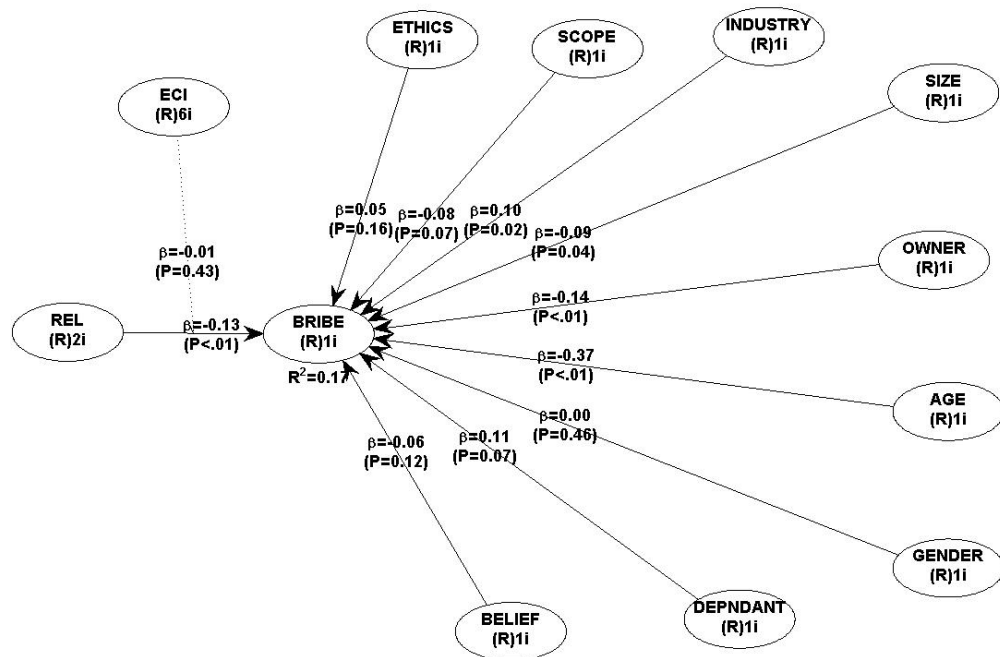


Table 4.11 Moderation Model

Description	Direction Path Coefficient (β) Effect Sizes (f^2)
REL (Religiosity)	(-) 0.127*** 0.018
ECI*REL (Moderation Effect)	(-) 0.008 0.000

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (two-tailed)

More detailed moderation effect analyses are made for each dimension and component of ECI. Consistent with the moderation model with aggregated ECI's dimensions and components, each dimension and component of ECI does not have a significant moderation effect. **Table 4.12** provides the results for the moderation effect for each component and dimension.

Table 4.12 Moderation Model for ECI's Dimensions and Components

Description	Split Test					
	Direction Path Coefficient (β) Effect Sizes (f^2)					
REL	(-) 0.119** 0.016	(-) 0.119** 0.016	(-) 0.122** 0.016	(-) 0.115** 0.015	(-) 0.119** 0.016	(-) 0.113** 0.015
AWARENESS*REL	(-) 0.017 0.000					
EMPATHETIC*REL		(-) 0.019 0.001				
ONSELF*REL			(-) 0.018 0.000			
OTHERS*REL				(-) 0.098 0.010		
REL*MOTIVATION					(+) 0.019 0.000	
REL*CHARACTER						(-) 0.074 0.006

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (two-tailed)

This result reveals that, ethical climate does not have a role as a factor that may strengthen or weaken the relationship between religiosity and managers' attitudes' to offering a financial incentive. This study rejects the H₂ that ECI has a moderation effect in the association between REL and BRIBE. However, even though it is neutral in this relationship, ethical climate may explain how religiosity negatively influences managers' attitudes through its role as a mediator variable as discussed below.

4.6.3 Ethical Climate (ECI) as a Mediating Variable

WarpPLS-3 is employed to test the mediation effect of ECI, which is hypothesised to mediate the association between two other variables, REL and BRIBE⁴⁴. This follows Baron and Kenny's (1986) criteria, where two models are built. The first model has REL pointing⁴⁵ at BRIBE, without ECI being introduced in the model. Then, the second model has REL pointing at ECI, and ECI pointing at BRIBE (Kock, 2011, p. 2).

There are three criteria to satisfy the mediation effect (Baron & Kenny, 1986; Kenny, 2016; Kock, 2011, p. 2).

1. In the first model, the path between REL and BRIBE is significant

⁴⁴ APC and ARS are significant ($p < 0.001$) and AVIF is 1.324. The model meets the goodness of fit test and does not have a multicollinearity problem.

⁴⁵ This refers to the direction of the arrow in **Figure 4.8**

2. In the second model, the path between REL and ECI is significant.
3. In the second model, the path between ECI and BRIBE is significant.

If the effect of REL on BRIBE in the second model is not significant, it is termed as “perfect” mediation. In contrast, if the effect of REL on BRIBE in the second model is significant, it is named as “partial” mediation. The lower effect of REL on BRIBE in the second model (a decrease in beta), the more “perfect” the mediation is, as long three criteria for a significant mediating effect are met (Baron & Kenny, 1986; Kenny, 2016; Kock, 2011, p. 3).

The first model was from the first hypothesis of this study (**Figure 4.4** and **Table 4.10**). It shows a significant relationship between REL and BRIBE regardless of the control variables. That is, in the first model, the path between REL and BRIBE is significant ($\beta = -0.13$, $p < 0.01$). The first criterion is met.

Then, in the **Figure 4.7**, the second model, the path between REL and ECI is significant ($\beta = 0.26$, $p < 0.01$) and the path between ECI and BRIBE is also significant ($\beta = -0.19$, $p < 0.01$). The second model shows that the second and third criteria are met. Further, **Table 4.13** provides the summary of the mediation effect analysis.

Figure 4.7 Ethical Climate as a Mediator Variable

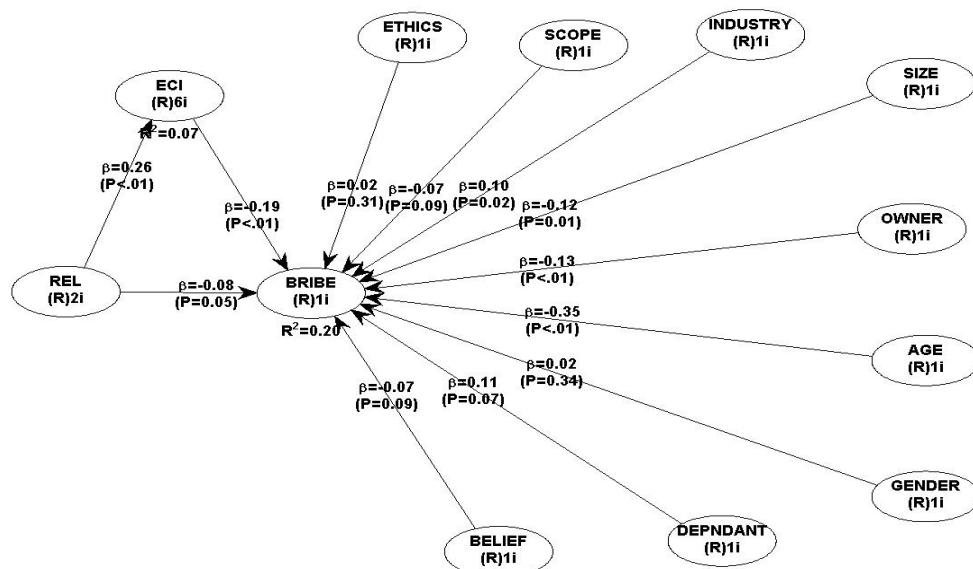


Table 4.13 Summary of the Second Model

Description	Direction Path Coefficient (β) Effect Sizes
Religiosity \rightarrow Ethical Climate	(+) 0.255*** 0.065
Ethical Climate \rightarrow Managers' Attitudes to offering a financial incentive	(-) 0.190*** 0.044
Religiosity \rightarrow Managers' Attitudes to offering a financial incentive	(-) 0.083** 0.012

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

Next, as the effect of REL on BRIBE in the second model shows a decrease and significant effect, it indicates that ECI has a partial mediation effect on the REL-BRIBE relationship. Partial mediation means that ethical climate is not the only mediator in the association between religiosity and managers' attitudes to offering a financial incentive. In other words, there are other factors that also mediate this relationship (Baron & Kenny, 1986).

The strength of the mediation effect can be measured using Variance Accounted For (VAF) suggested by Hair et al. (2013). Particularly, VAF explains the effect of REL on BRIBE via ECI. VAF is computed by dividing the indirect effect with the total effects. The result shows that VAF is 27.5% meaning the 27.5% of the effect of religiosity is explained via ethical climate. **Table 4.14** shows the computation of VAF.

Table 4.14 VAF Computation

Indirect Effect = $0.26 \times (-0.19)$ (REL \rightarrow ECI = 0.26; ECI \rightarrow BRIBE = -0.19), Figure 4.7	-0.0494
Direct Effect REL \rightarrow BRIBE, Figure 4.4	-0.13
Total Effect	-0.1794
VAF (Indirect Effect/ Total Effect)	0.275

To sum up, there is an association between religiosity and managers' attitudes to offering a financial incentive and ethical climate has a role as a partial mediator in their relationship. This finding accepts H₃ that ECI has a mediation effect in the association between religiosity and managers' attitudes to offering a financial incentive.

Additional analyses are made to examine the role of each ethical dimension and component as a mediator variable in the association between religiosity and managers' attitudes to offering a financial incentive. **Table 4.15** presents the summary of the second model that tests the second criteria of mediation effect. Then **Table 4.16**

presents the summary of the second model that tests the third criteria of mediation effect. Finally, **Table 4.17** presents the path between REL and BRIBE after ECI's dimension or component is introduced as a mediator variable.

Table 4.15 shows that there is a significant association between REL and each dimension and component of ECI. Therefore, each dimension and component of ECI satisfies the first criteria.

Table 4.15 Path between REL and ECI's Dimensions (The Second Criteria)

REL as Predictor of the ECI's Dimension		Direction Path Coefficient (β) Effect Sizes (f^2)
Collective Moral Sensitivity	REL \rightarrow Norms of Moral Awareness	(+) 0.148*** 0.022
	REL \rightarrow Norms of Empathetic Concern	(+) 0.191*** 0.036
Collective Moral Collective Moral Judgement	REL \rightarrow Focus on Self	(-) 0.098** 0.010
	REL \rightarrow Focus on Others	(+) 0.232*** 0.054
REL \rightarrow Collective Moral Motivation		(+) 0.143*** 0.02
REL \rightarrow Collective Moral Character		(+) 0.137*** 0.019

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (two-tailed)

Next, **Table 4.16** presents the association between each dimension and component of ECI with BRIBE. All dimensions and components are significant except for the norms of empathetic concern ($\beta = 0.004$, $p=0.467$). Thus, the third criterion is not satisfied by this component and indicates that moral sensitivity-norms of empathetic concern do not have a mediation effect in the relationship REL-BRIBE.

Table 4.16 Path between ECI's Dimensions and BRIBE (The Third Criteria)

ECI's Dimension as Predictor of BRIBE		Direction Path Coefficient (β) Effect Sizes (f^2)
Collective Moral Sensitivity	Norms of Moral Awareness → BRIBE	(-) 0.099** 0.017
	Norms of Empathetic Concern → BRIBE	(-) 0.004 0.000
Collective Moral Judgement	Focus on Self → BRIBE	(+) 0.234*** 0.065
	Focus on Others → BRIBE	(+) 0.073* 0.006
Collective Moral Motivation → BRIBE		(-) 0.271*** 0.094
Collective Moral Character → BRIBE		(-) 0.122*** 0.009

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (two-tailed)

Finally, **Table 4.17** presents the association between REL and BRIBE after controlling each dimension and component of ECI. The effect of REL on BRIBE is decreased after controlling each dimension and components of ECI, except for the collective-moral judgement-focus on others component. After controlling this ECI component, the effect of REL on BRIBE is increased from $\beta = -0.128$ to $\beta = -0.137$. A mediation effect should decrease the beta (β) instead of increasing the beta. Consequently, a collective moral judgement-focus on others does not have mediation effect in this REL-BRIBE relationship.

Table 4.17 Path between REL and BRIBE after ECI's Dimension has been Introduced

ECI's Dimension(s) that has been controlled		Direction Path Coefficient (β) Effect Sizes (f^2)
Collective Moral Sensitivity	Norms of Moral Awareness	(-) 0.105** 0.014
	Norms of Empathetic Concern	(-) 0.119** 0.016
Collective Moral Judgement	Focus on Self	(-) 0.103** 0.014
	Focus on Others	(-) 0.137*** 0.018
Collective Moral Motivation		(-) 0.085** 0.011
Collective Moral Character		(-) 0.102** 0.013

*** p < 0.01; ** p < 0.05; * p < 0.10 (two-tailed)

4.7 Summary

This section describes the sample, the reliability and validity analysis for the instruments as well hypothesis testing. The results show that there is a negative association between religiosity and managers' attitudes to offering a financial incentive. Respondents who score high on REL are less likely to think that it is alright to offer a financial incentive. Further, ethical climate is not a moderator variable in this relationship. Instead, ethical climate has a role as a partial mediator and it explains 27.5% of religiosity's influence on managers' attitude to offering a financial incentive. In other words, ethical climate is not the only mediator variable in this association. The next chapter discusses these findings and their implications, as well as the limitations of the study.

CHAPTER 5

DISCUSSION, IMPLICATIONS AND LIMITATIONS

5.1 Introduction

This chapter provides an overall conclusion for this thesis. Section 5.2 provides a discussion of the findings. Then, section 5.3 presents the implication of this study. Finally, section 5.4 discusses limitations and future studies.

5.2. Discussion of Results

The purpose of this study is to investigate the influence of religiosity (REL) on managers' attitudes to offering a financial incentive described here as a bribe (BRIBE). Further, this study examines the mediating and moderating roles of ethical climate (ECI) in the association between REL and BRIBE.

The first conclusion that can be drawn from this study is that religiosity has a negative significant influence on managers' attitudes to offering a financial incentive. This means that religiosity decreases the possibility that managers think it is alright to offer a financial incentive. Further, this study argues that a negative association between REL and BRIBE is found because religious teachings may have merged with people's moral principles that determine their attitudes to not engage in ethically questionable behaviour, specifically to offering a financial incentive.

This finding is consistent with Shaw and Barry (2010) who discuss the influence of religiosity as one of the factors that impacts individuals' moral principles. The negative association between REL and BRIBE is also consistent with previous studies that find a negative association between religiosity and unethical behaviour (Conroy & Emerson, 2004); religiosity and attitudes to accepting a bribe (2017; McGee et al., 2015); religiosity and delinquency (Johnson et al., 2001; Krauss et al., 2005); as well as religiosity and a person's likelihood of cheating on income taxes as found by Grasmuck, Bursik, and Cochran (1991) and Basri (2015).

The second conclusion that can be drawn from this study is that the relationship between REL and BRIBE is relatively weak. The *explanatory power* of religiosity and control variables (R^2) on BRIBE is 17% and further analysis of the individual contributions of religiosity on BRIBE denoted as *effect size* (f^2) is 2%. This study argues that two things may explain this weak relationship. First, moral principles can be influenced by other things such as the behaviour of other people, culture, personal experience as well as reflections on those experiences (Shaw & Barry, 2010). Second,

religions may have different ethical values, and adherents to the same religion can have different interpretations of, and agreement with, these ethical values (Shaw & Barry, 2010, p. 11).

This weak relationship also is found by previous studies such as in Benk et al. (2017) and McGee et al. (2015). Specifically, McGee et al. (2015) find that the explanatory power (R^2) of religiosity and control variables on Muslim attitudes to accepting a bribe is 8%. Similarly, Benk et al. (2017) in their country-cluster analyses⁴⁶ find that the explanatory power of religiosity and control variables on attitudes to accepting bribe in cluster one and cluster two is 8% and 4% respectively. Similarly, Grasmuck et al. (1991) find that the explanatory power of religiosity and control variables on people's inclination to cheat on income taxes is 14%.

Further analysis presents the roles of ethical climate as a mediator and moderator variable in this association. This is consistent with Treviño et al. (1998) who find that employees' attitudes are mostly influenced by the ethics of the company described here as ethical climate within an organisation.

The analysis confirms the mediation effect of ethical climate. This means that ethical climate in the workplace explains the underlying process of how religiosity influences managers' attitudes to offering a financial incentive. The underlying process of how of ethical climate transfers the effect of religiosity on managers' attitudes to offering a financial incentive is described in the following.

First, a positive association is found between REL and ECI ($\beta = 0.255$, $p < 0.01$). The association between REL and ECI represents a relationship between religious practices that are undertaken by managers and the prevalence of ethical climate within an organisation that is described by Victor and Cullen (1987, pp. 51-52) as employees' shared perceptions about "how ethical issues should be handled". Therefore, religiosity may enhance ethical climate. People who scored high on religiosity scale are more likely to have a shared perception that they should handle ethical issues in the workplace ethically. This finding is consistent with other studies (Clark & Dawson, 1996; Conroy & Emerson, 2004; Saat et al., 2009; Singhapakdi et al., 2013; Weaver et al., 2002) who conclude a positive association between religiosity and an individual's components of ethical decision-making. Similarly, this study argues that this positive association

⁴⁶ Please refer to the footnotes numbered 16 and 17

between REL and ECI comes from an individual's components of ethical decision-making that are brought into the organisation⁴⁷.

Secondly, a negative association is found between ECI and BRIBE ($\beta = -0.190$, $p < 0.01$). As a result, high-scores on ethical climate decrease managers' attitudes to thinking that it is alright to offer a bribe. This is because ethical climate influences them to handle ethical issues in the workplace ethically. A negative association between REL and BRIBE is also consistent with previous studies that find a negative association between ethical climate and unethical decision-making (Arnaud, 2010; Arnaud & Schminke, 2012; Salamon & Mesko, 2016) as well as fraud and corruption (Murphy & Free, 2015; Parboteeah et al., 2014).

Accordingly, this study makes a contribution by providing empirical support that religiosity may enhance ethical climate and decrease managers' attitudes to thinking that it is alright to offer a financial incentive. This finding also underlines the proposition that ethical climate has a mediation effect that transmits the influence of religiosity to managers' attitudes. Specifically, in order for religiosity to negatively influence managers' attitudes they must experience a positive ethical climate.

Further analysis categorises the effect of ethical climate as a partial mediation effect⁴⁸. This means that ECI is not the only mediator variable that explains the underlying process of how REL influences BRIBE.

Several previous studies (Arnaud, 2010; Arnaud & Schminke, 2012; Gils et al., 2017; Mullane, 2017; Murphy & Free, 2015) focus on a particular ethical climate's dimensions and components when examining a particular outcome. This is because some of the ethical climate dimensions are found to have an association with a particular behaviour. For example, Victor and Cullen's (1988) caring climate (Arnaud's (2010) collective moral judgement-focus on others) is most likely to have a positive association with ethical behaviour and Victor and Cullen's (1988) instrumental climate (Arnaud's (2010) collective moral judgement-focus on self) is most likely to have a positive association with dysfunctional behaviour according to a meta analytic review that was undertaken by Martin and Cullen (2006). Consequently, to obtain a deeper

⁴⁷ This aligns with Arnaud (2010) who brought individuals' ethical decision making components from an individual level into the social system.

⁴⁸ The use of the terms "partial" and "full" mediation explain the "practical significance" of a mediating process (Rucker, Preacher, Tormala, & Petty, 2011, p. 367). A full mediation is described as an "underlying process" that can "fully account" for the association between two variables, whereas partial mediation implies that it is only partially explained the underlying process between two variables (Rucker et al., 2011, p. 367). Partial mediation effect is commonly found in psychology and social science as these field of studies treat "phenomena" that have "multiple causes" (Baron & Kenny, 1986, p. 1176). Based on this argument, Baron and Kenny (1986) suggest that a more realistic goal is to seek a partial mediation effect rather than full mediation effect.

understanding about the influence of each distinct dimension and component of ethical climate on the association between REL and BRIBE, this study divides Arnaud's (2010) ethical climate construct into its dimensions and components. Next, the mediating roles for each dimension and component are analysed. A discussion of the role of each dimension and component of ECI follows.

- **Collective Moral Sensitivity - Norms of Moral Awareness (AWARENESS)**

AWARENESS has a partial mediation effect in the association between REL and BRIBE. Therefore, this study concludes that in order for religiosity to negatively influence managers' attitudes to offering a financial incentive, they must experience positive AWARENESS as shown by a positive path coefficient between REL and AWARENESS ($\beta = 0.148$, $p < 0.01$).

This study argues that AWARENESS explains the negative influence of REL on BRIBE because people who are more religious are more aware and sensitive about ethical issues as well as able to recognise a moral dilemma right away⁴⁹. Further, being more aware and sensitive about ethical issues results in peoples' ability to recognise that offering a financial incentive is an unethical action that decreases the likelihood of them thinking that it is alright to offer a bribe as shown in the negative association between AWARENESS and BRIBE ($\beta = -0.099$, $p < 0.05$).

A positive association between REL and AWARENESS is consistent with Conroy and Emerson (2004) who find that religiosity is a predictor of ethical awareness among students. Further, a negative association between AWARENESS and BRIBE is consistent with Gopinath (2008, p. 747) who describes private-to-private bribery as being overlooked because people fail to recognise (people are not aware) that it is an "unethical or possibly illegal" action.

- **Collective Moral Sensitivity-Norms of Empathetic Concern (EMPATHETIC)**

EMPATHETIC does not have a mediation effect on the relationship between REL and BRIBE. A positive association is found in the relationship between REL and EMPATHETIC ($\beta = 0.191$, $p < 0.01$). Accordingly, this study concludes that religious values teach people to be more concerned about how their decisions or actions affect others in the workplace. However, the association between EMPATHETIC and BRIBE is not significant ($\beta = -0.004$, $p = 0.47$). It shows an inability of people to envision the consequences of an unethical decision in relation to other people (Schminke et al.,

⁴⁹ This trait aligns with the description of AWARENESS given by Arnaud (2010).

2007). As there is no association between EMPATHETIC and BRIBE, this component does not explain the way in which religiosity negatively influences BRIBE.

- **Collective Moral Judgement-Focus on Self (ONSELF)**

ONSELF has a partial mediation effect on the association between REL and BRIBE. Recall that ONSELF represents individuals' moral framework that tends to prioritise their own interest. Religion has taught its adherents to not be selfish through the golden rule "Do unto others as you would have them do unto you" (Shaw & Barry, 2010, p. 10). This principle is also stated in Islam by Prophet Muhammad in Hadith by *Sahih Muslim, Book 1, Number 72*⁵⁰ as "None of you has faith until he loves for his brother or his neighbour what he loves for himself" (Elias, 2013). This study argues that religious people may manifest their religious teaching in the workplace through enabling an ethical climate where people do not prioritise their own interest through following certain moral principles given by their religion. Statistical analysis confirms this argument as it shows a negative path coefficient between REL and ONSELF ($\beta = -0.098$, $p < 0.05$) that means religious people are less likely to prioritise their own interest.

Further, a positive path coefficient is found between ONSELF and BRIBE ($\beta = 0.234$, $p < 0.01$). This positive association is consistent with previous research that finds an association between instrumental climate (see Victor and Cullen 1988) and unethical behaviour or fraud (see Murphy and Free (2015), Peterson (2002), and Martin and Cullen (2006)). It means that high ONSELF-scores on this component result in people thinking that it is alright to offer a financial incentive and vice versa. Lower ONSELF-scores on this component results in people thinking that it is not alright to offer a financial incentive.

Accordingly, this study concludes that in order for religiosity to have a negative influence on BRIBE, people must experience negative ONSELF. This is because lower ONSELF-scores means that people are prioritising moral principles that consider offering a financial incentive as unethical behaviour rather than prioritise their own interest when they need to make an ethical judgement about offering a financial incentive.

- **Collective Moral Judgement- Focus on Others (OTHERS)**

A positive association between REL and OTHERS ($\beta = 0.232$, $p < 0.01$) may be explained through the general worship construct in religion that reflects the relationship between human beings and other creation as described in Krauss et al. (2005). Religious people

⁵⁰ See <https://muflihun.com/muslim/1/72> for the documentation of Hadith (the words of Prophet Muhammad)

may manifest their religious values by maintaining relationships with other people in the workplace. Recall that OTHERS represents individual's moral framework that considers the interest and welfare of others. This component is similar to caring climate from Victor and Cullen's (1988) ECQ. Martin and Cullen (2006) suggest a negative association between caring climate and unethical behaviour. Similarly, Arnaud (2006) suggests a negative association between OTHERS and unethical behaviour.

However, this study finds a positive association between OTHERS and BRIBE ($\beta = 0.073$, $p < 0.1$). The results are consistent with Stachowicz-Stanusch and Simha (2013) who argue that this positive association might come from "the overarching concern for the well-being of others" that leads to an attitude that "everyone needs to benefit" and consequently promotes a culture of corruption where everyone benefits. Similarly, this current study argues that this positive association comes from an overarching concern for the well-being of others when managers' believe that paying the money would bring benefits for everyone.

However, further analysis shows that this ECI's component does not meet the criteria of a mediator variable. This is because the influence of REL on BRIBE increases rather than decreases after OTHERS is introduced as a mediator variable in the association between REL and BRIBE. It is explained in Baron and Kenny (1986, p. 1176) and Kock (2011) that to meet the criteria of a mediator variable, the influence of "independent variable" (REL) on "outcome variable" (BRIBE) should decrease after the mediator variables (OTHERS) is "controlled".

- **Collective Moral Motivation (MOTIVATION)**

MOTIVATION is found to be a partial mediator variable that explains the negative relationship between REL and BRIBE. Accordingly, this study concludes that in order for religiosity to negatively influence managers' attitudes to offering a financial incentive, people must experience positive MOTIVATION as shown by a positive path coefficient between REL and MOTIVATION ($\beta = 0.143$, $p < 0.01$).

Recall that MOTIVATION evaluates whether moral values such as honesty, fairness and helping are considered to be more important than power, control and personal achievement in the workplace. This study argues that positive association between REL and MOTIVATION is present because moral values that are present in MOTIVATION (honesty, fairness and helping) are also present in religious values and are considered as "predominate values of major world religions" described by Ruhe and Lee (2008, p. 382).

Furthermore, a negative association is found between MOTIVATION and BRIBE ($\beta = -0.271$, $p < 0.01$). This study argues that this negative association is present between REL and BRIBE because people with strong MOTIVATION are following the honesty, fairness and helping moral values that consider offering a financial incentive to win a procurement contract as unfair competition that compromises integrity and commitment toward ethical values.

- **Collective Moral Character (CHARACTER)**

Finally, CHARACTER also has a partial mediation effect that explains the negative relationship between REL and BRIBE. This study concludes that in order for religiosity to negatively influence managers' attitudes to offering a financial incentive, they must experience positive CHARACTER as shown by a positive path coefficient between REL and CHARACTER ($\beta = 0.137$, $p < 0.01$).

This study argues that CHARACTER explains the negative influence of REL on BRIBE because people who have a strong moral character may have persistent moral principles and attitudes that deter them from engaging in unethical behaviour ($\beta = -0.122$, $p < 0.01$). Recall that CHARACTER shows individuals' courage to implement an ethical course of action without being "distracted" toward "a desired end" (Schminke et al., 2007, p. 177).

The previous discussion presents the influence of religiosity on managers' attitudes to offering a financial incentive and the mediating role of ethical climate as well as the mediating role of each dimension and component of ethical climate. Further analysis of ECI's dimensions and components finds that in order for religiosity to negatively influence managers' attitudes to offering a financial incentive, employees must experience positive collective moral sensitivity-norms of moral awareness, negative collective moral judgment-focus on self, positive collective moral motivation and positive collective moral character.

Moreover, this study also reveals "good" ethical climate's dimensions and components that promote ethical behaviour (a decrease in managers' attitudes to thinking that it is alright to offer a bribe) and "bad" ethical climate's components that promote unethical behaviour (an increase in managers' attitudes to thinking that it is alright to offer a bribe). This study finds that religious values are translated into "good" ethical climate dimensions and components namely AWARENESS, EMPATHETIC, MOTIVATION, and CHARACTER. In contrast, religious value decreases the prevalence of "bad" ethical climate component namely ONSELF. An unexpected finding is in relation to

OTHERS that represents caring climate from Victor and Cullen's (1988) ECQ. This study finds that this ethical climate component increases managers' attitude to offering a bribe (consistent with Stachowicz-Stanusch and Simha's (2013) study). The next discussion presents the findings from examination of the role of ethical climate as a moderator variable.

This study finds that ECI does not have a role as a moderator variable in the association between REL and BRIBE. It means that ethical climate does not strengthen or weaken the association between REL and BRIBE. As well as it does not increase the influence of REL on BRIBE. Further, religiosity decreases managers' attitudes to think that it is alright to offer a bribe regardless of high or low ECI. Further analysis of each dimension and component of ECI shows that none of these dimensions and components has a moderation effect on this relationship.

Even though ECI is found to have no effect on increasing or decreasing the negative influence of REL on BRIBE as confirmed by the moderation analysis, the mediation analysis suggests that in order for religiosity to have a negative effect on BRIBE, employees must experience a positive ECI in the workplace.

5.2 Implications of the Study

The findings of this study have implications for organisations, regulators, and researchers. First, organisations should support the religious practices that reflect someone's relationship with God and with other people. Employers can facilitate religious practice by providing time and space for employees to meet their religious obligations. Further, religious gatherings can be arranged to maintain relationships between employees.

Further, organisations can use Arnaud's (2010) Ethical Climate Index as an assessment tool for diagnosing the ethical climate that is prevalent in an organisation or across departments within that organisation as suggested by Schminke et al. (2007). By doing this, organisations can identify the strengths and weaknesses of the prevalent ethical climate in the workplace. The analysis can be used to design a training program that supports ethical environment. Previous studies show that "informal internal ethical

control”⁵¹ such as ethical climate is more effective to create a “sustainable ethical outcome” rather than “formal internal ethical control”⁵² (Schminke et al., 2007, p. 174).

Second, the findings also have important implications for regulators in Indonesia to consider in relation to private-to-private bribery. As described by Schminke et al. (2007), external regulation, formal internal ethical control and informal internal ethical control can be used together in order to enhance accountability and public confidence in the business environment. Introducing laws or regulations on private-to-private bribery may enhance investor confidence in doing business in Indonesia.

Further, the Ministry of Education and Culture in Indonesia can consider the involvement of religion in their anti-corruption program. This may be achieved through highlighting the religious teachings that prohibit its adherents from engaging in corruption and bribery in the religious education curriculum. Moreover, the importance of religion in people’s lives may indicate that religious leaders still have positions as role models in the society. Therefore, the government can encourage the involvement of religious leaders (such as Imams) in activities that eradicate corruption and promote ethical behaviour.

Finally, the findings of this study have some implications for researchers. First, previous studies that investigate the association between religiosity, bribery and corruption (2017; McGee et al., 2015; Wu, 2009; Yeganeh & Sauers, 2013) have relied on datasets such as the *World Value Survey (WVS)* and *Corruption Perception Index (CPI)*. The use of a survey provides a deeper understanding and richness of data in studies of corruption. Furthermore, the use of surveys can address “methodological issues” in causal relationship studies that link religiosity and corruption, particularly in the reliability of datasets employed (Marquette, 2012, p. 12). Finally, the use of surveys can explain the underlying process of how religiosity and organisational factors influence the formation of someone’s attitudes towards corruption at an individual level. This is because most of the data from the datasets are at country level.

Moreover, this study assures researchers of the reliability and validity of Ethical Climate Index (ECI) and Muslim Religiosity Personality Inventory (MRPI) as (relatively) new scales to measure ethical climate in an organisation (the former) and religiosity (the latter) in a country that is dominated by Islam.

⁵¹ Value-based approach or informal internal ethical control is a program that “attempt to have employees care about ethics and shared values through words and consistent actions, rather than through fear of doing something wrong (Schminke et al., 2007, p. 174).

⁵² Rules-based approach or formal internal ethical control is a program that focuses on compliance issues, specifically on “preventing, detecting and punishing violations of rules”(Schminke et al., 2007, p. 174).

5.3 Limitations and Future Studies

The results of this study show that ethical climate has a partial mediation effect on the relationship between religiosity and managers' attitudes to offering a financial incentive. This means that ethical climate is not the only mediator variable that explains the association between religiosity and managers' attitudes. Future studies can investigate other factors that may explain the association between religiosity and managers' attitudes to offering a financial incentive.

Further, this study undertakes a survey in Indonesia and as a result, the findings are subject to the influence of culture, and the business and legal environment in Indonesia. When applied to other countries the implications of the results should be interpreted with caution. Future research may investigate other contextual factors that can influence managers' attitudes to offering a bribe both within and across countries.

Finally there are several limitations associated with this study. First, Social Desirability Responses Bias (SDRB) is often a concern in business ethics and religiosity studies and this study is no exception. However, this study removed the scores of respondents with high SDRB (see Krauss et al. (2007)) and uses participants' perceptions of their peers' behaviour to address SDRB (see Izraeli (1988), Shafer et al. (2001), Shawver and Sennetti (2009), and Karacaer et al. (2009)). In addition, respondents are assured that their responses are anonymous.

Second, this study is a cross sectional and does not observe participants' day-to-day actions. As a result, this study could only ask the respondents' attitudes rather than capture their actual behaviour. However, this study argues that capturing attitude is acceptable as there is still a strong correlation between attitude and behaviour as argued in Ajzen's (1991) Theory of Planned Behaviour (TPB).

Third, ethical climate dimensions and components in this study are derived from the dimensions and components of ethical climate perceived by participants from each of their organisations. As a result, the actual dimension within each particular organisation may not be represented. However, capturing this perceived ethical climate in this way is acceptable as this study examines the influence of religiosity and ethical climate in the context of individual ethical decision making in each participant's organisation. This is consistent with Barnett and Vaicys (2000) who employ a similar research design when investigating the moderation effect of ethical climate on ethical judgement and behavioral intention.

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Appendix page 93-94 of this thesis has been removed as it may contain sensitive/confidential content

PART 1

Below is a **scenario** that requires you to consider the actions of a manager.

You are asked to respond to a statement that indicate the likelihood of your actions as a manager

Please write down how many minutes that you spend to read the scenario in the bottom corner.

Background

You have been appointed by the President and CEO of your company (PT Mulia Tambang) as the project manager in an attempt to set up a joint venture with a mining company in East Kalimantan. The objective of this joint venture is to produce iron and related products to supply the rapidly increasing demand for iron and related products for infrastructure development in Indonesia and Asia. You have been appointed as the project manager of this negotiation team because of your reputation and track records as a capable and skillful negotiator in setting up joint ventures. You have to compete with more than 30 companies for this joint venture project.

PT Besi Sejahtera

East Kalimantan is a major Indonesia center of iron production. PT Besi Sejahtera is the largest iron manufacturer in East Kalimantan. Currently, it supplies about 40 percent of demand for iron and related products in Indonesia. The main drive for this enterprise to look for a joint venture partner is to get additional investment and technology transfer to significantly improve its quality and productivity in serving the increasing demand of its products in Indonesia.

Your company, PT Mulia Tambang, is a major company producing chemicals, cements, and iron. The company is the major supplier of chemicals, cements, and iron in Indonesia and also for neighboring countries in Asia. Before the world economic crisis, the company enjoyed a 10 to 15 percent annual growth. Sales and profitability, however, have significantly declined since the start of the world economic crisis in November 2008.

Because of the economic downturn, this joint venture project is extremely important for your company. It is fair to say that the survival and growth of your company in the near future depends upon the successful formation of this joint venture. If you fail, the company may go into bankruptcy soon. This joint venture represents a tremendous opportunity for your company because the joint venture will give your company access to the whole monopolized iron market in Indonesia. The long-term revenue for your company is estimated to be around US\$20,000,000 a year at about 15% growth rate. So far, there are more than 30 companies who also want to get this deal.

You have studied all the legal requirements for the joint venture and have all the documents (including the joint ventures contract) ready for the negotiation. However, you have just got information that you will definitely get the deal for your company if you give the financial incentive of US\$50,000 to the top ranking employee of PT Besi Sejahtera who have the final words in the joint venture. Your connection told you that he can act as the middleman for you and can get the joint venture contract signed for you within 2 weeks if you are willing to pay the money. Your decision whether to pay or not to pay has to be fast because other firms may have already received this "insider" information.

After careful consideration, you know that apart from paying the financial incentives, you don't have any other choice to win the joint venture contract because other firms are offering more or less the same things to the employee of PT Besi Sejahtera as your company.

You know that your president and CEO will definitely give you full support in this joint venture project. They will definitely support you in every-thing you do including the payment of grease money to get the joint venture.

--

PART 1

Based on the scenario above, please indicate your level of agreement/disagreement by circling the relevant number.

No.	Item	Strongly Disagree	Disagree	Disagree Somewhat	Undecided	Agree Somewhat	Agree	Strongly Agree
1.	I think I will pay the money to get the joint venture contract.	1	2	3	4	5	6	7
2.	My peers will pay the money to get the joint venture contract.	1	2	3	4	5	6	7

PART 2

By referring to the actual condition or situation in your company, for each of the following statements, please indicate your level of agreement/disagreement by circling the relevant number.

No.	Item	Strongly Disagree	Somewhat Disagree	Not Sure	Somewhat Agree	Strongly Agree
1.	People around here are aware of ethical issues.	1	2	3	4	5
2.	People in my department recognize a moral dilemma right away.	1	2	3	4	5
3.	People in my department are very sensitive to ethical problems.	1	2	3	4	5
4.	People in my department sympathize with someone who is having difficulties in their job.	1	2	3	4	5
5.	For the most part, when people around here see that someone is treated unfairly, they feel pity for that person.	1	2	3	4	5
6.	People around here feel bad for someone who is being taken advantage of.	1	2	3	4	5
7.	In my Department people feel sorry for someone who is having problem.	1	2	3	4	5
8.	People around here are mostly out for themselves.	1	2	3	4	5
9.	People in my department think of their own welfare first when faced with a difficult decision.	1	2	3	4	5
10.	In my department people's primary concern is their own personal benefit.	1	2	3	4	5
11.	People around here have a strong sense of responsibility to society and humanity.	1	2	3	4	5
12.	Please circle number three in the row.	1	2	3	4	5
13.	What is best for everyone in the department is the major consideration.	1	2	3	4	5
14.	The most important concern is the good of all the people in the department.	1	2	3	4	5
15.	In my department people are willing to break the rules in order to advance in the company.	1	2	3	4	5
16.	Around here, power is more important than honesty.	1	2	3	4	5
17.	In order to control scarce resources, people in my department are willing to compromise their ethical values somewhat.	1	2	3	4	5
18.	People I work with would feel they had to help a peer even if that person were not a very helpful person.	1	2	3	4	5
19.	People in my department feel it is better to assume responsibility for a mistake.	1	2	3	4	5
20.	No matter how much people around here are provoked, they are always responsible for whatever they do.	1	2	3	4	5

PART 3

For each of the following statements, please indicate the practices that most accurately reflect your own NOT practices that you think you should do by circling the relevant number in the row.

No.	Item	Never	Rarely	Sometimes	Usually	Always
1.	I make sure all my family members are following the teachings of my religion.	1	2	3	4	5
2.	I try to understand the teachings of my religion in the Qur'an/Holy book/Scriptures.	1	2	3	4	5
3.	I make effort to be clean at all time.	1	2	3	4	5
4.	I make an ongoing effort to increase the frequency of my good deeds.	1	2	3	4	5
5.	I make sure that I understand the demands/obligations/teachings of my religion.	1	2	3	4	5
6.	I make effort to deepen my understanding of law/rules/teaching/precepts of my religion.	1	2	3	4	5
7.	I like to take advantages of opportunities to understand my religion with my family.	1	2	3	4	5
8.	I invite others to perform solat/prayer/religious service.	1	2	3	4	5
9.	Please circle number two in the row.	1	2	3	4	5
10.	I frequently share my religious values with my friends.	1	2	3	4	5
11.	I find time to recite the Qur'an/Holy book/Scriptures even if I am busy.	1	2	3	4	5
12.	I make effort to internalize the ethical conduct of my religion in my daily life.	1	2	3	4	5
13.	I set aside money every year for religious purposes.	1	2	3	4	5
14.	I refer to Al Qur'an/my Holy book/Scriptures to obtain tranquility (peace).	1	2	3	4	5
15.	I look for opportunities to give charity.	1	2	3	4	5
16.	I have started saving money for religious donations since my early days.	1	2	3	4	5
17.	I love my brothers and sisters in my religion as I love myself.	1	2	3	4	5
18.	I feel happy when beggars come to my house.	1	2	3	4	5

For each of the following statements, please indicate the practices that most accurately reflect your own NOT practices that you think you should do by circling the relevant number in the row.

No.	Item	Never	Rarely	Sometimes	Usually	Always
1.	I do not enter a person's house until I am invited.	1	2	3	4	5
2.	I worry if I cannot pay debt on time.	1	2	3	4	5
3.	I respect all opinions.	1	2	3	4	5
4.	I feel worried when I hurt my parents.	1	2	3	4	5
5.	I do not expose the shortcomings of others.	1	2	3	4	5
6.	I do not neglect my friends' dignity.	1	2	3	4	5
7.	I make effort to make my guests feel as comfortable as possible.	1	2	3	4	5
8.	I make effort not to display my personal good deeds.	1	2	3	4	5
9.	I use public buses, walkways, etc. with care/respect	1	2	3	4	5
10.	Please circle number one in the row.	1	2	3	4	5

No.	Item	Never	Rarely	Sometimes	Usually	Always
11.	I feel happy when someone says something good about one of my friends.	1	2	3	4	5
12.	I will keep a person's identity hidden when I talk about them and they are not present.	1	2	3	4	5
13.	I prefer to do any form of labor than to beg.	1	2	3	4	5
14.	I prefer to the people who know when I feel uncertain about the rulings/teachings of my religion.	1	2	3	4	5
15.	I like to help the poor without anyone knowing.	1	2	3	4	5
16.	I work hard to achieve my goals in the specified time.	1	2	3	4	5

PART 4

Please respond to the following questions so that a profile of respondents can be developed

1.	Are you <input type="checkbox"/> Male <input type="checkbox"/> Female
2.	How old are you? <input type="checkbox"/> Under 26 <input type="checkbox"/> 26-30 <input type="checkbox"/> 31-35 <input type="checkbox"/> 36-40 <input type="checkbox"/> 41-45 <input type="checkbox"/> 46-50 <input type="checkbox"/> 51-55 <input type="checkbox"/> 56-60 <input type="checkbox"/> >60
3.	Are you <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced If you are married, how many children that you have? <input type="checkbox"/> 0 <input type="checkbox"/> 1 <input type="checkbox"/> 2-3 <input type="checkbox"/> 4 or over
4.	What is your religion? <input type="checkbox"/> Islam <input type="checkbox"/> Protestant <input type="checkbox"/> Catholic <input type="checkbox"/> Hindu <input type="checkbox"/> Buddhist <input type="checkbox"/> Confucianism
5.	Where do you come from? <input type="checkbox"/> Java <input type="checkbox"/> Outside Java Island, please specify _____
6.	How many years have you been working? <input type="checkbox"/> 0-3 <input type="checkbox"/> 4-6 <input type="checkbox"/> 7-9 <input type="checkbox"/> more than 9 years
7.	What is your current position in the company? <input type="checkbox"/> Staff <input type="checkbox"/> Manager <input type="checkbox"/> Director <input type="checkbox"/> Commissionaire <input type="checkbox"/> If others, please specify _____
8.	What is your current company's business? <input type="checkbox"/> Manufacture <input type="checkbox"/> Banking and finance <input type="checkbox"/> Services <input type="checkbox"/> Mining <input type="checkbox"/> Construction <input type="checkbox"/> If others, please specify _____
9.	How many people are working in your current company? <input type="checkbox"/> 1-4 <input type="checkbox"/> 5-19 <input type="checkbox"/> 20-99 <input type="checkbox"/> 100 or over
10.	What is your current company legal status? <input type="checkbox"/> Public <input type="checkbox"/> Private <input type="checkbox"/> State-Owned <input type="checkbox"/> Partnership <input type="checkbox"/> If others, please specify _____
11.	How many years are your current company established in Indonesia? <input type="checkbox"/> Under 14 years <input type="checkbox"/> 15 and over
12.	What is the scope of your company's operation? <input type="checkbox"/> National <input type="checkbox"/> Multinational
13.	How much is your monthly salary? <input type="checkbox"/> 0-5 million <input type="checkbox"/> 6-10 million IDR <input type="checkbox"/> 11-15 Million IDR <input type="checkbox"/> 16 or over
14.	Is there a whistleblowing policy in your company? <input type="checkbox"/> Yes <input type="checkbox"/> No
15.	Is there a code of ethics in your company? <input type="checkbox"/> Yes <input type="checkbox"/> No
16.	Is there any anti-fraud training in your company? <input type="checkbox"/> Yes <input type="checkbox"/> No

This is the end of the survey
If possible please complete every question
Thank you for taking the time to complete this survey

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BAGIAN 1

Berikut ini adalah skenario yang meminta anda untuk mempertimbangkan tindakan seorang Manager.

Selanjutnya, Anda akan diminta untuk merespon satu pernyataan yang mengindikasikan kemungkinan tindakan yang akan Anda lakukan apabila Anda adalah sang Manager.

Tulislah perkiraan waktu yang anda butuhkan untuk membaca scenario diatas di kotak pojok kanan bawah berikut ini.

Background

Anda telah ditunjuk sebagai manajer proyek oleh Presiden Direktur dan CEO perusahaan tempat Anda bekerja, PT Mulia Tambang, untuk membangun kerjasama ventura dengan sebuah perusahaan tambang di Kalimantan Timur. Tujuan dari proyek kerjasama ventura ini adalah untuk melakukan penambangan bijih besi dan memproduksi produk-produk turunannya guna memenuhi sangat tingginya permintaan akan besi dan produk-produk turunannya tersebut untuk pembangunan infrastruktur di Indonesia dan Asia. Anda dipercaya sebagai manajer proyek ini karena reputasi dan rekam jejak anda sebagai negosiator yang handal dalam membangun kerjasama ventura. Anda harus berkompetisi dengan 30 perusahaan lainnya untuk dapat memenangkan kontrak proyek kerjasama ventura ini.

PT Besi Sejahtera

Kalimantan Timur merupakan kota besar penghasil bijih besi di Indonesia. PT Besi Sejahtera merupakan perusahaan penambang bijih besi terbesar di Kalimantan Timur. Saat ini, PT Besi Sejahtera menyuplai hingga 40 persen kebutuhan besi dan produk-produk turunannya di Indonesia. Tujuan utama dari PT Besi Sejahtera mencari rekanan kerjasama ventura adalah untuk memperoleh tambahan investasi dan transfer teknologi agar secara signifikan dapat meningkatkan kualitas dan produktifitasnya dalam melayani kenaikan permintaan produknya di Indonesia.

Perusahaan Anda, PT Mulia Tambang adalah perusahaan besar yang memproduksi aneka bahan kimia, semen dan besi. Perusahaan anda juga merupakan pemasok utama barang-barang tersebut di Indonesia dan negara-negara tetangga di Asia. Sebelum krisis ekonomi dunia tahun 2008, perusahaan menikmati pertumbuhan tahunan sebesar 10 hingga 15 persen per tahun. Akan tetapi, baik penjualan maupun profitabilitas telah menurun dengan signifikan sejak dimulainya krisis ekonomi dunia pada bulan November 2008 tersebut.

Oleh karena menurunnya kondisi perekonomian, proyek kerjasama ventura ini menjadi sangat penting bagi perusahaan. Dapat dikatakan bahwa kelangsungan dan pertumbuhan perusahaan Anda di masa depan bergantung pada keberhasilan dibentuknya kerjasama ventura ini. Apabila gagal, perusahaan bisa bangkrut dalam waktu dekat. Kerjasama ini merupakan kesempatan yang luar biasa bagi perusahaan Anda karena akan memberikan jalan untuk menguasai pasar besi di Indonesia. Pendapatan dalam jangka panjang diestimasikan dapat mencapai 20 juta dolar dalam setahun dengan angka pertumbuhan 15 persen. Sejauh ini, terdapat 30 perusahaan lain yang juga berusaha memenangkan kesepakatan kerjasama dengan perusahaan tersebut.

Anda telah mempelajari dan menyiapkan semua dokumen legal yang dibutuhkan untuk negosiasi (termasuk kontrak perjanjian kesepakatan pembentukan kerjasama ventura). Akan tetapi, Anda mendapatkan informasi bahwa kerjasama pasti akan bisa diperoleh apabila perusahaan membayarkan “uang pelicin” sebesar 50 ribu dollar ke karyawan PT Besi Sejahtera yang merupakan petinggi disana dan mempunyai pengaruh dalam memutuskan dilakukannya kerjasama tersebut. Penghubung anda mengatakan bahwa dia bisa menjadi perantara bagi anda dan membuat kontrak kerjasama ventura tersebut ditandatangani dalam waktu dua minggu asalkan Anda bersedia membayarkan uang tersebut. Keputusan untuk membayarkan atau tidak membayarkan harus segera diambil karena perusahaan-perusahaan lain kemungkinan juga mengetahui informasi dari dalam tersebut.

Setelah menimbang dengan cermat, Anda memahami bahwa tidak ada pilihan lain untuk dapat memenangkan kontrak tersebut selain dengan cara membayarkan uang pelicin dikarenakan perusahaan lain pun akan menawarkan kurang lebih hal yang sama kepada karyawan petinggi di PT Besi Sejahtera.

Anda meyakini bahwa Presiden dan CEO perusahaan akan memberi dukungan penuh untuk proyek kerjasama ventura ini. Mereka pasti akan mendukung semua yang anda lakukan termasuk memberikan uang pelicin demi mendapatkan kontrak kerjasama ventura tersebut.



BAGIAN 1

Berdasarkan skenario diatas, untuk setiap pernyataan berikut ini, lingkarilah satu angka pada setiap baris mendatar untuk menunjukkan tingkat persetujuan/ketidaksetujuan terhadap pernyataan.

No.	Keterangan	Sangat Tidak Setuju	Tidak Setuju	Agak tidak setuju	Ragu-ragu	Agak Setuju	Setuju	Sangat Setuju
1.	Sepertinya saya akan membayarkan sejumlah uang untuk mendapatkan kontrak kerjasama ventura tersebut.	1	2	3	4	5	6	7
2.	Sepertinya rekan kerja saya akan membayarkan sejumlah uang untuk mendapatkan kontrak kerjasama ventura tersebut.	1	2	3	4	5	6	7

BAGIAN 2

Dengan mengacu pada kondisi nyata di perusahaan tempat anda bekerja, untuk setiap pernyataan berikut ini, lingkarilah satu angka pada setiap baris mendatar untuk menunjukkan tingkat persetujuan/ketidaksetujuan terhadap pernyataan.

No.	Keterangan	Sangat Tidak Setuju	Tidak Setuju	Ragu-ragu	Setuju	Sangat Setuju
1.	Orang-orang di sini sadar akan adanya isu-isu etik.	1	2	3	4	5
2.	Orang-orang di perusahaan saya dapat langsung mengenali dilema moral.	1	2	3	4	5
3.	Orang-orang di perusahaan saya sangat sensitif terhadap masalah etik.	1	2	3	4	5
4.	Orang-orang di perusahaan saya bersimpati terhadap seseorang yang mengalami kesulitan dalam pekerjaannya.	1	2	3	4	5
5.	Ketika melihat ada yang diperlakukan dengan tidak adil, sebagian besar orang di sini merasa kasihan.	1	2	3	4	5
6.	Orang-orang di sini merasa sedih melihat seseorang yang dimanfaatkan.	1	2	3	4	5
7.	Di perusahaan saya, orang-orang merasa kasihan pada mereka yang sedang mengalami masalah.	1	2	3	4	5
8.	Sebagian besar orang di sini lebih mengutamakan diri sendiri.	1	2	3	4	5
9.	Orang-orang di perusahaan saya memikirkan kesejahteraan pribadi terlebih dulu saat mengambil keputusan yang sulit.	1	2	3	4	5
10.	Di perusahaan saya, yang menjadi perhatian utama seseorang adalah keuntungan pribadi.	1	2	3	4	5
11.	Orang-orang di sini memiliki rasa tanggung jawab yang kuat terhadap masyarakat dan kemanusiaan.	1	2	3	4	5
12.	Tolong lingkari angka tiga dibaris ini.	1	2	3	4	5
13.	Yang terbaik bagi semua orang di dalam perusahaan adalah yang paling dipertimbangkan.	1	2	3	4	5
14.	Kebaikan bagi semua orang di dalam perusahaan adalah satu hal yang paling penting untuk diperhatikan.	1	2	3	4	5
15.	Di perusahaan saya, orang-orang bersedia melanggar peraturan agar bisa berkembang di dalam perusahaan.	1	2	3	4	5
16.	Di sini, kekuasaan lebih penting daripada kejujuran.	1	2	3	4	5

No.	Keterangan	Sangat Tidak Setuju	Tidak Setuju	Ragu-ragu	Setuju	Sangat Setuju
17.	Untuk mengontrol sumber daya yang sedikit, orang-orang di perusahaan tempat saya bekerja bersedia melanggar nilai etik mereka sendiri.	1	2	3	4	5
18.	Rekan kerja saya merasa bahwa mereka harus menolong rekannya meskipun dia bukanlah orang yang memberikan banyak manfaat.	1	2	3	4	5
19.	Orang-orang di perusahaan saya merasa bahwa bertanggung jawab untuk suatu kesalahan adalah hal yang baik.	1	2	3	4	5
20.	Terlepas dari seberapa besar provokasi yang diberikan, orang-orang di sini selalu bertanggung jawab atas apa yang mereka lakukan.	1	2	3	4	5

BAGIAN 3

Untuk setiap pernyataan berikut ini, lingkariilah satu angka pada setiap baris mendatar untuk menunjukkan apa yang anda praktikan BUKAN yang menurut anda seharusnya dilakukan

No.	Keterangan	Tidak Pernah	Jarang	Kadang-kadang	Biasanya	Selalu
1.	Saya memastikan seluruh anggota keluarga saya mengikuti apa yang telah diajarkan oleh agama.	1	2	3	4	5
2.	Saya berusaha memahami ajaran agama saya dalam Al Quran/Kitab Suci/Alkitab.	1	2	3	4	5
3.	Saya berupaya agar diri saya senantiasa dalam keadaan bersih setiap saat.	1	2	3	4	5
4.	Saya senantiasa berusaha meningkatkan frekuensi perbuatan baik.	1	2	3	4	5
5.	Saya memastikan saya memahami tuntutan/kewajiban/ajaran agama saya.	1	2	3	4	5
6.	Saya berupaya untuk memperdalam pemahaman saya tentang hukum / aturan / ajaran agama saya.	1	2	3	4	5
7.	Saya suka mencari peluang untuk mendalami agama bersama keluarga.	1	2	3	4	5
8.	Saya mengajak orang lain menunaikan Sholat/Ibadah/Misa	1	2	3	4	5
9.	Tolong lingkari angka dua dibaris ini.	1	2	3	4	5
10.	Saya sering berbagi nilai-nilai agama saya dengan teman-teman saya.	1	2	3	4	5
11.	Saya meluangkan waktu untuk membaca Al Quran / Kitab Suci / Alkitab bahkan jika saya sibuk.	1	2	3	4	5
12.	Saya berupaya untuk menginternalisasi kode etik yang berasal dari ajaran agama saya dalam kehidupan saya sehari-hari.	1	2	3	4	5
13.	Saya menyisihkan uang setiap tahun untuk tujuan keagamaan	1	2	3	4	5
14.	Saya mengacu pada Al Quran/ Kitab Suci/ Alkitab untuk mendapatkan ketenangan/kedamaian.	1	2	3	4	5
15.	Saya mencari kesempatan untuk memberikan sumbangan.	1	2	3	4	5
16.	Sejak dini saya sudah mulai menabung untuk sedekah/sumbangan keagamaan/ persembahan.	1	2	3	4	5
17.	Saya mengasihi saudara seagama sebagaimana saya mengasihi diri saya sendiri.	1	2	3	4	5
18.	Saya merasa bahagia saat pengemis mendatangi rumah saya	1	2	3	4	5

Untuk setiap pernyataan berikut ini, lingkarilah satu angka pada setiap baris mendatar untuk menunjukan apa yang anda praktikan BUKAN yang menurut anda seharusnya dilakukan

No.	Keterangan	Tidak Pernah	Jarang	Kadang-kadang	Biasanya	Selalu
1.	Saya tidak akan masuk ke rumah orang sampai dipersilahkan.	1	2	3	4	5
2.	Saya gelisah apabila tidak dapat melunasi utang tepat waktu.	1	2	3	4	5
3.	Saya menghormati setiap pendapat orang lain.	1	2	3	4	5
4.	Saya merasa gelisah apabila menyakiti kedua orang tua saya.	1	2	3	4	5
5.	Saya tidak mengekspos kekurangan orang lain.	1	2	3	4	5
6.	Saya tidak merendahkan harga diri teman-teman saya	1	2	3	4	5
7.	Saya melakukan upaya untuk membuat tamu-tamu saya merasa senyaman mungkin.	1	2	3	4	5
8.	Saya berusaha untuk menyembunyikan kebaikan yang saya lakukan agar tidak diketahui oleh orang lain	1	2	3	4	5
9.	Saya menggunakan bis, trotoar, dll dengan penuh kepedulian dan kehati-hatian	1	2	3	4	5
10.	Tolong lingkari angka satu dibaris ini.	1	2	3	4	5
11.	Saya merasa gembira saat ada orang memuji teman saya.	1	2	3	4	5
12.	Saya akan menjaga kerahasiaan identitas seseorang apabila membicarakan tentang dirinya dengan orang lain	1	2	3	4	5
13.	Saya lebih suka bekerja daripada meminta uang orang lain.	1	2	3	4	5
14.	Saya akan merujuk kepada orang yang tahu apabila menghadapi keragu-raguan tentang aturan/ajaran agama.	1	2	3	4	5
15.	Saya lebih suka membantu orang miskin tanpa diketahui orang lain	1	2	3	4	5
16.	Saya akan berusaha dengan sungguh-sungguh untuk mencapai tujuan saya dalam waktu yang sudah ditetapkan	1	2	3	4	5

BAGIAN 4

Mohon menjawab pertanyaan-pertanyaan berikut ini untuk penyusunan profil responden

1.	Apakah jenis kelamin Anda? <input type="checkbox"/> Laki-laki <input type="checkbox"/> Perempuan
2.	Berapakah usia Anda? <input type="checkbox"/> Dibawah 26 <input type="checkbox"/> 26-30 <input type="checkbox"/> 31-35 <input type="checkbox"/> 36-40 <input type="checkbox"/> 41-45 <input type="checkbox"/> 46-50 <input type="checkbox"/> 51-55 <input type="checkbox"/> 56-60 <input type="checkbox"/> >60
3.	Apakah Anda <input type="checkbox"/> Belum Menikah <input type="checkbox"/> Menikah <input type="checkbox"/> Telah bercerai Apabila menikah, berapakah jumlah anak Anda? <input type="checkbox"/> 0 <input type="checkbox"/> 1 <input type="checkbox"/> 2-3 <input type="checkbox"/> 4 atau lebih
4.	Apakah Agama Anda? <input type="checkbox"/> Islam <input type="checkbox"/> Kristen <input type="checkbox"/> Katholik <input type="checkbox"/> Hindu <input type="checkbox"/> Buddha <input type="checkbox"/> Konguchu
5.	Darimanakah anda berasal? <input type="checkbox"/> Jawa <input type="checkbox"/> Luar Jawa (sebutkan) _____
6.	Berapa lamakah pengalaman kerja yang anda miliki? <input type="checkbox"/> 0-3 <input type="checkbox"/> 4-6 <input type="checkbox"/> 7-9 <input type="checkbox"/> Lebih dari 9 tahun
7.	Apakah jabatan anda saat ini? <input type="checkbox"/> Staf <input type="checkbox"/> Manager <input type="checkbox"/> Direktur <input type="checkbox"/> Komisaris <input type="checkbox"/> Lainnya (sebutkan) _____
8.	Apakah jenis usaha perusahaan anda? <input type="checkbox"/> Manufaktur <input type="checkbox"/> Bank dan Lembaga Keuangan <input type="checkbox"/> Jasa <input type="checkbox"/> Pertambangan <input type="checkbox"/> Konstruksi <input type="checkbox"/> Lainnya (sebutkan) _____
9.	Berapa banyak karyawan di perusahaan Anda? <input type="checkbox"/> 1-4 <input type="checkbox"/> 5-19 <input type="checkbox"/> 20-99 <input type="checkbox"/> 100 atau lebih
10.	Apakah status hukum dari perusahaan Anda? <input type="checkbox"/> Perusahaan Terbuka <input type="checkbox"/> Perusahaan Tertutup <input type="checkbox"/> BUMN <input type="checkbox"/> Firma <input type="checkbox"/> Lainnya (sebutkan) _____
11.	Berapa lamakah perusahaan anda telah berdiri dan mulai beroperasi di Indonesia? <input type="checkbox"/> Dibawah 14 tahun <input type="checkbox"/> 15 tahun atau lebih
12.	Apakah lingkup wilayah cakupan operasi perusahaan Anda? <input type="checkbox"/> Nasional <input type="checkbox"/> Multinasional
13.	Berapakah jumlah gaji Anda per bulan? <input type="checkbox"/> 0-5 juta <input type="checkbox"/> 6-10 juta <input type="checkbox"/> 11-15 juta <input type="checkbox"/> 16 juta atau lebih
14.	Apakah perusahaan tempat anda bekerja mempunyai mekanisme <i>Whistle Blowing</i> ? <input type="checkbox"/> Ya <input type="checkbox"/> Tidak
15.	Apakah perusahaan tempat anda bekerja mempunya <i>Code of Ethics</i> (kode etik tertulis)? <input type="checkbox"/> Ya <input type="checkbox"/> Tidak
16.	Apakah perusahaan tempat anda bekerja pernah mengadakan pelatihan anti-kecurangan (anti-fraud)? <input type="checkbox"/> Ya <input type="checkbox"/> Tidak

Ini Merupakan Akhir dari Survei

Apabila Memungkinkan, Tolong Lengkapi Jawaban Anda

Bantuan yang Anda Berikan Sangat Kami Hargai