

## CHAPTER I

### INTRODUCTION

#### a. Background

وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْخُلُوا بِهَا إِلَى الْحُكَّامِ لِتَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ النَّاسِ بِالْإِثْمِ  
وَأَنْتُمْ تَعْلَمُونَ

“And do not consume one another's wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful]” (An-Nisa: 188).

This verse clarifies that bribery cannot be separated with the certain activities in this world. According to Britannica (2018), bribery can be defined as the act of promising, giving, receiving, or agreeing to receive money or some other item of value. The verse emphasizes that the basic level of bribery is like to consume each other's money without purpose that can destroy the society or any kinds of other wrongdoings, and notes that at the end of the verse it states: “while you know”, meaning that the worst wrongdoing act is when people intend to do it.

Previously, wrongdoing in companies are one of their concerns since some cases have attracted the public's attention. This kind of crime has interrupted the company's performance by causing losses everywhere.

Moreover, many of wrongdoings are committed by the higher level or well educated people who have an authority in the company. In real life, it is often called as **White-Collar Crime**.

The term of white-collar crime was coined by Edward Sutherland in 1939 and it has become popular since the first time he released it. White-collar crime has a diversity, from the most sophisticated market manipulation to the least complex embezzlements, the diversity in offenses may hinder our ability to understand white-collar offenders (Dearden, 2019). There were some famous accounting-related scandals such as Enron, WorldCom, Healthsouth, Lehman Brothers or Saytam, it is known that the main roles involved in the scandals were diverse from CEO, CFO, internal or external auditor, accountant even the founder itself. This scandals have led people who have been familiar with a crime involving violence, but today it has changed. People's view on crime is not only limited in violence which is often called red-collar crime, but also in non-violent crime. Moreover, white-collar crime can be more dangerous than red-collar crime since tons of losses influence the company and society and it is indirectly harmful.

This phenomenon has become a serious issue. A lot of surveys about white-collar crime have been conducted by the organizations to prove some shreds of evidence in real life. Looking at the PriceWaterhouseCoopers (PwC) report in 2018, the reported rate of economic crime from the last decade has shown the highest rate since in 2001. Compare to the rate in 2016 with 36

percent of economic crime, a quite significant difference occurred in 2018 with 49 percent of economic crime. Furthermore, the asset misappropriation is the most frequently reported fraud across industries and it cannot be separated from accounting. In spite of increased attention among regulators, academics, and practitioners, fraud continues to impose enormous costs on society (Andon et al., 2014).

Additionally, according to the Association of Certified Fraud Examiners (ACFE) that released the 2018 Report to the Nations, there were 2,690 cases of occupational fraud reported from 125 countries. The study focused deeply on how fraud impacts organizations in the Asia-Pacific region by using 220 cases of occupational fraud from Asia-Pacific countries in 2017 Global Fraud Survey. The results of the study show that 11 percent of all ACFE global cases caused a median loss of USD 236,000 and lasted a median 18 months before they were detected. Asset misappropriation got the highest case of committing fraud by 80 percent with \$180,000 of median losses, the second was corruption by 51 percent with \$500,000 of median losses, and the third was financial statements fraud by 13 percent of cases with \$700,000 of median losses. Based on these data, it can be concluded that even the financial statements fraud cases in the lowest one, the median loss are talking differently. The losses which are caused by financial statement fraud is the highest compared to asset misappropriation and corruption which means that, accountant has a big role in this scenario.

It can be proven by the newest scandal from Theranos. In the early 2010s the case comes from Theranos, a biotech startup founded by Elizabeth Holmes who became popular since the therapy and diagnosis as the evolution of healthcare. This company has run well since it was established in 2003. Unfortunately, Theranos dissolved in September 2018 and it was charged with a massive fraud. According to The U.S Securities and Exchange Commission (SEC), Holmes and the former president Ramesh Balwani were charged due to allegation of raising more than \$700 million from investors through an elaborate, years-long fraud in statements about the company's technology, business, and financial performance (O'Brien, 2018).

Theranos told untruth story about the company's performance and opportunity to get higher profit from their investors, Holmes and Balwani presented to the investors that Theranos was expected to generate more than \$100 million in revenue in 2014. In fact, the revenue was actually \$100,000 in 2014. Theranos also lied about the signature technology that was told to the public which actually it was using traditional machines (times.com, 2018). From the Theranos' case, it is known that eventhough Holmes was the pioneer of the startup, she could not avoid committing fraudulent act. Theranos was successfully to manipulate their shareholders. Even though, the role of accountant's decision was very important in her company.

These cases do not only occur in other countries. In the international scale the world has known Enron Corporation scandal which was associated

with Arthur Andersen in fraud that manipulated \$74 billion or the newest case from Theranos. In Indonesia, the newest scandal emerged from PT Sunprima Nusantara Pembiayaan (SNP Finance) in 2018. Two public accountants from KAP SBE got involved in this case since they gave a qualified opinion in the audit result on the annual report of SNP financial statement. In fact, OJK indicated some misstatements in the report which was inappropriate with the real condition significantly and because of that, some banks suffered losses. KAP SBE as the local partner of Deloitte Indonesia got involved as well. OJK sanctioned Deloitte Indonesia to the penalties for making policies and procedures in the quality control system of public accountants related to the protection of senior engagement team members (CNNIndonesia, 2018).

In addition, going back to the early 2000s, the case of KPMG Siddharta Siddharta and Harsono (KPMG-SSH) become attention not only in Indonesia but also in the US. KPMG-SSH, along with their senior partner became the defendants in US Courts. They were charged with bribery of tax to the tax office in Jakarta (hukumonline.com, 2001).

From all the cases above, it is generally known that even the legal rules, for instance, Sarbanas-Oxley Act, it has not been able to prevent the intention to commit White-Collar Crime. Beside the legal acts, some components such as compensation, incentive, or other treatments have been implemented. Unfortunately, the phenomenon of white-collar crime is still happening since the uniqueness of individual is sheltered.

Based on the explanation above, detecting white-collar crime as prevention is not as easy as it seems. Not all pressured, greedy, and opportunistic individuals actually commit the white-collar crime (Turner, 2014). It is hard to detect white-collar crime by looking at the individuals without knowing the personality itself and the statement from Turner reveals that there are other aspects of behaviors on do people commit fraud. As the prior research was examined by researchers, the personality perspective can be used to investigate the behavior of individuals. It means that white-collar crime as an unusual behavior can be explained by examining personality traits. However, the research about accounting in the personality is still limited. In fact, personality traits are important to the comprehend how the accountants make an interaction and influence the outcomes of accounting (Taggar and Parkinson, 2007). This statement motivates the researcher to be more concerns about an act of white-collar crime which is done by the accountants in the personality aspect since the prior studies are still limited.

People are created with diverse of characteristics. One and another might have different behaviors to give responses to their environment, and it is also valid for behavior in the workplace. Here is what happens today. Some unusual behaviors in organization tend to be more harmful rather than bring prosperity. The theory of personalities have been evolving since many years ago and one of the personality traits that can be tested to the white-collar crime is Dark Triad personality. Dark Triad is the personality traits that have three elements of

negativity such Machiavellianism, narcissism, and psychopathy. All three Dark Triad personalities are expected to bring a new solution to the frame of research since their classification can measure the individual's personalities. These classifications can be identified by the researcher to know exactly what kind of behavior is really suitable for committing white-collar crime in the real activity of organization.

Dark Triad personality is a popular term that was invented by Paulhus and Williams in 2002. According to Paulhus and William (2002), Dark Triad refers to three unusually negative personalities such as Machiavellianism, narcissism, and psychopathy. Among the socially aversive personalities, Machiavellianism, narcissism, and psychopathy have attracted the most empirical attention (Kowalski, 2001). These three elements have different origin among others. First, Machiavellianism comes from Machiavelli's original books and it is characterized by interpersonal coldness and a tendency to manipulate others (Christie & Geis, 1970). Second, the term of 'normal' narcissism presents an attempt to delineate a subclinical version of the DSM-defined personality disorders, narcissism entails a sense of grandiosity, entitlement, and superiority (Raskin and Hall, 1979). The last one, psychopathy is the most recent from the dark triad (Hare, 1985; Lilienfeld and Andrews, 1996). This kind of personality has a central character elements such as high impulsivity and thrill-seeking along with low empathy and anxiety.

This study is similar with the prior research that was conducted by Turner (2014) which examines the Big Five personality such as Extraversion, Agreeableness, Conscientiousness, Neuroticism, and Openness to the propensity to commit White-Collar Crime in the organization. However, the current researcher decides to replace the Big Five personality traits into the Dark Triad personality as the independent variable due to the explanation from Turner (2014) who states that the further study should investigate the propensity to commit the White-Collar Crime by using other personality traits. In addition, there is still a lack of evidence by investigating the Big Five personality in the study. Besides, there has been no research that examines the Dark Triad personality in white-collar crime. This research is also supported by the study of Dark Triad Personality on unethical behavior which contributes to the research regarding how personality characteristics will be able to lead to an unethical behaviour (Harrison et al, 2016).

According to Harrison et al. (2016), online consumer is the perspective that was examined. He argued that the dark triad has a strong psychological relation to the action of fraud. When the dark triad personalities are combined, they are regarded to be predictive of callous, self-seeking, and manipulative attitudes and behaviors. Moreover, the dark triad personalities have shown to influence various anti-social behaviors. However, the current researcher is different from the studies by Turner (2014) and Harrison et al. (2016), because the current researcher decided to examine the fraud in a company by using the scenario



case about the accounting staffs from Turner (2014) as the white-collar crime which were adapted from O'Leary and Cotter (2000).

According to Arnulf and Gottschalk (2012), there are five types of white-collar criminals such as cheating investor, cheating customers, tax fraud, bribers, and cheating innocents. This research will focus on cheating investor and tax fraud since the closeness issues in the accounting area. Based on the agency theory on cheating investor, the unfaithful agents will be cheating the principals, which means that it deceives the shareholders (Gottschalk, 2012). As it is generally known that the tax accountant has an obligation to not to lie (Duska and Duska, 2011), someone who deliberately takes public's money in legal way in attempt for financial gain has been labelled as tax fraud (Gottschalk, 2012). In addition, the most common case of tax fraud which involves company is tax evasion.

Since the economic crime was in the highest level in 2018, accounting fraud has the highest losses, and the study of accounting in personality is still limited. Then, the current researcher decided to comply with the study from Turner (2014) about how an act of white-collar crime which involves higher level of company, and one of them are accountant who has a big role can be detected by using the psychological perspective (Big Five Personality) and the Effects of Dark Triad Personality on Unethical Behaviour (Harrison et al, 2016).

Therefore, the current researcher decided to replace with the Big Five Theory into the Dark Triad Personality by Paulhus and William (2002) because

of the strong closeness to an unethical behaviour and especially the characteristics of white-collar crime. Based on the argument of the gap from the research and suggestion above, the researcher decides to add a new contribution and it has never been studied before which titled: The Investigation of Dark Triad Personality towards Propensity to Commit White-Collar Crime.

**b. Limitation of Problem**

This study takes a limitation in the field of white-collar crime in the private organization as it is intended. The researcher limits the factors in the area of dark triad personality: Machiavellianism, narcissism, and psychopathy by using Short Dark Triad test. It uses the questionnaire and the participants of this study are the undergraduate accounting students in the fourth and fifth semester.

**c. Research Question**

Researcher formulated a research question based on the explanation above, as follow:

1. Does Machiavellianism have a positive influence on the propensity to commit White-Collar Crime?
2. Does narcissism have a positive influence on propensity to commit White-Collar Crime?

3. Does psychopathy have a positive influence on the propensity to commit White-Collar Crime?

**d. Research Objective**

This research has some objectives that are needed to be achieved by the current researcher:

1. To obtain the empirical evidence whether Machiavellianism has a positive influence on the propensity to commit White-Collar Crime or not
2. To obtain the empirical evidence whether narcissism has a positive influence on the propensity to commit White-Collar Crime or not
3. To obtain the empirical evidence whether psychopathy has positive influence on the propensity to commit White-Collar Crime or not

**e. Benefit of Research**

There are some contributions that are expected to be the benefits of this research. The expected benefits are as follows:

1. Practical Benefit
  - a. Management

The researcher does hope this research can make a good contribution to providing information that has benefits and relevance to the management in the company or organization. Moreover, by looking at these personality traits, the organization is not only focused on the

treatment to prevent but also on how to see the personality itself to detect the list of personalities that influence the White-Collar Crime.

b. Society

The researcher does really hope that this research can make a contribution to stakeholders or the public as knowledge to detect any kind of white-collar crime in the real condition nowadays. Specifically, it helps the shareholders of the certain companies.

2. Theoretical Benefit

a. Academician

The results of this study are expected to add some new knowledge in the field of behavioral accounting to be learned further. Additionally, this study can be a reference as the alternative to seeking other perspectives in committing a white-collar crime that is related to the personality view and add a new contribution to this research.

b. Organization

This research is expected to inspire the organization to be more aware of some considerations. First, recruiting an employee can be more selective by looking at the personality. Furthermore, it can also be used to track unusual behavior in the organizational activity.