Knowledge Sharing, Work Ethics and Auditors' Innovation Capability: A Comparative Study in Malaysia and Indonesia

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DOI: https://doi.org/10.37178/ca-c.21.5.01

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ABSTRACT

The tremendous development in technology has put auditors in a challenging situation to perform their audit which requires tracking vast amounts of data, often in a paperless environment. Therefore, auditors need to be innovative in performing audits in order to stay relevant. The objective of this study is to examine innovation capability of external auditors when performing audits. This study specifically examines if knowledge sharing (proxied by knowledge collecting and knowledge donating) and work ethics, contribute to auditors' innovation capability in Malaysia and Indonesia. The results reveal that auditors in both countries perceive that they can be innovative; Malaysian auditors show slightly higher capability compared to their Indonesian counterparts. Furthermore, knowledge donating positively influences auditors' innovation capability in both countries, while knowledge collecting positively influences only Indonesian auditors' innovation capability. This may be due to the high usage of Information and Communications Technology (ICT) in Malaysian audit firms, which generates a greater flow of codified knowledge, whilst inhibiting the less formal or simple method of sharing information, such as by using knowledge collecting. Meanwhile, the positive impact of work ethics is only found in the Malaysian setting.

Keywords: innovation capability, knowledge sharing, work ethic

JEL Classification: O310, M420, M150

INTRODUCTION

To remain competitive, businesses nowadays are urged to be more concerned with innovation. As competition becomes more intense and global, firms need to come up with new ideas, which do not only focus on the introduction of new products, but also on new ways and processes of carrying out business activities. In other words, innovation should not be overlooked in firms' strategic initiatives, as innovation can enable firms to better accomplish specific objectives [1]; take advantage of new opportunities [2]; face challenges in the changing marketplace [2]; and have improved ability to solve business problems [1].

Innovation does not only involve the manufacturing sector, but the services sector as well. Firms that provide professional services, such as audit firms, need to keep pace with continuous innovation to face the evolving business environment, which has radically changed the way businesses are being conducted. The Industrial Revolution 4.0 (IR4.0), for instance, has enabled businesses nowadays to perform activities more efficiently than before. By incorporating the elements of IR4.0, which stress on the Internet of Things (IoT), firms can utilize smart manufacturing, cloud computing, big data, and artificial intelligence (to name a few), and thus, be able to respond efficiently to the needsof the internal environment and their supply chain. These unprecedented changes however have impacted the way audits are being carried out by external auditors. For instance, cloud computing needs less use of physical documents, while big data enables business firms to store large amounts of data in the data warehouse. As such, the auditors, being persons external to the organization, may need to creatively develop an audit trail in the face of vast volumes of data and the paperless environment, which are totally different from the audit work they have conducted previously [4-6]. In other words, auditors are now urged to be more creative and innovative in conducting their audit. By incorporating innovation in audit work, new insights can be generated, and more data sets may be examined, thereby increasing the value of the audit performed, and subsequently, taking audit quality to a new level [6]. At the same time, the auditors may continue providing a valuable and relevant service to the investors, creditors, and other users of the financial statement [4].

The above justifications explain that auditors need to be innovative in conducting their audit. Being innovative in performing the audit may lead to higher quality of information provided to stakeholders [6], while preserving the relevance and reliability of the profession itself [4]. Furthermore, auditors may also eliminate thenumber of tedious and labor-intensive manual processes which are traditionally associated with an audit [4], by incorporating for example, artificial intelligence, workflow automation and data analytics in the audit process [6].

Despite the advantages of innovation in the audit process as discussed above, limited evidence has been found on auditors' innovation capability. Past research has focused on auditors' technology adoption [7-9]. However, the results show that the adoption of technology among auditors is still at a low to moderate level [7-8], and only practiced in large firms [9]. These situations somehow explain that auditors seem to be reluctant to change their way of doing things. Specifically, this might be a sign of low innovation capability among auditors in conducting audits.

This study aims to investigate if knowledge sharing among auditors and their perception of work ethics has a positive impact on their innovation capability. By utilizing the Resource-Based View (RBV) theory, which positsthat firms that successfully manage their internal resources and capabilities, willhave competitive advantage and superior performance [10], this study postulatesthat good practices of knowledge sharing and work ethics among the auditors willlead to their improved performance in terms of their innovation capability.

This research has several contributions. First, limited evidence has been found on the impact of knowledge sharing and ethical behavior in the context of the auditors. As there is a dire need for auditors to dynamically respond to technological advances [4], it is now imperative for auditors to be innovative, which can then result in more relevant and reliable information for financial information users. Second, following the IR4.0 technological advancements, it will be interesting to know the extent of innovation capability possessed by the auditors in coping with these technological changes. This study is not without limitations, in that it only incorporates knowledge sharing and ethical behavior to assess the innovation capability of auditors.

The rest of this article is organized as follows. In the next section, the study presents the review of the related literature, followed by the development of hypotheses. Next, the discussion is focused on the research methodology, followed by the findings. The article ends with further discussion, conclusion and avenues for future research.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Knowledge sharing and innovation capability

Innovation capability is a crucial factor for an organization. As such, researchers around the globe have been studying the factors that may enhance innovation capability. Among the factors which have been found to positively influence innovation capability are knowledge sharing and work ethics. The literature review on the relationship between these two variables is discussed below.

Innovation capability was studied in a Malaysian public sector organization [11] and the results indicate that knowledge sharing among employees in the organization positively influences the organization's innovation capability. The authors observed that sharing genuine knowledge can boost the organization'scapability to perform robustly through collective competencies of individuals and their insights in the face of daunting work conditions.

Another work studied the relationship between knowledge sharing behavior and organizational innovation capability in organizations in Taiwan [12]. This study posited that employees' willingness to donate and collect knowledge will positively influence the organizations' innovation capability. The results support their hypothesis, thus justifying that knowledge sharing behavior among employees, which was measured by knowledge collecting and knowledge donating, helps to enhance organizations' innovation capability. A similar result was found by [13], who studied innovation capability of Research and Development (R&D) teams in Iran. The study finds that knowledge collecting and donating positively influence teams' innovation capability, thus signaling the role played by knowledge sharing behavior in boosting the innovation capability of organizations, teams or individuals toward performing their specific tasks or obligations.

In another study, the relationship between knowledge sharing and innovation capability in public organizations in Turkey was observed [14] . The study is similar to [12] and [15], where knowledge sharing behavior was examinedas two different predictors of innovation capability, namely knowledge collecting and knowledge donating. The study hypothesized that both predictors positively influence innovation capability, as this hypothesis has been proven in previous studies [12]. However, the result is not fully up to expectations, where only knowledge donating is found to affect innovation capability, but not knowledge collecting. A past study justified that this could be due to the different types oforganizations, which led to different results in terms of the relationship betweenknowledge collecting and innovation capability [14]. Similarly, [15] found that both knowledge collecting and knowledge donating positively influence individuals' innovation capability, thus confirming that knowledge exchange plays a profound

role in solving problems creatively in the workplace, as it helps to improve employees' mindset or cognitive capacity.

Despite the above findings on the positive relationship between knowledge sharing and innovation capability, an insignificant result is found in astudy [16], where knowledge sharing is found to have no impact on innovation capability. This could be probably explained by the fact that simply sharing knowledge by individuals within teams or organizations is not sufficient for innovations to occur. The relationship can be strengthened with the presence of dynamic capacity among the individuals that can allow teams or organizations to create value, and to gain and sustain competitive advantage through the management of external knowledge [16,17].

Work ethics and innovation capability

The role of work ethics in shaping individual or organizational performance has been evinced in previous studies. For instance, a past studies examined if work ethics among undergraduate students may lead to higher motivation and individual performance [18]. The results indicate that work ethics has a positive influence on both outcomes. Similar findings have been found in another study conducted in Malaysian Islamic financial institutions [19]. In this study, the perceived work ethics of the employees in the financial institutions is found to lead to their positive attitude, behavior, and performance [19].

Based on the above findings, it can be concluded that positive work ethics leads to positive outcomes, such as better performance [18-19]. Furthermore, past studies have justified that innovation capability can lead to enhanced performance in organizations [20-21]. Therefore, this study examines ifwork ethics leads to auditors' enhanced innovation capability.

The association between work ethics and innovation capability has been established in previous studies [11,22,23]. Work ethics is also found to be positively associated with innovative work behavior of the hospitality sectoremployees in Pakistan [23]. This study justifies that employee with a good perception of ethical conduct at their workplace exhibit a high level of innovativebehavior. Furthermore, the relationship between work ethics and innovation capability has also being examined among employees in the telecommunication companies of Pakistan [22]. The study found a positive and significant relationshipbetween the predictor (work ethics) and the outcome (Innovation capability). The same association was also found in another research [11] conducted in Malaysian public sector organizations. These findings thus justify the important role played by work ethics in catalyzing employees to be more innovative in performing their daily activities.

Resource-Based View

The framework of this study is underpinned by the RBV theory. This theory explains the relationship between organizational resources and capabilities and an organization's competitive advantage and performance [10]. According to the RBV theory, firms that successfully manage their internal resources and capabilities will enjoy more benefits in terms of development, survival, maintaining effectiveness and achieving success [10].

Resources of an organization can be identified and categorized three categories [10], i.e., physical resources, organizational resources, and human resources. [24] categorized organizations' resources into tangible and intangible resources. Tangible resources are fixed assets, production equipment, inventories and financial resources; while intangible resources are classified as reputation, technology, human resources, employee training, employee loyalty, employee experience and employee commitment. There are also several more different types of organizational resources [25] such as knowledge, media, structure

(governance), network, market and institutional resources.

Properly managing these resources, whether the tangibles or the intangibles, as well as physical, organizational or human resources, may bring about several benefits to organizations. [10] suggested that firms can generate economic benefits by combining and exploiting both tangible and intangible resources, especially when the resources which are valuable, inimitable, rare and non-substitutable, can provide organizations with sustainable competitive advantage to help them to survive and forge ahead in the increasingly competitive environment [10, 26]. The main premise of the RBV theory is that an organization's resources influence its performance [27], and organizations with more valuable resources are more likely to sustain a competitive advantage [27]. The RBV theory is used in this study to justify therelationship between knowledge sharing behavior and work ethics and auditors' innovation capability. As auditors themselves are the resources in the firms they represent, it is believed that positive work practices, such as having the initiative to share knowledge and good work ethics, will eventually become valuable resources that lead to the auditors' enhanced performance in terms of their innovation capability. This study believes that knowledge sharing behavior and work ethics as perceived by auditors will have a positive influence on their innovation capability.

Development of Hypotheses

The RBV explains that firms which successfully manage their internal resources and capabilities will receive more benefits in terms of development, survival, maintaining effectiveness and achieving success [10]. As auditors themselves are the resources to the firms they represent, it is believed that positive work practices, such as having the initiative to share knowledge, may lead to their enhanced performance in terms of their innovation capability.

Individuals, by themselves, do not possess all the knowledge required to solve interdisciplinary problems in complex situations; thus, knowledge sharing is extremely important to help sort out highly interdependent tasks [28]. As knowledge sharing is seen as important for a firm's success [29], firms that effectively encourage employees to share valuable knowledge, can increase their competitive advantage [13]. Furthermore, past studies have shown a positive relationship between the predictor (measured by knowledge collecting and knowledge donating) and the outcome (innovation capability) [11-14,16]. In the context of this research, interdisciplinary situations may be evinced in audit work; therefore, knowledge sharing is seen as extremely important to the auditors, as the sharing of knowledge can encourage auditors' innovation capability. Thus, this research hypothesizes that:

H1a: There is a positive relationship between knowledge collecting and auditors' innovation capability.

H1b: There is a positive relationship between knowledge donating and auditors' innovation capability.

Ethics is defined as thinking about moral standards in a logical and structured manner [30], and is a manifestation of personally held values [31]. Ethics is also defined as the study of morality and the application of reason which sheds light on rules and principles, collectively known as ethical theories that ascertain the right from wrong in any situation [32]. Auditors are also subjected to ethical conduct. In maintaining their professional ethics, auditors need to adhere to the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior [33].

From the context of this research, the ethical behavior of auditors while performing their job, acts as an important resource which may lead the auditors to think of new and innovative ways to perform their audit work. Furthermore, previous research has suggested that ethics has a positive impact on innovation capability [11,22,23]. Therefore, this study hypothesizes that:

H2: There is a positive relationship between work ethics and auditors' innovation capability.

METHODOLOGY

Research design

This study utilized the survey method based on a structured questionnaire as its research instrument, which is considered as the most preferred research instrument for the survey method approach [34,35]. For Malaysia, the sample is the practicing auditors in the northern region of Peninsular Malaysia, namely in the states of Pulau Pinang, Kedah and Perlis. The Member Firms Directory was obtained from the Malaysian Institute of Accountants' website. A total of 141 audit firms are listed in the directory, and each firm has at least one practicing auditor. The questionnaire was distributed and administered through visits and emails between the period of 1January – 30 April 2020. Some of the responses were received immediately during the visits, while some took time to fill in the questionnaire and to scan it before emailing it to the researchers. Altogether, the study managed to get 60 responses from the auditors. Meanwhile, for Indonesia, the sample is the practicing auditors in public accounting firms in Bandung, West Java, Indonesia. The data was obtained through the directory of the Indonesian Public Accountants Association in Bandung.A total of 31 public accounting firms are listed in the directory. From the 31 firms, onlynine were willing to participate in this study, with 54 practicing auditors altogether. The questionnaire was distributed and administered directly to the firms between the period of 1 November 2019 - 29 February 2020. Most of the responses were received immediately during the visits, while some were sent later by email. Furthermore, this study employed Partial Least Squares-Structural Equation Modelling (PLS-SEM) using SmartPLS 3.0 software to test the hypotheses.

Measurement of variables and questionnaire development

The measures used to operationalize the variables or constructs were generated from previously validated instruments. The scale used to measure each construct was based on a five-point Likert scale. The operational measures of each construct are discussed next. Besides measuring each construct under study, the questionnaire also obtained the demographic information of the respondents.

Auditors' innovation capability (AIC) refers to the ability of the auditors to creatively make modifications to their existing audit methodology and processes for audit work purposes [11,14,36]. Overall, five items were used to measure AIC, adopted from previous studies on innovation capability [11,14]. These items were measured using the five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = slightly agree, 4 = agree, 5 = strongly agree). The items are shownin Table 1.

Knowledge sharing behavior (KSB) is defined as the process through which employees mutually exchange knowledge and jointly create new knowledge[12]. KSB was measured by knowledge collecting (KC) and knowledge donating (KD) [11,14]. KC refers to the process of consulting colleagues to encourage them toshare their knowledge [12], while KD denotes the process of colleagues voluntarily communicating their knowledge to others [12]. Overall, five items were used to measure KC, with three items for KD, which were adopted from previous studies on knowledge sharing and innovation capability [11,14]. The items were measured using a five-point Likert scale (1 = never, 2 = rarely, 3 = sometimes, 4 = frequent, 5 = always). The items are shown in Table 2.

Table 1

Items for Auditors' Innovation Capability

AIC1	I seek new ways of doing things
AIC2	I am creative in performing my tasks
AIC3	I frequently become the first to try out new methods in performing my job.
AIC4	I am able to solve problems within my job scope using new methods
AIC5	I favor to innovate my methods in doing things

Table 2

Items for Knowledge Sharing Behavior (Knowledge Collecting and Knowledge Donating)

KC1	I share information I have with colleagues when they ask for it
KC2	I share my skills with colleagues when they ask for it
KC3	Colleagues in my company share knowledge with me when I ask them to
KC4	Colleagues in my department tell me what they know, when I ask them about it.
KC5	Colleagues in my department tell me what their skills are, when I ask them about it.
KD1	When they have learned something new, my colleagues tell me about it
KD2	When I have learned something new, I see to it that colleagues in my department can learn it as well.
KD3	I share the information I have with colleagues within my department.

Work ethics (WE) is defined as the manifestation of personally held values [31]. Overall, five items were used to measure WE, adopted from previous studies onwork ethics and innovation capability [11]. These items were measured using the five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = slightly agree, 4 = agree, 5 = strongly agree). The items are shown in Table 3.

Table 3

Items for Work Ethics

WE1	Work is not an end in itself but a mean to foster personal growth and social relations
WE2	More leisure time is good for society
WE3	Human relations should be emphasize and encouraged
WE4	Creative work is a source of happiness and accomplishment
WE5	A successful person is the one who meets the deadlines at work

Results

This study aimed to examine if there is a positive relationship between knowledge sharing behavior and work ethics and auditors' innovation capability. Discussed below are the tests conducted for the hypotheses posited in this study.The tests began with measurement model analysis, where the data was tested for its reliability and validity, followed by structural model analysis which provided extensive information on the results of this study. Each test was conducted separately for the Malaysian and Indonesian datasets.

Measurement model analysis

Each variable or construct in both the Malaysian and Indonesian datasets were tested for their reliability and validity. Construct reliability was tested by examining indicator reliability and construct reliability. Indicator reliability is the measurement for each individual item in a construct. It determines the extent to which the indicators are consistent with what they are intended to measure [37]. The value of measurement for indicator reliability is the factor loading value. The threshold value for indicator reliability is 0.40 [38-40]; therefore, indicators or items with factor loadings of less than 0.40 were eliminated from the construct. The internal consistency reliability is determined from the evaluation of composite reliability (CR) of the tested constructs. It measures whether all the indicators of a construct are measuring the same element. The CR values for all the constructs tested in the Malaysian and Indonesian datasets are presented in Table 4 **and** reflect good measurement. The CR values range from 0.819 to 1.000; therefore, all constructs have CR of more than 0.6, indicating that the measures have internal reliability consistency.

Cronbach's Alpha measurement is the measurement predominantly used to measure internal consistency of research data based on inter-correlation of observed indicators. However, studies have found inadequacies in its application [41]. The main issue with Cronbach's Alpha is that it assumes all indicators have equal factor scores loaded to the construct [42], which is inappropriate. Besides, the measurement is also sensitive to the number of items in the construct and leads to underestimation of internal consistency reliability [43]. Therefore, this study opted for the CR measurement to evaluate the internal consistency reliability [44].

Table 4

Measurement model

Construct	Malaysia			Indonesia		
	AVE	CR	Cronbach's Alpha	AVE	CR	Cronbach's Alpha
Auditor's Innovation Capability	0.551	0.859	0.799	0.675	0.800	0.585
Knowledge Collecting	0.531	0.819	0.721	0.607	0.859	0.796
Knowledge Donating	1.000	1.000	1.000	0.669	0.858	0.753
Work Ethic	1.000	1.000	1.000	0.600	0.856	0.783

Convergent validity is used to measure the validity of the constructs. Convergent validity of a construct is measured based on the degree to which the indicators reflect the direct construct in comparison to the measurement of other constructs [37]. Convergent validity is determined by Average Variance Method (AVE). AVE indicates the extent to which a latent construct explains the variance ofits indicators [43]. For a construct to achieve convergent validity, the AVE must be more than 0.50 (AVE ≥ 0.50) [43,45]. From the AVE measurement in Table4, all four constructs measured both in Malaysia and Indonesia datasets, meet the threshold value or minimum cut-off value for AVE, where all AVEs are greater than
0.5 after the process of item deletion [43]. After deletion of indicators from the construct, the AVE value is ≥ 0.50, and thus, is adequate for convergent validity. It is concluded that the constructs meet the reliability and convergent validity requirements at this stage.

Lateral collinearity

Lateral collinearity is an assessment where the causal effects of variables in the framework are evaluated. According to [46], even though discriminant validityhas been established, lateral collinearity might misrepresent the findings of the study by way of masking the strong causal effects in the model. In order to determine the presence of lateral collinearity, collinearity statistics is obtained from PLS and the value of Variance Inflation Factor (VIF) must be lower than 5(VIF < 5.0) [43], to justify the absence of lateral collinearity.

As depicted in Table 5, all the inner VIF values for the independent variables tested with auditors' innovation capability as the dependent variablein both the Malaysian and Indonesian datasets are less than five, which fulfill the lateral collinearity assessment requirement (VIF < 5.0). Therefore, since all variables tested for lateral multicollinearity are less than five, it indicates that lateral collinearity is not a concern in this study [43].

Table 5

Lateral collinearity assessment

Construct	Variance Inflator Factor (VIF) Auditors' Innovation Capability	
	Malaysia	Indonesia
Auditor's Innovation Capability		
Knowledge Collection	1.437	1.180
Knowledge Donation	1.423	1.106
Work Ethic	1.579	1.075

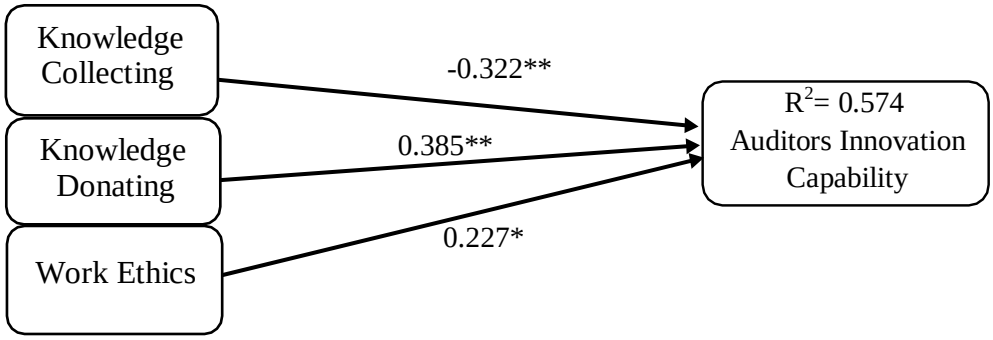
Hypotheses Testing

Following the establishment of an acceptable structural model for this study, data analysis was then carried out to test the hypotheses developed. The hypothesized relationships between the variables and auditors' innovation capability in the structural model were tested to determine the relationship between the constructs and whether the hypotheses developed are supported. By using SmartPLS 3.0, a bootstrapping procedure was conducted to show the significance of estimated path coefficients in both the Malaysian and Indonesian datasets.

The results of PLS estimation for the Malaysian dataset are shown in Figure 1, while for the Indonesian dataset, the results are depicted in Figure 2. Table 6 further explains the results of hypotheses testing for both countries. Based on the assessment of the path coefficient in the Malaysian dataset, it is found that allvariables tested are significantly related; however, knowledge collecting (β=-0.322, p<0.01) is found to have a negative and significant relationship with auditors' innovation capability. Knowledge donating (β=0.385, p<0.01) has a positive and significant influence on auditors' innovation capability. In addition, work ethics(β=0.227, p<0.01) has a significantly positive influence on auditors' innovationcapability. Based on the value of R2 on the auditors' innovation capability, thevariables tested earlier explain 57.4% of the variance in auditors' innovation capabilitywhich is substantial. This is according to [47] that R2 above 0.26 is substantial.

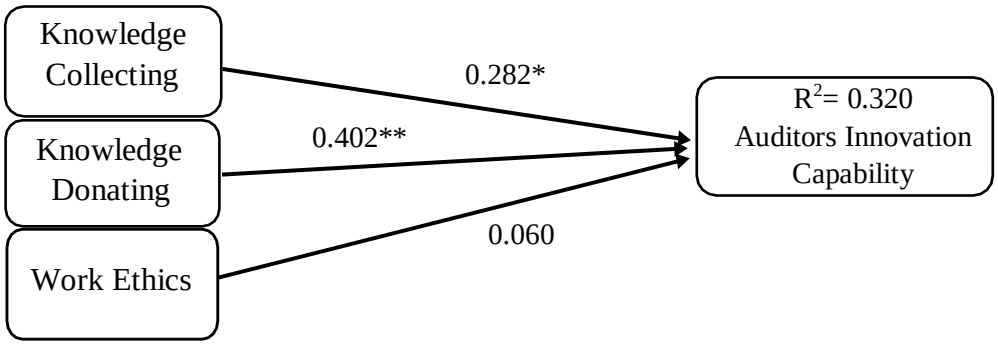
Meanwhile, in the Indonesian dataset, similar and different results were found. Contrary to the Malaysian result, but as predicted in the hypothesis, knowledge collecting (β=0.282, p<0.01) has a positive and significant relationship with auditors' innovation capability. Meanwhile, knowledge donating (β=0.402, p<0.01) has a positively significant influence on auditors' innovation capability, which is consistent with results in the Malaysia dataset. However, work ethics (β=0.060, p>0.01) has an insignificant influence on auditors' innovation capability, revealing that work ethics is not a predictor of Indonesian auditors' innovation capability.

Figure 1 Partial least squares (PLS) analysis result - Malaysia



** Significant at p < 0.1*
*** Significant at p < 0.01*

Figure 2 Partial least squares (PLS) analysis result - Indonesia



** Significant at p < 0.1*
*** Significant at p < 0.01*

Table 6

Standardized path coefficient

Path/ Hypothesis		Malaysia		Indonesia	
		Path coefficient (β)	Hypothesis testing	Path coefficient (β)	Hypothesis testing
Knowledge collecting → Auditors' innovation capability	H1a	-0.332**	Reject	0.282*	Accept
Knowledge donating → Auditors' innovation capability	H1b	0.385**	Accept	0.402**	Accept
Work ethic → Auditors' innovation capability	H2	0.227*	Accept	0.060	Reject

** Significant at p < 0.1*
***Significant at p < 0.01*

Structural model analysis

In addition to the data analysed above, a few other important assessments can be concluded by conducting the structural model analysis. The assessments include confidence interval, effect size, coefficient of determination (f^2), and predictive relevance (Q^2).

The coefficient of determination (R2) values should be equal or greater than 0.10 in order for the variance explained of a particular endogenous construct to be deemed adequate [48] . Since the value of R^2 in Table 7 is higher than 0.10, therefore the effects of the variables tested in this study are acceptable to explain the results.

Table 7

Structural model

Panel A: Malaysia						
	Beta	SD	t-val	f^2	R^2	Q^2
Knowledge Collecting -> Auditors' Innovation Capability	-0.32	0.093	3.223	0.170	0.57	0.294
Knowledge Donating -> Auditors' Innovation Capability	0.38	0.093	3.905	0.244		
Work Ethic -> Auditors' Innovation Capability	0.22	0.095	2.263	0.076		
Panel B: Indonesia						
	Beta	SD	t-val	f^2	R^2	Q^2
Knowledge Collecting -> Auditors' Innovation Capability	0.28	0.159	1.778	0.099	0.32	0.097
Knowledge Donating -> Auditors' Innovation Capability	0.40	0.109	3.692	0.215		
Work Ethic -> Auditors' Innovation Capability	0.06	0.175	0.344	0.006		

Effect size (f^2) is used to determine the size of the effect of a variable towards another variable. As asserted by [49], the assessment of p-value can represent the existence of effect on the variable but not signify the size of the effect. Specifically, it assesses the relative impact of a predictor construct on another construct. Therefore, it is believed that in reporting and interpreting results, both the substantive significance (effect size) and statistical significance (p-value) are essential results to be reported. In order to measure effect size, a guideline [47] is used where the values of 0.02, 0.15 and 0.35 represent small, medium and large effect size, respectively. From Table 7 (Panel A), it can be observed that knowledge donating (0.170) has a medium effect in producing the R^2 for Malaysian auditors' innovation capability. The results also indicate that knowledge collection (0.244) has a medium effect in producing R^2 for auditors' innovation capability, while work ethics (0.076) has small effect on auditors' innovation capability in the Malaysian setting. In Panel B, knowledge donating (0.099) has a small effect in producing the R^2 for Indonesian auditors' innovation capability. The results also indicate that knowledge collection (0.215) has a small effect in producing R^2 for auditors' innovation capability, while work ethics (0.006) has no effect on auditors' innovation capability in the Indonesian setting.

Additionally, the constructs or variables in the study were tested fortheir predictive relevance. The predictive relevance of a model is examinedby using the blindfolding procedure. The blindfolding procedure evaluates every data point of the indicators in the reflecting measurement model of the tested construct. If the Q^2 value is larger than 0, the model has predictive relevancefor a certain endogenous construct [43]. Q^2 value for auditors' innovation capabilityis more than 0 at 0.294 for Malaysia and 0.097 for Indonesia, indicating that the model has sufficient predictive relevance. Furthermore, as a relative measure of predictive relevance, the value of 0.02, 0.15 and 0.35 indicate that an exogenous construct has small, medium, or large predictive relevance, respectively, for a certain endogenous construct; thus, this model has substantial predictive relevance [43].

DISCUSSION

The objective of this study is to examine if there is a positive impact of knowledge sharing behavior and work ethics on auditors' innovation capability. The results from both countries reveal both consistent and different impacts of the variables under study on auditors' innovation capability. On the one hand, knowledge sharing behavior, which is measured by knowledge donating, has a positive impacton auditors' innovation capability in both countries. This finding supports the RBV theory, which posits that firms that successfully manage their internal resources and capabilities, will receive more benefits in terms of development, survival, maintaining effectiveness and achieving success [10]. With regards to this study, the behavior of donating information among colleagues has encouraged the auditors to try out different methods to conduct their audit, thus leading to higher quality of audit, which also serves the purpose of providing quality financial information for the users of the financial statement. The findings are also consistent with past studies on the relationship between knowledge donating and innovation capabilities [12,14,15].

On the other hand, different results were observed when knowledge sharing behavior was measured by knowledge collecting. In Indonesia, knowledge collecting positively impacts auditors' innovation capability, which is consistent with the RBV theory [10] and results in past studies [12-15]. In the Malaysian setting however, a negative association is found between knowledge collecting and auditors' innovation capability. This may be because audit firms have been using technology to conduct their audit work. A past study has suggested that in audit work, the use of information

and communications technology (ICT) has decreased the behavior of knowledge collecting among employees toward producing organizational creativity [50]. The study explains that when the ICT infrastructure is heavily used for exchanging information within an organization, the flow of more codified knowledge will be stimulated, while the less formal or simple method of sharing information, such as through knowledge collecting, is inhibited, [50]. With regards to the current study, it is believed that Malaysian audit firms are actively incorporating ICT to support their audit workflow. The active use of technology has deterred the auditors from sharing information through knowledge collecting, as the technology itself enables the flow of information to the auditors.

With regards to work ethics, the variable shows a positive relationship with Malaysian auditors' innovation capability; however, there is no impact on the innovation capability of Indonesian auditors. The finding in the Malaysian setting supports the argument of the RBV theory, where firms will benefit in terms of performance when their internal resources are being taken care of [10]. The findings also support past studies on the positive relationship between work ethics and innovation capability [11,22,23]. Meanwhile, in the Indonesian setting, the result suggests that work ethics is not a predictorof Indonesian auditors' innovation capability (See Table 8 for the comparative hypotheses results).

Table 8

Comparative hypotheses results

Hypotheses		Malaysia	Indonesia
There is a positive relationship between knowledge collecting and auditors' innovation capability	H1a	Reject	Accept
There is a positive relationship between knowledge donating and auditors' innovation capability.	H1b	Accept	Accept
There is a positive relationship between work ethic and auditors' innovation capability.	H2	Accept	Reject

CONCLUSION

The aim of this study is to determine if there is a positive impact of knowledge sharing behavior and work ethics on auditors' innovation capability in Malaysia and Indonesia. The findings of this study reveal that knowledge sharing behavior, measured by knowledge donating, has a positive impact on auditors' innovation capability in both countries. Meanwhile, another proxy for knowledge sharing, whichis knowledge collecting, shows a positive association with Indonesian auditors' innovation capability, but is negatively related to the Malaysian counterparts. The positive relationships thus justify the RBV theory which posits that firms that successfully manage their internal resources and capabilities, receive more benefitsin terms of development, survival, maintaining effectiveness and achieving success [10]. For the negative association, it may be justified by the effects of using technology to conduct the audit, thus stimulating the flow of more codified knowledge, while deterring the less formal or simple method of sharing information, such as by using knowledge colleting [50]. Additionally, work ethics positively influences Malaysian auditors' innovation capability, while no significant impact is found on Indonesian auditors.

LIMITATION

The study is not without limitations. First, only two variables were tested topredict the auditors' innovation capability. Further studies might want to add other elements, such as ICT usage, collaboration between auditors and value creation. Furthermore, this study only focuses on audit firms within a relatively small scope, where the Malaysian data was only captured from audit firms in the northern region of Malaysia, while the Indonesian data was restricted to the Bandung province. Future studies might want to cover a larger geographic area,from the perspective of location and size of the audit firm. Future studies might also want to conduct full interviews with auditors who would be willing to participate and represent the overall views of innovation capability practices. This method may provide better qualitative data on innovation capability of auditors.

ACKNOWLEDGEMENT

We would like to thank Universiti Utara Malaysia (UUM) and Universitas Islam Bandung (UNISBA) for supporting this study in term of funding and other research materials (Matching Grant; SO Code 14494)

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