



Business Ethics Violations In State-Owned Enterprises: Integrating Fraud Triangle And Stakeholder Theory

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Abstract: Business Ethics Violations in State-Owned Enterprises: Integrating Fraud Triangle and Stakeholder Theory

Purpose: this study analyses the factors causing and the impacts of business ethics violations at state-owned business.

Method: a qualitative descriptive case study was conducted using secondary data from audit reports, court decisions, and media coverage.

Results: findings show that pressure, opportunity, and rationalisation drive ethical violations, causing state losses and corporate reputational damage.

Novelty: integrating the fraud triangle theory and stakeholder theory offers a new lens for understanding misconduct in state-owned enterprises.

Contribution: the study supports stronger ethical governance and accountability mechanisms to prevent future ethical violations in Indonesia's state-owned business sector.

Kata kunci:

BUMN;
Etika Bisnis;
Tata Kelola Perusahaan;
Studi Kasus;
Pelanggaran Etika.

Abstrak: Pelanggaran Etika Bisnis Dalam BumN: Integrasi Fraud Triangle Dan Stakeholder Theory

Tujuan: penelitian ini bertujuan menganalisis faktor penyebab dan dampak pelanggaran etika bisnis pada perusahaan milik negara.

Metode: penelitian menggunakan studi kasus deskriptif kualitatif dengan data sekunder berupa laporan audit, putusan pengadilan, dan pemberitaan media.

Hasil: hasil menunjukkan tekanan, peluang, dan rasionalisasi menjadi pemicu utama pelanggaran etika yang menyebabkan tekanan, peluang, dan rasionalisasi menjadi pemicu utama pelanggaran etika yang menyebabkan kerugian negara dan menurunkan reputasi perusahaan.

Kebaruan: integrasi fraud triangle theory dan stakeholder theory juga memberikan perspektif baru dalam memahami pelanggaran etika pada BUMN.

Kontribusi: penelitian ini berkontribusi dalam memperkuat tata kelola etika dan akuntabilitas di BUMN untuk mencegah pelanggaran di masa depan.



1. Introduction

Ethical violations in large corporations,

particularly State-Owned Enterprises (SOEs) such as PT Waskita Karya (Persero) Tbk,

henceforth referred to as PT. Wika, have become a highly relevant issue given their impacts not only on the company itself but also on other stakeholders, including the state and society at large. This phenomenon is clearly illustrated in the case of fictitious infrastructure projects involving PT. Wika during the 2009–2015 period, which resulted in state losses amounting to IDR 202 billion. In this case, the abuse of authority by company officials to appoint fictitious subcontractors and manipulate contracts had the potential to undermine the integrity and accountability of the company as an SOE [1].

Such business ethics violations demonstrate the critical importance of implementing ethical principles in every organizational decision-making process. This violation is particularly found within entities that manage public resources and bear high social responsibility. Business ethics functions not only as a normative guideline but also as a behavioral control mechanism to safeguard organizational integrity, accountability, and public trust. Transparency and trust constitute fundamental pillars within professions and organizations, as they determine the legitimacy and long-term sustainability of business activities [2]. When these principles are neglected, the risk of behavioral deviations increases and may lead to systemic impacts that extend beyond the boundaries of the organization itself.

In the context of PT Wika, business ethics violations have not only legal implications but also significant economic, reputational, and institutional consequences. The occurrence of fictitious projects and administrative manipulation reflects weak internalization of ethical values within the corporate governance system, whereby managerial decisions are driven more by pressure to achieve targets than by compliance with public accountability principles. This condition reinforces the view that ethical violations in SOEs are often structural in nature and influenced by institutional pressures, rather than merely

resulting from individual moral failings. Therefore, analyzing the causes of ethical violations is essential to understanding the root problems that enable deviant practices to recur.

This study aims to analyze the factors underlying business ethics violations at PT. Wika and their impacts on state finances, corporate reputation, and the sustainability of Indonesia's construction industry. By comprehensively examining this case, the study is expected to provide empirical and conceptual contributions to strengthening the implementation of business ethics within the SOE sector. This objective is consistent with the findings of Andriyana and Trisnaningsih, who emphasize the importance of ethical and integrity-based governance in the SOE environment [3]. The results of this study are expected to serve as a foundation for formulating more effective recommendations to build integrity-driven governance, strengthen public trust, and promote responsible and sustainable business practices within state-owned enterprises.

Based on prior studies, most existing research still focuses on the application of professional ethical principles without deeply examining the underlying causes of ethical violations within organizations [4-5]. Previous research has also predominantly emphasized individual morality and professionalism [6-7], while structural and systemic dimensions, as well as their linkage to Fraud Triangle Theory, have not been extensively explored explicitly [8-9].

Moreover, studies on public organizations tend to be normative in nature and have not sufficiently examined the impact of ethical violations on stakeholders [10-11]. Existing research also remains largely confined to the financial services sector and the accounting profession, whereas qualitative studies examining business ethics violations within Indonesian SOEs in the construction sector are still relatively scarce [12-14]. Therefore, this study seeks to address this gap by comprehensively analyzing the causes and

impacts of business ethics violations at PT Wika through the integration of Fraud Triangle Theory and Stakeholder Theory.

The novelty of this study lies in its approach, analytical focus, and methodology. This research integrates Fraud Triangle Theory, which explains the motives and opportunities underlying ethical violations [15], with Stakeholder Theory, which emphasizes the impact of ethical violations on stakeholders [16], in the context of PT Wika, a case that has rarely been examined in depth. This integrative approach provides new insights into how pressure, opportunity, and rationalisation can trigger ethical violations, as well as how such violations affect stakeholder trust and interests.

Several qualitative and case-based studies confirm the continued relevance of Fraud Triangle Theory and Stakeholder Theory in explaining unethical and fraudulent organizational behavior. Prior research shows that pressure, opportunity, and rationalisation consistently underlie accounting fraud in Indonesia and are closely intertwined with cultural and ethical factors [17-18], while forensic analysis of the Jiwasraya case highlights the dynamic interaction of these elements in complex financial fraud schemes [19]. Complementary studies grounded in Stakeholder Theory further demonstrate that organizational accountability, stakeholder engagement, and perceived audit quality play a critical role in shaping CSR sustainability and stakeholder trust, positioning CSR as both a normative and strategic governance mechanism [20-22].

Furthermore, the use of a descriptive qualitative case study method based on secondary data, such as audit reports, media coverage, and public documents, offers an objective analytical approach without direct involvement of research subjects. Accordingly, this study contributes novel insights to the business ethics literature in the SOE sector, particularly in relation to transparency, accountability, and corporate social responsibility.

The analytical framework of this study integrates Fraud Triangle Theory [23] and Stakeholder Theory [16] to examine business ethics violations at PT Wika. Fraud Triangle Theory is employed to identify causal factors through pressure, opportunity, and rationalisation that trigger unethical behavior. Subsequently, Stakeholder Theory is used to assess the impacts of ethical violations on the government, investors, employees, and society. Through this framework, the study develops a comprehensive understanding of the relationship between internal causes of ethical violations and their consequences for stakeholders within the context of a construction SOE.

Based on the above background, this study aims to analyze the causes and impacts of business ethics violations at PT Wika using a qualitative case study approach based on secondary documents. The analysis integrates two theoretical frameworks: Fraud Triangle Theory to explain causal factors and Stakeholder Theory to assess impacts on stakeholders. This article is structured as follows: the first section presents the background, state of the art, research gap, research novelty, research objectives, and article structure; the second section explains the research methodology; the third section presents the results and discussion; and the final section provides conclusions along with theoretical and practical implications of the research findings.

2. Method

This study employs a descriptive qualitative approach with a single-case study design focusing on PT Wika to obtain a contextual understanding of the causes and impacts of business ethics violations within a State-Owned Enterprise (SOE). The research focuses on fictitious project practices that occurred during the 2009-2015 period, while also considering subsequent developments and legal and governance implications revealed between 2016 and 2024. The case study approach is selected because it enables in-depth analysis of complex phenomena

involving performance pressures, public governance, and business ethics dimensions [24].

The research data are derived from secondary sources obtained through a documentation study of credible public and legal documents, including Supreme Court rulings, audit reports issued by the Audit Board of Indonesia (Badan Pemeriksa Keuangan, henceforth is referred to as BPK) and the Financial and Development Supervisory Agency (Badan Pengawasan Keuangan dan Pembangunan, henceforth is referred to as BPKP), corporate audit reports and documents, as well as coverage from national media outlets such as Kompas, CNBC Indonesia, and Bisnis Indonesia during the 2016-2024 period. Data collection was conducted systematically through stages of identification, relevance-based selection, source verification, and recording of key information to ensure data reliability and consistency [25]. The credibility of the findings was strengthened through source triangulation by cross-checking information across multiple documents.

Data analysis was carried out using a descriptive-analytical approach by organizing the data chronologically and categorizing the findings based on the elements of Fraud Triangle Theory—pressure, opportunity, and rationalisation [20], while mapping their impacts on stakeholders using Stakeholder Theory [16]. The analytical process followed the stages of data reduction, narrative data display, and conclusion drawing as proposed by Miles [26]. This approach enables a systematic theoretical interpretation of business ethics violations as structural and institutional phenomena, although the study is limited by its reliance on secondary data without direct interviews with internal actors.

To provide a systematic overview of the analytical process employed in this study, a conceptual framework is required that integrates the research object, theoretical approaches, and analytical focus. This research framework is designed to illustrate how the case of business ethics violations at

PT Wika is analyzed in a sequential manner, starting from the reconstruction of the case chronology to the mapping of its impacts on stakeholders. The research framework applied in this study is presented in Figure 1.

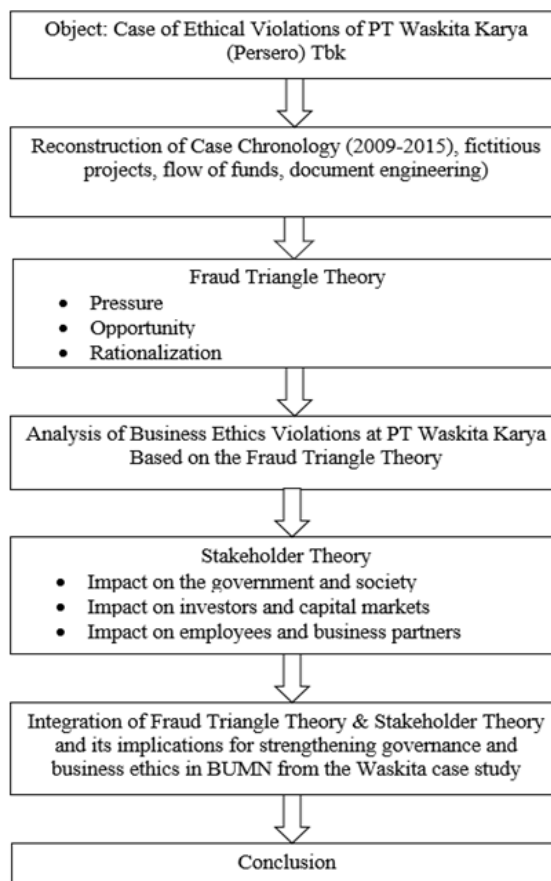


Figure 1. Research Framework

3. Results and Discussion

The case of business ethics violations at PT Wika originated during the 2009-2015 period, coinciding with the implementation of various large-scale infrastructure projects aimed at supporting the national accelerated development program [1]. Within this context, the company faced significant pressure to rapidly execute projects and meet predetermined performance targets.

However, during the implementation process, several internal company officials were found to have committed irregularities by appointing fictitious subcontractors and preparing project progress documents that did not reflect the actual condition of the work. These practices were carried out to

obtain project fund disbursements despite the fact that the physical work had not yet been performed or, in some cases, had never been executed at all.

Funds disbursed through this mechanism were subsequently transferred to personal accounts or parties not entitled to receive such payments. To avoid detection, administrative transaction trails were obscured through the preparation of internal project reports that appeared to indicate progress in accordance with the project plan. This pattern of administrative manipulation reveals serious weaknesses in the company's monitoring and internal control systems, particularly in the verification of physical project progress and the evaluation of payment eligibility for subcontractors.

Based on investigations conducted by the BPK and the Corruption Eradication Commission (Komisi Pemberantasan Korupsi, henceforth referred to as KPK), a total of 41 fictitious contracts were identified, resulting in state losses amounting to approximately IDR 202 billion [27,28]. The existence of a large number of fictitious contracts suggests that the irregularities were not isolated incidents but rather occurred repeatedly over a prolonged period.

From an analytical perspective, the persistence of these practices indicates weaknesses in the project governance and internal monitoring mechanisms within the organization. The ability of fictitious subcontracting arrangements to pass through administrative procedures implies that verification processes relied heavily on documentary approval rather than independent physical confirmation of project implementation. Under such conditions, manipulated progress reports could function as a formal basis for fund disbursement even when the underlying work had not actually been carried out.

Furthermore, the recurrence of similar practices across multiple contracts suggests the presence of structural conditions that enabled these violations to continue without early detection. Weak internal oversight,

reliance on hierarchical approval mechanisms, and an organizational culture strongly oriented toward achieving project completion targets likely reduced the effectiveness of internal control procedures. As a result, administrative compliance may have been prioritized over substantive verification of project activities, creating opportunities for unethical practices to occur repeatedly.

Based on analysis using Fraud Triangle Theory proposed by Cressey [20], business ethics violations at PT Waskita Karya (Persero) Tbk can be explained through three core elements: pressure, opportunity, and rationalization. These elements do not operate independently but interact to form systemic conditions that enabled fraudulent practices in fictitious projects during the 2009-2015 period. This approach helps explain why ethical violations could persist within a large organization holding a strategic role as a State-Owned Enterprise (SOE).

From the perspective of pressure, the fictitious subcontracting case at PT Waskita Karya can also be understood in relation to the company's rapidly expanding operational scale during the period in which the violations occurred. Financial data indicate that the company experienced significant growth in construction revenue, increasing from approximately IDR 5.85 trillion in 2010 to IDR 14.15 trillion in 2015, and further to IDR 23.78 trillion in 2016 [29]. Such rapid expansion implies that the company was managing a substantially increasing number of infrastructure projects within a relatively short period of time.

This expansion occurred concurrently with the Indonesian government's large-scale infrastructure development agenda, in which state-owned construction companies were assigned a central role in delivering national strategic projects such as toll roads and transportation infrastructure. During this period Waskita Karya was also involved in numerous national strategic infrastructure projects including several sections of the

Trans-Java and Trans-Sumatra toll road developments [30]. As a result, Waskita Karya faced significant institutional pressure not only to maintain financial performance growth but also to ensure the timely completion of projects that were politically and economically important.

Under these circumstances, the organizational environment was characterized by increasing pressure to deliver projects within strict deadlines, maintain financial performance growth, and preserve the company's reputation as a leading infrastructure contractor in Indonesia.

Within the framework of Fraud Triangle Theory, such circumstances can create financial and performance pressures that increase the likelihood of unethical decision-making, especially when organizational systems prioritize rapid project completion over strict compliance with governance procedures. Consistent with the findings of Schuchter and Levi [31] and Maulidi [32], excessive performance pressure may shift organizational orientation from integrity and compliance toward the achievement of quantitative targets, thereby increasing the risk of ethical deviations.

The opportunity element emerged as a consequence of weaknesses in the company's internal control system and ineffective project oversight mechanisms. During court proceedings, KPK prosecutors revealed that payments were made to 41 fictitious subcontractors without adequate physical verification of project work, allowing nonexistent projects to receive payment [28]. The Supreme Court ruling further emphasized that the absence of effective verification procedures enabled project officials to appoint fictitious subcontractors, resulting in state losses of approximately IDR 202.3 billion.

Beyond the judicial findings, secondary evidence also indicates structural weaknesses in internal monitoring and governance mechanisms. Investigative audit findings reported by the Financial and Development Supervisory Agency (BPKP) revealed

weaknesses in internal control related to subcontractor management within state-owned construction companies, including PT Waskita Karya, where employees were found to have dual roles associated with subcontracting activities [33]. These findings indicate structural weaknesses in monitoring mechanisms, which may increase the risk of conflicts of interest within project implementation processes.

Academic studies on corporate governance in PT Waskita Karya similarly highlight that ineffective internal oversight and weaknesses in governance implementation may create opportunities for corruption and financial manipulation within the organization [34]. These findings support the argument that deficiencies in monitoring structures and internal control systems can generate fraud opportunities within complex infrastructure project environments.

A closer examination of the case also suggests that the fraud scheme was facilitated by several weaknesses in the project control structure. First, the verification of project progress appears to have relied heavily on administrative documentation rather than independent physical inspections at the project site. Under such circumstances, manipulated progress reports could formally satisfy administrative requirements even when the underlying work had not been performed.

Second, the repeated approval of payments to dozens of fictitious subcontractors indicates deficiencies in the segregation of duties within the project management structure. In an effective internal control system, the functions of project execution, progress verification, and payment authorization should be separated among different parties to prevent manipulation. However, the ability of 41 fictitious subcontractors to pass through verification and payment procedures suggests that these control layers either did not operate independently or were inadequately enforced.

Third, the recurrence of similar practices across multiple contracts indicates

that internal monitoring mechanisms failed to detect irregularities at an early stage. Routine internal checks may have focused primarily on administrative completeness rather than substantive verification of project activities. As a result, fictitious subcontracting arrangements were able to repeatedly pass through the organization's control system without triggering significant internal warnings.

Taken together, these conditions illustrate how weaknesses in verification procedures, ineffective segregation of duties, and insufficient monitoring mechanisms created structural opportunities for fraud within the organization. Consistent with the arguments of Tickner and Button [35] and Lokanan [36], deficiencies in internal control systems and public accountability structures significantly increase the likelihood of ethical violations within complex organizational environments.

Meanwhile, the element of rationalization can be observed not merely at the individual level but as a form of collective rationalization within the organizational context. Investigations conducted by KPK revealed that funds obtained from the 41 fictitious subcontracting schemes were used to finance various internal operational expenditures outside the company's formal budgeting mechanisms [28]. Rather than being used solely for personal enrichment, part of these funds was reportedly redirected to sustain project operations and maintain cash flow continuity.

This pattern indicates that the use of fictitious subcontracting arrangements was not limited to individual misconduct but was connected to broader operational practices within the organization. The use of illicit funds to support operational activities indicates that such practices may have been implicitly perceived as a pragmatic solution to address financial and operational pressures within ongoing infrastructure projects. In this context, the misconduct was not framed internally as purely fraudulent behavior but

as a mechanism to ensure project continuity when formal administrative and financial procedures were perceived as insufficient to meet operational demands.

From an analytical perspective, the repeated use of fictitious subcontracting arrangements to finance operational needs reflects a process of systemic normalization of deviance [37]. The fact that these practices could occur across multiple projects over several years suggests that they were not treated as exceptional violations but gradually became embedded in routine administrative practices within the project management system. Such conditions illustrate how organizational environments can facilitate collective rationalization, where unethical practices are tolerated or implicitly justified as long as they are perceived to support the achievement of organizational objectives.

This interpretation aligns with the arguments of Lokanan [36] and Morales et al. [38] who emphasize that rationalization in fraud contexts often operates at the organizational level, where shared norms and internal justifications transform unethical actions into seemingly acceptable practices. In such environments, deviations from formal procedures are gradually normalized, allowing individuals and organizational units to collectively justify actions that would otherwise be considered unethical.

To provide a structured overview of how the Fraud Triangle elements manifested in the Waskita Karya case, Table 1 presents the analytical definition of each element based on documentary evidence and theoretical interpretation.

Table 1 demonstrates that the ethical violations at PT Waskita Karya were not driven by isolated individual actions but by structural and institutional conditions within the organization. Collectively, the three elements of the Fraud Triangle indicate that ethical violations at Waskita Karya were structural rather than individual in nature.

Table 1. Analytical Definition of Fraud Triangle Elements

Variable	Analytical Description
Pressure	Financial and institutional pressures experienced by PT Waskita Karya during the rapid expansion of national infrastructure projects, reflected in significant revenue growth and increasing involvement in large-scale strategic projects. These conditions created strong demands to meet construction deadlines, maintain financial performance, and uphold the company's reputation as a key state-owned infrastructure contractor, thereby increasing the likelihood that managerial decisions prioritized project completion and performance targets over strict adherence to governance and ethical standards.
Opportunity	Structural weaknesses in internal control systems, including reliance on administrative documentation rather than independent physical verification of project progress, ineffective segregation of duties, and inadequate internal monitoring mechanisms. These deficiencies allowed fictitious subcontractors to pass through verification and payment procedures, creating systemic opportunities for fraudulent practices to occur repeatedly within the project management structure.
Rationalization	Collective organizational justification that framed the use of funds from fictitious subcontracting schemes as a pragmatic solution to sustain operational activities and maintain project cash flow. Over time, repeated deviations from formal procedures became normalized within the organizational environment, reflecting a process of collective rationalization and normalization of deviance in which unethical practices were implicitly tolerated as long as they supported project continuity and organizational objectives.

Organizational pressure, weak oversight, and moral justification formed an ecosystem that enabled recurring fraud. Moreover, the complex, hierarchical structure of SOEs combined with intense performance pressure, created conditions in which decision-making prioritized short-term target achievement over adherence to principles of public accountability and integrity. This condition underscores the importance of strengthening internal control systems, corporate ethical values, and transparent accountability mechanisms to prevent the recurrence of business ethics violations.

As an SOE fulfilling dual roles as both a business entity and an agent of national development, PT Waskita Karya faces greater institutional pressure than private companies. Such pressure stems not only from financial targets but also from political demands and public expectations regarding accelerated infrastructure development. Under these circumstances, internal control mechanisms and project oversight become vulnerable to compromise in order to maintain project continuity and corporate image. This phenomenon aligns with the perspective of Van Helden et al. [9], who argue that information manipulation in public organizations often arises from conflicts

between performance demands and accountability obligations.

Furthermore, weak separation between oversight and project execution functions increases the risk of ethical deviations. When physical project verification is not conducted independently, opportunities to manipulate progress reports and appoint fictitious subcontractors expand significantly. This condition demonstrates that ethical failure is not merely an issue of individual morality but rather a consequence of governance designs that fail to constrain managerial opportunism, as emphasized by Tickner and Button [35] and Lokanan [36].

Accordingly, business ethics violations in the PT Waskita Karya case reflect a form of structural governance failure. Without comprehensive reforms to internal control systems, accountability mechanisms, and the quality of ethical leadership, the risk of similar violations will persist in the long term. Replacing individual perpetrators or imposing legal sanctions alone is insufficient to break the cycle of ethical violations if the underlying governance structures and organizational culture remain unchanged.

Within the framework of Stakeholder Theory, business ethics violations at PT Waskita Karya (Persero) Tbk demonstrate a transfer of risk and value loss from internal

corporate actors to external stakeholders. The fictitious project scandal, resulting in state losses of approximately IDR 202 billion, reflects the company's failure to balance the interests of multiple stakeholders, including the government, the public, investors, and employees. This condition indicates that unethical behavior not only violates legal and regulatory provisions but also undermines the social contract between state-owned enterprises and their stakeholders, which serves as the foundation of organizational legitimacy in fulfilling both business and public roles.

For the state and society, the most significant impact is the loss of public service value due to the allocation of infrastructure budgets to projects that were never realized in practice. The Financial and Development Supervisory Agency (BPKP) assessed that the IDR 202 billion state loss occurred because there were no completed works that could be utilized by the public. Consequently, public funds intended to enhance infrastructure quality and social welfare were instead absorbed by corruption and administrative manipulation.

This loss reflects the failure of professional values, weak control systems, and the absence of ethical leadership within the organization, as discussed by Dunn and Sainy [12]. High organizational pressure and permissive internal behavioral norms further exacerbated the situation [11], positioning the broader public as the most disadvantaged stakeholder group affected by corporate misconduct.

From the perspective of investors and capital markets, the disclosure of the fictitious project case and prolonged legal proceedings increased uncertainty and damaged perceptions of PT Waskita Karya's governance quality. CNBC Indonesia reported that WSKT's share price declined by nearly 5% in response to negative sentiment related to corruption allegations and deteriorating governance risk [39].

Additionally, the Indonesia Stock Exchange issued special notations and

warnings regarding potential delisting, signaling increased issuer risk and declining market confidence [40]. These market reactions demonstrate that ethical violations carry tangible economic implications and directly affect firm value.

Such legal events may lead to a governance discount and higher cost of capital, as investors demand greater risk premiums from firms perceived to have poor governance quality. In this context, transparency and event-driven disclosure play a crucial role in reducing information asymmetry and restoring investor confidence. Payne et al. [41] and Rachmawati et al. [42] emphasize that credible and consistent disclosure regarding risks and governance reforms can help mitigate the negative market impacts of ethical violations.

For employees and business partners, the case reflects a weak culture of integrity and ethical behavior control within the company. During legal proceedings related to fictitious projects, KPK prosecutors revealed that the practice of appointing subcontractors without actual work had occurred repeatedly and evolved into a tolerated pattern [31]. This condition indicates that ethical violations had become embedded in daily organizational practices rather than being viewed as isolated incidents.

This phenomenon can be explained through the concept of normalization of deviance, wherein violations are perceived as normal and acceptable as long as they satisfy performance targets and organizational pressures. Over time, such normalization threatens professional integrity and fosters a work environment tolerant of manipulation and dishonesty.

Therefore, these findings underscore the importance of applying a virtue ethics approach, including the provision of anonymous reporting systems (whistleblowing systems), ethics dilemma-based training, and performance evaluations that integrate integrity and professional responsibility values [5]. Conversely, compliant suppliers and subcontractors are

also disadvantaged by competitive distortions caused by fictitious practices, undermining a fair and healthy business environment.

From the perspective of Stakeholder Theory, business ethics violations at PT Waskita Karya (Persero) Tbk have resulted in significant negative impacts on various stakeholder groups, extending beyond the organization itself. To clarify the distribution of impacts arising from ethical violations, Table 2 summarizes the consequences experienced by key stakeholder groups in the Waskita Karya case.

Table 2 highlights that the consequences of ethical violations at PT Waskita Karya extended across multiple stakeholder groups, with the government and public bearing the most substantial losses due to misuse of public funds. Investor confidence deteriorated as governance risks increased, while employees and business partners experienced the erosion of ethical standards and fair competition. These findings emphasize that ethical failures in state-owned enterprises generate systemic stakeholder impacts rather than isolated organizational consequences.

The integration of Fraud Triangle Theory and Stakeholder Theory in this study provides a more comprehensive understanding of business ethics violations within SOEs. Fraud Triangle Theory explains how pressure, opportunity, and rationalization create internal conditions that enable fraud, while Stakeholder Theory highlights how the impacts of such violations are distributed among external stakeholders.

In the context of PT Waskita Karya, each element of the Fraud Triangle generated consequences that extended beyond the internal organizational environment. The pressure to maintain rapid infrastructure delivery and financial performance created incentives for managerial decisions that prioritized project continuity over strict compliance with governance procedures. Such pressure not only increased the likelihood of unethical practices but also exposed the state and taxpayers to financial

losses when fictitious subcontracting schemes resulted in significant state losses.

The opportunity element, which emerged from weaknesses in internal control systems and ineffective monitoring of subcontracting activities, further illustrates how internal governance failures can affect external stakeholders. When such control deficiencies become publicly revealed through legal investigations, investor confidence and market perceptions of corporate governance risk may deteriorate, ultimately affecting shareholders and business partners.

Meanwhile, the element of collective rationalization further illustrates how internal ethical deviations may produce broader social consequences. When unethical practices become normalized within an organization as a pragmatic response to operational pressures, a permissive organizational mindset may gradually emerge. Such normalization not only facilitates the persistence of unethical behavior internally but also erodes the legitimacy of the organization in the eyes of society and other stakeholders. In the context of state-owned enterprises, this erosion of legitimacy is particularly significant because public trust constitutes a fundamental basis for the social contract between SOEs and the communities they serve.

Stakeholder Theory also strengthens the Fraud Triangle analysis by emphasizing that ethical failure constitutes not only a legal violation but also a breach of the social contract between SOEs and society. When state-owned enterprises fail to uphold integrity and transparency, public legitimacy for their role as development agents erodes. Consistent with Freeman and McVea [16], organizational sustainability depends on the ability to balance the interests of all stakeholders, not merely the achievement of internal targets.

By integrating these two theories, this study demonstrates that preventing ethical violations in SOEs cannot rely solely on strengthening internal controls. A more

holistic approach is required, encompassing the reconstruction of organizational ethical values, reinforcement of public accountability, and reconfiguration of relationships between SOEs and their stakeholders. This integrative perspective constitutes the primary contribution of the study to the literature on business ethics and corporate governance in the public sector.

To synthesize the findings from the Fraud Triangle and Stakeholder Theory analyses, Table 3 presents an integrated framework that illustrates how internal ethical conditions translate into broader stakeholder impacts in state-owned enterprises.

Table 3 demonstrates that combining Fraud Triangle Theory and Stakeholder Theory allows ethical violations in state-owned enterprises to be interpreted as a multi-layered phenomenon. The Fraud Triangle framework explains the internal organizational dynamics that facilitate unethical conduct, whereas Stakeholder Theory situates these dynamics within a broader context of public responsibility and legitimacy. This integrated approach highlights that effective ethical governance in SOEs requires simultaneous attention to internal governance mechanisms and the protection of stakeholder trust.

The findings of this study have important implications for strengthening governance and business ethics in Indonesian construction SOEs. The PT Waskita Karya case illustrates that ethical violations are driven not only by individual weaknesses but also by institutional pressures and governance designs that are not fully aligned with public accountability principles. Therefore, SOE governance reform must be undertaken comprehensively by positioning ethics as a core element of organizational control systems.

First, from a project governance perspective, internal control mechanisms oriented toward physical progress verification and clear separation of planning, execution, and oversight functions must be

strengthened. Internal audit systems should move beyond administrative compliance toward risk-based and performance audits capable of detecting deviations at early stages. The implementation of open contracting and the use of information technology in project progress reporting can further enhance transparency and reduce opportunities for report manipulation, as recommended in modern public sector governance practices.

Second, business ethics implications emphasize the need to shift from a purely rules-based ethics approach toward a combination of rules-based and virtue-based ethics. While formal rules and sanctions are necessary to create deterrence, they are insufficient to prevent rationalization of unethical behavior in high-pressure organizations. Accordingly, SOEs must internalize values of integrity, public responsibility, and professionalism through continuous ethics training, ethical dilemma discussions, and ethical leadership exemplification. This approach aligns with the views of West [5] and Ishaque [8], who stress the role of moral virtues in professional decision-making.

Third, from a human resource management perspective, performance evaluation systems in construction SOEs must be reoriented to avoid exclusive emphasis on financial and physical project targets. Integrity-based indicators, ethical compliance, and governance quality should be integrated into appraisal and promotion systems. Without changes to incentive structures, organizational pressure may continue to drive manipulative practices even when formal oversight mechanisms are strengthened. These findings reinforce the argument that organizational culture plays a critical role in shaping ethical behavior [11].

Fourth, implications for stakeholder relations indicate that restoring public and investor trust cannot be achieved solely through legal resolution of ethical violation cases. SOEs must adopt more transparent communication and disclosure strategies,

including disclosure of governance risks and corrective measures undertaken. Event-driven disclosure and credible sustainability reporting can serve as mechanisms to demonstrate long-term commitment to ethical reform and accountability [40-41].

Overall, the implications of this study affirm that preventing business ethics violations in construction SOEs requires a systemic approach that extends beyond strengthening internal controls alone. The integration of governance reform, ethical culture development, integrity-based leadership, and stakeholder relationship management constitutes a fundamental prerequisite for ensuring the sustainability of SOEs as both business entities and accountable public institutions.

By positioning ethics as an integral component of corporate governance rather than merely a formal compliance instrument, SOEs are expected to reduce managerial opportunism and rebuild stakeholder trust. This perspective underscores that the sustainability of public organizations is determined not only by short-term performance achievements but also by their ability to uphold integrity, accountability, and social legitimacy over the long term.

4. Conclusion

This study finds that business ethics violations at PT Waskita Karya (Persero) Tbk were caused by a combination of financial and political pressure, weak internal control systems, and collective rationalization that justified deviant behavior. Based on Fraud Triangle Theory, pressure arose from demands to achieve project performance targets and political pressure, while opportunities emerged due to weak governance structures and ineffective internal oversight. Meanwhile, rationalization functioned as a moral justification mechanism, whereby unethical actions were perceived as tolerable in order to maintain operational continuity and protect the company's image. The impacts of these violations extended to multiple stakeholders,

as explained by Stakeholder Theory, including financial losses to the state, declining investor confidence, and the deterioration of the SOE's reputation as a public institution.

This study contributes theoretically by strengthening the understanding of the relationship between fraud and corporate governance in the public sector, particularly within SOEs characterized by high political and bureaucratic complexity. Practically, the findings emphasize the importance of implementing stricter internal control systems, enhancing financial reporting transparency, and strengthening corporate ethics within state-owned organizations. The novelty of this research lies in its real-case analytical approach that integrates Fraud Triangle Theory and Stakeholder Theory to simultaneously explain both the causes and impacts of business ethics violations.

This study is subject to limitations, as it relies on a single case study and secondary document-based data, limiting the generalizability of the findings across all SOEs. Future research is encouraged to expand the scope of analysis by comparing multiple similar cases or conducting in-depth interviews with internal company actors and auditors. Such approaches may provide more comprehensive insights into fraud prevention mechanisms and the development of ethical cultures within public sector organizations in Indonesia.

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