

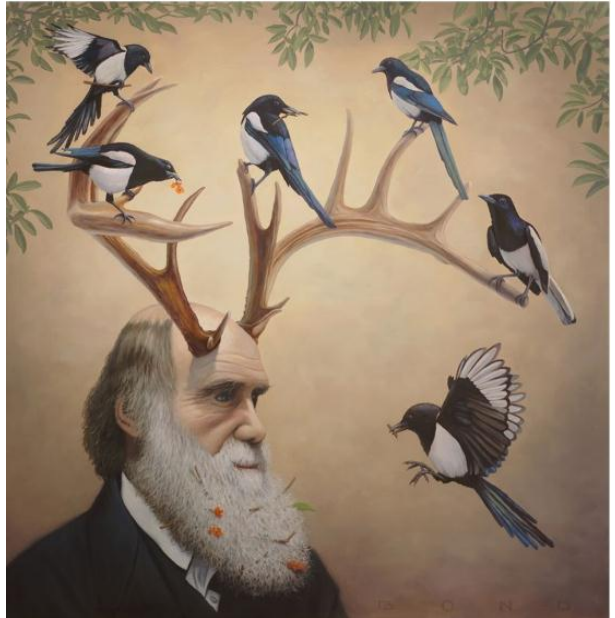
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Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,
Lingüística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

Año 35, 2019, Especial N°

22

Revista de Ciencias Humanas y Sociales
ISSN 1012-1587/ ISSN e: 2477-9385
Depósito Legal pp 198402ZU45



Universidad del Zulia
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Departamento de Ciencias Humanas
Maracaibo - Venezuela

Whistleblowing judgment as mediator to the influence of whistleblowing intention in universities

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Abstract

Based on the Theory of Reasoned Action as its underlying theory, the present study attempts to investigate the role of whistleblowing judgment as a mediating factor to the influence of whistleblowing intentions among the tested factors. Findings from the study showed that whistleblowing judgment only has a mediating effect towards relativism and idealism in influencing whistleblowing intention. In conclusion, ethics training can aid individuals to make ethical choices when met with ethical dilemmas.

Keywords: Fraud, Public, Universities, Judgment.

Sentencia de denuncia de irregularidades como mediadora de la influencia de la intención de denuncia de irregularidades en las universidades

Resumen

Basado en la Teoría de la Acción Razonada como su teoría subyacente, el presente estudio intenta investigar el papel del juicio de denuncias de irregularidades como un factor mediador de la influencia de las intenciones de denuncias entre los factores probados. Los hallazgos del estudio mostraron que el juicio de denuncias de irregularidades solo tiene un efecto mediador hacia el relativismo y el idealismo para influir en la intención de las denuncias de irregularidades. En conclusión, la capacitación en ética puede ayudar a las personas a tomar decisiones éticas cuando se encuentran con dilemas éticos.

Palabras clave: Fraude, Público, Universidades, Juicio.

1. INTRODUCTION

Educational institutions' utmost asset is obviously their organizational and academic reputations. However, their reputation is jeopardized as they face with public scandals involving fraud, which effects alumni relations, donation and student enrolment. In the U.S., it was found that fraud scandals concerning presidential expenditure at American University were repeatedly related to the ill use of athletic research, or university funds. As part of the dissolution result of the American University, its board of trustees asked its former president to compensate the institute with \$125,000 for private outlays, in addition, to permit the audit committee to disclose \$398,000 in unreported taxable income.

This actual fraud case exemplifies the sensitivity of its occurrence, regardless of the size of its immediate financial impact on a university. More frequently, the damage caused to an institution's reputation is much worse as compared to a company's reputation. Eventually, the discovery of fraud cases in universities may lead to significant financial repercussions on revenues from reduced student enrolments and donor contributions. Through a KPMG survey, 25% of fraud cases were discovered from an anonymous letter, hence highlighting the importance of whistleblowing.

The perception of whistleblowing has slowly begun to evolve and is now seen as an accountability and risk management instrument that can be utilized to safeguard the interest of organizations and the public at large. In moving forward, the government has commended major stakeholders to uphold whistleblowing law with the provision of protections, incentives and non-monetary rewards for whistle-blowers. Additionally, PricewaterhouseCoopers Global Economic Crime Survey has also encouraged that employees should be empowered to detect and report issues before matters intensify to a stage where whistleblowing becomes the only way forward.

2. LITERATURE REVIEW

Whistleblowing is a risky opposition form which could bring high risks for the whistleblower. When internal whistleblowing channels failed in an organization, a whistleblower, who has the intent to disclose the information about wrongdoing on purpose, would go to third parties outside the firm to make the exposé. At some point, many of us are likely to observe unlawful activity in our organizations, and some of us may whistleblow to someone with an authority to put a stop to the illegal behaviour. According to GREENWOOD (2015), whistleblowing is crucial to the public as a mode of ethical resistance, to organisations as a method of communication, to businesses as a way of notifying management of operational issues, to journalists as

anonymous sources, and to public relations, to a certain extent, as a way of dissent by practitioners.

The model for predicting behavioural intentions and/or behaviour has been commonly used based on the Theory of Reasoned Action. The model has been effectively applied to forecasting behaviours in numerous areas, such as weight loss, smoking, choice of occupation, and voting choice, and thus this accumulated evidence demonstrates that their theory is suitable in clarifying most social behaviours and applies to most people.

2.1 Theoretical Framework and Hypothesis Development

Most peer reporting research has emphasized largely on contextual factors that are deemed to influence peer reporting decisions, such as role responsibility, group interests, and justice evaluations. The proposed theoretical framework is thus developed from the Theory of Reasoned Action, where Figure 1 is the schematic presentation of the model examining relationships between each antecedent variable in the model.

This study posits that 1) account department staffs in selected Malaysian public universities' adherence to certain moral philosophies (ethical ideology) and religiosity may influence their whistleblowing judgment, and 2) account department staffs in selected public universities in Malaysia adherence to idealism, relativism, religiosity

and their whistleblowing judgment may influence their intention to whistle blow.

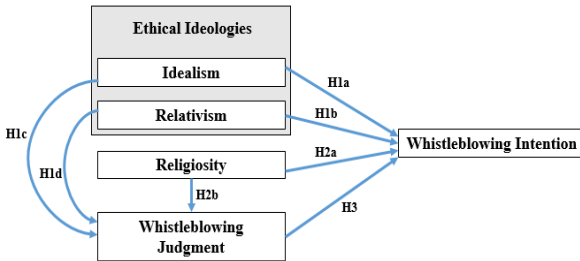


Figure 1: Proposed theoretical framework

2.1.1 Hypothesis 1: Ethical Ideologies, Whistleblowing Judgment and Whistleblowing Intention

Idealists are also found to interpret wrongdoings as being ethically unacceptable. By that, idealists feel that reporting someone else’s unethical actions as being ethically correct. Prior studies support this reasoning, for instance, highly relativistic people seem to be more Machiavellian. Machiavellianism, or Mach, is usually related to individuals with less concern for conventional or conservative morals. High Mach people are deemed to give out different reasoning about ethical dilemmas as compared to others. In contrary to relativists, FORSYTH & NYE (1990) found that non-relativistic individuals would less likely break a social norm for individual benefits. This thus suggests that relativists tend to be more inclined to excuse wrongdoing that is for personal gains. If this is accurate, relativists are less likely to

disclose their knowledge of unethical conduct of a peer to an authorized party. Therefore, the proposed hypotheses are as follows:

H_{1a}: Idealism influences an individual's intention to whistleblow

H_{1b}: Relativism influences an individual's intention not to whistleblow

H_{1c}: Idealism influences an individual in making whistleblowing judgment

H_{1d}: Relativism influences an individual in making whistleblowing judgment

2.1.2 Hypothesis 2: Religiosity, Whistleblowing Judgment and Whistleblowing Intention

The connection between religiosity and ethical conduct at work is still vague. KISH-GEPHART, HARRISON, & TREVIÑO (2010) had observed that over 30 years' scholars have been interested to better understand the elements that influence ethical judgments and conducts in the workplace. They claimed that empirical researches have increased significantly, with more than 170 researches being published between 1996 and 2005. This area of research has been much appealing, where most human beings rely on ethics, and world religions to make choices and decisions.

As CUNNINGHAM (2003) puts it, religion provides us with a prophetic grammar for those times when it may well be imperative to resist a course of action with an explicit no and, at the same time also supplies the vocabulary to assert the reasons for that no. Undoubtedly, the latest ethical violations related to Wall Street and the following breakdown of housing market alongside those organizations involved such as Enron, WorldCom, and Arthur Anderson have further intensified research efforts in this area.

As for weak relationships between religiosity and ethical results, a study conducted by PARBOTEEAH, HOEGL & CULLEN (2008) involving 63,087 participants in 44 countries has proven a weak relationship between religiosity via four ethically questionable conduct. The mean score obtained from this study showed that the overall effect size was very small ($r = -0.09$) although the study had involved a very large sample size. Another weak relationship was also found by Conroy and Emerson (2004), where they observed that respondents who regularly attended their religious prayer services were less likely to endorse seven of 25 unethical business vignettes; though no such relationships were observed for other 18 vignettes. WONG (2008) have found that among 300 Malaysian managers, respondents who labelled themselves as less religious indicated that only six unethical vignettes were acceptable using the same business scenarios as CONROY & EMERSON (2004) had.

In addition to that, BARNETT, BASS & BROWN (1996) stated that religiosity indirectly influences ethical judgments via its connection with ethical ideology of relativism, as those people who claimed to have a strong commitment towards religious belief have also believed strongly in universal moral principles. They further added that this relationship thus posited that religious commitment may influence an individual's ethical ideology. Hence, people who claimed to be highly religious are more likely to embrace this absolutist standpoint. Their study result had further suggested that a person's degree of religiosity indirectly influences ethical judgment.

This result is also applicable to studies of peer reporting. Consistent with a recent study conducted by GOKCE (2016) in Turkey, where similar to Malaysia, Islam is its main religion; Islam teaches Muslims to be unbiased. They should, therefore, report unethical behaviours in organizations, even if they have to reveal their identities. For that reason, it is likely that religiosity is associated with whistleblowing judgment, which would indirectly influence the behavioural intentions to report a peer.

H_{2a}: Religiosity influences an individual's intention to whistleblow

H_{2b}: Religiosity influences an individual in making whistleblowing judgment.

2.1.3 Hypothesis 3: Whistleblowing Judgment and Whistleblowing Intention

The third hypothesis comprises of two vital elements in ethical decision-making models, namely ethical judgment and behavioural intention. Ethical judgment or morality MESMER-MAGNUS & VISWESVARAN (2005) denotes an individual's belief that certain behaviour is the most ethical alternative or the perfect ethical decision when behavioural intention is referred to the process of deciding a certain act from a set of alternatives.

Because it is an essential element of a person's behaviour toward ethical dilemmas, it is also a factor in shaping behavioural intention towards a questionable situation. In actual fact, ethical judgment is contained within many frameworks of ethical decision-making, such as (HUNT & VITELL, 1986). Both contextual (situational) and individual factors have been discovered in the literature as probable influences on a person's choices to whistle blow. Other important personal factors also consist of gender; religious and ideal values; moral standards and judgment; also individual locus of control.

In addition, the AICPA Code of Professional Conduct, creates responsibility by requiring auditors to report certain violations. Therefore, intention and judgment are vital in making psychological choices during decision-making process for a future whistleblower.

Currently, studies on personal variables of whistleblowing intention have become a subject of interest amongst researchers. Prior studies thus proposed that, at par with Theory of Reasoned Action by AJZEN & FISHBEIN (1980), people who judge an act to be highly ethical tends to develop behavioural intentions to execute the act.

H₃: Whistleblowing Judgment Influences Whistleblowing Intention.

3. METHODOLOGY

The present study empirically tests factors which would influence whistleblowing intentions on account department staffs from selected public universities in Malaysia. The tested factors include three individual-level factors of ethical ideology (idealism and relativism), whistleblowing judgment and religiosity, all with regards to peer reporting. Specifically, the study examines the relationships between (1) idealism and whistleblowing intentions, (2) relativism and whistleblowing intentions, (3) religiosity and whistleblowing intentions, (4) whistleblowing judgment and whistleblowing intentions, also (5) idealism, relativism, religiosity and whistleblowing intentions with whistleblowing judgment as a mediator.

A questionnaire survey was used to collect data from the account department staffs. The development of the questionnaire was based on analyses of previous literatures, with the goal of finding

suitable instruments to measure selected variables of the study. Upon completion, these questionnaires are then sent out to selected samples via mail. A total of 360 questionnaires were sent to account department staffs in 18 out of 20 public universities in Malaysia, where 20 questionnaires were equally distributed to each university.

4. DATA ANALYSIS AND FINDINGS

Having reviewed the statistical analysis, this section determines whether the hypotheses development that was presented in the previous chapter are accepted or rejected. The statistical analysis via the Pearson Correlation Coefficient Test has proven the existence of the variables relationship and the summary of hypotheses testing can be seen in Table 1.

Table 1: Hypotheses and Result

	Hypotheses	Result
<u>Hypothesis</u>		
<u>1</u>		
H _{1a}	Idealism influences an individual's intention to whistleblow	Accepted
H _{1b}	Relativism influences an individual's intention not to whistleblow	Accepted
H _{1c}	Idealism influences an individual in making whistleblowing judgment	Accepted
H _{1d}	Relativism influences an individual in making whistleblowing judgment	Accepted
<u>Hypothesis</u>		
<u>2</u>		

H _{2a}	Religiosity influences an individual's intention to whistleblow	Accepted
H _{2b}	Religiosity influences an individual in making whistleblowing judgment	Rejected

Hypothesis**3**

H ₃	Whistleblowing Judgment influences Whistleblowing Intention	Accepted
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Table 2 displays the F-Test for overall significance of the model. The F-Test statistic is 41.933, and this value had to be compared to $F_{critical} = 2.3719$ ($df_1=4$, $df_2=231$). Since F test statistic is in the rejection region ($p\text{-value} < .05$), therefore, this shows that there is evidence that the independent variables affect the dependent variable. This also means that all variables (i.e. Idealism, Relativism, Religiosity and Whistleblowing Judgment) predicted the dependent variable (i.e. Whistleblowing Intention).

Table 2: Anova^a Table: DV Whistleblowing Intention

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.948	4	1.987	41.933	0.000 ^b
Residual	10.947	231	0.047		
Total	18.895	235			

a. Dependent Variable: Whistleblowing Intention

b. Predictors: (Constant), Idealism, Relativism, Religiosity, Whistleblowing Judgment

Considering the factors that might influence an individual's intention to whistle blow, Idealism, Relativism, Religiosity and Whistleblowing Judgment were found to be predictors of

Whistleblowing Intention. Whistleblowing Judgment appears to be the strongest predictor ($\beta = 0.454$) followed by Relativism ($\beta = 0.210$), Religiosity ($\beta = 0.133$) and Idealism ($\beta = 0.130$). With reference to Table 3 of the model summary, it can be concluded that the value of the multiple correlation coefficient between predictors and outcome was $R = 0.649$. With R^2 of 42.1%, it was projected that the predictors of Whistleblowing Intention explained 42.1% of its variance (Table 3). Adjusted R^2 indicates how well the model was generalized, which showed 41.1% of the overall model. This means that the variables (i.e. Idealism, Relativism, Religiosity, and Whistleblowing Judgment) can explain about 41.1% of the change in the dependent variable (Whistleblowing Intention).

Table 3: Model Summary: DV Whistleblowing Intention

Model	R Square	Adjusted R Square	Std. Error of the Estimate
1	.649 ^a	0.411	0.21769

a. Predictors: (Constant), Idealism, Relativism, Religiosity, Whistleblowing Judgment

Meanwhile, with regards to Whistleblowing Judgment as a mediator for Whistleblowing Intention, Baron and Kenny’s test of mediation have found that mediation is only possible for factors Idealism ($\beta = 0.254$) and Relativism ($\beta = 0.268$). However, Whistleblowing Judgment is unlikely to mediate Religiosity in determining an individual’s Whistleblowing Intention as the

relationship between Religiosity and Whistleblowing Judgment is insignificant).

With reference to Table 4 of the model summary, it can be concluded that the value of the multiple correlation coefficient between predictors and outcome was quite low ($R_{\text{Idealism}} = 0.254$ and $R_{\text{Relativism}} = 0.268$). It appears that although there is a significant relationship between Idealism and Relativism with Whistleblowing Judgment (refer Table 4), their R^2 was rather weak ($R^2_{\text{Idealism}} = 6.5\%$ and $R^2_{\text{Relativism}} = 7.2\%$). $R^2_{\text{Religiosity}}$ of 0.03% (close to zero) indicates that there is no linear relationship between Religiosity and Whistleblowing Judgment. This means that Idealism and Relativism only explained 6.5% and 7.2% respectively of its variance with Whistleblowing Judgment (Table 4).

Table 4: Model Summary: DV Whistleblowing Judgment

Model	Predictors	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Idealism	0.254	0.065	0.061	0.28570
2	Relativism	0.268	0.072	0.068	0.28456
3	Religiosity	0.052	0.003	-0.002	0.29500

Table 5 displays the F-Test for overall significance of each model for simple linear regression conducted for test of mediation. The F-Test statistic for Idealism is 16.154, Relativism is 18.160 whereas Religiosity is only .627. This value had to be compared to $F_{\text{critical}} = 3.8415$ ($df_1=1$, $df_2=234$). Since F test statistic is in the rejection region ($p\text{-value} < .05$) except for Religiosity, therefore, this shows that there

is evidence that Idealism and Relativism Affect Whistleblowing Judgment. This also means that Idealism and Relativism predicted Whistleblowing Judgment.

Table 5: Anova Table: DV Whistleblowing Judgment

Model	Predictors		Sum of Squares	df	Mean Square	F	Sig.
1	Idealism	Regression	1.319	1	1.319	16.154	0.000
		Residual	19.100	234	0.082		
		Total	20.419	235			
2	Relativism	Regression	1.470	1	1.470	18.160	0.000
		Residual	18.948	234	0.081		
		Total	20.419	235			
3	Religiosity	Regression	0.055	1	0.055	0.627	0.429
		Residual	20.364	234	0.087		
		Total	20.419	235			

a. Dependent Variable: Whistleblowing Judgment

5. CONCLUSION

The present study pointed out four main factors affecting accounting staff's whistleblowing intentions, namely idealism, relativism, religiosity and whistleblowing judgment; emphasizing on the role of whistleblowing judgment as a mediator to the other three factors in influencing whistleblowing intention. This posits the urge to increase awareness of whistleblowing in the workplace, which in turn

will expectantly increase the account staffs' intention to blow the whistle.

The study shows that Whistleblowing Intention is strongly predicted by Whistleblowing Judgment ($\beta = 0.454$), followed by Relativism ($\beta = 0.210$), Religiosity ($\beta = 0.133$) and Idealism ($\beta = 0.130$). Overall, the 42% variance in Whistleblowing Intention is explained by the four variables mentioned. Whereas Whistleblowing Judgment is strongly predicted by Relativism ($\beta = 0.268$) followed by Idealism ($\beta = 0.254$). Religiosity does not have a significant relationship with Whistleblowing Judgment. Since Whistleblowing Judgment is the strongest predictor of Whistleblowing Intention, hence strong emphases should be given to Whistleblowing Judgment in order to motivate more individuals to not be afraid to stand up for what is right, i.e. to whistleblow occurrence of wrongdoings in their organizations. By this, organizations can increase ethical awareness amongst their employees.

Future research about peer reporting should explore the influence of additional variables on whistleblowing behaviour that have been consistently found to be related to individual ethical decision-making in organisations in the literature, for example the other sub-dimensions of ethical ideologies which have been bear out in this study, such as situationism, absolutism, subjectivism, and exceptionism. Machiavellianism could also be taken into account in studying their intention to whistleblow. Besides that, organizational

variables, such as whistleblowing policy BARNETT (1992) could also affect an individual's intention to whistleblow.

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Revista de Ciencias Humanas y Sociales

Año 35, Especial No. 22 (2019)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.

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