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## Article

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# How bad it is to be good: Impact of organizational ethical culture on whistleblowing (the ethical partners)

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## ABSTRACT

Whistleblowers are ostracized and isolated for identifying wrongdoings. Despite this deterrent, the whistleblowers have not recoiled. Nonetheless, organizations need to develop an ethical corporate culture, where employees become 'ethical partners' and do the right thing, not because they have to, but because they want to. The study aimed to measure the effects of ethical cultural practices using the lens of Kaptein's (2008) Corporate Ethical Virtues Model (CEVM). Split Questionnaire Survey Design (SDSD) was chosen to record responses of 104 internal auditors working in nine public and sixteen private sector organizations. Results reveal significant positive relationships between whistleblowing and the CEVM virtues.

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## 1. Introduction

One of the primary concerns of many organizations is to develop an ethical corporate culture through which it aims to control, minimize and ultimately try to eliminate wrongdoings and wrongdoers from the organization that are creating obstacles in the way of progression; by taking action against the wrongdoers and promoting whistleblowing which helps in drawing attention of the management toward wrongdoings and the wrongdoers. Past few decades, show colossal social and economic costs due to financial statements frauds that have shaken the business markets (Abid & Ahmed) resulting into collapsed investment portfolios, and shaken sureness in financial reporting etc. Utmost of these frauds were exposed not by external auditors or analysts, but by the revelations of employees who had an access to accounting information. Consequently, the law enforcing agencies worldwide have recognized the importance of whistleblowing in both deterring and detecting financial malfeasance, and have established regulations intended to promote employees' whistleblowing against corporate frauds (Schmidt, 2005). Keeping this in view, the primary purpose of the study is to examine employees' whistleblowing; that how corporate ethical

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culture influences them and how they react toward observed wrongdoings. Secondly, how different dimensions of corporate ethical culture affect intended responses of employees toward witnessed wrongdoings in the South Asian cultural perspective especially with reference to public and private sector of Pakistan. The Corporate Ethical Virtues Model (CEVM) (Kaptein, 2008), entails clarity, congruency (local and senior management), feasibility, supportability, transparency, discussability and sanctionability dimensions, will be used to appraise the corporate ethical culture and its psychological impact on whistleblowers, who feel morally bound to disclose wrongdoings. This study proposes to comprehend and elucidate how different dimensions of corporate ethical culture results in different responses of employees concerning observed wrongdoings.

A whistleblower in an organization is the one who blows the whistle on exploitation, frauds, corruption, crimes, wrongdoings, or misconducts etc. especially on ethical and moral grounds (Banerjee & Roy, 2014). It is an exposure by previous or existing employees of unlawful, corrupt or illegitimate practices under the employers, to persons or organizations that may be able to initiate action (Near & Miceli, 1985). In this respect, internal whistleblowing is generally demarcated as reporting wrongdoing outside the regular chain of command and external whistleblowing is basically reporting wrongdoing to somebody outside the organization that may be able to stop or correct wrongdoings (Miceli, Near, & Dworkin, 2008). Whistleblowing has become an integral part of the regulatory enforcement programs around the developed world. These regulatory frameworks define whistleblowing as a disclosure made by an employee in the public interest and permit employees to expose illicit or risky behaviors; that are destructive to the work atmosphere, or amount to miscarriage of justice; and, also provide for protection of the whistleblower from any consequent threats of retaliation for disclosure (Kirk, 2013).

Wrongdoings such as frauds and errors to some extent are related to cost and quality of evidence of wrongdoing for the effective whistleblowing for example in auditing practices (Shahid, 2015). While Paeth (2013), on contrary believes that the moral complexity of whistleblowing in context of corruption in the organizations has to be considered from other aspects as well. Whistleblowing, although an ethically and morally worthy act undertaken by morally ambiguous agents, has to be considered and understood in contextual framework. An ethically intricate deed, Whistleblowing, is a complex mesh of employees' acceptance of obligation, honesty, loyalty, and dutifulness. Consequently, the whistleblowers are usually described as being daring and heroic figures, though the decision to involve in whistleblowing is not purely based on moral virtues, as it is an act that honors one set of moral obligations at the expense of others. The decision of whistleblowing against wrongdoings is often justifiable on the basis of the larger public interest, does not make it any less morally ambiguous from the whistleblower's perspective (Swiatek-Barylska, 2013). Still there is common consensus that urgent actions need to be taken against the flood of corporate ethical lapses such as those that occurred in Enron and WorldCom (in 2001) or Parmalat in Italy in 2003 or Lehman brothers in 2008 (Abid & Ahmed, 2014). Organizations are hard-pressed to come up with varied policies, procedures and practices that promote integrity-in-action and not just talk. In such scenarios the whistleblowing practices needs to be encouraged and appreciated. Researchers still need to find an answer as to why some people are ready to blow whistle toward wrongdoings and why the others decide to remain aloof or silent (Reckers-Sauciuc & Lowe, 2010). Employee of an organization may see his or her colleague doing something wrong. Whether that employee should blow the whistle and whether his or her conscience will allow it? Although it has been observed that people, who witness ethical infringement, hardly oppose unethical acts at workplace. Nevertheless, the more often people choose to stay silent the more the chances are that ethics will decline and the organizations will be ill with severe consequences (Bell, 2013). By blowing whistle against wrongdoings, the employees also demonstrate their approval and support for the norms that are being desecrated (Callahan, Dworkin, Fort, & Schipani, 2002). Majority of the accounting scandals in US based organizations like Enron and Lehman brothers were reported by employees who believed that wrongdoings should be amended and conveyed to the concerned authorities immediately (Abid & Ahmed, 2014; Pulsliam & Solomon, 2002).

This study intends to focus on the ethical behavior and the impact of culture on whistleblowing in South Asian perspective especially with reference to public and private sector of Pakistan, which, though an extremely important issue; has seldom been pragmatically investigated, especially with reference to philosophical and psychological debates of employees' deeds and actions (Park, Rehg, & Lee, 2005). However, in 2002 Pakistan became the first country in sub-continent which adopted freedom of information laws (TI, 2014); but it is observed that lack of seriousness and full commitment on the part of government is the most important reason in the failure of its implementation. The experience shows that the government though enacted a law but did nothing to materialize it into its true letter and spirit (Ali, Saleem, & Shoaib, 2015; TI, 2014). Though, the actions of whistleblowers in US corporations are audacious, and have stimulated and encouraged Asian countries to promote constructive and positive role of whistleblowing followed by positive consequences. Researchers find new trends in business literature related to employees' willingness to report wrongdoing influenced by national culture (Keenan, 2002; King, 2000; Sims & Keenan, 1999; Tavakoli, Keenan, & Cranjak-Karanovic, 2003), which former studies on whistleblowing have been lacking in taking cultural factors into consideration. Kaplan (2001) suggests that it will be worthwhile to examine the effects of cultural factors on whistleblowing at the singular level. This research posits that building of ethical culture in organization may encourage whistleblowing and the whistleblowers might feel psychologically safe while blowing whistle against wrongdoings. To sum up, this research study attempts to find effects of ethical cultural practices in organization on whistleblowing behavior.

## 2. Literature review: theoretical background and hypotheses

Whistleblowers need to be supported and encouraged to act as monitors of corporate behaviors and discourage wrongdoers to the extent of eliminating them. However, prior research indicates that only a few might blow the whistle. Primarily due to some kind of fear of retribution, top management disapproval, or some other affective disposition, available study suggests that only a handful of employees blows the whistle against wrongdoings (Miceli et al., 2008). The organizational ethical context is usually perceived by employees as a combination of ethical climate and ethical culture (Treviño & Weaver, 2003). Ethical climate consists of aspects that determine what constitutes ethical conduct (Victor & Cullen, 1988). Ethical culture on the other hand, comprises aspects that stimulate ethical conduct (Treviño & Weaver, 2003). Treviño, Butterfield, and McCabe (1998) pioneered in developing and testing a construct of the ethical culture of organizations. Corporate Ethical Virtues Model developed by Kaptein (1998, 1999), includes seven virtues to be implanted and embedded in organizational culture representing ethical quality (Kaptein, 2008). The CEVM is grounded on Solomon's (1992, 1999, 2000, 2004) virtue-based theory of business ethics. This theory posits that organizations must possess certain virtues, in order to outshine morally. After Collier (1995), Kaptein (1998, 2008) further suggests that the virtuousness in the organization culture motivates employees to act ethically and prevent to behave unethically.

Pakistan, a developing country is fraught with corruption and has consistently been reported as such. According to a report of 2015 by Transparency International Pakistan with a score of 30 has been ranked at 117th position out of 168 countries (TI, 2015). Another report that assessed the National integrity system of Pakistan highlighted various weaknesses; lack of a whistleblowing mechanism being one of the major drawbacks (TI, 2014). Whistle blowing is not yet a popular trend in organizations in Pakistan, and research on whistleblowing is all the more limited. The laws and regulations are still in a developing phase. With special reference to Pakistan the principle for protection of whistleblowers requires that individuals who release information on wrongdoing—whistleblowers—must be protected. However, there is no protection in Federal Right to Information Law for the whistleblowers. It does not provide protection against any legal, administrative or employment-related sanction for disclosing information. In the absence of a clause for protection of whistleblowers, officials who even sense wrong doings or maladministration, would be afraid of losing their jobs or being suspended, if they disclosed information (Ali et al., 2015; TI, 2014). Though policy making and taking measures to stop wrongdoings is vital, but spotting and amending wrongdoers are also imperative. Management should encourage, support and ensure psychological wellbeing and safety of employees who blow whistle against misconduct and wrongdoings taking place in the organization. Therefore, influence of the ethical culture in organizations on employees' responses need to be analyzed regarding wrongdoing. In depth analysis of corporate ethical culture dimensions related to varied responses by the employees are required (Kaptein, 2011).

### 2.1. Clarity and whistleblowing

According to CEVM the foremost organization ethical virtue is clarity of normative expectations regarding employees' conduct. The organizations expectations should be tangible, all-inclusive, comprehensible and clearly communicated. The business setting confronts employees with ethical issues different from other social settings (Kaptein, 2008). Subsequently, generalized moral instincts and intuitions may not be good enough for employees to differentiate between what is ethical and what is unethical conduct at workplace. Kaptein (1998) suggests that if employees are left to their own discretion and moral intuitions without definite guidelines and organizational frame of reference, then there is higher risk of unethical conduct. The findings of Kaptein (1998) correspond with the results of Bird and Waters (1989), Jackson (2000), and Tyler and Blader (2005), who see ambiguity of moral expectations as one of the major sources of unethical behavior in any organization. Further, there are possibilities that the employees show their ignorance or purposely keep themselves uninformed, and may find rescue and shield against wrongdoings and find excuses for being ill-informed (Bovens, 1998). Thus, the greater the level of clarity, the more they know what is expected from them (Jubb, 1999).

H<sub>1</sub>. Clarity in organizational culture is positively related with whistleblowing.

### 2.2. Congruency and whistleblowing

No matter how much clearer the message or may well have stipulated clear normative expectations to help and guide employees' behavior and conduct, but if the management activities, which are a main source of normativity (Ciulla, 1998; Schein, 1985; Treviño, Hartman, & Brown, 2000), challenge these expectations, then the employees will be confronted with incongruent or varying signals. However, if the management behavior is consistent, then the employees' compliance with the organization's ethical expectations is further reinforced. Kaptein (1998) found various occurrences of employees' unethical conduct which were motivated by the examples set by their superiors. This concept matches with the theory of value congruence proposed by Enz (1988), which suggests that employees whose values correspond with management have relatively greater power compared to those whose values deviate. This finding further parallels with the views of Hegarty and Sims (1978), Brown, Treviño, and Harrison (2005) and Schminke, Ambrose, and Neubaum (2005), who found that employees often emulate leaders' behavior and look toward

leaders for clues to properly conduct themselves. [Near and Miceli \(1996\)](#) found that internal whistleblowers report greater value to *congruence* with management compared to external whistleblowers.

H<sub>2</sub>. Congruency (local and senior management) in organizational culture is positively related with whistleblowing.

### 2.3. Feasibility and whistleblowing

The third dimension of corporate ethical culture is *feasibility* i.e. the extent to which the organizations make well in time information available to employees regarding budgets, equipment, information, and authority required by employees to fulfill their responsibilities. In the CEVMS, the feasibility dimension is pertinent, because the more the employees are under pressure to perform to meet deadlines and targets with less resources available, higher is the risk of misconduct and wrongdoings. Whereas, in case of low feasibility and less resources the employees are less likely to report. As reporting matters can be very time consuming for the employees as well as the management; because if both of them are busy, there are less chances of meeting each other and to discuss the wrongdoings. In addition, to that the low feasibility may also kindle employees to believe that stopping or raising their voices against the wrongdoings is not their responsibility as meeting targets are more important than anything else. If employees have less tasks scope and responsibilities realization, the risk of unethical conduct increases. More precisely, [Kaptein \(1998\)](#) found that employees' unethical conduct may occur due to lack of inadequate and timely information and authority for fulfilling their responsibilities. Therefore, low feasibility leads to employees' negligent behavior ([Kaptein, 2011](#)).

H<sub>3</sub>. Feasibility in organizational culture is positively related with whistleblowing.

### 2.4. Supportability and whistleblowing

According to [Kaptein \(1998, 2008\)](#), the demoralized and dissatisfied employees are expected to behave more unethically. Especially those employees who believe that they are not taken seriously or do not have any kind of organizational support or are not treated equitably and fairly might try to balance the scales of justice by deliberately causing damages to the organization. Any amount of doubts, mistrust or a hostile work environment makes it difficult, if not impossible for employees to comply with the corporate ethical and moral principles. In this connection, [Tyler and Blader \(2005\)](#) empirical studies found that when employees get encouragement to identify themselves with the values of their organization, they are inherently stirred to comply with organizational ethical standards. According to the CEVM, the organizational virtue of *supportability* signifies the degree to which an organization supports its employees' ethical conduct. Hence, the dimension of supportability refers to the relative strength of employees' identification with, involvement in and commitment toward the organizational normative expectations and the encouragements it receives. The more the employees identify with organization ethical practices, the more their sense of identity will be threatened or harmed by the transgressions by others ([Den Nieuwenboer, 2008](#)) and the more there are chances that these employees will either take firm action or will report the matter or raise voice against the wrongdoers.

H<sub>4</sub>. Supportability in organizational culture is positively related with whistleblowing.

### 2.5. Transparency and whistleblowing

Internal reporting leads to improving the organizational internal *transparency* ([Miceli et al., 2008](#)), provided the employees think that it is effective and will lead to just and fair situation and especially when it highlights what the management is unaware of. But if the employees think that already management knows about the wrongdoings, they will have less or no reason to inform management or blow whistle. Transparency or visibility' can make employees responsible for their deeds and acts if they know or could have known, the consequences of their activities. Employees who do not have any idea regarding the intensity of the outcomes of their conduct cannot account for, improve, modify or alter their conduct. Resulting into employees only focusing on their actions without any regards for outcomes or consequences ([Bovens, 1998](#)). Organizations with a high level of transparency, there the employees will thrive in to modify and correct their and others behaviors ([Kaptein, 1998](#)). Conversely, low transparency weakens the controls and widening the scope for various unethical behaviors. In the CEVM, transparency can be seen from two dimensions, i.e. horizontal and vertical. The vertical component means how managers are able to observe unethical conduct and its consequences of employees and vice versa; and, the horizontal component refers to the extent to which employees observe among themselves unethical conduct and its consequences ([Kaptein, 2008](#)). Thus, more the transparency, more the encouragement from management, more the positive response, more the employees will be inspired to take action, since their response is evident to others in the organization. More the transparency, more the employees will feel indebted to report misconducts and wrongdoings in order to maintain the existing levels of organizational transparency ([Miceli & Near, 1985](#)).

H<sub>5</sub>. Transparency in organizational culture is positively related with whistleblowing.



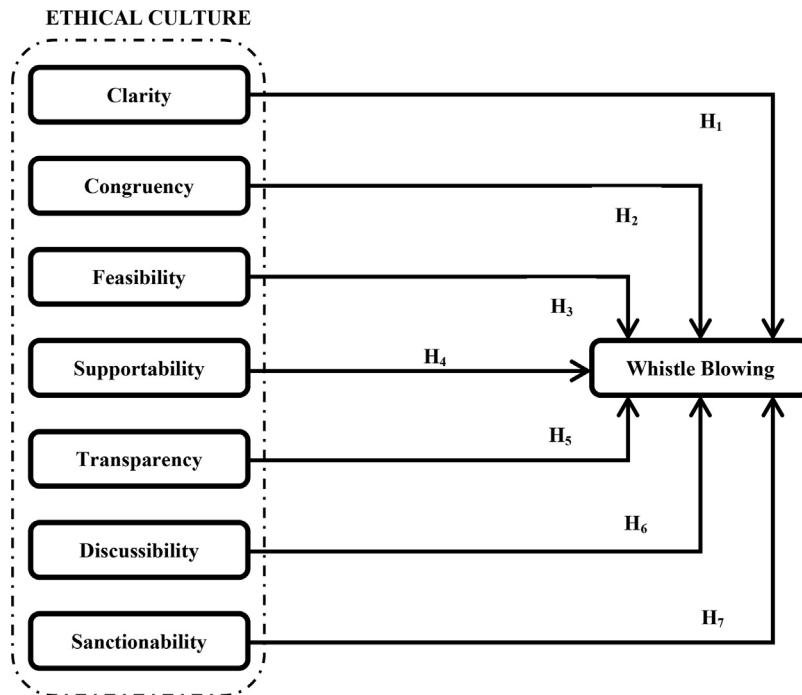


Fig. 1 – Research model.

## 2.6. Discussability and whistleblowing

Discussability as an organization ethical virtue exemplifies an opportunity employees have to raise and discuss ethical issues in the organization. Kaptein (1998, 2008, 2011) identifies several instances of unethical conduct by ‘employees,’ caused partially due to organizational culture with low discussability patterns. In closed cultures, the criticism are neither appreciated, encouraged nor accepted. Employees metaphorically close their ears and shut their eyes to what they do not want to hear or see. Such situations are usually categorized as ‘negative information blockage’ (Bishop, 1991), and a tendency to ‘kill the messenger’ (Kirrane, 1990), ‘screen bad news’ (Bovens, 1998), or ‘pay lip service’ (Cooke, 1991). The chances of learning from others’ mistakes, misbehaviors, and dilemmas are lost if employees do not get an opportunity to exchange, analyze, and discuss their experiences with others at workplace. Bird and Waters (1989), also postulate that the persistent escaping ethical talk strengthens an unethical and amoral organizational culture. With high degree of discussability, issues like less clarity on certain normative expectations, moral dilemmas, and unethical behavior through whistleblowing can be discussed. If employees are expected to report wrongdoings then in that case their work environments should be safe; where the moral issues can be raised without fear of victimization (Kaptein, 2008). Thus, the process of reporting wrongdoings are result of open communication (King, 1997). Reporting wrongdoing is to draw attention to wrongdoings and to make things discussable and break through all kinds of communication barriers (Miceli et al., 2008).

H<sub>6</sub>. Discussability in organizational culture is positively related with whistleblowing.

## 2.7. Sanctionability and whistleblowing

The concluding organizational virtue of the CEVM is *sanctionability*. Kaptein (1998) found several cases of unethical deeds and acts followed by similar unethical conducts which were tolerated and encouraged in the past, in turn creating perception that their conduct would go unpunished or may even be encouraged or appreciated by management. Sanctions are imposed not just for the sake of the wrongdoers and victims, but also for the advantage of observers and everyone. Moreover, Kaptein (2008), also highlighted instances in which if the employees are not rewarded for raising their voices against the wrongdoers, led to unethical conduct. Lack of recognition for ethical conduct reduces the willingness of employees to act ethically. These findings correspond with Román and Munuera (2005) regarding that more the ethical conduct is rewarded, fewer the violations and more the ethical practices prevails. Hence, the organizational virtue of sanctionability, refers to the employees’ being punished for behaving unethically and rewarded for behaving ethically. According to Near and Miceli (1995), correction and termination of wrongdoings are extremely important predictors of the behavior of potential whistleblowers. If reporting of matters by the whistleblowers are not taken seriously, employees will conclude that it is futile an attempt to even report, which reduces the likelihood of

whistleblowing. Therefore, [Miceli et al. \(2008\)](#), proposed that wrongdoings such as legal disobediences, might require reporting the wrongdoings to management so that the wrongdoers can be sanctioned lawfully, the wrongdoings can be recorded, and measures need to be taken to correct them in order to prevent them from occurring or reoccurring. Hence, a high level of sanctionability indicates that wrongdoings are not tolerated, which stimulates employees to take internal action whenever required ([Kaptein, 2011, Fig. 1](#)).

H<sub>7</sub>. Sanctionability in organizational culture is positively related with whistleblowing.

### 3. Method

#### 3.1. Population and sample

The data were collected through a questionnaire-based survey of employees working in various public and private sector organizations in Pakistan. We specifically targeted the internal auditors as they are integral to organizations and have a broader role. According to [Read and Rama \(2003\)](#): “Whistle-blowing can play an important role in the internal control environment of an organization, and internal auditors are its natural outlets”. Their responsibilities include: ongoing monitoring and evaluating risk management; over-seeing the internal processes and governance issues; providing consultation on how to improve systems and processes. Not confined to accounting and financial risks, they also watch over growth, environment, reputation, ethics and how employees are treated. They occupy a position where they have the duty to know the culture, rules and regulations of the organization and it is their responsibility to evaluate the organization’s financial and business operations including corporate governance and reporting discrepancies to the top management.

Using convenience sampling, internal auditors from public and private organizations were approached. A total of 104 internal auditors, including 82 males and 22 females, from nine public and sixteen private sector organizations responded. The minimum age of the firm was 3 years and maximum was 92 years with a standard deviation of 24.578. Respondents’ ages varied between 21 and 58 years with a standard deviation of 8.581. Respondents’ years of formal education ranged between 12 and 20 years with a mean of 16 years and standard deviation of 1.290; and, respondents’ tenure in their respective organizations was between 1 and 34 years with a standard deviation of 6.591.

#### 3.2. Measures

Whistleblowing was taken as the dependent variable and was measured in terms of employees’ feelings and willingness to report wrongdoings or remain silent. Ethical culture, the independent variable of the study was measured using the Corporate Ethical Virtues Model (CEVMS) proposed by [Kaptein \(2008\)](#) comprising different dimensions of corporate ethical culture virtues by, ensuring employees’ psychological wellbeing and safety in case of reporting wrongdoings. Ethical culture, which is supported by ethical conduct in organizations; was measured in terms of how ethical culture motivates an employee to report wrongdoings, and all the measures were found reliable with alpha values ranging from .60 to .89 (see [Table 1](#)).

**Table 1 – Measures.**

| Variables   | Items | Alpha for AUB | Sample items  |
|---|-------|---------------|---|
| Whistleblowing ( <a href="#">Bhal &amp; Dadhich, 2011</a> ; <a href="#">Park et al., 2005</a> ) | 9     | 0.70          | Whistle blowing is helpful to prevent wrongdoing.   |
| CEVMS ( <a href="#">Kaptein, 2008</a> ) – ethical culture                                       |       |               |   |
| Clarity   | 10    | 0.89          | The organization make it sufficiently clear to me how I should obtain proper authorization.         |
| Congruency  | 10    | 0.89          | My supervisor sets a good example in terms of ethical behavior.                                     |
| Feasibility   | 6     | 0.60          | The board and management would never authorize unethical or illegal conduct to meet business goals. |
| Supportability  | 6     | 0.75          | In my immediate working environment, everyone has the best interest of the organization at heart.   |
| Transparency  | 7     | 0.72          | If a colleague does something which is not permitted, my manager will find out about it             |
| Discussability  | 9     | 0.82          | In my immediate working environment, I have the opportunity to express my opinion.                  |
| Sanctionability   | 10    | 0.85          | In my immediate working environment, people are accountable for their actions.                      |

| Demographics |   |   |   |   |   |   |   |   |   | Clarity |    |    |    |    |    |    |    |    |    | Congruency |    |    |    |    |    |    |    |    |    | Feasibility |   |   |   |   |   |   |  |
|--------------|---|---|---|---|---|---|---|---|---|---------|----|----|----|----|----|----|----|----|----|------------|----|----|----|----|----|----|----|----|----|-------------|---|---|---|---|---|---|--|
|              |   |   |   |   |   |   |   |   |   | CL      | CL | CL | CL | CL | CL | CL | CL | CL | CL | CO         | CO | CO | CO | CO | CO | CO | CO | CO | CO | F           | F | F | F | F |   |   |  |
|              | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10      | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10         | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10          | 1 | 2 | 3 | 4 | 5 | 6 |  |
| A            |   |   |   |   |   |   |   |   |   |         |    |    |    |    |    |    |    |    |    |            |    |    |    |    |    |    |    |    |    |             |   |   |   |   |   |   |  |
| B            |   |   |   |   |   |   |   |   |   |         |    |    |    |    |    |    |    |    |    |            |    |    |    |    |    |    |    |    |    |             |   |   |   |   |   |   |  |

| Supportability |    |    |    |    |    | Transparency |   |   |   |   | Discussability |   |   |   |   |   |   |   |   |    | Sanctionability |    |    |    |    |    |    |    |    |   | Whistleblowing |   |   |   |   |   |   |   |   |
|----------------|----|----|----|----|----|--------------|---|---|---|---|----------------|---|---|---|---|---|---|---|---|----|-----------------|----|----|----|----|----|----|----|----|---|----------------|---|---|---|---|---|---|---|---|
|                | SU | SU | SU | SU | SU | T            | T | T | T | T | D              | D | D | D | D | D | D | D | D | SA | SA              | SA | SA | SA | SA | SA | SA | SA | SA | W | W              | W | W | W | W | W | W |   |   |
|                | 1  | 2  | 3  | 4  | 5  | 6            | 1 | 2 | 3 | 4 | 5              | 6 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8  | 9               | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9 | 10             | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| A              |    |    |    |    |    |              |   |   |   |   |                |   |   |   |   |   |   |   |   |    |                 |    |    |    |    |    |    |    |    |   |                |   |   |   |   |   |   |   |   |
| B              |    |    |    |    |    |              |   |   |   |   |                |   |   |   |   |   |   |   |   |    |                 |    |    |    |    |    |    |    |    |   |                |   |   |   |   |   |   |   |   |

Fig. 2 – The split questionnaire design.

The items are measured by using six point Likert type scale (i.e. to measure clarity 1-very unclear, 2-somewhat unclear, 3-unclear, 4-somewhat clear, 5-clear, 6-very clear) and to measure the remaining dimensions, the items are measured using six point Likert type scale (1-strongly disagree, 2-somewhat disagree, 3-disagree, 4-somewhat agree, 5-agree, 6-strongly agree).

### 3.3. Survey instrument: the split questionnaire

There were eight study variables which were measured using 67 items in total, in addition to 10 questions pertaining to demographic details of the respondents. Keeping in view the busy schedule of the auditors, we split the questionnaire into two parts using the Split Questionnaire Survey Design (SQSD), to make the survey tool less cumbersome (Ahmed, Lodhi, & Ahmad, 2015). According to the study, the SQSD is as efficient as the full questionnaire design. Using the SQSD technique, we split the questionnaire into two parts A and B and distributed; where, the first 10 questions on demographics and the last question on whistleblowing (comprising 9 items) were kept common in both A and B. The rest of the questions were split between part A and B. Part A consisted of all the odd numbered questions, e.g., CL1, CL3, CL5, CL7 and CL9; whereas, part B had CL2, CL6, CL4, CL8 and CL10. All the questions were split on the similar pattern. The split questionnaire design for this study can be seen in Fig. 2.

The reliability of scales was calculated for the split items (see Table 2). The reliability analysis of measures in AUB can be seen in Table 1 and the overall reliability of all the measures was 0.831. Both the questionnaires, 100 each, were distributed in public and private sector organizations including banks, audit firms, universities, manufacturing firms. In total 104 questionnaires were returned, including part A=73 and part B=31.

Table 3 shows bivariate correlations among variables. The correlations' coefficients provide initial support for our hypotheses. Consistent with our hypothesized relationships, correlations indicate that whistleblowing is positively and significantly related to all the study variables; clarity ( $r=0.276, p<0.01$ ), congruency ( $r=0.456, p<0.01$ ), feasibility ( $r=0.220, p<0.05$ ), supportability ( $r=0.506, p<0.01$ ), transparency ( $r=0.404, p<0.01$ ), discussability ( $r=0.478, p<0.01$ ), and sanctionability ( $r=0.590, p<0.01$ ).

## 4. Results

We have adopted hierarchical linear modeling (Bryk & Raudenbush, 1992) to test our hypotheses. The study states that clarity in organizational culture is positively related with whistleblowing ( $H_1$ ). In Step 1 (Table 4), when clarity (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.276, p<0.01, R^2=0.076$ ). Thus  $H_1$  is strongly supported.

The second study hypothesis states that congruency (local and senior management) in organizational culture is positively related with whistleblowing ( $H_2$ ). In Step 2 (Table 4), when congruency (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.456, p<0.01, R^2=0.208$ ). Thus  $H_2$  is strongly supported. The third study hypothesis states that feasibility in organizational culture is positively related with whistleblowing ( $H_3$ ). In Step 3 (Table 4), when congruency (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is

Table 2 – Reliabilities analysis of split questions.

| Variable        | Items               | Reliability | Items                | Reliability |
|-----------------|---------------------|-------------|----------------------|-------------|
| Clarity         | CL1,CL3,CL5,CL7,CL9 | 0.829       | CL2,CL4,CL6,CL8,CL10 | 0.791       |
| Congruency      | CO1,CO3,CO5,CO7,CO9 | 0.835       | CO2,CO4,CO6,CO8,CO10 | 0.794       |
| Feasibility     | F1,F3,F5            | 0.30        | F2,F4,F6             | 0.728       |
| Supportability  | SU1,SU3,SU5         | 0.630       | SU2,SU4,SU6          | .739        |
| Transparency    | T1,T3,T5,T7         | 0.656       | T2,T4,T6             | 0.503       |
| Discussability  | D1,D3,D5,D7,D9      | 0.684       | D2,D4,D6,D8          | 0.780       |
| Sanctionability | SA1,SA3,SA5,SA7,SA9 | 0.773       | SA2,SA4,SA6,SA8,SA10 | 0.687       |



**Table 3 – Bivariate correlations.**

| Variables          | 1       | 2       | 3       | 4       | 5       | 6       | 7       | 8      | 9       | 10      | 11     |
|--------------------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|--------|
| 1. Whistleblowing  | 1       |         |         |         |         |         |         |        |         |         |        |
| 2. Clarity         | 0.276** | 1       |         |         |         |         |         |        |         |         |        |
| 3. Congruency      | 0.456** | 0.598** | 1       |         |         |         |         |        |         |         |        |
| 4. Feasibility     | 0.220*  | 0.078   | 0.122   | 1       |         |         |         |        |         |         |        |
| 5. Supportability  | 0.506** | 0.380** | 0.449** | 0.219*  | 1       |         |         |        |         |         |        |
| 6. Transparency    | 0.404** | 0.316** | 0.482** | 0.161   | 0.402** | 1       |         |        |         |         |        |
| 7. Discussability  | 0.478** | 0.323** | 0.410** | 0.042   | 0.565** | 0.552** | 1       |        |         |         |        |
| 8. Sanctionability | 0.590** | 0.397** | 0.588** | 0.180   | 0.699** | 0.505** | 0.488** | 1      |         |         |        |
| 9. Gender          | −0.134  | 0.004   | 0.027   | 0.037   | −0.025  | 0.014   | 0.154   | −0.015 | 1       |         |        |
| 10. Age            | 0.067   | 0.163   | 0.050   | −0.160  | 0.077   | 0.001   | 0.030   | 0.029  | −0.237* | 1       |        |
| 11. Education      | 0.012   | 0.136   | 0.003   | 0.134   | −0.008  | 0.011   | −0.034  | 0.023  | 0.174   | −0.091  | 1      |
| 12. Tenure         | 0.082   | 0.137   | 0.116   | −0.213* | 0.058   | 0.009   | 0.071   | 0.106  | −0.093  | 0.623** | −0.140 |

\*  $p < 0.05$ .  
\*\*  $p < 0.01$ .

**Table 4 – Regression analysis for whistleblowing.**

| Variables       | Step 1   | Step 2   | Step 3   | Step 4   | Step 5   | Step 6   | Step 7   |
|-----------------|----------|----------|----------|----------|----------|----------|----------|
| Clarity         | 0.276*** |          |          |          |          |          |          |
| Congruency      |          | 0.456*** |          |          |          |          |          |
| Feasibility     |          |          | 0.220*** |          |          |          |          |
| Supportability  |          |          |          | 0.506*** |          |          |          |
| Transparency    |          |          |          |          | 0.404*** |          |          |
| Discussability  |          |          |          |          |          | 0.478*** |          |
| Sanctionability |          |          |          |          |          |          | 0.590*** |
| R <sup>2</sup>  | 0.076    | 0.208    | 0.048    | 0.256    | 0.163    | 0.228    | 0.349    |

\*\*\*  $p < 0.01$ .

significant ( $\beta=0.220$ ,  $p < 0.01$ ,  $R^2=0.048$ ). Thus  $H_3$  is strongly supported. The fourth study hypothesis states that supportability in organizational culture is positively related with whistleblowing ( $H_4$ ). In Step 4 (Table 4), when supportability (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.506$ ,  $p < 0.01$ ,  $R^2=0.256$ ). Thus  $H_4$  is strongly supported. The fifth study hypothesis states that transparency in organizational culture is positively related with whistleblowing ( $H_5$ ). In Step 5 (Table 4), when transparency (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.404$ ,  $p < 0.01$ ,  $R^2=0.163$ ). Thus  $H_5$  is strongly supported. The sixth study hypothesis states that discussability in organizational culture is positively related with whistleblowing ( $H_6$ ). In Step 6 (Table 4), when discussability (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.478$ ,  $p < 0.01$ ,  $R^2=0.228$ ). Thus  $H_6$  is strongly supported. The seventh study hypothesis states that sanctionability in organizational culture is positively related with whistleblowing ( $H_7$ ). In Step 7 (Table 4), when sanctionability (independent variable) is regressed on whistleblowing (dependent variable), the regression coefficient is significant ( $\beta=0.590$ ,  $p < 0.01$ ,  $R^2=0.349$ ). Thus  $H_7$  is strongly supported.

## 5. Discussion and research implications

Whistle-blowing can broadly be defined as reporting of misconducts or illegal acts by employees who feel duty-bound to do so, however, this act is usually negatively perceived by organizations. Whistle blowers, according to studies are ostracized, harassed and retaliated against by their co-workers or by the organizations themselves, and thus might avoid raising voice (Dworkin & Near, 1997). Law enforcing agencies worldwide have recognized the importance of whistleblowing in both deterring and detecting financial malfeasance, and have established regulations intended to promote employees' whistleblowing against corporate frauds (Schmidt, 2005). As per Sarbanes-Oxley Act (2002) in US, a well-designed structural mechanisms can be significant in motivating whistleblowing (Miceli et al., 2008). Brennan and Kelly (2007) proposed that formal structures for whistleblowing increase the chances for reporting against wrongdoings. Thus, strategic, fiscal, communal and lawful interest of an organization to take adequate measures to prevent wrongdoings (Bamberger, 2006; Karpoff, Lee, & Martin, 2008; Schnatterly, 2003) becomes critically important. However, irrespective of how meticulous organizations are in rising to these challenges, it would be shortsightedness and would be misleading to believe that wrongdoing can be evaded completely (Treviño & Nelson, 1999), even with best possible preventative measures in place wrongdoing still occurs. Employees are a 'critical' and, 'increasingly important' source for

identifying wrongdoings (Miceli & Near, 2005; Miceli et al., 2008). According to Dyck, Morse, and Zingales (2008), 18.3% of the corporate fraud cases in big U.S. organizations between the years 1996 and 2004 were spotted and reported by employees. Failure to create such conditions at workplace that promote internal reporting of wrongdoings 'foolishly invites catastrophe' (Callahan et al., 2002). Hence, the research suggests that contextual variables explain higher level of variance in whistleblowers decisions to act, than individual variables do (Miceli & Near, 1992). Therefore, it is extremely important that the organizational context enables the desired responses. Conversely, when the organizational context is unfavorable then the employees tend to report externally or do not report at all (Miceli & Near, 1984; Miceli & Near, 1992).

Whistleblowers need to be supported and encouraged to act as monitors of corporate behaviors and report illegal acts and/or misconducts to the extent of eliminating them. However, studies suggest that only few come forward to blow the whistle. Fear of retribution displeasure of the top management are main contributing factors to this reluctance. Laws and regulations do help, however, an ethical culture in organizations can stimulate whistleblowing behavior in employees. To test the hypothesized statements, a Split Questionnaire Survey Design was adopted and 104 auditors from public and private sector organizations were surveyed. by Kaptein's (1998, 1999) Corporate Ethical Virtues Model was adopted to study the impact of culture on employees' whistle blowing behavior. The CEVM includes seven virtues to be implanted and embedded in organizational culture and postulates that organizations must possess these virtues to encourage morality and motivate employees to act ethically and report unethical behaviors.

The findings of this study correspond with previous studies (Bird & Waters, 1989; Bovens, 1998; Ciulla, 1998; Jackson, 2000; Kaptein, 2011; Schein, 1985; Trevino et al., 2000; Tyler & Blader, 2005). All the seven virtues of CEVM were found significantly correlated with whistle blowing activities. Ambiguity of moral expectations gives rise to unethical behaviors and results show that greater level of clarity in expectations encourages increased ethical behaviors and employees' reporting. Similarly, if the management activities, challenge these expectations, then the employees will be confronted with incongruent or varying signals. Hence congruence or consistency in management's behavior inspires employees' compliance with the organization's ethical expectations. The third dimension of corporate ethical culture is *feasibility*, i.e. the extent to which the organizations make well in time information available to employees regarding budgets, equipment, information, and authority required by employees to fulfill their responsibilities. Also, pressure to perform to meet deadlines and targets with less resources increases the risk of misconduct and wrongdoings. The results suggest low feasibility and less resources impede employees' whistleblowing, as reporting matters can be very time consuming and for employees meeting targets becomes more important than anything else. Moreover, employees' unethical conduct may occur due to lack of inadequate and timely information and authority for fulfilling their responsibilities. The organizational virtue of *supportability* was found the second most important virtue that stimulates whistleblowing. Supportability refers to the relative strength of employees' identification with, involvement in and commitment toward the organizational normative expectations and the encouragements it receives. The more the employees identify with organization ethical practices, the more their sense of identity will be threatened or harmed by the transgressions by others and thus these employees will either take firm action or will report the matter or raise voice against the wrongdoers. Another virtue that also had an impact on whistle blowing activities of the employees was *transparency*, and it was found that transparency gives rise to an ethical organizational culture wherein the employees are inspired to take action, since their response is evident to others in the organization; and, employees feel indebted to report misconducts and wrongdoings in order to maintain the existing levels of organizational transparency. *Discussability*, was found significant too, and employees were found to raise voice against wrongdoings if there was open communication, and a work environments safe with no fear of victimization. If reporting of matters by the whistleblowers are not taken seriously, employees will conclude that it is futile an attempt to even report, which reduces the likelihood of whistleblowing (Miceli et al., 2008). Similar results were found in the this study and *sanctionability* was seen as the most significant virtue of all. Employees reported higher level of stimulation to take internal action where they perceived that their reporting would entail a high level of sanctionability against wrongdoings.

### 5.1. Conclusion, limitations and future research directions

In wake of corporate scandals like Enron and Lehman brothers, organizations around the world are required to develop an ethical corporate culture to control, minimize and ultimately try to eliminate wrongdoings and by taking action against the wrongdoers. Whistleblowing has become one of the important aspects of an organization's culture, which helps in drawing attention of the management toward wrongdoings and the wrongdoers. This study directs the attention of organizations toward understanding the importance and great need of developing and promoting ethical culture in organizations. As Kaptein (1998, 2008, 2011) theorizes that the virtuousness in an organization is determined by the amount to which the organization culture endorses ethics, and tries to impede unethical behavior. Henceforth, the current study highlights the importance, role and reactions of whistleblowers against wrongdoings in an ethical organizational practice in South Asian perspective with special reference to public and private sector of Pakistan.

Keeping this in view, the primary purpose of the study is to examine employees' whistleblowing; and, how corporate ethical culture influences them and how they react toward observed wrongdoings. Despite the fact that this research is designed to empirically investigate whistleblowing still several aspects got ignored or were not taken due to shortage of time and unavailability of resources to handle this study at a much high level. Focusing on what is important divert the attention from other significant aspects of the research that could have provided even more depth to the study. The findings of the current study cannot be generalized without considering overall internal work environment and societal norms and values. But still, replication of study in

other settings, possibly in a different context might give different results. Another inadequacy of the present study is that it did not show any concerns for the structural validity. Questions arise on many dimensions such as the inclusion criteria for understanding whistleblowing behavior affected by CEVMS. Another potential limitation arises from self-reported questionnaire as whenever self-reported responses are used for the study, it is not possible for the researcher to verify the truthfulness of information which is totally dependent on the integrity and honesty of the respondents.

The cross-sectional study design in itself limits to reveal the causality in variables (Cheung, 2013). This study too is cross sectional which makes the study static in nature. It is suggested that future studies should consider more of the use of longitudinal designs that would significantly increase the researchers' confidence in testing for the validity and for generalization of the findings and study the impact on the variables under investigation. Although the data comes from fairly a reasonable sample size but data should have been collected from other parts of the country too and measure the strength and nature/direction of association between dependent and independent variables. The chances of common method variance cannot be fully ruled out in the entire process of data collection. To enhance the understanding regarding whistleblowing behavior, it is required to develop and test more complex models. Empirical testing on a larger and diverse sample is required. As there is appalling shortage of research done in South Asia, specifically in Pakistan therefore more extensive, multi-dimensional research study needs to be undertaken in different sectors and areas at different levels.

It is suggested that Kaptein (2008) CEVMS and DeBode, Armenakis, Field, and Walker (2013) CEVMS-short form may be replicated, thereby providing further support for the dimensionality, generalizability and the reliability of the short form. Further there is always room for CEVMS-SF refinement in future study. In addition to the existing virtues, new avenues may be seen (e.g., Kaptein, 2008) or the presence of observable artifacts can be built into some mechanism. Organizations differ in the extent to which the dimensions are demonstrated. Future study may focus more on understanding as to what implications the presence or the absence of certain CEVMS-SF dimensions has (DeBode et al., 2013). If organizations are determined to create ethical culture, the role of whistleblower is the key to ethical success of any system (Gallagher, 2013). He further adds that 42% of the time tipping off an employer about an ethical lapse or potential fraud is the appropriate ways the organizations maintain ethics and prevent frauds and wrongdoings. The internal staff can act as police system for maintaining ethical practices, as the organizations often look for other ways, or are scared to oppose those committing ethical blunders, are putting the organization in jeopardy.

For future study it is suggested that organizations should run ethical training programs with strong accountability and follow up systems. Continuous monitoring and accountability keeps people between the ethical lines. As the term whistleblower carries an undesirable association; though the whistleblowers are the ones who cares enough to blow whistle against wrongdoings. Perhaps one should reframe or replace the word whistleblower with the 'ethical partner' (Gallagher, 2013). In an ethical culture, people do the right thing, not because they have to, but because they want to open channels of communication is proven to be the most dominant technique and practices where the presence of facilities to complaint is seen to speak the truth. Moreover, internal monitoring programs held are powerful tool to create awareness of the importance to whistleblowing within the workplace setting; fair and just treatments by the management generates trust and confidence in employees where they feel empowered and develop sense of belongingness with their workplace. Whistleblowing is also perceived as a new commitment of employees toward the organization; needs to be looked further for research purpose (Kamarunzaman, Zawawi, & Hussin, 2014). It has been further suggested that a reporting channels and administration by third party may represent a stronger procedural safeguard of anonymity and avoid the appearance of impropriety (Gao, Greenberg, & Wrang-on-Wing, 2015). By understanding whistle-blowing systems as desired by society, the legitimacy theory could be transferred to the whistle-blowing concept (Pittroff, 2014); thus legally institutionalizing the role of whistleblowers as organizational ethical partners, hands in hands with organizations to make workplace a better and a safe place to work.

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## Conflict of interest

None.

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