

WHISTLEBLOWING INTENTION OF FINANCIAL KEEPERS IN EDUCATION ORGANIZATION

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Abstract: The objective of this research was to examine the effect of organizational commitment and fraud severity rate on whistleblowing intention of financial keepers in school organization and to understand this relationship through prosocial organizational theory. The research population was 214 persons comprising of 24 principals, 97 vice-principals, 22 school administration heads, 32 treasurers, and 39 financial administration staffs in Public Senior/Vocational/Moslem High Schools in Malang City. Census sampling technique was used. Data were collected with a questionnaire. The return rate was 89.72%, meaning that there are 192 questionnaires returned and filled. Multiple regression instrument was used to analyze the data. The result shows that the unstandardized coefficients rate of organizational commitment is valued at -0.197 with a significance value of -0.002, while that of fraud severity rate is 0.768 with a significance value of 0.000. The conclusion was that organizational commitment has a negative effect on whistleblowing intention, whereas fraud severity rate has a positive effect on whistleblowing intention. It was suggested that the next research should use education organization at another level as a research object. Other variables or theories can be possibly used to create a better model of multiple linear regression.

Keywords: prosocial organizational theory, whistleblowing intention, organizational commitment, fraud severity rate.

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Financial management frauds can occur in many organizations, including education organizations. Association of Certified Fraud Examiners (ACFE) is the worldwide anti-fraud institution that releases an annual report called *Report to The Nation*. The 2016 Report to

The Nation had indicated that the education sector occupied the sixth rank for *fraud* case of twenty three (23) sectors in comparison. The exact number of fraud case suffered by education sector is 132 cases. Indeed, fraud threatens the development of Indonesian education sector. Indonesia Corruption Watch (ICW) has found that schools are education organization with great vulnerability to corruption. During the period 2005-2016, there are 93 corruption cases against education budget done by

school organization (CNN Indonesia, May 17, 2016, 8:31 pm, <https://www.cnnindonesia.com>).

The organization needs an effective internal control mechanism to prevent it from suffering losses due to the fraud. *Whistleblowing* is such a mechanism that at least prevents the organization from suffering losses due to organizational fraud, and most importantly, to encourage the staffs to acknowledge this fraud and reveal it (Zakaria, 2015). Most of these frauds, notably 75% of it, are successfully disclosed through whistleblowing (Crook, 2000). In government organizations, lower level civil servants are the potential whistleblowers because they are actively involved within operational and technical activities of the organization. They do have better knowledge about how their organization works and whether their organization is corrupt or not (Winardi, 2013).

Although whistleblowing is an effective instrument to reveal fraud, a problem still emerges because whistleblowing causes a dilemma. In one hand, whistleblowing supports honesty, while on the other hand, it expresses disloyalty, which thus, whistleblowing is often a moral conflict (Waytz, Dungan, and Young, 2013). Therefore, although employees are already aware that there is a fraud in an organization, they prefer not to expose it. They possibly feel that revealing organizational fraud is an act of disloyalty to coworkers or organization, and may produce retaliation that victimizes the revealer (Crook, 2000). Whistleblowers may suffer from severe reprisals from the management, especially when what they reveal is true (Rothschild and Miethe, 1999).

Whistleblowing is an act with a dilemma, and therefore, an organization must understand factors affecting whistleblowing intention. For example, an organization shall make certain policies that make whistleblowing system functioning effectively in an organization. Whistleblowing behaviour is closely related to prosocial organizational theory. This theory explains about prosocial behaviours or positive social behaviours, that can produce and maintain prosperity and integrity of humans (Brief and Motowidlo, 1986). Prosocial actions are not only aimed to get

personal benefits but also to provide benefits for others.

Whistleblowing as one of the prosocial behaviours is the act done by organizational members to convey direction, procedure, or policy that they find as unethical, illegal, or possibly causing disaster to the long-term organizational goals to certain individuals or others who can make corrections against it. A staff or a member of an organization who does whistleblowing is surely one who commits to protect an organization from the danger of fraud. Organizational commitment means not only a passive loyalty to an organization but also a working relationship with the organization in which individuals are willing to give their meaningful contribution for organizational prosperity (Mowday and Steers, 1979). Organizational commitment is a personal factor affecting someone to behave toward whistleblowing. Another factor influencing whistleblowing is a situational factor. Miceli and Near (1985) found that organizational members who discover fraud tend to do whistleblowing if they have convincing evidence or if this fraud has a very serious direct impact.

Based on this background, the author attempts to analyze the effect of organizational commitment and fraud severity rate on whistleblowing intention. Respondent in this research involves financial keepers in school organization such as principal, vice-principal, school administration head, school treasurer, and financial administration staff in Public Senior/Vocational/Moslem High Schools in Malang City, Indonesia. The object of research is Malang City because people recognize Malang City as Education City in Indonesia.

LITERATURE REVIEW

Whistleblowing as Prosocial Organizational Behavior

There are four markers for social value orientation. First is competitive orientation. Competition proponents tend to maximize their fortunes over others (Van Lange et al., 1997). Second is altruistic orientation. Altruists tend to improve others' prosperity as their *end state goal* (Batson, 1983, p. 1381

in Dozier and Miceli, 1985). The third is the individualistic orientation. Individualists tend to maximize their self-interest by regarding less or even disregarding the outcomes of others (Van Lange et al., 1997). Fourth is prosocial orientation. Prosocialists maximize their outcomes and others (through cooperation) and minimize the outcome gap among them (through equality) (Van Lange et al., 1997).

Whistleblowing is one of thirteen (13) prosocial behaviours (Brief and Motowidlo, 1986). In general, whistleblowing is not altruism behaviour that elevates others' interest, but it inclines toward prosocial behaviour because it also gives benefits to the whistleblower itself (Bagustianto and Nurkholis, 2014). If whistleblowers are genuinely motivated by altruism, which they do it for benefiting the others, then they must do this whistleblowing without counting on the emergence of reprisals and consequences. Fraud finders mostly keep the balance of benefits and losses that they and others can get or suffer. Indeed, they calculate the possible formal or informal sanctions given by an organization for whistleblowing. This balancing option has a huge impact on whistleblowing (Dozier and Miceli, 1985). Whistleblowers may look for self fortunes from it, such as getting new publicity, seeking a good reputation, and even retaliating the injustice they got in the past (Dozier and Miceli, 1985).

Assuming that a whistleblower only looks for a self fortune, then it is less surprising if a whistleblower is condemned as a traitor. Therefore, although employees discover fraud in their organization, they refrain from revealing it because they fear of being condemned as disloyal to coworkers or organization and consider whistleblowing as will only victimize themselves (Crook, 2000).

Organizational Commitment and Whistleblowing Intention

Organizational commitment is defined as a relative power that signifies identification and involvement of certain individuals in a certain organization. Organizational commitment is determined by three factors, respectively, the strong conviction and sub-

mission to organizational goals and values, the willingness to deliver adequate work for the organization, and the tenacious struggle to retain organizational membership (Ahmad, 2011). Individuals with high organizational commitment are likely to show prosocial behavior of whistleblowing than those with low organizational commitment (Ahmad et al., 2012). Employees with high organizational commitment do not hesitate from whistleblowing because they believe that whistleblowing protects an organization from destruction (Bagustianto and Nurkholis, 2014).

Previous studies have examined the effect of organizational commitment on whistleblowing intention, and these include Alleyne (2016), Ahmad (2011), Bagustianto and Nurkholis (2014), and Ahmad, et al. (2012). Moreover, Alleyne (2016), and Bagustianto and Nurkholis (2014), proved that organizational commitment affects whistleblowing intention. However, Ahmad (2011), and Ahmad et al. (2012), found that organizational commitment does not affect whistleblowing intention. Ahmad (2011), argues that fraud perpetrator may have a respectful position that can restrain employees with a high organizational commitment from whistleblowing.

Based on these explanations, the first alternative hypothesis is written as follows:

H_1 : Organizational commitment has a positive effect on whistleblowing intention.

Fraud Severity Rate and Whistleblowing Intention

Fraud severity rate is varying. Mustapha and Siaw (2012) asserted that serious fraud is that inflicting harms, negative impacts and danger potentials to the others, and involving great frequency of wrongdoings. Fraud severity can also be measured with the value of money. Miceli and Near (1985) suggest that certain fraud is considered as serious when it happens frequently and involves a great amount of money. Greater impact inflicted by the fraud will stimulate greater intention among the individuals to take ethical measure to mitigate the negative effect of the fraud (Hakim et al., 2017). If the fraud is not much serious, there is a possibility that other organizational members do not support

the whistleblowing, and it may not match with great cost spent by a whistleblower to deal with the fraud (Miceli and Near, 1985).

Previous studies have investigated the effect of fraud severity rate on whistleblowing intention, such as: Ahmad (2011), Bagustianto and Nurkholis (2014), Mustapha and Siaw (2012), Winardi (2013), Miceli, et.al. (1991), Miceli and Near (1985), Hakim, et.al. (2017), Andon et.al. (2016), and Kaplan and Whitecotton (2001). It has been indicated by Ahmad (2011), Bagustianto and Nurkholis (2014), Mustapha and Siaw (2012), Winardi (2013), Miceli and Near (1985), Hakim et.al. (2017), and Andon et.al. (2016), that fraud severity rate affects whistleblowing intention. However, Kaplan and Whitecotton (2001) proved that fraud severity rate does not affect whistleblowing intention. Miceli et al. (1991) found that if organizational fraud is high, then public disclosure by the internal auditor shall trigger negative perception in public, which can sway the stability of an organization toward destruction. According to these descriptions, the second alternative hypothesis is formulated as follows:

H₂: Fraud severity rate has a positive effect on whistleblowing intention.

HYPOTHESIS MODEL

The model of the research hypothesis is depicted in Figure 1

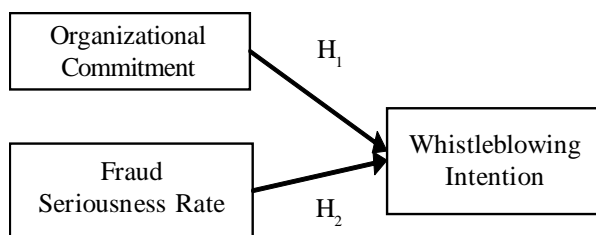


Figure 1 Research Hypothesis Model

METHOD

Research Type and Data Source

The research uses a quantitative approach. Type of research is a causal study, which is research

to explain whether there is an effect from an independent variable on the dependent variable (Sekaran, 2013:98). The data source is primary data, which is that the information is obtained by the observer from the first-hand individual (first informant) (Sekaran, 2013:113). Data collection technique uses a questionnaire.

Sample and Population

The population of research includes principals, vice-principals, school administration heads, treasurers, and financial administration staffs in Public Senior/Vocational/Moslem High Schools in Malang City, which the total is counted for 214 respondents. Census sampling is used, and it is a sampling technique that uses all population members as a sample (Sugiyono, 2017:126).

Data Analysis Method

Data analysis is preceded by reliability and validity tests. Multiple Linear Regression is a statistic instrument used in data analysis to understand the relationship between an independent variable and dependent variable. The statistic analysis process is supported by statistic software of SPSS Version 24. The general model of the regression equation is written as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \epsilon$$

Where :

- Y = Whistleblowing Intention
- α = Constant
- X1 = Organizational Commitment
- X2 = Fraud Severity Rate
- ε = Error

When multiple regression analysis is completed, the next step is the classical assumption test. This test consists of multicollinearity test, heteroscedasticity test, and normality test. Multicollinearity test is aimed to examine whether the regression model shows the presence of correlation among independent variables. Good regression model shall not indicate the presence of correlation among independent variables (Ghozali,

2016:103). Heteroscedasticity Test is conducted to examine whether the regression model shows the presence of variance inequality among residuals between one observation to another (Ghozali, 2016:134). Normality test is implemented to examine whether the regression model indicates the presence of an intruder or residual variable with a normal distribution (Ghozali, 2016:154). Classical assumption test successfully proves that there are no multicollinearity and heteroscedasticity in the regression model. Also, the classical assumption test proves that normality requirement is fulfilled.

RESULT

Distribution and Return of Questionnaire

There are 214 questionnaires distributed to respondents at 25 schools from April to May 2018. Of these questionnaires, the returned questionnaire with complete filling is 192, or with a return rate of 89.2%.

Multiple Regression Test

The result of multiple linear regression analysis is shown in Table 2.

Table 2 Multiple Regression Test

Model	Coefficients ^a						
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	25.242	5.069		4.979	.000		
OC	-.197	.063	-.204	-3.105	.002	.955	1.047
FSR	.768	.107	.472	7.200	.000	.955	1.047

a. Dependent Variable: WI

Table 2 shows that the significance value of organizational commitment is 0.002, which stands below 5%, but the coefficient of organizational commitment is negative. It means that organizational commitment has a negative effect on whistleblowing intention. The coefficient of fraud severity rate is

positive, with a significant value of 0.330, which is more than 5%. Therefore, fraud severity rate has a positive effect on whistleblowing intention.

The coefficient of determination is displayed in Table 3.

Table 3 Coefficient of Determination

Model	Model Summary ^b			
	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.473 ^a	.224	.215	6.14574

a. Predictors: (Constant), FSR, OC

b. Dependent Variable: WI

As shown by the model summary of SPSS outputs above, the adjusted R² is 0.215, meaning that

21.5% variations of whistleblowing intention are explained by variations of independent variables.

DISCUSSION

The Effect of Organizational Commitment on Whistleblowing Intention

A prosocial organizational theory has stipulated that individuals with organizational commitment are willing to give their significant effort to contribute to organizational prosperity (Ahmad, 2011). Employees with high loyalty and dedication to an organization are willing to defend a good reputation of their organization. However, sometimes, they perceive that whistleblowing only badly impacts organizational feasibility because it can trigger negative perception in public. Whistleblowing behavior is negatively related to organizational commitment because whistleblowing is condemned as diverge behavior (Miethe and Rothschild, 1994). Miceli et al. (1991) clarified that fraud disclosure might trigger negative perception in public, which can ruin organizational stability and as a result, bring the organization into destruction.

Within education organization, precisely among public high schools, individuals with high organizational commitment always endeavour to defend the good reputation of their organization to keep public trust unchallenged. In the other hand, those with high organizational commitment mostly have less whistleblowing intention. They believe that financial fraud in the school environment can reduce public trust in school as an educational organization. If the fraud is detected in an organization, school attendants insist on solving this shame internally rather than making a disclosure to the public.

An organizational member with high organizational commitment will always give their best effort to achieve the goals of their organization and to keep an organization from being perceived negatively by the public. All education institutions are required to actualize the national education goal. As noted by Kompri (2015, 17), the national education goal has been stated in Law No.20/2003 concerning National Education System. In Article 3 of this Law, it is stated that "National Education Goal is to develop the potentials of educated participants in order to prepare them to become humans with faith and piety to God, noble morality, good health, useful knowledge, skill, creativity, and self-autonomy, and also to become

citizens who are democratic and responsible". Therefore, when people recognize that there is fraud or deviation in school organization, they may perceive that school organization has failed to achieve the education goal.

When a school organization shall suffer from problems, these problems must be solved internally. It is considered as wiser than reporting organizational fraud to the other entity that will take corrective actions on it. Anyway, whistleblowing action done by an organizational member will always finally peak at the disclosure of internal problem by the public, and this disclosure may force the reputation of school organization to suffer.

The Effect of Fraud Severity Rate on Whistleblowing Intention

As a member of the organization, employees have a responsibility to protect their workplace from suffering and dangers (Winardi, 2013). This finding corresponds with some previous studies, such as Ahmad (2011), Bagustianto and Nurkholis (2014), Mustapha and Siaw (2012), Winardi (2013), Miceli and Near (1985), Hakim et al. (2017), and Andon et al. (2016). In general, all these studies proved that fraud severity rate affects whistleblowing intention. Employees mostly perceive that serious fraud, rather than less serious fraud, need to be corrected by an organization (Winardi, 2013). Whistleblowing intention decreases when fraud severity rate is low. The reason behind this is that less serious fraud is not comparable to the anti-fraud campaign cost that is always high and usually involving support from respectful individuals (Miceli and Near, 1985). Shall one organizational member find serious fraud in the organization, a possible solution is to disclose the fraud to certain individuals who can take drastic corrective actions on it.

Serious fraud may disturb organizational viability. Employees, therefore, feel necessary to report this fraud to the superior at least to keep an organization from suffering great losses in the future. However, whistleblowing is dilemmatic. In one hand, it enforces honesty, but on the other hand, it reflects disloyalty to the organization. Shall fraud be harming organizational fortunes and disturbing organiza-

tional viability, it must be a strong signal for organizational members to whistleblow the fraud. The current research has discovered that the respondents are those who are very selective in sorting over fraud cases to obtain those that they must whistleblow or not. This selectivity determines their whistleblowing intention, especially when fraud is seriously harmful. The greater fraud severity rate, the greater the whistleblowing intention, and so is the reverse.

IMPLICATION

Whistleblowing is one of the organizational control mechanisms and also a form of an investigative audit to reveal the fraud. An organization needs effective whistleblowing system and policy to anticipate the suffering due to fraud or wrongdoing in an organization. An anvil to develop effective whistleblowing system and policy is a prosocial organizational theory. Two factors are influencing whistleblowing intention, respectively, organizational commitment and fraud severity rate. Organizational commitment has a negative effect on whistleblowing intention. Therefore, it is expected that a whistleblowing system and policy constructed by the individuals with authority must then be able to protect organizational secrecy from public criticism to defend the good reputation of the organization. Also, the whistleblowing system and policy constructed shall specify which fraud is classified as serious or not, and if it is serious, it can be reported to the authority for corrections.

CONCLUSIONS AND RECOMENDATIONS

Conclusions

This research attempts to examine the effect of organizational commitment and fraud severity rate on whistleblowing intention. Multiple regression test using SPSS Version 24 has found that H_1 is rejected while H_2 is accepted. The value of Adjusted R^2 in a multiple regression model is 21.5%. Two independent variables in this research, precisely organizational commitment and fraud severity rate, affect whistleblowing intention. This research successfully proves that the intention of financial keep-

ers in school organization to do whistleblowing is explained by, or can be understood from, prosocial organizational behaviour theory. Research indicates that organizational commitment has a negative effect on whistleblowing intention, while fraud severity rate has a positive effect on whistleblowing intention. It must be noted that in school or education organization, individuals with high organizational commitment are those who always defend their organizational reputation from the negative perception of the public. They only whistleblow frauds that they consider as giving serious impact on an organization.

Recomendations

Independent variables of this research, precisely organizational commitment and fraud severity rate, do explain whistleblowing intention by 21.5%. Next research shall include more variables to create better or more complete multiple regression model, precisely one that can attain higher adjusted R^2 value.

Further research shall investigate other education organization as the object of research, such as Junior High Schools and its equivalents, or Elementary Schools and its equivalents. If the object is the same as current research, it must be located in a different city. For future research, more extensive coverage shall be taken, such as at province level.

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