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## **The Effect of Moral Reasoning, Retaliation and Negative Emotion on Individual Intention to Do Whistleblowing**

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### **Abstract**

This study aimed at testing the effect of moral reasoning, retaliation, and negative emotion on individual intention to do whistleblowing in Regional Organization (*OPD*) of Denpasar City. The data were from primary data which were collected through questionnaires. Samples were chosen by using purposive sampling technique, so the total of respondents was 72 people. The data analysis technique was Partial Least Square (PLS) on significant level of 5 percent. The finding of this study found that the moral reasoning had positive effect on individual intention to do whistleblowing, retaliation had negative effect on individual intention to do whistleblowing, guilty feeling had positive effect on individual intention to do whistleblowing, and shame had positive effect on individual intention to do whistleblowing.

**Keywords:** moral reasoning; retaliation; guilty feeling; shame; whistleblowing.

### **1. Introduction**

Disclosure of fraud action or well-known as whistleblowing has become an interesting phenomenon in the last few years. Phenomenon of whistleblowing ethic becomes an interesting issue to be discussed.

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It is because every action should be conducted based on the work ethic as stated on code of ethics that should be followed. Whistleblowing is an action that is not only conducted based on intention, but also acted when an employee finds any fraud in company [2]. Reference [12] stated that initially most of whistleblower disclosed the fraud or unethical action to the company internally before reporting it publicly. Being a whistleblowers not easy because they will always face many consequences. Heroic action of the whistleblower cannot be separated from ethical dilemma experienced in the work place. Worldcom shocked the world by the disclosure of fraud done by big company which involved whistleblower. Worldcom reported that the company classified network load as capital expenditure. This case disclosure was known from a report of the employee or internal party. This report was investigated by external auditor which finally found fraud indication conducted by Worldcom management (fraud-magazine.com). In Indonesia, the most shocking whistleblowing case which involved many renowned politicians and officials is the flow of funds from the construction of athlete homestay which is well-known as Hambalang's case. Specifically, the case of whistleblowing also happened in Denpasar City, such as the corruption of paving project in heritage area of Gajah Mada Street, Denpasar which involved tender winner of PT Alit Wirajaya and supervisor consultant CV. Unika Desain. This rampant case related to whistleblowing behavior asserts that whistleblower in Indonesia should get legal protection. Based on Law No. 13 of 2006, Article 10 Paragraph (2) concerning the safety and legal protection, protection of witness and informant from any threats including physical threat, threat upon family or property. However, there is no direct rule that definitely and focus to regulate system of whistleblowing action and protection to the whistleblower. The whistleblowers think that there is no safety protection for them to disclosure fraud happened in their company or organization. This condition is believed becomes one of the obstacles for any individual to conduct whistleblowing because they are afraid of the future consequences. Theory of Planned Behavior (TPB), proposed by [1] stated that central factor of individual behavior is that this behavior is influenced by individual intention upon the behavior, while intention to behave is influenced by variable of attitude, subjective norm, and perceived behavioral control. Based on this theory, it can be explained that individual intention to conduct whistleblowing is influenced by moral reasoning as the reflection of attitude, retaliation as reflection of subjective norm, and negative emotion as reflection of perceived behavioral control. Study about the effect of moral reasoning, retaliation and negative emotion upon individual intention to conduct whistleblowing has been conducted many times, but the finding of the studies still causes contradiction, so there should further study in order to describe in detail about the effect. One of previous related studies was conducted by [14] who stated that philosophy of moral reasoning influences decision which forms whistleblowing action. Reference [9] stated that moral reasoning, retaliation and negative emotion influence tendency of conducting whistleblowing. Reference [11] stated that retaliation has positive effect on individual position in conducting whistleblowing. Ghorbani and his colleagues [5] stated that guilty feeling and shame could influence someone's psychology state which will affect the tendency of behaving. Han and his colleagues [7] stated that tendency of guilty feeling and shame owned by someone may become a reason for their behavior, because the higher the tendency, the person will be more guided by moral in every behavior. Reference [22] found that moral intensity influences individual intention to conduct whistleblowing. Reference [16] stated that moral intensity has positive effect on the accountant to conduct whistleblowing. Reference [3] stated that retaliation has negative effect on whistleblowing intention. Based on the description of the research phenomenon and inconsistency of the research findings, so a research about whistleblowing phenomenon is interesting to be studied again. This

study has some differences with previous research. First, this study uses questionnaire consisting of statements related to research, while previous research used questionnaire in form of case. Second, this research uses Denpasar City as research location. Third, this research uses financial staff employees who work in Regional Organization (OPD) of Denpasar City as research respondent.

## **2. Research Hypothesis**

Moral reasoning as reflection of someone's attitude is individual consideration about the good and bad of something to strengthen the rules, norms or ethical values which is believed and implemented in many situations involving cognitive process Kohlberg [8]. According to the previous study of Gundlach and his colleagues [6] also stated that moral reasoning has significant role in whistleblowing process. Reference [10,9] stated that moral reasoning has positive influence on individual intention to conduct whistleblowing. Individual with high moral reasoning will be more likely to conduct whistleblowing than Individual with low moral reasoning Zanaria [22]. Individuals who have high moral reasoning have characteristics not possessed by individuals who have low reasoning. For example, the characteristics of critical thinking are only possessed by individuals with high reasoning. In addition, they have a skepticism and awareness of the surrounding environment. According to that characteristic, they could easier and be brave to conduct whistleblowing. Reference [14], Sari and Setiawati [16] stated that philosophy of moral reasoning influences decision to form whistleblowing action. Based on the above description, so the research hypothesis can be drawn as follows:

H<sub>1</sub>: The better moral reasoning, the higher the individual's intention to conduct whistleblowing.

Retaliation as reflection of subjective norm is a behavior intended to restore action that has been done by someone. Gundlach and his colleagues [6], Reference [10,9] stated that retaliation strength has negative effect on the opportunity of individual to conduct whistleblowing. Reference [21] stated that retaliation still becomes the main reason for someone to be whistleblower, although it is supported by explicit Protection Law. Refer to the previous study means that people who have a problem with co-worker or their team and find something incorrectly and unreasonable they prefer to show up that things. Another previous studies research found by Reference [3] stated that retaliation has negative effect upon whistleblowing intention. Based on the above description, the hypothesis that can be proposed is as follows:

H<sub>2</sub>: The higher the retaliation, the lower the individual's intention to conduct whistleblowing.

The defined perceived behavioral control in this research is defined as negative emotion in form of guilty feeling. Whistleblowing behavior is indicated as one of someone's decisions to behave ethically. Therefore, the researcher only focus on guilty feeling which is assumed having direct relation with individual intention to conduct whistleblowing as a form of ethical decision. Study which tested the effect of guilty feeling on individual intention to conduct whistleblowing was done by [9] who stated that guilty feeling has positive effect on individual intention to conduct whistleblowing. Ghorbani and his colleagues [5] and Han and his colleagues [7] stated that guilty feeling could influence someone's psychology which will influence the intention in behaving. Based on the above description, the hypothesis that can be proposed is as follows:

H<sub>3</sub>: The higher the guilty feeling, the higher the individual's intention to conduct whistleblowing.

The defined perceived behavioral control in this research is defined negative emotion in form of shame. Shame is a part of emotion which is specially related to decision making to behave ethically Tangney and his colleagues [20]. Study conducted by [9] found that shame has positive effect on individual intention to conduct whistleblowing. Ghorbani and his colleagues [5] and Han and his colleagues [7] stated that shame can influence someone's psychology which finally influence the intention in behaving. Tangney and his colleagues [19] stated that shame is the obstacle of someone's immoral behavior. Based on the above description, the hypothesis that can be proposed is as follows:

H<sub>4</sub>: The higher the shame, the higher the individual's intention to conduct whistleblowing.

### 3. Research Method

Population of this research is the financial staff who work in Regional Organization (OPD) of Denpasar City. The sampling used purposive sampling technique. The sample criterion was two financial staff in every OPD, who had worked minimum 2 years. It is because financial/accounting staffs who worked in every OPD had experiences to detect fraud related to the reviewed financial problem and they had high tendency to report any fraud conducted by their superiors or partners. So, the total respondents were 72 people. This study used primary data source, i.e. data taken from questionnaires that were given directly to financial staff of Regional Organization (OPD) of Denpasar City in 2018. The collected primary data were analyzed by using component based structural equation modeling or Partial Least Square (PLS) variant. The model was analyzed by applying SmartPLS 3.0 program on significant level of 5 percent. In the testing of using Partial Least Square (PLS) program, there were inner and outer model testing. Inner model a relation among the variables in the research model. Indicators for ever variable can be seen on Table 1.

**Table 1:** Variable and Indicator of the Research

No.	Variable	Indicator
1	Moral reasoning	Moral policy
2		Moral situation
3		Opportunity to take role
4		Conflict of cognitive moral
5	Retaliation	Risk
6		Fear
7		Revenge
8	Guilty feeling	Regret
9		Not carrying out obligation
10	Shame	Failed to adjust action
11		Inferiority
12	Whistleblowing intention	Whistleblowing intention
13		Plan to conduct whistleblowing

**4. Result and Discussion**

Data collection was done by giving questionnaires to thirty-six Regional Organization (OPD) of Denpasar City. Two questionnaires were given to these thirty-six organizations, so the total respondents were seventy-two. The result of questionnaire distribution showed that from the given 72 questionnaires, there were 72 questionnaires returned. All of the returned questionnaires were filled completely and fulfilled the requirement so there was no questionnaire dropped. Calculation of the data resulted level of respondent return which can be analyzed (respondent rate) of 100%.

The result of descriptive statistic in this research can be seen on following table 2:

**Table 2:** The Result of Descriptive Statistic Test

	N	Minimum	Maximum	Mean	Std. Deviation
Moral reasoning	72	18.00	45.00	35.76	5.932
Retaliation	72	14.00	35.00	25.94	5.378
Shame	72	8.00	20.00	15.48	3.121
Guilty feeling	72	10.00	25.00	19.40	3.694
Whistleblowing	72	4.00	10.00	8.47	1.591
Valid N (leastwise)	72				

Based on the Table 2, it was found information about description of each research variables consisting of minimum score, maximum score, mean score, and standard deviation with samples of each variable were 72 respondents. Variable of moral reasoning was measured by questionnaire consisting of 9 items of statement. The mean score of moral reasoning was 35.76 which means that averagely the respondents tend to agree with the given moral reasoning statement. The value of standard deviation of the moral reasoning was 5.932 less from the mean score. It means that moral reasoning in this study has small data distribution, so these data can represent all of the research data. Retaliation variable was measured by using questionnaire consisting of 7 items of statement. Mean score of the retaliation was 25.94 which means that averagely the respondents tend to agree with the given statement about retaliation. The value of standard deviation of the retaliation was 5.378 less from the mean score. It means that retaliation in this study has small data distribution, so the so these data can represent all of the research data. Shame variable was measured by using questionnaire consisting of 4 items of statement. Mean score of the retaliation was 15.48 which means that averagely the respondents tend to agree with the given statement about shame. The value of standard deviation of the shame was 3.121 less from the mean score. It means that shame in this study has small data distribution, so these data can represent all of the research data. Variable of guilty feeling was measured by using questionnaire consisting of 5 items of statement. Mean score of the guilty feeling was 19.40 which means that averagely the respondents tend to agree with the given statement about guilty feeling. The value of standard deviation of the guilty feeling was 3.69491 less from the mean score. It means that guilty feeling in this study has small data distribution, so these data can represent all of the research data. Variable of individual intention to conduct whistleblowing was measured by using questionnaire consisting of 2 items of statement. Mean score of the individual intention to conduct whistleblowing was 8.47 which means that averagely the respondents tend to agree with the given statement

about individual intention to conduct whistleblowing. The value of standard deviation of the individual intention to conduct whistleblowing was 1.591 less from the mean score. It means that individual intention to conduct whistleblowing in this study has small data distribution, so these data can represent all of the research data. Criterion of validity and reliability of this research was seen from composite reliability and the value of Average variance extracted (AVE) from each construct. Construct was considered having high reliability if the value of composite reliability was above 0.70, Cronbach Alphas higher than 0.60 and AVE was above 0.50. The result can be seen on Table 3.

**Table 3:** Composite Reliability, Cronbach alpha and Average Variance Extracted (AVE)

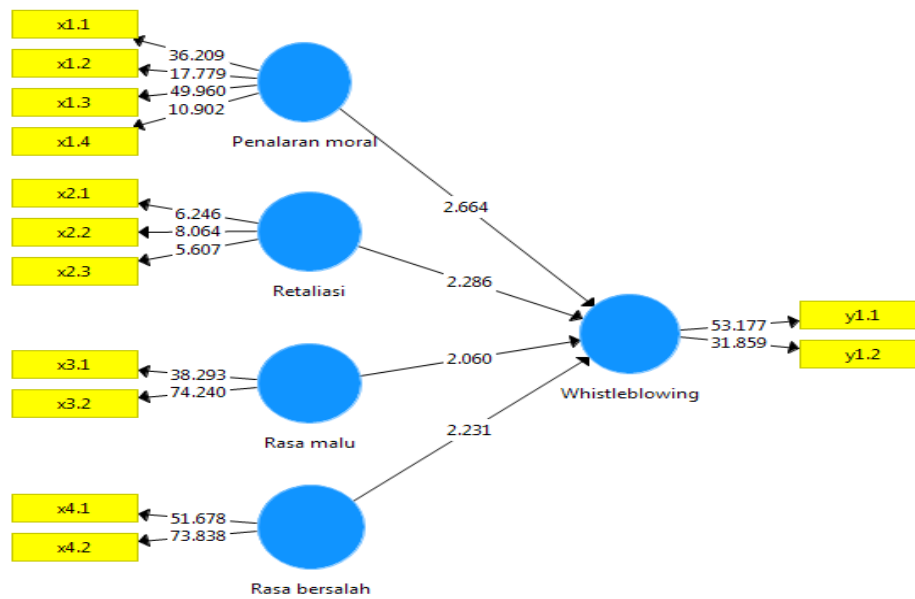
	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (AVE)
Moral reasoning	0.924	0.938	0.939	0.633
Guilty feeling	0.930	0.941	0.947	0.783
Shame	0.928	0.938	0.949	0.822
Retaliation	0.934	0.959	0.943	0.705
Whistleblowing	0.845	0.858	0.928	0.865

Evaluation of inner model or structural model was done to see relation among the variables, significant value, and R-square of this research. The result of inner model can see the relation among constructs by comparing significant value and R-square of this research. The higher the R-square value, the bigger ability of endogen variable which can be explained by exogenous variable so the better the structural equation. R-square value showed 0.584 which means that 58.4 percent of the individual intention to conduct whistleblowing variable could be explained by variables of moral reasoning, retaliation, shame, and guilty feeling, while 41.6 percent was explained by other variables which were not included in this research. Hypothesis testing was done by using resampling Bootstrap method which was developed by Geiser and Stone. The result of T-statistical score on output result for inner weight compared to P-Value with 5 percent significant level was above 0.05 which can be seen on Table 5.

**Table 4:** The Result of Output Bootstrap

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Moral reasoning Whistleblowing	-> 0.281	0.289	0.106	2.664	0.008
Guilty feeling Whistleblowing	-> 0.322	0.325	0.144	2.231	0.026
Shame Whistleblowing	-> 0.308	0.301	0.149	2.060	0.040
Retaliation Whistleblowing	-> -0.167	-0.176	0.073	2.286	0.023

From the Table 4, it can be seen that all indicators of moral reasoning, guilty feeling, and shame have positive and significant relation on individual intention to conduct whistleblowing, while indicator of retaliation has negative and significant relation on individual intention to conduct whistleblowing. The most influencing variable on individual intention to conduct whistleblowing was guilty feeling of 0.322 compared to shame of 0.308; moral reasoning 0.281 and retaliation -0.167. First hypothesis stated that the better moral reasoning, the higher the individual's intention to conduct whistleblowing. The test result on parameter coefficient between moral reasoning and intention to conduct whistleblowing has coefficient value of 0.281 which means there is positive relation and t-statistical value of 2.664 with significant level 0.008 of which less than 0.05. It means that the better moral reasoning so the individual's intention to conduct whistleblowing will be higher or the first hypothesis was accepted. Based on this data, it was known that from nine items of statement concerning moral reasoning, the eighth statement mentions "my decision should be highly beneficial for me" got the highest response score 320 and mean score 4.44 which means that dominantly the respondents answered "highly agree" with the statement. Second hypothesis stated that the higher the retaliation, the lower the individual's intention to conduct whistleblowing. The test result on parameter coefficient between retaliation and intention to conduct whistleblowing has coefficient value of -0.167 which means there is negative relation and t-statistical value of 2.268 with significant level 0.023 of which less than 0.05. It means that the higher retaliation so the individual's intention to conduct whistleblowing will be lower or the second hypothesis was accepted. Based on this data, it was known that from seven items of statement concerning retaliation, the sixth statement mentions "the higher dependency organization on the employee, so revenge upon disclosure of fraud will be lower" got the highest response score 293 and mean score 4.07 which means that dominantly the respondents answered "highly agree" with this statement. Third hypothesis stated that the higher the guilty feeling, the higher the individual's intention to conduct whistleblowing. The test result on parameter coefficient between guilty feeling and intention to conduct whistleblowing has coefficient value of 0.322 which means there is positive relation and t-statistical value of 2.231 with significant level 0.026 of which less than 0.05. It means that the higher guilty feeling so the individual's intention to conduct whistleblowing will be higher or the third hypothesis was accepted. Based on this data, it was known that from five items of statement concerning guilty feeling, the second statement mentions "I will not neglect my family and surrounding people disappointment" got the highest response score 287 and mean score 3.99 which means that dominantly the respondents answered "highly agree" with the statement. Fourth hypothesis stated that the higher the shame, the higher the individual's intention to conduct whistleblowing. The test result on parameter coefficient between shame and intention to conduct whistleblowing has coefficient value of 0.308 which means there is positive relation and t-statistical value of 2.060 with significant level 0.040 of which less than 0.05. It means that the higher shame so the individual's intention to conduct whistleblowing will be higher or the fourth hypothesis was accepted. Based on this data, it was known that from four items of statement concerning shame, the first statement mentions "not reporting fraud is an embarrassing for me because it against my principle" got the highest response score 287 and mean score 3.99 which means that dominantly the respondents answered "highly agree" with the statement. The following is the picture of SmartPLS estimation model from the 2 proposed research models:



**Figure 1:** The result of Structural Model

## 5. Conclusion and Suggestion

Based on the result of empirical testing and the research discussion, it can be concluded that the higher moral reasoning owned by the Public Service Employee, the higher the individual's intention to conduct whistleblowing in Regional Organizations of Denpasar City. The higher retaliation owned by the Public Service Employee, the lower the individual's intention to conduct whistleblowing in Regional Organizations of Denpasar City. The higher guilty feeling owned by the Public Service Employee, the higher the individual's intention to conduct whistleblowing in Regional Organizations of Denpasar City. The higher shame owned by the Public Service Employee, the higher the individual's intention to conduct whistleblowing in Regional Organizations of Denpasar City. Based on the research finding, the suggestion proposed is indicator conflict of cognitive moral has the lowest value related to moral reasoning i.e. on the statement "my action is depended on self-satisfaction that I receive". The suggestion for this statement is that to improve self-satisfaction of the employee in Regional Organizations of Denpasar City should be started by improving the organization climate which can give comfortable feeling to improve self-confidence to be a whistleblower. Indicator of revenge has the lowest value related to retaliation i.e. on the statement "the bigger effect of fraud disclosure for organization, the revenge will be cruel". The suggestion of this statement is that improving loyalty of the organization member both the subordinates and superior to help each other, so everyone will feel comfortable to be whistleblower and the intention to be whistleblower increases. Indicator of regret has the lowest score related to guilty feeling i.e. statement of "I regret if I do not report any fraud happened in my workplace". The suggestion related to this statement is that by improving performance of all organization member the subordinates and superior as well as evaluating the performance to minimize mistakes so they will not feel guilty to be a whistleblower and the intention to be whistleblower increases. Indicator of failing to adjust action has the lowest value related to the shame i.e. on the statement "I feel embarrassed if I do not report the fraud". The



suggestion proposed to this statement is that improving self-confidence of all organization member both the subordinates and superior so everyone will be brave to be a whistleblower and the intention to be whistleblower increases. For further research, it is expected that the following research study until whistleblowing behavior as the follow-up of this research based on Theory Planned Behavior (TPB).

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