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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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ARTICLE INFO

Article history:

Received 19 August 2016

Received in revised form

8 June 2017

Accepted 15 June 2017

Keywords:

Whistleblowing

Wrongdoing

Reporting

Corporate Ethical Virtues Model (CEVM)

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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Peer review under responsibility of Holy Spirit University of Kaslik.

<https://doi.org/10.1016/j.aebj.2017.06.001>

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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 indents 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.

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