

Building a bulletproof whistleblowing environment: an accountant's perspective

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Abstract

Purpose – The purpose of this paper is to assess the appropriateness of the factors that contribute to building a better whistleblowing environment and culture within an organisation and provide guidelines on how to build a better whistleblowing environment within an organisation.

Design/methodology/approach – In total, 592 questionnaires were circulated to 148 accounting firms licensed to carry out statutory audits of public limited companies expecting responses from 4 stakeholders from each entity. Out of the 592 questionnaires, only 148 questionnaires were usable, representing a 25 per cent overall response rate.

Findings – It is recommended to encourage a proactive whistleblowing environment by encouraging whistleblowing culture among employees of the organisations. However, there is disagreement among the respondents for some of the selected components that contribute to building a better whistleblowing environment and culture within an organisation.

Practical implications – The findings of this study can be used by the management of the organisations to identify frail areas of whistleblowing initiatives within the organisation and take remedial actions rectify the issues. Authorities can use the findings of the study to implement or amend the existing rules and regulations to encourage whistleblowing.

Originality/value – This study in contrast to the existing studies on determinants of whistleblowing attributes, provides knowledge on developing components/guidelines to encourage whistleblowing attributes and culture.

Keywords Accountants, Accounting firms, Wrongdoing, Ethical violations, Whistleblowing, Whistleblowing guidelines

Paper type Research paper

1. Introduction

Number of international organisations that were considered as the titans of the industry declared insolvency due to unethical and fraudulent activities, even the international accounting firm Arthur Anderson fell due to the major role it had played in Enron scandal. Organisations such as Enron, Paramalat, WorldCom and Nortel were once considered as the benchmarks of their respective industries (Sorensen and Miller, 2017). However, the management of such companies in order gain significant materialistic gains adopted unethical and fraudulent activities and misled the stakeholders of the organisation by providing financial reports with manipulated earnings. Fall of such large corporations and collapse of markets could have been prevented if the relevant authorities were informed of the malpractices within the organisations.

The accounting scandals brought the attention of the world to the importance deterring accounting fraud. Tips from employees are considered the most common method of detecting fraud, as employees are within the organisation and are aware of the operations



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and activities of the organisation (ACFE, 2010; Dyck *et al.*, 2010). The information of such unethical or fraudulent conducts of management provided by the employee in the field of accounting, finance and business management is considered as “Whistleblowing”. Researchers from other disciplines have defined whistleblowing in various ways (Erkmen *et al.*, 2014). Various studies have shown that not all observed frauds are reported (ERC, 2012, 2013). Accounting professionals are closely involved in or witness in these accounting frauds and scandals. As with all professionals, accountants are bound by a code of ethics and code of conduct, where it explicitly suggests that accountants among other professionals should not disclose confidential corporates matters to third party without the adequate consent. Employees divulging such matters can be considered as in violation of confidentiality clause of code of ethics (CASL, 2016). However, in 2017, the International Ethics Standards Board for Accountants (IESBA) restructured the statute that prescribed how accountants can respond to a client’s or management non-compliance with laws and regulations (NOCLAR).

Even Sri Lanka is not prone to such financial and economic scandals such as Lanka Marine Services Ltd, Golden Key Credit Card Company and Vimukthi Corporation (Edirisinghe, 2015). Even though the NOCLAR standard is in practice globally, the reporting of frauds particularly whistleblowing is in low numbers (ERC, 2013). The Institute of Chartered Accountants of Sri Lanka (ICASL) had issued amendments of NOCLAR to the existing Code of Conduct in 2016. Despite the fact that the NOCLAR standard is effective in Sri Lanka from 2016, the implications of this standard is still questionable and no further legal developments were made in Sri Lanka in terms of whistleblower protection, compensation and reporting anonymity as compared to other developed countries such as USA or UK. Various studies have studied the determinants of whistleblowing and provided mixed evidence and most of the studies have based on the Western Culture (Brink *et al.*, 2017; Curtis and Taylor, 2009; Mesmer-Magnus and Viswesvaran, 2005). These findings cannot be directly applied to developing nations due to the presence of cross cultural differences according to Gerard Hendrik Hofstede Study (Corporate Finance Institute, n.d.). Accordingly, in contrast to findings of the determinants of whistleblowing, this study proposes components to develop a whistleblowing culture that encourages whistleblowing among employees that is suitable for a developing nation such as Sri Lanka. This approach takes a proactive perspective on encouraging whistleblowing. The components selected to build a whistleblowing culture is based on various prior studies (Ayers and Kaplan, 2005; Keenan; 2002; Brink *et al.*, 2017). In order to assess the suitability of the selected components to develop whistleblowing culture a quantitative research methodology was adopted, suitability was assessed via 5-point Likert scale questionnaire and the questionnaire was circulated among practicing accountants (Auditors) in Sri Lanka. The selected components that were expected to prosper whistleblowing culture were assessed based on the following five dimensions:

- (1) The training programs available for employees in a particular organisational environment (ETP).
- (2) Reporting channels available in a particular organisational environment (ARC).
- (3) Whistleblowing policies available in a particular organisational environment (OP).
- (4) Safeguards available for whistleblowers in a particular organisational environment (SW).
- (5) The climate and processes available in a particular organisational environment (OCP).

The findings of this study would be of use for management to assess their existing working environment and amend or change it to encourage whistleblowing practices. Authorities can use the insights of this study to construct laws and regulations necessary to guarantee the safety concerns of the whistleblowers and the safety of the dependents of the whistleblowers.

The reminder of this study is structured as follows: the second section reviews the extant literature. The third section describes the conceptual framework and methodology adopted in this study. The fourth section elaborates the data analysis and results. The conclusions are explained in the last section.

2. Literature review

2.1 Definitions and concepts

Whistleblowing is originated from sporting event where the referee blows the whistle to stop an illegal or foul play (Qusqas and Kleiner, 2001). The most noted definition of whistleblowing in accounting research was coined in Near and Miceli's (1985) study. Miceli *et al.* (2008) defined whistleblowing as disclosure by organisation members (former or current) of illegal, immoral or illegitimate practices by the members of the organisation that may be able to effect action.

As per statistics in Table I, in USA, for period 2012–2017, there is an increment of whistleblowing incidents. However, in 2018, there is 36 per cent increment in whistleblowing incidents compared to year 2008.

As per statistics in Table II, in USA, for period 2012–2017, there is an increment of completed whistleblowing reported cases. However, in 2018, there is 51 per cent increment in completed whistleblowing reported cases compared to year 2008.

Whistleblowing is an attempt to terminate the wrongdoing (Near and Miceli, 1985). A model has been suggested recognising the determinants of whistleblowing, and this model has been extensively used by various research works to explain witnesses' reporting intentions. The model of Near and Miceli is presented in Table III.

Accountants as all other professionals are bound by code of ethics and code of conduct, which lays out a set of stringent clauses that should be adhered while practicing their respective profession. The code of ethics is based on five core principles that every professionally qualified accountant should follow and those are listed as below (CASL, 2016):

- (1) Integrity.
- (2) Objectivity.
- (3) Confidentiality.
- (4) Professional Behaviour.
- (5) Professional Competence and Due Care.

According to the principles of the code of ethics, whistleblowing by a professional accountant can be considered as a violation of code of professional ethics. Any disclosure by a professional accountant of sensitive information of a company is evidence of a wrongdoing and can be construed as violation of "Confidentiality" principle. As per the "Professional Behaviour", professional accountants are required to comply with all relevant laws and regulations and avoid any conduct that discredits the profession. Whistleblowing will also violates the "Professional Behaviour" principle. Organisations in which professionals are accused of wrongdoings can take legal action against them for whistleblowing (CASL, 2016).

However, in order relieve accountants from such legal constraints and to encourage professional accountants to provide evidence in the event of a wrongdoing committed by the organisation. In 2017, NOCLAR clause was introduced by the IESBA.

2.2 Implementation of NOCLAR

In essence, NOCLAR is an action that violates a law or a regulation that has a direct impact on financial statements or violates laws that addresses a compliance matter.

Table I.
Whistleblower
docketed cases
received: for the year
2008 to 2018 in US
legislations

Statute	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
ACA	-	-	4	14	14	18	26	28	34	20	15
AHERA	1	6	6	3	4	3	3	3	3	5	3
AIR21	85	92	75	66	58	90	114	116	96	106	88
CFPA	-	-	-	6	14	28	48	43	52	90	45
CPSIA	2	4	6	3	5	4	7	8	9	12	7
EPA	51	46	46	42	54	67	52	59	50	59	54
ERA	41	48	50	50	50	64	40	43	45	53	31
FRSA	45	145	201	341	384	356	353	276	302	293	336
FSMA	-	-	-	17	22	54	50	71	66	74	50
ISCA	-	-	1	-	-	-	-	-	-	-	-
MAP21	-	-	-	-	-	1	10	7	11	7	3
NTSSA	18	15	14	17	14	17	13	16	18	22	14
OSHA	1,381	1,267	1,402	1,665	1,743	1,707	1,750	2,026	2,030	1,932	1,870
PSIA	3	3	2	6	2	7	6	4	8	7	4
SOX	235	228	201	148	170	179	146	156	174	186	155
SFA	-	-	-	5	9	5	7	15	10	13	10
STAA	357	306	306	315	346	368	473	417	447	424	322
Total	2,219	2,160	2,314	2,698	2,889	2,968	3,098	3,288	3,355	3,303	3,007
Increment (2008 as the base year)	100	97	104	122	130	134	140	148	151	149	136

Source: DOL (n.d.b)

Statute	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
ACA	0	0	1	11	18	11	25	24	26	31	13
AHERA	1	3	7	1	5	1	2	3	3	6	5
AIR21	65	71	65	49	66	83	95	119	114	109	92
CFPA	0	0	0	2	12	19	34	40	37	89	49
CPSIA	0	5	6	1	4	4	4	13	6	8	8
EPA	51	49	34	34	44	68	56	52	51	70	44
ERA	31	44	36	35	61	50	61	41	44	47	43
FRSA	18	53	119	165	354	392	392	369	296	315	316
FSMA	0	0	0	4	18	41	47	47	73	66	60
ISCA	0	0	0	1	0	0	0	0	0	0	0
MAP21	0	0	0	0	0	0	5	9	8	7	6
NTSSA	6	13	15	13	12	11	20	11	25	19	21
OSHA	1,255	1,168	1,144	1,235	1,653	1,825	1,794	1,951	2,035	1,876	1,740
PSIA	1	2	2	3	2	6	7	8	5	8	4
SOX	191	197	206	153	157	200	171	149	170	200	163
SPA	0	0	0	0	10	4	9	9	13	10	12
STAA	320	271	269	241	354	368	428	428	401	487	348
TOTAL	1,939	1,876	1,904	1,948	2,770	3,083	3,150	3,273	3,307	3,348	2,924
Increment (2008 as the base year)	100	97	98	100	143	159	162	169	171	173	151

Source: DOL (n.d.b)

Table II.
Whistleblower
docketed cases
completed: FY2008 –
FY2018 in US
legislations

Table III.
Whistleblowing
intentions

Characteristics of the whistleblower	Characteristics of the report recipient	Characteristics of the wrong doer	Characteristics of the wrongdoing	Characteristics of the organisation
Personality characteristics	Characteristics of the report recipient person	The Wrong doers' Power	Organisation's dependence on the wrongdoing	Appropriateness of whistleblowing
Demographic characteristics	Characteristics of the reporting channel	The Wrongdoers' Creditability	Creditability of the whistleblowers' evidence	Organisational climate
			Legality of the Alleged Wrongdoing	Organisational structure

Source: Author constructed (Adopted from Near and Miceli, 1985)

NOCLAR has a significant implication for professional accountants, who have a stringent confidentiality and privacy requirements with minimal exceptions as to when professional accountants can divulge client or employer information when deprived of a client's permission. Currently, the NOCLAR standard is a framework that helps an accountant's decision-making process, as to determine when it is necessary to disclose the sensitive information of an organisation to an outside authority body. This is a significant change for the profession (NASBA, n.d.).

2.3 The need for a proactive approach to build an environment that prospers whistleblowing culture within the organisation

Various literature studies have examined the witnesses' reporting intention and determinants of whistleblowing based on the Near and Miceli study (Brink *et al.*, 2017; Curtis and Taylor, 2009; Mesmer-Magnus and Viswesvaran, 2005).

Most of the experiments have collected and experimented the influence of the demographic information and the association with whistleblowing intentions. Several studies focus on demographic variables and the potential interaction with other variables (Erkmen *et al.*, 2014; Liyanarachchi and Adler, 2011; Kaplan *et al.*, 2009).

Studies on whistleblowing intentions and psychological and personality traits such as extroversion, openness to experience, conscientiousness, neuroticism, unsuccessful social confrontation (Brink *et al.*, 2017), machiavellianism persona (Christie and Geis, 1970; Dalton and Radtke, 2013), agreeableness, conscientiousness, emotional stability (neuroticism) (Alzangana, 2017; John *et al.*, 2008) and relativistic and idealistic traits (Brink *et al.*, 2017; Forsyth, 1992) have been extensively conducted by researchers.

The ultimate aim of whistleblowing is to mitigate or even eradicate ethical violations and fraudulent practices within the organisations. However, it is insightful to identify the whistleblowing intentions and determinants. This study takes a contrast stance and aims to develop a guide to cultivate an organisation that prospers whistleblowing culture. To quote the maxim "Prevention is better than cure", it would be prudent to adopt a proactive approach to encourage whistleblowing culture within the organisation. Therefore, it necessary to identify the suitability of the selected components that would be useful to build an environment that encourages whistleblowing culture within the organisation. The below list shows the selected components that would be useful to build environment that encourages whistleblowing culture within the organisation. The selected components were constructed based on various academic literature studies (Brink *et al.*, 2017; Erkmen *et al.*, 2014; Gao and Brink, 2017; Near and Miceli, 1985; Rose *et al.*, 2016; Taylor and Curtis, 2013; Wainberg and Perreault, 2016).

List of components that would be useful to build an environment that encourages whistleblowing culture within the organisation:

(1) ETP:

- Employees are given an opportunity to partake in organisation's arranged continuous professional development on ethical and code of conduct training programs administrated by the third party (ETP-1).
- Employees are given an opportunity to participate in continuous professional development ethical and code of conduct programs administrated by professional accounting and other similar organisations (ETP-2).
- Employees are given an opportunity to participate in online free training programs on continuous professional development on ethical and code of conduct (ETP-3).
- Employees are given an opportunity to partake in internal training programs of continuous professional development on ethical and code of conduct organised by the internal staff (ETP-4).

(2) ARC:

- Anonymous direct reporting channel to external authority established in response to an Act (ARC-1).
- Direct reporting channel to external authority established in response to an Act (ARC-2).
- Anonymous external reporting channel established in response to an Act and monitored by the external auditors of the organisation (ARC-3).
- Anonymous internal reporting channel established in response to an Act and monitored by internal supervisors (ARC-4).
- Anonymous internal reporting channel established in response to an Act and monitored by internal auditors (ARC-5).

(3) OP:

- Explicit organisation policies established with positive language tone regarding corporate ethical practices and the reporting of the wrong doing (OP-1).
- Explicit organisation policies established with negative language tone regarding corporate ethical practices and the reporting of the wrong doing (OP-2).
- Explicit organisation policies established with positive language tone regarding corporate ethical practices and the reporting of the wrong doing and the monetary rewards (OP-3).
- Explicit organisation policies established with negative language tone regarding corporate ethical practices and the reporting of the wrong doing with non-monetary (OP-4).

(4) SW:

- Guaranteed safety and protection given to whistle blowers established by an Act or regulated authority (SW-1).
- Guaranteed safety and protection given to those are related to whistle blowers (Blood related or otherwise) established by an Act or regulated authority (SW-2).
- Guaranteed safety and protection given to whistle blowers established by the policies of the organisation (SW-3).

- Guaranteed safety and protection given to those who are related with whistle blowers (Blood related or otherwise) by the policies of the organisation (SW-4).
- (5) OCP:
 - Organisation has a rigorous financial sub-certification procedure and whistleblowing initiative (OCP-1).
 - Organisation has a swift response rate to whistleblowing and other ethical violations (OCP-2).
 - Explicit organisation policies established with positive language tone regarding confidentiality agreement with the employees to prevent disclosure of organisation's sensitive information to unauthorised third party (OCP-3).
 - Explicit organisation policies established with negative language tone regarding confidentiality agreement with the employees to prevent disclosure of organisation's sensitive information to unauthorised third party (OCP-4).

Source: Author constructed.

2.4 Development of hypotheses and empirical evidence

Gao and Brink (2017) stated that the personality elements and the influence of whistleblowing in an accounting setting would be an interesting area for contemporary research on whistleblowing. Further studies indicate that apprenticeship and training programs (work-based or secondary education) can change some aspects of individuals' personality and affect the moral judgment and, in turn, affect whistleblowing (Bolli and Hof, 2014; John *et al.*, 2008). Therefore, improving training of employees on code of ethics and code of conduct would encourage to create a proactive whistleblowing environment. Therefore, the hypothesis is formulated as follows:

H1. Employee participating rate in training programs would encourage to create a proactive whistleblowing environment.

In terms of accounting research, the characteristics of a reporting channel is an area of great interest. Sarbanes–Oxley Act of 2002 requires public companies to have an anonymous reporting channel to record whistleblowers issues; however, this act does not specify how the reporting channel should be administered. Several studies have examined the effect of reporting channel anonymity (Brink *et al.*, 2013; Curtis and Taylor, 2009; Kaplan and Schultz, 2007). Laws and regulations regarding reporting channel would have significant influence in the developing world. Whistleblowing would be encouraged if a reporting channel maintained. Therefore, the hypothesis is formulated as follows:

H2. Maintaining a reporting channel would encourage to create a proactive whistleblowing environment.

Employees are encouraged to report unethical behaviours and fraudulent activities if company's internal whistleblowing policies provide detailed explanations and guidance on how to identify and report incidents (Gao and Brink, 2017). The design of the policies such as the tone of the language used would also affect the intentions of the whistleblower (Béthoux *et al.*, 2007; Logsdon and Wood, 2005; Schwartz, 2002). It would encourage whistleblowing if there are policies in place by the organisation. The hypothesis is formulated as follows:

H3. Positive whistleblowing policies within the organisation would encourage to create a proactive whistleblowing environment.

Protection from workplace retaliation can encourage employees to be more attune whistleblowing. Retaliation may have an adverse effect on the overall employee morale.

“An employer cannot take confrontational action against employees, such as: firing or laying off, demoting, denying overtime or promotion, or reducing pay or hours, for engaging in activities protected by whistleblower laws”. Safeguards in place for employees would encourage a whistleblowing culture within an organisation (DOL, n.d.a). Therefore, the hypothesis is formulated as follows:

H4. Safeguard for whistleblowing within the organisation would encourage to create a proactive whistleblowing environment.

The climate of an organisation is influenced by many factors such as the ethical environment, internal rewards and organisation response to prior whistleblowing incidents (Gao and Brink, 2017). Increasing internal rewards increases reporting to SEC (Brink *et al.*, 2013). If the organisation has a history of taking swift actions against ethical violations and fraudulent activities, then employees are more likely to report ethical violations and fraudulent activities (Taylor and Curtis, 2013). Therefore, the hypothesis is formulated as follows:

H5. Creating organisational climate and processes that support would encourage to create a proactive whistleblowing environment.

3. Methodology

3.1 Research approach

This study follows a quantitative approach to assess the appropriateness of the selected components to build an environment that prospers whistleblowing culture from an accounting perspective.

3.2 Population and sample

The population consists of all the audit firms licensed by the ICASL to carry out statutory audits. To achieve the purpose of this study, a sample has been selected as the audit firms that authorised to provide all three levels of training to their audit internship trainees, in order to obtain chartered accountant qualification, it is mandatory for all audit trainees to follow training apprenticeship with CASL registered organisations, this is of similar nature to the programme followed by Institute of Chartered Accountants England and Wales. Accordingly, 148 firms were selected as the sample of this study as 31st December 2018.

As per the statistics in Table IV, 592 questionnaires were circulated to 148 accounting firms licensed to carry out statutory audits of public limited companies expecting responses from 4 stakeholders (Executives, Assistant Managers, Managers and Senior Managers) from each entity. Out of the 592 questionnaires, only 148 questionnaires were usable. Representing a 25 per cent overall response rate.

3.3 Questionnaire development

The questionnaire was developed based on the list of components that would be useful to build an environment that encourages whistleblowing culture within the organisation illustrated in the above list. The questionnaire was initially circulated among research and academic colleagues to assess the content, suitability and relevance. The questionnaire was modified as per the findings of the pilot survey and circulated among the sample entities.

Total firms	Questionnaires circulated	Responses received	Usable responses	Usable response rate (%)
148	592	192	148	25.0

Source: Author constructed

Table IV.
Sample and
questionnaire
distribution

The questionnaire consists of two sections. The first section of the questionnaire gathers information regarding demographic information about the sample entities and the respondents. Second section of the questionnaire consists of questions relating to the selected components that is expected to build an environment that prospers whistleblowing culture within an organisation from an accountant's perspective.

The five-point Likert scale (1 – Highly Disagree, 5 – Highly Agree) is considered suitable to assess the selected components that is expected to build an environment that prospers whistleblowing culture within an organisation from an accountant's perspective (Anis, 2017; Masoud, 2017).

3.4 Analytical strategies

Initially, the data collected from the questionnaires were documented and analysed via Statistical Package for Social Sciences. First, frequency statistics were used to analyse the demographic information of the respondents. Secondly, the Kruskal–Wallis test was performed to assess the suitability of the selected components that is expected to encourage an environment that prospers whistleblowing culture within an organisation from an accountant's perspective. The Kruskal–Wallis test was performed as the data collected does not meet the parametric assumptions (responses were of ordinal nature), and therefore, non-parametric test is carried out. Results of the Kruskal–Wallis was used to investigate whether the group responses significantly vary across the stakeholders (any value less than $p < 0.05$ is considered as significant). Next section deliberates the outcomes of statistical analyses.

4. Data analysis and discussion

4.1 Demographic factors

As per frequency statistics in Table V, executives of auditing have responded the highest representing 47 per cent of the sample, whereas the least response is received from assistant managers (10 per cent). Reportedly, 28 respondents of the sample have experience of 16 years and above. 35 per cent of the respondents have experience of 6–10 years of experience.

Demographic factors	<i>n</i>	%
1. Designation (Please select mark (X) for one option)		
1.1 Executive	70	47
1.2 Assistant Manager	15	10
1.3 Manager	28	19
1.4 Senior Manager	35	24
Total	148	100
2. Years of experience (Please select mark (X) for one option)		
2.1 1–5 Years	29	20
2.2 6–10 Years	52	35
2.3 11–15 Years	39	26
2.4 16 Years above	28	19
Total	148	100
3. Highest accounting academic qualification (Please select mark (X) for one option)		
3.1 None	11	7
3.2 Certificate	0	0
3.3 Diploma	0	0
3.4 Post graduate diploma	8	6
3.5 Under-graduate degree	117	79
3.6 Post graduate degree	12	8
Total	148	100

Table V.
Frequency statistics
on demographic
factors

Source: Author constructed

79 per cent of the respondents have a under-graduate degree and 7 per cent of the respondents have no academic qualifications. However, in audit firms in order to progress in the career ladder, employees have to be qualified chartered accountants. CASL qualification can be obtained after secondary qualification.

4.2 Group responses on major components that would be useful to build environment that encourages whistleblowing culture within the organisation

As per the statistics presented in Table VI, the H1 is supported as the Kruskal–Wallis result and is below 0.05, and 95 per cent of the respondents are in agreement, whereas 5 per cent of the respondents have given a neutral response. Overall consensus was achieved among the respondents for H2, and the results of the Kruskal–Wallis test are significant. Respondents are in agreement that the presence of reporting channel would highly encourage whistleblowing within an organisation. However, for H3 and H5, respondents have provided similar responses (29 per cent disagreement) and the Kruskal–Wallis results are not significant. Again for H4, there is an overall agreement among respondents and the Kruskal–Wallis result is significant.

4.3 Group responses on sub-components that would be useful to build environment that encourages whistleblowing culture within the organisation

As per the statistics presented in Table VII, the respondents are in unanimous agreement that if the employees are in given an opportunity to participate in continuous professional development on ethical and code of conduct training programs either conducted by third or professional accounting institute or similar institutes, then it would likely to develop a whistleblowing culture and environment within the organisation. Kruskal–Wallis statistics

Hypotheses	Stakeholders	Highly disagree		Disagree		Neutral		Agree		Highly agree	
		n	%	n	%	n	%	n	%	n	%
H1	Executive	0	0	0	0	0	0	36	24	34	23
	Assistant Manager	0	0	0	0	7	5	8	5	0	0
	Manager	0	0	0	0	0	0	28	19	0	0
	Senior Manager	0	0	0	0	0	0	23	16	12	8
	(p-value)	0.053									
H2	Executive	0	0	0	0	0	0	36	24	34	23
	Assistant Manager	0	0	0	0	0	0	0	0	15	10
	Manager	0	0	0	0	0	0	12	8	16	11
	Senior Manager	0	0	0	0	0	0	5	4	30	20
	(p-value)	0.042									
H3	Executive	0	0	20	14	0	0	50	34	0	0
	Assistant Manager	0	0	7	4	0	0	8	5	0	0
	Manager	0	0	15	10	0	0	13	9	0	0
	Senior Manager	0	0	0	0	0	0	35	24	0	0
	(p-value)	0.0612									
H4	Executive	0	0	0	0	0	0	25	17	45	30
	Assistant Manager	0	0	0	0	0	0	5	3	10	7
	Manager	0	0	0	0	0	0	8	5	20	14
	Senior Manager	0	0	0	0	0	0	10	7	25	17
	(p-value)	0.034									
H5	Executive	0	0	20	14	0	0	50	34	0	0
	Assistant Manager	0	0	7	4	0	0	8	5	0	0
	Manager	0	0	15	10	0	0	13	9	0	0
	Senior Manager	0	0	0	0	0	0	35	24	0	0
	(p-value)	0.0612									

Source: Author constructed

Table VI. Group responses on major components that would be useful to build an environment that encourages whistleblowing culture within the organisation

is significant, when the training programs are conducted by a third party or a professional accounting body. 80 per cent of the respondents are in disagreement for the statement “Employees are given an opportunity to participate in online free training programs on training programs of continuous professional development on ethical and code of conduct”. For the component “Employees are given an opportunity to partake in internal training programs of continuous professional development on ethical and code of conduct organised by the internal staff”, 85 per cent of the respondents are in overall disagreement.

As per the statistics presented in Table VIII, in terms of the components given for reporting channel only “Anonymous direct reporting channel to external authority” established in response to an Act has unanimous agreement among respondents and Kruskal–Wallis test statistic is also significant. In all, 66 per cent of respondents disagreed to the statement “Direct reporting channel to external authority established in response to an Act” and Kruskal–Wallis test result is significant. A negative response is received for when anonymous reporting line is administrated by internal staff (overall 88 per cent disagreed and 12 per cent agreed) or internal supervisors (Overall 88 per cent disagreed and 3 per cent provided a neutral response). Kruskal–Wallis test statistic is significant for both components. Among the sample 47 per cent have agreed that the reporting channel should be administered by external auditors, whereas 44 per cent disagreed and 9 per cent provided a neutral response.

As per the statistics presented in Table IX, Kruskal–Wallis statistic results were not significant drafting policies in a “positive” or “negative” terminology. However, 66 per cent of

Table VII.
Group responses on employee’s moral judgments and training programs

ETP	Highly disagree		Disagree		Neutral		Agree		Highly agree		(p-value)
	n	%	n	%	n	%	n	%	n	%	
(ETP-1)	0	0	0	0	0	0	136	92	12	8	0.04
(ETP-2)	0	0	0	0	0	0	136	92	12	8	0.05
(ETP-3)	21	14	97	66	5	3	25	17	0	0	0.73
(ETP-4)	5	3	121	82	18	12	4	3	0	0	0.03

Source: Author constructed

Table VIII.
Group responses on availability of reporting channels

ARC	Highly disagree		Disagree		Neutral		Agree		Highly agree		(p-value)
	n	%	n	%	n	%	n	%	n	%	
(ARC-1)	0	0	0	0	0	0	128	86	20	14	0.0367
(ARC-2)	10	7	88	59	0	0	48	32	2	1	0.0482
(ARC-3)	0	0	65	44	13	9	70	47	0	0	0.0326
(ARC-4)	60	41	70	47	4	3	14	9	0	0	0.0389
(ARC-5)	40	27	90	61	0	0	18	12	0	0	0.0248

Source: Author constructed

Table IX.
Group responses on organisational policies and climate

OP	Highly disagree		Disagree		Neutral		Agree		Highly agree		(p-value)
	n	%	n	%	n	%	n	%	n	%	
(OP-1)	0	0	0	0	0	0	128	86	20	14	0.5411
(OP-2)	10	7	88	59	0	0	48	32	2	1	0.7482
(OP-3)	6	4	84	57	21	14	37	25	0	0	0.0432
(OP-4)	16	11	48	32	38	26	46	31	0	0	0.0256

Source: Author Constructed

the respondents have provided an overall disagreement for organisation policies established with a negative language tone regarding corporate ethical practices and the reporting of the wrong doing. Kruskal–Wallis Statistic is significant for drafting positive organisation in relation to whistleblowing policies with monetary and non-monetary rewards. In all, 61 per cent respondents disagreed to policies with monetary rewards. In all, 43 per cent of the respondents have disagreed for “Explicit organisation policies established with positive language tone regarding corporate ethical practices and the reporting of the wrong doing with non-monetary” and 26 per cent of the respondents provided a neutral response.

As per the statistics presented in Table X, for all the selected components for “Safeguards for Whistleblowers” Kruskal–Wallis test results were significant. There is unanimous agreement for safeguards enacted by an Act. In all, 63 per cent of the respondents have disagreed for safeguards provided by the organisation.

As per the statistics presented in Table XI, 80 per cent of the respondents have agreed that when organisation has a rigorous financial sub-certification procedure and whistleblowing initiative it would encourage a proactive whistleblowing environment. Lowe *et al.* (2015) indicated that existence of sub-certification process would encourage employees to report violations and wrong doing by superiors and Kruskal–Wallis result was significant. In all, 86 per cent of the respondents have agreed that if an organisation swiftly responds to complaints against wrong doing, then it would encourage to build an whistleblowing environment. In all, 72 per cent of the respondents disagreed to the statement “Explicit organisation policies established with positive language tone regarding confidentiality agreement with the employees to prevent disclosure of organisation sensitive information to unauthorized third party” would not encourage a whistleblowing environment within the organisation. In all, 61 per cent of the respondents disagreed to the statement “Explicit organisation policies established with negative language tone regarding confidentiality agreement with the employees to prevent disclosure of organisation’s sensitive information to unauthorized third party” would not encourage a whistleblowing environment within the organisation.

4.4 The discussion of the statistical results of the main four hypotheses

In terms of *H1*, a small percentage of the respondents do not believe that training alone would not be adequate to encourage whistleblowing attitude and may even consider that the

SW	Highly disagree		Disagree		Neutral		Agree		Highly agree		(p-value)
	n	%	n	%	n	%	n	%	n	%	
(SW-1)	0	0	0	0	0	0	92	62	56	38	0.00
(SW-2)	0	0	0	0	0	0	69	47	79	53	0.021
(SW-3)	9	6	84	57	42	28	13	9	0	0	0.0432
(SW-4)	9	6	84	57	42	28	13	9	0	0	0.0256

Source: Author constructed

Table X.
Group responses on
safeguards to
whistleblowers

OCP	Highly disagree		Disagree		Neutral		Agree		Highly agree		(p-value)
	n	%	n	%	n	%	n	%	n	%	
(OCP-1)	0	0	30	20	0	0	108	73	10	7	0.03
(OCP-2)	0	0	0	0	21	14	69	47	58	39	0.981
(OCP-3)	23	16	84	57	41	28	0	0	0	0	0.0466
(OCP-4)	7	5	84	57	57	39	0	0	0	0	0.0232

Source: Author constructed

Table XI.
Group responses on
organisational climate
and processes

training is not up to the required standard to change the environment to be more attune to whistleblowing. The results of *H3* and *H5* provide an interesting perspective because both hypotheses are based on modifying the internal environment. Respondents with their auditing experience, professional scepticism and professional judgment may not perceive that modifying the environment will not yield the suggested outcome. To a certain extent in Sri Lanka, this may be true, as most of the listed companies have controlled ownership or single dominant shareholder (Mapitiya *et al.*, 2016) and such players may not prefer to modify the internal culture that might reduce their power. For the *H4*, the results are significant. In USA, there are strict laws and regulations (DOL, n.d.a) in place to safeguard whistleblowers. Even though there is unanimous agreement among respondents, the safeguards available in Sri Lanka may be considered as futile. However, in general, applying strict safeguards will likely to encourage employees to report ethical violations and fraudulent activities.

Online training programs and internal organisational training programs are not favoured, this may be due that free online programs on ethical and code of conduct may not be of the required standard and employees will not actively engage or might provide false evidence of participating in such free programs. Therefore, such component might not encourage to create a positive organisational environment that promotes whistleblowing. Internal organisational trainings are not monitored by authorised third party and the organisation may provide wrong guidance and training. Bolli and Hof (2014) argued that apprenticeship training can diminish neuroticism and increase conscientiousness and agreeableness.

Kaplan and Schultz (2007) stated that the existence of an anonymous reporting channel increases the probability of reporting a wrong doing compared to reporting via non-anonymous channels. Therefore, environment with anonymous reporting lines will definitely create a positive whistleblowing culture. In Sri Lanka, administrating ethical violations and fraudulent complaints would not be prudent, as the management may take actions to hide the relevant wrongdoings. Zhang *et al.* (2013) claimed that an internal reporting channel might not be as efficient as an external reporting channel at encouraging whistleblowing.

Monetary rewards may encourage employees to falsely report about their organisations to claim the rewards or to cause reputational damage to organisations for personal gains. Xu and Ziegenfuss (2008) and Rose *et al.* (2016) provided evidence that whistleblowing intentions are higher when there are rewards involved with whistleblowing.

Whether confidentiality agreements are established in positive or negative language it would not encourage a whistleblowing environment within the organisation. Because such contracts creates legally binding contracts with the employees, organisations can take legal actions against the employees for violating the confidentiality clauses. In fear of legal actions employees will not report wrong doings.

In Sri Lanka, most of the listed organisations controlled by a dominant shareholder or controlled group of shareholders, employees may fear and doubt the safeguards provided by the organisations. Employees may fear powerful organisations may indirectly harm them or their dependents.

From the above discussion, it is evident that some components are more likely to create a positive work environment that embraces whistleblowing. It would be prudent for organisations to construct an environment that with components that encourages whistleblowing whilst preventing components that encourages false reporting of wrong doings and ethical violations. Next section provides the conclusion of this study.

5. Conclusion

The main aim of the study is to assess the appropriateness of the selected components to build an environment that prospers whistleblowing culture from an accounting perspective. As a complimentary assessment of the types of ethical violations and fraudulent activities

in Sri Lanka were assessed. Frequency statistics was performed to examine the demographic factors of the respondents. The Kruskal–Wallis test was performed to assess the appropriateness of the selected components to build an environment that prospers whistleblowing culture within an organisation.

This study developed a guide based on the extant literature on whistleblowing and identified components on four dimension that encourages organisations to nurture an environment that prospers whistleblowing culture. As this study takes the stance on the view that “Prevention is better than cure” approach for whistleblowing. The appropriateness of the selected components were assessed from an accountant’s perspective.

There is an overall consensus among the respondents for some of the selected components that encourages whistleblowing culture within the organisation whilst for some of the selected components there is an overall disagreement among the respondents. However, it is recommended to encourage a whistleblowing environment within the organisation.

The selected components would act as a guide for an organisation which has a weak whistleblowing culture and to amend the existing organisation structure to encourage a more proactive whistleblowing environment. For organisations which has a strong whistleblowing culture and environment can identify components which are not practiced or implemented within their organisation and take necessary remedial actions to implement them. One of the major concerns was the protection for the whistleblowers, and it is important to implement standards such as NOCLAR; however, it is pertinent to implement safety protocols for whistleblowers ensuring that no harm in any manner would fall upon the whistleblower or the dependents of the whistleblower. At the same time, creating rules and regulations pertaining to monetary rewards for whistleblowers, it is vital to have necessary verification protocols to discourage whistleblowers who are falsely reporting unethical malpractices or fraudulent practices of the organisations to gain monetary benefits or to create reputational damages for the organisation.

This study is subject to certain limitations and the findings of this study should be interpreted upon considering such limitations. This study only considers selected whistleblowing components based on the four dimensions identified and this study does not take into account of employee’s psychological and emotional factors which may influence whistleblowing. Future researchers can assess the success rate of implementing the selected components to build an environment that prospers whistleblowing culture within mercantile organisations. Furthermore, future research can be extended to incorporate other components that would assist to build an environment that prospers whistleblowing culture.

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