

The Value of Moral Reasoning in Whistleblowing: A Millennial Generation Perspective

Mulyaning Wulan¹, Surya Niwon Nai², Azzura Kania Arthamevia³, Jihan Fadilla Tiarany⁴, Sarah Ristira⁵

^{1,3,4,5}Accounting Department, University of Muhammadiyah Prof. DR. HAMKA, Jakarta, Indonesia

²Master of Management Program, University of Muhammadiyah Prof. DR. HAMKA, Jakarta, Indonesia

ABSTRACT

Corresponding Author:

Mulyaning Wulan,
Accounting, University of
Muhammadiyah Prof. DR.
HAMKA,
Jakarta, Indonesia.
Email:
mulyaning_wulan@uhamka.ac.
id

Whistleblowing is an action to report fraud or violations committed by a party within the organization. This study aims to examine moral reasoning regarding whistleblowing intentions. This study uses primary data with quantitative methods using questionnaire techniques. The population in this study is the millennial generation aged 25 to 40 years. The hypothesis in this study uses the Partial Least Square (PLS) application. The results of this study state that moral reasoning has a positive effect on the millennial generation's intention to do whistleblowing.

Keywords: Whistleblowing, moral reasoning, whistleblowing intention, millennial generation.

1. INTRODUCTION

The concept of whistleblowing, which began to emerge in the 1970s, has gained significant traction over time and across disciplines, including law, management, public administration, sociology, psychology, and health sciences (Mannions, 2018). Whistleblowing cases that occurred in the last decade attracted public attention, when it was revealed that fraud was systematic, structured and carefully planned. Given the many phenomena that have occurred, public trust in the profession has changed quite significantly as a result of a number of financial scandals and the theft of company information. The loss of public trust and increased government interference will lead to the collapse of the accounting profession.

In the 1980s several papers appeared on whistleblowing, Near & Miceli (1995) which defines whistleblowing as a process that involves at least four elements, namely (i) a whistleblower or reporter is a former or current member of an organization who is aware of an error but does not have the authority or power to make changes; (ii) the act of reporting a violation is an act of disclosing illegal, immoral, illegitimate practices to a person or organization that may bring about change; (iii) the recipient of the complaint is a third party (external whistleblowing) or someone other than or beside the direct supervisor (internal whistleblowing); and (iv) the organization is a public or private organization that is the target of the violation report and which will be called upon to respond (or not) to the disclosure of the violation. Near & Miceli (1995) explained that it is best not to conceptualize whistleblowing as an act of employee misconduct.

Moral reasoning is indicated as a motivating factor to do whistleblowing. According to Wilhelm & Czerwinski (2006) Moral reasoning is the process that individuals follow in making decisions involving ethical issues. In contrast to retaliation, which was allegedly a barrier to whistleblowing.

Miceli et al., (2012) states that retaliation is an unwanted action taken against a whistleblower as a consequence for whistleblowers to keep their mouth shut when they know of fraud or wrongdoing in an organization.

Previous research Shawver (2018) offers several contributions by exploring the impact of two measures of moral reasoning (P-score and N2-score) on the decision to report violations to internal or external parties. First, we fill in a gap in the literature by reporting the effect of moral reasoning on whistleblowing intentions (component III in the model of Rest's four component models on ethical decision makers). Second, previous research extends the literature by reporting two measures of moral reasoning using the P-score and N2-score. Third, this research explores whether moral reasoning has an impact on the decision to report violations both internal reporting and external reporting. Research result Shawver (2018) found that a person's

level of moral reasoning has an impact on whistleblowing intentions for internal management, but at an individual level moral reasoning does not affect the decision to report externally. The results also show that the education of accounting students may be more beneficial for increasing moral reasoning and whistleblowing intentions.

Although many studies have explored the characteristics of a whistleblower, there are few studies that examine the impact of individual level of moral reasoning on whistleblowing intention. In various perspectives, this study focuses on aspects of a person's level of moral reasoning that have an impact on whistle-blowing for the millennial generation and this study aims to experimentally examine the effect of the level of moral reasoning on the tendency of the millennial generation when facing serious mistakes in whistle-blowing. Moral reasoning is part of the ethical judgment accounting dilemma that examines the relationship between ethical reasoning and ethical behavior in the context of accounting and auditing. While many accounting practitioners are likely to encounter situations requiring whistle-blowing during their careers, whistle-blowing can place an additional burden on employees.

2. LITERATUR REVIEW

a. Whistleblowing

Whistleblowing classified as internal or external. Internal Whistleblowing indicates that an employee reports an error within the organization. Within internal whistleblowing, employees are expected to raise their concerns with someone higher in authority or an internal unit, department, or officer formally designated for this purpose (ethics ombudsman or reporting helpline). Outside whistleblowing on the other hand implies bringing internal errors or fraud to the notice of external agencies such as the media, regulators and the wider community. He also observed that whistleblowers are more prone to seek external whistleblowing only if their tips are not handled internally. Both types (internal or external) of whistleblowing can be carried out anonymously or in an identifiable way. It is assumed that the whistleblower first and foremost prefers an internal whistleblowing over an external one. In addition, external whistleblowing is only preferred when the internal whistleblowing mechanism does not exist or fails.

According to Dhamija & Rai (2018) Whistleblowing can be classified as internal or external. Internal Whistleblowing indicates that an employee reports an error within the organization. Internal whistleblowing expects employees to raise their concerns with someone higher in authority or an internal unit, department, or officer formally designated for this purpose (the ethics ombudsman or reporting helpline). External whistleblowing on the other hand denotes bringing internal errors or fraud to the notice of external agencies such as the media, regulators and the wider community. It was also observed that reporters were more prone to reporting external violations only if their suggestions were not handled internally.

Both types (internal or external) of whistleblowing can be carried out anonymously or in an identifiable way (Dhamija & Rai (2018)). It is assumed that first and foremost whistleblowers prefer internal rather than external whistleblowing. In addition, external violation reporting is only preferred when internal violation reporting mechanisms do not exist or fail. This assumption is also referenced in many studies (Barnett Ronald, 1992; Near & Miceli, 1995) and it is also reported in research studies that most whistleblowers first report violations internally before reporting them publicly in front of the media and other regulatory authorities.

A study conducted by Erin, O., Ogundele, I., & Ogundele (2016) shows that whistleblowing is the formal or informal disclosure of unethical practices in an organization by its employees (current or former). MacNab & Worthley (2008) believes that whistleblowing plays an important role in internal control mechanisms, financial reporting processes, and corporate governance matters. Choo et al (2019) also argues that the implementation of whistleblowing helps prevent fraud, reduces financial leakage, minimizes revenue manipulation, and reveals company mistakes.

b. Moral Reasoning

Among the processes of moral reasoning, two main ones are moral rationalization and moral separation (Bhattacharjee et al., 2013). According to (Bhattacharjee et al., 2013), moral rationalization is defined as “the process of reconstructing immoral acts as less moral in order to maintain support for immoral actors”. So, people will no longer criticize certain actions after they justify them (Lee et al., 2020). According to (Lee et al., 2020) in moral rationalization, when an individual makes a judgment regarding a person's transgressions, it is the first time that reasoning process occurs in the decision-making sequence.

There are several studies that have examined the relationship between the level of moral reasoning and intentions whistleblowing (Shaver, 2018). Rest, JR and Narváez (1994) identified that moral reasoning is measured through P and N2 scores which correlate with various measures of prosocial behavior. Brabek (1984) has studied whistleblowing among college students and found that they are more likely to report misconduct to their professors, judging from higher DIT (Defining Issue Test) scores. Arnold and Poneman (1991) also found that internal auditors with a relatively low level of moral reasoning are less likely to report errors. Shawver (2018) found that tertiary education also had an impact on the intention to report violations (whistleblowing), meaning that those who continued their education at tertiary institutions were more likely to report.

The findings that have been mentioned are contrary to previous research which showed that college education in accounting students does not have moral growth in them. However, it does provide support that formal education has an effect on moral judgments based on intellectual stimulation (Rest, JR and Narváez, 1994). Shawver (2018) also found that a person's level of moral reasoning has an impact on whistleblowing intentions for internal management, but at an individual level moral reasoning does not affect the decision to report externally.

Lyons, S., & Kuron (2018) and Twenge (2010), reviewed the research evidence on generations, found that millennials, more than previous generations, view work as less important in their lives and value leisure time more, while also seeking more freedom, and work-life balance. This shows that the millennial generation highly values a balance between the personal and work worlds, which makes the millennial generation at work have a lower level of reporting violations to organizations. Generations and seniors are visible elements of organizational demographics (e Silva et al., 2020). As such, they dictate behavioral norms and produce important consequences for individual and group dynamics in the work environment, this impacts on aspects of career, satisfaction, commitment, retention, and organizational performance. (Cordeiro & de Albuquerque, 2017).

c. Whistleblowing Intent

According to (Handika & Sudaryanti, 2018) defines intention as the desire to perform a behavior. The individual will perform a behavior only if he really wants to do it, therefore the individual will form an intention (intention). Intention is a person's process of showing his behavior. The individual will have intentions in himself first before the individual performs the behavior he will do. So, when a person has a positive attitude, believes that his behavior is acceptable in his environment, and believes that what he is doing is the result of his self-control, then that person will have the intention to carry out a behavior. So, intention can be summed up as how much effort a person commits to carrying out a behavior. The amount of commitment defines the realization of the behavior.

Hypothesis Development

One of the important factors that influence an individual's decision to do whistleblowing is moral behavior (Miceli et al., 2012). A person's decision to commit whistleblowing is influenced by several things, namely the individual's personal character, the surrounding environment and the fear of retaliation (Near & Miceli, 2013). Individuals who have higher moral reasoning have a tendency to do whistleblowing compared to individuals who have lower moral reasoning (Hecht & Allen, 2009). The higher the individual's moral reasoning, the higher the tendency to disclose fraudulent acts, therefore the hypothesis in this study is as follows.

H1: Moral reasoning has an influence on whistleblowing intentions

3. RESEARCH METHOD

a. Population, Sample & Sampling Technique

The population used in this study is the millennial generation. The sampling technique used was purposive sampling because the selected sample was adjusted to the research objectives so that only samples were selected according to certain criteria. In addition, this study also uses a convenience sampling technique that is used to obtain samples according to the wishes of the researchers with the ease of obtaining data factor. The sample criteria in this study are the millennial generation aged 25 to 40 years.

b. Data and Data Collection Methods

The data used in this study is primary data because it uses a survey as a data collection method. The variable of moral reasoning uses a Likert scale which is an interval scale as the basis for its measurement. This

study took the millennial generation as a sample as respondents. Respondents will fill out the questionnaire, then returned to the researcher. After that, the researcher will process and analyze the data.

c. Data analysis technique

The data analysis technique used in this study is descriptive analysis and statistical analysis using the Partial Least Square-Structural Equation Modeling (PLS-SEM) method in Smart PLS 3.3.0 software with convergent validity test steps, Average Variance Extracted (AVE) test, discriminant validity test, Cronbach's Alpha test and composite reliability.

d. Variable Operational Definition and Measurement

This study uses the dependent variable, namely whistleblowing intention (Y), the independent variable, namely moral reasoning (X1).

e. Moral Reasoning

Moral reasoning is a cognitive ability possessed by a person to consider, evaluate and decide a behavior based on moral principles such as good and bad, ethical and unethical, what is permissible and what is not permissible to do and consider the consequences. Moral reasoning refers to the reasoning process by which behaviors, institutions, or policies are judged to conform to or violate moral standards. . The moral reasoning variable is measured using a Likert Scale with the following conditions: 1) Strongly Disagree, (2) Disagree, (3) Disagree, (4) Agree, (5) Strongly Agree.

f. Whistleblowing Intent

Intention is an action that may be done by an individual to report an error or an unethical or bad action. Intention has a close relationship with a person's motivation in carrying out a behavior. If the action is carried out continuously by someone, it will create a person with behavior that will be carried out continuously. This variable is measured using a Likert Scale with the following conditions: 1) Strongly Disagree, (2) Disagree, (3) Disagree, (4) Agree, (5) Strongly Agree.

4. RESULTS AND ANALYSIS

a. Results of Data Collection

The population in this study is the millennial generation aged 25 to 40 years. Data collection techniques were carried out by means of questionnaires distributed through online media. The sample of this study was 200 respondents and all of them met the requirements for analysis.

b. Characteristics of Respondents

Respondents in this study were millennials aged 25 to 40 years. The following is a description of the respondent's identity consisting of gender.

Table 1
Respondent Test Results Based on Gender

		frequency	percent	Valid Percent	Cumulative Percent
Valid	Man	37	39.4	39.4	39.4
	Woman	57	60.6	60.6	100.0
	Total	94	100.0	100.0	

Source: Processed data, 2022

Based on the gender of the respondents, there were 2 categories, namely male and female. From the data received and used, the researchers found that 57 (60.6%) were female respondents and 37 (39.4%) were male respondents. It can be seen that the sex of the majority of respondents is female.

c. Data analysis method

The results of the descriptive test on the variables used in this research are moral reasoning and whistleblowing intentions shown in table 2.

Table 2.
Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
Moral Reasoning	94	4	20	16.62	3,505
Whistleblowing intent	94	14	30	23.51	3,543
Valid N (listwise)	94				

Source: Processed data, 2022

Based on table 2 it can be described that the number of respondents (N) who are valid and can be processed further is 94 respondents. In the variable of moral reasoning, the minimum respondent's answer is 4 and the maximum is 20 with an average answer of 16.62 and a standard deviation of 3.505. In the whistleblowing intention variable, the minimum respondent's answer is 14 and the maximum is 30 with an average answer of 23.51 and a standard deviation of 3.543.

Partial Least Square Analysis

The measurement model (outer model) is used to test construct validity and instrument reliability. The Outer Model is assessed using three criteria, namely: convergent validity, discriminant validity, and composite reliability.

The validity test was carried out to measure whether a questionnaire was valid or not. The questionnaire is said to be valid if the questions are able to reveal something that will be measured by the questionnaire. Validity test is carried out through two stages of analysis, namely Convergent validity and Discriminant Validity.

I. Convergent Validity

Convergent validity can be measured by looking at the AVE value which is shown to be greater than 0.50. Based on the results of the convergent validity test as shown in table 3, the validity results have been met because all loading factors are > 0.60. So it can be concluded that all indicators in the variables of whistleblowing intention and moral reasoning are valid.

Table 3

Variable	Average Variance Extracted (AVE)
Moral Reasoning	0.779
Whistleblowing intent	0.538

Source: SmartPLS output (2022, data processed)

II. Reliability Test

If the validity test has been carried out, then the next analysis is the reliability test. This test is done by looking at the value of Composite Reliability and Cronbach's Alpha. Does a construct have a composite reliability value > 0.7 and Cronbach's alpha > 0.60, then the construct can be declared reliable. The following are the results of the research for the reliability test:

Table 4.

Variable	Cronbach's Alpha	Composite Reliability
Moral Reasoning	0.909	0.979
Whistleblowing intent	0.724	0.805

Source: SmartPLS output (2022, data processed)

The reliability test showed a satisfactory value, namely Composite Reliability > 0.7 , which means that all questions are reliable or reliable. The values in the table above also show the consistency and stability of the instruments used are very high. Whereas for Cronbach's Alpha it has a value of > 0.6 , so it can be concluded that the instrument is reliable.

III. InnerModel

Inner model testing is done by looking at the R-Square value. R-square can show the effect of the independent variable on the dependent variable. The following is the result of the calculation of the data that has been processed.

Table 5.

Variable	R-square value
Whistleblowing intent	0.051

Source: SmartPLS output (2022, data processed)

Based on table 3 it can be concluded that the influence of moral reasoning has an R-square value of 0.051 which is included in the strong category. This shows that the construct of whistleblowing intention can be explained by moral reasoning of 58.7% while the remaining 41.3% is explained by other variables not examined.

d. Hypothesis test

T-statistics tested the construct's significance and was used in this study for the hypothesis. If $\alpha=10\%$ and $t > 1.646$ then it is considered significant.

Table 6.

Relationship Between Variables	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Moral Reasoning Whistleblowing intent	0.227	0.104	2.172	0.022

Based on table 4 above, it shows that the original moral reasoning sample value is 0.277, which means that the direction of the relationship between the moral reasoning variable and the whistleblowing intention variable is positive. The P. Values value of 0.022 indicates that H1 is proven. So moral reasoning has a significant positive effect on whistleblowing intentions.

e. Moral Reasoning on Whistleblowing Intentions

Based on table 4 above, the relationship between moral reasoning and whistleblowing intentions is significant with a T statistic of 2.172 (> 1.646) and the original sample value (O) is positive, namely 0.277. Then the direction of the relationship between subjective norms and whistleblowing intentions is significantly positive. So that H1 which is expected that has a significant positive effect on whistleblowing intentions is accepted. The results of this study prove that there is a significant positive effect between moral reasoning and whistleblowing intention, which identifies that the higher the moral reasoning, the higher the whistleblowing intention.

5. CONCLUSION

This study aims to obtain strong evidence regarding the effect of moral reasoning on intentions. Respondents in this study were millennials aged 25 to 40 years with a total of 96 people. Based on the pattern of data that has been collected and the results of tests that have been carried out on the problem using the help of SmartPLS version 3.0, it can be concluded that moral reasoning has a positive and significant effect on the intention to do whistleblowing. Based on the results of the research that has been described, this research is expected to be able to enrich the development of accounting knowledge and theories regarding whistleblowing, where the results of this study contribute to adding empirical evidence regarding moral reasoning towards

whistleblowing intentions. There are several limitations in this study. The limitations are due to the limited deployment time and only one respondent from one group so there is no comparison and only one variable is used. The next researcher is expected to increase the number of samples and use two or more types of respondents to be used as a comparison, using other measurement tools such as SPSS, PLSGraph, VPLS or PLS-GUI, adding other variables that might influence the intention to do whistleblowing that are not explained in this study.

REFERENCES

- Brabeck, M. (1984). Ethical characteristics of whistle blowers. *Journal of Research in Personality*, 18(1), 41–53. [https://doi.org/10.1016/0092-6566\(84\)90037-0](https://doi.org/10.1016/0092-6566(84)90037-0)
- Choo, L., Grimm, V., Horváth, G., & Nitta, K. (2019). Whistleblowing and diffusion of responsibility: An experiment. *European Economic Review*, 119, 287–301. <https://doi.org/10.1016/j.euroecorev.2019.07.010>
- Cordeiro, HTD, & de Albuquerque, LG (2017). Career profiles of generation Y and their potential influencers. *BAR - Brazilian Administration Review*, 14(3), 1–21. <https://doi.org/10.1590/1807-7692bar2017170013>
- Dhamija, S., & Rai, S. (2018). Role of retaliation and value orientation in whistleblowing intentions. *Asian Journal of Business Ethics*, 7(1), 37–52. <https://doi.org/10.1007/s13520-017-0078-6>
- e Silva, PV, Borges, C. dos S., Rosa, J. de L., Pacheco, TL, Figueiredo, TM, Leite, GAA, Guerra, MT, Anselmo-Franci, JA, Klinefelter, GR, & Kempinas, WDG (2020). Effects of isolated or combined exposure to sibutramine and rosuvastatin on the reproductive parameters of adult male rats. *Journal of Applied Toxicology*, 40(7), 947–964. <https://doi.org/10.1002/jat.3955>
- Erin, O., Ogundele, I., & Ogundele, O. (2016). Whistle-blowing and quality of financial reporting in the Nigerian banking sector. *International Conference on African Development Issues*, 3(2), 103–107.
- Handika, MFD, & Sudaryanti, D. (2018). Analysis of the Factors Influencing Students' Intentions to Take Whistleblowing Actions. *Asian Scientific Journal of Business and Economics*, 11(1), 56–63. <https://doi.org/10.32812/jibeka.v11i1.33>
- Hecht, TD, & Allen, NJ (2009). The cross-level effects of culture and climate in human service teams. *Journal of Organizational Behavior*, 30(April), 839–862.
- Lee, H., Chang, DR, & Einwiller, S. (2020). A study on the dynamics between the moral reasoning process and celebrity image and their impact on consumers' support for celebrity comebacks after a transgression. *Journal of Product and Brand Management*, 29(6), 729–743. <https://doi.org/10.1108/JPBM-02-2019-2259>
- Lyons, S., & Kuron, L. (2018). Generational Differences in the Workplace: A Review of the Evidence and Directions for Future Research. *Journal of Organizational Behavior*, 35, S139-S157. <https://doi.org/https://doi.org/10.1002/job.1913>
- MacNab, BR, & Worthley, R. (2008). Self-efficacy as an intrapersonal predictor for internal whistleblowing: A US and Canada examination. *Journal of Business Ethics*, 79(4), 407–421. <https://doi.org/10.1007/s10551-007-9407-3>
- Mannion, R. (2018). Understanding the knowledge gaps in whistleblowing and speaking up in health care: narrative reviews of the research literature and formal inquiries, a legal analysis and stakeholder interviews. *Health Services and Delivery Research*, No. 6.30.
- Miceli, MP, Near, JP, Rehg, MT, & van Scotter, JR (2012). Predicting employee reactions to perceived organizational wrongdoing: Demoralization, justice, proactive personality, and whistle-blowing. In *Human Relations* (Vol. 65, Issue 8). <https://doi.org/10.1177/0018726712447004>
- Near, JP, & Miceli, MP (1995). Effective Whistle-Blowing. *The Academy of Management Review*, 20(3), 679. <https://doi.org/10.2307/258791>
- Near, JP, & Miceli, MP (2013). Organizational dissidence: The case of whistle-blowing. *Citation Classics from The Journal of Business Ethics: Celebrating the First Thirty Years of Publication*, 153–172. https://doi.org/10.1007/978-94-007-4126-3_8
- Rest, JR and Narváez, D. (1994). Moral Development in the Professions: Psychology and Applied Ethics. <https://doi.org/https://doi.org/10.4324/9781410601162>
- Shawver, T. (2018). The Impact of Moral Reasoning on Whistleblowing Intentions. *Research on Professional Responsibility and Ethics in Accounting*. <https://doi.org/10.1108/S1574-076520180000021005>
- Twenge, JM (2010). A review of the empirical evidence on generational differences in work attitudes. *Journal of Business and Psychology*, 25(2), 201–210. <https://doi.org/10.1007/s10869-010-9165-6>
- Wilhelm, WJ, & Czyzewski, AB (2006). A Quasi-Experimental Study of Moral Reasoning of Undergraduate Business Students Using an Ethical Decision-Making Framework in a Basic Accounting Course. *Delta Pi Epsilon Journal*, 48(3), 129–143. <http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=26378067&site=ehost-live>