The Effect of Power Distance, Trust and the Role of Professional Commitment as Mediator on Whistleblowing Intentions

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Abstract. Whistleblowing is cited by the Association of Certified Fraud Examiners (ACFE) and the Global Economic Crime Survey (GECS) as one of the most effective ways to prevent and combat practices that are contrary to good corporate governance. Thus, Government agencies in Indonesia established a whistleblowing system mechanism as an effort to improve fraud prevention. The implementation of the whistleblowing system mechanism is expected to increase the employees' confidence to reveal fraud they find in the work environment and also to overcome cultural problems that can hinder whistleblowing activities, such as the high-power distance. The professional commitment variable was tested as an intervening, to further clarify how trust and power distance affect the intention to whistleblowing. This study uses a quantitative method designed to find the factors driving whistleblowing intentions. Samples were obtained by distributing online questionnaires to employees under the Ministry of Finance. A total of 83 data obtained were processed using SmartPLS. The results showed that trust and power distance partially had no effect on Whistleblowing intentions, while organizational commitment had a positive effect on Whistleblowing intentions. Furthermore, it was found that the power distance variable still had no effect on whistleblowing intentions even though it had been mediated by organizational commitment. Trust variable had a positive and significant effect on whistleblowing intentions, after being mediated by organizational commitment variables.

Keywords: Power Distance · Trust · Professional Commitment · Whistleblowing Intention

1 Introduction

Fraud detection activities in organizations have received increasing concern in recent years. These efforts are made to reduce the number of losses arising from various forms of fraud in various organizations and institutions, both in the private and government sectors. In 2019, it was stated that forms of fraud such as corruption, misuse of state/company

assets and assets, and fraud in financial statements occupy the top rank in Indonesia compared to other forms of fraud. The three fraud forms are the fact that the government is the institution that has suffered the most losses due to fraud [1–3]. Fraud in government institutions significantly affects the quality of services and public trust [2, 4]. In addition to affecting public trust, fraud that occurs in government institutions also has the potential to continue to grow if no efforts are made to prevent and stop it. Some efforts to prevent and report fraud in government institutions continue to be carried out to minimize this. One of the government's efforts is to implement a whistleblowing system in various government institutions. It is a follow-up to the results of research from various institutions such as the Organization for Economic Co-operation and Development (OECD), the Association of Certified Fraud Examiners (ACFE), and the Global Economic Crime Survey (GECS). The result concludes that a whistleblowing system is one of the effective methods in preventing and combating practices that are contrary to good corporate governance [1]. The whistleblowing mechanism is considered adequate and efficient, and requires a relatively shorter time for fraud disclosure than other methods.

The increase in reporting fraud in government offices shows the effectiveness of the whistleblowing system program [1]. The survey results of the 2019 Indonesian chapter by ACFE showed that most fraud reporters were employees, with 50.2%. Other reporting parties are anonymous (23.4%), other parties (not included in the criteria) at 8%, and the rest in a small percentage are carried out by customers, suppliers, and shareholders. It shows that the whistleblowing system has shown its effectiveness, but it still takes much effort to find other factors that can encourage fraud reporting [5, 6]. Given the importance of the role of whistleblowers in disclosing fraud, more research is needed to reveal the factors that can encourage employees to become whistleblowers.

Exporting fraud in Indonesia, especially in government agencies, requires a great effort. Previous research found that several variables affect a person's intention to act as a whistleblower. One of the cultural factors, power distance, is considered one of the influencing variables. [7–11] found that high power distance can weaken the intention to do whistleblowing. Indonesia is one of the countries including high power distance [12]. It is a challenge in itself to disclose fraud in an institution.

The courage to disclose findings of fraud in an agency also requires trust in the existence of security protection for the whistleblower [11]. Low confidence in the existence of protection for whistleblowers will also weaken whistleblowing intentions dozier [10]. Employees are reluctant to report fraud they know because they are worried about the risk of new problems arising from what they know and report. Implementing the whistleblowing system is sufficient to provide security guarantees for employees intending to report fraud (whistleblowing intention). However, it is suspected that other factors can encourage these actions. Employees need to have a strong professional commitment to concern the institution where they work [13]. His desire to realize the organization's goals makes employees willing and concerned to take actions that they feel will save their goals.

This study empirically examines the influence of power distance culture, employee trust in the organization, and professional commitment as a mediator on whistleblowing intentions. The research was conducted with the objects of employees in government

agencies under the Ministry of Finance and other government agencies that have implemented a whistleblowing system policy. This research contributes to complementing previous research, which is often conducted with a sample of auditors or students and has not considered implementing a whistleblowing system. The existence of an organizational commitment variable as a mediator is also a novelty to examine variables thought to make whistleblowing intentions higher in cultures that are considered less likely to become whistleblowers. The results of this study are expected to provide an overview of WB intentions in government agencies that have experienced the most considerable losses due to fraud so that institutions can use them to take policies to encourage increased whistleblowing intentions.

2   Method

2.1   Theoretical Foundations and Formulation of Hypotheses

2.1.1   Intensions of Whistleblowing

Whistleblowing involves a person's attitude and decision to take action. Therefore, several variables can influence the intention to take this action, both external and internal factors. Research on whistleblowing uses the intention/intention variable to report as its operational variable. The opinion of experts drives that it is improbable to make direct observations of unethical actions in organizations [7]. Behavioral intention is the subjective probability that an individual gives to the probability that a particular behavioral alternative will be chosen [8].

The theory of planned behavior (TPB) by [8] holds that behavioral intentions can predict actual behavior. The theory argues that behavioral intentions function of three elements: attitudes, subjective norms, and perceived control [8]. According to the theory, attitude is an individual's behavior assessment, while subjective norms are the perceived collective acceptance of the behavior. Meanwhile, perceived control is the individual's perception of difficulty performing the behavior. This theory can underlie how a person has a whistleblowing intention in revealing the fraud he finds.

2.1.2   Hofstede Power Distance Culture

The culture that surrounds the organization influences specific behavioral alternatives. Various studies on WBI with cultural influences have been conducted, such as research from [1, 14].

Fraud in government institutions dramatically affects the quality of services and public trust. Efforts to prevent and report fraud in government institutions continue to be conducted to minimize this. One of the efforts to reduce the impact of high PD culture on whistleblowing intentions [9, 11, 14] in government agencies is to implement a whistleblowing system in various government agencies. It is a follow-up to the results of research from various institutions such as the Organization for Economic Co-operation and Development (OECD), the Association of Certified Fraud Examiners (ACFE), and the Global Economic Crime Survey (GECS). The result concludes that a whistleblowing system is one of the effective methods in preventing and combating practices that are

contrary to good corporate governance. The whistleblowing mechanism is considered adequate and efficient and requires a relatively shorter time for fraud disclosure than other methods [1, 8].

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H1: High power distance harms WB intentions.

2.1.3 Trust

Trust is one of the crucial factors in the organization. High trust is expected to give a secure feeling and the desire to do better. Several findings prove that organizational trust is a significant element of organizational success [15–17]. Trust in the organization also plays a vital role in the company, especially in creating organizational commitment [16, 17]. In carrying out their duties, employees feel confident that their efforts will benefit themselves and the organization [15]. Concerning the decision to conduct Whistleblowing, employees' trust in the enactment of protection in the applied whistleblowing system is thought to influence their intention to report various frauds.

H2: Employee trust in the agency has a positive effect on WB's intentions.

2.1.4 Organizational Commitment

Robbins and Judge [18] define organizational commitment as a condition of employees who take sides with the company and its goals and desire to maintain their membership in the company. According to Lee and Marhur, employees with high organizational commitment have the following characteristics [13, 19, 20]: proud of the company; feel that they have a prospect with the company; think the company is the best place to work; willing to sacrifice for the good of the company. Employees with high organizational commitment will then have a great desire to share and be willing to sacrifice for the sustainability or progress of the company. Thus, organizational commitment is expected to encourage intentions to prevent or report fraud encountered by employees.

Organizational commitment is expected to mediate the correlation between high power distance (PD) culture and employee trust with the employee's desire or intention to whistle blow. Previous research found that cultures with high PD tend to suppress the intention to disclose fraud [9, 12, 21], so it is necessary to have a variable that can mediate between high PD conditions and whistleblowing intentions. However, areas with high PD also need expert whistleblowers to prevent and overcome fraud. Moreover, trust is expected to strengthen whistle blow with a strong organizational commitment to employees.

H3: Organizational commitment is suspected of mediating factors between high power distance conditions and the level of employee trust with whistleblowing intentions.

H4: Organizational commitment mediates the effect of HPD on WI.

H5: Organizational commitment mediates the effect of trust on WI.

2.2 Research Method

This research is quantitative research. The data were collected through questionnaires distributed online. The data were collected at the Tax office in Central Java, a government agency that has implemented the WB system. The questionnaires were compiled based on a Likert scale of 1–5 (1 = strongly disagree, 5 = Strongly Agree. 81 out of 83 questionnaires met the requirements to be processed. Data analysis was conducted using WarpPLS 7.0.

3 Result and Discussion

3.1 Measurement Model

Validity and reliability were tested using Average variance extracted (AVE), composite reliability (CR), and Cronbach's alpha. The test results showed that all AVE values were ≥ 0.5, CR values > 0.7, and Cronbach's alpha values ≥ 0.6. All proper requirements of validity and reliability.

3.2 Hypothesis Test Results

Figure 1 shows that PD has no direct effect on WBI (coefficient = 0.14, p = 0.09), so H1 was rejected. Although Indonesia is one of the Asian countries that on average has a high PD [7, 22], in this study, the PD level did not have a negative effect on WBI. The whistleblowing system applied to financial institutions in Indonesia could be more supportive of their employees to uncover fraud that occurred through online procedures that are considered more secured [9, 23, 24].

The correlation between trust and WBI shows positive and significant results (coefficient = 0.26, p = < 0.01). So H2 is accepted [15]. These results indicate the importance of employee trust in the guarantees provided by the institution and the leadership. The whistleblower's trust remains safe when disclosing a fraud case can increase whistleblowing intention [25–27].
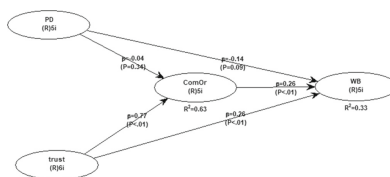

Fig. 1. Result of hypothesis test.

Organizational commitment to WBI is positive and significant (coefficient = 0.26, p = < 0.01), so H3 is supported. It shows that the willingness of workers to contribute more to the organization also increases whistleblowing intentions [28]. Acting as a whistleblower is not simple for an employee. It takes high loyalty and courage that drives action to maintain the safety and goals of the organization [19, 20, 29]. Organizational commitment can be a motivating factor for whistleblowing intentions. The results of intervening organizational commitment for the effect of PD on WBI show p = 0.890 (H4 rejected). The existence of organizational commitment has not been able to mediate the correlation between PD and WBI, although organizational commitment has a significant effect on WBI. Other variables are still needed to encourage employees to give messages as whistleblowers in a high PD culture.

The intervention of organizational commitment on the effect of trust on WBI was p = 0.035 (H5 accepted). It shows that trust in the organization and the procedures that apply in it is an important factor that can encourage WBI. The existence of organizational commitment as a mediator of the correlation between trust and WBI can still support the correlation between the two.

3.3 Discussion

This study showed that power distance did not affect whistleblowing intention. This result is different from [9, 11, 12], which state that High Power distance harms WBI. This result could be influenced by the environment of government agencies that have implemented a whistleblowing system [30]. Then, the implementation of the whistleblowing system is quite effective in reducing the effects of a high-power distance culture [22, 23, 31].

The results also indicate that organizational trust and commitment also play a role in motivating employees to generate whistleblowing intentions. Therefore, it is important for the organization to maintain and increase employees' confidence in the enforcement of rules, procedures, and organizational commitment to providing trusted protection for whistleblowers [8, 16]. These results indicate the importance of employee trust in the guarantees provided by the institution and the leadership. The whistleblower's trust remains safe when disclosing a fraud case can increase whistleblowing intention.

Organizational commitment is an attitude that shows an employee's effort for continuity, kindness, and organizational goals [32]. One thing that can be done is with the intention and willingness to reveal the fraud encountered because the fraud will certainly impact the structure and achievement of organizational goals.

The results of the organizational commitment intervention for the effect of PD on WBI show that organizational commitment cannot encourage WBI in a work atmosphere with high power distance intervention of organizational commitment. Further research is still needed to find out what variables can mediate or moderate high PD cultures on WBI. The effect of trust on WBI shows that the intervention partially occurred in the correlation between trust, organizational commitment, and whistleblowing intention.

Authors' Contributions.   This research has a theoretical implication on the correlation between trust, high power distance, organizational commitment, and WBI. First, these results provide a new perspective on the effectiveness of implementing the whistleblowing system in government agencies. Second, government agencies need to maintain their employees' trust and organizational

commitment so that acts of fraud can be handled more quickly and with a less complicated process. Thus, it is expected that the government's performance will be better, cleaner, and continue to improve in the future. Regarding further research, the sample can be added by expanding the institutions that are the object of research. Future research can also examine other variables that may affect whistleblowing intentions, such as the effect of personality, situations faced by employees, the form of commitment contracts, the existence of stimulants in the form of rewards, and others.

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