



**THE EFFECT OF SOCIAL EXCHANGE RELATIONSHIPS
ON PEER REPORTING FRAUDULENT FINANCIAL
MISCONDUCT: A CASE STUDY OF AN UK-NON-PROFIT
ORGANIZATION**

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ABSTRACT

Non-profit organisations are an important component of the UK market and a large part of culture. In March 2017, there were 167,063 registered charities in England and Wales with a combined turnover of £74.7 billion and a charitable spend of more than £71 billion. Significant controversies surrounding charities, such as the Oxfam fiasco, have shaken the industry as recent as 2018, showing that principled companies with the intention to support society can also take ethics for granted. The extant literature reveals that people's capacity to identify and interpret moral questions differs but resolving ethical problems necessitates a greater comprehension of the forces that impair ethical judgment. The previous researchers have looked into various analytical mechanisms to investigate the ethical decision-making method and considered, for example, using a range of analytical viewpoints to decide the extent to which workers' conceptions of ethical principles, ethical culture, and corporate social responsibility moderate the interaction between their ethical concerns and ethical decisions. Currently, there is no universally accepted concept of fraudulent activity and clearly, the controversies that shook the non-profit field have generated a need to explore how employees participate and rationalize fraudulent misconduct as they are directly related to the success of companies.

Employee misconduct has received the greatest attention, mostly because the abuses are so egregious, and the costs are so enormous. These stories seemingly have a commonality in that the accused workers, who seemingly strive to selflessly help the world's less fortunate, are hiding a much darker reality below the surface. This study investigates the individual and organisational factors which influence peer reporting intentions with a focus on accounting-related employee fraud. The individual and organizational factors that are associated with peer reporting behaviour within a charitable organization in England and Wales are examined. This study adopts mixed research methods including interviews and questionnaire surveys. The

study develops an integrated model of ethical decision-making which borrows from Rest's (1986) widely adopted Four Component Model and compliment this further by investigating how social forces play a part in the decision-making process. Furthermore, It examines individuals (gender, age, education, rank) and organizational level (social exchange relationships, strength of organization retaliation) within a UK context. Results indicate that gender, age, education, and tenure do not have a significant influence on reporting intention, however, rank plays a significant role in reporting intention. Furthermore, social exchange relationships (interpersonal affect and reciprocal relationships) do not play a significant role in determining reporting intention within the charitable sector. The study also finds that diffusion of blame and displacement of responsibility is the most common rationalizations that employees use to disassociate themselves from engaging in unethical behaviour which in this case, is non-reporting of accounting-related misconduct. The proposed model is a theoretical contribution to literature and the findings of the study add to literature and propose some practical contributions.

DEDICATION

In loving memory of my loved ones,

John Lamba, Belneda Lamba and Pascal Mwiombela

who left me this year due to COVID-19 and are not here to see the completion of this thesis, but whose spirit will always be with me. Your confidence, hopes, words, patience, and love have provided sustenance and strength in moments of sadness and heaviness, and inspiring moments.

This is for you.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank John Lamba for supporting my academic journey from primary school to date. It is very hard to believe that you are not here to witness my completion of this thesis and I hope you know - wherever you are, that I will always be indebted to you. Thank you for trusting me with this. I would also like to thank my mother and biggest cheerleader, Juliet Lamba for always believing in me and always reminding me that I have it in me to reach for the stars. The completion of this thesis would not be possible without the encouragement and never-ending support from Professor Hassan Yazdifar – I sincerely thank you for pushing me beyond my limits because you knew I could always achieve greatness if I just got out of my head.

A more personal thank you to my partner, Shamilah who has constantly supported me and given me the courage to keep going in moments when I felt like giving up. I would also like to thank my best friend Ethel, who was there with me when I first hurriedly submitted my first proposal to the Salford Business School and has constantly supported me throughout these four years and made sure I was on track. Finally, I would like to thank the Salford PGR support team for providing me with the tools and resources I needed to get through to this stage and really putting the ‘S’ in support. A big thank you to the people whom I have not mentioned but know they played a huge part in the completion of my thesis.

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CHAPTER ONE: INTRODUCTION

1.0 Research Background

The last decade has brought an escalating supply of moral meltdowns in both the for-profit and non-profit sectors (Rhode & Packel, 2009). Several publications have been discussing the unsettling but widespread problem on insider fraud and embezzlement in the charity sector (Rosenthal, 2021). In 2017, the director of a homeless charity was imprisoned for misusing his position to embezzle £1.3 million by forging invoices which allowed him to fuel his rich lifestyle (Consumer Credit Trade Association, 2021). In late November 2021, For Purpose Law Group Ltd shared information about an audacious embezzlement scheme in which two accounting employees colluded with the county auditor (Rosenthal, 2021). On a grander scale, a reporter from Accountancy Daily cited that charities reported losses of approximately £8.6 million due to fraud in the financial year ending 2020 (Flanagan, 2021). Furthermore, the report shared that 65% of charities attributed the increased fraud risk to the COVID-19 pandemic as there was a rise in more remote working and virtual sign-off processes (Flanagan, 2021). In their press release from 2018, the Charity Commission report that insider frauds were enabled by excessive trust and lack of challenge from others within the charity (Charity Commission, 2018). There have been several developments since the Charity Commission report was released in 2018, and fraud prevention has received the greatest attention, mostly because the costs are so enormous.

On a regular basis, the media reports on non-profit employees who have behaved unethically. There have been an increasing number of high-profile cases involving the unethical behaviour of NPOs and employees not only in the UK, but also in other countries. Scandals include the collapse of the Kid Company (2015) following an inquiry by the UK National Audit Office which raised concerns about the scale of state funds granted without it having to compete for them, and the Oxfam scandal of 2018 which raised allegations of staff involvement with

prostitution in developing countries. In the United States, some of the ugliest scandals include the Wounded Warrior Project (2016) which was a charitable organization whose marketing got ahead of their actual activities, and this led to the shocking revelations about money being blown on hobbies and parties. Unethical conduct committed by employees included unauthorized business class flights and \$500-a-night stays in luxurious hotels (Varner, 2016). The rash of corporate collapses, fraud, and corrupt activities seen all around the world have prompted researchers world-wide to increasingly turn their attention to the ethical decision-making process (Liyanapathirana, 2018). This chapter is organised as follows. The chapter commences with a discussion of the background of the thesis' research issue. The research objectives are stated in the second section, along with the project's research questions. The third section discusses the research contributions. In the fourth section, the research methodology and methods used in this study are summarized.

1.1 History of Insider Fraud in Charities

Charities in the UK have played a significant role in supporting disadvantaged communities, both in the domestically and abroad (Dhanani and Connolly, 2012; Bennett and Savani, 2011; Keating and Frumkin, 2003; Gray et al., 2006). Majority of charities are supported by donations from individuals, organizations, and the government and in recent years, the sector has seen a steady increase in support both financially and via volunteer numbers each month (National Council Voluntary Organizations, 2015). However, despite the increase in significance of charitable events and causes, coupled with their exponential growth (Dhanani & Connolly, 2015) in recent years, there has been limited research on fraud within the sector. Charities in England and Wales spend approximately £80 bn every year and this has proved to be a tempting target from fraudsters (Fraud Advisory Panel, 2019). Furthermore, the Fraud Advisory Report (2019) titled 'Preventing Charity Fraud' suggests that the sector loses hundreds of millions – and potentially billions – of pounds every year to fraud. This suggests that there is a much

bigger problem within the sector than needs addressing as its reliance on public funding and government grants requires the appropriate handling of funds.

Kramer (2015, p.4) defined fraud as the “dark side of business that many people prefer not to think about much, if at all”. Further adding that “however ignorance is not bliss when it comes to small businesses because they usually do not have sufficient resources to survive fraud loss”.

The same applies to charitable organizations because similar to small businesses, they often lack the resources to implement preventative measures within their organizations. Paschal (2019, p. 211) offered a single statement to sum up fraud in business: “whenever fraud occurs in organizations, there are no clear winners”. Kummer et al. (2015) adds context to this by saying that even though perpetrators might enjoy the temporary perks of fraud, or even temporarily keep the organizations afloat for a period of time, the more difficult pills to swallow are the heavy costs associated with investigations, arrests, trials, and convictions – and more importantly, the ultimate loss of goodwill for the concerned organizations (Kummer et al., 2015). Even though for-profit businesses are also not completely exempt from fraud losses, they are more equipped to deal with the consequences and costs associated with fraud cases. However, Paschal (2019) wrote that losing money (to fraud loss) in the charity sector can be more damaging as it undermines volunteer morale, shatters donors’ confidence, tarnishes the organizations; reputation and erodes public confidence in charitable organizations. Further to this, Ohalehi (2016) highlights the importance of studying the impact of fraud loss on smaller charities because previous studies (Gordon, 2017; Besant-Roberts, 2011; Duell, 2016) have focussed on larger charities with large incomes and the neglect of small charities has a significant impact on the scholarly debate around charity development and nation building. For example, Cotton (2014) highlights that small charity fraud, whether internal or external, carries a higher risk as it can result from the high levels of cash handled combined with a lack of scrutiny within financial departments. In addition, the Charity Commission (2013) notes that

the impact of fraud and financial crime particularly on a smaller charity can be significant, going beyond financial loss and the impact on the financing of a charity's planned activities. Therefore, the data mainly used in this thesis is mainly from a small charity. According to the Charity Commission (2012), many charity frauds go unreported. A recent analysis by accountancy and business advisory firm BDO highlighted that fraud reporting within charities soared by £11m to £20m in 2018 – which is an increase of more than 120% and the highest reported value for the sector since 2009 (BDO, 2019). Examining all reported fraud over £50,000 reported to the press, the BDO Fraud Track analysis shows that the sector was hit hardest by fraudulent activity in 2018 – with a screeching number of high-value cases. Given the last figures were published in 2018, there is no doubt that the numbers may have increased within the last 8 years – especially with the increase in online fraud following the COVID-19 pandemic which increases the urgency of adopting preventative measures for charitable organizations.

1.1.1 Fraud cases reported within UK charitable organizations

Previous insider fraud cases reported within UK charitable organizations include a Dunstable-based accountant who stole over £2.5m from the Christian charity where he worked for over 16 years and a finance manager who defrauded nearly £1m from a charitable sports trust to fund luxury holidays with her husband (BDO, 2019). Unfortunately, such scandals will continue to occur within the charity sector unless these organizations can find low-cost preventative measures. Although most of the cases listed in Table 1 implemented recommendations given by the UK Charity Commission, smaller charities may struggle to employ additional staff to review financial controls and procedure practices. A study conducted by Sheetz (2018) indicated that although fraud may be discovered by several methods, (e.g., internal, or external audits), anonymous tips are the most common methods of reporting. An

Association for Certified Fraud Examiners report further stated that more than 39% of fraud is detected through tips, with 20.6% of whistle-blowers preferring to report to their direct supervisor (ACFE, 2016). Furthermore, the report noted that majority of insider fraud is “committed by individuals working in seven key departments including accounting, executive management, purchasing and finance,” (ACFE, 2016). A more recent report by RSM (2020) revealed that £1.685m in losses from employee fraud was reported to Action Fraud in 2018-19 which counts as the highest level of fraud losses experienced by charities.

Table 1 Insider fraud cases which involved a breach of ethics

Position	Fraud value	Period	Method	Actions taken by Commission
Charity Finance Director	£900,000	7 years	Created false journal entries in the charity’s accounts system and transferred funds into own bank account.	The charity reported the fraud to the police and its banking providers, and trustees were fully informed of the situation and investigation as it was discovered after the employee had left.
Chief Executive Officer	£250,000	Unknown	Due to a lack of segregation of duties, and effective controls and review, a substantial amount of money was transferred from the company’s pension scheme to a personal bank account.	A five year sentence was handed down to the fraud perpetrator.
Field supervisor from partner organization	£46,000	Unknown	Funds were fraudulently diverted as a result of deliberate overpayments for goods and records showing payments that	Internal investigation was conducted, and findings indicated a low level of control at project level and

			beneficiary groups did not receive. False purchases had also been charged to the charity programme.	an insufficient level of supervision, so this was rectified.
Office Co-ordinator	£45,000	6 months	Stole login details from senior management and set up fake payee's then transferred money into own bank account.	An internal investigation was launched and considered the potential for wider collusion. Employment was terminated.

(Charity Commission for England & Wales, 2018a)

In a study of corruption, De Graaf and Huberts (2008) found that the peers of corrupt officials often had suspicion – sometimes even evidence – that something was wrong long before the investigation but decided not to report this information (De Graaf, 2010). In their Compliance Toolkit: Protecting Charities from Harm, the Charity Commission (2018) warned charity trustees and executive to be wary of collusion “between one of more members of a charity’s staff” and included examples of procurement fraud (Charity Commission for England & Wales, 2016). Similarly, the Fraud Advisory Panel (2018) advised charity finance directors and chairs to “look for things like collusion (between employees, volunteers and suppliers) when creating a fraud risk register for their organization. Whistle-blowing disclosures are taken very seriously by the Charity Commission because they help them “detect serious problems such as fraud, safeguarding concerns and mismanagement in charities (Charity Commission, 2019). Therefore, it is safe to say that whistleblowing plays a valuable role in the regulation of the charity sector.

Miceli and Near (1984, p. 4) define whistleblowing as “the disclosure by organizational members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action”. King (2001)

further describes it as “an upward control in which the observer seeks to end inappropriate behaviour being committed”. Shapiro (1993) stated that whistle-blowing literature has focused primarily in reporting the wrongdoing of superiors rather than the wrongdoing of peers. Trevino and Victor (1992) conceptualized peer reporting as a specific kind of whistle-blowing behaviour in which an individual discloses the wrongdoing of a peer and is, therefore, a form of lateral control in which the observer seeks to eliminate unethical behaviour being committed by an employee who may be on the same hierarchical level (Trevino & Victor, 1992). To date, there has been limited research which examines how peer relationships may affect the intention to whistle-blow with only one study conducted by Scheetz (2018) which analysed how employee relationships affected the intention to internally report fraud. However, Scheetz (2018) used a sample of graduate business students rather than actual employees. This study explores the effects of peer relationships on the intention to whistle-blow by analysing the responses of non-profit employees following the administration of a case study vignette.

1.2 Motivations for the Study

The importance of the charity sector in the UK is unmatched as it has a massive impact on the economy and society at large. However, the scandals which have occurred in the sector have proven to be damaging to their reputations through the erosion of public trust and confidence in charities (McDonnell and Rutherford, 2018). The Commission (2013c) cites ‘fraudulent activities’ as anything from including excess expenditure to the private benefit of officers and directors, misuse of charity bank funds, generating false employees for payroll, inflated expenses, or other claims falling under this umbrella. Fraud can be carried out either internally or externally. Internal frauds are usually committed by managers, and directors; where external frauds are committed by individuals external to the organizations (Ohalehi, 2019). According to the Fraud Advisory Panel (2019), “Charities in England spend nearly £80bn every year and over two thirds of charities think fraud is a major risk but less than 9% of charities have a fraud

awareness training programme” p.2. Ten years after conducting their first extensive charity fraud study in 2009, the Fraud Advisory Panel (2019) found that just 30% of charities have a whistleblowing policy and this is very worrying given that fraud reporting within charities soared by £11m to £20m in 2018 – which is an increase of more than 120% and the highest reported value for the sector since 2009 (BDO, 2019). From these figures, it is clear to see that vulnerabilities still exist within the charity sector in relation to fraud making it important for charitable organizations to adopt the good practice required to sufficiently safeguard themselves from fraudulent activity. The recent collapse of the Kid Company – which was one of the most publicized fraudulent activities within the charity sector – highlighted various concerns because of poor governance and financial misconduct (Kids, 2015). The primary responsibility for the Kids Company debacle rested with the charity’s trustees according to the Public Administration and Constitutional Affairs Committee’s report (2016). This mere fact aligns with a statement by Comer (2003) which observes that [...] “*contrary to popular beliefs, fraud can happen to good companies and to effective managers*” (Comer, 2003, p.43).

Despite this fact, majority of the frauds committed within the recent cases investigated by the Charity Commission (2018) report show that fraudulent activity also existed at employee-level rather than solely at the upper levels of management (such as supervisors, managers, directors, and trustees). However, most of the whistleblowing literature explores the employee-supervisor relationship (e.g., reactions to a discovery that a supervisor had engaged in questionable practices (Chen & Lai, 2014), facing an unjust leader requesting actions of participants (Bocciaro et al., 2012), and reactions to discovering embezzlement conducted by a senior colleague (Zhang et al., 2009). Several scholars (e.g., Trevino & Victor, 1992; Victor, Trevino, and Shapiro, 1993) have stated that peer reporting can be considered a type of whistleblowing behaviour, however De Graaf (2010) notes that it is difficult to know which conclusions to adopt from whistleblowing literature when seeking the reasons to peer report in

the public sector. Whistleblowing literature highlights common characteristics about the whistle-blower and the influence of organizational factors, but it fails to discuss the influence of peer relationships on reporting intentions of fraudulent financial misconduct. Based on this and wider sociological literature, this study seeks to examine the influences of peer relationships on fraudulent activity reporting and hypothesises that going outside one's group (peer reporting) is a different kind of loyalty conflict and aligns with De Graaf's (2010, p. 769) study which noted that "peer reporters have to balance their loyalty to a sense of justice (the organization) against their loyalty to the group in general and the wrongdoer in particular".

1.3 Research Objectives and Questions

Several studies (Forte, 2004; Marques & Azevedo-Pereira, 2009; McMahon & Harvey, 2007; Nguyen et al., 2008; Sweeney et al., 2010) have examined the influence of gender on moral judgement. Forte (2004), McMahon and Harvey (2007), and Sweeney and Costello (2008) found no significant differences between males and females on moral reasoning. However, Nguyen et al., (2008b) reported that among adults of the same age, women had a higher level of ethical judgement than men (Craft, 2013). Sweeney et al., (2010) found that females reported higher ethical evaluations than men, and previous studies, (Guidice et al., 2009; Marta et al., 2008) investigated the influence of gender on moral intent and found that females demonstrated higher ethical intentions than their male counterparts. However, most of these studies were examined in the US context and hence we will examine whether results are as consistent in the UK context. Zgheib (2005) assessed the perceptions employees based on education level and found that professionally qualified employees applied the morality principle more than non-qualified employees (Craft, 2013) – thereby suggesting that employees with professional qualifications may exhibit higher pro-ethical behaviours. Krambia-Kapardis and Zopiatis (2008) examined the relationship between an individual's work tenure and rank on their moral awareness, which is the first stage of Rest's (1986) 4C model. Their findings show that

managers' perceptions of issues tend to be more ethical than employees in non-managerial positions. The study suggests a relationship between rank and ethical awareness.

Interestingly, O'Leary and Stewart (2007) found that internal auditors demonstrated a reasonably high sensitivity to ethical issues in comparison to other employees within the organization (O'Leary & Stewart, 2007). Given that internal auditors require a professional qualification which is awarded upon the demonstration of a professional code of practice, there may be a link between professional qualification and pro-ethical reporting behaviour. Cagle and Baucus (2006) examined the influence of employment experience on ethical awareness and found that employees who have undergone some educational courses and training and who learned about ethical scandals were more likely to recognize ethical issues as businesspeople (Cagle & Baucus, 2006). Most studies which assess the influence of work experience, tenure, professional qualifications, and rank were not in a UK context. Similarly, few studies have assessed the influence of education experience on pro-ethical behaviour within organizations. Forte (2004), Marques and Azevedo-Pereira (2009), and Pierce and Sweeney (2009) examined the relationship between the education level of an employee and ethical intentions in a US context and noted inconclusive results. This suggested that educational experience may have no effect on the pro-ethical reporting intentions. However, given that O'Leary and Stewart (2007) established professional internal auditors demonstrated reasonably higher sensitivities to ethical issues than other employees, educational experience could play a key role as it directly affects the reasoning process. Therefore, the first study research question is:

RQ1: How do individual factors influence reporting intentions of fraudulent financial misconduct in the UK context?

In order to answer this question, the following hypotheses are proposed:

- H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees
- H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.
- H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.
- H4: Higher ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees
- H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.

Organizational-level factors are the elements of the business context which have an impact on ethical behaviour amongst employees (Lehnert et al, 2015). These factors refer to the ethical codes, policies, procedure, and implicit norms within the business environment. Previous studies (Hwang et al., 2008; Chow et al., 2009) have shown that the implementation of strong ethical codes in an organizational context leads to pro-ethical intentions. Similarly, Hwang et al., (2008 and White and Lean (2008) highlight that support structures also led to stronger ethical intentions, specifically significant others, also encourage pro-ethical intentions (Lehnert et al, 2015). Although several studies highlight the relevance of organizational factors, Lehnert et al., (2015) report somewhat mixed results in their review of EDM research which suggest further research in the area is required. Interestingly, Liyanarachchi and Newdick (2009) examined experimentally the effect of retaliation strength and accounting students' level of moral reasoning, on their propensity to blow the whistle (PBW) when faced with a serious wrongdoing. Their findings conclude that whistleblowing intention is negatively related to the strength of retaliation. Similarly, reciprocity plays an important role in our work relationships

(Sheetz, 2018), in governing interactions (Dabos & Rousseau, 2004) and it is the steppingstone to all social orders (Gobel et al., 2013). Previous studies (Deckop et al., 2003; Koster & Sanders, 2006) share that reciprocity promotes cooperation among colleagues in organizations and Cropanzano and Mitchell (2005) suggest that reciprocity is the best-known exchange rule (Cropanzano & Mitchell, 2005). Deckop et al., (2003) notes that the norm of reciprocity governs responses to favourable treatment in social exchange relationships. For example, employees who perform certain activities for the betterment of others do not expect repayment but instead trust that the favour will be returned at some future point (Deckop et al., 2003). When discussing the norm of reciprocity, Gouldner (1960) states that there are two expectations of reciprocity: “[...] (1) people should help those who have helped them, and (2) people should not injure those who have hurt them” (Gouldner, 1960, p. 171). In their study, Sheetz (2018) hypothesized that the norm of reciprocity will bias the fraud discoverer against reporting the fraud when they feel indebted to the fraud perpetrator, but their findings show the opposite of what was hypothesized. Sheetz (2018) findings show that participants were more likely to whistle blow when the fraud discoverer was indebted to the fraud perpetrator.

Interpersonal affect is the feeling of like or dislike toward another person and it affects the quality of work relationships involved in a social exchange (Robertson et al., 2011) The effects of interpersonal affect may alter the value placed on reciprocal actions occurring within the social exchange relationship (Sheetz, 2018). An individual can judge others to be likeable, warm, or competent just by merely observing their behaviour (Ambady, et al., 2000). Casciaro and Lobo (2008) note that interpersonal affect may develop quickly without extensive interaction, however it should not be confused with friendship because unlike friendship, interpersonal affect is not based on a history of interaction and certain behaviours (Casciaro & Lobo, 2008). Positive interpersonal affect is achieved when positive interactions trigger positive emotions whereas negative interpersonal affect leads to negative interactions and thus

negative emotions (Robertson et al., 2011). Similarly, both positive and negative attributes are linked with positive and negative likeability (Kaplan & Schultz, 2007). Following their analysis of the impact of interpersonal affect on reporting intentions, Sheetz (2018) find that reporting intentions are highest when negative interpersonal affect exists between the fraud discoverer and perpetrator which is in line with their proposed hypothesis which assumes that individuals are less likely to whistle blow when they share a positive interpersonal affect. In their study, Scheetz (2018) examine the independent effects of interpersonal affect and reciprocity on reporting intentions and finding were discussed above. In addition, they also examine how the interplay of the two independent variables influence reporting intention and results indicate that intention to report fraudulent activity is overall higher when negative interpersonal affect and negative reciprocity are present and lowest when positive interpersonal affect is present. One major limitation of the study published by Sheetz (2018) is the experiment participants were graduate business students. This study adds to the gaps in the literature by investigating the effects of reciprocity and interpersonal affect amongst employees alongside organization retaliation in a charitable organization. Therefore, the second study research question is:

RQ 2: What influences do social exchange relationships have on peer-to-peer reporting?

In order to answer this question, the following hypothesis are proposed:

- H6: Reporting intentions will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists

Researchers have also focused on the factors which affect the reporting channel used when an employee decides to blow the whistle. Potential whistle-blowers can report their concerns through internal channels such as directly to their supervisor, or externally such as through an anonymous hotline or through direct reporting to the regulator. Both of these channels have important yet different implications for organizations and their stakeholders (Lee & Xiao,

2018). More often than not, internal whistleblowing channels are encouraged within organizations as they give management an opportunity to address and correct the concerns in a timely manner – minimizing the costs in the process (Berry, 2004; Lee & Xiao, 2018). The costs associated with external whistleblowing include but are not limited to negative publicity, disruptive regulatory investigations, potential legal ramifications etc (Lee & Xiao, 2018). Lee and Xiao (2018) add that external whistleblowing may be the preferred mode of reporting for stakeholders as they might otherwise not be made aware of the misconduct and more importantly if management did not implement efficient corrective measures. Given the importance of understanding which factors influence reporting channel, previous studies (Guthrie & Taylor, 2017; Kaplan et al., 2012; Liyanapathirana, 2018) have sought out to find out which factors affect reporting channels for accounting-related misconduct. While assessing the responses of auditors, Kaplan and Schulz (2007) find that internal reporting channels are more favourable than external non-anonymous channels when reporting accounting-related misconduct.

Using a sample of MBA students, Kaplan et al., (2009) share female employees were more likely to use anonymous reporting channels than males although they did not provide a reason for this. Lee and Fargher (2017) find a lower inclination to report through external channels in the presence of a strong internal whistleblowing system. Pope and Lee (2013) find no differences in the use of internal or external whistleblowing systems between genders. Two studies (Day, 2017; Libit, 2014) looked at the effects of perceived costs of whistleblowing on reporting intentions and both find that reporting through anonymous channels offers the whistle-blower more protections as it lowers the perceived cost of raising their concerns (i.e. threat of retaliation). Despite this, in his study Kensicki (2006) highlights concerns about the hinderance of anonymous reports when it comes to investigation claims and taking cases to court. Similarly, the opinions of auditors in the Guthrie et al., (2012) study highlighted that

anonymous whistleblowing to do more harm than non-anonymous reporting. Taken together, these studies suggest anonymous reporting channels are the most favourable option for potential whistle-blowers when the perceived cost of reporting is high. In their study, Sheetz (2018) concludes that there is a link between social exchange relationship and reporting channel as they note a significant interaction between both interpersonal affect and reciprocity for intention to report externally. Therefore, the third study research question is:

RQ 3: Which reporting channel are employees most likely to use when reporting financial fraud?

In order to answer this question, the following hypothesis are proposed:

- H7: Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions of fraudulent financial misconduct will be lower

Bandura introduced the moral disengagement theory in 1990 as part of his social learning theory which was published in 1977. He specified a set of eight mechanisms which have been used throughout history to explain the reasoning behind wrongdoing on behalf of an individual or an organization. According to Schaefer and Bouwmeester (2021), Bandura suggested that people generally act based on their individual internalized moral standards (Bandura, 1990, 2002). The internalized moral standards can be morally disengaged through *moral justification*, *euphemistic labelling*, and *advantageous comparison* which renders ethical misconduct as permissible (Bandura, 2016; Schaefer & Bouwmeester, 2021). Similarly, *displacement of responsibility* and *diffusion of blame* allow individuals to separate themselves from the misconduct, and by *minimizing the consequences* individuals can mis construct the severity of the issues (Bandura, 2016; Schaefer & Bouwmeester, 2021). Finally, individuals may attempt

to shift the blame for their actions to the victim by *dehumanization* and *blaming the victim* (Bandura, 2016).

To date, several authors (Ashforth & Anand, 2003; Bandura, 2016; Moore, 2008; Newman et al., 2020) have used moral disengagement theory to understand the dynamics of post-ad hoc rationalizations following corporate financial scandals. This can be viewed as a result of how Bernie Madoff explained his unethical conduct by redirecting the blame of his actions to his clients, emphasizing that they made the decision to invest with him (which is a cognitive mechanism of blame attribution), despite knowing the risks of stock market investing (Newman et al., 2020). Bernie Madoff also blames the United States government by stating that it was carrying out the biggest Ponzi scheme in history (which is a cognitive mechanism of diffusion of responsibility and advantageous comparison) (Kish-Gephart et al., 2014; Newman et al., 2020). As a result of these links, several authors used moral disengagement techniques to rationalize and explain their wrongdoing (e.g. Barsky, 2011; Dang et al., 2017; Hinrichs et al., 2012; Kish-Gephart et al., 2014). Therefore, this study adopts Bandura's (2016) moral disengagement mechanisms to examine the rationalization for wrongdoing associated with employees who have low reporting intentions of fraudulent financial misconduct. The fourth study research question is:

RQ 4: How do employees with low reporting intentions of fraudulent financial misconduct explain their decision?

We examine the rationalizations for wrongdoing through prompting participants to explain their low reporting intentions by providing a selection of pre-coded potential reasons. The pre-coded responses are tailored to Bandura's (2016) mechanisms, for example one question asked was: "If your previous response scored a low likelihood of reporting, please explain your choice", and participants could select from drop-down of reasons such as "*it is not my*

responsibility to report questionable behaviour” - diffusion of responsibility mechanism and *“I do not have the authority to make such a report”* - displacement of responsibility mechanism. Previous studies (e.g. Barsky, 2011; Dang et al., 2017; Hinrichs et al., 2012; Kish-Gephart et al., 2014) have factored Bandura’s (2002) moral disengagement mechanisms to classify the various justifications for wrongdoing.

1.4 Research Contributions

The dissertation makes important contributions to ethical literature, particularly for UK non-profit organisations in the analytical, theoretical, and realistic areas. Firstly, the study methodologically adds to scholarly awareness by developing two types of vignettes (written and audio recorded) primarily tailored for the UK non-profit field. In specific, the production of vignettes for surveys contributes methodologically to current expertise. Secondly, the research is important in the context of addressing the problems which the non-profit sector is actually dealing with in relation to organisational fraud. Private businesses will devote the relevant resources to guarantee that fraud is negligible, while NGOs are unable to do it because of inadequate resources. These studies aim at providing realistic strategies based on the rationalising side of the fraud triangle and hence the method of ethical decision-making where a tarnished identity will send a non-profit organisation. Thirdly, the research helps the theory that it creates an ethical decision-making system, providing non-profit workers with a greater view of ethics. In order to enhance workers' ethical conduct, it is important to understand and integrate the conditions surrounding ethical decision-making into ethics education and ethical principles. In addition, the social environment plays a major part in decision-making, as Bohns et al., (2013) contend.

The thesis is also new in that it is the first to investigate the ethical decision-making of non-profit workers in the UK, in an environment in which overconfidence continues to be

a special contextual characteristic, and where deception is prevalent, on the other side. Fourth, the study has tangible effects on non-profit workers, charities such as the UK Charity Commission, teachers and third sector working organizations in the UK. The insights of the study will also help improve the culture of transparency within UK organizations. This research contributes more to its recommendations. The survey is the most used methodology in current study, especially for corporate research (Saunders et al., 2000). It is generally recognized as the very popular deductive method, because it aims to gather a huge volume of data educationally. In this technique, questionnaire surveys are often used to gather quantitative evidence that can then be investigated and evaluated using descriptive analyses. In addition, it is important to assess and investigate the interdependencies using the effects of quantitative data processing. This approach makes the selection method more flexible and provides knowledge reflecting the goal respondents (Saunders et al., 2000). In terms of analytical, theoretical, and functional perspectives, the study provides valuable contributions to ethical literature, to non-profit organizations in the UK.

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1.5 Research Method

Guided by the research objectives, this study adopts a mixed approach to direct research. First, interviews were carried out between managers and employees at different organization levels to explore the ethical codes and context of the organization and to further develop the questionnaire. Following the development of the questionnaire, a pilot study was carried out to pre-test the questionnaire. After analysing the responses, the researchers restructured elements of the survey to facilitate efficiency data collection. Participants were tasked with reading a written vignette (case study) authored by the researcher before filling out the questionnaire. Prior the survey distribution, the research applied for ethical approval from Salford Business School and the questionnaires were pretested and refined until they met the requirements of the ethical approval team.

The participants of this study comprised of employees at different levels and departments employed by Charity XYZ which is a UK based charity which works with disadvantaged communities nationwide. Between 2005 and 2015, there were eight scandals which came to light and were published in local newspapers and online. Each of the scandals contributed to the tarnishing of the charity's reputation which has resulted in decreased donation levels over the past 10 years. During the interviews, we found that most of the accounting-related misconduct could have been uncovered sooner if employees had raised their concerns during the formal channels made available for reporting misconduct. Based on this mere fact, the researcher opted to conduct a case study on this charity to examine peer reporting intentions of fraudulent financial misconduct.

1.6 Ethical Considerations in Data Collection

Laws for informed consent had to be followed by the study. Respondents were made aware of the dangers and advantages of engaging in the study willingly via the consent procedure. All knowledge affecting the respondents' ability to engage in the research was presented in a manner that they could comprehend. It was essential to communicate in a direct, straightforward, and non-manipulative manner. Furthermore, prior to completing the questionnaires, the researcher explained each question to avoid any unclear interpretations. Following up with the participants was done, and questionnaires were obtained after the survey was completed. A pilot analysis was conducted to review and validate the questionnaire questions before they were distributed. In order to assess the respondents' interpretations of the queries, a pilot study and follow-ups were needed. Questionnaires are the most efficient way to gather data in a limited amount of time. Simulations and applications, such as SPSS, may be used to analyse data. Case-A and Case-B, respectively, were the two phases of the analysis.

1.7 Salient Findings

Table 2 Research questions, hypotheses, and results

Research question	Hypothesis	Results
RQ 1: How do individual factors influence reporting intentions of fraudulent financial misconduct?	<p>H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees</p> <p>H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.</p> <p>H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.</p> <p>H4: Higher ranking employees are more likely to have reporting intentions than lower ranking employees</p> <p>H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.</p>	<p>H1, H2, H3, H5: there is no difference between gender, age, work experience, tenure, and education level employees in terms of their reporting intentions of fraudulent financial misconduct.</p> <p>H4: higher ranking employees are statistically more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees</p>

RQ 2: What influences do social exchange relationships have on peer-to-peer reporting?	H6: Reporting intentions of fraudulent financial misconduct will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists	<p>H6: there is no significant difference between reporting intentions of fraudulent financial misconduct in social exchange relationships and intention to report</p> <p>The most common reason for a low likelihood to report fraudulent financial misconduct is diffusion of responsibility and displacement of responsibility</p>
RQ 3: Which reporting channel are employees most likely to use when reporting financial fraud?	H7: Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions of fraudulent financial misconduct will be lower	<p>H7: there is no statistical difference between social exchange relationships and preferred reporting channel</p> <p>The most common reason for a high likelihood to report through an anonymous hotline is the preference to remain anonymous followed by fear of retaliation</p>
RQ 4: How will employees with low reporting intentions explain their decision?	--	<p>Employees with low reporting intentions of fraudulent financial misconduct were less likely to report because: (1) they did not feel it was their responsibility to report fraudulent misconduct, (2) they did not feel like they had the authority to report, (3) they felt indebted to the fraudster as they did them a favour initially.</p>

		Employees who were most likely to report externally (through an anonymous hotline) were likely use this method because (1) they want to protect their identity, (2) they fear organizational retaliation, and (3) they felt indebted to the perpetrator as they initially did them a favour
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1.8 Summary

This chapter introduced the study and outlined the research background by discussing the history of insider fraud in charitable organizations in the United Kingdom and around the world. Chapter Two provides an overview of the UK non-profit sector and discusses the legal, economic and business environments over a period of time. Chapter Three discusses the literature within the ethics discipline and whistleblowing studies on accounting-related fraud. Furthermore, this chapter discusses peer reporting studies and its associated theories. Chapter Four presents the theoretical framework of the study and discusses the key theories employed in the study and concludes with the construction of a preliminary integrated framework of ethical-decision making for employees. Chapter Five presents the research methodology and provides justification for the research methods used in this study. The results of the study are presented in Chapter Six and concludes with a summary of the findings linking the research questions and hypotheses to the results. Chapter Seven provides the study conclusions and provides recommendations for further study.

CHAPTER TWO: OVERVIEW OF UK NONPROFIT SECTOR

2.0 Introduction

This chapter presents the background research setting for this study. The importance of having such a contextual understanding is supported by Bohns et al. (2013) who claim that ethical decision-making is context driven. Hence, in this study the contextual setting supplements the interpretation and explanations of its findings and so helps to provide a holistic understanding of business ethics in the United Kingdom (UK). This chapter commences with a brief overview of the (UK). Furthermore, we delve into the non-profit sector's historical, economic, socioeconomic, and political/legal environment. This summary is followed by an overview of key fraud and ethics scandals in the third sector. The remainder of the chapter discusses the role of occupational fraud and concludes with a chapter summary.

2.1 Defining the Non-Profit Sector

Lawson (2017, p.1) define non-profit organizations as “types of organizations which do not earn profits for its owners”. Furthermore, money generated by a non-profit organization (as income or donations) is used to pursue the organization's objectives and keeping it running efficiently. The term non-profit organization is commonly interchanged with the term ‘charity’ which the Charity Commission for England & Wales (2018) defines as “an organization that is established for charitable purposes and falls under the jurisdiction of High Court charity law and provides general or sufficient public benefit” (Lawson, 2017, p.1). Piper et al. (2020) note that some non-profit organizations are not eligible for beneficial tax treatment and thus cannot be referred to as charities. They add; *“this definition on non-profit organizations also covers community benefit societies, non-charitable housing societies, non-governmental campaigning for changes in specific aspects of UK law, and non-charitable social enterprises which have social and commercial objectives”* (Lawson, 2017, p.1). This study adopts the definition of

non-profit organization as defined by Lawson (2017) to investigative peer reporting behaviours in a case organization which is described as a Community Benefit Society.

2.2 The Social Housing Problem

Both the housing problem and the responses to it were rather different in character from the essentially private risk of ill health (Populus UK, 2016). The housing problem concerned the private rental sector which was both inefficient and inequitable in terms of the quantity and quality of housing that it provided for the working classes. The lifestyles and living conditions of those living in slums were considered by contemporaries to generate several socially unacceptable externalities which were at odds with the public interest as they conceived it (Charity Commission for England & Wales, 2018c). Thus, the housing problem was a public problem which was perceived to threaten the physical, moral, social, and even economic health of society. Addressing this problem of externalities required a system of housing provision which generated collective-type benefits to be enjoyed by the wider society, not just those who financed and consumed more salubrious working-class accommodation.

2.2.1 Legal Framework and Tax Treatment

The legal situation in the UK is complicated by the existence of three different legal frameworks. England and Wales are covered by English law. It is based on common law, the ancient law of the land deduced from custom and interpreted by judges, which has been exported to the USA, Ireland, Canada, Australia, and some other countries. Scotland falls under the auspices of separately developed Scots law, which is based on Roman law, a close relative of civil law, in common with legal systems in mainland Europe. Northern Ireland is something of a "half-way house" between the two (Kastner, 2020). In all the constituent countries of the UK, government legislation and European Community law are the other main sources of law. The treatment of the voluntary sector in the English and Scottish systems has been closely

scrutinized of late, culminating in fresh legislation, although this has not altered the definitional approach adopted by the law (Kastner, 2020).

There is no legal structure or form uniquely associated with either charities or non-charity voluntary organizations, and the same types of legal form are often adopted by both varieties. In practice, in England and Wales it falls to the Charity Commission to decide whether an organization is charitable in law. The Commission has had several supervisory, administrative, and pro-judicial roles since its inception in its present form in 1853, although many of its powers were put in place or enhanced by the Charities Act 1960. Its duties now include the maintenance of a register, an administrative function performed on behalf of Parliament, and attempting to identify, control and remedy abuse in individual charities, in which it acts on behalf of the courts (Charity Commission for England & Wales, 2016). The Charity Commissioners thus act in a dual role, on behalf of the High Court on legal matters, and on behalf of Parliament (as any other government department) on administrative matters, always safeguarding charitable assets and the confidence of the public in charities and their trustees.

As far as tax treatment is concerned, non-charity voluntary agencies may qualify for certain fiscal privileges, although not as automatic and comprehensive as those available to charities. For example, a body which is voluntary in the sense that "it is not a public body, but whose activities are carried on otherwise than for profit" (Local Government Act, 1972, section 137 2D) may get discretionary relief of up to 50 per cent on local taxation, the uniform business rate; non-profit-distributing scientific research associations are exempted from income and capital gains taxes; and hospitals, private schools and housing associations which, for some reason, have not gained charitable status are still exempted from income tax as long as the relevant income is applied for charitable purposes only (Income and Corporation Taxes Act, 1988).

2.2.2 Economic and Business Environment

2.2.2.1 Number of charities and sector size

The UK charity sector continues to grow at a rapid rate with figures revealing that approximately 168,186 charities (compared to 160,000 in 2015) in the UK generate an annual income of £77 billion (Populus UK, 2016). Table 3 below provides a breakdown of the income bracket allocation. The majority (86.7%, or 145,714) have an annual income below £500,000, with 38.8% below £10,000. A very small minority (1.3%, or 2263) earn above £5million.

Table 3 Charity sector by size

Annual income bracket	Number of charities	Percentage %	Annual income £bn	Percentage %
£0 to £10,000	65,176	38.80	0.216	0.3
£10,000 to £100,000	58,064	34.50	2.071	2.7
£100,001 to £500,000	22,484	13.40	4.941	6.4
£500,001 to £5,000,000	9,355	5.60	14.000	18.1
£5,000,000 plus	2,263	1.30	56.176	72.5
Sub-total	157,332	93.6	77,404	100.0
Not yet known	10,854	6.40	0.000	0.0
TOTAL	168,186	100.00	77,404	100.0

Source: NFP Synergy (2018)

Not For Profit Synergy (2018) report stated the UK charity sector employs approximately 880,000 employees and total income of all charities combined is higher than the UK Higher Education sector, and about £10 billion less than Tesco Ltd. Furthermore, the report calculated the voluntary sector's total contribution to the wider UK economy using Gross Value Added (GVA), which calculates the value of production / output. Experts estimated that the sector contributes approximately £15.3 bn to UK GVA, representing 0.8% of total GVA (NFP

Synergy, 2018). For this context, this figure is similar to the GDP of Estonia (15.5bn). It is also larger than the contribution of the agricultural industry (£8.5 bn Or 0.5% of UK GVA), or that of the arts sector, despite its recent growth; £8.5bn, up 12% from 2014 (Development Economics, 2017)

2.2.2.2 Areas of activity

The National Council for Voluntary Organizations (NCVO) allocates voluntary organizations to discrete categories according to their principal area of economic activity using definitions created by the International Classification of Non-profit Organizations (Keen & Audickas, 2017). In 2014/15 the primary economic activity of 18.3% (30,265) of voluntary organizations was the provision of social services; 14.2% (23,586) were engaged in culture and recreation; 8.7% (14,375) were categorized as religious. The category which made the lowest proportion of total UK charitable organizations by activity was employment and training - 1.2%, 1985 organizations (Keen & Audickas, 2017).

2.2.2.3 Amount of donations

Individuals are an important source of income for the charity sector as they account for almost half of the sectors total income. The total amount of charitable donations increased to £10.3bn in 2017 (up from £9.7bn in 2016); the majority of this came from individual donations, which amounted to £7.8bn (National Council for Voluntary Organizations, 2019). This reflects fewer people giving more, rather than more people giving: the average monthly amount given was \$44 (up from \$30 in 2016); yet the number of people who gave money in the form of sponsorship dropped from 37% to 35% (Charity Aid Foundation, 2019).

2.2.2.4 Number of jobs

The voluntary sector remains a major employer in the UK. It is estimated that around 880,000 people work in the voluntary sector, equivalent to 2.8% of the UK workforce (Not For Profit

Synergy, 2018). This is roughly twice the number of people employed by Tesco (around 460,000), and around three fifths the size of the NHS, the UK's single biggest employer (around 1.5M). The voluntary sector workforce is growing quickly, increasing by around 35,000 (4%) from 2016 to 2017 (Charity Aid Foundation, 2019). In comparison, the public sector workforce grew by just 0.3% in the same time period (Community Foundation UK, 2020). Despite much media scrutiny of senior executive pay in the voluntary sector, top wages have continued to grow. The median pay level for the highest earners in the top 100 charities rose to £185K a year in 2017, an increase of £20K from 2015 (Clegg, 2017). Nonetheless, the NFP Synergy (2018) reports that this remains significantly lower than the average salary of university vice chancellors (£278K). Notably, the highest earners in the voluntary sector came from philanthropic foundations, charitable private hospitals, and arts bodies, rather than household-name charities (Not for Profit Synergy, 2018).

2.2.2.5 Public trust and charities

Trust is a key factor in the relationship between the public and voluntary organizations. A recent report by Populus (2020) stated that the UK public want charities to demonstrate good stewardship of funds, to live their values, and to demonstrate impact. Furthermore, when charities can show quantifiable results both trust and self-reported propensity to donate increases (Populus, 2020). Thus, this suggests that increased trust is positively linked to donation behavior. Figure 1 shows the overall trust and confidence in charities between 2005 and 2020. We note a decrease in confidence from 2014 to 2018, and Populus (2018) links this to the Kids Company scandal (2015), Wounded Warrior Project scandal (2016) and the Oxfam scandal (2018). However, the graph shows an increased post-2018 as the trust index shot up from 5.5 in 2018 to 6.2 in 2020. This increase may be a result of the reduction in scandal within the sector post-2018 and the further increased post-2019 may have been brought on by the

COVID-19 pandemic which resulted in an increase in marketing efforts to secure donations during the early days of the crisis which ravaged the sector.

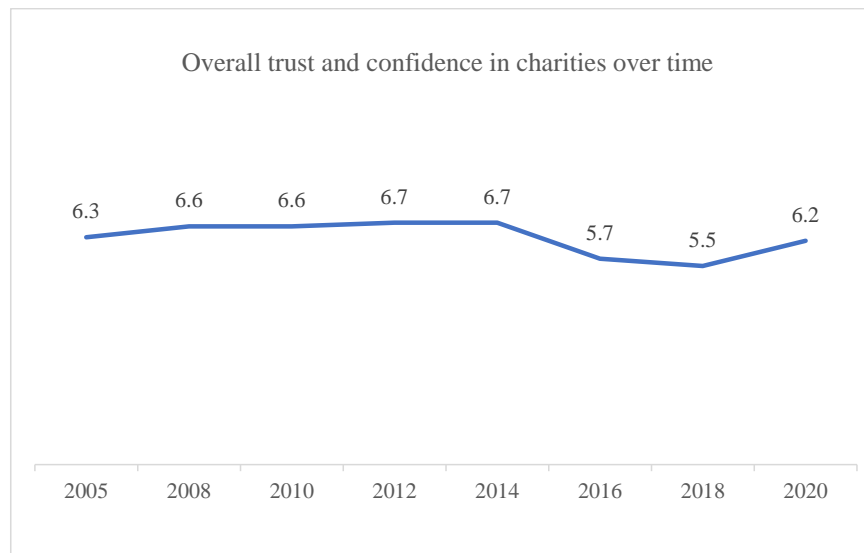


Figure 1 Overall trust and confidence in charities over time (2005 to 2020) sourced from (Populus UK, 2016)

2.2.3 Ethical Scandals in the UK Third Sector

The consequences of fraud and abuse practices can erode public confidence regarding credibility of the organization and this in turn can affect the long-term survivability of the organization (Arshad et al., 2015). While non-profit organizations have been formed for charitable and social purposes, it has not been spared from becoming a conduit for fraudulent acts such as embezzlement and the misuse of charitable funds for personal benefit (Zack, 2003). Greenlee et al., (2007) argue that fraud may be easier to perpetrate in the third sector because non-profit organizations operate in an atmosphere of trust, unclear revenue streams, weak internal controls and, in some cases, a lack of business and financial expertise relative to for-profit organizations. In the previous section, the state of overall trust and confidence for

charities was highlighted to remain at similar levels to 2016 when the research was last carried out. In early 2016, a well-known charity Age UK was under fire for recommending a special rate from E. ON energy company to their customers and this resulted in an annual overpayment of £37 million.

This scandal caused a major outcry which resulted in an investigation of the allegation and, as a result, uncovered the payments tucked away in Age UK's annual accounts. Another big scandal which came to light involved Kids Company UK, which was closed in 2015 as charity officials blamed this on an overflow of children in need. However, further reports cited alleged mismanagement as the main reason behind their downfall. The (Charity Aid Foundation, 2019) reported that over the past three years, there has been a downward trend in the charity sector because of various scandals. However, the National Council for Voluntary Organizations (NCVO), which is the leading umbrella body for charities, believes the Charity Aid Foundation (2019) figures say less about trust and more about deliberate changes in fundraising in 2018 in response to the earlier controversies and GDPR data protection rules that took place last year. Despite this comment, the rise in scandals have had a detrimental effect of the UK public trust and confidence in the third sector.

2.2.4 Internal Fraud in the Third Sector

Insider fraud is committed by someone involved with the charity, whether a trustee, an employee or volunteer (Charity Commission, 2018). The Annual Fraud Indicator (2017) report estimated internal fraud in registered charities at £2.3 billion – an increase from £1.9 billion in the previous year. Much of this increase was due to an increased expenditure on procurement, leading to an increase in estimated fraud of almost £400 million. Furthermore, payroll fraud rose by £4 million and grant fraud fell by £35 million compared to the previous year (Clegg, 2017). The Charity Commission report (2018) reported on some case of internal fraud which

were carried out in various charities around the UK. Such scandals include the embezzlement of charitable funds by a charitable coordinator which result in a loss of over £50, 000. Another case was of a Finance Director who defrauded a charity of over £900,00 over period of 7 years. In another case, the chair of a Parents Teacher Association defrauded a charity of over £350,000 – which was uncovered following the appointment of new trustees who questioned the statements (Charity Commission for England & Wales, 2016). The detrimental effects of fraud on charities have been highlighted in a various of reports, however there are some key contributing factors which lead to internal fraud. The Focus on Insider Fraud report (2018) listed excessive trust and responsibility placed on one individual: lack of oversight and absence of internal controls as the leading factors. It is for this reason that is it important to understand fraud from a variety of angles. Research suggests there is an important link between fraud and ethics, therefore this study looks to examine an individual's ethical decision-making process to understanding which factors need to be considered when addressing fraudulent behavior in companies. Recent studies have shown that a few individual and organizational factors (i.e., context and culture) play an important role the propensity to engage in unethical behaviors at work such as fraud.

2.2.5 Summary

This chapter first defines the non-profit sector and highlighted the existing social housing problem in the UK which demonstrate the dire state of affairs within the sector, and the need for greater accountability and financial management within non-profit organizations. We find that some non-profit organizations are not eligible for tax treatments and therefore, cannot be referred to as charities. However, initiatives which benefit the community (known as community benefit societies) may be considered charities as they generate collective-type benefits which can be enjoyed by the wider society. Furthermore, in terms of legal structures, we highlight there are no unique legal structures for charities and non-profit organizations. In

practice, these organizations adhere to the laws and regulations provided by the Charity Commission of England and Wales. However, this does not cover Scottish charities as their independent regulator is the Office for Scottish Charity Regulator. In terms of revenue, 145,714 charities in the UK have an annual income below £500,000 and 65,176 charities earn below £10,000 whereas only 2263 charities earn above £5,000,000.

Interestingly, the total income of the UK third sector is higher than the UK higher education sector but still about £10 billion less than popular shopping destination Tesco Ltd. This is mainly because individual donations are the most important source of income for charities and their reliance on donations provides a consistently variable bottom line. With a total 2.8% of the UK workforce attributed to the voluntary sector, we surprisingly find that the highest earner within this sector came from philanthropic foundations, charitable private hospitals, and art bodies rather than household-name charities. Despite scoring significantly low on the trust index in the years preceding 2015 as a result of the increase in scandals in the sector, the index shot up from 5.5 in 2018 to 6.2 in 2020. We suggest this may be a result of the reduction in scandals post 2018 and the marketing efforts pushed during the COVID-19 pandemic which resulted in more secure donations from the public in the early days of the crisis. Furthermore, we highlight internal fraud statistics within the sector and find that registered charities have reported a sum of £2.3 billion lost to internal fraud with the highest figures attributed to procurement and payroll fraud. Lastly, we highlight a link between fraud and ethics and therefore, the next chapter provides an in-depth analysis of ethics and whistleblowing literature.

CHAPTER THREE: ETHICS AND WHISTLEBLOWING IN NON-PROFIT

ORGANIZATIONS

3.0 Introduction

This chapter first provides the key definitions used in the study. Next, we discuss the definition of the ethical decision-making process and further studies within the ethical decision-making discipline. Furthermore, we highlight the role of ethical theories in empirical studies and conclude that ethical theories provide the grounds for analysing the ethical decision-making of individuals when they are faced with ethical dilemmas. Next, we highlight most commonly used moral development models in previous research. Following the discussion of ethics, the next section discusses the history of whistleblowing within the organizational context and covers whistleblowing legislation in the UK and G20 countries. In this section, the rights and protections for whistle-blowers are discussed and the next section provides a breakdown of whistleblowing studies on accounting-related frauds and focus on the whistleblowing triangle as proposed by Donald Cressey. We analyse the association between pressure, opportunity, and rationalization to understand how they interact with each other to influence fraud. Next, we delve into peer reporting and though there is a gap in the literature, in recent years there has been an increase in this area of whistleblowing literature as it is important to understand what factors play a part in influencing an employee to disclose information about inappropriate or unethical activity committed by their peers. We conclude this section by highlighting that further research is required into peer reporting literature within organizational contexts and the effects of social relationships on such decisions. In Chapter 4, we explore theoretical framework of this study.

3.1 Key Definitions

Researchers and philosophers have often interchangeably used the terms ‘ethics and morality’ in their literature, whereas others have made the point to differentiate these two terms. The

original meaning for ethics has derived from the Greek word ‘ethos’ which refers to one’s character. Whereas ‘morality’ is derived from ‘moralis’, which is of Latin origin and refers to customs (Perle, 2004). Table 4 provides a summary of the main differences between ethics and morality.

Table 4 Summary of the difference in definition between ethics and morality

Author	Definition of Ethics	Definition of Morality
Perle (2004)	The formal study of standards or conduct.	A person’s own standards about conduct.
Harper (2009)	Ethics is a matter of convictions	Morality is a matter of principles or rules.
Deigh (2010)	Ethics is a study of what are good and bad ends to pursue in life and what is right and wrong to do in the conduct of life.	Standards of right and wise conduct whose authority in practical thought is determined by reason rather than custom.
Ferrell et al., (2019)	Ethics is defined as “doing good” and interrelated with Corporate Social Responsibility	

From Table 4, we can conclude that the main difference between ethics and morality lies in the fact that ethics are rules of conduct which have been prescribed to a person from an external source. Contrastingly, morality is derived from a person’s individual experiences shaped by the societal forces and their upbringing. In this case, people are deemed to be moral when their personal beliefs influence what they perceive as good or bad and right of wrong. When a person adheres to what society has deemed ‘good or bad’, they can be seen as having acted in an ethical manner. Therefore, although they have varying definitions, one commonality between the traits of ethics and morality is that they explain conduct which is right and wrong. This commonality makes it difficult to highlight the practical differences between ethics and

morality (Tenbrunsel & Smith-Crowe, 2008; Harper, 2009). In their study, Harper (2009) notes that there is a problematic impact of these distinctions on a theoretical and practical level as there has been confusion about which term to use (Leung & Cooper, 2005). However, Horomnea and Pascu (2012) claimed that ethics and morality are interrelated and complementary thus making them indispensable to the modern world.

3.2 Ethical Decision Making

Ethical decision-making is described by Cohen et al. (2001, p. 321) as “decision-making in situations where ethical conflicts are present”. We are in unprecedented times where organizations are pushing for improvement in most areas of the business to increase profitability, thus creating the pressure which may result in various ethical dilemmas. Dellaportas et al., (2005) suggest some reasons as to the cause of ethical dilemmas and these include when the needs of one group are prioritized over those of another, when the standards are compromised as a result of poor-quality goods and services, and lastly, as a result of external factors such as societal pressure and organization culture. The earliest study to examine ethical decision-making within organization settings was carried out by James Rest. Rest (1986) argued that individual within an organization go through a cognitive process when faced with ethical dilemmas. Drawing from Rest’s study, Schwartz (2016) notes there are several factors which interact with each other to influence the ethical decision-making process. Furthermore, Bose (2012) takes a particular view of ethics and suggests pro-ethical behaviour stems from the famous phrase, “do to others what you would have them do for you” p.14). The current study adopts Schwartz (2016) definition. The next section discusses the ideologies of ethical philosophies which create the foundation for the underpinnings of what is considering ethically right and wrong. In an effort to understand the reasons why people make certain decisions, it is imperative to gain an understanding of the moral principles on which decisions are made. The next section explores prominent ethical philosophies/theories in ethics literature.

3.3 Introduction to Ethical Theories

Prior research links the ethical decision-making process to various theories from the field of philosophy but since there is no universally accepted principle of ethical behaviour, there has been an increase in relevant ethical theories which examine different methods. According to Graham (2004), different authors have various methods which they use to explain ethical philosophies. For example, Beauchamp and Bowie (1983) refer to normative ethical studies as the baseline for ethics and philosophy studies, and further divides them into teleological and deontological types. Graham (2004) combines teleological and deontological theories, thereby offering deeper insight into the theories. Using the question “What is the best life an individual can live?” (Graham, 2004, p. 176), we are provided with eight ethical philosophies which can provide an answer to this question. Drawing from Table 5 below, the most relevant theories to this study are utilitarianism, deontology, and the rights theory.

Table 5 Eight Ethical Theories

Ethical theory	Central issue on the best life
Egoism	Best life is one in which one gets what they want.
Hedonism	Best life is the life of pleasure.
Naturalism	The outcome of a good and rewarding human life is happiness.
Existentialism	Human beings have freedom from the natural determinants and have the ability to rise above natural constraints and are responsible for their own fate and conduct.
Kantianism	One must always act in accordance with what rational thinking shows to be your duty.
Utilitarianism	Action which provides the greatest happiness is the best one.
Contractualism	The basis of morality is social agreement.

Religion	The ultimate source of moral authority comes from God.
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Source: Roberts (2015)

3.3.1 *Utilitarianism*

Utilitarianism is a teleological normative ethical theory which judges an action based on whether its end result maximizes good (Dellaportas et al., 2005). Several moral philosophers have contributed to the development of the contemporary ethical theory of utilitarianism. Although, it takes different forms, the utilitarian moral principle rests on the “greatest happiness principle” (Liyanapathirana, 2018). To this end, acts are right if they produce the greatest net benefit to society, where the social benefit equals social benefits minus social costs (Liyanapathirana, 2018). Duska et al. (2011) explained that “actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness” (p. 57). Happiness does not refer to one’s own greatest happiness, but to the greatest sum of happiness for all concerned.

3.3.2 *Deontology*

Deontology derives from the Greek word for “duty” and it is a theory developed on a duty basis (Liyanapathirana, 2018). The main proponent of deontological ethics is Immanuel Kant. Basically, the deontological approach to ethics focuses on the intention behind the action itself (Duska et al., 2011) and, unlike utilitarianism, this approach ignores the consequences of the action. Accordingly, deontology can also be categorized as a nonconsequential theory (Kamm, 2013). Liyanapathirana (2018) highlight the pure form of deontology as “performing one’s duty for the sake of duty and not for any other reason” (p. 34). Morally right actions are those carried out with a sense of duty (Duska et al., 2011).

3.3.3 Rights theory

Rights theory is one of two nonconsequential normative ethical theories. Dellaportas et al. (2005) define rights theory as “good not by its consequences, but by its intrinsic value, regardless of whether its obedience produces undesirable outcomes” (p. 29). Dellaportas et al. (2005) further explain that the “rights principle stems from the belief that people have an inherent worth as human beings that must be respected” and that “a good decision is one that respects the rights of others” (p. 32). Rights theory explains that certain rights set by society are protected and ethically correct since they are ratified by society (Primeaux, 2009). The importance of rights theory is highlighted by Pojman (1989) who claimed that “if you have a right, then others require special justification for overriding or limiting your right; and conversely, if you have a right, you have a justification for limiting the freedom of others in regard to exercising that right” (p. 702). Therefore, an ethical decision is judged in rights theory to be a ‘right’ decision if it does not infringe on the rights of another.

3.4 The Role of Ethical Theories in Empirical Studies

As indicated in the above discussion on ethical theories, different ethical theories provide alternative approaches to analysing right or wrong. Therefore, there is neither a universally accepted moral principle nor a correct moral principle (Graham, 2004) through which one can analyse a given situation. Nevertheless, these ethical theories use different approaches to answer the same question. Pojman (1995) asserts that the notion behind the existence of many ethical theories or the absence of a universally accepted moral principle is called ethical relativism. Liyanapathirana (2018) provides two reasons for ethical relativism and explains that all moral principles are valid relative to cultural or individual choice. First, an individual’s action is treated as moral if and only if it is permitted by his/her society or culture, which is also called conventionalism. Second, the morality of an action is simply a personal decision called subjectivism (Liyanapathirana, 2018). Ethical theories provide the grounds for analysing

the ethical decision-making of individuals when they are faced with ethical dilemmas. In such situations, individuals may knowingly or unknowingly rely on ethical assumptions as a basis for making their ethical decisions (Roberts, 2015). As Fritzsche and Becker (1984) argue, each decision that an individual take can be interpreted in terms of either one or a combination of ethical theories. Prior empirical literature in ethical decision-making has utilised a number of ethical theories, including utilitarianism, rights theory, and the theory of justice to rationalise the decisions of individuals (Premeaux, 2004; Premeaux, 2009; Roberts, 2015; Liyanapathirana, 2018). These researchers argue each decision that an individual take would, therefore, depend upon either a single or a combination of ethical theories.

3.5 Moral Development Models

The previous section discussed the main normative ethical theories; however, such these models have been unsuccessful in explaining and accurately predicting the ethical decision-making of individuals. In response to this gap, McPhil and Walters (2009) suggested that moral development models can be used to help breakdown and explain the moral reasoning of an individual. Kohlberg's (1969) cognitive moral development model and Gilligan's (1982) gender socialization model has been used to explain the moral reasoning process on an individual in previous literature.

3.5.1 Kohlberg's model: cognitive moral development (CMD) theory

Kohlberg's (1969) CMD theory has been used by studies (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Trevino, 1986) to measure an individual's moral reasoning based on their responses to moral dilemmas and by focusing on their moral judgements and cognitive processes. The CMD theory consists of six stages which describe an individual's specific orientation towards solving moral issues (Liyanapathirana, 2018). Therefore, the role of reasoning in ethical decision making is greatly emphasized as Kohlberg makes cognitive

assumptions about the moral agent. Kohlberg argued that as an individual develops, they advance through a sequence of complex stages which involve elaboration about why actions are morally right and wrong (Roberts, 2015). Kohlberg (1969) based his model on the premise that moral maturity is heavily influenced by the structure in an individual's social world and their associated experiences (Liyanapathirana, 2018). These structures are conceived in three stages (preconventional, conventional, and postconventional) therefore a coherent system is built from an individual's moral reasoning and can be described by one or more of these stages (Roberts, 2015).

At different stages of CMD, individuals make different normative assumptions about which set of priori moral laws or principles should be applied to resolve an ethical dilemma (Kohlberg, 1984). At the first two stages of the preconventional level, Kohlberg (1981) suggests that an individual is only concerned with external rewards and punishments. An example of this is when a child is deciding to commit a questionable act, they are mostly concerned with the punishment they will receive. Or conversely, when they are given a proposition (i.e., to go to bed early), they would be interested in what they would get for accomplishing the task. At stages three in the conventional level, ethical decisions are heavily influenced by the will to fulfil the expectations of significant others (i.e., friends or family). Kohlberg (1981) suggests that an individual can take a wider viewpoint on society in stage four; and at the last two stages the individual has their own sense of principles and values which influence their decision making. Kohlberg (1969) further posits that individual factors such as age, work experience and education influence an individual's moral development and prior studies (Kracher et al., 2002; Marques & Azevedo-Pereira, 2009) have proved this to be accurate.

The application of Kohlberg (1969) model to business ethics has previously been ruled difficult (Marnburg, 2001). The moral development of an individual as defined by Kohlberg (1980)

cannot be applied to every human being as morality is heavily influenced by culture, thus no moral principles can apply to all cultures. Blasi (1980) argued that it brings up issues such as sequential invariance and cultural universalism. Although she was a student of Kohlberg, Carol Gilligan challenged his CMG theory (Jorgensen, 2006). Gilligan (1982) equally argued that Kohlberg's notion of stages is biased toward urban western democratic cultures and gender biased. Similarly, Mischel and Mischel (1976) criticized the model and claimed that it does not allow for stages to be skipped nor does it allow for the possibility of the integration of more than one stage while forming moral judgement. Generally, studies on CMD theory present weak links to the EDM process and subsequent behaviour (Barlett, 2003). Despite these statements, Roberts (2015) emphasizes the significance of reasoning in the EDM process.

3.5.2 Gilligan's model: Gender socialization theory

As briefly explained in the previous section on CMD theory, Gilligan (1982) did not particularly agree with all the elements of Kohlberg's (1984) model. Gilligan (1982) believed there were notable differences in the moral development of men and women as Kohlberg failed to accurately score females in his interview. In her article titled 'In a Different Voice', Gilligan (1982) explained that the differences between men and women stem from differential treatment during childhood. Previous studies (Gilligan, 1982; Devonish et al., 2009; Sidani et al., 2009) concluded that females are socialized to be caring in addition to being compassionate whereas males are socialized to be competitive and justice oriented. Such variations directly enable differential perspectives of ethics (Gilligan, 1982). There has been much debate in previous studies (Kohlberg, 1984; Gilligan, 1982; Sidani et al., 2009) on whether females are more ethical than males. Sidani et al. (2009) argue that women are increasingly gaining access to managerial positions in organizations and thus it is important to provide an understanding of how they behave when faced with moral dilemmas and these results differ from their male counterparts. Lundi (2000) conducted a study with a sample of marketing professionals and

results indicate that females have higher ethical judgment abilities than their male counterparts. Similarly, a study by Eweje and Brunton (2010) which sampled business students reported that females surpassed their male counterpart when it came to ethical awareness. Previous studies which sampled student populations (McInterney et al., 2010; Keith et al., 2009) came to the same conclusion. Majority of these studies mentioned are focused on the differences in their judgements when facing moral dilemmas. One can argue that females may underperform their male counterparts at different stages of the ethical decision-making process (Liyanarachchi & Adler, 2011). Variations may exist during the process of recognizing an issue as an 'ethical problem'. For example, a study completed by Musbah et al. (2014) found that female accountants were less sensitive than their male counterparts in recognizing some ethical situations. Therefore, it may prove to be fruitful to focus on individual differences at different stages of the ethical decision-making process.

3.6 Whistleblowing

Whistleblowing is one of the most effective mechanisms in place used to detect fraudulent activity within an organization (Association of Certified Fraud Examiners, 2014) and the accounting professions plays a significant role within the whistleblowing process (Deloitte, 2012; KPMG, 2010). Within the organizational context, the opportunity to whistle-blow is often assigned to accountants or auditors as they are most likely to witness accounting-related misconduct (Alford, 2007; Lee & Xiao, 2018; Liyanarachchi & Adler, 2011), however whistleblowing is not restricted to accounting professionals as anyone can be a whistle-blower. Croall (2001) notes that accounting-related misconduct differs from other forms of misconduct (i.e., robbery or sexual harassment) as it is more complex and there is no direct harm involved. Near and Miceli (2016) describe the purpose of whistleblowing as:

“The purpose of whistleblowing is to get the wrongdoing stopped by reporting it to someone (internal or external) with the authority or power to make this happen. It must be emphasized that ‘wrongdoing’ by definition is determined by the employee who observes it. It may involve illegal actions or legal actions that are perceived by the employee to be immoral or illegitimate” (Near & Miceli, 2016, p 109).

In recent years, various organizations have acknowledged the importance of whistle-blowers to the economy stating, “whistle-blowers who raise the alarm on misconduct perform a significant service to investors and help us in the combat against fraud” (Deloitte, 2012, p. 14). Whistleblowing disclosures on accounting related misconduct has attracted the attention of several media outlets (Morgenson, 2017; Vaughn, 2017), journals (Bowen et al., 2009; Webber & Archambeault, 2015) and in academic articles (i.e. Carcello et al., 2011; Trompeter et al., 2012) who have expressed the need for more in-depth research into the area). In an increasingly complex world where technology is growing at an exponential rate, there is a vital role for whistle-blowers to bring unethical practices to light to protect public interest and hold governments and corporations accountable (Andrade, 2015). According to the global study on occupational fraud and abuse in 2020, there were 2,504 cases in 125 countries causing total losses of more than \$3.6 billion with an average loss of \$1,509,00 per case (Association of Certified Fraud Examiners, 2020). The Association for Certified Fraud Examiners (ACFE) (2020) estimates that organizations lose around 5% of revenue to fraud every year and corruption was the most common scheme in every global region. In line with corruption, asset misappropriation schemes are the most common yet least costly. However, financial statement fraud schemes are the least common and most costly (with an average median loss of £954,000).

The report further explains that organizations that have delivered fraud awareness training to their employees were more likely to gather tips through formal training mechanisms as 43% of schemes within the aforementioned organizations were detected by tips (Association of Certified Fraud Examiners, 2020). In terms of reporting channels, in 33% of cases the whistle-blowers reporting through telephone or email, however it is unclear whether these were made anonymously. The Association for Certified Fraud Examiners (ACFE) released in-depth reports every year which capture the current state of fraud within the global context and one thing to note is that each year, there has been a steady increase in fraud cases and complexities. Unfortunately, there sharp rise in cases has not been accompanied by advanced insights, nor any research which covers the explanatory factors which are related to reporting intentions of fraudulent financial misconduct within organizations. Although most fraud-related scandals have upper management as the culprits, other members of the organization may have knowledge of the unethical activity (ACFE, 2008). This is evident in the case of Enron where “countless lower-level employees were either directly exposed or superficially involved in its concealment” (Moberly, 2006). Although it is difficult to depict how many employees were aware of such activity within an organization, Mesmer-Magnus and Viswesvaran (2005) find that employees at a lower job level are uncomfortable with reporting wrongdoing, particularly of those who rank higher than themselves. Based on a study within the same area, Gao et al., (2015) find that lower-level employees’ reporting intentions are higher when the reporting channels are administered externally by a third party than when administered internally by the organization.

Protect is a registered UK charity which was formed to help whistle-blowers in 1993. Initially, called ‘Public Concern at Work’, the charity was setup at a time where whistleblowing was viewed differently (Protect, 2021). Over the last decade, Protect UK has worked to provide whistle-blowers with support and advice on how to deal with various concerns about

misconduct in the workplace. Similarly, Protect UK also works proactively with organizations to provide support, advice, and training teams on improving their whistleblowing systems and processes (Protect, 2021). The UK has been hit by several high-profile scandals since the 90's including the downfall of the Herald of Free Enterprise, the Clapham rail crash and the devastating collapse of the Bank of Credit and Commerce International Bank as a result of large-scale money laundering which in turn led to mass public interest and calls for accountability within the industry. Some of the most high-profile cases to rock the UK today are summarised in Table 6 below:

Table 6 Whistleblowing Cases Studies from Protect UK (2020)

Case	Outcome
A personal manager for a family-run engineering firm was made aware that the managers were using an extensive amount of company money to pay for work done on their private homes. His major concerns were about retaliation and being discredited as the company managers had a stellar reputation within their local community and the organization.	He decided to resign from the company and blew the whistle once he secured a new role.
An accountant working at a construction company believed that his employer was processing personal transactions with company finances, creating fake invoices and falsifying invoices. After raising his concerns with his manager, he was told to turn a blind eye to the financial malpractice.	After exhausting all internal routes for raising concerns and considering leaving the company, he was advised to raise concerns with the relevant regulator.
A manager for a large company that provided charities with home equipment went on holiday. Upon her return, her staff told her that the	She raised the issue with the operations manager and after receiving assurance that she and her team would not be at risk,

manager had shown them how to double bill the system so that their clients would be overcharged.	she made a formal complaint, and the perpetrator was reprimanded accordingly.
An adviser in the financial services industry was concerned that his company was breaching Financial Conduct Authority regulations for several years. The firm was charging clients for advice it had not given, and the senior director had told employees how to extort higher fees by misrepresenting financial information.	After formally raising the issue, he was dismissed from the company and decided to blow the whistle to the FCA directly. Following this, he managed to secure new employment elsewhere and did not regret his decision.
A care worker and his colleagues shared concern about their manager who was stealing from residents by falsely recording money as being given to particular residents when they had not received it.	After raising his concerns with the owners of the home, an investigation quickly validated his concerns, and the manager was dismissed. However, working relationship within the home became tense as the manager's close colleague objected to his actions and he was suspended over false allegations that he had mistreated the residents.

Although it is unclear whether other employees were aware of the fraudulent practices which occurred in their organizations, there are a few cases where other employees were aware and somewhat implicit in the behaviour. For example, in case 3 the manager informed lower-level employees in their team how to cheat the system so the clients can be charged double for one transaction. The issue was only raised once the manager returned and learned of this practice which suggests there was reluctance for employees to speak up even though they knew the behaviour was wrong. Previous studies (Arnold & Ponemon, 1991; Bowen et al., 2009; Casal & Zalkind, 1995; Guthrie & Taylor, 2017; Hwang et al., 2009; Kaplan et al., 2012) have noted that the threat of retaliation reduces whistleblowing intentions. Arnold and Ponemon (1991) examined fraudulent financial reporting amongst internal auditors in the US and find that

auditors are influenced by the threat of retaliation which may be faced by the whistle-blower once the disclosure has been made. Similarly, Guthrie and Taylor (2017) find that organizational trust mediates the relationship between retaliation threat and whistleblowing intentions. Furthermore, their study confirmed that monetary incentives also play a significant role such that when the threat of retaliation is low, monetary incentives increase monetary incentives and thereby also result in higher reporting intentions (Lee & Xiao, 2018). It is evident that there are various factors that affect whistleblowing intentions within organizations and although there has been research carried out on this topic, there is limited information available which highlights the key variables which must be present to increase reporting intentions. of fraudulent financial misconduct Despite this, several studies have sought to deduct key aspects of the whistleblowing process, and these are discussed in the literature.

3.7 Whistleblowing Legislation

Whistleblowing has proven to be an effective tool in the fight against corruption, fraud, and unethical conduct in companies (Bowen et al., 2009; Oelrich, 2021). Over the past ten years, there has been a rise in whistleblowing cases reporting around various sectors within different countries (i.e., Wirecard fraud in Germany, ICT fraud in India, Theranos Fraud in USA). Despite the prevalence of whistleblowing events across the globe, regulation remains unevenly distributed across nations (Oelrich, 2021). The most recent countries to introduce comprehensive legislation covering whistleblowing protections have been the United States of America and Europe (Mogielnicki, 2011; Olerich 2019). In response to this, organizations within these contexts have been under pressures to introduce whistleblowing systems and reporting channels. Previous studies (Moberly, 2007; Mogielnicki, 2011; Oelrich, 2019) have focused on the importance of whistleblowing regulations and have examined several legislative initiatives to form effective laws. However, most of the research within this area focuses on the US which has been in the lead following their worldwide reforms with the introduction of

the Sarbanes-Oxley Act (SOX) in 2002 and the Dodd-Frank Act (DFA) in 2010. Compared to this, there is limited research covering whistleblowing laws and its processes in British contexts. The recently introduced European Union Whistleblowing Directive (2019) presented information on the protections of persons who report breaches on European Union law and implemented a deadline which stated that “...each of the 27 member states have until the 17th of December 2021 to transpose its provision into their national legal and institutional systems” (European Parliament Council of the European Union, 2019).

Following the United Kingdom’s exit from the European Union in 2021, there has been speculation as to whether the UK’s post-Brexit whistleblowing regime will remain closely aligned with that of the European Union, or if the UK will shift towards a US style model (Curran, 2020). Although the UK does have laws in place which cover whistle-blower protections, the legislation is mainly find within the Employment Rights Act (ERA) 1996 which incorporates elements of the provisions within the Public Interest Disclosure Act (PIDA) 1998. In his article, Curran (2020) states although UK legislation covers workers’ rights to raise concerns about detrimental treatment after they formally raise their concerns, whistle-blowers are only protected if they can demonstrate that they reasonably believed that they were acting in the public interest.

3.8 Rights and Protections for Whistle-blowers in the UK

The main protections for whistle-blowers in the UK are provided under the Public Disclosure Act 1998, which is an amendment of the Employment Rights Act 1996. The PIDA was introduced to address gaps in the ERA 1996 and specifically protects employees and workers who decide to blow the whistle about unethical conduct. Additionally, the PIDA allows employees who have been treated in a retaliatory manner to claim unfair treatment. In recent years, the PIDA has been under vast scrutiny as elements of the act have proved to be somewhat

unfair. For example, Collins et al., (2006) shared that protection under the PIDA is only accessible to certain kinds of disclosures known as ‘qualifying disclosures’ and must relate to one of the following ‘relevant failures’: a criminal offence, breach of a legal obligation, miscarriage of justice, danger to any individual’s health or safety, damage to the environment, or deliberately covering up information relating to any of the disclosures mentioned. Other disclosures are not included within the scope of protection, and these include those prohibited under the Official Secrets Act 1989 and those subject to legal professional privilege. Therefore, civil servants, government contractors, and police officers must be careful when attempting to seek protection under the PIDA because if their disclosure breaches the Official Secrets Act of 1889 (OSA) they may not be covered (LexisNexis, 2020).

According to the PIDA (1998), whistle-blowers can only be protected under two circumstances: (1) when their disclosures are made directly to the employer, or (2) when the disclosure is made to another person who they believe to be solely responsible for the relevant failure. One of the main concerns about the PIDA is that even when a whistle-blower attempts to follow all the rules of disclosure, there are several loopholes that may prohibit them from qualifying for protection (Collins, 2020). For example, there are a separate list of conditions that a whistle-blower must adhere to if they make disclosures to a ‘prescribed person’ and need protections. Collin et al. (2020) defines a prescribed person as someone outside the company prescribed by the Secretary of State, such as a regulatory body. Furthermore, those who make disclosures to prescribed persons not listed in PIDA 1998 will be subject to even more conditions before qualifying for protection. Under the Employment Act 2002, individuals who can prove that they have been subject to unfair treatment have three-months to bring forward their claim. However, the individual can request more time to submit their claim if it has been made after following the statutory grievance procedures listed under the Employment Act 2002, or if the tribunal decides to extend this period on their own accord.

There is a list of items that the employment tribunal will use to assess the reasonability of a disclosure and this includes but is not limited to; (i) the full details of the disclosure recipient (ii) how serious the issue is (iii) the current status of the issue (iv) if the disclosure will defy any confidentiality agreements between the accused and other parties (v) the actions/procedures that were taken after the issue was raised (vi) to whom the disclosure was made and (vii) whether or not the individual followed the correct internal procedures for disclosure where applicable (ERA, 2002). Employment tribunals can make decisions about the outcomes of various claims such as re-instatements or the payment of compensation for justified claims of detriment. For example, in 2005 a prison officer brought a claim against their employer filing for unfair dismissal as a result of blowing the whistle about workplace bullying in prison (*Lingard vs HM Prison Service 1802862104, 30 June 2005*) and was awarded record damages of £477,600 as he was protected under PIDA.

3.9 The European Union Whistle-blower Protection Directive

The European Union Whistle-blower Protection Directive (2019) directive was recently introduced to member states in order to outline the protections available for whistle-blowers. This new legal framework works to ensure the protection of individuals who blow the whistle as well as encourage those who may want to report any unethical misconduct that they are subject to within the work environment. Similar to the UK's PIDA (1998) and ERA (1996), the EU Whistle-blower Protection Directive (2019) provides specific requirements regarding whistleblowing channels, identity protections, timelines, communication procedures, GDPR compliance and evidence management. EU Member States are working to meet the December 2021 deadline set by the framework whereby nations must have implemented the directive into law which in turn will affect majority of organizations operating within the EU. Although some organizations within the EU have been working to implement elements of the directive into company procedures, it remains unlikely that there has been significant progress as the year

has been overshadowed by the COVID-19 pandemic which has hit organizations hard (Stappers, 2021). Despite the detrimental effects of the COVID-19 pandemic, member nations are still expected to meet the December 2021 deadline which would put its implementation at the forefront of several agendas.

Based on the increase in scandals in recent years, the EU Whistle-blower Protection Directive extensively defends the significance of whistle-blowers by acknowledging the part they play in protecting the public interest and preventing breaches in the law (European Parliament Council of the European Union, 2019). Furthermore, the directive highlights the dangers to which whistle-blowers are exposed such as retaliations in form of workplace bullying and/or dismissal. This is even more concerning when examining the minimal protections in Member State policies available for whistle-blowers. A recent Transparency International (2019) report indicates that whistleblowing-related legislation only exists in less than half of all EU Member States thereby exemplifying the need to protect whistle-blowers from retaliatory methods. Although several reasons can be drawn from the literature to support whistle-blower protections against retaliation, a recent case about the Luxembourg Leaks Project works as a good practical example. The International Consortium of Investigative Journalists (2014) collaborated to investigate the Luxembourg Leaks (termed as LuxLeaks) which exposed how Luxembourg works as a tax haven in the middle of Europe to some of the world's largest corporations. The leaked documents explicitly showed the participation of over 340 companies in detailed and complex tax-saving plans prepared by accountants at PricewaterhouseCoopers on behalf of its corporate clients (International Consortium of Investigative Journalists, 2014). Despite the reasonable public interest of these revelations, the LuxLeaks whistle-blowers were all sentenced by Luxembourg courts.

To address the increasing fear of retaliation by potential whistle-blowers, the EU Whistle-blower Protection Directive (2019) included the following statement “the importance of providing balanced and effective whistle-blower protection is increasingly acknowledged both at European and international level” (International Consortium of Investigative Journalists, 2014). Despite the shortfall of protective measures within majority of the EU Member States, this directive does try to unify whistle-blower protection legislation by providing common minimum standards which will enable potential whistle-blowers to actively raise the alarm of unethical or questionable activities within organizations without living with the fear of retaliatory measures. Additionally, the directive also seeks to protect whistle-blowers from lawsuits that may be filed citing law breaches.

3.10 Minimum Standards for Whistleblowing Protections Under the EU Directive

The EU Whistle-blower Protection Directive (2019) outline a minimum set of standards that must be adhered to ensure effective whistle-blower protections (Stappers, 2021). The Directive states that the elements include the following:

- Effective reporting channels which ensure that information is received in a secure manner and that anonymity is maintained at each stage. Such channels should facilitate both oral and written disclosures and the whistle-blower should be provided with a timeframe.
- Confirmation of disclosure receipt should be provided to the whistle-blower within seven days.
- Any further correspondence with the whistle-blower should be carried out by an impartial individual or department.
- The designated person or department must follow-up on the report immediately.

- The designated person or department should diligently follow procedure when dealing with anonymous whistleblowing disclosures.
- Feedback should be provided to the whistle-blower following their disclosure within a reasonable amount of time after confirmation of receipt.
- Information about reporting procedures should be clearly communicated to staff members and the relevant external competent authorities should be outlined.
- Although the elements highlighted above were in reference to internal whistle-blowers, the Directive states that the establishment of independent external whistleblowing channels must be established by public authorities to ensure that any disclosures received and handled in an efficient manner. Therefore, EU nations will be required to take extra care when it comes to setting up such systems as they will require completeness, integrity, and confidentiality.

The introduction of the EU Protection Directive will level the playing field and provide the necessary protections for potential whistle-blowers in all its member states. Given that before October 2019, only 35% of EU countries even had a word for ‘whistle-blower’ in some languages, this directive provides a good foundation for countries wishing to implement more protections for employees (ComplyLog Plc, 2021). However, there are some limitations of the directive as it only affects EU organizations with more than fifty employees and local authorities with more than 10,000 inhabitants (ComplyLog Plc, 2021). Therefore, it misses an opportunity for organizations with a workforce of under 50 employees to provide a framework to report misconduct and have internal procedures in place to protect potential whistle-blowers. To date, there has been no mention of any updates to the mandate to include businesses with fewer than 50 employees. In addition, the mandate only presents organizations and local authorities with the minimal coverage level for whistle-blower protections, therefore giving

members the option to create more rigorous laws within their countries but there is no guarantee this will be done without specific laws in place. The directive was first introduced in April 2018 and member states have until December 2021 to have implemented the mandate into their laws. Table 7 below summarises the timeline of the mandate.

Table 7 Timeline of the EU Whistleblowing Directive

Timeline of the EU whistleblowing directive	
Previously to April 2018	Just 10 EU nations provided robust protection for whistle-blowers. Others offered no protection, partial protection, or protection only to certain types of employees in select sectors.
April 2018	EU Commission proposed a directive to create minimum standards for whistle-blower protection across the union
March 2019	Member states and the European Parliament reached an agreement over the content of the directive.
16 April 2019	European Parliament approved the directive.
23 October 2019	EU Council officially adopted the directive.
16 December 2019	Directive 2019/1937 came into force, giving member states a year to update their national laws.
December 2021	Deadline for EU states to implement the directive into law.
17 December 2021	All public and private bodies with 250 or more employees and municipalities serving more than 10,000 people must create an internal reporting system for whistle-blowers by this date.
17 December 2023	All public and private bodies with 50-249 employees must create an internal reporting system for whistle-blowers by this date.

Source: (ComplyLog Plc, 2021)

3.11 Legislation In Other Countries

3.11.1 *United States (US)*

The US has spearheaded the implementation of whistle-blower protection legislation as compared to other nations (Wolfe et al., 2014). The Sarbanes-Oxley Act (2002) was introduced to facilitate and protect corporate whistle-blowers who disclosed information about unethical financial misconduct following a spike in financial-related scandals which rocked the global economies (Lee & Xiao, 2018). One of the main provisions of the SOX (2002) required publicly listed U.S. firms to implement efficient internal whistleblowing systems. *Section 301 (m)(4)* of the SOX Act (2002) implores auditors of publicly listed companies to implement internal systems which will not only support potential whistle-blowers to speak up but also to protect companies from liabilities by ensuring they have efficient channels and procedures in place such as internal accounting controls. Similar to the EU Whistle-blower Protection Directive, the SOX Act also puts whistle-blower protections at its forefront and this is evident in *Section 806* where it states that whistle-blowers who work for publicly traded companies are subject to protections against workplace discrimination and this includes unfair dismissal. More specifically, the protections cover individuals who blow the whistle for any of the following violations: wire fraud, mail fraud, bank fraud, securities fraud, and any regulations as listed by state or federal law which is linked to fraudulent activity against shareholders. The requirement of the SOX Act (2002) for companies to implement an internal whistleblowing system has sprouted various advantages for organizations.

Previous studies (Jones et al., 2014; Near & Miceli, 2016; Vandekerckhove & Phillips, 2019) have established that internal whistleblowing systems promote the prompt detection of misconduct which gives the company a chance to deal with the issue accordingly and reduce the associated costs. Similarly, Miceli, Near and Dworkin (2009) reported that employee job satisfaction is likely to increase where adherence to the code of ethics is encouraged as this

creates better workplace environment for individuals so they can focus on their work. Therefore, the establishment of internal whistleblowing systems and procedures by organizations provides more benefits than otherwise. Following the global financial crisis of 2008 which came into effect as a result of the sub-prime mortgage crisis which started in the US, the Dodd-Frank Act (2010) was enacted into US law. The Dodd-Frank Act (2010) outlined a series of additional comprehensive provisions which relate to whistleblowing. The most significant aspect of the Act was the introduction of whistleblowing incentives to reward whistle-blowers who “voluntarily provide original information that leads to the successful enforcement action (Section 922).

In specific cases, whistle-blowers would be eligible to a percentage of the amount recovered and this could be anywhere between ten and thirty percent. The Dodd-Frank Act also included some amendments to the SOX Act (2002) such as increasing the statutory filing period from 90 to 180 days for SOX-related complaints thereby giving the parties the right to a jury trial in district court actions, coverage extension to include subsidiaries of listed companies, and excluding whistle-blower complaints from pre-dispute arbitration agreements (Welford & Marshall, 2014). Such amendments to accounting-related whistleblowing regulations have been the subject of increased attention by researchers in an effort to examine the efficiency of various reporting channels, procedures, protections, and incentives.

3.11.2 Denmark

There is a lack of whistleblowing legislation in both the private and public sector in Denmark. Most of the provisions and disclosures mainly focus on the financial sector (European Parliament Council of the European Union, 2019). In addition, there are no definitions of ‘whistle-blower’ or ‘whistleblowing’ within their legislation and only employees within the financial sector are protected (European Parliament Council of the European Union, 2019).

Breaches and potential breaches of financial regulations are the only types of wrongdoing that can be disclosed. Such wrongdoings can be received and investigated by the Danish Financial Supervisory Authority (FSA). Unlike the United States' SOX 2002 Act, companies are not under any obligation to implement whistleblowing mechanisms or systems as there are no requirements that prioritise the use of internal whistleblowing channels before disclosures can be made externally. The Danish Data Protection Act (DPA) is responsible for processed any disclosures that are made through whistleblowing channels (internal and external) and recommends that whistle-blower protections should only be made available to non-anonymous whistle-blowers (Stappers, 2021).

As mentioned above, companies are under no obligation to ensure they have internal whistleblowing procedures in place first before the prioritization of external channels, there is a requirement for financial institutions to have internal reporting mechanisms in practice and the scope of internal mechanisms are much broader than those issued by the DPA (Norton Rose Fulbright, 2019). As a clear set of guidelines around whistleblowing does not exist, it remains unclear whether other non-financial institutions need to have an internal whistleblowing system in place. In terms of protections by the law, the European Commission (2019) summarise that any individuals who report their disclosures to the FSA can receive protection against unfair treatment as a result of their report. This is quite helpful as the absences of basic definitions of whistleblowing suggest that the country has not prioritized such protections. Similarly, Norton Rose Fulbright (2019) states the Financial Business Act asserts that any employees working for a financial institution can be protected by the institution itself against unfair treatment, though it is unclear how practical this can actually be. Employees who work in the public sector are allowed to share confidential information to external parties if they abide to certain rules of play such as emphasis that any disclosures shared are not made on behalf of the organization in question. Similar to UK legislation, employees are also allowed to share confidential

information if they are working in the best interests of the public. Should employees abide to these rules, they will be protected against internal sanctions and unfair dismissal (European Commission, 2019). In terms of the protection of whistle-blower identify there are no general protections. However, employees working for financial institutions are guaranteed confidentiality (European Parliament Council of the European Union, 2019). Similar to the United States and the United Kingdom, employees working within financial institutions may be eligible to receive compensation if the employee suffers detriment as a result of the disclosure. Due to the lack of sufficient whistle-blower legislation, retaliation claims will be decided based on case law.

3.11.3 **France**

France implemented the Sapin II Act in 2016 which is an independent piece of legislations that addresses the public and private sector. ‘Whistle-blower’ is identified as

“An individual disclosing or reporting – in good faith – a crime, an offence, a violation of international commitment, a law or regulation infringement, a threat or an important prejudice to the general interest he or she became aware of” (Osborne Clarke, 2018, p 2).

Whistle-blower protections are more prevalent in France than in Denmark as all employees in the private and public are protected. In terms of the types of disclosures than can be filed, the Sapin II Act states “any serious harm or threat to the public interest, as well as violations of the national and international law” can be disclosed (European Commission, 2019). According to the Sapin II Act, potential disclosures do not have to be reported to a specific regulatory body as one has not currently been appointed to receive nor investigate issues. As of November 2018, the ‘Maison des Lanceurs D’Alerter’ which translates to the French House for Whistle-blower’s was established to offer legal advice to whistle-blowers. Forms of advice include

information about their rights and responsibilities within accordance to their case. Moreover, technical support can also be provided to whistle-blowers by the House and in some case, financial support can be provisions from the donation fund (European Commission, 2019).

The process for disclosing wrongdoings starts with reporting the issue to a supervisor, or any appointed officer within the organization. If the individual does not hear back within a reasonable amount of time, or if there a serious risk or irreversible damage the disclosure can be redirected to an external authority such as a regulatory body. If the individual does not receive any correspondence from the external authority within three months of making the report, they are allowed to make the report public (European Commission, 2019). Section 17 of the Sapin Act II also requires all organisations with over fifty employees to establish a professional whistleblowing system which will be available to all stakeholders, so they are able to make protected disclosures internally. Similar to the Danish legislation, whistle-blowers are broadly protected against unfair treatment and dismissal as a result of a disclosure. Article 9 of the Sapin Act II guarantees confidentiality in terms of the whistle-blower's identity and anonymous reporting is permitted. However, one difference between France and Demark is that the French allow interim relief to suspend dismissal and following a trial, whistle-blowers can be entitled to be reinstated (European Commission, 2019). Despite this inclusion, there is no reward system for whistle-blowers in place. In cases where a whistle-blower is believed to have acted in 'bad faith', they can be liable to face sanctions such as slander and this can result in up to five years imprisonment and a criminal fine of up to EUR 45,000. From an employer's point of view, the attempt or prevention of an individual reporting a concern about unethical activity can result in one year imprisonment and/or a criminal fine of up to £15,000 (European Commission, 2019).

3.11.4 *Germany*

Similar to France and the United Kingdom, Germany does not have independent whistle-blower legislation in both private and public sectors. Germany legislation is very similar to France in terms of the lack of relevant definitions, types of wrongdoings disclosed and regulatory bodies which receive and investigate disclosures. The most relevant laws which provide information about the protection of whistle-blower's are the Federal Civil Service Act and the Law on the Federal Financial Supervisory Authority, primarily covering the public and financial sector. The most striking differences between Germany and French legislation is there are no general guarantees of whistle-blower confidentiality or protections in Germany. However, there are few protections awarded to employees within the financial sector and include the Federal Financial Supervisory Authority (BAFin) (European Commission, 2019). Given the scale of fraudulent activity within the last five years in Germany such as the Wirecard scandal (which is often tagged as the Enron of Germany), it is surprising that there have been no updates to the confidentiality guarantees. The Wirecard scandal came to light in the midst of the COVID-19 pandemic as a result of a whistle-blowers alert to the legal staff about irregularities perceived within the finance team in 2018. The whistle-blower raised the alarm on a plot to fraudulently send money to India via third parties (Accountancy Careers, 2020). Although nothing was uncovered during this particular investigation, the Financial Times caught wind of the investigation and put Wirecard on the German regulators' (BAFin) watchlist for market manipulation.

In 2019, BAFin banned Wirecard from short selling as the Financial Times published accounts indicated inflated profits within the Dubai Branch and the board hired KPMG to audit their statement. After the audit, KPMG disclosed that they could not verify specific information between 2016 and 2018, and there was an undisclosed amount of approximately €1.6 billion missing. Following these developments, Wirecard filed for insolvency on 25th June 2020. It is

unclear whether or not these events would have come to light without the whistleblowing report which started the investigation leading to Wirecard being put on various watchlists. However, a claim can be made that without the report, it would have taken more time before these events were brought to light.

The information available online about the scandal does not discuss details of the whistleblower, so we cannot determine whether or not they were subject to unfair or retaliatory treatment by the organization. If there was a case of unfair treatment whistle-blowers would be at a disadvantage as there are no legal consequences for retaliating employers. Furthermore, employees would not be able to sue their employers and claim damages as there are no provisions for this in the law. With the recently introduced EU Whistleblowing Directive (2019), Germany may be under pressure to increase whistle-blower protections as the directive clearly highlights the importance of ensuring whistle-blowers feel safe enough to speak up. The introduction of more efficient whistle-blower protections and perhaps a further introduction of a reward system for whistle-blowers can put Germany on the map in the next couple of years.

3.11.5 Ireland

Unlike Germany, France and Denmark, The Republic of Ireland is one of the few nations that has implemented stand-alone legislation which covers whistle-blower protections in both the private and public sector titled the Protected Disclosures Act. Despite the legislation in place, Irish law does not define either of the terms ‘whistle-blower’ or ‘whistleblowing’. However, the Protected Disclosures Act (PDA) does offer protections for all employees in the private and public sector. Similar to Germany and France, protected disclosures cover a variety of offences such as any miscarriage of justice, endangerment to the society at large, discriminatory acts or mismanagement (European Commission, 2019).

Although there are no specific body to which whistleblowing reports should be disclosed, different recipients have been allocated for specific disclosures and these include:

- Their employer or an authorised officer within the organization (section 6 PDA)
- The prescribed person (section 7 PDA)
- The minister (section 8 PDA)
- The legal advisor or Trade Union Official (section 9 PDA)
- Other members (i.e., Member of Parliament, or the public via a journalist)

Irish law does not require private companies to implement internal whistleblowing systems but there is a requirement for public bodies to have such systems. Additionally, there is some room for employees to make disclosures externally, but internal disclosures are still encouraged as they make the investigation process simpler (European Commission, 2019). Any disclosures which have been made externally are still subject to protections and this include those made via public media outlets. This is a long way from German legislation in which no such protections exist for external whistle-blowers. The law provides protection for whistle-blowers in form of immunity from criminal prosecution and civil action for damages. Furthermore, the whistle-blower (and their families) can make claims against the organization for damages incurred as a result of the whistleblowing complaint (Transparency International Netherlands, 2019). In an effort to incorporate elements of the EU Trades Secrets Directive, the changes made to the PDA weakened the nation's whistleblowing protections. For example, following the changes made in June 2018, a whistle-blower is required to show that they acted in the best interest of the public when making any disclosures using a trade secret before they can be protected (European Commission, 2019). If the result of the investigation has shown that the whistle-blower did not report accurate information, they will be protected for as long as they

believed to have a reasonable belief that the information was correct. In this case, reasonable belief is important as it is the sole determinant of whether or not the whistle-blower can be protected.

In terms of confidentiality, Irish law provides a guarantee of confidentiality to whistle-blowers as persons receiving any reports about unethical activity are not permitted to disclose the identity of the whistle-blower without receiving their go-ahead. In line with this, whistle-blowers are entitled to compensation worth up to five-years pay if they have been subject to unfair dismissal or retaliatory harassment. Furthermore, uncapped compensation can be received if there has been a breach in confidentiality which exposes the identity of the whistle-blower, or in the case of any detriment arising from the disclosure. Another relevant aspect of the law states that employees are not required to be kept up to date with any more information about the case than is necessary. Similar to other European nations, whistle-blowers are not entitled to receive any rewards for submitting protected disclosures.

3.11.6 Sweden

The Whistle-blower Act was introduced into Swedish legislation in 2016 following the Freedom of Press Act which was enacted in 2015. Despite the two enactments of standalone pieces of legislation, neither of these acts define the term ‘whistle-blower’ or ‘whistleblowing’. In terms of protections, all employees are protected within the private and public sector, but this does not cover individuals classed as ‘self-employed’ nor contractors of any form (European Commission, 2019). According to section 1 of the Whistle-blower Act (2016), any offences (such as bribery, corruption, risk to wellbeing or life, and financial misuse or misappropriation) which result in penalties or jail time are protected. Similar to the aforementioned whistleblowing legislation, potential whistle-blowers are not required to submit their disclosures to a specific regulatory body as per the Act – to date there is no

specification as to whom the disclosures should be made. Protections are only available to employees that have reported directly to their employers (section 5 of the Act), an employee that works within the organization (section 6 of the Act), to a public regulatory authority (section 7 of the Act), or to the public (Freedom of Press act, 2015). However, disclosures made to public authorities are only protected if the concerns were first reported to the employer through the internal process and affirmative action was taken, or if reporting external proved to be the better option (this justification would need to be made).

In terms of protections, employees are not permitted to exploit their employees in retaliatory ways following the reporting of disclosures and any attempts to introduce agreements that either limit or revoke an employee's protection under the Whistle-blower Act (2016) will be marked as invalid (section 3 of the act). As in currently the norm in European nations, Swedish law fails to guarantee anonymity following the reporting of concerns either internally or externally (European Commission, 2019). The only assurance regarding confidentiality can be provided by journalists they are required to ensure that they identity of the whistle-blower is protected. As highlighted from other nations whistleblowing legislation, the Swedish Whistle-blowers Act does not reward whistle-blowers for sharing their disclosures despite the huge risk borne by their bravery to speak up. There is no information which discusses the parties who are in charge of designing or reviewing the current whistleblowing legislation in Sweden which may potentially be an issue because it is unlikely in such a case that provisions will be made which reflect the recommendations given following massive whistleblowing cases in Sweden and around the world.

3.11.7 G20 countries

Despite the status of a nation termed as 'developed', it is evident that whistleblowing legislation is not included in the measures associated with the standing of a nation. Without the bravery

and risk of whistle-blowers, the world would be at a massive disadvantage as several high-profile cases would not have been brought to light. Although some nations have implemented whistleblowing legislation, their reluctance to define the terms ‘whistle-blower’ or ‘whistleblowing’ proves that there is still a long way to go in terms of whistle-blower protections. The introduction of a reward system in the United States has proved to be one of the most effective mechanisms to encourage employees to shine the light on various corporate and governmental scandals. To date, there are no other countries which offer rewards to whistle-blowers despite its proven track record of positive results. These countries have a long way to go, however one can argue that the existence of whistleblowing legislation, albeit insufficient, is better than other nations that have minimal or no legislation which covers whistle-blowers which puts potential individuals at great risk. For example, there are no laws in Saudi Arabia which protect freedom of speech such as criticizing the government and subsequently no laws exist to protect whistle-blowers (Wolfe et al., 2014).

The EU Directive (2019) is a great initiative which aims to push its members to update their existing outdated whistleblowing legislation to provide more protections for whistle-blowers as the EU values the risk associated with blowing the whistle. It is unclear whether all of its member states will abide to the new directive, but it is a step in the right direction and it pushes nations to define where they stand on this highly debated issue. Wolfe et al., (2014) have provided a summary of the existing black letter laws relating to whistle-blower protections in each of the G20 countries. The report also shows how these protections are implemented into practice. In their study, Wolfe et al., (2014) confirmed that although there has been significant progress since 2010, there is still a long way to go. Before we progress to discussing the results from the study, below is a summary of the best practice criteria used in the analysis of whistleblowing legislation:

Figure 2 Summary of Best Practice Criteria for Whistleblowing Legislation

#	Criterion Short Title	Description
1	Broad coverage of organisations	Comprehensive coverage of organizations in the sector (e.g., few or no 'carve-outs')
2	Broad definition of reportable wrongdoing	Broad definitions of reportable wrongdoing that harms or threatens the public interest (e.g., including corruption, financial misconduct, and other legal, regulatory, and ethical breaches)
3	Broad definition of whistle-blowers	Broad definition of "whistle-blowers" whose disclosures are protected (e.g., including employees, contractors, volunteers and other insiders)
4	Range of internal / regulatory reporting channels	Full range of internal (i.e., organisational) and regulatory agency reporting channels
5	External reporting channels (third party / public)	Protection extends to same disclosures made publicly or to third parties (external disclosures e.g., to media, NGOs, labour unions, Parliament members) if justified or necessitated by the circumstances
6	Thresholds for protection	Workable thresholds for protection (e.g., honest, and reasonable belief of wrongdoing, including protection for "honest mistakes"; and no protection for knowingly false disclosures or information)
7	Provision and protections for anonymous reporting	Protections extend to disclosures made anonymously by ensuring that a discloser (a) has the opportunity to report anonymously and (b) is protected if later identified
8	Confidentiality protected	Protections include requirements for confidentiality of disclosures
9	Internal disclosure procedures required	Comprehensive requirements for organisations to have internal disclosure procedures (e.g., including requirements to establish reporting channels, to have internal investigation procedures, and to have procedures for supporting and protecting internal whistle-blowers from point of disclosure)
10	Broad retaliation protections	Protections apply to a wide range of retaliatory actions and detrimental outcomes (e.g., relief from legal liability, protection from prosecution, direct reprisals, adverse employment action, harassment)
11	Comprehensive remedies for retaliation	Comprehensive and accessible civil and/or employment remedies for whistle-blowers who suffer detrimental action (e.g., compensation rights, injunctive relief; with realistic burden on employers or other reprisals to demonstrate detrimental action was not related to disclosure)
12	Sanctions for retaliators	Reasonable criminal, and/or disciplinary sanctions against those responsible for retaliation
13	Oversight authority	Oversight by an independent whistleblower investigation / complaints authority or tribunal
14	Transparent use of legislation	Requirements for transparency and accountability on use of the legislation (e.g., annual public reporting, and provisions that override confidentiality clauses in employer-employee settlements)

Source: Stappers, 2021)

As shown above, there are 14 criterion which have been developed from internationally recognized sets of whistle-blower principles for best legislative practice to assess the state of the G20 country's laws (Wolfe et al., 2014). The next section shows an extract from the Whistle-blower Protection Laws in G20 Countries report within public and private sectors by country order and shows the stark differences in the levels of protections.

3.11.8 G20 countries public and private sector laws

Figure 3 below demonstrates the whistleblowing legislation in public and private sector of G20 countries in order from the weakest to the strongest protections. The protections rating ranges from a score of 1 to 3 where rating 1 represents ‘very/quite comprehensive’, rating 2 represents ‘somewhat/partially comprehensive’ and rating 3 represents ‘absent/ not at all comprehensive’.

Figure 3 G20 countries - public and private sector laws

	Argentina		Australia		Brazil		Canada		China		France		Germany		India		Indonesia		Italy	
	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv
Coverage	3	3	2	3	2	3	2	3	1	2	1	3	1	3	1	3	2	2	1	3
Wrongdoing	3	3	1	3	2	3	1	3	1	2	2	3	3	2	2	3	2	2	2	3
Definition of whistle-blowers	2	2	2	3	2	3	2	3	1	2	3	3	3	3	1	3	2	2	3	3
Reporting channels (internal & external reporting channels)	2	2	2	3	2	3	2	3	2	1	2	2	2	3	2	3	2	2	2	2
Thresholds	3	3	1	3	2	3	1	3	2	2	3	3	2	2	1	3	2	2	3	3
Anonymity	2	2	3	3	3	3	3	3	2	2	3	3	2	2	3	3	3	3	3	3
Confidentiality	2	2	1	3	2	2	1	3	2	2	1	3	3	3	1	3	3	3	1	3
Internal disclosure procedures	3	3	1	3	3	2	1	3	2	2	3	3	3	3	3	2	3	3	3	3
Breadth of retaliation	3	3	1	2	2	3	1	2	2	3	1	3	2	2	1	3	2	2	1	3
Remedies	3	3	1	3	3	3	1	3	2	3	3	3	2	2	2	3	3	3	3	3
Sanctions	2	2	1	3	3	3	1	3	2	3	3	3	3	3	2	3	2	2	3	3
Oversight	3	3	1	3	3	3	1	3	3	2	3	3	3	3	1	3	2	2	3	3
Transparency	3	3	1	3	3	3	1	3	3	3	3	3	3	3	2	3	3	3	3	3

Source: Stappers (2021)

Figure 4 G20 countries - public and private sector laws

	Japan		Mexico		Russia		Saudi Arabia		South Africa		Korea		Turkey		UK		USA		EU	
	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Pub	Priv	Instl	Comm
Coverage	1	1	3	3	2	3	3	3	1	1	1	1	3	3	2	2	1	1	2	3
Wrongdoing	1	1	3	3	2	3	3	3	1	1	1	1	3	3	1	1	1	1	2	3
Definition of whistle-blowers	2	1	2	2	2	3	3	3	2	2	1	1	2	2	2	2	1	1	2	3
Reporting channels (internal & regulatory)	2	2	3	3	2	3	3	3	2	2	1	1	2	2	1	1	1	1	2	3
External reporting channels	2	2	3	3	3	3	3	3	1	1	3	3	3	3	2	2	2	2	3	3
Thresholds	1	1	3	3	3	3	3	3	2	2	2	2	3	3	1	1	1	1	3	3
Anonymity	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	1	1	3	3
Confidentiality	3	3	3	3	3	3	3	3	3	3	1	1	2	2	2	2	1	1	3	3
Internal disclosure procedures	3	3	3	3	2	3	3	3	3	2	3	3	3	3	3	3	2	2	2	3
Breadth of retaliation	1	1	3	3	3	3	3	3	2	2	1	1	2	2	1	1	1	1	3	3
Remedies	2	2	3	3	3	3	2	2	3	1	1	1	3	3	1	1	2	2	3	3
Sanctions	3	3	2	2	3	3	3	3	3	3	1	1	2	2	2	2	1	1	3	3
Oversight	3	3	2	2	3	3	3	3	3	3	1	1	3	3	3	3	1	1	3	3
Transparency	3	3	3	3	3	3	3	3	2	2	1	1	3	3	2	2	1	1	3	3

Source: Stappers (2021)

The countries with very comprehensive whistleblowing protections based on G20 countries are Australia, South Africa, Korea, and United States. Next, the countries which have partially comprehensive laws are Canada, China, France, Japan, and the United Kingdom. Whereas countries that have the least overall comprehensive laws are Argentina, Brazil, Germany, India, Indonesia, Italy, Mexico, Russia, Saudi Arabia, Turkey, and the European Union. Despite the presence of substantial legislation in Australia, South Africa, Korea, and United States, the countries with absent whistle-blower protections such as Saudi Arabia, Mexico, Turkey, Argentina, and Russia have a long way to go. These nations stand at the bottom as their whistleblowing protections in their public sectors are either non-comprehensive or in some cases, not present at all. Surprisingly, Italy is among the nations with the least comprehensive private sector laws, with only partial comprehensive laws which cover reporting channels and retaliatory practices. Although Italy has more comprehensive laws within its public sector, there is a gap within its private sector leaving it vulnerable to exploitation. In an article titled ‘Whistleblowing in Italy: rights and protection for employees’, (Carinci, 2014) noted that “rights and opportunities for whistle-blowers in Italy have been limited to a substantial degree by strong cultural factors that discourage reporting wrongdoing committed by others” p. 17. Additionally, the advantages brought about by public interest whistleblowing have fuelled the efforts to fight for stronger whistleblowing protections (Carinci, 2014).

In October 2012, Italy introduced a new anti-corruption law which in part referenced the important of whistle-blowers and thereby offering protections from retaliation and definition specific disclosures. However, this has since proved to be a meek provision as it harbours several loopholes that can be exploited. For example, a whistle-blower can be shunned from receiving protection if “undue damage is caused to those who are elsewhere protected under the law” p. 40 (Wolfe et al., 2014). This means that if a whistle-blower raises their concerns and seeks protections from the court, the employers right to protect its dignity and reputation

will also be considered against the whistle-blowers right to information. NGOs and Italian policymakers are trying to push for stronger and more comprehensive laws to ensure that whistle-blowers who act in the public-interest are offered more protections as the risks associated with speaking up are insurmountable. These ratings are based on the overall whistle-blower protections in both the public and private sectors. However, it is evident that some countries have more comprehensive protections in either the public or private sector. For example, ratings in the Australian public sector range between very comprehensive and partially comprehensive. As compared with its private sector, where whistle-blower protections range between partially comprehensive and absent in general. Therefore, the next section will assess the G20 countries whistle-blower protections on a sectoral basis: public and private.

3.11.9 G20 countries public sector laws

Within the public sector, the countries with the least comprehensive and/or absent whistle-blower protections are Saudi Arabia, Mexico, Turkey, Argentina, and Russia. Figure 5 below shows how each country's protections fare over the 14 criteria. Overall, Saudi Arabia has no whistle-blower protections as most of the protections have received a score of 3, however, there seems to only be some partial protections for retaliation by authority figures. This is similar across Mexico, Turkey, Argentina, and Russia. Italy has whistle-blower protections in place which cover confidentiality, breath of retaliation and coverage, with partial comprehensive laws discussing reporting channels. South Africa seems to have quite comprehensive laws in place which cover external reporting channels, remedies, definitions of wrongdoing and overall whistleblowing coverage. G20 countries with the highest overall protections are shared between the United Kingdom, Canada, United States and Australia. The criterion with the highest coverage within the public sector of the G20 countries are internal disclosure policies, anonymity, external reporting channels, transparency, and oversight. This is summarised in Figure 5 and 6 below:

Figure 5 G20 countries - public sector laws

	Saudi Arabia	Mexico	Turkey	Argentina	Russia	Italy	Germany	Brazil	Japan	Indonesia	South Africa
Internal disclosure procedures	3	3	3	3	2	3	3	3	3	3	3
Anonymity	3	3	3	2	3	3	2	3	3	3	3
External reporting channels	3	3	3	3	3	3	3	3	2	3	1
Transparency	3	3	3	3	3	3	3	3	3	3	2
Oversight	3	2	3	3	3	3	3	3	3	2	3
Confidentiality	3	3	2	2	3	1	3	2	3	3	3
Sanctions	3	2	2	2	3	3	3	3	3	2	3
Remedies	3	3	3	3	3	3	2	3	2	3	1
Thresholds	3	3	3	3	3	3	2	2	1	2	2
Wrongdoing	3	3	3	3	2	2	3	2	1	2	1
Breadth of retaliation	2	3	2	3	3	1	2	2	1	2	2
Coverage	3	3	3	3	2	1	1	2	1	2	1
Definition of whistle-blowers	3	2	2	2	2	3	3	2	2	2	2
Reporting channels	3	3	2	2	2	2	2	2	2	2	2

Source: Stappers (2021)

Figure 6 G20 countries - public sector laws

	France	China	India	Korea	UK	Canada	United States	Australia	Total
Internal disclosure procedures	3	2	3	3	3	1	2	1	14
Anonymity	3	2	3	3	3	3	1	1	14
External reporting channels	3	3	3	3	2	2	2	2	13
Transparency	2	3	2	1	2	1	1	1	11
Oversight	2	3	1	1	3	1	1	1	11
Confidentiality	3	2	1	1	2	1	1	1	8
Sanctions	2	2	2	1	2	1	1	1	7
Remedies	2	2	2	1	1	1	2	2	7
Thresholds	2	2	1	2	1	1	1	1	6
Wrongdoing	2	1	2	1	1	1	1	1	5
Breadth of retaliation	2	2	1	1	1	1	1	1	4
Coverage	2	1	1	1	2	2	1	2	4
Definition of whistle-blowers	2	1	1	1	2	2	1	1	3
Reporting channels (internal & regulatory)	2	2	2	1	1	2	1	1	2

Source: Stappers (2021)

3.11.10 G20 countries private sector laws

Figures 7 and 8 present the state of whistle-blower protections within the private sector of the G20 countries. Compared with the public sector protections, it is evident there are more protections within the public sectors than in the private sector. In Figure 7, we can see that the first 12 countries have either very little protections or absent whistle-blower protections with scores ranging between 2 (partially comprehensive) and 3 (absent). Figure 7 shows there are a further 6 countries that have established more protections in their private sectors (i.e., Japan, China, France, South Africa), where the countries with the most protections ranging between 1 (very comprehensive) and 2 (partially comprehensive) are United Kingdom and United States. However, the United Kingdom does not seem to have any protections which cover anonymity, internal disclosure procedures and oversight. However, as this report was published in 2014, there may have been changes which are yet to be published and available on public domains.

Figure 7 G20 countries - private sector laws

	Russia	Italy	Canada	Saudi Arabia	India	Mexico	Brazil	Argentina	Australia	Germany	Turkey
External reporting channels	3	3	3	3	3	3	3	3	3	3	3
Anonymity	3	3	3	3	3	3	3	2	3	2	3
Internal disclosure procedures	3	3	3	3	2	3	2	3	3	3	3
Transparency	3	3	3	3	3	3	3	3	3	3	3
Oversight	3	3	3	3	3	2	3	3	3	3	3
Confidentiality	3	3	3	3	3	3	2	2	2	3	2
Sanctions	3	3	3	3	3	2	3	2	3	3	2
Remedies	3	3	3	2	3	3	3	3	2	2	3
Coverage	3	3	3	3	3	3	3	3	2	3	3
Wrongdoing	3	3	3	3	3	3	3	3	3	2	3
Thresholds	3	3	3	3	3	3	3	3	2	2	3
Breadth of retaliation	3	3	2	3	3	3	3	3	3	2	2
Definition of whistle-blowers	3	3	3	3	3	3	2	2	3	3	2
Reporting channels (internal & regulatory)	3	2	2	3	3	3	3	2	2	3	2

Source: Stappers (2021) Figure 8 G20 countries - private sector laws

	Indonesia	Japan	China	France	South Africa	Korea	United Kingdom	United States	Total
External reporting channels	3	2	3	3	1	3	2	2	15
Anonymity	3	3	2	3	3	3	3	1	15
Internal disclosure procedures	3	3	2	3	2	3	3	2	14
Transparency	3	3	3	2	2	1	2	1	14
Oversight	2	3	2	2	3	1	3	1	13
Confidentiality	3	3	2	3	3	1	2	1	11
Sanctions	2	3	3	2	3	1	2	1	11
Remedies	3	2	3	2	1	1	1	2	10
Coverage	2	1	2	2	1	1	2	1	10
Wrongdoing	2	1	2	2	1	1	1	1	10
Thresholds	2	1	2	2	2	2	1	1	9
Breadth of retaliation	2	1	3	2	2	1	1	1	9
Definition of whistle-blowers	2	1	1	2	1	2	1	1	8
Reporting channels (internal & regulatory)	2	2	2	1	1	2	1	1	7

Source: Stappers (2021)

3.11.11 Summary of G20 whistle-blower protections

Figures 7 and 8 presented in the above sections show the progress of whistleblowing laws in G20 nations and confirm why the G20 leaders were inclined to extend the deadline by two years from 2012 to 2014 for each nation to meet their whistleblowing commitments. Following the 2019 G20 Summit in Osaka, member nations have been encouraged to move quickly and transform their promises into action as the last whistleblowing report written by Wolfe (2014) highlighted the gaps which need to be addressed such as the prevalence of more comprehensive laws in the public sector than the private sectors. Member nations have been instructed to move beyond the level of protections recommended by the Osaka principles and more than 500 international civil society organizations and trade unions have call for better G20 principles that provide protections for both public and private sector whistle-blowers – ensuring that private sector whistle-blowers are equally protected (Hornsby, 2019).

G20 nations are in the best position to highlight the importance of whistle-blowing protections as the implementation of such laws can easily be added to their anti-corruption and pro-transparency initiatives in governments and organizations. Given the upscale of financial scandals over the previous decade, it is evident that economies cannot properly develop if they are built on corrupt foundations. G20 countries play a key role in supporting the structure of global financial systems and therefore harbour a special responsibility to build sustainability into these systems (Transparency Index, 2019). Although the G20 acknowledges the detrimental effects of corruption on organizations and implores its members to take an active role in fighting corruption, there are some countries that are yet to sign the UN Convention against Corruption nor the OECD Anti-Bribery Convention. Despite this, there have been considerable improvements within the G20 nations but not significant enough for every country to establish whistle-blower protections by the 2014 deadline. Given the push for nations to put more effort into this initiative in 2019, there may be a need for a more in-depth analysis of the underlying issues to be able to highlight where the key issues lie

3.12 Whistleblowing Studies on Accounting-Related Frauds

Over the years, several studies have examined accounting-related frauds and whistleblowing intentions. In their 2007 study which examined financial statement fraud and unethical financial practices, Brennan and Kelly (2007) assessed the responses of 100 Irish Chartered Accountants and results indicated that whistleblowing reporting intentions of fraudulent financial misconduct are significantly influenced by the provision of internal training to educate staff about systems and processes in place that can be used to raise concerns. Additionally, the participants in the study were most likely to report concerns when there was a greater perceived severity of misconduct (Brennan & Kelly, 2007). The study also highlighted that employee confidence in internal reporting channels is positively linked to the size of the firm because larger organizations are perceived to have more formal reporting channels. It is

unclear whether any studies have been carried out to examine whether the inverse of that statement because there have been several cases where individuals have blown the whistle in small organizations, thereby showing that in some cases the company size may not have a substantial influence on reporting intentions of fraudulent financial misconduct.

Other studies also link internal training for employees to positive reporting intentions of unethical behaviour and these include Andon et al., (2016) and Alleyne et al., (2017) which find that accountings who have taken more ethics training have been proven to have higher reporting intentions, thereby asserting the significance of training to new and existing employees. Alleyne et al., (2017) concluded that older accountants who have received ethics training will have higher reporting intentions but on its own, ethics training did not have much influence on reporting intentions. In terms of demographics, previous studies (Alleyne et al., 2017; Andon et al., 2018; Brown et al., 2017; Erkmen et al., 2014) have used personal demographics to determine reporting intentions. Each of the studies examined various forms of accounting-related fraud and find that females are more likely to report than males (Andon et al., 2018; Brown et al., 2017; Erkmen et al., 2014), older professionals are more likely to report fraud that involves fraudulent financial reporting (Erkmen et al., 2014), however other studies (Alleyne et al., 2017) find no significant impact of gender, work experience nor ethics training on reporting intentions.

Robinson et al., (2012), Alleyne et al., (2017), Andon et al., (2018), Gao et al., (2015) have all examined the effects of perceived seriousness of accounting-related fraud on whistleblowing intentions. When analysing the responses of working adults in the US, Robinson et al., (2012) find that employees are more likely to report more material forms of fraud (i.e., theft of physical items) rather than less material fraud (i.e., financial statement fraud) which is concerning as in 2020 alone, the Association for Certified Fraud Examiners (ACFE) reported that financial

statement fraud schemes cost a median loss of \$954,000. More recently, Andon et al., (2018) find that the higher the perceived issue seriousness, the more likely US accountants are to blow the whistle and Gao et al., (2015) shared similar conclusions. However, in their study, Alleyne et al., (2017) find that perceived issue seriousness does not have an effect on the reporting intentions of Barbadian accountants which may be attributed to cultural differences between the US and Barbados. Two studies completed by Brink et al., (2017) and Alleyne et al., (2017) find that the feeling personal responsibility positively influences internal reporting intention but has no impact on external reporting intentions. Furthermore, Gao et al., (2015) and Alleyne et al., (2017) provided similar results which suggest that when an employee is aware of the personal costs associated with reporting, they will be less likely to blow the whistle both internally and externally.

One of the highest debated whistleblowing incentives is offering a financial reward for raising concerns. Previous studies (e.g., Andon et al., 2018; Berger et al., 2017; Boo et al., 2016; Brown et al., 2017; Stikeleather, 2016) have assessed the value of financial incentives to potential whistle-blowers and concluded that rewards play a major role in increasing whistleblowing intentions. Berger et al., (2017) find some conditions for the influence of reward schemes which suggest that although the provision of rewards positively influence reporting intentions, employees will be less likely to report if the size of the fraud is less than the prescribed minimum threshold for reporting. This runs the risk of setting a dangerous precedent as fraudsters may be inclined to either embezzle in amounts just below any threshold so as to not encourage employees to blow the whistle. A few steps away from the financial rewards scheme, participants in Boo et al., (2016) study were more inclined toward a career penalty-based incentive scheme. This would increase the personal cost of committing fraud as it runs the risk of leaving a dent on their record which may act as an effective deterrent. Andon et al., (2018) find a significant interaction between financial rewards and the perceived seriousness of the

issue specifically on external reporting intentions. The study showed that in the absence of financial rewards, the seriousness of the issue is a better determinant of whether the employee will blow the whistle or not (Andon et al., 2018). However, when the perceived issue seriousness is quite low, the availability of financial rewards will result in higher reporting intentions. Another factor which works in conjunction with financial rewards is evidence strength. In their study which assessed the responses of 72 MBA students, Brink et al., (2013) find that both strong evidence strength and provision of financial rewards positively influence reporting intentions. However, when there is a weak evidence strength, the availability of a financial reward can influence a positive reporting outcome.

Whistleblowing retaliation is defined as an undesirable action taken against a whistle-blower who reported wrongdoing internally or externally (Near & Miceli, 2008; Rehg et al., 2008). The threat of retaliation following a whistleblowing has proved to affect reporting intentions. According to the Ethics Resource Center, *“the rate of retaliation is very high ... [and] reducing retaliation is one of the most important challenges facing businesses as they strive for strong ethics culture”* (Ethics Resource Center, 2014, p. 9). In their study, Guthrie and Taylor (2017) find that whistleblowing intentions are higher when the threat of retaliation is low and this relationship is mediated by organizational trust such that the more an employee trusts that the organization will not come after them in a retaliatory way, they would be inclined to raise their concerns internally. Monetary incentives also moderate the relationship between the threat of retaliation and organizational trust in that when retaliation threats are low, rewards and incentives increase organizational trust however, the inverse occurs when retaliation threat is high as monetary incentives would not affect trust and thereby reporting intentions (Guthrie & Taylor, 2017). Kaplan et al., (2012) analysed the responses of 65 MBAs and results showed that previous whistleblowing cases had an influence on their reporting intentions such that if a previous non-anonymous reporter experienced a negative outcome with an organization, they

harboured low reporting intentions. Negative outcomes were described as retaliation by the organization in forms of harassment. Taken as one, an individual's perceptions of the benefits and costs associated with whistleblowing are significant to their final decision on whether or not they will report accounting-related misconduct either through internal or external channels.

Researchers have also focused on the factors which affect the reporting channel used when an employee decides to blow the whistle. Potential whistle-blowers can report their concerns through internal channels such as directly to their supervisor, or externally such as through an anonymous hotline or through direct reporting to the regulator. Both of these channels have important yet different implications for organizations and their stakeholders (Lee & Xiao, 2018). More often than not, internal whistleblowing channels are encouraged within organizations as they give management an opportunity to address and correct the concerns in a timely manner – minimizing the costs in the process (Berry, 2004; Lee & Xiao, 2018). The costs associated with external whistleblowing include but are not limited to negative publicity, disruptive regulatory investigations, potential legal ramifications etc (Lee & Xiao, 2018). Lee and Xiao (2018) add that external whistleblowing may be the preferred mode of reporting for stakeholders as they might otherwise not be made aware of the misconduct and more importantly if management did not implement efficient corrective measures. Given the importance of understanding which factors influence reporting channel, previous studies (Guthrie & Taylor, 2017; Kaplan et al., 2012; Liyanapathirana, 2018) have sought out to find out which factors affect reporting channels for accounting-related misconduct.

While assessing the responses of auditors, Kaplan and Schulz (2007) find that internal reporting channels are more favourable than external non-anonymous channels when reporting accounting-related misconduct. Using a sample of MBA students, Kaplan et al., (2009) share female employees were more likely to use anonymous reporting channels than males although

they did not provide a reason for this. Lee and Fargher (2017) find a lower inclination to report through external channels in the presence of a strong internal whistleblowing system. Pope and Lee (2013) find no differences in the use of internal or external whistleblowing systems between genders. Two studies (Day, 2017; Libit, 2014) looked at the effects of perceived costs of whistleblowing on reporting intentions and both find that reporting through anonymous channels offers the whistle-blower more protections as it lowers the perceived cost of raising their concerns (i.e. threat of retaliation). Despite this, in his study Kensicki (2006) highlights concerns about the hinderance of anonymous reports when it comes to investigation claims and taking cases to court. Similarly, the opinions of auditors in the Guthrie et al., (2012) study highlighted that anonymous whistleblowing to do more harm than non-anonymous reporting. Taken together, these studies suggest anonymous reporting channels are the most favourable option for potential whistle-blowers when the perceived cost of reporting is high.

3.13 Adopting the Fraud Triangle to Explore Whistleblowing Intentions

The term “Fraud Triangle” was coined by Albrecht (1991) to represent three elements that must be present for fraud to occur:

1. perceived pressure
2. opportunity
3. rationalisation

The Fraud Triangle evolved from research by Cressey (1953) and Sutherland (1944, 1940) on fraud that sought to explain why perpetrators committed the crime. Cressey (1953) proposed that fraud occurs when the perpetrator has a non-shareable financial problem; exploits an opportunity with a low risk of being caught; and rationalises that the behaviour is justified. The non-shareable financial problem leads to the perpetrator facing perceived financial pressure, and hence, provides the motive for the crime (Mui & Mailley, 2015). An opportunity arises

when there are poor workplace conditions such as weak internal controls that can be exploited. This opportunity becomes more attractive to the perpetrator when there is a low probability of being caught. Finally, the perpetrator rationalises that the behaviour is justified because the perpetrator's dilemma is considered to be a special exception (Mui & Mailley, 2015).

The fraud cases in the early twenty-first century have highlighted that the "non-shareable financial pressure" element of the Fraud Triangle is not always present in every fraud incident (Dorminey et al., 2012). Kranacher et al. (2011) expanded the motivations for fraud to include money, ideology, coercion and ego (entitlement). Wolfe and Hermanson's (2004) Fraud Diamond includes a fourth element, the capability of the perpetrator to commit the fraud. Capability can arise from the perpetrator's position or function within the organisation; intelligence to exploit an opportunity; ego or confidence; coercion skills; ability to lie effectively and consistently; and ability to manage the stress of committing and managing the fraud over a long period of time.

In their study, Latan et al. (2019) tested the concept of the 'whistleblowing triangle', which is modelled on the same three factors as the 'fraud triangle'. According to Smaili and Arroyo (2017), the fraud triangle's components can be adapted in order to understand why people blow the whistle. However, they further pointed out that there is limited research which has been carried out to test the whistleblowing triangle model. Latan et al., (2019) explored whistleblowing intentions factors through pressure as a threat; the financial incentives offered, the opportunity to report, and the willingness to rationalize. Figure 9 presents the whistleblowing triangle as proposed by Smaili and Arroyo (2017):

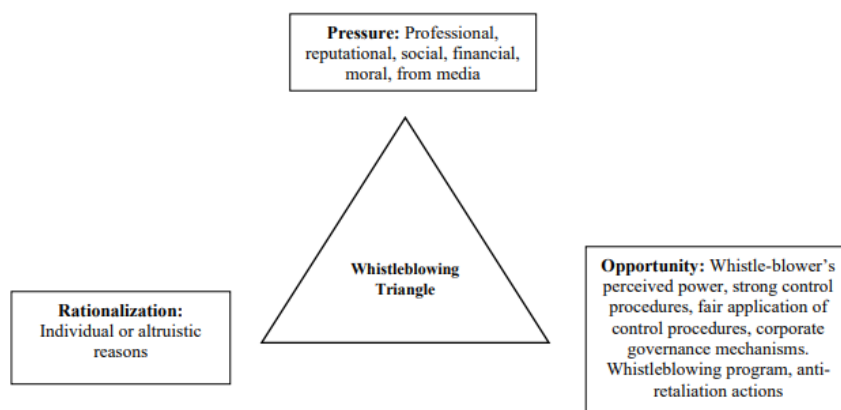


Figure 9 The Whistleblowing Triangle – Smaili and Arroyo,(2017)

3.14.1 Pressure

Based on the fraud triangle, pressure refers to the present and future burden of treats faced by the whistle-blower both within their personal life and career. Yousaf and Jamil (2020) define pressure as a term that “contains negative essences and is ordinarily related to challenges that arise from the organization’s environment” (Yousaf and Jamil, 2020, p.4). In developing countries such as Indonesia which lack an efficient structure for whistleblowing legislation, this aspect of the triangle makes pressure a more prominent element of study (Latan et al., 2019). Though it is important to add that ‘positive pressure’ such as strongly upheld ethical codes within an organization can exist, but this would only be possible in the presence of guaranteed whistle-blower protections. Previous studies (Kaplan et al., 2012; Near & Miceli, 2016) concluded that people faced with the decision to blow the whistle face extreme personal, social, and organizational pressure. To this, Yousaf and Jamil (2020) add that such pressures can interfere and sometimes prevent enthusiastic whistle-blowers from raising their concerns. There are internal and external pressures that a whistle-blower will consider when deciding

between sharing their concerns and keeping silent. Internal pressures associated with whistleblowing intentions include conflicting principles and morals, religious loyalties, and work satisfaction (Yousaf & Jamil, 2020) and external pressures which identify as barriers to whistleblowing include the risks of job loss, unfair treatment, reputational damage, and the fear of future retaliation (Latan, et al., 2019). Therefore, it is important to consider both internal and external pressures as they interfere with a potential whistle-blower's motivation to blow the whistle.

Financial incentives have been used as a means to empower potential whistle-blowers to raise their concerns when confronted with unethical activity within the organization such as non-compliance, tax avoidance practices, corruption and bribery, and accounting-related fraud. When it comes to compensation, whistle-blowers who raise their issues through anonymous online channels can receive an award if the information they submitted proved as appropriate by regulations or top management (Guthrie & Taylor, 2017; Seifert et al., 2010; Soni et al., 2015). However, the effects incentives such as compensation are complex in terms of how they affect whistle-blower's intentions and actions (Andon et al., 2018). In their study, Brink et al. (2013) suggests that financial incentives may not be as effective because most organizations are unable to provide the same reward level as it put forward by the regulations. Thereby, asking whether such financial incentives can effectively encourage whistleblowing behaviours within organizations. To counter this, previous studies which have considered the amount of compensation (e.g., Andon et al., 2018; Berger et al., 2017; Boo et al., 2016; Brown et al., 2017; Stikeleather, 2016) have shown whistle-blowers often disclose that financial rewards of any kind play a major role in increasing whistleblowing intentions.

3.14.2 Opportunity

Previous studies (Brown et al., 2017; Dellaportas, 2013; Smaili et al., 2019) have deemed opportunity to report wrongdoing at the second most important element of the whistleblowing triangle. According to Latan et al. (2019, p.193):

“[...] the opportunity to report misconduct is presented to every individual (e.g., a professional accountant) when the moral or legal obligation to report such as action is supported by existing organizational and standard policies”.

Smaili et al. (2019) examine opportunity from the perspective of perceived behavioural control and find that it refers to two questions: (1) “Will I be able to do this?” (Park et al., 2008) and (2) “What resources are at my disposal?”. Thereby suggesting that opportunity depends on both the types and quantity of resources available to the whistle-blower. Other factors which may increase whistleblowing opportunities vary between different organizational cultures, and the availability of anonymous reporting channels (Latan et al., 2019). Although a key factor which may be considered as significant is the availability of legislation which offers protections for whistle-blowers. If an individual feels like they are not safe to raise their concerns, they will be less likely to blow the whistle. Furthermore, ethical awareness of reporting misconduct within organizations is fostered by prevailing norms. Thereby suggesting that the mere perception of workplace norms about unethical activity can act as either a catalyst or a hinderance to reporting activity. This is in line with Miceli and Near (1992) who stated that employee whistle-blowers are more willing to blow the whistle when they perceive a culture of organizational justice.

Previous studies (Wolfe et al., 2014; Boyle et al., 2015) suggest that opportunities can also arise when potential whistle-blowers are equipped with relevant knowledge (e.g., IT skills and technical capabilities) which aid them in blowing the whistle (Latan et al., 2019). Similarly,

Smaili et al., (2019) add that whistle-blowers may decide to blow the whistle when they have the resources (e.g., information access) to do so. In this case, resources can either be internal or external to the organization, and they can be very useful to the whistle-blower as they determine the real possibilities of blowing the whistle. Smaili et al., (2019) share codes of ethics, shareholder activism and corporate governance mechanisms as examples of internal resources. External resources include but are not limited to legal protections, compensation, and the absence of retaliation or sanctions (Smaili et al., 2019). Previous studies (Alford, 2007; Near & Miceli, 2008; Rehg et al., 2008) suggest organizational culture and perceived responsiveness are more useful in examining whistleblowing intentions.

3.14.3 Rationalization

The process of rationalization can be viewed as a cognitive justification process which affects whistle-blowing intention when faced with ethical problems (Dellaportas, 2013; Latan, Chiappetta, et al., 2019; Lokanan, 2015; P. Murphy & Dacin, 2011). Although the act of whistleblowing can be viewed as a prosocial behaviour, there are several downsides associated with raising the alarm on unethical activity such as employee retaliation (Near & Miceli, 1996) and the repercussions for organizational reputation and financial survival (Bowen et al., 2009). This provides basis for our argument which suggests that the act of whistleblowing is deemed a difficult decision which can either be justified before (a priori) or after (post hoc) (Smaili et al., 2019) blowing the whistleblowing. The cognitive dissonance theory was first discussed in Leon Festinger's (1957) book and suggested that when an individual decides to blow the whistle (rather than remain silent), they need to rationalize their decision to be able to curtail the tensions that form between inconsistent or dissonance cognitions (Smaili et al., 2019; Stone & Focella, 2011). Smaili et al., (2019) note two selections of dissonance in whistleblowing behaviour: (1) between the act of whistleblowing and the awareness of the associated links to

job loss, and (2) when the whistle-blower is aware that other stakeholders will suffer the consequences as a result of the whistleblowing act.

Both cases may inflict discomfort on the whistle-blower as dissonance exists between the behaviour and its potential consequences. Previous studies within fraud literature describe the act of rationalization merely as a cognitive process in which individuals reduce the negative emotions that accompany “bad” behaviour (Murphy, 2012). Smaili et al., (2019) argued that there is a difference between rationalizing and whistleblowing act and a fraud-related act because blowing the whistle is not “bad” behaviour. Even though it may not be a bad behaviour, it still creates discomfort for the whistle-blower due to its unwanted consequences (Smaili et al., 2019). Stone and Focella (2011) note that whistle-blowers need to justify their decision to be able to convince themselves that blowing the whistle is a better options than holding back by persuading themselves that it is a smart and prudent decision (Stone & Focella, 2011), or the only way to live with a clear conscience (Alford, 2007). In the same light, the decision to remain silent will also need to be justified as a result of the dissonance which exists between holding back and knowing that fraud is taking place (Macgregor & Stuebs, 2013). Previous studies (Brown et al., 2017; Smaili et al., 2019) argue that while rationalization has mostly been used to examine negative behaviours (fraud), it can also be used to examine positive behaviours (whistleblowing).

3.14 Whistleblowing Theory

Previous studies (Clinton, 2015; Dellaportas, 2013; Lokanan, 2015; Schuchter & Levi, 2015) used the fraud triangle model in their framework to examine the reasoning behind fraudulent behaviour within an organizational context. However, to date, a limited number of studies have focused on using the fraud triangle to explain whistleblowing intentions. Highlighting the severe threat accounting fraud poses to the public interest, Brown et al. (2017) integrated the

theory of planned behaviour with the fraud triangle to model the intention of professional accountants to blow the whistle on a material accounting fraud. Their results indicated that attitudes and perceptions of control over whistleblowing are positively related to whistleblowing intention (Brown et al., 2017), thereby providing evidence that their integrated theoretical model to predict the reporting intention on corporate accountants was useful. In their study, Latan et al., (2018) tested the concept of the whistleblowing triangle in the Indonesian context by using the Cressey's (1973) fraud triangle model. Using both Big Four and Non-Big Four firms, the study find a significant relationship between the components of the whistleblowing triangle and the intention to whistle-blow, thereby expanding the literature on this topic by providing empirical evidence (Latan et al., 2018).

Smaili and Arroyo (2019) proposed an integrated conceptual framework to be used to examine whistle-blower behaviour by whistle-blower type and called it '*the whistleblowing triangle*' – which was also models on Cressey's (1973) fraud triangle. The study analysed 11 whistleblowing cases of corporate fraud in Canada between the years 1995 and 2012 and results indicated that a dynamic relationship exists between whistle-blowers as a whistle-blower can be both an insider (e.g., employees, managers) and an outsider (e.g., financial analysts, journalists) (Smaili et al., 2019). A recent study conducted by Yousaf and Jamil (2020) investigated the nexus between the whistleblowing triangle and whistleblowing intentions by focusing on moral intensity as the moderating factor between the two. The results concluded that a significant relationship exists between the whistleblowing triangle, reporting intentions, and moral intensity such that the largest predictor of auditor's reporting intentions in Pakistan is opportunity.

3.15 Peer Reporting

According to Trevino and Victor (1992) peer reporting occurs “when group members go outside their group to report a member’s misconduct” (p. 39). Peer reporting can be viewed as a form of whistleblowing which Near and Miceli (1985) define as *“The disclosure by organization members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action”* (p.4). Therefore, whistle-blowers set out to call attention to fraudulent activity or inappropriate behaviour being committed by the organization, including senior officials operating within the company. Peer reporting occurs when an individual seeks to highlight unethical behaviour being committed by an employee within the organization, who may be of the same status and/or position (King, 2001; Trevino & Victor, 1992). Peer reporting can be perceived as a form of lateral control in which an employee’s shares their concerns about illegal or inappropriate behaviour with someone outside the group who can effectively make change (Trevino & Victor, 1992). King (2001) add that “the observer may report the incident to other employees within the organization, or to a member(s) outside the group (e.g., an immediate supervisor) who can prevent the incident from recurring” (King, 2001, p. 312).

Previous scholars who have investigated whistleblowing and peer reporting have examined factors related to the individual (Near & Miceli, 1986), the situation (Near & Miceli, 1992), the organization, retaliation (J. Near & Miceli, 1986, 1996) social context, relational closeness , justice evaluation, ethical ideology and religion (Douhou et al., 2012). Trevino and Victor (1992) find positive results in their study which examined the link between the damage done by the offenders’ actions and the inclination to peer report. King and Hermodson (2000) collected responses from 197 registered nurses to analyse actual peer reporting behaviour and find that the observers individual characteristics, situational factors (i.e., issue severity) and organizational factors (i.e., ethics and policies) played a significant role. Barnet et al. (1996)

focused on the role of religiosity and ethical ideology on the peer reporting of academic cheating and find positive links between peer reporting and religiosity among business students. King (2001) examined whether differences in perceptions of a wrongdoing could affect peer reporting behaviour by assessing the responses of 372 registered nurses and find significant links. Gruys et al. (2010) examined the extent to which employees are willing to report counterproductive work behaviours and results do not indicate a strong willingness to reporting counterproductive peer behaviours. Douhou et al. (2012) find that situational characteristics such as the behaviour of the offender's boss and the probability of getting caught influences fairness perception and thereby peer reporting intentions.

Although there is a gap in peer reporting literature, there are studies which focus on peer reporting behaviour in organizations, thereby showing that it is important to understand what kind of factors could influence an employee to disclose report misconduct committed by a peer. King (2001) identified the disclosure of a wrongdoing as a communication process and used an example of a study conducted by Steward (1980) which focused on the importance of maintaining clear and proper channels for the disclosure of illegal and inappropriate behaviour. In his doctoral thesis, King (1997) find a link between interpersonal closeness between employees and peer reporting intentions such that when closeness exists within a co-worker relationship, the observer will be less likely to report the offender's unethical activity. More recently, Sheetz (2018) examined the effects of peer reciprocal relationships on internal fraud reporting and find that interpersonal affect significantly predicts intention to report fraud for all reporting outlets, whereas reciprocity is only important for intention to report to the internal audit team. Interpersonal affect refers to the feeling of like or dislike toward an individual whereas reciprocity refers to owing or being owed a favour by another individual. As we established in prior literature, the act of peer reporting is more delicate than any other type of

whistleblowing (Loyens, 2013), as most times the observer of the unethical activity is fraught with a difficult decision to make as it can interfere with the group dynamics.

In most cases, observers of unethical activity committed by peers within an organization must weigh the protection of integrity vs the protection of colleagues (Loyens, 2013), which is a very difficult decision to make. Regardless of this fact, Taylor and Curtis (2013) find that individuals are more likely to report unethical activity committed by their peers than their superiors. This study seeks to contribute to the gap in peer reporting literature by analysing how social exchange relationships influence reporting intentions of financial fraudulent misconduct.

3.16 Summary

This chapter discusses the key ethical decision making theories employed in the study and highlights the importance of each of these theories to the proposed integrated theoretical framework presented at the end of the section. Furthermore, we provide a review of the whistleblowing studies which have been conducted over the years and further discuss the state of whistleblowing legislation in the UK and across Europe. We find that the introduction of the EU Whistleblowing Directive shows the commitment to providing safer internal whistleblowing systems for potential whistle-blower. However, despite the implementation of this directive, countries are only required by law to introduce minimum level protections and each nation can decide whether to establish more stringent protections which we suggest may not be the case. Given the UK left the EU in 2016, there will be a review of several of its pre-union tenure, however it seems that the EU whistleblowing directive will remain intact and there may be further laws to offer more protections to internal and external whistle-blowers. We discuss recent whistleblowing cases on accounting-related frauds and provide insight to the whistleblowing triangle theory which highlights the stages an individual goes through

before deciding to blow the whistle. Next we discuss peer reporting literature and highlight the individual factors related to reporting intentions. We find some positive links between specific situational and organizational factors, however the results vary due to the different disciplines in which previous studies were conducted (i.e. health sector, religious sector, legal enforcement sector). We highlight a gap within peer reporting literature for studies which are carried out in an organizational setting, let alone the UK non-profit sector with the most recent related study using a sample of MBA students to predict employee intentions. The next chapter presents the theoretical framework of the study.

CHAPTER 4: THEORETICAL FRAMEWORK

4.0 Introduction

This chapter explores the key theories used which explore the ethical decision-making process of an individual and various whistleblowing models which have previously been used to examine the reasoning process an individual engages in while deciding whether or not to blow the whistle. The key models employed are discussed and elaborated through diagrams, and at the end of the chapter an integrated theoretical is formed which governs the study. There are several ethical decision-making models which have been used in empirical studies within the ethics discipline. The most common models used are Kohlberg's (1969) 'Cognitive Moral Development' theory, Rest's (1986) 'Four component model', Jones' (1991) 'Issue-contingent model', and Kelly and Elms' (2003) 'Reconfigured issue-contingent model of ethical decision-making in organizations. These are discussed in the next sections.

4.1 Rest's 1986 Four Component Model

Rest's (1986) four-component model for individual decision-making and behaviour is influenced by Kohlberg's (1969) CMD model. Kohlberg's (1969) theory asserts that an individuals' morality evolves through a series of developmental stages before achieving moral maturity (Vigil, 2009). Rest's (1986) model looks at the stages of the reasoning process related to various moral dilemmas. Most of the studies within behavioural ethics (Jones, 1991; Kelley & Elm, 2003; Kish-Gephart et al., 2010; Loe et al., 2000) have been led by Rest's (1986) Four-Component Model of EDM. According to Rest (1986) each of the components, namely awareness, judgement, intent, and behaviour have different functions and each step is relatively different (Rest, 1986). Rest (1986) explained that each stage can interact with other components of the EDM process. However, Rest (1986) argued that the successful completion of one or more stages does not warrant the successful execution of succeeding stages. For example, individuals who can judge an issue as an ethical one may not choose the best course of action

at stage three (moral intent). It is clear that Rest perceived ethical decision-making as a rational process which stems from the interactions between moral awareness, moral judgment, and moral intent components instead of a viewing it as a product of moral judgement as described by Kohlberg's cognitive moral development theory. Figure 10 below presents Rest's (1986) model of ethical decision-making:



Figure 10 The four-component model of individual ethical decision-making

According to Rest (1986), an individual faced with an ethical dilemma should first have the ability to recognize the ethical aspects of the issues before they can make a moral decision. Additionally, it is important for the individual to weigh all possible scenarios with various courses of action and the overall effects of the decision on vested parties – including oneself (Kargin, 2009). The start of the ethical decision-making process begins with moral sensitivity and could result in moral behaviour. Once a moral issue is highlighted, the reasoning process is subsequently initiated through the identification of the issue as one with ethical content. In a later study, Rest (1994) explained moral sensitivity is related to awareness that the resolution of an issue may affect the well-being of others (Rest, 1994). However, Jones (1991) argued that when it comes to the identification of moral issues, the variance in an individual's perception may influence their sensitivity. Jones (1991) proposed an issue-contingent model of EDM, which suggests that traits of a moral issue significantly affect the EDM process and subsequently ethical behaviour (Kelley & Elm, 2003).

The second component of the four-component model is sourced from cognitive moral development theory and postulates that the individual will engage in a moral reasoning process

whereby all the facts associated with the issue are weighed against alternatives, and all the possible courses of action and consequences are assessed (Kargin, 2009). The third component is moral intent (motivation) in which an individual differentiates and prioritises certain moral values and goals relative to other values and goals such (i.e., individual, and organizational). During this stage, the individual will have to choose between alternative courses of action based on his/her values (Liyanapathirana, 2018). At this point, previous studies have suggested that moral values should take precedence over personal values in order to choose what is 'morally right' (FeldmanHall et al., 2015). However, issues arise when an individual prioritizes other values over moral values (Chan & Leung, 2006). The final component of the model is called moral character; and it is assumed that the individual possesses basic skills such as courage, perseverance, and ego strength which enables them to behave in accordance with the moral intent they developed. Following this stage, the individual engages in moral behaviour which Vigil (2008) describes as a function of his/her conscious choice and certain personal characteristics.

Rest (1986) pointed out several considerations that his model does not cover. First, he warned that components from the model should be taken as cognitive processes used in the decision-making process rather than specific characteristics which form an ideal moral person. Second, although the components are arranged in four stages, the successful completion of one stage does not guarantee success in the next or another. Therefore, any strengths or weakness which are evident in one stage of the process can influence ethical behaviour. For example, although a person may be able to identify the right moral action (Component 2), they may not always engage in ethical behaviour (Component 4). Finally, previous studies have been under the impression that the four-component model proposes a causal relationship between components (Kargin, 2009). Rest (1986) noted that the model does not postulate a linear relationship nor a temporal order such that an individual first recognizes the issue, then engages in moral

judgement, followed by establishment of intent, and lastly engages in moral behaviour. Instead, rest (1986) argued that these components are not mutually exclusive, but they interact and influence each other. Research indicates that the relationship between components is quite complicated as the process of weighing the facts (Component 2) may influence how an issue is interpreted (Component 1). Finally, Rest's (1986) four-component model proves to be a useful analytical tool and a theoretical framework which may guide research around this topic instead of a sequential model which describes the ethical decision-making process (Rest, 1986).

In his argument, Jones (1991) suggested that Rest's (1986) model can be used as an individual level ethical decision-making model within any organizational setting. A review of previous studies shows the four-component model used as a theoretical framework in various disciplines such as education, accounting, nursing, and sports (Kargin, 2009). Despite this, there are limited studies conducted which use the model in the whistleblowing literature. In this case, the use of Rest's (1986) model to investigate employees' ethical decision-making is relevant. This study focuses on Component 3 of the model – moral intent. Most studies which examine ethical decision-making have put more focus on moral intent rather than moral behaviour and this is due to the difficulty in observing ethical behaviour as any form of measuring such behaviour may have an influence of it thereby invalidating the results. Moreover, the literature suggests there is a positive link between a person's behaviours and their intentions (Kargin, 2009; Kish-Gephart et al., 2010). In their review of ethical decision-making studies, O'Fallon and Butterfield (2005) report that most studies which use Rest's (1986) model rarely investigate the model in its entirety, but instead investigated the causal relationship between two or more components (Bass et al., 1999; Haines et al., 2008; Kish-Gephart et al., 2010; May & Pauli, 2002). This study investigates non-profit employees' ethical decision-making intentions of peer reporting.

Similar to other related theories, the four-component model has its own limitations. For example, the model addresses the complex cognitive process involved in any decision-making process, however it fails to highlight other social forces that may influence the decision-making process. The four component models assumes that all individuals make moral decisions through a reasoning process. Kargin (2009) suggests this is due to the fact that Rest's (1986) is singularly focused on the human psyche because James Rest is a psychologist and former student of Lawrence Kohlberg (CMD theory author). The ethical decision-making process is not solely bound by human cognitive boundaries but also by organizational/contextual and issue-related factors, especially when a variance exists between personal values/goals and organizational ones. Therefore, relying on Rest's (1986) in its entirety to investigate ethical decision-making in organizations is insufficient and thus it should be improved to include other EDM models which do a better job at explaining and predicting ethical decisions by members of an organization. Previous studies (Dukerich et al., 2000; Ferrell et al., 2019; Kelley & Elm, 2003; Kish-Gephart et al., 2010; Vitell et al., 1993) have used a reinforced version of the four-component model which takes organizational/contextual and issue-contingent factors into account when predicting EDM in organizations. The next section will discuss two interactionist theoretical models proposed by Trevino (1986) and Jones (1991).

4.2 Trevino's Person-Situation Interactional Model

Trevino (1986) proposed an interactionist model of EDM in organizations which combines individual variables with situational variables to explain and predict the ethical decision-making behaviour of individuals in organizations. Trevino (1986) postulates that the common tendency to treat ethics as a branch of philosophy rather than as a social science may lead to the conclusion that business ethics is a "Sunday school" subject not worthy of serious investigation. Furthermore, the study argues that in certain situations, ethical behaviour is an interaction between the individual and the context/situation. Noting that previous studies have

either focused on the individual factors or contextual factors that influence the decision-making process, Trevino's (1986) model argues that such studies have missed the opportunity to examine the link between them. Therefore, the 'person-situation interactionist model' was introduced as a model of ethical decision-making which draws on the previous concepts presented and heavily relies on Rest's (1984) four-component model. In this model, Trevino (1986) combined individual and dispositional factors with organizational and contextual factors, converting the individual approach of the four-component model to an interactionist approach in an effort to better measure individual decision-making within organizational contexts.

Individual factors associated with the model include ego strength, field dependence, and locus of control. Organizational / contextual job factors include reinforcement contingences, and referent others which relates to components of organizational culture which is made up of normative structure, obedience to authority, and responsibility for consequences. Figure 11 presents Trevino's (1986) model:

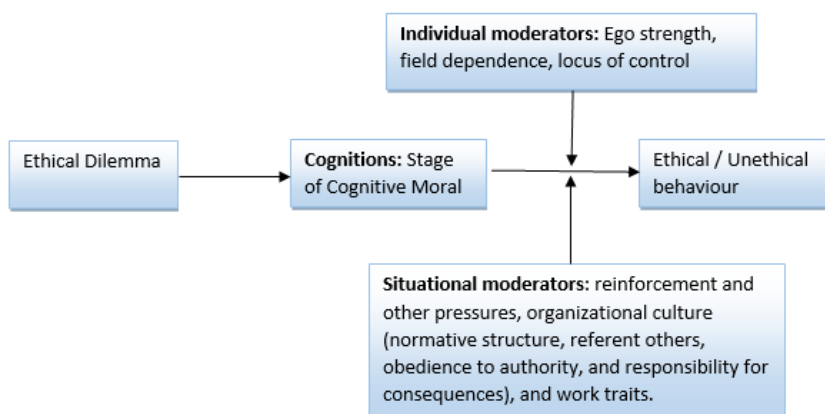


Figure 11 Trevino's (1986) Person-Situation Interactionist Model shows the factors that influence ethical decision-making in organizations

4.3 Jones' Issue-Contingent Model

Half a decade after the introduction of Rest's (1986) Four-Component model and Trevino's (1986) Person-interactionist model, the literature had been preoccupied with either an individual approach to examining decision-making behaviour or an interactionist approach which assessed the influence of organizational factors on behaviour and intent. A later study by Ivkovic (2003) implied that employees who indulge in unethical activity within an organization are merely a result of "bad apples in a barrel" linking the issue to individual-level traits. On the other hand, Hunt and Vitell (1986) argued that unethical activity was actually influenced by the interaction of individual and organizational factors and proposed an interactionist theoretical model which considered both factors. Jones (1991) argued that the previous theoretical models failed to consider the nature of the ethical issue at hand and believed that the characteristic of the issue influences the overall decision-making process of an individual, thereby proposing his "issue-contingency" model. From his study, it is evident that Jones' (1991) main focus was on the moral issue itself as opposed to the moral agent or the context in which the decision took place (Kargin, 2008). Furthermore, Jones (1991) introduced the "moral intensity" as a concept which identifies the characteristics of a moral issue. Moral intensity is defined as, "the extent of issue-related moral imperative in a situation" (Jones, 1991, p. 372) and play a significant role in understanding the nature of the issue in question. Jones (1991) highlights six characteristics which influence the moral intensity of an ethical issue namely: probability of effect, proximity, magnitude of consequences, concentration of effect, temporal immediacy, and social consensus. Table 8 elaborates each construct:

Table 8 Six components of Jones (1991) Moral intensity

Construct	Definition
Magnitude of consequences	The sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question.
Social consensus	The degree of social agreement that a proposed act is evil or good.
Temporal immediacy	The length of time between the present and the onset of consequences of the moral act in questions.
Proximity	The feeling of nearness (social, cultural, psychological, or physical) that the moral agent has for victims (beneficiaries) of the evil (beneficial) act in question.
Concentration of effect	An inverse function of the number of people affected by an act of a given magnitude.
Probability of affect	A joint function that the act in question will take place and cause the predicted harm (or benefit) predicted.

Source: Jones (1991)

In his argument, Jones (1991) noted that moral intensity will influence the way in which a decision maker perceives a moral issue and their subsequent behaviour. Furthermore, he argued that issues relating to high moral intensity have a large magnitude of consequences, high social consensus, high probability of affect, high temporal immediacy, close proximity, and high concentration of effect. Therefore, ethical issues with a high moral intensity are more likely to be recognized than those with a low moral intensity (Jones, 1991). In this line of thought, issues that result in high consequences or to someone close to the decision-maker will be recognized more readily as a moral issue. Figure 12 shows Jones (1991) “Issue-contingent model of ethical decision-making”:

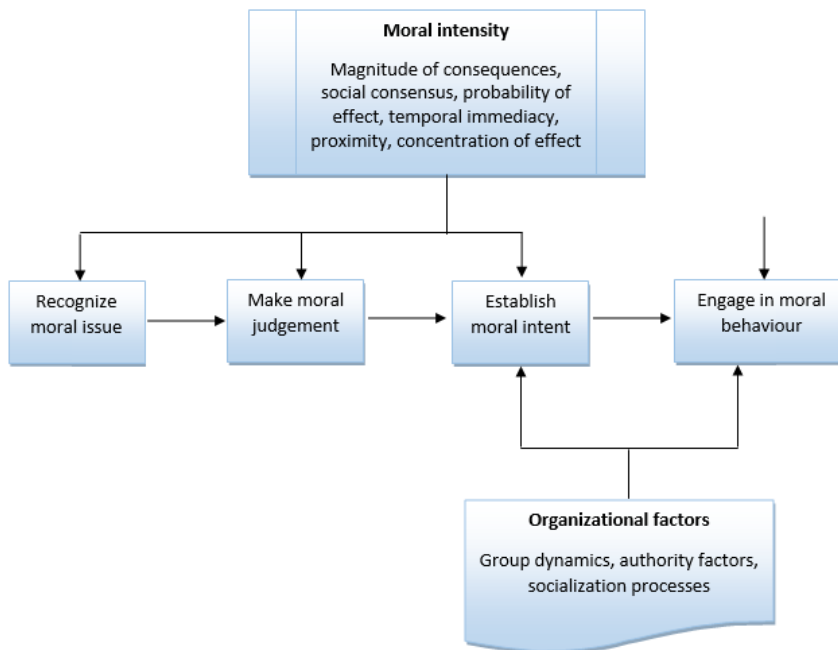


Figure 12 Jones (1991) Issue-contingent model of ethical decision-making in organizations

Moral intensity and ethical decision-making

Jones (1991) suggested that moral intensity dimensions would directly influence each of the first three components of the Rest's (1986) four-component model; moral awareness, moral judgement, and moral intent. Previous studies have investigated the relationship between moral intensity and moral recognition. Singhapakdi et al. (1996) analyzed the relationship between six moral intensity dimensions and marketer's ethical perceptions and found that five out of six dimensions were significantly related to ethical intentions (May & Pauli, 2002). A year later, Marshall and Dewe (1997) conducted a small-sample study where the influence of all the six moral intensity dimensions were examined. The study reported no significant relationship between moral intensity factors and individuals' ethical assessment of situations (May & Pauli,

2002). Furthermore, a study completed by Frey (2000) reported that social consensus and magnitude of consequences were significant factors in recognizing the ethical content of issues. Finally, Dukerich et al. (2000) aimed to find out whether managers were able to differentiate between moral and nonmoral issues based on five moral intensity dimensions. The authors found that four out of five dimensions differed between the two scenarios – where moral issues showed higher moral intensity figures (May & Pauli, 2000). May and Pauli (2000) concluded that previous studies which covered this topic sufficiently captured the relationship between moral intensity and moral recognition – resulting in the support of Jones (1991) prepositions.

In their study, Kelley and Elm (2003) criticized Jones (1991) model and argued that it minimizes the impact of organizational context and organizational factors on the moral intensity of ethical issues. Jones' (1991) initial claim was that organizational context and factors only affect the decision-making process at stage three (moral intent) and stage four (moral behaviour). Kelley and Elm's (2003) main argument was that organizational context and setting influence the way managers frame ethical issues – especially since framing involves placing problems in a context. They are supported by previous studies (Beach, 1997; Marshall & Dewe, 1997) which assert that context gives these decisions and issues meaning and plays an important role in the ethical decision-making process (Weber & Wasieleski, 2001; May & Pauli, 2002). Kelley and Elm (2003) examined contextual differences on managers' experiences of ethical issues. Their main argument was that organizational context and setting influence the way managers frame ethical issues, especially since framing involves placing problems in a context – which is why a social service setting was chosen. Previous studies (Beach, 1997; Marshall & Dewe, 1997) support their perspectives as they assert that context gives these decisions and problems meaning and plays an important role in the ethical decision-making process (May & Pauli, 2002; Weber & Wasieleski, 2001).

The results of Kelley and Elm's (2003) study confirmed that in certain environments, context may be critical in affecting the moral intensity of ethical issues. As a result, they proposed a modified version of Jones' (1991) model to better reflect these findings, and this is summarized in Figure 13 below:

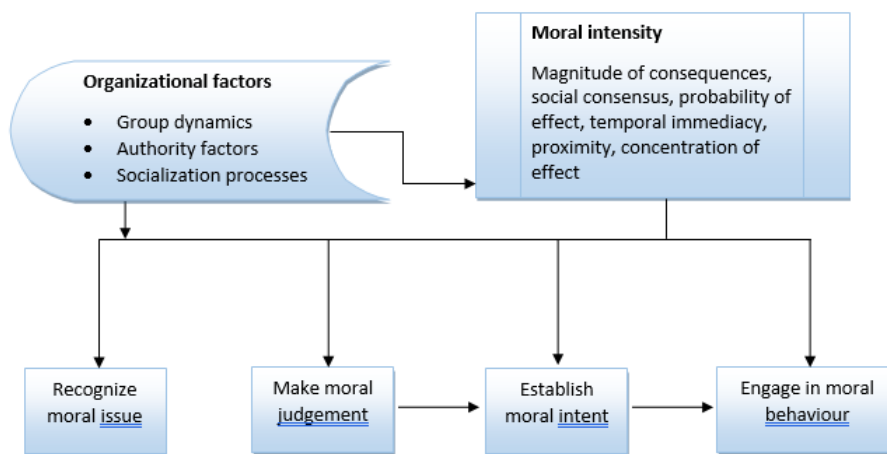


Figure 13 Kelly and Elm's (2003) Re-configured issue-contingent model of ethical decision-making in organizations

4.4 Antecedents of Ethical Decision Making

The ethical decision-making models that have existed to date have discussed factors which influence individual decision-making from a variety of perspectives. Such perspectives have taken on a moral reasoning process which focuses on the moral agent analysing the cognitive moral processes (e.g., Kohlberg, 1969; Rest, 1984, 1986), the perspective of the moral environment, which focuses on the external factors which analyse the contextual aspects of the decision-making process (e.g., Trevino, 1986), or an issue-contingent perspective (e.g., Jones, 1996) which focuses of the traits of the moral issue. As a result, Kargin (2009) categorises the factors which influence ethical decision-making as: individual, organizational, and situational.

Previous studies have analysed the influence of different factors on the ethical decision-making process of individuals. Majority of ethics studies (Craft, 2013; Lehnert et al., 2015; Loe et al., 2000; O'Fallon & Butterfield, 2005) have specifically focused on Rest's (1986) four-component model and found significant relationships between one or more of his components and different factors. However, in some studies the components of his model (awareness, judgement, intent, behaviour) were treated as dependent variables (Liyanapathirana, 2018).

Majority of the variables examined in previous literature (Eweje & Brunton, 2010; Musbah et al., 2016; Sweeney et al., 2010) measure the demographic attributes of individuals and how they affect the

decision-making process. Although ethics literature discusses the relationship between influential factors and various components of Rest's (1986) four-component model of EDM, this study focuses on examining factors which influence moral awareness and recognition. These specific variables are chosen because empirical studies which analyse moral awareness as a dependent variable have produced mixed results about age, gender, education, and work experience.

4.4.1 Age

A review of empirical EDM literature was conducted by Craft (2013) and shows that the influence of age has been examined against different stages of Rest's (1986) four-component model. Between 2004 and 2011, seven (7) studies have examined the influence of age on moral judgement; two (2) studies examined moral intent; one (1) study examined moral behaviour and four (4) studies examined moral awareness. Several studies recognize the importance of incorporating the age factor into ethics research (i.e. Chan & Leung, 2006; Eweje & Brunton, 2010; Zopiatis & Krambia-Kapardis, 2008). However, Eweje and Brunton (2010) acknowledge that study findings on the influence of age on the ethical decision-making process have been

inconsistent. Many researchers have focused their efforts to study the influence of age on ethical perceptions as a result of the old assumption that age brings wisdom (Knotts et al., 2003). For example, Kohlberg's (1986) CMD theory argues that as individuals grow older, they shift from a lower stage of moral reasoning to a higher stage. Several studies have confirmed Kohlberg's (1986) theory. In their study, Ruegger and King (1992) found that older students tended to make more ethical decisions than younger ones.

Similarly, Serwinek (1992) claimed that older workers displayed stricter ethical tendencies. In the same way, Hartikainen and Torstila (2005) investigated the responses of 230 finance practitioners with respect to ethical issues in their industry and found that younger finance professionals were more inclined to overlook unethical actions. Over the years, a handful of studies (Chan & Leung, 2006; Eweje & Brunton, 2010; Zopiatis & Krambia-Kapardis, 2008) have examined the role age plays on the recognition of ethical issues (moral awareness). In their study, Chan and Leung (2006) focused on the first component of Rest's (1986) four-component model: ethical sensitivity. Their study presented 156 accounting undergraduate students with professional scenarios entailing various ethical issues. Study findings suggested there is a positive correlation between age and ethical sensitivity. Similarly, Krambia-Kapardis and Zopiatis (2008) investigated the age and gender difference between professionals regarding ethical perspectives. Their study examined the responses of 1000 individuals working in Cyprus or pursuing graduate business degree. Study findings suggested that individuals over thirty were more ethically aware than those under thirty (Krambia-Kapardis & Zopiatis, 2008).

Moreover, Zbib, Rawwas and Moussawer (2008) addressed issues of gender, age, and ethical sensitivity within the Lebanese context. A structured questionnaire was administered to test the respondents' level of ethical sensitivity. Findings were in line with those of previous studies (Weber & Green, 1991; Terpstra et al., 1993) that found that people tend to be more ethical as

they grow older (Yusuf, 2009). Although, Eweje and Brunton (2010) highlighted that many studies have inconsistent findings when analysing the relationship between age and the EDM process, studies which focus on ethical awareness as a dependent variable maintain that age is positively correlated with ethical sensitivity. Therefore, this study hypothesises that these findings will be consistent in a non-profit organizational context.

4.4.2 Gender

Craft (2013) collated a review of EDM literature from 2004 to 2011. Between this time period, there were a total of 38 studies which analyzed the relationship between gender and various components of Rests' (1986) model. These include thirteen (13) studies which examined the influence of gender on moral judgement; fourteen (14) examined the relationship between gender and moral intent; six (6) assessed gender and moral behaviour and only five (5) studies analyzed the influence of gender on moral awareness (Craft, 2013). Several studies (Forte, 2004; McMahon & Harvey, 2007; Nguyen et al., 2008b; Marques & Azevedo-Peirera, 2009; Sweeney et al., 2010) have examined the influence of gender on moral judgement. Forte (2004), McMahon and Harvey (2007), and Sweeney and Costello (2008) found no significant differences between males and females on moral reasoning. However, Nguyen et al., (2008b) reported that among adults of the same age, women had a higher level of ethical judgement than men (Craft, 2013).

A more recent study Sweeney et al., (2010) found that females reported higher ethical evaluations than men. Initial studies (Guidice et al., 2008; Marta et al., 2008; Oumilil & Balloun, 2009) which investigated the influence of gender on moral intent found females to have a more ethical intention than their male counterparts. Elango et al., (2010) suggested insignificant gender difference in the EDM process but maintained that if they were to choose which gender is more ethical – it would be females. Moreover, Beekun et al. (2010) proposed

that women's intention to behave ethically was contextual as they relied on both justice and utilitarianism to make moral judgements. When examining the influence of gender on ethical awareness, Chan and Leung (2006) reported that gender was not significantly associated with accounting students' ability to recognize ethical issues in a professional scenario.

On the other hand, Krambia-Kapradis and Zopiatis (2008) reported that females were more ethical than males in a study of perception. In line with this, Ewjere and Brunton (2010) found that females were more ethically aware than males. Agrawal's (2001) study postulated gender would not influence the perception of ethical climate in a non-profit organization context. Seeing as an individual would need to be able to recognize an ethical issue before assessing the ethicality of climate, Malloy and Agrawal's (2001) findings are relevant when determining the influence of gender on moral awareness.

A more recent study Sweeney et al., (2010) found that females reported higher ethical evaluations than men. Initial studies (R. M. Guidice et al., 2009; Marta et al., 2008) which investigated the influence of gender on moral intent found that females demonstrated higher ethical intentions than their male counterparts. However, most of these studies were examined in the US context and hence we will examine whether results are as consistent in the UK context. Therefore, the following hypothesis is proposed:

- *H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees*

4.4.3 Work experience, work level, and work tenure

Forte (2004) found no significant relationship between an individual's work tenure and work level on the reasoning ability of managers. In contrast, Sweeney et al., (2010) reported significant differences in ethical judgement which was dependent on area of work of respondents (audit vs non-audit). Additionally, they found that the relationship between work

tenure and ethicality was complex. When assessing the perceptions of professionals versus nonprofessional's, Zgheib (2005) found that professionals applied the morality principle more than their counterparts (Craft, 2013). Krambia-Kapardis and Zopiatis (2008) examined the relationship between an individual's work tenure and work level on the moral awareness - first stage of Rest's (1986) model. Their findings show that managers perceptions of issues proved to be more ethical than non-managers. This suggests a relationship between work-level and ethical awareness. Similarly, O'Leary and Stewart (2007) found that internal auditors demonstrated a reasonably high sensitivity to ethical issues. Nguyen et al., (2008) note that work experience was shown to be related to one's tendency to be more morally conservative or moralistic.

Given that internal auditors require a professional qualification which is awarded upon the demonstration of a professional code of practice, there may be a link between professional qualification and pro-ethical reporting behaviour. Cagle and Baucus (2006) examined the influence of employment experience on ethical awareness and found that employees who have undergone some educational courses and training and who learned about ethical scandals were more likely to recognize ethical issues as businesspeople (Cagle & Baucus, 2006). Most studies which assess the influence of work experience, tenure, professional qualifications, and rank were not in a UK context. Therefore, the following hypotheses are proposed:

- *H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.*
- *H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.*

- *H4: Higher ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees*

4.4.4 Educational experience

Between 2004 and 2001, twenty-seven (27) studies assessed the influence of education, employment, and experience on various components of Rest's (1986) model of EDM (Craft, 2013). Thirteen (13) studies assessed the influence of these variables on moral judgement; three (3) and five (5) assessed the influence of education, employment and experience on intent and behaviour respectively. Previous studies (Barnett et al., 2007; Forte, 2004; Marques & Azevedo-Pereira, 2009) have assessed the influence of education level on individuals' moral judgement. Forte (2004), Marques and Azevedo-Pereira (2009), and Pierce and Sweeney (2009) found no significant relationship between individual's education level and moral judgement. Moreover, Awasthi (2008) found that taking an ethics courses have no impact on moral judgement. Therefore, this exhibits the current views of ethics researchers. Education level is suggested to have little to no impact on an individual's moral judgement. Cagle and Baucus (2006) examined the influence of education, employment experience on ethical awareness and found that students who learned about ethical scandals were more likely to recognize ethical issues as businesspeople. Likewise, O'Leary and Stewart (2007) found that professional internal auditors as a group demonstrated a reasonably high sensitivity to ethical issues. Krambia-Kapardis and Zopiatis (2008) conducted a study which indicated that managers were more ethical than non-managers in a study of perception. Eweje and Brunton (2010) found that more experienced students appeared to be more ethically oriented.

Therefore, the literature suggests that educational and employment experience have a significant influence on an individual's decision-making process. However, there are limited studies which analysed the influence of educational experience on individual decision-making in a non-profit

context. One study was conducted by Malloy and Agarwal (2001) and found that studies based in for-profit organizational contexts generally support the view that an individual's educational background influences their perception of ethical dilemmas. Given that O'Leary and Stewart (2007) established professional internal auditors demonstrated reasonably higher sensitivities to ethical issues than other employees, educational experience could play a key role as it directly affects the reasoning process. Therefore, the following hypothesis is proposed:

- H5: *The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.*

As the previous sections reviewed various ethical decision-making models, we know that the decision-making process can be broken down into components / stages which are affected by various individual and situational factors. This study looks to focus on specific stages of the rationality-based decision-making process and employs Rest's (1986) four-component model as the key model for understanding ethics in a non-profit organizational context. Several researchers (Jones, 1991; Schwartz, 2016) have developed their ethical decision-making models and theories based off Rest's (1986) four-component model. Although Trevino (1986) did not directly address Rest's (1986) model, she offered a competing model which builds on it (Jones, 1991). Similarly, Jones' (1991) Issue-contingent ethical decision-making model builds on Rest's (1986) model by suggesting that the recognition of an issue as an ethical one depends on the moral intensity of the issue. Studies (Jones, 1991; Singhapakdi, Vitell & Kraft, 1996) maintain that Rest's (1986) model is arguably the most suitable for examining decision-making in organizational contexts. Therefore, it offers the most appropriate theory for understanding non-profit employee's perception of ethical issues. In addition, it provides a useful framework for this study since non-profit organizations are attached to the business environments, educational institutions, and the greater social care community. When it comes

to addressing the influence different variables which affect the decision-making process, Rest's (1986) model is regarded highly by researchers (Cohen et al., 2001; Cohen & Bernie, 2006; Sweeney & Costello, 2009; Venezia & Venezia, 2010; Musbah et al., 2014). The literature (Ferrell & Gresham, 1985; Trevino, 1986, Brass et al., 1998; McDevitt et al., 2007; Schwartz, 2016), suggests the EDM process of individuals both in a business and non-business context is influenced by individual and situational factors. These studies adopted Rest's (1986) model to examine the relationships between different variables which affect the EDM process. Moreover, in his study, Jones (1991) argued that Rest's model is the best fit for organizational settings (Liyana, 2018). Therefore, this study draws on an integrated framework which combines Rest's (1986) "Four-component model", Jones (1991) "Issue-contingent model of ethical decision-making model", and Kelley and Elm's (2003) "Re-configured issue-contingent model of ethical decision-making in organizations" to examine the factors which influence peer reporting intentions in non-profit organizations.

4.5 Influence of Social and Cognitive Processes on Decision-Making in Organizations

Previous studies within the ethics discipline have indicated that other factors which stem from judgement may prevent ethical decision-making. For example, Rest (1986) suggests that some individuals simply lack the courage to act, and Jones (1991) suggest it may be a case of the varying situational factors, and Bandura (2016) suggests moral disengagement may be a key component to consider. In their recent study, Nguyen and Crossan (2021) note that ethical decision-making is more than knowing what the course of action is, it is also about assessing intention to carry out the action. More recently, Scheetz (2018) suggested that the social exchange relationship between employees may have a direct influence on reporting intentions, organization commitment and quitting intentions.

4.6 Social Exchange Theory

In their study, Shore et al., (2009) discuss the importance of relationships in organizations. Over the years, social exchange theory has gained an increasing amount of interest as it is often used as a framework for understanding the employee-organization relationships (EOR) and is one of the most prominent frameworks for understanding exchange behaviour in organizations (Cropanzano & Mitchell, 2005). Although there has been a vast amount of works that explore this theory, the two main contributors to its theoretical foundation literature are Blau (1964) and Gouldner (1960) as they have each provided the key tenets that have been applied in social exchange literature. Blau (1964) defines a social exchange relationship as *'providing favours that create diffuse future obligations, not precisely defined ones, and the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it'* (Blau, 1964, p.93). In addition to social exchange, there is economic exchange, which differs by resources exchanged, type and strength of obligations, reciprocity and relationship quality which develops over time (Shore et al., 2009). Although both forms can involve the exchange of economic resources, social exchange also involves socio-emotional resources (Shore et al., 2009), which shows for a broader investment in the relationship. The effects of such a broad investment in the relationship paired with the trust that ensues between exchange partners, enables the exchange of unspecified resources (Shore et al., 2009). Blau (1964) argued that in order for exchange to occur, the donor needs to trust that the recipient will hold up their end of the bargain, but in order for trust to develop, the recipient should not reciprocate the favour hastily.

On the other hand, Gouldner (1960) assigns more focus onto the value of the favour as this is more instrumental in fostering an obligation to reciprocate further stating that *'over time, social exchange develops when both parties reciprocate the receipt of valued resources'* (Gouldner, 1960, p.5). Thus, the main differentiating factor between social and economic exchange is the

range of resources exchanged. For example, obligations are defined within an economic exchange and both parties have confidence that the other individual will live up to their end of the bargain based on societal norms (Shore et al., 2009) such as employer-employee relationships (i.e., working a job and receiving compensation at month end). In these cases, verbally negotiated or formal contracts dictate the timeline of the relationship (Blau, 1964). However, it is important to note that in order to properly fulfil an economic exchange, the employees (recipient) must be paid accordingly for holding up their end of the bargain, because if they are not compensated as per the agreement, there will be a breakdown in the relationship. The theory of social exchange stipulates that individuals involved in an exchange relationship will provide each other with tangible benefits (Blau, 1964).

Social exchange theory assumes that there will be an expectation of a future return if an individual grants another a favour, however, the form of return may be unclear (Blau, 1964). Such an instance incorporates a certain risk element as there are no definite rules which put a specific time-limit of the return window, thereby requiring a long-term perspective during which each party can show their trustworthiness (Shore et al., 2009; Sheetz, 2018). Over the years, studies which have addressed employee-organization relationships have keyed in on the relationship a person harnesses with their manager (Liden et al., 1997), the organization (Shore et al., 2009), plus the relationships between groups of employees and the organization (Song et al., 2009; Takeuchi et al., 2007; Tsui et al., 1997). Overall previous studies have shown significant results that link greater social exchange with higher employee contributions in form of increased commitment, lower quitting intentions, increased organization citizenship behaviour, and better overall performance (Shore et al., 2009). In addition, these relationships are stronger for some employees than others (i.e., those with various cultural and individual differences (Farh et al., 2007; Kamdar et al., 2006; Shore et al., 2009).

Social exchange theory stipulates that exchange is based on the norm of reciprocity such that an individual will be more likely to help someone who has offered them assistance in the past with Molm (1994) adding that such an exchange is an essential trait of reciprocity. Reciprocity differs from negotiations and explicit bargaining in the sense that it offers an opportunity for stronger interpersonal bonds (Molm, 2000, 2003). Eisenberger et al., (2001) states that within the organizational context the norm of reciprocity dictates employees should return any favourable treatment received or organizational support in the form of caring about the organization's welfare. Robertson et al., (2011) define interpersonal affect as the feelings of like or dislike toward a co-worker which has the value placed on specific actions within the social exchange relationships. It is important to understand how the social exchange relationship can influence reporting intentions of fraudulent financial misconduct within an organization.

4.6.1 Reciprocity

Reciprocity plays an important role in our work relationships (Sheetz, 2018), in governing interactions (Dabos & Rousseau, 2004; Robinson & Morrison, 1995) and it is the steppingstone to all social orders (Gobel et al., 2013). Previous studies (Deckop et al., 2003; Koster & Sanders, 2006) share that reciprocity promotes cooperation among colleagues in organizations. Cropanzano and Mitchell (2005) refer to reciprocity as the best-known exchange rule. Gouldner (1960) theorized that a norm of reciprocity among parties is necessary for the maintenance of a stable social system, and he referred to reciprocity as a universal characteristic of human civilization. Interestingly, Gouldner (1960) also considered that reciprocity fuels a desire to satisfy egoistic desires such that when an individual does a good deed, it is done with the future expectation or chance of receiving benefits. Thus, it is in this way that reciprocity can be linked to egoistic impulses to maintain the social order within the system. Selznick (1992) added to the argument by stating that reciprocity has since developed and been morphed

into a moral norm which surpasses the egoistic motivations described by Gouldner (1960). For example, a person who does not pay their debts will derive an individual benefit, however committing such an act may result a breakdown of reciprocity, thereby threatening the peace in the relationship (social group). The norm of reciprocity prevents such breakdowns from occurring and works to maintain the social system (Cropanzano and Mitchell, 2005). Viewing reciprocity as a moral norm helps work out the more practical issues such as details about the timing and form of repayment. An individual may be less likely to help out another if certain details such as the timing and form of repayment are not defined and therefore, the norm of reciprocity is useful in that it ensures that individuals who provide favours can trust that the favour will be repaid even in the absence of timing and form of repayment.

As discussed in the previous section about social exchange, there are two main forms of exchange which are economic and social as conceptualized by Gouldner (1960) and Blau (1964). Economic exchange refers to the contractual agreement for specific services (usually employment work) and monetary payment is provided. The norm of reciprocity can also be compared to economic exchange such as between an employee and employer because it has a clear definition and is more often than not short term in its nature (Deckop et al., 2003). However, it is important to note that a social exchange relationship does not have to develop between employees or employees and their employer. Deckop et al., (2003) add that the norm of reciprocity governs the responses to favourable treatment in social exchange relationships. For example, employees who perform certain activities for the betterment of others do not expect repayment but instead trust that the favour will be returned at some future point. Another important aspect of exchange is that it does not work directly between parties (Blau, 1964). Blau (1964) shared that a group of individuals can also reap the benefits of indirect chains of exchange. An individual (A) may help another (B), and that individual (B) may help another individual (C). The quid pro quo of exchange is satisfied if individual (C) goes on to help

individual (A), so even though individual (C) did not help the person that helped them (B), everyone can benefit seeing as the norm or reciprocity dictates that the efforts of individual (B) will be repaid by someone within the social group either directly or through an activity which benefits the group in general (Deckop et al., 2003). As the norm of reciprocity encourages cooperation and helping behaviors among co-workers in organizations (Deckop et al., 2003; Koster & Sanders, 2006), it is important to understand how an individual's likelihood to report fraudulent activity is affected by reciprocal relationships with their peers.

Although Gouldner (1960) termed reciprocity as 'universal', there have been recent developments that prove this may not necessarily be the case. In their study, Keysar et al., (2008) highlighted that reciprocity varies among individuals based on their characteristics and cultures. The way in which people understand actions varies and the way in which they adhere to the norm or reciprocity may differ as well (Perugini et al., 2003). In their study, Keysar et al., (2008) share that reciprocity works on a particular exchange rate which gives value to the meaning of events. Furthermore, Sheetz (2018) elaborates on this point by noting existence of costs on both sides when someone asks another for help. Referring to DePaulo and Fisher's (1980) conceptual study, before making the decision to provide a favour, an individual will first evaluate the cost they will bear and the cost or benefit that will be borne by the individual who would help them. In addition, Greenberg and Shapiro (1971) share that an individual who believes they would not be able to repay the debt will be less likely to ask for help and for those who believe the favour to be costly will have greater feelings of indebtedness.

Bhatnagar and Manchanda (2013) report that people are less likely to assist people they perceive to be unhelpful toward other individuals, but this is usually affected by the severity of the situation. Given a dire situation, a helper will most likely help that individual despite their unhelpfulness in the past (Bhatnagar & Manchanda, 2013). In summary, all things relating to

the costs and benefits of asking or providing help are considered in a reciprocal relationship. Gouldner (1960) shares two minimal demands that govern reciprocity, and these are “(1) *people should help those who have helped them and (2) people should not injure those who have helped them.* p. 36” This study assumes that the fraud discoverer will be biased against reporting fraudulent activity when they feel indebted to the fraud perpetrator. Although according to Sheetz (2018), the existing social exchange relationship would be in jeopardy after the discovery as the breach of trust could result in the termination of the reciprocal relationship should the discoverer decided to repay the favour and look the other way.

4.6.2 Interpersonal affect

Interpersonal affect is the feeling of like or dislike toward another person and it affects the quality of work relationships involved in a social exchange (Robertson et al., 2011). The effects of interpersonal affect may alter the value placed on reciprocal actions occurring within the social exchange relationship (Sheetz, 2018). An individual can judge others to be likeable, warm, or competent just by merely observing their behaviour (Ambady et al., 2000). Casciaro and Lobo (2008) note that interpersonal affect may develop quickly without extensive interaction, however it should not be confused with friendship because unlike friendship, interpersonal affect is not based on a history of interaction and certain behaviours. Krackhardt (1992) further explains the difference but noting that interpersonal affect does not require relationship depth. Positive interpersonal affect is achieved when positive interactions trigger positive emotions whereas negative interpersonal affect leads to negative interactions and thus negative emotions (Robertson et al., 2011). Similarly, positive and negative attributes are linked with positive and negative likeability (Kaplan et al., 2008). The way in which information is processed cognitively will be influenced by these interpersonal interactions (Zanjon, 1980). Previous studies (DeNisi et al., 1984; Robbin & DeNisi, 1994) have noted that individuals are more likely to remember information about a person such as their overall impression and

information which was consistent or inconsistent with their own preconceived notions. This may in some cases be done to the extent of not making any effort to look for contradictory evidence (Robbin & DeNisi, 1994). In summary, individuals will cognitively process information that aligns with their prior experience which improves their ability to process confirming evidence as opposed to disconfirming evidence (Gigerenzer & Gaissmaier, 2011). Therefore, this study assumes that interpersonal affect (positive or negative) will influence an individual's decision-making when deciding whether to report fraudulent activity.

4.6.3 Interaction of Interpersonal Affect and Reciprocity

The way in which an individual understands value is influenced by how they interpret specific events in their lives (Keysar et al., 2008). Social exchanges lack a defined 'value' as giving and taking are intended to be repaid relatively equally (Sheetz, 2018). In addition, Gobel et al., (2013) notes that the way an individual adheres to norms when it comes to reciprocal behaviour is influenced by their independent cultural understandings of morality. These differences in the cultural understandings of morality make it hard to generalize the population to one anticipated result because every person will interpret the information through their own unique biased lens. However, we can still make some assumptions based on existing theory. Previous studies which apply the social exchange theory assume that individuals involved in the study are unemotional (Lawler & Thye, 1999). Contrary to this, Moideenkutty and Schmidt (2016) found that a positive interpersonal affect (liking someone) is positively associated with social exchange. According to affect theory, emotions have an impact on how a person feels about an exchange proving a link between social exchange and emotions. For example, positive emotions can be expressed as pride or gratitude and negative emotions can include shame and anger (Lawler, 2001).

Lawler et al., (2000) note that positive emotions resulting from a successful exchange will have a positive influence on solidarity and affective attachments whereas negative emotions will lead to the opposite. Lawler (2001) adds that one manifestation of solidarity is “forgiving costly behaviours or isolated instances of opportunism” (Lawler, 2001). In the presence of a fraud discovery, Sheetz (2018) notes that pre-existing interpersonal and social exchange relationships have an influence on the decision to report. Positive previous social exchanges may result in strengthened interpersonal affect relationships and negative encounters may result in the opposite feelings which lead the individual to overlook bad behaviours. Adopted from Sheetz (2018) study, the scenarios in this study has either the fraud discoverer or the fraud perpetrator doing a significant and costly favour for the other party. Thus, the following hypothesis is formally proposed:

- *H6: Reporting intentions of fraudulent financial misconduct will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists.*

Researchers have also focused on the factors which affect the reporting channel used when an employee decides to blow the whistle. Potential whistle-blowers can report their concerns through internal channels such as directly to their supervisor, or externally such as through an anonymous hotline or through direct reporting to the regulator. Both of these channels have important yet different implications for organizations and their stakeholders (Lee & Xiao, 2018). More often than not, internal whistleblowing channels are encouraged within organizations as they give management an opportunity to address and correct the concerns in a timely manner – minimizing the costs in the process (Berry, 2004; Lee & Xiao, 2018). The costs associated with external whistleblowing include but are not limited to negative publicity, disruptive regulatory investigations, potential legal ramifications etc (Lee & Xiao, 2018). Lee and Xiao (2018) add that external whistleblowing may be the preferred mode of reporting for

stakeholders as they might otherwise not be made aware of the misconduct and more importantly if management did not implement efficient corrective measures. Given the importance of understanding which factors influence reporting channel, previous studies (Guthrie & Taylor, 2017; Kaplan et al., 2012; Liyanapathirana, 2018) have sought out to find out which factors affect reporting channels for accounting-related misconduct. While assessing the responses of auditors, Kaplan and Schulz (2007) find that internal reporting channels are more favourable than external non-anonymous channels when reporting accounting-related misconduct.

Using a sample of MBA students, Kaplan et al., (2009) share female employees were more likely to use anonymous reporting channels than males although they did not provide a reason for this. Lee and Fargher (2017) find a lower inclination to report through external channels in the presence of a strong internal whistleblowing system. Pope and Lee (2013) find no differences in the use of internal or external whistleblowing systems between genders. Two studies (Day, 2017; Libit, 2014) looked at the effects of perceived costs of whistleblowing on reporting intentions and both find that reporting through anonymous channels offers the whistle-blower more protections as it lowers the perceived cost of raising their concerns (i.e. threat of retaliation). Despite this, in his study Kensicki (2006) highlights concerns about the hinderance of anonymous reports when it comes to investigation claims and taking cases to court. Similarly, the opinions of auditors in the Guthrie et al., (2012) study highlighted that anonymous whistleblowing to do more harm than non-anonymous reporting. Taken together, these studies suggest anonymous reporting channels are the most favourable option for potential whistle-blowers when the perceived cost of reporting is high. In their study, Sheetz (2018) concludes that there is a link between social exchange relationship and reporting channel as they note a significant interaction between both interpersonal affect and reciprocity for intention to report externally. Thus, the following hypothesis is formally proposed:

- H7: *Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions of fraudulent financial misconduct will be lower.*

4.7 Moral Disengagement Theory

Schaefer and Bouwmeester (2021) note that moral disengagement was initially conceptualized as a process through which people reconstrue unethical behaviours, with the effect of deactivating self-sanctions. Originally introduced as an explanation for how people transgress by Albert Bandura (1990), Newman et al., (2020) shares that people will ‘disassociate with their moral standards’ through a social cognitive process. Through moral disengagements, individuals can rationalize otherwise considered ‘unethical behaviour’, thereby absolving themselves from the potential negative feelings that may surface as a result. Several studies (Bandura, 1999, 2002; Gini et al., 2015; White et al., 2009) have investigated the effects of moral disengagement at group-level and organizational-level, with Brief et al., (2001) labelling moral disengagement as “the root cause of all corruption” (Brief et al., 2001, p. 473).

Bandura introduced the moral disengagement theory in 1990 as part of his social learning theory which was published in 1977. He specified a set of eight mechanisms which have been used throughout history to explain the reasoning behind wrongdoing on behalf of an individual or an organization. According to Schaefer and Bouwmeester (2021), Bandura suggested that people generally act based on their individual internalized moral standards (Bandura, 1990, 2002). The internalized moral standards can be morally disengaged through *moral justification*, *euphemistic labelling*, and *advantageous comparison* which renders ethical misconduct as permissible (Bandura, 2016; Schaefer & Bouwmeester, 2021). Similarly, *displacement of responsibility* and *diffusion of blame* allow individuals to separate themselves from the

misconduct, and by *minimizing the consequences* individuals can mis construct the severity of the issues (Bandura, 2016; Schaefer & Bouwmeester, 2021). Finally, individuals may attempt to shift the blame for their actions to the victim by *dehumanization* and *blaming the victim* (Bandura, 2016).

To date, several authors (Ashforth & Anand, 2003; Bandura, 2016; Moore, 2008; Newman et al., 2020) have used moral disengagement theory to understand the dynamics of post-ad hoc rationalizations following corporate financial scandals. This can be viewed as a result of how Bernie Madoff explained his unethical conduct by redirecting the blame of his actions to his clients, emphasizing that they made the decision to invest with him (which is a cognitive mechanism of blame attribution), despite knowing the risks of stock market investing (Newman et al., 2020). Bernie Madoff also blames the United States government by stating that it was carrying out the biggest Ponzi scheme in history (which is a cognitive mechanism of diffusion of responsibility and advantageous comparison) (Kish-Gephart et al., 2014; Newman et al., 2020). As a result of these links, several authors used moral disengagement techniques to rationalize and explain their wrongdoing (e.g. Barsky, 2011; Dang et al., 2017; Hinrichs et al., 2012; Kish-Gephart et al., 2014). Therefore, this study adopts Bandura's (2016) moral disengagement mechanisms to examines the rationalization for wrongdoing associated with employees who have low reporting intentions of fraudulent financial misconduct and seeks to understand how employees with low reporting intentions of fraudulent financial misconduct explain their decision.

4.8 Construction of a Preliminary Integrated Framework of EDM of Employees

The previous discussion provided background to the most studies ethical decision-making models which looked at the main differences between various descriptive ethics models. Despite the variations in scope and findings, most ethical decision-making models are

grounded on a common foundation of psychological models. As the preliminary framework demonstrates, this study is based on a four-component model of Rest (1986) who observed that his model has a logical sequence of steps. This study takes this a step forward by using a reconstructed version of Rest's (1986) and Jones (1991) ethical decision-making models as designed by Kelly and Elm (2003). The organizational factors considered in this study include those introduced by Trevino (1986) which consist of peer reinforcement and referent others, and the social exchange relationship which consists of interpersonal affect and reciprocity which have been adapted from Sheetz (2018) study. Furthermore, post ad-hoc rationalizations will be assessed by using Bandura's (1986) study which explained that people make unethical decisions when moral self-regulatory processes which normally inhibit unethical behaviour are deactivated via use of several interrelated cognitive moral disengagement mechanisms. Therefore, the following diagram presents a preliminary integrated framework which governs this study:

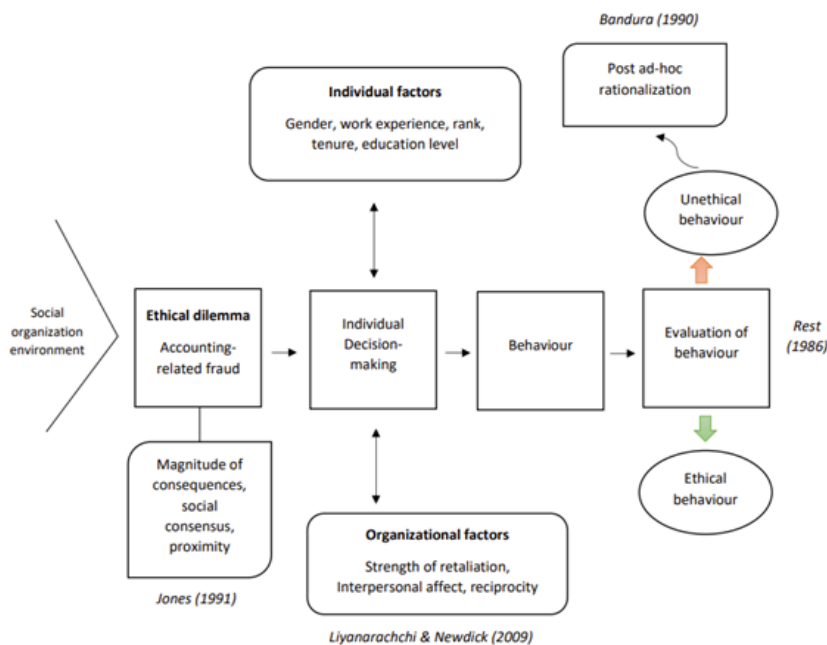


Figure 14 Preliminary integrated framework of EDM of employees

The proposed model adopts a condensed version Rest's (1986) widely used four-component model in ethics research. The model assumes that individuals will engage in a step-by-step process (borrowed from Rest (1986)), and this starts with recognition of a moral issue, making a moral judgement and engaging in the behaviour. We assume that employees operate in a social environment within their organization, and it is within such a social context where ethical issues may arise. We propose that an accounting-related ethical issue is morally recognizable when it is comprised of components highlighted by Jones (1991) Issue-contingent model, namely the magnitude of the consequences an individual might face (i.e., job loss), the social consensus of the wider organization, and the proximity to the key players in associated with the dilemma. The model incorporates the strength of retaliation as the organizational factor as Liyanarachchi and Newdick (2009) show that whistleblowing intention is negatively related to

the strength of retaliation (Liyanarachchi & Newdick, 2008). Following evaluation of the behaviour, if the individual makes an unethical decision, they will engage in a post ad hoc rationalization as presented by Bandura (1990) whose model of moral disengagement provides an in-depth examination of the processes involved in the rationalization and justification of deviant or aberrant behaviour (Bandura, 1990, 1999, 2002).

Moral disengagement is considered to comprise of eight different, but interrelated, mechanisms, sorted under three broad groups. The first three mechanisms (moral justification, euphemistic labelling, and advantageous comparison) all involve a cognitive restructuring of the act or behaviour in order to make it more morally justifiable (Hystad et al., 2014). A second group of mechanisms (dehumanisation and attribution of blame) centres on the cognitive misconstrual of the victims of the unethical behaviour and in the final group (displacement of responsibility, diffusion of responsibility and distortion of consequences) work to reduce the agentic role of the actor, making the behaviour more palatable due to the supposed lack of control over the situation (Bandura, 1990; Bandura, 1999; Hystad, 2014). In addition to examine how interplay of the discussed variables affect peer reporting intentions of fraudulent financial misconduct, we employ Bandura's (1990) moral disengagement mechanisms to explain post ad hoc rationalizations an individual employs after making an unethical decision.

4.9 Summary

This chapter first discussed the main theories used in the development of the integrated framework. These include Rest's "Four component model". Trevino's "Person-situation interactionist model" and Jones "Issue-contingent model of ethical decision making. Next, we discuss the antecedents of ethical decision-making, and these include individual factors such as age, gender, work experience, tenure, and education level. We find that each of these factors have been assessed in the literature and have varying effects on the outcome. However, as most

of these models and studies were not studied within the UK context, we explore the effects of these individual factors within the UK organizational context of a non-profit organization. In the next section, we explore the influence of social exchange relationships on individual decision-making and previous studies conclude that the social exchange relationship between employees may have a direct influence on reporting intentions of fraudulent financial misconduct, organization commitment and quitting intentions. Similarly, a study on MBA students in the United States highlighted that there is a link between social exchange relationship and reporting channel as they note a significant interaction between both interpersonal affect and reciprocity for intention to report externally. In line with this, we opted to explore these relationships within a UK context.

In the next section, it discusses a post-ad hoc cognitive process known as “moral disengagement” which was introduced by Albert Bandura (1990). Bandura (1990) specified a set of eight mechanisms which have been used throughout history to explain the reasoning behind wrongdoing on behalf of an individual or an organization. It should be noted that several authors have adopted the moral disengagement theory to understand the dynamics of post-ad hoc rationalizations following corporate financial scandals. Similar to the previous theories, these studies were not conducted in a UK context, therefore we seek to explore this phenomenon in the UK. The chapter concludes by proposing a preliminary integrated framework of ethical decision-making of employees. The next chapter presents the research methodology and methods used to conduct the research. It details the research methods that were employed to collect and analyse data in order to answer the study’s research questions and to achieve its research objectives.

CHAPTER FIVE: RESEARCH METHODOLOGY

5.0 Introduction

This chapter examines the most important tools and concepts of research design in order to aid in the selection and implementation of the best approach, taking into consideration the essence of the research mission, its objectives, the support required, and the methods employed. There are many testing approaches, tools, and protocols that may be utilised in the planned study; nevertheless, the aims and intent of the project were the basis of the decisions made on this research methodology. Before diving into the details of this portion, it's important to understand the distinction between screening methodology and research methodology. The procedures section applies to the data collection tools used in assessment, such as questionnaires and results, while the methodology section is concerned with the analysis of the procedures used in research (Bryman, 2008). To put it another way, science theory serves as the intellectual basis for study, while research tools are the data collection tools used in analysis (Saunders et al., 2000). The research methodology is the methodological context through which this study may be conducted. According to Ivo (2011) the probability of suitable testing methodology is a prerequisite for achieving high-quality final performance. There is no one-size-fits-all study approach, but each research design has benefits and drawbacks, resulting in a number of sacrifices in research design selection (McGrath et al., 1982). The context of the analysis, the research priorities, the research concerns, the style of evaluation, the position of the researcher, the location of the study, and the time period allocated for the study are all factors that must be taken into account when deciding and planning the research strategy (Yin, 2003; Abdullah, 2012 and Sekaran & Bougie, 2016).

Non-governmental organisations (NGOs) are an important part of the UK economy and society. In March 2017, there were 167,063 listed charities in England and Wales, with a net turnover of £74.7 billion and charitable investments of more than £71 billion. Big scandals,

such as the Oxfam Controversy, have rocked charities in 2018, demonstrating that even charities founded on values and in the service of humanity cannot take dignity for granted. To date, there has been limited research which examines how peer relationships may affect the intention to whistle-blow with only one study conducted by Scheetz (2018) which analysed how employee relationships affected the intention to internally report fraud. However, Sheetz (2018) used a sample of graduate business students rather than actual employees. This study explores the effects of peer relationships on the intention to whistle-blow by analysing the responses of non-profit employees following the administration of a case study vignette. The study is led by the following research questions and hypotheses:

Table 9 Research questions and hypotheses

Research questions	Research hypotheses
RQ 1: What influences do individual demographics have on peer-to-peer reporting?	H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees.
	H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.
	H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.
	H4: Lower ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than higher ranking employees.
	H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.
	H6: Employee relationships with a negative interpersonal affect and reciprocity are more likely to have higher reporting intentions of fraudulent financial misconduct.

RQ2: What influences do social exchange relationships have on peer-to-peer reporting?	H7: Where a negative interpersonal relationship and reciprocity exist between the fraud discoverer and perpetrator, the discoverer is more likely to report their peer's fraudulent activity than if they shared a positive interpersonal relationship and reciprocity
RQ3: Which reporting channel are employees most likely to use when reporting financial fraud?	H8: Employees with a negative positive affect, reciprocity and organizational responsiveness are more likely to report internally and employees with a positive interpersonal relationship with the fraud perpetrator are more likely to report anonymously through a whistleblowing hotline.

Source: Author

This study, guided by the research objectives, adopts a mixed approach to direct research. Babbie (2013) concluded that any form of analysis has its own strengths and weakness and thus allows the researcher to take advantage of its various strengths and to reduce their shortcomings by utilizing more than one approach. Authored vignettes, interviews and questionnaire surveys were developed at the operationalization stage of the study. Next, the researcher was granted ethical approval from Salford Business School. Following ethical approval, the vignettes and questionnaires were pretested within the case organization and the instruments were further adjusted and finalized. Study participants consisted of non-profit organization employees who work within functional departments at the Head Office as these are considered to harbor the highest fraud risk. The finances in the case organization are funnelled from the Head Office outward into its subsidiaries/services and all procurement and requisition requests are sent back to the head office for pre-approval and processing. Managers and directors were interviewed in ten formal interviews to gain their perspectives on the fraud history of the company and the

implemented anti-fraud framework. The information gathered during the interviews helped to improve the survey.

5.1 Ethical Considerations in Data Collection

Laws for informed consent had to be followed by the study. Respondents were made aware of the dangers and advantages of engaging in the study willingly via the consent procedure. All knowledge affecting the respondents' ability to engage in the research was presented in a manner that they could comprehend. It was essential to communicate in a direct, straightforward, and non-manipulative manner. Furthermore, prior to completing the questionnaires, the researcher explained each question to avoid any unclear interpretations. Following up with the participants was done, and questionnaires were obtained after the survey was completed. A pilot analysis was conducted to review and validate the questionnaire questions before they were distributed. In order to assess the respondents' interpretations of the queries, a pilot study and follow-ups were needed (Button et al., 2015). Questionnaires are the most efficient way to gather data in a limited amount of time. Simulations and applications, such as SPSS, may be used to analyze data. Case-A and Case-B, respectively, were the two phases of the analysis.

5.2 The Research Methodology Framework

In the progress of a philosophy, there are several arguments and debates which needs to be understood in advance due to the complex nature of the research problems as they draw from more than one tradition (Adelopo, 2010). To answer the research questions set out in this study, we use the research methodology framework as depicted in the research onion diagram by Saunders, Lewis, and Thornhill (2009):

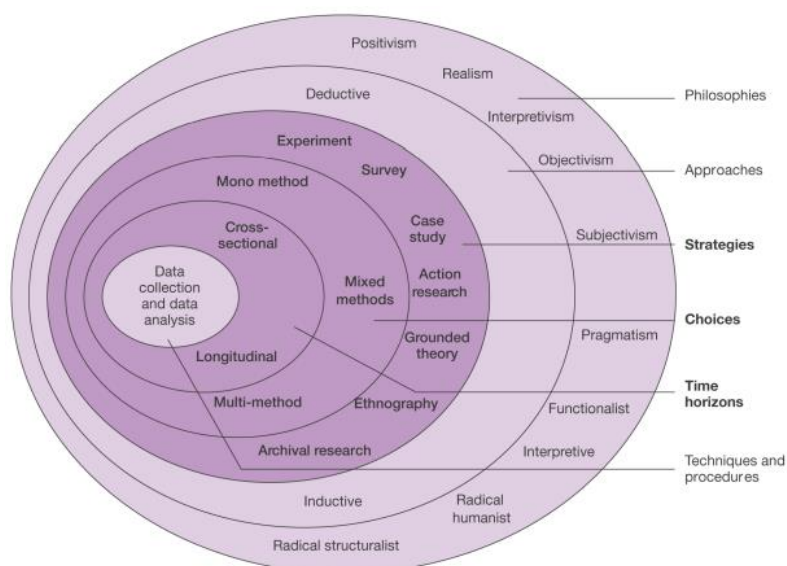


Figure 15 The Research Onion (Saunders, Lewis & Thornhill, 2009)

Several authors have often noted that the research process is carried out in the layers depicted by the research onion, and the most common way to do this is to work from the outer layer's inward (Efiong, 2013). Essentially, the outer layers portray the philosophies of the research, and the inner layers depict the specific techniques and procedures which will show the techniques and procedures used. Previously cited by Efiong (2013), Guba and Lincoln (1994) noted that the philosophical reflections in which the researcher applies on the research method is a result of their own personal world views. This was further emphasized by the differences in opinions on how to use the research diagram by Crotty (2007) and Sekaran and Bougie (2010) where Crotty (2007) argued that the diagram consists of four components which provide valid and convincing results namely, epistemology, theoretical perspective, methods, and methodology. Whereas Sekaran and Bougie (2010) presented 11 components: observation, preliminary data gathering, problem definition, theoretical framework, generation of hypothesis, scientific research design, data collection, analysis and interpretation, deduction,

report writing, report presentation and managerial decision-making (Efiong, 2013). Despite the different arguments which exist around the research process, they seem to agree about the links which exist between the process. The current research aligns with Sekaran and Bougie's (2010) approach as it proposes a more thorough way to solve research problems with the intention to provide recommendations to the managerial team for further decision-making. In their study, Efiong (2013) adheres to this approach as they seek to find a way to eradicate fraudulent activity within organizations in the Nigerian context.

5.3 Research Paradigm and Philosophy

The term 'paradigm' as described by Tashakkori and Creswell (2007) is essentially a collection of beliefs shared by scientists on how to understand problems, and therefore how to conduct research. Guba and Lincoln (2005) add that these provide the basis of the assumptions which guide our inquiries for specific research areas. Authors such as Myers and Avidon (2002) have pointed out that it is important to follow a research paradigm in order to conduct valid research. Rahi (2017) supports this notion as they note that adhering to a particular research paradigm helps the researcher separate his own philosophical stance from other potential alternatives. The main paradigms which have been used are Positivism, Interpretive, Advocacy, and Pragmatism. Positivism is also referred to as the 'scientific method' or 'quantitative research' and supporters of positivism hold the belief that "true knowledge can be obtained through experiment and observation" (Rahi, 2017, p.1). However, there is discourse as to how effective the scientific method is when it comes to social sciences research and thus, it is not deemed appropriate for some research areas (Hirschheim, 1985).

The interpretive paradigm is considered a more appropriate for social sciences as it seeks to develop "an understanding of a concept and explores the understanding of the world in which they live (Rahi, 2017, p.1). It is also commonly referred as 'constructivism' or 'qualitative

research’. The Advocacy paradigm was introduced as a result of the ongoing debate about the effectiveness of the positivist paradigm. According to Jennifer (2011), the advocacy paradigm addresses what quantitative research fails to which is the effects of social and political issues on phenomena. Thereby, understanding research problems beyond an objective lens. The pragmatism paradigm is a combination of Interpretive and Positivism such that it identifies the weakness of a research problem and strengthens it by using a mixed methods approach (Rahi, 2017). It relies heavily on the nature of the problem and how best to tackle it rather than putting too much emphasis on the method itself. Table 11 below provides a brief overview of the positivist, interpretive and advocacy paradigms.

Table 10 Depicts key functionalities of all paradigms posited sourced from Creswell (2007)

Research Paradigm/Knowledge Claim Positions	
Positivist	Constructivism
<ul style="list-style-type: none"> - Determination - Reductionism - Empirical observation and measurements - Theory verification 	<ul style="list-style-type: none"> - Understanding - Multiple participant meanings - Social and historical construction - Theory generation
Advocacy	Pragmatism
<ul style="list-style-type: none"> - Political - Empowerment issue-oriented - Collaborative - Change-oriented 	<ul style="list-style-type: none"> - Consequences of actions - Problem-centred - Pluralistic - Real-world practice oriented

While there are benefits to using each of the four paradigms, it is imperative to align with the most relevant one for the study objectives. While the researcher acknowledges the applicability of using either the positivist paradigm, there is a tendency for this method to be inflexible and artificial (Efiong, 2013), and thereby not helpful in interpreting the reasoning processes behind the facts. Furthermore, Easterby-Smith, Thorpe and Jackson (2008) add that the data provided from quantitative methods simply cannot relate to real-life decision despite the support its results provide to decision makers. In such cases, the interpretive approach is more suitable as

Holt and Oliver (2002) assert that it allows for unanticipated factors which influence the results to be explained and Creswell (2007) further acknowledge that the qualitative method allows for a more natural ways of gathering data while referring to the quantitative methods as a more 'artificial method'. However, the downsides of the interpretive method include the difficulty associated with interpretation (Efiong, 2013) and that it is quite a long process which require several resources and intensive planning. Johnson and Onwugbuzie (2004) recommend combining the two paradigms if it will result in the usefulness and appropriateness of each for their research enquiries (Efiong, 2013). The researcher understands the benefits of using either of these methods and will use a combination of the two paradigms (positivist and interpretative).

5.4 Research Approach

When conducting research, the two main approaches are inductive and deductive. Deductive reasoning is linked to the positivist strand which follows a series of scientific investigations and steps to formulate hypotheses (Adelope, 2010). Efiong (2013) notes that deductive reasoning is a 'top-to-down' reasoning approach as it navigates from general knowledge to narrowed and specific knowledge. In contrast, inductive reasoning is linked to interpretive strand as it uses an inverse 'bottom-to-up' reason approach by attempting to depict any patterns from observations and further decipher their potential meaning (Saunders, Lewis & Thornhill, 2009). This study adopts a combination of inductive and deductive reasoning to counterbalance the weaknesses of each approach with the aim to scientifically explore the link between peer reporting intentions on fraudulent financial misconduct and social exchange relationships and to understand the reasoning process and explanation behind the results. Previously, Crowther and Lancaster (2009) have positively linked the use of a combination of inductive and deductive approaches to effectiveness in management research.

5.5 Case Study Strategy

In their study, Zainal (2007) note that case studies allow researchers to explain and understand complex issues. Case studies may also be very intensive as they require a robust amount of in-depth investigation. Case study research counters one of the highest critics of quantitative research as it provides researchers with a more holistic avenue of examining social and behavioural problems in question. Using this approach enables a researcher to go beyond the objective view of quantitative statistical results and delve into the actors' viewpoint and present conditions (Zainal, 2007). Case studies have mostly been adopted in the fields of Sociology (Grassel & Schirmer, 2006), Law (Lovell, 2006), and Medicine (Taylor & Berridge, 2006). Furthermore, case studies have been commonly used in management and education (Zainal, 2007). As with its counterpart approaches, the case study method has its critics. The main criticism of this method is its lack of robustness as a research tool. In response to this criticism, researchers may opt to either use a single-case or a multiple-case design and this depends on the research problem and area. In cases where research cannot be replicated, a single-case study design is used. However, previous studies have argued that use of the single-case design results in the inability for the researcher to provide a generalising conclusion (Collis & Hussey, 2014). To counter this, Zainal (2007) suggest that one way to counter this risk is by using a combination of research methods to confirm the validity of the process. Similarly, Efiog (2013) adopted the single-case design in combination with questionnaire surveys to validate the results in their exploration of fraud education in Nigeria. Furthermore, Yin (2009) justified using both the survey and case study strategies in a single study when it is deemed necessary by the researcher. Given the nature and sensitivity of the topic examined, this study follows the single-case study design in that we examine peer reporting intentions on fraudulent financial misconduct in a UK non-profit organization.

5.6 An Approach to The Multiple Methodology

The combination of many techniques and procedures for study design applies to several approaches. Saunders et al. (2000) divided this research technique respectively into two principal groups, multi-process, and mixed method. Multi-method means the integration of several methods of data analysis, both quantitative and qualitative, all with the same methodology. Multi-method quantitative research, for instance, involves the usage of systematic questionnaires for data analysis and statistical models for data analysis. The usage of in-depth surveys and scientific papers for the gathering and interpretation of data utilizing non-numeric techniques is another model of qualitative multi-method research (Saunders et al., 2000).

The mixed method concerns the incorporation in the same design procedure of quantitative and qualitative data collection and computational frameworks (Saunders et al., 2000). Tashakkori and Creswell (2007) identified the mixed method as processes and methods of analysis for quantitative and qualitative data collection that may be combined simultaneously (parallel), or one at a time (sequence) in mixed step strategy (Clarke & Braun, 2013; Saunders et al., 2000).

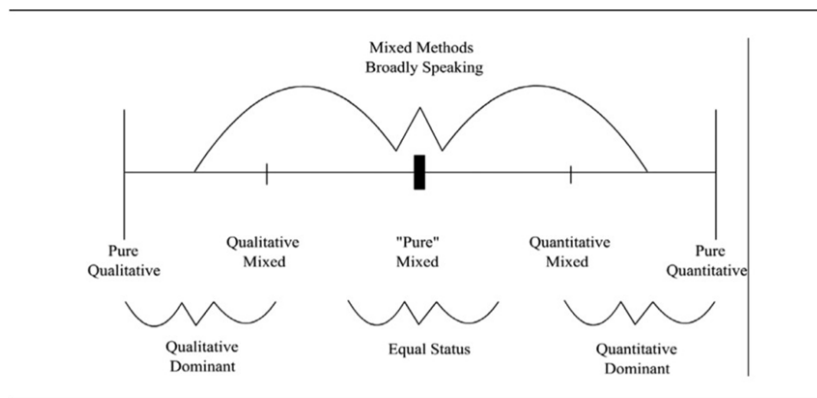


Figure 16 Types of mixed method (Johnson et al, 2007)

Johnson et al. (2007) also described three mixed process types seen in Figure 16. The graph highlights three major analytical approaches: pure qualitative, pure mixed and pure quantitative. The different combinations between them represent the domains between two pure strategies. There are contextual, mixed approach and quantitative, prevailing mixed procedures between techniques. The first is the mixed approach category whereby the research focuses on descriptive research with the integration of quantitative research to facilitate and enhance the study and the second is the kind of mixed approach where the research focuses on the quantitative approach while comparing qualitative information to support the research and to strengthen the research (Johnson et al., 2007).

This study adopts a mixed research methodology to explore the effects of social exchange relationships on peer reporting intentions of fraudulent financial misconduct and the researcher opted for this approach because:

1. This study benefits from the systematic and empirical investigation of the individual decision-making process and it is influenced by social exchange

relationships through the use of descriptive statistics to establish whether any links exists between the hypotheses.

2. The use of the quantitative method will allow the researcher to collect and process large amounts of data using one survey instrument with closed-ended questions, thereby cutting down the time constraints which would otherwise provide an issue if we were to solely focus on either observations or interviews.
3. The use of qualitative methods (interviews) enables the researcher to counter the weaknesses of quantitative approach by going beyond numerical analyses to analyzing experiences and reasoning behind the answers to the closed-ended questions in the survey instrument. The researcher makes use of using interviews to pre-test the survey instruments and gain a more in-depth analysis of the case organization prior to survey distribution.
4. This study further incorporates open-ended questions in the survey instrument following key closed-ended questions. This allows the researcher to extract more information about why the respondent made that decision. For example, respondents are asked to rank the likelihood of reporting their peer to through an anonymous hotline, next they are asked why they chose an option above 5. Based on their answer, the researcher linked their responses to set of pre-theorized disengagement rationalizations which not only informed the researcher what the decision will be (descriptive), but also why that option was chosen (exploratory) , and what this potential means at a post-ad hoc level (explanatory).

5.7 Research Methods

It has been noted that vignettes have been used both quantitatively and qualitatively in previous ethics research studies (Tillman, 2006). In addition, authors such as Eskelinen

and Caswell (2006) have asserted that it is useful to use a combination of a vignette and other methodological avenues such as observation. Therefore, this study employs a questionnaire survey based on a written vignette. The next sections provide a brief introduction to interviews and questionnaire surveys.

5.10.1 Questionnaire survey

This study used a questionnaire survey and conducted preliminary interviews to develop the questionnaire. Pierce and Sweeney (2010) assert that surveys are the most common research method. This is because surveys enable a researcher to obtain a broad amount of knowledge from participants and is therefore the best instrument which can be used to collection a mass amount of information from large populations (Babbie, 2013). Furthermore, Babbie (2013) notes that questionnaires allow as much information to be gathered from a specific sample in a uniform way such that everyone is responding to the same questions. Questionnaire surveys are easy to distribute and very cost effective whereas interviews can be considered to be quite time consuming as the research needs to be present. Although there are several advantages to using surveys as the main research instrument, it also bears certain disadvantages. For example, survey instruments do not have the capacity to obtain deeper insight into respondent's experiences, motivations, and personality (Babbie, 2013). Moreover, surveys prevent the researcher from being able to assess a respondent's non-verbal cues, of which can be observed well through interviews or observations (Bisman, 2010). In line with previous studies (Chan & Leung, 2006; Latan, Jabbour, & Jabbour, 2017; Musbah et al., 2014; Pierce & Sweeney, 2010) which used written vignettes to gather information from a large sample of non-profit workers, this study developed vignettes to assess the opinions of non-profit employees.

5.10.2 Operationalisation

Upon selection of the research method, it is imperative to choose appropriate research instrument before commencing the data collection process. Figure 17 below presents the process for creating the research instrument and consists of four tasks:

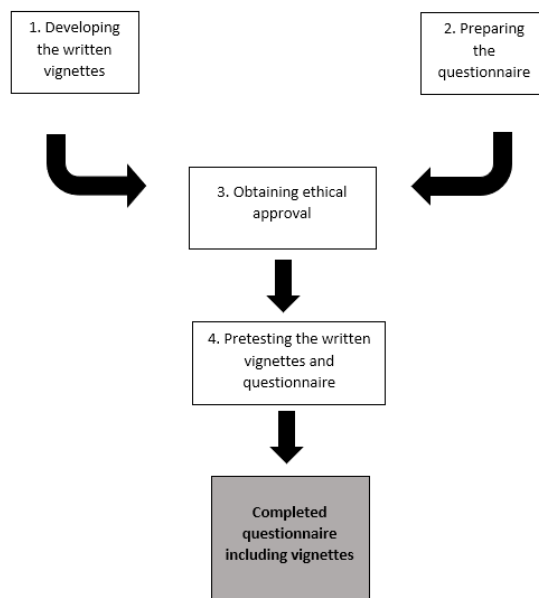


Figure 17: Process for completing the research instruments

5.10.3 Preparing the questionnaire instrument

The main objective of the written vignettes and questionnaire was to invite the participants to respond to ethical issue which involve fraudulent financial misconduct. The main aim of the vignettes was to present respondents with two different cases fraught with a differentiating set of variables to enable the researcher to measure the responses to each scenario and measure the results in detail. The initial questions were based on previous ethical decision-making studies which examine the responses of employees and

professionals to ethical workplace dilemmas. Next, the questions were refined following a discussion with the researchers' academic supervisors.

The questionnaire consisted of four sections:

- The first section presented the participants a written vignette which provided a workplace dilemma about fraudulent financial misconduct.
- The second section included questions which discussed general demographic information such as gender, education level, work tenure, experience within the sector and job level.
- The third section included question which consisted of manipulation checks
- The fourth section included questions which assessed the ethicality of the scenario
- The fifth section included questions which assessed the preferred reporting channel that participants were most likely to use to report the unethical misconduct.

The questions presented in the instruments were mainly based on either a five-point or seven-point Likert scale ranging from strongly agree to strongly disagree. The scale was used to measure the level of agreement with certain decisions such as likelihood to report and the channel most likely to be used to raise the alarm on fraudulent financial misconduct within the organization. Most of the demographic questions were closed-ended in nature with respondents selecting the most appropriate answer. Although pre-coded answers were expected, some of the significant questions were included further inquiry through a category called 'other (please specify)' to accommodate unanticipated answers.

5.8 Ethical Approval

Ethical consideration is a very important element of research studies. In their study, Bryman (2012) noted that researchers have a duty to ensure they are aware of ethical issues associated

with their research and to ensure they are minimizing them. Given the nature of the research topic as financial fraud, an extra level of consideration needs to be considered as Babbie (2013) explains the importance of voluntary participation, confidentiality and anonymity. The ethical considerations surrounding this study have been taken very seriously and incorporated into the written instructions on the questionnaire and the participant information sheet. All the participants were informed that the research is conducted solely for academic purposes, and they were all advised of their right to withdraw from the research at any time without further inquiry. To curtail a breach in anonymity, participants were identified by a randomly generated participant number. In addition, the questionnaire instrument did not request any personal identifiable information. Upon the successful completion of designing the research instrument, ethical approval for this study was requested and subsequently approved by the Ethics Committee of the Salford Business School.

5.9 Brief Introduction of Case Study Company

Company A is a Manchester-based charity which works with adults with learning disabilities and mental health issues. The company provides supported housing and community services. It was established in 1990 and received its charitable status in 1991 and is a part of the Industrial and Provident Society – which is a legal entity for a trading business or voluntary organization in the UK. Company A is a registered landlord has its headquarters in Stockport, Greater Manchester. Since its creation, the company has expanded both geographically and in the scope of its services. It employs more than 5000 staff across England, and in 2014 over half of the services provided were for people with learning disabilities. Over the last decade, the company has been slapped with several ethical issues relating to employee misconduct and offences. Between 2005 and 2015, there were eight scandals which came to light and were published in local newspapers and online. The rise of such scandals has had different effects on the company's image and

thus subsequent donations. Although the company generates a good revenue every year, they rely on donations from the public and specific grants from the UK government. The outbreak of scandals relating to employee fraud and embezzlement have raised a lot of questions about the company's ability to be accountable and ensure the public's money is being channelled toward the correct projects.

As a result, the company presents a suitable environment to carry out this study which investigates the determinants of employee related fraud and workplace deviance. The company operates a divisional organizational structure which allows for much more autonomy among groups within the organization. Under this structure, each division essentially operates as its own company, however, resources are channelled through the headquarters based in Stockport. For example, if Sub-division B requires a top-up on supplies, a requisition is sent to the Head Office and the relevant team (in this case, Purchasing Department) will process the request and ensure the items are delivered to the service. Figure 18 below presents an outline of the organizational structure of Company

A:

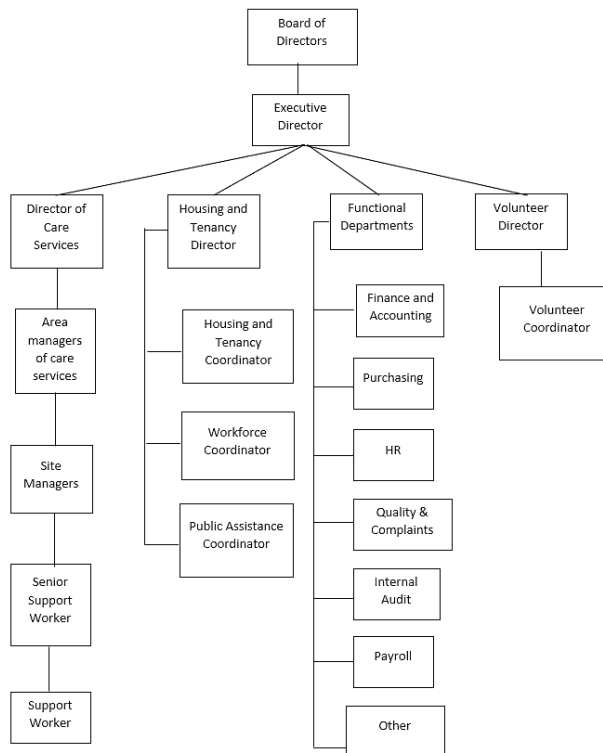


Figure 18: Organizational structure of case study company

Figure 18 provides an outline of Company A's organizational structure. The study will seek participants in the organization's functional departments as listed above. Occupational fraud is the use of ones' occupation for personal enrichment through the deliberate misuse of misapplication of the organization's assets. In Company A, the functional departments are at the highest risks of occupational fraud and unethical actions because all the finances are funnelled from the Head Office outward into the other services and projects. Therefore, this study will use this section of the company as a basis for data collection.

5.10 Data Source and Research Instrument

Data were collected through a scenario-based questionnaire. Scenario-based questionnaires have been commonly used as an instrument in business ethics research (Chan & Leung, 2006; Kelley & Elm, 2003; Near & Miceli, 2016; Philmore, 2012; Scheetz, 2018) which examined different aspects of the ethical decision-making process. Recently, a study completed by Chaparro and Musgrave (2020) used a scenario-based survey to investigate ethical decision-making among music managers and cited the use of such scenarios “helps standardise social stimulation across participants, making the decision more ‘real’ (Chaparro & Musgrave, 2021, p.3). Our study adopted a similar research instrument to Scheetz (2018) and included minor adjustments to suit the research objectives. Additional adjustments included elements of Jones (1991) moral intensity mechanisms namely, proximity, magnitude of consequences, and social consensus. Participants were each presented with a scenario followed by a set of questions anchored to measure peer reporting intentions. The questions presented in the instruments were mainly based on either a five-point or seven-point Likert scale ranging from strongly agree to strongly disagree. The scale was used to measure the level of agreement with certain decisions such as likelihood to report and the channel most likely to be used to raise the alarm on fraudulent financial misconduct within the organization. Most of the demographic questions were closed-ended in nature with respondents selecting the most appropriate answer. Although pre-coded answers were expected, some of the significant questions were included further inquiry through a category called ‘other (please specify)’ to accommodate unanticipated answers.

5.13.1 Sample size and target population

The sample size of this study was a total of 350 active employees. The target population comprises of employees working in the head office of the organization. Participants

working in the head office were targeted because this study investigative accounting-related fraud which may occur between specific departments that handle cash and virtual transactions in the organization. Therefore, the surveys were distributed between participants in the following departments: accounting and finance, management team, marketing, IT, and human resources. The research instruments were distributed to all the employees through a companywide mailing list, which provided the participants with the study information and instructions.

5.13.2 *Written vignettes*

Participants were presented with a scenario describing a respected and independent charitable organization focusing on the alleviation of national poverty. Similar to Sheetz (2018), the research instrument described the relationship between two senior accountant peers. Next, participants were presented with information about an accounting-related fraud discovery where Daniel found that Morgan was engaging in a cheque cashing scheme, in which he had stolen nearly £15,000 just in the previous month. Further information showed that Morgan had been rerouting cheques made to the organization to a different account under his control with a similar name. Daniel is made aware of the advantages and disadvantages of reporting the discovery. Advantages are presented as rewards from the organization as pro-ethical behaviour is encouraged. Potential disadvantages include job loss risk for his brother, who may be fired if the fraud is reported as the vulnerability which led to the facilitation of the fraud was in his department (Credit Control), and the irreputable damage the scandal would inflict on the company's reputation as they only recently just recovered from bad press. The scenario concludes with Daniel in an ethical dilemma as he must decide whether or not to report his discovery. In addition, he must also decide which reporting channel he would most likely use (anonymous hotline, line manager, internal audit team). Participants were presented with two manipulated

scenarios. Daniel and Morgan shared a positive interpersonal affect in scenario A and a negative interpersonal affect in scenario B. Positive affect manifested as the fraud perpetrator being likeable toward the fraud discoverer prior to uncovering the fraud and negative affect portrayed the opposite. The manipulation in the positive affect scenario presented Daniel and Morgan as sharing several commonalities and an admirable working relationship. Manipulations in the negative affect scenario presented their working relationship as “fraught with disagreements” as result of contrasting personalities and values.

Similarly, reciprocity was also manipulated between scenarios. Each scenario included an element of reciprocity where one peer covers for the other during a busy period at work following a personal emergency which resulted in one needing to leave without informing the senior management team. In one scenario, Morgan covers for Daniel (negative reciprocity manipulation) and in the other scenario, Daniel covers for Morgan (positive reciprocity manipulation). As noted by Sheetz (2018), such reciprocal manipulations would mostly likely result in participants taking on “feelings of gratefulness and indebtedness” p. 230. Both vignettes included a varied retaliation strength manipulation, where participants presented with vignette A were made aware that their organization had a positive history of dealing with whistleblowing complaints (low retaliation) and participants presented with survey B were made aware that the organization had a negative history of dealing with complaints (high retaliation)

5.13.3 Independent variables

The independent variables in this study are interpersonal affect and reciprocity. Participants were presented with two scenarios, each with a set of social exchange manipulations. In scenario A, the independent variables are positive interpersonal affect

(the individual is likeable) and positive reciprocity (fraud discoverer owes fraud perpetrator). In scenario B, the independent variables are negative interpersonal affect (the individual is not likeable) and negative reciprocity (fraud perpetrator owes fraud discoverer). Furthermore, other independent variables include individual factors (including age, gender, education level, and tenure) and reporting channels where participants must choose whether to reporting directly to their line manager, the audit team or through an anonymous hotline.

5.13.4 Dependent variables

This study measures employee intention to report accounting-related fraud discovery within an organizational setting. The dependent variables in this study are the intention to report and reporting channel. We hypothesize that reporting intention and reporting channel will be influenced by the social exchange relationship which exists between the fraud discoverer and the fraud perpetrator. For example, where a positive social exchange relationship exists between peers, participants may be more likely to report that where a negative social exchange relationship exists. Participants were presented with follow-up questions which included questions to assess the likelihood to report fraudulent misconduct of a peer such as “How likely is it that you would report this instance of questionable behaviour?” anchored on a Likert scale ranging from “not at all likely” to “very likely”. Similar to Sheetz (2018), the next three dependent variables were assessed by asking three separate questions “how likely would you report this instance of questionable behaviour to your line manager, internal audit team, and the anonymous hotline?” anchored on a Likert scale ranging from “not at all likely” to “very likely”. The research instrument was first tested with a random sample of 5 employees and necessary modifications were adjusted prior to company-wide distribution.

5.11 Developing Instrument, Pilot Test of the Instrument, Sample, and Data

Collection

The study participants are non-profit employees who work within a charitable organization called Learning Support. Prior to the development of written vignettes and questionnaire, preliminary interviews were conducted with 10 employees to gain an understanding of the current anti-fraud coverage (organizational ethics frameworks, previous fraud cases etc) in the organization. Following the interviews, various adjustments were made to the questionnaire to ensure the questions asked were relevant to the case organization. All employees accessed the survey via an online platform called Type form. A total of 350 employees were distributed online and 139 employees completed the entire instrument and passed the manipulation checks. Following the data collection process, the data were statistically analysed and several ANCOVAs were employed to test the hypotheses. The questions in the survey were designed to understand the respondent's likelihood to report perceived fraudulent activity and Table 12 links the research hypotheses to the questions presented to participants:

Table 11 Study hypotheses and research instrument questions

Hypotheses	Questions
H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees	Please state your gender, age, education level, professional qualification, tenure with the organization, work experience, rank
H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.	How serious do you think most employees in your organization will consider this situation?
H3: Employees who have been at the organization for a short period are	How serious do you think the issue at hand is?

<p>more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.</p> <p>H4: Higher ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees</p> <p>H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.</p> <p>H6: Reporting intentions of fraudulent financial misconduct will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists</p>	<p>How likely is it that you would report this instance of questionable behaviour?</p> <p>Based on your previous answer in question 4, if your answer was 4 or below, please explain your choice</p>
<p>H7: Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions of fraudulent financial misconduct will be lower</p>	<p>How likely would you report this instance of questionable behaviour to your supervisor?</p> <p>How likely would you report this instance of questionable behaviour to the internal audit team?</p> <p>How likely would you report this instance of questionable behaviour to Carlton & Associates' whistle-blowing hotline?</p> <p>Based on your previous answer, if your answer was 4 or above, please explain your choice</p>

Table 12 provides a summary to the questions which were asked based on the respective research question. Below are the vignettes which were distributed to the sample

population. Each consent, form, vignette, and questionnaire were distributed via email and filled out through an online form.

5.14.1 Vignette A

NASCAPA is a respected and independent charitable organization focusing on the alleviation of national poverty. It is a major non-profit group with an extensive collection of operations. Daniel and Morgan are both senior accountants who have worked with the company for over five years. They are both responsible for managing the company's finances and ensuring the accounting systems are up to standard. Over the years, Daniel and Morgan have established a friendly working relationship filled with trust and respect. Their friendship outside of work is built on many common interests, similar values, and memberships in the same clubs. A few years ago, Daniel covered for Morgan as he made a crucial error in the application for a multi-million-pound grant. Not only did Daniel's intervention secure the grant for the firm but it also saved Morgan's job. To this day, Morgan remained grateful and indebted to Daniel. Two weeks ago, Daniel discovered that Morgan is engaging in a cheque cashing scheme, in which Morgan stole nearly £5,000 just the previous month. Morgan had apparently been taking cheques made out to "NASCAPA" and depositing them into an account under his control with the name "NASCADA". He is concerned that if he decides to report Morgan, his brother's job may be at risk as the vulnerability is in his department and the media would eat up the scandal causing irreputable damage to the firm's reputation - as they only just recovered from bad press. However, he is also aware that not reporting could cost him his own job and the organization champions and offers rewards for pro-ethical behaviour. If he decides to report, he can either flag this with his supervisor, internal audit team or anonymously via the whistleblowing hotline. Otherwise, he can take matters into his own hands and make sure all the funds are paid back to the firm – thereby saving his brothers job and the firm's reputation.

5.14.2 Vignette B

NASCAPA is a respected and independent charitable organization focusing on the alleviation of national poverty. It is a major non-profit group with an extensive collection of operations. Daniel and Morgan are both senior accountants who have worked with the company for over five years. They are both responsible for managing the company's finances and ensuring the accounting systems are up to standard. Over the years, Daniel and Morgan have harboured a strained and antagonistic working relationship which lacks cooperation. Their relationship is further fraught with disagreements resulting from very different personalities and values. Despite this, one-time Morgan covered for Daniel as he made a crucial error in the application for a multi-million-pound grant. Not only did Morgan's intervention secure the grant for the firm but it also saved Daniel's job. To this day, Daniel remained grateful and indebted to Morgan. Two weeks ago, Daniel discovered that Morgan is engaging in a cheque cashing scheme, in which Morgan stole nearly £5,000 just the previous month. Morgan had apparently been taking cheques made out to "NASCAPA" and depositing them into an account under his control with the name "NASCADA". He is concerned that if he decides to report Morgan, his brother's job may be at risk as the vulnerability is in his department and the media would eat up the scandal causing irreputable damage to the firm's reputation - as they only just recovered from bad press. However, he is also aware that not reporting could cost him his own job and the organization champions and offers rewards for pro-ethical behaviour. If he decides to report, he can either flag this with his supervisor, internal audit team or anonymously via the whistleblowing hotline. Otherwise, he can take matters into his own hands and make sure all the funds are paid back to the firm – thereby saving his brothers job and the firm's reputation.

5.12 Summary

This section was first introduced and presented a table with the research questions and respective hypothesis of which this study was led by. Next, the ethical considerations associated with this study were highlighted and the researcher explain how ethical approval was gained from Salford Business School. The next section discussed the nature of research design and presented the widespread research onion diagram which illustrates the whole operating strategy of the concepts of design study. Furthermore, we highlight our intention to use a mixed methods approach as it enables the researcher to build a detailed and rigorous setup that collects data so that participants can review and validate the structure and consider the variables impacting their decision. Next, we discuss deductive and inductive research approaches and highlight the importance of case study research by concluding that this approach has the potential to include solutions to 'what' and 'how' analysis questions.

On the next section, we discuss various methodologies (quantitative, qualitative, multiple) and conclude that given the complexity associated with the sensitivity of this study, we adopted a mixed methods approach to maximize the findings. Fraud and whistleblowing culture are still considered as sensitive topics; therefore, it is imperative to consider the different issues which may affect the validity of the data. Next, we highlight the research methods, and present information about the preferred survey instrument as well as how the questionnaire was prepared. Following discussion of the operationalization, we present the process used to complete the research instruments in Figure 17. Following further elaboration on the ethical approval, we provide an introduction of the case company and discuss the data source and provide more details about the research instrument. Next, we discuss the development of the instrument from the pilot study until the final stage and provide more information about the study sample and data collection. Furthermore, the

vignettes adopted for the study are presented. Chapter 6 presents the data analyses process and results.

CHAPTER SIX: DATA ANALYSIS AND RESULTS

6.0 Introduction

The study participants were given an experimental instrument called NASCADA, which is a hypothetical major non-profit organisation focusing on the alleviation of poverty. The participants were split into two and each were presented with an instrument which described the relationship between two senior accounts who are peers (Daniel and Morgan), similar to 2018 study conducted by Sheetz (2018). Each instrument had a different set of variables which explained the state of their interpersonal and reciprocal relationship. The organization's history of handling whistleblowing complaints is also highlighted in each survey. The instrument includes a scenario in which Daniel discovers Morgan is engaging in a cheque cashing scheme in which he appropriated nearly £10,000 in the previous month. Morgan has apparently been depositing cheques made to the organization and depositing them into an account with a similar name under his control.

The instrument concludes by making participants aware of the various reporting channels through which Daniel can raise the alarm. Before participants can proceed to the structured questions, they were prompted to respond to manipulation check questions. Following these questions, they were prompted to answer a series of questions which measure their likelihood of reporting. Finally, they were asked which reporting channel they were mostly likely to report their concerns. Included in this survey were further open-ended questions which prompted participants to explain their choices such as "If your previous response scored a low likelihood of reporting, please explain your choice", and participants could select from drop-down of reasons which have been factored in from Bandura (2002) and Trevino (1990). Similarly, where participants scored highest on reporting through an anonymous channel, a follow-up

question was added to the survey to examine their reasoning. The next section discusses the results in detail.

6.1 Results

Prior to data analysis, manipulation checks were completed for each survey. Both surveys were anchored with a question which measured the interpersonal affect and reciprocity manipulation. Participants were asked to respond to choose an answer to the following questions: (1) “Daniel is likeable toward Morgan/ Daniel is not likeable toward Morgan”, (2) “Daniel is indebted to Morgan/ Morgan is indebted to Daniel” and (3) “The organization handles complaints very well/ does not handle complaints very well. All the study participants successfully passed the manipulation checks.

6.1.1 Scenario A Results

H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees – Scenario A

An independent samples t-test was used to compare the reporting intentions of female ($n=44$) and males ($n=20$) of a charitable organization. The t-test was not statistically significant, with mean score of intention to report female employees ($M=5.24$, $SD=.760$) was not significantly higher than male employees ($M=5.19$, $SD=.661$), $t(62) = .233$, $p = .861$, two-tailed. Therefore, the research hypothesis that female employees are more likely to have reporting intentions than male employees is not established. It can be concluded that there is no difference between male and female employees in terms of their *reporting intentions to the unethical activities*.

Table 12 Mean difference of reporting intentions of fraudulent financial misconduct between male and female employees

	Gender	N	Mean	SD	T
Intention to report	Female	44	5.2407	.760	.233
	Male	20	5.1950	.641	

H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more - Scenario A

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether Employees with less work experience are more likely to have reporting intentions than those with more. The difference was not statistically significant at the $p > .05$ level in the four different groups of experience level: $F(3, 60) = 1.15$, $p = 0.33$. Therefore, the research hypothesis that less work experience are more likely to have reporting intentions than those with more couldn't statistically established. It can be concluded that there is no difference in work experience among employees reporting intentions.

In other words, the means plot indicates that mean intention to report for less experience group 1 to 5 years group ($n=40$, $M = 5.11$, $SD = .75$), 6 to 10 years group ($n=10$, $M = 5.54$, $SD = .43$), 11 to 14 years group ($n=7$, $M = 5.22$, $SD = .64$), and Over 15 years group ($n=7$, $M = 5.42$, $SD = .87$) are almost the same.

Table 13 ANOVA results of employees work experience

Source of Variation	SS	df	MS	F	P-value
Between Groups	1.791	3	.597	1.158	.333
Within Groups	30.921	60	.515		
Total	32.712	63			

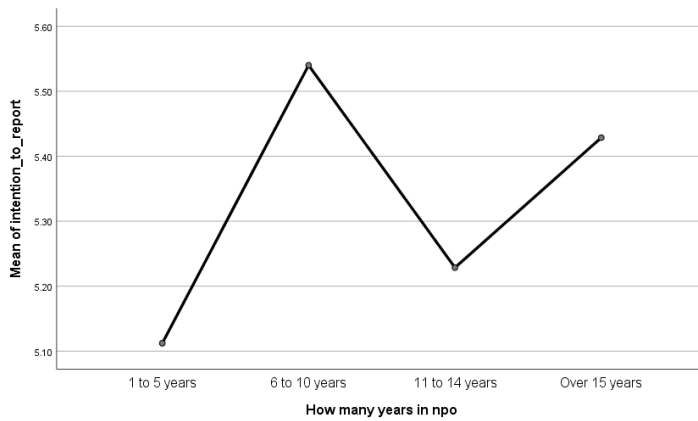


Figure 19 Means plot of the employees work experience in the organization

H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period - Scenario A

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether Employees in the organization for a short period are more likely to have reporting intentions than those with long period. The difference was not statistically significant at the $p > .05$. $F(3, 60) = .554$, $p = 0.64$. Therefore, the research hypothesis that employees in the organization for a short period are more likely to have reporting intentions couldn't statistically significant. It can be concluded that there is no difference in longevity at the organizations among employees reporting intentions. In other words, the means plot indicates that mean intention to report for short period group 1 to 5 years group ($n=49$, $M = 5.17$, $SD = .73$), 6 to 10 years group ($n=5$, $M = 5.50$, $SD = .66$), 11 to 14 years group ($n=5$, $M = 5.28$, $SD = .51$), and Over 15 years group ($n=5$, $M = 5.22$, $SD = .72$) are almost the same.

Table 14 ANOVA results of employee's duration in the organization

Source of Variation	SS	df	MS	F	P-value
Between Groups	.882	3	.294	.554	.647

Within Groups	31.830	60	.530		
Total	32.712	63			

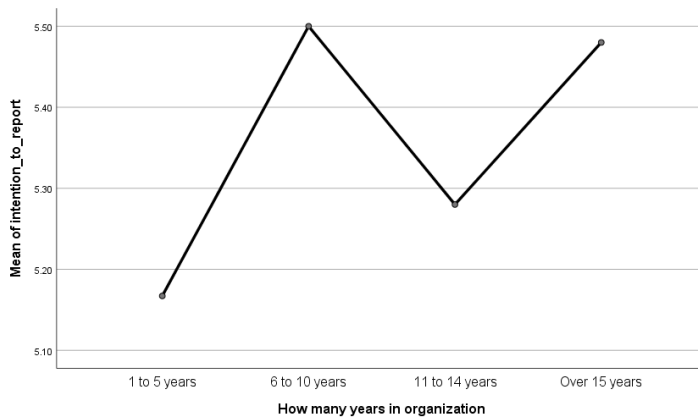


Figure 20 Means plot of the employees work life in the organization

H4: Higher ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees - Scenario A

An independent samples t-test was used to compare the reporting intentions of higher-ranking employees (Team leader or Senior Mgt.) ($n=18$) and lower ranking employees ($n=46$) of a charitable organization. The t-test was statistically significant, with a mean score of intention to report for higher ranking (Team leader or Senior Mgt.) employees ($M=5.73$, $SD=.653$) was significantly higher than the lower ranking employees ($M=5.03$, $SD=.652$), $t(62) = 3.85$, $p < .001$, two-tailed. Therefore, the research hypothesis that higher ranking employees are more likely to have reporting intentions than lower ranking employees is statistically significant.

Table 15 Mean difference of reporting intentions of fraudulent financial misconduct between higher and lower ranking employees

	Rank	N	Mean	SD	t
Intention to report	Team leader	18	5.723	.653	3.85
	or Senior Mgt.				
	Regular employees	46	5.03	.652	

H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct - Scenario A

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether the education level of Employees have any impact on reporting intentions. The differences in education levels were not statistically significant at the $p > .05$. ANOVA result: $F(3, 60) = .401, p = 0.75$. Therefore, the research hypothesis that the higher the education level, the higher the peer reporting intentions is not statistically significant. In other words, the means plot indicating an upward trend to the reporting intention according to their level of education, but the difference was not statistically significant.

Table 16 ANOVA results of employee's education qualification

Source of Variation	SS	df	MS	F	P-value
Between Groups	.643	3	.214	.401	.753
Within Groups	32.069	60	.534		
Total	32.712	63			

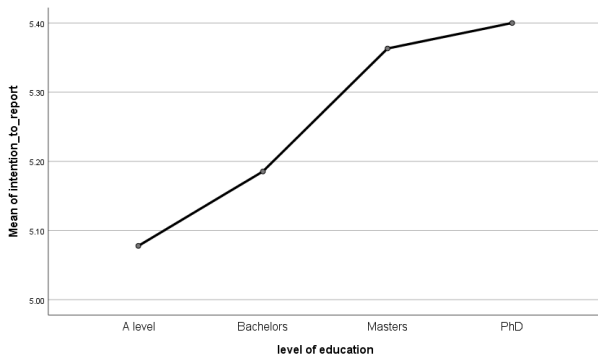


Figure 21 Means plot of the employee's level of education

6.1.2 Scenario B Results

H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees – Scenario B

An independent samples t-test was used to compare the reporting intentions of female ($n=46$) and males ($n=25$) of a charitable organization. The t-test was not statistically significant, with mean score of intention to report female employees ($M=5.26$, $SD=.479$) was not significantly higher than the male employees ($M=5.21$, $SD=.501$), $t(69) = .404$, $p = .68$, two-tailed. Therefore, the research hypothesis that Female employees are more likely to have reporting intentions than male employees is not established. It can be concluded that there is no difference between male and female employees in terms of their reporting intentions to the unethical activities.

Table 17 Mean difference of CGPA between male and female students

	Gender	N	Mean	SD	t
Intention to report	Female	46	5.26	.479	.404
	Male	25	5.21	.501	

H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more – Scenario B

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether Employees with less work experience are more likely to have reporting intentions than those with more. The difference was not statistically significant at the $p > .05$ level in the four different groups of experience level: $F(2, 71) = 1.07, p = .370$. Therefore, the research hypothesis that less work experience are more likely to have reporting intentions couldn't statistically established. It can be concluded that there is no difference in work experience among employees reporting intentions.

In other words, the means plot indicating a high score for intention to report who have less experience in job than who have more experience, but the difference is not statistically supported.

Table 18 ANOVA results of employees work experience

Source of Variation	SS	df	MS	F	P-value
Between Groups	.479	2	.240	1.007	.370
Within Groups	16.901	71	.238		
Total	17.380	73			

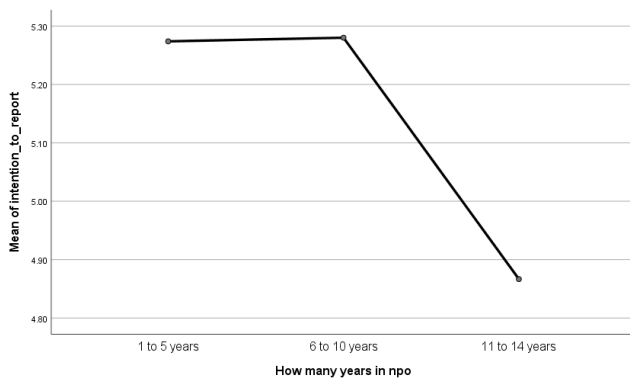


Figure 22 Means plot of the employees work experience in the organization

H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period – Scenario B

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether Employees in the organization for a short period are more likely to have reporting intentions than those with long period. The difference was not statistically significant at the $p > .05$. $F(2, 71) = .412, p = .664$. Therefore, the research hypothesis that Employees in the organization for a short period are more likely to have reporting intentions couldn't statistically significant. It can be concluded that there is no difference in longevity at the organizations among employees reporting intentions. The means plot indicating that mean intention to report for short period group 1 to 5 years group ($n=49, M = 5.17, SD = .73$), 6 to 10 years group ($n=5, M = 5.50, SD = .66$), 11 to 14 years group ($n=5, M = 5.28, SD = .51$), and Over 15 years group ($n=5, M = 5.22, SD = .72$) are almost the same. In other words, the means plot indicating a high mean score for intention to report for the employees who are working short period in the job. But the difference is not statistically supported.

Table 19 ANOVA results of employees work life in the organization

Source of Variation	SS	df	MS	F	P-value
Between Groups	.200	2	.100	.412	.664
Within Groups	17.181	71	.242		
Total	17.380	73			

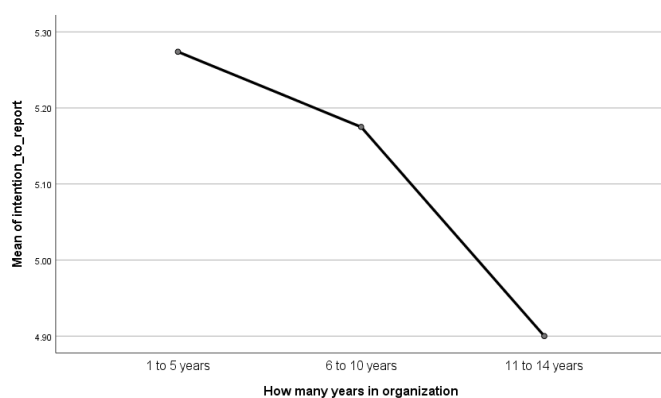


Figure 23 means plot of the employees work life in the organization

H4: Higher ranking employees are more likely to have reporting intentions of fraudulent financial misconduct than lower ranking employees – Scenario B

An independent samples t-test was used to compare the reporting intentions of higher-ranking employees (Team leader or Senior Mgt.) ($n=06$) and lower ranking employees ($n=68$) of a charitable organization. The t-test was statistically significant, with mean score of intention to report of higher ranking (Team leader or Senior Mgt.) Employees ($M=5.80$, $SD=.433$) was significantly higher than the Lower ranking employees ($M=5.21$, $SD=.465$), $t(72) = 2.98$, $p < .001$, two-tailed. Therefore, the research hypothesis that higher ranking employees are more likely to have reporting intentions than lower ranking employees is statistically significant.

Table 20 Mean difference of reporting intentions of fraudulent financial misconduct between higher and lower ranking employees

	Rank	N	Mean	SD	t
Intention to report	Team leader or	06	5.80	.433	2.98*
	Senior Mgt.				
	Others	68	5.21	.465	

*P<0.05

H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct – Scenario B

A one-way between-groups analysis of variance (ANOVA) was used to investigate whether the education level of Employees have any impact on reporting intentions. The differences in education levels were not statistically significant at the $p > .05$. ANOVA result: $F(4, 68) = 1.96, p = .110$. Therefore, the research hypothesis that the higher the education level, the higher the peer reporting intentions is not statistically significant. In other words, although the means plot indicates an upward trend to the reporting intention according to their level of education, but the difference was not statistically significant.

Table 21 ANOVA results of education level of the employees

Source of Variation	SS	df	MS	F	P-value
Between Groups	1.798	4	.450	1.962	.110
Within Groups	15.580	68	.229		
Total	17.378	72			

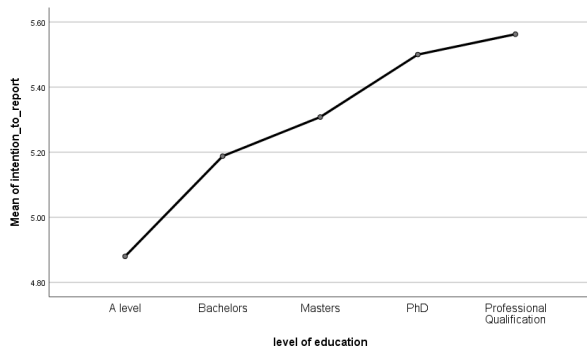


Figure 24 Means plot of the employees Level of education in the organization

H6: Reporting intentions of fraudulent financial misconduct will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists

An independent samples t-test was used to compare the reporting intentions of negative interpersonal relationship (survey b) ($n=74$) and positive interpersonal relationship (survey a) ($n=64$) of a charitable organization. The t-test was not statistically significant, with mean score of intention to report of negative interpersonal relationship employees ($M=5.88$, $SD=1.09$) was not significantly higher than the positive interpersonal relationship employees ($M=6.09$, $SD=1.30$), $t(136)=1.05$, $p=.294$, two-tailed. Therefore, the research hypothesis that where a negative interpersonal relationship and reciprocity exist between the fraud discoverer and perpetrator, the discoverer is more likely to report their peer's fraudulent activity is not established. This is summarized in Table 23:

Table 22 Mean difference of Intention to report between negative interpersonal relationship and positive interpersonal relationship employees

	Participant	N	Mean	SD	t
Intention to report	Negative interpersonal relationship	74	5.88	1.09	1.05
	Positive interpersonal relationship	64	6.09	1.30	

As shown in Table 24, five respondents (41.67%) had low reporting scores because they felt it was not their responsibility to report instances of unethical behaviour. Three respondents (25%) were unlikely to report because they did not feel like they had the authority to make such a report. Similarly, three respondents (25%) were unlikely to report because they felt they needed to return the favour, therefore, the decision not to whistle-blow would make them even. There was only one respondent (8.33%) who felt the reason they were unlikely to report was because the fraud perpetrator deserved a chance to stop the practice of unethical behaviour.

Table 23 Reasoning behind respondents' low likelihood of reporting unethical activity – Survey A

Survey A		
Reason	Frequency	Percent share
It is not my responsibility to report questionable behaviour (<i>Diffusion of responsibility</i>)	5.00	41.67%
I do not have the authority to make such a report (<i>Displacement of responsibility</i>)	3.00	25.00%
The organization is not very responsive so I might get into trouble for speaking up	0.00	0.00%

Because I owed him a favour so now, we are even <i>(Moral rationalization)</i>	3.00	25.00%
Because he deserves a chance to stop the practice	1.00	8.33%
Total responses	12.00	100.00%

Table 25 shows the respondents reasoning behind their low reporting scores. A total of 11 participants (64.71%) were unlikely to report because they felt the organization was not very responsive and thus feared the consequences of raising the alarm. Three participants (17.65%) felt it was not their responsibility to report questionable behaviour and one participant each (5.88%) were either unlikely to report because they felt like they owed the fraud perpetrator a favour, or they did not feel protected. One participant (5.88%) was undecided as to whether or not they would report this instance of unethical behaviour

Table 24 Reasoning behind respondents' low likelihood of reporting unethical activity - Survey B

Survey B		
Statement	Frequency	Percent share
I would like to protect my identity	3.00	64.71%
I do not have the authority to make such a report	0.00	0.00%
The organization is not very responsive so I might get into trouble for speaking up	11.00	17.65%
Because I owed him a favour so now, we are even	1.00	5.88%
undecided	1.00	5.88%

Because I wouldn't feel protected if I was to report such a case in an organization with a history of not listening to their employees after the have raised concerns	1.00	5.88%
	17.00	100.00%

H7: Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions will be lower

Commented [HY1]: Font size and line space.

An independent samples t-test was used to compare the reporting intentions of negative positive affect, reciprocity, and organizational responsiveness (survey b) ($n=74$) and positive affect, reciprocity, and organizational responsiveness (survey a) ($n=64$) of a charitable organization. The t-test was not statistically significant, with mean score of intention to report of negative affect, reciprocity, and organizational responsiveness employees ($M=4.89$, $SD=1.33$) was lower than the positive affect, reciprocity employees ($M=5.30$, $SD= 1.67$), $t(136) = 1.58$, $p=.115$, two-tailed. Therefore, the research hypothesis that employees with a negative positive affect, reciprocity and organizational responsiveness are more likely to report internally is not acceptable. An independent samples t-test was also used to compare the reporting channel of positive interpersonal relationship with the fraud perpetrator (survey a) ($n=64$) and negative interpersonal relationship with the fraud perpetrator (survey a) ($n=74$) of a charitable organization. The t-test was not statistically significant, with mean score of positive interpersonal relationship with the fraud perpetrator who report on whistle-blowing hotline ($M=5.11$, $SD=1.22$) was not significantly higher than the negative interpersonal relationship with the fraud perpetrator ($M=5.01$, $SD= .836$), $t(136) = .543$, $p=.588$, two-tailed. Therefore,

we can conclude that in both conditions, there is no statistical difference between social exchange relationships and preferred reporting channel. This is visualised through the Table 26:

Table 25 Mean difference of Intention to report anonymously between Survey A and B

	Participant	N	Mean	SD	t
Intention to report anonymously	Survey A	64	5.11	1.22	.543
	Survey B	74	5.01	.836	

Participants in both surveys who were more likely to report through an anonymous hotline were asked why they were inclined to use an anonymous channel and the responses. An overall majority of 85% participants in survey A expressed the reason they were inclined to report through a hotline because they wanted to maintain their anonymity. A total of 10% expressed they felt this was the most effective channel to raise their concerns and 5% of the respondents felt it was the easiest way to raise their concerns. Compared with survey B, 65% of the participants expressed that they were more likely to report anonymously due to a fear of retaliation from the organization, 29% expressed that they were more likely to report anonymously because the case organization had a bad history of dealing with whistleblowing concerns. 6% of the participants expressed this is the quickest way to raise such concerns about financial misconduct. . This is visualised through the Table 27:

Table 26 Reason for reporting anonymously - Survey A and Survey B

Survey A		Survey B	
Reason	Percent	Reason	Percent

I want to maintain my anonymity	85%	I want to maintain my anonymity due to fear of retaliation	65%
I believe this is the most effective channel to raise my concerns	10%	The organization has a bad history of dealing with whistleblowing concerns	29%
I believe this is the quickest and easiest way to raise my concerns	5%	I believe this is the quickest and easiest way to raise my concerns	6%

6.2 Summary of Findings

Based on the analyses of the data, the following research questions have been answered:

RQ1: What influences do individual demographics have on peer reporting intentions of fraudulent financial misconduct?

Female employees are more likely to report instances of financial fraudulent misconduct than their male counterparts. In terms of age range, females between the ages of 31 to 50 and males between 50 and above have the highest likelihood of reporting. Overall, we conclude that older employees are more likely to have reporting intentions than younger employees. Therefore, we dismissed the null hypothesis as valid, and an alternative hypothesis was introduced. The surveys assessed respondents' likelihood to report, and findings suggest that employees with less work experience (between 1 and 5 years) have higher reporting intentions than those who have more work experience (over 15 years). Therefore, we accepted the null hypothesis as valid while rejecting an alternative hypothesis which suggested that employees with more work experience will have higher reporting intentions. Tenure with the organization was also

examined and results conclude that employees who have a short tenure (1 to 5 years) working for the organization have higher reporting intentions than employees who have been working with the organization for longer (11 years and above). This is particularly concerning as results suggest that the longer an employee works for an organization, the lower their regard for peer reporting unethical financial activity. Therefore, we accepted the null hypothesis as valid which rejecting the alternative hypothesis which stated that employees with a longer organization tenure are more likely to have higher reporting intentions than their counterparts who have a shorter tenure working for the organization. Results conclude that lower ranking employees had higher reporting intentions than higher ranking employees. This is particular concerning as ethical codes are expected to 'set the tone from the top'. In terms of education level, the results reject the null hypothesis to be true as employees with a higher education degree are more likely to report instances of fraudulent financial misconduct than those who have not completed a higher education degree. Upon further analysis, results indicate that female employees with a higher education degree have a higher likelihood to report than male employees with the same degree.

RQ2: What influences do social exchange relationships have on peer reporting intentions?

Compared with other types of whistleblowing, peer reporting can be perceived to be delicate as it involves breaching a personal or professional relationship. As Trevino and Victor (1992) noted, group norms are one of the factors which discourages whistleblowing within an organizational context and in general. Loyens (2013) adds that it comes down to either the protection of an individual's integrity or the protection of a colleague's integrity. Despite this, there are limited studies which seek to address whether this dilemma would influence whether individuals are more likely to report their peers. This study examined how an interplay of affect and reciprocity will affect this decision. Respondents in survey-A were presented with a

manipulated scenario where the interpersonal affect between the fraud discoverer and the fraud perpetrator was positive, and descriptions of their work relationship included positive terms such as ‘a friendly working relationship filled with trust and respect’, ‘shared many common interests outside of work, similar values, and memberships in the same clubs’.

The scenario in survey-A presented a positive reciprocity between the fraud discoverer and the fraud perpetrator. Positive reciprocity refers to when the fraud perpetrator is indebted to the fraud discoverer (Morgan owes Daniel) and in the scenario, Daniel covered for Morgan one-time when he had to leave work for an emergency ‘just hours before the financial statements were due to be filed’, therefore Morgan was indebted to Daniel. The culture of the organization was manipulated in survey-A such that the organization had a positive history of dealing with whistleblowing complaints. Respondents in survey-B were presented with a manipulated scenario where the interpersonal affect between the fraud discoverer and the fraud perpetrator was negative, and descriptions of their work relationship included negative connotations such as ‘a strained and antagonistic working relationship which lacks cooperation’, ‘fraught with disagreements resulting from very different personalities and values’. The scenario in survey-B presented a negative reciprocity between the fraud discoverer and the fraud perpetrator. Negative reciprocity refers to when the fraud discoverer is indebted to the fraud perpetrator (Daniel owes Morgan) and in the scenario, Morgan covered for Daniel one-time when he had to leave work for an emergency ‘just hours before the financial statements were due to be filed’, therefore Daniel was indebted to Morgan. The culture of the organization was manipulated in survey-B such that the organization had a negative history of dealing with whistleblowing complaints.

Overall, results indicate that in a situation where negative interpersonal affect and reciprocity exist between the fraud discoverer and perpetrator, the discoverer is more likely to report their

peer's fraudulent activity than if they shared a positive affect and reciprocity. This is particularly interesting because respondents to survey B were advised that their organization had a negative history of dealing with whistleblowing complaints, yet the participants still reporting higher reporting scores than those in survey A where the organization had a positive history of dealing with complaints. This leads us to conclude that interpersonal affect plays a much bigger role in the decision-making process in terms of peer reporting. Another interesting insight is that despite the fact that respondents to survey A were advised that a positive reciprocal relationship existed between the peers (fraud perpetrator was indebted to the discoverer), participants in survey B reported a higher likelihood to report. This further emphasises our conclusion that interpersonal affect may be the deciding factor as to whether an employee will blow the whistle on their colleague after the discovery of misconduct.

RQ 3: Which reporting channels are employees most likely to report through?

Previous whistleblowing studies (Erkmen et al., 2014; Jones et al., 2014; Near & Miceli, 2008) have assessed the channels through which whistle-blowers can raise their concerns. However, most of these studies have focused on the use of internal reporting channels as compared with external reporting channels (Brink et al., 2013; Sonnier, 2013; Zhang et al., 2013), or anonymous vs non-anonymous channels (Ayers & Kaplan, 2005); Curtis & Taylor, 2009; Kaplan et al., 2009b; Kaplan & Schulz, 2007; Taylor & Curtis, 2010). It is important to note that the decision how to report is as critical as the decision to report unethical activity. However, anonymous reporting has previously been marked as difficult as it hinders a proper investigation from taking place, whereas non-anonymous reports are easier to look into (Brink et al., 2013; Kaplan et al., 2009b; Kaptein, 2011; Sonnier, 2013). Thus, is it often encouraged for potential whistle-blowers to use internal reporting channels as provided by the organization to raise their complaints. Kaplan and Schulz (2007) emphasize the importance of understanding

the circumstances for which employees may be more inclined to report using external or anonymous reporting channels as they note this can provide relevant information which may aid in guiding management to craft more effective whistleblowing policies within their organizations and encourage employees to report concerns to designated safeguarding officials.

Participants in the current study were presented with a case about financial misconduct and were given the option to blow the whistle through a variety of channels which include reporting directly to a supervisor, to the internal audit team or through an anonymous whistleblowing hotline provided by the organizations. Following an in-depth analysis of the data, we can conclude that when a fraud discoverer harbours a negative interpersonal relationship with a fraud perpetrator, they are more likely to report directly to a supervisor. Thereby suggesting that employees who do not particularly like the fraud perpetrator would be more comfortable peer reporting to a supervisor than those who get along with the fraud perpetrator. Similarly, results show that where a negative interpersonal relationship exists between a fraud perpetrator and the discoverer, the discoverer is more inclined to report internally to the internal audit team. Both of these conclusions lead to the suggestion that employees who work in an organization with a positive culture may be more willing to report through internal channels such as to a supervisor or the audit team.

In contrast, results suggest that where a positive interpersonal relationship exists between the fraud discoverer and perpetrator, the discoverer is more likely to report through an anonymous hotline. Given this, we can conclude that the interpersonal relationship between the fraud perpetrator and discoverer plays a more important role in determining potential reporting channel than the organization whistleblowing history. This is because although participants in survey A were presented with a positive interpersonal relationship and a positive organization history of dealing with whistleblowing complaints, they were more inclined to use the

anonymous hotline. Respondents may be more inclined to report anonymously when they have a positive interpersonal relationship with the fraud perpetrator because they do not want to put strain on the relationship which would occur if they used a non-anonymous reporting channel. Compared with other reporting channels, the previous section notes that participants who were presented with survey B where there was a negative interpersonal relationship and negative organization history of dealing with whistleblowing complaints were more inclined to report either to a supervisor or the internal audit team. These results are consistent with those of Sheetz (2018) who found that “interpersonal affect significantly predicts intention to report for all reporting outlets” p. 234. There we can conclude that the interpersonal relationship between employees plays an influential role on determining reporting channel.

RQ 4: How do employees with low reporting intentions of fraudulent financial misconduct explain their decision?

Participants across both cases were prompted to explain why there were inclined to reporting through and anonymous hotline. Results indicate that the main reason that a majority of participants (85%) would report through a hotline is because they prefer to keep their identities hidden. As compared with survey B, where majority of participants (65%) expressed they would report through a hotline because they prefer to keep their identities hidden due to fear of retaliation from the organization. Thereby, suggesting that although the interpersonal relationship between employees plays a major role, the organizations history of dealing with whistleblowing complaints remains a crucial determinant of reporting channel. Table 28 below provides a summary of findings:

Table 27 Summary of findings

Research question	Hypothesis	Results
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RQ 1: How do individual factors influence reporting intentions?	<p>H1: Female employees are more likely to have reporting intentions of fraudulent financial misconduct than male employees</p> <p>H2: Employees with less work experience are more likely to have reporting intentions of fraudulent financial misconduct than those with more.</p> <p>H3: Employees who have been at the organization for a short period are more likely to have reporting intentions of fraudulent financial misconduct than those who have been there for a longer period.</p> <p>H4: Higher ranking employees are more likely to have reporting intentions than lower ranking employees</p> <p>H5: The higher the education level, the higher the peer reporting intentions of fraudulent financial misconduct.</p>	<p>H1, H2, H3, H5: there is no difference between gender, age, work experience, tenure, and education level employees in terms of their reporting intentions to the unethical activities.</p> <p>H4: higher ranking employees are statistically more likely to have reporting intentions than lower ranking employees</p>
RQ 2: What influences do social exchange relationships have on peer-to-peer reporting?	<p>H6: Reporting intentions of fraudulent financial misconduct will be higher where a negative interpersonal relationship, reciprocity, and a high retaliation strength exists</p>	<p>H6: there is no significant difference between reporting intentions in social exchange relationships and intention to report</p> <p>The most common reason for a low likelihood to report is diffusion of responsibility and displacement of responsibility</p>

RQ 3: Which reporting channel are employees most likely to use when reporting financial fraud?	H7: Internal reporting intentions of fraudulent financial misconduct will be higher when a negative interpersonal relationship, reciprocity, and a high retaliation strength exists, and external reporting intentions will be lower	<p>H7: there is no statistical difference between social exchange relationships and preferred reporting channel</p> <p>The most common reason for a high likelihood to report through an anonymous hotline is the preference to remain anonymous followed by fear of retaliation</p>
RQ 4: How do employees with low reporting intentions explain their decision?	--	<p>Employees with low reporting intentions were less likely to report because: (1) they did not feel it was their responsibility to report fraudulent misconduct, (2) they did not feel like they had the authority to report, (3) they felt indebted to the fraudster as they did them a favour initially.</p> <p>Employees who were most likely to report externally (through an anonymous hotline) were likely use this method because (1) they want to protected their identity, (2) they fear organizational retaliation, and (3) they felt indebted to</p>

		the perpetrator as they initially did them a favour
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6.3 Conclusion

This chapter discussed the empirical data analysis of the quantitative data collected through the questionnaire survey. Overall, we can conclude that non-profit employees within the organization exhibited a high degree of ethicality when faced with an ethical dilemma. The surveys were distributed to one half of the total sample size, and despite the manipulations present in each scenario, the participants showed high levels of ethical recognition, judgement, and intentions to act in an ethical manner. However, there were significant differences in the responses to each scenario which indicates that although Rest's (1986) model is a good starting point, there are multiple factors which depend specifically on the social exchange relationship embedded within the vignette. Both male and female respondents had high reporting intentions, however female respondents reporting higher reporting intentions albeit by a small difference. In terms of age, the highest reporting intentions were perceived between women aged between 31 to 50 whereas their male counterparts aged between 50 and above had the highest intentions to report. Employees who had more experience working in the sector had higher reporting intentions than those without much experience. However, the results show that employees who have been at the organization for longer had lower reporting intentions than those who have a lower tenure at the organization. Interestingly, results show that employees at senior level had lower reporting intentions than their counterparts at lower hierarchical levels. However, this may be due to more participants within the sample being lower-level employees. Reporting intentions based on education level were assessed and findings show that employees educated up to bachelor's degree had a high degree of intentionality to report financial misconduct.

Participants in each survey who had lower reporting intentions were queried. Participants in survey A (where there were positive social exchange manipulations and a positive organization history of dealing with whistleblowing complaints) were less likely to report because they felt it was not their responsibility to reporting fraudulent financial misconduct, which adheres to Albert Bandura's (1960) moral disengagement mechanisms. Participants in survey B (where there were negative social exchange manipulations and a negative organization history of dealing with whistleblowing complaints) were less likely to report because they feared retaliation from the organization, which adheres to Trevino's (1986) model of ethical decision-making. In terms of social exchange, the study found that employees who have a negative social exchange relationship with their peers are ten percent more likely to report than employees who have a positive social exchange relationship despite their organization not handling whistleblowing complaints very well. Overall, we can conclude that employees who have a negative social exchange relationship with the fraud perpetrator are more likely to report directly to their supervisor, whereas employees with a positive social exchange relationship are more likely to report to the internal audit team, with majority of employees likely to report anonymously. It is interesting to note that respondents who share a positive interpersonal affect with the fraud perpetrator are more likely to reporting anonymously than directly to their supervisor whereas, employees who do not get along with the perpetrator are more comfortable to reporting non-anonymously. The next chapter provides a conclusion of this study with recommendations for further study. Make sure that the analysis of the above shows proper link with each of the hypotheses.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.0 Introduction

This chapter presents the final conclusions of the study and gives a summary of all the chapters in section 7.1. Based on the results and analysis based in chapter 6, section 7.2 provides findings from different perspectives where research questions have been answered. The research contributions are summarised and addressed in section 7.3, which is accompanied by conclusions and recommendations in section 7.4 and 7.5 respectively.

7.1 Concluding Remarks

This study investigates the individual and organisational factors which influence peer reporting intentions with a focus on accounting-related employee fraud. Findings indicate that individual factors such as age, gender, work experience, tenure and education level have no significant impact on reporting intentions within charitable organizations. These results are consistent with the findings for Sweeney and Costello (2008); Forte (2004); Marques and Azevedo-Pereira (2009), and Pierce and Sweeney (2009). Interestingly, rank stood as the only individual factor which has a significant influence on reporting intentions, and this is a good sign as it suggests that senior managers within the organizations demonstrate a high sensitivity to ethical issues. Furthermore, findings suggest there is no significant relationship between the interaction of social exchange relationships and reporting intentions. However, we found that employees are more than likely to either diffuse the blame or displace their responsibility as a means to rationalize their non-reporting behaviour. This is in line with Bandura's (1990) study which notes that individuals are likely to adopt one or more of the mechanisms in a post ad hoc manner to make the behaviour more palatable due to the supposed lack of control over the situation.

Furthermore, participants who were more than likely to reporting peer misconduct through the whistleblowing hotline shared that they preferred to keep the identity confidential when raising

complaints, even if the organization has a positive history of dealing with complaints raised by its staff. These findings suggest that there may be another influential factor which is hindering pro-ethical reporting behaviour or perhaps there are other social forces which may need to be considered. This study has several limitations. First, the study is based on a case study and offers limited representation. Therefore, it is not possible to generalize the findings presented. However, using a case study approach offers a continuous analysis of the facts as there were limited interruptions in the process which could limit data validity. Second, the study sample was considerably small as we focus on the opinions of employees in departments where accounting-fraud susceptibility is high. Lastly, intention to report cannot guarantee that an employee will make the same decision in a real-life context. Due to social pressures and other forces, employees may react differently when faced with real like accounting-related dilemmas within the workplace. Recommendations for further study include testing the proposed integrated decision-making model across multiple charitable organizations. Furthermore, future research could seek to examine why employees were still more likely to report externally when the organization exhibited a positive history of dealing with complaints about peer misconduct. This study adds to the literature by providing an integrated framework of ethical decision-making which offers a multi-theory perspective on the factors which influence the decision-making process. The framework goes a step further by assessing the post ad hoc rationalizations which an individual may adopt after engaging in unethical behaviour, thereby providing a well-rounded view at the decision-making process.

7.2 Research Contributions

In terms of methodological, theoretical, and practical aspects, this study makes significant contributions to whistleblowing, ethics, and fraud literature by providing insight into the decision-making process of employees when confronted with financial related ethical

misconduct in the organization. The insights outline in this study provide non-profit organizations potential solutions to combatting fraudulent behaviour within the sector and the key influential determinants which need to be considered when drafting internal policies. The following contributions have been made:

7.2.1 Methodological contributions

This study contributes methodologically to the academic community through the development of an organizational vignette which can be used specifically in the UK context. Previous studies have relied on forms of vignettes which rely on the Multidimensional Ethics Scale developed in 1990 by Reidenbach and Robin. Over the years, this Multidimensional Ethics Scale has been used in ethics related research but there have been several developments since 1990 and therefore the methods used in this study improve this scale and offer researcher a more efficient way to use the scale in a business context and offers new areas for research development. In addition, the use of a mixed methods approach enabled the researcher to extract as much information from the respondents in a specific timeframe.

7.2.2 Theoretical contributions

This study proposed a preliminary integrated framework that provides an ethical decision-making framework. The framework is developed by a combination of different theories. First, the framework primarily draws on Rest's 'Four component model' which comprises of four stages and is widely used as the main theory in several ethics-related studies (see Chan & Leung, 2006; Forte, 2004; Musbah et al., 2016; Rose et al., 2018; Scheetz, 2018; Victor et al., 1993). Next, the framework implements elements of Jones' 1991 'Issue-contingent model of ethical decision-making' which states that ethical recognition of a dilemma depends on the characteristics of the issue itself. Furthermore, we adopted organizational factors from Liyanarachi and Newdick's 2009 study which provided evidence to show that whistleblowing

intention is influenced by the strength of the retaliatory threat from the organization and Scheetz' 2018 study which found a significant link between social relationships and employees. Finally, the framework included Albert Bandura's 'Moral Disengagement Theory' which proposed a set of mechanisms which have been used throughout history to explain the reasoning behind wrongdoing on behalf of an individual or an organization.

The proposed integrated framework offers a new way of assessing how individuals respond to ethical dilemmas when they meet one or more conditions outlined in the fraud triangle (pressure, opportunity, rationalization). It is critical to understand which factors influence reporting behaviour among employees when faced with financial-related ethical dilemmas in the workplace so prevention measures can be integrated into ethics curriculums and organization ethical codes to promote pro-ethical behaviour and thereby enable charitable organization to continue to boost productivity and therefore protect their source of income – which is usually split between public donations and funding from donors. This study is the first to investigate the ethical decision-making process of employees within the non-profit sector where undue confidence is a common widespread and deception is widespread. The proposed integrated framework can easily be adopted in a different disciplines and contexts.

7.2.3 Practical contributions

Although there have been several studies which has examined the individual ethical-decision making process of peer reporting intention, there is no comprehensive study which has been conducted within an organizational setting with a sample of employees. Most management studies have used MBA students as the basis of their research because of the difficulty in receiving approval from organizations to use their workforce as a sample. Given the sensitive nature of fraud, research within this area has been very slow over the years as organizations may be reluctant to open their doors as they fear the scrutiny may harm their reputation and

therefore their bottom-line. This study is the first of its kind to achieve access to a UK non-profit organization which granted the researcher access to use its workforce as a case study. This study sought to examine the influence of social exchange relationships on peer reporting intentions of fraudulent financial misconduct after the discovery of accounting-related fraud and the findings contribute to the growing body of literature in forensic accounting techniques. Furthermore, the insights provided in this study will assist managers to implement structured policies and anti-fraud measures by providing a different way of addressing insider fraud. Although the researcher may have not interacted with all the studies within this research area, our study sample consists of employees at different ranks within the organization thereby complementing the richness of the data as several studies have previously been selective in terms of the sample rank.

7.3 Recommendations

The first recommendation is for non-profit managers and executives to develop and implement efficient anti-fraud programmes within organizations. These programmes should provide an in-depth explanation of the types of behaviour which are classed as fraudulent and should ensure internal checks are crafted and regularly tested for effectiveness. The programme should comprise of regular exercises that can be administered to new employees once they join the company, and refresher workshops for existing employees.

The second recommendation is for the tone to be set correctly from the top. It is important for lower-level employees to be made aware of zero tolerance fraud policies and for the management team to follow the rules they have set out. Furthermore, the organizations management should promote a philosophy of honesty and ethical behaviour which clearly encourages staff members to share concerns with a superior when they are faced with ethical

dilemma which include fraudulent financial activity. Furthermore, managers should establish a rigorous monitoring process which contains preventative and punitive measure.

The third recommendation is for an effective reporting mechanism to be developed which includes a clear set of processes which need to be followed when raising a concern internally. This will ensure that employees are always aware of the procedures and know exactly what to expect from the process. Where possible, there should be a provision of an internal whistleblowing hotline for the cases where confidentiality is necessary for an employee to feel comfortable to raise their concerns.

The fourth recommendation is for managers to promote effective structures and additional support within their organization when it comes to whistleblowing. Over the years, there has been a vast amount of stigma associated with peer reporting or reporting unethical behaviour in general. Therefore, organizations need to ensure they are open to receiving tips and will handle them confidentially and with the fraud discoverer's safety at the forefront.

7.4 Limitations

Despite its magnitude, our study has a set of limitations. Firstly, the respondents may have been untruthful in their responses given the nature of the topic at hand. However, the researcher attempted to use several measures to reduce this from occurring. Measures taken include ensuring the respondents were aware of the confidentiality associated with this study and implementing pre-requisite questions in the survey which seek to eliminate social desirability bias. However, there is no way to measure the truthfulness of the responses as individuals may have been unlikely to tell the truth due to the fear of tarnishing the organization's image and reputation.

Second, this study was limited by time constraints as it was conducted under a specific timeframe with limited resources. The funding of the researcher was only limited to covering tuition and living expenses, and therefore there were no financial incentives for respondents to participate in the study. In some case, research with financial back have been able to recruit more respondents based on the ability to provide various participation incentives.

Third, the results of our study cannot be generalised to the whole sector as the research was carried out on a single-design case study method with a sample selection within the same organization. Even though the organization has operations through the UK, it is unlikely that there would be similar results in different non-profit organizations in the UK. Although this could be have curbed by conducting the study on a cross-country or multiple organization scale, it was important for the researcher to provide fresh insight from a single-case study so the developed theoretical framework can be extended to other organizations which are faced with similar problems.

Finally, our study sample did not include any certified fraud professionals or auditors who may have been able to shed more light on the insider fraud threat within the UK third sector. Although we planned to include the opinions of fraud professionals in our sample, the pressure of the COVID-19 pandemic would have made an increase to the sample more cumbersome for the researcher due to the complexity of the data collection and analytical process. Therefore, further studies would benefit from including fraud professionals and auditors in their research as they may present an alternative perspective to tackle the prevalent threat of insider fraud to non-profit organizations.

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APPENDIX A: PARTICIPANT INFORMATION SHEET

Description of study

Reviews of several fraud surveys conducted by large accounting and consulting firms reveal that fraud is a growing crisis that is being faced by organisations internationally. An estimated £25 billion is lost to fraud every year in the United Kingdom. At a time when government departments must make significant cuts in spending, this level of loss is unsustainable, and every effort should be made to cut fraud losses significantly. Despite their significant contribution to society, non-profit organisations (NPOs) continue to be the targets of unscrupulous individuals, resulting in scandal and disrepute. Consequently, NPOs are under constant pressure from governments, regulators, watchdog groups, charity rating agencies, donors and the community to demonstrate accountability and performance. Unlike their for-profit counterparts, NPOs personify the qualities of values, passion and ethics and they are sustained by the bonds of trust that develop within and among other members. The difference between NPOs and for-profit counterparts is one related to mission, where for-profit firms are motivated by the profit motive and NPOs do not issue shares and their missions are not focused on maximizing profit.

Non-profit organizations may invest in training and orientation of volunteers and staff about theft to boost accountability, create a positive work environment which may help set the tone at the top for ethical behaviour and create audit committees to help deter financial mismanagement. Regardless of this, the fact that they have a wide reaches and impact life in communities worldwide, any publicized case of fraud may have significant negative consequences and impact on their operations.

Therefore, the study aims to explore the decision-making process of individuals when faced with difficult situations. Semi-structured interviews and other research techniques such as observations, and document analysis will also be employed to obtain multiple insights about the fraud policies and make sense of the fraud prevention measures. By exploring how these concepts, the researcher hopes to present an in-depth analysis about how hard decisions are made in an organisational context and which measures can be implemented to help NPO's better protect themselves from being a victim of fraud.

Expected benefits

It is proposed that this study will provide a useful reference for further understanding of how individuals react to difficult situations within an organizational context. This study seeks to bridge the knowledge gap regarding the study of fraud in the third sector of the United Kingdom.

Risks

There are no risks associated with your participation in this project.

Confidentiality

All comments and responses are anonymous and will be treated confidentially. The names of individual persons are not required in any of the responses. And you have the ownership of the tapes and the transcripts. All information gathered will be subject to the Data Protection Act 1998.

Voluntary participation

Your participation in this research project is voluntary. If you do agree to participate, you can withdraw from participation at any time during the project without comment or penalty.

Questions / further information

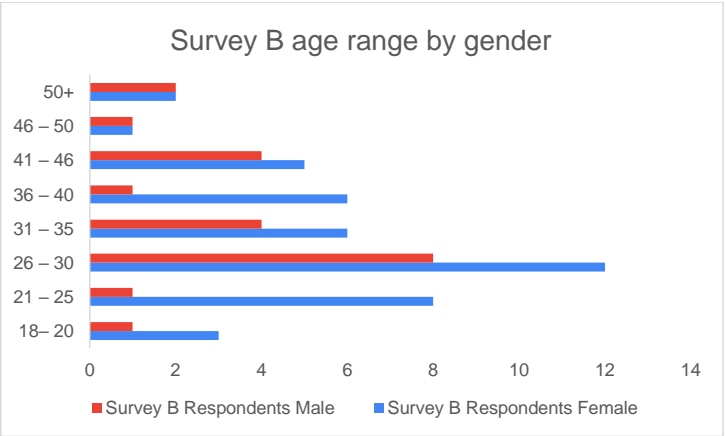
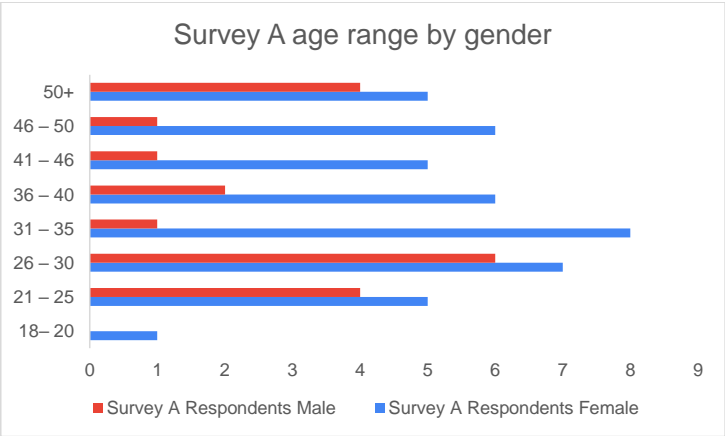
Please contact Miss Elma Jane Lamba via email e.j.lamba@edu.salford.ac.uk, if you require further information about the project, or to have any questions answered.

Concerns / complaints

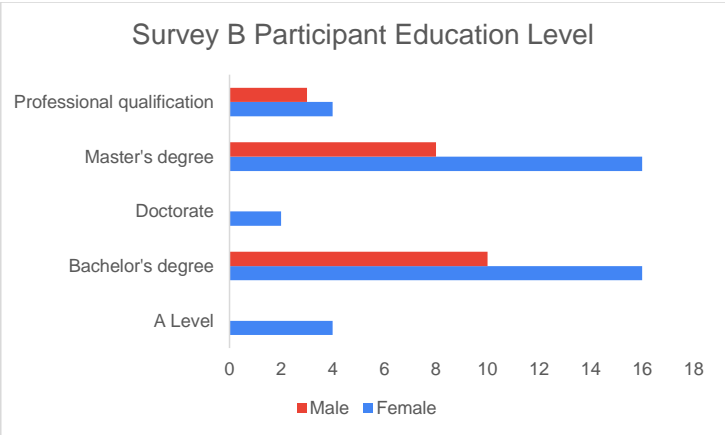
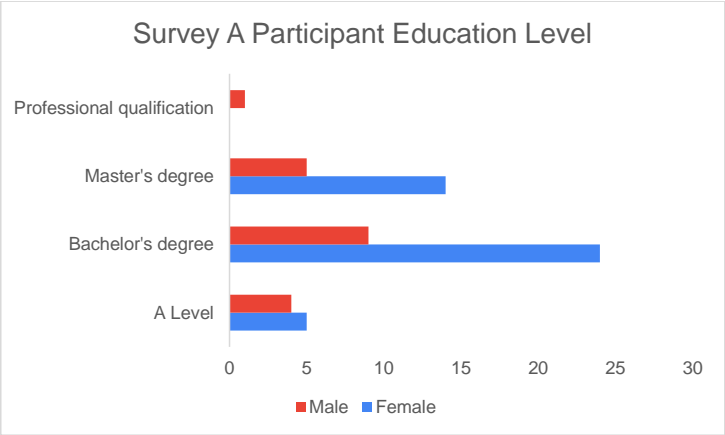
Please contact the Research Ethics Officer on 0161 295 2711 or SBS-TaughtEthics@salford.ac.uk if you have any concerns or complaints about the ethical conduct of the project.

APPENDIX B: SURVEY PARTICIPANTS

Age



Education level:

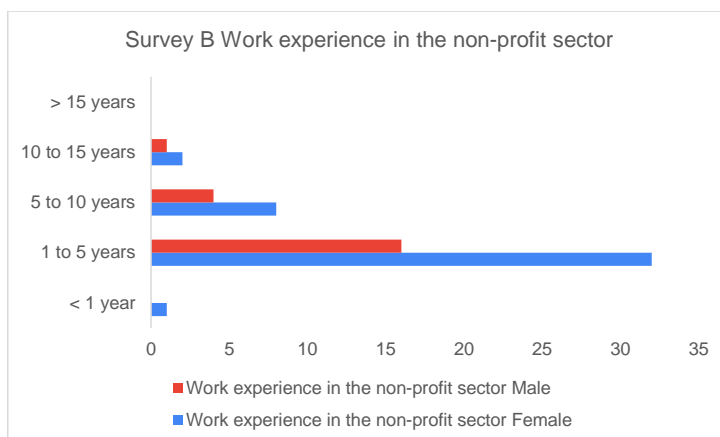
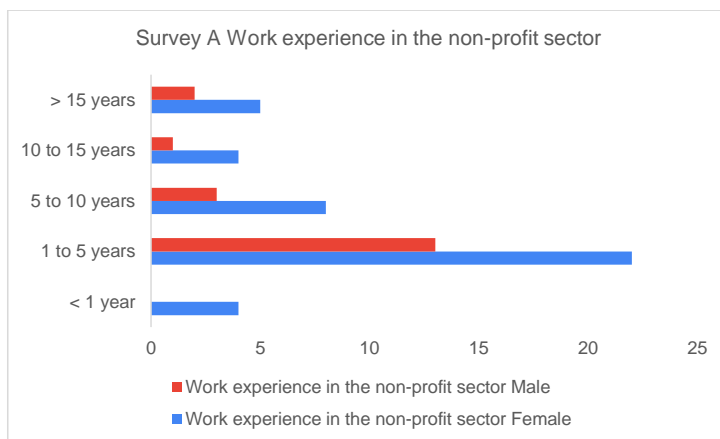


Professional qualifications:

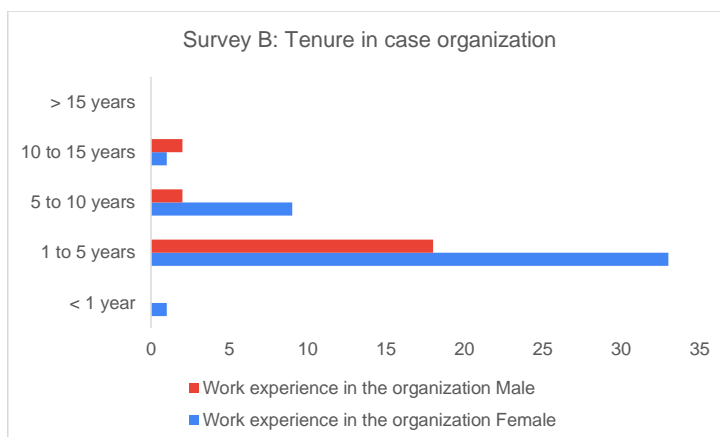
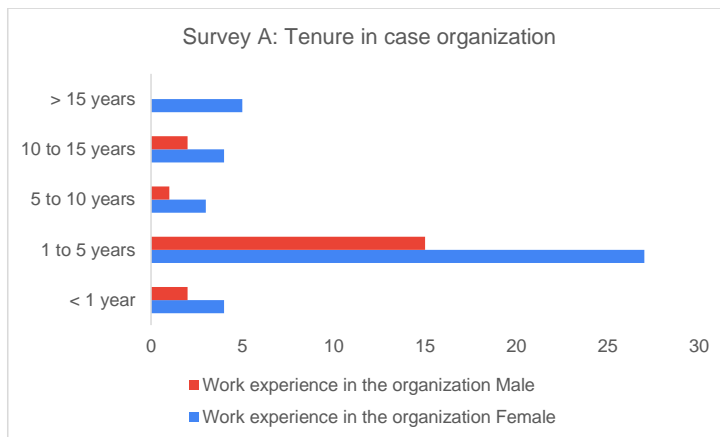
Professional Qualification - Survey A	Female	Male
ACCA	0	1
Cert ed, Advanced Coach	1	0
Chartered Institute of Payroll Professionals	0	1
CIPD Human Resources	1	0
Counselling and Psychotherapy Studies (Professional Training)	1	0
Counselling Diploma; Teaching Diploma	0	1
Data analysis	1	0
Medical secretary	1	0
MSc Foundations of Clinical Psychology	1	0
n/a	21	7
NVQ Level 2,3,4/customer services/ DIP5 PBS	2	1
Project Mgt in Construction	0	1
Training and learning	1	0

Professional qualification - Survey B	Female	Male
ACCA	0	1
CIMA	0	1
CIPD Human Resources	1	1
Level 3 Diploma in Adult Care	2	1
Level 4 Certificate in Principles of Leadership and Management for Adult Care.	1	0
Level 4 Diploma in Adult Care	1	1
Level 5 Certificate of Fundamental Knowledge in Commissioning for Well being	1	0
Level 5 Diploma in Leadership Management for Adult Care	1	1
n/a	31	13

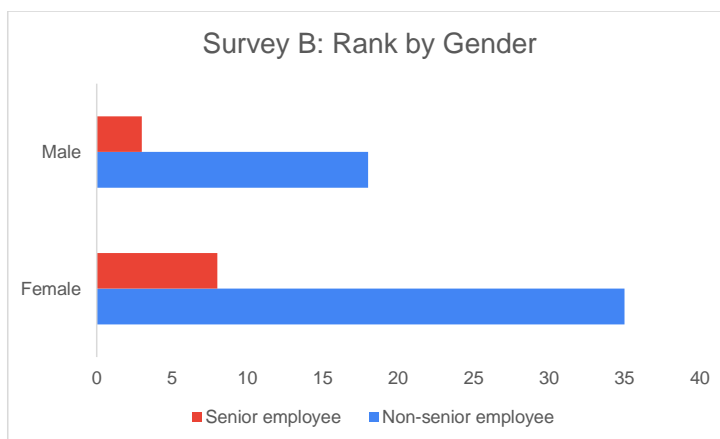
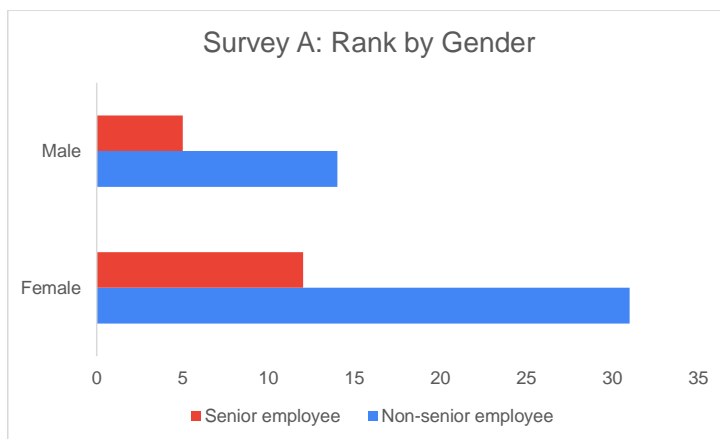
Work experience in non-profit sector:



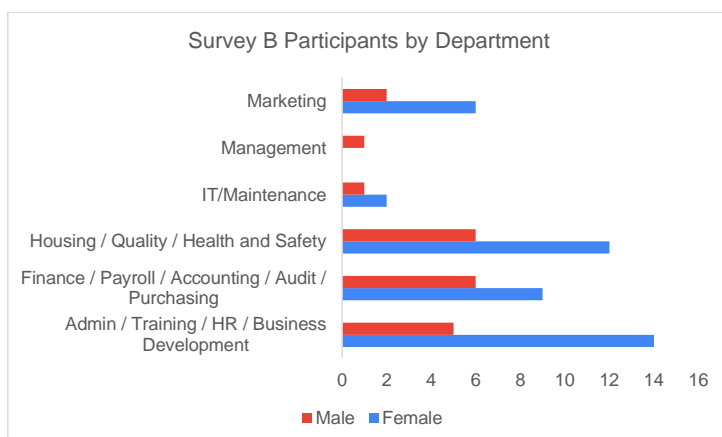
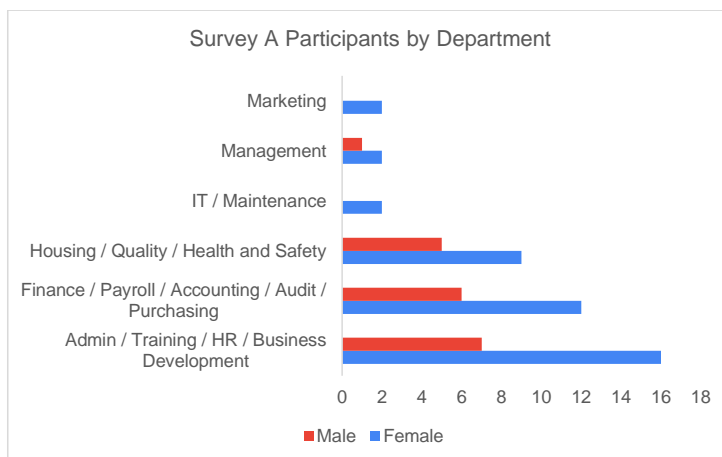
Tenure in organization:



Rank:



Department:



APPENDIX C: INTERVIEW PROTOCOL

Company: _____

Interviewee (Title and Name): _____

Interviewer: _____

Other Topics Discussed: _____

Documents Obtained: _____

Post Interview Comments or Leads:

Pre-session preparation:

- Introduce the project
- Introduce project's goals and objectives
- Identify the purposes for interviewing
- Establish framework for interviews
- Stress confidentiality
- Explain why the interview was being audio taped
- Ask for questions to clarify project purposes or other concerns

Section A: Assessment of historical fraud cases within the organization

Have there been any financial related ethical issues within the last 15 years?

Purpose: to narrow the focus to monetary ethical issues

Probe: When did these occur – please explain the issues in detail

Who were the key players within the issue? (by job designation, not name).

Purpose: to understand the level of access given to employees, to assess the fraud perpetrator's job designation

How was the issue brought to the attention of the management team?

Purpose: to assess how ethical issues are reported within the organization

How did the organization address deal with the issue?

Purpose: to assess the organizations anti-fraud procedures

Probe: did any other departments get involved (i.e. HR)

In your opinion, how did the organization expose itself to this fraud?

Purpose: to assess the management team's level of accountability

Probe: how do you think this could have been curbed

Section B: Assessment of fraud procedures and policies:

- Are there consequences for employees who commit fraud and are those consequences fair and consistent?
- Do employees in key "trust areas" within the organization show "red flags" that may suggest a change in personal or financial situations?
- Is there an annual, thorough review for inefficient or deficient processes within the offices that could lead to fraud or errors in transactional processing?
- Does the company adequately compensate employees in order to retain and attract qualified individuals?
- When making new hires, does the company perform sufficient background checks on the potential new hire's technical knowledge and skills?
- Is there a protocol for handling confidential complaints?
- Does the company have a mechanism for employees to anonymously raise concern regarding ethics, fraud or questionable business activities?

- How does the company demonstrate a commitment to integrity and ethical behavior by their day-to-day activities?

Section C: Demographics

Post Interview Comments and/or Observations

APPENDIX D: INTERVIEW PARTICIPANTS

Interviewee	Sample size	Job description
Chief Executive	1	responsible for providing leadership, developing and implementing strategic and operational plans, leading on partnership and business development, and being an effective advocate for the charity and its beneficiaries
Service Director	3	responsible for identifying and developing all culture, process and performance improvements and efficiencies for the service user
Internal Audit Manager	1	responsible for planning and scheduling audits; initiates project planning, assess risk and develops audit direction
Finance Manager	2	responsible for overseeing end-to-end finance operations, financial planning and analysis, balance sheet reconciliations, procedure improvement and risk management
HR Manager	1	responsible for the development of effective internal procedures, handle employee-related issues, support recruiting and retention efforts.
Procurement Manager	1	responsible for ensuring that their business purchases the goods and services that will best help them achieve their goals
Credit Control Manager	1	controlling the process of payment for the organisation's services or products, and making sure that payments are received promptly and efficiently