The Impact of Collectivism in Relationship between Moral Reasoning and Whistleblowing

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Abstract	The purpose of this study was to analyze the impact of collectivism culture on the relationship between moral reasoning and whistleblowing in government organizations in Kebumen District. The sample in this study were 80 treasurers and village financial staff in Kebumen Regency who met the established criteria. This study uses structural equation modeling (SEM) with WarpPls software version 6. The results of hypothesis testing in this study indicate that a high level of moral reasoning has been proven empirically to increase one's tendency to do whistleblowing, however, collectivism has been proven to empirically reduce whistleblowing tendencies; the latest finding is that collectivism has proven to weaken the relations of moral reasoning and whistleblowing.
Keywords	collectivism; moral reasoning; whistleblowing

INTRODUCTION

Financial reforms have taken place especially in government institutions with the issuance of several legal foundations such as regulations on autonomous regions, the introduction of technological devices to accelerate organizational processes, and the introduction and obligation to implement organizational systems based on good governance to government institutions that always refer to attitudes, ethics, practice and community values (Syakhroza, 2003). As a result of public sector financial reforms, demands for accountability for public institutions have strengthened (Mardiasmo, 2006)

Accountability should be applicable to all regions but in reality many practice of frauds are still found and this is still a domestic problem. In recent years there has been an increasing trend regarding financial cases both within companies and in public sector organizations. The practice of frauds in recent years shows an increasing trend. Data from the investigation of corruption cases in the last five years in 2014 were 56 corruption cases investigated by the KPK. Then it rose in 2015 to 57 cases, and in 2016 rose again to 99 cases.

The unfolding of financial fraud in recent years cannot be separated from the services of a whistleblower. Based on the Association of Certified Fraud Examiner (ACFE) report, about half of fraud cases can be revealed because of whistleblower reports, while the internal audit role can only reveal a quarter, the rest can be revealed by internal control processes and accidentally Tjahjono (2013).

Empirical research proved that one of the factors that determines whistleblowing behavior is the level of one's moral reasoning (Near and Miceli, 1995; Liyanarachchi and Newdick, 2009; Gundlach, *et al.*, 2003). However, different results were found by Akhyaruddin and Asnawi (2017); Satriani and Suwardi (2018) which found that the level of moral reasoning does not affect one's intention to do whistleblowing. The difference in results from studies conducted in Indonesia and in western countries motivates the writer to incorporate the culture of Indonesian society into the existing model.

Collectivism is a culture that is inherent in eastern societies, including Indonesia (Park, *et al.*, 2005). The culture of collectivism is the opposite of individualism in western societies. Cultural differences in collectivism and individualism are assumed to be related to geographical, economic, and historical conditions that affect the patterns of interaction of the people. The more complex the society, the more difficult it is to have deep interactions and the less demands on group compliance, on the other hand, the simpler a society is, the closer its kinship is (Park et al., 2005).

Research conducted by Xin (2014) in Asian societies found that collectivism culture results in a closed organizational culture. Behavior that will damage the image and interests of the organization is considered as betrayal. The whistleblower is deemed unworthy of trust and disloyal. so that it will cause a lot of disagreement for the reporting party, the organization and colleagues.

Based on the description that has been stated, this study aims to reexamine the effect of moral reasoning on whistleblowing; and adding cultural aspects, namely collectivism as determinants and moderators.

Whistleblowing

Whistleblowing is a disclosure by members of an organization of illegal, immoral, or illegal practices to people or parties outside the organization who might be able to act (Near and Miceli, 1985). Whistleblowing can be done by every layer in the organization, both by top management and by employees. Disclosure of information made by whistleblowers is not always an illegal fraud or error committed by an organization, but mistakes that are not illegal but are seen as immoral or illegal by employees.

Shawver and Shawver (2018) stated that whistleblowing is morally permissible if the company suffers serious harm to both employees and the public. The role of a whistleblower is indispensable in the disclosure of a fraud, because the whistleblower is part of the organization's internal and most likely knows the occurrence of a fraud in the organization (Akhyaruddin and Asnawi, 2017).

Being a whistleblower seems to be a dilemma for members of the organization, on the one hand they want the organization to run properly, but on the other hand the consequences that might be received such as reprimands, threats to themselves or family, and other social sanctions can discourage them. Protection efforts undertaken by the Indonesian government in protecting whistleblowers are contained in UU No. 13 year tahun 2006 which is then made into UU No. 31 tahun 2014 concerning Protection of Witnesses and Victims.

Moral Reasoning and Whistleblowing

Moral can be interpreted as a characteristic of a person or group that becomes a guide in behaving in accordance with the values that apply in the social group concerned. Etymologically moral comes from the Latin *mores* which means the procedure for living, customs and habits. In other words morals are rules about human actions and attitudes that are good and right.

According to Santrock (2011), moral development involves thoughts, feelings, and behaviors regarding rules and discoveries about what people should do in their interactions with others. Desmita (2005) argued that morals are closely related to interpersonal relations but have long been the subject of discussion in philosophy.

One of the important factors that influence an individual's decision to do whistleblowing is moral behavior (Akhyaruddin and Asnawi ,2017). The higher the level of moral reasoning someone, their tendency to do whistleblowing is higher when faced with wrongdoing done by the organization. Liyanarachchi & Newdick (2008) and Shewver and Shewver (2018) show that moral reasoning has a positive impact on an individual's tendency to whistleblowing.

Collectivism and Whistleblowing

Collectivism is one of the cultures inherent in eastern society, including Indonesian society (Park *et al.*, 2005). According to Englehart (2000), collectivism is a set of values that includes adherence to superiors, loyalty to groups, and fusion of individual identity into group identity.

According to collectivism culture, organizational interests are considered more important than the interests of employees, so they tend to be more obedient to the demands and needs of the organization, because they want to avoid conflict (Park *et al.*, 2005); threatening harmony with other employees or with the organization (Bochner, 1994).

We suspect that the culture of collectivism in Indonesia will reduce one's intention to do whistleblowing even though he has high moral reasoning, because he prefers to avoid conflicts with fellow colleagues or organizations.

METHODS

This research is a causal quantitative with survey methode. The population of this study were all employees of government organizations in Kebumen Regency. The sample used in this study is the treasurer and financial staff in each village in Kebumen Regency. Of the 150 questionnaires distributed, 80 can be used for analysis.

The data in this study are primary data obtained directly from respondents through the dissemination of instruments. The instrument

used in this study was a Likert scale question-naire. The questionnaire compiled is an adap-tation of the instrument developed by Liyana-rachchi and Newdick (2009), which is also used by Akhyaruddin and Asnawi (2017).

The data collection technique is done by purposive sampling, with the criteria that em-ployees have worked for at least one year with the consideration that they are already familiar with their work environment and coworkers. The response rate of this study was 53.3%. According to Gudono and Mardiyah (2000), the response rate for the questionnaire survey in Indonesia is generally below 20%, so it can be said that the response rate in this study is quite high.

The hypothesis in this study was tested us-ing Structural Equation Modeling (SEM) with an alternative method of Partial Least Square (PLS) using software WarpPLS 6.0. with the consideration that SEM-PLS is able to analyze variables that cannot be measured directly (unobserved variables) and take into account measurement errors (Sholihin and Ratmono, 2013).
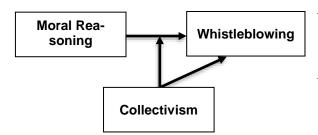

Figure 1. Research Model

RESULTS AND DISCUSSION
Convergent Validity

Convergent validity indicates the extent to which a measure is positively correlated with the same alternative construct size (Hair, *et al.*, 2014). There are two criteria (Sholihin and Ratmono, 2013) to assess whether the meas-urement model meets the requirements of convergent validity for reflective constructs namely loading values> 0.70 with significant p (value <0.05); or the average variance ex-tracted value (AVE) ≥ 0.50. Table 2 shows the loading, p-value, and AVE values for each construct. It can be seen that indicators MR1, MR6, MR7, MR 8, MR9, C1, C2, C5. C6, C7, C8, C10 and C11 have been dropped from the model because the loading value is below 0.04. Nevertheless, we still maintain indicators that have loading values between 0.04-0.07.

The suggested procedure states that the deci-sion to delete the indicator with a loading value between 0.04-0.07 is based on the impact of the decision to delete the indicator on AVE and composite reliability (Sholihin and Ratmono, 2013). The indicator can be removed if it has an impact on increasing AVE and composite reliability above its limit (Sholihin & Ratmono, 2013).

Table 1. Convergent Validity

	item	loading	p-value	AVE
Moral Reasoning	MR2	(0.793)	<0.001	0.645
	MR3	(0.875)	<0.001	
	MR4	(0.818)	<0.001	
	MR5	(0.831)	<0.001	
	MR10	(0.623)	<0.001	
	MR11	(0.854)	<0.001	
Whistleblowing	WB1	(0.882)	<0.001	0.663
	WB2	(0.859)	<0.001	
	WB3	(0.675)	<0.001	
	WB4	(0.824)	<0.001	
Collectivism	C3	(0.763)	<0.001	0.520
	C4	(0.727)	<0.001	
	C9	(0.669)	<0.001	

Discriminant Validity

Discriminant validity shows the extent to which the construct is completely different from other constructs based on empirical standards (Hair, et al., 2014). The criteria used to assess whether the measurement model meets discriminant validity requirements is the average variance extracted (AVE) square root value, which is a diagonal column and en-closed with brackets, must be higher than the correlation between latent variables in the same column (Sholihin & Ratmono, 2013).

Table 2. Discriminant Validity

	MR	WB	C	C*MR
MR	(0.803)	0.295	-0.245	0.067
WB	0.295	(0.814)	-0.155	-0.150
C	-0.245	-0.155	(0.721)	0.317
C*MR	0.067	-0.150	0.317	(0.515)

Table 2 indicates that the discriminant va-lidity requirements have been met. It can be seen that the AVE square root value (diagonal

column) is higher than the correlation between latent variables in the same column

Internal Consistency Reliability

Internal consistency reliability tests are carried out to assess homogeneity between items that make up a construct (Cooper and Schindler, 2011). The criteria used to assess the reliability of internal consistency are composite reliability and Cronbach's alpha values above 0.70 (Sholihin and Ratmono, 2013). Table 3 indicates that all constructs in this study meet the requirements for internal consistency reliability, which is indicated by the composite reliability and cronbach's alpha values of each construct above 0.70.

Table 3. Internal Consistency Reliability

	MR	WB	C	C*MR
Composite reliability	0.915	0.886	0.764	0.832
Cronbach's alpha	0.887	0.827	0.737	0.819

Hypothesis Test

The hypothesis in this study was tested using SEM-PLS. There are 3 (three) hypotheses tested in this study. A hypothesis is supported if the p-value <0.05 (significant at the 5% level). Table 4 below presents a summary of the results of testing this research hypothesis.

Table 4. Hypothesis Testing

		Path Coefficient	p-value	Result
H_1	MR -> WB	0.258	0.002	Accepted
H_2	C -> WB	-0.198	0.014	Accepted
H_3	C*MR	-0.165	0.034	Accepted

The results of hypothesis testing using SEM-PLS, proving that all three hypotheses in this study were accepted (p-value < 0.05). Thus it can be concluded that: 1.) Moral reasoning has a positive effect on an individual's tendency to whistleblowing; 2.) Collectivism has a negative effect on an individual's tendency to whistleblowing; 3.) Collectivism has a negative effect on the relationship between moral reasoning and the tendency of individuals to do whistleblowing

CONCLUSION

Based on the results of hypothesis testing, it is empirically proven that employees with high levels of moral reasoning tend to take whistleblowing actions when confronted with fraud, this is appropriate in supporting the research of Near and Miceli (1995); Liyanarachchi and Newdick (2009). However, the culture of collectivism inherent in Indonesian society has been proven to empirically reduce employee intention to take action whistleblowing. The next finding is that empirically proven that someone with a high level of moral reasoning, but growing and living in a society with a high collectivism culture, will reduce their tendency to take action whistleblowing.

This study provides findings that the culture of collectivism is empirically proven to weaken the relationship between moral reasoning and whistleblowing. The indirect impact of this research on local governments in developing policies needs to emphasize aspects of professionalism and idealism, because it is empirically proven that the high moral level of employees does not guarantee them to take action whistleblowing because of cultural influences. Respondents from this study are village treasurers, so that the generalization of the results of this study still needs further research.

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