

CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1. Theory Planned Behaviour

This theory predicts the intention of an individual to engage in action at a particular time and place. This shows that individual behavior is driven by certain intention. Individual intention to behave in certain manner is influenced by three factors; namely attitudes toward behavior, subjective norms and perceptions of behavioral control (Ajzen, 1991). Attitude is a tendency to approach or avoid, to respond positively or negatively to various social conditions. Individual's attitude will reflect what is in accordance with their behaviour. Subjective norms as individual perceptions about whether people who are important to him will support or not to do a certain behavior in his life. Whereas perception of behavioral control is how one understands that the behavior shown is the result of the control carried out by him. Behavior control refers to individual perceptions of his ability to display certain behaviors.

Based on the explanation above, it can be concluded that the intention of individuals to show a behaviour can occur if there is a combination of attitudes to conduct a behaviour, subjective norms and behaviour control. Similarly, someone's intention to do whistleblowing behaviour, the existing subjective norms and also the results of behaviour control are individuals that will be driving factors.

a. Attitude toward behavior

Individuals will do things according to the attitude they have towards a behaviour. Ajzen (1991) says that attitude influences behaviour through a careful and reasoned decision making process. This means that in making decisions there is considerations based on exact reasonings.

In this case organizational commitment is included in the category of attitude toward behaviour. Organizational commitment is the attitude or form of person's behavior towards the organization show from his/her loyalty and efforts to help achieving the organization's vision, mision, values and goals. Someone can be said to have a high commitment to the organizations when having some characteristics including trust and strong acceptance of the organizations, a strong willingness to work for the organization and a strong desire to remain a member of the organization.

b. Subjective norm

According to Ajzen (1991) subjective norms are defined as a person's perceptions of how surrounding society influences one to form certain behavior. If an individual is affected by social pressure, then the behavior of an individual will show how social agreement in the environment towards a behavior (Merdikawati and Prastiwi, 2012). Thus, it can be concluded that if the environment appraises

whistleblowing as a good behavior, it will support the reporting process mechanism.

In this case, religiosity and retaliation are included in the category of subjective norms. Religiosity can be interpreted as a person's sense of trust and faith in his/her religion. Religiosity can affect a person's decision and behavior depending on the level of faith. The other party will accept everything or someone's behavior based on religious beliefs; if the behavior believed to violate religious rules then it will be considered as wrong, and if the behavior is believed to be accordance with religious rules then it will be considered as true. Meanwhile, retaliation can be interpreted as revenge or pressure. Before conducting whistleblowing, individuals will consider whether the action that will be taken is acceptable to other parties or not. When considering the possibility of receiving retaliation, one who intent to whistleblow will contemplate whether to whistleblow or to remain silent.

c. Perceived Behaviour Control

Perceived behaviour control is defined as the perceived ease or difficulty of performing the behaviour, which means an individual's beliefs about things that support or hinder a behaviour to be performed. Behavioral control perception is how individuals understand that the behavior exhibited is the result of control that has been done (Ajzen, 1991)

In this case, locus of control is included in the category of Perceived Behavior Control. Locus of control is a generalized beliefs that a person can or cannot control his own or a person's perspective on an event whether ha can or not in controlling the behavior that occurs in him.

2. **Intention Whistleblowing**

Whistleblowing is considered an effective way to prevent fraud so as to avoid losses for both organizations, stakeholders and even the community. Merdikawati (2012) defines the whistleblowing system as a disclosure by members of the organization of an illegal practice or without legal legitimacy under the control of their leaders to individuals or organizations that can effect remedial action.

In addition to that, Jalil (2013) says that whistleblowing is the effort made by a worker or ex-workers of an organization to reveal something which occurs within organization that they believe to be a mistake. In essence, whistleblowing is a brave stance by individuals in uncovering an act of infringement or fraud is detected. According to Naomi (2015), there are two types of whistleblowing, namely:

a. **Internal Whistleblowing**

It occurs when one or several employees are aware of fraud done by employees or the head part, then report the fraud to the companies' higher ups. It is mainly motivated by moral conscience in order to prevent losses for the company.

b. External Whistleblowing

External whistleblowing concerns cases where a worker knows his company's fraud then decided to leak it to the public or the media because he knows that it will be detrimental to the public fraud. Miceli and Near (1985) describes the four characteristics possessed by the whistleblower.

First, the whistleblower is former employee of the organization who have been violated. Second, whistleblower does not have the authority to change or stop the offense. Third, the whistleblower is allowed to create or not to create the report. Fourth, the whistleblower does not hold a position which requires for reporting violations. According to Mutmainah (2007) in Theoretical Plan Behavior, which is the development of a theory of action Cogent, behavioral whistleblowing has shown an arise because of the interest (intention) to behave, meanwhile behaving is determined by three determinants; the attitude that person's beliefs about right whether or not to report fraud, the consequences that will be obtained from the reporting done, and the level of norms in the organization in support of the reporting.

3. Religiosity

Religiosity is someone's sense of trust in believing their religion, implementing their faith in everyday life and how their relationship with God (Fauzan, 2013). Ancok and Suroso (2001) define religiosity as diversity; meaning that religiosity includes a wide variety of side or dimension that not only occurs when a person conducts ritual (worship), but also when he/she performs other activities that are driven by supernatural forces. Fetzer (1999) also defines religiosity as something that is more focused on the problem of behavior and social, and that it is a doctrine of any religion or social class. The doctrine of every religion must be followed by all of his followers.

According to Ancok & Suroso (2001) dimensions of religiosity consists of five kinds:

- a. The dimensions of faith; an ideological dimension which gives an idea of how a person receives matters relating to religion. Dimensions of this conviction relates to the belief of faith in God, the angels, the Apostle, Scriptures God, Heaven and Hell, and *Qadha* and *Qadar*.
- b. Dimensions of worship or religious practice is a ritual dimension, namely the extent to which a person performing a religious ritual obligations such as shalah, fasting, giving *zakat*, going *hajj*, reciting the Qur'an, praying, relying on God and others, especially for the people Islam.

- c. The dimensions of the practice or the consequences explain how much people behaviour is motivated by the teachings of his religion, that is how a person interacts with his world, especially with another man. This dimension includes behaviors like helping, cooperation, justice and truth, being honest, forgiving, to not stealing, adhering to Islamic norms in sexual behavior, struggling to live successfully in Islam, and so on.
- d. The dimensions of knowledge, refers to how a person's level of knowledge of the teachings of his/her religion, especially ones concerning the fundamental teachings of his/her religion, as stated in the scriptures. In Islam this dimension concerns the knowledge of the contents of the Qur'an, the principal teachings of which must be believed and implemented, the laws of Islam, the history of Islam, and so on.
- e. Dimensions of appreciation, refers to the extent of someone in being aware and exploring the feelings and religious experiences. This dimension is manifested in (feelings of close or intimate with God) feeling of peace happy, feeling of reliance on God, feeling solemn as worship, and so on.

4. Organizational commitment

The success of managing the organization is very much determined by the success in managing Human Resource (HR). The high and low commitment of employees to the organization where they work is very decisive for the performance that the organization will achieve. Noe, Hollenbeck, Gerhart and Wright translated by Wijaya (2011: 20) suggest organizational commitment is the level up to which an employee identifies himself with the organization and is willing to make hard efforts for the interests of the organization. There are three basic components in organizational commitment, namely affective commitment, ongoing commitment and normative commitment. (1) Affective commitment. Affective commitment shows the strong desire of someone to continue working for an organization or company because he really wants to be with the organization; (2) Continuous commitment. Occurs when employees persist in an organization because of factors such as economic factors (salary) or other benefits. Besides, this commitment is also based on consideration of what must be sacrificed when leaving the organization; (3) Normative commitment. Normative commitment is a feeling that requires staying in an organization related to the obligations and responsibilities of the organization based on moral and ethical considerations.

5. Locus of control

According to Rotter (1966), locus of control is the degree which someone expects the reinforcement or the results of their behaviour depends on their own judgement or personal characteristic (in Allen, 2003). Gibson, Ivanceich & Donnelly (1995) say that locus of control is a personality characteristic that describes people who assume that the control of their live comes from within themselves called as internalizers. Whereas, there are also people who believe that their lives are controlled by external factors called as the externalizers.

6. Retaliation

Retaliation is a disturbance that occurs to someone because someone is acting in opposition, making a complaint, testifying, participating in a court process or law. Retaliation can also mean an act of intimidation, harassment, threat and discrimination against another person (Portland State University,). According to Mesmer and Viswesvaran (2005) retaliation is a form of coercion or consequence for whistleblowers to keep their mouths shut when they find out about a fraud in an organization.

According to Liyanarachchi and Newdick (2009), someone's decision to do a whistleblowing is influenced by individual personality traits, the environment that surrounds the individual, and fear of retaliation. According to Mesmer and Viswesvaran (2005), the predictor between retaliation and whistleblowing consists of four categories; namely:

- a. Characteristics of a whistleblower
- b. Actions taken by the whistleblower in reporting organizational errors
- c. Situational or environmental variables related to the organization,
- d. Characteristics of fraud.

B. Literature Review and Hypotheses Development

1. The influence of religiosity toward the intention to conduct whistleblowing

A person with a high level of religiosity will always connect faith and religion throughout his/her action and decisions making in his life. A person will be able to choose which behaviors are wrong and what the correct behaviors are based on his/her religion. A person's religious teachings are therefore serving as guidelines for behavior and decision making. This also applies in resolving ethical dilemmas when one is faced with the confusion between remaining silent or conducting whistleblowing when encountering any indication of fraud. Completion of ethical dilemmas will be considered according to the principles of religious teachings that it is definitely unethical. Someone who has a high religiosity is aware that fraud is an unjust act that is harmful, and therefore should be reported. In addition, an obligation in Islam to ban silence against injustice would encourage someone to report indications of fraud.

Individuals who have a strong religious level tend to have traditional views on moral issues and have more conservative or higher moral standards (Donahue, 1985, Woodrum, 1988). In other words, the individual has an idealistic view of ethics (idealism). Those who have an idealistic view of ethics have a strong concern for the welfare of others, and therefore tend to assess the danger that might be caused by peer unethical actions towards the group.

The above view is consistent with the research conducted by Longenecker et al. (2004) and Bart et al (1993). They find that individuals who view belief or religion as important, have a significant tendency not to approve unethical behavior. In the case of reporting unethical behavior carried out by colleagues, individuals with idealistic ethical views may judge that reporting is an acceptable way to protect group interests against the perpetrators of wrongdoing. Trevino and Victor (1992) find that reporting peer errors becomes more ethical when peer errors have the potential to harm the group as a whole.

This is the reason or basis of such person which form his/her behavior. If it is associated with the theory of reasoned action associated with the subjective norm factor, the other party will accept behavior that is considered correct according to religious teachings. A high level of religiosity will make the level of understanding of one's religion to be also high and is likely to be implemented in everyday life. Therefore, the behavior in accordance with the teachings of religion will be easily accepted by the other party. On the previous research, Putri (2016) examines that the degree of religiosity doesn't have effect on whistleblowing intention. Her research states that participant who were coming from both religious-based university and general university showed the same tendency to report wrong doing

H_1 : Religiosity has significant positive effect towards Whistleblowing Intention

2. The influence of Organizational Commitment toward the intention to conduct whistleblowing

Organizational commitment demonstrates strong belief and support for the values and goals to be achieved by the organization. Employees who have a high level of organizational commitment will have a positive outlook and try to do their best for the benefit of the organization. Logically, employees who have high organizational commitment in themselves will also have a high sense of belonging to the organization so that they will not hesitate to take a whistleblowing action, because they believe the action will protect their organization from destruction. The higher the level of one's organizational

commitment, the higher the tendency of the person to carry out whistleblowing.

Several previous studies have produced the opposite findings are related with the influence of organizational commitment towards whistleblowing interest. Research result by Somers and Casal (1994) conclude that organizational commitment affects the interest of whistle-blowing to members of the National Association of Accountant (NAA). In the study, respondents were based on the level of Organizational Commitment. Those with moderate level of organizational commitment have the highest tendency to report wrong doing compared to those whose level of organizational commitment is either low or high. Different results obtained in the research of Mesmer-Magnus and Viswesvaran (2005) who found that organizational commitment has no correlation / the connection with the interest of whistleblowing. Research by Ahmad et al. (2012) also show that organizational commitment is unable to explain interest of internal auditor's whistle-blowing behavior at Malaysia

H₂: Organizational Commitment has significant positive effect towards whistleblowing intention

3. The influence of locus of control toward the intention to conduct whistleblowing

According to Kreitner and Kinicki (2005) locus of control is one of the personality variables, which defined as the individual's belief in the ability to control fate (destiny) itself. According to Hariani et al (2013) locus of control is perception about their control of fate, their confidence and their trust in self-success. Locus of control plays an important role in various cases, such as dysfunctional audit of behavior, job satisfaction, performance, organizational commitment and turnover intention. Locus of control can be differentiated into internal locus of control and external locus of control. On the previous research Purnamasari et al (2016) examines that the locus of control has effect on whistleblowing intention. From their research, it can be interpreted that the higher the level of locus of control is the higher possibility to report the wrongdoings.

This research is supported by previous research conducted by Ajzen (1991) which states that locus of control affects a person's behavior. Locus of control is a characteristic of pesonalitas which is thought to influence intention indirectly.

H₃: Locus of control has significant positive effect towards Whistleblowing Intention

4. The influence of retaliation toward the intention to conduct whistleblowing

Retaliation comes in various forms, according to Bok (1980), the form of retaliation can be in the form of demotion, given more assignments, reduced salaries, given tasks that are not in accordance with the competence, alienation in the working environment and being fired from their jobs, and things that endanger one's existence such as terror, kidnapping and even murder. Surveys conducted by the Ethics Resource Center suggest that 44% of all non-management employees do not report the violations and fraud they know because of fear of consequences and retaliation (Verschoor, 2005). The purpose of retaliation itself is to suppress or threaten the whistleblower so as not to report fraud he found out and if it happens then the goal is to revenge.

Research by Liyanarachchi and Adler (2010) finds that there is no significant influence between the power of retaliation and the intention to do whistleblowing. This is in line with Mesmer and Viswesvaran's (2005) research which proves that although retaliation power has a negative effect on the tendency of individuals to do whistleblowing. In practice, retaliation power is not related to the tendency of individuals to do whistleblowing. While research conducted by Fatoki (2013) finds that the higher the retaliation is the intention to do a whistleblowing will be lower.

This is in line with the research of Liyanarachchi and Newdick (2009) which states that individuals who are faced with weak retaliation prefers whistleblowing compared to strong retaliation. Research from Larasati (2015) also proves that the power of retaliation has a significant negative effect on the tendency of individuals to do whistleblowing.

H₄: Retaliation has significant negative effect towards Whistleblowing Intention

C. Research Model

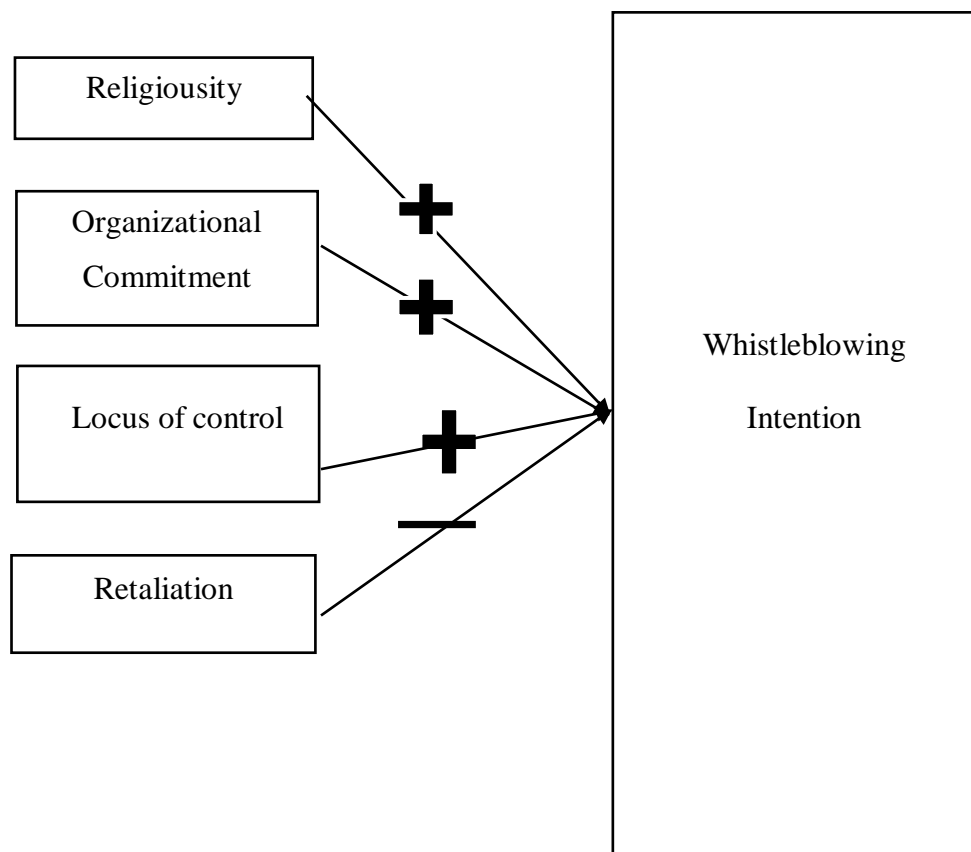


Figure 2. 1
Research Model