

DOES INCENTIVES SCHEMES AND WORKING RELATIONSHIP AFFECT AUDITOR WHISTLEBLOWING INTENTION?

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ABSTRACT

*Whistleblowing is one of the key oversight mechanisms in response to many corporate financial scandals. This mechanism aids in the upkeep of qualified audit methods and judgment in the public accounting firm. Workplace relationships and incentive programs may have an impact on auditors' intentions to report misconduct. This research is one of the few that tests experimentally whether workplace relationships and incentive programs can increase the influence of the desire to disclose fraudulent financial reporting. This study makes use of 60 final-year students who have worked as interns at public accounting firms, utilizing the true experimental-post-test control design method. The data was analysed with an ANOVA test by utilizing a 2x2 experimental design. The presence of incentive awards was found to positively correlate with auditors' propensity to report misconduct. The relationship between incentives and whistleblowing intention gets stronger when the working relationship between the whistleblower and the reported senior is close. The findings have important implications for enriching literature and making practical contributions to whistleblowing discussion.*

**Keywords:** *Whistleblowing, incentive schemes, working relationship, whistleblowing intention*

Whistleblowing adalah salah satu mekanisme pengawasan utama dalam menanggapi banyak skandal keuangan perusahaan. Mekanisme ini membantu dalam pemeliharaan metode audit yang berkualitas dan penilaian di kantor akuntan publik. Hubungan di tempat kerja dan program insentif dapat berdampak pada niat auditor untuk melaporkan pelanggaran. Penelitian ini adalah salah satu dari sedikit yang menguji secara eksperimental apakah hubungan di tempat kerja dan program insentif dapat meningkatkan pengaruh keinginan untuk mengungkapkan kecurangan pelaporan keuangan. Responden dalam penelitian ini adalah mahasiswa tahun terakhir yang pernah menjalankan magang di kantor akuntan publik. Dengan menggunakan metode eksperimen telen post-test, penelitian ini mengujikan pengaruh antar variabel dengan alat statistic ANOVA berdesain 2x2. Keberadaan program insentif secara empiris berpengaruh positif dalam meningkatkan intensi whistleblowing. Hubungan ini semakin kuat saat pelapor dan terlapor memiliki kedekatan hubungan kerja. Temuan riset ini menarik dan dapat memperkaya kajian literatur dan praktik terkait whistleblowing di dunia audit.

**Kata kunci:** whistleblowing, skema insentif, hubungan kerja, intensi whistleblowing

INTRODUCTION

Whistleblowing has become a frequently topic issue in recent times due to a number of fraudulent financial reports and its prevention effect (Lee & Fargher, 2018). In 2002, there was an Enron and WordCom scandal involving accounting firm Arthur Andersen for failing to recognize false statements made by Enron and WordCom. In response to this major scandal, US federal law passed the Sarbanes-Oxley Act

of 2002, entitled the Public Company Accounting Reform and Investor Protection Act (Schmidt, 2005). In response to the policy on whistleblowing protection, the Indonesian government issued Presidential Instruction No. 7 of 2015 on the Actions of Prevention and Combating of Corruption, which contains actions to prevent and eradicate corruption. Whistleblowing is one of the key oversight mechanisms in response to many corporate financial

scandals (Jubb, 1999). An external auditor is expected to help the company with wrongdoing detection by blowing the whistle (Mansor, Ariff, Ngah, Hashim, 2022). The main purpose of it is to maintain qualified working outcomes by utilizing internal mechanisms (Deloitte, 2023; Suyatno, 2020).

Whistleblowing is an act of disclosure that is carried out voluntarily by someone who has unlimited access to organizational data and information regarding matters that are indicated to have negative implications and are under the control of the organization to external parties that have the potential to improve these conditions (Mansor, et al., 2022). Blowing the whistle is not always heroic; there is an ethical dilemma between norms of justice and norms of loyalty (Waytz, Dungan & Young, 2013). Whistleblowing is often seen as a betrayal that ends in sacrifice. Retaliation for reporting violations is not just the dismissal of an employee; it is indirect dismissal, such as, for example, inhibition of promotion or restraint in the workplace (Farooqi, Abid, & Ahmed, 2017).

In Indonesia, several big institutions (especially public accounting firms) put concern on whistleblowing by designing mechanisms and systems to support the intensity of it, for example, Deloitte Helo (Deloitte, 2023), Ministry of Finance Republic of Indonesia (Uly & Djumena, 2023), PricewaterhouseCoopers (PwC), etc. The whistleblower system has to ensure messenger protection and reward mechanisms (Suyatno, 2020). It prevents auditors from not carefully giving an opinion to the company financial statement in order to minimize future losses from litigation and unethical audit conduct (Priantara, 2017). For example, PwC (as the auditor) has to be responsible for the fraud scandal done by British Telecom (Priantara, 2017). In Indonesia, the awareness of whistleblowing effectiveness in reducing misconduct has been internalized by many institutions. Based on the current report, big institutions like Ministry of Finance Republic of Indonesia rely on whistleblowing reports to punish 550 employees for misconduct (Uly & Djumena,

2023). The study of whistleblowing was conducted from various points of view and methods, such as internal self-perception with a survey (Latan, Chiappetta Jabbour, & Lopes de Sousa Jabbour, 2021; Zheng, Patel & Evans, 2019) and external factors like an audit committee with archival data (Lee & Fargher, 2018).

Mainly due to restrictions from upper management and fear of reprisal, whistleblowing is often seen as a betrayal that ends in sacrifice. Retaliation for reporting violations is not just the dismissal of an employee; it is indirect dismissal, such as, for example, inhibition of promotion or restraint in the workplace (Farooqi et al., 2017). Situational factors, including organizational support and encouragement, are essential in determining whether or not to blow the whistle. According to Dungan & Waytz (2009), a corporate culture that supports its employees' ethical behavior will strengthen its employees' involvement and commitment to take decisive action or report violations that occur within the organization.

Whistleblowing is always related to the Dodd-Frank law, which contains protection for whistleblowers and the provision of an incentive reward scheme for mitigation results. Further review was carried out by Andon, Free, Jidin, Monroe & Turner (2018), who were of the opinion that the provision of financial incentive schemes was considered to create a strong intention to report violations; this could be strengthened by the level of seriousness of the organization in responding to this whistleblowing phenomenon.

Among the rare literature on the behavioral aspect of whistleblowing, this article contributes to the literature by experimentally examining the effect of both incentives and working relationships on whistleblowing intention. As whistleblowing is a pro-social behavior, the act basically has a good purpose: to help others (Latan et al., 2021). The presence of social concern induces interactions between internal and external factors. In audit engagement, reporting wrongdoing done by peers will create a dilemma due to

the level of work relationship bias (Boo, Ng, & Shankar, 2016).

Work relations as well as the work environment can have a significant influence on the intention to report violations that occur. Close working relationships are considered to have a subjective role or to be an obstacle to whistleblowing, but according to Xu, Liu, Chen & Feng (2023), if there is compatibility between individuals in the company and they are in an environment that supports achieving the company's goals, then this is no longer an obstacle to reporting whistleblowing. Likewise, individuals who do not have a close working relationship are considered to not have a sense of concern for each other, so they do not pay attention to possible violations committed by their co-workers.

The point of view of the working relationship effect on whistleblowing intention can be unfavorable if, under Leadership-Member Exchange theory, a close relationship might reduce whistleblowing intention due to a guilty feeling (Boo et al., 2016). However, under prospect theory, the result might be different. Prospect theory states that in the loss condition, people tend to be more sensitive and risk-taking (Kajtazi, Cavusoglu, Benbasat & Haftor, 2018; Tversky, 1992). In the context of whistleblowing, the action will be increased when the working relationship is close, due to increased perception or risk from working engagement (Boo et al., 2016). Nevertheless, this article captures the fact that discussion on this topic is still limited.

This study expands the research that has been done previously by Supriyadi & Prasetyaningsih (2021) and Boo et al. (2016) by examining the impacts of incentive schemes and working relationships on auditor whistleblowing intention through the experiment method. Research has to be experimentally examined several times to gain stronger internal validity on the causal relationship between working relationships, incentives, and whistleblowing. Experimental research must be conducted multiple times to ensure the internal validity of the findings

(Shadish, Cook & Campbell, 2002). This study shed light on the existing literature that mostly discussed whistleblowing topics with survey methodology, like Pratolo, Sadjiman & Sofyani (2020), which study the perception of factors influencing whistleblowing intention and Betri & Murwaningsih (2021), which reveal the influence of moral awareness on it. External variables such as incentives and working relationships could potentially explain whistleblowing intentions among auditors.

Different from previous research, this research combines the incentives theory and prospect theory, in which people whistle blow in order to get two benefits at the same time, which are getting a bonus and reducing the risk of working engagement errors done by the close working relationship partner. In terms of incentives, people will be motivated to report if there is an incentive. This effect is not influenced by working relationships (shyness). However, a close working relationship creates a perceived risk of disruption to audit quality (engagement team), so the reluctance will be ignored and the reporter will continue to report. Here we frame the idea that humans tend to have a desire to be both profitable and safe. Our theory differs from previous research done by Boo et al. (2016) that stated the contradictory effect between incentives and the working relationship effect, in which the whistleblower tends to avoid taking advantage of bonuses when dealing with close working relationships, but they still whistle blow when afraid of punishment. As in Indonesia, the presence of a punishment scheme (be punished when you do not whistle) is rarely present. This research focuses more on incentive motivation and how it interacts with working relationships.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Incentive Theory

Incentive schemes are defined as a compensation system to motivate individual or team performance; this scheme is designed so that employees have

targets for achievement and align their interests with the main goals of the organization (Ude, 2012). Incentive schemes, also commonly known as reward systems, are commonly used in various environments, such as workplaces or organizations. Usually, these awards are given to organization members according to their performance ratings. The types of incentives applied between one and another company or organization can be different. This is adjusted to the abilities of the company. According to Delfgaauw, Dur & Souverijn (2020), identical incentive schemes, such as bonuses or commissions outside of salary, are usually financial. However, some are non-financial, such as performance recognition or career opportunities.

### **Prospect Theory**

In the loss condition, people tend to be more risk-takers; in the gain condition, people tend to be more risk-averse (Kahneman & Tversky, 1979). Moreover, they tend to be braver and more willing to take action. The theory of logic is implemented in this research. When the working relationship is close (for example, in the same engagement team), the perception of misconduct is higher. Auditors see it as a risky condition; therefore, the intention to whistle-blow will increase. This theory is popularly used to explain the logic behind why people take more risk in the loss condition (Fung, 2015; Kajtazi et al., 2018). The gain condition in this research is not clearly seen. There, we combine prospect theory and incentive theory.

### **Working Relationship**

A working relationship is a collaborative and dynamic relationship between individuals or groups in a professional relationship. Establishing this relationship requires communicating, cooperating, and coordinating actions to achieve common goals (Werbel & DeMarie, 2005). By prioritizing respect, trust, and support, the quality of positive working relationships can be formed (Park & Deitz, 2006). However, working relationships might

influence the way people perceive whistleblower action (Boo et al., 2016).

Person-environment fit theory explains that the characteristics of the employee and the organization influence individual attitudes and cognition. When there is a match, employees will take the initiative to be involved in achieving organizational goals (Xu et al., 2023). Companies need to create a work environment that promotes strong working relationships. It is not uncommon to see employee disloyalty towards the company, but an emotional bond exists because, because of the close working relationship, employees tend to maintain a sense of loyalty to their team; this shows employees' high dedication toward the team (Werbel & Johnson, 2001). A working relationship that promotes respect, where the abilities and knowledge possessed by individuals are appreciated, will create a supportive and inclusive environment where each individual feels valued and motivated to help achieve the organization's goals.

### **Whistleblowing**

Whistleblowing is defined as an action that discloses information about mistakes in the organization to internal management or external entities that are considered to be able to solve the problem. Whistleblowers usually have special access to data or information within the organization and usually involve unusual disclosure methods when there is no support from the organization (Jubb, 1999). Whistleblowing has benefits for organizations, including an opportunity to fix and overcome existing problems before they have unwanted impacts (i.e., bankruptcy or losses). However, whistleblowers are often seen as a betrayal that can lead to dismissal, termination under pressure, or harassment (Dungan & Waytz, 2009). In the United States, the Sarbanes-Oxley Act of 2002 (SOX) has been implemented, protecting members of the organization who report fraud and assist during an investigation under federal law (Schmidt, 2005). Research found that audit committees support whistleblowing

mechanisms (Lee & Fargher, 2018). In the behavioral context, the closeness of the relationship might reduce the intention to whistleblower the misconduct (Zheng et al., 2019). That is why internal auditors tend to whistleblower less than external auditors if they find misconduct in a certain organization (Zheng et al., 2019). Regarding the internal cognition aspect, the more people perceive that the misconduct will have a severe negative impact, the more they will tend to whistle-blow (Latan et al., 2021). Here, rationalization and perception play a role.

### **Hypothesis Development**

#### **Incentives Schemes to Whistleblowing**

Since the passage of the Sarbanes-Oxley Act in 2002, there have been many unanswered questions and concerns about the consequences of becoming a whistleblower. In response to the financial crisis in 2007–2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed, containing a whistleblower program (Brink, Lowe & Victoravich, 2013). The Dodd-Frank Wall Act strengthens the whistleblower program previously announced by the Sarbanes-Oxley Act in 2002. Dodd-Frank established an incentive scheme program for whistleblowers, where whistleblowers have the right to receive 10%–30% of litigation settlement proceeds. Dodd-Frank Act aims to expand protection and people's awareness of the importance of this whistleblower program (Brink et al., 2013).

In line with research conducted by Pope & Lee (2013), based on experimental research conducted, it is documented that incentive schemes can encourage employees' intentions to report on matters that are considered illegal. Inversely proportional to the incentive scheme, namely the punishment scheme, not many researchers have tested the punishment scheme because whistleblowing has more to do with the underlying motivation. The punishment scheme refers to a condition in which employees lose points for fraud against whistleblowers. A punishment scheme is considered sufficient to reduce unwanted behavior (Verbruggen & McLaren,

2018).

An employee will be influenced or motivated to disclose fraud if there are guarantees or incentives that are worth the risk. The reward incentives that can be given are usually material or non-material. The more often employees receive rewards for good actions, the higher the possibility that they will carry out good actions again. This study argues that scheme incentives can increase the intention of employees to blow the whistle. Employees who are exposed to incentive schemes will have a more positive response to blowing the whistle than employees who are not exposed to incentive schemes. Thus, this hypothesis is proposed.

H1: Individuals exposed to incentive schemes showed a positive response to the blow the whistle compared to those not exposed to incentive schemes.

#### **Working relationship and whistleblowing**

A working relationship is defined as a professional relationship between employees and supervisors in an organization. This can include things like communication, collaboration, and support (Chang, Wilding & Shin, 2017). The working relationship in the work environment has a significant role as a determinant for blowing the whistle. In accordance with research by Halpin & Dundon (2017), the employment relationship and the strength of the two parties also play a role in the intention to report it. Companies that apply low wages, small company scale, and the absence of trade union representatives can reduce the intention to blow the whistle.

When there is a match between employees, it can affect their reduced intention to blow the whistle. In other words, when there is a good relationship between colleagues, they are more confident in getting support for whistleblowing. However, when the match between employees is too strong, this can lead to an implied non-disclosure norm to keep employees from disclosing (Kyu Wang, Fu & Yang, 2018). This study argues that when employees and supervisors have

a strong working relationship, they are more committed to maintaining their loyalty to their co-workers than those who do not have a close working relationship. Logically, a strong working relationship with a supportive environment can have a positive impact on blowing the whistle because they are valued and committed. Thus, this hypothesis is proposed.

H2: Individuals with a close working relationship will show a positive response to blowing the whistle compared to those who do not have a close working relationship.

### Joint Hypothesis

In this research, the working relationship towards whistleblowing is hypothesized to be a moderating factor between the incentive scheme and whistleblowing. More specifically, there is a connection between working relationships and incentive schemes for whistleblowing (Werbel & Johnson, 2001). When employees face a close working relationship with a supportive environment, they are more likely to believe in support from a supportive work environment. Therefore, this study proposes that an incentive reward scheme accompanied by a close working relationship will positively impact the intention to blow the whistle.

H3: Individuals exposed to schema incentive rewards and who have close working relationships showed a positive impact on blowing the whistle compared to those who were not exposed to schema incentives and did not have a close working relationship.

## RESEARCH METHODS

This study used the experimental method. Experimental research is conducted to measure the effects of manipulation on individual behavior. The manipulation can

be done by assigning certain situations to individuals or groups whose effects will be seen. Experimental research has a predictive characteristic, predicting the effect of manipulations on the dependent variable (Nahartyo, 2012). In this procedure, the experimental design used was a 2x2 factorial design. The manipulated variables include incentive schemes (no incentives and rewards) and work relationships (close and not close). These instruments are adjusted to the conditions that exist in Indonesia.

### Variables and measurement

The independent variables of working relationships and incentive schemes are manipulated using the instruments used by Supriyadi & Prasetyaningsih (2021), which are then adapted into the system implemented in Indonesia. The incentive scheme is divided into two manipulations, "no incentive and reward" and the closeness of the working relationship is divided into two manipulations, "close and not close." Each scenario is scored using a Likert scale from 1 to 10 (1 = strongly disagree, 10 = strongly agree).

Participants were invited to participate in the experiment via social media broadcasts. Therefore, they voluntarily participate in the research. The research was carried out in two stages. In the first stage, participants were asked to state their availability to participate in a series of studies, after which the participant availability data was processed randomly and divided into an experimental group (Cells 1 and 3) and a control group (Cells 2 and 4) (Table 1.). Then, in the second stage, a simultaneous online meeting was held, and a form was given according to the placement cell. After completing these two stages, 16 participants were randomly rewarded on a monetary basis. The

**Tabel 1.**  
Experiment Design

Working Relationship	Incentive Schemes	
	Reward	No Incentive
Close	Cell 1	Cell 2
Not Close	Cell 3	Cell 4

research methods used in this research are the homogeneity test, two-way ANOVA (Analysis of Variance) test, and t-test using the IBM SPSS Statistics 29 application.

**Bias Mitigation Procedures**

Two kinds of validity must be met in experimental research, namely, internal validity and external validity. Nahartyo (2012) believes that several factors can influence internal validity. First, history and mortality factors are controlled by conducting experimental research through online meetings simultaneously. Second, the maturation factor is handled by giving prizes randomly to 16 participants. Third testing factor: This study did not use a pretest-posttest system, so no testing bias occurred. Fourth, instrumentation factors are controlled by consultation with competent people in the field of experimentation. Fifth, regression and selection factors are handled by randomization, so there is no difference between the experimental and control groups. Sixth, interaction factors were held with anonymous participants. Even though the research was conducted using online meetings, participants were asked not to open the camera.

**ANALYSIS AND DISCUSSION**

**Pilot Test**

Pilot testing is a process to evaluate the feasibility and effectiveness of research instruments with a small sample of respondents before taking more extensive data. The data obtained from the pilot testing is used to test the validity and reliability of the research instrument. A pilot test is done to anticipate errors when collecting data on a large scale. If the

instrument is deemed invalid or unreliable after pilot testing, it is necessary to revise the mechanism. With this, researchers can ensure that the tools used in the primary research meet reasonable quality standards, which will help them obtain valid and reliable data. This pilot test is carried out by holding an online meeting and then filling in the experimental instrument testing that will be carried out. A pilot test is done to check whether the instrument can be understood easily and to ensure the kind of incentive scheme implemented in Indonesia.

**Manipulation Checks**

Manipulation is the main procedure in experiments. Manipulation embodies independent variables expected to influence the subject's response. The success or failure of the design and implementation of manipulations will determine the validity of the research results. According to Nahartyo (2012), in the field of accounting and management, the method of manipulation often used is role play or simulation. Research subjects were asked to imagine as if they were in a specific position. In this study, the manipulation that was carried out was that the participants were asked to place themselves in the scenario given by the researcher and were asked questions about the reasons for whether the participants answered the statement of availability to do whistleblowing.

The use of students as respondents is commonly allowed in social science research as long as they are familiar with the case (Cleary, Walter & Jackson, 2014). In this study, the respondents have been passing audit subjects and also have

**Table 2.**  
Respondents Profile

<b>Demographic Variable</b>	<b>Total of Participants</b>
Total participants	60
Fail manipulation checks	8
Observations used	52
Male	9
Female	43
With work experience	39
Without work experience	13
Mean age	< 25 Years

internship experience in public accounting firms. The use of students as research subjects is considered to have no significant impact on internal or external validity (Druckman & Kam, 2011).

### Homogeneity Tests

The homogeneity test (Table 3.) is carried out to test the ANOVA assumption (Table 4.) that each group (category) of independent variables has the same variance. The variance of the data was tested using the Levene test. In this test, the basis for decision-making is whether the data is assumed to have the same variance if the significance value (Sig.) > 0.05 and is considered to have an unequal variance if the significance value (Sig.) ≤ 0.05. The result passes the minimum criteria.

### Incentives Schemes to Whistleblowing

Testing the first hypothesis of the incentive scheme is aimed at seeing whether or not there is a significant influence of the incentive scheme on the intention to carry out whistleblowing. To prove this first hypothesis, testing was carried out using a two-way ANOVA test using the SPSS program. The following is a table of the ANOVA Incentive Schema test results. From the results of the two-way ANOVA test table above, it is known that the significance value (Sig.) is <0.001. Because the value (Sig.) < 0.10, H1 is accepted. It can be concluded that there is an incentive scheme interaction with the intention of

whistleblowing. Incentive schemes motivate people to do more whistleblowing. It is in line with the company and government programs, providing bonuses for whistleblowers as it helps the organization improve quality (Boo et al., 2016; Lee & Turner, 2017; Suyatno, 2020).

### Working relationship and whistleblowing

Testing the second hypothesis, working relationships, is aimed at seeing whether working relationships have a significant influence on intentions to carry out whistleblowing. The test was carried out with a two-way ANOVA test using the SPSS program to prove this second hypothesis. The following is a table of results and the results of the two-way ANOVA test. From the results of the two-way ANOVA test in the table above, it can be seen that the significance (Sig.) is 0.371. Because the value of (Sig.) > 0.10, H2 is rejected. Which means that there is no significant interaction between close working relationships with the intention of whistleblowing. This finding is not in line with previous research done by Boo et al. (2016), who found that working relationship closeness will negatively influence whistleblowing intention due to guilty feelings. It is not in line with this prospect theory logic; as the relationship gets closer, the perceived risk of misconduct impact gets stronger, and it will increase whistleblowing intention. This finding gives an insight that working relationships are not significantly a factor

**Table 3.**  
Homogeneity Tests

Variable	Levene Statistic	Sig.
Incentives	2.003	0.163
Working relationship	0.091	0.756

**Table 4.**

Two-way ANOVA Tests

	Sum of squares	Df	F	Sig
Corrected model	142.966	3	7.562	<0.001
Intercept	2285.145	1	362.630	<0.001
Incentives	105.495	1	16.741	<0.001
Working R.	5.145	1	0.816	0.371
IS*WR	23.802	1	3.777	0.058
Error	302.476	48		
Total	2761.000	52		
Corrected total	445.442	51		



in induced or reduced whistleblowing. Auditors in Indonesia do not decide based on whether the relationship is close or not.

### Joint Hypothesis

Testing the moderating hypothesis between incentive schemes and working relationship variables is aimed at seeing whether or not there is an influence of incentive schemes and working relationships simultaneously on the intention to do whistleblowing. A two-way ANOVA test was carried out to test this hypothesis. The following is a table of the results of the two-way ANOVA test. Based on the test results presented in the table above, it shows a significance (Sig.) of 0.058. Because the value of (Sig.) > 0.10, H3 is accepted. Meaning that there is a moderating effect that is strengthened by working relationships close to the incentive scheme reward and whistleblowing. This result supports the impact of both incentives and close working relationships to make auditors more eager to do the whistleblowing. The auditor might find perceive the whistleblowing act favorable since it brings two benefits at the same time: a financial bonus/incentive and saving the team from future risks of wrongdoing.

This result provides unique insight, in which it was previously stated that an auditor will avoid whistleblowing a close peer due to a guilty feeling when, from the act, he or she gets a financial reward (Boo et al., 2016). The presence of financial reward in a close working relationship creates an unfavorable bias for the organization, making auditors less likely to whistle blow. In that research, this unfavorable bias is not present in the absence of financial reward or punishment. As in Indonesia, punishment mechanisms rarely exist; we only test whether there are incentives or not. This is to make the scenario represent the real facts. The findings of our research support the hypothesis's development. Whistle-blowing intention is supported by both financial motivation and close working relationship perception, as it shapes the strong value

for the actor: getting a bonus and avoiding the team's future risk of misconduct.

### CONCLUSION

This study found that the effect of incentive schemes (rewards and no incentives) plays an important role in increasing participants' tendency to report mistakes in the company. Providing scheme incentives as rewards can increase the possibility of participants reporting organizational mistakes. The tendency to blow the whistle in reward incentive cells was significantly higher than in cells without incentives, with a final result (Sig.) <0.001. These results are consistent with previous research findings by Smaili & Arroyo (2019), which found that reward incentive schemes can increase the tendency to report internally. Considering that reward scheme incentives can increase the number of reports, it is hoped that organizations can create opportunities to avoid reporting violations externally, which can harm the company. With this, organizations are expected to create opportunities to report violations internally by offering reward incentives.

Testing the effect of working relationships (close and not close) on an individual's tendency to blow the whistle was not supported significantly. The measurement results in this study by comparing cells exposed to close and non-close working relationships did not show significantly different results. This is in accordance with the test results (Sig. 0.448). The results of this research are in line with a study conducted by Kyu Wang et al. (2018). Although a lot of literature discusses reporting violations by exploring the role of interpersonal relationships, there still needs to be more clarity. In this case, further research is still required to prove the relationship between work and the intention to blow the whistle.

Testing the interaction effect between incentive scheme and working relationship on participants' tendency to blow the whistle is supported by using a significance error level of 10%. although the interaction between scheme incentives and employment relations has a significant

effect (Sig. 0.058). In this research perspective, incentive schemes can strengthen the moderating effect of employment relations on the propensity to report. This is in line with Werbel & Johnson (2001), when the interaction between colleagues in a team is very intense, so that it can increase the tendency to report errors.

#### LIMITATIONS AND SUGGESTIONS.

This study examines whether scheme incentives play an important role in strengthening the effect of employment relationships on the intention to whistleblower when individuals find fault with their organization. Consistent with previous research conducted by Supriyadi & Prasetyaningsih (2021), this study shows that scheme incentives have a significant effect. In contrast, working relationships do not have a significant enough effect, and the moderating interaction between scheme incentives and working relationships shows a significant interaction in the tendency to do whistleblowing. In the end, applying reward scheme incentives strongly increases participants' tendency to report. The role of employment relations in this research did not have an influence. However, after moderation with incentive schemes, it showed a significant effect on the intention to carry out whistleblowing. Considering that there is a significant interaction effect between scheme incentives and the intention to report fraudulent financial reporting, it needs to be accepted carefully to avoid false reporting. Therefore, further research regarding the relationship between working relationships and whistleblowing is needed to produce updates.

Based on the results of the discussion above, if external whistleblowing occurs, it can cause huge losses for the company, both in material and immaterial terms. Therefore, it is recommended that companies provide a whistleblowing program by considering the implementation of reward scheme incentives (financial, awards, promotion, etc.) with whistleblower identity protection

to prevent unwanted things from happening. This reward scheme incentive will raise awareness of the support provided by the organization among employees. The flow of reports of financial reporting violations has strengthened since the incentive scheme was implemented, and there is the potential for unnecessary reports to emerge. To mitigate the risk of claims that are not based on incentive schemes, it is necessary to apply sanctions against unfounded reporting.

#### ACKNOWLEDGEMENT

This research is fully support by accounting study program of President University.

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