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Antecedents of employee responses to organizational wrongdoing

Casal, Jose Carlos, Ph.D.

City University of New York, 1992

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**ANTECEDENTS OF EMPLOYEE RESPONSES TO
ORGANIZATIONAL WRONGDOING**

by

JOSE CARLOS CASAL

A dissertation submitted to the Graduate Faculty in Business in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York.

1992

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Abstract

ANTECEDENTS OF EMPLOYEE RESPONSES TO
ORGANIZATIONAL WRONGDOING

by

Jose Carlos Casal

Advisor: Professor Sheldon S. Zalkind

The study of employee responses to organizational wrongdoing has been largely synonymous with the study of employees' decisions to blow the whistle. Both theory and research have focused on employees' decisions to report organizational wrongdoing (cf. Graham, 1983, 1986; Near and Miceli, 1987). Employees who become aware of organizational wrongdoing, however, make not only this decision but also decide whether or not to leave their organizations (Graham, 1983, 1986).

This study examined a model of employee responses to organizational dissent which was derived from the literatures on: whistle-blowing, exit and voice as responses to dissatisfaction and voluntary turnover. Labeled the Principled Response Model, it consists of four sets of variables believed to explain employee responses to organizational wrongdoing: the harmfulness of wrongdoing, the expected consequences of responses to it, perceived responsibility for reporting wrongdoing and organizational commitment.

The model's propositions were tested among private sector accountants reporting awareness of fraud in their organizations (N=240), part of a larger sample (N=613) of randomly selected National Association of Accountants members responding to a mail survey (Response rate= 20 %). The results of these tests generally supported the role of the expected effectiveness and cost of reporting, especially the former, in employees' decisions to report organizational wrongdoing and/or to leave in response to these organizational actions. Organizational commitment was also found to play a role in both the decision to leave and the decision to report wrongdoing.

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CHAPTER I: INTRODUCTION

The study of employee responses to organizational wrongdoing has been largely synonymous with the study of employees' decisions to blow the whistle. Both theory and research have focused on examining the antecedents and consequences of current employees' decisions to report, or to remain silent, about organizational wrongdoing (cf. Dozier, 1988, Graham, 1983, 1986; Miceli and Near, 1985, 1988, 1989; Near and Jensen, 1983; Near and Miceli, 1986, 1987; Parmerlee, Near and Jensen, 1982). Employees who become aware of organizational wrongdoing, however, face not only the decision of whether or not to report these organizational actions but also the decision to stay in or to leave their organizations (Graham, 1983, 1986).

Underlying the focus on the decision to report has been concern with the following three issues:

- societal control of organizational activities,
- organizational effectiveness,
- organizational members' well being.

As will be discussed, however, concern with these issues also argues for the study of employees' decisions to leave their organizations in response to organizational wrongdoing.

A. Societal Control of Organizational Activities

Because of the impact of organizational activities on a society's welfare, mechanisms for ensuring that these activities promote societal well being have been the subject of considerable discussion. This discussion has generally centered on two mechanisms: the free market and external political action, i.e. government regulation. Recently, however, intra-organizational political action, organizational members' attempts to change their organizations' actions, has also been proposed as a mechanism for societal

control of organizations (Graham, 1983, 1986).

Organizational members' internal political activity has been viewed as a mechanism for societal control of organizations when this activity is aimed at ending societally defined unethical or illegal acts. This mechanism of societal control of organizations is, therefore, based on a view that at least some organizational members espouse society's values and serve as its representatives in their organizations.

Internal political activity directed against organizational wrongdoing as a means of societal control of organizations has attracted attention because it is viewed as :

- less subject to the pressures of organizational power which can decrease the effectiveness of both the free market and the regulatory process by distorting them,
- better able to detect, and hence combat, organizational wrongdoing before it causes widespread harm because of organizational members' access to information concerning organizational actions (Graham, 1983, 1986).

An interest in societal control of organizational activities, however, should also lead to a concern with observers' of wrongdoing decisions to leave their organizations. As noted below with reference to organizational performance, exit from the organization of these individuals diminishes its link with the legal and moral environment. Organizational members exit from their organizations in response to organizational wrongdoing, therefore, diminishes society's internal control of these organizations (Graham 1983, 1986).

B. Organizational Performance

Employees' reporting of organizational wrongdoing has been proposed to have both beneficial and negative effects on organizational performance. The beneficial effects of reporting are attributed to this behavior's potential to end wrongful organizational acts, acts which are believed to be negatively associated with organizational performance (Campbell, 1981; Ewing, 1980; Nader, Petkas and Blackwell, 1972). The harmful effects

of reporting on organizational performance are ascribed to the eroding of management authority believed to occur when these reports go outside prescribed channels (Ewing, 1980; Weinstein, 1979).

A concern with organizational performance, however, also argues for the study of the decision to leave the organization in response to organizational wrongdoing. Employees with special sensitivities or "heretical" ideas and approaches have been proposed to be necessary for future organizational adaptation and survival (Harshbarger, 1973). The loss of employees sensitive to illegal or unethical actions may, therefore, diminish organizations' abilities to align themselves with a key component of their environment, their society's normative structure, resulting in a decrease in their performance (cf. Thompson, 1967).

C. Organizational Members' Well-being

Organizational members reporting of wrongful acts within their organizations has also attracted attention because of the well publicized cases of organizational retaliation against whistle-blowers (e.g. Ewing, 1983; Glazer and Glazer, 1987; Nader Petaka and Blackwell, 1972; Perucci, Anderson, Schendel and Trachtman, 1980; Peters and Branch, 1972; Westin, 1981). Whistle-blowers have been demoted, given unfavorable assignments and even fired for their activities. Thus, the human costs of reporting organizational wrongdoing are high.

While less dramatic and less visible, organizational members decisions to leave their organizations in response to organizational wrongdoing also represent a cost to them. Valued work relationships may have to be ended. Seniority and the benefits that go with organizational membership may have to be renounced. Relocation may be necessary with its accompanying disruption of social ties.

D. Issues Addressed in this Study

This study examines employee responses to organizational wrongdoing in order to

identify variables associated with observers' decisions to report organizational wrongdoing and to leave to leave their organizations in response to these wrongful acts. Guided by existing theory and research on whistle-blowing and voluntary employee turnover, the study examines the interplay of self interest, concern for others and attachment to the organization in determining employees responses to wrongful organizational acts.

CHAPTER II: LITERATURE REVIEW

A. Decisions Underlying Employees' Responses to Organizational Wrongdoing

Graham (1983, 1986) proposed that employees' responses to organizational wrongdoing were the result of two major decisions: whether to stay in or to leave their organizations and whether or not to report the organizational wrongdoing. Employees choosing to report organizational wrongdoing were believed to face the further choice of whom to report the wrongdoing to.

Graham's (1983, 1986) proposal was based on Hirschman's (1970) model of behavioral reactions to dissatisfaction as modified by Barry (1974) and Kolarska and Aldritch (1980). Graham (1983, 1986) believed this model to be relevant to the study of employee responses to organizational wrongdoing because she conceived of wrongful acts as sources of employee dissatisfaction.

In the sections that follow, the foundations of Graham's (1983, 1986) proposals in Hirschman's (1970) model, as modified by Barry (1970) and by Kolarska and Aldritch (1980), are discussed. The relevance for the study of organizational wrongdoing of an alternative perspective of responses to dissatisfaction advanced by Rusbult and his colleagues (Farrell, 1983; Rusbult and Lowrey, 1985; Rusbult et. al., 1988) is then considered. Although these models were intended to apply to all relationships (e.g. buyers and sellers, citizens and governments) only the implications of Hirschman's (1970) model and its modifications for the relationship between an organization and its members are considered here.

1. Foundations of Graham's Perspective

Hirschman (1970) proposed that organizational members dissatisfied with the quality of the outcomes received in an organization chose either to leave them or to attempt

changing the outcomes received from them through political actions. Thus he believed that there were two, mutually exclusive employee responses to dissatisfaction: exit, leaving the organization in silence and voice, staying in the organization and attempting to eliminate the source of the dissatisfaction. Staying in the organization without attempting to change the situation was viewed only as a short term response to dissatisfaction that would lead to voice or exit if the dissatisfaction continued.

Barry (1974) took issue with this view of exit and voice as exhaustive, mutually exclusive responses. He argued that employees' choices to leave their organizations and their decisions to attempt to influence its actions are independent. Organizational members can choose to leave their organizations and also decide to engage in political activity to change its actions, by reporting them to regulatory agencies, newsmedia, etc. A dissatisfied employee may also choose to remain in an organization without attempting to change the situation, perhaps because of the anticipated consequences of such an attempt.

Barry's (1974) perspective on reactions to dissatisfaction provide the two core decisions Graham's (1983, 1986) proposed observers of wrongdoing faced. The final choice Graham (1983, 1986) proposed observers' must make if they decided to report organizational wrongdoing was identified by Kolarska and Aldritch (1980). In discussing Hirschman's (1970) model, Kolarska and Aldritch (1990) noted that political actions by organizational members or former organizational members may be categorized on the basis of their targets. Internal vocal responses are directed at entities within the organization. External vocal responses, on the other hand, are directed at entities outside of the organization who are believed able to influence organizational behavior.

2. Rusbult's Typology of Behavioral Responses to Dissatisfaction

Rusbult and his colleagues (Farrell, 1983; Rusbult and Lowery, 1985; Rusbult et al. 1988), while accepting Hirschman's (1970) perspective that only dissatisfied

employees who chose not to leave their organizations would attempt to change conditions in them, disagreed with his view that staying in the organization is only a temporary response to dissatisfaction. Rusbult and his coworkers proposed that dissatisfied employees may also choose to stay in their organization and remain silent, either because of a belief that the organization will, of itself, act to improve their situation, or because they believe that conditions cannot be improved. They referred to these two behaviors, respectively as loyalty and neglect.

Loyalty and neglect were believed to be related to each other and to voice and exit along two bipolar dimensions described as: active-passive and constructive-destructive. Voice and exit were viewed as active responses to dissatisfaction and therefore, on this dimension, polar opposites of the passive behaviors of loyalty and neglect. Voice and loyalty, however, were viewed as similar in being constructive responses to dissatisfaction, aimed at preserving a relationship. Similarly, exit and neglect were believed to share a destructive aspect in that their aim was to destroy or harm a relationship.

3. Evidence for the Proposed Typologies

There is no research directly addressing the validity of Graham's (1983, 1986) typology of responses to organizational wrongdoing. As will be discussed in detail later when models of employee responses to organizational wrongdoing are considered, research has focused on voice as a response to wrongful organizational acts.

Evidence concerning Barry's (1974) modification of Hirschman's (1970) model is also lacking. Research exists only on Hirschman's (1970) model and Rusbult and his colleagues (Farrell, 1983; Rusbult and Lowery, 1985; Rusbult et. al. 1988) typology of responses to organizational wrongdoing.

a. Hirschman's Model

Research on the relationship between exit and voice has been conducted primarily in the fields of labor economics and labor relations. In these fields, unions have been treated

as vehicles for employee voice and as such, have been hypothesized to reduce the likelihood of employee exit from an organization. This relationship has been attributed to the institution by unions of two mechanisms for voice: grievance/arbitration procedures and strikes.

Studies of the relationship between union presence in organizations and employee exit has generally supported the proposed negative relationship. Freeman and Medhoff (1984, Chapter 6), based on their own work and on a literature review, concluded that unionism reduces the exit behavior of employees and increases their tenure in the organization beyond what would be expected from the effect of unions on wages. Cotton and Tuttle (1986) after conducting a meta-analysis of the voluntary turnover literature similarly concluded that a negative relationship exists between the presence of a union and voluntary employee turnover. Becker (1978) and Spencer (1986), however, failed to find this relationship.

Studies of the relationship between grievance procedures, the first mechanism for voice unions provide, and employee exit also tend to support the proposed negative voice-exit relationship. At the industry level of analysis, Freeman and Medhoff (1984) report that industries with grievance systems which allow any complaint to be processed as a grievance, have higher levels of tenure than industries where grievance systems restrict the nature of the complaints that can be processed. At the organizational level of analysis, lower levels of turnover have been positively associated with the number of voice mechanisms (e.g. formal grievance procedures, suggestion systems, ombudsmen) within the organization (Spencer, 1986) and with the favorableness, from employees' perspectives, of appeals (Lewin, 1987). Kaufman and Kaufman (1987) also report that among firms in the automotive industry, the existence of grievance procedures in an organization increases the mean tenure level of employees and that unions affect employee exit through this variable.

The second mechanism through which employees may express voice in the organization, strikes, has also been found to influence employee exit. The incidence of strikes in industries has been found to be negatively related with employee exit and to be partly responsible for the effect of unionism on exit behavior (Pencavel, 1971; Ulman and Sorensen, 1984).

In spite of the consistent support for a negative relationship between voice and exit provided by this research, however, it is not clear that voice and exit are, under all circumstances, mutually exclusive responses. All of these studies on the voice-exit relationship operationalized voice in ways which tied the feasibility of voice to continued organizational membership, i.e. unions, grievance procedures and strikes are not available voice mechanisms for organizational members who have voluntarily left the organization. The negative relationship found between exit and voice, may therefore, be due to the particular characteristics of the forms of voice studied and not to any general incompatibility between it and exit.

b. Rusbult and his Colleagues' Exit, Voice, Loyalty and Neglect Framework.

Farrell (1983) in a multidimensional scaling study of individual's perceptions of responses to dissatisfaction, found that, as predicted by the EVLN perspective, exit and voice were perceived to be active-destructive and active-constructive responses respectively. Also as predicted, loyalty and neglect were viewed as passive responses. Contrary to the exit, voice, loyalty and neglect typology, however, participants perceived both loyalty and neglect as destructive behaviors.

A factor analysis by Farrell and Rusbult (1986) of an instrument designed to measure EVLN, however, provides some support for this typology of responses to dissatisfaction. Factor analysis of this instrument revealed two primary factors: one with positive loadings for loyalty and negative loadings for exit the other with positive loadings

for voice and negative loadings for neglect.

Withey and Cooper (1989), however, report a different factor solution for their EVLN instrument. They found four orthogonal factors one for each proposed response to dissatisfaction.

Research on the antecedents of responses to dissatisfaction proposed in the EVLN model provides mixed support for the perspective. The model predicts that prior satisfaction, investment in the organization and alternative job opportunities influence whether dissatisfied organizational members will respond actively or passively to the cause of their dissatisfaction.

Prior satisfaction and investment in the organization are proposed to be positively associated with constructive behaviors (i.e. voice and loyalty) and negatively correlated with destructive behaviors (i.e. exit and neglect). The proposed relationships of satisfaction with voice, exit and neglect have generally been supported (Rusbult and Lowery, 1985; Rusbult, Farrell, Rogers, and Mainous, 1988; Withey and Cooper, 1989), though Withey and Cooper report a negative rather than a positive relationship between loyalty and neglect. Of the proposed relationships involving organizational investment, only that with exit and neglect have been generally supported, however (Rusbult and Lowery, 1985; Rusbult et. al., 1988; Withey and Cooper, 1989).

Alternative job opportunities are proposed to be positively associated with active responses to dissatisfaction (i.e. voice and exit) and negatively correlated with passive behaviors (loyalty and neglect). Only the proposed positive relationship of alternative job opportunities and exit has been consistently supported (Rusbult and Lowery, 1985; Rusbult et. al., 1988; Withey and Cooper, 1989), though the positive relationship of alternative job opportunities with voice has also received considerable support (Rusbult and Lowery, 1985; Rusbult et. al. 1988). Evidence concerning the remaining proposals is mixed.

B. Antecedents of Employee Responses to Organizational Wrongdoing

At present there is no model encompassing the three decisions Graham (1983, 1986) proposed employees observing wrongdoing must make: whether or not to leave their organizations, whether or not to report the wrongful acts and, if they decided to report, whom to report the wrongdoing to. Models and research in the area of employee responses to organizational wrongdoing have only examined the variables influencing the decisions to report or not to report and the target of these reports. (Zalkind, Demetriadou and Schreir, 1990 are a recent exception). It is therefore necessary to go to the more general literature on voluntary employee turnover for indications as to the possible antecedents of leaving the organization in response to organizational wrongdoing.

This review begins by examining research on employee reporting of wrongdoing and then examines the voluntary turnover literature. These two literatures are then used as bases for developing hypotheses concerning the antecedents of employee responses to organizational wrongdoing.

1. Models of the Antecedents of Employee Reporting of Organizational Wrongdoing

Several, very similar models of employee reporting of organizational wrongdoing have been proposed (Graham 1983, 1986; Near and Miceli, 1985 ; Dozier and Miceli ,1985; Greenberger, Miceli and Cohen, 1987; Near and Miceli, 1987). All are individual level models in which employee reporting of organizational wrongdoing is treated as the result of a series of employee decisions. These decisions are believed to be heavily influenced by the employee's expectations as to the consequences of his or her behavior.

Two conceptions of employee reporting of organizational wrongdoing underlie these models. The first is that employee reporting of wrongdoing is a political act- an action aimed at promoting the interests of one individual or group at the expense of those of another (Cavanagh, Moberg and Velasquez, 1981; Porter, Allen and Angle, 1981). The

second view of employee responses to organizational wrongdoing is that they are prosocial acts- behaviors intended to benefit both the actor and other individuals or groups (Staub, 1978).

The view of employee reporting of organizational wrongdoing as a political act has been adopted by all theorists in the field, leading to the incorporation of power related concepts in all of their models. A conception of employee reporting of organizational wrongdoing as a prosocial behavior is also found in all but one of the proposed models, the exception being Near and Miceli's (1985) work. This difference in the conception of employee reporting of organizational wrongdoing is reflected in the different approaches taken by Near and Miceli (1985) and the remainder of theorists in describing the process of reporting wrongdoing.

Near and Miceli (1985), focusing on the political aspect of whistle-blowing, base their model on resource dependence theory of power (Emerson, 1982). Those theorists who view employee responses of organizational wrongdoing as prosocial behaviors, on the other hand, have based their models on prior work on prosocial behavior conducted by Latane and Darley (1968, 1970).

Two variants of prosocial models of employee reporting of wrongdoing have emerged, differing more in the process they describe than in the variables which are used to explain employee reporting of wrongdoing. The first of these, proposed by Graham (1983, 1986), treats an employee's decision of whether or not to report organizational wrongdoing as a concurrent evaluation of the organizational action, the responsibility for reporting and the consequences of reporting. In the second variant of the prosocial model, proposed by Dozier and Miceli (1985) and subsequently extended by Greenberger et. al. (1987) and Near and Miceli (1987), an employee who becomes aware of organizational wrongdoing is proposed to move sequentially through these evaluations.

The discussion that follows begins with a presentation of the major proposals of the

resource dependence whistle-blowing model and of the two variants of the prosocial model of employee reporting of wrongdoing. The processes described in the models will then be compared and a framework for the study of observers responses to organizational wrongdoing presented. Finally, evidence for the relationships described in this framework will be discussed.

a. Near and Miceli's Resource Dependence Model of Whistle-Blowing

Near and Miceli (1985) define whistle-blowing as a current or former organizational member's disclosure of illegal, immoral or illegitimate practices under the control of his or her employer to persons or organizations who may effect change. Viewing whistle-blowing as a political action, they base their model on a rational view of employee motivation and on the resource dependence theory of power (Emerson, 1982).

Near and Miceli (1985) describe the process of employee whistle-blowing as consisting of four decisions, two made by the employee, two made by the organization (see Figure 1). The behavior resulting from the employee's decisions provides an input for the organization's choice of actions but these actions are not proposed to affect future employee decisions.

1) The Employee's Decision

The whistle-blowing process is considered to begin when an employee decides that an organizational activity is illegal, immoral or illegitimate. This decision is believed to be based on the employee's values concerning right and wrong.

The determination that wrongful activities are occurring within the organization is proposed to lead to consideration by the employee of whether or not to report the activity.

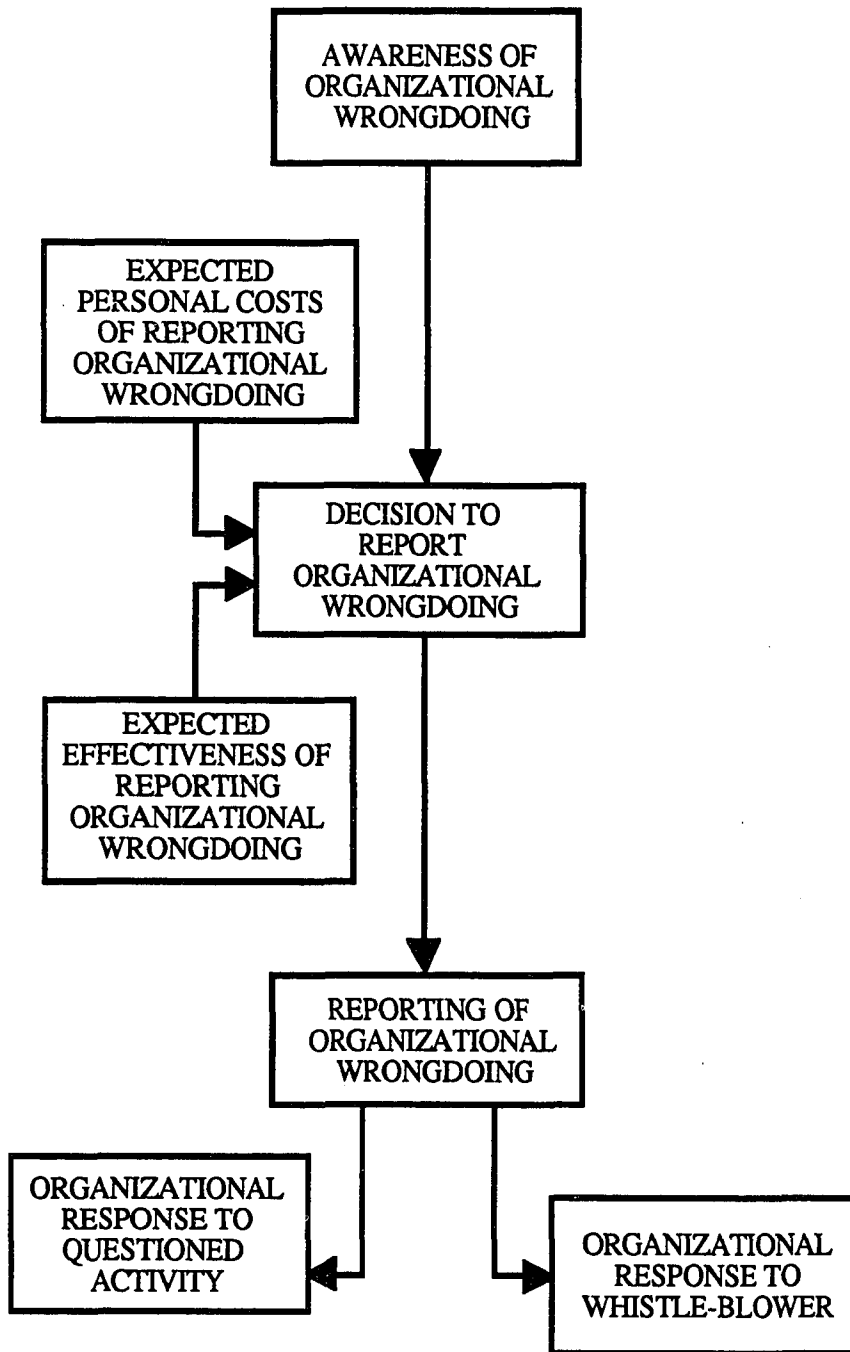


Figure 1 Near and Miceli's 1985 Whistle-blowing Model

Near and Miceli (1985) believe this decision to be heavily influenced by the employee's expectations of the consequences of his or her behavior. Reporting is seen as more likely when it is expected to be effective and not believed to result in organizational retaliation.

These expectations are, in turn, thought to be influenced by the employee's dependence on the organization for needed resources. The less the employee's dependence on the organization, the less the organization's power over him or her (Emerson, 1982) and the more likely it is that he or she will blow the whistle on wrongdoing.

2) The Organization's Decision

Should the employee report organizational wrongdoing, his or her organization is proposed to face two decisions: how to respond to the activity in question and what action to take toward the employee. Both of these decisions are proposed to be based on the expected consequences of the response for the organization. These expectations are based in part on the organizations' dependence on the whistle-blower. The less dependent the organization is on the whistle-blower, the less the employee's power over the organization and the more negative the organization's reaction to him or her.

b. Graham's Model of Principled Organizational Dissent

Graham (1983, 1986) proposed a model meant to describe the antecedents and consequences of principled organizational dissent. Principled organizational dissent was defined as an "effort by individuals in the work-place to protest and/or to change the organizational status quo because of their conscientious objection to current policy or practice," (Graham, 1986, p.2). Principled organizational dissent was seen as encompassing not only whistle-blowing, but also exit from the organization in protest of illegal or unethical acts. Graham (1983, 1986) model, however, only addressed the reporting aspect of this concept.

Graham (1983, 1986) proposed that the decision to report wrongdoing and the intensity of this behavior, i.e. the number of reporting channels used and the distance of the

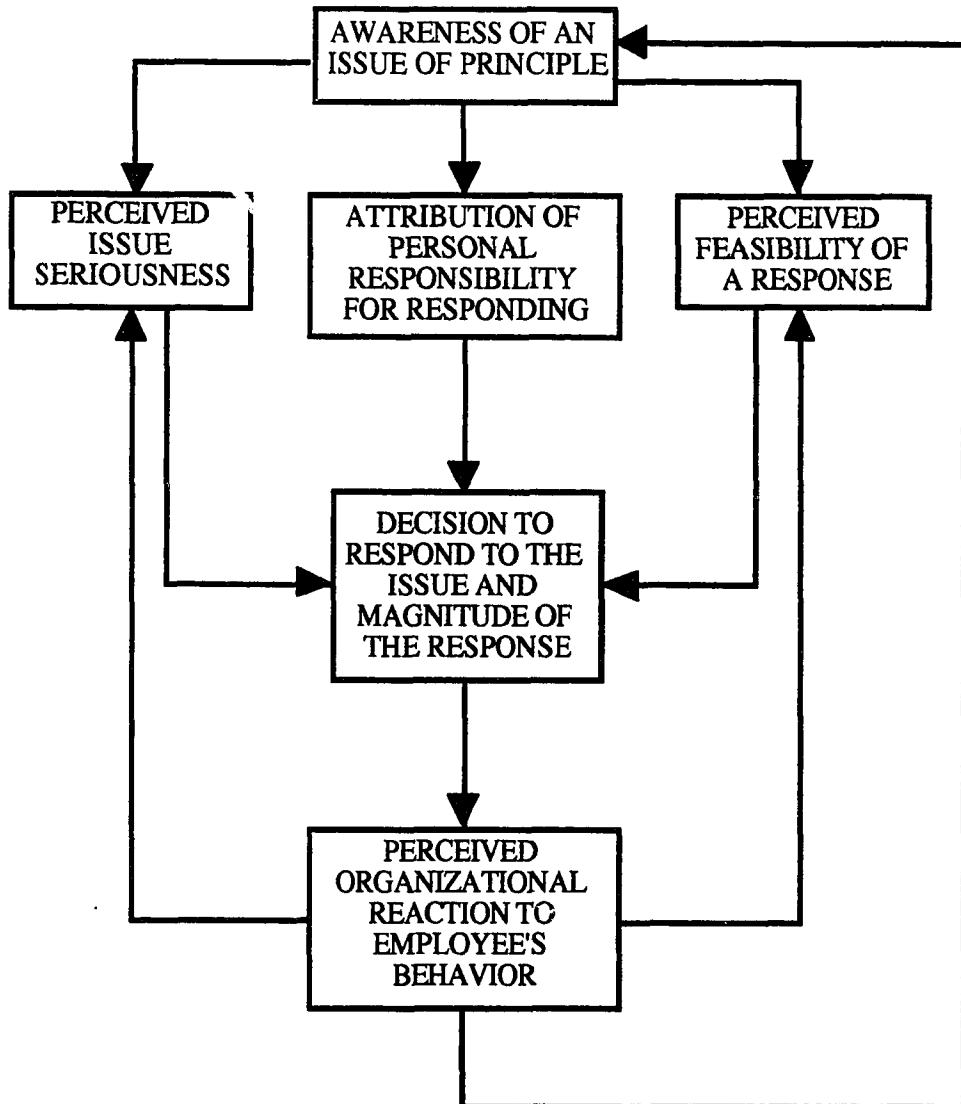


Figure 2 Graham's Principled Organizational Dissent Model

report recipients from the employee, are the end result of the cyclical process presented in Figure 2. This process begins when an employee becomes aware of organizational wrongdoing. Awareness of organizational wrongdoing is proposed to trigger a concurrent evaluation by the employee: of the seriousness of the wrongdoing, of his or her responsibility for responding and of the feasibility of a response.

The seriousness of organizational wrongdoing refers to the perceived physical and/or financial harm caused by the organizational action. The seriousness of wrongdoing is proposed to indicate to an employee the extent to which a response is needed. The more serious organizational wrongdoing is perceived to be, the more likely it is that an employee will act to end the wrongdoing.

At the same time that the employee is evaluating the seriousness of the wrongdoing, he or she is proposed to assess his or her personal responsibility for responding to the wrongful act. The greater an employee's feelings of personal responsibility for responding to organizational wrongdoing, the more likely it is that he or she will report this wrongdoing and the more intense his or her response is likely to be.

Finally, the likelihood and intensity of employee reporting of wrongdoing are also proposed to increase with the perceived feasibility of this action. This variable has two aspects.

The first aspect consists of the expected effectiveness of the response in eliminating organizational wrongdoing. The greater the expected effectiveness of a response, the greater its perceived feasibility.

The second aspect of the perceived feasibility of a response, consists of the expected personal consequences of reporting for the employee. The lower the personal costs of a response, the greater its perceived feasibility.

If the employee decides to report the wrongful organizational action, this reporting is seen as eliciting an organizational response. Like Near and Miceli (1985), Graham

(1983, 1986) proposed that the organizations' reaction to the reporting of organizational wrongdoing is on two levels. The first involves the actions taken with regard to the wrongful organizational act itself. The second involves the organization's response to the person of the reporter.

Graham (1983, 1986) suggests that both these responses affect whether or not the employee will continue to respond to the wrongdoing. They are believed to do so in three ways.

First, actions which are effective in eliminating or decreasing wrongdoing within the organization reduce the chances that an employee will observe objectionable actions in the future and hence end the principled dissent process. If organizational actions are ineffective, however, the employee's continued awareness of organizational wrongdoing, will again trigger an evaluation of its seriousness, of his or her responsibility for reporting and of the feasibility of responding to the wrongdoing. If the employee perceives the wrongdoing as serious, views himself or herself as responsible for responding and believes responding to be feasible, he or she will again voice his or her complaint.

An organization's responses to an employee's reports, are also believed to affect his or her assessments of the effectiveness of reporting organizational wrongdoing. The less vigorous and successful the organization's actions against reported wrongdoing, the less effective reporting will be perceived to have been. This perception is proposed to decrease the likelihood that an employee will continue to respond to wrongdoing in the same manner. If the employee continues to believe that he or she should act against the wrongdoing, he or she is proposed to use different and more distant complaint channels.

Similarly, the organization's response to the employee's prior reports are proposed to affect his or her assessments of the personal consequences of reporting organizational wrongdoing. The more negative the organization's reaction to the employee's past reports, the more likely it is that the employee will associate organizational retaliation with the

reporting of wrongdoing. This association will in turn decrease the likelihood that the employee will continue to report organizational wrongdoing and reduce the magnitude of his/her response.

c. Dozier and Miceli's Employee Whistle-Blowing Model

Dozier and Miceli (1985) proposed a cyclical whistle-blowing process, whistle-blowing being defined as in Near and Miceli's (1985) work. Dozier and Miceli's (1985) model has subsequently been modified by Greenberger et. al. (1987), who expanded it to include work group influences on whistle-blowing, and by Near and Miceli (1987) who elaborated on the consequences of employee whistle-blowing. These models, however, retain the core of Dozier and Miceli's (1985) model, presented in Figure 3.

Dozier and Miceli (1985) proposed that an employee who becomes aware of organizational wrongdoing must decide whether or not the wrongdoing warrants his or her taking action to end it. This decision is seen as being influenced primarily, but not exclusively, by the seriousness of the wrongdoing. If the employee does not believe that the wrongdoing requires a response, the whistle-blowing process ends.

If the employee believes that action is needed, however, he or she is proposed to assess his or her personal responsibility for taking action. If the employee does not view himself or herself as responsible for reporting organizational wrongdoing, the whistle-blowing process ends at this stage.

An employee who does perceive himself or herself as responsible for reporting organizational wrongdoing is proposed to consider the availability of political behavior alternatives. The availability of at least one political behavior alternative is seen as leading to the employee's evaluating first its effectiveness in ending organizational wrongdoing and then its personal costs and benefits. If the behavior under consideration is seen as effective

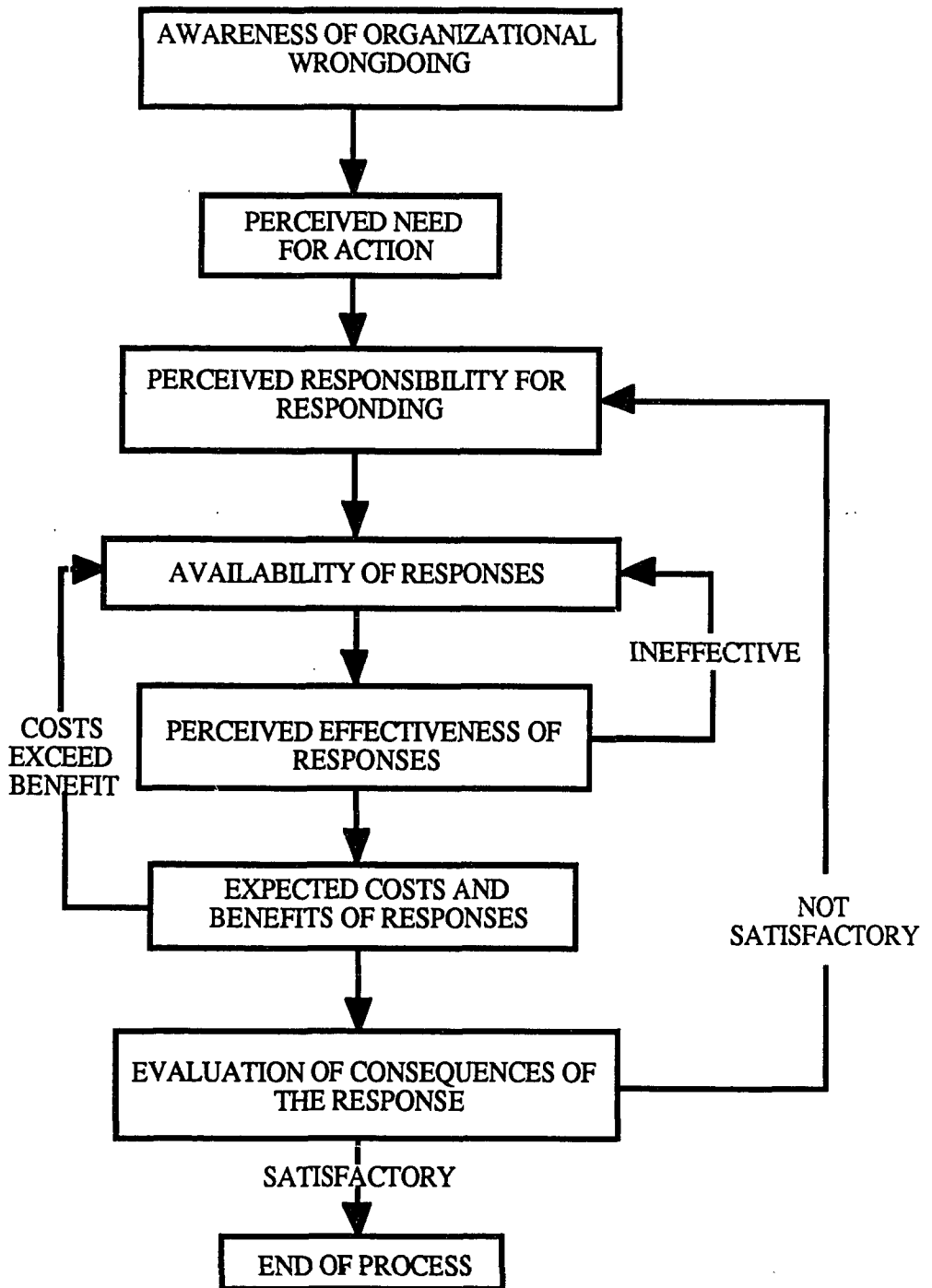


Figure 3 Dozier and Miceli's Whistle-blowing Model

and the personal benefits outweigh its costs, then it will be used as a response to organizational wrongdoing.

If an employee fails to find an effective response or if the personal costs of the response exceed its benefits he or she is proposed to reconsider the available alternatives. If a new alternative is identified, the whistle-blowing process will begin again with an evaluation of the alternative's effectiveness and cost. If no new alternative is found, the whistle-blowing process ends.

Those employees who do respond to organizational wrongdoing, are proposed to evaluate the organization's reaction to their reporting in terms of the ending or continuation of the wrongful actions. If the employee believes that the organizational problem has been resolved, the whistle-blowing process stops. If the problem has not been resolved, the employee is proposed to reconsider his or her responsibility for responding to wrongdoing. If the employee still perceives himself or herself as responsible for taking action against the wrongdoing, the process will continue from this point, if not, the process ends.

d. An Integrative Framework

A comparison of Graham's (1983, 1986), Near and Miceli's (1985) and Dozier and Miceli's (1985) proposals indicates substantial agreement as to the major antecedents of employee reporting of organizational wrongdoing. In all three models, employee reporting of organizational wrongdoing is portrayed as the result of the employee's:

- 1) awareness of organizational wrongdoing,
- 2) perception of the need for action,
- 3) expectations of the effectiveness of a response in changing organizational practices,
- 4) expectations of the personal costs and benefits of a response.

Major differences among the models do exist, however.

The first of the differences among the models is in whether or not they incorporate

an employee's personal attribution of responsibility. Graham's (1983,1986) and Dozier and Miceli's (1985) models incorporate this variable. Near and Miceli's model (1985) does not.

The second difference among the models lies in the nature of the process they describe. Graham's (1983, 1986) and Dozier and Miceli's (1985) models, describe the whistle-blowing process in detail. Near and Miceli's (1985) model focuses more on content.

There are also differences between the two process models. Graham (1983, 1986) proposes that the perceived need for action, personal responsibility for a response and the expected consequences of a response, have a simultaneous effect on employee behavior. Dozier and Miceli (1985) believe them to describe a causal chain leading to a decision whether or not to report organizational wrongdoing.

Less important differences among the models also exist. The perceived seriousness of organizational wrongdoing is seen as an antecedent of the need for action by Dozier and Miceli (1985) but is equated with the need for action by Graham (1983, 1986) and possibly Near and Miceli (1985). Dozier and Miceli (1985) and Near and Miceli (1985) propose that the expected effectiveness and personal cost of a response have direct effects on employee behavior, Graham (1983, 1986) believe these relationships are mediated by the perceived feasibility of a response.

Which of these conceptions best represents reality is an open question. There has been no research on the inter- relationships among the perceived need for action, attribution of responsibility and the perceived effectiveness and personal consequences of a response. Research is also lacking on the relationship of the perceived seriousness of organizational wrongdoing with the perceived need for action and of the effectiveness and personal consequences of reporting wrongdoing with the perceived feasibility of the response.

In light of the similarity among the models and the absence of evidence for their

major differences, the remainder of this review will follow the model shown in Figure 4. This model incorporates the major variables that have been proposed as antecedents of employee reporting of wrongdoing: the perceived need for action, attribution of responsibility and the perceived feasibility of a response. These variables are viewed as having independent effects on observers responses as proposed by Graham (1983, 1986). This perspective is adopted because in the absence of evidence for the interactive effects proposed by Dozier and Miceli (1985), Graham's (1983, 1986) more parsimonious model is preferable.

The proposed framework differs from Graham's (1983, 1986) model in that the perceived seriousness of organizational wrongdoing is not equated with the perceived need for action. Instead, the framework follows Dozier and Miceli (1985) and presents the perceived seriousness of wrongdoing as an antecedent of the perceived need for action.

The integrative framework differs from Near and Miceli's (1985) Dozier and Miceli's (1985) proposals in that the expected organizational and personal consequences of reporting wrongdoing are seen as mediated by the perceived feasibility of the response. In this regard, therefore, the framework follows Graham (1983, 1986).

2. Evidence for the Proposed Antecedents of Whistle-Blowing

The empirical literature on employee reporting of organizational wrongdoing is sparse and has not fully examined the models discussed in the previous section. Most of the literature consists of case studies which, although suggestive of relationships, do not allow for firm conclusions (cf. Ewing, 1983; Glazer and Glazer, 1987; Nader, Pelhas, Blackwell, 1972; Perucci, Anderson, Schendel and Trachtman, 1980; Peters and Branch, 1972; Westin, 1981).

Those multiple respondent studies that do exist, only provide evidence concerning direct relationships between the proposed antecedents of employee reporting of

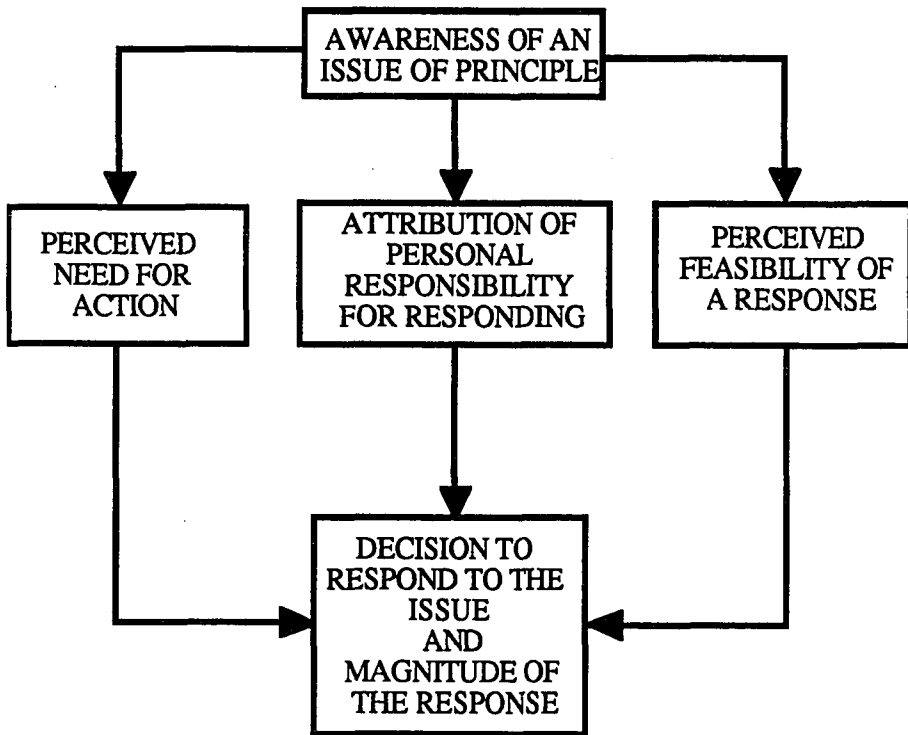


Figure 4 An Integrative Framework of Whistle-blowing Models

wrongdoing and this behavior. They examine neither the causal direction of these relationships, being cross-sectional studies, nor the mediating relationships which have been proposed. In addition, the studies have been conducted after whistle-blowing has occurred, making it difficult to establish whether a variable is an antecedent or a consequence of whistle-blowing.

A further limitation of the empirical literature in the area of employee reporting of organizational wrongdoing is that the majority of the studies have used one of two data bases. There is therefore, some question as to the generalizability of the reported relationships.

The first of the data bases used in whistle-blowing studies consists of a survey of women filing equal employment opportunity complaints with the Wisconsin Equal Rights Division. Studies employing this data base (Parmerlee, Near and Jensen, 1982; Near and Jensen, 1983), have examined whistle-blower's perceptions of organizational responses to their complaints. Sample sizes in these studies have been small, 72 in Parmerlee et. al.'s (1982) study and 141 in Near and Jensen's (1983) research.

The second data base consists of two surveys of federal civil service employees (Ns= 8,500 and 4700 respectively) conducted by the United States Merit Systems Protection Board (USMSPB, 1981, 1984). These studies surveyed employees from major federal departments and agencies to determine their:

- 1) awareness of illegal or unethical acts,
- 2) attitudes toward whistle-blowing,
- 3) perceptions of the consequences of whistle-blowing,
- 4) knowledge of channels and mechanisms for objecting to wrongful acts within the organization,
- 5) reactions to proposed incentives to report organizational wrongdoing.

Five studies relevant to the issue of the antecedents of the likelihood and intensity of

whistle-blowing have used this data (Graham, 1983; Miceli and Near, 1985;1988; Miceli, Roach and Near, 1988; Near and Miceli, 1986)¹. Three of these studies (Graham, 1983; Miceli and Near, 1985, 1988) have focused on the antecedents of employee whistle-blowing. The other two studies using this data base, Near and Miceli (1986) and Miceli et. al. (1988), examined the antecedents of retaliation against whistle-blowers.

Those studies not using either of these databases have tended to be laboratory studies involving university students (Brabeck, 1984; Dozier, 1988; Miceli, Dozier and Near, 1986; Zalkind et. al., 1990). The generalizability of these studies findings to situations outside the laboratory and to other than student populations remains to be established.

In the sections that follow the relationships of employee reporting of organizational wrongdoing with the perceived need for action, self attributed social responsibility and the feasibility of a response will be discussed. Evidence for these relationships will be presented where available.

a. The Perceived Need for Action

The perceived need for action has been proposed to directly affect employees reporting of organizational wrongdoing and to mediate the relationship of this behavior with three distal antecedents:

- 1) The perceived seriousness of the wrongdoing,
- 2) The wrongdoers' status,
- 3) The work group's influence
- 4) Confirming comments from others (Dozier and Miceli, 1985; Near and Miceli, 1987).

The perceived seriousness of organizational wrongdoing has, in turn been proposed, to mediate the relationships of the perceived need for action with:

- 1) The objective magnitude and frequency of the wrongdoing,

- 2) Personal alarmism,
- 3) The number of other observers (Graham, 1983; 1986).

These proposals, summarized in Figure 5, and discussed below have not been tested. Instead, research has examined a set of simpler relationships derived from them.

These relationships are those of:

- 1) The objective magnitude and frequency of organizational wrongdoing with employee reporting of this wrongdoing,
- 2) An employee's personal alarmism with the reporting of wrongdoing,
- 3) The number of observers witnessing wrongful organizational actions with employee reporting of these acts.

1) **The Perceived Seriousness of Wrongdoing**

Researchers examining employee reporting of wrongdoing, have implicitly assumed that wrongful organizational actions are a source of dissatisfaction for employees. Researchers have further assumed that this dissatisfaction increases with the perceived seriousness of the wrongdoing.

Based on these assumptions, students of whistle-blowing have hypothesized that the perceived seriousness of organizational wrongdoing increases the perceived need for action and, through it, the reporting of wrongful organizational acts (Graham, 1983; 1986; Dozier and Miceli, 1985; Near and Miceli, 1985, 1987). Neither of these hypotheses has been directly tested, however.

a) **The Objective Magnitude of Organizational Wrongdoing**

Graham (1983, 1986) has hypothesized that the greater the magnitude of the wrongdoing, the greater its perceived seriousness. Because of the proposed relationship between the perceived seriousness of organizational wrongdoing and its reporting, she has

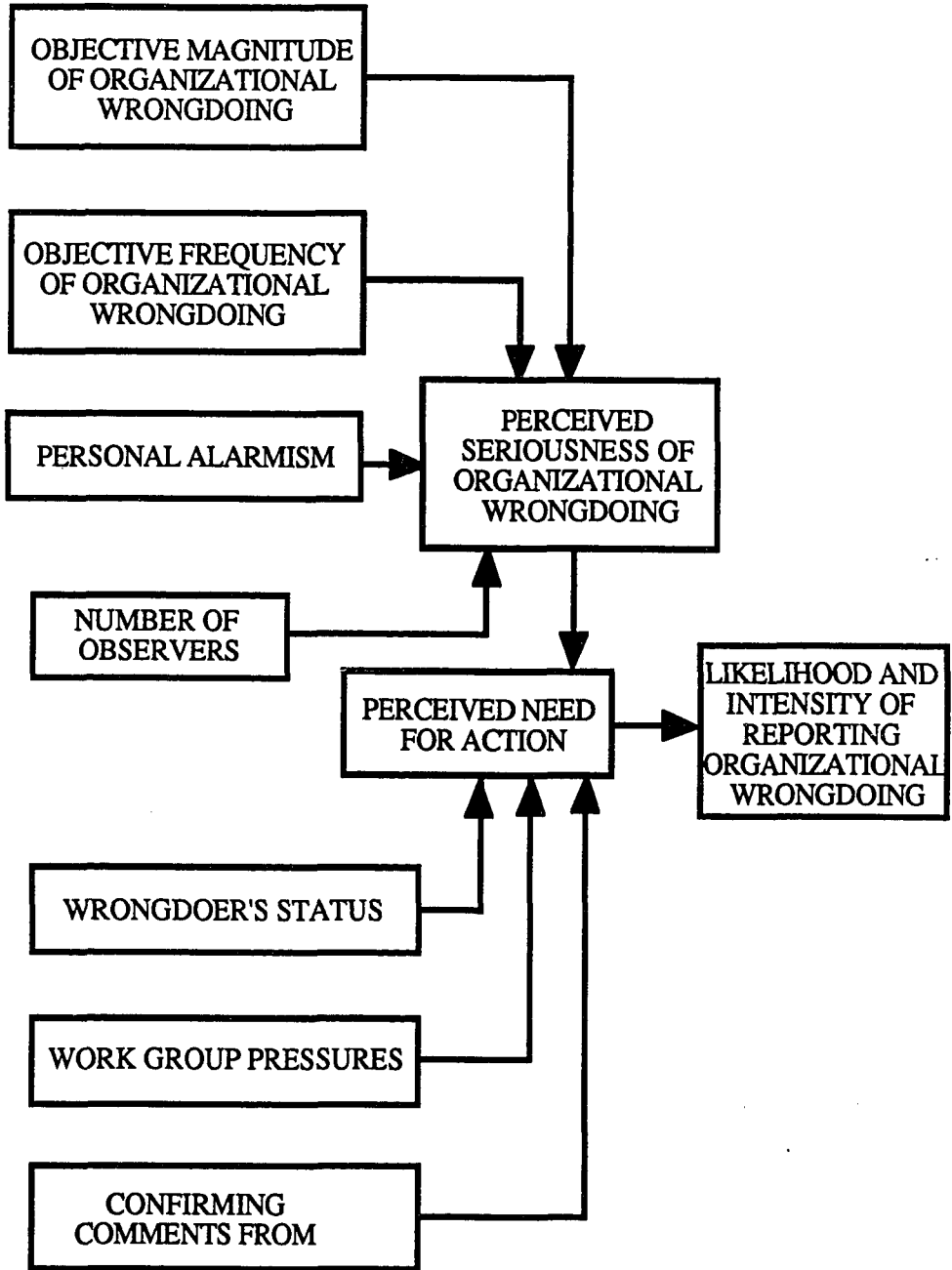


Figure 5 Proposed Antecedents and Consequences of the Perceived Need For Action

also proposed that the magnitude of organizational wrongdoing increases the likelihood of reporting these wrongful acts.

Only the hypothesized relationship between the objective seriousness of the wrongdoing and employee behavior has been examined. Studies of whistle-blowing among federal civil servants supports the proposed positive relationship of the objective seriousness of wrongdoing with the likelihood and intensity of employees reporting wrongful organizational acts (Graham, 1983; Miceli and Near, 1985).

b) The Frequency of Organizational Wrongdoing

Graham (1983, 1986) has also hypothesized that the perceived seriousness of organizational wrongdoing is influenced by the frequency of its occurrence. She proposed that the influence of the frequency of organizational wrongdoing on the perceived seriousness depends on the relative strength of two opposing effects.

The first of these effects is that of employees' repeated exposures to wrongdoing in and of themselves. Graham (1983, 1986) argues that wrongdoing which occurs repeatedly will be perceived as more harmful than that which is infrequent.

The second proposed effect of the frequency of organizational wrongdoing, involves not the number of times that wrongful acts occur per se, but the number of times these acts occur without intervention from others. Graham (1983, 1986) argues that this repeated occurrence of wrongdoing without others intervention leads to the development of pluralistic ignorance and audience inhibition.

Both pluralistic ignorance and audience inhibition would be expected to decrease the perceived seriousness of organizational wrongdoing (Graham 1983, 1986). Pluralistic ignorance refers to the interpretation of others' inaction in the face of an event as indicating that no action is needed. Audience inhibition consists of the lowering of the perception of an event as an emergency out of fear of appearing an alarmist (Latane and Darley, 1968,

1970).

Research tends to support the first of these two effects. Analysis of the USMSPB (1981) data indicates that the frequency of issue occurrence is positively related with the likelihood and intensity of employee whistle-blowing (Graham, 1983; Miceli and Near, 1985), as would be expected if the frequency of wrongdoing increased perceptions of its seriousness, and therefore, the perceived need for action.

c) Personal Alarmism

Personal alarmism describes individual differences in the perceived seriousness of objective situations. Graham (1983, 1986) proposed that the greater employees' personal alarmism, the more serious they would perceive organizational wrongdoing to be. Due to the proposed relationships between perceived issue seriousness and observers' reactions to wrongdoing, personal alarmism has been proposed to increase the likelihood and intensity of employee whistle-blowing.

The proposed relationship between personal alarmism and the likelihood of reporting organizational wrongdoing has been found. There is some evidence, however, that it is mediated by the frequency of organizational wrongdoing since the relationship between alarmism and employee behavior vanishes when the frequency of wrongdoing is controlled for (Graham, 1983).

Graham's (1983) analysis of the USMSPB (1981) data on federal civil service employees provides partial support for the proposed relationship between personal alarmism and the intensity of whistle-blowing. Personal alarmism has the proposed effect on the number of reporting channels used for financial issues but not for other issues. The situation is reversed in the case of the remoteness of the most distant channel used, a positive relationship exists for nonfinancial issues but not for financial issues.

d) Number of Observers

Graham (1983, 1986) proposed that the number of observers witnessing organizational wrongdoing decreases the perceived seriousness of the wrongdoing by increasing the likelihood that pluralistic ignorance will emerge. Due to the hypothesized positive relationship between the perceived seriousness of wrongful organizational acts and their reporting, she also hypothesized that the number of observers decreases the likelihood that these acts will be reported and the intensity of these reports.

Miceli and Near's (1988) analysis of the USMSPB (1981) data appears to contradict these proposals. They found that the likelihood that an employee would report organizational wrongdoing increased with the size of his or her work group. Miceli and Near (1988) suggest that this finding may be due to the decreased ability of groups to enforce norms as their size increases.

2) Wrongdoer's Status

Dozier and Miceli (1984, 1985) and Near and Miceli, (1985, 1987) suggest that the perceived need for action is greater when the wrongdoer is of low rather than of high status. They base this proposal on research indicating that a norm against "finking" operates for high but not for low status wrongdoers (Harari and McDavid, 1979). No evidence is available concerning this proposal in the context of whistle-blowing.

3) Work Group Pressures

Greenberger et. al. (1987) and following them Near and Miceli (1987) have proposed that groups have norms concerning what constitutes a wrongful action and the appropriate employee response to them. Basing themselves on the group conformity literature (Festinger, 1950; Festinger, Schacter and Back (1950), Near and Miceli (1987) hypothesized that work group members will follow these norms in order to maintain group cohesiveness. Deviation from these norms is prevented by group pressures for conformity. These group pressures are believed to influence an employee's perception of

the need for action. The role of group pressures in employees decisions as to whether or not to report organizational wrongdoing has not been investigated.

4) Confirming Comments from Others

An employee's perceptions of the need for action has also been proposed to increase with the existence of confirming comments from other observers (Dozier and Miceli, 1985; Near and Miceli, 1987). This proposal is based on findings that subjects were more likely to report shoplifting when other shoppers witnessed the event and attributed responsibility for responding to the subjects (Bickman and Rosenbaum, 1977). There is no evidence for or against this proposal in the context of whistle-blowing.

b. Perceived Responsibility for a Response

The perceived responsibility for a response, like the perceived need for action, has been proposed to have a direct effect on employee behavior and to mediate its relationship with other variables. These other variables are:

- 1) An employee's position within the organization (Graham, 1983, 1986),
- 2) An employee's ethical concerns (Dozier and Miceli, 1985; Graham, 1983, 1986; Near and Miceli, 1987)
- 3) The numbers of other observers (Dozier and Miceli, 1985; Graham, 1983, 1986; Near and Miceli, 1987),
- 4) Affective reactions to his or her job (Dozier and Miceli, 1985; Near and Miceli, 1987),
- 5) The prevalence of wrongdoing in the organization (Graham, 1983, 1986)
- 6) Group pressures (Greenberger et. al., 1987; Near and Miceli, 1987).

This model of the influence of the perceived responsibility for reporting wrongdoing on employee behavior is presented in Figure 6 and discussed in the sections

that follow.

As in the case of the perceived need for action these proposals have not been directly tested. What has been studied instead are the direct relationships of the likelihood of reporting organizational wrongdoing with: organizational position, ethical concerns, number of other observers, number of wrongful actions observed and affective reactions. The relationship of the intensity of a response to organizational wrongdoing with the employee's organizational position and the number of wrongful acts has also been studied

1) Position Within the Organization

Two types of job responsibility within the organization have been proposed to affect an employee's attribution of responsibility for a response and, through it, behavior (Graham, 1983, 1986). The first of these is an auditing or inspector position. The second type is a position with oversight responsibility (e.g. supervisor, manager).

a) Audit or Inspector Positions

Graham (1983, 1986) has argued that employees in auditing or inspector positions are likely to perceive themselves as responsible for reporting organizational wrongdoing due to the positions' role requirements. Based on this she proposes that employees in these positions are more likely than others: to report wrongdoing, to report it to many people and to report it to people in distant positions.

The proposed relationship between inspector and auditor positions and the likelihood of reporting wrongdoing, has been supported by researchers analyzing the USMSPB (1981) (Graham 1983; Miceli and Near, 1985). Employees in audit positions are more likely to report organizational wrongdoing than employees in other organizational positions.

There is also some evidence from the USMSPB database for the proposed relationship of inspector and auditor positions with the intensity of employees' responses to

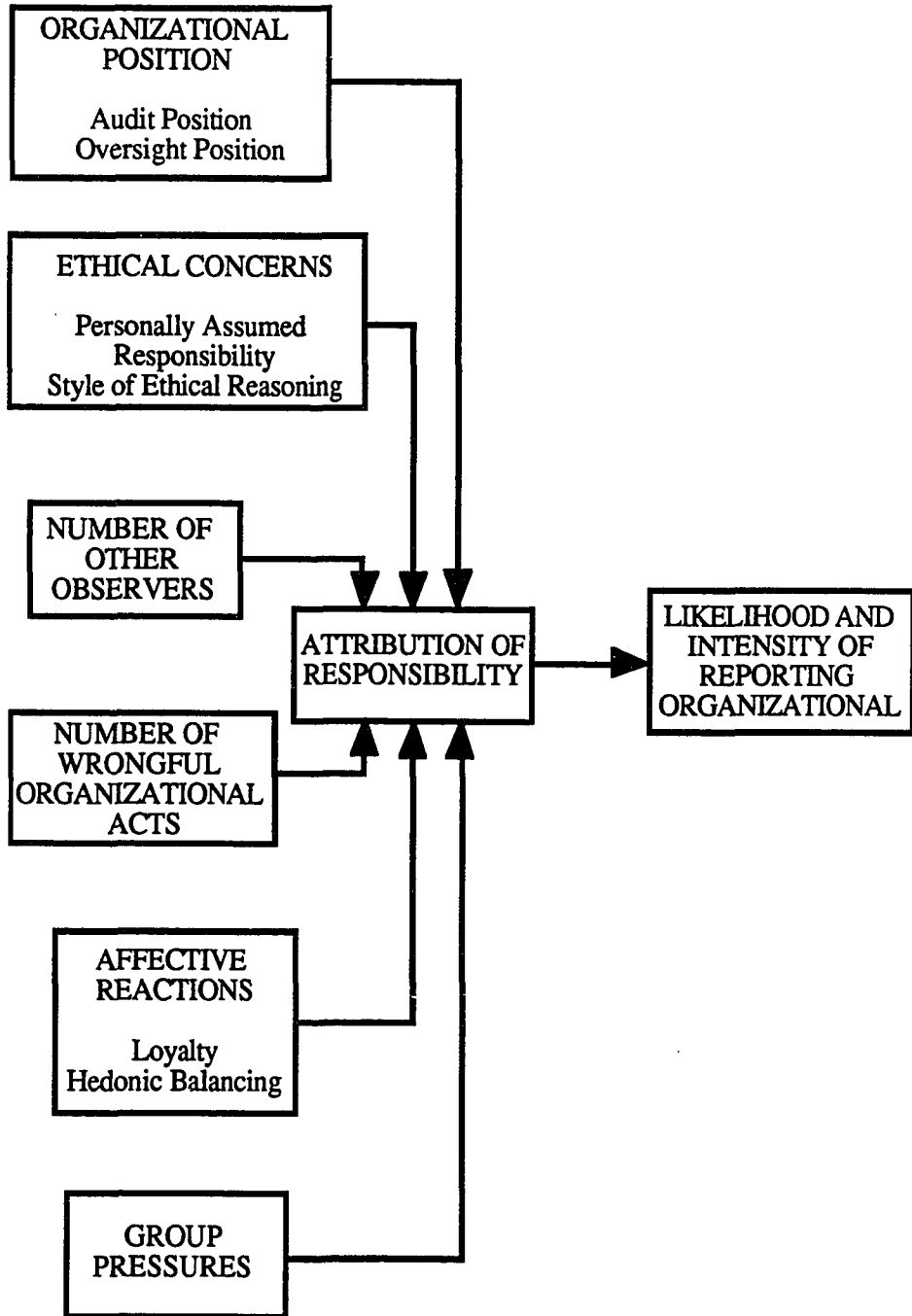


Figure 6 Antecedents and Consequences of the Attribution of Responsibility for a Response

There is also some evidence from the USMSPB database for the proposed relationship of inspector and auditor positions with the intensity of employees' responses to organizational wrongdoing. Employees with audit responsibility have been found to report nonfinancial wrongdoing to more distant positions than employees without this responsibility (Graham, 1983), although these reports may stay within the organization (Miceli and Near, 1985). An audit position does not, however, appear to have an influence on how far an employee will go with reports of financial wrongdoing, nor does it contribute to the explanation of the number of channels used (Graham, 1983).

b) Supervisory and Management Positions

Graham (1983, 1986) hypothesized that unlike audit or inspector positions, supervisory or management jobs decreased the perceived responsibility for a response to wrongdoing. She argued that employees in supervisory or management positions are likely to deny responsibility for responding to organizational wrongdoing because they can be held accountable for the existence of these problems (Brickman, Rabinowitz, Coates, Cohn, Kidder and Karuza, 1979). As a result, she believed that being a supervisor or manager decreased the likelihood of reporting organizational wrongdoing and its intensity.

Analysis of the USMSPB (1981) data, does not support the proposed negative relationship of supervisory and general management positions with the likelihood of reporting. Whether or not employees are in supervisory positions, has no effect on their decision to report wrongdoing (Graham, 1983; Near and Miceli, 1985). Being in a general management position does affect the likelihood of reporting wrongdoing but not as predicted. Near and Miceli (1985) report that being in a management position increases the likelihood, albeit only by a small amount, that an employee will report organizational wrongdoing. Graham (1983) also reports a positive relationship between being in a management position and the likelihood of reporting financial, but not nonfinancial, wrongdoing.

The proposed negative relationship between having management responsibility and the intensity of reporting organizational wrongdoing is also mixed. It has been disconfirmed in the case of general management responsibility but has been supported for supervisors.

Miceli and Near (1985) report a positive relationship between general management responsibility and the remoteness of the most distant entity reported to among federal civil servants. Graham (1983) also reports finding this relationship among federal civil servants but only in the case of financial wrongdoing. In addition, Graham (1983) reports that general management responsibility among federal civil servants is positively related with the number of entities reported to in cases of financial wrongdoing.

Supervisory responsibility has been found to decrease the number of channels used for financial issues (Graham, 1983), but not for nonfinancial issues. Supervisory responsibility has also been found to decrease the remoteness of the most distant channel used for all types of issues (Graham, 1983; Miceli and Near, 1985).

c) The Influence of Position on Employees Responses to Organizational Wrongdoing

To summarize the research concerning the influence of employees positions on their responses to organizational wrongdoing, research:

- 1) Supports the proposed relationship between audit position and employees' responses to organizational wrongdoing (likelihood of reporting and intensity),
- 2) Supports the hypothesized relationship between supervisory responsibility and the intensity of the responses to wrongdoing but not their likelihood,
- 3) Contradicts the proposed relationship of assignment to a general management position with the likelihood and intensity of responses to organizational wrongdoing.

The mixed support for the hypothesized relationships of organizational positions

with employee responses to wrongdoing, may be due to the effect of supervisory and management positions on the perceived feasibility of responses. Because these job positions represent the distribution of formal power in the organization, they reflect employees' abilities to achieve desired objectives and avoid undesired consequences (Pfeffer, 1981). As a result, supervisory and general management responsibility should be positively related with the perceived effectiveness of reporting wrongdoing and negatively related with the perceived costs of this action.

This is not to say that supervisory and general management responsibility do not affect employees responses to organizational wrongdoing through the perceived responsibility for a response. It would seem, however, that this is not the only path through which these positions can influence employees' behaviors.

2) Ethical Concerns

An employee's ethical concerns have been proposed to influence how he or she responds to organizational wrongdoing. These ethical concerns have taken two forms in the literature: personally assumed responsibility and style of ethical reasoning.

a) Personally Assumed Responsibility

Personally assumed responsibility refers to an individual's sense of responsibility for others' welfare. Graham (1983, 1986), Dozier and Miceli (1985) and Near and Miceli (1987) propose that the greater individuals' personally assumed responsibility, the greater the likelihood that they will attribute responsibility for responding to wrongdoing to themselves. These researchers further hypothesize that the greater individuals' personally assumed responsibility for others' welfare, the greater the likelihood of their reporting wrongdoing and the greater the intensity of their response.

There is no evidence concerning the proposed relationship between personally assumed social responsibility and employee reporting of organizational wrongdoing. Graham (1983) attempted to examine this relationship but, as she noted in discussing her

findings, the operationalization of responsibility in her study was inappropriate. Rather than reflecting a perceived responsibility for others welfare, the scale used in the study appeared to measure a problem solving orientation.

Dozier (1988) sought to study the relationship between a propensity to deny responsibility and whistle-blowing by means of a laboratory study. She was unable to examine this relationship, however, because the number of subjects in her study was insufficient to study the three way interaction she hypothesized between the propensity to deny responsibility

A study by Brabeck (1984) does provide some evidence for the proposed relationship but among college students, not employees. He operationalized whistle-blowing as the calling of attention to discrepancies in information a professor purported to be true and studied the relationship of this behavior with the students' level of moral reasoning. Brabeck (1984) reports that the higher the level of the students' moral reasoning the more likely it was that the students would point out the discrepancies.

b) Style of Ethical Reasoning

Cavanagh, Moberg and Velasquez (1981) have described three types of normative ethics that individuals may use in deciding whether or not to take political action:

- 1) utilitarian theories which emphasize the costs and benefits of behaviors,
- 2) theories of rights which focus on an individual's entitlements,
- 3) theories of justice which emphasize the distributional effects of practices and policies.

Dozier and Miceli (1985) and later Near and Miceli (1987), proposed that organizational member's using a theory of rights approach are more likely to feel responsible for reporting organizational wrongdoing than other organizational members. Some support for this proposal is provided by Fritzsche and Becker (1984).

Fritzsche and Becker (1984) presented subjects with a vignette concerning the

production of unsafe cars. Of those who said that they would blow the whistle, 74 % used a rights reasoning approach. Non-whistle-blowers all used a utilitarian reasoning approach.

3) Number of Other Observers

Because of the diffusion of responsibility (Darley and Latane, 1968) that occurs in groups of people, Graham (1983, 1986) and Dozier and Miceli (1985) proposed that the number of observers of organizational wrongdoing influences the responsibility any one of them feels for taking action.

Graham (1983, 1986) proposed a direct, positive relationship between the number of observers, and perceived responsibility for a response to wrongdoing. Dozier and Miceli (1985) and Near and Miceli (1987), based on research by Rutkowski, Guinder and Romer (1983), adopted a different perspective. They proposed that cohesion moderated the relationship between the number of observers and employees responses to organizational wrongdoing. They hypothesized that:

- 1) in low cohesion groups, the presence of few bystanders increases the attribution of responsibility,
- 2) in high cohesion groups, the presence of many bystanders increase the attribution of responsibility.

Near and Miceli's (1988) analysis of the USMSPB (1981) federal civil service data is consistent with the latter of these two perspectives. They report that employees were more likely to report wrongdoing the larger their work group.

4) Extent of Exposure to Organizational Wrongdoing

Graham (1983, 1986) proposes that the greater the number of wrongful acts in an organization, the greater the diffusion of responsibility and therefore the less likely, an employee will be to feel responsible for responding to any one of them. The more prevalent organizational wrongdoing is in an organization, therefore, the less likely it should be that

an employee would report any one incident. This hypothesis has not been supported.

On the contrary, there is some evidence that the extent of exposure to organizational wrongdoing increases the likelihood that an employee will report wrongdoing. Graham (1983) reports a positive relationship of the likelihood of reporting organizational wrongdoing with a prevalence of wrongdoing measure, composed of the number of different wrongful actions occurring and of the total incidence of wrongdoing in the organization. In partial agreement with Graham (1983), Miceli and Near (1985) report that the number of different questionable activities but not the total incidence of wrongdoing distinguished between reporters and non-reporters.

Graham (1983, 1986) also proposed that the greater the prevalence of organizational wrongdoing, the lesser the magnitude of an employees' response to the wrongdoing. This hypothesis has not been supported. Graham (1983) reports positive correlations between the prevalence of organizational wrongdoing and the intensity of an employee's response to financial issues. Miceli and Near (1985) report that the high incidence of wrongdoing but not the number of different questionable activities discriminate external whistle-blowers from other observers of wrongdoing.

5) Affective Reactions to the Job

Two employee work attitudes, loyalty and satisfaction, have been proposed to affect an employee's belief that he or she is responsible for reporting organizational wrongdoing. Each of these attitudes is discussed below.

a) Loyalty

Near and Miceli (1987) suggest that an employee's loyalty to his or her organization, may influence the employee's attribution of responsibility for reporting wrongdoing. How this attitude will affect the attribution of responsibility, whether it will make it more or less likely, is unclear however. Farrell and Petersen (1982) believe that organizational commitment will be positively associated with internal reporting and

negatively related with reporting to entities outside of the organization. Barry (1974) and Kolarska and Aldritch (1980) view loyalty as a commitment to a "higher value" representing the original goals of the organization and therefore likely to increase the reporting of wrongdoing. Laver (1976) conceives of loyalty as a disposition to accept rather than to criticize and therefore believes that it will lead to decreased reporting of organizational wrongdoing. Finally, Randall (1987) proposes that organizational commitment should be negatively related with whistle-blowing.

The relationship of organizational commitment and whistle-blowing has not been examined.

b) Hedonic Balancing

The concept of hedonic balancing (Staub, 1978) refers to a social comparison process. In this process an individual compares the difference between his or her current state and his accustomed state of well being with that of another person. Feeling better off than usual is proposed to increase the likelihood of helping behavior. Feeling worse off than usual is seen as decreasing the chances of helping behavior.

Dozier and Miceli (1985) and Near and Miceli (1987) applied the concept of hedonic balance to the whistle-blowing process. They propose that the likelihood of employee whistle-blowing will increase with the organizational member's satisfaction. This proposal has been supported by Near and Miceli's (1988) analysis of the USMSPB (1981) data. Support for the proposed relationship is also provided by Rusbult and Lowery's (1985) and Rusbult et. al.'s (1988) studies of responses to declining job satisfaction. Rusbult and Lowery (1985) report that the likelihood of voice among federal civil servants increases the greater their job satisfaction. Rusbult et. al. (1988) similarly report that job satisfaction increases the likelihood of voice among utility employees and Withey and Cooper (1989) report this relationship among university graduates and accountants.

6) Group Pressures Opposing Whistle-blowing

Work groups have been proposed to have norms not only about what is and what is not a wrongful action, but also concerning the appropriateness of whistle-blowing (Greenberger et. al., 1987; Near and Miceli, 1987). Near and Miceli (1987) have proposed that these norms influence whether or not an employee will perceive himself or herself as responsible for reporting organizational wrongdoing. Members of groups opposing whistle-blowing would, therefore, be less likely than other employees to perceive themselves as responsible for reporting organizational wrongdoing. Near and Miceli (1987) and Greenberger et. al. (1987) propose that strength of this influence depends: on group, employee and situational characteristics, and on the employee-group relationship.

c. Perceived Feasibility of Reporting Organizational Wrongdoing

The perceived feasibility of a response is the last of the three major mediating variables proposed in the whistle-blowing literature. The perceived feasibility of reporting wrongdoing is proposed to have a direct effect on an employee's response to organizational wrongdoing. In addition this variable is believed to intervene in the relationship between these responses and two other proposed antecedents: perceived effectiveness and perceived personal consequences of reporting organizational wrongdoing (Graham, 1983,1986). These variables in turn mediate the relationship of the likelihood and intensity of reporting with its more distal antecedents (See Figures 7 and 8).

The perceived effectiveness of reporting wrongdoing has been seen as due to:

- 1) Organizational climate (Miceli and Near, 1988),
- 2) The employees's characteristics (Graham, 1983;1986; Dozier and Miceli, 1985; Near and Miceli, 1987),
- 3) The employee's knowledge of control channels (Graham, 1983,1986; Near and Miceli, 1987),

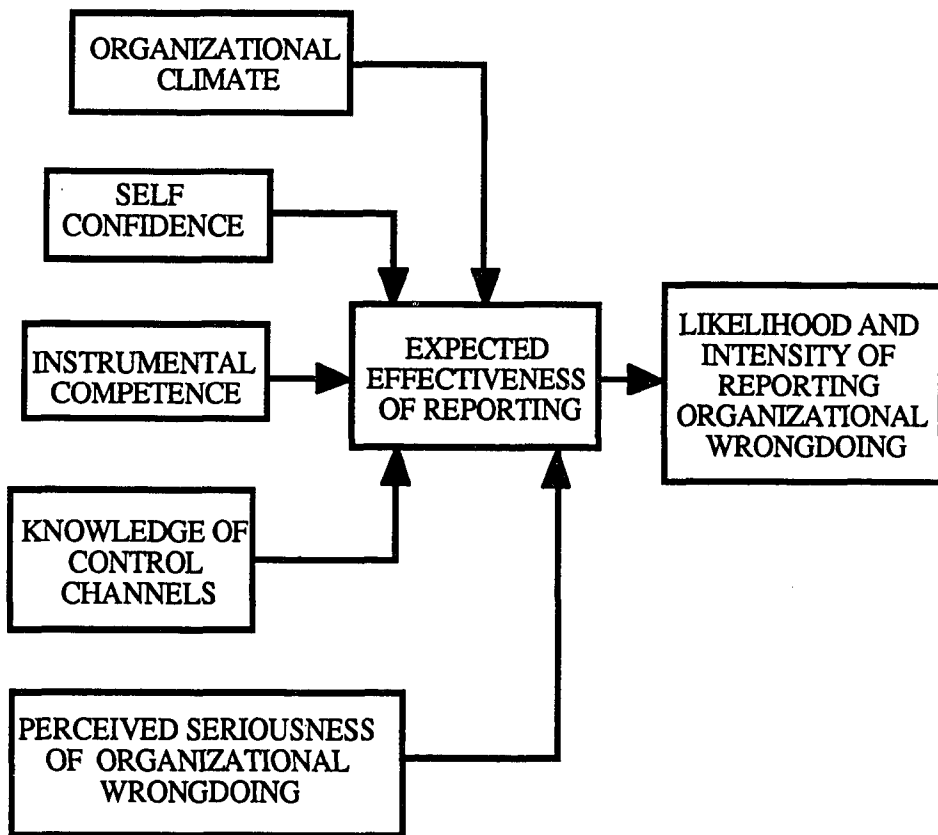


Figure 7 Proposed Antecedents and Consequences of the Expected Effectiveness of Reporting Organizational Wrongdoing

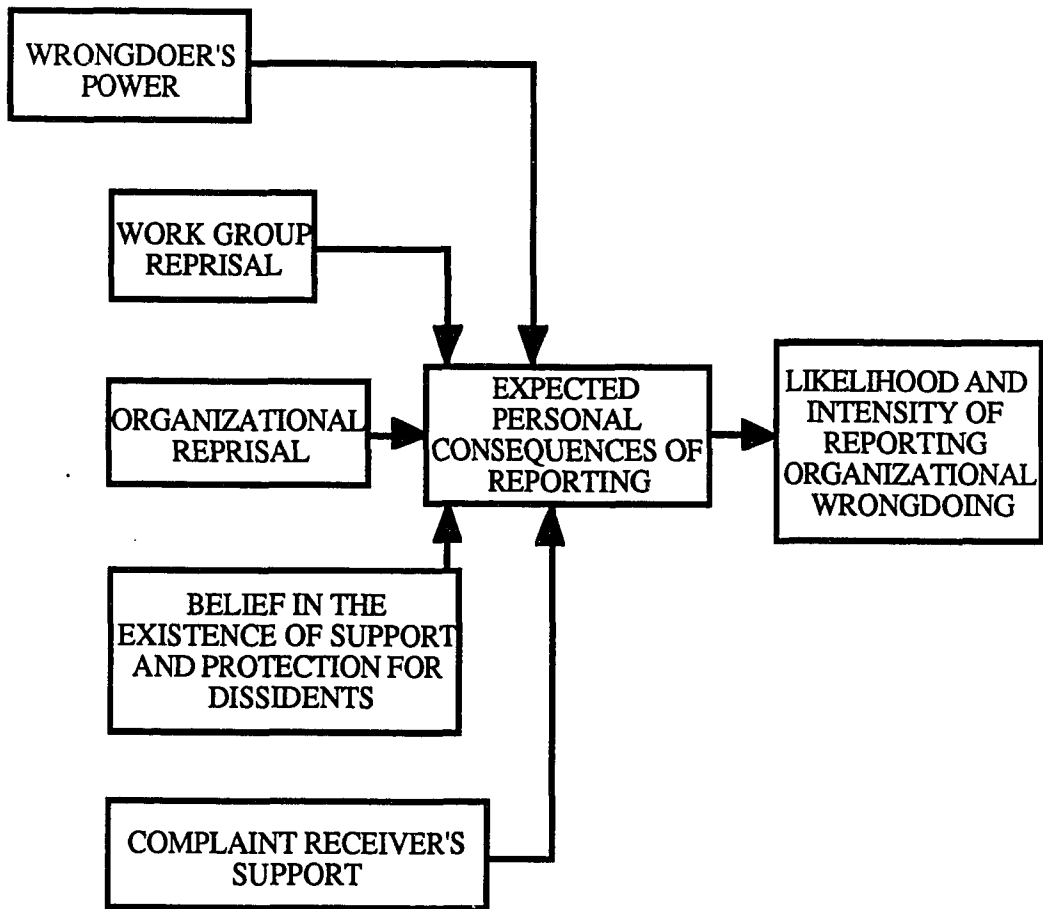


Figure 8 Proposed Antecedents and Consequences of the Expected Personal Consequences of Reporting Organizational Wrongdoing

- 4) The employee's past whistle-blowing experiences (Graham, 1983, 1986; Dozier and Miceli, 1985),
- 5) The seriousness of the organizational wrongdoing (Graham, 1983; 1986), Near and Miceli, (1985, 1987).

The perceived personal consequences of reporting organizational wrongdoing have been seen as the result of:

- 1) The likelihood of work group reprisals (Greenberger et al., 1987; Near and Miceli, 1987),
- 2) The likelihood of organizational reprisals (Graham, 1983; 1986),
- 3) The opportunity costs incurred in reporting the wrongdoing (Dozier and Miceli, 1985)
- 4) Employee needs (Dozier and Miceli, 1985)
- 6) Wrongdoer's power
- 7) Belief in the existence of support and protection for dissidents
- 8) Complaint receiver's support.

As was the case with the perceived need for action and the attribution of responsibility, most of the proposed relationships have not been examined.

1) Antecedents of the Perceived Effectiveness of Reporting Organizational Wrongdoing

a) Organizational Climate

Miceli and Near (1988) proposed that employees in an organization characterized by taking action to correct occurrences of wrongdoing are more likely to report organizational wrongdoing. Their analyses of the USMSPB (1981) data supported this hypotheses.

b) Individual Characteristics

An employee's perception that whistle-blowing will be effective, has been proposed to increase with his or her self confidence (Graham, 1983,1986; Dozier and Miceli, 1985; Near and Miceli, 1987) and his or her self perceived instrumental competence (Dozier and Miceli, 1985; Near and Miceli, 1987). Both of these characteristics refer to an employee's perception of himself or herself as able to affect events. They differ in that while self confidence is an employee trait, his or her self perceived instrumental competence is situationally dependent. No research has been done on the relationship of these variables with the likelihood and intensity of reporting wrongdoing.

c) Knowledge of Control Channels

Internal and external channels of communication or complaint provide effective avenues for responding to organizational wrongdoing. An employee's perception of the effectiveness of reporting wrongdoing should, therefore, increase with his or her knowledge of these channels (Graham, 1983, 1986; Near and Miceli, 1987). This should in turn increase the perceived effectiveness of reporting and through it, the perceived feasibility of this behavior. The greater an employee's knowledge of control channels, therefore, the greater the likelihood and intensity of his or her reporting wrongdoing.

Research using the USMSPB (1981) federal civil service data provides some support for the relationships of knowledge of control channels with the likelihood (Graham, 1983; Miceli and Near, 1985) and intensity of whistle-blowing (Graham, 1983).

Miceli and Near (1985) report that knowledge of control channels distinguishes whistle-blowers from non-whistle-blowers. Graham (1983) also found a positive relationship between knowledge of control channels and the likelihood of reporting wrongdoing, but only for financial wrongdoing. Her analyses provide mixed support for the relationship between knowledge of control channels and the likelihood of reporting nonfinancial issues. She found no significant bivariate correlations between knowledge of

control channels and reporting of these issues, but knowledge of control channels did contribute to the prediction of this behavior in regression analysis.

With regard to the role of knowledge of control channels as an antecedent of the intensity of employee responses to organizational wrongdoing, Graham (1983) found that the greater an employee's knowledge of control channels the greater the intensity of his or her response to wrongdoing. Miceli and Near (1985), however, found that this variable did not discriminate between external whistle-blowers and other employees who had witnessed wrongdoing

d) Seriousness of the Organizational Wrongdoing

Near and Miceli (1987) propose that employees perceive the effectiveness of reporting wrongdoing as increasing with the seriousness of the wrongdoing. They base this proposal on the assumption that employees believe that powerful others in the organization are more likely to attend to and act upon reports of organizational wrongdoing which is believed to be serious.

While there is no evidence concerning this proposed relationship between issue seriousness and perceived effectiveness, the magnitude and frequency of organizational wrongdoing have been reported to increase the likelihood and intensity of reporting wrongful acts (Graham, 1983; Miceli and Near, 1985).

2) Antecedents of Expected Personal Consequences of Reporting

a) Work Group Reprisal

Greenberger et. al. (1987) and Near and Miceli (1987) propose that an employee's perceptions of the likelihood of group sanctions for whistle-blowing, influence their reporting of organizational wrongdoing. These researchers hypothesize that the more likely employees believe it to be that their group will be hostile or socially reject them the less

likely it is that they will report the organizational wrongdoing.

The effect of group norms on the perceived costs of reporting wrongdoing has not been examined.

b) Organizational Reprisal

Organizational reprisal is the primary cost facing employees engaged in principled dissent (Ewing, 1980; Harshbarger, 1973; O'Day, 1974; U.S. Senate, 1978).

Employees' evaluation of the likelihood of organizational reprisal should, therefore, have a large influence on their assessment of the feasibility of principled organizational dissent.

One would expect that the greater employees' expectations of retaliation for reporting wrongdoing, the less likely they would be to engage in this behavior.

Research has not supported this proposal. Miceli and Near (1985) report that perceived protection from retaliation did not distinguish active and inactive observers of wrongdoing. Miceli et. al. (1986) in their laboratory study of the effect of threatened retaliation for reporting an unethical research assistant fudging data, found no effect on the level of whistle-blowing. Dozier (1988) in her laboratory study found the power to retaliate unrelated to whistle-blowing but to have a negative relationship with considering blowing the whistle. Graham (1983) reports that the perceived cost of reporting is positively related to principled dissent. Because employees' cost perceptions were measured after they had responded or failed to respond to organizational wrongdoing, Graham (1983) interpreted these findings as reflecting the effect of the whistle-blower's experience on his/her expectations.

Graham (1983) found no clear relationship between the perceived cost of reporting organizational wrongdoing and the magnitude of the employee's response. Results concerning the number of complaint channels used varied with the measure used and the nature of the issue, financial or nonfinancial. Miceli and Near (1985), however, report that external reporters expected more costs than other employees. This may indicate that

external reporting results in organizational retaliation or that those expecting organizational retaliation for blowing the whistle are more likely to do so to extra-organizational entities. Zalkind et. al. (1990) found that participants in an experimental study were more likely to report to outsiders when managers response to past whistle-blowing (as described in scenarios) was punitive.

(1) Alternative Job Opportunities

Near and Miceli (1985, 1987) have proposed that an employees perceptions of the likelihood of organizational reprisal are influenced by his or her dependence on the organization. This dependence is represented in part by the employees perceptions of the availability of alternative job opportunities.

This proposal has not been directly tested. Evidence for a positive relationship between alternative job opportunities and voice, however, provides some support for the proposal (Rusbult and Lowery, 1985; Rusbult et. al., 198), though this relationship has not always been found (Withy and Cooper, 1989). Some indirect evidence for the proposal does exist, however. Miceli and Near (1988) in part attribute their finding that professional status is positively associated with whistle-blowing to the greater job opportunities available to professional employees. Similarly, Miceli and Near (1985) suggested that dependency is at the root of the finding that inactive observers of wrongdoing were low paid, highly educated, supervisors. They interpreted the combination of low pay, high educational level and supervisory position as reflecting lack of work experience among these employees. This lack of track record was seen as making these employees dependent on their organizations and, therefore, unlikely to report organizational wrongdoing.

Parmerlee et al's (1982) research, however, raises doubts concerning Miceli and Near's (1985) interpretation of these findings. They report that age and experience are positively related with the comprehensiveness of an organization's retaliation against

whistle-blowers. Consistent with Miceli and Near's (1985) interpretation, however, years of education were correlated with the comprehensiveness of retaliation. Miceli and Near (1989) found no relationship of pay education and service with whistle-blowing.

(2) Support and Protection for Dissidents

Employees' belief in the existence of support and protection for dissidents has been proposed to influence the likelihood and intensity of whistle-blowing. This support may take three forms: direct support from the complaint receiver (Dozier and Miceli, 1985), support from others inside and outside of the organization (Graham, 1983, 1986) and the organizational climate or culture (Graham, 1983, 1986).

(a) Support From Complaint Receiver

Dozier and Miceli (1985) propose that complaint receivers' request for information concerning organizational wrongdoing reduces the perceived costs of reporting organizational wrongdoing for those employees who observe these acts. As a result, the potential complaint receivers' support for reporting wrongdoing should increase the likelihood and intensity of whistle-blowing. No research has been conducted on this proposal.

(b) Support from Others Inside and Outside the Organization

Graham (1983,1986) proposes that the existence of other dissenters in the organization and of supporters outside of the organization may decrease the perceived likelihood of reprisals. Existing evidence suggests that these proposals are incorrect.

Evidence from studies of the retaliation experienced by whistle-blowers suggests that the existence of other dissenters does not decrease the likelihood of retaliation. Parmerlee et. al. (1982) and Near and Miceli (1986) report that coworkers support of whistle-blowers was unrelated to the comprehensiveness of the organizational retaliation.

Within the organization, only management support for whistle-blowers has been found to decrease the retaliation they experience (Parmerlee et. al., 1982; Near and Miceli, 1986; Near and Jensen, 1983; Miceli and Near, 1989).

Evidence for the proposal that extra-organizational support decreases the likelihood of organizational retaliation is mixed. Both Parmerlee et. al. (1982) and Near and Jensen (1983) found that public support for whistle-blowers decreased the organizational retaliation against them. Near and Miceli (1986), however, found no relationship between extra-organizational support and the comprehensiveness of retaliation.

(c) Organizational Culture and Climate

Graham (1983, 1986) proposed that the perceived risk of reprisal from an organization is less in organizations with cultures characterized by role innovation, independent thought and action and widespread participation. She also proposed that likelihood of retaliation decreases where there are formal dissent mechanisms and guarantees against reprisal. These proposals have not been tested. Miceli and Near (1985) do report, however, that a climate of protection from retaliation had no relationship with reporting or not reporting though it did distinguish external reporters from others.

c) Opportunity Costs

Although they are the most salient, the costs of organizational retaliation are not the only ones involved in principled dissent. There are also opportunity costs to be considered as time and influence that could be used in dealing with other issues within the organization are expended.

Research by Hawley and Nichols (1982) indicates that employees consider the depletion of their "capital" in choosing the issues in which they will participate. Graham (1983, 1986) therefore proposes that the greater the opportunity costs of principled dissent, the less feasible it will be perceived to be. This proposal has not been examined.

d) Employee's Need for Achievement and Affiliation

An employee's need for achievement and need for affiliation influence the outcomes he/she values. Individuals high in the need for achievement desire to do something better or more efficiently than it has been done before. Individuals high in the need for affiliation value personal relationships with others.

Dozier and Miceli (1985) hypothesize that where achieving and helping others conflict employees high in nAch will be less likely to blow the whistle than employees high in nAff. There is no evidence concerning this hypothesis.

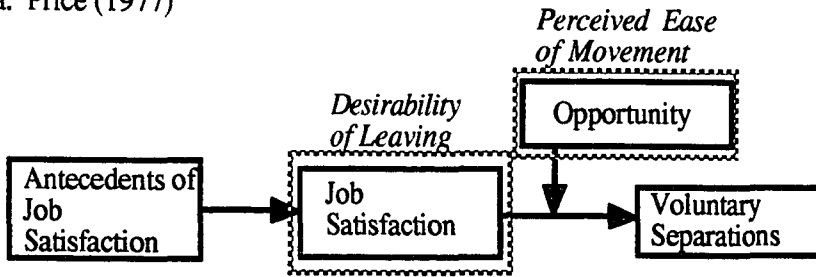
C. Voluntary Exit from the Organization

Five major models of the voluntary turnover process have been proposed in the literature (Bluedorn, 1982; Mobley, 1977; Mobley, Griffeth, Hand and Meglino, 1979; Price, 1977; Steers and Mowday, 1981). These models have in common an individual level perspective of the voluntary turnover process and share a view of this process as consisting of two major components: the desirability of leaving the organization and the perceived ease of finding alternative employment. These similarities among the models can be traced to March and Simon's (1958) seminal work on individuals' participation in organizations. The turnover models differ from March and Simon's (1958) work and from each other, however, in how they represent the desirability and ease of movement components as well as in the processes proposed to link these variables with exit from the organization (See Figure 9).

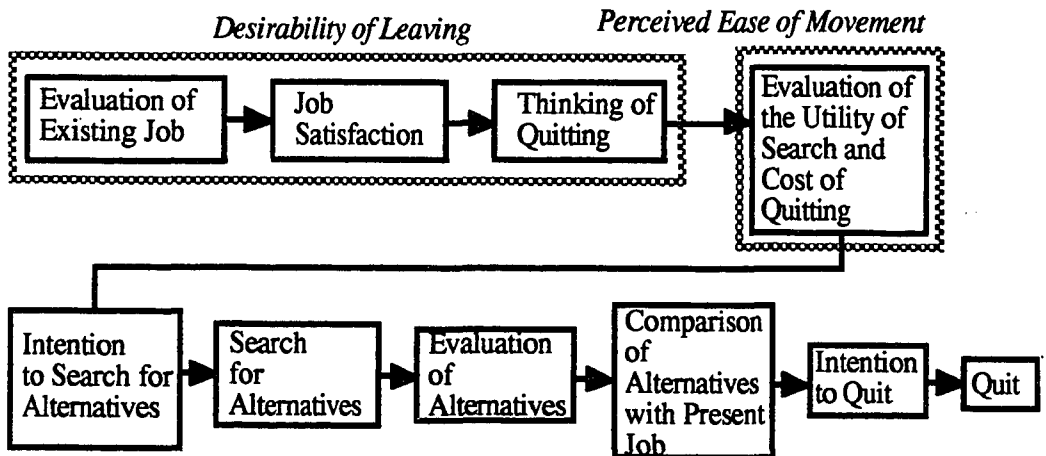
1. The Desirability of Leaving the Organization

March and Simon (1958) proposed that an employee's perception of the desirability of leaving the organization, referred to as the perceived desirability of movement, was the driving force behind an employee's decision to leave, or to stay in, an organization. All

a. Price (1977)



b. Mobley (1977)



c. Mobley et. al. (1979)

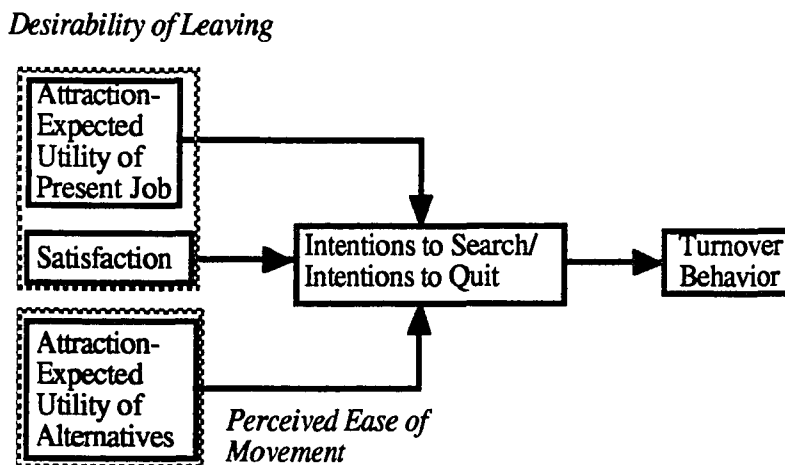
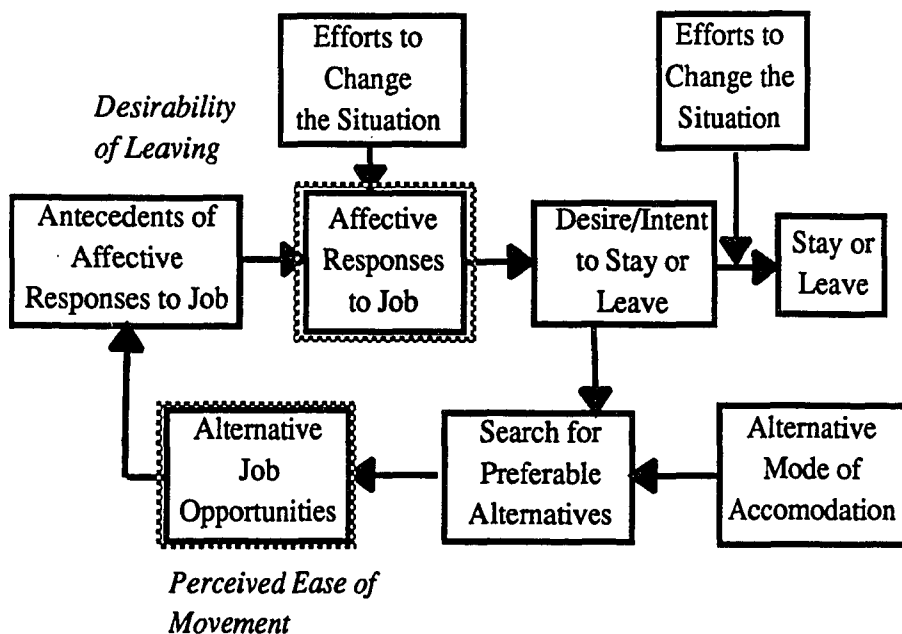


Figure 9 Voluntary Turnover Models

d. Steers and Mowday (1981)



e. Bluedorn (1982)

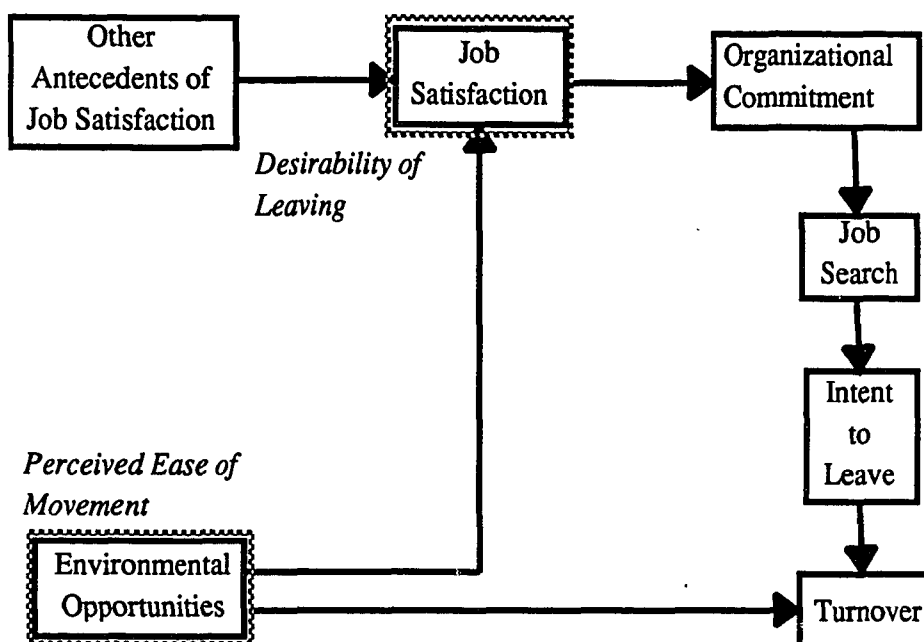


Figure 9 Voluntary Turnover Models (Continued)

other things being equal, it was proposed that the greater an employee's perception that leaving the organization is desirable, the more likely it was that he or she would do so.

The desire to leave the organization was in turn proposed to be the result of the employee's job satisfaction and perceptions of the availability of intra-organizational transfers. An employee's dissatisfaction and perception that transfer opportunities are scarce were proposed to increase his or her desire to leave the organization.

Models of the voluntary turnover process have not incorporated a desirability of movement variable as such, but have represented this concept by means of job attitudes alone (Bluedorn, 1982; Mobley, 1977; Price, 1977; Steers and Mowday, 1981) or in combination with expected job outcomes (Mobley et. al., 1979).

a. Job Attitudes

Two job attitudes, job satisfaction and organizational commitment, are proposed as antecedents of voluntary turnover in one or more models of the process leading to this behavior. The proposals involving each of these attitudes are discussed below.

1) Job Satisfaction

Job satisfaction has been the attitude most commonly used to represent an employee's motive for leaving the organization. In all five voluntary turnover models, job satisfaction is portrayed as having a negative relationship with organizational exit. This proposal has been consistently supported in the empirical literature where correlations of between $-.30$ and $-.40$ are reported for job satisfaction and voluntary turnover (Brayfield and Crockett, 1957; Cotton and Tuttle, 1986; Herzberg, Petersen and Capwell, 1957; Muchinsky and Tuttle, 1979; Porter and Steers, 1973; Price, 1977; Mobley et. al., 1979).

2) Organizational Commitment

There is some disagreement as to the exact nature of organizational commitment. Although researchers agree that commitment refers to a bond between an individual and an organization, this bond has been variously seen as based on:

- 1) an employee's identification with the organization,
- 2) an employee's acceptance of organizational values and norms,
- 3) an employee's investments (e.g. pension benefits, seniority) in the organization.

These perspectives have formed the basis of both unidimensional and multidimensional conceptions of organizational commitment (Somers, 1987).

In spite of the great variety of conceptions of organizational commitment, Mowday, Steers and Porter's (1979) view of the concept has been the most influential. They conceive of organizational commitment as consisting of three dimensions:

- 1) a willingness to exert effort on behalf of the organization,
- 2) acceptance and belief in organizational values,
- 3) a strong desire to retain membership in the organization.

Research on the relationship between organizational commitment and voluntary turnover has consistently found a negative relationship between the two (Cotton and Tuttle, 1986). The magnitude of the relationship has been moderate averaging between $-.35$ and $-.40$.

b. Expected Utility of the Present Job

Although the desire to leave the organization has generally been represented solely by job attitudes, Mobley et. al. (1979) have proposed that it is also influenced by the attraction and expected utility of the job. The attraction of the job is believed to be the result of employee's expectancies concerning future job outcomes and his or her preferences for these outcomes. The expected utility or force of the job (cf. Vroom, 1964) for an employee is the result of the attraction of a job for him or her and his or her expectancies of being able to retain the job.

Mobley et. al. (1979) hypothesized that the greater the attraction and expected utility of an employee's present job, the less likely he or she is to quit. Support for this hypothesis is mixed.

The proposed relationships between the attraction of the present job (employee job outcomes, weighted by employee preferences for these outcomes) and of its expected utility (attraction of the job weighted by expectancies of attaining or retaining the job) with voluntary turnover has been supported by research on reenlistment decisions in the military. Schneider (1976) reports that reenlistment decisions in the navy were positively related ($r=.41$) with members' preferences for the outcomes expected from the navy role. Mobley, Hand, Baker and Meglino (1979) in a study of marine corp recruits report that the attraction of the marine role and the expected utility of the role distinguished between graduates and drop outs. Similarly, Youngblood, Mobley and Meglino (1983) found that among marine corp enlistees, reenlistment was predicted by the attraction of the marine role. Griffeth and Hom (1988) reported that nurses evaluations of the expected utility of their jobs had a negative association with the intent to leave which in turn predicted turnover.

The relative attraction of an employee's present role vis a vis the attraction of an alternative role has also been found to influence the likelihood of voluntary turnover. Hom (1981) reports that a comparison of the attraction of the national guardsman role and of the civilian role was correlated, $r= .28$, with reenlistment decisions. Youngblood et. al. (1983) also indicated that differences in the attraction of a military and civilian role differentiated between stayers and leavers, the former finding the military role more attractive than the latter. Similarly, Hom, Griffeth and Sellaro (1984) found that hospital employees were more likely to leave the organization when the expected utility of alternative positions was seen as greater than that of the current job.

There is also some evidence that employee expectations concerning the consequences of the act of staying or leaving an organization, as opposed to the consequences of the job role, are associated with turnover. The expected utility of reenlisting in the national guard vs. leaving this organization has been found to be

positively related with the intent to re-enlist ($r=.79$) and with re-enlistment ($r=.68$) (Hom and Hulin, 1979; Hom, Katerberg and Hulin, 1979). Similarly the difference in the expected utility of remaining in a hospital and leaving was a major predictor of ($r=-.47$) the intent to leave and through it of voluntary turnover (Prestholdt, Lane and Mathews, 1987).

Some evidence exists, however, that contrary to Mobley et. al.'s (1979) proposal, the weighting of employee expectations by their outcome preferences does not improve the prediction of voluntary turnover. Schneider (1976), Hom (1981) and Youngblood et. al. (1983) report that unweighted role expectations predicted turnover as well as the attraction of the roles.

2. The Perceived Ease of Leaving the Organization

March and Simon (1958) proposed that the likelihood of turnover was influenced not only by the desirability of leaving the organization, but also by the perceived ease of movement, movement referring to organizational exit. For a given level of desire to leave the organization, the greater the perceived ease of leaving the organization, the more likely it is that he or she will exit the organization.

The employee's perception of the ease of movement was proposed to be the result of the number of extra-organizational opportunities he or she was aware of. The more job opportunities an employee believes exist, the greater his or her perception of the ease of movement from the organization.

As in the case of the desirability of movement, voluntary turnover models do not include a perceived ease of leaving variable per se. Four of the proposed turnover models, have however represented an employee's perceptions of the consequences of leaving the organization in terms of the alternative job opportunities he or she believes exist (Bluedorn, 1982; Mobley, 1977; Mobley et. al., 1979; Steers and Mowday, 1981). Price's (1977) work differs from the other models in that the consequences of leaving the organization are represented by labor market conditions rather than by employee perceptions of these

conditions.

Research on the relationship between alternative job opportunities and voluntary employee turnover has generally supported a strong relationship between objective labor market conditions and employee exit from the organization (Hulin, Roznowski and Hachiya, 1985; Cotton and Tuttle, 1986). Hulin et. al. (1985) report that unemployment rates accounted for up to 70 % of the variance in aggregate turnover.

Studies of the relationship between perceived job opportunities and employee turnover have also consistently reported an association between these two variables (Cotton and Tuttle, 1986; Steel and Griffeth, 1987). The strength of the correlation between these two-variables has been low, however, averaging only $r=.12$. As discussed below, there is also some question as to whether perceived alternative job opportunities share any unique variance with voluntary turnover or owe their relationship with this behavior because of a relationship with job satisfaction.

3. The Relationship Among the Desirability of Movement, the Perceived Ease of Movement and Voluntary Turnover

The desire to leave and the ease of leaving components have been linked to each other and to turnover by different processes in each of the proposed models. These differences lie in three major areas:

- 1) The relationship of job attitudes with alternative job opportunities,
- 2) The relationship of the search for alternatives with the intent to leave,
- 3) The relationship between job satisfaction and organizational commitment.

a. The Relationship of Job Attitudes with Alternative Job Opportunities

The relationship among job attitudes, alternative job opportunities and exit from the organization, has been conceived in three different ways:

- 1) Alternative job opportunities moderate the relationship between job attitudes and

organizational exit,

- 2) Alternative job opportunities are an antecedent of job attitudes,
- 3) Job attitudes are an antecedent of perceived alternative job opportunities.

1) **Alternative Job Opportunities as a Moderator of the Job Attitude- Voluntary Turnover Relationship**

March and Simon (1958) proposed that the perceived ease of movement moderated the relationship between the desirability of movement and voluntary exit from the organization. Members wishing to leave the organization were seen as more likely to exit the organization when the perceived ease of movement was high than when it was low.

Price (1977) adopted this perspective of the relationship between the desirability and the ease of leaving, although unlike March and Simon (1958) he viewed the ease of leaving as an objective environmental characteristic rather than an employee perception. Based on March and Simon's (1958) work, Price (1977) hypothesized that dissatisfied employees were more likely to leave the organization during periods of high employment than during periods of low employment.

In a similar vein, Steers and Mowday (1981) proposed that alternative job opportunities moderated the relationship between the intent to leave, a consequence of negative job attitudes, and turnover. Like March and Simon (1958), but unlike Price (1977), Steers and Mowday (1981) conceived of the ease of leaving in perceptual rather than objective terms.

Support for the proposed moderating role of the ease of leaving the organization on the relationship between job attitudes and turnover has varied depending on whether the ease of leaving has been treated as a perceptual or as an objective variable.

Studies treating the ease of movement as a perceptual variable have not supported the proposed interaction with job satisfaction in determining the intent to leave (Bluedorn, 1976, 1979; Martin, 1979; Wahba, 1980; Lee and Mowday, 1987) or actual turnover

(Arnold and Feldman, 1982; Bluedorn, 1982b; Jackofsky and Peters, 1983; Price and Bluedorn, 1980; Price and Mueller, 1981; Schwab and Dyer, 1974)

Studies treating the ease of leaving the organization as objective labor market conditions, however, have supported its role as a moderator of the job satisfaction-turnover relationship. Carsten and Spector (1987) in a recently conducted meta-analysis of labor market conditions as a moderator of the job satisfaction-turnover relationship, report a $-.50$ correlation between the strength of this relationship and the national civilian unemployment rate. Carsten and Spector (1987) also report that the national civilian unemployment rate has a $-.32$ correlation with the strength of the relationship between the intent to leave and voluntary turnover.

These findings contradict an earlier meta-analysis performed by Shikiar and Freudenberg (1982), which uncovered a positive relationship ($r=.39$) between the unemployment rate and the strength of the job satisfaction-turnover relationship. Carsten and Spector (1987) attribute Shikiar and Freudenberg's (1982) findings to three methodological flaws in the latter's analysis:

- 1) Using unemployment figures for periods other than those during which the job satisfaction and turnover measures were collected,
- 2) Using a mixture of aggregate and individual level data,
- 3) Including attitudinal variables other than job satisfaction in the analysis.

Hulin et. al. (1985) offer two explanations for the contradictory findings of research using perceptual and objective measures. These are that:

- 1) The composition of the work force varies with the state of the economy,
- 2) Perceived job opportunities are antecedents of job satisfaction.

The first of these explanations is presented below. Discussion of the role of perceived opportunities as an antecedent of job satisfaction is deferred until the next section.

Hulin et. al. (1985) propose that times of economic expansion create a surplus of jobs which makes it easier for marginal workers and drifters to join the full time work force. They argue that these workers do not intend to remain on the job when they take it and will leave when they have accumulated enough money or when the "wanderlust" hits them. It is this leaving by marginal employees during times of full employment, absent at other times, which results in the job satisfaction-economic opportunity interaction.

2) Alternative Job Opportunities as Antecedents or Consequences of Job Satisfaction.

Although research has clearly not supported the role of the perceived ease of leaving as a moderator in the desirability of leaving-turnover relationship, there is no consensus as to how the perceived ease and desirability of movement are related. Two views of the relationship have been advanced.

The first of these views, put forth by Steers and Mowday (1981) and Bluedorn (1982), is that the perceived ease of leaving the organization is an antecedent of the desirability of doing so. The rationale for this relationship is that perceptions of alternative job opportunities serve as a frame of reference with which employees evaluate their jobs. The greater the availability of alternative job opportunities, the less desirable current positions will appear to employees. This perspective has received some support (Martin, 1979; Miller, Katerberg and Hulin, 1979; Price and Bluedorn, 1979; Price and Mueller, 1979). Bluedorn (1979) also reports that alternative job opportunities have a negative correlation with satisfaction but also found a direct relationship between these opportunities and the intent to leave.

The second view of the relationship between the perceived ease of leaving and the desirability of doing so has been advanced by Mobley and his associates (Mobley, 1977; Mobley et. al., 1979). They propose that perceived alternative job opportunities mediate the relationship between job satisfaction and turnover. Low job satisfaction is seen as

triggering an evaluation of the availability of alternative job opportunities to determine whether or not to search for alternative employment. This search and the specific job alternatives that result from it form the basis for employee's decisions concerning whether or not to leave the organization. This perspective has generally not been supported (Hom, Griffeth and Sellaro, 1984, are an exception). Researchers examining the proposed relationship report either that job satisfaction and alternative job opportunities have independent (direct and indirect) effects on turnover (Bannister and Griffeth, 1986; Bluedorn, 1982b; Coverdale and Terborg, 1980; Mobley, Horner and Hollingsworth, 1978; Price and Mueller, 1981; Spencer, Steers and Mowday, 1983) or that perceived job opportunities are unrelated to turnover (Arnold and Feldman, 1982; Michaels and Spector, 1982).

Though they did not examine the proposed paths through which perceived alternative job opportunities may influence voluntary turnover, Griffin and Hom's (1988) work does provide some insight into the question. These researchers examined the relationship of the intent to leave and actual organizational exit with job satisfaction and three measures of perceived alternative job opportunities: the general availability of jobs, the expected utility of alternative jobs and the expected utility of job offers. Mobley's conception that the dissatisfaction triggers search which in turn identifies specific job opportunities would lead to the expectation that the last of these measures would have the strongest relationship with the intent to leave and actual turnover. This was not the case. Griffin and Hom's (1988) results indicate that job satisfaction and the three measures of perceived alternative job opportunities had independent relationships with intended and actual turnover, but that of the perceived alternative job opportunity measures, the general availability of jobs was the strongest predictor.

3) The Relationship Between the Search for Alternatives and the Intent to Leave

The majority of these researchers studying the relationship between the search for alternatives and the intent to leave treat the search for alternatives as an antecedent of the intent to leave (Mobley, 1977; Mobley et. al., 1979; Bluedorn, 1982). Steers and Mowday (1981), however propose that the intent to leave precedes the search for alternative job opportunities.

Research evidence generally supports the role of the search for alternatives as an antecedent of the intent to leave. There is, however, some evidence for Steer and Mowday's (1981) proposal. Studies examining the relationship between the intent to search and the intent to leave have generally reported that the intent to search, and by inference search itself, increases the likelihood of the intent to leave (Bannister and Griffeth, 1986; Coverdale and Terborg, 1980; Mobley, Horner and Hollingsworth, 1978; Mowday, Koberg and McArthur, 1984; Spencer et. al., 1983).

Stumpf and Hartman (1984), however, in a longitudinal study of voluntary turnover among alumni using a campus placement service report that the intent to leave was the immediate antecedent of employees' search for alternative jobs. Hom, Griffeth and Sellaro (1984) also report that a path analysis turnover among hospital workers indicated that the intent to quit preceded the intent to search. The only study designed to test Steer and Mowday's (1981) model, Lee and Mowday (1987), was inconclusive indicating a positive relationship between the intent to leave and the intent to search but failing to establish the direction of causality between these two variables.

b. The Relationship Between Job Satisfaction and Organizational Commitment

Steers and Mowday (1981) and Bluedorn (1982) both propose that job satisfaction and organizational commitment influence voluntary turnover. They differ, however, in the

proposed relationships among these two attitudes and turnover. Steers and Mowday (1981) proposed that job satisfaction and organizational commitment interacted with each other, with job involvement and with nonwork influences on behavior, a four way interaction (Lee and Mowday, 1987). Bluedorn (1982) proposed that organizational commitment mediated the job satisfaction-turnover relationship.

There is only one study of Steers and Mowday's (1981) proposed four way interaction among job satisfaction, job involvement, organizational commitment and nonwork influences. Lee and Mowday (1987) examined the proposed relationships by conducting repeated hierarchical regressions in which a model containing all predictors (main effects and interactions) was compared with an abbreviated model containing only one main effect and those interactions in which it was involved. They did not, however, isolate the effect of these interactions from the main effects. Thus it is not clear from their results which interactions are significant and which are not. Lee and Mowday (1987) report that job satisfaction and its interactions accounted for 12.4% of the intent to leave variance, organizational commitment and its interactions for 4.1% of the variance and job involvement and its interactions for 2.4% of the variance. Non-work influences and the interactions involving this variable did not have a significant relationship with the intent to leave.

Support for the proposed mediating role of organizational commitment in the job satisfaction turnover relationship, is provided by Bluedorn (1982b) and by Williams and Hazer (1986). Bluedorn (1982b) based on a path analysis of data collected from insurance company employees reports that organizational commitment mediated the relationship between job satisfaction and the search for alternatives which was in turn found to influence the intent to leave, and through it, turnover. Williams and Hazer (1986) reanalyzed Bluedorn's (1982) data as well as that collected by Michaels and Spector (1982) among mental health center employees, found that organizational commitment mediates the

relationship between job satisfaction and the intent to leave.

There are several studies, however, that report that job satisfaction and organizational commitment have independent effect on turnover. Arnold and Feldman (1982) report that among accountants, job satisfaction and organizational commitment have independent negative effects on the intent to search which in turn was positively related with turnover. Similarly, Michaels and Spector (1982) in a study of mental health employees and Stumpf and Hartman (1984) in a study of M.B.A. graduates using a placement office, found that job satisfaction and organizational commitment had separate negative effects on the intent to quit.

These studies, however, did not examine the relationship between job satisfaction and organizational commitment. They are therefore not truly a test of Bluedorn's (1982) proposal. It may be that had the proposed relationship been examined, it would have been found as was the case in Williams and Hazer's (1986) reanalysis of Michaels and Spector's (1982) data.

CHAPTER III. PROBLEM AND HYPOTHESES

A. Problem

Employees who observe an issue of principle have been proposed to face three decisions: whether or not to leave their organizations, whether or not to report the issue and, related to the latter of these, whom to report the issue to (Graham, 1983;1986). To date, however, research has neglected the decision to leave the organization in response to issues of principle focusing instead on the variables associated with observers' decisions to report wrongful actions and of whom to report these actions to.

This research focus has had two consequences. First, while there is some knowledge concerning the decision to report issues of principle and of whom to report them to, the variables associated with the decision to leave the organization in response to these issues are largely unknown. Second, and somewhat paradoxically, focusing on the decision to report and the choice of whom to report to may have hindered our understanding of these decisions. This research focus may have had this effect because it ignores the possible influence of having decided to leave (or to remain in) the organization on the variables associated with the two reporting decisions.

The present study's objective is to examine the relationship of four types of variables suggested in the literature to influence observers' : decisions to report issues of principle, choices of whom to report to and decisions of whether or not to remain in the organization. The four types of variables proposed to influence observers' responses to organizational wrongdoing are those associated with:

- 1) The perceived need for action,
- 2) The perceived responsibility for responding to an issue of principle,
- 3) The perceived feasibility of a response,
- 4) Organizational commitment.

Together these four types of variables and their relationships with employees responses to issues of principle constitute what shall be referred to as the Principled Response Model.

This model is developed through the hypotheses discussed below

B . Hypotheses

Hypothesis 1 The greater the seriousness of an issue of principle, the more likely it is that observers intend: a) to leave the organization, b) to report the issue.

Graham (1983, 1986), has proposed that awareness of organizational wrongdoing motivates employees to leave their organizations and/or to report the wrongdoing.

Underlying Graham's (1983, 1986) proposal are:

- 1) A view of organizational wrongdoing as objectionable to employees,
- 2) A belief that leaving an organization and reporting wrongful acts both have the potential to end an employee's association with wrongdoing.

Graham (1983, 1986), along with other researchers (e.g Dozier and Miceli, 1985; Near and Miceli, 1987; Greenberger et. al., 1987), has defined wrongdoing in terms of employees' perceptions. An organizational act is deemed to be wrongful when employees judge it to be unlawful, unethical or harmful to others. Wrongful organizational actions are therefore, by definition, objectionable to employees and should motivate them to remove the wrongdoing from their work experience. Further, this motivation should increase with the employees' perceptions of the harmfulness of the organizational act.

The perceived harmfulness of a wrongful organizational act is in turn believed to be influenced by the objective harm of the act (i.e. the amount of money involved, the physical harm that it causes). In general, the greater the objective harm associated with the organizational wrongdoing, the more serious this act should be perceived to be (Graham, 1983, 1986; Dozier and Miceli, 1985; Near and Miceli, 1987; Greenberger et. al., 1987). The greater the objective harm of an act, therefore, the greater should be observers' motivations to distance themselves from the act.

Leaving the organization and reporting wrongful organizational actions both have the potential to remove organizational wrongdoing from employees' work experiences. Leaving can do so by removing employees' from the offending organizations. Reporting wrongdoing appears to have the potential to perform two functions Hirschman (1970) described as necessary for dissatisfied individuals' responses to effectively deal with the cause of their dissatisfaction: communicating the existence of a problem to those able to resolve it and motivate these entities to act to solve the problem. Reporting wrongdoing has this potential because it is directed at entities believed to have the power to end wrongdoing and can, by rallying opposition to the wrongful acts, motivate these entities to eliminate the objectionable actions. The likelihood of leaving the organization and of reporting wrongdoing should, therefore, increase with the harmfulness of organizational wrongdoing.

There is direct evidence for the proposed relationship between the harmfulness of organizational wrongdoing and the reporting of wrongdoing by current employees. Researchers studying employee whistle-blowing have found that the greater the financial cost of organizational wrongdoing, the more likely it was that employees reported it and the more likely it was that they reported it to entities outside of the organization (Graham, 1983; Miceli and Near, 1985).

Support for the proposed relationship between the harmfulness of organizational wrongdoing and leaving the organization is indirect coming from research on the relationship between job satisfaction and voluntary employee turnover. This research indicates that the lower an employee's job satisfaction, the more likely it is that he or she will leave the organization (Brayfield and Crockett, 1957; Cotton and Tuttle, 1986; Herzberg et. al., 1957; Muchinsky and Tuttle, 1979; Porter and Steers, 1973; Price, 1977; Mobley et. al., 1979). Harmful, organizational wrongdoing as a source of dissatisfaction would, therefore, be expected to increase the likelihood of employees leaving the

organization.

Hypothesis 2 The greater observers' personally assumed social responsibility, the more likely it is that they intend to report issues of principle.

Personally assumed social responsibility refers to individuals' beliefs that they are responsible for others welfare (Graham, 1983, 1986). Personally assumed social responsibility should, therefore, be positively related with a desire to eliminate organizational wrongdoing. This follows from the conception of organizational wrongdoing as acts which employees perceive as unethical, illegal or harmful (cf. Graham 1983, 1986; Dozier and Miceli, 1985; Near and Miceli, 1987; Greenberger et. al., 1987).

Employees' social responsibility should, therefore, be positively related with those responses to organizational wrongdoing which have the potential to eliminate these objectionable acts. Conversely, employees social responsibility should be negatively related with behaviors which are unlikely to lead to the elimination of wrongful acts.

Graham (1983, 1986) implicitly assumed that observers would perceive reporting wrongdoing as more effective than remaining silent (a position also argued above). She, therefore, proposed that the greater individuals' sense of social responsibility, the more likely it would be that they would report organizational wrongdoing.

Hypothesis 3.1 The greater the assigned responsibility for reporting wrongdoing the more likely they are to intend to report issues of principle internally if they remain in their organizations.

Hypothesis 3.2 The relationship between observers' assigned responsibility for reporting wrongdoing and the intent to report issues of principle if they remain in their organizations is partially mediated by the expected effectiveness of reporting to organizational entities and the expected retaliation for this action.

Assigned responsibility for reporting wrongdoing has been proposed to influence employees' responses to organizational wrongdoing in two ways.

The first of these ways is through observers' acceptance of their positions' requirements. Because organizational role or position requirements are an important influence on their occupants' behaviors (Katz and Kahn, 1978), a role prescription to report wrongdoing to entities within the organization should increase the likelihood of such reporting (Graham, 1983, 1986; Miceli and Near, 1985).

The second means through which assigned responsibility for reporting wrongdoing may affect observers' responses to issues of principle is by influencing their perception of the effectiveness of internal reporting (Miceli and Near, 1985) and their expectations concerning the likelihood of organizational retaliation for reporting wrongdoing. It is argued that observers' assigned responsibility for reporting increases their expectations that internal reporting will be effective and decreases their expectations that internal reporting will result in organizational retaliation by legitimizing the reporting of wrongdoing to organizational entities.

Researchers studying the antecedents of employee responses to organizational wrongdoing have supported the contention that assigned responsibility for reporting is positively related with this action. They report that employees in auditor or inspector positions are more likely to have reported wrongdoing to organizational entities than employees in other positions (Graham, 1983; Miceli and Near, 1985). The proposed role of the expected effectiveness and expected retaliation as intervening variables in these relationships has not been examined.

Hypothesis 4 The more effective observers expect the reporting of issues of principle to be: a) the more likely it is that they intend to report these issues, b) the less likely it is that they intend to leave the organization.

Employee motivation has been conceived of as prosocial, that is, employees' behaviors are believed to be the result not only of a narrowly defined self interest but also of a desire to benefit others, though the importance of these two considerations may vary

across individuals (Dozier and Miceli, 1985; Graham, 1983,1986; Near and Miceli, 1987). This conception of employee motivation together with a view of organizational wrongdoing as aversive to employees and harmful to others, leads to the prediction that employees will be motivated , to varying degrees, to end organizational wrongdoing and not merely to end their association with wrongful acts (Dozier and Miceli, 1985; Graham, 1983,1986; Near and Miceli, 1987). Underlying this prediction is the fact that only eliminating organizational wrongdoing ends both an employee's association with these acts and the harm which they cause to others. Because employees are believed to be motivated to end organizational wrongdoing, it is proposed that the likelihood that employees will report wrongful organizational acts to entities within and outside of their organizations increases with the perceived effectiveness of these actions (Dozier and Miceli, 1985; Graham, 1983; 1986); Near and Miceli, 1987).

The expected effectiveness of reporting is proposed to have a negative relationship with the intent to leave because reporting represents an alternative to leaving the organization. If reporting wrongdoing is viewed as a means of eliminating this source of dissatisfaction it may be chosen over leaving the organization because of the costs that may be attached to leaving the organization (e.g. possible relocation, separation from valued coworkers, adaptation to a new system, loss of investments in the organization, unemployment).

The hypothesized relationship between the perceived effectiveness of reporting wrongdoing and the likelihood of reporting wrongdoing has been supported by Graham (1983) and by Miceli and Near (1985) who found that the greater employees' knowledge of control channels, the more likely it was that they had reported financial wrongdoing. It has also been supported at the organizational level by Miceli and Near (1988) who found that the greater the prevalence in an organization of the belief that reporting wrongdoing was effective, the more likely it was that its employees had done so.

Evidence concerning the relationship of the perceived effectiveness of reporting and the intensity of reporting is mixed. Graham (1983) found that knowledge of control channels was positively related with the intensity of reporting. Miceli and Near (1985), however, found that knowledge of control channels did not distinguish between internal and external reporters.

Evidence concerning the proposed relationships of the perceived effectiveness of reporting and the decision to leave the organization is mixed. Zalkind et. al. (1990) report finding no relationship between corrective management action and the intent to leave in their experimental simulation of whistle-blowing. Withey and Cooper (1989), however, report a negative bivariate relationship between the effectiveness of reporting in eliminating a source of dissatisfaction and the intent to leave the organization, though this relationship disappeared in their multivariate analysis.

Hypothesis 5 The greater the expected organizational retaliation against members reporting wrongdoing: a) the more likely it is that observers intend to leave the organization, b) the less likely it is that they intend to report issues of principle if they remain in the organization.

Researchers studying employee responses to organizational wrongdoing, have assumed that employees act so as to avoid undesirable circumstances. Based on this assumption, a negative relationship has been proposed between the expected magnitude and comprehensiveness of organizational retaliation against reporters and the likelihood of current employees' reporting of wrongdoing to entities within and outside of their organizations (Graham, 1983,1986; Dozier and Miceli, 1985, Near and Miceli, 1985,1987).

Past research on the relationship between organizational retaliation and observers' reports of organizational wrongdoing has been mixed. Miceli and Near (1985) found no relationship in her analysis of USMSPB (1981) data. Miceli et. al. (1986) also failed to

find a relationship between retaliation and the level of whistle-blowing in their laboratory study. In keeping with these findings, Dozier (1988) found the power to retaliate to be unrelated to whistle-blowing in her laboratory study though she reports a negative relationship between this power and considering blowing the whistle. Graham (1983), however, found a positive relationship between the two variables which she interprets as the effect of experience on expectations of retaliation for reporting wrongdoing.

In terms of the intensity of employee responses to organizational wrongdoing, there is evidence that past retaliation may increase the likelihood of external reporting (Near and Miceli, 1985; Zalkind et. al., 1990).

An analogous relationship between the expected personal costs of reporting and employees' intent to report if they left the organization is not proposed because by leaving the organization employees reduce the organization's control of salary, promotions, job assignments, etc., resources which Near and Miceli (1985, 1987) identify as the basis for organizational retaliation against employees. Indeed, the reduction of the organization's power over them may be a major reason why individuals choose to leave the organization before reporting wrongdoing.

Hypothesis 6 The greater observers' organizational commitment: a) the less likely they are to intend to leave their organizations, b) the more likely they are to intend to report issues of principle internally or, alternatively, c) the less likely they are to intend to report issues of principle.

Organizational commitment refers to the bond between employees' and their organizations. It involves employees' willingness to exert effort on behalf of their organizations, acceptance of organizational values and a strong desire to retain membership in their organizations (Mowday, Steers and Porter, 1979).

Voluntary employee turnover models (Bluedorn, 1982; Steers and Mowday, 1981) and research (Cotton and Tuttle, 1986) indicate that the greater an employee's

organizational commitment, the less likely he or she is to intend to leave or to actually leave the organization. The greater an employee's organizational commitment, therefore, the less likely it is that he or she will respond to wrongdoing by leaving the organization.

Organizational commitment has also been proposed to influence the reporting of issues of principle (Near and Miceli, 1987). There is, however, disagreement as to whether organizational commitment increases or decreases the likelihood of reporting. This disagreement is embodied in the two alternative hypotheses (b and c) stated above.

One group of researchers (Barry, 1974, Hirschman, 1972;1986) emphasizes the support for organizational values component of commitment (cf. Mowday, Steers and Porter, 1982; Patchen, 1970) and view committed employees as reformers who wish to put their organizations back on course. They, therefore, argue that organizational commitment should increase the likelihood of internal and external reporting of wrongdoing as proposed in Hypothesis 6b.

Other researchers (Birch, 1975; Laver, 1976; Farrell and Petersen, 1982; Randall, 1987), however, have emphasized the desire to maintain organizational membership component of organizational commitment (cf. Boulian, 1974; Porter et. al., 1979). Committed employees are seen as organizational men who do not wish to endanger their positions in the organization. Highly committed employees should, therefore, not be likely to report organizational wrongdoing as proposed in Hypothesis 6c.

Hypothesis 7.1 The higher observers' job levels are a) the less likely it is that they intend to leave the organization. b) the more likely it is that they intend to report issues of principle internally if they remain in their organizations,

Hypothesis 7.2 The relationship between job levels and employees' intended responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing and b) the expected organizational retaliation for reporting wrongdoing.

Power is associated with the attainment of desired goals and the avoidance of

undesired outcomes (Pfeffer, 1981). The greater an employee's power within an organization, therefore:

- 1) the greater the expected effectiveness of reporting organizational wrongdoing
- 2) the less the expected personal cost of reporting wrongdoing.

These relationships of power with the expected effectiveness and personal costs of reporting, together with Hypotheses 4 and 5, lead to the prediction that employee power within an organization is positively related with staying in the organization and internally reporting issues of principle. Organizational power would not be expected to affect the likelihood of reporting to extra-organizational entities since these entities would be outside of the employees' spheres of influence.

The above relationships would also be expected to hold for the sources of employees' organizational power. One such source is level within the organization. Organizational level provides employees with power in part because of the hierarchical distribution of authority in organizations (Weber, 1947). Organizational level is also a source of employee power because it provides control over three resources which French and Raven (1968) have identified as bases of power: rewards and punishments, access to information and access to powerful others.

Existing research supports the proposed positive relationship between job level and the reporting of financial wrongdoing (Graham, 1983, Near and Miceli, 1985). There is, however, no evidence concerning the proposed mediating role of expectations.

Hypothesis 8.1 The greater the perceived job opportunities observers believe exist, the more likely it is that they intend: a) to leave the organization, b) to report issues of principle.

Hypothesis 8.2 The relationship between the perceived job opportunities observers' believe exist and observers' intent to report is mediated by: a) the expected effectiveness of reporting wrongdoing and b) the expected organizational retaliation for reporting

wrongdoing.

An employee's perceptions of alternative job opportunities have been proposed to influence both the likelihood that he or she will leave the organization (Bluedorn, 1982; Mobley et. al., 1979; Steers and Mowday, 1981) and that he or she will report organizational wrongdoing (Near and Miceli, 1985, 1987). In both cases, a positive relationship has been proposed between the perceived availability of alternative job opportunities and the behavior.

The proposal that perceived job opportunities are positively related with voluntary exit from the organization has been based on two arguments: 1) that the perceived abundance of alternative employment decreases current job satisfaction and hence increases the likelihood of turnover (Bluedorn, 1982; Steers and Mowday, 1981; Hulin et. al., 1985), 2) that the perception of many alternative job opportunities decreases the expected cost of leaving an organization and thereby increases the likelihood of voluntary exit (March and Simon, 1958; Steers and Mowday, 1981; Mobley, 1977; Mobley et. al. 1979).

The nature of the link between perceived alternative job opportunities and voluntary exit from the organization has yet to be established. Support has been reported for both the proposed influence of alternative job opportunities on satisfaction (Bluedorn, 1979; Martin, 1979; Miller et. al., 1979; Price and Bluedorn, 1979; Price and Mueller, 1979) and for its direct effect on turnover (Bannister and Griffeth, 1986; Bluedorn, 1982; Coverdale and Terborg, 1980; Mobley et. al. 1978; Price and Mueller, 1981; Spencer et. al. 1983). Studies of perceived alternative job opportunities, however, clearly indicate a positive relationship between this variable and voluntary exit from the organization (Cotton and Tuttle, 1986; Steel and Griffeth, 1987). The intent to leave an organization in response to organizational wrongdoing should, therefore, increase the greater the perceived alternative job opportunities.

The proposed relationship between observers' perceived alternative job

opportunities and the intent to report if they remain in the organization is based on the influence of these opportunities on employees' dependence on the organization. Near and Miceli (1985, 1987), basing themselves on Emerson's (1982) resource dependence theory, propose that an organization's ability to retaliate against a whistle-blower depends on its control over scarce and needed resources. Because employees' alternative job opportunities decrease organizations' power over them, the expected likelihood and severity of organizations' retaliation against whistle-blowers is believed to decrease as the availability of alternative job opportunities increases. The likelihood of reporting wrongdoing to either intra or extra organizational entities should, therefore, increase with the perceived availability of alternative job opportunities. Although no research has been done on the relationship between perceived alternative job opportunities and the reporting of organizational wrongdoing, researchers have argued that the positive relationship of professional status and whistle-blowing (Miceli and Near, 1988) and negative relationship of low pay, educational level and supervisory status with whistle-blowing (Miceli and Near, 1985) reflect the influence of a lack of comparable job opportunities for observers' with these characteristics. These arguments are not fully supported, however, as age and experience are positively related with the comprehensiveness of organizational retaliation against whistle-blowers.

Hypothesis 9.1 The greater the support observers' believe exists for ethical conduct within their organizations: a) the less likely it is that they intend to leave the organization, b) the more likely it is that they intend to report issues of principle.

Hypothesis 9.2 The relationship between perceived organizational support for ethical conduct and responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing, b) the expected organizational retaliation for reporting wrongdoing.

Hypothesis 10.1 The greater the support observers' believe exists for legal conduct within their organizations: a) the less likely it is that they intend to leave the organization, b) the more likely it is that they intend to report issues of principle.

Hypothesis 10.2 The relationship between perceived organizational support for legal conduct and responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing, b) the expected organizational retaliation for reporting wrongdoing.

Graham (1983,1986) proposed that an organization's culture influences its employees' perceptions of the effectiveness of whistle-blowing in ending organizational wrongdoing. One component of this culture is its shared beliefs concerning the organization's relationship with society (Schein, 1991).

Carroll (1979) has described this organization-society relationship along four dimensions:

- 1) Economic-the organizational generation of profits for society's members,
- 2) Legal-the organization's abiding by societal laws and regulations,
- 3) Ethical-the organization's conformity to business norms and values,
- 4) Discretionary- voluntary organizational activities to benefit society.

Organizations' positions on two of these dimensions, the legal and the ethical, appear relevant to their reactions to employee reports of wrongdoing. Specifically, organizational support for ethical and legal conduct would be expected to increase the likelihood of organizational action against reported wrongdoing and to decrease the likelihood of retaliation against reporters of wrongful activities.

Employees perceptions of their organizations' support of ethical and legal conduct are, therefore, proposed to influence their expectations concerning the effectiveness and cost of reporting wrongdoing. The greater the perceived organizational support for ethical and legal business conduct the greater the perceived effectiveness of reporting organizational wrongdoing, should be. Similarly, the greater the perceived organizational commitment to doing business ethically and legally the lower the perceived cost of reporting wrongdoing should be.

These proposals together with Hypotheses 4 and 5, lead to the prediction that the perceived support for ethical and legal behavior in an organization decreases the likelihood of leaving and increases the likelihood of reporting to organizational entities.

CHAPTER IV.:

METHOD

A. Design

A cross-sectional, survey design was used to examine the proposed hypotheses. As the hypotheses referred to employee perceptions, attitudes, beliefs and intentions, the study was conducted at the individual level of analysis using self report measures.

B. SAMPLE

The sample used in this study consisted of two hundred and forty National Association of Accountants (NAA) members working in the private sector who were aware of an unresolved issue of principle. These members were among 613 individuals who responded to a questionnaire sent to a simple random sample of 3,000 private sector association members drawn by the NAA. The response rate for the survey was therefore 20 %.

Respondents were primarily men (81 %) with a mean age of approximately 40 years. Most were employed as controllers (29 %), accountants (18 %) or managers (15 %) and worked in primarily four industries: manufacturing (40 %), non-financial services (19%) financial services (13 %) and wholesale and retail trade (10 %). Respondents mean organizational tenure was eight years and they had an average annual salary of \$48,000. Comparisons of the sample with the total NAA association membership revealed significant differences in their distributions on the four demographic variables in the association's database: job title, primary area of responsibility, industry and geographic region (See Appendix I).

C. PROCEDURE

Representatives of the National Association of Accountants mailed a survey packet to those members selected to participate in the study during the month of December, 1988. Duplicating and mailing costs were covered by the NAA.

The survey packet contained:

- 1) A cover letter from the NAA's managing director stating the study's purpose, assuring participants of their anonymity and asking for their cooperation,
- 2) A four page questionnaire containing measures of the dependent and independent variables to be examined in the study,
- 3) A postage paid, reply envelope addressed to the NAA.

Copies of the cover letter and the questionnaire are presented in Appendix II.

The mailing of the survey packet was preceded by a notice in the NAA's November, 1988 newsletter announcing the upcoming study and exhorting members to participate. The mailing was followed by a similar notice in the January, 1989 newsletter reminding survey recipients to complete and return their questionnaires. By the terms of the agreement under which the NAA agreed to participate in this study, no second mailing was possible.

D. Measures

Evidence concerning the reliability, and where available, the validity of the measures used in the study, is discussed below as are their means and standard deviations.

Detailed data on the variable distributions are presented in Appendix III.

1. Awareness of an Issue of Principle

Respondents' awareness of an issue of principle was determined by assessing:

- 1) Their awareness of financial fraud for and against the organization,
- 2) The perceived organizational response to reports of the most serious financial fraud they were aware of.

Respondents were classified as aware of an issue of principle if they met one of two conditions. First, they were aware of unresolved financial fraud for the organization. Second, they knew of financial fraud against the organization that had been reported but not resolved. The latter of these conditions was believed to indicate an instance of

organizational wrongdoing even though the act in question was against the organization because its failure to resolve the issue represents an issue of principle.

Information concerning awareness of financial fraud and the perceived organizational response to reports of fraud were obtained using the following two questions adapted from the USMSPB (1981) survey.

Awareness of financial fraud was determined by asking respondents:

Have you personally observed or obtained direct evidence of any of the following in your organization ?

Respondents answered "Yes" or "No" for each of 10 forms of financial fraud.

Respondents answering "Yes" were also asked to indicate the total amount involved, "Less than \$100", "\$100 to \$999", "\$1,000 to \$100,000" or "More than \$100,000".

The ten types of financial fraud included in the question were derived from Bologna (1984). They consisted of an equal number of frauds for the organization and against the organization.

The five types of fraud for the organization were:

- 1) Overstating revenues or assets,
- 2) Understating expenses and liabilities,
- 3) "Smoothing" profits,
- 4) Arbitrary inventory manipulations,
- 5) Stock manipulations, insider trading or related party transactions.

The five types of fraud against the organization were:

- 1) Theft or embezzlement of corporate assets,
- 2) Fabrication of operational or performance data,
- 3) False or inflated claims from suppliers, employees, etc.
- 4) Intentional misclassification of expenditures,
- 5) Fabrication of sales or cost of sales data.

The perceived effect of reporting financial fraud on its resolution was measured by asking respondents who had reported the wrongdoing, "What effect did your reporting have?" . Responses to the question were:

- 1) The problem was not reviewed,
- 2) The problem is still under review but I do not expect it to be resolved,
- 3) The problem is still under review and I expect it to be resolved,
- 4) The problem was partially resolved,
- 5) The problem was resolved.

2. Seriousness of an Issue of Principle

The seriousness of the focal issue of principle was measured by asking respondents the total amount involved in the issue. As described above, response categories were: "Less than \$100", "\$100 to \$999", "\$1,000 to \$100,000" and "More than \$100,000". The mean response to this question was 2.97 with a standard deviation of .95.

3. Expected Effectiveness of Reporting an Issue of Principle

Accountants' expectations concerning the effectiveness of reporting an issue of principle in achieving its resolution was assessed using a scale adapted from the USMSPB (1981). Respondents were asked:

If there was a problem with unethical or illegal activities within your organization, what would be the effect on the problem of your:

Reporting it to your superiors ?

Reporting it to an internal auditor ?

Reporting it to an audit committee ?

Reporting it to an outside auditor ?

Reporting it to government agencies ?

Reporting it to the newsmedia ?

Responses to the questions, listed in order of decreasing effectiveness, were: "The problem

would be resolved", "The problem would be partially resolved", "The problem would be reviewed but not resolved", "The problem would not be reviewed".

Accountants' expectations of the effectiveness of reporting to superiors, internal auditors and audit committees were averaged to yield a measure of the expected effectiveness of internal reporting. The mean response to the scale was 2.94 with a standard deviation of .78. The internal reliability of the scale, as indicated by Cronbach's alpha, was .75 .

Accountants' expectations of the effectiveness of reporting to outside auditors, the government and the newsmedia were averaged to yield a measure of the expected effectiveness of external reporting. The mean response to the scale was 2.79 with a standard deviation of .75. The internal reliability of the scale, as indicated by Cronbach's alpha, was .67 .

4. Expected Personal Consequences of Reporting an Issue of Principle

Respondents' expectations of the personal consequences of reporting an issue of principle were measured using the following five items derived from the USMSPB (1981).

If there was a problem with unethical or illegal activities within your organization, what would be the effect on you personally of:

Reporting it to your superiors ?

Reporting it to an internal auditor ?

Reporting it to an audit committee ?

Reporting it to an outside auditor ?

Reporting it to government agencies ?

Reporting it to the newsmedia ?

The response options in order of ascending cost were: "I'd be given credit", "Nothing would happen", "My coworkers wouldn't approve", "My superiors wouldn't approve",

"I'd be threatened with reprisal", "I'd receive an actual reprisal". Multiple responses to each of the items were allowed.

Respondents' expectations of the personal consequences of internal reporting of an issue of principle were computed by taking the average of the most costly consequences expected of reporting to superiors, to internal auditor and an audit committees. The mean response for the scale was 3.94 with a standard deviation of 1.43. The internal reliability of the scale was $\alpha=.86$.

Respondents' expectations of the personal consequences of external reporting of an issue of principle were computed by taking the average of the most costly consequences expected of reporting to outside auditors, to the government and to the newsmedia. The mean response for the scale was 3.39 with a standard deviation of 1.23. The internal reliability of the scale was $\alpha=.89$.

5. Perceived Organizational Support for Ethical and Legal Conduct

Respondents' perceptions of support for ethical and legal behavior were measured using 5 items from Aupperle's (1984) Corporate Social Responsibility Scale. Three of these items (numbers 1d, 2a and 3c below) were averaged to produce a scale of perceived organizational support for ethical conduct with an $\alpha=.80$. Two other items (numbers 1c and 2b below) were used to create a measure of perceived corporate legal responsibility with an $\alpha=.68$. A sixth item (number 3b below) also intended to measure perceived organizational support for legal conduct was dropped due to its negative impact on the scale's reliability which dropped to $\alpha=.55$ when it was included.

The mean response for the perceived support for ethical conduct scale was 2.5 with a standard deviation of .74. The mean response for the perceived support for legal conduct scale was 3.12 with a standard deviation of .64.

The items in the two scales were as follows:

1. How important is it to your organization to:
 - a) be as profitable as possible
 - b) engage in voluntary and charitable contributions
 - c) abide by laws and regulations (Legal)
 - d) behave morally and ethically (Ethical)
2. How important is it to your organization:
 - a) that employees recognize that the ends do not always justify the means (Ethical)
 - b) to comply with various federal regulations (Legal)
 - c) to assist the fine and performing arts
 - d) to maintain a strong competitive position
3. How important is it to your organization that a successful firm be defined as one which:
 - a) is consistently profitable
 - b) fulfills its societal obligations
 - c) fulfills its ethical and moral obligations (Ethical)
 - d) fulfills its philanthropic and charitable responsibilities

Respondents were instructed to rank the four organizational objectives described in each of the questions assigning a one to the most important organizational belief and a four to the least important organizational belief.

6. Organizational Level

Respondents' organizational level was determined using the following item:

1. Which of the following best describes your position ?
 - a) I don't supervise anybody
 - b) first line supervisor
 - c) middle management

d) top management.

The mean response for the scale was 2.95 with a standard deviation of .96 .

7. Perceived Alternative Job Opportunities

Accountant's perceptions of their alternative job opportunities were measured using a two item scale based on questions developed by Price and Bluedorn (1979), question 1, and by Schwab and Dyer (1974), question 2. Responses on the two questions were averaged to determine observers' perceived alternative job opportunities. The mean for this two item scale was 2.86 with a standard deviation of .80 . The scale had an internal consistency of $\alpha=.67$.

1. How easy would it be for you to find an acceptable job with another employer these days ?

- a) very easy
- b) quite easy
- c) fairly easy
- d) somewhat difficult
- e) very difficult

2. Right now companies that hire people like me:

- a) need lots of people
- b) need few additional workers
- c) aren't hiring
- d) are laying off people

8. Self Assumed Social Responsibility

Self assumed social responsibility was measured using a three item scale. The items were drawn from those reported by Robinson (1973) to load on a social welfare factor of the Social Values Questionnaire (Perloe, 1967). The social welfare factor reflects individuals' perceptions that they have a moral obligation to protect and promote the

welfare of others. Evidence from its validity comes from findings this factor is positively correlated with interview assessments of concern for others and that Peace Corps volunteers score higher on this factor than engineering or science students.

Respondents were asked to indicate the extent of their agreement with each of the following statements on a five point scale (1=strongly disagree, 5=strongly agree):

1. Whether an individual acts to protect the welfare of persons beyond his circle of friends and relatives is a matter of personal preference not moral obligation,
2. An individual who has not caused another person's misfortune has no moral obligation to help the other person,
3. Things work best when people concern themselves with their own welfare and let others take care of themselves.

A self attributed social responsibility score was computed for each respondent by averaging their responses to the three items. The mean response to the scale was 3.92 with a standard deviation of .72 . The scale had an internal consistency of $\alpha=.63$.

9. Assigned Responsibility for Reporting Wrongdoing

Respondents perceptions of their assigned responsibility for reporting wrongdoing within their organizations were measured using the following item:

1. How important a part of your job is raising questions about unethical or illegal activities that you become aware of ?
 - a) very important
 - b) important
 - c) somewhat important
 - d) not very important
 - e) not a part of your job.

The mean response for this item was 3.53 with a standard deviation of 1.24.

10. Organizational Commitment

Organizational commitment was measured using a short form of the Organizational Commitment Questionnaire (OCQ) developed by Mowday, Steers and Porter (1979).

Mowday et. al. (1979) report that this short form of the OCQ is highly reliable with a of .8 or above across 8 different samples.

The short form of the OCQ consists of the following nine items concerning respondents' relationships with their organizations:

1. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
2. I talk up this organization to my friends as a great place to work for.
3. I would accept almost any type of assignment in order to keep working for this organization.
4. I find that my values and the organization's values are very similar.
5. I am proud to tell others that I am part of this organization.
6. This organization really inspires the best of me in the way of job performance.
7. I am extremely glad that I chose this organization to work for over others that I was considering at the time.
8. I really care about the fate of this organization.
9. For me this is the best of all possible organizations for which to work.

The level of respondents' organizational commitment was determined by averaging their responses to the nine items. The mean response was 3.35 with standard deviation of .88. The internal consistency of the scale was high, $\alpha = .92$.

11. The Intent to Leave the Organization

The intent to leave the organization was measured using a modification of a scale developed by Bluedorn (1982a). Bluedorn (1982a) assessed the intent to leave or to stay in an organization by asking respondents two sets of temporally anchored questions. The

first of these sets of questions asked respondents for the chances that they would still be working for the same organization in the next: three months, six months, year, two years. The second set of questions asked respondents for the likelihood that they would quit the organization in the same four time periods. Bluedorn (1982a) reports consistently high reliabilities for this scale, $\alpha > .87$, across five samples.

The modifications to Bluedorn's (1982a) measure consisted of:

- 1) Using only three of the eight items proposed,
- 2) Reducing the response scale from seven to five points,
- 3) Changing the time periods involved,
- 4) Restricting the questions to the intent to leave as a result of the wrongdoing.

With these modifications, the scale items read as follows:

1. As a result of your experiences with unethical or illegal practices within this organization, how likely are you to leave within:
 - a) 3 months ?
 - b) 6 months ?
 - c) 12 months ?

Responses were indicated on a five point scale ranging from very likely to very unlikely.

Scores on the modified intent to leave scale were computed by averaging responses to the three items. The mean response for the scale was 2.04 with a standard deviation of 1.32. The reliability of the scale was $\alpha = .92$.

12. The Intent to Report an Issue of Principle

The intent to report an issue of principle was measured using two questions.

The first question referred to respondents' intent to report issues of principle if they remained in their organizations. This question read as follows:

If you stay in the organization, how likely is it that you will report the unethical or illegal activity within your organization to:

- a) your superiors ?
- b) an internal auditor ?
- c) an audit committee ?
- d) an outside auditor ?
- e) government agencies ?
- f) the newsmedia ?

Subjects responded using a five point scale ranging from very likely to very unlikely.

Observers' responses concerning the likelihood of their reporting to superiors, internal auditors and audit committees were averaged to measure the intent to report to organizational entities. This measure had a mean of 2.5, a standard deviation of 1.4 and an alpha of .84.

Observers' responses concerning the likelihood of their reporting to outside auditors, the government and the newsmedia were averaged to measure the intent to report to organizational entities. This measure had a mean of 1.75, a standard deviation of .98 and an alpha of .76.

The second question concerning observers' intents to report referred to the likelihood of their reporting if they left their organizations. This question read as follows:

If you leave the organization, how likely is it that upon leaving, you will report the unethical or illegal activity within the organization to:

- a) your superiors ?
- b) an internal auditor ?
- c) an audit committee ?
- d) an outside auditor ?
- e) government agencies ?
- f) the newsmedia ?

Subjects responded using a five point scale ranging from very likely to very unlikely.

Observers' responses concerning the likelihood of their reporting to superiors, internal auditors and audit committees were averaged to measure the intent to report to organizational entities. This measure had a mean of 1.97, a standard deviation of 1.33 and an alpha of .87.

Observers' responses concerning the likelihood of their reporting to the government and the newsmedia were averaged to measure the intent to report to extra-organizational entities. This measure had mean of 1.51 a standard deviation of .95 and an alpha of .82. The intent to leave and report to outside auditors was not included in this measure because of its negative impact on the measure's reliability which is reduced by more than half when the intent to leave and report to outside auditors is included in it.

E. ANALYSES

Logistic regression analysis was the primary means used to test the hypothesized relationships between employee responses to issues of principle and the proposed antecedents of these behaviors. Logistic regression was chosen over ordinary least squares regression to analyze the data because the extremely skewed distributions of all but one of the dependent variables, observers intent to report internally if they stayed in their organizations, violated the distributional assumptions of ordinary least squares.

Logistic regression analyses were performed using the Proc Logist procedure in the SAS supplemental library (SAS Institute, 1983). The forward inclusion stepwise option was used in variable selection in those case where there was no theory or past research to specify an order of entry.

Spearman rank order correlations were also conducted to aid in the interpretation of the findings. Spearman rank order correlations were conducted because of the marked skewness of the dependent variables and of some independent variables. Because of the exploratory nature of the study, a liberal level of significance, $p < .10$, was adopted. Although this increased the likelihood of interpreting chance findings as indicating stable

relationships (type I error), it was felt that at this early stage of research on responses to issues of principle, this error was less serious than interpreting true relationships as chance events (type II error).

The relationships between employee reactions to issues of principle and their proposed immediate antecedents, (Hypotheses 1-5 and 9) were tested using a stepwise logistic regression. A stepwise procedure was used because there was no theoretical basis for giving priority to any of the variables involved.

The relationships between employee responses to issues of principle and their proposed distal antecedents (Hypotheses 6-8) were examined using a model comparison procedure. This procedure involved two stages.

The first stage consisted of conducting a logistic regression analysis of the relationship between the proposed indirect antecedents of reactions to organizational wrongdoing and these behaviors. This analyses served to determine whether relationships existed between the proposed antecedents and observers behaviors, without addressing whether these relationships were direct or indirect. As before, a stepwise procedure was used because there was no theoretical basis for giving any one variable more importance than the others in the analysis.

The second stage involved conducting two logistic regressions. The first examined the relationship of the proposed mediating variables with the dependent variables. The second regression examined the relationship of the proposed indirect antecedents and mediating variable with the dependent variables. The difference in the model c^2 for the two equations was used to test the proposed mediating variables.

The analyses testing the hypotheses involving the intent to leave were performed on the full sample of observers of issues of principle. The analyses concerning observers' intents to report if they stayed in their organizations, however, were performed only on that subsample of observers who were either unlikely or very unlikely to leave their

organizations. Similarly, the analyses concerning observers' intents to report if they left their organizations will be performed of that subsample of observers who did not indicate that it was unlikely that they would leave their organizations.

CHAPTER V. RESULTS

The results of the bivariate (i.e. Spearman rank order correlations) and multivariate (i.e. stepwise logistic regression) analyses performed to test the study hypotheses are presented in the following three sections. Variable distributions (means, standard deviations and frequencies) are presented in Appendix III. A tabular summary of the study findings is presented in Appendix IV.

The first section contains the results regarding the hypothesized direct relationships of responses to issues of principle with:

- 1) Issue seriousness (Hypothesis 1),
- 2) Self assumed social responsibility (Hypothesis 2),
- 3) Assigned responsibility for reporting (Hypothesis 3),
- 4) The expected effectiveness of reporting wrongdoing (Hypothesis 4),
- 5) The expected organizational retaliation against reporters (Hypothesis 5),
- 6) Organizational commitment (Hypothesis 6).

The second section contains those findings concerning the proposed indirect antecedents of observers reactions to issues of principle:

- 1) Job level (Hypotheses 7.1 and 7.2),
- 2) Perceived alternative job opportunities (Hypotheses 8.1 and 8.2),
- 3) Perceived organizational support for ethical conduct (Hypotheses 9.1 and 9.2),
- 4) Perceived organizational support for legal conduct (Hypotheses 10.1 and 10.2).

The final section presents the results of tests of the Principled Response Model as a predictor of observers' decisions to respond to issues of principle.

A. Proposed Direct Antecedents of Observers' Responses to Issues of Principle

Hypothesis 1 The greater the seriousness of an issue of principle, the more likely it is that observers intend: a) to leave the organization, b) to report the issue.

Hypothesis 1a received almost no support. The stepwise logistic regression indicated no relationship between issue seriousness and observers' intent to leave. The rank order correlations indicated a low positive relationship between issue seriousness and the intent to leave ($\rho=.13, p<.10$).

Hypothesis 1b was not supported. Both the bivariate and the multivariate analyses failed to find a relationship between issue seriousness and the intent to report.

Hypothesis 2 The greater observers' personally assumed social responsibility, the more likely it is that they intend to report issues of principle.

Hypothesis 2 was not supported. Personally assumed social responsibility had no bivariate or multivariate relationship with the intent to report to entities within or outside of the organization.

Hypothesis 3.1 The greater observers' assigned responsibility for reporting wrongdoing, the more likely they intend to report issues of principle internally if they remain in their organizations.

Hypothesis 3.2 The relationship between observers' assigned responsibility for reporting wrongdoing and the intent to report issues of principle internally is partially mediated by the expected effectiveness of reporting to organizational entities and the expected retaliation for engaging in this action.

Hypothesis 3.1 received some support. Though the logistic regression analyses indicated that assigned responsibility for reporting had no relationship with observers' intent to report internally if they stayed in their organizations. This analysis, however, included the two proposed mediators of the hypothesized relationship. A positive rank

order correlation between observers' assigned responsibility for reporting and these intents was found ($\rho=.21, p<.05$).

Hypothesis 3.2 was not supported in that contrary to the prediction that observers expectations would partially mediate the assigned responsibility - intent to report relationship, all of this relationship was mediated by the expected effectiveness of internal reporting and the expected retaliation for this action as noted above.

Hypothesis 4 The more effective observers expect the reporting of issues of principle to be: a) the more likely it is that they intend to report these issues, b) the less likely it is that they intend to leave their organizations.

Hypothesis 4a is partially supported. The rank order correlation ($\rho=.19, p<.05$) and the stepwise logistic regression analyses uncovered the hypothesized positive relationship between the expected effectiveness of internal reporting and observers' intent to report internally if they stayed in their organizations (See Table 3). Only the rank order correlation ($\rho=.17, p<.05$) supported the relationship between the expected effectiveness of reporting internally and observers' intent to report if they left the organization. The expected effectiveness of reporting externally had no relationship with the intent to report to extra-organizational entities.

Hypothesis 4b was also partially supported. The rank order correlations ($\rho=-.34, p<.01$) and the logistic regression (See Table 2) performed on the data indicate that observers' expectations concerning the effectiveness of internal reporting have, as predicted, a negative association with their intent to leave. Contrary to Hypothesis 4b, however, the rank order correlations revealed no relationship between the expected effectiveness of external reporting and the intent to leave. Moreover, the logistic regression

Table 1.
Variable Spearman Rank Order Correlations (N=162)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Dependent Variables																
1 Intent Leave	100															
2 Intent Report Internally if Stayed	.02	100														
3 Intent Report Externally if Stayed	.17*	.67**	100													
4 Intent Report Internally if Left	.15+	.72**	.60**	100												
5 Intent Report Externally if Left	.24**	.44**	.63**	.56**	100											
Direct Antecedents																
6 Issue Seriousness	.13+	.01	.06	.00	.05	.100										
7 Assumed Responsibility	-.01	.02	.05	.05	.09	.00	100									
8 Assigned Responsibility	-.15	.21**	.08	.18*	.09	-.25**	-.02	100								
9 Exp. Effect.-Internal Reporting	-.34**	.19*	.05	.17*	-.04	-.19**	-.13	.29**	100							
10 Exp. Effect.-External Reporting	.01	.04	-.02	.03	.06	-.04	.14+	.12	.30**	100						
11 Exp. Retal.-Internal Reporting	.31**	-.16*	-.07	-.17*	-.06	.20*	.11	-.28**	.51**	-.13+	100					
12 Exp. Retal.-External Reporting	.16*	-.11	-.18*	-.14+	-.05	.21**	.12	-.23**	-.40**	-.05	.70**	100				
13 Organizational Commitment	-.46**	.06	-.05	.00	-.18*	-.09	.18*	.28**	.29**	.11	-.27**	-.18*	100			
Indirect Antecedents																
14 Job Level	-.02	.08	.09	.06	.00	-.17*	.02	.41**	.14*	.00	-.23**	-.21*	.19*	.100		
15 Perc. Alter. Job Opportunities	-.05	-.04	-.02	-.04	-.03	-.07	.21**	.20*	.21**	.12	-.21**	-.18+	.18*	.14*	100	
16 Perc. Support-Ethical Conduct	-.26**	.10	.00	-.02	-.09	-.26**	.02	.29**	.25**	.03	-.25**	-.26**	.34**	.18*	.22**	100
17 Perc. Support-Legal Conduct	-.19*	.00	-.03	-.03	-.02	-.11	.01	-.05	.20*	.10	-.09	-.09	.08	-.06	.06	.03

+ p < .10, * p < .05, ** p < .01
Decimals Omitted

Table 2

Stepwise Logistic Regression of the Proposed *Direct Antecedents* of Responses to Issues of Principle on Observers' *Intent to Leave* (N=197)

	β	X^2	p
Model		43.35	0.01
Intercept	3.35	10.80	0.05
Expected Effectiveness of Internal Reporting	-0.95	11.53	0.01
Organizational Commitment	-0.93	16.60	0.01
Expected Effectiveness of External Reporting	0.47	3.35	0.10

Table 3

Stepwise Logistic Regression of the Proposed *Direct Antecedents* of Responses to Issues of Principle on Observers' *Intent to Report Internally if they Stay in their Organizations* (N=196)

	β	X^2	P
Model		12.46	0.01
Expected Effectiveness of Internal Reporting	0.38	2.91	0.05
Expected Organizational Retaliation for Internal Reporting	-0.24	3.01	0.10

Table 4

Stepwise Logistic Regression of the Proposed *Direct Antecedents* of Responses to Issues of Principle on Observers' *Intent to Report Externally if they Stay in their Organizations* (N=221)

	β	X^2	P
Model		6.97	0.01
Intercept	-0.24	0.22	ns
Expected Organizational Retaliation for External Reporting	-0.34	6.83	0.01

Table 5

Stepwise Logistic Regression of the Proposed *Direct Antecedents* of Responses to Issues of Principle on Observers' *Intent to Report Externally if they Left their Organizations* (N=225)

	β	X^2	p
Model		5.24	0.05
Intercept	-0.17	0.07	ns
Organizational Commitment	-0.47	5.20	0.05

analysis indicated that the expected effectiveness of external reporting had a positive relationship with the intent to leave (See Table 2).

Hypothesis 5 The greater the expected organizational retaliation against members reporting wrongdoing: a) the more likely it is that observers intend to leave the organization, b) the less likely it is that will intend to report issues of principle if they remain in their organizations.

Hypothesis 5a received weak support. The stepwise logistic regression analyses revealed no relationship between observers' expectations concerning organizational retaliation for reporting and their intents to leave. The rank order correlations did indicate, however, the predicted positive relationships of the expected retaliation of internal and external reporting with the intent to leave ($\rho=.31, p<.01$, and $\rho=.16, p<.05$, respectively).

Hypothesis 5b was supported. The bivariate and multivariate tests of the relationship between observers' expectations concerning retaliation for internal and external reporting and their intent to report internally if they remained in their organizations, found the proposed negative relationship between these variables (See Table 1, 3 and 4).

Hypothesis 6 The greater observers' organizational commitment: a) the less likely they are to leave the organization, b) the more likely they are to intend to report issues of principle internally, or alternatively, c) the less likely they are to report issues of principle.

Hypothesis 6a was supported. Both the rank order correlations ($\rho=-.46, p<.01$) and the multivariate analyses (See Table 2) indicated that observers' organizational commitment was negatively related with their intent to leave.

Hypothesis 6b was not supported. A negative relationship was found between observers' organizational commitment and their intent to report externally if left by both the rank order ($\rho=-.18, p<.05$) and the logistic regression (See Table 5). This attitude, however, was unrelated to other intents to report thus not supporting the hypothesis.

B. Proposed Indirect Antecedents of Observers Responses

Hypothesis 7.1 The higher observers' job levels are a) the less likely it is that they intend to leave the organization, b) the more likely it is that they intend to report issues of principle

internally if they remain in their organizations.

Hypothesis 7.1a was not supported. The rank order correlations and the stepwise logistic regression analyses performed on the data revealed no relationship between observers' job level and their intent to leave their organizations.

Hypothesis 7.1b was partially supported. The logistic regression analysis but not the rank order correlations indicated that, as proposed, job level was positively related with observers' intent to report externally if they remained in their organizations (See Table 6). Job level had no relationship with observers' intents to report internally if they left or the intent to report, internally or externally, if they remained in their organizations.

Hypothesis 7.2 The relationship between job levels and employees' intended responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing and b) the expected organizational retaliation for reporting wrongdoing.

Hypothesis 7.2a was not supported as no relationship was found between the expected effectiveness of external reporting and intended external reporting.

Hypothesis 7.2b was partially supported. Though job level is positively correlated with intent to report internally, the expected retaliation for external reporting accounts for observers intent to report externally if they left their organizations as well as a model including both this expectation and job level (See Table 7). The analyses did not support the proposed mediating role of the expected organizational reaction to reporters on the relationship of job level and observers intents to leave and to report internally if they stayed as neither of these intentions was associated with job level (See Hypothesis 7.1).

Hypothesis 8.1 The greater the job opportunities observers' believe exist, the more likely it is that they intend: a) to leave the organization, b) to report issues of principle.

Hypotheses 8.1a and 8.1b were not supported by the data. Perceived alternative job opportunities had no relationship with the intent to leave or the intent to report.

Hypothesis 8.2 The relationship between perceived alternative job opportunities and observers' intended responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing and b) the expected organizational retaliation for reporting wrongdoing.

In the absence of a perceived alternative job opportunities - responses to issues of principle (See above), Hypothesis 8.2 was not supported.

Hypothesis 9.1 The greater the support observers' believe exists for ethical conduct within their organizations: a) the less likely it is that they intend to leave the organization, b) the more likely it is that they intend to report issues of principle.

The rank order correlation ($\rho = -.26, p < .01$) and the logistic regressions (Table 8) supported Hypothesis 9.1a, as perceived organizational support for ethical conduct had a negative association with the intent to leave. Hypothesis 9.1b was not supported, however, there being no relationship between this perception and the intent to report.

Hypothesis 9.2 The relationship between perceived organizational support for ethical conduct and responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing and b) the expected organizational retaliation for reporting wrongdoing.

Hypothesis 9.2a is partially supported. Logistic regression analysis indicate that the relationship between perceived organizational support for ethical conduct and the intent to leave is weakened, but not eliminated, when the expected effectiveness of internal reporting is controlled for (See Table 9). As perceived organizational support for ethical conduct and the intent to report were unrelated (See 9.1b above), the proposed mediating role of observers' expectations in this relationship was not supported.

Hypothesis 9.2b was not supported. As the expected retaliation for internal or external reporting had no relationship with the intent to leave, they could not mediate the relationship of perceived ethical conduct with this intent. In the absence of a relationship between the perceived organizational support for ethical conduct and the intent to report, the proposed mediating role of expected retaliation for reporting is not supported.

Hypothesis 10.1 The greater the support observers' believe exists for legal conduct within their organizations: a) the less likely it is that they intend to leave the organization, b) the more likely it is that they intend to report issues of principle.

The data supported Hypothesis 10.1a but not 10.1b. The rank order correlation

($\rho = -.19, p < .05$) and the regression analysis (See Table 8) indicate that perceived organizational support for legal conduct had the predicted negative association with intent to leave. This perception, however, is unrelated with observers intent to report.

Hypothesis 10.2 The relationship between perceived organizational support for legal conduct and responses to issues of principle is mediated by: a) the expected effectiveness of reporting wrongdoing, b) the expected organizational retaliation for reporting wrongdoing.

The data partially supported Hypothesis 10.2 a. Logistic regression analyses testing this hypothesis indicated that the relationship of perceived organizational support for legal conduct and the intent to leave is partially eliminated when the expected costs of internal reporting are controlled for (See Table 10). As perceived organizational support for legal conduct and the intent to report were unrelated (See 9.1b above), the proposed mediating role of observers' expectations in this relationship was not supported.

Hypothesis 10.2b was not supported by the data. The expected retaliation for reporting had no relationship with the intent to leave and thus could not mediate the relationship of perceived organizational support for legal conduct with this intent. In the absence of a relationship between the perceived organizational support for legal conduct and the intent to report, either internally or externally, Hypothesis 10.2b is not supported.

C. Predictive Accuracy of the Model

The variables found to be associated with observers' intended responses to organizational wrongdoing, correctly predicted 60 % to 80 % of observers intentions (See Tables 11-15). Much of this high level of overall correct classification of observers, however, was due to the accuracy of the variables in predicting observers' inaction, the most common intention. Intent to stay in the organization was correctly predicted 93.9 % of the time. Intent to report wrongdoing was correctly predicted from 60 % (intent to report internally if stayed in organization) to 100 % of the time (the other intentions).

Taking action was accurately predicted much less frequently. The intent to leave was correctly classified 40 % of the time. Observers' intent to report internally if they remained in the organization was predicted somewhat better, 60.8 %. None of the other intents to report were correctly classified.

Table 6

Stepwise Logistic Regression of the Proposed *Indirect Antecedents* of Responses to Issues of Principle on Observers' *Intent to Report Externally if they Stay in their Organizations* (N=238)

	β	X^2	p
Model		3.85	0.01
Intercept	-2.74	16.85	0.05
Job Level	0.38	3.52	0.10

Table 7

Logistic Regressions Testing the Proposed Mediating Role of the Expected Retaliation for External Reporting on the Relationship between Job Level and Observers' Intents to Report Externally if Remain in their Organizations

	X^2	p	ΔX^2	p
Model				
Expected Organizational Retaliation for External Reporting	6.79	0.01		
Expected Organizational Retaliation for External Reporting & Job Level	7.1	0.05	0.21	ns

Table 8

Stepwise Logistic Regression of the Proposed *Indirect Antecedents* of Responses to Issues of Principle on Observers' *Intent to Leave* (N=197)

	β	X^2	p
Model		28.56	0.01
Intercept	-3.50	14.37	0.01
Perceived Organizational Support for Legal Conduct	-0.88	12.13	0.01
Perceived Organizational Support for Ethical Conduct	-0.74	11.59	0.01

Table 9

Logistic Regressions Testing the Proposed Mediating Role of the Expected Effectiveness of Reporting on the Relationship between Perceived Organizational Support for Ethical Conduct and the Intent to Leave

	X^2	P	ΔX^2	P
Model				
Expected Effectiveness of External Reporting	25.97	0.01		
Expected Effectiveness of Internal Reporting & Perceived Organizational Support for Ethical Conduct	30.64	0.01	4.66	0.05

Table 10

Logistic Regressions Testing the Proposed Mediating Role of the Expected Effectiveness of Reporting on the Relationship between Perceived Organizational Support for Legal Conduct and the Intent to Leave

	X^2	P	ΔX^2	P
Model				
Expected Effectiveness of Internal Reporting	25.97	0.01		
Expected Effectiveness of External Reporting & Perceived Organizational Support for Legal Conduct	29.15	0.01	3.18	0.01

Table 11

Comparison of Predicted vs. Observed Intent to Leave

		Predicted	
		Stay	Leave
Observed	Stay	139	9
		True Negative=93.9%	False Positive=29%
	Leave	33	22
		False Negative=19.2%	True Positive=40%

79.3 % correctly classified

Table 12

Comparison of Predicted vs. Observed Intent to Report Internally if Left Organization

		Predicted	
		Not Report	Report
Observed	Not Report	141	0
		True Negative=100%	False Positive=0%
	Report	62	0
		False Negative=30.5%	True Positive=0%

69.5 % correctly classified

Table 13

Comparison of Predicted vs. Observed Intent to Report Externally if Left Organization

		Predicted	
		Not Report	Report
Observed	Not Report	209	0
		True Negative=100%	False Positive=0%
	Report	36	0
		False Negative=14.7%	True Positive=0%

85 % correctly classified

Table 14

Comparison of Predicted vs. Observed Intent to Report Internally if Stayed in Organization

		Predicted	
		Not Report	Report
Observed	Not Report	61	40
		True Negative=60.4%	False Positive=40.4%
	Report	38	59
		False Negative=38.4%	True Positive=60.8%

60.6 % correctly classified

Table 15

Comparison of Predicted vs. Observed Intent to Report Externally if Stayed in Organization

		Predicted	
		Not Report	Report
Observed	Not Report	184	0
		True Negative=100%	False Positive=0%
	Report		
		40	0
		False Negative=17.9%	True Positive=0%

82.1 % correctly classified

CHAPTER VI.

DISCUSSION

The Principled Response Model was developed to explain the decisions that Graham (1983, 1986) proposed underlie observers' responses to organizational wrongdoing: whether to leave their organizations and whether to report the wrongful acts to intra- or extra- organizational entities. The present study provided a test of this model.

The results suggest a modified Principled Response Model embodying some of its major proposals but also differing from it in significant ways. The findings generally support a rational decision making perspective in which observers' choice of response to organizational wrongdoing is based on the expected consequences of the responses and the observers' organizational commitment. The study did not, however, support the proposed roles of issue seriousness, self assumed social responsibility and assigned responsibility for reporting wrongdoing, though the results concerning the first two variables may be attributable to methodological problems.

A. A Rational Choice Model of Responses to Organizational Wrongdoing

1. The Central Role of the Expected Consequences of Reporting

The central role of the expected consequences of responses in employees choice of reactions to organizational wrongdoing was indicated by findings that: the expected effectiveness of internal reporting had a negative relationship with the intent to leave and a positive relationship with observers' intent to report internally if they remained in their organizations; the expected organizational retaliation for reporting (internally and externally) was negatively associated with observers' intended reporting if they remained in their organizations. These findings are consistent with past whistle-blowing (Graham, 1983; Miceli and Near, 1985) and voluntary turnover research (Cotton and Tuttle, 1986) as well as with the Principled Response Model's predictions.

Additional support for the importance of the expected consequences of responses to wrongdoing is found in that all variables having a relationship with the intents to leave and to report owe at least part of this relationship to their association with these expectations. Assigned responsibility for reporting wrongdoing's positive relationship with observers' intent to report internally if they remained in their organizations was mediated by the expected effectiveness of and retaliation for this reporting. Job level's positive association with observers' intents to report externally if they stayed in their organizations was mediated by the expected retaliation for this reporting. Finally, the perceived organizational support for ethical and legal conduct's negative association with the intent to leave the organization was partly mediated by the expected effectiveness of internal reporting.

2. Apparent Inconsistencies with the Central Role of the Expected Consequences of Reporting

Although the results discussed above clearly support a rational decision making perspective of observers' choices of responses to organizational wrongdoing, other findings appear not to support it. Apparent disconfirmation of the proposed role of the expected consequences of responses exists in five findings: that the expected effectiveness of external reporting is unrelated to the intent to engage in this behavior and positively associated with the intent to leave; that the expected effectiveness of internal reporting is unrelated to observers intent to report if they remained in the organization; that the expected retaliation for reporting and perceived alternative job opportunities were unrelated to the intent to leave. With the exception of this last variable, however, methodological issues appear to account for the findings.

a. Lack of an Expected Effectiveness of External Reporting-Intent to Report Externally Relationship

The absence of a relationship between the expected effectiveness of external reporting and the intent to engage in this behavior appears to be due to the small proportion

of observers' indicating that they would report outside of their organizations. The distribution of observers' intents to report externally if they left their organizations was very skewed with 83 % stating that they would be unlikely or very unlikely to do so. The absence of a relationship between the expected effectiveness of external reporting and the intent to engage in this behavior may, therefore, be due to restriction of range of these variables.

b. Positive Relationship between the Expected Effectiveness of External Reporting

The unexpected positive relationship between the expected effectiveness of external reporting organizational wrongdoing and the intent to leave, is due to this expectation acting as a suppressor on the relationship between the expected effectiveness of internal reporting and the intent to leave. This is suggested by the findings that the expected effectiveness of external reporting has no bivariate correlation with the intent to leave but has a positive association ($\rho = .30, p < .01$) with the expected effectiveness of internal reporting.

c. Lack of an Expected Effectiveness of Internal Reporting-Intent to Report Internally if Left Relationship

Lack of a relationship between the expected effectiveness of internal reporting and observers' intent to report internally if they left their organizations appears to be a consequence of dichotomizing this latter variable for use in the logistic regression analysis. The expected effectiveness of internal reporting is correlated ($r = .17, p < .05$) with observers' intents to report internally if they left their organization and is the only one of the hypothesized antecedents of this intention to have a relationship with it.

d. Lack of an Expected Retaliation for Reporting-Intent to Leave Relationship

The finding that expected retaliation for reporting has no relationship with the intent to leave, together with the greater weight of the expected effectiveness of internal reporting,

relative to its cost, in predicting this behavior, suggest that the latter expectation is more important in determining behavior than these acts' costs. That this may be so has also been suggested by past whistle-blowing research (Near and Miceli, 1987).

e. Lack of Relationships between Perceived Alternative Job Opportunities and Intended Responses to Organizational Wrongdoing

The findings concerning perceived alternative job opportunities provide the strongest contradiction to the importance of the expected consequences of responses to organizational wrongdoing in observers' decisions concerning how to respond to them. These perceptions were included in this study to represent the expected cost of leaving the organization. Because observers' behaviors were assumed to be the result of rational motivation, a positive relationship was proposed between perceived alternative job opportunities and the intent to leave. Past research had generally supported a weak relationship ($r=.12$) between these perceptions and voluntary turnover (Cotton and Tuttle, 1986; Steel and Griffeth, 1987).

The reason for a failure to find a relationship between perceived alternative job opportunities and the intent to leave is not clear. Two possible explanations were considered but were discarded because of their inconsistency with the findings: restriction of range in the measure and an improperly specified description of the perceived alternative job opportunities - intended response relationship.

1) Restriction of Range of Perceived Alternative Opportunities

Although the job market for accountants at the time of the study was generally good, suggesting the possibility of a restriction of range on the variable, evidence for this is not convincing. Approximately equal numbers of observers perceived "fewer alternative job opportunities" and "many job opportunities" (23 % and 30 % respectively) with most

(47 %) respondents perceiving moderately good job opportunities.

2) Incorrect Specification of Perceived Alternative Job Opportunities and Intended Responses to Organizational Wrongdoing

As discussed in reviewing the voluntary turnover literature, perceived alternative job opportunities' role in the voluntary turnover process has been described as that of : a moderator in the job attitude - voluntary turnover relationship, an antecedent of job attitudes and a consequence of job attitudes. Because issue seriousness was assumed in this study to be a source of dissatisfaction, the first perspective suggests that it was incorrect to specify a simple (i.e. unmoderated) relationship between perceived alternative job opportunities' and the intent to leave. The voluntary turnover literature, however, has consistently failed to support a moderating role for perceived alternative job opportunities in the job attitude-voluntary exit relationship (Cotton and Tuttle, 1986). (The other two perspectives would not account for this study's results because both predict a positive relationship between perceived alternative job opportunities and the intent to leave.)

B. Attachment to the Organization

In addition to indicating the importance of the expected consequences of reporting organizational wrongdoing in observers' choices of responses to these behaviors, the study also supported the role of organizational commitment in these decisions. Organizational commitment was negatively related to the intent to leave, a finding consistent with the Principled Response Model and past voluntary turnover research (Cotton and Tuttle, 1986). Organizational commitment was also negatively associated with observers' intended external reporting if they left their organizations. This latter finding is not fully consistent with the Principled Response Model and is of particular interest because it is the first indication of the nature of the organizational commitment - intent to report relationship.

The Principled Response Model described the relationship of organizational

commitment and the intent to leave in terms of two alternative hypotheses. The first of these was that of the support of organizational values characteristic of organizational commitment would lead this attitude to be positively associated with the reporting of wrongdoing. This relationship was argued to exist because the wrongful acts were conceived of as a betrayal of organizational values. The second hypothesis would result in a negative relationship between this attitude and the intent to report as organizational members safeguarded themselves from possible organizational retaliation by not doing so.

The finding that organizational commitment has a negative relationship with the observers' intents to report externally if they left their organizations, is inconsistent with either hypothesis. That organizational commitment inhibits the intent to report after leaving the organization is not consistent with the hypothesis based on the desire to retain organizational membership component. The absence of a relationship between organizational commitment and observers' intent to report, internally or externally, if they remained in their organizations is inconsistent with both the hypothesis based on this component of organizational commitment and that derived from the value congruence dimension of the attitude.

A possible explanation is that in leaving the organization, highly committed employees do not fully sever their attachment to the organization and indeed are struggling with a view of themselves as disloyal. A further act of what may be perceived as disloyal behavior, reporting to external entities, therefore becomes unlikely.

C. Role Requirements

In keeping with past whistle-blowing research, the assigned responsibility for reporting was found to be positively associated with observers' intent to report internally if they stayed in their organizations (Graham, 1983; Miceli and Near, 1985). Contrary to existing whistle-blowing research and the Principled Response Model, however, the results indicated that this relationship was totally due to the relationship of the assigned

responsibility for reporting with the expected effectiveness of and retaliation for internal reporting.

D. Organizational Wrongdoing as a Source of Dissatisfaction

A major assumption underlying the Principled Response Model and whistle-blowing models before it (Graham, 1983; Dozier and Miceli, 1985; Near and Miceli, 1987) is that observers find organizational wrongdoing aversive due to the harm it causes others. Though the finding that observers' intend to report wrongdoing and to leave the organization in response to wrongdoing is consistent with the assumed aversiveness of wrongful organizational acts, the results involving issue seriousness and self assumed social responsibility are not consistent with the presumed source of this aversion.

Defined as the harmfulness of organizational wrongdoing, issue seriousness was expected to be positively associated with the intents to report and to leave. This expectation was based on the assumed aversiveness of the harm caused by organizational wrongdoing to those who observed this act as well as prior research on whistle-blowing and voluntary turnover (Cotton and Tuttle, 1986; Graham, 1983; Near and Miceli, 1985). This study, however, found no relationship between issue seriousness and the intent to report wrongdoing or the intent to leave the organization.

Self assumed social responsibility was similarly unrelated to observers' intents to report organizational wrongdoing. Defined as individual's beliefs that they are responsible for others welfare (Graham, 1983;1986), self assumed social responsibility was hypothesized to have a positive relationship with the intent to report. This hypothesis was based on the argument that as a source of harm to others, organizational wrongdoing would prompt acts against it by observers who believed themselves to be responsible for others' welfare.

The possibility that the harmfulness of wrongdoing is not the basis for observers' dissatisfaction with it raises two issues. First, if not wrongdoing's harmfulness, what then

is the source of the dissatisfaction ? Second, does the desire to help others, a central component of prosocial models, play a role in the decision to report organizational wrongdoing ?

A possible and interesting answer to the first question is that it is the wrongfulness of the act itself that observers find objectionable. That is, regardless of its harmfulness, the wrongdoing represents a violation of codes of conduct to which observers' subscribe and is therefore found to be objectionable.

The answer to the second question, based on this study's findings, would appear to be that the desire to help others does not play a role in observers' choices of responses to organizational wrongdoing.

Concluding that the harm associated with organizational wrongdoing is not the source of observers' dissatisfaction, however, is premature. Restriction of range in the measures of issue seriousness and self assumed social responsibility used in the study may explain the failure to find the proposed relationships involving these variables.

1. Restriction of Range of Issue Seriousness and Self Assumed Social Responsibility Measures

Issue seriousness was measured by asking survey participants to indicate on a four point scale the dollar value of different types of wrongdoing they were aware of, an adaptation of the measure used in the USMSPB (1981) survey. Examination of the frequency distribution of issue seriousness in this study indicates that it is skewed to the left with 76 % of participants placing the value of the wrongdoing they observed at \$ 1,000 or more. Restriction of range in the measure may, therefore, have contributed to the absence of the predicted issue seriousness - intended response to wrongdoing relationships.

Personally assumed social responsibility was measured using three items found to load on a social welfare factor of the Social Values Questionnaire (Perloe, 1967). Like the

issue seriousness measure, the distribution of this three item scale was skewed to the left, with 71 % of respondents either agreeing or strongly agreeing with statements indicating responsibility for others' welfare.

E. Predictive Accuracy of the Model

The variables found to have an association with the intended responses to organizational wrongdoing had a modest ability to predict the intent to leave and observers intended internal reporting if they stayed in their organizations. For these intentions, the overall classification rate was high and not solely due to being able to predict the modal response of taking no action as was the case in the examination of the remaining intents. Correct prediction rates for both the intent to leave (40 %) and observers' intents to report if they stayed in their organizations (60 %) was respectable, though these findings must be tempered in that they were obtained by classifying the sample used to derive the classifying equations.

F. Summary and Conclusions

This research examined the adequacy of the Principled Response Model as an explanation of observers' responses to organizational wrongdoing. Based on prior work on whistle-blowing and voluntary employee turnover, the Principled Response Model was developed on the assumption that observers' responses to organizational wrongdoing were the result of a rational decision making process. As with all rational decision making models, the process described in the Principled Response Model included an evaluation of the expected benefits and costs of alternative responses to organizational wrongdoing. In addition to this evaluation, however, the Principled Response Model included consideration of observers' role requirements and feelings of responsibility for others' welfare as suggested by the prosocial whistle-blowing models (i.e. Graham, 1983, 1986; Dozier and Miceli, 1985; Near et. al., 1987) as well as attachment to the offending organization as suggested by the voluntary turnover literature and by work following Hirschman's (1970)

exit, voice and loyalty model.

The current study supports the role of observers' evaluation of the consequences of reporting organizational wrongdoing, especially its expected effectiveness, as an explanation of both the intent to leave and the intent to report wrongdoing. The research also supports organizational commitment as a correlate of the intent to leave and to a lesser extent of the intent to report. These findings are significant for several reasons.

First, the finding that the expected effectiveness of internal reporting is negatively related to the intent to leave supports the view that efforts to change the situation and voluntary turnover are alternative responses to organizational wrongdoing in particular (Graham, 1983, 1986) and, more generally, to dissatisfaction (Hirschman, 1970, 1986; Farrell, 1983; Steers and Mowday, 1981). Prior research on the relationship of the effectiveness of reporting wrongdoing and exit from the organization has been mixed. Though Zalkind et. al. (1990) reported no relationship between management action toward a problem and the intent to leave in their experimental simulation, Withey and Cooper (1989) found a bivariate, though not a multivariate, relationship between the possibility of improvement and the intent to leave in their survey.

Second, the results suggest the need for models of responses to wrongdoing and to dissatisfaction that reflect both political and voluntary turnover processes as has been proposed by Hirschman (1970), Farrell (1983) and Steers and Mowday (1981). The need for these hybrid models is suggested by the findings that both the intent to leave and observers' intent to report if they remained in their organizations are related to the expected effectiveness of internal reporting, a variable derived from the organizational politics literature (Cavanaugh et. al., 1981; Porter et. al., 1981), and that organizational commitment, a key variable in the voluntary turnover literature (Bluedorn, 1982; Steers and Mowday, 1981) is associated not only with the intent to leave, but also with the intent to report externally if observers left the organization.

Third, the finding that perceived organizational support for ethical and legal conduct are negatively associated with the intent to leave, adds to the body of research indicating the importance of an organization's stance toward wrongful acts as an influence on its members' reactions to these acts. Prior research has indicated the relationship of whistleblowing climate with employee attitudes (Zalkind, 1987) and the intent to leave (Zalkind et al., 1990).

In addition to the theoretical importance of these findings, they suggest that organizations seeking to retain those members sensitive to illegal or unethical actions would do well to take two courses of action. First, develop high levels of organizational commitment among their members so that when confronted with organizational wrongdoing they will be less likely to leave. Second, create an organizational climate supportive of reporting organizational wrongdoing, that is one which provides effective channels for communication and, perhaps not as crucial, protects members reporting wrongdoing from retaliation.

The study's findings concerning the prosocial perspective of organizational members' responses to dissatisfaction are inconclusive. Neither issue seriousness or personally assumed social responsibility were found to have a relationship with the intended response to wrongdoing. Though this may be due to limitations in the measures use in this study, the possibility exists that organizational members reporting wrongdoing may not do so out of a concern for others, but due to acceptance of a code defining the organizational acts as objectionable.

To abandon the prosocial perspective to the study of observers' responses to organizational wrongdoing is, however, premature. As discussed in the literature review, prior research has provided some support for this approach, though the key variable of concern for others' welfare had not been examined prior to this study.

G. Limitations

As with all research, the interpretation of this study's findings is influenced by its design and execution. Though the limits that the design and execution placed on the interpretation of the findings were noted at various points in this dissertation, it seems useful to summarize and highlight them before concluding this discussion of the results.

The first limitation of the study concerns its inability to establish causal relationships. Because of the study's cross-sectional design its findings can be, and were, only interpreted in terms of identifying relationships.

The second limitation concerns the use of self-report measures in the study. Though these measures were appropriate in the sense that participants were, with the exception of the occurrence of organizational wrongdoing and their past reactions to it, being asked about their attitudes, beliefs and opinions, the topic of the study may have resulted in socially desirable responses.

The third limitation of the study involves the sample. Because only one professional group, accountants, was included in the study, how other professional groups would have responded is unknown.

A fourth limitation is that the dependent variables in the study were the intent to report and the intent to leave rather than actual behaviors. Though intent may be a good representation of what an individual has decided to do, its correlation with actual behavior is anything but perfect.

H. Suggestions for Future Research

Three major areas appear fruitful for future research: observers' motivation in responding to issues of principle, the possibility of interactive and non-linear relationships among the proposed antecedents of responses to organizational wrongdoing and these responses and models derived from bases other than the helping behavior literature. The study's limitations also suggest methodological improvements that are worth pursuing.

1. Observers' Motivation

This study was guided by a model derived from the whistle-blowing and voluntary turnover literatures which described organizational members responses to organizational behavior as the result of prosocial motivation, self interest broadened to include consideration of a concern for others. The results, however, raise two questions concerning this motivational assumption that needs to be examined.

The first question is whether organizational members reactions to issues of principle are truly influenced by a concern for others' welfare. Although the results suggested that at least for some individuals organizational wrongdoing was a source of dissatisfaction, the measures of issue seriousness and concern for others welfare used in this study failed to have a relationship with either the intent to leave the organization or the intent to report. The possibility, therefore, exists that the reason for organizational members' dissatisfaction with issues of principle is not the harm that these issues may cause to others per se but the acts violation of a code of conduct to which observers' subscribe. Observers' motivation in responding to issues of principle may, therefore, be moral in the sense that it is guided by their judgments concerning right and wrong, but not prosocial because they are not aimed directly at helping others. Of course it is possible, and perhaps most likely, that both perspectives are partially accurate description of the causes of observers responses to wrongdoing. Both perspectives deserve further research.

Although organizational members values have been proposed to influence their responses to issues of principle (Graham, 1983; Dozier and Miceli, 1985; Near and Miceli, 1985; 1987), they have not been properly examined. Only Brabeck (1984) and Fritzsche and Becker (1984) have researched the moral aspect of reporting wrongdoing in simulation studies, the former the impact of the level of moral reasoning the latter styles of ethical reasoning. Research on these variables needs to be continued in field studies. In addition, other normative frameworks need to be examined, for example, Rokeach's (1981) work on

values and Fishbein and Ajzen's model as expanded by Ajzen (1988) to include feelings of subjective control.

The second question raised by this study concerning observers' motivation in responding to issues of principle is the relative importance of the expected effectiveness of a response and of its expected costs. The results suggest that generally, the expected effectiveness of reporting has the stronger influence. More research is needed to confirm if this is so.

2. Interactive Relationships

Dozier and Miceli's (1985) whistle-blowing model and its extension by Near and Miceli (1987), presented earlier, describes issue seriousness, responsibility for taking action and the expected consequences of reporting as interacting to determine observers' reactions to organizational wrongdoing. Though this model did not address organizational exit as a response to organizational wrongdoing it could be extended to do so, providing an alternative to the Principled Response Model which provided the framework for this research. The poor explanation for provided by this non-interactive framework for some of the intended responses to wrongdoing suggests that it might be fruitful to examine the more complex model suggested by Dozier and Miceli (1985).

3. Alternative to the Prosocial Model

Research on organizational members reporting of organizational wrongdoing has generally been based on hypotheses derived from a view of this response to wrongdoing as helping behavior. Studies, including this one, however, show that the variables derived from this perspective explain only a small amount of the variance in observers' reactions to issues of principle. Although this may be due to the improper specification of the relationship among variables described above, it may also be due to a failure to identify relevant variables. Alternatives to a view of reporting of wrongdoing as helping behavior should, therefore, be examined.

One intriguing alternative to the view of reporting of wrongful organizational acts as helping behavior has been proposed by Near and Miceli (1987). They suggest that rather than being helping behavior, the reporting of wrongdoing may be help seeking behavior by individuals who lack the power to change objectionable organizational practices. This possibility deserves elaboration and study.

4. Methodological Improvements

In discussing this study's limitations it was noted that the interpretation of its findings was constrained by:

- the use of a cross-sectional design which did not allow for causal inferences,
- the use of intent , rather than actual behavior, as the dependent variable in the study,
- the study of only one occupational group.

It, therefore, follows that it is desirable that future research on observers' responses to organizational wrongdoing be: longitudinal, examine actual behavior, and study multiple occupational groups.

APPENDIX I. SURVEY MATERIALS

NATIONAL ASSOCIATION OF ACCOUNTANTS

10 Paragon Drive
Montvale, NJ 07645-1760Alfred M. King, CMA
Managing Director(201) 573-6211
Telex 181-162
Fax (201) 573-8185

December 1, 1988

Dear Member,

The enclosed survey is an ongoing part of our program to keep members informed on the subject of ethics. An early version of this survey was field tested. This survey is being sent to a random sample of members. Since the questions have been modified we would appreciate receiving a response in the enclosed postage paid envelope even if you filled out the previous questionnaire.

The results of this survey will be summarized and presented to all members through regular NAA publications.

Thank you very much for your help.

Very truly yours,

A handwritten signature in cursive script that reads 'Alfred M King'.

AMK/jo/CEP1/ETHICS

ORGANIZATIONAL ETHICS SURVEY

In this questionnaire, we ask about your opinions concerning ethics within your organization. *You may not have to answer every question.* Instructions in each section below will tell you what questions to skip. Please answer all those questions which apply to you. All responses are anonymous. Neither you nor your organization can be identified from the questionnaire.

SECTION I. The following questions ask for your views on ethics within your organization. Please choose that answer that best reflects these views.

- 1) Does your organization have a published code of ethics for its employees ?
- yes
 no
 not sure } *Please continue with question 4 below*
- 2) Does your organization's code of ethics cover specific commitments to: *Please check all that apply*
- | YES | NO | |
|--------------------------|--------------------------|------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | employees |
| <input type="checkbox"/> | <input type="checkbox"/> | the local community |
| <input type="checkbox"/> | <input type="checkbox"/> | customers or consumers |
| <input type="checkbox"/> | <input type="checkbox"/> | suppliers |
| <input type="checkbox"/> | <input type="checkbox"/> | shareholders |
| <input type="checkbox"/> | <input type="checkbox"/> | the government |
| <input type="checkbox"/> | <input type="checkbox"/> | other |
- 3) What penalties does your organization have for violating the code of ethics ? *Please check all that apply*
- my organization has no penalties
 a negative performance appraisal
 probation
 demotion
 suspension
 termination
 other
 not sure
- 4) Does your organization have ethics discussion groups or programs ?
- yes
 no
 not sure
- 5) How do you feel about the amount of encouragement your organization gives to employees who might be inclined to report unethical or illegal activities within the organization ?
- too much
 about right
 not enough
 none
- 6) If you observed an unethical or illegal activity within your organization, would you know where to report it ?
- definitely yes
 probably yes
 probably not
 definitely not
- 7) How familiar are you with the NAA's Standards of Ethical Conduct for Management Accountants ?
- very familiar
 somewhat familiar
 not at all familiar
- 8) Do you personally approve of the practice of employees reporting illegal or unethical activities to individuals within the organization ?
- definitely yes
 probably yes
 probably not
 definitely not
- 9) If an employee exhausts all levels of internal review and serious unethical or illegal activities continue within the organization, should the employee: *Please check all that apply*
- resign from the organization
 report the activities through organizational channels
 report the activities to government agencies when not legally required to do so
 report the activities to government agencies only if legally required to do so
 report the unethical or illegal activities to the newsmedia
 other (Please describe): _____

1 (Other side of the page, please)

10) Below are four groups of statements about how organizations should operate. Please rank the statements within each group according to their importance to those running your organization. Write a:

- 1 beside the most important belief
- 2 beside the second most important belief
- 3 beside the third most important belief
- 4 beside the least important belief

a) How important is it to your organization to: *Please don't give two statements the same rank*

- ___ be as profitable as possible
- ___ engage in voluntary and charitable contributions
- ___ abide by laws and regulations
- ___ behave morally and ethically

b) How important is it to your organization: *Please don't give two statements the same rank*

- ___ that employees recognize that the ends don't always justify the means
- ___ to comply with various federal regulations
- ___ to assist the fine and performing arts
- ___ to maintain a strong competitive position

c) How important is it to your organization that a successful firm be defined as one which: *Please don't give two statements the same rank*

- ___ is consistently profitable
- ___ fulfills its societal obligations
- ___ fulfills its ethical and moral obligations
- ___ fulfills its philanthropic and charitable responsibilities

11) The following questions ask you about a person's responsibility for others. Please indicate how much you agree or disagree with each of the statements by writing the appropriate number in the blanks beside them using the following scale.

- 1 strongly disagree 2 disagree 3 neither agree nor disagree 4 agree 5 strongly agree

- ___ a) Whether an individual acts to protect the welfare of persons beyond his circle of friends and relatives is a matter of personal preference not moral obligation.
- ___ b) An individual who has not caused another person's misfortune has no moral obligation to help the other person.
- ___ c) Things work best when people concern themselves with their own welfare and let others take care of themselves.

SECTION II. Below are a series of actions that an individual might take upon discovering unethical or illegal activities within his or her organization. Please indicate how you think your organization's management would react to each of these actions.

1) If there was a problem with unethical or illegal activities within your organization, what would be the effect on the problem of your: *Please check ONE parentheses in each row*

	The problem would be resolved	The problem would be partially resolved	The problem would be reviewed but not resolved	The problem would not be reviewed
Reporting it to your <u>superiors</u> ?	()	()	()	()
Reporting it to an <u>internal auditor</u> ?	()	()	()	()
Reporting it to an <u>audit committee</u> ?	()	()	()	()
Reporting it to an <u>outside auditor</u> ?	()	()	()	()
Reporting it to <u>government agencies</u> ?	()	()	()	()
Reporting it to the <u>newsmedia</u> ?	()	()	()	()

2) If there was a problem with unethical or illegal activities within your organization, what would be the effect on you personally of: *Please check ALL that apply.*

	I'd be given credit	Nothing would happen	My coworkers wouldn't approve	My superiors wouldn't approve	I'd be threatened with a reprisal	I'd receive an actual reprisal
Reporting it to your <u>superiors</u> ?	()	()	()	()	()	()
Reporting it to an <u>internal auditor</u> ?	()	()	()	()	()	()
Reporting it to an <u>audit committee</u> ?	()	()	()	()	()	()
Reporting it to an <u>outside auditor</u> ?	()	()	()	()	()	()
Reporting it to <u>government agencies</u> ?	()	()	()	()	()	()
Reporting it to the <u>newsmedia</u> ?	()	()	()	()	()	()

2 (Next page, please)

SECTION III. The questions in this part of the survey, ask about actual situations that you personally observed, experienced or knew about "first hand". We are mainly interested in finding out what employees do with information they may have regarding unethical or illegal activities in their organizations.

1) Have you personally observed or obtained direct evidence of any of the following in your organization? Please answer in terms of your current organization, checking ONE parentheses for each activity

	YES, and the total amount involved was:				
	Less than \$100	\$100 to \$999	\$1,000 to \$100,000	More than \$100,000	
	NO	\	\	/	/
a) Theft or embezzlement of corporate assets	()	()	()	()	()
b) Fabrication of operational or performance data	()	()	()	()	()
c) False or inflated claims from suppliers, employees, etc	()	()	()	()	()
d) Arbitrary inventory manipulations	()	()	()	()	()
e) Intentional misclassification of expenditures	()	()	()	()	()
f) Fabrication of sales or cost of sales data	()	()	()	()	()
g) Overstating revenues or assets	()	()	()	()	()
h) Understating expenses or liabilities	()	()	()	()	()
i) "Smoothing" profits	()	()	()	()	()
j) Stock manipulation, insider trading, or related party transactions	()	()	()	()	()

NOTE: If you indicated "NO" to all the activities in Question 1, please skip to SECTION IV on page 4.

2) If you indicated "yes" to more than one of the activities listed in question 1, please check the parentheses next to the one that represents the most serious problem that you know of.

- () Theft or embezzlement
- () Fabrication of operational or performance data
- () False or inflated claims
- () Arbitrary inventory manipulations
- () Intentional misclassification of expenditures
- () Fabrication of sales and cost of sales data
- () Overstating revenues and assets
- () Understating expenses and liabilities
- () "Smoothing" profits
- () Stock manipulation, insider trading, related party transactions

NOTE: Please answer the remaining questions in this section in terms of the ONE activity chosen in Question 2 above.

3) How long ago did this activity occur ?
 less than 1 year ago 1-5 years ago over 5 years ago

4) Was there a legal requirement that the activity be reported to a government agency ?
 Yes No Not Sure

5) Did you report this activity to any individual or group ?
 Yes: Please continue with question 6 below.
 No: Please skip to question 10 on the next page.

6) Did you report this activity to any of the following ? Please check ALL that apply
 to your superiors?
 to an internal auditor?
 to an audit committee?
 to an outside auditor?
 to government agencies?
 to the newsmedia?

7) If you were identified as the person who reported the activity, what was the effect on you personally? Please check ALL that apply
 I was not identified
 I was given credit by my management
 Nothing happened to me
 I had the feeling that my supervisors were unhappy with me
 I had the feeling that my coworkers were unhappy with me
 I received some threats of reprisal
 I received an actual reprisal

8) If you experienced a reprisal or a threat of reprisal, did it take any of the following forms? Please check ALL that apply
 poor performance appraisal
 denial of promotion
 assigned less desirable duties
 transfer to a less desirable job
 suspension from your job
 demotion
 other (Please describe): _____

9) What effect did your reporting have ?
 the problem was not reviewed
 the problem was reviewed but not resolved
 the problem is still under review but I do not expect it to be resolved
 the problem is still under review and I expect it to be resolved
 the problem was partially resolved
 the problem was resolved

NOTE: Please continue with question 11 on the next page.

10) If you did not report this activity to any individual or group, which of the following statements best describes your reason(s) for not reporting it. *Please check ALL that apply*

- The activity had already been reported by someone else
- I didn't think the activity was important enough to report
- I didn't have enough evidence to report
- I decided that reporting this matter was too great a risk
- I didn't want to get anyone into trouble
- I didn't think anything would be done to correct the activity
- I didn't think anything could be done to correct the activity
- Other (Please describe): _____

11) As the result of your experience with unethical or illegal acts within this organization, how likely are you to leave within the next: *Please check ONE parentheses in each row*

	very likely	likely	neither likely nor unlikely	unlikely	very unlikely
3 months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12) If you stay in the organization, how likely is it that you will report the unethical or illegal activity within the organization to: *Please check ONE parentheses in each row*

	very likely	likely	neither likely nor unlikely	unlikely	very unlikely
your superiors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an internal auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an audit committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an outside auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
government agencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the newsmedia?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13) If you leave the organization, how likely is it that, upon leaving, you will report the unethical or illegal activity within the organization to: *Please check ONE parentheses in each row*

	very likely	likely	neither likely nor unlikely	unlikely	very unlikely
your superiors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an internal auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an audit committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
an outside auditor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
government agencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the newsmedia?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION IV. In this section we ask about your job and your organization. Please answer these questions in terms of your overall work experience, not with regard to any specific event.

- 1) How easy would it be for you to find an acceptable job with another employer these days?
- very easy
 - quite easy
 - fairly easy
 - somewhat difficult
 - very difficult
- 2) Right now companies that hire people like me:
- need lots of people
 - need few additional workers
 - aren't hiring
 - are laying off people

3) Below are statements that individuals might make about the organization for which they work. With respect to your feelings about your organization, please indicate your agreement or disagreement with each of the statements by writing the appropriate number beside each statement.

1 strongly disagree 2 disagree 3 neither agree nor disagree 4 agree 5 strongly disagree

- ___ a) I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
- ___ b) I talk up this organization to my friends as a great organization to work for.
- ___ c) I would accept almost any type of job assignment in order to keep working for this organization.
- ___ d) I find that my values and the organization's values are very similar.
- ___ e) I am proud to tell others that I am part of this organization.
- ___ f) This organization really inspires the very best of me in the way of job performance.
- ___ g) I am extremely glad that I chose this organization to work for over others I was considering at the time.
- ___ h) I really care about the fate of this organization.
- ___ i) For me this is the best of all possible organizations for which to work.

SECTION V. To help us in analyzing the survey please answer the questions in this, the last section of the questionnaire.

- 1) What business is your organization in?
- Agriculture, forestry, fisheries
 - Mining
 - Contract construction
 - Manufacturing
 - Transportation, communication utilities
 - Wholesale or retail trade
 - Finance, insurance, real estate
 - Other: _____
- 2) How many years have you worked for this organization?
- under 1
 - 1-5
 - 6-10
 - more than 10
- 3) What is your job title?
- I don't supervise anybody
 - first line supervisor
 - middle management
 - top management
- 4) Which of the following best describes your position?
- Finance
 - Risk management
 - Budget and planning
 - Taxation
 - Internal auditing
 - Other: _____
- 5) How important a part of your job is raising questions about unethical or illegal activities that you become aware of?
- very important
 - important
 - somewhat important
 - not very important
 - not a part of your job
- 6) Your primary area of responsibility is in:
- General management
 - Corporate accounting
 - Public accounting
 - General accounting
 - Personnel accounting
 - Cost accounting
- 7) What is your: a) sex? Male Female
- b) age? under 25 26-35 36-45 46-55 56-65 over 65
- c) annual salary? under \$25,000 \$25-34,999 \$35-44,999 \$45-54,999 \$55-64,999 \$65-74,999 \$75-84,999 \$85-94,999 \$95-104,999 over \$105,000

Thank you for taking the time to answer our questions. Please use the enclosed envelope to return your completed questionnaire.

**APPENDIX II. COMPARISON OF SAMPLE WITH NATIONAL
ASSOCIATION OF ACCOUNTANTS RECORDS**

Comparison of Sample Characteristics (proportions) with NAA Records

	Sample	NAA	Z	
Job Title	N=505	N=69644		
Owner	0.01	0.02	-2.65	*
CEO	0.00	0.01	-0.96	
President	0.02	0.02	-0.01	
Corporate Secretary	0.00	0.01	-2.46	*
Corporate Treasurer	0.05	0.04	1.34	
Vice President	0.08	0.08	-0.05	
Controller	0.25	0.21	2.16	*
Director	0.02	0.03	-0.17	
Manager	0.13	0.13	0.24	
Supervisor	0.03	0.04	-1.45	
Chief Accountant	0.19	0.22	-1.71	
Analyst/Programmer	0.04	0.04	-0.66	
Administrator	0.00	0.01	-1.74	
Auditor	0.02	0.05	-2.79	*
Bookkeeper/Clerk	0.00	0.01	-1.89	
Consultant	0.01	0.02	-1.03	
Principal/Partner	0.02	0.04	-2.68	*
Other	0.05	0.02	5.25	*
Area of Responsibility	N=567	N=40069		
General Management	0.16	0.13	2.61	*
Corporate Accounting	0.31	0.27	2.08	*
Public Accounting	0.08	0.14	-3.99	*
General Accounting	0.16	0.18	-1.24	
Personnel Accounting	0.00	0.01	-0.48	
Cost Accounting	0.08	0.09	-0.75	
Finance	0.07	0.08	-0.49	
Risk Management	0.03	0.00	12.44	*
Budgeting and Planning	0.00	0.04	-5.02	*
Taxation	0.02	0.03	-1.68	
Internal Auditing	0.03	0.03	-0.10	
Other	0.04	0.00	25.44	*
Business	N=602	N=57092		
Agriculture, Forestry & Fisheries	0.02	0.01	2.43	*
Mining	0.01	0.01	0.12	
Contract Construction	0.03	0.03	0.54	
Manufacturing	0.37	0.41	-1.98	*
Transportation, Communication & Utilities	0.08	0.06	2.21	*
Wholesale or Retail Trade	0.09	0.06	2.15	*
Finance, Insurance & Real Estate	0.18	0.10	6.75	*
Services	0.19	0.30	-6.01	*
Other	0.03	0.02	2.65	*

	Sample	NAA	Z
Region	N=398	N=38343	
New England	0.08	0.07	0.47
Mid Atlantic	0.19	0.17	1.23
Atlantic	0.17	0.18	-0.77
Eastern South Central	0.07	0.06	1.02
Eastern North Central	0.20	0.23	-1.14
Western South Central	0.06	0.07	-0.54
Western North Central	0.08	0.07	0.53
Mountain	0.04	0.06	-1.57
Pacific	0.12	0.10	1.20

* $p < .05$

APPENDIX III. VARIABLE DISTRIBUTIONS

Means, Standard Deviations and Percentages of Study Variables

	X	s. d.	Percentage in Response Categories					
			1 Low	2	3	4	5	6 High
1. Intent to Leave	2.04	1.32	51	20	14	6	10	
2. Intent to Report Internally if Left	1.97	1.33	48	17	14	15	6	
3. Intent to Report Externally if Left	1.51	.95	69	14	13	1	3	
4. Intent to Report Internally if Stay	2.5	1.4	27	20	19	24	11	
5. Intent to Report Externally if Stay	1.75	.98	51	29	13	4	2	
6. Issue Seriousness	2.97	.95	11	13	44	32		
7. Self Assumed Social Responsibility	3.92	.72	7	22	51	20		
8. Assigned Responsibility for Reporting	3.53	1.24	6	19	20	28	27	
9. Expected Effectiveness of Internal Reporting	2.94	.78	2	28	44	26		
10. Expected Effectiveness of External Reporting	2.79	.75	5	32	46	18		
11. Expected Personal Consequences of Internal Reporting	3.94	1.43	15	33	30	13	5	5
12. Expected Personal Consequences of External Reporting	3.39	1.23	4	13	16	30	21	17
14. Organizational Commitment	3.35	.88	3	12	40	34	10	
15. Job Level	2.95	.96	12	12	44	32		
16. Perceived Alternative Job Opportunities	2.86	.80	2	21	47	26	4	
17. Perceived Organizational Support for Ethical Conduct	2.51	.74	9	42	38	11		
18. Perceived Organizational Support for Legal Conduct	3.12	.64	1	10	53	37		

APPENDIX IV. SUMMARY OF RESULTS

Results Summary

Hypotheses

1. The greater the seriousness of an issue of principle, the more likely it is that observers intend:
 - a. to leave the organization,
 - b. to report the issue.
2. The greater observers' personally assumed social responsibility, the more likely it is that they intend to report issues of principle.
- 3.1 The greater the observers' assigned responsibility for reporting wrongdoing, the more likely they are, if they remained in the organization, to intend to report issues of principle to organizational entities.
- 3.2 The relationship between observers' assigned responsibility for reporting wrongdoing and the intent to report issues of principle is partially mediated by :
 - a. the expected effectiveness of reporting wrongdoing
 - b. the expected retaliation for reporting wrongdoing.
4. The more effective observers expect the reporting of issues of principle to be:
 - a. the more likely it is that they intend to report these issues,
 - b. the less likely it is that they intend to leave their organizations.

Results

- Not supported, no relationship.
- Not supported, no relationship.
- Not supported, no relationship.
- Supported.
- Not supported. The relationship of assigned responsibility for wrongdoing with the intent to report was entirely due to this responsibility's association with the expected effectiveness and cost of reporting.
- Partially supported. Expected effectiveness was positively associated with observers' intent to report internally if they stayed in the organization but not to their intent to report externally or to either type of reporting if they left the organization..
- Partially supported. Expected effectiveness of internal reporting was negatively associated with intent to leave. Results concerning expected effectiveness of external reporting suggest a suppressor

- effect.
5. The greater the expected organizational retaliation against members reporting wrongdoing:
 - a. the more likely it is that observers intend to leave the organization, Not supported, no relationship.
 - b. the less likely it is that observers intend to report issues of principle if they remain in their organizations. Supported.
 6. The greater observers' organizational commitment:
 - a. the less likely they are to intend to leave the organization, Supported.
 - b. the more likely they are to report issues of principle, or alternatively , Not supported. See Hypothesis 6c.
 - c. the less likely they are to report issues of principle. Not supported. Organizational commitment was negatively related to observers' intent to report organizational wrongdoing if they left their organizations. See Discussion.
 - 7.1 The higher observers' job levels are:
 - a. The less likely it is that they intend to leave the organization, Not supported, no relationship.
 - b. The more likely it is that they intend to report issues of principle if they remain in their organizations. Partially supported. Job level was positively related to observers' intent to report externally if they remained in their organizations but had not relationship with their intent to report internally.
 - 7.2 The relationship between job level and employees' intended responses to issues of principle is mediated by:
 - a. the expected effectiveness of reporting wrongdoing Not supported given results concerning Hypothesis 4a.
 - b. the expected retaliation for reporting wrongdoing. Supported.

- 8.1 The greater the alternative job opportunities observers believe exist, the more likely it is that they intend:
- a. to leave the organization, Not supported, no relationship.
 - b. to report issues of principle. Not supported, no relationship.
- 8.2 The relationship between perceived alternative job opportunities and observers intended responses to issues of principle is mediated by :
- a. the expected effectiveness of reporting wrongdoing Not supported given the results concerning Hypothesis 8.1a.
 - b. the expected retaliation for reporting wrongdoing. Not supported given the results concerning Hypothesis 8.1b.
- 9.1 The greater the support observers' believe exist for ethical conduct within their organizations:
- a. the less likely it is that they intend to leave the organization, Supported.
 - b. the more likely it is that they intend to report issues of principle. Not supported, no relationship.
- 9.2 The relationship between perceived organizational support for ethical conduct and intended responses to issues of principle is mediated by :
- a. the expected effectiveness of reporting wrongdoing, Partially supported. The relationship of organizational support for ethical conduct with the intent to leave is weakened but not eliminated by consideration of the expected effectiveness.
 - b. the expected retaliation for reporting wrongdoing. Not supported given the results of Hypothesis 5a .
- 10.1 The greater the support observers' believe exist for legal conduct within their organizations:
- a. the less likely it is that they intend to leave the organization, Supported.
 - b. the more likely it is that they intend to report issues of principle. Not supported, no relationship effectiveness.

10.2 The relationship between perceived organizational support for ethical conduct and intended responses to issues of principle is mediated by :

a. the expected effectiveness of reporting wrongdoing

Partially supported. The relationship of organizational support for ethical conduct with the intent to leave is weakened but not eliminated by consideration of the expected effectiveness of internal reporting.

b. the expected retaliation for reporting wrongdoing.

Not supported given the results of Hypothesis 5a .

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