

Whistleblowing Practice in a Collective and Corrupt Society – A Case Study



Imam Wahyudi¹, Errika Putri Tantia²

^{1,2} School of Postgraduate Studies Perbanas Institute Jakarta

ABSTRACT: This study aims to explore the role of the whistleblowing system in preventing fraudulent practices that often occur in a collective and corrupt society. Using an interpretive case study approach, the second researcher is an employee at the place that is the subject of the study so that the researcher acts as a complete participant (participant observation) and accordingly becomes the data source as well. In addition, the open interview technique with the informants also complements the data to confirm the understanding and subjective experience of the researchers. Data analysis was carried out using a subjective – reflexive approach. The results of the study show that although the company already has a whistleblowing system, it turns out that the system does not work because the collective culture prevents insiders from acting as whistleblowers.

KEYWORDS: Fraud, whistleblowing system, collective culture, case study

INTRODUCTION

Fraud is an illegal act committed with the intent of stealing someone else's property or rights that usually stems from a desire to gain an unfair advantage over others. It frequently takes the shape of illegal financial operations carried out by public and private sector executives and management. (Holmes, Strawser, & Welch, 2000; Adebisi & Gbegi, 2015; Okafor *et al.*, 2020). As a result, fraud is the deliberate misrepresentation, cheating, or theft of material facts by one party to another with the intent to deceive (Zhu & Gao, 2011). Investors, creditors, customers, or government organizations might all be targets.

Thus, fraud is “gaining an unfair advantage over another person” which is legally stated in the form of “1) a false statement, representation, or disclosure; 2) material fact, which is something that induces a person to act; 3) an intent to deceive; 4) a justifiable reliance; that is, the person and on the misrepresentation to take an action and 5) an injury or loss suffered by the victim” (Romney & Steinbart, 2018, p. 130). Fraud is an act committed by a person with the goal of advancing his or her own personal interests, regardless of whether his acts have broken the law or caused harm to others. Thus, it can be said that the term “fraud” is used to describe a variety of financial scandals and the intentional misappropriation of an organization's tangible assets with the primary goal of personal gain (Maulidi & Ansell, 2020).

Action, concealment, and conversion are the three steps of fraud (Wells, 2018). Action of fraud is usually done in the form of theft or actions that lead to the profit of the perpetrators themselves. After the perpetrator has completed his actions, the next step is to carry out concealment efforts. In contrast to traditional criminals who make no attempt to hide their crimes, fraud perpetrators usually take steps to keep their victims in the dark. For example, in the case of money theft by falsifying the balance in a cash account. After completing and concealing the fraudulent act, the perpetrator must convert the individual benefit or interest of another party. In the case of petty cash theft, conversion usually occurs when the perpetrator deposits funds into an individual's account or makes a purchase with the person whose funds were stolen.

According to a study done by ACFE (2016), fraud affects all levels of management and personnel, as well as all genders, educational levels, and age groups in both private and public institutions. Employee embezzlement is a more particular category in which it is done by subordinates to their superiors, either directly or indirectly; top management to users of financial statements (management fraud); individuals to investors (investment scams); individuals or organizations to consumers (vendor fraud); or individuals or consumer organizations to vendors known as customer fraud (Albrecht *et al.*, 2012). Fraud itself may occur due to asset misappropriation, fraudulent misstatement, or corruption (ACFE, 2016).

Whistleblowing is one method of preventing fraud, and it is applicable to all organizations and individuals. This is due to the fact that every business and organization is vulnerable to fraudsters and dishonest persons. The organization's objective is to

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preserve future performance, and fraud will harm the organization's reputation. As a result, an organization's employees play a critical role in exposing a whistleblower at an early stage. The issue is that in a society with a collective culture, they are the ones who suffer the most if they do so, therefore they tend to remain silent. Eventually, such mentality will allow malpractice and immoral behavior to continue, and it will become a normal and acceptable culture in the workplace. (Nawawi, Anuar & Salin, 2018).

Study on whistleblowing is always interesting to do in the midst of an intense campaign to implement the concept of good corporate governance due to the emergence of various business scandals involving management and public accounting firms. Several studies on whistleblowing had been carried out in various of topics., such as study on whistleblowing and the role of leaders (Hechanova & Manaois, 2020); whistleblowing systems in corrupt countries (Gholami & Salihu, 2019; Marwaha, 2017; D'Cruz & Bjørkelo, 2016; Okafor *et al.*, 2020; Maulidi, 2020); anti-money laundering and whistleblowing (Yeoh, 2014); whistleblowing and whistleblower intention (Nawawi, Anuar & Salin, 2018); whistleblowing in higher education (Dangi *et al.*, 2020).

Transparency International has named Indonesia as one of the world's most corrupt countries, ranking it 102nd out of 180 countries in the 2020 Corruption Perception Index poll, down from 85th in 2019. This is closely related to Indonesia's political structure, which is shaped by mutually advantageous ties – or conspiracies – among business leaders, politicians, bureaucrats, and law enforcement agents (Joni *et al.*, 2020; Apriliyanti & Kristiansen, 2019). All system devices intended to prohibit fraudulent behaviors have become symbolic rather than actual as a result of the conspiracy. This is similar to what happened in the Philippines, where fraud and corruption are rampant due to "weaknesses in information retrieval systems, a lack of strong political parties, non-independence of oversight bodies, over involvement of politicians in appointment systems, excessive executive branch power, and a lack of whistleblower protection." (Hechanova & Manaois, 2020, p.280).

It has been widely accepted that whistleblowers are essential and effective way in stopping any fraud activities within the organization. Many studies on culture and whistleblowing had been widely exploited (Hechanova & Manaois, 2020; Puni & Anlesinya, 2017; Brody *et al.*, 2020; D'Cruz & Bjørkelo, 2016; Gholami & Salihu, 2019; Puni & Hilton, 2020). Most studies, however, have tended to examine whistleblowing from the standpoint of Hofstede's culture viewpoint - power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, and long versus short-term orientation. The studies seldom consider whether a reporting system would work in a society where corruption is widespread and considered as usual. Indonesia might be described as a country where corruption is accepted as a normal part of life (Wahyudi, 2012; Wahyudi, 2021; Apriliyanti & Kristiansen, 2019)

This is a case study focuses of PT Infrastruktur Bisnis Sejahtera (PT IBS), an Indonesian commercial telecoms business. The company works with all Indonesian operators, including XL, Telkomsel, Smartfren, Hutchison 3 Indonesia, and Indosat, to provide signal booster services in buildings (In Building Coverage). The company also provides bandwidth in addition to signal boosting services. Customers are currently complaining about the company because of undisciplined personnel who are failing to do their tasks. As a result, the company has been subjected to contract penalties on numerous occasions. Employee pricing mark-ups to clients are also another problem, as are staff discipline concerns, which generate job delays and penalties. The purpose of this study is to examine the company's decision to build a fraud-prevention whistleblower system to overcome the problems when in fact social environment is rampant with corruption.

RESEARCH METHOD

This study is a descriptive and interpretive case study research in which the second researcher was actively involved in the research site as an employee in the accounting department. As an actor in the organization under study, she become one of the main data sources. The role of the researcher can be classified as total immersion and going native (Hammersley and Atkinson, 1995) because she conducted research in its real world settings while performing her daily activities and interactions at work. This study was conducted at PT Infrastruktur Bisnis Sejahtera Central Jakarta which took place during 2019.

Data collection was carried out using interview techniques and participant observation. The researchers conducted unstructured interviews by having casual conversations with persons who understand and were involved in the problem under investigation during working hours. The interview was tape-recorded and then transcribed to identify the key points to be analyzed. The goal is to learn about their opinions on the role and function of the company's whistleblowing mechanism in preventing fraud. Meanwhile, observations were carried out in the form of participant observation because the second researcher was an employee in the organization being studied. Thus, she have access to observe all business activities in the research site. Data from observations has an important role to reconfirm data from interviews.

Research participants were selected based on their understanding of the issue of whistleblowing in the research site by considering their position, gender and tenure. The following is the data of the participants involved in this study:

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Participant	Managerial Role	Gender	Length of service
Informant A	Manager	Female	8 years
Informant B	Supervisor	Female	5 years
Informant C	Senior Manager	Male	9 years
Informant D	Supervisor	Male	7 years
Informant X	Management Consultant	Male	

Data analysis was reflectively conducted by involving the subjective experience of researcher as an insider, interviews and participant observations. Interview data were analyzed individually and manually to avoid data merely confirming what the researcher already knows. The results of the interview data analysis were then compared and enriched with the results of the observations and the subjective experiences of the researcher while working on the research subjects.

FRAUD AS AN EVERYDAY LIFE OF SOCIETY

Following Indonesia's independence in 1945, the country was taken over by new ruling elites, including politicians and the military, who swiftly got mired in corruption. Corruption grew even more widespread after Soekarno, Indonesia's first president, disbanded parliament and declared himself president for life in 1959. Soeharto, Soekarno's successor who ruled from 1967 to 1998, "codified the practice of corruption by including it in official regulations and presidential directions" (Wahyudi, 2012). The purpose of the abusive regulations was to legitimate corrupt behaviors for the advantage of those in authority. The reason is to give additional incomes to state officials, bureaucrats, and politicians who earn relatively low salaries. The practices eventually became commonplace and were taken for granted by society until recently as the way to do business in the public as well as private sectors - corruption becomes everyday life of Indonesian society.

In a corrupt society in which corruption has been accepted by society as a normal, collusion becomes everyday practices that involve auditing agencies, government officials, state bureaucracy, political organizations, politicians, businessmen and society in general (see for example: (Apriliyanti & Kristiansen, 2019; Wahyudi, 2012; Otusanya, 2011). This situation is intensified by globalization that continues to "reproduce and transform the institutional structures and actors which have facilitated corrupt practices in developing countries" (Otusanya, 2011).

Fraud may be committed by subordinates to their superiors either directly or indirectly which is often referred to as employee embezzlement; top management to users of financial statements (management fraud); individuals to investors (investment scams); individuals or organizations to consumers (vendor fraud); or individuals or consumer organizations to vendors known as customer fraud (Albrecht, Malagueno & Sanders, 2012). Fraud itself may occur due to asset misappropriation, fraudulent misstatement, or corruption (ACFE, 2016).

The fraud theory model that is currently being developed starts with the fraud triangle, then the fraud diamond, and lastly the fraud pentagon, all of which highlight the premise that fraud is caused by individual characteristics. The theory's core addresses the variables that motivate fraudsters, including pressure, opportunity, rationalization, capability, competence, and arrogance. Individuals perpetrate fraud for self-interest, according to all theories, by weakening the influence of social ideals expressed in a community's or organization's culture. As a result, personality factors are viewed as precise predictors of individual fraud activity. (Nuswantara & Maulidi, 2020).

In fact, studies showed that the practice of fraud cannot be separated from the culture of the people. Individuals commit fraud because society views it as common and customary (for example: Wahyudi, 2012; Apriliyanti & Kristiansen, 2019; Nguyen *et al.*, 2021; Phiri & Guven-Uslu, 2019). On the more extreme side, Prabowo & Cooper (2016) found that fraudulent behavior is seen as a normality resulting from the normalization process of fraud (see also, Apriliyanti & Kristiansen, 2019). This situation may be able to explain that honest people behave and commit fraud because culture of the society considers it normal and generally accepted (Maulidi, 2020a)

The normalization of fraud is frequently accomplished politically by a variety of harsh norms imposed by the authorities or the government. By concealing the behavior behind codified regulations, it becomes legal and hence no longer qualifies as fraud or corruption. (Wahyudi, 2010). When fraud becomes a habit, it is referred to as fraud normalization from a cultural standpoint (see, for example: Apriliyanti & Kristiansen, 2019 in Indonesia; Okafor *et al.*, 2020 in Nigeria; Hechanova & Manaois, 2020 in the Philippines). This is referred to as an attempt to justify fraudulent behaviors that, in many circumstances, involve the manipulation of organizational legitimacy through accounting techniques such as budgeting, financial reporting, auditing, and performance measurement (Goddard & Mzenzi, 2015).

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Individual cognitive reasoning processes have dominated fraud studies until recently, while social behaviors embodied in societal or corporate culture, which are likely to become driving forces in fraud, have received less attention (Maulidi, 2020). In a corrupt culture, for example, it is frequent for honest people to perpetrate fraud behaviors due to "sociological and criminological elements" rather than "self-motivation" of the perpetrators. (Maulidi 2020a, p. 552). This is consistent with the point made by Anand *et al.* (2015, p. 752) that fraud can be committed by people working alone or in groups, with groupings consisting of a few, many, or entire organizations or societies.

According to the Global Study on Occupational Fraud and Abuse done by ACFE (2018), fraud encompasses broad categories of corruption, asset misappropriation and financial statement scam. This study discovered different types of fraud in the case investigated, including work that was not in compliance with the contract, markups on contract prices, and late arrivals at the job site, all of which resulted in cost overruns. All scams that were widespread in this study can be classed as corruption based on the category of fraud given above by ACFE (2018).

This study found that field officers regularly substitute lower-quality parts for part specifications, which is against the terms of the contract. The majority of workers at the company have come to regard these behaviors as normal. Informant A provided the following account of his day-to-day interactions with this problem:

In this company, what I see is more field work which is often not in accordance with the contract, for example, 40 certain antennas should be installed, but instead, cheaper antennas are installed. This will reduce the quality of the network itself, so that later the operator (client) will file a claim against us. We are subject to a penalty, it is already very detrimental for the company because our company has to pay additional costs. Unfortunately, most staff saw this as a common and normal practices.

This phenomenon was intensified by the fact that fraud in the company typically entails collaboration between outside parties and internal parties. For example, as informed by informants A and B in their subsequent statements, a conspiracy between company maintenance personnel and client's staff frequently occurs.

I cannot say yes or no, but for example, what happens in the field. Workers who carry out site maintenance to antenna operators should know the number of antennas installed. Strangely, it often happens that the number of antennas written in the antenna maintenance report is more than the actual antenna installed. This was only discovered during a site visit. That is strange in my opinion, so it is very possible that both parties were involved (Informant A)

An example that just happened is about the mark up of the contract price. This is not possible without the involvement of external parties. (Informant B)

The majority of informants asserted that collusion between firm's employees and client staff was the primary cause of fraud, and that this was typical of Indonesian society in general. As a result, it may be stated that people commit fraud because it is accepted by and widespread in society (Wahyudi, 2012b; Apriliyanti & Kristiansen, 2019).

Employees who arrive late and cause delays in work are another type of fraud that regularly happens in the workplace. The following is what informant C said:

Employees who show up late for work and incomplete work are the two most frequent instances of fraud. First, I will talk about people who arrive late. In my opinion, this is fraud because people who were supposed to report for work at 9 a.m. but did not until 10 a.m. will inevitably cause delays in the workday, delaying the completion of today's target until tomorrow and disrupting business operations as a whole. Site jobs that take longer to finish result in clients delaying payment of invoices, which has an impact on the business's revenue. (Informant C)

This was further supported by informant D, who mentioned that the corporation incurred additional costs due to unmet field work deadlines.

According to all informants, the firm's management has not made enough effort to prevent fraud; yet, markups for contract prices, arriving late at the job sites, and unfinished work are among the sorts of fraud that are frequently observed at the company. Being late to work and not finishing jobs on time may not be seen as a direct fraud by management. However, this circumstance delays the project's completion. The result is that the company will have to pay a fine and that the situation might be considered fraudulent.

Meanwhile, all informants agree that fraud is extremely likely to occur as a result of collusion between internal and external parties of the organization for the perpetrators of fraud. Albrecht (2012: 34) backed up this point of view, stating that, *... the characteristics of fraud perpetrators because they appear to be very much like people who have traits that organizations look for in hiring employees, seeking out customers and clients, and selecting vendors. This knowledge helps us to understand that (1) most employees, customers, vendors, and business associates and partners fit the profile of fraud perpetrators and are capable of committing fraud and (2) it is impossible to predict in advance which employees, vendors, clients, customers, and others will become dishonest. In fact, when fraud does occur, the most common reaction by those around the fraud is denial. Victims cannot believe that trusted colleagues or friends have behaved dishonestly.*

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LACK OF INTERNAL AUDIT

The process of conducting routine fraud assessments to recognize, assess, and respond to fraud experienced by an organization, as well as creating and implementing a fraud control strategy to coordinate and concentrate on anti-fraud activity in the business, is referred to as fraud management. (ACFE, 2016). In this instance, internal audit is essential in the struggle against fraud as a part of fraud management. Kabuye, Nkundabanyanga, Opiso, & Nakabuye (2017) discovered that organizational status and internal audit competency improved fraud management. As a result, it is reasonable to assume that a lack of internal audit will weaken an organization's ability to detect and prevent fraud.

Based on the interviews conducted, all informants believe that management has not gone above and beyond in preventing fraud in the organization. Because the company does not have an internal auditor, all of the informants agreed that the organization does not pay serious attention to prevent fraud. The following are the views of three informants on the issue:

It is still not ideal because this organization does not have an internal auditor whose job is to prevent employee fraud. The organization will undoubtedly be stronger in preventing fraud if it employs an internal auditor (Informant A)

Management has indeed made several efforts to prevent fraud in the company, such as the recent establishment of a whistleblowing system. However, the implementation of the system has not yet been felt in us. So management should make more efforts to prevent fraud in the company, one of which is by establishing an internal audit because what we have is a corporate audit, which audits us only once every 5 years, in my opinion it is less effective (Informant C)

The effort is already there; after all, we perform stock-taking on a regular basis, right? What is missing, however, is the resolution of the stock-taking results, which appears to be neglected by management. Internal auditors are supposed to look into these results if they indicate fraud. The company, unfortunately, lacks an internal audit department. Management does not have efforts in combating fraud, in my opinion. (Informant D)

Additionally, an intriguing revelation was made by informant D, who said that despite the company having an internal audit section, it does not ensure that fraud practices can be curtailed because of the widespread practice of collusion in Indonesia. This is in line with Maulidi & Ansell (2021) that internal control, including internal audit, should not be viewed as a "one-size-fits-all" method of preventing fraud without taking organizational behavioral, political, and cultural factors into account.

WHISTLEBLOWING SYSTEM

Whistleblowing system (WBS) is a system for processing complaints/providing information submitted either directly or indirectly in connection with acts that violate laws, regulations/standard codes of ethics, and policies, as well as other similar actions in the form of direct threats to the public's interests that occur within the company. Whistleblowing could be seen as an act of dissent or "an open disclosure about significant wrongdoing made by a concerned citizen totally or predominantly motivated by notions of public interest" (De Maria, 1995 as cited by Okafor et al., 2020, p.1337).

Furthermore, Okafor et al. (2020) explains that whistleblowing has often been understood from two paradoxical points of view. First, whistleblowing has strong moral legitimacy because it is seen as an act of kindness to uphold justice by revealing wrongdoing for the benefit of an organization or society. On the other hand, whistleblowing is seen as an act of disloyalty and betrayal so that whistleblowers are vulnerable to become targets of retaliation and reactions from friends or enemies.

Whistleblowing originating from internal organizations tends to have a positive impact on the financial performance of business organizations (Okafor et al., 2020). Whistleblowing from within, however, is difficult in a communal and collusive culture. People inside organizations are afraid to do so since it affects the fate of their companions because communal life is characterized by strong familial relationships. In a collusive society, fraud is frequently carried out in an organized manner and involves multiple parties within the business, paralyzing the internal control function (Apriliyanti & Kristiansen, 2019). As a result, whistleblowers tend to be carried out by parties from outside the organization which may have a negative impact on the organizational images (Nawawi, Anuar & Salin, 2018).

On April 16, 2019, according to the Business Control (BC) Division of PT IBS, management approved the whistleblowing system at this company. The purpose of establishing this system is to provide a mechanism that can detect and prevent violations as part of the implementation of GCG. In addition, the objectives of the establishment of a whistleblowing system policy are:

- a. Creating a conducive business climate.
- b. Encouraging reporting of actions that are detrimental to the company.
- c. Reduce losses that occur through self-detection mechanisms.
- d. Make it easier for management to deal effectively with reports of violations.
- e. Availability of opportunities to deal with violations internally first.

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f. Improve company reputation

Meanwhile, the whistleblowing system policy has the following scope:

- a) This policy applies to all boards of commissioners/ directors and supporting organs of the board of commissioners, directors, all employees of the company (both permanent employees and contract employees), external parties with an interest in the company such as third parties (outsourcing), vendors, ex-employees and consultants.
- b) This policy is an integral and inseparable part of the company's policies which are regulated through the Guidelines for Business Ethics and Work Ethics, Company Regulation Book.

However, informant X, a management consultant who devised this approach, said something shocking when he said: *The system is already in place, but it is not working properly. What if the board of directors merely requested me to do it, and I was not the one in charge? And it is yet unclear who will be running. Because having the system is vital here, but we do not know how to put it in place. And, I have also learnt from the behavior of the personnel here that they are hesitant to report such things. Yes, because they have been friends for a long time and know each other, implementing a whistleblowing system at this company is extremely problematic.*

The fact that management has never used the firm's whistleblowing system, despite the system's existence, is backed by all informants, despite the fact that they all thought the system was crucial for preventing fraud within the company.

Apparently social culture could have contributed to the company's whistleblowing system's failure. In this case and Indonesia in general, the relation among employees and between employees and their superiors is akin to that of a family in a communal culture. This is supported by Wahyudi (2004: 142) that the spirits of the cultural values of Indonesian society in general are "harmonious social integration in the sense of obedience to superiors, kindness, avoidance of conflict, understanding of others, and empathy". As members of a family, they will be hesitant to take action as whistleblowers, such as denouncing fraud committed by coworkers or superiors. Those who act as whistleblowers will be labeled and treated as family traitors.

This is the reason that all informants believed that acting as a whistleblower was exceedingly difficult for insiders. Informant A asserts categorically that this culture makes it extremely unlikely that there will be inside whistleblowers at the organization, as what she said:

It is almost impossible for an internal party to become a whistleblower. This is because reporting coworkers, even when they conduct fraud that has the potential to hurt the organization, is extremely inconvenient. We have a really close working relationship with our coworkers, almost like family. (Informant A)

The same point was highlighted by Informant B, C and D. Informant B, for instance, mentioned that the whistleblower might not be an employee of the company. However, because the person who processes the report is an insider, there is a chance it will not be processed because it involves a friend or superior who they consider a member of the family.

Whistleblowers might be from a third party or an outsiders. But, because we do not know what they are like, we need to be extra cautious while getting that information. Yes, external parties may do so, but I doubt the report's recipient will be objective in processing the information when dealing with his or her peers and superiors. (Informant B)

Because of the strong sense of familial camaraderie that permeates the workplace, informant C added, even if an external whistleblower reports a fraud, it does not guarantee that the information will be followed up by management. He continued that "a sense of solidarity as a big family when dealing with reports of fraud involving coworkers and superiors leaves management in a difficult and awkward position to settle the matter" (Informant C).

That might be one of the reasons the company did not explicitly mention about the protection of and reward for whistleblowers in its whistleblowing system, particularly if it was done by insiders. In addition to the corporate culture issue, which is camaraderie in nature, this will of course also make it even more difficult for insiders to become whistleblowers. The organization's whistleblower system was ineffective due to two reasons. First, the culture of collegiality or camaraderie in the workplace is so entrenched that accusing coworkers or superiors of fraud would be seen as a betrayal of friendship. Second, this mentality makes it unlikely that whistleblowers will be protected or rewarded under the current system.

However, individually, all informants concurred that those who blew the whistle – both internal and external whistleblowers – should be protected. Additionally, they believe that relationships between family members of employees and between subordinates and superiors must not be utilized as a justification for corrupt behavior. This demonstrates that they are aware of how dishonorable fraud is on a personal level. But since community views these activities as usual and normal, it appears that they did not speak out against them. This phenomenon is consistent with the result of previous studies by Anand et al. (2015) and Maulidi (2020a) that people tolerate fraud not because they support it but because it is a common and widely practice in society.

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The skepticism that the internal whistleblower will behave impartially when dealing with fraud committed by firm personnel is another reason that the whistleblowing system is ineffective. It is very difficult for internal whistleblowers to report fraud committed by family members due to a collective culture. Those who blow the whistle will undermine the social harmony and be viewed as traitors while the most crucial aspect of being a whistleblower is objectivity. Yet three of the four informants believe that internal whistleblowers tend to be biased when dealing with fraud committed by fellow employees or superiors as stated by informant B below:

No one could possibly report due of a long-term friendship, in my opinion. Right now, it is challenging for us to be impartial in this situation. (Informant B)

According to Wells (2018), an effective anti-fraud program must also include a whistleblower policy so that employees, customers, vendors, and anyone affiliated with the organization have clear procedures on how to report suspected fraud and other forms of violations. The Association of Certified Fraud Examiners or ACFE (2010) explains that the whistleblowing system is the most effective method in detecting fraud. However, Maryam & Wahyudi (2012) explain that cultural factors that exist in Indonesian society in general are an important issue in the implementation of this whistleblowing system, because whistleblowers generally feel uncomfortable destroying kinship embedded in the social values of society. This is also supported by studies in several countries that the collective culture of society is often a barrier to the functioning of the whistleblowing system (Hechanova & Manaois, 2020; Okafor et al., 2020; Nawawi & Salin, 2018; Gholami & Salihu, 2019; D'Cruz & Bjørkelo, 2016).

CONCLUSIONS

Although fraud occurs in almost all countries, the corruption perception index shows that developing countries like Indonesia have higher levels of corruption and fraud than developed countries. In the case of Indonesia, acts of fraud and corruption were even initiated by the State through the formalization of these practices in rules and regulations so as to provide justification that these actions were legal. As a result, society considers these practices as reasonable and normal – these become social norms. This phenomenon might also occurs in majority developing countries with low corruption perception index.

Whistleblowers have proven to be one of the important factors in preventing fraud. It is also shown that the company in this study already has a whistleblowing system prepared by a management consultant in 2019. However, it seems that the system has not been running and functioning as it should. This can be seen from the understanding of informants who do not fully understand the system. Management does not seem to have socialized this system to all employees.

The collective culture of the society can be seen from the rejection of informants about the need for whistleblowers from company insiders. Apparently these social values make them feel uncomfortable destroying the harmony of the group by blowing the whistle for fraudulent behavior committed by group members. At the same time, it also reinforces the view that in a collective society, corruption and fraud are more difficult to tackle, which even then tends to create permissive values for fraudulent behavior committed by group members. This is reinforced by the answers of the informants who the majority do not want protection and prizes for whistleblowers.

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