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# The mediating role of trust in leader in the relations of ethical leadership and distributive justice on internal whistleblowing: a study on Turkish banking sector

Received 7 May 2020
Revised 5 July 2020
Accepted 6 August 2020

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## Abstract

**Purpose** – The purpose of this paper is to explain the effect of perceived ethical leadership and perceived distributive justice on internal whistleblowing intention through trust in leader as a mediator.

**Design/methodology/approach** – Following an empirical design, data were collected from 1,296 employees of Turkish financial institutions, located in Istanbul. To test four hypotheses structural equation modelling was applied.

**Findings** – Results reveal that trust in a leader fully mediates the positive effects of both ethical leadership and distributive justice on the internal whistleblowing intention.

**Originality/value** – This study enhances the understanding of the ethical leadership perception and distributive justice affecting the internal whistleblowing intention in Turkey that is a developing country. Although numerous studies on whistleblowing have been conducted, this study's originality and contribution lay in the examination of trust in the leader as a missing link between the direct relations.

**Keywords** Organizational justice, Banking sector, Trust in leader, Ethical leadership, Whistle-blowing intention, Whistleblowing intention

**Paper type** Research paper

## 1. Introduction

Recent corporate scandals such as Enron, Tyco and WorldCom made whistleblowing to appear in the business headlines. The largest organizational collapse in history i.e. the bankruptcy of the USA giant bank "Lehman Brothers" intensified the global economic crisis in 2008. All these failures have indicated that healthy organizational whistleblowing

Kybernetes
Vol. 50 No. 7, 2021
pp. 2073-2092
© Emerald Publishing Limited
0368-492X
DOI 10.1108/K-05-2020-0268

mechanisms are required in all kinds of firms, especially in financial service organizations where the damage of reputation and trust may cause great losses for not only the organization but also for their customers. These scandals are not the last ones and they showed that wrongdoing can happen anywhere, even in the best managed organizations (Near and Miceli, 2016). Accordingly, the interest in encouraging employees to blow the whistle has progressively grown in the business life to inhibit or deal with any practices of frauds, corruptions or bribery for the better functioning of organizations, institutions and societies. By promoting ethical behaviour, organizations can obtain the status of a credible and a trustworthy reputation, which ensures long-term success (Belak *et al.*, 2010).

Whistleblowing is a kind of "disclosure by (former or current) organization members of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action" (Miceli and Near, 1985, p. 5). This can be done via both internal (within the organization) and external channels (outside the organization). Therefore, if it is established effectively, organizations may have the chance to prevent ethical violations before they turn into scandals. In this regard, whistleblowing is accepted as the most effective wrongdoing detection mechanism (Brown *et al.*, 2016). However, most of the employees having whistleblowing intentions do not generally desire to report outside the organization and instead prefer internal whistleblowing. This can be based on some factors such as gender, tenure and other individual differences (perceptions, values, cognitive thinking). These differences make the whistleblowing intention a complex field of research. Recent literature provides studies that have examined the relationship between gender difference and whistleblowing that indicated that women are more prone to report whistleblowing than men (Nisar *et al.*, 2019). Extant research has gone beyond the individual level predictors of whistleblowing. For instance, Lee (2020) investigated the effect of organizational structure, political control and internal system responsiveness on whistleblowing behaviours. Nevertheless, in most of the countries specific legislation to promote reporting or to prevent retaliation are very limited (OECD, 2016; Yıldız and Tani, 2018). Hence, in most cases, inner organizational precautions are much common. Organizational rules and policies are generally developed to address the issue of internal whistleblowing within the employment contracts, handbooks or other human resource mechanisms and/or procedures.

Banking sector executives, operating largely through borrowed funds, are to be conscious of maintaining integrity and transparency by trying to prevent every kind of ethical misconduct. However, abusive practices despite comprehensive regulations and increasing public awareness about corporate scandals led firms to take more serious precautions in the form of well-established internal whistleblowing mechanisms all over the world. Researchers began to investigate ethical issues within the organizations (Brown and Trevino, 2006, pp. 595-596) and more specifically to find out the employee characteristics, perceptions, attitudes and other issues behind the internal whistleblowing intention. Accordingly, most of the recent theoretical and empirical studies on the topic have been conducted in North American or European private sector organizations, and less attention has been paid to developing countries such as Turkey (Nayır *et al.*, 2018). Turkey aims to become the largest economy in its regions and transform Istanbul into a regional financial centre by the year 2023 (Investment Support and Promotion Agency of Turkey, 2018). Banks representing 80% of the Turkish financial industry in terms of asset size are expected to ethically comply with the guidelines of the Banks Association of Turkey (www.tbb.org.tr), whereas most of them have already announced also their own organizational codes of conduct. There occurred, however, some important cases of misconducts and wrongdoings in this specific sector leading to loss of both reputation and trust in the past [1]. Despite some

empirical studies on the direct effects of employee perceptions on the employees' whistleblowing intention in developing countries, to the best of our knowledge, the studies that uncover complex relations among these drivers have been very limited. Therefore, this research on the drivers of internal whistleblowing intentions has been conducted specifically in the Turkish banking sector.

The study aims to examine the relations between ethical leadership, distributive justice and whistleblowing intention through structural modelling, and tests whether trust in leader has a mediating role on this relation. In this regard, the paper is organized as follows: Firstly, the conceptual framework and the development of hypotheses are presented. Next, research methodology is explained and findings are presented. Finally, concluding remarks and limitations are discussed.

## 2. Conceptual framework and development of hypotheses

The concept of whistleblowing can be defined theoretically as a "form of pro-social behaviour that occurs when an employee reports organizational wrongdoing to an authority that is able to implement corrective action" (Binikos, 2008, p. 48) with the ideology of preventing possible harmful behaviour towards a third party (Mansbach and Bachner, 2010, p. 483). Employees' willingness to disclose misconduct for the sake of the organization and/or the society is very beneficial for the healthy functioning of organizations and markets. However, potential whistleblowers are often discouraged from reporting their concerns or suspicions for fear of retaliation (The European Parliament and the Council of the European Union, 2019) as "an undesirable action taken against a whistleblower, in direct response to the whistleblowing" (Rehg *et al.*, 2008, p. 222) in the form of dismissal, impediment of career development, exclusion, harassment and other negative consequences. Therefore, uncovering direct drivers of whistleblowing and missing linkages among them is very critical for the organizational leaders who try to encourage this intention.

Past literature mostly concentrated on both types of wrongdoing (Miceli *et al.*, 1991; Near *et al.*, 2004) and the direct individual drivers of whistleblowing including employees' characteristics, such as personality (Bjørkelo *et al.*, 2010; Liu *et al.*, 2016), ethnicity (Fieger and Rice, 2018), gender (Rehg *et al.*, 2008), experience and *locus* of control (Chiu, 2003; Ghani *et al.*, 2011). Yet, there is also a growing need to deal more with organizational and situational factors behind whistleblowing (Zhang *et al.*, 2009a) including those employee perceptions and attitudes that may be related to both each other and also to the whistleblowing intention. Recent studies have already studied some of them: job satisfaction (Said *et al.*, 2017), organizational identification (Loi *et al.*, 2014), perceived behavioural control (Siallagan *et al.*, 2017), perceptions about supervisors (King, 1997; Dworkin and Baucus, 1998; Sims and Keenan, 1998), organizational justice (Miceli and Near, 1988; Treviño and Youngblood, 1990; Rothschild and Miethe, 1999; Miceli *et al.*, 2012), organizational culture and climate (Rothschild and Miethe, 1999; Rothwell and Baldwin, 2007; Zhang *et al.*, 2009a; Zakaria, 2015) and institutional mechanisms (Pillay *et al.*, 2017).

In this study, due to the complex nature of the possible drivers of the whistleblowing intention, we adopt concepts and assumptions from well-established theories of organizational behaviour. Drawing mainly on the social exchange theory (Blau, 1964), we assume that positive perceptions and attitudes about their organization and leaders would lead to constructive intentions and behaviours on the part of the employees. In this concern, positive perceptions and attitudes about ethics, justice and trust among others would play critical roles in the moral understandings and ethical intentions of the employees. Therefore, we purport in this study that ethical leadership would be an appropriate driver of an ethical intention to internally blow the whistle. Similarly, trust in their leader can be an important

factor to lead them to reciprocate positively. In addition, drawing also on the equity theory (Adams, 1965), we again presume that positive employee perceptions about especially fair distribution of resources in the organization, would encourage them to blow the whistle.

Therefore, based on the general umbrella of aforementioned theoretical lenses, this study tries to answer the following research questions:

*RQ1.* How employee perceptions about ethical leadership and distributive justice relate to their internal whistleblowing intentions?

*RQ2.* What is the role of trust in leader as a positive attitude in these relations?

### *2.1 Ethical leadership*

Unethical behaviours of the executives can appear in various forms within the organization such as lying to employees, favouring and admitting only some of the subordinates, taking or offering bribes, using workplace materials for personal purposes or disclosure of trade secrets. All these may lead employees to question the moral integrity of their leadership (Kanungo, 2001; Weiss, 2014) and to refrain from taking initiative for any positive action. On the contrary, ethical leaders who treat their employees in fair and ethical ways are more likely to build high-quality social exchange relationships with them (Brown and Trevino, 2006; Ahn *et al.*, 2018). Accordingly, if employees perceive their leaders as ethical, they are likely to reciprocate by putting extra efforts, helping others and reporting problems (Brown *et al.*, 2005). From this point of view, ethical leadership is often a positive employee perception (Arda *et al.*, 2017) about the organizational leaders' principled decisions for the absolute goodness of the society and their related morally upright and ethically responsible behaviours (Brown, 2007) that may create a common sense of trust in the workplace (Mendonca, 2001; Kaptein, 2008).

Ethical leadership being influential on moral standards for the followers, may decrease negative behaviours, attitudes and intentions such as compulsory citizenship behaviours, work-related stress and turnover intention (Erdilek Karabay, 2015), and encourages positive ethical behaviour within the organization (Babalola *et al.*, 2018; Elçi *et al.*, 2012; Fehr *et al.*, 2015; Toor and Ofori, 2009; Yıldız and Yıldız, 2016). Accordingly, Zhang *et al.* (2016) revealed that ethical leadership is a predictor of internal whistleblowing among the employees. Thus, a positive perception of ethical leadership is extremely important for the employees' comfort and security, while deciding whether to disclose in the internal organizational environment any misconduct/wrongdoing whenever noticed.

### *2.2 Distributive justice*

Distributive justice describes the perceived fairness of outcomes employees receive (Folger and Konovsky, 1989; Cropanzano and Greenberg, 1997). Early studies on organizational justice were primarily concerned with distributive justice. Grounded in Adams (1965) equity theory, we also suggest that employees will strive for equitable conditions by comparing themselves to co-workers as in terms of level of effort expended and job outcomes (Sledge *et al.*, 2008). Distributive justice as the main driver of outcome satisfaction (Greenberg, 1990) is therefore a very important organizational perception for encouraging positive employee intentions. Various studies (Ferrel *et al.*, 1989; Józefczyk *et al.*, 2009) state that ethical behaviour in organizations can be influenced not only by a combination of individual characteristics such as values and cognitive moral thinking but also by the contextual factors such as reward systems. More specifically, employees who perceive that they are treated fairly, may be more inclined to whistleblow (Podsakoff *et al.*, 1993; Cohen-Charash and Spector, 2001; Seifert *et al.*, 2010;

Kyu Wang *et al.*, 2018). Therefore, fair distribution of outcomes may be assumed by the members of the organization as an indicator of a suitable and safe climate for reporting wrongdoings. Investigation of the complaint and stopping of the wrongdoing by the organizational authorities are the mere expectations of any whistleblower who risks being retaliated (Miceli and Near, 1992; Seifert *et al.*, 2010).

### *2.3 Trust in leader*

Attitudes together with perceptions seem to be among significant predictors of whistleblowing intention (Brown *et al.*, 2016). Employee perceptions about organizational climatic factors such as ethics and justice are attributed drivers of whistleblowing intention in the recent literature, whereas more direct and concrete attitudes of trust towards the leader are rarely studied. These attitudes are more personalized and easier to be linked more directly to action than general climatic factors. Employees can develop trust not only through their organization but also through their supervisors as well (Whitener, 1997; Yıldız, 2019). As Blau (1964) noted:

> [...] the establishment of exchange relations involves making investments that constitute commitment to the other party; since social exchange requires trusting others to reciprocate, the initial problem is to prove oneself trustworthy.

According to a survey conducted by Flavian *et al.* (2018), trust in leader is found vital to translate positive perceptions (i.e. justice) to positive behaviours (i.e. citizenship). Specifically, for whistleblowing, trustworthiness of the leader can easily convince them to feel much more secure to report any misconduct. Similarly, Anugerah *et al.* (2019) mention that employees who trust in their leader feel psychologically safe to internally whistle blow.

### *2.4 Hypotheses development*

Beyond the one-to-one direct effects of organizational perceptions and attitudes on the whistleblowing intention, we investigate the mediating role of the employee attitude of trust in leader in relation to perceptions of justice and ethics to the employee intentions of internal whistleblowing.

*2.4.1 Ethical leadership – trust in leader relationship.* Trust has already been linked in the literature to a variety of other leadership related positive perceptions, attitudes and behaviours, such as transformational leadership (Dirks and Ferrin, 2002), quality of managerial decision-making (Bijlsma and Koopman, 2003), protecting employees' rights and consideration for employees' needs and interests (Fairholm and Fairholm, 2000; Moye and Henkin, 2006) and effective leadership (Colquitt *et al.*, 2012). Accordingly, there also exists some studies suggesting that employees' perceptions of ethical leader behaviour to be positively related to trust (Den Hartog and De Hoogh, 2009; Mulki *et al.*, 2008; Salamon and Robinson, 2008). Thus, we argue that positive employee observations and evaluations about the ethicality of the leadership under which they working can be easily associated with their inclination to trust. In other words, the ethical conduct of a leader observed by the employees may help them to develop an effective attitude of trust in their leader. Thus, we propose that:

*H1*. Employees' perception of ethical leadership has a positive effect on trust in their leader.

*2.4.2 Distributive justice – trust in leader relationship.* Trust is assumed to be a product of perceived justice as they have similar elements such as accuracy of distribution and consistency with previous promises which lead employees to repay with trust. In this

manner, justice perceptions contribute to the development of trust according to the recent literature (DeConinck, 2010; Tremblay *et al.*, 2010). However, only limited number of studies (Jiang, 2014) have confirmed the relationship between distributive justice and trust. Accordingly, Raza *et al.* (2017) found that employees having full faith in the payment distribution of the organization develop trust and loyalty towards their leaders. In this study, it is specifically argued that distributive justice is related to trust in leader as perceived fair division of organizational outcomes can be understood by the employees as an important indicator of trustworthiness. In other words, contentment from the reward or outcome distribution may convince employees to believe that their leader is trustworthy and reliable. In accordance, we posit that:

*H2.* Employees' distributive justice perception has a positive effect on trust in their leader.

*2.4.3 The mediating role of trust in leader.* Trust in leader has been examined as a mediator between numerous similar concepts such as organizational justice and work outcomes (Aryee *et al.*, 2002; Tsai *et al.*, 2009), leadership and organizational citizenship (Podsakoff *et al.*, 1990), leadership and employee well-being (Liu *et al.*, 2010), leader member behaviour and leader member exchange (Sue-Chan *et al.*, 2012), leader behaviour and job satisfaction (Gilstrap and Collins, 2012). In this study, we argue that employees who perceive that their leaders behave in an ethical manner develop trust towards them and this positive attitude encourages them to be inclined to report wrongdoing without any fear of retaliation. Ethical leadership is not the only antecedent of trust and without the mediation of or in the absence of trust, just ethical leadership alone cannot create this intention. Furthermore, distributive justice being another important antecedent of trust in leader can be also related to whistleblowing. When employees perceive that organizational outcomes are fairly distributed, they can develop trust towards their leaders and this positive attitude leads to whistleblowing. Recent literature also provides some ground for this proposition. For instance, Seifert *et al.* (2013) support the mediating role of trust in supervisors by emphasizing that it is affected by organizational justice while having a positive impact on employee voice and promoting the speaking up about workplace issues. Based on the above discussion, we posit that:

*H3.* Trust in leader mediates the positive relationship between perceived ethical leadership and internal whistleblowing.

*H4.* Trust in leader mediates the positive relationship between perceived distributive justice and internal whistleblowing.

## 3. Methodology

The main goal of this study is to examine the interrelatedness of the drivers of the whistleblowing intention by proposing trust in leader as a mediating variable while ethical leadership and distributive justice were used as independent variables. We test this mediation model via path analysis of direct and indirect effects as presented in Figure 1.

### *3.1 Sampling and data collection*

Data was gathered through questionnaires that were distributed to employees within banking sector, located in Istanbul. The research population consists of full-time employees from privately held deposit banking services in Istanbul, Turkey. According to the statistics

of the Banks Association of Turkey (2018) (TBB), as of the year-end 2018, 52 banks operate in Turkey, of which 21 of them hold significant foreign capital and 3 of them are publicly-owned organizations.

The convenience sampling method was chosen, so participation in the study was voluntary. This method was also used by Sedgwick (2013) and Kemper *et al.* (2003). To ensure confidentiality, the surveys began with a letter of intention that explained the ultimate research goal. Accordingly, senior managers were communicated through an official letter, a phone call and face-to-face communication channels to explain the objectives of the study and request permission for data collection. Each employee received the questionnaire through an online link sent to his/her official electronic email addresses. Consequently, a total of 2,000 questionnaires were distributed, which, in turn, yield to 1,346 responses (56.9% response rate). Missing data was removed from the target variables, and this procedure reduced the final sample to 1,296 people.

### *3.2 Measures*

*3.2.1 Perceived ethical leadership.* Ethical leadership was measured with the 10 items of the ethical leadership scale developed and validated by Brown *et al.* (2005) and adopted to Turkish by Tuna *et al.* (2012). The previously mentioned scale received empirical attention in the relevant literature (Walumbwa *et al.*, 2011; Mayer *et al.*, 2012; Kalshoven and Boon, 2012). A sample item includes, "My supervisor disciplines employees who violate ethical standards". Responses were based on a five-point scale anchored at 5 (strongly agree) and 1 (strongly disagree).

*3.2.2 Distributive justice.* The scale developed by Niehoff and Moorman (1993) and adopted to Turkish by Gürbüz and Mert (2009) was used to measure distributive justice. The distributive justice scale consisted of five items previously used by numerous scholars (Nadiri and Tanova, 2010; Noruzy *et al.*, 2011). One sample item includes, "I think that my level of pay is fair". Responses were based on a five-point scale anchored at 5 (strongly agree) and 1 (strongly disagree).

*3.2.3 Trust in leader.* Trust in leader was measured with a five-item scale adapted from Podsakoff *et al.* (1990). One sample item includes "My manager would never try to gain an advantage by deceiving workers". Scale was also used by Rich (1997).

*3.2.4 Whistleblowing intention.* For the constructs of the whistleblowing intentions, both internal and external, the scale developed and validated by Park and Blenkinsopp (2009) was used. Respondents were asked to answer the questions (i.e. when I see the unethical situation/point [. . .].), with such statements as: "I report it to the appropriate persons within the organization". Response options included a seven-point scale designed on 7 (strongly agree) and 1 (strongly disagree). This scale was used by various researchers such as Latan *et al.* (2018).

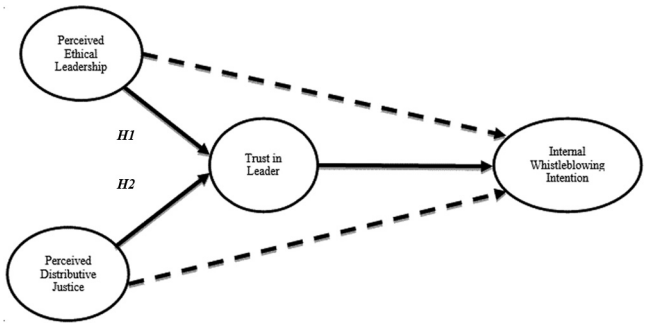



**Figure 1.**
Hypothesized conceptual model

*3.3 Findings*

Means, standard deviations, reliability coefficients (presented in parentheses) and zero-order correlations for all constructs are presented in Table 1. Scales used in this study exceeds the recommended reliability level (Cronbach, 1951); and all study variables are significantly and positively related to each other.

To assess the discriminant validity both the Fornell and Larcker (1981) criterion and Anderson and Gerbing's (1988) two-step approach are used. After the constructs are confirmed and their psychometric properties are achieved, confirmatory factor analysis (CFA) is performed to assess the reliability and validity using AMOS 25 to all scales used in this study. CFA results indicated that all factor loadings are relatively high and significant, which provides evidence for convergent validity (Bagozzi and Yi, 1988).

In the second step, the hypothesized model is tested with path analysis. In other words, ethical leadership and distributive justice were linked to trust in leader (mediator variable) and whistleblowing. As suggested by Hu and Bentler (1999) using multiple fit indices to evaluate the model fit was preferred. In this respect, to test goodness of fit the model goodness of fit index (GFI), normed fit index (NFI), comparative fit index (CFI), Tucker-Lewis index (TLI), root mean square error of approximation (RMSEA) and adjusted GFI ($\chi^2$/df) were used (Hu and Bentler, 1999; Marsh *et al.*, 1988; Marsh *et al.*, 1996; Medsker *et al.*, 1994; Tucker and Lewis, 1973).

As shown in Table 2, CFA results indicate that the overall goodness-of-fit indices of hypothesized model fit well with the data. As mentioned above, all fit indices exceeded 0.90, while the value of RMSEA is below 0.08 (MacCallum *et al.*, 1996). As all factor loadings are statistically significant, convergent validity was also supported (Hair *et al.*, 2010). Also, as Fornell and Larcker (1981) suggested, the average variance extracted (AVE) value for all constructs were greater than 0.50, and the composite reliability levels for each construct exceeded 0.70. Finally, to test discriminant validity, we followed Venkatraman's (1989) approach. According to this method, two covariance paths (constrained and unconstrained) should not overlap each other (Liu and Lin, 2016). As presented in Table 3, all pairwise model's Chi-square values differ from the critical values. Hence, discriminant validity of the measurement model is confirmed. The results of the CFA indicated that the measurement

**Table 1.**
Means, standard deviations and correlations of variables in the study

| Variables | M | SD | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|---|
| Ethical leadership | 3.77 | 0.826 | (0.93) | | | |
| Distributive justice | 3.15 | 1.070 | 0.512** | (0.90) | | |
| Trust in leader | 3.70 | 1.034 | 0.796** | 0.516** | (0.94) | |
| Whistleblowing | 3.30 | 1.019 | 0.125** | 0.111** | 0.143** | (0.84) |

**Notes:** *$p < 0.05$; **$p < 0.05$; Cronbach's alpha reliability coefficients are presented in the parentheses

**Table 2.**
Convergent validity of the measurement model[a]

| Constructs | #Items | AVE[b] | CR |
|---|---|---|---|
| EL | 9 | 0.56 | *0.92* |
| DIS | 3 | 0.72 | 0.88 |
| TRS | 5 | 0.75 | 0.94 |
| WBI | 4 | 0.55 | 0.82 |

**Notes:** [a]Italicized values on the diagonal are the square root of the AVE values. [b]Average variance extracted

for these variables in the models was satisfactory ($\chi^2$/df = 4,751, $p < 0.001$). The fit indices provided further support for the good model fit of the CFA model (GFI = 0.94; TLI = 0.96, CFI = 0.97, NFI = 0.96, RMSEA = 0.054).

The hypotheses were developed to examine the mediating role for the employee attitude of "trust in leader" in relation with the employee perceptions of both "ethical leadership" and "distributive justice" to the employee intention of "internal whistleblowing". To test this mediator role of trust in leader, we conducted path analyses for both direct and indirect effects. The analysis for direct effects tests not only the existence of significant relations of independent variables (employee perceptions) and that of the mediator (the attitude) to the dependent variable (the intention) but also the existence of significant relations of independent variables on the mediator. The analysis for indirect effects tests whether the already found direct effects of the independent variables on the dependent variable disappear because of the overshadowing effect of the mediator (Baron and Kenny, 1986). All the direct effects according to the path analysis are statistically significant and positive as shown at Table 4.

Direct effects of the independent variables, namely, employee perceptions of ethical leadership (® = 0.142, $p < 0.001$) and distributive justice (® = 0.106, $p < 0.001$) were found to be positive and significant on the internal whistleblowing intention. Similarly, another positive and significant result was found when we tested the relation of the employee attitude of "trust in leader" (® = 0.178, $p < 0.001$) again to whistleblowing. Then we checked the direct effects of the same independent variables on the attitude of trust in leader, it is also found that these effects (that of ethical leadership: ® = 0.864, $p < 0.001$; that of distributive justice: ® = 0.452, $p < 0.001$) are also positive and significant.

Table 5 indicates the SEM results that examined the indirect effects of testing the mediator role of trust in leader in the relationships between ethical leadership-whistleblowing and distributive justice-whistleblowing. The $\chi^2$ value of 821,958 (df = 173)

| Test # | Description | $\chi^2$ constrained model | $\chi^2$ unconstrained model | Difference[a] |
|---|---|---|---|---|
| | | | *822.* | |
| 1 | EL → TRS | 472.6 | 384.4 | 88.2 |
| 2 | EL → DIS | 491.5 | 284.8 | 206.7 |
| 3 | DIS → TRS | 359.4 | 152.5 | 206.9 |
| 4 | TRS → WBI | 443.5 | 92.8 | 350.7 |
| 5 | EL → WBI | 532.8 | 150.5 | 382.3 |
| 6 | DIS → WBI | 386.0 | 22.5 | 363.5 |

**Note:** [a]All values are significant at $p < 0.001$

**Table 3.** Discriminant validity of the constructs

| Direct effects | Standardized path coefficient ($\beta$) |
|---|---|
| Ethical leadership → internal whistleblowing intention | 0.142*** ($t$ = 4,596) |
| Distributive justice → internal whistleblowing intention | 0.106*** ($t$ = 3,400) |
| Trust in leader → internal whistleblowing intention | 0.178*** ($t$ = 5,840) |
| Ethical leadership → trust in leader | 0.864*** ($t$ = 27,562) |
| Distributive justice → trust in leader | 0.452*** ($t$ = 15,626) |

**Notes:** *$p < 0.05$; **$p > 0.01$; *** $p < 0.001$; ns: non-significant

**Table 4.** Test results of structural equation modeling for direct effects

and the fit indices (GFI = 0.94; CFI = 0.97; NFI = 0.96; TLI = 0.96; RMSEA = 0.054) indicating an adequate fit of the model to the data. According to this model, the effects of the independent variables on the internal whistleblowing intention, namely, employee perceptions of ethical leadership (® = −0.07, $p > 0.05$ ns.) and distributive justice (® = 0.03, $p > 0.05$ ns.) turn to be non-significant, while their effects on the mediator and the effect of the mediator (® = 0.22, $p < 0.01$) on the dependent variable are still significant. Accordingly, we can induce that trust in leader as an employee attitude plays a mediator role in the relations of employee perceptions to their intention of whistleblowing. Therefore, both hypotheses (*H3* and *H4*) are supported.

As shown in Figure 2, the numbers with asterisks represent significant relationships, and standardized parameters were provided.

## 4. Conclusion

This study aimed to uncover complex relations among such possible drivers of whistleblowing as justice, ethics and trust with the assumption that positive perceptions and attitudes about various aspects of leadership and organizational factors are likely to promote positive employee reciprocations (Elçi *et al.*, 2014). Our results with respect to our research objectives indicate that employee perceptions of ethical leadership and distributive justice are positively related to the internal whistleblowing intention and the employee attitude of trust in leader has a mediating role in these relations as hypothesized. Thus, employees are likely to reciprocate by adopting behaviours beneficial to their organization when it treats them ethically and fairly. As Puni *et al.* (2016) have already mentioned, leaders and employees in any organization must be given orientation about whistleblowing and be encouraged to expose unethical behaviours and how to use the reporting mechanisms.

**Table 5.**
Test results of structural equation modelling for indirect effects

| Hypothesis | Standardized path coefficient ($\beta$) |
|---|---|
| Ethical leadership → internal whistleblowing intention | −0.068 ns. ($t$ = −0.941) |
| Distributive justice → internal whistleblowing intention | 0.031 ns. ($t$ = 0.861) |
| Trust in leader → internal whistleblowing intention | 0.223*** ($t$ = 3,125) |
| Ethical leadership → trust in leader | 0.827*** ($t$ = 25,447) |
| Distributive justice → trust in leader | 0.073*** ($t$ = 3,441) |

**Notes:** *$p < 0.05$; **$p > 0.01$; *** $p < 0.001$; ns: non-significant

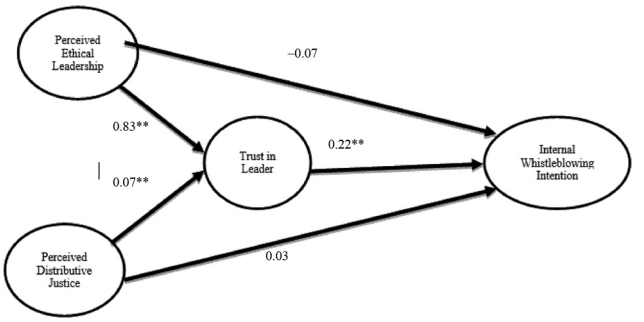



**Figure 2.**
Structural equation modeling results

Our findings about the positive relations of ethics, justice and trust to each other and also to the intention of whistleblowing are in general in line with prior studies (Bhal and Dadhich, 2011; Seifert *et al.*, 2013; Zakaria, 2015). Moreover, the confirmation of the specific mediating role of trust in leader is an original contribution of this study although some earlier studies mentioned such a role of trust in linking positive perceptions to positive intentions or behaviours (Seifert *et al.*, 2013; Chughtai *et al.*, 2015). Our fully supported path of mediated relations contributes to the better understanding of complex relations by confirming specifically the bonding role of "Trust in Leader" in translating employee perceptions about both ethicality of leadership and fairness of distributions into internal whistleblowing intentions. Likewise, we can conclude that the attitude of trust towards the leader has a central role within the drivers of internal disclosure of wrongdoings ensuring the early identification of ethical problems. Otherwise, even potentially well-intentioned employees with positive evaluations about organizational factors and leadership may feel in isolation and refrain from constructive disclosures. We may even speculate that once ethical concerns that are not encouraged and supported to turn into positive actions have the potential to be extinguished by even normalizing misconduct.

### *4.1 Managerial implications*

Whistleblowing has gained considerable attention not only in academia but also in the practical business life, after recent revelations of serious financial scandals all over the world. Such as most corporations, financial institutions are also vulnerable to unethical practices caused by their employees and/or managers. Accordingly, governmental regulators and private executives especially in the financial sectors of both developed and developing countries have already determined sectoral and professional moral principles and prepared ethical guidelines for preventing corporate scandals to occur. Internal whistleblowing mechanisms are integral parts of these precautions with the hope that internal reporting channels would encourage employees in voicing their concerns without fear of reprisal and improve transparency when fighting against possible attempts of fraud and misconduct. Espousing the idea of squealing on wrongdoing colleagues by applying to the whistleblowing mechanisms necessitates also convincing and encouraging employees to do so for the sake of the organization and the society. Nevertheless, some employees at first glance may equate whistleblowing with an inappropriate behaviour of informing on colleagues or may fear from retaliation, etc. Thus, just establishing inner organizational mechanisms are not strongly enough to expect from them to opt to whistleblow. Employees need more to reciprocate.

As for the managerial implications of our findings, both ethical leadership and distributive justice perceptions on the part of the employees seem to be significantly convincing especially with the intercession of the trustworthy leaders. Organizations need to develop and use this important attitude, i.e. trust in leader, as a strong link to tie positive organizational perceptions about justice and ethics to the intention of reporting misconduct. In this sense, every leader should be aware that he/she knowingly and/or unknowingly influences perceptions, attitudes and intentions of the followers who are ready to emulate exemplary behaviours in line with guiding ethical principles. Employee perceptions and attitudes necessitate trustworthy role models who represent abstract concepts/principles of fairness and morality by materializing them into daily practice and problems. Therefore, investing in selection and development of potential leaders who have already internalized ethical principles as role models that can instil confidence about expected employee intentions and behaviours should be among the primary policies/concerns of human resource management. In brief, a well-established and internalized ethical climate embracing also trust and justice principles and also stimulating its members to have strong conscience

and consistence to report the wrongdoings wherever and whenever they happen, would provide the necessary precautions to prevent the occurrence of scandalous misconducts to occur and grow.

*4.2 Limitations and further research implications*

Despite its theoretical contributions and practical suggestions, our study has some limitations. Main concerns may be related to its scope (only on employees working in the Turkish banking sector), its content (only ethics, justice and trust related drivers of internal whistleblowing) and its measurement method (all variables being measured at the same time by using single respondents).

Firstly, as collected data represent only Turkish banks, the worldwide generalization of the results is limited. Still the Turkish case may provide interesting findings to illustrate the organization and leadership related drivers of internal whistleblowing and the central role of trust in leader, as similar ethical problems are present, and correction attempts, regulatory precautions, etc., are being developed and implemented in different cultural and/or legal settings to combat misconduct. As for the legal and institutional arrangements within the sector, generalizations may be done only among those countries sharing similar legal and sectoral frameworks. For instance, being a candidate country for the European Union, Turkey accepts and follows the European Parliament's "Whistleblower Protection Directive" which provides whistleblowers with legal protection. As for possible generalizations about whistleblowing based on cultural settings, national cultural similarities and/or differences may help and/or hinder also cross-cultural generalizations. Although mostly based on student samples, earlier studies showed the relevance of national culture with whistleblowing (Park *et al.*, 2008). According to Hofstede's national culture taxonomy, Turkey has a collectivist culture (www.hofstede-insights.com) where people belong to "in groups" that take care of them in exchange for loyalty and give more priority to organizations than the individual (Park *et al.*, 2005). As put forth by Cheng *et al.* (2015), it is less likely for collectivists to be whistleblowers than those who are individualistic. In a recent study, Dhamija and Rai (2018) obtained a positive relationship between internal whistleblowing intentions of Indian MBA students and collectivism by arguing that collectivists consider organizational goals and prestige more important and more prone to internal whistleblowing. In this regard, our results seem to be more generalizable for the collectivist cultures. Future research may try to compare data from different legal, institutional, sectoral and cultural settings to generalize findings all over the world.

Secondly, as we only concentrated in this study on internal whistleblowing and its perceptual and attitudinal drivers to develop a parsimonious model, other important aspects are not studied. However, also other potential factors can be tested as direct drivers or moderators in future studies. For instance, individual characteristics already used in whistleblowing literature, such as personality (Bjørkelo *et al.*, 2010; Miceli *et al.*, 2012), self-efficacy (MacNab and Worthley, 2008), self-confidence (Zhang *et al.*, 2009b), individual moral standards (Chiu, 2003) or *locus* of control (Chiu, 2003; Spector, 1982) can be proposed as possible moderators to be added into a similar model. We recommend to further test our model with potential moderators in moderated-mediation models (Preacher *et al.*, 2007) using at the same time internal and external whistleblowing as twin dependent variables and to compare the possible effects of different leadership types on different whistleblowing mechanisms.

Thirdly, another concern in our study may be related to the common method variance in our data sources as all variables are measured at the same time by using single respondents. In other words, our sample is composed of individual respondents who rated all the predictor and criterion variables by themselves (common rater effect) at the same point in

time (same measurement time effect); these issues were classified as biases by Podsakoff *et al.* (2003). To minimize such biases, we have already taken some procedural precautions such as using established scales and protecting anonymity (Yıldız *et al.*, 2017). In addition, our already reported statistical findings about correlations, validity and goodness of fit provide evidence that common method bias may not be so problematic.

To conclude, the ethical, fair and trustworthy organizational leadership and mechanisms should nurture internal whistleblowing motivation of the employees as an early warning mechanism to prevent possible ethical scandals to occur.

## Note

1. In the period of 1999–2003, shareholders and executive members of the banks taken over by the Savings Deposit Insurance Fund of Turkey were charged with exercising potentially harmful practices, causing financial losses and leaving the rights and interests of depositors unprotected (Günay and HortaÇsu, 2011). Also, many employees were charged with violating against Turkish Criminal Law and Banking Law.

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## Further reading

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