WHISTLEBLOWER MECHANISMS:

A Study of the Perceptions of "Users" and

"Responders"

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OBJECTIVE AND METHODOLOGY

Management and employee fraud are concerns for all organizations today. Confidential reporting mechanisms, or whistle-blower hotlines, are often proposed as one tool in the organization's internal control arsenal for dealing with fraud. The guiding framework for the design and evaluation of internal control today is the 1992 report issued by the Committee of Sponsoring Organizations, commonly called the COSO Report. A key dimension of internal control in the COSO Report is communication. Since fraud involves concealment and communication fosters openness, it is logical that communication might act to thwart fraudulent activities. Indeed, COSO asserts that a key element of good communication is "upstream" communication, such as that provided via a whistle-blower hotline (Hooks et al. 1994).

If communication regarding observed incidents of fraud is to occur, it is vitally important to the organization that these reports be made internally, rather than through external paths. It is only in this way that organizations can meet the challenge of addressing the immediate problem of fraud and correcting the internal controls which allowed the fraud to occur. This will also give the entity the ability to report the wrong-doing and associated corrective action to appropriate authorities internally, and externally if necessary, rather than suffering the embarrassment and potential legal penalties

resulting from learning of the fraud through external channels. It is encouraging to note that nearly all whistle-blowers first report perceived wrongdoing to parties within their organizations (Miceli and Near, 2002). When valid, such reports provide the opportunity for wrongdoing to be corrected and organizational controls to be improved.

Are these tools effective? In a 2002 report, the Association of Certified Fraud Examiners (ACFE) reported that the most common method of fraud detection was a tip from an employee, which occurred in over a quarter of the cases reviewed (ACFE 2002). Yet, many anecdotal reports in the media suggest that whistleblowing is not always welcomed. Additionally, research indicates that the mere existence of a hotline is not always effective in even detecting fraud, much less preventing or correcting it. The relationship among whistle-blowers and other parties is critical to understanding how whistleblowing plays out.

This survey was designed to explore these issues. Members of the Dallas Chapter of Internal Auditors were encouraged to complete the survey and to ask individuals within their organizations to complete it, as well. The first part of the survey gathers information describing the particular features of whistleblower hotlines used by companies today. The instrument then divides participants into groups:

⇒ Users - those who are in positions to identify unethical acts that could potentially impact the financial statements and may, one day, face the decision of whether to make a report via a confidential hotline; and

$\Rightarrow$ Responders - those who are responsible for screening, researching and evaluating reports made via their organization's whistleblower hotline.

From the users, we sought to better understand what makes people willing or unwilling to report unethical acts or violations of corporate policy through whistleblower hotlines.

From the responders, we sought to understand their perceptions of when hotlines should be used, as well as how they decide whether to investigate, how to investigate, and how to respond once an investigation is complete.

WHISTLEBLOWER DEFINITION AND ISSUES

The American Heritage® Dictionary defines a whistleblower as "One who reveals wrongdoing within an organization to the public or to those in positions of authority." Whistleblower hotlines have been common place in government agencies and for governmental contractors for decades. More recently, whistleblower mechanisms are considered a possible tool for the detection, and possibly prevention, of corporate wrong-doing. Indeed, the Sarbanes-Oxley Act (2002) requires audit committees to establish procedures for—

    (A) the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

    (B) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

Despite the long history of hotline availability in some fields and industries, however, little proof exists to support their effectiveness in achieving a reduction in wrong-doing. An objective of this study is to build some evidence to identify when mechanisms are and are not effective.

In order for whistle-blower mechanisms to achieve their objectives, observers of wrong-doing must be willing to make reports over the hotline, and those who receive the reports must respond appropriately. Whistleblower theory suggests many possible determinants of an individual's willingness to report observed wrong-doing, including the characteristics of the inappropriate act, of the observer and of the organization. For

example, research suggests that the importance or seriousness of the act impacts willingness to use a hotline, suggesting that more material acts are more likely to be reported (Finn 1995). Additionally, the observer's perceptions of responsibility for reporting the act may impact their willingness to report the event (Graham 1986). The organization's reputation for retaliation will influence the perception of cost in regard to making a report (Arnold and Ponemon 1991). Despite the notion that hotline reports are confidential, willingness to use the hotline may be effected by employee trust in those who will receive the reports and perform the investigation - trust that their identify will remain confidential and trust that the organization will appropriately respond to valid reports made via the hotline. Indeed, why should an employee take risks if chances are that it will do no good toward stopping the unethical activity or their careers may be endangered by disclosure of their identify?

While whistleblower theory and a small body of research supports the above determinants of whistleblower actions, no research exists to suggest the factors influencing the actions of those at the other end of the hotline - those receiving the reports. If reports are made, yet not communicated to the appropriate individuals and/or not investigated adequately, their usefulness is limited. Due to the absence of research on this topic, this survey is the first to explore the possible factors influencing the behavior of those on the receiving end of whistleblower hotlines.

SURVEY

i. Survey Demographics

We distributed the survey to all members of the Dallas chapter in both written and electronic form. In total, 42 members of the chapter either completed the survey or solicited individuals in their organization to complete it. An additional 48 participants were solicited by members of the research team. The following summarizes their demographics:

GENDER: Respondents were 40% Female and 60% Male.

EDUCATION: Participants had attended 5 ½ years of college education on average.

One individual had an associate degree and the remainder of the responses were split between undergraduate (51%) and graduate (46%) degrees.

The college majors were distributed between accounting and/or finance (39%), other business disciplines (36%), or other (25%).
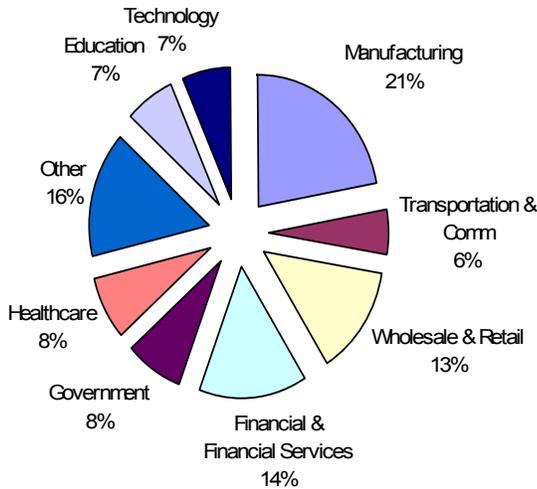
EXPERIENCE: In regard to work experience, respondents had an average of 5.6 years with their current company, and 13.5 years of professional work experience, in total.

Participants' positions in their organizations were distributed as follows:
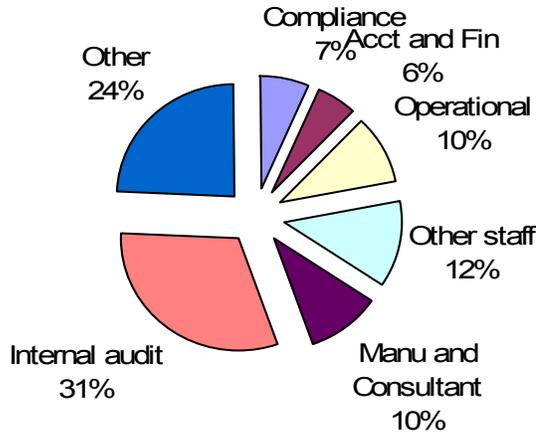
The industries in which respondents worked were evenly distributed across a variety of areas:

In regard to whistleblower mechanisms, the objectives of this survey required that individuals be classified as users (potential reporters) or respondents. Of the 90 participants, 67% were users and the remaining 33% considered themselves respondents to reports made over hotlines.

ii. Whistleblower mechanisms

The following questions were asked of all respondents, in order to better understand the nature of hotlines among companies in our area (the responses follow each question):

⇒ Does your company's Code of Conduct /Code of Ethics require that you report incidents of unethical behavior by others?

71% were certain that their company's code requires reporting, 7% were certain that their company's code did not require this, and the remaining participants were unsure.

⇒ Does your company have a confidential employee Hotline?

64% of participants were certain that their organizations have a confidential reporting hotline, over 25% were certain that their company did not have a confidential reporting hotline, and 11% were not sure.

⇒ What technology does your company's employee Hotline use? (select all that apply)

Of the companies with hotlines, 78% employed telephone, 34% used the internet and 9% used other mechanisms, such as faxed or mailed letters.

⇒ Who initially receives the reports made over your company's hotline?
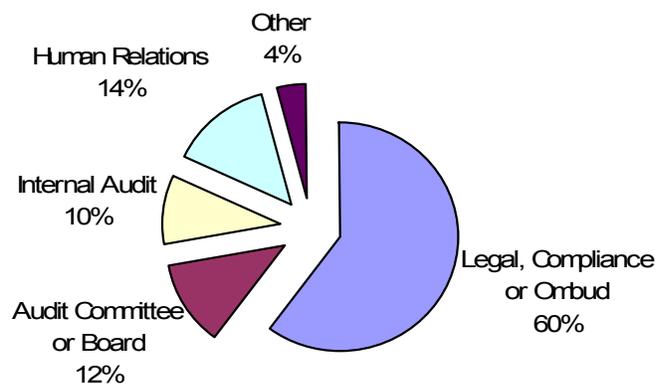
⇒ Who follows up on the reports made over the hotline? (Please identify the person or persons by their position, rather than by name)

Of those who felt they were familiar enough with their company's hotline to identify the parties who follow up on reports made over the hotline, only 25% believed that their organizations included more individuals in the follow-up than initially received the report.

iii. Contextual Factors - Analysis of Cases

Research indicates that context is the most important determinant of an individual's percepts regarding the appropriateness of whistleblowing. In order to ascertain the types of contextual features which might influence individuals' perceptions, we devised a set of scenarios and asked individuals to respond to questions for each scenario. All participants received all scenarios, in the same order. The responses to these questions are analyzed below, contrasted by scenario.

Scenario 1. Assume you are the *assistant to a divisional controller* of your company. You have recently learned that your boss, the divisional controller, has established the policy that all supplies used by the entire division (office supplies, bathroom paper, employee drinks, etc.) are to be charged to Cost of Goods Sold, rather than Supplies Expenses as required by Generally Accepted Accounting Principles, in order to meet upper management's cost containment objectives.

Scenario 1a: Assume this represents   0.5% of total expenses for the company:
Scenario 1b: Assume this represents   6.0% of total expenses for the company:

Scenario 2. Assume you are an *employee in the warehouse* and have observed the warehouse supervisor placing company inventory into his car.

Scenario 2a: Assume you are the only other person who knows of the theft and the supervisor is not aware of your knowledge

Scenario 2b: Assume you are the only other person who knows of the theft and the supervisor is aware of your knowledge

Scenario 2c: Assume you are not the only other person who knows of the

theft and the supervisor <u>is not</u> aware of your knowledge

Scenario 2d: Assume you are <u>not</u> the only other person who knows of the theft and the supervisor <u>is</u> aware of your knowledge

Table 1
Question: What should the employee (assistant/warehouse employee) do?

The following represents the percentage of respondents: who selected this alternative as their first step (who selected this alternative among all possible feasible actions).

Scenario:	1a .5% of total expenses	1b 6.0% of total expenses	2a Only person – not aware	2b Only person – is aware	2c Not only person – not aware	2d Not only person – is aware
Speak to the superior who is committing the misdeed (controller/ supervisor) personally	72% (84%)	74% (82%)	24% (49%)	58% (65%)	30% (65%)	47% (58%)
Speak to the V.P. (of Finance/ Operations) to whom the superior reports	9% (80%)	9% (88%)	27% (75%)	14% (76%)	23% (72%)	16% (66%)
Use the confidential employee Hotline	9% (82%)	13% (91%)	46% (96%)	28% (94%)	41% (96%)	31% (92%)
Do nothing	9%	2%	3%	0%	4%	5%

As discussed, research suggests that the most important determinant of an individual's actions, when observing an unethical act, is the context of the event. Table 1 indicates that the willingness to take particular steps differs substantially across cases. For example, willingness to use the hotline as a first step was only 9% and 13% for Scenario 1, which involved financial misreporting, while it was between 28% and 46% for Scenario 2, which involved employee theft. Additionally, willingness to speak to the

individual committing the misdeed, as a first step, was much greater in the case of financial misreporting (Scenario 1) than in the case of employee theft (Scenario 2).

Two versions of Scenario 1 presented the survey participants with the opportunity to distinguish the materiality of the financial misreporting they were observing. Scenario 1A involved an error in the financial statement of ½ of 1% of total company expenses, while Scenario 1B involved 6.0% of total expenses. Reviewing the responses presented in Table 1, it appears that participants did not differ in their first response to this act, with most interested in speaking to the individual involved. Additionally, 10% of participants stated that they would do nothing in this case. However, as materiality of the misreporting increased (Scenario 1B), survey participants did indicate a willingness to use more extreme measures (talking to the VP or using the hotline) if their conversation with the individual involved was not satisfactory.

The four versions of Scenario 2 were designed to evaluate the impact of shared responsibility (whether others knew of the theft) and risk that the supervisor could identify who made the report (supervisor is/ is not aware of your knowledge). Shared responsibility is indicated in Scenarios 2C and 2D, while the participant assumes they are the only one who knows of the theft in Scenarios 2A and 2B. Comparing the averages of 2A and 2B to 2C and 2D, there is no suggestion that participants reacted to this difference in context. Therefore, we can assume that their actions would not differ significantly depending upon whether they were the only ones aware of the theft.

The supervisor's awareness of your knowledge is indicated in Scenario 2B and 2D, while the participant assumes they are the only one who knows of the theft in Scenarios 2A and 2C. Comparing the averages of 2A and 2B to 2C and 2D, those where the supervisor is not aware of the knowledge are more likely to use the hotline as their first response while observers are more willing to talk with the supervisor or to the V.P. when the supervisor is aware of their knowledge.

Across the two scenarios, individuals indicated a much greater willingness to speak to the individual involved when the case involved financial misreporting (Scenario 1) than when it involved theft (Scenario 2) - both as their first step and across all possible steps they might take. Participants also reported a significantly lower willingness to use the hotline as their first step for the financial misreporting case than the theft and a slightly lower willingness to use the hotline across all possible steps they might take.

To analyze the determinants of individuals' perceptions regarding whistleblowing, the responses across the cases were averaged to compute three "reporting intentions" variables.

⇒ The first variable is the question, "How likely are _you_ to use the Confidential Hotline to report the event in this scenario?"

⇒ The second variable is the question, "How likely are _others_ to use the Confidential Hotline to report the event in this scenario?" Studies of this type often ask individuals to give their attitudes regarding the actions of others, with the theory that this actually most closely represents the true attitude of the individual themselves, striped of the need to guard one's self-presentation.

⇒ The third variable, Selected Hotline, is either 1 or 0, depending upon whether the individual included the Hotline in any of their possible actions.

The responses to these questions are presented on the next page, in Table 2. For comparative purposes, the responses of the potential users of the hotline and those of the responders to the hotline are displayed separately. Additionally, the first column in the table indicates whether the perceptions of the users and responders are statistically different.

Table 2
Reporting Intentions
Presented for Each Participant Group (Role)

Means are statistically different between groups		Overall Mean	Role: Reporter = 0; Responder = 1	Group Mean	Std. Dev	Num ber	Range
	Reporting Intentions: Likelihood I Would Use the Hotline - average across scenarios	3.9	0	3.8	0.90	59	1=not likely 3=somewhat 5=extremely likely
			1	4.1	0.93	29	
*	Reporting Intentions: Likelihood Others Would Use the Hotline - average across scenarios	3.5	0	3.4	0.78	54	1=not likely 3=somewhat 5=extremely Likely
			1	3.8	0.69	26	
**	Reporting Intentions: Selected Hotline as One of Their Alternatives	In 74% of the cases, individuals identified the hotline as a possible alternative	0	84% of the cases	0.18	60	
			1	54% of the cases	0.32	30	

  * = significantly different with a .05 probability of error
 ** = significantly different with a .01 probability of error

Although responders reported a greater likelihood of using the hotline when asked explicitly (Likelihood I Would, Likelihood Others Would), their decision processes (Selected Hotline) indicate a lower propensity to actually include the hotline among their possible actions.

iv. Individual Factors

An important determinant of an individual's willingness to use a whistleblower mechanism - or a responder's willingness to take a report seriously - is their perception of whistleblowing. Questions to address individual perceptions are presented below in Table 3. As before, the responses of the potential users of hotlines and those of responders to hotlines are depicted separately for comparative purposes, and those statistically different between the two groups are identified in the first column.

Table 3
Individual Characteristics
Presented for Each Participant Group (Role)

Means are statistically different between groups		Overall Mean	Role: Reporter =0; Responder =1	Group Mean	Std. Dev	Number	Range	Correlated with Reporting Intentions
**	Familiarity with Hotline	6.3	0	4.7	3.5	39	0=none-10=completely	Y
			1	8.4	2.6	29		
	Potential Personal Cost of Selected Response - average across scenarios	3.4	0	3.5	0.8	57	1=none 3=some 5=high	Y
			1	3.3	1.0	30		
**	Observer is Responsible for reporting - average across scenarios	4.3	0	24.6	4.6	57	1=not 3=somewhat 5=extremely	Y
			1	27.3	3.1	28		
	Issue is Important - average across scenarios	4.3	0	25.6	3.8	57	1=not 3=somewhat 5=extremely	Y
			1	26.4	3.8	29		

The above analysis indicates that individuals' perceptions of the importance of the issue, the observer's responsibility for reporting the event, and the potential cost to the observer for reporting the event are all related to the participant's intentions to report the event using the hotline (right column). Note that, of these, only Responsibility differs between potential users and responders (left column).

The participant's familiarity with their own organization's hotline also influences their willingness to report observed events over a hotline. It seems reasonable that familiarity with their organization's hotline differs between users and responders. It is important to note that familiarity with hotlines is also correlated with reporting intentions, with those more familiar with hotlines more willing to consider using them to report a questionable event. This suggests that organizations should increase their efforts to familiarize their employees with their hotlines, in order to encourage their use.

v. Organizational Factors

Several questions were asked regarding the individual's perceptions of their organization's culture. These questions are important because it is believed that organizational culture is a determinant of an individual's willingness to whistleblow. In pursuing the goal to evaluate the impact of the two roles (responder and reporter), the means for these questions are presented for each group.

Table 4
Organizational Culture Questions
Presented for Each Participant Group (Role)

Means are statistically different between groups		Overall Mean	Role: Reporter=0; Responder =1	Group Mean	Std. Dev	Num ber	Range	Correlated with reporting intentions
**	Ethics Code Requires Reporting Unethical Acts	1.6	0	1.5	0.7	59	2 = yes 1 = unsure 0 = no	Y
			1	2.0	0.2	28		
	Frequency of Reminders of Hotline	3.0	0	2.9	2.6	39	0 = never 5 = monthly 10 = daily	Y
			1	3.2	2.5	29		
**	Hotline Reports Remain Confidential	8.3	0	7.3	3.1	35	0 = never 5 = sometimes 10 = always	Y
			1	9.4	1.4	29		
**	Do you trust that reports remain confidential	7.5	0	6.4	3.2	37	0 = no trust 5 = somewhat 10= completely	Y
			1	9.0	1.9	29		
**	Hotline Reports Are Investigated	8.4	0	7.5	3.2	30	0 = none 5 = sometimes 10 = always	Y
			1	9.3	1.7	28		
**	Do you trust that hotline reports are investigated	7.8	0	6.9	3.1	36	0 = no 5 = somewhat 10= completely	Y
			1	8.9	1.6	29		
*	Organization fosters diversity of thought and action	7.2	0	6.6	2.8	37	0 = no 5 = somewhat 10 = very much	Y
			1	8.0	2.1	28		

*	Organization foster conscience and trust	7.2	0	6.6	3.0	39	0 = no 5 = somewhat 10 = very much	Y
			1	8.0	2.3	28		
**	Individuals would seek retribution if identify of WB released	3.2	0	3.5	1.2	55	1 = unlikely 3 = possible 5 = likely	N
			1	2.6	1.0	29		
**	Organization would seek retribution if identify of WB released	2.6	0	2.9	1.2	56	1 = unlikely 3 = possible 5 = likely	N
			1	2.0	1.1	29		

As presented in Table 4, all of the organizational culture factors were positively correlated with at least one of the three measures of reporting intentions. Importantly, most of these factors differed between the two groups, as well. It is comforting to note that Frequency of Reminders did not differ between groups.

Trust in the willingness of the organization to investigate reports and to keep reporters' identify confidential were strong determinants of reporting intentions, and also differed significantly between the two groups. Organizational implications of these findings are that companies may need to improve their communications of actions taken via their hotlines in order to increase employee trust in the hotline and participants. Perhaps annual reports, summarizing actions taken, could be effective.

It also appears that perceptions of organization culture, in regard to fostering conscience and trust, and diversity of thought, impact reporting intentions and that these perceptions differ between groups.

An important component of willingness to use a whistleblower mechanism is the perception of personal cost. Cost to the individual could come from two sources: the organization or peers. While both of these perceptions differed between groups, neither

was related to reporting intentions. Note however that the cost perceptions from the cases (presented in Table 3) were related to reporting intentions.

Overall, these results suggest that organizational factors influence an individual's decision as to whether to use a company's whistleblower hotline to report an observed incidence of unethical behavior. Additionally, the perceptions of these factors differ significantly depending upon whether one is in the role of a user of the hotline versus a responder to reports made over the hotline.

vi. Responder Questions:

Although the above questions suggest that responders to hotlines perceive issues and context differently from potential users of hotlines, which suggests that they may react differently to reports than potential users might expect, it does not provide direct evidence of this. Therefore, a set of questions was asked of responders only, to elicit their opinions regarding their hotlines and reports made over the hotline. Twenty-three individuals answered the following questions.

When asked: In general, do you feel that your hotline meets expectations?

> The mean (standard deviation) was 7.87 (2.0) on a scale of 10 (completely) to 0 (not at all).

When asked: Have you tested your hotline?

> 55% responded that it had been tested. Of those who had not tested it, one-third expected to test it within the next year.

When asked: To what extent are the reports, made via your company's hotline, true violations of policy or ethics, rather than personal problems or unhappiness with an individual?

> The mean (standard deviation) was 3.04 (1.98) on a scale of 10 (completely valid) to 0 (completely invalid). This is a troublingly low response, with a relatively large standard deviation.

When asked: Which of the following best describes the level of confidentiality protection for whistleblowers in your organization?

The responses to this question are graphed below. It should be noted that only 19 of 30 responded to this question, and that several of the possible responses indicating the strongest levels of confidentiality were not selected by any respondent, including: complete confidentiality, whether requested or not; complete confidentiality if requested, and make effort to keep confidential.
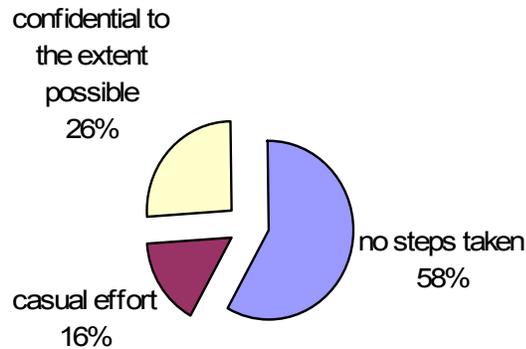
Finally, respondents were asked: How do you feel, personally, about allowing whistleblowers to remain anonymous?

The mean (standard deviation) was 8.72 (1.76) on a scale of 10 (completely necessary) to 0 (completely unnecessary). When compared to the previous answer, this may suggest dissatisfaction with actions regarding the confidentiality of whistleblowers in their own organizations.

vii. Within-Company Analyses

Finally, three companies agreed to allow the responses from their companies to be linked, with a similar, anonymous code, in order to evaluate the consistency of perceptions within organizations. These companies are numbered 1 through 3, and company = 0 is the designation of all other respondents.

All questions related to functioning of the hotline, trust and reprisal were analyzed for consistency within company. The only questions that exhibited within-company consistency (as compared to responses as a whole) were:

Code: Does your company's code of conduct/code of ethics require that you report incidents of unethical behavior by others?

2=Yes;1=Not sure;0=No

Reminder: How frequently are employees in your organization reminded of the hotline and encouraged to use it?

0=never;2=annually;5=monthly;8=weekly;10=daily

FollowUp: Who follows up on reports made over the hotline?

1=same group that receives; 2=more people than initially received; 0=don't know

RepriOrg: In your organization, if the identify of a whistleblower (WBH) was accidentally released, what is the likelihood of reprisal by the org:

1=very unlikely;2=it is unlikely;3=it is possible;4=it is probable;5=very likely

ReprInd: In your organization, if the identify of a whistleblower (WBH) was accidentally released, what is the likelihood of reprisal by individuals within the org:

1=very unlikely;2=it is unlikely;3=it is possible;4=it is probable;5=very likely

The analyses of these questions, across companies, are presented in Table 5.

Table 5
Responses Analyzed for Company

Company Number		Code	Reminder	FollowUp	RepriOrg	RepriInd
0	Mean	1.85	2.66	1.24	2.27	2.81
	N	27	29	29	26	26
	Std. Deviation	.362	2.595	.689	1.343	1.167
1	Mean	1.50	2.25	1.00	4.00	4.25
	N	4	4	4	4	4
	Std. Deviation	.577	2.062	.816	1.414	.957
2	Mean	1.75	3.50	.75	2.00	3.00
	N	4	4	4	3	3
	Std. Deviation	.500	1.000	.500	1.000	.000
3	Mean	2.00	6.00	1.75	2.25	3.00
	N	4	4	4	4	4
	Std. Deviation	.000	4.619	.500	.957	1.633
Total	Mean	1.82	3.02	1.22	2.43	3.00
	N	39	41	41	37	37
	Std. Deviation	.389	2.788	.690	1.365	1.202
F-statistic		3.3	2.62	1.87	3.44	2.54

CONCLUSION

Research suggests that the most important determinant of an individual's actions, when observing an unethical act, is the context of the event. Our analyses support this. For example, willingness to use the hotline as a first reaction to an observed unethical event was much lower in the cases involving financial misreporting than in the cases involving employee theft. Additionally, preference for speaking to the individual committing the misdeed, as a first step, was much greater in the cases of financial misreporting than in the case of employee theft.

When comparing the materiality of financial misreporting, participants did not differ in their first response to this act. When the impact of the misstatement was relatively low, 10% of participants stated that they would do nothing if they observed this. However, as materiality of the misreporting increased, survey participants did indicate a willingness to use more extreme measures (talking to the VP or using the hotline) as their second or third step, if their conversation with the individual involved was not satisfactory.

The theft cases varied shared responsibility (whether others knew of the theft) and the risk that the supervisor would know who made the report. Comparing across the cases that varied shared responsibility, there is no suggestion that participants reacted to this difference in context. Therefore, we can assume that their actions would not differ significantly depending upon whether they were the only ones aware of the theft or others knew of it, as well. Comparing across the cases that varied whether the supervisor is aware of the observer's knowledge, we find that individuals are more likely to use the hotline as their first response if the supervisor is not aware of their knowledge while individuals are more willing to talk with the supervisor or to the V.P. when the supervisor is aware of their knowledge.

Across the two scenarios, individuals indicated a much greater willingness to speak to the individual involved when the case involved financial misreporting than when it

involved theft - both as their first step and across all possible steps they might take. Participants also reported a significantly lower willingness to use the hotline as their first step for the financial misreporting case than the theft and a slightly lower willingness to use the hotline across all possible steps they might take. Comparing the most egregious management reporting fraud (representing 6% of total expenses) to the average of the theft cases (all had the same materiality level), participants showed significantly greater likelihood to report the theft than the significant reporting fraud over the hotline. They also perceived the theft as more important than the management fraud, although they felt the observing employee was equally responsible for reporting in both cases and the potential cost of reporting was the same.

Prior research theorizes three important individual characteristics as determinants of reporting intentions: individuals' perceptions of the importance of the issue, the observer's responsibility for reporting the event and potential cost to the observer for reporting the event. Our results indicate that all are related to the participant's intentions to report the event using the hotline - Responsibility and Importance positively correlated with reporting intentions and Cost negatively correlated with reporting intentions. Note that, of these, only Responsibility differs between potential users and responders.

The participant's familiarity with their own organization's hotline also influences their willingness to report observed events over a hotline. As seems reasonable, we find that familiarity with their organization's hotline differs between users and responders. It is important to note that familiarity with hotlines is also correlated with reporting intentions, with those more familiar with hotlines more willing to consider using them to report a questionable event. This suggests that organizations should increase their efforts to familiarize their employees with their hotlines, in order to encourage their use.

Most of the organizational culture variables were positively correlated with reporting intentions. It is important to note that the majority of these factors differed between the

two groups, as well. It is comforting to note, however, that Frequency of Reminders did not differ between groups. Trust in the willingness of the organization to investigate reports and to keep reporters' identify confidential were strong determinants of reporting intentions, and also differed significantly between the two groups. Organizational implications of these findings are that companies may need to improve their communications of actions taken via their hotlines. Perhaps annual reports, summarizing actions taken, could be effective.

It also appears that perceptions of organization culture, in regard to fostering conscience and trust, and diversity of thought, impact reporting intentions and that these perceptions differ between groups.

An important component of willingness to use a whistleblower mechanism is the perception of personal cost. Cost to the individual could come from two sources: the organization or peers. While both of these perceptions differed between groups, neither was related to reporting intentions. Note however that the cost perceptions from the cases (presented in section III.iii) were related to reporting intentions.

Overall, these results suggest that organizational factors influence an individual's decision as to whether to use a company's whistle-blower hotline to report an observed incidence of unethical behavior. Additionally, the perceptions of these factors differ significantly depending upon whether one is in the role of a user of the hotline versus a responder to reports made over the hotline.

A small sample of respondents allowed us to evaluate the consistency of perceptions within companies. Results indicate that there is very little consistency within companies regarding the functioning of their hotlines and little consistency regarding perceptions of their environment within which the hotline functions.

Do responders to whistleblower hotlines and potential users of the hotlines differ in their perceptions of when to use a hotline, and how the users of and reports from hotlines are and should be treated? These results suggest that there are significant differences between potential users and responders. These differences may very well impact whether potential users are willing to use hotlines, and the responders' ability to understand or identify why hotlines are not used. Responders' troubling low perception of the validity of reports made over hotlines suggests potential effectiveness concerns in regard to the effectiveness of actions taken once a report has been made.

V. WORKS CITED

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VI.   Acknowledgement