An Empirical Evaluation of Graham’s Model of Principled Organizational Dissent in the Whistleblower Context Post-SOX

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ABSTRACT

Using an experiment, we empirically examine the applicability of Graham’s Model of Principled Organizational Dissent on the intention to report corporate wrongdoing in a post-SOX environment. We establish that the perceived seriousness of the wrongful act, the employee’s level of personal idealism, and the perceived duty to report wrongdoing as part of one’s job directly influence an employee’s perceived responsibility to report. Contrary to extant literature that perceived seriousness is directly related to reporting intention, our data establishes that it has only an indirect impact by increasing one’s perceived responsibility to report. We also find that while the threat of adverse job action if management discovers the whistleblower’s identity increases the perceived personal cost of reporting, the potential that management will discover his/her identity did not impact the perceived personal cost. The prohibition against retaliation against employee-whistleblowers by Section 806 of SOX had no impact on the perceived personal cost of reporting, however, it directly increased the likelihood of reporting.

We also demonstrate that factors that influence reporting intention vary depending on whether the employee is required to provide his/her name when reporting. The perceived personal cost and perceived responsibility both impact reporting intention when the employee is not required to provide his/her name to the hotline. However, these factors have no impact on intention to report when the employee is required to provide his/her name when reporting. The protection afforded employees against retaliation by Section 806 of SOX predominates reporting intention in this situation.

Key words: Employee hotline, fraudulent financial reporting, reporting intentions, Sarbanes-Oxley Act, whistleblowing, Graham’s Model of Principled Organization Dissent.

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