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The Effects of Whistleblowing Mechanisms, Corporate Governance Culture, and Machiavellianism in the Context of Companies in Indonesia

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ABSTRACT

The increasing prevalence of fraud cases and ethical violations within corporate environments indicates that internal control systems and corporate governance have not yet been fully effective. One mechanism believed to be capable of detecting and preventing unethical behavior is whistleblowing, whose effectiveness is strongly influenced by corporate governance culture and individual characteristics. This study aims to analyze the effects of whistleblowing mechanisms and corporate governance culture on employees' ethical behavior, while considering the role of Machiavellianism in the context of companies in Indonesia. This study employs a quantitative approach with an explanatory research design. Primary data were collected through questionnaires administered to employees of private companies and state-owned enterprises (SOEs), selected using purposive sampling. Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that whistleblowing mechanisms and corporate governance culture have a positive and significant effect on employees' ethical behavior, whereas Machiavellianism has a negative effect and weakens the influence of both variables. These findings underscore the importance of integrating reporting systems, governance culture, and the management of individual characteristics to promote ethical behavior and prevent fraud within companies.

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INTRODUCTION

Fraud in organizations continues to be a significant problem, greatly affecting the development of business in Indonesia. The business environment in Indonesia is becoming increasingly complex and competitive. Globalization, digitalization, and growing demands for transparency place companies under considerable pressure not only to achieve financial performance but also to ensure compliance with ethical principles and good governance. These conditions make integrity and accountability major concerns in modern business practices.

Although various regulations and corporate governance guidelines have been implemented, cases of fraud and ethical violations still frequently occur in Indonesian companies. Phenomena such as financial statement manipulation, conflicts of interest, and abuse of authority indicate that internal control mechanisms have not been fully effective in preventing deviant behavior. This creates a need for more comprehensive detection and prevention systems. One mechanism considered effective in exposing fraud is whistleblowing. Whistleblowing is defined as the disclosure of information concerning illegal, unethical, or rule-violating practices occurring within an organization to authorized parties. This mechanism serves as an additional oversight tool that complements the functions of auditing and formal controls (Singh & Ramdeo, 2020).

Various studies show that a large proportion of fraud cases are uncovered through whistleblower reports rather than external audits. However, the effectiveness of whistleblowing mechanisms is determined not only by the existence of formal systems but also by a supportive organizational environment (Setiawan et al., 2024). Without guarantees of protection and management support, individuals tend to be reluctant to report violations they become aware of (Ferri Di Fabrizio, 2017). In Indonesia, the implementation of whistleblowing mechanisms still faces several challenges. Hierarchical culture, reluctance to challenge superiors, and concerns about retaliation are often major obstacles. This condition indicates that organizational culture plays an important role in determining the successful implementation of whistleblowing.

Corporate governance culture reflects the values, norms, and practices that guide individual behavior within an organization. A culture that emphasizes integrity, transparency, and accountability is believed to create a work environment conducive to ethical behavior. Thus, corporate governance culture can strengthen or weaken the effectiveness of the whistleblowing mechanisms implemented (Tshuma, 2022). Conversely, an organizational culture that tolerates violations or focuses on results without considering processes may encourage opportunistic behavior. In such an environment, employees tend to perceive reporting violations as risky and as providing little benefit. Therefore, corporate governance culture is an important variable in the study of ethical behavior in organizations (Chang & Lin, 2024). In addition to systems and culture, individual characteristics also play a role in determining responses to ethical dilemmas. One relevant personality characteristic is Machiavellianism. Machiavellianism describes an individual's tendency to be manipulative, pragmatic, and oriented toward personal interests while disregarding moral norms (Bota et al., 2017).

Individuals with high levels of Machiavellianism tend to be more permissive toward unethical behavior and have greater tolerance for fraud. In an organizational context, individuals with these characteristics may become perpetrators of violations or choose not to report fraud they encounter, especially when reporting does not provide personal benefits. Thus, Machiavellianism is expected to influence the relationship between whistleblowing mechanisms and employees' ethical behavior. This personality characteristic may weaken the effectiveness of the governance systems and culture established by the company. Therefore, Machiavellianism is relevant to examine as an individual factor in this study.

The Indonesian corporate context has distinctive social and cultural characteristics, such as collectivist values and respect for hierarchy. These characteristics may influence how individuals interpret ethics, loyalty, and the reporting of violations. Therefore, findings from studies conducted in other countries cannot necessarily be generalized directly to the Indonesian context. Previous research on whistleblowing, corporate governance culture, and Machiavellianism has produced mixed findings and has often examined these variables separately. The limited number of studies integrating the three variables into a single empirical model remains a gap in the literature. This creates an opportunity for a more comprehensive investigation.

This study aims to analyze the effects of whistleblowing mechanisms and corporate governance culture on ethical behavior in organizations, while considering the role of Machiavellianism as an individual factor. This approach is expected to provide a more holistic understanding of the determinants of ethical behavior in corporate environments.

Theoretically, this study is expected to enrich the literature on behavioral accounting and corporate governance, particularly in the context of developing countries. Practically, the findings may serve as a basis for management and regulators in designing more effective whistleblowing policies and strengthening governance culture. By considering the complexity of interactions among systems, culture, and individual characteristics, this study is relevant to addressing the challenges of business practices in Indonesia. The findings are expected to support efforts to prevent fraud and sustainably improve corporate integrity.

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METHOD

This study uses a quantitative approach with an explanatory research design to examine the effects of whistleblowing mechanisms and corporate governance culture on employees' ethical behavior while considering the role of Machiavellianism as an individual variable in the context of Indonesian companies. The research data consist of primary data collected through a structured questionnaire using a five-point Likert scale administered to employees of private companies and state-owned enterprises (BUMN) selected through purposive sampling, with respondents required to be permanent employees, have a minimum tenure of one year, and understand corporate ethics and governance policies. The whistleblowing mechanism variable was measured based on perceptions of the availability of reporting channels, confidentiality, whistleblower protection, and report follow-up; corporate governance culture was measured through the dimensions of integrity, transparency, accountability, and management's ethical commitment; Machiavellianism was measured using a personality scale reflecting manipulative tendencies and personal-interest orientation; while ethical behavior was measured through the tendency to avoid and report unethical actions. Data analysis was conducted using Partial Least Squares-based Structural Equation Modeling, with construct validity and reliability testing followed by hypothesis testing using path coefficients, t-statistics, and p-values at a 5 percent significance level, while observing research ethics through respondent confidentiality and voluntary participation.

RESULTS

Convergent Validity Test

Table 1. Results of the Convergent Validity Test

Variable	Indicator	Loading Factor	AVE
Whistleblowing Mechanism	WB1	0.78	
	WB2	0.82	0.61
	WB3	0.79	
Corporate Governance Culture	CGC1	0.81	
	CGC2	0.84	0.65
	CGC3	0.79	
Machiavellianism	MACH1	0.76	
	MACH2	0.80	0.59
	MACH3	0.77	
Ethical Behavior	EB1	0.83	
	EB2	0.85	0.68
	EB3	0.79	

Based on Table 1, all indicators have loading factor values above 0.70 and AVE values greater than 0.50. Therefore, all constructs meet the criteria for convergent validity.

Reliability Test

Table 2. Results of the Reliability Test

Variable	Cronbach's Alpha	Composite Reliability
Whistleblowing Mechanism	0.82	0.87
Corporate Governance Culture	0.85	0.89
Machiavellianism	0.79	0.84
Ethical Behavior	0.86	0.90

The Cronbach's Alpha and Composite Reliability values for all variables are above 0.70, indicating that the research instrument has good internal consistency and is reliable.

Coefficient of Determination

Table 3. Coefficient of Determination

Dependent Variable	R-square
Ethical Behavior	0.56

The R-square value of 0.56 indicates that whistleblowing mechanisms, corporate governance culture, and Machiavellianism jointly explain 56 percent of the variation in employees' ethical behavior, while the remainder is influenced by other factors outside the research model.

Structural Model and Hypothesis Testing

Table 4. Hypothesis Testing Results

Relationship Between Variables	Path Coefficient	t-statistic	p-value	Description
Whistleblowing Mechanism → Ethical Behavior	0.31	3.45	0.001	Accepted
Corporate Governance Culture → Ethical Behavior	0.42	4.88	0.000	Accepted
Machiavellianism → Ethical Behavior	-0.29	3.12	0.002	Accepted
Whistleblowing × Machiavellianism → Ethical Behavior	-0.18	2.21	0.027	Accepted
Corporate Governance Culture × Machiavellianism → Ethical Behavior	-0.21	2.64	0.009	Accepted

The test results show that whistleblowing mechanisms and corporate governance culture have positive and significant effects on employees' ethical behavior. In contrast, Machiavellianism has a negative effect on ethical behavior. In addition, Machiavellianism is proven to weaken the effects of whistleblowing mechanisms and corporate governance culture on ethical behavior.

DISCUSSION

Effect of Whistleblowing Mechanisms on Employees' Ethical Behavior

The results show that whistleblowing mechanisms have a positive and significant effect on employees' ethical behavior. This finding indicates that the existence of clear and secure reporting systems that guarantee confidentiality can encourage employees to behave more ethically and to report unethical actions in the workplace. Thus, whistleblowing mechanisms function not only as tools for detecting fraud but also as means of shaping ethical behavior within organizations.

These findings can be explained through agency theory, which emphasizes the potential for conflicts of interest between principals and agents. In this context, whistleblowing mechanisms serve as oversight instruments that reduce information asymmetry and opportunistic behavior by agents. With an effective reporting system, agents are encouraged to act in accordance with organizational interests and applicable ethical norms (Linder & Foss, 2013). Conceptually, scholars state that whistleblowing is an important part of an internal control system that can improve organizational accountability and transparency. Whistleblowing provides an alternative channel for employees to report violations that may not be detected through formal mechanisms such as audits, thereby contributing to the creation of a more ethical work environment (Lambert & Gabuthy, 2024).

These findings are consistent with various previous studies showing that whistleblowing mechanisms have positive effects on ethical behavior and whistleblowing intentions. Previous research indicates that organizations with effective whistleblowing systems tend to have lower levels of fraud and higher levels of ethical compliance than organizations without such systems (Stubben & Welch, 2020).

Effect of Corporate Governance Culture on Employees' Ethical Behavior

The results show that corporate governance culture has a positive and significant effect on employees' ethical behavior. This indicates that organizational values such as integrity, transparency, and accountability embedded in the corporate culture can shape individuals' ethical attitudes and behavior. Employees working in a strong governance culture tend to have a higher commitment to ethical standards. This finding is consistent with stewardship theory, which views individuals as fundamentally trustworthy and oriented toward organizational interests. In a good governance culture, employees are encouraged to act as stewards who uphold

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ethical values and take responsibility for organizational sustainability rather than merely pursuing personal interests.

Scholars argue that organizational culture is a key factor in shaping ethical behavior because culture determines what is considered right or wrong within an organization. A strong governance culture functions as a social control mechanism that guides individual behavior without relying entirely on formal rules and sanctions. These findings are consistent with previous research showing that corporate governance culture significantly influences ethical behavior, compliance, and fraud prevention. Previous research also indicates that organizations with a strong ethical culture are more effective in implementing governance policies and internal control systems.

Role of Machiavellianism in Influencing Employees' Ethical Behavior

The results show that Machiavellianism has a negative effect on employees' ethical behavior and weakens the effects of whistleblowing mechanisms and corporate governance culture. This finding indicates that individuals with high levels of Machiavellianism tend to be less responsive to organizational ethical systems and values and more oriented toward personal interests than compliance with ethical norms. This finding can be explained through personality theory and behavioral ethics, which state that individual characteristics influence how a person responds to ethical dilemmas (Damti & Hochman, 2022). From this perspective, Machiavellianism represents a tendency toward opportunistic behavior that can hinder the effectiveness of governance mechanisms and internal controls designed by organizations (Arias-Pérez et al., 2023).

Scholars explain that Machiavellian individuals tend to be manipulative, pragmatic, and highly tolerant of unethical behavior. They view ethics as a flexible and situational tool, so the existence of a strong whistleblowing system and governance culture may not necessarily change their behavior significantly. These findings are consistent with previous research showing that Machiavellianism is negatively associated with ethical behavior and whistleblowing intentions (Fox et al., 2025). Previous research also shows that Machiavellian characteristics can weaken the effectiveness of corporate ethics and governance policies, particularly in complex and high-risk organizational environments (Avinash, 2025).

CONCLUSION

This study aimed to analyze the effects of whistleblowing mechanisms and corporate governance culture on employees' ethical behavior while considering the role of Machiavellianism in the context of Indonesian companies. Based on the data analysis and discussion, it can be concluded that whistleblowing mechanisms have a positive and significant effect on employees' ethical behavior. The existence of clear and secure reporting systems supported by whistleblower protection has been shown to encourage employees to act more ethically and to report unethical actions in the workplace. In addition, corporate governance culture also has a positive and significant effect on employees' ethical behavior. Organizational values emphasizing integrity, transparency, and accountability play an important role in creating a work environment conducive to ethical behavior. A strong governance culture can strengthen employees' commitment to ethical compliance and reduce tolerance for deviant behavior.

The results also show that Machiavellianism has a negative effect on employees' ethical behavior and plays a role in weakening the effects of whistleblowing mechanisms and corporate governance culture. This finding indicates that individual personality characteristics are important factors to consider in efforts to improve ethical behavior. Individuals with high levels of Machiavellianism tend to be less responsive to organizational ethical systems and values, thereby limiting the effectiveness of governance mechanisms.

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