

## Social Networking (Guanxi) and Whistleblowing Intentions: Does CSR Ring the Bell?

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### Introduction

Corporate Social Responsibility (CSR) refers to “context-specific organizational actions and policies that take into account stakeholders’ expectations” (Aguinis and Glavas, 2012, p. 933). Recent research claims that CSR not only has a positive relationship with corporate performance but also influences employee attitudes toward job performance (e.g., Kim et al., 2020; Donia et al., 2019). Given that employee support for CSR initiatives is critical to a business (Shen and Zhang, 2019), it is worthwhile to investigate the impact of employees’ CSR attitudes on their organizational behaviors (Wang, 2018; Wang et al., 2020). Prior research suggests that individual attitudes toward the perceived importance of corporate ethics and social responsibility (PRESOR) have a significant impact on ethical decision-making processes as these attitudes are essential to how individuals identify or perceive ethical issues (Spoelma et al., 2020; Latan et al., 2019; Alleyne et al., 2013; Singhapakdi et al., 1995). The influence of such attitudes receives limited attention in accounting and business ethics research (Shafer et al., 2016; Shafer, 2015). Nevertheless, these attitudes affect both evaluations of ethical issues and judgments on whether to take ethical actions (Shafer and Simmons, 2008).

Employees are important sources for detecting fraud in organizations (Zakaria et al., 2016; Park and Blenkinsopp, 2009). According to the Association of Certified Fraud Examiners (ACFE, 2020), almost half of fraud cases are identified by whistleblowers and one-third of cases are reported directly to supervisors, investigators, or other interested persons. Whistleblowing has been defined as “the disclosure by any 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” (Near and Miceli, 1985, p. 4). To combat fraud, the Securities and Exchange Commission (SEC) initiated the Whistleblower Payout program in 2012. Underlying this program, whistleblowers are entitled to 10–30 percent of the monetary sanction when it exceeds \$1 million. As of 2020, the SEC awarded in total nearly \$425 million to 79 whistleblowers (SEC, 2020). The whistleblowing system in China is influenced by Western countries, like the U.S. (Xu et al., 2015). For example, China released the new legislation to protect corporate whistleblowers from retaliation in 2008, which serves as China’s corollary to the Sarbanes-Oxley Act of 2002 in the U.S. (Beller, 2011). The Chinese regulations have been enacted for the implementation of a whistleblowing system in all public companies. Specially, the internal whistleblowing channels were required by the Basic Standard for Enterprise Internal Control for certain public firms (e.g., banking sector) (Schipani et al., 2018). Despite the recent development of a whistleblowing system, academicians and practitioners are still concerned about the weak protection from retaliation offered to whistleblowers in China (Schipani et al., 2018).

Guanxi<sup>1</sup> is a Chinese social networking among parties (e.g., employees and their supervisors). It creates a socioemotional pressure that often interacts with individuals’ behavior and decision making and is generally perceived as a form of social exchanges that mandates reciprocity (Hong and Engeström, 2004). Guanxi could have positive or negative implications on organizations (Hammond and Glenn, 2004), depending on how and why it is applied (Hong and Engeström,

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<sup>1</sup> Guanxi behavior is a type of Chinese social networking, which has the positive and negative potential consequences for organizations (Hammond and Glenn, 2004). Hammond and Glenn (2004 p. 24) argue that Guanxi and Western Social Network Theory (SNT) share some common features as “both offer a theory of change coupled with an ethic of sustainability where order is created by trust as local, relative phenomena.” Moreover, Guanxi, as a unique social exchange relationship that directs the proper behaviors of multiple parties (Chen and Tjosvold, 2006), has been found as the antecedent factors influencing whistleblowing intentions.” Guanxi has been criticized for adopting an obsolete paternalism view that contradicts the modern social networking, which relies primarily on external relationships, distributed networks, and cooperation.

2004). On the one hand, good social relations within guanxi structure enable actions that build business trust and emotional mindfulness. On the other hand, guanxi creates too many obligations to fulfil and different sets of principles that could sabotage organizational authority. The negative outcomes of guanxi may include corruption as an extreme form to protect social hierarchies within the informal network (Smart, 1993). Moreover, guanxi, as a unique social exchange relationship that directs behaviors of multiple parties (Chen and Tjosvold, 2006; Zhang and Deng, 2016), has been found as the antecedent to factors influencing whistleblowing intentions. Further, the relation between employees' guanxi with their supervisors and these employees' internal whistleblowing intentions could be mediated by organizational trust (Emerson et al., 2020a; Seifert et al., 2013).

Guanxi does not necessarily mean that an employee will always report whistleblowing internally to their immediate supervisor for many reasons. First, employees may fear retaliation, reprisal by the organization, and/or losing their close ties with their peers/supervisor if they blow the whistle. Second, not all guanxi is reflective of an ethical business environment that stimulates openness and trust. There is a difference between national culture and organizational culture (Curtis, 2015). Guanxi is a form of a national culture that does not necessarily indicate an ethical corporate culture and could be detrimental to the point that members within guanxi may attempt to conceal wrongdoings if the discovery of fraud will disrupt the guanxi structure. Further, although whistleblowing may seem an effective mechanism to address misconduct, corporations may seek secrecy in handling fraud to achieve commercial advantage (Alleyne et al., 2013). That is, because whistleblowing is costly to the firm (e.g., reputational damages) and subjects employees to retaliation (e.g., demotion, and ostracism). More specifically, employees may be reluctant to blow the whistle on their own members because this can lead to *mianzi*, a defense mechanism strategy to maintain social stature within a guanxi group to "save face" (Ting-Toomey, 1988).

Prior research contends that individuals' strong beliefs in ethics and social responsibility influence their professional commitment and ethical judgements (Choi et al., 2015; Shafer et al., 2016). The mediating effect of CSR perception on the direction of whistleblowing is of particular interest to this study because internal and external whistleblowing lead to different sets of outcomes (Culiberg and Mihelič, 2016). It is anticipated that the internal whistleblowing is less costly to organizations because it could mitigate the negative consequences associated with reputational damage should the public become informed of the fraud. Likewise, external whistleblowing is expensive because it tarnishes the institutions' images in the eyes of various internal and external stakeholders (e.g., current and prospective employees, investors, policy makers, customers, creditors, labor unions, etc.). Hence, it is reasonable to assume that employees' attitudes toward business culture (CSR perception, for example) plays a role in mediating the association between guanxi and the venue whistleblowers may choose to report misconduct. It is an important question to investigate whether the CSR perception mediates the association between employee-employer relationships (guanxi) and the whistleblowing venues, internal versus external whistleblowing reporting.<sup>2</sup> Consequently, the main objective of this study is to investigate individuals' guanxi with their supervisors and their CSR attitudes, as well as the impact that these factors have on their internal versus external whistleblowing.

The crux of the matter when deciding to use internal versus external whistleblowing among individuals in a guanxi system is whether the firm's culture, as proxied by CSR, allows for organizational change to provide a remedy for ethical problems arising from whistleblowing. Therefore, we expect employees who are socially networked with their supervisor and positively perceives CSR as high in the stakeholder view will be inclined to use internal whistleblowing venues. Likewise, an employee who perceives CSR as low in the stakeholder view, or high in the stockholder view, would be mostly likely to use the external whistleblowing venues to at least preserve themselves from retaliation.

This paper builds on and extends prior research by examining the mediating role of Chinese banking employees' attitudes toward CSR on the association between guanxi and whistleblowing channels (internal versus external). Whistleblowers face threats when they divulge misconduct. These threats vary in severity and can subject whistleblowers to verbal harassment from supervisors and/or coworkers, poor performance evaluations, demotions, or denial of promotions, and/or firings. While some of these threats may be considered pretense, the perceived level of these threats does affect individuals' intentions to blow the whistle (Latan et al., 2021). Prior literature suggests that whistleblowing intentions are influenced by organizational trust (Emerson et al., 2020a; Seifert et al., 2013), moral intensity, organizational commitment (Chen and Lai, 2014; Alleyne et al., 2013), and team norms (Alleyne et al., 2013; Abdolmohammadi et al., 1997). It is, however, unclear whether other elements (e.g., employees' CSR attitudes) mediate the association between guanxi and whistleblowing venues (the internal versus external whistleblowing reporting). The mediating effect of CSR attitudes on

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<sup>2</sup> Latan et al., (2021) classify whistleblowing intentions into three categories, internal, external, or anonymous.

the direction of whistleblowing is of particular interest to this study because internal and external whistleblowing lead to a different set of outcomes (Culiberg and Mihelič, 2016).

The ACFE (2020) notes that the most common occupational fraud schemes occur in banking and financial services. Moreover, fraud occurrences in the banking sector are very costly because banks must refund customers for monetary damage as well as deploy significant resources to restore customers' confidence in financial institutions. It is estimated that the real economic losses resulting from fraud in the banking sector can accumulate as high as 150 percent of the original cost of fraud/losses (Hoffmann and Birnbrich, 2012). Using a sample of employees-employers from nine banks in China, we predict and provide empirical evidence consistent with our expectations that higher scores on the stakeholder subscale (the stakeholder view) is mediating the association between guanxi and internal whistleblowing. That is, employees who perceived high CSR, even in the presence of strong employee-supervisor relations, will be motivated to whistleblow internally. Conversely, employees who exhibit a low degree of CSR (the stockholder view) will tend to use external whistleblowing instead of utilizing internal channels of reporting.

This study incrementally contributes to prior research on guanxi, whistleblowing, and attitudes toward CSR in many ways. First, the internal stakeholders' (employees) CSR attitudes have received limited attention in the whistleblowing research stream (Wang et al., 2020; Shafer et al., 2016; Hansen et al., 2011) and little is known about the effect of PRESOR on employee outcomes (Zhao et al., 2021; Dumont et al., 2017; Pratiwi and Salsabiela, 2015). Hence, our study answers the call of prior research (e.g., Donia et al., 2019; Kim et al., 2020; Wang, 2018) by providing empirical evidence in support of the existing business ethics literature on the mediating effect of CSR concerning employees' guanxi with their supervisors (social exchange relationship) and their whistleblowing intentions. Second, while prior research (Latan et al., 2021; Alleyne et al., 2016; Chen and Lai, 2014) examines *what* motivates individuals to blow the whistle in terms of organizational and personal responsibility, personal gain, and pressure factors, few studies examine *how* individuals blow the whistle. Our study voids this gap in prior research by examining the channels through which individuals may use either the internal or external whistleblowing routes. Third, to the extent that internal whistleblowing is more desirable than external whistleblowing in terms of reputational damage and fraud cost (Latan et al., 2021; Chen and Lai, 2014; Alleyne et al., 2013), our paper highlights the importance of employees' attitudes toward CSR in efficiently reducing the negative outcomes of fraud discovery and deterrence.

Fourth, although guanxi appeared in sociology literature in late 1970s, there is limited research on how it impacts organizational behavior (Taormina and Gao, 2010; Emerson et al., 2020a). Our paper, therefore, voids this gap in prior literature and extends limited research on whistleblowing in accounting literature (Chen et al., 2017; Seifert et al., 2010; Zhang, 2008; Towry, 2003) as well as research on examining whistleblowing in response to institutional factors such as guanxi and CSR perceptions. Finally, this study resolves the conflicting views on the stakeholder versus stockholder views of CSR and answers an important research question concerning whether CSR matters in fraud discovery and deterrence.

This study is of interest to policymakers, current and prospective investors, creditors, standard setters, managers and supervisors, and market-wide participants who are keen to understand the mechanism by which CSR affects ethics and business decision-making. Given the mediating role of the stockholder's view of CSR on external whistleblowing intentions, it would be beneficial to promote employees' CSR training, which may enhance employees' tendency to utilize internal whistleblowing channels.

## **Literature Review and Hypothesis Development**

### **Dynamics of Guanxi**

Guanxi is an informal and traditional form of social networking in China. The Chinese term guanxi came from a combination of two words: "*guan*" and "*xi*." Guan means "gateway," and xi means "to link together", referring to the idea of connecting people together (Taormina and Gao, 2010). It is a horizontal structure that emphasizes the importance of communications and the flow of information among a highly collectivist society, and hence, is distinguishable from the formal vertical Confucian authority chain, which fosters obedience and respect for rules. Unlike U.S. culture, which is characterized as highly individualist, Chinese culture is collectivist, focusing on inclusion, socialization, and stable connections among collectives. Chinese culture is also a *particularist* where the relationships among individuals are far more important than rules in sharing dynamics of interactions among people. In the U.S., the opposite can be true because the culture adopts a *universalist* approach as a way of conceiving social norms (Taormina and Gao, 2010). The traditions of Guanxi are driven by Confucianism where five dyadic "*wu lun*" relationships are major parts of guanxi's norms: ruler-

subject, father-son, elder-younger brother, husband-wife, and friend-friend (Hammond and Glenn, 2004). It identifies a set of insiders (collaborators, also known as *zi ji ren*) and outsiders (competitors, also known as *wan ren*) where insiders are more valuable to and maintain strong ties with the system than outsiders who maintain weak ties with the system. Sharing information with *zi ji ren* and withholding it from *wan ren* is a moral obligation among members in a guanxi structure because *wan ren* brings “change” to guanxi's network and could threaten the fabric of this connection (Hammond and Glenn, 2004).

Guanxi, however, is far from being a static social structure and *wan ren* can become *zi ji ren* (e.g., new co-workers and/or supervisors) if this change does not threaten the social identity and roles of *zi ji ren*. Guanxi is a continuous process of exchanging favors (*renqing*) (Chen and Chen, 2004) but radical changes to the societal norms among guanxi members are not recommended as they are disrupting the common objective of preserving the social cohesion of the system. Nevertheless, in today's dynamic business world, the new information gleaned through *wan ren* is crucial for sustainability and solving complex problems.

### Guanxi and Whistleblowing Intentions

The employees' guanxi with their supervisors represents mutual interest and benefits (Wong et al., 2003), social interactions after work (Chen et al., 2009), and informal interpersonal ties (Zhang and Deng, 2016). Lin and Ho (2010) argue that guanxi leads to better job performance and organizational citizenship behavior as individuals aim to maintain guanxi with others and promote harmony in mutual interactions with colleagues within their organizations. Guanxi with a supervisor could increase an employee's job satisfaction, which further reduces their counterproductive work behavior (CWB) (Zhang and Deng, 2016). Recently, Emerson et al. (2020a) finds that having guanxi with a supervisor positively influences an employee's whistleblowing through both internal and external channels.

An important element of whistleblowing is dissent (Andrade, 2015), which arises from the disagreement about whether the wrongdoing negatively affects public interests. The extent of Individuals' dissent could lead to either existing the organization (resignation) or reporting wrongdoing (internal or external whistleblowing). Internal whistleblowing “breaks ties” because an individual reports misconduct of another colleague or a supervisor to the management. It is a form of a collegial disloyalty, unlike external whistleblowing, which constitutes a breach of organizational loyalty. The perception of the consequences of whistleblowing affects the decision to whistleblow internally versus externally (Chen and Lai, 2014). Therefore, it is expected that the decision to whistleblow in the Chinese culture is one of the most difficult and complex decisions in an organization because of the presence of guanxi. That is, whistleblowing is not only associated with the perceived risk of retaliation and the perceived social pressure but also it disrupts the fabric of guanxi.

Whistleblowing is a morally ambiguous situation that interacts with social norms. Individuals within organizations are faced with conflicting loyalties (Andrade, 2015) while they contemplate the decision to blow the whistle. Individuals are supposed to have loyalty to their organizations as well as society. External whistleblowing is protecting the society from the negative ripple effect of fraud and illegal acts. It is known, however, to bring changes. Internal whistleblowing is meant to protect organizations because it aims at taking corrective actions before publicizing the wrongdoing to the public and incurring reputational losses (Westin, 1981). Guanxi is a form of social norms that is likely to trigger both descriptive and injunctive norms. Stated differently, guanxi makes individuals behave in a manner like individuals' behaviors in the group (descriptive norm). It also imposes expectations of individuals to behave in a certain manner (injunctive norm). It is hard to predict whether individuals within a guanxi network will always do what ought to be done when faced with a morally ambiguous situation like whistleblowing.

Blowing the whistle changes the fundamental structure of guanxi and *zi ji ren* may not be ready for this change and/or accepting it unless business values endorse such changes. In other words, guanxi in the business culture may be disadvantageous when it subverts organizational values, restricts social interaction, and/or increases group bias to “save face.” Saving face is not only limited to an employee in a guanxi system, but it may also extend to saving a supervisor's face. Therefore, one can assume that guanxi does not necessarily go in tandem with whistleblowing intentions and particularly the decision to use internal whistleblowing channels. To the extent that the incident of whistleblowing brings radical changes to the social structure of *zi ji ren*, individuals may be reluctant to blow the whistle internally on their own members because this can lead to *mianzi*, a defense mechanism strategy to maintain social stature within a group to “save face” (Ting-Toomey, 1988). Individuals “lose face” when fraud exposes them to the public (Taormina and Gao, 2010). It is safe to assume that whistleblowing is a disruptive process to the fabric and harmony of guanxi members within an organization.

### **Guanxi, Whistleblowing Channels (Internal vs. External), and CSR Attitudes**

Corporate wrongdoing can be reported through either internal or external channels (Miceli and Near, 1992). The decision to whistleblow internally versus externally will have various outcomes to organizations, whistleblowers, and society (Chen and Lai, 2014). Internal whistleblowing involves reporting wrongdoing to individuals within the organization (Bowen et al., 2010). Internal whistleblowing, in general, is perceived to carry less harm to an organization because it avoids public scrutiny, social media attention, and allows for an opportunity to take remedial actions before the illegal acts snowball into a bigger problem (Chen et al., 2017). In Chinese culture, one can expect the whistleblowing intention to be more complex than it is in Western cultures because whistleblowing disrupts the harmony of guanxi networks. Therefore, organizational culture matters when it comes to an individual's intention to whistleblow.

As an essential part of internal controls, whistleblowing plays an important role in preventing and deterring fraud, waste, and abuse (Hwang et al., 2013; Hooks et al., 1994). Moreover, reporting wrongdoing promotes the stability of the global financial market (Alleyne et al., 2016). Given that many scandals and other corporate wrongdoings are reported by insiders, prior research explores how individual and organizational attributes affect employee's decision-making regarding whistleblowing (Yang and Xu, 2020; Brody et al., 2020; Liu et al., 2016; Latan et al., 2016; Chen and Lai, 2014; Alleyne et al., 2013). For example, Chen and Lai (2014) and Alleyne et al. (2013) find that moral intensity, team norms, and organizational commitment<sup>3</sup> mediate whistleblowing channels.

Chen and Lai (2014) classify whistleblowers into four categories: rebel, mature, indifferent and spoil. Rebel, or unstable, whistleblowers will likely use external whistleblowing channels to report wrongdoing because they perceive a high level of potential harm and have a low organizational commitment. A mature whistleblower is identified as an individual with high perceived potential harm as well as organizational commitment. A mature whistleblower should manage this responsibility towards oneself, the organization, and society by using internal whistleblowing channels. Chen and Lai (2014) provide empirical evidence that potential harm weakens individuals' tendency to use external whistleblowing. Further, they find that individuals with low (high) organizational commitment use external (internal) whistleblowing channels. Finally, they find that social pressure has no effect on the intention to blow the whistle.

In a survey of more than 200 auditors, Latan et al. (2016) support their argument that all of the antecedents at the individual level significantly influence an auditor's intention to blow the whistle (internally and externally), including their attitudes toward whistleblowing, their perceived behavioral control and commitment to independence, their feelings of personal responsibility for reporting, and their assessments of the personal cost of reporting. These authors also find that an auditor's perceived organizational support could mitigate their fear of retaliation when they decide to report wrongdoing. Other research is consistent with these findings; specifically, moral identity (Wen and Chen, 2016), supervisor support (Alleyne et al., 2016), and loyalty to the company (Brody et al., 2020) are found to positively influence employees' whistleblowing intentions.

Chen et al. (2017) provide evidence that incentive framing as well as individual's perception affect the decision to whistleblow. More specifically, they find that individual's perception of what other people commonly do (descriptive norms) versus what ought to be done (injunctive norms) affects the decision to whistleblow internally versus externally. Overall, they find that penalties (rewards) for not reporting whistleblowing and descriptive norms will result in a greater likelihood of internal (external) whistleblowing.

Further, prior research suggests that PRESOR significantly influences employees' ethical and social responsibility judgments (Shafter and Simmons, 2008) and underscores individuals' ethical values (Zhao et al., 2021). Using the person-organization fit theory, Zhao et al. (2021) argue that socially responsible human resource management (SRHRM) provides a spontaneous incentive for employees to align their interests with their organizations' and makes employees assume responsibilities beyond their job duties. Related, Emerson et al. (2020b) argue that there is a mediating effect of individual attitudes surrounding CSR on the association between the negative impact of tax avoidance and investors' perceptions.

In our study, we expect individual CSR attitudes to mediate the relation between guanxi with supervisor and employees' whistleblowing avenues. Although guanxi with supervisor is positively correlated with whistleblowing

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<sup>3</sup> Moral intensity is the perceived potential harm and social pressure on the whistleblowing intention. Organizational commitment is the employee's degree of integration with the organization. It encompasses two conflicting roles, employee personal identity and responsibility towards the organization.

intentions, we believe individual PRESOR plays the mediating role in the association between guanxi and the intent to whistleblow. Our prediction is supported by prior research that suggests an association between PRESOR and the intent to whistleblow. For example, Latan et al. (2019) argue that internal pressure (e.g., values, morals, religious loyalty, and workplace satisfaction) faced by whistleblowers complicates the intention to blow the whistle. These internal pressure factors can constitute either positive or negative pressure to whistleblower.

If a whistleblower is unprotected from retaliation (e.g., organizations that have low CSR stakeholder view), these pressure factors turn into the negative pressure to prevent internal whistleblowing and will force whistleblowers to use the external outlets. Therefore, in high uncertainty situations, the external whistleblowing factors weigh more in the decision to whistleblow. Related, Latan et al. (2021) argue that rationalization affects how perceived seriousness of threat (PST) and perceived seriousness of wrongdoing (PSW) trigger whistleblowing intentions. They find that PST (PSW) reduces (increases) individuals' intentions to blow the whistle. They further call for more research to examine determinants of individuals' intentions to blow the whistle.

Andrade (2015) argues that the decision to whistleblow results in conflicting loyalties. He rejects the premise that organizations are autopoietic, operationally closed, systems. Individuals may choose to ignore ethical problems as part of their loyalty towards their organizations. Similarly, individuals are obligated to protect society from the ethical problems that most likely impact external stakeholders. These two conflicting loyalties become more complicated when individuals attempt to make the decision to either internally or externally whistleblow. In today's modern economy, individuals' loyalty towards their organizations may be challenged by the fact that organizations exist to make money and individuals are entitled to salary (Duska, 2004). However, guanxi creates a unique setting of ties and relationships that mandate self-sacrifice without reasonable expectations of compensation. In other words, guanxi makes individuals' loyalty towards their organizations an obligation, not a choice. Internal whistleblowing should, theoretically speaking, preserve organizational loyalty among socially responsible organizations because stakeholders are equally as important as shareholders.

Relying on the social exchange theory, Spoelma et al. (2020) argue that ostracized individuals are more likely to blow the whistle because ostracism reduces their loyalty and peer pressure to conform to unethical behavior by teammates. Ostracism deprives individuals of future rewards and isolates them from continued interpersonal relationships, meaning they do not "get along" with the rest of the group members, leading to an increased negative effect (Spoelma et al., 2020). This negative effect is freeing to the extent that ostracized individuals no longer feel loyal in a guanxi team and can speak up about unethical behavior without guilt.

Spoelma et al. (2020) detangle the effect of threats of ostracism that are likely to trigger loyalty versus the actual occurrence of ostracism that trigger retaliation in the form of whistleblowing. Alleyne et al. (2013) argue that whistleblowing may be affected by organizational, team, and personal factors. They further claim that institutionalized processes (e.g., management norms, corporate culture, societal expectations) towards profit-making may limit practitioners' moral obligations towards society.

Factors that could be associated with whistleblowing intentions may include attitudes toward whistleblowing, perceived behavioral control, independence commitment, personal responsibility for reporting, and the personal cost of reporting (Alleyne et al., 2013). Employees' perceived organization support (POS), which is a form of normative isomorphism, will affect how employees engage in whistleblowing activities. An employee who feels more supported by their organization will be more comfortable reporting unethical acts internally. Likewise, an ostracized employee will behave in an opposite manner and will tend to report unethical acts externally, due to the lack of organizational support (Alleyne et al., 2013).

Prior research (Mayer et al., 2013) supports the argument that ethical leaders promote ethical behavior that encourages whistleblowing. A firm high on the social responsibility scale would allow individuals to use internal whistleblowing because the organization is likely open to providing a remedy to stakeholders who were harmed by the adverse consequences of ethical problems. Likewise, if individuals work in low socially responsible scale organizations, they may resort to external whistleblowing to force the organization to change.

Guanxi creates socially shared standards and rules, which make it difficult for one employee to behave in isolation. Guanxi, therefore, sculpts a team norm and a strong consensus of expected behavior. Prior research (Alleyne et al., 2013; Abdolmohammadi et al., 1997) suggests that team norms affect decision making because group decisions supersede

individual decisions in the group. An employee will not report unethical misconduct internally unless they perceive that the organization will support them (Alleyne et al., 2013).

Individuals' CSR attitudes are critical attributes of positive organizational outcomes; as such, they receive much attention in academia. Employees' CSR attitudes are related to a firm's CSR initiatives, which in turn influence job satisfaction and organizational commitment (Rahman et al., 2016). Individual perceptions of ethical issues could be influenced by personal and situational factors. Singhapakdi et al. (1995) are the first to examine the impact of individual perceptions of the importance of ethics and social responsibility on the ethical intentions of marketing professionals. Their results support the expectation that there is a positive relationship between these perceptions and ethical decision-making in marketing.

Individual attitudes toward corporate ethics and social responsibility are also found to contribute to the ethical decision-making processes of professional accountants (Shafer and Simmons, 2008). Shafer et al. (2016) argue that accountants who strongly believe in the importance of corporate ethics and social responsibility possess higher levels of professional commitment and are less likely to engage in unethical behaviors. In line with this argument, Shafer (2015) documents that an accountant's belief in the importance of ethics and social responsibility is significantly associated with their ethical judgments and behavioral intentions. Similarly, there is a positive relationship between ethical leadership and followers' attitudes toward CSR in financial and banking service firms in Korea (Choi et al., 2015). Valentinea and Godkin (2019) further argue that the perceived importance of ethics positively affects employees' whistleblowing intentions.

Cultural differences could also affect an individual's perceived importance of ethics and social responsibility; that is, cultural differences could influence differences in individuals' ethical decision-making processes (Singhapakdi et al., 2001). Prior research finds that individual perceptions of CSR significantly influenced their ethical and social responsibility judgments (Emerson et al., 2020b; Dhaliwal et al., 2012; Shafer and Simmons, 2008). We expect that a stakeholder orientation will positively affect employees perceived ethical and social responsibility judgments, which in turn will mediate the impact of their guanxi with their supervisors and their whistleblowing intentions. In other words, guanxi with supervisors will affect their whistleblowing intentions in part through increased perceived ethical and social responsibility judgments.

The modern corporate stakeholder view values the importance of corporate ethics and social responsibility, and socially responsible behavior is seen to be critical to business survival (Cornell and Shapiro, 1987). It contends that the firm's profit should be shared with various stakeholders for the betterment of the society. Firms that are socially responsible under the stakeholder view of CSR engage in activities that attempt to make a difference such as philanthropy, environmental conservation, diversity and labor practices and volunteerism. We expect individuals' positive attitude towards CSR to lessen the potential threats of retaliation and maximize self-fulfillments and satisfactions of whistleblowing.

Therefore, the organizational culture (normative isomorphism) plays a crucial role in the decision to whistleblow. Increased level of CSR's perception enhances team commitment to core values, generates a high level of citizenship behavior, and hence, decreases the need for snitching or external whistleblowing. Accordingly, our study examines the mediating role of individuals' perceptions of CSR on the association between employee-supervisor social networking (Guanxi) and their whistleblowing intentions. We contend that high perception of CSR (the stakeholder view) is a mediating cultural factor to the association between guanxi and internal whistleblowing. That is, employees who value a culture characterized by high emphasis on CSR, even in the presence of a strong employee-employer relationship, will be motivated to use internal whistleblowing channels. We predict that the tendency to whistleblow internally is mediated by individuals' high CSR attitudes rather than guanxi. Therefore, individuals will be more likely to use internal whistleblowing in the presence of positive attitudes towards CSR (the stakeholder view). In line with the stakeholder view of CSR, we hypothesize the following mediating hypotheses:

*Hypothesis 1: The individual stakeholder view of CSR will mediate the relationship between guanxi and the internal whistleblowing intention.*

In contrast, the stockholder view of CSR focuses on profitability and business efficiency as the ultimate goals of the firm. It was first adopted by the economist Nobel laureate Milton Friedman (Friedman, 2007) who claims that "businesses' sole purpose is to generate profit for shareholders." Proponents of the stockholder view of CSR claim that CSR is an imported European concept that adds no value to the firm. Additionally, the critics argue that firms, which show evidence of high CSR, are not necessarily ethical as evidenced by high levels of non-compliance, violations of laws and regulations, penalties, and being subjected to higher future scrutiny (Ragunandan and Rajgopal, 2020). Underlying the

stockholder view of CSR, Barnett (2007) claims that there is a lag between investment in CSR and organizational outcomes. That is, it takes time for organizations to positively influence various stakeholders through CSR activities. The stockholder view of CSR therefore argues that employee's attitude towards CSR will have less impact on their whistleblowing intentions to external sources. Likewise, we expect employees to use external whistleblowing when they have a less favorable attitude towards CSR (the stockholder view) because they would possibly be subjected to high levels of retaliation and threats, which in turn would make them more inclined to use external whistleblowing channels. We therefore propose the following mediation hypotheses:

*Hypothesis 2: The individual stockholder view of CSR will mediate the relationship between guanxi and the external whistleblowing intention.*

## **Research Method**

### **Participants**

According to the ACFE (2020), banks and the financial services industry is the most common sector to experience fraud. Moreover, fraud occurrences in the banking sector are very costly because banks would need to refund customers for monetary damage as well as deploy significant resources to restore customers' confidence in financial institutions. Feedzai (2021) report that there has been a 159 percent increase in banking fraud attacks in the first quarter of 2021 compared to the previous year. Prior research argues that whistleblowing studies in the banking sector are crucial in the fight against corruption in public firms in China (Yang and Xu, 2020; Zhang et al., 2009). Therefore, this study utilizes the banking industry<sup>4</sup> in China because it is more likely to be subjected to fraud as explained above and because the significant economic losses in the banking sector incurs to deter, discover, and prevent fraud. There is increasing awareness of CSR attitudes in banking sectors, and it is important to understand the impact that these attitudes have on organizational behaviors in the banking industry (Choi et al., 2015). Also, individuals' CSR attitudes in developing countries may differ from those of these individuals' counterparts in developed countries (Rhamen et al., 2016). Thus, we focus on employees in the banking industry in China by examining employees' CSR attitudes and the impact on guanxi and whistleblowing. We employ a survey methodology as it allows us to capture employees' individual beliefs and attitudes.

We distributed 250 survey questionnaires to nine public banks located on China's east coast between May and September 2017. A total of 190 surveys were returned to one of the authors. This final sample satisfies the condition of conducting SEM because it results in subject-to-variable ratio above the threshold and meets the minimum sample size requirements (Hair et al., 2014; Hair et al., 2010). Like prior research (Shen and Zhang, 2019), the back-translation method was used to translate the revised instrument to Mandarin Chinese.<sup>5</sup>

Table 1 describes the respondents' demographic information. The data shows that 55 percent of the participants are female, with a mean age of 32.6 years and a mean working experience of 8.6 years. Almost 90 percent of the participants completed either a four-year undergraduate degree or higher. About 75 percent of participants were either supervisors or managers in their banks. Also, half of the participants indicated that there is a whistleblowing award in their workplace.<sup>6</sup> [See Table 1, pg. 254]

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<sup>4</sup> Related, financial technology (FinTech) revolutionized the banking sector at an accelerated pace. At the same time, it made banking sectors more susceptible to fraud due to the increased use of mobile banking, disruptive technologies (e.g., rise of cryptocurrencies) as substitutes to fiat currencies, in addition to the prevalence of Robotic Process Operation (RPA) that is widely used in 75 percent of financial institutions (The Seon Technologies Ltd., 2019). Whistleblowing at the banking sector is, therefore, expected to be of a paramount importance.

<sup>5</sup> The Back Translation Method is a quality assurance technique to make sure that original text maintains the same quality and accuracy as the translated text. This technique has been used in prior research (Zhang et al., 2009) to achieve the above objectives. In this study, the authors developed the questionnaire in an English language, and then a bi-lingual Chinese scholar who holds a PhD degree in the USA translated the questionnaire into Chinese. The translated Chinese version was later translated back again into English by another bi-lingual Chinese professors who teaches business courses in China. A final step to ensure quality and accuracy of the translated questionnaire involved a final review by a bank manager who had higher education in an English-speaking country. The bank manager reconciled any differences between the original questionnaire that was written in English and the back-translated questionnaire that was also translated from Chinese into English to make sure that the meaning and sentence structures are not lost.

<sup>6</sup> All demographic variables (age, gender, education, work experience, and whistleblowing award) were included as the covariate variables and none of them were statistically significant.

## Instruments

### *Whistleblowing*

Participants were asked to measure their internal (three items) and external whistleblowing (three items) intentions (Park et al., 2005). The prompt given was “If you found wrongdoing in your workplace, what would you do about it?” The example items are: (1) “I would report it to someone in the upper level of management in my organization” and (2) “I would report it through channels outside of the organization.” High levels of reliability were found for both internal ( $\alpha = 0.861$ ) and external whistleblowing ( $\alpha = 0.931$ ).

### *Guanxi*

A six-item scale of guanxi with the supervisor was adopted from Law et al. (2000). Each item was measured on a seven-point Likert scale (1 “strongly disagree” to 7 “strongly agree”). The examples of items are “During holidays or after office hours, I would call my supervisor or visit him/her,” “I always actively share my thoughts, problems, needs, and feelings with my supervisor,” “My supervisor invites me to his/her home for lunch or dinner,” and “When there are conflicting opinions, I will stand on my supervisor’s side.” Cronbach’s  $\alpha$  of 0.84 shows good reliability.

### *Individual Attitudes*

We evaluated individual attitudes toward CSR, using the PRESOR scale developed by Singhapakdi et al. (1995), including both the stakeholder and stockholder subscales. Examples of subscale items include “Being ethical and socially responsible is the most important thing a firm can do,” “The ethics and social responsibility of a firm are essential to its long-term profitability” and “The most important concern for a firm is making a profit, even if it means bending or breaking the rules.” Participants were asked to respond according to a seven-point Likert scale from (1) “disagree strongly” to (7) “agree strongly.” For the stakeholder scale, a higher score indicates a stronger belief in the importance of corporate ethics and social responsibility; a higher score on the stockholder scale suggests the opposite. The internal reliability of each scale, as measured by Cronbach’s  $\alpha$ , is above 0.90, indicating a high level of internal consistency for both subscales.

## Construct Measurements

Given that all the constructs are measured using a self-reported survey instrument, the possibility of common method bias must be considered (Conway and Lance, 2010). Following Harman’s (1967) single-factor test, the results indicate that common method bias does not seem to be a concern. Each of the measured constructs shows a high degree of reliability (Cronbach’s  $\alpha > 0.80$ ), further confirming the validity of the construct.

Next, we conducted a factor analysis on all latent constructs using SPSS. All the factor loadings were found to be reasonably strong (above 0.5) with one exception (guanxi6). Thus, this item was excluded. We further performed a confirmatory factor analysis to validate all the scales and the model specifications. According to Kline (2005), it is appropriate to use structural equation modeling (SEM) to investigate the latent variables that can be measured by using multiple measure indicators (Dion, 2008). We used AMOS software to perform the analyses as this has been commonly used to evaluate SEM. Our exogenous variables are guanxi, individual attitudes towards CSR and the endogenous variables are internal and external whistleblowing intentions. The theoretical model provided a good fit to the data, with a root mean square error of approximation (RMSEA) of 0.063 and Comparative Fit Index (CFI) and Incremental Fit Index (IFI) values both above 0.92.<sup>7</sup>

## Results

### **Preliminary Analysis**

Table 2 reports the means, standard deviations, correlations, and reliability estimates of the study variables.<sup>8</sup> The results indicate that guanxi is positively correlated with both internal whistleblowing intention ( $r = 0.339$ ,  $p \leq 0.05$ ) and external whistleblowing intention ( $r = 0.286$ ,  $p \leq 0.05$ ). Guanxi is also positively correlated with the mediators: the attitudes toward CSR (both employees’ stakeholder and stockholder view). In terms of the whistleblowing intention, employees’

<sup>7</sup> Goodness-of-fit indices more than 0.90 show a good model fit (Byrne, 2001; Hu and Bentler, 1999; Shafer, 2015).

<sup>8</sup> All the correlations are below the recommended threshold value of 0.75 for serious concern about the collinearity problem (Green, 1978).

stakeholder view of CSR is only positively correlated with the internal whistleblowing intention and the stockholder view of CSR is positively correlated with the external whistleblowing intention. [See Table 2, pg. 254]

We tested the convergent and discriminant validity of the latent constructs. First, the results from Table 3 list the factor loadings ( $\geq 0.50$ ), composite reliability ( $\geq 0.70$ ), and average variance extracted (AVE) ( $\geq 0.50$ ), which all support convergent validity. Second, the discriminant validity may be an issue if the constructs have high inter-item correlations, and the squared correlation between the constructs should be less than each of the constructs' AVEs (Fornell and Larcker, 1981). The results provide evidence of discriminant validity among the constructs as the square root of the AVE for each of the latent variables is greater than the square of the inter-item correlations (table 4). [See Table 3, pg. 255]

### **Hypothesis Testing**

To evaluate the mediation effects, SEM was used to simultaneously analyze the relationships among the variables of interest (Figure 1). The fit tests of the final model were conducted with reference to several key indices.<sup>9</sup> The RMSEA is 0.059, which is below the desired 0.10 cutoff. The CFI and IFI for the model are both at 0.943, suggesting a good model fit (table 5). Following research by Zhang and Deng (2016), it is clearly stakeholder view of CSR is significantly related to the internal whistleblowing intention and the relationship between guanxi and internal whistleblowing intention is also significant in the stakeholder view of CSR (Figure 1). Hence, the stakeholder view mediates the effect of guanxi on internal whistleblowing (H1 is partially supported). In contrast, we also find that the stockholder view of CSR plays a significant role in fully mediating the relation between guanxi and the external whistleblowing intention, thus, supporting H2. In other words, the results indicate that those who believe more strongly in the importance of ethics and social responsibility are likely to report wrongdoing through the internal channels, which points to their feelings of a high obligation to their company (Shafer et al., 2016). The findings of the stockholder view of CSR reveal that the support for the stockholder's interests is associated with the external reporting as the profitability is important to shareholders. Overall, the findings indicate that PRESOR attitudes significantly influence the whistleblowing intention when employees experience favorable guanxi with their supervisors. [See Tables 4 and 5, pg. 256 and Figure 1, pg. 257]

Finally, we compared the chi-square values of the final model (Figure 1) with the alternative model (no direct path from the guanxi to the external whistleblowing intention (Shafer, 2015)). The chi-square difference tests reveal that the alternative does not improve the model fit (increase in  $\chi^2 = 3.299$ ,  $p < 0.05$ ).<sup>10</sup>

### **Supplemental Analyses**

#### ***CSR Attributions***

Individual employees' attributes are related to their organizations' corporate behaviors and events (Martinko et al., 2011). CSR attributions refer to "the causal reasoning stakeholders engage in when trying to understand the underlying motives of an organization's CSR activities" (De Roeck and Delobbe, 2012, p. 401). These attributes form part of the stakeholder's perceptions of their organization's CSR initiatives. As their primary motives for corporate CSR engagement, managers try to impress internal stakeholders and induce them to demonstrate favorable attributes (Sjovall and Talk, 2004).

Stakeholders perceive CSR initiatives as being motivated by the attributes they perceive in their companies' CSR involvement (Bhattacharya et al., 2009; Donia et al., 2019). When employees view their organizations' attributes as being motivated toward to CSR activities, they are more likely to be satisfied with their jobs (Vlachos et al., 2013) and this enhances their positive work outcomes (Hur, 2019; Wang et al., 2020). Prior research argues for the moderation effect of CSR attributes on consumers' behavioral responses to companies (Becker-Olsen et al., 2006). Consistently, De Roeck and Delobbe (2012) confirm that employees' CSR attributes moderate the strength of the positive relationship between a company's perceived CSR and its employees' organizational trust. Story and Neves (2015) investigate whether employees attribute different motives to their organization's CSR efforts and find that these motives positively affect employees' performance. In our study, we posit that companies' CSR attributes will mediate the relation between the guanxi employees have with their supervisors and individuals' whistleblowing intentions.

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<sup>9</sup> One insignificant path was dropped from the theoretical model.

<sup>10</sup> All control variables were tested and only working experience has the significant effect, but the results remain the same.

CSR attributions<sup>11</sup> were measured using a three-item scale obtained from Ellen et al. (2006). The items included are “My organization is taking advantage of its environmental initiatives to help its own business,” “My organization implements environmental initiatives to get publicity,” and “My organization hopes to increase its profits by implementing environmental initiatives” (Cronbach’s alpha =0.879).

To evaluate this mediation effect, SEM was used to analyze the relationships among the variables of interest (Figure 2). The RMSEA is 0.060, which is below the desired 0.10 cutoff. The CFI and IFI for the model are both 0.97, suggesting a good model fit. Clearly, stakeholder view of CSR is significantly related to internal whistleblowing and the relationship between guanxi, and internal whistleblowing is also significant in the stakeholder view. In other words, CSR attributes only partially mediate the effect of guanxi and internal whistleblowing. [See Figure 2, pg. 258]

### ***Incentives Framing***

Prospect theory suggests that individuals weigh losses more heavily than gains (Kahneman and Tversky, 1979). Therefore, reward-framed incentives are normally less motivating than penalty-framed incentives (Church et al., 2008). Unlike whistleblowing penalties, whistleblowing awards are likely to draw less injunctive norms because they are implying that whistleblowing is deliberate non-obligatory behavior and not necessarily expected. Therefore, we do not expect individuals who reported receiving whistleblowing awards to exhibit significantly different behavior than those who did not report receiving whistleblowing awards, unless fairness is an important concern or there is the presence of descriptive norms supporting whistleblowing as suggested by Chen et al. (2017). Consistent with our prediction, we did not find significant differences in our participants’ behavior after splitting the sample into two groups: one for those who did not receive an award and one for those that did.

### ***Gender Differences***

Gender Socialization Theory suggests that gender differences exist from early childhood and extend to adulthood (Smith and Rogers, 2000). Underlying this theory, females are more likely to be compassionate, risk averse, conservative, and ethical than males. On the contrary, the Self-Selection and Social Role Theories suggest that gender differences are eliminated when males and females assume standardized roles and duties in business organizations (e.g., Radtke, 2000; Owoso, 2002). Therefore, prior research provides mixed evidence on the association between gender and ethical decision making. In the context of examining the effect of CSR attitudes on the association between guanxi and whistleblowing intention, we did not find significant differences between males and females in this study after splitting the sample by gender. Therefore, the results in this study are following the stream of literature that suggests that occupational socialization eliminates gender differences.

### **Conclusion**

While CSR research has received much attention recently, limited research is devoted to the roles of the internal stakeholders’ (employees’) attitudes and favorable perceptions of CSR. In this study, we used the survey method to investigate the mediating mechanism of individual CSR attitudes toward the importance of ethics and social responsibility on the influence of guanxi on employees’ whistleblowing intentions.

We provide empirical evidence to respond to the call from prior research (Kim et al., 2020; Wang, 2018) regarding the mediating role of employees’ CSR attitudes on their ethical behaviors. We notice that individual attitudes toward CSR affect employees’ whistleblowing intentions. Specifically, the stakeholder view of CSR partially mediates the effect of guanxi on internal whistleblowing and it plays an important role in fully mediating the relation between guanxi and external whistleblowing. In other words, participants with stronger beliefs in ethics and social responsibility are more likely to blow the whistle internally; conversely, participants with stockholder views of CSR prefer to seek external channels to report the wrongdoing. Further, the supplemental analyses shows that employees’ CSR attributes also partially influence the relation between their guanxi with their supervisors and internal whistleblowing.

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<sup>11</sup> We also included a measurement of the employee’s CSR perceptions (14 items from Lee et al., 2013) to supplement the CSR attribution. In the initial model (including all nine latent constructs), the root mean square error of approximation (RMSEA) was 0.076, which is below the recommended 0.10 cutoff (Hu and Bentler, 1999). However, the Comparative Fit Index (CFI) and Incremental Fit Index (IFI) for the model were below 0.86, which indicates a poor model fit (Byrne, 2001; Hu and Bentler, 1999). Given the confirmatory factor analyses did not provide acceptable model fits, respecification of the models was necessary (Houghton and Jinkerson, 2007). Therefore, we compared the six-factor model with all alternative model specifications.

The results of our study have implications for researchers, practitioners, and regulators. From the research standpoint, this study provides empirical evidence of the mediating mechanism of individual CSR attitudes and how guanxi influences employees' whistleblowing intentions. From a practical perspective, it is necessary to understand these distinctive effects from the practitioner's point of view as it may help managers develop their CSR strategies. Moreover, the results suggest that stockholder interests of CSR induce a preference for outside reporting in terms of the whistleblowing intention, which has been considered to cause negative consequences for corporations' reputations (Park and Blenkinsopp, 2009). Consequently, an organization must promote the internal channel of whistleblowing.

This study is subject to some limitations. First, generalizability is a concern. The self-report survey was used to obtain respondents' behavior intentions; this may limit the results due to a social desirability bias. Moreover, it is possible experimenter demand effects may have influenced some participants' responses as they might behave in accordance with the expectations of our study. Second, the cross-sectional data may not be sufficient to establish the proposed causal relationships among employees' guanxi with their supervisors, their whistleblowing intentions and other mediation mechanisms. Future research may address this issue by using a longitudinal design. Third, participants are professionals from the banking industry, which may not represent the total population of stakeholders (e.g., investors and clients). Finally, although the whistleblowing intentions were assessed in our study, there is a gap between intention and actual behavior (Emerson et al., 2020b).

There are several avenues for future research. First, as this study demonstrates the mediating mechanism of CSR attitudes on the relation between guanxi and employees' whistleblowing intentions, future research could examine such effects in other ethical dilemmas. Future research could also extend this study to ethical settings.

Second, we developed our model in a collectivist culture, China, which may present results that differ from studies conducted in Western countries; for example, the weak guanxi influence and strong effect of CSR perceptions in the latter. Also, whistleblowing in the USA has gained attention over the past two decades due to increased regulations. Future cross-cultural research on individual cultural characteristics would provide a better understanding of the boundary conditions in terms of whistleblowing intentions.

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**Table 1: Demographic Information**

| <i>Descriptive characteristic</i>              | <i>n = 190</i> | <i>%</i> |
|--|----------------|----------|
| Female (Male)                                  | 106 (84)       | 55%      |
| Mean Age                                       | 32.6           |          |
| Highest Degree Completed:                      |                |          |
| Undergraduate Degree                           | 125            | 65.8%    |
| Master's Degree or higher                      | 42             | 22.1%    |
| Not Reported                                   | 23             |          |
| Years of working experience                    | 8.6            |          |
| Job Positions                                  |                |          |
| Staff  | 139            | 73.2%    |
| Supervisors                                    | 22             | 11.6%    |
| Manager or higher                              | 29             | 15.3%    |
| Whistleblowing Award in the organization (Yes) | 98             | 52%      |

**Table 2: Means, Standard Deviations, Correlations of the Study Variables**

|        | Mean | SD   | IA     | STAKE | STOCK  | CSR attributions | IW     | EW     |
|--------|------|------|--------|-------|--------|------------------|--------|--------|
| GX     | 3.67 | 1.21 | .625** | .169* | .315** | .296**           | .339** | .286** |
| STAKE  | 5.71 | 0.98 |        |       | -0.003 | .443**           | .367** | -0.026 |
| STOCK  | 2.16 | 0.97 |        |       |        | 0.130            | 0.132  | .497** |
| CSRatt | 5.14 | 1.12 |        |       |        |                  | .415** | .156*  |
| IW     | 4.76 | 1.30 |        |       |        |                  |        | .420** |
| EW     | 3.62 | 1.62 |        |       |        |                  |        |        |

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

GX: guanxi; STAKE: employees' stakeholder view; STOCK: employees' stockholder view; CSRatt: CSR attributions; IW: internal whistleblowing intention; EW: external whistleblowing intention

**Table 3: Item Measures and Tests of Internal and Convergent Reliability**

| Item Measure (Cronbach's alpha)  | Item Measure Name | Factor Loadings | Composite Reliability | Average Variance Extracted |
|--|-------------------|-----------------|-----------------------|----------------------------|
| <b>Guanxi with supervisor</b>  |                   |                 | 0.846                 | 0.525                      |
| During holidays or after office hours, I would call my supervisor or visit him/her   | Guanxi1           | 0.637           |                       |                            |
| I always actively share with my supervisor about my thoughts, problems, needs, and feelings  | Guanxi2           | 0.654           |                       |                            |
| My supervisor invites me to his/her home for lunch or dinner   | Guanxi3           | 0.799           |                       |                            |
| On special occasions such as my supervisor's birthday, I would definitely visit my supervisor and send him her gifts                       | Guanxi4           | 0.796           |                       |                            |
| I care about and have a good understanding of my supervisor's family conditions  | Guanxi5           | 0.722           |                       |                            |
| <b>Stakeholder view:</b>   |                   |                 | 0.910                 | 0.590                      |
| Being ethical and socially responsible is the most important thing a firm can do.  | Stake1            | 0.762           |                       |                            |
| The ethics and social responsibility of a firm is essential to its long-term profitability.  | Stake2            | 0.786           |                       |                            |
| The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible. | Stake3            | 0.756           |                       |                            |
| Business ethics and social responsibility are critical to the survival of a business enterprise.   | Stake4            | 0.818           |                       |                            |
| A firm's first priority should be employee morale.   | Stake5            | 0.720           |                       |                            |
| Business has a social responsibility beyond making a profit.   | Stake6            | 0.803           |                       |                            |
| Social responsibility and profitability can be compatible.   | Stake7            | 0.727           |                       |                            |
| Good ethics is often good business.  | Stake8            | 0.606           |                       |                            |
| <b>Stockholder view</b>  |                   |                 | 0.872                 | 0.534                      |
| The most important concern for a firm is making a profit, even if it means bending or breaking the rules.                                  | Stock1            | 0.807           |                       |                            |
| To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.                     | Stock2            | 0.719           |                       |                            |
| If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.                             | Stock3            | 0.827           |                       |                            |
| Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.                       | Stock4            | 0.743           |                       |                            |
| If the stockholders are unhappy, nothing else matters.   | Stock5            | 0.656           |                       |                            |
| <b>Internal whistleblowing</b>   |                   |                 | 0.864                 | 0.681                      |
| I would report it to an upper level of management in the organization  | IW1               | 0.875           |                       |                            |
| I would report it to my immediate supervisor   | IW2               | 0.876           |                       |                            |
| I would report it by using internal procedures   | IW3               | 0.715           |                       |                            |
| <b>External whistleblowing</b>   |                   |                 | 0.941                 | 0.842                      |
| I would report it through channels outside of the organization   | EW1               | 0.813           |                       |                            |
| I would disclose it by going public  | EW2               | 0.961           |                       |                            |
| I would report it to the appropriate authorities outside of the organization   | EW3               | 0.971           |                       |                            |

|   |         |       |       |       |
|---|---------|-------|-------|-------|
| <b>CSR Attributions</b>   |         |       | 0.878 | 0.707 |
| My organization is taking advantage of its environmental initiatives to help its own business | CSRatt1 | 0.808 |       |       |
| My organization implements environmental initiatives to get publicity                         | CSRatt2 | 0.873 |       |       |
| My organization hopes to increase its profit by implementing environmental initiatives        | CSRatt3 | 0.840 |       |       |

**Table 4: Discriminant Validity<sup>a</sup>**

|                  | GX           | STAKE        | STOCK        | CSR attributions | IW           | EW           |
|------------------|--------------|--------------|--------------|------------------|--------------|--------------|
| GX               | <b>0.725</b> | 0.029        | 0.123        | 0.088            | 0.115        | 0.082        |
| STAKE            |              | <b>0.768</b> | 0.000        | 0.196            | 0.135        | 0.001        |
| STOCK            |              |              | <b>0.731</b> | 0.017            | 0.017        | 0.247        |
| CSR attributions |              |              |              | <b>0.841</b>     | 0.172        | 0.024        |
| IW               |              |              |              |                  | <b>0.825</b> | 0.176        |
| EW               |              |              |              |                  |              | <b>0.918</b> |

a: Diagonal elements are the square root of average variance extracted (AVE). Off-diagonal elements are Squared Inter-Construct Correlations.

GX: guanxi; STAKE: employees' stakeholder view; STOCK: employees' stockholder view;

IW: internal whistleblowing intention; EW: external whistleblowing intention

**Table 5: Summary of Model Fit**

| MODEL                                     | $\chi^2$ | df  | p     | $\chi^2/df$ | GFI                 | NFI      | IFI      | CFI      | RMSEA       | RMSEA<br>90%<br>Confidence<br>Interval |
|---|----------|-----|-------|-------------|---------------------|----------|----------|----------|-------------|--|
| 1. Theoretical Model                      | 423.35   | 242 | <.001 | 1.75        | 0.850               | 0.861    | 0.935    | 0.935    | 0.063       | 0.051 - 0.086                          |
| 2. Final Measurement model (figure 1)     | 389.19   | 241 | <.001 | 1.65        | 0.860 <sup>12</sup> | 0.869    | 0.944    | 0.943    | 0.059       | 0.044 - 0.081                          |
| 3. Supplemental Analysis Model (Figure 2) | 117.61   | 70  | <.001 | 1.68        | 0.920               | 0.933    | 0.972    | 0.971    | 0.060       | 0.043 - 0.080                          |
| <b>Standard for Acceptance</b>            | NA       | NA  | >.05  | < 2.0-3.0   | >.90-.95            | >.90-.95 | >.90-.95 | >.90-.95 | < .06 - .10 | NA                                     |

GFI – Goodness of fit index

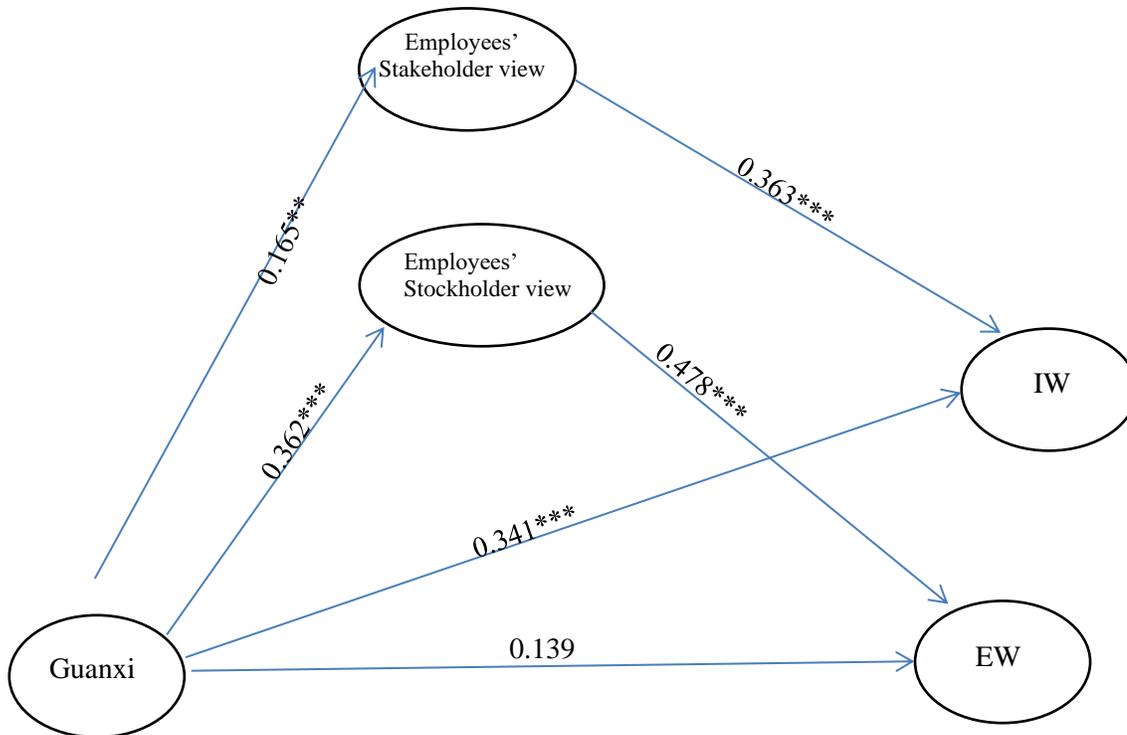
NFI – Normed fit index

IFI – Incremental fit index

CFI – Comparative fit index

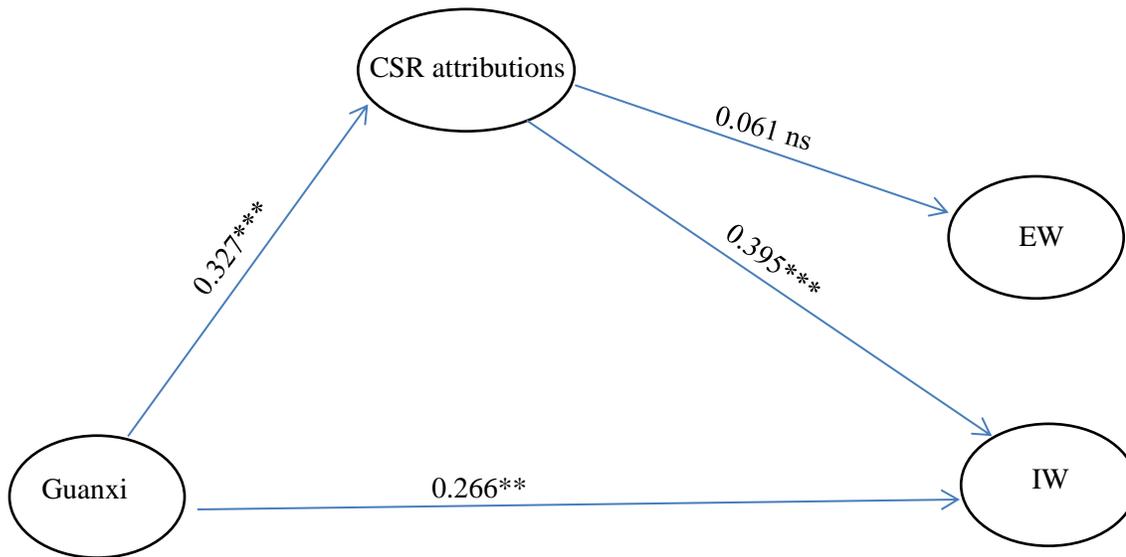
RMSEA – Root mean square error of the approximation

<sup>12</sup> According to Baumgartner and Homburg (1995), and Doll, Xia, and Torkzadeh (1994), the value for GFI is acceptable if above 0.8.



**Figure 1: Final SEM Model**

IW: Employees' Internal Whistleblowing Intention  
 EW: Employees' External Whistleblowing Intention  
 Guanxi: Employees' Guanxi with their supervisor  
 Employees' stockholder view is based on their PRESOR score  
 Employees' stockholder view is based on their PRESOR score  
 Chi square= 398.199, df= 241  
 CFI=0.943  
 IFI=0.944  
 RMSEA=0.059  
 \*\*\* Significant at the p-value of 0.001 or less  
 \*\* Significant at the p-value of 0.05 or less  
 \* Significant at the p-value of 0.1 or less



**Figure 2: SEM Model—CSR Attributions**

IW: Internal Whistleblowing

EW: External Whistleblowing

Chi square= 117.614, df= 70

CFI=0.971

IFI=0.972

RMSEA=0.06

\*\*\* Significant at the p-value of 0.001 or less

\*\* Significant at the p-value of 0.05 or less

ns: not significant