

The Effect of an Anonymous Reporting Channel and Financial Incentives on Intentions to Whistle-Blow

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Two types of whistle-blowing channels representative in organizations are, anonymous and non-anonymous reporting channels. People who have knowledge of wrongdoings or questionable acts may be reluctant to come forward because they perceive the potential costs (e.g., loss of job) of whistle-blowing outweigh the potential benefits (e.g., wrongdoing is terminated) of the action. One provision of the Sarbanes-Oxley Corporate Reform Act of 2004 requires all publicly held companies to establish anonymous reporting channels. The availability of an anonymous channel may reduce the perceived potential costs of whistle-blowing. The federal False Claims Act allows people who come forward with information about a fraud against the government to claim a percentage of the recovery. The availability of financial rewards may increase the perceived potential benefits of whistle-blowing. It is assumed that whistle-blowing occurs only when the perceived potential gains exceed the perceived potential costs of whistle-blowing. This study will examine whether the availability of anonymous reporting channels and the availability of financial rewards will increase one's intentions to whistle-blow. This study will also examine whether the availability of financial rewards will influence one's intention to choose non-anonymous reporting channels over anonymous reporting channels that preclude financial reward claims.

The results of this study will help government policy makers, top corporate management and accounting researchers to assess the effects of the Sarbanes-Oxley requirement for an anonymous reporting channel and to assess the effectiveness of financial rewards as an incentive for whistle-blowing.
