

The Management of Whistleblowing

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INTRODUCTION

Within the last two decades, corporate scandals, fraud and corruption, unethical and illegal business practices, misconduct in the workplace, malpractice, and the mismanagement of funds have all been associated with corporate wrongdoing in the public and private sectors. Indeed, such a business context has arguably led to disgruntled employees, poor company images, and many publicized corporate melt-downs within powerhouse corporations across the globe. The effect of corporate failures brought devastating effects to the global economy as triggers to the economic recession in 2008. Undeniably, therefore, corporate wrongdoing must be brought under control within today's workplace for all organizations.

Effective control of corporate wrongdoing within today's workplace calls for clear, structured, accepted, and well-managed procedures to facilitate whistleblowing. A managerial perspective must therefore, be adopted to systematically establish and support whistleblowing. In the corporate context, whistleblowing can be defined as a disclosure process which uses various channels (internal and/or external) for organizational members (past or present) to report illegal, immoral or illegitimate practices within an organization, with the aim of stopping or addressing the harm or threat (Near and Miceli 1985). Immoral practices also cover wrongful and questionable commissions and omissions on the part of the organization to protect their members from serious harm (Near and Miceli 1996). In this regard, whistleblowing can assist in rooting out corruption and wrongdoing by bringing such issues to the forefront. Whistle-blowers should therefore, be seen as heroes since they can assist in saving billions of dollars and numerous lives through the disclosure of information regarding fraud, corruption, and other forms of corporate wrongdoing and misconduct by organizations, thereby protecting citizens, employees and consumers, and preventing related disasters and scandals from intensifying.

Despite the potential of whistleblowing as a process for managing corporate wrongdoing, its effectiveness has often been brought into question by opponents due to several reasons. First, the decision to report the observed wrongdoing is never an easy one, given the high personal costs, which can deter whistleblowing. In some contexts, whistle-blowers can be regarded as heroes, while in others, they can be perceived as traitors and snitches. Second, organizational leaders and management can respond in a number of different ways, which may or may not be favourable to the reporter or whistle-blower. Managerial responses can include: correcting the wrongdoing, ignoring the report, or even retaliating against the whistle-blower. Positive managerial responses can signal to employees that management accepts the whistleblowing behaviour in the organization and is prepared to curb the wrongdoing. Negative managerial responses in the form of victimization and/or no action can serve as a disincentive to

whistleblowing. In such a context, it is apparent that the effectiveness of whistleblowing in addressing corporate wrongdoing can be limited. To maximize the potential of whistleblowing, therefore, it becomes important to answer the question: “How can organizations manage whistleblowing to effectively address corporate wrongdoing in today’s business environment”? To answer this question, the research objectives of this Chapter are to:

- Describe the key management issues associated with whistleblowing.
- Outline the essential aspects of the ethical dilemma in the management of whistleblowing.
- Present and evaluate a managerial framework to enhance the effectiveness of whistleblowing.

BACKGROUND

Recent failures of corporate integrity among high-profile organizations have emphasized the need to prevent, detect, and respond to corporate wrongdoing that can lead to devastating consequences for economies, businesses, employees, and other stakeholders. Whistleblowing in today’s corporate world is increasingly becoming a mainstream issue, since it is the key component in promoting a culture of integrity. Whistleblowing generally describes the process through which corporate wrongdoing can be exposed; where exposure should set the stage for managing and minimizing such wrongdoings. The range of activities that may constitute corporate wrongdoing include, but are not limited to: corruption, bribery, receiving and giving gifts and entertainment, kickbacks, extortion, nepotism, favouritism, cronyism, money laundering, improper use of insider information, insider trading, conflicts of interest, fraud, discrimination, aggressive accounting, sexual harassment, workplace safety, product safety, and environmental pollution (Near and Miceli 1996). All definitions of whistleblowing establish that it involves the reporting of such wrongdoing, that wrongdoing is not confined to illegality, whistleblowing is not confined to reporting to fellow employees, and whistleblowing should encourage persons to report activities that may be fraudulent or harmful to the business and stakeholders (Near and Miceli 1996).

Notably, whistleblowing can be done via internal and external channels. If an alleged wrongdoing is reported to internal authorities, such as, persons in positions of authority within an organization, audit committees, or anonymous channels, it is referred to as internal whistleblowing. If an alleged wrongdoing is reported to outside authorities, such as, regulatory bodies, news media, or public interest groups, it is referred to as external whistleblowing. There is some consensus that whistle-blowers may prefer to blow the whistle through available internal channels. However, most employees may be too scared to blow the whistle internally for fear of victimization, retaliation, reprisal or even dismissal. Fletcher, Sorrell, and Silva (1998) in their research on whistleblowing note an important case study which highlights clearly some of the issues that could emerge using even internal whistleblowing channels.

In 1996, in a New England hospital, a registered nurse Barry Adams blew the whistle using internal channels on unsafe health care practices he observed in his workplace. He documented the unsafe practices and noted instances where patient safety, healthcare and well-being were being compromised. For three months, such practices were documented and reported to internal hospital administrators using the prescribed processes and procedures. However, Adams soon realized there was little to no interest in correcting the unsafe practices, no interest in using the information to do so, and in fact, he was harshly

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