

Whistle Blowing: A Practice That Still Needs Perfection

Long before the collapse of Enron and WorldCom, whistle blowing was already a concern for Human Resource professionals worldwide, and the issues surrounding whistle blowing, and implementing whistle blowing programs are as complex as they are controversial. Through recent literature and independent studies, this will present the issues that make whistle blowing both beneficial and controversial in a corporation, and possible solutions to implementing an effective whistle blowing programs within a company.

Though this is a relatively new area of study, Human Resource Analysts agree that whistle blowing is defined as "organization members' disclosure of illegal, immoral or illegitimate practices under the control of their employers, to parties who may be able to effect action". And although more light has been shed on this area of business in recent years, it is still not a practice that has been perfected in most companies.

In a perfect society, whistle blowing would never have to occur. Unfortunately, our society is one that is often fraught with corruption, malpractices, and dishonesty in business, so it has become necessary for company employees to have to watch management closely in order to monitor their practices. Whistle blowing is supposed to be as simple as one individual employee reporting a wrongdoing. But many employees have found this is not the case. In fact, employees have found that whistle blowing now is fraught with danger, and according to the Denver Business Journal, "requires uncommon courage" since many employees now face reprimand. Analysis Rothschild and Miethe reported from survey data from specific professions revealed that about "two-thirds of whistle blowers....

Experienced each of the following forms of retaliation:

- 69% were either fired or forced to retire
- 64% received lower performance evaluations
- 68% had their work more closely monitored by subordinates/supervisors
- 69% percent were criticized or avoided by other coworkers
- 64% percent were blacklisted from getting another job in their field.

This is in addition to the emotional stress this causes the whistle blower. Rothschild and Miethe also reported that emotionally, whistle-blowers experienced the following emotional effects as a result of their whistle blowing activity:

- 84% reported severe depression or anxiety,
- 84% had feelings of isolation or powerlessness,
- 78% experienced distrust of others,
- 90% reported problems with family relations...
- 90% of the whistle-blowers in our sample said they would still report misconduct if they had a chance to do things all over again.

Given the effects of employees coming forward to report malpractices within their companies, it is important for companies and corporations to incorporate a safe, effective and anonymous system of whistle blowing in order to protect their employees from retaliation from coworkers and subordinates. But even with the effects, corporate America is listening and watching. In 2002, *Time* magazine editors named WorldCom's Cynthia Cooper and Enron's Sherron Watkins two of their People of the Year, acknowledging the importance of internal whistle blowers to the corporate structure.

Whistle blowing has been examined within its legal parameters for the purpose of Federal and state laws to regulate whistle blowing activities, but there is not always a guarantee that these laws and systems will work.

US Department of Labor, Occupational Safety and Health Administration (OSHA) has implemented laws in order to protect employees from harsh retaliation and unfair practices caused by whistle blowing. In 2002, OSHA implemented the Sarbanes-Oxley Act, protecting public companies and their employees from retaliation from whistle blowing activities.

In an attempt to protect corporate employees, in compliance with the OSHA implemented act, corporate directors have been encouraged to use third party hotlines as a quick and inexpensive solution to the required implementation of a whistle blowing program, by the New York Stock Exchange's Corporate Governance Board. The Corporate Governance Board whose recommendations establish the "best practice" standards for corporate America charge that this is the best way to ensure safe whistle blowing for companies.


By protecting the identity of an anonymous, it would allow for more employees to come forth to report any practices that are not up to company or corporate practices. Without third party hotlines, protecting the identity of an anonymous informant can become extremely difficult, since the manner in which the investigation is conducted often leads to the discovery of the informant's identity through pre-investigative behavior and deductive reasoning.

Unlike "in house" reporting methods, third-party hotlines do not tie up Human Resource Departments to be bombarded with the paperwork that goes along with dealing with complaints, and allows more time for company personnel to conduct more thorough investigations of corporate practices. In fact, *Forbes* Magazine reported in 2003, "Companies have been focusing their attention on compliance efforts on the general corporate-governance reforms, and have paid too little attention to Sarbanes-Oxley's whistle blower provisions." This can prove to be detrimental to the business practices of companies, breaking down their corporate structures.

But for every illness, there is a remedy. According to *Forbes* Magazine, companies should implement the following practices to keep whistle-blowing practices running like a well-oiled machine companies.

Forbes recommends that companies:

- Should write a corporate code of conduct that define potential financial, ethical, legal, or other misconduct.
- Include a 'no-retaliation' policy and identify employees who are to receive complaints of whistleblower retaliation.
- Establish a corporate compliance hotline and/or name a corporate compliance or ethics officer.
- Keep well-documented personnel files, disciplinary records and termination records."

With such practices in place, corporations and employees would not be so vulnerable to malpractice and retaliation for whistle blowing practices. In all, safe and anonymous whistle blowing practices within the corporate structure would strengthen ties within a company or corporation, and make a safer feeling environment for employees who make the courageous choice to report wrong and illegal business practices within their companies. **VBJ** 

Sources:

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