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Of Self-Regulation**

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# **WHISTLEBLOWING: THE ADVANTAGES OF SELF-REGULATION**

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## **Abstract**

Although whistleblowers are often portrayed as courageous individuals worthy of respect, the act of whistleblowing can be viewed as a disloyal act which may bring much harm to the whistleblower's colleagues. We argue that although some whistleblowers have provided a great service to society, the world would be best served if the need for external whistleblowing were to be obviated by appropriate management practices.

# WHISTLEBLOWING: THE ADVANTAGES OF SELF-REGULATION

## Introduction

Whistleblowing is a relatively recent corporate phenomenon<sup>1</sup>. It has been defined as:

The disclosure by organisation members (former or current) 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, 1996, p. 508).

A dissenting act of public accusation against an organisation, which necessitates being disloyal to that organisation (Jubb, 1999, p. 77).

The second definition places an emphasis on dissent; and recognises that from one perspective an act of disloyalty is involved.

The Australian Senate Select Committee (1994, p. xiii) acknowledges that, “whistleblowing is a legitimate form of action within a democracy and that there have been, there are, and there will continue to be occasions on which whistleblowing is the only available avenue for the concerned ethical citizen to expose wrongdoing in the public or private sector.” The Senate Select Committee quote supports the conclusion of De Maria (1995), that “Whistleblowing is socially responsible dissent” (p. 280).

In this paper we attempt to suggest how best the whistleblower should be perceived and dealt with within organisations and society. We describe the business developments that produced the need for whistleblowers. We examine how whistleblowers are usually perceived by the public, but often perceived very differently by their corporate colleagues. We discuss how the law has evolved in response to the whistleblowing phenomenon in the New Zealand context, and provide appropriate references to the United States. We discuss the different consequences caused by the whistleblowing act being performed within, or external to, an organisation. We consider how top management in organisations might attempt to encourage internal whistleblowing. We provide conclusions and recommendations.

## The Emergence of Whistleblowing

The 20th century saw the power of corporations in society grow at an amazing rate. This is well illustrated by Jennifer Abbot and Mark Achbar’s film *The Corporation* (2003). The documentary records how American corporations were, during the 19th and 20th centuries, provided with legal identities similar to those of natural persons. However, the film provides an analysis of modern day corporations, using accepted psychological criteria, which concludes that if corporations were natural persons, the clinical diagnosis of many would label them as psychopaths, devoid of heart, soul or capacity to care.

Many 20th century managers accepted the perspective of Nobel Economic Prize winner Milton Friedman on their responsibilities. Friedman argues that the notion of social responsibility in business is objectionable. He stated in a 1970 article:

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<sup>1</sup> See Appendix 1 for examples of the phenomenon.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom (as cited in Hoffman, Frederick and Swartz, 2001, p. 156).

Thus much power was wielded in the 20th century by managers freed of ethical responsibilities and driven to maximise profits. They lived a relatively simple life where they recognised only one legitimate stakeholder group in the corporation, its 'owners' the shareholders, and their own self-interests. Managers had only to ensure that all decisions were aimed at maximising the economic returns to the shareholders. Sometimes those who were close enough to observe the resultant behaviour were shocked by it; whistleblowers emerged.

### **The 'Good' Guys**

It is clear that for Americans, whistleblowing is a part of the cultural landscape. Whistleblowing has been a theme in Hollywood films such as *Serpico*, *Silkwood*, *Marie*, and of course, *The Insider*. In addition, whistleblowers are often featured as heroes and experts on news shows. (Johnson, 2003, p. 4).

Most members of the public, with the help of the media, have recognised whistleblowers as heroes; whistleblowers are perceived as having the organisation's long term interests at heart (Street, 1995). Media representations of whistleblowing usually involve stories about a publicly spirited individual fighting against a large organisation. The whistleblower has performed an act of courage that is fraught with ethical, personal and professional dangers, as they expose wrongdoing. Whistleblowers have often suffered for their actions, but further heroes are willing to step forward, as required. "Whistleblowers... who expose wrongdoing by their organisation often meet with harsh consequences, including dismissal and harassment for performing what is arguably a social good." (Dandekar, 1991, p. 89 as cited in Benson and Ross, 1998, p. 1519).

It can be argued that whistleblowers' loyalty to principles, commitment to preventing harm and concern with moral purity so outweigh all other factors that there is no 'deciding' when they are faced with the possibility of blowing the whistle. According to Alford (2001) they have a "choiceless choice" (p. 40). However, the whistleblowing often results in the whistleblower being put 'on trial', rather than the policies that they have criticised and exposed (Greene & Latting, 2004). In other words, it is the messenger who faces retaliation, rather than the focus being put on the message, because, as Lewis (2001) notes, "...they are troublemakers who deserve to be punished for disloyalty"(pp. 170-171).

According to McDonald and Ahern (2000) no matter how legitimate the concern, or how serious the offence, whistleblowers will almost certainly be victimised for reporting an incident. Barnett, Cochran and Taylor (1993) referring to a 1989 study by Jos, Tompkins and Hays indicate the range of reprisals suffered by whistleblowers. These included loss of employment, or a transfer to another position with a reduction in either job responsibilities or salary. Unofficial reprisals include: workplace harassments, psychological harassment,

humiliation and personal threats (Barnett et al., 1993; Benson and Ross, 1998; Kaplan and Kleiner, 2000).

The consequences for whistleblowers often include: economic hardship, family stress, divorce and even suicide (Webber, 1989). The retaliation methods with the greatest physiological effect are isolation and humiliation; the whistleblower may be prevented from access to information, and have pleasures such as their computer or telephone taken away, while they are assigned duties such as sweeping the floor to diminish their dignity (Kaplan & Kleiner, 2000).

Deciding to blow the whistle is a risky and complex business and not always black and white. The whistleblower usually risks 'everything'. One factor in the whistleblower's calculations must be, "how is this going to affect me?" Considerations include the repercussions whistleblowing brings, including possible effects on the whistleblower's family, versus the potential for, as Roberta Johnson (2003) puts it, "dire consequences if they don't act" (p. 31). The whistleblower can carry the responsibility for allowing the wrongdoing to continue. Silence does not 'fix' the problem. It will leave the problem to play on the whistleblower's conscience (Chin, K. 2004). Blowing the whistle is a voluntary act; the whistleblower has responsibility for how and when the disclosure is made (Seebauer, 2004; Jubb, 1999).

Disclosure of environmental crimes, insider trading or spurious accounting practices may be in society's interest. Street (1995) considers the potential for harm from an organisational perspective noting that "Organizations that do not effectively deal with the issue can expect to incur considerable costs, usually as a result of the negative publicity that accompanies public disclosure" (p. 104). The perceived danger in terms of organisations is that the whistleblower, in deciding to do the 'right' thing and speak out, may render greater damage to the organisation than deserved, and may harm the collective interests of society. External whistleblowing often can be avoided by entities having rigorously enforced, maintained and reviewed internal reporting processes. According to Jubb (1999), most wrongdoing that eventually gets reported externally has first been reported internally. There may be no need for a whistleblower to take their concerns to the wider public, if sound internal policies are in place (Barnett 1992). Usually external channels are used when whistleblowers perceive that they lack power to affect a practice through internal systems (Near & Miceli, 1996).

### **The 'Bad' Guys**

Despite the generally accepted view of the societally positive motives of whistleblowers, some whistleblowers may be disgruntled, malevolent employees who disclose misconduct for their own personal gain. That potential has been noted not just by organisations in the private sector, but has influenced the development of whistleblower protection legislation. De Maria (1995) stated, "In making the public interest disclosure definition contingent upon the whistleblower obeying official reporting directions we detect official paranoia at what persistent whistleblowers could do" (p. 274). Some whistleblowers may be seeking financial rewards, obtained as a percentage of the return to victims for the fraudulent misconduct exposed (Johnson, 2003). An individual's true motivation for blowing the whistle may be difficult to identify; a whistleblower may be driven by motives of retribution. Although whistleblowing is often associated with good citizenship, this link may not be recognised within many organisations. Whistleblowing can seriously damage organisations.

A loyalty conflict is the dominating feature of whistleblowing. "...arbitrators have tended to agree with employers that whistle blowing is an act of disloyalty which disrupts business and injures the employer's reputation" (James (1990) as cited in Hoffmann et al., p. 292). People are brought up with the value of loyalty to one's family and friends; it is presumed that they will be loyal to their organisation and colleagues when they enter the work force. However, sometimes individuals will feel a greater need to be loyal to their own developed knowledge of right and wrong. In the words of Josiah Royce, "loyalty can be seen as a devotion to a cause and the way we choose between loyalties is to choose the cause that is more compelling" (cited in Johnson, 2003, p. 27).

Whistleblowing involves an ethical choice; a decision about what should be done when faced with conflicting responsibilities. It "can be viewed as a self-centred behaviour aimed at avoiding complicity and maintaining personal integrity" (Jubb, 1999, p. 82). The short-term effect that whistleblowing has on a targeted organisation is often negative. It can weaken an organisation's chain of command, pose a threat to its effectiveness and unsettle employees' confidence in their ability to use their discretion. Regardless of motivation or justification, whistleblowing involves the disclosure of privileged information that other members of the organisation seek to keep private. The whistleblower must breach the trust that their organisational colleagues have placed in them.

### **Internal vs External Whistleblowing**

Whistleblowers have a choice of where they choose to blow the whistle, internally or externally. As explained by James (1990):

If the wrongdoing is reported to someone higher up in the organization, the whistle blowing may be said to be internal. If the wrongdoing is reported to outside individuals or groups, such as reporters, public interest groups, or regulatory agencies, the whistle blowing is external (Hoffman et al., p. 291).

If an offence is being committed within an organisation without the knowledge of senior management, then senior managers can be made the recipients of the whistleblowers disclosures. However, the whistleblower must be aware that they are being disloyal to colleagues and that the senior managers may recognise the disloyalty as a greater offence than the behaviour being complained of (Seebauer, 2004). Where the whistleblower fears such an internal response they are more likely to blow the whistle externally and this may cause much more damage to the organisation.

Internal exposure allows organisations a chance to 'fix' problems before they develop into full-blown scandals (Barnett, 1992). Internal disclosure may create a collaborative ethical atmosphere within an organisation, where employees are encouraged to report unethical behaviour (Barnett et al, 1993). Only when internal disclosure produces an inadequate result will there be a need for external whistleblowing. The tension for the internal whistleblower may be significantly less. The previously conflicting pressures of loyalty to the firm and loyalty to society may be brought together. The whistleblower may believe that their disclosure will prevent anti-social practices and also prevent the organisation from possible public embarrassment were the offence to be publicly reported in the future. The importance of providing adequate responses to internal complaints must be recognised as a key factor in avoiding external reporting (Miceli & Near, 1994).

Internal disclosure does not breach the organisation's confidences or violate its proprietary rights to the information released. On the other hand there is potential for the external disclosure to disturb the hierarchy and therefore the command structure of the organisation. The harsh truth is that when an employee has blown the whistle by taking the case to outside authorities it represents a failure of everyone concerned. Proper responses to internal complaints should not only prevent external whistleblowing, but should also encourage immediate positive changes within the organisation (Benson & Ross, 1998).

Unfortunately there is evidence that an enlightened attitude to internal whistleblowing is not widespread. A study by Dworkin and Baucus (1998) found that managers respond differently when retaliating against internal or external whistleblowers. It concluded that external whistleblowers experience more extensive retaliation than internal whistleblowers.

### **Whistleblowing Legislation and the Public Interest**

The last few decades has seen the proliferation of legislation worldwide designed to protect the whistleblower. Many argue, however, (Lewis, 2000; Baxt, 1996) that most of this legislation does not go far enough to protect the whistleblower with much of the legislation reluctant to cede blanket protection to whistleblowers. We are less sure.

This reluctance to give overarching protection to whistleblowers tacitly affirms the legislatures' concern with the need to carefully weigh and measure the costs and benefits of disclosure. To allow any act of impropriety, no matter how insignificant, to be disclosed will clearly not always be in the public interest and for the greater good. The right of the public to know clearly needs to be weighed against the right of the organisation to maintain secrecy in some areas.

Much whistleblower protection legislation has been enacted in both New Zealand and Australian states. Legislation has, in the main, been prompted by the inadequacies of existing common law to protect whistleblowers. However, the legislative response has not always clarified the conflict between internal and external whistleblowing. New Zealand has the Protected Disclosures Act 2000. Minister of State Services Paul East speaking after the Select Committee stage stated that the emphasis on internal procedures in the Bill was to "promote the development and maintenance of open cultures and awareness of ethical and public interest issues as part of the organisation's ethos" (Hansard, 4823) even though he noted that "there was no evidence that significant matters of serious wrongdoing were going undetected". In contrast, the approach taken by the United States Government is at the other end of the spectrum, as will be discussed shortly.

By virtue of Section 5 the purposes of the New Zealand Act are to facilitate exposure of wrongdoing, and protect employees and others who disclose in accordance with the provisions of the Act. Yet it is only the Public Service which is required to have internal reporting procedures and to ensure that these procedures are widely disseminated to staff. Such requirements are not imposed on private sector entities.

Requirements in the private sector come from the recently released Principles and Guidelines on Corporate Governance (New Zealand Securities Commission, 2004). Listed entities and others that have public funds at stake are not legally required to comply with the Principles,

but the Commission expects that any deviation from them will be explained, for example in the Annual Report. It is noted that:

The Principles do not impose any new legal obligations on issuers. However they set out standards of corporate governance that the Commission expects boards of issuers to observe and to report on to their investors and other stakeholders (p. 6).

No direct mention is made of whistleblowing, but it requires that a Code of Ethics must include specific requirements regarding “reporting of unethical decision making and/or behaviour” (p. 12).

Johnson (2003) sets out the protections offered to United States governmental employees, and others, in terms of whistleblowing. These protections have not provided much comfort to employees of publicly traded companies. As a result of Enron, Worldcom, Global Crossing and other high profile United States corporate failures at the beginning of this millennium, corporate governance practices came under close scrutiny. Aligned to this was a large increase in the number of disclosures made to the Securities and Exchange Commission (Fairbank, 2002 cited in Johnson, 2003). The Sarbanes-Oxley Act, formally known as the Public Company Accounting Reform and Investor Protection Act 2002, is a response to this issue. The Act specifically provides for corporate governance practices to include whistleblowing policies. These are prescriptive requirements, self-regulation is not an option. Public companies must establish, maintain and monitor, through their Audit Committees, procedures for the “receipt, retention and treatment of complaints” about accounting, internal control and auditing issues (Section 301). Section 806 deals with protection of whistleblowers. Given the importance of the reputation of a country’s capital markets, it is understandable that self-regulation was replaced by prescriptive requirements in an environment where the losses from Worldcom’s collapse amounted to US\$11 billion (McClam 2005 <http://news.findlaw.com>).

The benefits of an effective organisational whistleblowing policy extend not only to the organisation, but also to the whistleblower. By first raising the issue within the organisation the whistleblower has a better way of determining the correctness of their allegation. By using internal channels they save themselves the legal problem of ascertaining whether the disclosure is in the public interest, thus providing a valid legal defence if they are charged with a breach of trust. If there is no regard taken as to the public interest, the whistleblower can find that the law offers them no protection.

## **The Future**

Writers such as Lewis (2001) see whistleblowing as potentially “part of a system to maintain and improve organisational quality”. He “sees whistleblowers benefiting their employers by offering solutions to work problems” (p. 170). It would be better if whistleblowing were to be recognised as an instrument for proposing organisational changes, rather than as an organisational attack to be repelled. Grant (2002) suggests that whistleblowing would not be necessary if organisations had effective systems whereby ethical concerns could be heard and dealt with. Many organisations retaliate against whistleblowers but this fact is now recognised by Governments and regulatory authorities around the world, with the result that imposition of requirements for internal reporting procedures is now generally covered by law.

Where whistleblowing occurs for reasons that are not to do with personal gain or malice, the whistleblower is seeking change, hopefully for the best of reasons. If managers recognise this, they can create the best of environments, where employees become comfortable in championing suggestions for changes they deem to be necessary. If internal systems are created to encourage such suggestions, managers will be alerted to areas where change may be necessary before anyone external to the organisation is aware of any problem. The resultant actions by staff may not be termed whistleblowing but the systems will then have eliminated the need for external whistleblowing, by providing the opportunity for hearing and dealing with ethical concerns internally.

Providing the means for an organisation to deal with its own malfeasance in an effective, responsible way will often be better for both the organisation and for the collective interests of society. Clearly, in certain instances, organisational misconduct will be so severe and pose too immediate a threat to society for internal policies to be exhausted. Even where managers believe they have supportive systems in place, it is possible that external whistleblowing may occur. Management must be alert to this and provide systems that minimise the risks.

An organisation's culture has an intense impact upon the lives of both the employer and their employees. There is significant evidence that employee's perceptions of moral integrity and ethics portrayed by top management affect their personal behaviour and performance, reinforcing the importance of ethical leadership (Greene & Latting, 2004). Culture is an important issue for the whistleblower as it affects the extent to which whistleblowing may be seen as appropriate and therefore is an indicator as to whether the organisation has a willingness to change.

Keenan and Krueger (1992) suggest that members of many organisations feel that the ethics of their organisation have deteriorated, and that organisations should make ethical conduct an important part of their culture. As organisations grow they have a tendency to develop bureaucratic characteristics, becoming formalised and complex. Larger organisations usually deal in more complex environments and have to cope with pressure from various stakeholder groups. At times the interests of these stakeholders collide, making it even more difficult to act in a manner that is acceptable to all. Although bureaucracies have positive aspects they may suppress upward communication and employees can find it difficult or even impossible to get the attention of appropriate managers regarding ethical or moral issues they feel are crucial (Barnett, 1992).

Credit must also be given to Australia for the creation of a set of corporate governance standards, one of which, AS 8003-2004, deals specifically with the creation of a whistleblowing policy. It can be used by any sort of entity to create, implement and maintain such a policy, thus providing employees with proper channels for reporting concerns.

Employees who use internal whistleblowing channels to expose misconduct should be seen to do the organisation a great favour. The organisation is given a chance to make amends and so prevent any repercussions that could result from the misconduct being made public. For this reason, internal policies need to be effective and pay more than just lip-service to employee concerns. Many employees who first voice their concerns internally will often voice them outside the organisation if they believe they will not be investigated properly (Barnett, 1992). Furthermore, it is important that the whistleblower will not suffer reprisals. Unfortunately, studies have shown that the percentage of employees that are retaliated against for blowing the whistle internally is similar to that for those who whistleblow externally (Alford, 1999).

There is a need for top management to recognise that whistleblowing can, if properly managed, bring tangible benefits to the firm; whistleblowing does not have to lead to public shame and embarrassment if the proper systems are introduced to turn it to advantage.

Whistleblowing is about hindering; preventing and ultimately stopping perceived wrong doings. Most whistleblowers face an ethical dilemma because they must commit a breach of trust, are disloyal and probably are disobedient – the “socially responsible dissent” de Maria (1995, p. 280) refers to. Generally a whistleblower’s main aim is to effect change and terminate wrongdoings. Organisations should not attempt to prevent whistleblowing. Rather, senior managers should attempt to foster a cooperative culture that encourages staff to report wrongdoing internally; it must then be investigated thoroughly. If this is done, external whistleblowing will be minimised. The challenge is to establish staff confidence in management’s actions; management must take whistleblowing issues seriously and investigate the perceived wrongdoings. The employees must be listened to and their concerns must be acted upon immediately.

The challenge to our society in the late twentieth century is to create conditions where all who wish can become actively involved, can understand and participate, can influence, persuade, campaign and whistleblow, and in the making of decisions can work together for the mutual good (Stonefrost, 1990, quoting the Commission of the Speaker of the House of Commons on Encouraging Citizenship cited in Vinten, 2003, p. 939).

If we accept that all the effects of whistleblowing are not good, and that external whistleblowing is often very damaging to organisations, it becomes incumbent upon management to recognise the risks, and address the issue. To be effective whistleblowing must invoke change and lead to the cessation of organisational wrongdoing. There can not be one organisational model created that will always result in the most effective outcomes from whistleblowing because vulnerable organisations are too diverse. However, some of the variables that may affect how whistleblowing systems might best be managed can be identified. This is done in the following section.

### **How to Promote Effective Internal Whistleblowing**

Internal organisational whistleblowing can serve the collective interests of society, better than external whistleblowing. In every organisation an effective policy can serve as an instrument of reform, giving an organisation a chance to correct any impropriety before it becomes public knowledge. There are many thoughts on what should go into making up an effective internal whistleblowing policy, however, the issues any policy should address are:

- \* the organisation needs to have a code of ethics that sets the ground rules, and provide continuous training on how to deal with ethical dilemmas (Hamid, 2004);
- \* employees must be informed on the steps required in communicating their ethical concerns internally (Barnett, 1992);
- \* the policy must be credible: employees must have confidence that their concerns will be taken seriously and investigated (Barnett, 1992);
- \* employees must feel that they will not suffer personal reprisals for using internal channels to report perceived wrongdoing (Barnett, 1992); and

\* an "ethics safety net" is required whereby employees' ethical concerns, if necessary, can circumvent the chain of command, and be dealt with by an impartial organisational body (Kaptein, 2002).

In attempting to create whistleblowing policies in an organisation Near and Miceli (1995) suggest five sets of variables that should be taken into account. Firstly the characteristics of the potential whistleblower must be considered. The most effective whistleblower is likely to be credible, powerful and willing to be associated with their statement; that is not to seek anonymity. Therefore, these three characteristics must be fostered.

Although credibility and power are variables that will be largely determined by the facts in any situation, an organisation can create an environment that encourages all employees to believe in their own power to act and appear credible. Whenever any whistleblower incident occurs, management must ensure that the problem is dealt with openly within the organisation. Everyone involved must be provided with the opportunity to speak in full, on as equal terms as is possible. Initially the credibility of nobody should be put in doubt; the 'facts' should be allowed to speak for themselves. Policies which allow this must be in place and must be seen by all to be 'working'. All employees must become confident that should they raise a concern it will be listened to properly (be given credibility); this will result in it becoming recognised that employees do have the power to change practices. Over time all employees should come to believe that they do have credibility and power within the internal whistleblowing environment. With this belief in their credibility and power, it is probable that most employees will not seek anonymity when wishing to raise issues of wrongdoing.

Near and Miceli's second set of variables concern the characteristics of the person who is chosen to receive the complaints. It is s/he who must encourage the variables discussed above to develop favourably. For this to happen, this person must themselves be perceived to be both credible and powerful. We recommend that the person selected to receive complaints should be a non-executive director, and s/he should have a convenient communication link available to all employees. A non-executive director is more likely to be free from any widespread corrupting influence of evolved practices present in the day-to-day operating systems of the organisation. The position of director should ensure the chosen person will have both credibility and power, but this may not be so. Only by their performance over time will the individual be able to demonstrate to employees that s/he has the necessary power to make the internal whistleblowing procedures work properly.

The third set of variables concern the wrongdoer. Often a wrongdoer will be in a position of relatively high credibility and power within an organisation, because such people are more able to commit organisational wrongdoing than are more junior employees. The more powerful the wrongdoer, the more difficult will it be for more junior staff to question openly his/her behaviour within the organisation. This is why the need for any complaints to be dealt with properly, as described above, is so necessary.

A further set of variables concerns the characteristics of the wrongdoing. The whistleblower will be most effective where the disclosed behaviour is clearly and unambiguously wrong. Proof of the wrongdoing, if available, will improve the effectiveness of the whistleblower. However, if the nature of the offence is critical to the life of the organisation, or part of it, then it will be more difficult for the whistleblowing to be effective. Such situations are difficult to generalise about but management must consider carefully what options are available to it before deciding how to handle the situation. Once an issue has been raised

internally, the effect of non-response, which ‘forces’ the internal whistleblower to disclose the wrongdoings externally, may cause huge difficulties for the organisation and for all of the managers who chose not to respond to the internal message.

Finally, Near and Miceli suggest that the characteristics of the organisation itself, must be taken in to account when whistleblowing policies are created. Whistleblowing will be most effective in organisations that discourage wrongdoing and encourage whistleblowing rather than resenting and punishing such behaviour. Bureaucratic organisations should be able to accommodate effective whistleblowing policies well but they must ensure that the policies are formalised, communicated widely and always followed in a consistent manner.

### **Reflections On Whistleblowing**

Whistleblowing evolved in the 20th century when many managers, who controlled most of humankind’s assets, chose to confine their decision making objectives to economic criteria alone. If asset usage is judged against broader desired outcomes such as environmental protection and societal health, the 20th century managers were guilty of creating amoral, even psychopath-like corporations which misused assets.

Many contemporary managers are recognising that corporations have responsibilities to many different groups of stakeholders: shareholders, employees, customers, the public, NGOs, and so on. In New Zealand this recognition is included in Principle 9 of the Corporate Governance Principles and Guidelines. From this perspective managers are less likely to indulge in behaviour that will be considered unethical by their colleagues; the need for external whistleblowing should decline. However, the adoption of corporate social responsibility by all managers will not be instantaneous, and senior managers must recognise this. Therefore, at least in the short-term, senior managers must harness the opportunities for improvements offered by internal whistleblowers, for the benefit of all concerned. Internal whistleblowing must be made easy, and be encouraged. When the whistle is blown justifiably, managers must praise the whistleblower, while educating the perpetrator(s) of the misconduct.

### **Conclusions and Recommendations**

Whistleblowing cannot be recognised as a desirable phenomenon in society because it is either a vindictive act, or it involves great pressure on the whistleblower, who must make a difficult decision between whether organisational loyalty, or the disclosing of an ethical wrong, is the more important to them. Where whistleblowing is performed externally, the organisation, and possibly many of its stakeholders, may be badly disadvantaged by the whistleblowing. Although, in some cases, the moral courage of whistleblowers will be admirable, the world would be a better place if the need for external whistleblowing were to disappear. We recommend the adoption of a corporate social responsibility perspective by senior managers in the 21st century; this should lead to the demise of whistleblowing.

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## APPENDIX 1

### SOME EXAMPLES OF WHISTLEBLOWING CASES

Roger Boisjoly, an engineer at Morton Thiokol Inc., testified before the Rogers Commission investigating the 1986 Challenger shuttle disaster that there had been ongoing problems with the rocket's O rings and that he had urged his supervisor and NASA officials to postpone the fatal launch – he was demoted to a menial job and only by the intervention of the Commission members was reinstated to his previous position. Despite Boisjoly's unfortunate treatment by his employer, he stated publicly in 1987 that he would whistleblow again regardless of personal consequences (Grant, 2002).

Inez Austin was an engineer at the Hanford Nuclear Reservation, who alerted her supervisors about the possibility of explosions of ferrocyanide, a powerful chemical stored in aging tanks. However she was told to keep quiet. She took her concerns to the press. Subsequently she was reprimanded by her supervisor for inappropriate behaviour in the workplace, allocated a psychiatrist and her office was moved to a dusty trailer. She received many obscene phone calls, and her house has since been broken into 13 times (Benson & Ross, 1998).

In New Zealand During 1994 Neil Pugmire, a psychiatric nurse at Lake Alice Hospital, expressed concerns to management about the release of a dangerous psychiatric patient into the community. He went public with his concerns after becoming dissatisfied with the response he received from his employers. He was suspended and dismissed for his actions, but was reinstated later by the employment court (Beattie, 2000).

Karen Silkwood was a laboratory analyst in Oklohoma for Kerr-McGee, which fabricates plutonium pins for use as reactor fuel in nuclear power plants. She was actively involved in the union helping to educate workers about plutonium, recording instances of contamination and recruiting votes for the recertification of the plant. She had been present at bargaining sessions, including one on the day of her death. She died in a fatal car crash in 1974, when she was on her way to meet a reporter from the New York Times. She had documents which provided evidence of contamination by the company, and also evidence that the company was doctoring its quality control records while processing defective rods. Many believed that this tragedy was a matter of murder rather than an accident (Vinten, 2000).

Zheng Yaochan was a police officer in Guangxi province in China. She exposed her own police department that was indirectly responsible for a string of robberies and murders. Consequently she was laid off and a bounty was put on her head. As a result she lost her husband through divorce and also lost custody of their daughter. Her colleagues gave her the cold shoulder. She feared for her life "I think to myself, I'm alive today. Will I still be alive tomorrow?" (Kuhn & Lawrence, 2004).

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