

# The ethics of whistleblowing in business



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Whistle blowing refers to the act of organisation members, either former or current, disclosing information on illegal and unethical practices within the organisation to parties internal or external to the organisation, who can take action. It is becoming increasingly common as more and more employees speak out about their ethical concerns. It cannot be denied that whistleblowing is accompanied by a range of problems, for both the whistleblower and the organisation. However, it can be argued that whistleblowing is an important and valid method of endeavoring to control possible unethical behaviour by organisations, as well as helping to establish a level of social responsibility. For these reasons, it is important for society to maintain a level of support and encouragement towards whistleblowers, so that their often valuable contribution towards eliminating corporate wrongdoings can continue.

Employees who discover apparent wrongdoing within an organisation are faced with several options, each of which comprise of both negative and positive aspects. Generally, a whistleblower may hesitate to report wrongdoings either internally or externally due to a fear of losing their job or being transferred to an undesirable location, being subjected to harassment and victimisation (Lewis, 1997), having their lifestyle, competence and mental health questioned, and becoming a focus of public attention, resulting in a loss of privacy (Criminal Justice Commission [CJC] 1999, p. 2). As well, they may struggle with a sense of disloyalty, where they inadvertently feel as if they are betraying their fellow colleagues or organisation if they report what they know. Larmer (1992 cited Jones 1996) states that a loyal employee will discern that any unethical behaviour can

never be in the best interests of an organisation, and to ignore it with silence is in itself disloyal. Conversely, the final dilemma a whistleblower may face is one of personal loyalty, to their own ethical and moral values. Nevertheless, obligations of confidentiality and loyalty ideally should not take precedence over the fundamental duty to act in a manner that prevents unnecessary harm to others.

While these are all valid concerns, it is important for a whistleblower to concentrate on the positive aspects that reporting the wrongdoing can have. The CJC (1999, p. 32) states in its report that “ over time, whistleblowing will increasingly be regarded as a normal workplace responsibility”. When a whistleblower exposes the corrupt deeds of an organisation, they are not only acting ethically and responsibly, they are also serving to encourage those same qualities throughout the community. Other obvious benefits resulting from blowing the whistle include putting an end to the wrongdoing and those being disadvantaged by the wrongdoing, bringing to justice the individuals or organisation accountable for the wrongdoing, avoiding potential damage to the health and safety of the community, stopping potential damage to the environment, and creating an opportunity to implement improved internal practices in order to prevent wrongdoing in the future (CJC 1999, p. 2).

Any potential whistleblower must realise that a well thought-out approach is both essential and practical. Firstly, be positive the situation is one that warrants whistle blowing. Secondly, carefully examine the motives behind the whistleblowing in order to ensure that they are genuine and can serve the public interest. Next, verify and document all information, as this will

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help to add further credence and strength to disclosures (CJC 1999, p. 13). Fourth, determine to whom the wrongdoing should be reported, and if the internal or external route is best. The allegations should then be stated in a clear, concise and objective manner. Lastly, ensure that all appropriate guidelines have been followed in reporting the wrongdoing. Coyne (2003) recommends consulting a well-informed lawyer in order to help a whistleblower determine the best course of action to take, as well as what protection is available to the whistleblower. The CJC (1999, p. 36) recommends that in order to sufficiently prepare themselves, potential whistleblowers need to understand that they may be unfairly vilified.

There are many occurrences where whistleblowing has deflected considerable harm towards society. One such example illustrated by Jennings (2003), is that of Jerome J. LiCari, a former director of research and development for Beech-Nut Nutrition Corporation. Due to the low cost of the apple product used in most of the organisation's fruit foods, Mr. LiCari suspected the apple product to be a chemical substitute. His concern prompted him to tour the supplier's facilities, where he found only a warehouse. Mr. LiCari reported his findings internally to the organisation's Purchasing Manager and Vice President of Operations, neither of whom took any action in the matter. However, Mr. LiCari would not be discouraged, and eventually determined that the apple product was indeed false, and took his findings to the CEO who assured Mr. LiCari that he would investigate. Again, Mr. LiCari saw no action being taken. It seemed Beech-Nut's need to keep production costs down in the face of stiff competition outweighed the responsibility it owed to its consumers, and when no action had been taken

after one year, Mr. LiCari left his job and reported what he knew to the U. S. Food and Drug Administration (FDA), who promptly launched a full enquiry. Mr. LiCari's actions were both responsible and justified, and he certainly explored all possible internal procedures. He was eventually forced by the refusal of his superiors to address a problem that was unethical, illegal and harmful to consumers to make his complaint to an external party whom he knew would take action. This is just one example of how whistleblowing can benefit society, by exposing the kind of careless risk an unethical organisation can place the public under, as well as helping to sustain or encourage an organisation's degree of social responsibility, through the threat of exposure.

Social responsibility is the concept that an organisation is part of the larger society in which it exists and must therefore act in a way that not only advances the organisation, but also serves the society. Ethical principles and standards vary widely among individuals, organisations and cultures. Business ethics are based on individual and collective moral decision making at every level in the corporation (Jones, 1996).

With whistleblowing continually on the rise, more than ever, organisations are being challenged to integrate social responsibility in to their operations. That is, the threat of employees no longer keeping silent about unethical behaviour within the work place, coupled with a higher protection from retaliation for whistleblowers, is a large deterrent to potential wrongdoers (Dworkin, 2002), as well as an ambassador for social responsibility. It is becoming increasingly apparent to business leaders that a commitment to corporate social responsibility can provide distinct advantage in attracting

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and retaining employees, dealing with suppliers, strengthening customer relationships and providing positive returns for stakeholders.

The protection of whistleblowers has become relevant enough that in July 1999, the U. K. launched the Public Interest Disclosure Act (PIDA), which grants an extremely high level of protection to whistleblowers in private, public, and nonprofit organisations, as well as encouraging and defending external whistleblowers with valid reasons (Figg, 2000). The U. S. recently introduced the ground-breaking Sarbanes-Oxley Act of 2002. Among the many new forms of protection available under this Act, corporate executives who retaliate against whistleblowers may be faced with up to 10 years in prison, and the U. S. Labor Department has the power to reinstate employees without a trial (Borrus et al., 2002). In Australia, legislation to protect whistleblowers has been successfully adopted in every state, with a common aim to protect those making revelations of corruption and illegal activities in the public sector.

Undoubtedly, whistleblowing also generates both negative and positive effects on the organisation. Once a whistleblower has disclosed to an external party, the public and media scrutiny, as well as possible resulting charges may result in long-term harm to the reputation of an organisation (Figg, 2000). As a consequence, an immense amount of time may be spent fighting whistleblower disclosures, resulting in a possible loss of morale among employees remaining within the organisation, and the formation of any chaos and mutual suspicion among employees can affect the performance of the organisation. There may also be issues of lost revenue and a decrease in the market performance of the organisation. Weinstein

(1979 cited Keenan 1995, p. 4) notes that more often than not, managers have taken the stance that whistleblowers pose a risk to the organisation's unification, authority structure, and public image.

Employees that blow the whistle externally are often forced to do so because their concerns are not given fair hearings by their employers, which may result in damage to both the whistleblower and the organisation. Yet if wrong doing within an organisation remains undetected, the result may create even greater damage to the workforce, and the public at large. No organisation is ever exempt from the general obligation it has to operate ethically, legally and with a good level of social responsibility. It is the failure of any type of organisation to fulfill these obligations that create the need for whistleblowing. If an organisation conducts its business in an ethical and responsible manner, then it has nothing to fear from whistleblowers (Figgs, 2003). Jones (1996) asserts that those that are "willing to risk reporting illegal and unethical behavior should be supported and protected".

More importantly, the existence of whistleblowing has had the positive effect of resulting in a widely recommended and accepted introduction of a whistleblowing policy within many organisations. Coyne (2003) outlines that a whistleblower should only take their disclosures to an external party if and when all reasonable channels within the organisation have been explored, yet the problem has still not been adequately resolved. This concept is widely agreed on by business professionals. However, there are circumstances where it is ineffectual for the employee to explore internal avenues, possibly due to a lack of faith in the system, time constraints or the possible severity of the problem, and so the whistleblower may have to

report externally (Jennings, 2003). For this reason, organisations need to establish better internal procedures as an avenue for whistleblowers, in order to discourage any need they may feel to turn to external parties. This allows for the wrongdoings reported to be internally investigated, in a thorough manner, as a valuable alternative to external whistleblowing (Figg, 2000). A whistleblowing policy within an organisation also serves to act as a double deterrent for unethical behaviour, as the threat of being discovered increases. In his study on whistleblowing, Keenan (1995, p. 3-4) states that “ organisations are beginning to express greater support for whistleblowers”, and that “ whistleblowers may help organisations”.

Once the need for a whistleblowing policy within an organisation has been recognised and implemented, it has the ability to improve continuing organisational effectiveness, and benefit society in general (Jones, 1996). The CJC (1999, p. 2) list the many benefits as including the early ability of controlling and correcting wrongdoings before they reach the public or severely threaten the organisation, avoid high losses in revenue and reputation, eliminate any health and safety risks caused by the wrongdoing, establishing employee confidence that their opinions and issues are relevant, and serving to promote an environment of openness and trust. In this way, the organisation is viewed by both employees and society as socially responsible and as a positive ethical influence.

By promoting a strong policy, an organisation sends a clear message to its employees that ethics, morality and social responsibility are crucial to the long-term success of the organisation and that any unethical behaviour is unacceptable. At the same time, it is essential for the organisation to display



a strong commitment towards ethical behaviour and following the procedures stipulated in the policy. For an internal whistleblowing policy to successfully work, it is important that employees feel confident that by approaching someone within the organisation, they are not risking their job, and that the problem will not be brushed aside (Jennings, 2003). The advantages to those who have introduced whistleblowing procedures include the contribution to their image as an ethical and efficient organisation.

For any organisation, the existence of problems associated with whistleblowing and the implementation of a whistleblowing policy should not be viewed with apprehension or discouraged, but instead welcomed as a valuable opportunity to encourage employees to integrate themselves into the process of helping to improve the overall effectiveness and success of the organisation. Through the creation of an atmosphere of openness and trust, good employers can ensure that their organisation as a whole is interested in eliminating unethical, illegal and harmful practices which previously may have been going on unnoticed, consequently serving to establish as well as further the organisations social responsibility.