



# After the wrongdoing: What managers should know about whistleblowing



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**Abstract** Most of us are likely at some point to observe wrongdoing in our organizations, and some of us will blow the whistle to someone with the authority to put a stop to the wrongdoing. Or we may be managers, inspectors, or auditors who serve as the official ‘complaint recipient’ when one of our colleagues wants to report wrongdoing in the organization. Whether we blow the whistle or are tasked with cleaning up after someone else does so, we are better off knowing in advance how the whistleblowing process usually plays out. In this article we discuss the pragmatic implications of 30 years of systematic research about whistleblowing: who does it and when, and why they choose to report the wrongdoing internally (within the organization) or externally (to outsiders). To avoid external whistleblowing, which entails all sorts of costs for the organization, we recommend that managers take clear steps: investigate the allegations, make the results of the investigation known to those affected, correct the problem if one is found, and avoid reprisal against whistleblowers. These actions can increase the chance that information about organizational wrongdoing stays inside the organization, where it may be remedied, instead of being made public.

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## 1. Whistleblowing

Serious wrongdoing never occurs in some organizations—but this may not prevent employees from misperceiving that wrongdoing has occurred.

Other firms may engage in wrongdoing unknowingly or a small rogue group of employees may commit illegal actions much to their managers’ surprise. In some firms, of course, wrongdoing may be a part of business as usual. Whether perceived or real, managers often learn of wrongdoing in their organizations only when an employee blows the whistle about that wrongdoing. Clearly, managers would prefer that the whistleblowing be internal and

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limited to the confines of the organization rather than publicized through external channels such as the media or law enforcement agencies. Ironically, research shows that the actions managers may take in order to prevent whistleblowers from going external turn out to be precisely the actions that drive them to do so.

For example, at Peanut Corporation of America, plant manager Kenneth Kendrick reported to the CEO, Stewart Parnell, that plant conditions were unsanitary. In response, Kendrick was told by Parnell to ship peanuts despite contamination due to a leaking roof that let dirt and bird feces enter the production facility. Kendrick then emailed the Texas State Department of Health but received no response. Finally, as Kendrick learned that salmonella outbreaks were sickening many people and killing several others, he went on *Good Morning America* and explained that he felt compelled to complain to the media when his own granddaughter had become ill from eating the contaminated peanut butter (Harris & Barrett, 2009). As a result of these events, Peanut Corporation of America went bankrupt and executives and plant managers were indicted on 76 charges (Goetz, 2013). On Monday, September 21, 2015, former CEO Stewart Parnell was sentenced to 28 years in prison, the “toughest penalty ever for a corporate executive in a food poisoning outbreak” (Basu, 2015).

In this article we summarize what has been learned about whistleblowers from 3 decades of research and suggest strategies that managers can use to deal effectively with whistleblowing events. Along the way, we will provide brief answers to several questions based on what has been learned from the research:

- Why does whistleblowing matter?
- Where does whistleblowing happen?
- What is whistleblowing?
- Who blows the whistle and when do they do so?
- When and why do whistleblowers suffer reprisal?

The answers are often unexpected or surprising, but knowing those answers can provide the best strategies for responding effectively to internal whistleblowing—and for dealing with the aftermath of external whistleblowing if concerns are made public. Our concern is not with judging the complexity of ethical issues associated with whistleblowing, although those are certainly important; instead we focus on the pragmatic lessons that have

been learned about the whistleblowing process from systematic research about whistleblowers, managers, and retaliation.

### 1.1. Why does whistleblowing matter to managers and organizations?

The organization incurs many potential costs when organizational wrongdoing occurs. These might be financial when revenue or funds are lost, such as in cases of employee embezzlement. They might be reputational, as when lawsuits are filed (e.g., over product recalls, employee discrimination cases, any of a myriad of alleged illegal behaviors). There may be increased visibility as a result of media reports of perceived wrongdoing or even mere improprieties. Such unwanted attention may lead to perceptions of low corporate social responsibility among stakeholders, or perhaps to additional regulations from lawmakers or enhanced scrutiny on the part of law enforcement agents. Even when firms are not bankrupted by allegations of wrongdoing, at least some employees will almost certainly react with reduced organizational commitment, which could lead to higher turnover rates and perhaps lower productivity. If managers will follow through with careful investigation, internal whistleblowers can help organizations avoid or reduce these kinds of costs (Miceli, Near, & Dworkin, 2008) by alerting managers to allegations of wrongdoing before they are made public. Doing so has two benefits: (1) It resolves the current problem, hopefully before external stakeholders learn about it, and (2) it signals to employees that managers are open to dissent and wish to learn about problems before they escalate. Employees will then be more willing to share timely information about wrongdoing with managers in the future, thus preventing the nightmare of negative publicity in the media, social or otherwise.

The stories of three well-known whistleblowers who were selected as Persons of the Year by *Time* magazine in 2002 (Lacayo & Ripley, 2002) illustrate these issues. Normally *Time* features only one Person of the Year, so putting three faces on the cover was unusual in and of itself. This was also the first time that whistleblowers had been selected for the honor, which is perhaps not surprising because the term ‘whistleblower’ had been coined only 30 years before by Ralph Nader (Nader, Petkas, & Blackwell, 1972). There have been many famous whistleblowers in subsequent years, but we begin with these three cases precisely because they were so notorious and because they are quite representative of the whistleblowing process.

All three whistleblowers were women and two were in the accounting areas of their organizations:

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