



# Whistleblowing in the *Fortune* 1000: What practitioners told us about wrongdoing in corporations in a pilot study



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## ABSTRACT

This pilot study asked corporate public relations executives and practitioners in the largest publicly traded corporations in the United States about their involvement in developing and/or publicizing the anonymous, internal whistleblowing channel to report financial fraud mandated by the Sarbanes–Oxley Act of 2002, their awareness of wrongdoing, their reporting of wrongdoing, their view of their responsibility to report wrongdoing, and the consequences of reporting wrongdoing. The study found that two-thirds of respondents worked for corporations with the anonymous whistleblowing channel; only one-fifth helped develop it; almost two-thirds helped publicize it; almost half knew of wrongdoing during their careers or knew someone who did; two-thirds of those who knew about wrongdoing reported it; more than three-quarters who reported said reporting was not part of their job; virtually all who reported did so internally; almost two-thirds of those reported through chain-of-command channels; and one-third of those who reported (and were identified) suffered retaliation.

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## 1. Introduction

### 1.1. Importance of whistleblowing

Whistleblowing is important to society as a mode of “ethical resistance” (Glazer & Glazer, 1989, p. 11), to organizations as a method of communication (Richardson & McGlynn, 2007), to business as a means of informing management of operational problems (McGlynn & Richardson, 2014), to journalists as anonymous sources (Shepard, 2011), and to public relations, in part, as a means of dissent by practitioners (Berger & Reber, 2006). This exploratory pilot study suggests that whistleblowing also is important to public relations as a boundary spanning function (White & Dozier, 1992), as a form of internal communication mandated in publicly traded corporations (“Sarbanes–Oxley Act of 2002,”), as a precipitating event for crisis management by organizations (Bush, 2011; Coombs, 2012), and as an aspect of ethical public relations practice (Bowen, Heath, & Lee, 2006).

Whistleblowing has been a topic of media and public interest since the Vietnam War (Witcover, 1971), and it continues to be a topic of interest today in part through the actions of United States Army Private First Class Bradley/Chelsea Manning (Tate & Londoño, 2013), United States National Security Agency contractor Edward Snowden (Finn & Horwitz, 2013), and WikiLeaks founder Julian Assange (Horwitz, 2013). The most common definition of whistleblower is a member of a group who goes against group norms and attempts to change improper group behavior by alerting an internal or external authority

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(Miceli & Near, 1984). Although the United States government began encouraging private citizens to report government fraud during the Civil War, “Ethical resisters—employees who publicly disclose unethical or illegal practices in the workplace—are a recent phenomenon in American history” (Glazer & Glazer, 1989, p. 4).

Whistleblowing emerged in the 1960s and 1970s as an outgrowth of “the civil rights, antiwar, consumer, and student protest movements” (Westin, 1981, p. 7). It became a topic of extensive media interest in 1971 when defense contract employee Daniel Ellsberg leaked the Pentagon Papers, a history of the involvement of the United States in the Vietnam War, to *The New York Times* (Witcover, 1971). Subsequent actions by President Richard M. Nixon’s administration, including the burglary of Ellsberg’s psychiatrist’s office and the burglary and wiretapping of the Democratic National Committee headquarters at the Watergate Hotel, were exposed by *The Washington Post* with help from an anonymous whistleblower, Deep Throat (*The Washington Post*, 2008). The Post’s investigation of the Watergate break-in led to Nixon’s resignation (*The Washington Post*, 2008), but Deep Throat’s identity remained a secret until 2005, when he revealed himself as W. Mark Felt, deputy director of the FBI at the time of Watergate (O’Connor, 2005). Following Watergate, the U.S. Congress initiated changes to encourage whistleblowing by federal employees, and the federal government conducted three studies of federal employees to determine the effectiveness of those changes (U.S. Merit Systems Protection Board, 1981, 1984, 1993).

In recent years, whistleblowers have alleged improper accounting methods by Enron and WorldCom and failure by the FBI to prevent 9/11 despite prior intelligence. Their actions led *Time Magazine* to label 2002 “The Year of the Whistle-Blowers” and name those involved—Sherron Watkins (Enron), Cynthia Cooper (WorldCom), and Coleen Rowley (FBI)—“Persons of the Year” (Lacayo & Ripley, 2002, December 30). The magazine elevated the whistleblower to hero, or in this case, heroine, and recognized the societal good produced by the whistleblower. The actions of Watkins and Cooper also led to the passage by the United States Congress of the Public Company Accounting Reform and Investor Protection Act of 2002 (the *Sarbanes–Oxley Act of 2002* or SOX), which was designed to increase financial oversight and transparency, auditor independence, and corporate accountability (Brickey, 2003). Sarbanes–Oxley was also the first legislation to require publicly traded companies to maintain a communication channel for employees to report financial irregularities (Moberly, 2006).

## 1.2. Whistleblowing in government

United States citizens have been encouraged to file suit against the federal government for fraudulent activities since passage of the 1863 False Claims Act, and numerous laws have been passed, with varying degrees of success, to protect federal employees from retaliation for reporting wrongdoing in government. In 1978, following Watergate, the United States Congress passed the Civil Service Reform Act (CSRA), which protected federal whistleblowers and prohibited retaliation against them through creation of the United States Merit System Protection Board (USMSPB).

To evaluate the effectiveness of CSRA in protecting federal employees from retaliation for blowing the whistle, the USMSPB conducted three stratified random sample surveys of the entire federal government over 12 years, with a total of 39,000 federal employees responding, to identify trends in their observation of wrongdoing, their reporting of wrongdoing, and any retaliation they experienced (U.S. Merit Systems Protection Board, 1981, 1984, 1993).

The three USMSPB studies considered eight specific variables, plus demographic data: incidence of wrongdoing (the number of respondents who observed one or more of 10 types of wrongdoing divided by the number of respondents); incidence of whistleblowing (the number who reported serious wrongdoing divided by the number who observed wrongdoing); incidence of identified whistleblowing (the number of whistleblowers who report being identified divided by the number of whistleblowers); incidence of retaliation (the number of identified whistleblowers who experienced retaliation divided by the number who reported wrongdoing); comprehensiveness of retaliation (the total of actual and implied retaliation); lack of support management and/or co-workers; seriousness of wrongdoing (dollar value and frequency); whistleblowing channel (internal and/or external); and demographic data (race, gender, education, organizational tenure, job tenure, pay grade, job classification, supervisory position, and most recent performance rating) (Near, Ryan, & Miceli, 1995).

These studies have been deemed highly valuable for their large sample size, sampling method, high response rate, consistency among the three questionnaires, and public availability of data captured at three different times (Near & Miceli, 2008).

## 1.3. Whistleblowing in management

### 1.3.1. Definition of whistleblowing

Management scholars have been using the data from the three federal studies to examine whistleblowing since the 1980s. Those scholars define whistleblowing as the act of a current or former employee who reports wrongdoing (i.e., illegal, wasteful, or unethical activities) to someone who can do something about it (Near & Miceli, 1985). This reporting can be done internally through chain-of-command channels or anonymous whistleblowing channels, externally through government agencies or watchdog groups, and/or externally through media outlets as unnamed sources (Miceli & Near, 1984). The assumed results of such action are success, failure, and/or retaliation (Rehg, Miceli, Near, & Van Scotter, 2008).

### 1.3.2. Whistleblowing studies in management

Management’s handling of the demands of whistleblowers has been the focus of much of the whistleblowing research in management literature, which has included investigations of predictors of wrongdoing, predictors of whistleblowing, and

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