

## csr in practice

# Organisations ignore whistleblowing procedures at their corporate peril

**W**histleblowing is a complex issue for businesses.

History tells us that many corporate disasters could have been prevented if companies had listened when concerns were raised.

Staff had reported worries about open ferry doors five times when the Herald of Free Enterprise sank in Zeebrugge. Sherron Watkins reported her concerns about Enron's accounting five years before she felt compelled to blow the whistle outside the organisation.

Regulators and authorities recognise the need for the public to be protected from such risk and malpractice.

The Combined Code of Corporate Governance requires UK listed companies to have whistleblowing arrangements in place or explain why not.

## Bribery Act

The Ministry of Justice includes whistleblowing as a key bribery prevention measure in its guidance on the UK Bribery Act. And in the financial services sector, the Financial Conduct Authority has its own Whistleblowing Desk, but actively encourages firms to set up appropriate internal procedures as well.

Yet although 90 per cent of large firms have formal whistleblowing procedures in place, a survey by the Institute of Business Ethics found that while one in four employees was aware of misconduct, more than half choose to stay silent. An Eversheds' report last summer found that 43 per cent of whistleblowing lines are unused.

There are a number of reasons for this. Culturally whistleblowing still has connotations of betrayal, be it the idea of 'snitching' at one level or the more serious issue of denunciations at the other. The latter can be particularly challenging for organisations operating internationally, as they will need to



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work hard to create a culture where such reporting is considered acceptable.

This is time consuming, as local legislation, employee protection and data protection rules need to be taken into account. According to Transparency International, the UK is

one of only four EU countries with robust legislation in place for the protection of whistleblowers.

## Confidentiality

Anonymity and confidentiality also need to be balanced. Ideally, confidential reporting should be encouraged.

Anonymous reporting can make it harder for organisations to get to the root of a problem and resolve the issue successfully. However, in certain situations, anonymity may be required by law or be more appropriate.

Organisations need to instill confidence, so that staff know they will be protected if they raise a concern.

So how can businesses make whistleblowing work?

Whistleblowing is most effective when it operates within an open-door culture where employees are actively

encouraged to raise their concerns and can do so without fear. In such organisations, problems are likely to be aired earlier and can be addressed long before they develop into crisis management issues.

When concerns are discussed openly, this also reduces the negative connotations of whistleblowing, making the notion of speaking up far more acceptable. Indeed, in the very best organisations, blowing the whistle is really the last port of call, operating as a backstop if other measures have been tried and failed.

Senior management are responsible for setting this tone, ensuring that an open and ethical culture is embedded throughout their organisation.

A clear understanding of good corporate behaviour makes wrongdoing easy to spot. It is also far more likely to be reported and dealt with.

In addition to creating the right culture, companies need to ensure that the right training is given, that stakeholders know how to raise concerns and that concerns are acted upon.

Training must cover three key areas: how to raise a concern, how staff will be protected and how the concern will be dealt with.

Training should emphasise that staff are encouraged to raise issues with line managers, are empowered

to blow the whistle when necessary and can do so without fear. It should make it clear that the whistleblowing line is for raising concerns about danger, risk, malpractice or wrong doing that affect others. Issues to do with an employee's personal situation should be dealt with by the grievance procedure.

## Hotline training

But it is not just the hotline users who need training, those designated to receive calls must also be taught how to handle the various concerns raised.

According to Public Concern at Work, this is not the case on over half the companies they surveyed in 2013.

A whistleblowing policy should be aimed at all stakeholders and this should be reflected in the way it is promoted.

Details of the process should be visible on the company website, inside the organisation and through direct communication with relevant customers, suppliers, shareholders and other third parties.

Finally whistleblowing must be correctly acted upon. Ideally the process should be managed as independently as possible from the day-to-day running of the organisation.

Companies must be seen not just to listen, but also to act. Public Concern at Work has found that there is a critical gap between the number of times a person will report a problem before they give up (1-2 times), and the number of times on average a company receives a report before it acts (3-4 times).

Getting the culture, process, training and communication right may not be easy, but it is the best way to make a whistleblowing system work.

It also means that businesses are more likely to find themselves addressing a problem rather than managing a crisis.



*Balancing act: anonymous reporting can make it harder for organisations but may be required by law or be more appropriate*

Leo Martin is director of business ethics advisers GoodCorporation. GoodCorporation has recently launched a Whistleblowing Framework designed to help organisations test and measure the effectiveness of their whistleblowing procedures.