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**A QUALITATIVE STUDY ON IMPACT OF WHISTLE-BLOWERS ON
PERFORMANCE OF THE ORGANISATION**

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ABSTRACT

In current challenging environment, where organisations are going extremes to achieve top positions, and the employees pushes hard to perform at the best level, there is always a scope of doing things which may be unethical or illegal. This provides an opportunity to member of the organisation to disclose such unethical or suspicious events. This is known as whistleblowing. As per company act 2013 “The Company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.” As per this act, a former or existing employee can raise his/her voice against any unethical activities which may have taken place in the past, or may be happening in present or may take place in future that may be in the favour of the general public. Whistleblowing addresses the ethical concerns of the employees and puts the vertices of organisation control on all members of organisation.

In this paper we are proposing a qualitative procedural model for the whistleblowing where complete structural approach for whistleblowing is discussed. It covers the complete hierarchy and its efficiency in execution. This paper focuses on the impact of whistleblowing on performance of organizations. It also covers the short term as well as long term advantages and limitations of this approach. This model also covers the possible risks involved to individual acting as whistle-blower and methods to minimize the risk.

KEYWORDS: Whistleblowing, organisation, employee, employer and whistle-blower.

I. INTRODUCTION

Whistleblowing is defined as an action which is taken by an employee or the former employee to disclose unethical or illegal behavior. The employee can report such behavior to higher management in same organization which is known as internal whistleblowing or similar act can be reported to public/external authority (external whistleblowing). The individual who reports such wrongdoing are called as whistleblowers. The whistleblowing is defined as action which exposes misconduct or malpractices which is happening within an organization.

As whistleblowing exposes the wrongdoing act, so it carries a huge risk for the individual who is involved in act of exposing such malpractices. So to mitigate that risk, there is a need to implement a policy for whistle blowing which protects the right of such individuals. These policies revolves around four basic aspects of whistleblowing

The Whistleblower

Type of misconduct/Complain

The authority with whom the complaint will be registered

The individual/team against whom the complaint will be registered

Whistleblowing policy can be extremely beneficial for any organization as it gives confidence of fair practices to their employees, shareholders, society and other organization who are doing direct/indirect business with the company. This policy has a clear check on any sort of misconduct or malpractices and ensures that guilty are

duly. Whistleblowing policy educates employees of an organization of any ambiguity towards regular practices being followed in the organization. This policy not only discourages employees towards following unethical activity but also makes them responsible for reporting such acts if followed by their colleague or superiors. The underline spirit of the policy helps in identifying risks and fights those risks with efficient mechanism. It only helps in registering any direct complaints regarding the violation of the company's code of conduct and also specifies its results and also reports if there is any violation of the policy.

To encourage whistleblowing and to put an effective corporate vigilance mechanism, "Companies Act 2013" has been incorporated to protect the whistleblower. The section 206-229 has incorporated detailed provision of whistleblowing, which covers inspection, investigation and inquiry. This company act mandates all the organization which comes under act 2013 to establish whistleblowing policy and ensure legal action in case of any damages financial/physical to the concerned whistleblower.

In this paper we have focused more on internal whistleblowing techniques usually implemented by organization and have a proposed model to implement whistleblowing policy. This model ensures transparency and protects the whistleblower against any of the risk. In the upcoming sections we have covered the literature review, whistleblowing model implementation, advantages and disadvantages of the model and proposed future work.

II. LITERATURE REVIEW ON WHISTLEBLOWING

There is an article published in Elsevier headed as "Encouraging employees to report unethical conduct internally" have examined how the supervisor ethically supervises and leads the group of employees in the organisation and that is associated with the reporting of the unethical work been conducted within the organisation. The paper also studies whether the positive effect of ethical supervision for the employee's behaviours has any impact for the benefit of the overall organisation or not. It has been researched that the employees internal whistle blowing depends upon on ethical tone being set by complementary social influence sources at the multiple organisational levels which includes both the upper levels leaving a conclusion that it takes a lot of time or can be termed as it takes a village to support the internal whistleblowing. The success of whistleblowing purely depends upon the objectives to be carried out and the perceptions which are been built up. The research concludes that whistleblowing is the first attempt to examine the interactive effect of multiple levels of social influence on the reporting of unethical conduct internally in the firm. The ongoing corporate scandals continues to bring attention to the unethical behaviour in the organisation. Whistleblowing is successful only when they are ethical and the co-workers are ethical and the whole process of follow up is taken in an ethical manner. (*"Organisational Behaviour and Human Decision Processes journal, "Encouraging employees to report unethical conduct internally: It takes a village, David M. Mayer, Samir Nurmohame, Linda Klebe Treviñ, Debra L. Shapir, Marshall Schmink, January 2013"*)

Much is known and in fashion is the informal messages been passed in the organisation. What is happening in organisation, what people say, how they say and why they say provides a much-valued information's to the management as well as the senior supervisors to take the crucial decisions related to the business. The researchers have observed that now a days the employees find a discomfort associated with the MUM effect and have started taken steps against an illegal action which results in disclosure of the corporate scandals been happening in the organisation. Many researches have been done who have observed that the discomfort associated with the communicating bad news have restricted because of the parameters of a relation been disturbed between the employees, status in working place, behaviour of the peers as well as the co-workers etc. Thus, the researchers have found that the employees find uncomfortableness of reporting about the potential problems been disturbing their working environment. It has been found that "discriminating buck-passing" have taken place which creates a need of whistle blowing which is ethical in the organisation. (*"Voice and Silence in Organisation" Edited by Jerald Greenberg and Marissa S. Edwards, Emerald Group publications, First Edition 2009*)

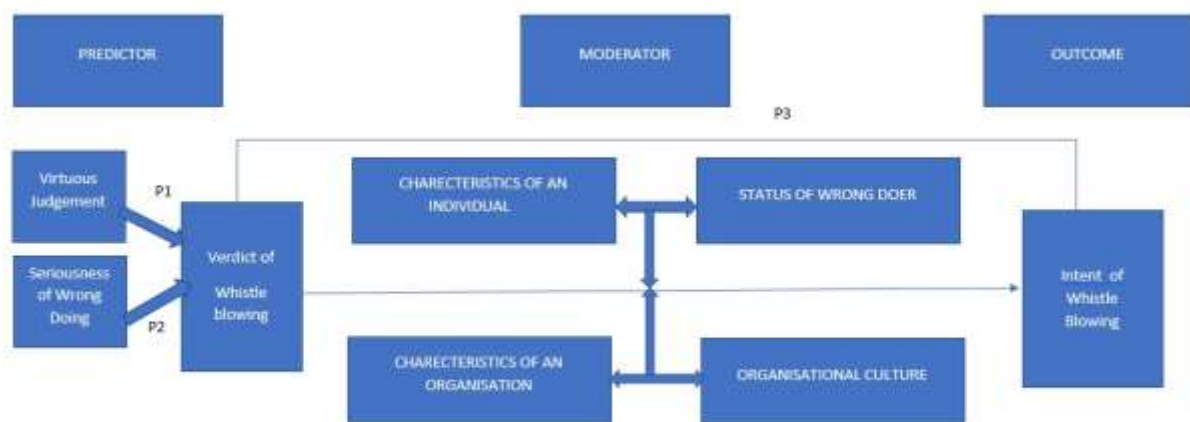
Whistleblowing can certainly impact the lives of employees, employers and the overall organisations. Wrong doing in the organisational world is often discovered only if someone on the inside of the organisation takes a stand and voice it out. Giving much importance to whistleblowing is also harmful for the firms. It can be a force for constructive organisational and societal change but the main important part is its implementation and the impact on the working of the firm. Thus the employees working within the organisation whistle about the wrong doing in the firm then there can be many potential news been produced in the firm due to which great business decision can be taken and the working environment can be improved. Aside from the tangible costs, wrongdoing

also jeopardise the safety, health and well-being of organisation members, customers and societies at a large. (*Whistleblowing in organisations* by Marcia P. Miceli, Janet Pollex Near, Terry M. Dworkin, USA Acid free paper, 2008)

"What works and what hurts in obedience management / business ethics?" The study found that a values-based social approach to ethics / compliance management works better. The critical elements of this approach include leaders' promise to ethics, fair conduct of employees, rewards for ethical conduct, concern for outside stakeholders and coherence between strategies and actions. What hurts the most is an ethics / compliance program that employees believe exists only to protect top management from blame and a principled culture that focuses on unqualified obedience to the authority and personal interest of employees. The results of an effective ethics / compliance organization are impressive. They include a decrease of unethical / illegal performance in the organization, a superior awareness of decent issues, more ethical advice within the corporation, greater inclination to send bad news or report proper / legal desecrations to administration, better conclusion making due to the ethics / acquiescence program and greater obligation of employees. (*Managing Ethics and Legal Compliance: What Works and What hurts* by Linda Klebe Trevino, Gary R. Weaver, David G. Gibson and Barbara Ley Toffler, 1999)

III. MODEL OF IMPACT OF INTERNAL WHISTLEBLOWING ON THE PERFORMANCE OF THE ORGANISATION

Internal whistleblowing is the process whereby an individual report the misconducts occurring in the organisation to the management. Internal blowing is the most important part of the organisation as it is the most decisive part from where the management can analyse the misconduct happening in the firm. Therefore, internal whistleblowing has an impact on the performance of the organization which is explained with the help of the following model:



A. MODEL SHOWING IMPACT OF INTERNAL WHISTLEBLOWING ON THE PERFORMANCE OF THE ORGANISATION

The model according to table A is broadly divided into 3 parts i.e. Predictor, moderator and outcome. This model represents an attempt to formulate and integrate explanation in whistleblowing behavior and organizational performance among the internal auditors.

1. Predictor

There are various parameters for predictive factors which can be related to social, Individual, Organizational and Situational factors which impact the Whistleblowing behavior and the performance of the firm. The virtuous judgement is indicated by four components i.e. ethical awareness, ethical reasoning, ethical intention and the ethical behavior. The decision to blow the whistle or not depends upon the perception of the whistleblower whether he considers the wrong doing ethical or unethical. If an individual perceives the wrong doing unethical and wish to blow the whistle against the misconduct in the firm then the rest of the model continues and if the wrong doing he thinks is ethical then he remains silent in the organization. For the whistleblower decision process an individual should have sufficient virtuous sensitivity to identify the moral issue and finally must own the ability to develop strategies to deal with it. Finally, the whistleblower should be fearless to come forward

and through the light on the misconduct happening in the organization which is impacting the performance in front of the management.

Blowing a whistle is more formally known as making a disclosure in the public interest. It is important that the whistleblower can do so knowing that the blower is protected from losing the job or being victimized resulting of the action which has uncovered the misconduct. Before blowing the whistle, the whistleblower must analyze how serious the issue is and how deeply it can impact the working of any organization. This is very much necessary to analyze as once a whistle is blown then it may disturb the working environment for a while to smoothen the further processes. Thus, the Combination of both i.e. Virtuous judgement and the Seriousness of Wong Doing (P1+P2) moves the further step in the model towards the verdict of the whistleblower which is the part of Moderator.

2. Moderator

The moderator part of the model is divided into two parts i.e. the individual and the organization. There are various factors on which the individual characteristics are based which defines the individual's behavior and in turn helps him to blow the whistle in the organization. The various individual factors are truthfulness, ethical behavior, locus of control, Various demographical variables like – position, gender, size of the firm, decision making power etc., moral conflict or values and finally the attitude towards whistleblowing. These are the factors which play a key role for the decision of whistle blower and will frame a perspective of the status of the wrong doer. Further to decide the status of the wrongdoers the whistleblowers have to identify the situational factors i.e. the seriousness of the wrongdoing and whether it impacts the working of the organization or not. If the wrongdoing influences the working of the organization then the whistleblower will take the decision to blow the whistle but before that he will also consider the organizational factors also.

These organizational factors are awareness of the relevant policies, positive attitude of the employee to report the wrong doing to the management, whistleblowing tendency of the employees, trust building of the organization response to whistleblowing, organizations response to the pre-received serious wrongdoing, positive treatment by the management towards the whistleblowers, ethical environment been created by the organization which includes egoism, benevolence, principles and the reward system. Thus, the organization if support this type of environment then the whistleblowing process can be successful and can improve the performance of the organization. Thus, finally if the whistleblower and the management support each other than the final outcome process takes place.

3. Outcome

Finally if all the individual factors, situational factors and organizational factors are full filled as discussed above then it will lead to a positive situation to blow the whistle otherwise he will not blow the whistle.

IV. PROS OF ENCOURAGING WHISTLEBLOWING

Whistleblowing helps the organization to remain ethical and can work honestly throughout their tenure in the market. It's a very strong tool by which the company can discourage the unethical work and can create a stress free working environment which is very much needed in today's world. Even the top management of the organization should encourage this type of activity so that the unethical practices can be controlled from the organization. If this would be a part of system in past then we could be able to control many illegal crimes happening in bank lending. The benefits which companies get from having whistleblowing are:

1. Building Trust – Confidence for shareholders: The process of whistleblowing includes early warning, brand enhancing and finally the compliance to law. Marinating the whistle blowing activity demonstrate that the company prefers to maintain high ethical standards which starts creating trust in the employees as well as the shareholders of the organization that the management will never be unethical and work in future. Due to this policy the employees are dedicated towards their roles and responsibilities and the shareholders feel that they will always get a great and true possible return from the organization. The organization even have the options to comply with the anti-corruption laws and address stronger legal protection of whistleblowers. Thus, we can say that whistleblowing function that members of staff can trust is a key sustainability tool for the board of organizations. It is important that the irregularity and unethical working can be brought into the limelight's of the management so that they can justify each and every step taken by them to enhance the working environment of the organization.

2. Enhances Corporate Social Responsibility – A Transparency Tool: Following whistleblowing as a transparency tool has two rationales one in the context of corporate social responsibility and the one in the context of corporate governance. But specially talking about the corporate social responsibility it refers to the pureness of the decision making and the implementation process of the organization due to which all the stakeholders of the firm are associated. In the reference to the corporate governance it's the decisions to be taken and implemented for the internal factors such as employees, board members and the shareholders. Thus when it comes to the system and process of working of an organization there should be a voice against wrong doing which will definitely stop an unpredictable thing within the internal limit in turn enhancing the working environment of the firm.

3. Protects Everyone's interest: A whistleblower is a person who raises his voice to expose the corruption going on in his or the firm he had already worked. Employees are perhaps the first person to know about the corruption in an organization, so if the voice is raised by him then the illegal activities can be cut down from the root cause itself. Far too often, however, the very people who bring the attention to corruption suffer themselves for their service, through victimization or job loss. Therefore, it is important for the employer to maintain the ethical standards and make everyone feel that blowing whistle against unethical things is for everyone's interest. Thus, the firm has to remain open, transparent and accountable culture so that organization's reputation can encourage early report concerns.

4. Exposure to risk reduced: Without provision for employee voice and inner complaints, corporations are at risk of reputational, legal and financial damage. Investigation has shown that revenge (or fear of it) often leads an internal whistleblower to report irregularities outside the organization, leading to damaging acquaintance and public relations ruins, which internal recognition could have prevented. Retaliation also discourages forthcoming reporting of irregularities, which undermines the organization's ability to detect and correct destructive misconduct on its own. In addition, the reaction of an organization to the observed misconduct affects the morale and performance of its employees. When employees observe the misbehavior of the party and the succeeding failure of the direction to correct it, they believe that the system is unfair and they feel discouraged and less devoted to their place of work. Another risk is that ethical employees who are silenced are likely to leave the organization, or worse, lose their ethical perspective. Since personnel who express themselves are more likely to be high performers, who are tremendously loyal and esteemed, the cost to the association can be significant.

V. CONS OF WHISTLEBLOWING

Whistleblowing gives freedom to its employees but at the same time there are challenges implementing the whistleblowing. There are challenges both for the whistleblower and the organization implying whistleblowing act. Some of the concerns are listed below

1. **Managing proofs** - Although whistleblowing act mandates each organization to implement whistleblowing laws but it is responsibility of whistleblower to prove charges against the accused. So whistleblower should have all the data which should convince top management that all the facts mentioned are 100% true otherwise charges will be ignored and whistleblower will be at risk of losing trust and other consequences too.
2. **Retaliation:** As a whistleblower one always face a risk of retaliation from colleague or the management. Although whistleblowing act recommends laws to be incorporated within an organization in such a way which forbids such retaliation, but the implementation of such law might leave a loop hole which can lead to retaliation even it is not recommended. Whistleblower can be given a daunting task and discarded from important matters where he/she lose the opportunity to grow. Retaliation can reach a level that can create a level which may force the whistle blower to be transferred or sometimes force him/her to leave the job.
3. **Loss in trust:** Such employee even after proving their concerns might be looked as not to be trusted. Their supervisor might doubt their intentions and they might be treated as suspect without any reason.
4. **Conflicts of Interest:** There can be conflict of interest between their colleagues and management and this can affect the performance and career progression of such individuals.
5. **Personal Risks:** The whistleblower may also be at personal or family risk. The accused sometimes take the complaints at their ego and tries to harm the individual physically or can try to take revenge from them thereby harm them or their family members.
6. **Problems in future employment opportunities:** The whistleblowers are not liked by management, so they can face the problem in finding a good career opportunity for themselves in future. They may carry



whistleblowing tag with them and even other companies who are hiring may not like them as companies require such employees who stay in line with the management. Such employees are even judged as non-team player.

7. **Financial Risk:** Under extreme conditions whistleblowers might be at financial risk too. The company may sue or file legal action against to pressurize them financially and emotionally.

VI. CONCLUSION AND SCOPE FOR FURTHER RESEARCH

Whistleblowing have influenced many changes within the business working conditions and the industrial practices. To follow the same process, have many effects on a business which can be negative and positive depending upon the actions taken by the management on the whistleblowing issues. It has negative impacts such as loss of credibility, decline in customers which affects the financial status of the business. Whistleblowing can cause a business to loss of business performance but it depends on the company whether such actions affects for long term or has a positive impact and affects for the short period of time.

Whistleblower is not to known by others so that a justified analysis can be done. But once he takes actions and is known in the business then the people will not like to talk to them out of the fear that he will leak the information to the management. Due to such actions from the side of employees a dis interest and the trust building have a negative impact and which in turn impacts the business over time. Ethics and communications can affect the business environment and bring about legal issues in the business.

After going through the practical problems faced by the informant, we would like to give some recommendations on how to improve and encourage the uproar within an organization. First, companies must establish a set of code of ethics, clearly defined and direct reporting procedure. This is important to improve internal communications and encourage internal disclosure that will allow management to take immediate corrective action before problems grow or spread to external parties.

Another way to encourage them is by protecting the informant. Whistleblower needs a clear sign of support from the organization. Therefore, companies must provide strong support by continuously monitoring the whistleblower's welfare, encouraging the whistleblower to report any reprisals against him or her as well as guaranteeing their job security. By doing so, the complainant will feel that he is being protected and supported. Our next recommendation is to encourage companies to cooperate with the independent professional association to handle the problems raised by the informant. Whenever there is a report of fraudulent acts, these two committees will meet and handle this issue together. This is also one of the effective ways to ensure that the problems raised by the informant are taken seriously and continue to be investigated. This is also to prevent the company from covering up the problem and taking unethical actions against the complainant.

In conclusion, the criticism of complaints is about denouncing or publicizing the misdeeds. There may be a risk of retaliation, which could lead to loss of employment, relationships and mental problems, but the consequences of not reporting can be very serious. Therefore, the rules and regulations must be applied in order to protect the welfare of whistleblowers, as well as encourage the culture of reporting in the workplace. This is to ensure that an organization is always free of any fraudulent and illegal act that could damage the organization and endanger society.

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