

## Letter of transmittal

30 June 2005

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RE: Corporate culture and whistle blowing.

Dear Dr.Ibeh,

This letter is enclosed with a copy of my report on “corporate *culture and whistle blowing*”. This report is completed and submitted according to the CUES –AM formal report format as a part of the CNCMM, summer research program for the year 2005.in this report I have included the various aspects concerning, the corporate culture that also impacts the whistle blowing, the history and how it has projected its importance after the ENRON, accounting scandal in recent years.

This report also provides the concerns regarding the whistle blowing in a corporate culture and ways to handle it to maintain a balance, which I am sure, will set a positive step for the future corporations.

I thank you for giving me an opportunity to participate in this program and giving me this pleasure of learning about Ethics and there by an opportunity to write a report. I also thank Dr.Hensley and Dr.Donovan for being a perfect guide and instructor thought out the entire process of the ethics program.

Sincerely,  
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Corporate culture and whistle blowing

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## **SUMMARY:**

The corporate culture is one of the important factors in determining organizational ethical standards. The various policies set in a corporation and the impact of these policies on whistle blowing is of major concern. Whistle blowing which has gained its importance in any organization has also a considerable amount of policies, moral guidelines and implementation rules. There are also certain protection laws for the whistleblowers. This report gives a brief review of the corporate culture and whistle blowing, the objectives of whistle blowing and the moral guidelines and its adverse affects if not practiced according to the rules. The ways to handle both in a balanced way and the means to prevent the corporate culture from affecting the whistleblowers.

## **INTRODUCTION:**

In today's corporate society the role of ethics is often undermined by the individuals drive to succeed and to secure his/her progress up the corporate ladder.

The employee would now think twice before whistle blowing, about the consequences and would, on most occasions refrain from it, due to restrictions of corporate policies. As a result, most unethical practices tend to go unchecked and uncontrolled, which widens the economic gap within the executive and managerial hierarchy of a corporate structure.

*"Corporate culture is important but tends to be elusive explains," Jack deal*

Basically a corporate culture is described as the personality of an organization, or simply as "how things are done around here." It guides how employees think, act, and feel. Corporate culture is a broad term used to define the unique personality or character of a particular company or organization, and includes such elements as core values and beliefs, corporate ethics, and rules of behavior. And whistle blowing is disclosure of corporate information in the public interest, despite commercial agreements or secrecy legislation.

## **Problem statement:**

***Affect of the corporate culture and whistle blowing.*** The following affects of the corporate culture on a normal employee are the main reasons why a corporate culture and its policies are significant for any employee,

- The number of work hours.
- Employee interaction, the degree of competition.
- The dress code

In any business organization it's the people who drive the business; hence the corporate culture has become the vehicle to reach the desired destination.

## **History and background:**

Culture is powerfully subjective and reflects the meanings and understandings that we typically attribute to situations, the solutions that we apply to common problems. The idea of a common culture suggests possible problems about Culture have long been on the agenda of management theorists. Culture change must mean changing the corporate ethos, the images and values that inform action and this new way of understanding organizational life must be brought into the management process. There are a number of central aspects of culture: There is an *evaluative* element involving social expectations and standards; the values and beliefs that people hold central and that bind organizational groups.

corporate culture for whistle blowing, states that the board and senior management should set the tone by clearly stating that the company undertakes matters that are seriously raised in good faith by individual employees, to deal with them where requested and in confidence and protect their interests.

Hence the significance of the study of the corporate culture and whistle blowing becomes even more important for any employee in an organizational especially a whistleblower considering the various moral guidelines and corporate policies.

## **Scope:**

To study the current whistleblowers policies adapted in a corporate culture and to suggest the prevention or improvements and ensure their judicious implementation.

## **LITERATURE REVIEW:**

- **“Whistle blowing as a failure of organizational ethics”**, James J.Fletcher,Phd; Jeanne Sorrel,Phd,RN ;Mary CiprianoSilva,Phd,RN (Dec 31, 1998).

[http://www.nursingworld.org/ojin/topic8/topic8\\_3.htm](http://www.nursingworld.org/ojin/topic8/topic8_3.htm) .

The author in this article spoke about the whistle blowing in a health care organization, and also about cases of whistle blowing which are indicative of organizational ethics.

- **“Whistle blowing opportunity or threat”**, Professor Allan Fells AO, Dean Australia and New Zealand school of government.

<http://www.uow.edu.au/arts/sts/bmartin/dissent/documents/Fels.pdf>

Here the author found a few cases about whistle blowing which gives a clear idea if whistle blowing is an opportunity or threat.

In an organization where the disclosure of fraud by the whistleblowers are in-house, the consequences of wrong information could be magnified and may result in a disruptive process for all staff due to the impact of such an action at the workplace.

In other place, the ENRON, accounting scandal episode where Sherron Watkins blew the whistle which helped the US government to find out how Enron, its auditors at Andersen and many other supporting people, allowed the USA's seventh largest company to go bankrupt in December 2001.

- **“Corporate culture: poison for whistleblowers”**, Brian martin, [http://flatrock.org.nz/topics/money\\_politics\\_law/whistleblower\\_checklist.htm](http://flatrock.org.nz/topics/money_politics_law/whistleblower_checklist.htm)

For any decision, managers discuss various reasons in order to settle on a way to give legitimacy for what the corporation does. Here the author talks about few cases where the whistleblowers are suppressed by their managers who follow the corporate culture and avoid taking any responsibility.

### **CORPORATE CULTURE AND WHISTLEBLOWING:**

It is the structure, within the wider corporate culture, that shapes the psychology of managers and creates the context for problems to occur.

### **CORPORATE CULTURE:**

*“Corporate culture is important but it tends to be elusive”*, explains Jack Deal.

Corporate culture is defined as the behaviors, habits, and rules which a group of coworkers uses to interact with each other. Corporate culture refers to both formal, written company policy concerning everything from dress code to employee relationships as well as to the informal behaviors that have become accepted by the group.

### **Principles to follow to establish a culture of discipline and integrity:**

- **The starting point for creating an effective ‘tone at the top’ resides with the character of senior corporate managers themselves.** A company must have the right people in leadership positions, leaders who are truthful, transparent, and fair, just as they expect their companies and employees to be. That means leaders must not only talk the talk, they must also walk the walk. As financier and Wall Street legend Bernard Baruch aptly said, a whole succession of technological revolutions can’t do away with the need for character or the ability to think and act ethically.
- **A climate of precision must be set at every level.** Creating a real culture of discipline and integrity requires that the entire management team, at every level, reflect those essential qualities, as Pfizer Chairman and CEO Hank McKinnell has observed. Employees pay close attention to what managers do, not just what they say.
- **Communicate directly and honestly with employees.** Corporate leaders must connect with employees face-to-face, not simply through memos and emails.
- **Managers must be engaged in their company’s compliance and ethics program.** Establishing a culture of compliance and ethics isn’t something that can be delegated. Those who govern and lead a corporation must be knowledgeable about their company’s compliance and ethics programs.
- **Employees must be empowered.** Employees must feel they are part of a team that values them and encourages them to be ethical. This is done, in part, by assuring employees that they have a role to play in developing or refining existing

programs, and that they will be rewarded for ethical behavior, even if it uncovers some problems everyone would prefer not to know about.

- **Establish a corporate environment.** Many corporate managers are fearful of “encouraging” employees to “find problems.” In the past, the culture was not to go looking for problems. But today, companies must have sufficient mechanisms to allow them to detect and investigate problems. When employees are convinced that their company really does care about ethical and lawful behavior, they will take their concerns to internal mechanisms rather than taking them to external forces. Companies that encourage their employees to raise problems internally give themselves that all important critical step—finding out about a problem before it has become a crisis or a catastrophe.
- **Separate the message from the messenger.** In far too many situations, companies start by assessing the motivations of the messenger, rather than considering the accuracy of the message. Even dissatisfied employees may have accurate information about wrongdoing that is ongoing within a company. The biggest obstacles to an effective culture of ethics and integrity are, first, the lack of anonymity in the reporting process, and second, the fears of possible payback if the concerns identified and expressed turn out to be mistaken
- **Put in place an anonymous complaint system.** Employees must be free to raise issues. Anonymous reporting channels permit employees and others to complain about things they’ve observed without fear of retribution. This is not only important to achieve, it is important for employees to know and believe that the reporting process is truly anonymous. The use of 800 numbers and anonymous email communication systems are two effective ways to provide anonymity.
- **Follow-up.** It is important to make certain that those who report concerns receive appropriate follow-up, so they know whether action has been taken and, if action is not taken, the reasons that why no action was taken should be stated.
- **Keep careful records.** The records should indicate the nature of the concern, the generic identity of the person reporting the concern, and the action taken or not taken, along with a description of the reasons that resulted at that conclusion. Every time a new concern is raised, the log should be reviewed to ascertain whether the new concern replicates prior issues explored. Where there is a repetition of the type of concern being raised, extra procedures should be pursued to ensure that a systemic pattern hasn’t evolved.
- **Employ a system of rewards for good ethics.** Bonuses and rewards should be available to managers and employees who evidence exemplary adherence to a company’s ethical and compliance policies and procedures. If we want corporate managers to set the right tone, they should be rewarded when they achieve that result.
- **Sometimes, bad things happen to good companies.** Even if there is an effective compliance and ethics program in place, someone within the company could break the law or act unethically. This doesn’t mean there isn’t a proper quality. How the company deals with evidences of breach, will determine exactly how the company will be perceived. When the unlikely occurs, companies have an opportunity to seize control of the situation and lodge its consequences. Being prepared to do so is of utmost importance.

## **WHISTLEBLOWING:**

*"It [whistle blowing] is a position no one should be in... It has consumed my life for two years." (Barry Adams, RN, whistleblower, 11/3/98)*

Whistle blowing refers to the disclosure by either former or current organisation members of illegal, immoral or illegitimate practices which are under employer control to persons or organisations that may be able to effect action.

The term "whistle blowing" was first coined during the 1963 publicity surrounding the Otto Otopoka case in the USA (Petersen & Farrell, 1986). After Otopoka released confidential documents concerning security risks in the new administration to the chief council of the Senate Subcommittee on Internal Security, the then Secretary of State, Dean Rusk, fired Otopoka from his State Department job for conduct unbecoming (Vinten, 2000). Other terms used for whistle blowing are **conscientious objector**, principled **organizational dissenter**, **ethical resister**, **mole or informer**, **corruption fighter**, **concerned employee**, **rat**, **company traitor**, or **licensed spy** (Vinten, 2000).

Near and Micelli (1985) identified four important whistle blowing characteristics. The reporting of an issue can only be called whistle blowing if it addresses an illegal, immoral or illegitimate activity; both current and former employees can act as informants; they can use internal and external channels of communication within the organisation. If the company does not respond towards an internal reporting of a wrongdoing, the whistle blower might try to accomplish the correction of a wrongdoing by going externally (Callahan & Dworkin, 1994).

### **Moral guidelines for whistle blowing:**

- Whistle blowing may be justified when the risk is
  1. immediate
  2. specific
  3. public is able to respond
  
- It is unjustified when
  1. it is done out of hatred
  2. It is in error.
  3. It merely concerns personal matters that should remain private.
  
- The potential whistleblower should go through normal channels of reporting first (which usually do work), and "go public" only as a last resort.
- The whistleblower undermines his or her own moral authority by acting anonymously. Professionals are discouraged from doing so, but of course sometimes the whistleblower might have no other choice.
- Whistleblowers must take care to avoid personal bias in their actions.
- They undermine their moral authority if they gain personally from their action

### Three elements that make whistle blowing unpleasant:

- Dissent
  - a. It has been long recognized that dissent is of benefit to the public interest; it exposes corruption and incompetence in the authorities, and leads to the creation of new knowledge.
- Breach of loyalty
  - b. Whistleblower may have personal loyalty to co-workers, etc., which makes the act unpleasant and difficult.
- Accusation
  - c. Whistle blowing almost always involves a personal level of accusation; there is someone specific who is behaving improperly or incompetently.

### Whistle blowing policy:

A whistle blowing policy is a part of culture for corporate compliance. By promoting a strong policy, the organization appraises its staff and others that compliance is fundamental to the long-term success of an organization.

### Implementation:

The aim of an effective whistle blowing policy should be to create an environment where people feel safe discussing concerns they may have about compliance within the organization.

### Phases involved:

- Assessing the existing culture of the organization and the sort of policy that is most likely to be effective within that environment.
- Deciding on the scope of the policy: will it apply to overseas workplaces? Will it apply to contractors, customers and other stakeholders as well as to staff?
- Establishing the resources to promote whistle blowing and deal with people who come forward.
- Communicating the procedure and the options available to those who have concerns.
- Dealing with initial concerns in a way that reinforces the message that the organization will treat legitimate whistleblowers and their concerns constructively.

- Periodic reviews of the policy and procedure to ensure that they are working effectively.

### **Whistleblowers protection policies:**

#### Whistle blowing legislation

The Public Interest Disclosure Act 1998 protects workers who 'blow the whistle' about wrongdoing. It mainly takes the form of amendments to the Employment Rights Act 1996.

Public Concern at Work, founded in 1993, is the leading authority on public interest whistle blowing. Its objectives are to promote compliance with the law and good practice in organizations across all sectors. In practical terms, it focuses on the responsibility of workers to raise concerns about malpractice, and the responsibility of those in charge to investigate and take action on such issues. It does this by:

- Providing free advice and assistance to individuals who are concerned about apparent danger or malpractice in the workplace.
- Offering professional advice, training and consultancy services for employers and organizations.
- Influencing public policy through research and campaigning activities.

The OSHA (occupational safety and health administration) has set 14 statutes that protect a whistle blower from any sort of victimization.

### **METHODOLOGY:**

The equipment used for completing this research was basically computer (internet).the materials used were from the various websites found in the net. And the procedure adopted for finding the required information was through the Google search engine.

### **CONCLUSIONS:**

We are at that very point in time when a 400-year-old age is dying and another is struggling to be born - a shifting of culture, science, society and institutions enormously greater than the world has ever experienced. Ahead, the possibility of regeneration of individuality, liberty, community and ethics such as the world has never known, and a harmony with nature, with one another and with the divine intelligence such as the world has always dreamed.

- Dee W. Hock, Founder & CEO Emeritus, VISA

Therefore the corporate culture has a great impact on the society be it the corporation itself and the entire working atmosphere .it not only a boon to the employees but also a

bane because it curtails the employees who are whistleblowers through its corporate policies. But also protects the corporation from the bad ones.

### **RECCOMENDATION:**

The requirement of proper channels for maintaining a corporate culture while giving enough room for the whistleblowers and also maintaining the statutes for the protection and following the corporate laws in its policies.

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