

# Whistleblowing in the Enterprises and The Influence Of Whistleblowing On The Business Performance

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**Abstract – Whistleblowing can be defined as revealing non-ethical behaviors or events in organizations. Whistleblowing, which can be stated as revealing or announcing the improprieties in organizations, has recently begun to appear among actual subjects of media and management. Organizational success and continuousness depend on business performance. In this study, the concept of whistleblowing was explained and the effects of whistleblowing on business performance were tried to be explained.**

Keywords – Whistleblowing, Business Performance, Enterprises

## I. Introduction

Whistleblowing, which can be expressed as making or announcing the mistakes made in the workplace, has recently begun to be among the current issues of both the media and the business management.

Activities in the enterprises that are contrary to the laws, harmful to the human health or environment are seen in the news, especially in the media and such incidents create significant repercussions in all segments of society. Sherron WATKINS, Enron's Deputy Chief Executive Officer, who has been elected as the Person of the Year, noticed the accounting fraud within the company and reported the situation to the CEO of the company. When she had been appointed to a passive task upon this, she had reported the frauds within the company to the relevant authorities, quit work and thus started the process which will lead the collapse of Enron. Coleen ROWLEY, who was selected as the man of the year, informed his superiors that some suspects had received flight lessons in the US, and even Moussaoui was a serious suspect, months before 11 September, but nobody heard him, and once one of the biggest terrorist attacks in the history happened, he submitted the 13 pages of report he wrote to the Senate Intelligence Committee members. The reason why Cynthia COOPER was chosen as a person of the year was came to light as result of the process that started with a progress starting with her being a financial auditor and deputy-chairman of the world-famous WorldCom Company. COOPER found \$ 9 billion illegality by falsifying the company's accounts and reported the situation to the auditor company Arthur Andersen. When the audit company ignored the incident, this time she informed the government and revealed corruption. As result of this incident, the WorldCom Finance Manager

was tried for 65 years with imprisonment claim, and COOPER was promoted and her salary was doubled (Aydn, 2002: 80).

As result of these three separate whistleblowing circumstances and the experiences who revealed them caused studies concerning whistleblowing increase.

In this study, the concept of whistleblowing was explained and the effects of whistleblowing on business performance were tried to be explained.

## II. Scope Of Whistleblowing

Whistleblowing is a concept that has emerged as a result of British police officers' whistling in order to warn people who are predisposed to commit a crime (Aktan, 2008: 1). The concept is used particularly in the Anglo-Saxon literature "to refer to public opinion when there is a common misconception" (Pitt, 1996: 393).

American advocate Ralph Nader has made the following definition of whistleblowing: "This is a provision of information by one who believes that the public interest takes precedence of the organizational interest, for the corrupted, illegal, fraud or harmful activities of the organization" (Lewis 2001:1).

Whistleblowing is the act of disclosing a behavior fow which an employee believes to be faulty or illegal to top management, non-business authorities or the public (Bouville, 2007: 1).

Different definitions have been made by various authors to explain the concept of whistleblowing. However, in the whole of the studies carried out on this subject, the definition made by Near and Miceli (1985) of "It is the disclosure made to individuals or organizations by members of the organization (formerly or still working) of illegal, immoral or illegitimate practices under the control of employers" is used.

People who commit whistleblowing is named as "whistleblower".

## III. Factors That Cause Whistleblowing

The studies made in relation with the whistleblowing focus on five key factors that are likely to affect this behavior. These factors are (Özler et al., 2010):

- Psychological Factors: Psychological factors include concepts of organizational commitment and loyalty. For example, an employee who is more loyal to his organization reports the wrong practices in the organization more, so long as that creates an advantage for him.

- Cultural and Ethical Factors: There may be a difference between the perception of whistleblowing by people who have a certain culture and a certain nationality, and it has been revealed that such a difference exists in the studies made on this topic.

For example, employees in Asian countries (such as Japan and China) exhibit more whistleblowing behavior than Westerners (like America). In this context, collectivism, which is concerned with the supremacy of organizational interests over personal interests, plays a fundamental role.

- Structural Factors This factor includes legal regulations and policies related to whistleblowing. When an organization follows policies that encourage whistleblowing, an individual exhibits more whistleblowing behavior.

- **Retaliation (Revenge):** If an individual reports a wrong behavior and is faced with a severe punishment or is afraid to encounter certain consequences, he/she will give up whistleblowing behavior.
- **Type of Wrong Applications:** Whistleblowing also varies depending on the importance (seriousness) and the type of the wrong practices.

#### IV. Problems Encountered By Whistleblowers

From an employer perspective, "being exposed to the whistleblowing" is a very negative situation. For this reason, it should be ensured not to cause employees to be obliged to exhibit a whistleblowing behavior. Announcing the wrong behavior will create a negative image in terms of the firm / institution and will affect the future of the organization. This damage have to be prevented.

The typical approach of firms where ethical issues are addressed is to dismiss whistleblowers in order to prevent the bad image within the company caused by this behavior. This way, the best of both worlds is enjoyed: Whistleblowers are punished and other employees are ballyragged. Such an approach is neither effective nor ethically acceptable.

Typical reprisals and retaliations of employers or managers against whistleblowers can be categorized as follows (Gerçek, 2005: 33-34):

1. Attracting attention to whistleblowers:
2. Producing a weak record / history:
3. Forcing to remain silent by threat:
4. Leaving them alone or humiliating:
5. Preparing a ground for failure:
6. Filing a lawsuit:
7. Demolishing the career:

The distresses Whistleblowers encounter in the working environment are not solely attributable to employers or managers. The attitude of your colleagues can sometimes be very damaging.

In particular, it should be noted that those who are blamed for unethical behaviors, those who accuse whistleblowers of job disturbance, those avoid from being seen together with whistleblowers or those who play "ostrich" (see no evil, hear no evil, speak no evil) though they witnessed to misconducts may be. The most rational approach in this regard is not to worry too much, thinking that these people may have justified reasons for them.

#### V. Influence Of Whistleblowing On The Business Performance

The concept of operational performance is a concept that is difficult to define and measure (Snow and Hrebniak 1980) and, consequently, is viewed by researchers in different perspectives. When we examine the related scientific literature, it is understood that mainly two approaches are used, although it seems that there are a variety of perspectives such as short or long term financial or organizational performance (Sin et al., 2005). One of those is the subjective approach. In this approach, the performance of the businesses is generally assessed depending on their competitors, in other words, by making a comparison with

other alternatives (Golden 1992). In the second approach, in the objective approach, the performance of the enterprise is evaluated based on absolute performance measures, more clearly, numerical values (Cronin and Page 1988). However, the use of an objective approach may cause difficulties for reasons such as that the enterprises are reluctant to provide especially financial information about themselves, and even if they are eager to provide them, it is very difficult and time-taking to derive these information (Caruana and Pitt 1997), and the results announced by the enterprises sometimes do not reflect the actual situation (Phillips 1999).

Business performance measurement process is a really challenging process. Especially the measurement of non-financial elements include significant difficulties for enterprises.

When the previous studies are examined, the relationship between whistleblowing and enterprise performance has not been directly examined. The studies made are generally on the relationships between whistleblowing and ethics, morals, organizational commitment, and organizational culture. We can comment on the relevance of whistleblowing to business performance, by virtue of the organizational satisfaction, organizational trust, and organizational commitment contained in non-financial business performance indicators.

One of the most important factors affecting the performances of the enterprises is the satisfaction level of the employees. Because people want to get paid for their work. While some businesses satisfy their employees in the financial aspect, some satisfy both materially and spiritually. The right one is material and spiritual satisfaction. If the business is acting illegally, violating ethical values, etc., then the employees can not work spiritually comfortably, even if they are financially satisfied. They continue to work in guilt. This affects both individual performance and business performance negatively. Employees can choose a way to relieve their own consciences by referring to whistleblowing. However they may get into a dissatisfaction again due to the applications they will be subjected to as result of this.

As is seen, unethical behaviors in businesses are negatively affecting employee and business performance by reducing employees' job satisfaction.

In addition to job satisfaction, employees' commitment and trust to their organizations have a positive influence on the enterprise performance. (Mishra and Morrissey, 1990:444).

According to Reinke (2003); the level of trust between employees and their superiors is the strongest indicator of employees' acceptance of a new value system. Similarly, Condrey (1995) stated that managers with confidence in their organizations believe that their supervisors play a fundamental role in the process of change.

In terms of definitions, organizational trust is a concept that explains the confidence in employees' managers and businesses. It is beneficial to explain the concept of organizational commitment together with organizational trust.

Meyer and Allen (1991: 67), who considered organizational commitment as a psychological state that reflects the relationship between the person and the organization, argued that this psychological state is decisive on the relationship between the employee and the organization and on the decision to stay or leave.

Despite being strongly associated with variables such as organizational commitment, the concept of organizational

trust is conceptually different. While organizational commitment is related to company goals and finding identity as well as evaluation of company goals, the organizational trust is related to the belief in employees' goals and leaders, and ultimately organizational action is believed to be beneficial to employees (Gilbert and Tang, 1998: 322).

The perception of just treatment and support exercised by the organization also affects the organizational commitment formed by the trust created (Neves and Caetano, 2006: 355).

In the context of definitions and organizational trust-organizational commitment, it is not difficult to understand how effective these concepts are on business performance. None of the enterprises can ignore these factors. Whistleblowing reduces trust and commitment in the enterprises. Employees do not trust managers who do not have ethical values, and their commitment to these enterprises is at an insignificant level. As a result, in the enterprises where whistleblowing occurs, the trust and loyalty decline, resulting in reduced individual and organizational performance.

## Conclusion

Ethical and non-ethical, illegal and unconstitutional actions in enterprises affect both employees and society in a negative way. While employees often have to submit to these behaviors, the society is largely ignorant of these behaviors.

Thanks to whistleblowing, both the employees ensure these behaviors to come to an end and the society becomes aware of these behaviors and take necessary sanctions against such enterprise.

These non-ethical behaviors actually affect business performance negatively. Because even if it is not shared with the public, these behaviors make the employees unhappy and decrease their and the enterprise's performance. Because of these behaviors, job satisfaction, trust and loyalty decrease and therefore business performance is adversely affected.

In an enterprise where whistleblowing was occurred, the performance decreases anyhow. Because, also the people who are not employees of the enterprise but are not aware of the non-ethical behaviors learn about these behaviors and their performances and trust decrease as result of this. In addition, corporate reputation decreases because of the fact that society is aware of this, and performance in the financial sector so declines.

Whether or not they arise because of the reasons explained above, ethical and non-ethical behaviors at the work affect the enterprises negatively. For this reason, enterprises should give importance to ethical and moral values as much as possible, and should not be illegal and behave in contradiction to human rights.

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