

## Dean's Column: In praise of whistleblowers

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I was speaking recently to Peter Erskine, chairman of the strategy board at Henley Business School and of Ladbrokes, the leisure group, and the topic of whistleblowers came up.

This may not be surprising, given my background in finance and capital markets and his role as a chairman of a FTSE 250 company, but it developed into an interesting conversation.

We reflected on the visibility that whistleblowers have had during the past decade and ended up deciding that their impact on business has been both pervasive and positive.

Why is whistleblowing so prominent these days? In part, the answer lies in the impossibility of any regulatory regime to enforce complete compliance with rules.

Companies, whether financial or industrial, are larger and more diffuse than ever before and, with size, comes monitoring problems. These problems may relate to low-level inefficiency, high-level corruption or corporate actions against the interests of stakeholders or society.

There are also those who would argue that, in the absence of moral or ethical business behaviour, there is a need for whistleblowing.

When thinking of whistleblowers, we tend to think of events such as Enron and WorldCom but seldom of the individuals (Sherron Watkins at Enron and Cynthia Cooper at WorldCom) whose actions brought these scandals to public light.

While some famous whistleblowers managed to preserve their anonymity (for example W. Mark "Deep Throat" Felt on Watergate), many others have been punished for their actions – either by losing their jobs or by imprisonment (for example, Mordechai Vanunu, who revealed Israel's clandestine nuclear programme) and Paul van Buitenen, who accused European Commission members of corruption in the 1990s.

Equally, most whistleblowers are unknown and unreported – but their actions have undoubtedly served to alert authority, whether internal or external, to bad or corrupt practices. In addition, there are many who have attempted to alert others, but were ignored – almost every episode throws up the names of honourable people who attempted to do the right thing.

Although whistleblowers are seen in both a positive and negative light (martyrs for the greater good versus self-seeking publicists), their influence and impact on the way organisations operate should not be underestimated.

Their actions in revealing scandalous behaviour have led to the worldwide strengthening of corporate governance frameworks, most notably through changes in legislation including the UK corporate governance code and the US Sarbanes-Oxley act.

In many ways these developments instil stronger ethics – follow the rules to ensure that the right actions are taken and being transparent in the process.

Despite the costs and operational challenges of implementing processes in order to comply with these requirements, organisations are increasingly creating a culture that encourages internal whistleblowing or more broadly a speak-up strategy that goes beyond illegal or unacceptable behaviour.

It concerns the ability of individuals to raise broader business and ethical concerns from safety and security to incompetence and complacency. It is about creating an environment in which individuals are able and willing to speak out when the organisation takes a path they do not agree with.

This trend is highlighted in a recent PwC report. From a survey of more than 100 organisations they found that the majority of senior managers were now supportive of promoting an open speak-up culture.

Surely this goes beyond governance structures. So what does it mean for business schools? We have already seen the growth in courses in governance and ethics.

We are helping students to understand and evaluate risk – to understand the consequences of their decisions. But this is not enough.

We have a responsibility to educate leaders to create transparent environments where managers at all levels have the confidence and ability to speak out without retaliation.

These managers need to be confident, critical, brave and resilient.

As business schools we need to give our students not only the knowledge and skills to create the right organisational structures and processes, but also the aptitudes and attributes to make the right decisions.

It takes brave individuals to act as whistleblowers and we should thank them for helping to create an environment that values an ethical, sustainable and profitable approach to management.



The continued existence of impediments to good behaviour, for example employment contracts that prohibit these actions, shows that our need for them will continue.

*PwC (2011) Striking a Balance: Whistleblowing arrangements as part of a Speak Up strategy, London*

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