

# Whistleblower Activity: What the Data Says About Why It Works

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## Who is this guy again?

- Writing, blogging independently at [www.RadicalCompliance.Com](http://www.RadicalCompliance.Com)
- Previously editor at Compliance Week, 2006-2016
- Doing various research, writing projects for private clients



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## Agenda for today... Internal Reporting!

- How do levels of reporting correlate to corporate performance?
- What types of allegations are most likely to be true?
- How should boards and risk assurance handle whistleblowing, based on what the data tell us?
- Tools, tips, and ideas for effective internal reporting culture
- Q&A

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## Part I.

What is the 'right' amount of internal reporting?

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## Part I.

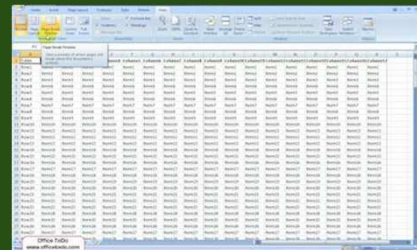
What is the 'right' amount of internal reporting?

**A. As much as you can get.**

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## First, a look at lots of data...

- George Washington University study of internal reports, Nov. 2018
  - 3 million+ internal reports
  - 5,000 firms
  - 2004-17
- How many reports did the firm receive?
- How many fields in the report were complete?
- How often did management review the file?

A screenshot of a Microsoft Excel spreadsheet showing a large table of data. The table has many columns, with headers in a light blue font. The data rows are white with alternating light blue and white background colors. The table appears to contain a large volume of data, consistent with the '3 million+ internal reports' mentioned in the text.

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## More reporting activity = better performance

- Fewer material lawsuits
- Lower litigation costs
- Fewer external whistleblower reports
- Greater profitability and productivity

The correlation is **constant**.

There is **no** point of diminishing return.

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Q. Is this a surprise?



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**Q. Is this a surprise?**

**A. No.**



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## **It's about willingness to speak up**

- How confident are internal reporters?
- How curious are managers about reports?

**What else can we infer from the findings?**

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## It's about willingness to speak up

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- How curious are managers about reports?

## What else can we infer from the findings?

Reporting activity doesn't measure willingness to report misconduct. It's **willingness to talk about problems**.

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## Other Findings on Internal Reporting

- Fewer regulatory fines, in lower amounts
- Less negative news coverage
- Even the name of your system matters—
  - 'Helpline' vs. 'Hotline'



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Part II.

What reports are most likely to be true?

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## Second-Hand Rather Than First-Hand

- Management is **48 percent more likely to substantiate** second-hand allegation rather than direct knowledge
- More likely to be about business conduct, accounting

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- More likely to be about business conduct, accounting

## First-hand complaints...

- More likely to be about workplace misconduct
- More likely to have greater detail
- More likely to be frivolous

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Q. Is this a surprise?



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**Q. Is this a surprise?**

**A. No.**



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## **Consider what's motivating the reporters**

- First-hand reporters: something has happened to them
- Second-hand reporters: something may be amiss at the company

**Yes, take both types seriously; but appreciate the different motivations.**

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## Part III.

How should boards and leaders handle internal reporting?

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## Encourage it every way you can

- More reporting is not about finding problems
  - IT'S ABOUT BUILDING TRUST
- Teams that trust are more collaborative; more efficient
  - Less employee turnover
  - Less external reporting

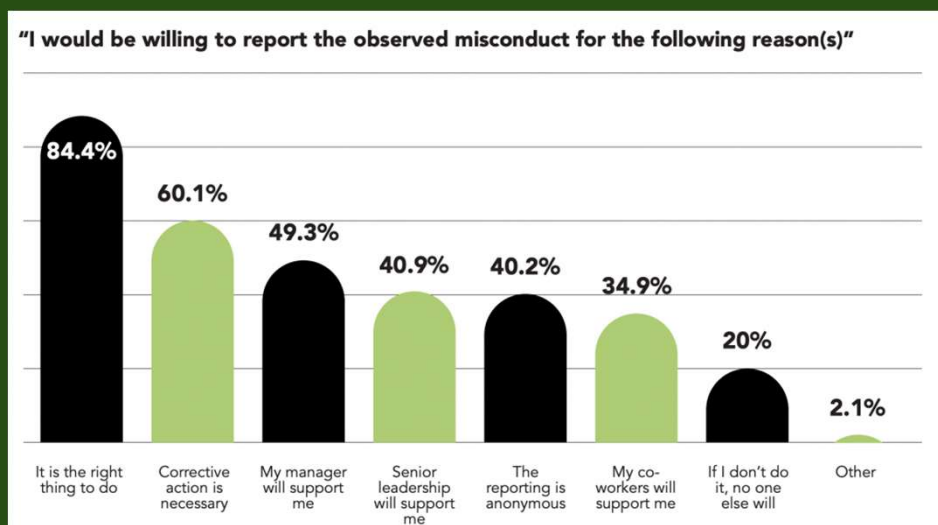
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## Focus on basics

- First rule of anonymous reporting: **protect anonymity**
  - Do your investigation protocols keep that priority foremost?
  - Do managers disregard identity of whistleblower?
- Want people to think about ethics?
  - **Then have managers talk about ethics**

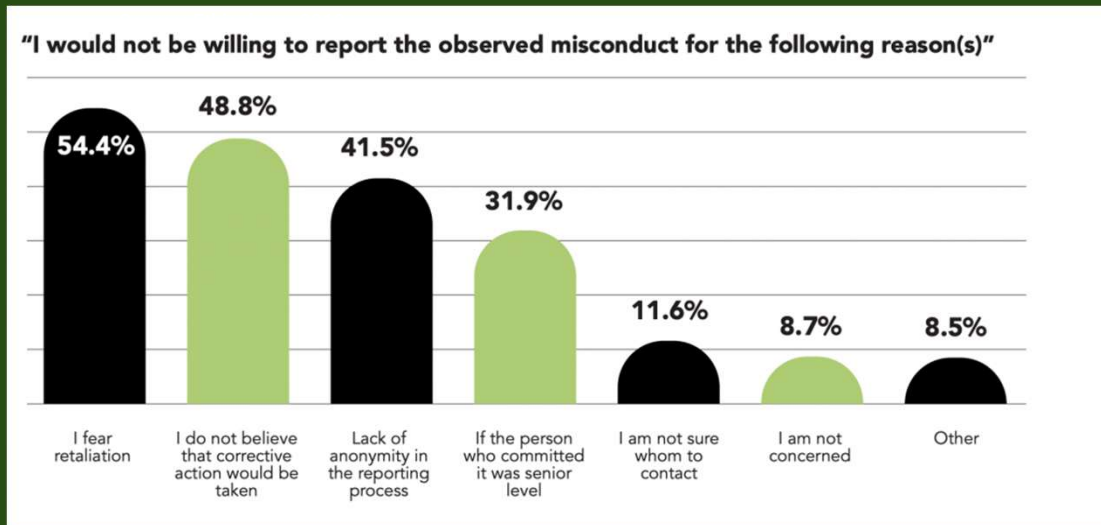
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## Focus on basics



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## Focus on basics



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## Example: Texas Health Resources

- Large nonprofit healthcare system in Texas
- 24,000+ employees
- 27 hospitals; 350+ patient facilities
- \$4.8 billion annual revenue



The anti-harassment policy: managers must report harassment allegations to HR; and employees can report via hotline at any time.

**Tools and policies mutually reinforce each other.**

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## Related reading

[Study: Second-Hand Reports More Reliable](#)

[Study Ties Internal Reporting, Business Outcomes](#)

[Notes on Managers & Internal Reporting](#)

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# Thank you

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