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A Global Perspective on Whistleblowing

By Lori Tansey Martens and Amber Kelleher

Corporations have long known the advantages of encouraging employees to report misconduct. The reporting of questionable practices is critical to the success of a company's ethics and compliance initiatives, as well as the company's overall wellbeing.

Many multinational companies have adopted a sophisticated array of tools to facilitate whistleblowing, including 24-hour hotlines and corporate ethics offices. While recent surveys show an overall increase in the reporting of misconduct, ethics officers for large corporations (over \$10 billion in annual revenue) report that more than half of employees located outside of the United States do not feel comfortable using the communication channels available to them to report misconduct.¹

This article highlights some of the challenges that multinational corporations face in encouraging employees around the world to report misconduct. This article will also suggest strategies that companies can consider when establishing or reviewing whistleblowing programs.

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Maintaining Effective Helplines

By Roland Riebl

Companies are increasingly implementing organizational helplines to streamline the process of reporting misconduct, as well as to provide a safe outlet for employees to report wrongdoing. Helplines, also known as hotlines or helpdesks, are a telephone service, which employees can use to discuss misconduct or to ask a question about business conduct policies and practices.

This article explores some of the characteristics of an effective helpline. It also seeks to outline key challenges associated with maintaining a helpline and offers suggestions on how to address these issues. Finally, the article highlights a new effort to promote employee reporting, an Internet-based reporting tool that can serve as a compliment to conventional helplines.

Characteristics of Effective Helplines

Helplines are one of the most successful tools in encouraging employees to report misconduct and they provide an important alternative channel to staff who might feel uncomfortable raising concerns with their manager or supervisor. The 2003 *National Business Ethics Survey* (NBES) shows that the existence of a helpline contributes to an increased probability of employees reporting misconduct and wrongdoing.

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Special Focus: Helping Employees Raise Concerns

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From the President

By Lori Tansey Martens

In recent years, there has been a great deal of public and media attention on whistleblowing, including *TIME* magazine's designation of 2002 as the year of the whistleblower. Despite such coverage, surveys show that the majority of employees, even those with sophisticated corporate resources at their disposal, often decide to do nothing when they become aware of misconduct. One of the toughest challenges that corporations face in encouraging employees to come forward with reports of wrongdoing is in creating an open and non-retaliatory work environment. Yet little research or information is available to corporations on how to create such environments. The Institute believes that it is time for this to change and has launched a major project on "Creating a Non-Retaliatory Workplace." This project has the potential to make meaningful advances in the field of business ethics. You can read more about the project on page 15.

The "Creating a Non-Retaliatory Workplace" project has inspired this edition of the *International Business Ethics Review* on Helping Employees Raise Concerns. What *can* organizations do to encourage employees to come forward with concerns of improper conduct within the organization? Our first article, "A Global Perspective on Whistleblowing," examines cultural biases against whistleblowing and explores how multinational firms can encourage employees around the world to report misconduct. We have also included a list of whistleblower protection legislation from around the world (see page 7).

One tool that companies have been using for more than two decades to help employees raise concerns is a "helpline." An article by Roland Riebl, "Maintaining Effective Helplines," takes a look at the characteristics of effective helplines and also reports on some cutting edge strategies that companies such as UTC are employing to further open up the communication channels. For those companies who are considering implementing a helpline, we outline the various models which organizations can consider on page 10.

It is never easy to raise concerns about misconduct. And frequently managers are unprepared to face the challenges when an employee does raise a concern. These are issues that businesses have faced for centuries and the time has come to find real solutions to these intractable problems.

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A Global Perspective on Whistleblowing

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Cultural Impediments

Multinational companies face significant challenges when they try to encourage whistleblowing across a wide variety of cultures. There are a number of cultural and other factors that discourage international employees from reporting misconduct, such as:

Divided Loyalties - Divided loyalties represent a significant challenge in Asia, where members of the corporation are family, making it difficult for organizations to establish an environment that accepts whistleblowing. In Korea, for example, a subordinate's loyalty to a superior can be greater than his or her loyalty to the company. Similarly, in Japan, a tradition of lifetime employment and a strict seniority system can discourage workers from questioning management decisions, dictating that employees show unbounded loyalty to their co-workers.

History - For some countries, history exacerbates a bias against whistleblowing:

- In China, attempts to introduce corporate hotlines can remind employees of the horrors of the Cultural Revolution when citizens were encouraged to report 'illegal activities' to authorities, which included children reporting against parents, students against teachers, and neighbors against neighbors.
- In Germany, encouraging anonymous or confidential reporting can bring to mind Gestapo tactics from World War II or the far-reaching informant networks of the Stasi in the former East Germany.
- In South Africa, whistleblowers are associated with apartheid-era informants, called *impimpis*, who often faced a public death if caught or suspected of reporting.

Logistics - Numerous time zones and languages are two of the many logistical factors that prevent international employees from using corporate whistleblowing resources. International 800-numbers and international collect calls either do not work or are unknown in many countries. In some locations, even gaining access to a telephone can be problematic.

Fear of Retaliation - Many laws including the Sarbanes-Oxley Act in the United States, the Public Interest Disclosure Act in the UK, and similar laws in other countries, provide protection for whistleblowers. Despite such legislation, as well as reassurance from corporate headquarters that retaliation will not be tolerated, many international employees fear otherwise.

One multinational company reports that over 60% of employees who had personally witnessed misconduct failed to make a report because they feared retaliation. Similarly, the 2003 *National Business Ethics Survey* shows that 30% of employees surveyed in the US indicated they did not report observations of wrongdoing due to fear of retaliation by coworkers and 41% would not blow the whistle because they feared retaliation by a manager or supervisor.

There are many documented cases of retaliation against whistleblowers, which contributes to this fear. Studies show that whistleblowers lose their jobs, are subjected to harassment in the workplace by both coworkers and managers, are forced into retirement, and are subjected with the loss of personal reputation. In addition to the real threat of losing a job, whistleblowers can also be subject to legal sanctions and, in certain parts of the world, the risk to whistleblowers can be life-threatening.

Corporate Strategies

Despite the many obstacles that companies face in encouraging whistleblowing, recent studies suggest whistleblowing is increasing. The 2003 *National Business Ethics Survey* shows that the percentage of employees reporting misconduct increased markedly from 48% in 1994 to 65% in 2003. However, in the face of so many impediments, how can multinational corporations continue to increase the willingness of employees around the world to report questionable conduct? Listed below are several strategies to consider when establishing or reviewing whistleblowing components of global ethics and compliance programs. The objective of these strategies is to build the confidence and understanding of international employees with respect to whistleblowing, ultimately increasing the probability that they will report misconduct.

1. Involve international management - Senior international managers can be skeptical of efforts to promote open commu-

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A Global Perspective on Whistleblowing

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nications for cultural reasons and from the fear of losing control or receiving false allegations. People support what they help to create so senior managers in international operations should be asked to participate in the development of corporate whistleblowing policies and procedures. If left out of the development process, they may actually become an obstacle, instead of part of the solution.

2. Clarify what constitutes wrongdoing - It is essential to clarify what constitutes inappropriate conduct, particularly since interpretations of what is and is not acceptable can vary by culture or region. Terry Morehead Dworkin, Professor of Business Law at Kelley School of Business at Indiana University, cautions that, "People will not become whistleblowers if they do not consider the observed activity wrongful."²

Employees should receive ongoing, targeted messages reminding them of available reporting channels.

When determining what comprises inappropriate conduct, companies should consider identifying potential cultural stumbling blocks, e.g. gifts and entertainment practices or facilitation payments. Once companies have identified these problem areas and developed solutions, they should make employees aware of the corrupt practices they may face and take special care to communicate the company position on these issues to employees. Dr. Brian Martin, International Director of Whistleblowers Australia and Associate Professor of Science, Technology, and Society at the University of Wollongong, suggests that companies should encourage ongoing dialogue among employees regarding what constitutes wrongdoing. Comments Dr. Martin, "Formal statements may not help very much, because they are

always open to interpretation or, worse, just ignored. If employees are aware that their co-workers are actively concerned about issues, they will take them much more seriously."

Martin also points out that, "Clarification is an ongoing process." Perceptions of acceptable or unacceptable conduct change over time. Company standards must, therefore, be reviewed periodically to ensure that they remain relevant to the company and its employee population.

3. Establish and communicate whistleblowing policies and procedures - Employees should receive information about the company's confidentiality and whistleblower protection policies in writing and they should be offered training to clarify when, why, and how to report misconduct. Such training provides an invaluable forum for employees to discuss issues and raise questions.

Further, employees should receive ongoing, targeted messages reminding them of available reporting channels and encouraging them to raise concerns. These guidelines should also be communicated to relevant third parties, i.e., agents, temporary employees, contract workers, customers, and suppliers.

Companies should not only determine a method for soliciting and investigating inquiries and concerns but they should also establish a policy for providing feedback to the whistleblower. Following up on concerns is crucial in combating deep-rooted skepticism toward whistleblowing in countries such as Japan. According to Koji Morioka, Professor of Political Economy at Kansai University, in Japan, "Even if a company encourages its employees to use an internal helpline, many people doubt whether anything will change within the company."³ Failure to follow up sends the message that the complaint was not treated seriously and could discourage the lodgment of future reports, especially in cultures where whistleblowing has typically been discouraged and by international employees who may already feel they are outside normal communication channels.

4. Tailor the message to the culture - Companies must tailor communications about whistleblowing procedures to the cultures in which the company operates, clarifying company standards with explanations that local employees can appreciate. Guy Dehn, Director of the Public Concern at Work (U.K.), notes that in Asia, for example, it may be helpful to explain the importance of whistleblowing in a Confucian way: "If you see broken glass on the floor in your house, you would take

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action to protect your family. That philosophy should also be translated to the workplace." International managers can provide additional guidance on adapting communications to reflect and respect cultural considerations.

Another approach is to modify the terminology used to communicate the initiative to encourage employees to raise concerns. For example, whistleblowers may be described as 'witnesses' to reduce the 'informant' connotation. In addition, employees can be encouraged to 'seek advice and guidance' about questionable situations, rather than 'reporting misconduct.'

One note of caution: exercise oversight when translating standards into other languages. In drafting its standards, one company carefully eliminated all references to "reporting" in their communications, only to have a translator reinsert them when translating the document. Fortunately, a local executive reviewed the translated materials and identified the error before the materials were distributed. The company now provides translators with a summary of key points to consider during the translation process.

5. Facilitate the reporting process - Employees are more apt to raise concerns in a safe environment where they feel it is acceptable to disclose misconduct. Most multinational corporations have corporate business practices or ethics offices where employees can confidentially or anonymously raise questions or concerns. Yet for international employees these offices and the people who direct them remain somewhat of a mystery, and as a consequence, employees can be reluctant to contact them.

Companies should, therefore, offer their international employees the opportunity to see and/or hear from the business practices management staff-in person, preferably, or by video-to personalize the ethics office and to increase not only their employees' confidence in them, but also awareness of the function the office serves and the individual services it provides.

Advice lines are one corporate resource that international employees may be able to use. The lines must, however, be verified to ensure that employees in all international locations can successfully reach them. Companies should provide clear, written instructions to employees on how to access the advice line from their specific locations and they should ensure that the lines meet the unique needs of an international employee population, e.g., 24-hour access and multiple language capabilities.

In spite of assurances of confidentiality and whistleblower protection, some employees may still be reluctant to disclose misconduct through internal channels. While companies should make every effort to encourage internal disclosures, they can also inform employees about external reporting channels. Pro-

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Organization Spotlight:

Public Concern at Work

Public Concern at Work (PCaW) is an independent authority on public interest whistleblowing. Established as a charity in 1993 following a series of scandals and disasters, PCaW has played a leading role in putting whistleblowing on the governance agenda and in influencing the content of legislation in the UK and abroad.

PCaW promotes compliance with the law and good practice in organizations across all sectors. In practical terms, PCaW focuses on the responsibility of workers to raise concerns about malpractice and on the accountability of those in charge to investigate and remedy such issues. The organization does this by:

- Offering free advice to people concerned about danger or malpractice in the workplace but who are unsure whether or how to raise the matter;
- Providing compliance toolkits, training, and consultancy on accountability in organizations and on self-regulatory and regulatory cultures; and
- Influencing public policy through research and educational activities.

For more information about the programs and activities of PCaW, contact:

Public Concern at Work – UK Office

Suite 306
16 Baldwins Gardens
London EC1N 7RJ

Public Concern at Work – Scottish Office

The Nerv Centre
80 Johnstone Avenue
Hillington Business Park
Glasgow, G52 4NZ

Telephone: 020 7404 6609 – UK Office
0141 883 6761 – Scottish Office

Fax: 020 7404 6576

E-mail: whistle@pcaw.co.uk – UK Office
ht@pcaw.co.uk – Scottish Office

Web: www.pcaw.co.uk/index.html

A similar organization, the Government Accountability Project (GAP), operates in the US. GAP was featured in Volume 6, Issue 1 of the *IBER*. For more information on GAP, visit www.whistleblower.org.

A Global Perspective on Whistleblowing

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viding information on external reporting channels will cause even the most ardent skeptics to start believing that the organization takes whistleblowing seriously.

Finally, demonstrating that retaliation will not be tolerated can facilitate the reporting process. "To demonstrate good faith with whistleblowers, the most important thing is to deal with complaints, not the complainants," says Dr. Martin. "Whenever whistleblowers suffer reprisals, this sends a strong message to other employees that speaking out is risky."

6. Provide local or regional resources - International employees often feel disconnected from corporate headquarters, both geographically and culturally. This separation can be even more evident with newly acquired operations, which have their own corporate cultures, performance standards, and values. Simply requesting employees to report concerns to their country managers may not provide employees with an effective resource because many country managers of multinational corporations are expatriates and may lack cultural understanding and sensitivity.

Advice lines may fail to be a useful resource because internationally, access to them can be limited. It may, therefore, be in the best interest of an organization to provide regional or local resources at major locations to increase employee buy-in of the whistleblowing initiative.


Companies can provide 'regional business practices advisors,' local individuals in a position of authority who are tasked to be a communications liaison between local employees and corporate headquarters. These regional or local liaisons should be able to converse fluently in the local language(s) and understand the nuances of the local culture(s). Identifying a local communications liaison will help to create an atmosphere of mutual trust, understanding, and respect that will provide an important level of reassurance to employees who wish to report a concern.

7. Review policies and establish performance measures - Companies should regularly review their whistleblowing policies and procedures to ensure their effectiveness. The review process not only provides an opportunity to re-examine policies and procedures, but also the materials and communications that support them.

Companies should review reporting statistics by division and location to identify disparities that suggest investigation. For example, how many whistleblowing cases were investigated at each location during a specified period of time and what are the estimated savings resulting from the whistleblower's discovery.

Companies should also establish performance measures for their whistleblowing initiatives, and when possible, benchmark the effectiveness of their initiatives against those of peer organizations or industry standards. These performance indicators will help to reinforce the business value of the program when presented to the Board of Directors.

Conclusion

While few, if any, cultures actively encourage or admire whistleblowing, the strategies outlined in this article can help multinational corporations to understand some of the common barriers to whistleblowing, as well as how to establish a corporate culture that encourages international employees to raise questions and concerns. 

This is an edited version of an article that originally appeared in *ethikos* (singerpubs.com/ethikos), a publication that examines ethical issues in business and compliance that is based in Mamaroneck, NY. It appears here with permission of Ethikos, Inc.

Endnotes

1. Ethics Officer Association, *The 2000 Member Survey Report* (2000).
2. Terry Morehead Dworkin, "Whistleblowing, MNCs, and Peace," *Vanderbilt Journal of Transnational Law* 35 (March 2002).
3. Koji Morioka, "Japan Public Interest Speak-Up Advisors (PISA)," in *Whistleblowing Around the World: Law, Culture and Practice*, ed. Guy Dehn and Richard Calland (Cape Town and London: The Open Democracy Advice Centre and Public Concern at Work, 2004).

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International Whistleblowing Legislation

Some of the legislative developments in whistleblower protection include:

Australia: Public Interest Disclosure Act, 1994

Employees in the public sector and those who disclose information of public concern receive protection from retaliation under this Act. In many cases, whistleblowers must file reports with the appropriate regulatory body in order to receive protection. State-wide legislation varies from the national law in some areas.

Canada: Public Servants Disclosure Protection Act, 2004

The Act protects public sector employees from retaliation after they report misconduct. However, employees of cabinet ministers and national security agencies do not receive protection under this law. The legislation also requires agencies to draft codes of conduct and establishes the position of the *Public Sector Integrity Commissioner* to pursue investigations.

China: Article 41 of the Chinese Constitution

China is the only country in the world at this time to have enshrined whistleblower protection as a constitutional right for all citizens. It empowers all citizens to report misconduct and forbids retaliation.

European Union: Whistleblowers' Charter, 1999

The Charter establishes the Anti-Fraud Office in the European Commission (EU). It also creates procedures that require EU employees to report misconduct and guarantees due process and protection of the whistleblower if they report misconduct internally. Employees must exercise all internal avenues for reporting misconduct before they can blow the whistle externally and qualify for protection.

New Zealand: Protected Disclosure Act, 2000

Provides a four-tiered system where whistleblowers must report through internal channels in order to obtain protection, with a few minor exceptions. The whistleblower must approach each point in their organization and industry hierarchy before being able to blow the whistle publicly and obtain guaranteed protection.

South Africa: Protected Disclosures Act, 2000

Employees in both the public and private sector receive protection from retaliation under the Act. However, the law only applies to employer-employee relationships and fails to protect other stakeholders. In addition, protection in the case of dismissal is limited, e.g. employees obtain a maximum of 24 months pay after dismissal.

South Korea: Anti-Corruption Act, 2001

This legislation establishes the *Korea Independent Commission Against Corruption*, whose mission includes the encouragement, protection, and compensation of whistleblowers.

United Kingdom: Public Interest Disclosure Act, 1998

The Act protects employees in all sectors from dismissal and other forms of retaliation. In a case where a whistleblower receives notice of termination, the burden of proof falls on the employer to show that the dismissal was unrelated to whistleblowing.

United States of America: Whistleblower Protection Act, 1998

Public sector employees receive protection from retaliation when disclosing information. The *Patriot Act* of 2001 infringes on some of these protections in cases of national security.

United States of America: Sarbanes-Oxley Act, 2002

The Act expands protection from retaliation to whistleblowers in the private sector. An aggrieved employee must file a complaint with the Secretary of Labor within ninety days of the retaliation.

Maintaining Effective Helplines

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As corporations look to improve their helpdesks or embark on implementing a hotline, there are a number of characteristics of effective helplines that will be helpful to consider:

- **Guaranteed Anonymity for Callers:** Surveys show that half of all callers wish to stay anonymous when reporting wrongdoing or asking a question regarding business conduct.¹ Accordingly, guaranteeing anonymity to callers is one important way to facilitate the reporting process. Companies ensure caller confidentiality by de-activating caller-ID functions so that operators cannot trace calls back to employees. One way organizations accommodate follow up on anonymous calls is to issue a tracking number and provide a time frame for the caller to phone back to receive an update on their report or query. However, the extent of guaranteed anonymity varies based on company policy. Some companies refuse to divulge the identity of a caller under any circumstance, while other corporations may require a caller to come forward if the investigation of the report reveals illegal behavior or they are the sole witness to the misconduct.
- **24/7 Availability:** The most effective helplines are available around-the-clock, seven days a week. Offering 24/7 availability guarantees that employees in all time zones can access the service at a time that is convenient to them. Ensuring helpdesks are accessible at all times also allows employees to place calls outside of the workplace, which can increase the likelihood that employees will use this tool. A recent study of 500 helplines found that 48% of calls were placed outside of business hours.² Many callers will not be comfortable discussing their report at the office or may fear that colleagues will overhear the conversation. Time restraints and competing demands while at work may also prevent employees from using the helpline during business hours.
- **Toll-Free Calls:** At most organizations, all domestic calls to helplines are free of charge. In addition, many international companies provide employees outside of the company's home country with free international dial-in, ensuring that employees worldwide can also use the service without charge.
- **Translation Services:** In order to encourage reporting, most multinational corporations provide translation services so that the majority of their employees can discuss concerns or ask a question regarding business policies in their native language. Offering translation services helps to combat the perception that helplines are only for employees in the organization's home country. Companies can handle such calls in two ways. First, a caller might be directed to a call center with English operators; if the caller requests to speak to someone in their native language, the operator will conference in a translator. Alternatively, the employee might be directed to a call center where the operators themselves are fluent in the caller's native language.
- **User-Friendly Service:** Helplines should be user-friendly, e.g. employees should receive clear instruction on how to place a call, there should be minimal wait times, and callers should receive directions regarding how to follow up on their report or query. Helpline operators should be well-equipped to handle calls. Even at companies with long-standing ethics offices, most employees are uncertain as to the exact role of the department and may hesitate to approach them. A user-friendly helpline can assist in "de-mystifying" the office of ethics and its function within the organization.

Challenges Associated with Operating Helplines

There are several challenges that companies must overcome when establishing and maintaining a helpline. A selection of these key challenges and suggestions on how to resolve these issues include:

1. *Skepticism by International Employees*

Studies show that international employees who work for US-based multinational firms are less likely to use helplines than domestic employees are. The 2000 *Member Survey Report* by the Ethics Officer Association found that 77% of respondents from large companies (revenue over \$10 billion) made their helplines accessible to employees outside of the US. However, only 36% of those polled believed that employees out of the US were comfortable using helpdesks. Despite the fact that 82% of these organizations provided translation services, many employees appear to believe that helplines primarily cater to the needs of domestic employees.

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Possible Solutions: Ethics officers have found that employee training is an effective tool in combating the misgivings of international employees regarding using helplines. When rolling out a helpline, companies should offer training on the role of this tool in assisting employees resolve ethical dilemmas. In addition, companies can circulate flyers, e-mails, and other promotional materials to familiarize employees with the helpline. After the launch of the helpline, organizations should remind employees about it at regular intervals. Communications from the office of ethics with information on helpline usage can help to encourage employees to view it as a valid resource. Case vignettes detailing the company's response to reports or queries can be especially effective as they show staff how the company responds to real concerns brought forward by their colleagues. In order to avoid confidentiality concerns, the office of ethics should eliminate any incriminating identifying information before sharing such cases.

2. Negative Connotations of Reporting

Around the world, virtually every culture has deep-rooted prejudice against whistleblowing that discourage employees from reporting misconduct. Whereas ethics practitioners view the practice as a public good because it exposes unethical behavior and benefits stakeholders, many societies attach negative feelings to reporting misconduct as illustrated by many of the terms applied to whistleblowers. For instance, in English, those who expose misconduct are called 'tattletales,' 'snitch,' 'informant,' and 'rat,' while in German the term 'Spitzel' (snitch or spy) is applied to whistleblowers; all of these terms are derogatory and have negative connotations.

Possible Solutions: When educating employees regarding helplines, organizations should avoid using certain language. For example, companies should avoid words such as 'reporting,' which reinforces the negative connotations of 'finger-pointing' associated with identifying wrongdoing, instead using terms such as 'discussing' to emphasize the role of this tool as a source of advice and guidance. Companies should also avoid the term 'Hotline,' using names such as 'Helpline,' 'Guideline,' or 'Advice Line' instead.

3. Fear of Hoax Calls

While helplines contribute to an increase in the total number of reports of misconduct, many managers fear that the percentage of hoax calls and frivolous comments or questions increases as well. The guarantee of anonymity that protects callers from accountability for such misuse can exacerbate this problem.

Possible Solutions: Many companies indicate that these types of calls are extremely rare and that the volume of these types of calls does not compromise the effectiveness of helplines. Companies should have a clearly stated policy about false allegations, which employees should receive in writing. Organizations can also highlight this policy during ethics training sessions.

4. Quality Control

It can be difficult to ensure that the quality of service provided on helpline calls is consistent. Every caller has a unique experience and should that experience be negative, the company may miss out on future reports of misconduct from that employee or others to whom they may report their bad experience. Operators must provide quality service on each call. All operators should be aware of the vital importance of their role within the overall structure of the company's ethics program. Complacency with past successes can also be detrimental to maintaining a zero defect system.

Possible Solutions: It is imperative that the office of ethics implement regular quality control measures to assess the effectiveness and quality of service provided by operators. Each organization should conduct test calls to their helpline at regular intervals and should file a detailed report regarding the conduct of the operator in each case. Test calls should be in several languages in order to monitor the consistency of the service for international employees. The importance of test calls is especially imperative for helplines contracted to vendors.

5. Financial and Operational Costs

Helplines require a reliable vendor or in-house staff with the capacity to answer calls around the clock. The main cost drivers of helplines include operator salaries and training, technological infrastructure for handling and processing calls, quality control, as well as the cost of providing a toll-free service, especially when the calls are international.

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Installing an Effective Helpline

The 2003 *National Business Ethics Survey* demonstrates that 58% of respondents who work for organizations of more than 500 employees indicate that their company has an ethics office or advice line and 26% of respondents that work for smaller organizations indicate that their organizations have an ethics office or advice line. As a growing number of companies embark on establishing a helpline, there are several models that companies can consider, which are outlined below. Each model has its own advantages and disadvantages.

- ***In-house helplines:*** Companies may select to have employees, often members of the ethics office staff, administer the helpline internally. In-house helplines provide the company's ethics office with a maximum level of control over system operation. Handling calls in-house can also result in faster response times, as there is minimal lag time between handling incoming reports or queries and formulating a response. Often, employees even receive an immediate answer to their questions. In addition, administrators can directly ensure the confidentiality of reports since no external parties have access to the information contained in reports without the approval of the office of ethics. However, securing the resources to provide a 24/7 service can be a significant challenge. This model might be the most appealing to companies with the requisite technical and staffing resources.
- ***Outsourced helplines:*** Companies can opt to contract out the helpline to an independent, third-party with the experience and expertise required to operate an effective helpline. One of the main benefits to contracting out the helpline is employee perception of anonymity; employees may be skeptical that calls placed to in-house helplines are, in fact, confidential, despite guarantees from the company. In addition, contracting with a vendor offsets the cost of employing operators, as well as investment in the technological infrastructure required to process calls. However, outsourcing to a vendor might result in some loss of control over the system as the quality of the intake operators may vary among service providers, and the ethics office cannot regularly monitor how individual operators respond to queries. A few ethics officers report that in conducting test calls, they have noted rather significant lapses by operators at some vendors. This can reflect poorly on the office of ethics and raise concerns among employees about the helpline.
- ***Hybrid helplines:*** Some companies use a mixed structure, where duties are shared between an in-house and outside helpline. A company may wish to operate the helpline with staff from its ethics office during regular business hours in the company's home country and contract out the operation of the helpline to a vendor at other times. Alternatively, an organization may opt to handle all domestic calls, and take advantage of vendors' capacity to handle calls around-the-clock for international employees. One possible disadvantage of using a vendor solely for international calls is the potential alienation of international employees who may feel they are not receiving the same level of attention as domestic employees.

Helpline Vendors

There are a number of vendors that can assist companies in setting up a helpdesk, which are listed below. Please note that this list is not exhaustive and in no way represents a recommendation by the International Business Ethics Institute. It is for reference purposes only.

- *ComplianceLine/Compliance Concepts, Inc.* - www.complianceline.com
- *EthicsPoint, Inc.* - www.ethicspoint.com
- *InTouch/Management Communication Systems, Inc.* - www.getintouch.com
- *Pinkerton Compliance Services* - www.ci-pinkerton.com/workplace/alertline.html
- *The Network, Inc.* - www.twinc.com or www.reportline.net

Maintaining Effective Helplines

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Possible Solutions: When ethics officers or business leaders are challenged regarding the cost of operating a helpline, there are two prime benefits that they can cite in order to justify the cost. First, helplines are essential in preventing misconduct harmful to the company. In this sense, they can be effective tools in minimizing misconduct and in protecting a company's reputation. John Hunkin, chief executive of CIBC, a major Canadian bank recently stated, "Reputation is at the core of everything we do," and he justified CIBC's \$50 million (Canadian) expenditure on an ethics program, which includes the establishment of a helpline, as an "investment critical to CIBC's success."³

Second, recent studies by the Association of Certified Fraud Examiners (ACFE) show that helplines directly benefit the company's bottom line. The ACFE 2002 *Report to the Nation* indicated that the median loss for an organization with a hotline was \$77,500, while the median loss where no hotline was in place was \$150,000; while other factors played a role in limiting the loss, the report states that hotlines were the most effective tool in fraud detection. The latest ACFE *Report to the Nation* from 2004 shows that, while the median loss per company due to fraud decreased overall, the median loss for companies with a hotline decreased significantly more (27%) than it did for companies without a hotline (9.7%).

The Next Generation: United Technologies' *eDialog.confidential* Program

United Technologies (UTC), one of the world's largest manufacturers of aerospace and building systems, has long been a pioneer of business ethics as a member of the Defense Industry Initiative on Business Ethics and Conduct. UTC has a standard ethics helpline, which employees can use to report misconduct. The company has also gone one-step further and is spearheading the next frontier of helpdesks with the launch of its *eDialog.confidential* program, which allows employees to file a report over the Internet.

eDialog.confidential is the online version of UTC's *Dialog* program, which was originally set up in 1986 and modeled after AT&T's *Speak Out* program. Both the *Speak Out* and *Dialog* programs offer employees the opportunity to send ethics-related concerns by letter to ombudspersons for review. In January 2003, UTC expanded the program with the launch of *eDialog.confidential*, the online version of *Dialog*. *eDialog.confidential* is a web-site accessible over the Internet, where employees can file a query.⁴ UTC uses an external server for *eDialog.confidential*, which is separate from the corporate servers used for the UTC intranet and e-mail. Similar to a helpline, each user receives a temporary ID and tracking number for follow up on reports. Only the user who submitted the report and UTC ombudspersons and administrators can access the report, and employees that submit information are guaranteed anonymity if they do not include their contact information. In fact, Tom Neil from the UTC Office of Business Practices states that UTC has gone so far as to defend the confidentiality of their ombudspersons in court. To this day, no ombudsperson has had to testify regarding a *Dialog* report in a court of law.

In order to handle reports effectively, UTC ombudspersons have trained select employees around the world to serve as *Dialog* administrators. Training for *Dialog* administrators includes instruction on responding to queries, an overview of company resources to reference when responding to questions and reports, as well as procedural protocol (e.g. 'sanitizing' reports when they are forwarded internally to eradicate any information that could reveal the user's identity).

eDialog.confidential went active in twenty-six languages in January 2003 and users now have a choice between submitting requests via letter and online. While the total number of reports and queries submitted by employees has not increased significantly since the launch of online program, as of September 2004, the number of *eDialogs* had already surpassed *Dialogs*, suggesting that employees are receptive to the online format.

UTC has made every effort to make the *Dialog* program accessible to all of its employees worldwide. While the percentage of international queries is still low, the trend is positive in this regard, some of which can be attributed to Internet accessibility and the convenience of the new online tool.


Outlook

The key to receiving reports from employees regarding potential misconduct and wrongdoing is in offering multiple outlets to raise concerns. Employees should have the ability to select between various outlets including lodging reports with their direct supervisor, contacting the office of ethics directly, using a helpline, or another tool such as the Internet-based program recently launched by UTC.

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Maintaining Effective Helplines

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Helplines are an especially effective tool in providing help to employees and they serve as a symbol of an organization's commitment to fostering an ethical work environment. While helplines are far from perfect, their existence at an increasing number of companies is encouraging. Finally, as UTC's program demonstrates, companies can now make use of a variety of technology platforms and develop programs that provide a complement to helplines. The combination of such tools further promotes the level of openness, and ultimately transparency, of organizations by allowing employees to ask hard questions and report misconduct. 

Endnotes

1. The Network, "Best Practices in Ethics Hotlines," <http://www.reportline.net/news/downloads/TNW-RLHOTWP-CM.pdf>, accessed on 20 September 2004.
2. *Ibid.*
3. Rob Ferguson, "CIBC Sets Up Ethics Hotline for Staff," *Toronto Star* (24 February 2004).
4. The program can be viewed at <https://edialog.confidential.utc.com/frontend/>.

Thank you to the Office of Business Practices, particularly Mr. Tom Neil, at United Technologies for participating in an interview for this article.

Roland Riebl is Program Associate at the International Business Ethics Institute.

Whistleblowing Reference

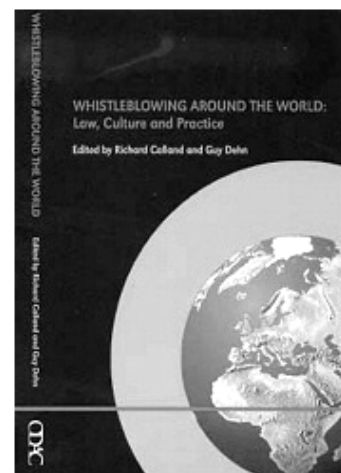
Whistleblowing Around the World: Law, Culture and Practice

Encouraging whistleblowing is an ongoing challenge for business leaders and ethics officers at companies around the globe. The new book, *Whistleblowing Around the World: Law, Culture and Practice*, edited by Richard Calland and Guy Dehn, is a collection of articles by leading experts from Australasia, China, Japan, South Africa, the UK, and the US who address whistleblower protections and the factors that encourage and discourage whistleblowing in various cultures. The unique global perspective and comprehensive scope of this publication makes it a helpful resource for ethics practitioners, as well as policymakers.

Whistleblowing Around the World features four in-depth cases studies by whistleblowers from around the globe, including Sherron Watkins' personal account of her role in the Enron saga. The other three cases are similarly explosive and Jiang Yanyong's story of exposing the Chinese government for concealing the extent of the SARS epidemic will intrigue many readers. Other topics covered in the book include whistleblowing legislation in Australia, Japan, the UK, and US, as well as profiles of various civil society organizations dedicated to assisting those who report misconduct. An article that features an interview with Charles Lewis, founder of the *Center for Public Integrity* in Washington, also considers the role of the media in whistleblowing cases. A CD-ROM complements the print material and includes the actual legislation detailed throughout the book, as well as additional background material on specific issues and cases.

This book is a compendium filled with useful information for multinational companies and policymakers. Business leaders and ethics officers might find the discussion of what encourages and discourages legitimate whistleblowing in different cultures particularly helpful as they create and revise whistleblowing policies. The overview of various policy models for whistleblowing protection might be of special interest to policymakers.

"Whistleblowing Around the World: Law, Culture and Practice." Edited by Richard Calland and Guy Dehn (The Open Democracy Advice Centre and Public Concern at Work; 207pages and CD-ROM), may be purchased at www.pcaaw.co.uk and www.whistleblower.org. The cost is £25/US\$45.



Global Roundup

Recent activities and efforts in the field of business ethics from around the world.

Africa

The Southern Africa Forum Against Corruption (SAFAC) held its fourth annual general meeting in Zambia recently and resolved to continue to lobby all member countries to ratify the Southern African Development Community Protocol Against Corruption. Eight countries - Botswana, Mauritius, South Africa, Malawi, Tanzania, Zambia, Lesotho, and Namibia - have already ratified the protocol. (www.allafrica.com)

Asia

A comparative study into corporate governance standards in five major Asian economies demonstrates that Malaysia has overtaken Hong Kong as the benchmark on corporate governance standards in the region. The recent survey conducted, in part, by Standard & Poor's looked at leading companies listed on the respective stock exchanges of Malaysia, Hong Kong, Thailand, Singapore, and Indonesia. (www.ethicalcorp.com)

Australia

A new corporate responsibility index for Australian companies shows that companies are improving, but are still lacking commitment to corporate responsibility. The index, sponsored by the Fairfax media group, Ernst & Young, and the St James Ethics Centre, articulates the results of a survey of 26 companies. (www.ethicalcorp.com)

Europe

The European Academy of Business in Society (EABIS) launched Europe's first on-line directory of education, training, and research on corporate social responsibility (CSR) and business in society (BiS). The directory includes information on the offerings of 170 business schools in Europe. It is searchable by country, issue, and individual institution. It will help guide choices by students, companies, policy-makers, and others interested in finding out more about learning opportunities on CSR / BiS. (www.csrwire.org)

Global

- Nine global companies - IBM, General Electric, FedEx, Cargill, 3M, Diageo, Omron, Manpower, and General Motors - have formed an international network to focus on world-class performance in corporate citizenship. The Center for Corporate Citizenship at Boston College and AccountAbility, a membership organization, direct the three-year research project in which each participating company will examine how companies can balance the pressures of profitability against demands to be responsive to broader societal needs. (www.ethicalcorp.com)
- The International Organization for Standardization (ISO), the world's largest developer of standards, is to produce an International Standard for social responsibility. The objective is to create a document "written in plain language which is understandable and usable by non-specialists." The ISO standard is not intended to replace existing inter-governmental agreements on social responsibility. (www.iso.org)
- Six global organizations - the International Press Institute, the International Federation of Journalists, Transparency International, the Global Alliance for Public Relations and Communications Management, the Institute for Public Relations Research and Education, and the International Public Relations Association - have joined forces to support a set of principles designed to foster greater transparency in the dealings between public relations professionals and the media, and to end bribery for media coverage throughout the world. (www.transparency.org)

United States

A study by Governance Metrics International indicates that US companies have risen to the top of a global comparison of corporate governance standards, overtaking the UK and Canada for the first time. The study of more than 2,500 international companies found the Sarbanes-Oxley Act and other reforms implemented following recent scandals succeeded in improving the relative performance of large US companies. (www.csreurope.org)

Institute News

Recent Changes at the Institute

Jeff Salters to Head Professional Services at the Institute

In September 2004, Mr. Jeff Salters joined the Institute as Director of Professional Services. In this position, Mr. Salters will manage the Institute's professional services, advising corporations, non-profits, and multilateral organizations on the development and execution of global business ethics programs. His primary responsibilities will include conducting organizational analyses, developing and reviewing codes of conduct, and designing and delivering ethics training programs.

Mr. Salters brings more than eight years of consulting experience to the Institute, as well as an extensive background in business ethics. He has managed and delivered organizational ethics services to Fortune 500 companies, non-profit organizations, and government agencies. He also has substantial experience delivering business ethics training workshops. "I am thrilled to be joining the dedicated staff of the Institute," said Mr. Salters. "I look forward to all the exciting challenges and opportunities this role will provide, and I hope to contribute to the Institute's continued success."

Mr. Salters has worked for the Ethics Resource Center and for consulting firms such as Booz Allen Hamilton and Accenture. He holds a MBA in Organizational Behavior and Development from The George Washington University and a B.B.A in Management from Howard University.

Emily Heard Joins the Institute as Project Manager and Editor

In July 2004, Emily Heard joined the Institute as Project Manager and Editor. In this position, Ms. Heard will develop the Institute's Public Education materials and manage research projects for the Institute. She will also assume editorial responsibilities for the *International Business Ethics Review (IBER)*. "I am looking forward to developing materials that will help business leaders and ethics practitioners tackle ongoing challenges in international business ethics," said Ms. Heard.

Ms. Heard is a Canadian citizen and brings experience in both business and policy to the Institute. Previously, Ms. Heard worked at the Corporate Executive Board, a business best-practice research firm, where she managed research projects on corporate strategy and R&D issues for senior executives at Fortune 500 and Global 3000 firms. Ms. Heard has also served as a consultant for various think tanks and has authored reports circulated to policymakers throughout North America. Ms. Heard received a Master of Arts in History from Dalhousie University. She also holds a Bachelor of Arts from McGill University, where she studied History and Women's Studies.

Staff Departures

The Institute experienced a number of changes in 2004 as two long-time staff members, Mr. William Miller, Director of Public Education and Editor, and Ms. Amber Kelleher, Director of Professional Services and Institutional Programs, left the Institute to pursue other interests.

During his near six-year tenure at the Institute, Mr. Miller made great contributions to the Institute; his management of the *International Business Ethics Review* and development of educational initiatives will have a long-lasting impact on the Institute. Mr. Miller intends to open an antiques business in Florida and we wish him well in his new venture.

Ms. Kelleher, who joined the Institute in 2002, worked with a number of organizations, helping them to strengthen their global ethics programs and promote responsible business practices. Ms. Kelleher decided not to return to full-time employment following the birth of her son earlier this year; she currently works part-time as an independent consultant and continues to assist the Institute on various projects.

Institute Launches Project on “Creating a Non-Retaliatory Workplace”

This International Business Ethics Institute recently launched a project to address one of the main challenges in business ethics today: creating a safe environment where employees can raise concerns about misconduct. “Effectively combating employee ‘fear of retaliation’ is still one of the least well developed elements of most business ethics programs,” observes Lori Tansey Martens, President of the Institute. “This is why we are launching a major study aimed at analyzing the cutting edge strategies that companies can use to prevent retaliation against whistleblowers.”

The Institute formed an Advisory Panel consisting of business leaders, academics, and whistleblowing experts to provide advice on this project. The panel, which is chaired by Dr. Barbara Ley Toffler, author of the bestseller, “Final Accounting: Ambition, Greed and the Fall of Arthur Andersen,” held its first meeting on September 15 to share ideas on creating a non-retaliatory workplace. Martens remarked, “The first Advisory Panel meeting was a great success and many interesting ideas surfaced during the discussion. I want to thank all Advisory Panel members for their participation.” Panel members include: Dr. C. Fred Alford, University of Maryland; Megan Barry, Premier Inc.; Jacqueline Brevard, Merck; Guy Dehn, Public Concern at Work; Tom Devine, Government Accountability Project; Dr. Marcia Miceli, Georgetown University; Bud Reid, Lockheed Martin; and Dr. Donald Soeken, Integrity International. Over the next year, the Institute will conduct research and work with the Advisory Panel to develop recommendations geared towards ethics officers and practitioners on creating a non-retaliatory workplace.

Generous contributions by a number of organizations and individuals, including Irwin Financial Corp., Lubrizol, Mr. Robert Echols, Rogers Group, and United Parcel Service made the launch of this project possible. “The Institute is extremely grateful for this support which will help ensure the project’s success,” commented Laura Kriv, Chief Development Officer at the Institute. Additional tax deductible contributions to this project are welcomed. Please contact Ms. Kriv at kriv@business-ethics.org or (202) 296-6938, or fill in the form on the back page of this issue to donate.

First James B. Wigle Fellowship Complete

Ms. Nadia Samadani completed her term as the Institute’s inaugural James B. Wigle Fellow in July 2004. The James B. Wigle Fellowship is a paid annual fellowship open to graduate students with an interest in the fields of business ethics and corporate responsibility. The Institute established the fellowship to honor the memory and lifelong contributions of James B. Wigle, former Chairman of the Board of Directors of the International Business Ethics Institute.

As the Wigle Fellow, Ms. Samadani contributed to the Institute’s Global Codes study and Professional Services projects. She recently received a Master of Arts in Communication, Culture, and Technology at Georgetown University; she plans to pursue a career in international affairs. The Institute will award the next Wigle Fellowship in Summer 2005.

Institute Internship Program

The Institute has an internship program that provides students with an opportunity to gain knowledge on international business ethics issues. Interns for the winter and summer semesters of 2004 were Kati Gordon and Brandon Thurner.

Ms. Kati Gordon is an undergraduate student at the University of Calgary where she is earning a B.A. in Political Science, with a concentration in US-Canada Relations. She sought an internship with the Institute while participating in American University’s Discovering North America Summer Institute. While serving at the International Business Ethics Institute, Ms. Gordon conducted research on whistleblowing and assisted in preparing materials for clients. “I have gained a unique experience in learning about business practices,” said Ms. Gordon when asked about her time at the Institute. Upon graduation in 2005, she would like to enroll in a graduate program and eventually pursue a career in academics.

An undergraduate student at Alfred University, Mr. Brandon Thurner is pursuing a Bachelor of Science in Business Administration, with minors in economics and political science. While participating in the Washington Semester program at American University, he sought an internship with the Institute to further his knowledge of corporate governance and the Sarbanes-Oxley Act. During his internship, Mr. Thurner compiled materials for the Institute’s Professional Services and Public Education programs. Upon graduation in 2005, he would like to pursue a career in foreign policy.



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We Need Your Support

The International Business Ethics Institute is launching a major study aimed at developing key recommendations to creating an open and non-retaliatory workplace. Contributions to the “Creating a Non-Retaliatory Workplace” project will allow the Institute to research, write, and publicize our recommendations. **We encourage you and/or your company to consider making a tax deductible contribution to ensure the success of this project.**

Contributors to the “Creating a Non-Retaliatory Workplace” Project

Thank you to the following individuals and organizations who have generously contributed to the launch of our study, “Creating a Non-Retaliatory Workplace.” We are grateful for the support which will help ensure the project’s success.

Irwin Financial Corp.

Rogers Group

Lubrizol

United Parcel Service

Mr. Robert Echols

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Please make your check payable to the International Business Ethics Institute. I understand that my donation will be acknowledged in the *International Business Ethics Review*, the study “Creating a Non-Retaliatory Workplace,” and in the Institute’s 2004 annual report.

Please do not acknowledge my donation publicly.

THANK YOU FOR YOUR SUPPORT