

The culture of whistleblowing - ignore at your peril

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MANY BUSINESSES CONTINUE TO REJECT THE NEED FOR, and efficacy of, whistleblowing as a core tool of business. Many businesses consider whistleblowing to be a nuisance, an unnecessary distraction from the business of business. Many businesses reject the solid evidence that shows that not only is whistleblowing something every business should have, but also the evidence that whistleblowing will make their businesses better, more effective and more profitable. Many businesses are of course wrong about many things, and this is just one more thing about which business is often wrong.

Let us continue to deal with the objections that many businesses have to the idea of whistleblowing, here is a short list:

- All my employees are honest, I would not hire anyone who was dishonest
- My employees know they can approach me at any time, my door is always open
- If someone was stealing from or committing fraud on our company I would know
- Whistleblowing just allows disgruntled employees to make false accusations
- Asian culture will prevent people from whistleblowing, its not in our nature

This list represents only a small sample of the excuses that business leaders in Asia have given me as reasons for not wanting to implement a whistleblowing system.

If you doubt the first point, only hiring honest employees, I had that exact phrase stated to me by the CEO of a very large and influential company. Unable to change his mind I left him with a warning that one day his words will come back to haunt him. Within the year this same company was on the front page with a report of a multimillion-dollar fraud scheme that the CFO of that company had been working for as long as he had worked for that company. I resisted the temptation to call the CEO and remind him of my prediction. He didn't call me either. By the way the CFO was in the meeting.

The issue of culture however is perhaps the most common objection to implementing a whistleblowing system. Regardless of whether I speak to clients in Singapore, Indonesia, Malaysia, Thailand, Philippines, China or even Australia, this is the most common response. It is often said with a certain amount of pride,

which is even more curious. However, the reality is that people are people no matter what their nationality. People like to gossip and almost all the people who work for you are decent, honest, hard working people who hate that their colleagues or bosses might be corrupt or committing fraud. Race, nationality, culture, religion, none of these are important or relevant when it comes to whistleblowing.

With regards to false allegations or "poison pen" letters as they are often termed, all companies have a small number of malcontent employees, those overlooked for promotion, who didn't get the bonus they expected, who are jealous of other employees, and those whose workplace personal relationships (affairs) have failed and are now left feeling hurt, angry and betrayed.

What we know from running pan-Asia whistleblowing lines is that not only are these false allegations insignificant in number, they are also very easy to identify. A proper disclosure has specifics, details, names, dates, amounts, actions and so on. A false allegation will have almost none of that, instead it is likely to be seething in emotion or anger. It is important not to ignore these false allegations as it tells you there is a problem in your organisation. Here is someone who is so angry or upset that they take the time to make up a story and report it. Ignoring this will only lead to a greater issue and potential loss on many levels.

So, let's think about why you really do need to implement an effective whistleblowing system, and the word "effective" is used purposely as many are not effective, which is just a waste of time, money, and effort.

The world's leading authority on fraud has to be the Association of Certified Fraud Examiners, the ACFE. They produce a bi-yearly report on the global impact of fraud, including the ways in which fraud is detected. This report is based on the results of a survey conducted of the tens of thousands of ACFE members and their clients around the world. [Here is the link to the 2018 report.](#)

The ACFE report states quite clearly, "...the leading detection methods are tips, internal audit, and management review. This finding is not surprising, as these have been the three most common means of detecting occupational fraud in every edition of the report since 2010. Collectively, these three detection methods were cited in 68% of the cases in our current study. Tips were by far the most common means of detection at 40% of cases—more than internal audit (15%) and management review (13%) combined."

So, the report says that tips represented 40% of all fraud cases detected. Think about that, 40% of ALL fraud cases reported. That exceeds 200% more than the next



most common method of detection, Internal Audit. If that is still not enough to convince you that you need whistleblowing, then you should probably stop reading now. If you are still reading, then congratulations, let's look at some of the other issues about whistleblowing that you may not have thought of.

There is a simple formula to a successful whistleblowing system and it requires all the following elements:

- **Independent:** Unless you are a very large organisation, your employees will feel less comfortable making reports internally with the potential for being identified and the negative issues that may ensue for them from that.
- **Confidential:** Our experience is that most whistleblowers will give their identity, but it may not happen immediately. Give them the opportunity to remain anonymous and you will gain much more detail and value from their disclosures. Forcing employees to reveal their identity is a sure-fire way to guarantee the failure of your system.
- **Timely:** Whistleblowers will be looking to see what action you take about their disclosure. Remember they are sitting inside your business, watching. Failure to act in a timely manner will make them

feel less valued and the information flow will stop.

- **Relevant:** Whistleblowing systems have many potential uses, not just fraud and corruption. We have seen very successful ones deal with safety and environmental issues too. Harness the power of your employees, let them tell you what's important to them and to you.
- **Value driven:** If your values are not aligned with that of your employees they will feel like numbers or cogs in the process and have no interest in you or the company. Engage with the employees and engage them in the process of establishing the whistleblowing system. Remember the clear majority of your employees do the right thing, all the time, let them help you.

You may be thinking still, it's not relevant to me or my company.

I can do no more than point you towards the front pages of the many local and international newspapers where the results of not having either a whistleblowing system or a properly implemented and managed whistleblowing system is printed for all to see.

The price of not doing so is the loss of millions of dollars, your job and unfortunately your reputation. ■