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OPINION

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Whistleblowing is good for society, but bad for careers. It should be good for both

WHEN Philip Bowman was chief financial officer of Coles Myer, an Australian retailer, he exposed the fact that a vice-chairman had used a big chunk of the retailer's money to buy shares in a company that he, the vice-chairman, controlled. The case made headline news. Yet even after a two-year court battle to win compensation for wrongful dismissal, Mr Bowman was, in effect, ostracised from working in his home country. He says that companies that might have hired him worried about skeletons lurking in their own cupboards.

Yet Mr Bowman was lucky: he moved to Britain and subsequently became chief executive of Allied Domecq, the world's second-largest wines and spirits group. Sadly, few whistleblowers' stories end so happily. Many ruin their careers, and sometimes even their health. Because of society's aversion to people who are often seen more as snitches than as heroes, those who blow the whistle (and put up with the persecution and harassment that almost invariably follow) have to be abnormally persistent. They become obsessive about their cause and blind to other aspects of their life. Many end up pursuing personal vendettas as well as the wrongdoing that originally sparked their action.

Whistleblowers provide an invaluable public service. An employee who (to quote Black's Law Dictionary) "reports illegal or wrongful activities of his employer or fellow employees" can save his organisation millions, quite apart from carrying out his public duty. The American government claims that most of the billions of dollars that it retrieves from those who defraud federal agencies come via whistleblowers' reports. Many investigations carried out by antitrust authorities into illegal cartels, such as the recent vitamin price-fixing case in Europe, are initiated by reports from whistleblowers.

Despite a growing body of legislation to protect whistleblowers, their lot remains a miserable one. In the United States, many lawyers are reluctant to take up cases involving public-sector whistleblowers because their chances of winning are so slim. Those who pursue lawsuits for wrongful dismissal through the courts can find themselves enmeshed for years. And any damages eventually awarded are seldom a match for the damage actually suffered. It is no surprise that employees are reluctant to fulfil their public duty when they get such faint praise for doing so. Can anything be done to encourage whistleblowers?



Who's afraid of denouncing crooks?

Many hold back because they are afraid—afraid that they will lose their jobs, and maybe also their friends. Mr Bowman says: “So-called friends congratulated me privately, but would not lift a finger of support in public.” So the first essential is to provide a secure environment in which whistleblowers will feel safe discussing their suspicions. (Whistleblowers usually start off with little more than a vague sense that something fishy is going on.)

Employers themselves are reluctant to provide such an environment, although there are some notable exceptions (see [article](#)). Such an attitude is understandable; whistleblowers rarely bear good tidings for a company's share price. Yet in the long run they can save their employers far more than they cost, for instance by uncovering embezzlement. Even in cases such as price-fixing or cartels, where revelations by whistleblowers may unequivocally damage a company, it can be better to provide a forum that stops the practice without the glare of publicity that comes when trustbusters knock on doors at dawn.

This month, Britain's financial-services regulator is setting up a hotline for whistleblowers. Uniquely, British law sees a substantial role for regulatory bodies acting as an independent outside party that is at the same time discreet and knowledgeable about industry practices. In America, there is legislation in the pipeline designed to speed up the processing of whistleblowing cases. More legislation and more independent intermediaries are certainly welcome. But ultimately the answer is for employers, in both private and public sectors, to learn to appreciate the merits of whistleblowing, and to reward genuine whistleblowers with promotion rather than the sack. They might even then eliminate the malpractices that trouble their conscientious employees in the first place—and what a good thing that would be.

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