

Whistleblower Activity: What the Data Says About Why It Works

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20 March 2020

1

Who is this guy again?

- Writing, blogging independently at www.RadicalCompliance.Com
- Previously editor at Compliance Week, 2006-2016
- Doing various research, writing projects for private clients



2

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

3

Part I.

What is the 'right' amount of internal reporting?

4

Part I.

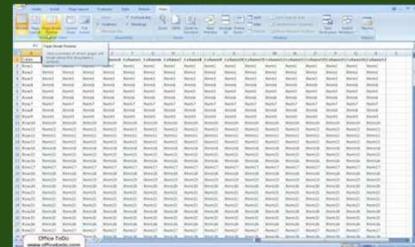
What is the 'right' amount of internal reporting?

A. As much as you can get.

5

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 an Excel spreadsheet showing a large table of data. The table has many columns and rows, with some cells containing text and others containing numbers. The spreadsheet is titled "Internal Reports" and is open in the "Excel 2010" application. The data appears to be organized into several sections, with some columns highlighted in blue. The table is very dense, with many rows of data.

6

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.

7

Q. Is this a surprise?



8

Q. Is this a surprise?

A. No.



9

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?

10

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What else can we infer from the findings?

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

11

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'



12

Part II.

What reports are most likely to be true?

13

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

14

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First-hand complaints...

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

15

Q. Is this a surprise?



16

Q. Is this a surprise?

A. No.



17

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.

18

Part III.

How should boards and leaders handle internal reporting?

19

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

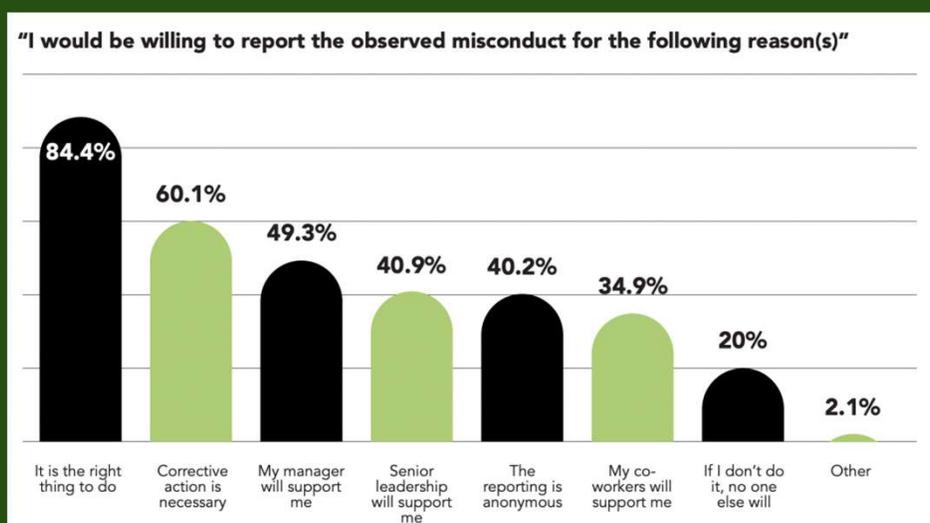
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Focus on basics

- 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**

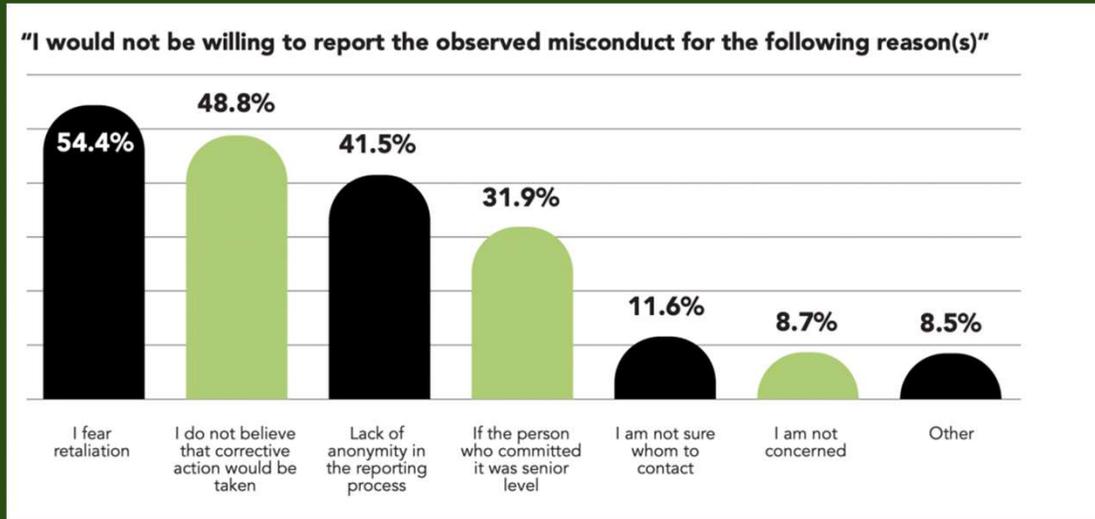
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Focus on basics



22

Focus on basics



23

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.

24

Related reading

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

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

[Notes on Managers & Internal Reporting](#)

25

Thank you

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26