

Whistleblowing in organisations: **a great opportunity for every company**

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Introduction

More than half of employees that witnessed unethical or illegal behavior chose not to report it to their supervisor. Simultaneously, almost **three-quarters** of them admit that they would willingly report to an external third party, such as the media or a legal professional, as was the case at **Skoda Auto**. At best, this will end in a big media scandal and, at worst, in court.

For that reason, **supporting whistleblowing inside an organization may be highly beneficial for companies**. If misconduct is reported, the perpetrators can be stopped, and more importantly, the damage their actions has caused can be mitigated or even prevented. For example, **Marvin Hobby**, a top corporate officer at Georgia Power Company, raised concerns internally regarding the safety at the nuclear power plant he worked at. Instead of having his concerns addressed, Mr Hobby was fired. This resulted in a lawsuit, and Georgia Power Company ended having to pay Mr Hobby \$4 million as a result of whistleblower protection law violation.

However, as the example of Marvin Hobby illustrates, doing the right thing can be costly for whistleblowers. Even though he won in the end, he first lost his job, and the lawsuit took 12 years. Similar outcomes on a smaller scale happen every day. This is why it is often hard for employees to report misconduct. We will explore in detail the different reasons employees fail to report transgressions.

This does not mean that companies should be discouraged, as there are ways for them to promote whistleblowing. It starts with implementing an anonymous whistleblowing system and making it a key part of the company's culture. We will analyze the different options, their advantages and disadvantages, and how to begin implementing them.

Barriers to the introduction of whistleblowing

According to research, whistleblowing is beneficial for companies. **For example**, companies that receive a higher number of whistleblowing reports tend to have a plethora of positive outcomes such as a **46% decrease in negative news coverage** or a **2.8% increase in return on assets** to mention a few. However, **this study** found that **56% of employees chose not to report misconduct**. Other studies show even more alarming numbers. **One EU study** found out that **81% of Europeans did not report the corruption they were aware of**.

6.9%

fewer material lawsuits

20.4%

reduction in settlements

46%

fewer negative news stories

SOURCE:

NAVEX GLOBAL: Strength in Numbers: The ROI of Compliance Programme Hotline Reporting
Stephen R. Stubben, Kyle T. Welch: Evidence on the Use and Efficacy of Internal Whistleblowing Systems

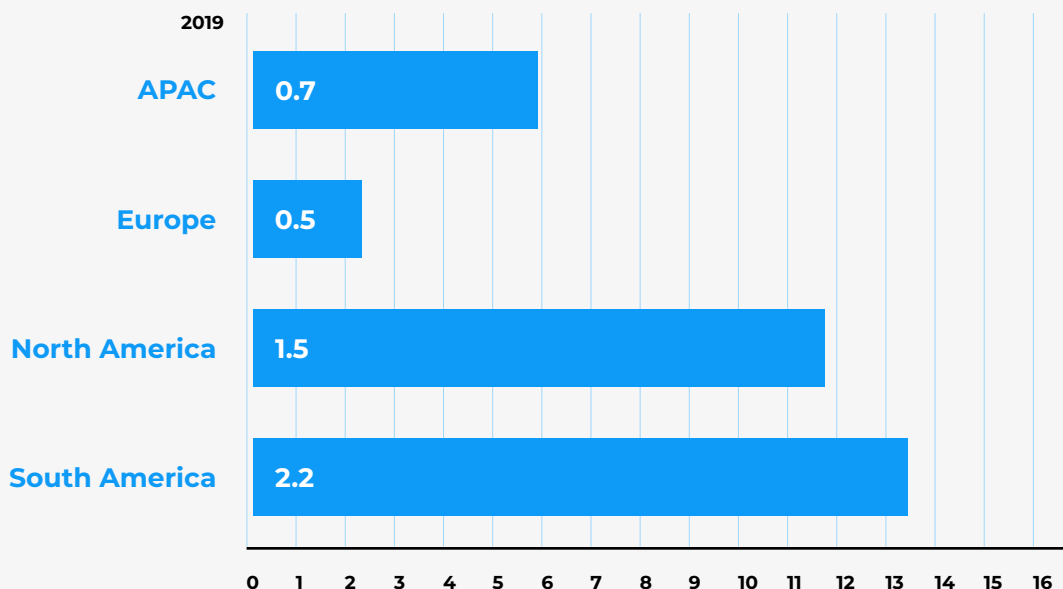
Based on this information, two conclusions can be drawn—whistleblowing is beneficial for companies, but employees tend not to report misconduct. To be able to provide the solution, we first need to understand the problem. Why don't people report misconduct more often?

Barriers on the employer's side

One of the most prominent obstacles to the introduction of whistleblowing in companies is the negative perception by managers. **Whistleblowing is perceived less as an improvement tool and more as telling on someone.** Culture plays a role in this perception. For example, in the **US, employees are three times more likely to report than in Europe.** Also, the United Kingdom has the **highest reporting** rates in Europe.

Additionally, managers often believe that there is no need for a reporting system as they have an open company culture that nurtures whistleblowing. However, the data paints a different picture. A **survey** by the consulting company EY found that **56% of those who witnessed misconduct in the company did not report it.** However, **73% of these people reported that they would consider reporting to an external party**, such as a lawyer.

Report volume per 100 employees



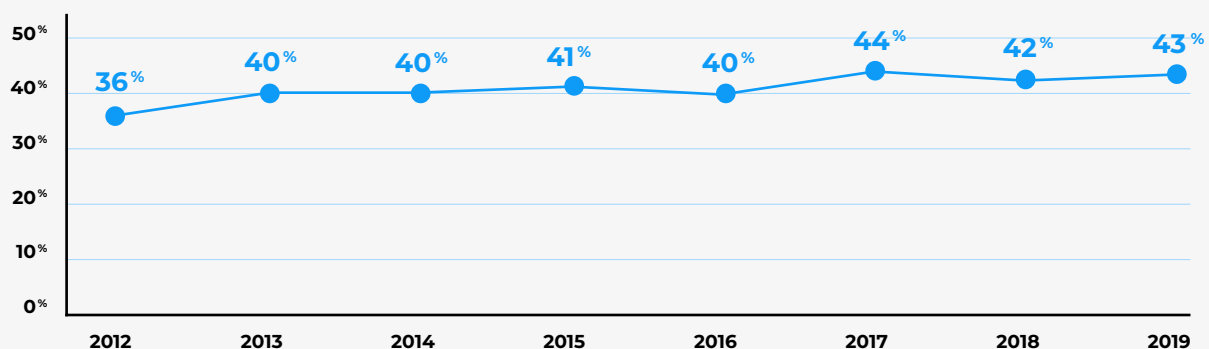
SOURCE:

NAVEX GLOBAL: 2020 Regional Whistleblowing Hotline Benchmark Report

Managers also often believe that personalities play a role in whistleblowing. However, **research** suggests that **there is no such thing as a whistleblowing personality profile**—there is no significant difference between genders, age groups, nor between introverts or extroverts.

Supervisors are also often concerned that employees will overreport and overwhelm the system with unsubstantiated complaints. Yet, **annual reports** by NAVEX GLOBAL suggest that **half of all reports are judged as substantiated or partly substantiated**. Furthermore, a company is not obligated to respond to every report. For example, if the report is using vulgar language, the company is within its rights to disregard it. Furthermore, data by the FaceUp reporting system show that the **average number of complaints per organisation is 3—4 per month**. Also, their data shows that approximately 80 % of reports are substantiated.

Median overall substantiation rate



SOURCE:

NAVEX GLOBAL: 2020 Risk & Compliance Hotline Benchmark Report

Barriers on the employees' side

There are many reasons employees do not report transgressions. However, we can identify a few key ones that can, in turn, provide us with a better picture of the issue. It is important to note that the decision not to report misconduct is often caused by a combination of reasons, not just a single one. This, in turn, means that you should be able to address all of the reasons as well in order to make whistleblowing easier.

Fear of repercussions

Fear of repercussions is one of the main reasons employees do not report the misconduct. This is not surprising, considering the consequences for ones that do. **According to a US study** published by the California Law Review, **82% of whistleblowers experienced harassment, 60% lost their job and 10% even tried to commit suicide.**

Whistleblowing repercussions can be grouped in two main categories:

- **Related** to the whistleblowers' **job itself**, or their social standing in the company. The consequences related to the job are more tangible ones, relatively easier to spot. They include consequences such as job loss or being demoted.
- The **consequences related** to **social standing** are less tangible but can be as detrimental to one's well-being. The whistleblowers can end up socially ostracised, lose the trust of their colleagues or suffer a plethora of other negative consequences. It almost goes without mentioning that both categories of repercussions often go hand-in-hand. Having in mind such a high price for doing what is right, companies must promote the right tools and values to protect and reward those who speak up.

Bystander effect

The bystander effect describes a phenomenon that **the presence of other people makes a person less likely to intervene** or help someone in need. It is the belief that 'someone else will do it, so I do not need to'. This effect can be observed in a wide variety of social settings, including whistleblowing. **Employees may expect** that someone else will report the misconduct, so they do not have to take the risk themselves.

Lack of knowledge about the whistleblowing process

A **survey** by the European Commission shows that **42% of Europeans do not report because they don't know how or where to.** Even if a company has a strong culture, if the right tools are not provided and employees are not aware of them or how to use them,

whistleblowing will not happen as often as needed. **The first step** in building a healthy company culture in terms of whistleblowing is to make sure that the employees have the know-how to report misconduct.

Belief that the report will be ignored

A European survey shows that the leading reason for employees not reporting misconduct is a **belief that it will not lead to a positive change**. The same survey showed that many employees thought that the company already knew about the transgression, or even that it is common practice. This illustrates the importance of organisational culture and its positive promotion of whistleblowing.

Cultural norms

Cultural norms can also play a role in whistleblowing. **Certain behaviours** will be perceived differently depending on the culture. For example, in some cultures, complimenting a colleague's appearance will be considered inappropriate or sexual harassment and can lead to reporting the transgressor. However, in others, this behaviour is accepted as a norm and will rarely lead to corrective action, regardless of how uncomfortable the person receiving a compliment feels. Often, even if the person tried to report it, they would be ignored and may even suffer negative consequences. This example illustrates why clearly communicating company culture is crucial, especially if it goes against firmly-rooted cultural patterns.

A solution for the future: an online whistleblowing system

As explored in the previous chapter, if companies use standard whistleblowing systems, they will need to implement multiple versions to minimize the risk of losing reports. There is an alternative, an online whistleblowing system — an anonymous, cloud-based platform which doesn't suffer from the same issues that other tools do.

Whistleblowing platforms have numerous advantages compared to other solutions

First and foremost, **reporting can be completely anonymous**. However, unlike emails or Google Forms, this anonymity does not come at the expense of the whistleblower. Instead, employees use the tool to create a report and it is sent to their organization. This is often achieved by using an access code or link unique to the company. There is no need to create an anonymous email address or find a private space to make a phone call. A mobile app allows reports to be made from anywhere at any time. And if an employee chooses not to report anonymously, all they need to do is provide their name in the report - it's completely up to them. Reporting is not just anonymous but simple too, making it suitable for less tech-savvy employees. Employees may also include attachments with their reports to provide supporting evidence.

Follow up communication

Furthermore, communication through online whistleblowing platforms is not just one-way. Once a report is submitted, the whistleblower can come back to it and check its progress. Also, the person processing the report can get back in touch and ask for further information when needed, all while maintaining their anonymity.

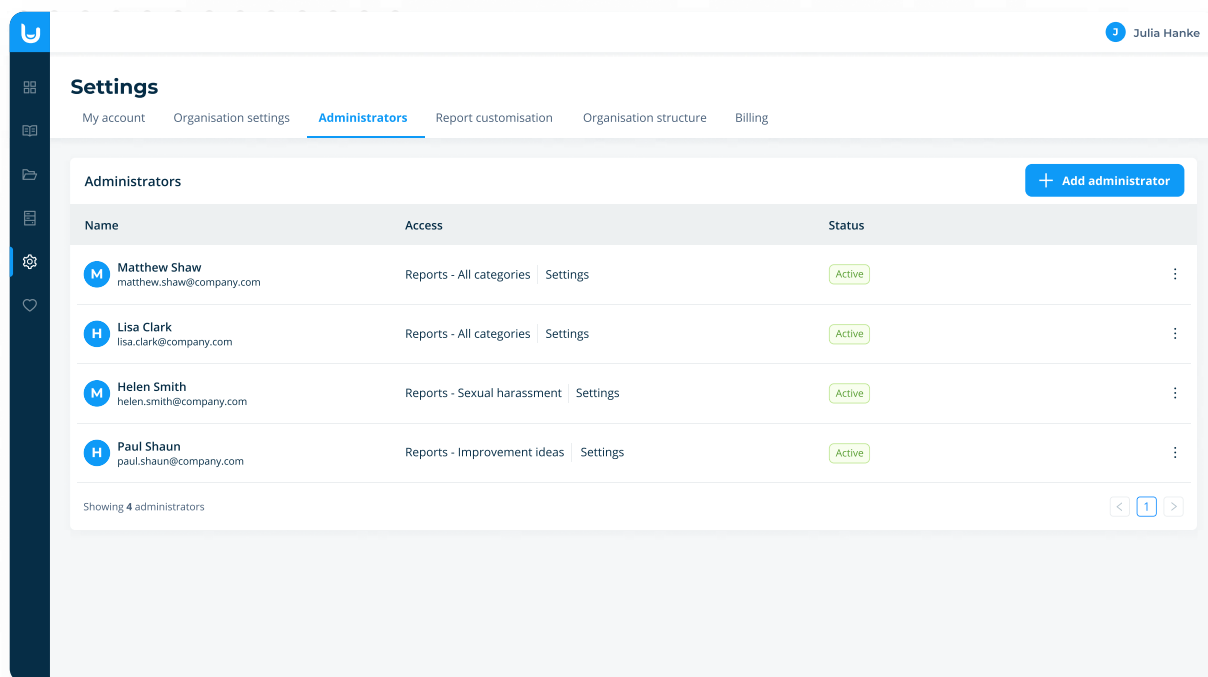
Online whistleblowing systems vs traditional tools

	Physical mailbox	E-mail	Person	Whistleblowing system
Security	✗	✗	✗	✓
Anonymity option	✓	✗	✗	✓
Follow-up communication	✗	?	✓	✓
Allow to send reports 24/7	✗	✓	✗	✓
Compliant with GDPR, EU Directive and Schrems II	✗	✗	✗	✓

Features of a whistleblowing system

Online whistleblowing systems prevent data manipulation

Emails can be easily deleted or hacked, complaints left in a box easily discarded, and a hotline's call handler's notes may end up not reflecting the situation correctly. None of this can happen with online whistleblowing platforms. There is an activity log that helps track everything that happens to each ticket. Also, once a report is submitted, it will be saved in the database where it will be archived for a minimum of 10 years. This not only prevents data manipulation, but it also acts as evidence if needed for future legal proceedings. There is also the possibility of setting up different notifications, so resolution specialists will never miss a ticket.



It is also possible to assign a different team or a person to resolve the report. If needed, it is possible to consult an expert via the internal comment function. When needed, reports can be limited to selected users.

Online whistleblowing systems also allow reports to be submitted via other means, for example, from managers or via an email. Once all the data is reported, it enables a running analysis that can help companies understand whistleblowing trends and react in time.

Meeting legal requirements

Besides these advantages, online whistleblowing platforms also meet legal whistleblowing requirements — the EU Whistleblowing Directive had to be implemented by companies by December 17, 2021. More countries across the globe, such as the US, the UK, China, India, South Korea, Australia, Japan, New Zealand, have whistleblowing legislation. Even if your country is yet to implement whistleblowing legislation, potential investors often require you to have a whistleblowing system.

Advantages of a whistleblowing system

Besides fulfilling an organization's legal obligations, implementing a whistleblowing system has many other benefits that make them well worth it. Here are some of the main advantages:

1

Prevention of legal disputes

A whistleblowing system enables problems to be reported in a timely manner and resolved internally, avoiding situations that might otherwise lead to legal disputes.

2

Improvement of company culture

When employees can safely report unethical or illegal practices in an organization, it can lead to a culture of openness and trust.

3

Protection of the company's reputation

A whistleblowing system protects the reputation of the company by enabling problems to be addressed before they become public and damage the company's reputation.

4

Increased productivity

A whistleblowing system allows employees to report problems that might otherwise be ignored or left unresolved, thus eliminating obstacles that hinder the productivity and effectiveness of the organization.

5

Increased customer trust

By implementing a whistleblowing system, a company demonstrates that it takes its ethical commitments seriously, which can have a positive impact on business relationships.

Depending on the size and type of organization, the costs of implementing a whistleblowing system can be surprisingly low and in any case, can be considered a significant investment in the future prosperity of the company.

Benefits of anonymous reporting

For the whistleblower

- Confidence to submit a report without revealing their identity
- Avoid any potential retaliation, such as bullying or lack of career progression
- Being part of an organization that is open, transparent and encourages honest feedback
- Feeling valued and heard

For the company

- Greater likelihood of receiving reports
- Save money otherwise lost to fraud or theft
- Opportunities to unearth lucrative ideas that might not have been shared
- Keeps issues inside the organization, avoiding negative media attention
- Compliance with whistleblowing legislation and other standards and certifications

Interested in more whistleblowing content? Check out [our blog](#).

How to choose the best whistleblowing software

Before you commit to a certain software, we recommend checking it against the following points:

1. Does the software offer the highest level of security?

The biggest risk is that the **whistleblower's identity is revealed**. This means that your chosen software needs to use the very latest security features to ensure there are no data leaks, such as end-to-end encryption (E2EE) and two-factor authentication (2FA). It is not just the reports themselves which must be kept confidential, but also images, attachments, IP addresses and metadata which could all lead back to the whistleblower.



Feature	FaceUp	Other providers
Regular penetration testing Simulated cyber attacks are used to check if the software's security has any weak points which a hacker could use.	✓	?
End-to-end encryption One of the most important security measures. If the software doesn't have E2EE, the platform's developers can access the data and security audits don't need to be performed.	✓	?
Two-factor authentication (2FA)	✓	?
Data stored in accordance with GDPR	✓	?
ISO 27001	✓	?

More information about FaceUp security: <https://www.faceup.com/en/whistleblowing-security>

2. Is the whistleblowing system user-friendly and simple to access for whistleblowers?

For employees to truly use a whistleblowing platform, **it has to be easy to use.**

Many platforms are extremely complicated, which can put potential whistleblowers off. It is important to be able to edit the reporting form, so the company can tailor it specifically for their needs and employ it for other use-cases. FaceUp allows users to edit their reporting forms at any time and add their own sub-pages which might include their internal directive, code of ethics and so on.

3. Does the system allow two-way communication with the whistleblower?

Allowing two-way communication (sometimes referred to as 'follow up communication') is an extremely important feature which not all systems include. It simply means that the individual charged with handling the report can go back to the whistleblower to request further information about the issue they have described, thus aiding the organization's internal investigation into the matter. It also means that the whistleblower can track the progress of their report.

4. Does the software comply with the legislation in your territory?

















Unfortunately not all whistleblowing systems fulfill the relevant legislation in a given country. Most legislation requires that systems are confidential and secure, that they allow for anonymous reporting, plus a variety of other stipulations, depending on where you are.

It is crucial to check to make sure the software you are hoping to introduce has you covered from a legal perspective.

5. What features does the software have?

It is vital that the software comes with features that make it easy to use, but also trustworthy and secure for whistleblowers. This should include standard features such as reporting forms, attachments, two-way communication, anonymity, case management, customization, to name a few.

Here's how FaceUp compares:

Feature	FaceUp	Other providers
Customized reporting form	 Forms can be edited visually (color, font, logo, format) and in terms of content - adding subpages, reporting categories, questions.	
Multiple reporting forms	 With FaceUp you can create an unlimited amount of forms (e.g. for each branch). One tool thus fulfills various legal requirements.	
Advanced reporting	 Labels, priorities, working hours, whistleblower notifications, internal comments, deadline setting, allocating assignees, manual report adding...	
Multilingual	 113 languages, FaceUp also automatically translates the report into your language.	
Anonymous communication		
Statistics, analytics and graphs	 Clear graphs and analysis, easy to export and print data.	
Redacting reports	 FaceUp allows you to edit reports to remove any confidential or sensitive information that could reveal someone's identity.	
Activity log	 A record of all activities (internal comments, responses) can be displayed for each report.	

5. References

As with any new addition to your organization, be it an employee, supplier or new tool, it is always worth checking their references to verify that others have had a good experience.

G2 is a great source of software reviews ([FaceUp reviews](#)).



GEORGE LINEK
Director of the General Inspection
and Internal Audit, Ministry of
Foreign Affairs of the Czech



We have introduced FaceUp as part of our compliance programme. When selecting the whistleblowing channel, we focused on security, anonymity and accessibility. FaceUp has proven it has all the requirements. The team is always ready to help.



Ministry of Foreign Affairs
of the Czech Republic



VANESSA CRAWFORD
HR Executive, ADVTECH Group



FaceUp has helped us tremendously. Our experience with the platform so far has been exemplary. It is easy to use, works seamlessly, and has great features. The FaceUp team also provide amazing customer service.



ROHIA HAKIM
Compliance Officer CTP Invest



Whenever people talk about whistleblowing, I always recommend FaceUp. We chose this platform due to their data security, clear report management, simplicity, and pricing. By using FaceUp, we also help to combat bullying in schools.



The EU Whistleblowing Directive

The EU Whistleblowing Directive 2019 (also known as EU Directive 2019/1937) was adopted on 23 October 2019 and came into force on 16 December 2019, **meaning that member states had until 17 December 2021 to transpose it into their national laws.**

Under the Directive, organizations must:

- Implement an internal whistleblowing channel
- Educate employees and other stakeholders about whistleblowing options
- Protect whistleblowers who report breaches, and
- Prevent them from retaliation

Organizations with **50-249 workers** had until 17 December 2023 to implement internal reporting channels.

Authors



Jan Sláma

CEO and co-founder of FaceUp Technology

Jan co-founded FaceUp Technology, which helps thousands of schools and businesses around the world. His dream is that through FaceUp anyone will be able to report any issues they are facing. He regularly participates in lectures and panel discussions on whistleblowing, and his articles on this topic can be found in the Czech media.



David Špunar

COO and co-founder of FaceUp Technology

David is the co-founder of FaceUp Technology, and his job is to make sure that the help it provides to schools and organisations does not stay limited to the Czech Republic. He is working hard to ensure that whistleblowing becomes an important topic in companies across the world.

