

Whistleblowing: A Review of Previous Research and Suggestions for Best Practices

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Whistleblowers can have a significant impact on corporations. When an employee notifies the public of wrongdoing within an organization, unwanted public scrutiny, regulatory action and litigation may arise. This article provides a review and analyses of previous research in the whistleblowing literature to determine the extant knowledge of whistleblowing. From the analyses, we hope to aid companies in developing best practices for creating effective whistleblowing policies to deter against unethical behavior. Several benefits can accrue from this. An effective whistleblowing policy can help an organization convey its ethical practices to its employees and protect itself against fraud, negative public scrutiny, regulatory investigations, falling stock prices, and litigation..

INTRODUCTION

Whistleblowers can serve an important role in society. Lives were saved in China when retired military surgeon Jiang Yanyong exposed the cover-up of accurate casualty estimates due to the SARS epidemic in 2003 (“Blowing the whistle right”). Woo Suk Hwang, a renowned scientist in Korea, was exposed by coworkers for fabricating papers on patient-specific stem cell research (Park 2006). Whistleblowing is also important in corporations. According to a survey conducted by the Association of Certified Fraud Examiners in 2006, an important statistic is that most corporate fraud discovered comes from a tip rather than from internal or external audits. Whistleblowing in today’s society has become an increasingly important issue. In fact, *Time* magazine named whistleblowers Cynthia Cooper of WorldCom, Coleen Rowley of the FBI, and Sherron Watkins of Enron as its “Persons of the Year” in 2002 (Lacayo and Ripley 2002).

In response to corporate scandals such as those occurring at Enron and WorldCom, the Sarbanes-Oxley Act of 2002 (hereafter, SarbOx) was passed. In her speech announcing the Security and Exchange Commission’s (SEC) implementation of SarbOx, Cynthia