Whistleblower Hotlines: In-House vs. Outsourced

WHISTLEBLOWER SECURITY a Case IQ company

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Introduction

Today's corporate environment continues to draw attention to examples of fraud, misconduct, discrimination, and abuse of power. Company culture plays a very pivotal role in the way employees behave. Studies show that in companies with a weak ethical culture, almost nine in ten employees witness misconduct. And of those nine in ten, almost half will report misconduct.

Today's whistleblower does not have any tolerance for being silenced. In fact, they have no problem speaking up when they see something wrong. And if they don't feel safe speaking up internally to management or through a whistleblower hotline, they may take their concerns externally to media or social media.

Any whistleblower reporting system is better than none. A whistleblower reporting system isn't about setting anyone up or taking revenge, or entrapment. It's about creating a safe and confidential forum and opportunity for people to come forward. It's about facilitating better communication.

The attitude towards whistleblowing has evolved from "snitch" to "savior". Not only are tips by whistleblowers the most common detection method, but organizations with whistleblower hotlines uncover wrongdoing quicker than those without a reporting hotline.

The importance of understanding how and why misconduct occurs within a company can help that company direct its efforts towards quickly resolving issues, no matter where in the world they take place.

Companies that have robust whistleblower reporting systems tend to have greater workplace productivity, profitability, and ROI. They also have fewer lawsuits brought against the company, and lower settlement costs if a lawsuit did occur.

The use of hotlines as reporting mechanisms has increased notably over the last decade. Your employees are your first line of defense when it comes to learning of misconduct within the organization. They are the eyes and ears of your organization. But sometimes many feel it's too risky to speak-up internally.

They may take their concerns externally to social media.

Why Employees Avoid Using Whistleblower Hotlines

There are several reasons employees may avoid hotlines but one of the biggest factors driving an employee's decision to not speak up is fear of someone finding out who they are and the fear of retaliation. Retaliation comes in many forms including dismissal, loss of career opportunities, or being labeled a snitch. As well, employees may fear speaking up about the small things or day to day issues because they feel like their fears may be dismissed as unimportant.

Furthermore, speaking up can be a very personal experience for an employee. In many cases the whistleblower themselves may be a victim, or they have witnessed serious wrongdoing. Many feel they are taking a chance by coming forward. So if an employee only hears a recorded message or an option to 'press 3 for...' your entire program may be doomed because it will come across as being too robotic and not worth the effort.

Fear of being discovered is the biggest factor for an employee to consider.

Putting Together a Hotline? What Should You Consider?

That's the 'internal' vs. 'outsourced' million-dollar question. But we'll talk about cost further on. The first question is, are you wiling and able to put a reporting hotline together internally using internal resources, or should you outsource the program to a third-party? Either way, both scenarios allow your employees to speak-up internally about any wrongs they see. But what is the better option?

Average hotline volume amounts to 2-5% of employee population annually. **Volume will vary depending on:**

- Corporate culture

- Location of organization

Internal whistleblower reporting is when employees use an internal hotline, or other reporting mechanism, to speak-up about wrongdoing and that report goes directly to management at that company. When we say 'other reporting mechanism', we mean more than just a hotline. Any system is better than none, but using only a hotline suggests a simple phone line for reporting concerns. But we know it's more than that. More companies understand that the entire process goes beyond just receiving a call. What happens after the call? How will that concern be managed?

This requires more than just a hotline. The hotline aspect is part of a broader system. Additional tools and resources are needed to properly receive complaints, triage them, manage them, and respond to them. And this is what you should be considering if you want to set up a whistleblower system, internally run, or outsourced by a third-party.

It's very easy to implement a hotline, as long as you do it properly.

What your whistleblower hotline should do:

- Encourage employees to bring knowledge of ethical and legal violations to an internal authority so that action can be taken immediately to resolve the problem.

- Be accessible company wide, including availability to vendors and suppliers. It's not just employees who observe misconduct.

- Meet regulatory requirements – specifically applicable to publicly traded organizations.

- Have an option to provide anonymity to anyone wishing to report concerns.

- Minimize the company's exposure to the damage that can occur when employees circumvent internal mechanisms.

- Be cost-effective and available 24/7/365

- Let employees and stakeholders know the company is serious about adherence to the codes of conduct that have been put into place.

Approximately 40% of misconduct is detected through a tip and studies have shown that the impact of tips is underestimated by the fact that so many organizations still fail to implement reporting systems.

The better you are at collecting and responding to misconduct, the better you'll be at eliminating losses.

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The Internal Whistleblower Hotline

An internally managed hotline is often operated out of an organization's HR or Internal Audit department. Companies with a large enough budget might have the ability to build a department dedicated to managing the hotline. For smaller businesses, an internal system may be a more affordable option.

Smaller companies could get away with an anonymous answering machine, or other temporary solution. However, anonymity might be at risk in this scenario because a reporter's voice could be recognized. Larger organizations with more resources could develop a more thorough system for receiving reports.

A risk of keeping a whistleblower hotline in-house is that if anyone does speak up, the reports may be improperly handled by managers if they are not properly trained to receive them. Once an employee has voiced a concern, that initial moment of receiving it, and the immediate reaction to hearing it is more important than you think. In that moment, seconds, or minutes after a report has been received, the response to the reporting employee could dictate how the trust in the entire process, and the company, is determined.

And if a manager or other co-worker is involved in the reported misconduct, risk of retaliation is greater if the report isn't handled in a timely, and confidential manner.

Possibility of report mishandling by managers is in-house hotline risk.

Hotlines Managed by a Third-Party Provider

An externally operated hotline may still be 'managed' by an organization's HR or Internal Audit department, but the hotline component will offer a more robust and secure option for voicing concerns. This is because the infrastructure for receiving anonymous and multi-lingual complaints has been set up and is maintained by the third-party. Employees tend to trust an independently managed service more than internally maintained hotlines for the simple fact that fear of being recognized is drastically reduced, if not eliminated altogether.

The other component to ensuring confidence in the process is that third-party hotlines are operated by intake specialists who are specifically trained in receiving anonymous reports with empathy and compassion and they have the ability to extract as much information as possible from the reporting employee without risking that employee's privacy and confidence.

If a manager is involved in a report of misconduct, the intake specialist is able to route the report away from the involved individual, thus avoiding possible retaliation.

Employees trust an independently managed service over an internal one.

Intake Web Form

A web form can be used in place of a hotline to provide employees with another method to report their concern. Creating a form isn't that hard and smaller companies might want to take this on themselves. The ease of use and the type of the questions asked could determine the quality of the report received. But it allows employees to take their time to formulate their thoughts rather than thinking on the spot.

However, a web form that has been created, and is managed by a third-party generally has some research and expertise put into creating the best possible experience for the whistleblower, not to mention the right questions to be answered. As well, these forms tend to have built-in functionality to support a continuous and anonymous dialogue with the whistleblower to ask additional questions to supplement their initial report.

Larger organizations will have employees located in different locations and there may be language or cultural variables at play. Younger employees may be more inclined to use a web-form if available, but more remote employees may not have a secure internet connection so would benefit from using a hotline. Ultimately, the goal is to capture as many concerns as possible, and as accurately as possible so providing multiple channels allows employees to choose the engagement method of their choice.

The ease of use and type of questions could determine the quality of the report.

Anonymity

To protect a whistleblower, you must make sure you have the processes in place that allow them to be anonymous and to be confidential. When you put a whistleblower system in place it does signal to employees that you are serious about protecting their confidentiality. Therefore, a suggestion box where they can leave a note and their handwriting can be recognized may not be that encouraging.

When it comes to an in-house whistleblower system, what an organization thinks is 'anonymous' may not actually be seen the same way in the eyes of employees. In-house systems don't always offer the same level of confidentiality as an external system. This can be a detriment as an employee may not wish to report an incident if they don't feel they can remain anonymous. One of the more common fears is that someone will recognize their voice or handwriting.

Whistleblowers should have confidence in their anonymity being preserved because they know that the reported information, and their identities, will not be revealed. Having a sense of security in reporting misconduct can promote a culture of open and honest communication within the organization.

As well, in an ideal world you want to be able to facilitate an anonymous dialogue with the whistleblower, if only to extract further information and to reaffirm the company has received their report and are responding to it. In-house systems don't always have the ability to provide that level of confidentiality and protection of anonymity. In-house may not have the requisite sophistication that a third-party system is specifically designed for.

Perceptions exist that management is truly committed if a third-party system is introduced. It provides a layer of separation, and a level of expertise that an in-house system can't deliver

Cost Effectiveness

External systems can be very cost effective due to the fact they tend to be a 'one stop shop'. This means that every component has been taken care of. With an in-house system, depending on the nature of how you setup your system, it could be cost effective depending on the size of the organization.

Having 24/7/365 access is key and may not be possible with an internally operated system. As mentioned earlier, creating a web-form is not hard, and if you have a strong IT department that can build up a simple web reporting form, that is an option. If you have an existing contact center that can be trained on whistleblower systems, that's another option.

Then ask the question, do you need regional, national, or global coverage? If you require global coverage you need to have hotlines set up throughout the different regions that you operate. Many overseas countries still don't have the ability to accommodate toll-free lines, so you need to have local lines that can transfer to a toll-free line in North America.

All these things need to be considered in your budget.
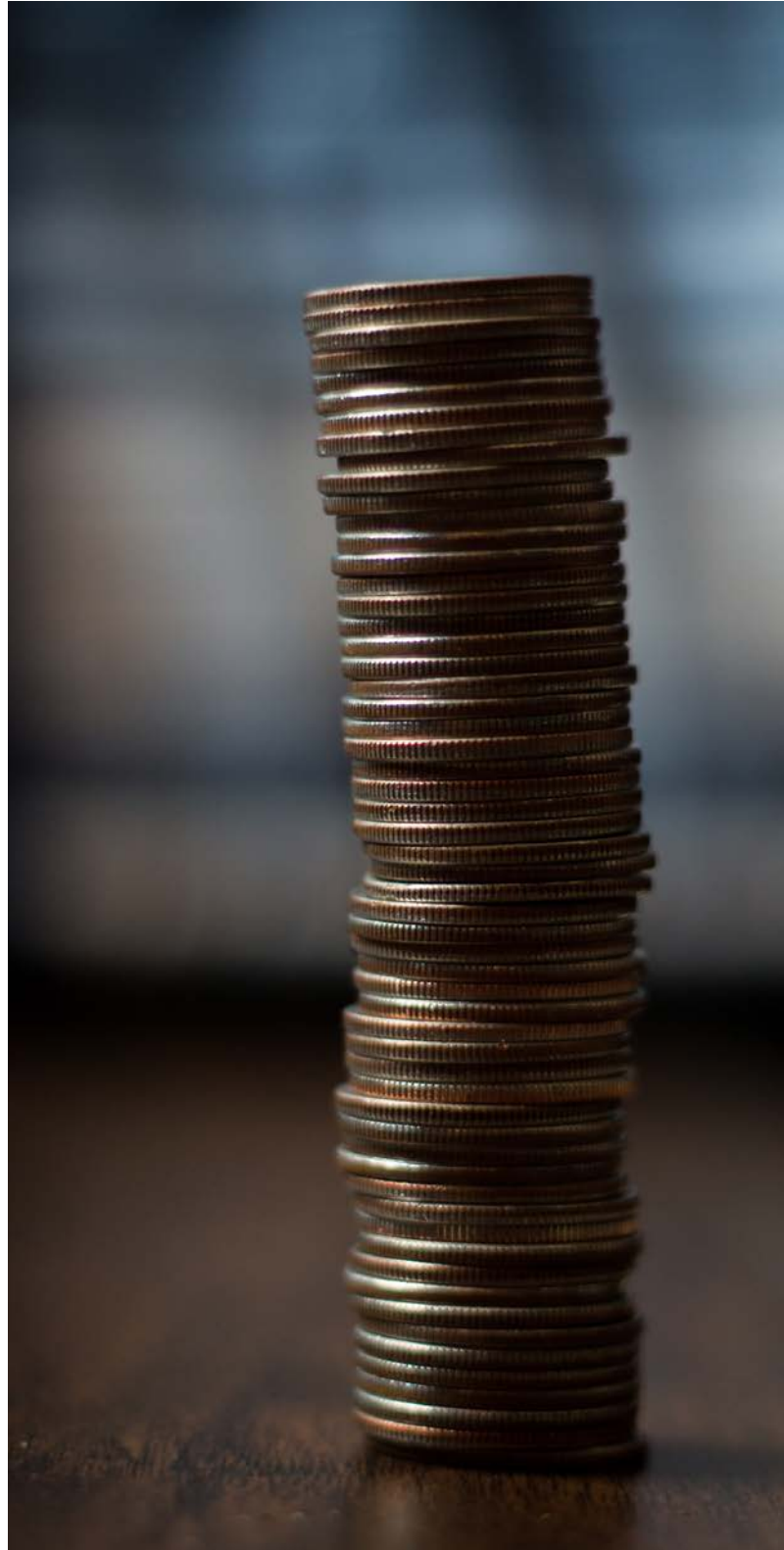
Voicemail

Some in-house system will use voicemail, but it's not recommended. Voicemail compromises anonymity by someone being able to identify the caller's voice, no matter how large the organization is.

As well, if you receive a voicemail, you receive a sound bite, or just a moment in time and not much more information.

And with voicemail, you don't have the opportunity to call that person back. You don't have the opportunity to engage in a dialogue to extract more information.

> *Voicemail compromises anonymity by being able to identify the caller's voice.*

Live Agents - Third-Party Provider

Many whistleblowers are incredibly nervous when they speak-up so providing them with the opportunity to have a conversation with a trained and empathetic person on the other end of the line will make the caller feel safe, comfortable, and more likely to open up about what they have to say.

Third-party hotline agents are trained in empathetic and investigation techniques and are able to make the caller feel comfortable and get them to engage in a dialogue that may not be as simple a yes or no conversation but is one that requires more comprehensive information. And this is key to a thorough investigation and resolution. As well, third-party agents are not likely to be distracted by other duties that internal management would be when receiving complaints.

As well, in-house operations can be hampered by employee vacation, sick time, and other duties. This is because you don't have the redundancies built up within the organization to handle all the issues that need to be addressed by a comprehensive whistleblower system.

Third-party hotline agents are trained in empathetic and investigative techniques.

Comprehensive Case Management

A comprehensive back-end case management system will provide the ability to catalogue all the reports that are received. Generally, in-house systems catalogue incidents on spreadsheets, which is not ideal, because it does not provide comprehensive analytics of what type of reports are being received, which could provide insight into what type of behaviour is happening in the workplace. A case management system provides a "single source of the truth" that's accurate, complete, and up to date.

As well, companies with multiple locations and departments will benefit from a third-party system that will provide a more thorough snapshot of behaviour and this provides additional insight into trends happening.

For example, there might be a common behaviour happening at a manufacturing plant overseas, so having this deep insight offers an opportunity for additional planning and training. Managers can more easily see trends and anomalies as they occur—so they can be more proactive about making their company a better company overall going forward, rather than just reacting to individual incidents as they occur.

Translation and Interpretation

Large and small organizations will have a diverse workplace; therefore, translation and interpretation capabilities could mean the difference between receiving reports and alienating employees. Global companies will see whistleblowers wanting to file their report in the middle of the night and those whistleblowers will want to relay their message in a language of their choice.

A head office in North America may not have the capacity or capability to receive a report in Bengali or provide spontaneous interpretation services to a language that is not recognized. And if an employee does file their report to an in-house system, the message could be lost in translation after the fact.

Spontaneous interpretation allows a trained agent to get on a three-way call with the whistleblower, and the interpretation partner, and receive the whistleblower's full complaint while having a thorough conversation to gather as much information, as accurately, as possible.

Preventing False Reports

How do you eliminate false information from coming through your whistleblower system? And how do you maintain the program's non-retaliatory component?

Regardless of whether you are implementing an in-house system or partnering with a third-party, it's important to take the opportunity to position your program as a crucial component of your company's code of ethics. How you position your system when you roll it out and while you're doing annual reviews is an opportunity to reinforce its importance and existence.

An example is to take the opportunity during annual performance reviews to review the code of ethics and to get the employees to sign off on it every year. This is a way to reinforce your code, why it is there, and to re-educate staff. All too often, when new hires receive their employee handbook, it usually ends up in a drawer and forgotten.

The more you can share with staff, the greater the buy-in. Sanitized cases offer great examples on the usage of your system and any outcomes of past reports such as if there was a cost savings to the budget, or if there were real breaches that had occurred. This is an excellent opportunity to create a strong communication system with staff.

Conclusion

Choosing an in-house system, or a third-party system is up to you. But remember, just one reported incident can result in uncovering potentially damaging activity. Your employees want to feel like they are contributing to the success of the organization so make it safe for them to do so. Allow them to remain anonymous. Follow up on every complaint. Maintain regular dialogue with the whistleblower by sharing the progress of their report.

When their employer takes their reported concerns seriously, employees will feel like they are doing something good, and other employees will see the value in reporting issues in the future.

Of course, a whistleblower hotline won't work if employees don't know it exists. Therefore, it's important to communicate to stakeholders about its existence, train everyone on how and when to use it, promote it often, and most importantly, respond to every complaint.

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