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Final Thesis

To blow or not to blow?

Analysis of the internal corporate whistleblowing phenomenon with theoretical and practical suggestions for the implementation of an optimal policy

Supervisor
Ch. Prof. Luca Corazzini

Assistant supervisor
Ch. Prof. Luca Di Corato

Graduand
Andrea Motta
Matriculation Number 862180

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Introduction

My final thesis will analyze how companies should manage their internal whistleblowing policy. Whistleblowing is a social phenomenon that is gaining growing attention from companies all over the world. Nevertheless, this is by no means a new phenomenon. Academic literature on whistleblowing can be traced back to the end of the '70s, but it boomed in the '80s and '90s. Nevertheless, in the real world, this phenomenon has always existed. It is then necessary to specify what do we mean by "whistleblowing". Each scholar tried to provide his/her definition enlarging or reducing the field of application. I honestly think that Jubb (1999), in his famous paper "Whistleblowing: A Restrictive Definition and Interpretation", presents a brilliant analysis of the six main necessary elements of this phenomenon. More precisely, he underlines that there must be an actor (the whistleblower) that blows the whistle to a recipient party about illegality or wrongdoing committed by a transgressor that can harm or have harmed one or more subjects. We can then identify: the actor, the report, the wrongdoing, the offender, the recipient party, and the outcome of the misconduct.

Over time, scholars have placed some limitations, for example by identifying as an act of whistleblowing performed by an internal subject who report externally and voluntarily, rather than unauthorizedly an illegal rather than immoral act, etc. More specifically, each of the six elements can have different characteristics. Jubb himself presents an important table (below reported in Table 0.1) that tries to recap all these variables. I will not dwell on it as I think it is more than self-explanatory. Nevertheless, since my thesis will just focus on internal corporate whistleblowing, it is important to specify that hereinafter I will refer to "whistleblowing" as "*An intentional, non-mandatory act of denunciation, presented to an internal authority by a person within the company (considering both employees and managers) who has privileged access to data and information, concerning an unlawful or unethical behavior that is non-trivial, suspicious, or observed, realized by an internal subject, to the detriment of any internal or external subject".* In this way, we can focus on a specific and limited context in which the company has direct control and direct power of intervention. This definition is not a personal one, but it takes its cue from the many definitions of whistleblowing that have been presented over the years.

	B&D	Cham	DeM	Joh'n	M&N	Chia	C'che
Action							
Disclosing/reporting	x	x	x	x	x	x	x
– intended				x			
– unauthorised		x					x
– voluntary			x				x
By							
Employee/officer	x						
– internal auditor		x					
Organisation member			x	x	x		
– past or present				x	x		
Motive							
Appropriate moral motive	x						
In public interest		x	x				
What							
Illegality					x		x
Immoral acts*		x			x	x	x
Specific contraventions	x						
Wrongdoing			x	x		x	
Qualifiers							
– occurs in organisation	x			x			x
– non-trivial				x			
– in organisation control					x		
– involves org'n (member)						x	
– need only be suspected	x			x			
– awareness through role		x	x				
To							
Internal authorities						x	
External authorities						x	x
General public	x		x	x			x
An entity able to effect a remedy			x		x		

* Acts and practices, and likewise, immoral, improper, illegitimate and questionable, are all taken to be sufficiently synonymous for purposes of this discussion.

B&D = Bowie and Duska; Cham = Chambers; DeM = De Maria;
Joh'n = Johnson; M&N = Miceli and Near;
Chia = Chiasson et al.; C'che = Courtemanche.

Table 0.1: The different definitions of "whistleblowing"

Source: Jubb, P. B. (1999). Whistleblowing: A restrictive definition and interpretation. *Journal of Business Ethics*, *21*(1), 77-94.

After this due clarification, it is important to understand the relevance of this phenomenon. We can mainly recognize two macro types of whistleblowing. Social whistleblowing and corporate one. In the case of social whistleblowing citizens report cases of tax evasion, corruption, or other violations that they observe living and operating within the community. While corporate whistleblowing occurs whenever an internal or external party reports misconduct committed by employees or managers of a company. Under this latter perspective, we are witnessing growing attention to whistleblowing by both legislators and companies all over the world. Several reasons explain why this surge is occurring. If we look

at the Securities and Exchange Commission data about the financial rewards awarded to whistleblowers, we can notice that in 2020 the SEC awarded a single whistleblower with $ 114 million[1], and, as I will discuss better in the third chapter, the number of reports filed to SEC is growing, proving that there is overall higher attention to this phenomenon. But the data that I will present in Paragraph 3.2 also suggests that internal corporate whistleblowing is a new phenomenon for many companies that have only recently decided to adopt an internal policy to defend and encourage whistleblowers. As proof of that, we can mention Unilever, one of the biggest companies in the world that operate in several industries and sectors such as food, personal care, pharmaceutical, and many others. If we analyze annual reports of Unilever, we can notice that there is no data concerning whistleblowing policy before 2017, but at the same time, thanks to these reports, we can understand the importance of internal whistleblowing as in 2020 the company received 1.357 complaints, 723 of which truthful, and that led to the dismissal of 338 employees[2]. These figures are quite surprising and show how common and important this phenomenon is.

But corporate whistleblowing is not just a matter of the number of complaints, it is also, and arguably more important, a matter of possible negative consequences of the breach. If we consider the Enron scandal, one of the most important cases of whistleblowing, we can figure out that the action of a single person, in that case Sherron Watkins, can lead to potential dramatic consequences. Indeed, in 2001 the whistleblower, after unsuccessfully alerting the CEO and founder Kenneth Lay, publicly reported accounting irregularities and her denunciation led to corporate failure. This tragic outcome would have been preventable with an effective control system coupled with an effective internal whistleblowing policy.

This example helps us to understand why internal whistleblowing policy is important, especially in large businesses. Many misbehaviors and violations can occur in a company: financial fraud, sexual harassment, absenteeism, mobbing, theft, and many others. Therefore, it should be clear that corporate whistleblowing is a phenomenon that is primarily linked to corporate integrity but at the same time, it is linked to many other relevant topics such as

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[1] U.S. Securities and Exchange Commission (2020). SEC Issues Record $114 Million Whistleblower Award. *SEC Website*. Available at the link: https://www.sec.gov/news/press-release/2020-266
[2] Unilever (2020). *Annual Report and Accounts 2020.* Web publication. Available at the link: https://www.unilever.com/Images/annual-report-and-accounts-2020_tcm244-559824_en.pdf

human rights, equality, transparency, compliance with ethical principles and values, corporate performances, financial viability, and so on.

This simple discussion should have helped us understand why internal corporate whistleblowing is important. However, I think that for the sake of completeness it is important to discuss why a company should establish its internal whistleblowing policy and procedures. Internal whistleblowing is extremely valuable for a company as it enables the organization to repair the damages before they become public and/or uncontrollable. In practical terms, this means that companies should leverage the opportunity to intervene before the whistleblower decide to go public. It goes without saying that a quick intervention could avoid all, or almost all, the problems that arise when a whistleblower publicly denounces an act observed or suffered within the company. This translates into a possibility of fixing the problem and preventing loss of credibility and integrity. Nevertheless, it is obvious that in the most serious cases, such as sexual harassment and financial fraud, the company has few powers of intervention and the maximum punishment it can inflict internally is the dismissal of the violator. More than that, the company might have limited investigation powers; thus for serious violations it is inevitable to end up in court and in these cases, the violation will inevitably become public.

At the same time, misconducts do not always bring benefits to the company. In many cases, the company itself could be the injured party. This latter situation could for example occurs whenever a top manager commits embezzlements. Thus, it should be even more clear that efficient and effective internal whistleblowing management could be crucial for a company. The practical imperative, as underlined by Barnett (1992), is to prevent public disclosure of alleged wrongdoings. This does not mean that the goal of internal whistleblowing policy is to silence observers or force them not to report externally, but rather it means that internal whistleblowing must be considered by employees as the primary alternative to defending the company and anyone who has been or may be harmed by the misconduct. To do so, organizations must establish a responsive structure based on clear procedures, guidelines, and policies, providing all the necessary tools to foster internal reporting.

After understanding what corporate whistleblowing is and why it is necessary, I can now describe the content of this thesis. The main aim of this written dissertation is to analyze how

a company must intervene to create a perfectly effective internal whistleblowing system. It is important to emphasize that whistleblowing is about human resource management, so I use an approach based on the central role of whistleblowers, and observers in general, in order to understand how the company should act to incentivize them.

To achieve such a goal, I have decided to focus on the five crucial elements that each company must manage in terms of organizational architecture. This approach is based on the definition of "organizational architecture" presented by Nadler et al. (1992). According to their famous book "Organizational Architecture: Designs for Changing Organizations", we can think of the organization as a sum of five macro elements: structure, processes, people, incentives & controls, and culture. All these elements are tightly interconnected since they influence each other as we can appreciate in Figure 0.1. Hence, thanks to the analysis of these five elements it is possible to describe how a company operates. For this reason, I have chosen to address the issue of internal corporate whistleblowing by analyzing each of these variables and how they should be managed by the organization.
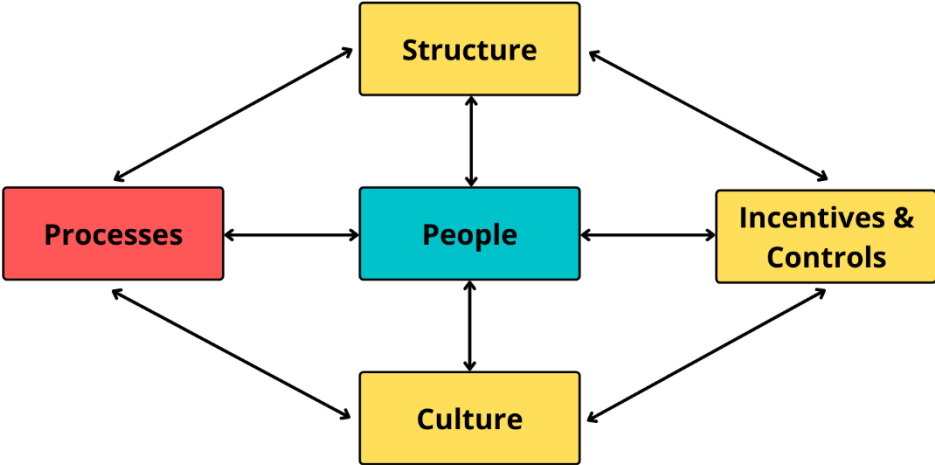
Figure 0.1: Organizational architecture scheme by Nadler et al. (1992)

Element highlighted in blue will be analyzed in the First Chapter, elements highlighted in yellow will be analyzed in the Second Chapter, element highlighted in red will be analyzed in the Third Chapter.

More precisely, in the first chapter, I am going to analyze in detail the central element that is "people". Indeed, since whistleblowing is a phenomenon tightly linked to human resource management, the central factor of the organizational architecture deserves an in-depth

analysis and discussion. This study will be carried out by highlighting what the whistleblowing theory and literature say about employees and in general all individuals who operate in an organization. The first chapter will then evaluate internal corporate whistleblowing from the employees' perspective. This theoretical approach is crucial to enable us to understand what are the best practices that the company should consider in order to facilitate whistleblowing. More specifically, I will begin my discussion by establishing why we all need to understand what whistleblowing is and why it is often more correct to think of whistleblowers as heroes and not as traitors. After that, I will focus on the discussion of loyalty. I will try to clarify the reason that leads me to assume that whistleblowing is a phenomenon perfectly in line with the concept of loyalty towards the organization. I will then analyze which subjects are more or less likely to report and why, and I will then conclude the analysis on people by evaluating all the pros and cons of whistleblowing from the point of view of employees.

The second chapter will instead be devoted to the analysis of all the other elements of the organizational architecture, except for processes. I will establish the importance of the structure, control system, incentives, and culture. These two latter topics will be the most important as they represent an extremely crucial source of influence that the employer can use to spur observers to report. A broad analysis of incentives will be carried out by considering all the pros and cons and alternative mechanisms. In terms of culture, I will instead analyze the role of organizational culture and climate, and I will aslo briefly explain how and why national culture has an influence on whistleblowing using Hofstede's dimensions.

The third chapter will deal with processes. This last element of organizational architecture will be analyzed thanks to a practical approach. More precisely, we will understand why and how legislators have a massive role in fostering internal whistleblowing policies and whistleblowing acceptability in general. I will do so thanks to a general approach coupled with a specific focus on the Italian and European whistleblowing legislation. The Italian one is the most important in order to introduce the legislative framework in which the three companies that I will use as positive practical examples operate. Indeed, to explain how internal whistleblowing processes should be managed, it is necessary to evaluate how companies practically implement and have implemented whistleblowing policies and channels. To do so I will describe how three big Italian companies have adopted three different approaches. Each of them will provide us extremely useful tips for the last chapter.

The fourth chapter will describe my experiment. For this thesis, I have designed a survey to query some hypotheses. The main aims of this examination are to understand how Italian people react to incentives and what are the most used channels to report four different macro types of violations. To accomplish this result, 213 Italian interviewees took part in my experiment. The survey presents some hypothetical cases of violations and asks people to choose how they would prefer to report. The experiment presents 4 main Scenarios, each of these divided into 3 sub-Scenarios. Thanks to statistical analyzes the hypotheses will be then accepted or rejected. Thanks to this experiment I will be able to draft some important guidelines in the last chapter.

The fifth chapter will be completely devoted to the identification and explanation of practical suggestions and hints that companies should follow and adopt to set the most efficient and effective internal whistleblowing policy. To do that, all the previous chapters will constitute the fundamental theoretical and practical basis to be able to understand and demonstrate why the organization must pay attention to all the topics that will be highlighted. In other words, thanks to this dual approach based on theory and practice, I will be able to identify how organizations should structure their organizational architecture to maximize the effectiveness of the internal reporting system. More specifically, I will deal with five main variables that companies should manipulate. According to my research, organizations must operate on different fronts, namely: communication, training, leadership, channels, and vigilance & control. All these five fields of activity will be better explained and I will provide some personal best practices that I think can optimize the internal whistleblowing policy taking into account how people should be driven and protected (thanks to what I will highlight in the first chapter); how structure, control and incentive system, organizational culture should be developed (thanks to what I will emphasize in the second chapter); and how internal processes should be managed (thanks to what I will explain in the third and fourth chapter).

I. Whistleblowing from the perspective of employees

In this chapter, we are going to explore the whistleblowing phenomenon from the perspective of employees. This analysis is crucial to identify what are all the variables that play a role in the decision-making process of the potential whistleblowers. We will understand how whistleblowers are perceived, then I will address a really crucial topic, that of loyalty. The debate on loyalty is fundamental as it establishes how whistleblowing must be understood and interpreted as a prosocial phenomenon perfectly aligned with loyalty towards the organization and not as a disloyal behavior that destroys any relationship between whistleblower and company or employer. Then, I will examine the typical characteristics of a whistleblower, explaining which are the most common traits of an employee that decide to report, this analysis is necessary to learn how certain specific variables influence the likelihood of blowing the whistle with the consequent purpose of establishing who in a company is more likely to become a whistleblower. This examination is critical to understand how a company should intervene in order to foster whistleblowing practices spurring both subjects who are typically less reluctant to report due to some personal and work characteristics, and employees that are instead commonly more inclined to blow the whistle. I will then conclude the discussion by studying all the costs that employees have to face when they decide to report. This final examination is pivotal to identify where to intervene, from a managerial point of view, to facilitate whistleblowing.

As above established whistleblowing is a really complex phenomenon and its complexity is directly linked and correlated to the six elements that I have underlined previously. Each of these elements has its intricacy due to the innumerable variables that have the potentiality to represent a deep source of influence. Many authors over the years have tried to collect, test, and analyze all these variables, unfortunately, it is still difficult to have a complete study on how these factors affect decision-making and how and if they are correlated. Nevertheless, this chapter will try to provide a good overview of the main variables that have an important weight in this phenomenon.

The definition and the identification of a whistleblower are extremely challenging because we have always to keep in mind that whenever we talk about this phenomenon, we refer to a deep internal dilemma that sometimes puts under massive pressure the employees. The line

of personal reasoning and analysis that a whistleblower develops before deciding whether to proceed with the complaint or not is difficult to delineate due to a variety of situational, character, occupational, and similar factors. Whistleblowing is a phenomenon that we could include in several fields of study, but when it comes to the dilemma of the whistleblower, we enter two complicated areas, that of psychology and that of philosophy.

Of course, these are not areas of my direct competence, however, in order to enter into the dynamic of whistleblowing, it is necessary to evaluate the ethical and the moral influence that employees suffer when they have to decide if becoming whistleblowers or remaining observers. Their decision could potentially change their life forever, as well as the life of many other people. Thus, since the scope of an act that at first glance seems so innocent and trivial is actually enormous and sometimes disproportionate (due to the sometimes sadly tragic consequences), the choice must be the best one for yourself, your family, colleagues, and the company. However, we must be clear from now saying that there will never be the "best choice". Like it or not, someone will be harmed by your decision, even in the case you decide not to blow the whistle. In this latter case, the victim will be yourself since you will have to continue to work or live with the remorse of not having reported misbehavior that you considered ethically incorrect, but for which you have not (selfishly) consider convenient to act. A tradeoff is then always present in this phenomenon, unfortunately, there will never be a win-win outcome.

Starting from this idea, the whistleblower's dilemma is the fulcrum of everything, it governs all the steps, dictates the outcomes, it is the core of the whistleblowing phenomenon. But why does this dilemma arise? It is not just a matter of possible job loss due to the complaint that let observers pass a sleepless night. Often, the true problem is how you start to be perceived by colleagues, managers, and friends. Indeed, this is connected to a parallel type of dilemma that affects all of us and that has great potential over whistleblowing. We can generally split this dilemma into two broad categories. The first category is related to a dilemma that has to be faced by each of as a third-party external to the misbehavior. Each of us has to answer the question "is the whistleblower a snitch or a hero?". Our answer will have an impact that is likely to differ according to many variables as we will discuss in the first paragraph. The second dilemma is instead much deeper, and in some cases much more relevant, since it is connected directly to the decision-making process of potential whistleblowers. Each observer of

misbehavior has to ask himself or herself "should I be consistent with my ethics, or should I remain "loyal" to the organization I work for?". This second question has to be solved internally and it is the centrum of the whistleblowing phenomenon.

1.1   The social perception of whistleblowers and its importance

The basic question that each of us has to answer is the title of one of the pillar papers of the whistleblowing literature. The paper is named "whistleblowers - heroes or traitors?" (Hersh, 2002) and it exactly represents in a few words the dilemma that each of us, as a member of the society, has to answer each time a whistleblowing case is brought to the fore.

This question seems, at first glance, partially irrelevant since each of us as an individual citizen does not have the power to correct the misconduct that has occurred, for example, in a large company. However, despite the fact that we do not have the direct power to correct the act, our personal positions on that topic could be highly relevant. Our perception is that, as during the election, our position (or vote) is just a drop in an ocean, however, what really matters is the sum of all positions. In a whistleblowing scenario, how we personally perceive an informant could make the difference between influencing the observer to whistle or staying passive. Certainly, not all cases of complaints and all misconduct are perceived in the same way, moreover, as we will explain later, in some situations the contribution of public opinion tends to be marginal. However, the main message I want to convey is that the way we perceive whistleblowing, in general, has an impact on the observer's decision. This simply because our personal view influences how the phenomenon is socially accepted or rather socially pursued.

Therefore, the social desirability and acceptance make a whistleblower a hero rather than a "snitch" or a "rat". The terms that are frequently used to define a whistleblower are: tattler, blabbermouth, spy, fink, stoolie, and many others. It is easy to understand that the use of these awful expressions has contributed to fuel the negative meaning of the word "whistleblower" and consequently its social acceptance.

Colin Grant in his paper "Whistle Blowers: Saints of Secular Culture" (2002) proposes an alternative view to the dilemma of whether whistleblowers are to be considered as spies or

as heroes. Indeed, according to his view, we can look at whistleblowers as: "Tattle-tale, traitor, troublemaker", or hero, or saints. If we opt for the first hypothesis, we simply endorse the thesis according to which whistleblowers are traitors of the organization. This view is of course far from my personal view about whistleblowing, however, we need to take into account this idea that whistleblowers are "nothing but traitors" since this seems to be the prevailing view in a lot of cultures, not just organizational cultures but, as we will see later, also national cultures. I should disclose that how whistleblowers are perceived tends to change across the cultures for several reasons, and as we know, this cultural acceptance of whistleblowing is the fulcrum of all the discussion.

The perception that whistleblowers are snitch is unfortunately really pervasive. As proof of that, I have to admit that by analyzing different empirical cases of whistleblowing there are plenty of examples that demonstrate how this unfair opinion is still rooted in a lot of societies and organizations. In the USA between the 1980s and 1990s, growing attention toward the importance of the defense of whistleblowers took place. This expanding awareness culminated with the entry into force of the Whistleblower Protection Act of 1989. At that time whistleblowing was becoming a relevant question. Indeed, in 1981 the Fortune magazine devoted an article to the creation of the different laws protecting whistleblowers. The article was written by Daniel Seligman and its name was: "Rat protection". This simple example demonstrates how a very influential stigma has always been present regarding this idea of the whistleblower perceived as a spy.

The presence of this "mark" is exactly the reason why it continues to be very difficult to change the common thinking about whistleblowing. At the same time, we have to acknowledge that social and cultural transition require years and in some cases centuries (one thinks of the case of the recognition of LGBT rights for example). However, we must also admit that enormous progress has been made and that, as explained below, a great trend in the development of whistleblowing policies is underway.

Sissela Bok in her book "Whistleblowing and Professional Responsibility" (1980) presents three main elements that determine the whistleblowing phenomenon: dissent, breach of loyalty, and accusation. As we can note, the second element that she underlines is "breach of loyalty". This suggests that we should implicitly regard whistleblowers as disloyal people.

Nevertheless, this conclusion is rushed, and this extreme simplification leads to a deeply biased assumption. We will explore the topic of loyalty further since it is a tricky and critical issue. But what I should already reveal that in some cases the belief that whistleblowers are nothing but "greed spies" is motivated by the presence of a second end that is not consistent with the idea of denouncing because it is the right thing to do. Indeed, as written by Grant "Whistleblowing is an obvious tactic for those who feel themselves victimized by an employer. It can represent a cover for incompetence on the part of the whistleblower or some kind of vendetta or personal crusade" [3].

Linked to this idea of the second end, I must underline the important role of the motivation that leads to denounce. As above stated, the matter of "reasons to act" should be irrelevant for each of us as external people, since the true question should be whether the wrongdoing reported is valid. However, in practice, the public tends to be highly influenced by the motivations behind the decision to blow the whistle. Indeed, the dilemma of "hero or snitch" is resolved by the public. We all decide whether a whistleblower is a spy or a hero. To carry out such a decision we are thus deeply influenced by many variables, but probably one of the most important ones is the presence or absence of a reward. Indeed, as explained by Colin Grant "any indication that reward was anticipated, or in any way entered into the decision to blow the whistle, compromises the ethical quality of the act itself"[4].

Whistleblowers are seen as traitors when they receive a financial bounty. The perception of them as altruistic people is deeply threatened in case of personal payoff. In the USA for example, the Securities and Exchange Commission is authorized by Congress to reward whistleblowers that provide important information about organizational frauds. A stimulus is of course important, as I will discuss later, however it is clear that in such a case believing that whistleblowers are traitor spies might be justifiable since whistleblowers can receive by the SEC an award between 10% and 30% of the money collected through the fines imposed to the organization.

Another relevant reason why whistleblowers are likely to be considered as snitches is linked to the matter of possible outcomes suffered by the organization and to how the whistleblower reports the misbehavior. In certain instances, the misbehavior carried out by a manager is in

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[3] Grant, C. (2002). Whistle blowers: Saints of secular culture. *Journal of Business Ethics*, *39*(4), 391-399.
[4] Ibidem

favor of the organization rather than for himself. A whistleblower that for example exposes to the public a violation committed by an auditor that granted the corporation higher visibility through accounting frauds, is seen as a snitch, especially in the case in which there are few people affected by the misbehavior, as in the case of a company with few rich shareholders. In this case, the perception we generally have is that the whistleblower is a traitor since through his or her public denunciation has undermined the reputation of the company, without giving the possibility to solve the problem internally before disclosing publicly the information. His or her act is likely to have catastrophic repercussions for the organization, leading the company to mass layoffs for example. In these cases, the benefit of whistleblowing could be canceled out by the cost paid by the organization, thus by the whistleblower's colleagues.

The last topic that validates the thesis according to which whistleblowers might be perceived as traitors is linked to the latter point just underlined. We generally tend to focus too much on the reported misbehavior rather than on the consequences that occur after the report in a medium-long-term perspective. In fact, although a company can survive all the consequences that could occur as a result of a whistleblowing case (such as loss of reputation), it is likely that many things within the company will change from that point on. One of the key aspects that we always need to account for is the organizational climate. The organizational climate is defined by Campbell (1970) as "a set of attributes specific to a particular organisation that may be induced from the way that organisation deals with its members and its environment"[5]. The organizational climate is likely to be revolutionized within a company after a serious whistleblowing case. A climate of mistrust could emerge. This sense of diffidence could disintegrate a working environment with all its awful consequences. A climate based on suspects, doubts, and prudence could settle in the organization generating skepticism about colleagues' integrity and reliability. Because of all these possible fallouts, the whistleblowers could be considered as a traitor that destroyed the organization.

Although the perception of the whistleblower as a snitch is quite widespread, it is also necessary to notice that these consequences and the above-reported scenarios may be true

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[5] Campbell, J. J., Dunnette, M. D., Lawler, E. E., & Weick, K. E. (1970). Managerial behavior, performance, and effectiveness.

in certain specific cases, therefore, these do not represent the "always-true" rule. Moreover, it is necessary to underline that if the subject of the complaint were to be true, there is no purpose in seeking the true causes that led the whistleblower to report. In other words, the idea that a whistleblower reports misbehavior just for personal purposes, such as personal revenge, has nothing to do with the report. The question about the motivation makes sense to exist only if the complaint is unfounded and is made with the only purpose of damaging the credibility of a person or company. But, if after further investigations it becomes clear that the complaint is well-founded, the focus should not be on the reasons that led the observer to report, but rather on why that misbehavior occurred. As Colin Grant himself explains, the whistleblower becomes a problem for the organization not just because of his or her actions, but also, and I would add "above all", because of the circumstances within the company.

In addition, companies often try to belittle the whistleblower by considering him/her a "snitch" with the sole aim of silencing well-founded complaints and avoiding their spread. Organizations might think that undermining the integrity and credibility of the whistleblower will spread the idea that that particular employee is driven only by selfish purposes and thirst for personal revenge due to his lack of harmony with the organization itself. In this way no one outside, far less inside, the organization will believe what he or she says. In other words, companies are often aware of the general diffused idea that whistleblowers are often considered as nothing but "rat" and they will leverage this perception in their favor, fueling the public opinion and their employees with nasty rumors and gossips about the whistleblower. To do this, the corporation could disclose evidence attesting to the whistleblower's aversion to the company, discrediting the credibility of the whistleblower (Waters, 1978). Doing this is very simple, it is sufficient to declare that the whistleblower had received rebukes or reproaches for several months before his complaint due to his or her underperformances and that these warnings had contributed to generating hatred towards the company, leading the employee to denounce misbehaviors with the sole purpose of discrediting the company and taking personal revenge. This evidence could be false and ad hoc created. This should come as no surprise given that an organization that pursues a whistleblower who is right with the sole aim of silencing him and saving face, instead of investigating misbehavior and repairing any damage, it is certainly an unethical organization that will have no qualms about creating false evidence.

Once these clarifications have been made, we can now analyze the second theory, the one according to which whistleblowers can be considered modern heroes. This perception is linked to the image of the hero that fights against injustices, a sort of ethical battle between the whistleblower and the wrongdoer. This reminds a kind of battle between David (the whistleblower) and Goliath (the wrongdoer or the organization). The example is not a random one. Indeed, this ideal representation that associates the whistleblower and David is based on the difference in size between the subjects involved in this phenomenon. We could think of this phenomenon as a clash between a weak subject (i.e., the whistleblower) and a subject who instead tends to have more power and be larger (i.e., the organization or a manager). This simile is often used to describe this phenomenon as can be seen from many titles of published articles such as: "'Protecting David from Goliath': Parliamentary Committee makes recommendations for new whistleblower reforms"; "David faces Goliath" by John Wadham in the Guardian and many other examples.

Hence, this idea of the whistleblower as a hero seems to find empirical grounds. However, this heroic belief deals with some characteristics that we should recognize in order to talk about "heroic acts". Grant identifies these characteristics, for the sake of brevity we will focus on a couple of these as many other typical characteristics, which are common to whistleblowers, will be listed below. The first one is linked to the seriousness of the act. In fact, it is clear that we cannot call a whistleblower who has reported the theft of stationery by a colleague a "hero". His or her report is still a complaint but, in this example, a lot of the typical characteristics of a whistleblowing phenomenon are missing. More than that, when we talk about "seriousness" we refer to the possible outcomes that the misbehavior is likely to generate. In other words, to define a whistleblower as a "hero" he/she needs to be in a context in which his/her report can avoid negative consequences to: other employees, consumers, or the public in general. In fact, when in our mind we think of a hero, one of the first mental association that comes to our mind is the soldier that takes a bullet for a fellow soldier. Under this perspective, we implicitly link the idea of heroism with the idea of sacrifice.

Coming back to the matter of this thesis, one of the essential features of a whistleblower, always according to the analysis carried out by Colin Grant, is the ideal interposition of this subject between the wrongdoer (and his/her misbehavior) and a third party with the ultimate goal of avoiding negative repercussions affecting this latter subject.

A really shining example of this idea of a whistleblower as a paladin can be found by reading the story of Dr. Li Wenliang. Li Wenliang was a Chinese doctor unfortunately became famous for trying to warn all of humanity about the spread of COVID. On 30th December 2019, he revealed that several Coronavirus patients were admitted to Wuhan Union Hospital. He decided to publish this information through WeChat messages and his blog. The Chinese government tried to repress the spread of this info sending him a letter of admonition and it eventually censured him. He died due to Coronavirus complications on 6th February 2020.

This tragic example is one of the most recent and commendable cases of whistleblowing. Dr. Li Wenliang was a hero because he reported a piece of information in order to warn the public. In this case the misconduct is the silence of the Chinese government about a world tragedy. The Guardian, The Wall Street Journal, and a lot of other newspapers all over the world published articles such as "This whistleblower really was a hero" by James Freeman and "'Hero who told the truth': Chinese rage over coronavirus death of whistleblower doctor" by Verna Yu. This example perfectly highlights the seriousness of the subject of the complaint and the sacrifice of this heroic whistleblower.

Another example, a really famous one, in which call a whistleblower "hero" is not an exaggeration, is the case of Jeffrey Wigand. This case is illuminating because it includes all the typical characteristics of a heroic whistleblower. The case is famous all over the world thanks to the article "The Man Who Knew Too Much" by Marie Brenner. The article became further notorious thanks to its cinematographic adaptation in the movie "The Insider" by Michael Mann. Jeffrey Wigand is a biochemist that worked for Brown & Williamson Tobacco Corporation. He became one of the most famous whistleblowers on 4th February 1996 when he was hosted on the program "60 minutes" by CBS. During the interview, he revealed that, after some laboratory tests, he ascertained that the company he worked for withheld information from its consumers. More precisely, Brown & Williamson Tobacco Corporation was not disclosing: the addictive feature of nicotine, the presence of highly carcinogenic elements in the product, and other relevant data about the link between smoke and mortality rate. After these declarations he received some death threats, the company fired him, and his wife divorced him. He paid a really high price because of his courage; however, his audacity went down in the history. He launched several awareness campaigns against smoking,

especially among the youngest and he receives a lot of donations for his nonprofit organization "Smoke-Free Kids". For what he did and is doing he feels no regret.

I also find important to mention that, as proof of what I have written above, the company Brown & Williamson published a 500-page document named "The Misconduct of Jeffrey S. Wigand Available in the Public Record". This is interesting because it is empirical evidence of the abhorrent counterattack that many companies use to defend themselves against the accusations. As mentioned, this tactic is dishonest, corrupt, and deceptive and in fact, as verified and confirmed by the Wall Street Journal, if we take a closer look at the file, we can notice that "many of the serious allegations against Mr. Wigand are backed by scant or contradictory evidence. Some of the charges […] are demonstrably untrue"[6].

He does not like being called a "whistleblower", as he explains himself in several interviews. I believe that his aversion to this concept is worthy of emphasis because it underlines precisely how the social perception, and the negative connotation of the term is so pervasive that it does not make the definition of the concept acceptable even by those who are surely a whistleblower. In fact, he himself declared in an interview "The word whistle-blower suggests that you're a tattletale or that you're somehow disloyal. But I wasn't disloyal in the least bit. People were dying. I was loyal to a higher order of ethical responsibility"[7]. This is a really telling issue because it emphasizes how we are still too close to the idea of the traitor/snitch. Why does he minimize his value? There is not a specific answer to this question. As he explains, he feels that he made the correct (under the ethical point of view) decision. All his characteristics and acts make him a full-fledged heroic whistleblower. We are not sure that someone else in his same position would have done the same. He could remain silent, but his personal and professional ethics pushed him to blow the whistle.

It is also important to notice that, in contrast to the idea according to which whistleblowers with their behavior are likely to compromise the organization, we should also mention the possible positive impact on the organizational culture. The organizational culture is defined as a set of shared assumptions that influence and guide people that operate within organizations

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[6] Hwang, S. L., & Gevelin, M. (01-02-1996). Getting personal: Brown & Williamson has 500-page dossier attacking chief critic—court files, private letters, even a suspicious flood are fodder for sleuths. *The Wall Street Journal*. Available at the link: https://www.jeffreywigand.com/wallstreetjournal.php

[7] Salter, C. (30-04-2002). Jeffrey Wigand: The Whistle-Blower. *Fast Company*, *30*. Available at the link: https://www.fastcompany.com/65027/jeffrey-wigand-whistle-blower

(Ravasi & Schultz, 2006). I will better discuss the importance of organizational culture in the next chapter, but what I must emphasize is that organizational climate and culture are tightly linked. Organizational climate is basically how employees perceive the atmosphere of their workplace; thus, the organizational culture has a certain degree of influence on employees' perceptions.

Margaret Heffernan, an important exponent who fights to spread the idea of the importance of whistleblowers in society, in a famous TED speech in June 2012 talked about the "Dare to disagree". She reported that 85% of American and European executives "acknowledge that they had issues or concerns at work that they were afraid to raise"[8]. This is a shocking number that once again highlights how the phenomenon of whistleblowing is extensive. But the main point I want to focus on is on the marginal percentage of who, against his or her personal interest, decides to report. This latter category is part of the heroic whistleblowers that decided to report against their interests, often risking career. Contrary to the idea above reported, these whistleblowers can have an influential positive impact on the company. They are not to be considered as spies just because they report violations, but rather as heroes because they prevent potential harm to the company itself and/or to society.

According to my view, a shift of paradigm is required. We must think that those who act actively are to be considered heroes, while those who remain passive are fundamentally cowards. Indeed, in certain instances, whistleblowers' reports can be done in order to reveal violations that are happening within the organization and that are causing damages to third parties, such as customers, or to the company itself. Through their actions they do not contribute to the disruption of the positive organizational climate, but rather, they improve it by revealing a piece of information that could prevent harm to the organization.

Whistleblowers want to convey and spread the message that violations are unacceptable and that each of us has a duty to report them. In this case, their actions influence the perception that the employees have on whistleblowing. Indeed, if the company welcomes the reports by whistleblowers, positive organizational culture that support whistleblowing practices takes hold. This positive externality generated by the whistleblower could lead to a major acceptance of whistleblowing at the organizational climate level. Thus, differently by the idea of whistleblowing as an instrument that suppresses the organizational climate, we

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[8]   Heffernan,   M.   (2012).   Dare   to   disagree. *TED   Talks*.   Available   at   the   link: https://www.ted.com/talks/margaret_heffernan_dare_to_disagree/transcript#t-1463

should consider this phenomenon as a tool that enhances the organizational values, therefore the organizational culture, and consequently the organizational climate.

However, to be honest, the link between organizational climate and culture is not so sharp and clear, and there could be a deep deviation between these concepts. In other words, the organization could welcome whistleblowing practices, but at the same time employees could perceive whistleblowers as rats. Simultaneously, whistleblowers could be heroes under the perspective of the formal organization, while they remain finks in the eyes of colleagues.

The final hypothesis proposed by Grant is an extreme one. According to his thesis, a whistleblower could also be viewed as a saint. It is necessary to underline that Colin Grant is a member of the Department of Religious Studies at Mount Allison University in Canada, thus, one of his fields of research deals with the link between religion and in this case whistleblowing. His idea is that the influence of the catholic religion could have a role in the whistleblowing process. However, findings of this matter are really limited and the importance of religion for whistleblowers is an unexplored question. Even if Miceli and Near tried to investigate the impact of religion in the whistleblower's decision-making process, they conclude that "religious belief alone may be insufficient to cause whistle blowing"[9]. Hence, I will not further explore this theory of the whistleblower as a saint as I believe that it is devoid of any foundation and not worthy of further mention.

To conclude the discussion about the dilemma between heroes or snitches we should emphasize what are the typical characteristics that lead us to lean toward the first or the second hypothesis. There is not a correct answer to this dilemma. The same person can consider the same phenomenon from two completely opposite points of view. Why? Well, this is due to what I have already said before. Whistleblowing is a complex phenomenon that is linked to an exorbitant number of variables, scenarios, and situations. It is highly misleading to think that whistleblowing is a phenomenon that can be treated as a black or white topic. There are many shades of grey between the idea of a heroic whistleblower and a tattler.

According to the analysis that I have carried out above, we can identify some common denominators that endorse the first hypothesis, which is the one related to whistleblowers as

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[9] Miceli, M. P., & Near, J. P. (1992). *Blowing the whistle: The organizational and legal implications for companies and employees*. Lexington Books.

snitches. A whistleblower is more likely to be considered as a "tattletale" when he/she uses an external channel to report the misbehavior he/she knows. The reason behind this is linked to the perception that if a whistleblower uses an external channel means that he/she wants to expose to the public an internal issue. By using an external channel no chance to make up is given to the organization, thus it seems that the whistleblower aims to harm the visibility and integrity of the company he or she works or worked for.

A second common variable is the presence of a reward. A reward makes an act less altruistic and much more egoistic. This topic can be generalized by saying that the presence of any second end dismisses the importance of denunciation in the eyes of the public. This ulterior motive could be of course a financial remuneration, but it could also be a higher media visibility, thus simply "becoming famous". In this situation, the ethical motivation of the whistleblower is offset by the personal payoff received. Still on this subject, if the true motivation is personal revenge, once again the public will perceive the whistleblower as a snitch. This idea is further fueled if the whistleblower was known in the company to be an incompetent and underperformer employee. In other words, if an employee shows poor results and little dedication to work, his professional integrity is demolished, with the consequence that even everything he or she says and does, will be considered a lie and a countermove against his or her employer.

Finally, the last characteristic that let us assume that a whistleblower is a rat is the foreseeable outcomes of his or her activity. If after a public complaint the reported company will be forced to close and/or will be led to collective layoffs, the public, but above all, all the employees, will perceive the whistleblower as a troublemaker. However, we must add that this perception is more likely when the company would have solved, or at least stemmed, the problem if the whistleblower had reported the problem internally before making it public. If all these variables occur, therefore the whistleblower will receive neither public nor colleagues' support, with the result that will be held up as a spy.

On the opposite side, some other variables make the whistleblower a hero. If an employee decides to intervene actively to protect other people, such as customers or the community or even colleagues, then a positive perception about that whistleblower will emerge since he or she would be considered as a hero that acted, sometimes against his or her own interest to stop misbehavior or to warn people about a negative event, as in the case of Dr. Li Wenliang

and Jeffrey Wigand. Moreover, the positive perception is also unfortunately linked to the personal price paid by the whistleblower. We are more likely to perceive an informant as a hero if he/she is persecuted by the accused. Obviously, for this to be valid, there must not be any kind of pre-emptive reward.

The matter about the channel is tricky since, as we have mentioned before, who uses an external channel is generally more likely to be perceived as a traitor. However, it is not always true that those who use an external channel are, or should be, perceived as traitors. Indeed, as the example above mentioned emphasize, the external channel could be the best solution in certain instances. Let for example assume that the company implemented an internal whistleblowing channel, but it did that just to prevent external disclosures of confidential issues, rather than to actually help and listen to whistleblowers. It is easy to understand that in this scenario the validity and the usability of the internal channel are compromised. Or think about the case in which the company has not implemented any type of whistleblowing policy. In both of these situations, the only viable solution is to use an external channel. More than that, the external channel could be the best solution in the cases in which the consequences of the misbehavior are beyond the control of the organization. It could for example happen that the company has spilled several hectoliters of pollutants into a lake or in the sea and that the company's financial resources are not sufficient to stem the problem. In this situation, State intervention is necessary to prevent an environmental catastrophe by stemming a problem that is already occurring. In such a case the use of an external channel is well perceived by the public even if the whistleblower did not address the company first.

Furthermore, a positive perception emerges each time the power difference between the whistleblower and the accused party is broad. Dacher Keltner, a professor of psychology, explains that compassion is "rooted in our brain and biology"[10]. It is indisputable that from this point of view the human being is generally led to be on the side of the weakest as he can perceive their suffering. Without dwelling too much on psychological and philosophical issues, what should be clear is that between a poor employee who challenges the system (the whistleblower) and a large multinational, we are led to put ourselves in the shoes of the

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[10] Keltner, D. (01-04-2004). The compassionate instinct. Greater Good. *University of California-Berkeley: UC Berkeley Center for the Development of Peace and Well-Being, Spring*. Available at the link: https://greatergood.berkeley.edu/article/item/the_compassionate_instinct

whistleblower and support him. This support will, in a certain sense, provide him with a sort of "heroic aura".

The last necessary characteristic is the seriousness of the misbehavior. It is easy to understand that to receive support from the public, and be perceived as a hero, the complaint must report illegal acts of a certain seriousness, not only from a financial point of view but in general from the point of view of the potential negative consequences that might occur or have already occurred.

1.2   The debate on loyalty

A topic linked to the dilemma above described is the issue of loyalty. Indeed, as already explored, whistleblowers are often considered selfish individuals that are driven by personal purposes. However, we have not yet explored the issue of loyalty that is extremely relevant. In the previous paragraph, I have defined the dilemma that each of us has as regards how to consider whistleblowers. That dilemma has broad implications since it influences the decision-making process of employees that observe misbehavior and that have to decide whether become a whistleblower or remain a silent observer. Furthermore, it is extremely important in regard to the social acceptance of whistleblowing. Nevertheless, the decision between hero or snitch is carried out by the public, or generally, by third parties, thus, it indirectly influences the potential whistleblower. Instead, the dilemma about loyalty, albeit also linked to external perception, is primarily solved by the potential whistleblower him/herself.

When it comes to the loyalty matter, whistleblowers must understand which internal driving force will prevail. On the one hand, we have the ethical integrity of the observer that pushes toward whistleblowing, especially when third innocent parties might suffer the consequences. On the other hand, we have the issue of loyalty toward the organization he or she works for. We can think about this dilemma as a "clash of loyalties".

We have to point out that being perceived as a traitor is linked to this topic about loyalty, however, it is also linked to the dilemma previously exposed. To be more precise, the boundaries between the two dilemmas that I am explaining are not so sharp since they influence each other. In this paragraph, we will focus on the issue of loyalty only by considering the whistleblower's perspective.

Interestingly, the question of loyalty has been frequently studied by several scholars, but there is still no single shared view. Indeed, there are a lot of myths about whistleblowers and their characteristics, as explained by Near and Miceli in their paper "Whistle-Blowing: Myth and Reality" (1996). These myths have had, and are having, a strong influence on the whistleblowing literature. One of the major ones is the widespread idea that whistleblowers are "crackpots". To explore such a thesis, Near and Miceli conducted an experiment trying to define the key traits of a whistleblower. Among these, there is the variable of loyalty. This topic is quite difficult to explore since there are too many possibilities that can interfere with the decision-making process of whistleblowers; thus, the question of loyalty can change according to the perspective. Indeed, they explain that whistleblowers "are more loyal than inactive observers because they can help the organization learn of wrongdoing before the public does", but at the same time they are "less loyal than inactive observers because no one should ever report the organization's wrongs to the outside world" and a last possible view is that whistleblowers "are less loyal to the organization but more loyal to the public at large than inactive observers because they act in the public good, rather than the self-interested ploy of stone walling on behalf of their organization"[11]. It is then clear that there are several possible points of view as regards this issue, and it is consequently difficult to define to whom observers and potential whistleblowers must be loyal, and according to some scholars is even more difficult to define the true meaning of "loyalty".

I want to start the discussion of this topic by mentioning a famous view about loyalty and whistleblowing by James Roche, former president of General Motors. According to him, whistleblowing is an act of disloyalty to employers. His view was that whistleblowing is "another tactic for spreading disunity and creating conflict"[12]. He was sure that whistleblowing has harmful and catastrophic outcomes for the organization, he was therefore very close to the perception of the whistleblower as a traitor and snitch. Luckily, this perception seems to have been outdated and many scholars have published several research and articles in which they present new perspectives.

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[11] Near, J. P., & Miceli, M. P. (1996). Whistle-blowing: Myth and reality. *Journal of management, 22*(3), 507-526.
[12] Roche, J. M. (1971). The Competitive System, to Work, to Preserve, and to Protect. *Vital Speeches of the Day, 1*(1971), 445.

However, some other scholars did support the same idea of James Roche. Norman Bowie is one of them. According to him, each employee has a duty of loyalty toward the organization he or she works for, and all the whistleblowing acts must be considered as disloyal deeds. Another important author that endorses this thesis is Sissela Bok. She argues that "the whistle blower hopes to stop the game; but since he is neither referee nor coach, and since he blows the whistle on his own team, his act is seen as a violation of loyalty […] Loyalty to colleagues and to clients comes to be pitted against loyalty to the public interest, to those who may be injured unless the revelation is made"[13]. Thus, she simply thinks that blowing the whistle against the organization you work for is a disloyal act, and this disloyalty is paid by the company itself through a possible disruption of credibility and reputation, but it is also paid, indirectly and consequently, by colleagues and clients. According to these views, each employee has an implicit duty of loyalty. It is implicit since the employment contract that binds the employer with the employee does not formalize such a duty.

This implicit duty of loyalty is something that does not convince many authors. Since there is not a written rule that governs how an employee should act when a possible conflict between loyalty to the organization clashes with loyalty to his/her ethical principles, it is then impossible to talk about disloyalty. Duska (2007) argues that the absence of any reference to the identification and definition of loyalty toward the organization should be perceived as a complete absence of any loyal obligation toward the company. In other words, he believes that no loyalty obligation binds employees to the company, arguing that companies cannot be objects of loyalty. He suggests that we cannot talk about "loyalty toward an organization" since loyalty is a powerful human moral quality that cannot be devoted to an organization. Making something an object of loyalty means elevating it toward excessive worship and provides it an exaggerated moral status. According to Duska's thesis, this overstated veneration generates a perversion, a sort of unjustified idolatry. In this sense, he believes that this duty of loyalty should be thought of as complete and all-encompassing control of the company over the actions of employees, but since this, fortunately, does not reflect what actually happens, we can conclude that no duty of loyalty is due from the employees. Because

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[13] Bok, S. (1980). Whistleblowing and professional responsibilities. In *Ethics teaching in higher education* (p. 281). Springer, Boston, MA.

of this, "whistleblowing is not only permissible but expected when a company is harming society"[14].

All the theories proposed by Duska lie on the definition of loyalty. He explains that "loyalty depends on ties that demand self-sacrifice with no expectation of reward"[15]. We can summarize Duska's theory by saying that since loyalty requires unrewarded personal sacrifice, a situation that does not occur in the case of employees, we are entitled to state that there is no duty of loyalty between employer and employees. The conclusion that we draw from the study of Duska is in line with my personal view about whistleblowing and its permissibility; however, at the same time, I think that his theory has some limitations due to a too narrow definition of loyalty.

What does not convince Corvino (2002), and me as well, is the definition of "self-sacrifice without reward". According to my idea, there is indeed an element of self-sacrifice that leads us to assume that we might recognize a specific sense of loyalty to the organization. Indeed, when we work for a company an opportunity cost emerges. This opportunity cost could be the time that we spend in the office, rather than at home or on our hobbies, or it could also be represented by the better job I do not have because I decided to link up with the current organization and not with another company I had interviewed with before being hired by the current one. Thus, if we employed a broader definition of self-sacrifice, we would represent more correctly the real world.

If instead a broader interpretation were used to the concept of absence of reward, we should not even include families and teams as objects of loyalty. This because, in a sense, we receive a reward from our families or by a team, certainly it is an intangible reward such as protection or affection, but it is still a personal reward. The message I want to convey is that Duska's theory is correct under the perspective that whistleblowing should be permissible and expected by the company; however, the theory of the absence of loyalty is to reject since self-sacrifice is present in the relationship between employer and employee. Moreover, the issue of the reward is something that should be clarified better because relationships without rewards do not exist if we employ a broad point of view.

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[14] Duska, R. (2007). Whistleblowing and employee loyalty. *Contemporary reflections on business ethics*, 139-147. P. 146

[15] Ibidem

The major limitation of Duska's thesis is that loyalty can be devoted to an organization. Of course, the link between employee and employer is not based on an exaggerated devotion, as correctly theorized by Duska; however, it is also true that a certain sense of loyalty to the organization is present since the dilemma between loyalty to the organization and loyalty to the personal ethic is present, as we can understand by reading some interviews to whistleblowers. I think that it is undeniable that whistleblowers, or potential ones, perceive an internal dilemma before deciding to blow the whistle. If they do not, every observer should become a whistleblower. Sure enough, we have also to consider that, in the personal reasoning that leads to the decision to blow, a lot of other variables are considered, for example, the possible outcomes such as job loss or retaliation. Nonetheless, I think that stating that loyalty to the organization is absent is too reductive and decreases the true scale of the phenomenon.

At the same time, I do not endorse the theory by Sissela Bok. As Duska, she fails to consider the true extent of the phenomenon, and her view is limited by a too simple conclusion. She believes that a duty of loyalty is present and, in a certain sense, due to the employer. Nevertheless, at the same time, she states that this duty of loyalty has, or at least should have, a powerful influence over employees' actions and decisions. This control and domination are too extreme, and this theory is tendentious since it does not reflect the truth. If employees were guided by this perception of loyalty, no one would whistle, but the potential consequence of not blowing the whistle could be tragic because of the harm that the public has to face. Corvino correctly notice that "while loyalty requires a certain degree of tolerance of shortcomings, it does not require absolute or complete tolerance"[16]. Bok's argument is too focused on the idea that loyalty is a pervasive sentiment that, in a way, acts as blinkers polarizing all individual actions toward a specific direction.

A third view is then proposed by Larmer. He links the idea of loyalty with the best interest. He suggests that a new definition of loyalty is necessary, and he believes that being loyal to someone means to behave according to what we believe to be in another person's best interest. In other words, this new definition of loyalty asks for an intervention that is aligned

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[16] Corvino, J. (2002). Loyalty in business?. *Journal of Business Ethics*, *41*(1-2), 179-185.

with what is the best outcome for the person we are loyal to. It is easy to understand that this idea is quite complex and probably too philosophical, but I think it is worthy of mention.

He builds his theory on three pillars. The first one is that an immoral action cannot be in the other person's best interest. He explains this assumption by writing that an "employee who blows the whistle may be demonstrating greater loyalty than the employee who simply ignores the immoral conduct, inasmuch as she is attempting to prevent her employer from engaging in self-destructive behavior"[17]. I partially agree with this assumption, as I have already discussed in the previous paragraph, but I find this hypothesis quite inaccurate. What he wrote is correct just if the employee acts before the misbehavior, otherwise, the employee would not prevent, but rather he or she would intervene afterward. Moreover, I think that the most problematic part of this first pillar is related to the idea that immoral conduct is not in the best interest of someone and that it leads to self-destructive behavior. An example can be useful. Let us consider a manager who steals funds from the company's coffers. This is surely a case of an illicit act; however, we cannot say that it is an act that is not in his best interest. If we consider the financial plan, stealing money is undoubtedly in his best interest. Obviously, at the same time, if one considers the ethical plan and the possible repercussions, such an act is not in the best interest of the subject. Let us then consider another example in which the company is not the harmed part but is who accomplishes the misbehavior; for instance, a company that falsifies its balance sheets to acquire more shareholders. Even in this case, the short-term economic interest supports the personal interest of the company. It is then clear that the first assumption presented by Larmer is too weak to be completely accepted.

The second pillar deals with the idea that an internal whistleblowing act gives to the company the opportunity to resolve the misbehavior. While the third pillar is probably the most interesting one. Larmer states that "loyalty implies a desire that the person to whom one is loyal take no moral stumbles, but that if moral stumbles have occurred that the person be restored and not simply punished. [...] This suggests that a loyal employee will have a desire to point out problems and potential problems long before the drastic measures associated with whistleblowing become necessary, but that if whistleblowing does become necessary there remains a desire to help the employer"[18]. These two last pillars are interesting because they stress the desire that whistleblowers have in correcting the wrongdoing to help the

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[17] Larmer, R. A. (1992). Whistleblowing and employee loyalty. *Journal of Business Ethics*, *11*(2), 125-128.
[18] Ibidem

company, and not to deviate toward a possible disruptive outcome. That is a new theory that can be placed between Duska and Bok since it recognizes that it is possible to be loyal toward the organization while remaining consistent with the personal ethic. In other words, Larmer highlights that being loyal to an organization is possible and it is not disloyal to blow the whistle, but rather it is a sign of great loyalty because underlines how whistleblowers aim to help the employer or the company in general.

Although Larmer's theory has some problems, I think it is a very interesting view and I allow myself to endorse it, albeit partially. If we focus on the long-term perspective and consequences, without considering only the financial payoff of the misbehavior, it is undoubtedly correct to state that blowing the whistle is in the best interest of the employer. At the same time, however, the perception that whistleblowing is an act of loyalty is correct only if the whistleblower reports internally before going public in the cases in which it is still possible to stop the breach. If, on the other hand, the whistleblower denounces publicly without allowing the company to repair its damage, then it is difficult to believe that it is an act of loyalty.

The last view on the debate of loyalty is advanced by Vandekerckhove and Commers. Their view is the closest to my perception about loyalty and it proposes some extremely valid and interesting arguments that led us to understand how we can conceptualize the link between loyalty to the organization, personal ethic, and to the community. As above reported, Corvino is sure that loyalty requires a degree of tolerance to shortcomings. Unfortunately, it is not clear how we have to establish when it is necessary to intervene and when instead our loyalty should acquiesce to shortcomings. This is exactly the focus of our discussion since we want to understand when the obligation we have toward our organization, under the form of loyalty, should prevail the same obligation we have toward the community and toward our ethics. Loyalty is a result of the actions of the company. This means that according to the often-valid principle "you get what you give", corporate culture and actions undertaken by the company are likely to influence how employees feel their obligation of loyalty toward the employer.

Vandekerckhove and Commers (2004) set their theory by considering four implications: loyalty is an attitude aimed at an object; loyalty has an explicit external referent; loyalty is a learned attitude; loyalty is bilateral. We will first discuss the idea that loyalty is an attitude aimed at an object. That is a deep innovation compared to the other theories above described

because it suggests that, unlike the theory advanced by Duska, it is not just people, or groups of people, who are worthy of loyalty. The authors to explain their view introduce a theory that I completely endorse, they present the notion of "rational loyalty". This is probably one of the most important theories because it perfectly depicts the real world, and it provides a conceptualization of loyalty that can resolve all the limitations above described.

The thesis of rational loyalty suggests that the true object of loyalty should not be wrongly associated with the company in the sense of the building, the executives, the employees, or whatsoever; but rather when we talk about "loyalty to the organization" we refer to the loyalty we should have toward "the explicit set of mission statement, goals, value statement and code of conduct of the organization which is judged as legitimate"[19]. If we adopt this definition, it becomes easy to understand that no conflicts of loyalty emerge. This because an employee in blowing the whistle is consistent with his or her ethic and at the same time, he or she is loyal to the organization. An example will clarify the point of the discussion. Consider again a violation such as the false accounting carried out by the company through its top management who have exerted pressure on the auditors. Even if the outcome of this act could lead to higher visibility of the company thanks to bloated balance sheets, the misbehavior puts in place is for sure not consistent with the code of ethics, values, or mission statement of the company. It is easy to understand that the goal, mission, and values can never allow wrongdoings, otherwise the organization would be illegal. Thus, under this perspective, an employee that reports the misbehavior is at the same time loyal to the organization (conceived as a sum of values, code of ethics, etc.), loyal to him or herself, and loyal to the community as well.

The concept of rational loyalty is extremely simple and at the same time valid since it "demands an employee to be loyal to the organization identified in and through the explicit mission statement. The employee does not owe any loyalty towards the organization identified through organizational behavior that runs counter the kind of behavior described in its mission statement"[20]. According to this theory, whistleblowing and loyalty to the organization are the same sides of the same coin and there is no conflict.

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[19] Vandekerckhove, W., & Commers, M. R. (2004). Whistle blowing and rational loyalty. *Journal of Business Ethics*, *53*(1-2), 225-233.
[20] Ibidem

The second requirement to talks about loyalty is that loyalty needs to have an external explicit referent, and this referent is nothing but the mission statement, the code of conduct, and the values that the company published. The third one is that loyalty is a learned attitude, and this is strictly linked to the last one, i.e., bilateral loyalty. The simple idea is that loyalty is necessary to set up a company. The creation of loyalty passes through a learning process that requires training. The organization must be clear about what it expects from its employees, and it especially needs to communicate with them to install a corporate culture based on transparency. Not only employees should be committed to learning and understanding the importance of this rational loyalty, but also, and I would add "most importantly", the management must learn and understand how to repay employees' loyalty.

Connected to this, the creation of an internal whistleblowing channel is necessary but not sufficient. What I mean is that whistleblowing requires bilateral loyalty. From the side of employees, there should be an acceptance of whistleblowing policies, but from the side of the organization, there should be a true commitment and attention to whistleblowing. Thus, whistleblowing is an act that must be done to realign the company's behavior and actions with its original values, mission, and code of conduct; but at the same time, there must be an institutionalization of whistleblowing by the company itself. However, this topic is broad to be simply dismissed in this way, thus it is going to be discussed more precisely in the next chapters.

The term "rational" in rational loyalty refers to the rational reasoning that is present behind the determination of the object of loyalty. In this sense, it suggests that before blowing the whistle the observer must consider all the cost and the benefit, and in particular, he or she has to determine whether his or her action is aligned with the final goal. In a few words, it is necessary to establish if the misbehavior observed is an action that deviates from the mission statement, values, or code of ethics of the company. Only after doing so, the observer has to decide whether this denounce or remain silent. Put simply, there must be a justification for the whistleblowing action. If reporting would mean going against management or directors, but at the same time being consistent with the corporate values and mission, then there is a good justification and, in that case, blowing the whistle is an act of loyalty. Loyalty should be due to the company understood as the organization with its own culture, and values, rather than as a sum of individuals, departments, offices, and branches.

To conclude the discussion about loyalty, we have seen that the dilemma between loyalty toward the organization or the public or him/herself has been debated differently by various scholars. What emerges is that there is not a common concept or solution to this dilemma. Some authors, such as Duska, suggest that loyalty to an organization does not exist, therefore the dilemma, by equivalence, does not exist. Some other academics, like Bok, insist on arguing that denouncing the organization you work for is always an act of profound disloyalty as it is destructive. Between these two extremes I have mentioned the intriguing, but in a certain way limited, theory of Larmer based on the idea of "best interest". Interestingly, his thesis lies on the idea that whistleblowing has to be considered as an act of loyalty since it gives to the organization the possibility to repair its damages. Lastly, I have presented the theory of the "rational loyalty" by Vandekerckhove and Commers, an extremely fascinating perspective that lies on a different conceptualization of the object of loyalty, strongly detaching from other theories and proposing an innovative point of view that makes it possible to solve the dilemma of loyalty. They strongly detaching themself from other authors proposing a revolutionary standpoint, according to which it possible to solve the dilemma on loyalty by simply considering that loyalty towards the organization is not to be thought of as loyalty towards single individuals or groups of individuals, but rather towards the set of values, missions, and codes that define the organization. According to my opinion, this theory is the most accurate under the perspective of whistleblowing, because it allows us to understand that there is no incompatibility between loyalty towards the organization, towards the community, and towards oneself, with the consequence that the internal dilemma is easily solved simply by comparing to what extent the observed incorrect behavior is in line or not with the corporate values that the company has made public.

1.3   Characteristics of whistleblowers

As I have above emphasized, it is difficult and misleading to treat whistleblowing as a unique phenomenon with precise and identical characteristics in all cases. It is then important to analyze if whistleblowers are generally better people compared to other colleagues that observed without reacting. We should now turn to the discussion about the characteristics of whistleblowers since many studies and researches highlight some specific traits that are

common to many whistleblowers. These characteristics have a different weight in terms of influence on the decision-making process and in terms of the probability of observing and then reporting violations. Miceli and Near, that are probably the most important scholars that contributed to the whistleblowing literature, suggest that we can identify four main macro-categories of characteristics that have a relationship with the propensity to blow the whistle or to become an observer. These four macro variables are: personality characteristics, moral behavior, demographic characteristics, and job situation characteristics. I am going to focus just on some of them since I think that certain specific traits are worthy of attention in our discussion. I am not going to further develop the discussion about moral behavior since I have already placed enough emphasis on this topic in the previous paragraphs. Moreover, the personality characteristics identified as the intolerance for ambiguity, or the level of self-esteem did not arouse great interest from various scholars for two main reasons. First, it is extremely difficult to measure these variables and weigh their influence. The impossibility to rely on a scale to attach a value to self-esteem level or self-monitoring level flaws the study. To have a complete overview of the personality of a whistleblower, he/she should be subjected to a thorough psychological study. Second, these traits are quite marginal or at least less relevant than job, moral or demographic situations. Put simply, the influence played by the type of job, for example, is massive since an employee may have to solve the whistleblower's dilemma because he/she is in the wrong place at the wrong time regardless of his personality. Near and Miceli themselves wrote that "personality characteristics […] are not consistently related to whistle-blowing"[21]. For these simple reasons, I think that the personality trait has a too limited and ambiguous influence to be broadly discussed, hence, I am going to overlook this specific analysis.

Whistleblowers are driven by several forces that are often in conflict with each other. The ethical conflict is probably the most relevant. According to Dubinsky and Ingram (1984) this conflict occurs when "an individual feels pressure to take actions that are inconsistent with what he or she feels to be right"[22]. I have above mentioned the dilemma of loyalty and all the possible perspectives according to which whistleblowing is consistent with loyalty and a

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[21] Near, J. P., & Miceli, M. P. (1996). Whistle-blowing: Myth and reality. *Journal of management, 22*(3), 507-526.
[22] Dubinsky, A. J., & Ingram, T. N. (1984). Correlates of salespeople's ethical conflict: An exploratory investigation. *Journal of Business Ethics*, 3(4), 343-353.

personal ethic; however, we now need to focus on the reasons why some employees become whistleblowers while some others remain silent even though both subjects have the same role and have access to the same information that leads them to become aware of the misbehavior. In other words, if we did not take into account individual, situational, or other ethical factors, there would be no reason for differences in the outcome of the decision-making process regarding the dilemma between silence or denunciation.

Indeed, there are plenty of individual characteristics that affect the decision. Generally speaking, by looking at the definition of whistleblowing we can simply understand that really often whistleblowers are just employees that were in the wrong place at the wrong time. The term "wrong" is here used to highlight the idea that being a whistleblower is something highly undesirable. It is then the result of many situations and circumstances that lead to the discovery of certain violations. In fact, by analyzing several whistleblowing cases, for simplicity we can reuse the case of Jeffrey Wigand, we can notice that becoming a whistleblower was something he never even imagined, more than that, becoming a whistleblower was so far from his will that he continues to refuse the term. This leads us to understand that albeit the act of blowing the whistle is a voluntary action, employees prefer not to have to deal with the unpleasant situation that arises every time they witness misbehavior. It is easy to realize that being an observer of an illegal act might be highly undesirable, due to the various repercussions. However, it is often something that cannot be controlled, and it is just a matter of fate, or in any case, it is a mix of situations and decisions that have brought the employee in that exact place and in that exact moment. Thus, we can state that whistleblowers are in an uncomfortable position just because of fate.

This discussion helps us to determine that almost each of us can become a whistleblower and our will, wish or determination will have no effect on this. Nevertheless, some characteristics are likely to have a deep impact on the likelihood of witnessing misbehavior. If on one hand, it is true that each of us can witness misconduct, on the other hand, it is also true that the probability of becoming (despite ourselves) observers tends to be different based on many variables.

There are a lot of researches that tried to determine who has a higher probability of becoming a whistleblower. Miceli and Near in their paper "Individual and situational correlates of whistle-blowing" (1988) present some hypotheses related to the positive association between

whistleblowing and different variables. The starting point of our analysis is the relevance of the type of work in relation to the likelihood of observing misconduct and the consequent likelihood of becoming a whistleblower. This idea is worthy of attention since it is in line with the reasoning that we are carrying out. Since informants are employees in the wrong place at the wrong time, we should be wondering what we mean by "wrong place". Reclaiming the definition of whistleblowing advanced by Near and Miceli in the paper "Whistle-Blowing: Myth and Reality" (1996), whistleblowers are unlucky employees "that have the opportunity to observe wrongdoing, often because of the nature of their jobs"[23].

It is then clear that a cause-effect relationship is present between the nature of the job and the likelihood of detecting misconduct. It is intuitive to understand that the likelihood of observing misbehavior, like financial fraud, is higher in the case of the employees of the accounting department rather than for the employees of the marketing area. As empirical proof, internal auditors and accountants are broadly considered the employees with the higher probability of noticing misbehaviors such as financial stealing or illicit financing. Their position provides them with all the data and information needed to observe fraud since numbers do not lie. Indeed, it is not surprising that in 2019 the most common complaints received by the US government were financials (21%)[24].

It is then quite debated whether internal auditors can be considered whistleblowers or not. Indeed, at first glance, we might think that since disclosing financial anomalies is part of their job, we may assume that disclosing fraud is not an act of denunciation in their specific case. This idea lies in the interpretation of the definition of the phenomenon of whistleblowing that I have presented above. Indeed, in this specific case, an Internal Audit employee has a duty to reveal the information according to the contract he/she has signed with the company. To be more precise, all the employees that operate and work in the accounting department are explicitly hired to check the company's accounts and manage the accounting system. We can thus conclude that the detection of fraud is part of their job, and since whistleblowing must be a non-obligatory act of disclosure, we cannot talk about the whistleblowing act.

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[23] Near, J. P., & Miceli, M. P. (1996). Whistle-blowing: Myth and reality. *Journal of management, 22*(3), 507-526.
[24] U.S. Securities and Exchange Commission (2019). *2019 annual report to congress, whistleblower program*. (P. 27). Web publication. Available at the link: https://www.sec.gov/reports?aId=edit-tid&year=All&field_article_sub_type_secart_value=Reports+and+Publications-AnnualReports&tid=59

However, this conclusion is too strict, and it needs some clarifications. Although checking the company's accounts is part of their jobs, the clerks in the accounts department could receive pressure from managers, colleagues, or directors to turn a blind eye to certain opaque issues. This pressure might force them to remain silent and if this does not happen there could be retaliation. Going deeper in this analysis, the idea that whistleblowing should be considered an exclusive role-prescribed activity for internal auditors or accounting office employees is highly inaccurate. Indeed, in an organization, many other employees have privilege access to certain data and information that can reveal misbehavior by the company or by their colleagues or managers. Let for example consider an engineer that notices that the company is building a product with poor materials and not in line with safety requirements. In that instance, he/she has to decide whether to blow the whistle or not. The same scenario occurs to the internal auditor, the only difference is the type of misbehavior. Therefore, it is false to assume that blowing the whistle is a role-prescribed activity and it is furthermore incorrect to conclude that an internal auditor cannot be considered a whistleblower.

The privileged access to information is a necessary but not sufficient condition to talk about whistleblowing. What should be clear is that the mere possibility of detecting misbehavior does not imply an implicit obligation to report it. This view deals with the idea that whistleblowing cannot be considered a due act. All that said, internal auditors and accounting department employees must be considered full-fledged whistleblowers if they decide to report a fraud that they observe.

We have then understood that one of the main characteristics of a whistleblower is directly linked to his or her job and tasks. We cannot state that whistleblowing is a role-prescribed activity that the company can appoint to some specific employees, because, really simply, the whistleblowing act must be voluntary. Employers cannot force someone to blow the whistle, as we will explore later the behavior of the employers has a deep influence on the decision-making process of potential whistleblowers, but this does not mean that companies should appoint some specific employees as whistleblowers. Companies must distribute responsibilities such as accounting control or quality control, however, this does not imply that these employees in charge of these tasks have a specific duty to blow the whistle. Blowing the whistle must be considered as a right, not as a duty. Each of us as an employee, or simply as a citizen, has the right to blow the whistle, but at the same time, each of us has the right

not to do it, since the decision-making process is a procedure that must be personally evaluated also based on bad potential aftermaths.

Linked to the topic of the relationship between whistleblowing and type of job, we now need to analyze the relationship between the individual's position in the organization and the likelihood of becoming a whistleblower. Miceli and Near (1988) presented a really interesting hypothesis. They suggest that there is a direct relationship between propensity to report and an employee's professional status. They claim that the higher an employee is in the corporate hierarchy, the more likely he/she is to become a whistleblower. This is a crucial point because from a logical perspective two separate effects can occur in this scenario. The first, the one mentioned and supported by the authors, is that when an employee plays an important role in the company, he/she will enjoy great respect and support from the organization. This means that he/she has the upper hand because it is the company that depends on his/her actions and not the other way around. In other words, having a high hierarchical status within the company means that the company needs you. More than that, "professionals may have greater opportunities for alternative employment, and hence, they may be less dependent on their employers, who may react negatively to whistle blowing"[25]. Hence, the thesis advanced by Miceli and Near is that employees of higher professional status are more likely to blow the whistle. This theory is also supported by the idea that this type of employees has a higher likelihood of observing misconduct due to their privilege access to information.

The other alternative view is that, since high-ranking employees are generally workers that made a career in a company working there for many years, some hurdles could arise due to the strong relationship the employee has with the employer. This theory is tightly linked to the debate about loyalty. An employee may have some qualms about blowing the whistle against a company that gave him/her a lot in terms of personal and professional satisfaction. More than that, this hypothesis follows the "social exchange" theory, according to which these workers may perceive a moral obligation to repay the employer with endless loyalty.

According to the analysis carried out by Miceli and Near the first view is valid and well-founded. Indeed, their results suggest that the hypothesis according to which whistleblowing is positively associated with professional status is supported by their data. Moreover, this

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[25] Miceli, M. P., & Near, J. P. (1988). Individual and situational correlates of whistle-blowing. *Personnel Psychology*, 41(2), 267-281.

same positive relationship between employee's importance in the hierarchy and propensity to blow the whistle is also highlighted by Keenan (2002), who found that there are also significant differences across manager levels. Top managers demonstrate a greater propensity to report than middle and first-level managers.

These are precious contributions since they highlight that professionals and high-ranking employees are more prone to blow the whistle. The definition of "professional" employed by Miceli and Near could result ambiguous, nevertheless, the authors define what they mean by "professional status" and how they analyzed it. To measure it they referred to three main indicators: levels of education, pay grades, and type of job (distinguishing between professional, i.e., clerical, and non-professional, i.e., manual). All these three combined factors contributed to the differentiation between professional employees and non-professional ones. Therefore, as I have already pointed out, "professional" corresponds to high-ranking employees within internal company hierarchies. The importance is aligned to the level of responsibilities and to the tasks that these employees have to carry out, and their relevance is, generally, well reflected by the pay level and educational level.

Therefore, by reading the results of their analyses emerges a positive relationship between people that received higher education, with a higher wage, and with a professional job and their likelihood of reporting. However, they did not specify how these variables (considered individually) affect the likelihood of becoming a whistleblower. What is generally necessary to point out is that there is a clear positive relationship between the position held in a company and the tendency to whistle. In a few words, the higher the job position, the greater the possibility of detecting and revealing misconduct. This idea is also based on the higher independence that managers, and other important roles, enjoy from their employers. Furthermore, it is also fair to claim that high-ranking employees could be taken much more seriously whenever they report. Thus, differently by those who operate in the lower levels of the hierarchy, these high-profile employees may be more motivated in reporting since they are aware of their importance and power in intervening and stopping the misbehavior.

Another important characteristic to explore is the link between the satisfaction of the job and the likelihood of blowing the whistle. Before entering into this discussion, we need to mention how Miceli and Near (1998) measured satisfaction. This variable was evaluated thanks to five indicators, each respondent gave to these elements a score between one and five. These

indicators were: the level of satisfaction that they generally perceived, how good was the usage of their skills and abilities, the perceived fairness in term of reward, how they were positively pushed by the company to perform better thanks to feedbacks, and how they thought that the feedbacks received were aligned with their actual effort.

Once again, we should first understand the possible logical outcomes of this analysis, and again there are two main possible results. If we focus on an unsatisfied employee, we could think that he/she could decide to blow the whistle publicly against the company as a sort of personal reprisal. However, at the same time, we could think that these subjects have less to lose compared to satisfied employees. Non-satisfied employees might decide to blow the whistle because even if they lose their jobs, they do not suffer particularly. While those who are very satisfied with the work, may be more afraid of losing their job.

Miceli and Near (1988) found that a positive relationship between job satisfaction and whistleblowing is supported by their results. However, they also noticed that their research has a limitation because the questionnaire asking for the satisfaction perceived was filled after the respondents became actual whistleblowers. Indeed, their paper collected several empirical cases, but the measurement of the satisfaction was made after the actual denunciation. This limitation could be seen as irrelevant or marginal, but unfortunately, it is not so.

Other studies suggest that there is not a particular relationship between job satisfaction and whistleblowing, especially in the case of external whistleblowing. Sims and Keenan (1998) tested the hypothesis according to which "externally blowing the whistle will be positively associated with job satisfaction"[26]. They build this hypothesis based on the pro-social theory above presented. Unfortunately, they concluded that job satisfaction has not a significant relationship with external whistleblowing.

More recent research by Asiye Toker Gokce (2013) further tried to investigate the relationship between satisfaction and whistleblowing. She conducted her analysis using as background the Turkish school system, trying to answer the question "Is there any difference between the teachers who blew the whistle and the others who did not in respect to their job

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[26] Sims, R. L., & Keenan, J. P. (1998). Predictors of external whistleblowing: Organizational and intrapersonal variables. *Journal of business ethics*, 17(4), 411-421.

satisfaction?"[27]. Once again, data did not highlight clear differences, suggesting that job satisfaction has no role in the decision-making process of whistleblowing.

These results are quite surprising since they do not allow us to conclude with certainty if job satisfaction is or not related to a higher likelihood of whistleblowing. As I have mentioned, the two effects play for sure a role, however, their influence is difficult to evaluate correctly. In other words, we might expect employees who are satisfied with their job and workplace to engage in whistleblowing activity whenever this helps the organization or the society. However, at the same time, we could expect an unsatisfied employee to blow the whistle to improve his or her working conditions. An unsatisfied employee could decide to act and report to stop a violation that is directly linked to his/her job satisfaction. Let for example consider a workplace where a general manager harasses his or her employees. In this case, job satisfaction is of course low due to the negatively affected working environment. Thus, employees could decide to blow the whistle to improve the condition and stop the misconduct. This example suggests that it is really difficult to find a unique and valid answer to the question of whether job satisfaction is or not directly related to whistleblowing.

Moreover, Bjørkelo et al. (2011) suggest another important point. The link between job satisfaction and whistleblowing is not a simple cause-effect relationship. They let us notice that job satisfaction is at the same time a cause and an effect of whistleblowing. This recursive relationship is perfectly highlighted by the example above presented. Reporting a manager who harasses in the workplace could lead to the dismissal of the perpetrator and this could consequently improve the situation and the working environment. However, at the same time, whistleblowing could worsen the situation, creating a bad working environment based on mutual distrust. It must be then clear that the relationship between job satisfaction and whistleblowing is neither clear nor unidirectional. Several factors must be considered, and it is then impossible to conclude that personal job satisfaction is a positive or negative, cause or effect of whistleblowing. Furthermore, they suggest, contrary to what I have mentioned above, that in their experiment "respondents who reported high job satisfaction were less likely to be whistleblowers than other employees"[28]. Since different studies highlight the

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[27] Gokce, A. T. (2013). Relationship between whistle-blowing and job satisfaction and organizational loyalty at schools in Turkey. *Educational Research and Reviews*, 8(14), 1186-1197.
[28] Bjørkelo, B., Einarsen, S., Nielsen, M. B., & Matthiesen, S. B. (2011). Silence is golden? Characteristics and experiences of self-reported whistleblowers.

presence of a positive, negative, and absent relationship between job satisfaction and whistleblowing, I must conclude that any of this relationship is clearly valid. The interpretation of this lack of certainty is due to the different measures used to measure this variable.

Pay level, as an isolated variable, is a crucial variable broadly discussed by scholars. Pay level is directly connected to the type of job carried out, to the performances, and the status of the employee. The pay is generally commensurate with the responsibilities that the company delegates to the worker, for this reason, it is fair to expect a direct relationship between the pay and the probability of becoming a whistleblower. Indeed, Miceli, Dozier, and Near (1991), Miceli and Near (1984, 1988) demonstrate that the pay level is a variable with a positive relationship with the propensity to report. High levels of pay mean high responsibility, high responsibility means high importance within the hierarchical system of the company, high hierarchical level means less dependence on their employers. Thus, it is clear that an employee that receives a high remuneration has a higher probability of becoming a whistleblower. To understand why it is once again important to remind that privileged access to information is a necessary condition to be a whistleblower, moreover, since the correlation between pay level and status is, or at least should be, positive, we need to expect more whistleblowing actions by high-remunerated employees rather than low-remunerated employees. Therefore, we can simply state that the pay level mirrors the above-presented relationship between the importance within the corporate hierarchy and whistleblowing.

What is important is not just the pay level, but also the pay satisfaction. As already highlighted job satisfaction has an opaque and unclear relationship with whistleblowing. Even the importance of pay satisfaction is not so well explained by scholars. The connection is quite unclear due to the lack of research in this specific field. Nevertheless, we can reason logically to understand how whistleblowing could be linked to pay satisfaction. We might assume that a dissatisfied worker could blow the whistle as an act of revenge against the company, therefore, under this point of view, the relationship between whistleblowing and job satisfaction would be negative. However, in this scenario whistleblowing is an act of personal revenge that undermines the true prosocial value of this phenomenon. The hypothesis of Miceli, Near and Schwenk (1991) is that "observers of wrongdoing who are dissatisfied with their pay will be less likely to blow the whistle than will observers who are satisfied with their

pay"[29]. This assumption is based on the prosocial theory of whistleblowing since under this perspective it is correct to assume that those who are satisfied with their pay are, in a certain sense, more involved in the organization, thus they might be more prone to blow the whistle in order to defend the company, the society, or the colleagues from misbehavior. However, according to their analysis Miceli, Near and Schwenk had to conclude that "inactive observers were more satisfied with their pay than whistleblowers, though they had lower salary levels", moreover, "inactive observers tended to be satisfied with their pay but not highly committed to their organization" [30]. This conclusion suggests that those who are satisfied with the pay tend to blow the whistle less than unsatisfied observers. But at the same time, it seems to suggest that those who are satisfied and do not blow the whistle behave in this way because they are not so committed to the company, thus, they "may feel their investments in the organization are lower and that they therefore have little to gain by trying to correct wrongdoing"[31].

The justification that authors provide is that these observers that are satisfied with their pay, but that are not so involved in the organization, prefer not to blow the whistle risking their good salaries. Unfortunately, this does not specifically justify the reason behind the negative relationship between pay satisfaction and whistleblowing. I might speculate by stating that this relationship occurs because those who are satisfied with their pay might think that blowing the whistle could put them in a dangerous position and this could translate into a decrease in salary. In other words, according to my personal idea, satisfied employees are afraid that their pay might decrease due to the complaint. In fact, as we will see later, whistleblowers often face various retaliation and spite. One of these could be pay cuts or, even worse, dismissal. Based on this reasoning, we can therefore think that those who are already dissatisfied with their salary have less to lose than those who are fully satisfied, and this can lead to a different propensity to report among these subjects. The same reasoning can be extended to the topic of job satisfaction. Nevertheless, it is necessary to remark that this conclusion is a personal speculation, and that the whistleblowing literature is still looking for a clear and unambiguous answer on this topic.

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[29] Miceli, M. P., Near, J. P., & Schwenk, C. R. (1991). Who blows the whistle and why?. *Ilr Review*, *45*(1), 113-130.
[30] Ibidem
[31] Ibidem

Other personal characteristics to include in this discussion are those linked to demographic variables. Through the years many scholars have tried to define the typical whistleblower profile using practical cases and by developing experiments. Evidence and sometimes contradictory results have emerged which once again highlight that dealing with this phenomenon in a univocal way is impossible. I would like now to focus on the demographic aspect of this phenomenon since the diffused idea is that demographic characteristics should not play a major role in this phenomenon. This assumption is partially true since other characteristics, the ones above mentioned, for example, are much more influential. Nevertheless, the literature focuses also on three main important demographic characteristics that seem to be associated with whistleblowing. The decision-making process is driven by many job situations and traits and characteristics and to provide a complete overview of this phenomenon I think that the demographic characteristics should be included in our discussion. The three main demographic traits underlined by scholars are: gender, education, and age.

The gender topic has been addressed several times by scholars through different research and experiments. Fritzsche (1988) tried to analyze the link between gender and ethical decisions. Based on an older study by Chonko and Hunt (1985), Fritzsche hypothesized that females should be more likely to engage in the ethical decision than males. By reading the paper of Chonko and Hunt what emerges is that, according to the data they collected through an empirical study, female employees perceive better the ethical problems in a company. They explain this result by arguing that many females every day have to face difficulties in the workplace. The proof of this can be simply demonstrated by looking at data that illustrates a dramatic gap between males and females. In the EU in 2019 only one-third of the total number of executives was made up of women, and no European country reached the share of 50%[32]. Another relevant piece of data that stresses the presence of this higher difficulties faced by women in the workplace is the number of sexual harassments. The report "Still just a bit of banter?" by Trade Union Congress underscores that 63% of women aged 18-24 had

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[32] Istat & Eurostat (2020). *La vita delle donne e degli uomini in Europa - un ritratto statistico*. Web publication. Available at the link: https://www.istat.it/donne-uomini/bloc-2c.html?lang=it

experienced some form of sexual harassments in their workplaces[33]. This awful data suggests that women are unfortunately more subject to unethical behavior and for this reason, as employees, they would be more likely to detect these types of misconducts and misbehaviors. Fritzsche suggests that women are more "sensitive" to the ethical problem than are male employees, and he attributes this difference to the large number of discriminations suffered by women. However, even if gender inequality is a tragic matter of fact, Fritzsche found no evidence suggesting a clear direct relationship between ethical decisions made by female managers and male managers. In other words, data do not support the hypothesis. To be more precise, Fritzsche experimented to compare the tendency of bribery, lying, conflict of interest, and whistleblowing. His results emphasize that there are no significant differences between women and men under this latter scenario. He justifies the outcome by stating that since women are highly disadvantaged in a workplace, especially whenever they have management roles in a company, they may receive the pressure of performing better than males' employees to emerge and keep their position in the hierarchy. Put simply, they could be forced to carry out unethical behaviors or not report misbehaviors to be better perceived.

Therefore, sex seems to play no role in terms of both reporting irregularities and propensity to commit violations. However, Near, Miceli, Keenan, and Sims run different experiments about the gender importance in whistleblowing, and surprisingly they proved a hypothesis exactly contrary to the one proposed above. Indeed, they underline that not only there is a link between the propensity to blow the whistle and gender, but also, they found a positive relationship between male sex and propensity to report. Sims and Keenan (1998) suggest that "gender is a significant predictor variable in the choice to blow the whistle"[34], pointing out that females are less likely to report to an external channel and are in general less likely to report. The same conclusion is proposed by Miceli and Near (1988). Once again scholars do not provide a reason why this effect occurs and why they presented contradictory results compared to other experiments that do not reveal a gender effect in the whistleblowing phenomenon. However, I think that it is not so surprising that women might be less prone to blow the whistle compared to men. My belief lies in the same line of reasoning

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[33] TUC (2016). *Still just a bit of banter? Sexual harassment in the workplace in 2016*. Web publication. Available at the link: https://www.tuc.org.uk/sites/default/files/SexualHarassmentreport2016.pdf
[34] Sims, R. L., & Keenan, J. P. (1998). Predictors of external whistleblowing: Organizational and intrapersonal variables. *Journal of business ethics*, 17(4), 411-421.

above mentioned, that is the one on the gender gap. Even if it is true that females are more subjected to particular types of misconduct (such as sexual harassment), they also hold more marginal positions in the companies, thus their access to sensitive information is more limited. This explains, in absolute terms, why there are fewer female whistleblowers than there are men, given that top positions in companies are often held by male rather than female managers.

In relative terms, the observed result can be explained by looking at the greater precariousness suffered by women in the workplace. Menéndez-Espina Et Al. (2020) found that "differences in men and women with respect to the development of job insecurity reflect gender inequality at work. Women showed a higher score in job insecurity than men"[35]. This higher job insecurity might lead women to be much more careful in not engaging in activities that could further jeopardize their positions. To be more practical, it is quite normal to observe fewer whistleblowing activities undertaken by women since, on average, they have fewer guarantees that make their working position more stable.

This sad conclusion is supported once again by data that makes us understand how it is difficult for women to speak out against managers or other employees. According to an article by Minda Zetlin, 90% of employees who experience harassment do not report through formal channels and 75% do not even complain informally to their employers[36]. Even TUC report displays the same result, reporting that, according to their interviews, 79% of sexual harassment were not denounced[37]. Sexual harassment is just one of the many misbehaviors subject to complaints, however, my analysis is extendable to many other illegal behaviors that can only be detected by having access to certain information, therefore, being the gender gap a tragic reality, we can conclude that the analysis performed above is to be considered valid and extendable to the various illicit behaviors subject to whistleblowing.

As a simple proof of what I wrote, we could look at a list that collects and exhibits more than 170 famous cases of whistleblowing since the 20th century. We can notice that only 38

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[35] Menéndez-Espina, S., Llosa, J. A., Agulló-Tomás, E., Rodríguez-Suárez, J., Sáiz-Villar, R., Lasheras-Díez, H. F., ... & Boada-Grau, J. (2020). The influence of gender inequality in the development of job insecurity: differences between women and men. *Frontiers in Public Health*, 8.

[36] Zetlin, M. (April 2018). How to create a policy to prevent sexual harassment—and a protocol to deal with it. *INC.* Available at the link: https://www.inc.com/magazine/201804/minda-zetlin/sexual-harassment-workplace-policy-metoo.html

[37] TUC (2016). *Still just a bit of banter? Sexual harassment in the workplace in 2016*. Web publication. Available at the link: https://www.tuc.org.uk/sites/default/files/SexualHarassmentreport2016.pdf

out of 178 cases have a woman as protagonist, that is just 22%[38]. Of course, the list is reductive and tends to display only the most famous cases, however it is clear that there is a general higher incidence of whistleblowing by men for the reasons explained above.

I must now make a central and fundamental clarification, especially as regards what will be highlighted in Chapter IV. Being women does not imply being less prone to blow the whistle because of a lower morality and a higher acceptability of immoral and illegal acts. The gender variable, as well as all the other variables already analyzed and that I will analyze, has an influence in terms of actual feasibility of the report. To be more precise, the moral unacceptability of a violation is generally similar among people, especially when there are serious consequences. Personal and situational characteristics make the difference when the observer must decide to report or remain silent. In fact, gender has not an influence in term of moral acceptability of the observed misconduct, but it could have an influence in term of actual feasibility of the report. Some individuals are more prone to report than others thanks to their situational or personal characteristics. But this does not mean that those who decide to remain passive are people without morality, but rather, that they are in a better position.

The second debated demographic characteristic is age. Once again there are not clear and unambiguous papers that underline a clear positive relationship between age and whistleblowing. Older employees have a generally higher importance in the hierarchical system of a company. For this reason, I will be brief about the analysis of the link between age and propensity to report, since the line of reasoning to follow is pretty connected to the one that I have developed for the discussion on pay level and employee's status.

By pursing the same analysis and interpretation we would be prone to assume that a positive relationship between whistleblowing and age is present. This hypothesis is demonstrated by Brewer and Selden (1995), however, there are really few results that confirm a true relationship between these two variables. Data in these specific fields are quite lacking since whistleblowing seems not to be too influenced by age. In fact, Sims and Keenan (1998) concluded that being older has not a significant relationship with the propensity to blow the whistle and this shows that pay level and employee's status have a higher influence compared to the age.

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[38] List available at the webpage: https://en.wikipedia.org/wiki/List_of_whistleblowers

Nevertheless, age is implicitly linked to these two latter variables. As a matter of fact, the average salary for ages 25-34 in the US is $ 33.280 per year, while for ages 55-64 is $ 56.680 per year[39]. Furthermore, age is often implicitly linked to the status an employee has in a company. In Italy the average age of a manager is 49,9 years, while the average age of directors is 57 years[40]. What we can conclude is that age seems not to represent a clear influencing variable for this phenomenon, however, we need to consider that age is really often linked to a high professional status in a company and to a higher pay level, thus it would be correct to assume that a really weak but positive and direct relationship between age and whistleblowing should be, quite implicitly, considered.

The last demographic characteristic to discuss is the educational level. Miceli and Near (1984) suggest that members of the organization who operate with less dependence on their employers and who are well paid and well educated will be more likely to blow the whistle. In other words, they suggest a strict relationship between the pay level and the educational level. This assumption is generally true, and data suggests that pay levels increase proportionately to qualification or degree. In Italy, the average annual salary for an employee with a low level of education (compulsory school) is € 31.279, while for an employee with a master's degree is € 52.863 [41]. And by that, we can follow the same reasoning that I have developed above in terms of the relationship between pay level and whistleblowing. More than that, we should follow the same line of reasoning that we carried out when I have discussed the importance of the status and position of employees. However, scholars always analyzed the importance of both age and education linking them to other variables, thus there is not enough research that tried to isolate just the importance of education in terms of whistleblowing. Indeed, Sims and Keenan (1998) explained that "a person with more education may be more able to recognize and assess varying kinds of real or implied wrongdoing, as well as perceive the

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[39] Josephson, A. (15-12-2020). The Average Salary by Age in the U.S. *SmartAsset.* Available at the link: https://smartasset.com/retirement/the-average-salary-by-age
[40] Cappellini, M. (26-09-2018). Pochi giovani al comando. *Il Sole 24 Ore*. Available at the link: https://st.ilsole24ore.com/art/notizie/2016-09-25/pochi-giovani-comando-164408.shtml?uuid=AD5fKyPB
[41] Ricciardi, R. (06-10-2014). Laurearsi fa guadagnare 10mila euro in più. Italia divisa tra Nord e Sud, privato e pubblico. *La Repubblica.* Available at the link: https://www.repubblica.it/economia/2014/10/06/news/jobpricing_report_universit_stipendi-96788624/

appropriate lines of accountability for correcting such wrongdoing"[42]. But there are no results at all that suggests that this relationship occurs.

To be more precise, data do not suggest a clear sharp, and positive relationship between propensity to blow the whistle and level of education. The same conclusion is reached by Brabeck (1984) that explored the link between educational level and whistleblowing. In her study, she describes the experiment that she carried out involving 32 students. She reached the conclusion that "Whistle blowing behavior was not found to be affected by grades in a course with content similar to the test material, to assertiveness, nor to age"[43]. This enables us to conclude that, as in the case of age, educational level has not a direct positive relationship with the tendency to report. However, we still have to take into account that both age and educational level are generally linked to the status and pay level of an employee and that therefore they could be indirectly connected to whistleblowing through these variables and characteristics. In other words, as I will better explain later, the theoretical propensity to report does not change too much among females and males, lower and higher educated people, or young and elder. The true difference among these macro-categories of people is the actual possibility to report that tends to be easier for certain individuals rather than others due to a higher position within the company hierarchy and the privileged access to sensitive information.

To conclude our discussion about the main characteristics of whistleblowers I now display a table that recapitulates all the above-described characteristics. Table I.1 recaps all the variables that I have mentioned and discussed above, presenting the relationship that links these variables with the propensity to report. The symbol "+" means a positive relationship between the variable and the likelihood of blowing the whistle, while the "-" symbol corresponds to a negative relationship. Some other variables have not a clear direct relationship since they are generally indirectly connected to some other characteristics, such as age and role within company hierarchy, or education level and pay level. Moreover, for the gender variable, there is not enough data that points to an ambiguous and indisputable result,

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[42] Sims, R. L., & Keenan, J. P. (1998). Predictors of external whistleblowing: Organizational and intrapersonal variables. *Journal of business ethics*, 17(4), 411-421.

[43] Brabeck, M. (1984). Ethical characteristics of whistle blowers. *Journal of Research in Personality, 18*(1), 41-53.

for this reason, the symbol "0/+" appears, suggesting a neutral relationship, tending to a positive relationship, between male sex and propensity to report.

Variable	Relationship with the likelihood of blowing the whistle
Job situation Characteristics	
Access to sensitive information based on the type of task	+
Role within the company hierarchy	+
Professional Status (sum of the variable: type of job, pay level, and educational level)	+
Job satisfaction	Unclear and ambiguous
Pay level	+
Pay satisfaction (especially if the employee is not so committed to the company)	-
Socio-Demographic Characteristics	
Male sex	0/+ (indirect)
Age	+ (indirect)
Educational level	+ (indirect)

Table I.1: Relationship between whistleblower's characteristics and likelihood of blowing the whistle

1.4   The benefits of whistleblowing for employees

It is extremely useful to carry out a pros and cons analysis of whistleblowing from the employee perspective in order to have a perfect examination of all the possible outcomes of blowing the whistle. However, things are not that simple. I have already mentioned some disadvantages in terms of the bad reputation of the whistleblower, but here we will go deeper in the analysis to better address this topic from the perspective of advantages.

It is clear that from an economic standpoint there would not be reasons why an employee should engage in a whistleblowing process. To be more precise, some national legislations provide that whistleblowers have the right to receive financial remuneration for their information. We are going to better enter this specific discussion in the next chapters since the remuneration debate is extremely complex and there are many issues to consider. Nevertheless, I can already mention something by stating that in the US the government grants a reward between 15% and 25% of the amount recovered. This law met with some

criticism but, in some cases, it proved useful, however, the presence of a prize could further worsen the social perception of informants, transforming the complaint into a selfish act and no longer a prosocial behavior in the eyes of public opinion.

Another clear benefit, different from the tangible and economic aspects, is the self-perception of whistleblowers. In this case, we are talking about the moral satisfaction of reporting. Whenever an observer has to decide whether to blow the whistle or not, he/she needs to question him/herself what is the right thing to do. As explained, this dilemma is the focal point of our discussion since everything passes through the individual decision-making process. Within a company, employee have several inputs that establish what is the right thing to do. Indeed, employees have to face different types of norms that drive and affect their actions and activities. We can mainly identify three levels of influence according to the type of norms.

First of all, law. Laws formally establish the boundary between what is legal and what is illegal. Legislative activity is the cornerstone of all societies because it institutes the set of rules on which the functioning of the society is based. The *raison d'être* of the law can be simply explained through a famous Latin adage: "*Ne cives ad arma ruant*"[44]. Thus, it is easy to understand that laws are necessary for a society to establish what we must do and what we must not do. The term "law" is not just an expression that refers to the set of norms that governs the action of citizens in a society, but it is a concept that can be extended to all the groups and agglomerates of individuals, which means that each organization has its own specific laws. Thus, formal and legal laws constitute the macro layer that drives, in general, the decisions of people, but we are going to focus on this layer in Chapter III.

The second layer is the ethics one. The norms linked to this tier form the *meso* level and it directly influences the behaviors and attitudes underlying the individual's decisions. In other words, ethics suggests what we will do, formalizing the procedures and tasks that we will carry out in the organization. Ethics operate at a deeper level of the company; it goes beyond the simple compliance of formal laws. Ethics enables employees to distinguish between right and bad decisions from a professional point of view. Indeed, ethics refers to rules that are provided by an external source, it can be considered as the set of rules of conduct that suggests what is

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[44] Translated in English: "So that citizens do not come to arms"

the right action to undertake from the perspective of the organization in which we operate as employees or, generally, as members.

The last layer is the one of morality which is much more connected to a personal and individual set of norms. Morality is basically the set of values and principles that governs the inner life of men. It is immediate to realize that this is the micro-level since it governs and influences the deepest part of our being. In contrast to law, morality does not refer to enforceable rights and duties. While, if we look at the relationship between ethics and morality, we need to clarify that these two terms are often used as synonymous, however, a difference is present. Both of these concepts directly influence the personal perception about what is right and what is wrong, however, the big difference is the generating source. While ethics is set by an external source, morality is concerned with individual principles about what is right and wrong.

After this short but crucial clarification, we can understand what the possible benefits from the ethical or moral point of view of whistleblowing are. Whistleblowing is broadly considered as an ethical behavior since it deals with the conflict between wrong and right. Observers have basically two main options, report or remain silent. Their decision will depend, in addition to the variables already seen, on their personal belief about what is right and what is wrong. When an observer decides to become a whistleblower, he/she will receive a benefit in terms of personal satisfaction. Many whistleblowers can regret their decision, nevertheless, each of them will be sure that what they did was the right thing to do from a moral point of view. Therefore, we can affirm that the moral conviction of having acted correctly and not having betrayed one's morality, is to be considered in all respects a great benefit for whistleblowers. Being consistent with oneself turns out to be a determining factor for this phenomenon. What is crucial to understand is that the weight of moral self-belief is paramount. Whistleblowers through their courageous acts demonstrate a very high consistency with their personal values (morality) and with the professional values dictated by the organization (ethics). This type of benefit is impossible to measure since it deals with the deep awareness of having been able to make the most correct decision.

This is exactly what emerges if we look at a specific Italian case of whistleblowing. The case of Andrea Franzoso is probably the most important one for Italy since it gave the way to a series of important legislative reforms concerning the protection of whistleblowers in Italian

law. Andrea Franzoso was an auditor of Ferrovie Nord Milano, a company operating in the mobility sector in northern Italy. In 2015 he found a deficit of € 429.000 in corporate funds thanks to his privileged access to information, i.e., thanks to his job position. After some research, he discovered the main culprit, the top manager Achille Norberto. Franzoso decided to report internally this discovery, but he did not receive attention and he eventually turned to an external channel, the district attorney's office. After the investigations, the manager was sentenced to two years and eight months of imprisonment. But what is important to us, following the discussion about benefits, is what Franzoso himself explained in an interview. He stated: "I took into account the negative consequences [...] but there was no alternative, it would have meant denying myself [...] Faced with the dilemma, between saving my conscience and saving my career, I had no doubts"[45]. What we can notice by his words is that the main driver of his action was his integrity and morality. Moreover, he was aware of the possible outcomes, but he still went his own way because the personal benefit (which is the maintenance of one's integrity and loyalty to one's morality) is greater than the costs (retaliations and bad reputation).

There is another benefit that whistleblowers could receive thanks to their behavior. Unfortunately, this kind of benefit tends to be more an exception than the rule. Some whistleblowers could receive professional gratification thanks to their courageous acts. Indeed, some companies may set up non-monetary incentives to spur observers to blow the whistle. This openness in terms of organizational culture and organizational ethic is not so broadly diffused. This problem deals with the perception that many top managers still have as regards whistleblowing. The bad reputation of this phenomenon is directly attributable to the previously described debates about loyalty and the external perception of whistleblowing and whistleblowers. Many managers are still biased by the false belief that whistleblowing is a phenomenon that jeopardizes the organizational climate generating a bad environment that in the long run will internally destroy the company. However, I will emphasize that this misperception is tainted by false assumptions, and I will demonstrate how a whistleblowing policy is pivotal for companies.

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[45] Franzoso, A. [TV2000]. (24-11-2017). La storia di Andrea Franzoso, "Il disobbediente". Youtube [Video]. Availabe at the link:. https://www.youtube.com/watch?v=btR5KNR1v9Y&ab_channel=Tv2000it

Some organizations have already understood the importance of whistleblowing and they have already put in place formal procedures to efficiently manage whistleblowing. Nevertheless, a problem that we will further explore below has important repercussions for whistleblowers. Many companies could establish formal procedures or internal channels, but at the same time, the corporate climate could operate in the opposite direction providing ambiguous inputs to observers that might be not so prone to blow the whistle due to high uncertainties as regards the outcomes. This explains why some organization seems to be very attentive to the ethical question while internally their ethical sense seems to disappear into thin air.

Therefore, when it comes to non-monetary benefits, such as career advancement, it is quite difficult to be sure that this type of incentive is actually granted by the company to whistleblowers, since companies may appear to be in favor of whistleblowing but end up firing the informants. Thus, it is clear that there is high risk under this scenario. However, in some cases, a report could advantage the company by creating a better working environment or generating some positive externalities that could improve the credibility and also the profitability of the company. Let consider the case in which a whistleblower observes a misappropriation of company funds. If the observer decides to report internally, we should expect a positive response from the organization since the report does not compromise the image of the company, but rather it helps the organization to find the guilty and, in the best-case scenario, recover the stolen resources. But unfortunately, things are not so simple and unidirectional. Indeed, this example should remind us of the case of Franzoso and as we have already explained he was fired even if the company could have been positively affected by his report.

Nonetheless, the true turn of events occurred after Franzoso decided to report externally. After he blew the whistle to an external party, the evidence he provided proved the manager guilty. His decision triggered a series of events that led to the conviction of Achille Norberto. But from the employee's perspective, the true benefit must be sought in the immediate and long-term consequences. The first benefit that we can mention is the support of the public opinion. The decision to report externally often generates this positive advantage, and it is not necessary, as self-evident, to affirm how much public opinion can be decisive in a process. The support by public opinion could be extremely useful for whistleblowers who suffer a lot of pressure from their employer and who heavily perceive the asymmetry between them and

the denounced party. In other words, public opinion can be of great psychological comfort. Nevertheless, this is not always the case, some whistleblowers may be sure of what they are doing or what they did, and they may not perceive any type of positive advantage played by the support of the public opinion. Thus, we can state that this benefit is quite marginal, or at least less tangible, compared to other benefits.

Indeed, the other possible outcome is much more tangible, and it provides a true practical benefit to the whistleblower. Andrea Franzoso in 2018, so three years after his denunciation, was not only reinstated in his job but was even appointed director of the company. This practical case suggests to us that even if a whistleblower could receive immediate harm, he/she could, in the long run, receive a massive benefit thanks to his/her behavior. Obviously, as a necessary condition, the company must prove itself up to the situation by demonstrating that it has understood and solved the problems generated and that it has become more compliant with the ethical issue. Unfortunately, this outcome is more the exception than the rule, however, it is necessary to acknowledge this possible benefit since I need to remind that whistleblowers receive high visibility, especially when they report externally, and this visibility could favor their careers. This visibility in Franzoso's case also translated into a new career opportunity that a national magazine made available to him. But at the same time, this visibility made him a very interesting character from a political point of view. All this is to say that visibility is often a fundamental ingredient for whistleblowers, but it simultaneously represents a double-edged sword since whistleblowers can easily become subjects of instrumentalization.

1.5   The disadvantages of whistleblowing for employees

In terms of costs, employees have a lot to lose, in some cases, they could lose literally everything. In this paragraph, we will explore the influence of retaliation, the different types of reprisals, and the frequency of these actions. The main important difference compared to benefits is that disadvantages must be analyzed much more carefully since the influence of retaliation, or even just possible ones, is massive and the decision-making process is likely to be heavily determined by this variable. Many scholars have assessed the relevance of retaliation since moral reasoning, along with victimization, plays a significant role in the

whistleblowing process. To be more precise, Near and Miceli (1996) suggest that the final decision to blow the whistle is affected by: the characteristics of the observer (Paragraph 1.3), the fear of retaliation, and the environment in which the observer operates (Chapter II).

According to an important study, the threat of retaliation reduces the propensity to blow the whistle, but it has no effects on the actual whistleblowing. Indeed, Mesmer-Magnus and Viswesvaran in 2005 wrote that "once the intention to whistle-blow is formed, fear of retaliation for whistleblowing does not serve to de-motivate action"[46]. In other words, scholars assert that retaliation represents an important variable during the decision-making process, while, if the threat of retaliation occurs after the decision between speak or remain silent, the observer will be not influenced by that threat. However, we need to point out that the threat of retaliation is not marginal, and observers often consider the possibility to suffer retaliations even when there are no specific or explicit threats of retaliation. Retaliations are often implicitly considered by observers, and this occurs especially whenever a case of whistleblowing has already occurred in the company and the whistleblower has experienced some negative consequences.

Linked to this latter point it is fair to question why retaliatory measures are carried out. What needs to be clear is that retaliations are often a counterattack carried out by managers and other superiors that engage in these acts to scare the observers forcing them not to report. Many managers and organizations might perceive whistleblowing as a threat to the company's establishment and hierarchy. Retaliation can be perceived as a measure that supervisors put in place in order to condemn disloyalty (even though it is not a matter of disloyalty despite being often perceived as such), to demonstrate that the organization is not on the side of those who denounce, or/and to create a precedent that must be a warning for subsequent possible similar cases whistleblowing. In a nutshell, managers could decide to constitute a means of control by taking personal revenge that demonstrates how employees who do not align with the "informal policy" (i.e., the one based on misbehaviors supported by managers) end up. It is also important to add that retaliatory acts could be the result of individual initiatives not supported by the organization or by superiors. But whenever the retaliation comes from different sources of the company and it is committed or endorsed by several

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[46] Mesmer-Magnus, J. R., & Viswesvaran, C. (2005). Whistleblowing in organizations: An examination of correlates of whistleblowing intentions, actions, and retaliation. *Journal of business ethics*, 62(3), 277-297.

members and managers, it is correct to assume that that way of acting represents the standard situation, and that it has become a tacit norm of the company.

Before entering into the discussion about retaliation by analyzing what variables should be taken into account and the possible relationships between some characteristics and the likelihood of retaliation, I need to present an overview of the possible retaliatory measures that could occur in a company. Siddhartha Dasgupta and Ankit Kesharwan (2010) provide a good general presentation of the possible retaliatory measures suggesting seven typical examples of victimization:

1. Discredit the whistleblower to shift the attention from the misbehavior to the whistleblower. To do this it is simply necessary to criticize the whistleblower's professionalism and reliability.

2. Manufacture a poor record to demonstrate, also through fake evidence that the whistleblower is an underperforming HR that received poor grades and little gratitude, and for this reason, he/she has decided to take revenge on the company or a manager.

3. Threaten the observer with dismissal if he/she decides to use an external channel to report.

4. Isolate and humiliate the employee by entrusting him/her with unnecessary, routine tasks, placing him/her in a different office depriving him/her of any responsibility and benefits obtained over the years.

5. As opposed to the previous case, overemphasize the whistleblower with very difficult tasks depriving him/her of the necessary means to carry them out.

6. Use a counterattack move that leads the company to report the whistleblower for using sensitive data and info.

7. Fire him/her with the excuse that his job position has become useless for the company or paralyze his/her career without conceding him/her any reward or career advancement.

These seven examples of victimization could be employed together and simultaneously. In fact, Hersh (2002) presents the "O'Day's model", an iterative process typical of many cases of retaliation consisting of four main phases.

In the first step, the employee receives verbal pressures and criticism of job performance. This phase is pivotal for those who commit the retaliation since the intent is double. The first goal is to discourage the whistleblower by undermining his/her self-confidence and self-awareness. The other objective is to create an alibi in order to justify the act of whistleblowing by tracing it back to a bad personal relationship (i.e., not objective) between the whistleblower and the person committing the spite.

The second step is to isolate the whistleblower, downgrading his/her task and limiting the access to the needed resources to accomplish the assignments that the superior gives him/her. This step is simply the number 4 of the above-presented list. The effect for whistleblowers is quite important since isolation generates a sense of loneliness that in the long term compromises the performance of the employee. Professor Sigal Barsade explains that this sense of loneliness leads to a lower commitment to the organization, and at the same time employees unable to rely on frequent interactions with colleagues have lower access to shared resources. These two reasons explain the clear relationship between isolation and bad performances[47].

The third stage is the one of defamation in which the supervisor spreads news among colleagues, often unfounded, with the sole purpose of defaming the whistleblower, completely eroding his/her credibility within the company.

And then the last obvious and miserable step in which the company decides to fire the whistleblower because of the bad performances that are the result of the previous stages. The same result could be achieved by a voluntary resignation decision taken by the whistleblower who was put in a position to resign due to all the pressures and limitations experienced in the workplace. This model, however, seems not to encounter clear evidence in terms of true cases of whistleblowing. Indeed, Dworkin and Baucus (1998) encountered only 1 out of 33 cases in which victimization followed exactly all the steps identified above. However, it is theoretically valid to understand how managers or companies that are averse to whistleblowing might act.

These are the most typical and tangible effects that whistleblowers could suffer from. Nevertheless, many other bad repercussions are likely to occur. Indeed, retaliation in the workplace is the effect of whistleblowing, thus it is an act that is directly subordinate to

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[47] McKeever, V. (03-12-2019). Why loneliness lowers your performance at work. *CNBC.com.* Available at the link: https://www.cnbc.com/2019/12/03/why-loneliness-lowers-your-performance-at-work.html

whistleblowing, or even to the sole possibility of reporting. But what is necessary to understand is the effect of retaliation. In other words, a whistleblower could suffer retaliation but the degree of influence of this retaliation depends on many factors. An employee may be insensitive to retaliation, suppose a whistleblower receives retaliation similar to that highlighted in point 4 of the list above, and we also assume that the whistleblower is a flexible employee who can easily adapt to the context and with a low propensity for sociability. In this specific case, the influence of that particular type of retaliation does not seem to have a great force against the morale of the whistleblower. Then, it should be clear that the type of retaliation and its magnitude tends to play different degrees of influence according to the characteristics of whistleblowers.

This is what emerges if we look at an important survey carried out by Lennane in 1993 in Australia. She examined the effects of retaliation through surveys compiled by 35 actual whistleblowers. The results are quite dramatic in some cases. What emerges is that the most frequent type of retaliation was the pressure to resign (42% of the cases), followed by dismissal (22%) and relocation of the workplace (16%). Then, in general, some other types of retaliation, much more implicit or at least not so apparent, were personal isolation, removal of normal work, denigration, forced psychiatric referral, and many other classical types of pressures. A figure that perfectly underlines how the effects of victimization can be worrying from a health point of view is the percentage of employees who had to retire early due to health problems generated by retaliations, 9 out of 31 (29%) of the interviewees encountered this problem. Even Barnett (1992) explored the issue of retaliation through a survey and even in this case, the result suggests that most whistleblowers faced a negative consequence, to be more precise, 62% of the interviewees lost their job.

However, at the same time the most important scholars in the field of whistleblowing, Near and Miceli, point to a quite different scenario. According to their analysis, "retaliation rates run from six percent of our national sample of Directors of Internal Auditing […] to 16-38% among federal employees"[48]. Nonetheless, I think that the data reported here and above are not in contradiction. Similar differences are normal since the degree of retaliation and the actual feasibility of the retaliation depend on many factors. Indeed, it is fair to expect higher feasibility, thus a higher number of actual cases of retaliation, in private companies subjected

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[48] Near, J. P., & Miceli, M. P. (1996). Whistle-blowing: Myth and reality. *Journal of management*, 22(3), 507-526.

to limited external controls, while, in public companies or public institutions (as in the case of the samples used by Near and Miceli), external controls are higher. More than that, the size of the company is likely to influence the possibility to retaliate. In a micro or small-sized company the relationships among all the employees are based on close ties and personal bounds, therefore on the one hand it is easier to find who has denounced, but on the other, employees could be more reluctant both to report and to take revenge. What should be clear by these cases is that I cannot provide a certain clear percentage that gives us a general probability of being victimized, but at the same time it should be clear that serious retaliations are not the norm.

The most precious contribution of Lennane's work is represented by the identification of the consequences of the different retaliations, which are the effects (bad personal aftermaths) of the effects (retaliations) of whistleblowing. Out of 27 cases, the experience generated negative effects in 10 couples, positive effects in a single couple, in 9 cases there were no changes. In 5 cases whistleblowing was responsible for the breakdown of the relationship and in 2 cases whistleblowing was partially responsible for the breakdown. Loss of income was observed in 25 out of 35 cases. In 3 cases, organized crime was involved with death threats and the killing of the family pet. The most typical disease is stress, which in turn leads to: "difficulty in sleeping, anxiety, panic attacks, depression, suicidal thoughts, and feelings of guilt and worthlessness. Other symptoms included nervous diarrhea, trouble in breathing, stomach problems, loss of appetite, loss of weight, high blood pressure, palpitations, hair loss, grinding of teeth, nightmares, headaches, tiredness, weeping, tremor, frequency of urination, and feeling stressed. In addition, one subject developed diabetes and another stomach cancer, which both attributed to the stress but were probably not related to it"[49]. Moreover, 15 subjects began taking medications for anxiety, stress, and depression, 2 whistleblowers attempted suicide, 17 considered it, 10 seriously.

It is then clear that the aftermaths of the decision to blow the whistle are striking and in some cases are tragic. The health issues linked to the decision to blow the whistle are sometimes frighteningly worrying, so much so that some whistleblowers were very close to suicide. Many of them were forced to resort to drastic measures using drugs and abusing

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[49] Lennane, K. J. (1993). " Whistleblowing": a health issue. *British Medical Journal*, 307(6905), 667-670.

alcohol to relieve mental pressures caused by retaliation. But the really surprising thing about all of this is that, despite all the tragic consequences, 23 out of 35 (66%) of respondents said they would do it all again, and they justify this decision by stating that "deep down I know I did the right thing, and by my doing it, it may help others to do the right thing"[50].

It is therefore clear that the observers are under the sword of Damocles and their fragile position forces them to evaluate with extreme care and attention all the possible repercussions, both personal, family, and professional. However, some employees seem to be more subject to victimizations than others. Thus, it is necessary to identify who is more likely to receive retaliations and why. To do so we are going to discuss several academic papers published by several scholars that already since the '80s have tried to identify the characteristics that determine the likelihood of receiving retaliations. What I need to reveal in advance is that, as in the case of the characteristics of whistleblowers, researches in this specific area are not so easy to carry out since whistleblowing is a tricky phenomenon in which many variables influence the degree of the retaliation, the decision-making process, the propensity to report, the evaluation of all the pros and cons and all the other several steps that characterize this phenomenon.

Following the previously analyzed characteristic, we are now going to explore the possible relationships between those characteristics and victimization. We start by discussing the tricky relationship between the prestige of the whistleblower and retaliation. As before, the prestige of an employee is linked to his/her job position and generally to his/her seniority. If we look at these characteristics, we should expect two possible opposite scenarios.

First, we should expect lower retaliations toward an employee that is well perceived and has gained a high level of credibility through the years. This hypothesis is simply based on the presumption that who has been working in a company for a long time is worthy of respect and attention by all the other employees, thus it is unlikely to observe retaliation against a valuable resource. Hierarchy level suggests that a high-ranking employee should be less subject to retaliation since he/she represent the true essence of the company and since he/she is a milestone of the company, he/she fully incorporates company principles and values, therefore what he does must be evaluated as an action aligned with the corporate philosophy. This

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[50] Ibidem

assumption is correct in both directions, both when the manager in question reports, and when he commits an unlawful act. This simply explains that the role of a high-ranking employee is, among other things, to be an example to all other employees that operate at a lower level of the corporate hierarchy.

The second hypothesis is the opposite. It follows the same reasoning I have already made when I have analyzed the relationship between propensity to blow the whistle and the importance of the employee in the hierarchy. We could presume that an employee that benefits from a high status can have reached that position through rewards and fair recognition of his/her commitment by the company. In this way, a relationship of reciprocity is established to such an extent that the employee perceives himself as a traitor even when whistleblowing could avoid important negative consequences for innocent external parties. This second hypothesis is once again based on the social exchange theory and more precisely on the implicit reciprocity duty perceived by the observer. Thus, linked to this theory we could expect that whenever a prestigious employee decides to complain he/she will receive a great retaliation.

Once we mentioned these two likely effects, we need to establish which is the predominant one. According to Parmerlee, Near, and Jensen (1982), there is not enough significance to conclude that there is a clear and sharp relationship between hierarchy position and retaliation. The same result is supported by Casal and Zalkind (1995) and by Near and Miceli (1996). We can then conclude the discussion by saying that there is no evidence pointing to a relationship between retaliation and job position, value, or hierarchy importance of the whistleblower. This result suggests that these variables are not predictors of victimizations, thus it is necessary to evaluate other characteristics and variables that could be much more important in terms of influence on the likelihood of facing retaliation.

Related to the topic of the whistleblower's position in the hierarchy we must mention the importance of two other characteristics, this time demographics, which are the age and the educational level of the observer. As I have explained in the previous paragraph, the relationship between these two variables and the propensity to blow the whistle is indirect since, generally, older and better-educated employees are also higher-ranking employees. We can then expect to observe no clear relationship between retaliation and the age and the

educational level of the whistleblower. Indeed, Miceli and Near (1989) and Near and Miceli (1996) underline a neutral relationship between these variables.

However, a famous paper by Parmerlee, Near, and Jensen (1982) concludes that "older complainants reported significantly more comprehensive retaliation than did younger complainants"[51], and they implicitly reached the same conclusion for the relationship between education and retaliation. The different result can occur because of the different samples used by authors, indeed, as they explain in the chapter of limitations of their research, the sample used was formed by younger and better-educated employees compared to other researches. But what I find interesting to underline is the justification they gave to their result. Age could have a positive relationship with retaliation for the same reciprocity duty above described, indeed the scholars suggest that "the older or more experienced whistle-blower may be seen by policymakers as failing to meet his or her obligations. The whistle-blower may appear to have turned his back on his benefactor, the employer who provided a secure job"[52].

To conclude, the relationship between age, educational level, and retaliation is quite debated but there is a greater general propensity towards the conclusion that certifies the absence of a significant relationship between these demographic characteristics and the probability of suffering retaliation.

But if demographics or job characteristics are unrelated to the likelihood of victimization, what other possible variables might explain why some employees experience more retaliation than other whistleblowers? The answer to this question is to be found in the characteristics of the misbehavior and the type of report. How the whistleblowing process is carried out is an important variable in terms of the likelihood of suffering retaliation. Let first consider how anonymous whistleblowing is linked to victimization. Anonymity is often well perceived by whistleblowers who consider this way of acting as safe as possible from the point of view of defense against possible retaliation. Indeed, a pretty recent case of whistleblowing testified how anonymity could be the chosen way for whistleblowers that want to blow the whistle while remaining unidentified. In August 2019, an anonymous CIA officer filed a complaint against Trump. He/She presented evidence that Donald Trump tried to interfere with the

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[51] Parmerlee, M. A., Near, J. P., & Jensen, T. C. (1982). Correlates of whistle-blowers' perceptions of organizational retaliation. *Administrative Science Quarterly*, 17-34.
[52] Ibidem

outcome of the 2020 presidential elections by contacting Volodimir Zelensky, president of Ukraine, to ask him to investigate Biden and his son by accessing their personal email[53]. The case led to Trump's first impeachment, which subsequently lapsed. But what is relevant for our discussion is to understand that anonymity is a serious possible solution against retaliation, and whistleblowers consider it as a valid possibility as shown by this case.

Nevertheless, it is also necessary to evaluate all the pros and cons of an anonymous complaint. The first drawback deals with the importance given to the report. An anonymous source could be underestimated or overlooked since it is impossible to evaluate the reliability and credibility of the resource. Anonymous reports do not receive the same attention of known sources because the receiver is neither able to assess the intention of the whistleblowers. Indeed, a complaint could be made simply to defame the denounced, thus it would be unwise to spend and deploy resources to follow a red herring created with the sole purpose of spreading fake news to harm a specific target. This situation occurs since in many instances it is necessary a significant time before understanding if the complaint is well-founded or not. And during this amount of time, some news about the complaint may spread. For this reason, an anonymous complaint tends not to have the same weight as a not anonymous report. However, it is noteworthy that when an anonymous denunciation seems to be well-founded, that report is likely to receive the same attention as a non-anonymous one. This is exactly what happened in the above-presented case. Nevertheless, many companies may decide not to accept anonymous reports in order not to have to limit the number of admissible complaints by creating a barrier to entry trying to avoid all unfounded or insignificant reports.

The second shortcoming is the external perception of anonymous sources. We know that whistleblowing is a phenomenon that struggles to be considered prosocial behavior. Many companies, managers, and people, in general, continue to perceive whistleblowers as rats or snitch. Loyalty seems to be often broken by an employee that acts selfishly without considering the often long-term relationship that is the basis of his/her success. We also know that public opinion is often pivotal before the decision to blow the whistle, in terms of support, and during the possible trials that could follow the complaint, in terms of influence and

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[53] Beauchamp, Z. (25-09-2019). The Trump-Ukraine "transcript," explained. *VOX.* Available at the link: https://www.vox.com/policy-and-politics/2019/9/25/20883420/full-transcript-trump-ukraine-zelensky-white-house

pressure on judges. However, public opinion may have difficulties in supporting someone that does not have a face. People or colleagues may be less willing to support the whistleblower also because they question the reason why he/she decided to remain anonymous. In other words, this way of acting could affect external perception by making people reflect on the fact that the whistleblower did not want to put his face on it because he/she is not sure of what he/she says. Although the reasons for deciding to remain anonymous are many, starting from the human fear of personal retaliation, it is also true that remaining anonymous could be regarded as a sign of insecurity or cowardice. Franzoso himself highlights exactly this point by stating that "I could have done it [the tip-off] anonymously as it was suggested to me, but it wouldn't have been the same [...] because by doing so I would have shown that I too was a conniving"[54]. There is thus also this external perception to take into account, people may think that the anonymous whistleblower play into the hands of the accused.

Once emphasized these disadvantages of the anonymous whistleblowing it is important to understand how the relationship between this form of reporting and retaliation is. The drawbacks mentioned are directly linked to this topic since they perfectly show how people (thus we include managers, supervisors and coworkers) perceive anonymous sources. The main reason to act in this way is to avoid bad consequences, however, for many possible reasons, the cloak of anonymity may fall. This could occur when the whistleblower lets slip relevant details during a banal chat in the office, or more simply because the group of employees aware of that particular information was very limited. Thus, for all the reasons mentioned, when the whistleblower being exposed it is fair to expect a much more oppressive retaliation. And in fact, scholars confirm this hypothesis. Miceli and Near conclude that "whistle-blowers who initially tried to act anonymously but whose identities were then revealed were more likely to suffer reprisal"[55]. They also suggest that employees who lack power are the resources who typically employ this way of blowing the whistle. In fact, this conclusion should not be surprising since, as we will say later, the support from other subjects

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[54] Franzoso, A. [TV2000]. (24-11-2017). La storia di Andrea Franzoso, "il disobbediente" [Video]. Availabe at: Youtube. https://www.youtube.com/watch?v=btR5KNR1v9Y&ab_channel=Tv2000it
[55] Miceli, M. P., & Near, J. P. (1994). Relationships among value congruence, perceived victimization, and retaliation against whistle-blowers. *Journal of Management*, 20(4), 773-794.

within the company is very important, and therefore those who have less power are often those who have less support and thus more exposed to victimizations.

The same reasoning could be made for the relationship between retaliations and propensity to report externally. The external report is perceived as a major disloyal act compared to internal whistleblowing. The reason for this perception is obvious, whistleblowers that report externally seem to act with the sole aim of harming the company or certain managers or shareholders. Anyone who uses an external channel without first having passed through the internal channel is considered as an enemy of the company, as a dangerous person who puts at risk the company climate that exploits company resources and then stabs the company he works for. Hence, it is clear that the situation, in terms of perception, is quite similar to the case of anonymous whistleblowing. For this reason, it is correct to expect a positive relationship between who use an external channel to report and the magnitude of the victimization. Once again, this relationship is scientifically proved by scholars. Dworkin and Baucus specify that "organizations utilize more extensive forms of retaliation against external whistleblowers versus internal whistle blowers"[56]. The same conclusion is reached by Near and Miceli (1986).

Another relevant result of Dworkin and Baucus's paper is the different approaches employed by the organization in terms of retaliation. We could logically assume that an internal whistleblower should experience less extensive retaliations, as already ascertained, and less firings. While we could assume that external whistleblowers experience more frequently from layoffs. However, if we look at this assumption from another perspective, we should consider the role of external scrutiny. Considering this variable, it would be more correct to swap the above assumptions. Indeed, data proves that "external whistleblowers […] experience a delayed firing, while internal whistleblowers often encounter immediate dismissal […] Managers frequently attempted to discredit external whistleblowers by destroying evidence of wrongdoing, "documenting" poor performance by the employee or harassing the whistleblower. Managers used isolation and defamation to silence external whistleblowers more frequently than with internal whistleblowers"[57]. These results are

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[56] Dworkin, T. M., & Baucus, M. S. (1998). Internal vs. external whistleblowers: A comparison of whistleblowering processes. *Journal of business ethics*, 17(12), 1281-1298.
[57] Ibidem

fundamental since they highlight that there is a clear positive relationship between external whistleblowing and the magnitude of retaliation, but at the same time, they establish a clear positive relationship between certain specific types of retaliation (e.g., isolation and defamation) and external whistleblowing. And the reason that explains why these types of victimization are more frequent in the case of external whistleblowing is to be found on the external control exercised by whoever receives the complaint. It is clear that in this situation firing the whistleblower is a clear sign of guilt, thus, to reach the same result the organization, or the accused in general, could employ all the other possible retaliations that we displayed at the beginning of this paragraph.

Another important relationship to explore is the one between the support received by the whistleblower and the victimization. Public support can be really important; however, it does not represent a practical advantage in some situations. Let for example assume that an observer becomes aware of misbehavior perpetrated by a manager and assume also that this misconduct does not harm external parties but exclusively corporate credibility and the company's financial resources. In this scenario, it is clear that public support is unlikely since the aggrieved party is not a physical person, moreover, this assumption is even more evident and correct in the case in which the company is private and not public. Therefore, public support is sometimes useless or absent and the observer could perceive this lack of support and he/she could eventually decide to remain silent. Nevertheless, some misbehaviors could be so shocking and morally unacceptable that spur other employees to take the whistleblower's side. For example, suppose a manager commits sexual abuse in the workplace. In this case, the whistleblower could be supported by many colleagues (observers or not of the misconduct) who believe what the whistleblower said and believe that the allegations are more than justified. This leads to a scenario in which the whistleblower is positively influenced by the support of other peers and for this reason he/she is more motivated to act and to continue his/her battle. Support in terms of motivation is then pivotal since it has a huge impact on the decision-making process holding the balance power between remaining silent or blowing the whistle.

We also need to add that coworker support, or employee support in general is directly linked to the value of the whistleblower and his/her credibility. Power basis theory suggests that the more a member is valuable the more reluctant the manager will be in retaliating

against that powerful whistleblower. This occurs, in addition to the reasons already mentioned because managers must avoid an internal struggle. When the company takes formal action against a valuable employee, it should expect internal opposition that could have a dramatic impact on the corporate climate.

Coming back to our discussion, it is necessary to understand how this peer support could influence the level of victimization. Once again, we must evaluate what could happen whenever the subject of the complaint decides to intervene and puts in place retaliations to stop the spread of complaints. The manager will receive closer scrutiny, and, as in the case of public support, a single misstep of the manager could be destructive since it becomes undeniable a cause-and-effect relationship between the complaint and the dismissal, or in general, the reprisal, suffered by the whistleblower. In short, he/she makes the guilt certain. For these simple reasons we should expect a negative relationship between peer support and the victimization received. However, scholars did not find any correlation between these two variables. Near and Miceli (1986) and Parmerlee, Near, and Jensen (1982) verified through statistical analysis the absence of a relationship between coworker support and victimization. Their results seem to be illogical for all the reasons we have stressed above, nevertheless, an explanation is present and necessary. When the whistleblower benefits from peer support, it means that he/she is a valuable resource, and he/she is well perceived in the company. The absence of a relationship between coworker support and retaliation is perfectly aligned to the relationship previously identified since we did not have evidence suggesting a positive relationship between the importance of the whistleblower and retaliation. But how can we interpret this result? Employers might decide to retaliate, even stronger, against these valuable supported whistleblowers to immediately stop complaints and silence the issue before it gets too big to be managed. Indeed, the reason behind this could be to intervene immediately with victimizations to reduce the possibility of the spread of the complaints. Practically, the manager could diffuse much fake news to reduce as soon as possible the credibility of the whistleblower and avoid the creation of consent in the workplace.

The result is quite different if we evaluate the importance of management support. Indeed, we do not need to trivialize the phenomenon by generalizing and assuming that the whistleblower is always a poor employee that was in the wrong place at the wrong time while who retaliate is a bad selfish manager that just thinks about saving face. This is what often

happens, but it is not the rule. Many managers could be whistleblowers themselves, and we have to remind that this situation is not so far from the reality since there is a close positive relationship between the access to information that managers have and the possibility to engage in whistleblowing activities. Thus, we cannot oversimplify the phenomenon by assuming that the weak part is the employee, and the strong part is formed by all the managers that act to avoid the spread of complaints.

There could be situations in which managers support the whistleblower. As always, a practical example can help us in defining a typical case in which this scenario occurs. Let consider a company that forces its employees, through formal or informal pressures, to sell some risky products that could harm customers without telling them the true possible consequences. In this case, bad faith by the company is evident, thus managers could be motivated by their morality to blow the whistle or to support the whistleblower that wants to terminate the misbehavior to save safeguard the client's health, patrimony, or interests in general. If for example, a bank forces its employees to pressure its clients to accept highly disadvantageous or too risky conditions leveraging customers' ignorance and age, it should be evident that the organization acts in bad faith through unethical acts. In such a case, personal morality should intervene, and an employee may decide to file a complaint to his/her superior. The recipient has two possibilities, the first is to endorse the policy of the company silencing the complaint and the whistleblower, in this way he/she becomes an accomplice of the misbehavior. The other possible option for the supervisor is to endorse the complaint by presenting it to upper management or to shareholders. In this way the manager supports the whistleblower, and, as we have already emphasized, other managers, shareholders, or directors may pay more attention to that complaint since the source is valuable and endorsed by a valuable manager that could decide to go public. For this reason, the support by managers is relevant, surely more relevant than the support of coworkers or peers.

Assessing the relationship between the probability of retaliation and the support by managers, we could carry out the same reasoning that we have already explained above in the case of peer support. The only difference compared with the other scenario is the value of the endorsement. We are aware of the fact that there are different levels of management in a company, but scholars seem not to worry about this. Of course, the relationship we will talk about now tends to be more pronounced as the importance of the supporter grows.

Therefore, since it is correct to reason in the same way, we should assume a negative relationship between the support by managers and the degree of victimization.

Though, we should add another explanation that suggests why this type of relationship is likely to occur. Miceli and Near (1994) evaluated this relationship from a different perspective; they mentioned the theory of "value congruence". Based on previous research, they suggest that with higher value congruity there is greater power and for this reason, whenever there is an alignment between whistleblower's value and manager's value, the complaint is likely to be strongly supported by the actors involved forcing the company to evaluate the merit of this complaint avoiding victimizations. Their hypothesis proved to be correct stating that "whistle-blowers who reported that their values were at odds with those of top management were also more likely to suffer retaliation"[58]. The same conclusion, not specifically devoted to the issue of values but more generally linked to the topic of management support, was reached by Parmerlee at Al. (1982) and by Casal and Zalkind (1995) that wrote: "as hypothesized, the reported personal consequences were less negative if whistleblowers [...] had strong support from superiors"[59]. We need however to remark that this negative relationship is more considerable when top managers support the whistleblower. In the case of middle management support, there are few pieces of evidence, and results in some cases seem not to suggest a clear negative relationship between this specific kind of support and the degree of retaliation (Near and Jensen 1983).

To simplify the learning of key concepts we can appreciate Table I.2 that summarizes and highlights the relationships, and their signs, between the variables and characteristics mentioned, and the severity and probability of retaliation. As discussed, educational level and age have not a specific clear relationship, nevertheless, for the sake of completeness, we point out that some studies show a weak but positive relationship.

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[58] Miceli, M. P., & Near, J. P. (1994). Relationships among value congruence, perceived victimization, and retaliation against whistle-blowers. *Journal of Management*, 20(4), 773-794.
[59] Casal, J. C., & Zalkind, S. S. (1995). Consequences of whistle-blowing: A study of the experiences of management accountants. *Psychological reports*, 77(3), 795-802.

Variable	Relationship with retaliation
Socio-Demographic Characteristics	
Age	0/+
Education	0/+
Job situation Characteristics	
Role within the company hierarchy	0
Characteristics of the whistleblowing process	
Anonymity	+
Use of external channel *	+
Peer support	0
(Top) manager support	-

Table I.2: Relationship between some variables and severity and likelihood of retaliations

* Those who use an external channel face different types of retaliation compared to internal whistleblowers (more isolation and defamation rather than immediate dismissal)

II. The importance of organizational structure, incentive & control system, and organizational culture

The company has a central role in motivating employees through several possible means. In this chapter we are going to analyze whistleblowing from the perspective of employers, more precisely, we are going to focus on the different elements of the organizational architecture that are likely to represent a source of influence in terms of whistleblowing. The organizational architecture is crucial for our discussion since whistleblowing is a phenomenon that could be, at the same time, extremely positive or negative for the organization. Therefore, setting an efficient internal whistleblowing policy and management is decisive to avoid all the bad consequences that I have already mention in the previous parts of the thesis. Whistleblowing occurs only under certain specific conditions and at the same time this phenomenon could be positively leveraged by the company. However, as a necessary condition, the organization must shape and set an internal structure able to capitalize on this opportunity.

More specifically, I will focus on the importance of the organizational structure. In fact, companies need to build a structure able to coordinate all the resources towards the same final goal. Under this point of view, I am going to explain how the different dimensions of the organizational structure have an influence on whistleblowing and on observers' propensity to report. Following scholars' findings and theories, I will analyze the impact of the internal hierarchical system, the centralized or decentralized approach, the size of the company, and the type of organizational chart adopted.

Then, another critical element of the organizational architecture is its control and incentive system. Since the topic of incentive is paramount and has critical importance for whistleblowing, I prefer to analyze distinctly these two elements. Control system defines how a company guides people's behavior toward a common goal. Companies must ensure that their human resources carry out their activities following a common logic, respecting certain requirements and standards. A company can use different approaches to control its employees and in the paragraph of control, I will analyze the impact of the mechanistic and organic approach. More precisely, mechanistic organizations rely on standards and bureaucratic controls. This approach, which means establishing formal and standard

procedures to follow, has some advantages and disadvantages for whistleblowers and I will evaluate them in this chapter.

Incentives will also receive special attention as they are an effective mean through which it is possible to influence people's behaviors and for this reason, they are fundamental for whistleblowing. More than that, incentives have to face several hurdles and oppositions by national laws and by public opinion in general, thus it is also necessary to evaluate all the pros and the cons of an incentive system. Furthermore, other types of incentives mechanism different than traditional ones will be theoretically analyzed. It is important to reveal in advance that the practical analysis of incentives will be also addressed in the third chapter in which I will evaluate how legislators decided to approach this matter.

The last crucial (probably the most important) element of organizational architecture is organizational culture. We are going to learn that the influence of organizational culture is massive, and it is interconnected to all the elements of the company. Furthermore, organizational culture is linked to internal communication. Communication is one of the most influential variables to encourage observers to whistle, so it is already clear that corporate culture plays a central role in whistleblowing. Then, I will also take a little digression by establishing how national culture influences whistleblowing. To do this, I will rely on several studies that have analyzed the relationships between the various Hofstede's cultural dimensions and whistleblowing.

2.1   Organizational structure

How can a company coordinate different people with different backgrounds, a different way of thinking, and motivation toward a common way of thinking and acting? First of all, through its structure. The design of the organizational structure is necessary to let people understand how the company is organized internally, highlighting the command lines, the hierarchical layers, the departments, the divisions, and in general how the company manages the decentralization of activities and responsibilities. "Hierarchy" is probably the watchword that best emphasizes how human resources find a place within the company by understanding their scope of responsibility and action; and when we talk about whistleblowing the importance of the hierarchy is pervasive topic.

According to Hill (2017), the organizational structure could be thought of in terms of three main dimensions: vertical differentiation, horizontal differentiation, and integration. The first dimension is linked to the choice between decentralization and centralization. This dimension defines the levels in the hierarchy, distinguishing between a flat or tall organization, hence distinguishing between a high number of hierarchical levels or a low number of layers. Furthermore, vertical differentiation determines where the decision-making power is concentrated distinguishing between centralized or decentralized organizations and tasks.

The second dimension is the horizontal one. Horizontal differentiation determines the number of subunits into which the company decides to divide itself. This dimension is basically the organization chart. There are several types of structures that a company can decide to adopt, for example: functional structure, product divisional structure, geographic divisional structure, client divisional structure, matrix structure, network-based structure, and other types of hybrid forms. This dimension is extremely relevant as it establishes the division of activities by defining the degree of specialization needed in each subunit and its key activities that it is expected to perform and focus on. Under this dimension, we can distinguish between wide or narrow organizations. However, from a whistleblowing perspective, scholars seem not to put particular attention to horizontal differentiation. In other words, the vertical differentiation is the only one that has a true influence on whistleblowing. Nonetheless, I will quickly describe how horizontal differentiation could partially influence corporate whistleblowing.

The last dimension deals with the integration of all the flow of activities of a company. Integrating mechanism defines the level of coordination achieved in the organization, establishing formal or informal means by which human resources can connect and communicate. This dimension is important since it sets the links between employees that operate in different subunits, facilitating the communication and coordination of all the human resources. This dimension is then crucial for whistleblowers since, as we may have noticed, the flow of information is a central matter in this phenomenon, and this conclusion is correct in both a positive and negative way. In a positive sense, a good flow of information is essential to intervene as soon as possible by addressing the problem that causes whistleblowing calling into question managers who have the necessary power to stop the misbehavior. While, in a negative sense, the corporate communication structure might be too formal and complex, enlarging the distance between those who have the power to stop the

violation and the whistleblower, making the authors of the misconduct untouchable, and at the same time, making the observers without decision-making power and corporate relevance. Unfortunately, it is difficult to theoretically broach this subject. Indeed, scholars have never focused on this specific dimension from an abstract perspective. Focusing on our phenomenon, with a formal integrating mechanism we should expect greater attention to complaints by the company since with a formal internal channel the company shows high devotion toward whistleblowing. But at the same time, high formalization often means high bureaucracy and higher constraints and controls. For this reason, we need to postpone this debate to the analysis of the impact of the bureaucracy level on whistleblowing and to the practical and theoretical examination of the organizational culture that I am going to carry out in the next paragraphs and chapters. What I would like to reveal in advance is that, if the company employs an informal integrating mechanism, whistleblowers may not perceive any incentives due to the low formal attention that the company gives to this phenomenon. The complaint may get lost without reaching those who are able or have the power, to resolve the issue, generating a lack of confidence and motivation in whistleblowers that may prefer to employ an external channel.

The structure is linked to whistleblowing, and it has important implications for the decision-making process of whistleblowers. If we consider the role of the structure in general terms, thus, without referring directly to whistleblowing, we notice that how the company outlines its activities dividing the tasks into different subunits, has an impact on the behavior of employees. Dalton et al. (1980) suggest that many variables should be considered whenever we analyze the impact of organizational structure on employees' behavior and performances. Some of them are not clear yet, this also because the influence of the several dimensions tends to change according to the industry in which the company operates. Some other more general variables instead can have an effect that is quite similar across industries. For example, high formalization tends to represent a hurdle in workplaces, threatening employees' performances, but the same effect could occur when the level of formalization is too limited causing high role ambiguity, and consequently, low performances. So even if the role of an organization's structure is still difficult enough to correlate with employee performance and behavior, it should be anyway clear that structure influences people's actions, propensity and will.

The main message of this simple and brief overview of the organizational structure is that one cannot think of a phenomenon like whistleblowing without considering all the dimensions that can influence the frequency and feasibility of this phenomenon. More specifically, the structure of the company can represent a hurdle or facilitation in the whistleblowing process. Some important papers by Granville King III, Near, and Miceli, Bourgeois, and others, were able to identify academically how an organization's structure has an impact on this phenomenon. Thanks to their contribution we can now assess how whistleblowers' use of the internal and external channels is affected by the structure, and also, how the characteristics of the organizational structure influence the perception of the misbehaviors. Nevertheless, these studies are sometimes too reductive since the structure is an important variable, but many other organizational variables are also influential. Furthermore, it is sometimes extremely difficult to assess how a specific feature, such as the centralization of power, individually plays a role in whistleblowing. This is because a centralized company might be a flat organization with a low level of bureaucracy, therefore isolating the effect of centralizing tasks might be impossible.

Starting from the vertical dimension, Miceli and Near (1992) suggest a clear relationship between hierarchy and whistleblowing. More precisely, they focused on the different levels of hierarchy, categorizing companies in flat and tall structures. This dimension of the organizational structure basically refers to the vertical dimension of the company. To carry out a full analysis of this variable we need first to notice that coordination and communication are pivotal in whistleblowing. The distance between the whistleblower and the recipient party is decisive. A tall organization yields good managerial control and less ambiguity; however, the main disadvantage is communication. When the distance between whistleblower and recipient is great, the company should expect fewer cases of whistleblowing. This lack of communication acts as a deterrent to observers. Thus, under this bottom-up point of view, I should conclude that tall organizations are generally less able to capitalize on the possible advantages brought by whistleblowing.

By shifting the attention from this bottom-up perspective to a top-down one we can reach the same conclusion. Indeed, the lack of communication, which is the main general disadvantage of organizations that prefer a tall structure, constitutes an obstacle even from the perspective of top managers. We will discuss below how much is important a positive

organizational culture that favors whistleblowing, but I must reveal in advance that to create the appropriate culture and climate is necessary to have good communication able to link all the human resources, and this is mostly relevant to make all employees aware of the existence of an internal reporting channel designed to collect and investigate all the complaints. This top-down communication is decisive to avoid the possible problems (above all the loss of reputation and credibility) that could occur when the whistleblower decides to denounce through external channels drawing the often-dangerous attention of public opinion and external institutions.

Finally, a tall organizational structure is generally less responsive to change, this means that whistleblowers may be less motivated in reporting since the organization will not be reactive enough to stop the misbehavior and modify the status quo. In tall organizations, the longer lines of communication inhibit the flow of information causing some important bottlenecks in the continuation of the monitoring activity aimed at establishing the actual presence of the misbehavior and its interruption. In a few words, since the chain of command is long, it needs time to carry out all the activities linked to the whistleblowing process from an initial check on the merits of the complaint up, possibly, to the punishment of the author of the act and termination of the misbehavior. It is simple to figure out that the length of the overall process has a demotivating effect for observers, and it is consequently easy to comprehend that in tall organizations, where lack of communication and hierarchical barriers are present, this situation is likely to occur.

But hierarchy is just one part of the vertical dimension, indeed, as above reported, the vertical dimension of the organizational structure is composed of two variables: the levels in the hierarchy and the degree of centralization of authority. I need to specify that the link between centralization and levels in the hierarchy is not unambiguous. In other words, a tall organization is not always highly centralized, and this is true even in the opposite case. Hence, we cannot assume that flat organizations are always highly decentralized as regards the authority. However, for our discussion of whistleblowing, centralization has similar effects to the influence exerted by the hierarchy variable. Indeed, in highly centralized companies the top-down approach is the most employed since power and responsibilities tend to be concentrated in the hands of few important subjects, such as top managers or a CEO. According to Miceli and Near (1992) companies that rely on a top-down centralized approach

are more likely to silence the opinions that differ from those of senior management. Moreover, King (1999) emphasizes that within centralized structures, whistleblowers will prefer external channels. It should not be surprising to observe such a result. In a centralized structure in which a top-down approach prevails, employees perceive themselves as simple subordinates that receive and execute the orders coming from the top of the organization. In this type of structure, employees are not encouraged or motivated to develop their own opinions about the task that they accomplish in the organization, they just need to complete their tasks. For this reason, an act such as whistleblowing is perceived as an act that goes beyond the responsibilities and tasks of employees, and scholars (Miceli, Near, and Schwenk 1991) found that it is precisely in these types of organizations that reports are more likely to be ignored by managers. This implies that since reports are not welcomed by managers, observers will prefer to remain silent or report externally in high centralized companies.

But, as I have already mentioned, external reports could be highly undesirable for the company as they could attract dangerous attention discrediting the company and damaging its image. For this reason, companies need to push their employees to report internally before externally. I will better address this topic in the next chapters, but I should reveal in advance that a company could implement a centralized and decentralized structure at the same time. As suggested by Hill (2017), a transnational company is at the same time centralized and decentralized and this mix of vertical differentiation is also really useful for whistleblowing purposes. Andrews and Herschel (1996) highlight that a company can continue to be formally centralized, that is to say, that top managers have a large control on some specific critical tasks such as sales, finance, and HR; being at the same time decentralized by providing a certain room of freedom to lower-level managers regarding some specific tasks and responsibilities. The result is that whistleblowers can file a complaint to their superiors who can intervene if they have a say in the particular activity reported. In other words, with a mixed vertical structure, the misbehavior reported could be stopped by the lower-lever manager since he/she may have enough influence on that specific issue thanks to the decentralization of that specific power. But even if the supervisor is not responsible for that specific issue, he/she can request the intervention of middle managers or top managers who, thanks to their hierarchically superior role, can intervene. Therefore, organizations with a centralized structure coupled with a decentralized style of management "encourage and provide

observers of corporate or individual wrongdoing the opportunity to initially report such incidents internally to the organization"[60].

After establishing the role of the vertical dimension in terms of influence on whistleblowing, it is now necessary to focus on the horizontal organizational dimension. It is useful to briefly discuss how specific organizational structures might influence the whistleblowing process. We can first consider an M-form (or divisional) structure. Companies that adopt this organizational structure are able to leverage the advantages of diversification as it is possible to manage different business units that operates in different countries, industries or with different specific customers. Each business function enjoys a certain level of autonomy, moreover, decentralization of the decision-making process is relevant. According to King (1999), these two characteristics are important for employees that want to report as in this type of structure whistleblowers might perceive higher efficiency of internal whistleblowing system. This because, thanks to the autonomy and to the power that division managers have, observers might think that reporting to their superiors can lead to successful and satisfactory results as the division manager can intervene and stop the wrongdoing without having to communicate and coordinate with top managers.

We can then consider a matrix structure. First, we should take into account the typical characteristic of this organization chart that is the simultaneous presence of two managers, indeed, an employee has to operate under the control of a product division manager and an area manager. Under this scenario, whistleblowing could be influence by two possible effects. The whistleblower could be advantaged by this situation thanks to the possibility to rely on two different channels to report his/her complaint. In this optimistic view, the copresence of two managers could be perceived as a favorable condition since it provides observers a double chance. But at the same time, under a pessimistic view, this characteristic of the company's structure can be interpreted as a dangerous situation for the whistleblower, since his/her actions are subjected to two different managers that can decide to retaliate against the whistleblower. This could occur in two situations. First, when both managers endorse the misbehavior since they may benefit from it. Or, when both managers perceive whistleblowing as a disloyal act that cannot be tolerated in the workplace, beyond their active involvement.

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[60] King, G. (1999). The implications of an organization's structure on whistleblowing. *Journal of Business Ethics*, 20(4), 315-326.

Once again it is necessary to remark that scholars suggest that the organizational chart of the company has a limited effect on whistleblowing. The horizontal dimension has not a clear and unambiguous effect on whistleblowing since there are many other variables to consider.

Indeed, one variable that has an important influence on whistleblowing is the size of the company. By evaluating the size, we should expect two possible opposite scenarios. The first scenario suggests a positive relationship between whistleblowing (especially internal one) and the size of the company. This situation could occur for several reasons. First, in a big company, employees can act more quietly and silently since the perception they have is to be just a drop in the ocean, and for this reason, they may decide to blow the whistle internally because they might think that they could be safe from possible retaliations since the complaint could have been made by many other employees. However, this specific case occurs under certain quite binding assumptions. Indeed, we must presume that many observers exist, that the leak by those who receive the complaint is null, and that the company accept anonymous complaints.

Second, in small companies, information tends to flow quickly, and the identification of the whistleblower could occur quite immediately after the complaint. For this reason, employees working in small companies may feel more exposed to possible retaliation and they might be reluctant to report.

However, our reasoning lacks a specific fundamental point, that is the one of resource dependency. The above-reported idea according to which employees in large corporations may perceive themselves as a drop in the ocean is correct also in a negative way. Indeed, large organizations can substitute rapidly the whistleblower, since, generally, large companies have more bargaining power, so they can easily decide to hire another employee thanks to the low dependency, and consequently the high division of tasks and responsibilities, to their human resources. While, in small companies, each human resource is valuable and its performances and tasks are pivotal for the organization, so, thanks to this high dependency, employees may be more motivated to blow the whistle. The motivation to blow the whistle in this specific case has to be found in the idea that employees in large corporations have less power to change the status quo since the company with or without them will continue to be operative. Whereas in small companies, things can change rapidly, and a single employee could have the power to change the status quo, and for this simple reason observers may be more willing to

report. Thus, by looking at these sets of opposite assumptions, we may think that the size of the company has a negative relationship with the propensity to blow the whistle.

Unfortunately, as often happens, there is not a clear answer to the topic of the link between organizational size and whistleblowing. Both macro hypotheses above presented are logically well-founded and scholars do not suggest a clear answer to this question. The lack of results is motivated by the absence of specific data and papers, but more generally, the justification must be found in the idea that the size of the company, as a singular variable, has not a specific influence since the dimension is generally coupled with many other characteristics of the organization, such as decentralization, bureaucratization, hierarchy, etc. Therefore, a clear and always valid answer is not only impossible but at the same time completely useless as scholars have focused on other types of variables that have a deeper influence on whistleblowing than the size of the company. Miceli and Near (1985) did not find evidence that supported their initial hypothesis according to which it is more probable to observe internal whistleblowing in small companies, but their contribution suggests that there is a positive relationship between the perception of protection from retaliation and the size of the company.

We are not sure that large-sized companies show a higher frequency of whistleblowing, however, larger corporations may be better structured, especially thanks to channels dedicated to the collection of complaints, and for this reason, observers may be more motivated to speak out. The authors themselves concluded by speculating that "perhaps procedures guaranteeing greater fairness in the whistle-blowing process may be more likely to exist in larger, rather than smaller, organizations. This reasoning suggests that the structure of the organization must be considered"[61]. This does not mean that size, as a single variable, is a clear predictor of whistleblowing. However, it is also correct to assume that the different financial resources available play a role in this phenomenon as I will discuss better in the next chapter. In fact, large-sized companies might have more money to invest in an optimal internal whistleblowing policy than small-sized organizations.

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[61] Miceli, M. P., & Near, J. P. (1992). *Blowing the whistle: The organizational and legal implications for companies and employees*. Lexington Books.

2.2   Organizational control system

Human resources are obviously the most relevant resources to manage in an organization as we can notice by the central position of this element in Figure 0.1. The explanation of their importance must be sought in two main reasons. The first reason is that human resources are a crucial capital for the company in terms of competitive advantage. People represent intangible assets that constitute the pool of knowledge of the organization. People and technology are the ingredients that explain why similar companies (from the point of view of financial and physical assets) could have extremely different performances. The ability to outperform competitors is directly linked to the ability in investing and managing human resources and technology.

The second reason that explains why human capital is the most important resource is directly linked to the great inhomogeneity that characterizes people. A mismanagement of human resources can endanger the life of the company. An improper management of employees can then destroy the competitiveness, the credibility, and the efficiency of an organization. Indeed, employees, especially in multinational corporations, are likely to come from different backgrounds and different regions of the world. This generates a problem in terms of ability to employ the same tools and instrument to manage all the employees. These two simple reasons highlight why rules and control are pivotal.

What is the link between the control system and whistleblowing? Actually, these topics are extremely interconnected since we might think of this phenomenon as an act that supports the control system filling the potential voids of the internal supervisory system. In my opinion, whistleblowing should be considered an integral and fundamental part of the corporate control system. The control system of the company has the main aim of creating a common logic guiding people's behaviors and actions toward a shared goal, verifying that this main aim is correctly understood and that employees perform their tasks in a proper, effective, and efficient way to achieve that result. In this paragraph, we will focus just on "behavior control", without considering the control of performances as it is not related to whistleblowing. In fact, generally speaking, controls in the company can be accomplished through different possible approaches. Hill (2017) suggests that there are four main types of control systems: personal control, bureaucratic control, output control, and cultural control. Nevertheless, as regards

the specific phenomenon we are discussing, this categorization is useless. More precisely, I am going to present separately the role of culture in organizations, since culture is not only a mean of control, but it directly influences the perception of whistleblowing, facilitating or hindering the will to report, and as I will discuss below, organizational culture is one of the most powerful elements of influence. Thus, since we cannot rely on this categorization, we should rely on a different perspective that is more aligned with our discussion. One convincing distinction is the one between mechanistic and organic structure. These represent two opposite model of organizational structure, nevertheless, for our discussion, they will be useful to distinguish between a rigid method of control based on formalized procedures and rules, thus a bureaucratic system; and a more flexible control system based on more delegation, less emphasis on rules and, generally speaking, a more informal control system.

I will begin with the discussion on the importance and influence of a formalized system of control. It is necessary to highlight how too rigid control, based on a structured set of rules and procedures, could represent an important hurdle for whistleblowers. This topic is linked to the above-presented discussion of the importance of organizational structure. In terms of control, a bureaucratic control system has a direct influence on the importance of the hierarchy in the company and vice versa. Indeed, we cannot consider the level of bureaucratization without evaluating the other elements of organizational architecture. This idea is linked to the Weberian definition of bureaucracy. Max Weber identifies six main characteristics that explain bureaucracy: hierarchical structure, division of labor, formal selection rules, efficient and uniform requirements, achievement-based advancement, and impersonality[62]. What is immediately evident is that bureaucracy is intrinsically linked to formalization and hierarchical structure, thus we cannot separate these concepts, but we should evaluate them as a unique element. Nevertheless, we do not have to confuse this conclusion with the misperception that all hierarchical organizations are formal and highly bureaucratic. Indeed, Diefenbach and Sillince (2011) indicate the presence of four main types of hierarchical organizations: bureaucratic/orthodox organization, professional organization, representative democratic organization, hybrid/postmodern organization, and network organization. The big difference between a bureaucratic organization and a network

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[62] Peek, S. (27-04-2020). The Management Theory of Max Weber. *Business.com.* Available at the link: https://www.business.com/articles/management-theory-of-max-weber/

organization is the presence of formal rules and high managerialism in the former, and the autopoiesis, decentralized coordination, and decision-making system in the latter type of organization. These forms are important for our discussion to understand that we can assume that a bureaucratic organization is an organization with a high hierarchy, but this assumption is not correct in the opposite way, therefore, we cannot conclude that all hierarchical organizations have a high bureaucratization level or a high formalization.

In terms of whistleblowing, we now need to establish why the organizational control system has a deep influence on whistleblowing, and more precisely why this occurs when the company relies on a bureaucratic control system. Bureaucratization is likely to establish a complex and rigid architecture into which observers might be confused about how to act to report a complaint. In this scenario, employees easily get lost among the various forms, appointments, requests, and practices to be filled out to bring the complaint to the attention of the manager with the power and ability to intervene. This type of hurdles set a strong limit on the propensity to blow the whistle, discouraging even the most willing and courageous observers. As a matter of fact, Miceli, Near, and Schwenk (1991) concluded that whistleblowers, without distinguishing between internal or external ones, are generally employees that perceive their organization as a less bureaucratic one. In other words, in bureaucratic organizations employees are more likely to remain silent observers without filing complaints neither internally nor externally.

Scholars also suggest that organizations with a high level of bureaucracy are less open to whistleblowing. The reason behind this lies in the idea that categorizes whistleblowing as an act of organizational dissent, as emphasized by Near and Miceli in 1987. This idea of whistleblowers as organizational dissenters is more diffused in bureaucratic organizations, especially in the ones that are facing performance problems as suggested by Bourgeois (1985). But why this effect occurs with more frequency in bureaucratic organizations? Put simply, once again, because of the rigidity that characterizes these structures. The rigidity prevents the opening of the organization, and consequently of employees, to other opinions and ways of thinking that can be much more useful for the company than the predominant way of acting. This means that in these organizations, whistleblowing is generally misperceived and considered as an act of betrayal toward the company. Moreover, this characteristic is often coupled with an authoritarian decision style since the high bureaucracy is generally coupled

with high hierarchy and this also means high centralization of power and authority. As concluded by Eisenhardt and Bourgeois in 1988, these characteristics set important hurdles in the mind of observers, discouraging whistleblowing.

Still, on the topic of rigidity, many other authors suggest that since hierarchy and bureaucracy are synonyms of "resistance to change", and since whistleblowing is an act that has as a final purpose the one of leading to organizational change, it goes without saying that high-bureaucratic and tall hierarchical organizations are more likely to retaliate against whistleblowers or being in general more closed-minded toward this phenomenon. Near and Miceli (1996) also suggest that this specific relationship can be explained using "retrospective rationality". Retrospective rationality could be simply considered as the situation that occurs when "decision-makers attempt to rationalise their choices after they have been made and try to justify their decisions"[63]. This decision-making model is the opposite of the "prospective rationality" that occurs when people are held accountable before acting. In bureaucratic organizations, retrospective rationality is the most prevalent decision-making mechanism. Indeed, in these types of companies lower and middle managers need to justify the action carried out by top managers. Thus, whenever such a situation occurs in the case of whistleblowing, lower and middle managers may be forced to defend the action (misbehavior) of top managers. In this scenario change will be then resisted, leading managers to retaliate against whistleblowers.

Furthermore, bureaucratization puts the whistleblower in greater danger. This assumption is not a simple hypothesis or speculation since Weinstein (2013) demonstrated that bureaucratization has a positive relationship with victimization. She explained this result by arguing that, since the Weberian definition of bureaucracy is based on the principle that suggests an authority gap between managers and subordinates, any complaint is perceived as a challenge to the status quo, therefore, to re-establish the order, managers may feel the need to retaliate to impede other possible dissents.

Nevertheless, bureaucratization is not the only possible control mechanism; companies can set other types of control systems to avoid all the above-reported problems of bureaucracy

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[63] Chand, S. (unknown date of publication). Models of decision making: rational, administrative and retrospective decision making models. *Your Article Library.* Available at the link: https://www.yourarticlelibrary.com/decision-making/models-of-decision-making-rational-administrative-and-retrospective-decision-making-models/25658

control. Unfortunately, scholars have never specifically focus on an alternative mechanism such as the one employed in organic structures. Nevertheless, companies that employ this kind of control system are likely to have a flat internal organization, with a good horizontal flow of information, coupled with a general informal approach. Thus, in the case of flexible control, we can expect to observe the same relationship I have already discussed when we studied the relationship between flat organizations and whistleblowing. Flat organizations are likely to better facilitate whistleblowing than tall organizations since the gap between the whistleblower and who receives the report is limited. For this reason, we may think that flexible control mechanisms based on informal relationships facilitate and spur observers to report.

Indeed, also King (1999) suggests that "the availability of clear and open channels for the disclosure of organizational wrongdoings may enhance superior and subordinate relations. The observer of a wrongdoing may be more likely to report the wrongdoing internally if there exist a trusting relationship between the complainant and complaint recipient"[64]. What I might underline is that with a lower reliance on bureaucratization, companies become more "personal" rather than "impersonal", and for this reason, observers may be more motivated to blow the whistle due to the higher empathy that they perceive from the organization. In other words, with a less formalized and stiff control system, employees might perceive greater flexibility from the company that appears to accommodate change better. And exactly because of this Miceli, Near, and Schwenk (1991) suggest that with lower formalization observers are more prone to report.

However, all these studies have never been able to define the "fair" level of bureaucratization. Indeed, although we know that high bureaucratization is bad for whistleblowing, we are not able to understand when bureaucracy starts to represent a hurdle. In other words, we are sure that high bureaucratization leads to a high level of impersonality and strictness, but we must also need to recognize that a certain level of bureaucratization is necessary to have a good overall alignment of performance and to establish a good level of internal coherence. Therefore, even if whistleblowers are more facilitated and more incentivized by a less formal control system coupled with greater flexibility and a lower level

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[64] King, G. (1999). The implications of an organization's structure on whistleblowing. *Journal of Business Ethics*, 20(4), 315-326.

of bureaucracy, we still do not know when this lack of formalized rules and procedures starts to become a danger to organization's performances.

Hence, from the perspective of whistleblowing, we have two contrasting effects. With high bureaucracy, we have a lack of motivation to blow the whistle due to the rigidity of the company and to the high "impersonality" perceived by employees, but at the same time bureaucracy means "certainty". In other words, who files a complaint knows that to reach a satisfactory outcome he/she must follow and file all the needed procedures and documents. But in this scenario, the number of procedures to follow could discourage the observer. On the other side, with low bureaucratization the observer is more encouraged to blow the whistle since observers may rely on personal relationships and personal links with managers or supervisor thanks to a more "personal" and informal structure; furthermore, the company proves to be more flexible and more able and ready to change. However, low formalization generates an uncertain background without the possibility to rely on specific guidelines, and this could be perceived as demoralizing in the eyes of potential whistleblowers that might prefer clear instructions to follow to reach the desired result. Besides, with low bureaucratization and formalization, managers could be freer to silence the complaint and the complainant.

2.3   The role of incentives

Nardler (1992) inserts incentives and controls in the same box of the organizational architecture chart that I have displayed in Figure 0.1, nevertheless, incentives are extremely relevant for whistleblowing, and they deserve a separate broad analysis. An Incentive system is generally considered as the set of bonuses, awards, and other non-financial measures that the company grants to its employees to reach a specific result. The reason why incentives are often considered together with controls is elementary: both incentive systems and control systems have the same overall aim that is the one of aligning behaviors and actions of people toward a definite result. From a human resource management point of view, the main goal is to reach the best performance of the company thanks to the highest commitment of human resources. To accomplish this objective the basic principle to follow in setting the incentive is to make the achievement of the bonus subject to the accomplishment of a target that can be

reached thanks to the responsibilities and activities of the employee. More precisely, incentives must follow "SMART" criteria. Doran in 1981 identified five main principles that each objective needs to comply with. An objective must be specific, measurable, achievable, realistic, and timely. We can mainly recognize two macro types of incentives: monetary or financial ones and non-monetary ones.

Incentives are successful means of control of human resources for organizations. Indeed, people are generally highly reactive in front of incentives, and for this reason, the incentive system is worthy of particular attention since it basically drives many decisions within companies, influencing performances and the desirability and the importance given to some tasks and activities. Human behavior is deeply influenced by many external factors and incentives are the most effective tool that companies can leverage to control human resources and set a specific direction. If we look at the decision-making process, we need to be aware of all the possible sources of influence that can bias the final decision toward an exact outcome. These can come from the innermost part of ourselves, and this is the case of personal values, personal morality, previous experiences, cognitive biases, personal believes, and opinions; but we must not neglect all the external sources of influence, and among these, we recognize: the influence played by the habitat, external perceptions, public opinion, context in which we operate in terms of culture, set of formal rules to comply with, and of course incentives. All these internal and external sources of influence need to be taken into account every time we want to study a phenomenon that is highly dependent on the decision-making process. This is obviously the case of whistleblowing. Some of the above-reported sources of influence have already been covered by the thesis but now it is necessary to evaluate the precise role of incentives in whistleblowing. Table II.1 displays the most common types of incentives.

Monetary Incentives	
Pay rises	Increments of wages on the basis of long-time relationship or general performances
Share of profits	Generally considered as a "group incentive" since profit is achieved thanks to the collaboration of all employees, and it is then distributed according to the specific contribution of the different offices and departments
Stock-option	Individual incentive that gives the right to employees to buy stocks of the company he/she works for
Bonus	One-off individual or group incentive
Percentage on the order under the form of commission	Typical example of a specific incentive generally set up to encourage sellers to increase their sales volume
Suggestion system	One-off individual incentive to reward who suggests a useful idea or recommendation that improve company's performances under the point of view of efficiency or effectiveness
Wage linked to productivity	Individual incentive to stimulate the growth of individual productivity
Retirement benefits	Individual incentive aimed at creating a long-term relationship than at increasing productivity
Non-monetary Incentives	
Career advancements	Individual incentive aimed at improving personal's performances
Assignment of challenging job	Individual incentive aimed at increasing job commitment and skills
Fringe benefits	Special benefits to increase employees' loyalty. It is a form of company welfare
Employee empowerment and participation	It gives more freedom and more power in decision-making to employees to increase job satisfaction and engagement
Job security	Signing open-ended contracts to demonstrate to the employee how much the company considers him/her an important and useful resource

Table II.1: Types of incentives

Incentives for whistleblowers could come from the company itself, and in this case, monetary and non-monetary incentives can be used; but also external parties may decide to set incentives, and this occurs especially in the cases in which whistleblowing could be useful for society.

But it is now crucial to understand how incentives are perceived and how they can influence whistleblowing. Many scholars tried to answer this question by employing several

methods of experiments and by testing different kinds of incentives. Let first evaluate the importance of incentives in general for whistleblowers. Andon et al. (2018) focus on the importance of a financial incentive and its link with the importance of misbehavior. We might expect a general higher propensity to blow the whistle in the presence of a financial reward. Indeed, financial incentives are employed diffusely in the USA. I will approach the matter of legislative influence below, but I need to reveal in advance that laws in favor and protection of whistleblowers are booming and American legislation has decided to focus on monetary incentives to encourage observers to report to public institutions. It goes without saying that these types of incentives directly foster the propensity to report externally, and they could represent a problem for companies since whistleblowers may decide to report externally even when an internal channel works efficiently. This is the exact hypothesis suggested by Andon et al. Indeed, it is fair to assume that the creation of an external incentive generates lower desirability and attractiveness of the internal channel.

Andon et al. tested their hypotheses employing a survey filled out by accountants, and their result is that "accountants' intention to report the financial reporting fraud externally is significantly higher when there is a financial incentive compared to when there is no financial incentive"[65]. This conclusion is quite worrying for companies since the presence of an external reward may work in the opposite direction of the company's performances. In other words, accountants, but we can state whistleblowers in general since accountants are full-fledged whistleblowers as already discussed, may prefer an external channel due to the monetary reward. This situation is particularly dangerous for companies since organizations may be extremely committed toward reports by welcoming denounces, but this may not be enough when some financial incentives are provided by an external institution or organization. The external report could then create issues such as the spread of bad reputation, threatening the growth of the company in the long term.

However, it should be noted that the severity of the misbehavior tends to decrease the positive impact played by financial incentives in terms of external whistleblowing. This conclusion suggests that when the seriousness of the financial fraud detected is high, whistleblowers prefer an external channel regardless of the presence of a monetary reward. Thus, from the point of view of the company, the presence of a monetary incentive, even

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[65] Andon, P., Free, C., Jidin, R., Monroe, G. S., & Turner, M. J. (2018). The impact of financial incentives and perceptions of seriousness on whistleblowing intention. *Journal of Business Ethics*, 151(1), 165-178.

higher than the one offered by external parties, may not be anyway sufficient to avoid the external report. This result is especially relevant for this thesis because, as I will highlight in Chapter IV, people might be more prone to report externally despite the presence of a fully efficient internal channel, and despite the presence of a reward.

Dyck, Morse, and Zingales (2010) went further in this discussion by analyzing the role of monetary and non-monetary benefits. They concluded that both of these macro-types of incentives have a positive relationship with whistleblowing, but at the same time, they highlighted that what they call "reputational incentives" only matter when the misbehavior is particularly serious. They use this term to identify all those benefits that whistleblowers might receive in terms of better career opportunities and higher visibility. They suggest that these incentives are more likely to be relevant and play a role in whistleblowing when the misbehavior could have a tragic impact on the company they work for. This result should not be surprising; in fact, it is logical to assume that when the misbehavior reported has limited importance for the company, it is not so likely to observe an important reward such as career advancement. Practically speaking, we may think about a mild violation such as use of company resources during working hours for personal purposes. In this case, blowing the whistle internally could be well perceived by managers or supervisors, but due to the low negative impact of the misbehavior, it is not so likely that the whistleblower will receive a career advancement.

But another important result is underlined by Dyck, Morse, and Zingales. In general, the costs paid by employees who blow the whistle (retaliations) are higher than benefits gained (under the form of monetary and non-monetary rewards). This conclusion is massively relevant since it indicates that the incentive system, both internal and external, is not working properly. Many reasons explain why incentives systems are still lagging behind, and one of them is that the stigma is still too important, and employers and employees persist in considering whistleblowers as rats and disloyal people. Therefore, during the decision-making process, benefits do not offset costs, often not even in financial terms.

As regards the provision of incentives from the organization, it should be already clear that it could be considered a good option whenever the company operates in a country in which the law provides financial incentives to whistleblowers. This could be considered as a due strategy

to avoid the external disclosure of internal misbehaviors. But the provision of an internal channel is not a sufficient condition to avoid the external report, since, when the unlawful act cannot be stopped by the organization or when the company has not enough power to terminate and repair the damages of the misconduct, the whistleblower may anyway prefer to blow the whistle externally addressing an institution that has more power. The whistleblower may in fact prefer to report to the police whenever the violation observed could harm society or the health of people. Thus, it is important to understand when and if internal incentives such as monetary incentives or non-monetary ones can positively impact the behavior and the decision of observers.

Xu and Ziegenfuss (2008) explored this matter by analyzing the decisions of internal auditors in reporting a company's frauds. From a logical reasoning point of view, we might reach two possible opposite scenarios. In the first case, we may think that incentives have a positive relationship with the propensity to blow the whistle. By evaluating the pros and the cons from a monetary short-term perspective, observers can be better off thanks to incentives, and since from a materialistic perspective "money rules the world", there would be no reason to assume that monetary incentives do not facilitate whistleblowing. However, whistleblowing is not a completely rational phenomenon that we can explain by evaluating only the monetary side. In fact, and this is the other opposite scenario that could emerge, whistleblowing involves a judgment and an in-depth analysis of ethics and morality. All these elements are fundamental to understand why an employee decides to whistle, especially when, and this happens frequently, the few advantages are nowhere near comparable to the enormous sum of costs and sacrifices.

According to the prosocial behavior theory suggested by Brief and Motowildo (1986), whistleblowing is considered as an act that promotes the "welfare of the individual, group, or organization toward which it is directed"[66]. This theory is important for our discussion since it could be interpreted to understand how incentives operate. We might presume that stimulus can be useful for spurring those who have a low level of morality and who do not perceive whistleblowing as prosocial behavior, but rather as a disloyal act. At the same time, we might suppose that employees who already assess whistleblowing as a prosocial act that does not require incentives, might not receive any further stimulus in the presence of a bonus, or even

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[66] Brief, A. P., & Motowidlo, S. J. (1986). Prosocial organizational behaviors. *Academy of management Review*, 11(4), 710-725.

worse, they may prefer not to blow the whistle since the act pass from being perceived as a prosocial behavior to being considered as a selfish behavior aimed at obtaining a personal reward. Nevertheless, at the same time, it is necessary to notice that the presence of retaliations may impact dramatically even in the case of the most motivated observers with a high level of morality. For this reason, the configuration of incentives may be helpful or useless regardless of the level of employees' morality and perception of whistleblowing. In a few words, rewards and incentives are expected to be in a positive relationship with general whistleblowing propensity, but their role is uncertain in relationship with morality.

Xu and Ziegenfuss (2008) tried to assess several hypotheses by evaluating the role of both monetary incentives, simply taken as an "amount of cash reward", and non-monetary incentives under the form of guarantee of continuous employment contract, thus the last type of incentive that I have displayed in Table II.1. The analyses of scholars underline that individuals are more prone to blow the whistle when some types of incentives are provided by the organization. This conclusion is true both in the case of monetary and non-monetary rewards and allows us to state that the general impact of incentives on whistleblowing propensity is positive. Furthermore, results suggest that monetary incentives lead to a higher propensity to report than non-monetary ones. The reason behind this is pretty obvious. With a non-monetary incentive, employees may be rewarded with a guarantee of continuous employment contract, but this type of reward could not be so well perceived when the whistleblower receives some form of retaliations. To be more precise, with such an incentive the employee will remain employed in the same company, but this could be dangerous since retaliations could continue, thus he/she will not receive a sufficient benefit able to offset the costs. When a system against victimization is absent, non-monetary incentives may not be sufficient to motivate whistleblowers.

But Xu and Ziegenfuss (2008) went further in the discussion trying to evaluate if and how morality influences the perception of incentivized whistleblowing. To measure the morality level of their interviewees they used the Defining Issues Test (DIT), a survey that presents some hypothetical moral conflict situations to resolve. According to the theory we may expect to observe an influence in the likelihood of reporting considering at the same time the influence of moral reason and incentives. As mentioned, we might assume that the level of morality could discourage the employee when an incentive is awarded, since the

whistleblower may be only driven by his/her morality, and the presence of an incentive could downplay the prosocial intention. However, scholars empirically demonstrated that non-monetary incentives have not relevant influence among different levels of morality. In other words, in the presence of non-monetary benefits, such as job security, morality's level does not play a role. The reason behind this evidence must be found once again on the importance of victimizations. Regardless of the level of morality, employees may decide to evaluate if the benefit that they receive thanks to a non-monetary incentive is likely to be sufficient to offset the costs. This idea of evaluating and balancing costs and benefits occurs also in the case of monetary incentives, but the main difference is that non-monetary benefits are much more difficult to assess, hence employees might minimize their importance since they cannot evaluate them through a monetary variable, but just through qualitative analysis. Therefore, since employees with a lower level of morality focus much more on the monetary side, and more precisely on the personal payoff received, the level of morality does not influence the propensity to blow the whistle when a non-monetary reward is provided.

When it comes to monetary incentives things are quite different and probably more complex. In fact, money can bias the perception of whistleblowing with a higher effect than non-monetary incentives. Money is the basis of greed, and these incentives may lead people to distort the assessment of the whistleblower's true motivation. Xu and Ziegenfuss concluded that observers "with relatively low levels of moral reasoning may be more sensitive to incentives of cash rewards and more willing to blow the whistle as a means for disclosing wrongdoing when monetary incentives are provided"[67]. They explain this effect by evaluating the typical characteristics of employees with a low level of morality, and they indicate that these employees generally focus more on self-interest and relationships with others in the organization, while "high-morality employees" focus more on the prosocial side of the phenomenon. This statement allows me to conclude that financial incentive could be massively relevant to motivate even the most reluctant employees that evaluate whistleblowing as a disloyal act and not as prosocial behavior. I can then affirm that the presence of monetary incentives will have an overall positive effect on the number of reports filed. Nevertheless, the problem should not be on the quantity of complaints received, but on their quality. Furthermore, as I will explain further below, in some cultures incentives are

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[67] Xu, Y., & Ziegenfuss, D. E. (2008). Reward systems, moral reasoning, and internal auditors' reporting wrongdoing. *Journal of Business and Psychology*, 22(4), 323-331.

neither effective nor well perceived, especially monetary ones. Thus, stating that monetary incentives are always a good way to stimulate whistleblowing is a misleading assumption.

2.3.1 *The importance of public judgment and visibility of externalities in the case of incentives*

There is another important analysis to carry out in evaluating the impact and the effectiveness of incentives. Many policymakers all around the world are still reluctant in suggesting or setting monetary incentives. The reason behind this lies once again in the external perception of whistleblowers. I have already briefly mentioned how much public opinion could be important for whistleblowers, and this represents a paramount variable to consider whenever we evaluate how incentives could be employed. In other words, we should expect a negative influence played by public opinion in the case of monetary rewards, and this negative perception is likely to be extremely dangerous for observers and other whistleblowers since it generates a stigma that will be difficult to counterbalance. The main contribution in this issue is the one of Butler, Serra, and Spagnolo (2020) that manipulates three main variables: the presence of reward, the presence of judgment, and the presence of visible externalities.

Let me first describe how these three variables were manipulated. In the case of the presence of reward, all whistleblowers receive gratification, while in absence of reward they will have to bear a net cost. The presence of judgment is assessed by allowing the members of the society to communicate their support, their neutrality, or their disapproval to whistleblowers. While, in case of absence of judgment, the members of the society will observe whistleblowers' actions but will not be able to express their opinion. The final variable is quite relevant since, so far, we have never addressed it specifically. Visibility of externalities is important to understand the importance of public support and its magnitude. When public opinion is able to assess the negative effects caused by the misbehavior, we should expect higher support from whistleblowers. While, when members of society are not able to correctly evaluate the negative impact caused by the misconduct, we should expect lower public support to whistleblowers.

It should be then clear that these three treatments are perfectly able to define the main scenarios that could configure in the real world. But what should we expect by manipulating these variables? First, financial rewards should spur observers' motivation to blow the whistle,

and this is exactly what happens analyzing the results of the experiment carried out by scholars. Then, it is crucial to evaluate how all three variables are likely to influence observers' motivation by cross-manipulating them. Thanks to the experiment, scholars display the results that we exhibit in Graph II.1.
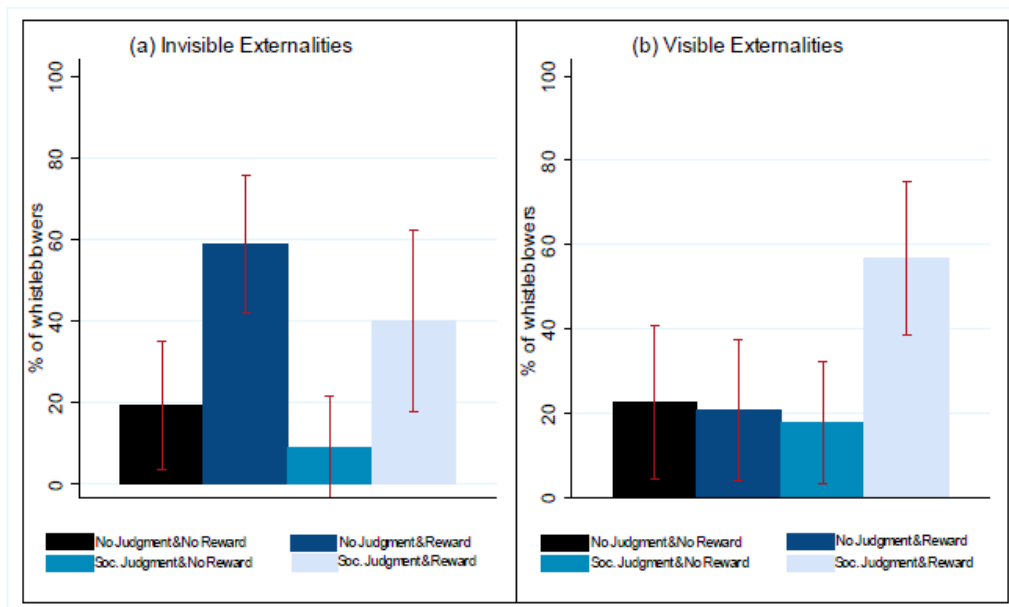
Graph II.1: Results of the experiment aimed at analyzing how the three variables impact on observers' motivation

Source: Butler, J. V., Serra, D., & Spagnolo, G. (2020). Motivating whistleblowers. *Management Science*, *66*(2), 605-621.

The first immediate clear effect that we must notice by analyzing the results is that the presence of rewards increases the likelihood of blowing the whistle, especially when externalities are invisible. The same conclusion can be reached if we focus on the copresence of visible externalities, rewards, and social judgment. But it is also necessary to evaluate how social judgement influences the propensity to blow the whistle. In the case of invisible externalities, the members of the society are not able to assess the cost they have to face because of the misbehavior, thus, when they can communicate their support (presence of social judgement) they might be highly biased by false believes and they might focus more on the reward gained by the whistleblower rather than by the disadvantage they receive. For this reason, the white column in Graph II.1.a is shorter than the dark blue one. But even if rewards are not granted, with invisible externalities the presence of social judgment anyway decreases

the propensity to report. This once again occurs because of the possible biased opinions of the society that might perceive whistleblowers as snitches, and it also explains that the possibility of social judgment decreases whistleblowing when externalities are not visible.

Instead, when externalities are clearly visible, social judgment has not a significant effect on whistleblowing. In fact, if we compare the black column with the light blue one in Graph II.1.b, we cannot observe significant changes. But social judgment has a positive effect in increasing whistleblowing in the case of visible externalities only when rewards are granted (white column of Graph II.1.b). The latter result may be difficult to logically accept as we may think that the presence of a reward may prompt observers to report; however, we could also assume that social scrutiny can represent an obstacle in terms of motivation, since, as mentioned, the act of reporting irregularities could be perceived as a selfish act aimed at achieving a personal benefit when a financial reward is assigned. Nevertheless, the findings show that whistleblowers are more likely to report when there is a financial incentive even when social judgment is present with a visible externality. The reason for this lies in the characteristic of externality, because, since people are able to assess the costs, they will have to incur as a result of misbehavior, whistleblowers are confident that they will receive a positive response from members of society regardless of the presence of a reward that could undermine the prosocial aspect of the complaint. Thus, we can conclude that the presence of a reward does not weaken the effect of social judgment, especially when positive.

We should also notice that rewards are less effective when the public perceives personal harm because of misbehavior and has not the possibility to express its opinion. We can notice this effect by comparing the black and the dark blue columns of Graph II.1.a with the same columns of Graph II.1.b. In fact, when there is no social judgement, the visibility of the externality nullifies the positive effect of rewards on whistleblowing frequency. Unfortunately, scholars did not provide a justification of this effect, but they speculate that this could occur because when people are not fully aware of the costs they will face, observers may decide to report by following their own personal belief of what is the right decision. While, when members of society know exactly the disadvantages, observers are much more influenced by the public, since, even if people do not express their opinion, members of society implicitly force observers to take sides for or against the organization, and at that point, the decision is no more a free personal resolution, but it becomes a constrained crucial

choice because if the observer does not become a whistleblower, he/she will be considered an accomplice of the misbehavior.

The last result to mention is the number of misbehaviors observed in relation to the presence of rewards. Always considering the three variables, it is necessary to look at the decisions of managers in terms of misconduct. Butler, Serra, and Spagnolo (2020) identified a clear decrease of law-breaking activities by managers when financial rewards for whistleblowers emerge. The simple reason behind this effect is that managers are aware of the potential boost of complaints due to monetary incentives, thus they will be more reluctant to carry out misbehaviors since employees might decide to blow the whistle with more frequency. This effect is really interesting in terms of the practical implementation of whistleblowing incentives since it indicates that the rewards not only increase the number of complaints but at the same time act as a preventive mechanism that reduces the repetition of illegal behavior by increasing the risk from the point of view of those who intend to engage in unlawful conduct.

All in all, the presence of monetary rewards has a clear positive relationship with the general propensity to blow the whistle. As regards the presence of social judgment, this variable has not a clear and sharp relationship with whistleblowing. In fact, regardless of rewards, social scrutiny could further incentivize whistleblowers when members of society are aware of the repercussions of the misbehavior (visible externalities), while the same variable act as a deterrent when public opinion is not aware of the harm (invisible externalities).

2.3.2 Alternative incentives to encourage corporate whistleblowing

All the above-presented results are massively important for our analysis since they basically indicate that incentives are fundamental to improve the number of reports. However, the big downside of incentives is that they are likely to increase the number of reports, but not the quality of them. In other words, with incentives observers are obviously more encouraged in reporting misbehaviors, but they may start to report even the most irrelevant cases of misbehavior in order to receive the reward. This could represent a huge problem for the company's internal channel since it will be overwhelmed, and it will have to deal with hundreds of ridiculous reports. According to Jubb (1999), the wrongdoing must be non-trivial,

actual, suspect, potential, and under organization control. Many wrongdoings occur in a company every day, but not all of them deserve to be reported. If we consider the example of stationery theft, we should agree with the idea that it is bad behavior, but at the same time, we should agree that that act can be considered trivial, so we must conclude that stationery theft cannot be subject of whistleblowing, obviously, this statement is true when the misbehavior is not a systematic act that generates substantial losses of money.

Coming back to our discussion, it is then simple to understand that the presence of rewards could spur many observers to file useless or trivial complaints overburdening the internal channel. In fact, also Andon et al. (2018) found a positive relationship between the number of complaints and the presence of rewards, and this relationship is particularly evident if we focus on lower significance allegations. It is then important to understand how the company can intervene to reduce the number of trivial complaints while preserving the positive effect of incentives on whistleblowing. Scholars suggest the provision of an opposite mechanism of incentives, that is the one of penalties. Andon et al. wrote that it is crucial to "mitigate the risk of frivolous claims including stiff penalties for bad faith or frivolous reports, particularly for serial whistleblowers" and to do so they suggest setting "meaningful penalties in the form of significant fines for frivolous or vexatious allegations that are clearly publicized and strong initial screening processes to readily ascertain the likelihood of prosecution"[68]. This system based on a higher initial control process coupled with fines is likely to be costly for the company, but scholars are sure that the benefits gained more than offset all the additional costs.

Therefore, it could be useful for our analysis to evaluate other possible types of incentives or measures that can be set by the company to improve whistleblowing both from the side of quantity and quality. The incentivization of whistleblowers has not just two macro forms, that I have identified as "financial" and "non-financial" incentives; but other types of means can be employed to reach the same result of these two macro-types of incentives. Feldman and Lobel (2010) identify three main macro typologies of incentives other than monetary incentives. The first one is closely linked to the matter of protection of whistleblower that we will better analyze in the next chapter. Scholars suggest that companies should focus on a

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[68] Andon, P., Free, C., Jidin, R., Monroe, G. S., & Turner, M. J. (2018). The impact of financial incentives and perceptions of seriousness on whistleblowing intention. *Journal of Business Ethics*, 151(1), 165-178.

strong protection mechanism able to defend whistleblowers from retaliation in order to incentivize them. The theory behind this assumption is pretty immediate to understand; whistleblowers might logically feel safer from victimization when the organization shows a strong commitment toward the reception of complaints and at the same time toward harsh repression of those who commit misbehaviors and retaliations. However, the real downside of a strong protection system within the company is that organizations can be formally welcoming in terms of whistleblowing, but at the same time they could in fact cover the manager as the misbehavior could be favorable for the company. In this situation, whistleblowers receive a formal input that is opposite of the informal one. The formal one, composed of all internal regulations, seems to reveal a positive predisposition for whistleblowing, but at the same time the informal one could actually reveal a strong feeling of aversion to whistleblowers.

The second possible alternative mechanism is based on a reporting obligation. This means that the company forces its employees to report observed wrongdoing. This type of incentive is quite peculiar since it changes profoundly the true characteristics of this phenomenon. As we know, Jubb (1999) identifies whistleblowing as a deliberate non-obligatory act of disclosure. This definition clearly clashes with the mechanism based on the duty to report. If we think about it, forcing observers to blow the whistle undermines the prosocial view of this phenomenon, as whistleblowers begin to be perceived as normal employees doing what they have to do. Nevertheless, this ethical downside could be negligible if this type of incentive is actually able to accomplish the main goal of increasing the number of reports generating an internal climate that positively evaluate whistleblowers. In other words, quoting the Roman poet Ovid, "*exitus acta probat*", therefore, if the end result is an increase in valid claims, the means will be justified.

The final alternative incentive mechanism is one of the penalties for failure to report. This stimulus is obviously badly perceived by whistleblowers since it is basically the opposite of monetary incentives. Fines can be employed to improve the quality of reports, but they can also be used to spur whistleblowers to file the complaint.

It is necessary to clarify one point. While the obligation force people to report without providing any alternative, fines still give to observers the possibility to choose between report or keep quiet. This apparently tiny difference is critical for my thesis as with fines people can still decide to remain passive at their own risk. With an obligation to report, we cannot state

that filing a complaint is an act of whistleblowing as the voluntary nature of the deed is missing. Whereas, with fines, people are still free to report or not. Moreover, fines are a good deterrent against misbehavior that work in a similar direction of monetary and non-monetary incentives. The only difference compared to rewards is that in this case, it is not the benefits that increase, but the costs.

To evaluate the impact of these types of incentives Schmolke and Utikal (2018) respectively named them: "protect", "command", and "fine". Regardless of the ethical acceptability and desirability of commands and fines, we must now just focus on the influence of these types of incentives on whistleblowers' motivation. More than that, scholars focused on two different types of fines, low fines, and high fines. We may presume that comparing the different types of incentives we should observe a general higher propensity to blow the whistle whenever a negative (fine) or positive (reward) incentive system is set than when no incentives are provided. In other words, following a rational theory, a monetary incentive is likely to be highly influential both in the case in which the whistleblower receives a reward and when the observer must pay a penalty because of his/her silence. In fact, the results show a general higher propensity to blow the whistle in the case of rewards and fines. More precisely, the propensity to blow the whistle has a positive relationship with the level of the reward and of the fine. This result is not aligned with the "*homo oeconomicus*" theory since if we evaluate the phenomenon from a profit-maximizing perspective, we should expect no clear differences between high and low fines and rewards. To understand why we must take into account the payoff received by a silent observer in both situations. In the case of an incentive system based on fines, the observer will be punished for his/her silence, and he/she will be forced to face a monetary loss; while if he/she does not blow the whistle when a monetary reward is provided, he/she would not receive any reward. Thus, in both scenarios, the best option is to blow the whistle since the payoff observers get is higher than the payoff they would receive if they remained silent. Nevertheless, it must be clear that whistleblowing is everything but a simple and rational phenomenon in which the actor is able to take a decision on the basis of his/her own best financial interest. Schmolke and Utikal underline that observers will blow the whistle with more frequency with higher fines or rewards. This result is perfectly aligned with the non-perfectly rational characteristic of this phenomenon.

Another important point to underline is the difference between whistleblowing in the case of fines and in the case of prizes. Schmolke and Utikal display a useful table that highlights the frequency of whistleblowing employing different types of incentives. Their results are displayed in Table II.2. What we need to focus on is the different frequency of whistleblowing in the case of rewards and in the case of fines, since a general higher propensity to report occurs when a penalty must be paid, regardless of its size. This particular result is massively relevant since it demonstrates that people are more reactive to fines than to incentives. Even if the frequency is pretty similar, and thus there is no clear empirical evidence and scientific significance that points to a sharp difference in terms of propensity between positive monetary incentives and negative ones, we should take into account this result since it could be really positive even for the company. In fact, companies might decide to employ a mechanism based on sanctions to spur observers, and this practice could produce a general positive payoff for the organization, both from a financial perspective thanks to the earning received from observers who did not report, and from the perspective of numbers of complaints received. Nevertheless, the big downside of this system is the feasibility and, once again, the problem of the number of complaints. I will better investigate the feasibility issues of an internal channel below, but what should already be clear is that an incentive based on monetary punishment is obviously very unwelcome by employees and could generate a bad business climate. However, if we focus only on the data, the propensity to report with this system shows excellent and satisfactory results in terms of the number of complaints.

Type of incentive	% of whistleblowing observed	% of whistleblowing by disadvantaged observers	% of whistleblowing by neutral observers	% of whistleblowing by advantaged observers
No incentive	33	71	18	12
Low reward	77	100	88	44
High reward	89	94	94	78
Low fine	91	93	93	87
High fine	94	100	89	94
Command	55	76	41	47

Table II.2: Frequency of whistleblowing with different types of incentives

Source of data: Schmolke, K. U., & Utikal, V. (2018). Whistleblowing: Incentives and situational determinants. *Available at SSRN 3198104.*

Still, on this comparison between reward and fines, we must notice that fines have a positive influence also in terms of frequency of whistleblowing by advantaged observers. Advantaged observers are obviously employees that observe misbehavior that could bring to them some kind of advantages. Let consider for example an employee that notices that his/her manager falsifies the department's number of sales helping all employees in that department to get a bonus. In this scenario, we might notice that a "high-fine" system is the most efficient mechanism to induce observers to report, and at the same time, we must underline that rewards have a smaller effect in terms of encouragement of advantaged observers.

The reason behind this has to be sought in the payoff of these observers. Advantaged observers might receive a financial remuneration by the manager for their silence and this cash incentive could be higher than the reward; but if a fine is introduced, the silent observer could be less incentivized in remaining silent and it could prefer to blow the whistle due to his/her possible negative payoff. Of course, this reasoning is correct when the possible monetary bonus that he/she receives for his/her silence is lower than the fine, nevertheless, even when the bonus is higher than the fine, the observer may prefer to blow the whistle anyway, and in this occurs because of the loss aversion effect. This bias leads individuals to evaluate a loss more acutely than a gain of equal value. Thus, for this reason we can conclude that "whistleblowing is more likely in Low and High Fine than in Low and High Reward"[69].

A last important result that is relevant for our analysis is the one related to "command" incentives. Commands are a simple means of control and incentivization, as we have already discussed in Paragraph 2.2. Command has a positive relationship with the propensity to blow the whistle, however, setting rules forcing employees to report is not so as effective as the other incentive mechanism mentioned. In fact, there is a weaker relationship between this incentive and the propensity to blow the whistle as we can appreciate in Table II.2. This weakness is even more evident if we evaluate the low propensity to report by neutral and advantaged observers. The explanation for this effect is directly related to the clear relationship between monetary incentives (both positive and negative) and the propensity to whistle. When no monetary incentives are set, and more precisely, when a quite weak internal

[69] Schmolke, K. U., & Utikal, V. (2018). Whistleblowing: Incentives and situational determinants. *Available at SSRN 3198104.*

system of rules is established, observers might perceive a too limited incentive. Observers, especially the most advantaged by misbehavior, do not perceive any kind of positive payoff thanks to their complaint and for this reason, the propensity to blow the whistle is likely to be weak. Nevertheless, a system based on clear rules and procedures is a good option if we focus on the effects. With rules, the organization is able to set a costless system that actually incentivizes whistleblowing since, as we must appreciate in Table II.2, the number of complaints without incentives is lower than the frequency of whistleblowing with a command system, especially if we evaluate the tendency to complain of neutral and advantaged observers.

More than that, in addition to the absence of structural costs for this type of incentive, another important advantage emerges compared to fines and rewards. Rules have the potentiality to modify the culture of the organization in the long run. I will better address this point in the next paragraph, but it is clear that the acceptability of whistleblowing within the organization is closely related to the signals that the company provide. Establishing regulations to facilitate whistleblowing could "change the cultural attitudes of people towards whistleblowing" reducing "the costs of whistleblowing with regard to the threat of retaliation, ostracism and the like significantly"[70].

However, it is once again crucial to remark that forcing employees to report turns the deed into a simple contractual obligation, eliminating the fundamental characteristic of whistleblowing that many scholars identify in the voluntary nature of the act. Therefore, in my opinion, the "command" incentive is probably the best one in terms of cost-benefit analysis since it costs the company absolutely nothing to establish an incentive system based on this approach. However, I believe that it cannot be said that the presence of a contractual obligation is in line with the whistleblowing phenomenon, and for this reason. I would not suggest companies to force their employees to report because I am sure that in this way it is not possible to develop and spread an internal culture based on the awareness of how whistleblowing is a prosocial and useful act.

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[70] Ibidem

2.4   The importance of organizational culture

Organizational culture is a massive dimension of organizational architecture since it has a huge influence on whistleblowers' behaviors and decision-making processes. Before analyzing its impact on observers and whistleblowers it is first necessary to provide a definition of it. Culture, in general, is defined as "shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them"[71]. People of the same culture share values and norms, and even if culture is often linked to nationality, we must separate these concepts. This distinction is crucial for our analysis since it enables us to understand that culture is an abstract concept that can be applied both to macro (society) and micro (organizations) groups of individuals. Therefore, each organization tends to create and maintain its identity through a set of shared values and norms that characterize what we call "organizational culture". More precisely and professionally, we can define organizational culture as "a pattern of basic assumptions, invented, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation and internal investigation, that has worked well enough to be considered valid and, therefore is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems"[72]. What we must underline in this definition is the idea that organizational culture is a concept that is considered valid for a group of people, and it represents a beacon for all the employees. Organizational culture is generally variable, but the peace of change tends to be quite slow. This characteristic is extremely important since it makes clear that changes in organizations could be immediately introduced through a set of regulations and formal rules, however, employees take time to adapt to the new situation accepting these new instructions since organizational culture needs time to assimilate changes.

Furthermore, scholars suggest that organizational culture comes from several sources. According to Hill (2017), we can identify three main sources of influence. First, the values of the founders and leaders. Their influence on organizational culture is likely to be massive and while founders' values penetrate and remain stable in the company, leaders (such as top managers) can equally influence the culture. However, scholars point out that these people meet greater constraints in changing the organizational culture since the founders start from

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[71] Lederach, J. P. (1996). *Preparing for peace: Conflict transformation across cultures.* Syracuse University Press.
[72] Schein, E. H. (2010). *Organizational culture and leadership* (Vol. 2). John Wiley & Sons.

scratch and establish rules and values, while top managers must change and influence a culture that is already well-rooted and well absorbed by all the employees of the organization.

The second source of influence is the culture of the country where the firm operates or was founded. We will see below how this element impacts whistleblowing perception, but what should be underlined here is that we cannot generalize by assuming that an Italian company will follow Italian values and culture because it is also important to take into account the nationality of employees. Nevertheless, as Hill suggests, "the values of American firms often reflect the values of American culture"[73], he also reaches the same conclusion for Japanese companies, highlighting how national culture could sometimes play an important role in shaping organizational culture.

The last source of influence is the history of the company. This basically follows the path dependency theory, suggesting that history matters and deeply influence the present. In other words, previous experiences have a role in influencing present decisions and actions. Hill reports a practical case that perfectly demonstrates how history matter. Richard Drew was an employee of 3M that invented masking tape and cellophane tape. The idea was initially rejected by 3M president, but Drew did not give up and continued to invest his time in it until the "sticky tape" was endorsed by 3M's customers. President McKnight understood that it was necessary to give freedom of action to employees in order to spur innovation, and since then 3M applies and adopt the "15% Culture" that encourages employees and researchers to employ 15% of their working hours in developing their own ideas.

Going deeper into our discussion, scholars suggest that organizational culture has a key role in facilitating, accepting, and welcoming corporate whistleblowing. Unfortunately, organizational culture is an intangible element that is embedded in a company's values, employees' behaviors and directly influenced by all the other elements of organizational architecture. Companies must obviously start with the definition of formal rules and procedures, establishing the goals, the mission, and the vision. These elements constitute the basis of the company since they define and give shape to the organization. Nevertheless, founders and top managers must consider how these elements are likely to impact employees' behavior and how these elements are likely to foster a positive creation and

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[73] Hill, C. W. (2017). *International Business Competing in the Global Marketplace*. Chapter 14. 11th edition

sharing of common values. In other words, the corporate culture is strongly influenced by the formal architecture of the company, but the culture tends to follow a development model that is difficult to portray since it is also made up of personal relationships and spontaneous sociality that extends beyond corporate control.

More precisely, Hill (2017) states that organizational culture is maintained by four main mechanisms: hiring and promotional policies, reward strategies, socialization processes, and communication strategies. The first two elements have been broadly discussed above. Instead, communication strategies and socialization processes will be addressed better below. It is important to reveal in advance that communication and socialization practices have also a deep influence on organizational climate, and both are crucial mechanisms to shape a proper organizational culture. More than that, Miceli and Near (1992) indicate that the mere communication of intention, that is to say, formal regulations or value statements, are not enough to impact on company's culture since it is crucial to support words with action. In other words, they emphasize the necessity and importance of an alignment of the four mechanisms above described. Reward system, hiring and promotion policies, communication style, and socialization processes must be consistent with the theoretical commitment of the organization toward whistleblowing described by formal regulations or formal codes of behaviors and ethics.

Organizational culture is pivotal in creating a positive background able to welcome whistleblowing, but before discussing it, I would like to present a practical case that highlights how organizational culture could have a deep influence on employees' behavior in a negative sense. Susan L. Ray (2006) describes a practical case of whistleblowing she herself experienced. She worked in a hospital in which several patients with schizophrenia complained of a nurse physically touching patients pretending to be a healer who could cure them with the touch of her hands. She decided to discuss with this nurse, but the nurse refused to talk to her. Susan eventually turned to the clinical coordinator and nurse manager. Unfortunately, nothing happened, and she realized that she was working for an organization with a deep lack of ethical values in which the organizational culture drove people to remain silent in front of unethical behaviors. She herself writes that she felt she "was working in a

morally deviant organizational culture"[74]. Her and other nurses that felt to be powerless experienced "moral distress" that occurs whenever people are forced to carry out an action that they do not perceive as consistent with their own personal values.

Therefore, this practical example illustrate that a morally corrupted organizational culture is likely to have a deep negative influence on people because the shady and rotten dominant organizational culture compromises personal integrity and morality. She writes that the dominant internal culture was based on cover-ups, silence, and inaction and this led employees to conclude that the best option was to remain silent and carry on as if nothing has happened. Keeping silent is not the best choice neither from a personal nor a corporate point of view, as the persistence of incorrect and unethical behavior ends up destroying the credibility and ethical consistency of the company, undermining and compromising the long-term existence of the organization. For these reasons, it is pivotal to invest in a proper organizational culture.

It is evident that organizational culture directly influences how employees perceive and experience the working environment. This latter concept is known as "organizational climate". Both culture and climate are crucial elements in fostering whistleblowing. Informally we might synthesize organizational climate as the "general mood of employees". Organizational culture defines what is good, bad, normal, and acceptable from a collective perspective and its main objective is to generate a common standard direction to make employees understand what is the best decision that they should carry out. While organizational climate defines the perception of employees in terms of attitudes and psychological impact of the working environment on employees' well-being. Miceli and Near (1985) suggest that organizational climate is extremely important in terms of retaliation and threat of victimization. More precisely, they tried to evaluate the relationship between employees' perception of organizational climate in terms of reprisal and the use of a specific channel. They hypothesized that internal channels are likely to be preferred when the corporate climate is perceived as not threatening in terms of victimization, while external channels and absence of reports would be preferred when the perception of victimization is higher. Data underlines that a positive climate based on protection and less threat of retaliation is positively linked to the propensity to blow internally. While a positive relationship between external channels and

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[74] Ray, S. L. (2006). Whistleblowing and organizational ethics. *Nursing ethics*, 13(4), 438-445.

threatening climate is more than evident. Scholars conclude that organizational climate is clearly influenced by the diffused perception of the threat of retaliation and by organizational encouragement through formal and informal means of communication.

To conclude our brief discussion of organizational climate we must analyze which climate is the best from the point of view of employees, in other words, it is necessary to evaluate how the type of climate influence observers' propensity to report. According to Keenan (1998) and Miceli and Near (1992) organizational climate is associated and influenced by the communication climate, and more precisely they underline that in a company we can distinguish between a defensive and a supportive communication climate. A defensive climate is characterized by strong control, superiority, certainty.

In a few words, a defensive climate occurs whenever employees keep things to themselves because they do not perceive empathy from the employer. While a supportive climate is characterized by strong support, empathy, and problem orientation. Results suggest that the choice of remain silent versus report pass, also, through the analysis of the communication climate. More precisely, a supportive communication climate has a positive relationship with the propensity to report, while a defensive climate has a negative relationship with whistleblowing. Blackburn (1988) and Graham (1986) reach the same conclusion, suggesting that whistleblowers are generally employees that have a positive perception of organizational climate, and more specifically, they perceive a participatory climate in which the suggestions of employees, under the forms of complaints, are a fundamental part of the organization and make employees active participants. More than that, a proper organizational climate is pivotal to influence employees' satisfaction, and this is massively important in terms of the company's performance since studies (Bakotic 2016, Mafini and Pooe 2013) indicate a clear positive relationship between job satisfaction and organizational performances.

Hence, researches exhibit that companies must invest in establishing a good supportive communication climate coupled with an inclusive participatory approach to influence the overall organizational climate. However, it is also noteworthy that organizational climate is linked to employees' perceptions, and even if we could focus on the overall sentiment, it is also necessary to remind that employees' feelings might be different based on several personal characteristics. This is an important concept underlined by Blackburn since in her

experiment she noticed that the employees who reported were those who perceived more positively the top manager and recognized a more participatory general atmosphere than those who kept silent. Nevertheless, the hypothetical culprit was the same person for whistleblowers and silent observers. This leads us to conclude that organizational climate is quite difficult to manipulate from the perspective of employers since it must also deal with personal feelings. However, the organization can and must manipulate the organizational culture through different approaches and decisions in order to influence the general impression of the employees and, by influencing the culture, it is consequently possible to influence the climate.

The role of culture in whistleblowing has been studied by different authors. Miceli and Near (1992) point out that when the culture is supportive of whistleblowing the result is an overall growth of internal complaints. I will start this discussion about the relationship between organizational culture and whistleblowing by referring to the brilliant framework of Benisa Berry (2004). She points out that organizational culture has an influence over employee's behavior, and this effect can be explained by analyzing seven main dimensions that constitute organizational culture: vigilance, engagement, credibility, accountability, empowerment, courage, and options. Each of these elements is likely to hinder or facilitate whistleblowing directly or indirectly influencing the decision-making process of observers. For the sake of completeness, Table II.3 shows all seven typical elements of organizational culture and the issues on which the organization must work and invest to improve internal culture according to Berry (2004).

Dimensions of organizational culture	Typical questions of observers linked to the dimension that the organization must address to improve organizational culture
Vigilance	• What are the standards of conduct in this organization? • What is my role in upholding these standards? • Which behaviors are considered incorrect, and which are not?
Engagement	• Is there an alignment between my personal values and organizational values? • Do I believe and share the values of the company?
Credibility	• If leaders / managers / colleagues do not follow ethical standards, why should I do it? • If leaders do not behave in a manner consistent with what is formally stated, how can I trust them? • If I cannot trust managers, who can I believe?
Accountability	• Reporting is part of my job? • Is it part of my duties and responsibilities to report? • Why should I be the only one to report when there are many others who have seen and did not speak?
Empowerment	• Who will listen to me? • Do I own enough decision-making power to change the organization? • Why should they listen to me since I am a simple employee?
Courage	• What will happen if I blow the whistle? • Is it worth it? • What if I lose everything? • Will I be victimized?
Options	• How can I proceed? • To whom can I report? • Can I report anonymously? • What is the best channel to use?

Table II.3: Dimensions of organizational culture

Source of info: Berry, B. (2004). Organizational culture: A framework and strategies for facilitating employee whistleblowing. *Employee Responsibilities and Rights Journal, 16*(1), 1-11.

First, I evaluate the importance of vigilance. This element is closely linked to the topic of rules and control as it refers to the standards of the organization. Nevertheless, the main difference is that in this case, we also refer to the non-written shared norms and beliefs. The main problem that emerges with these non-written codes of conduct is that they are not under the direct control of the company, and they tend to follow their own path of development. This implies that employees may rely on a set of non-written rules that could lead to misbehaviors.

In other words, the company must address the possible problematic outcomes that emerge with an "unwritten code of conduct". Top managers and other important decision-makers have a duty to promote whistleblowing as standard organizational behavior. To do so, the company must convey the message that improper behaviors and unethical behaviors are not well accepted by the company. This is crucial to spread the concept that misconducts are not standard behaviors and even if they generate a positive impact for the organization, they are anyway disapproved and sanctioned.

The main problem at this point is understanding how to intervene in order to achieve this goal. Obviously, the starting point is to set clear guidelines and formal codes to make people understand what are the principles to follow and the rules to observe. Practically speaking the company must set two main important codes. The first one is the code of ethics; it sets forth general principles that employees must follow in carrying out their tasks from a general perspective. More precisely, the code of ethics includes the values and principles of the company that guides employees' decision-making process. So, it should be clear that this document has the aim to generate a common sense of what is ethically correct and what is not.

An example is useful to highlights how companies practically implement it. Atlantia SpA is an Italian company that operates in the infrastructure sector. Its Board of Directors approved an ethical code that contains the following main principles: legality and compliance, integrity, equality, enhancement of people, health and safety, transparency and professionality, respect for competitors, protection of confidentiality, and environmental protection[75]. It is then clear that the code of ethics describes the core values of the company, but it does not provide practical guidelines to employees. What is important for employees is that any time they make a decision that is not in line with the code of ethics they could be fired. This is important for our discussion since it suggests that those who engage in behaviors that are not ethically compliant can be fired, and this is extremely relevant since the organization may not have explicitly prohibited a specific behavior, but this could still be a cause for dismissal if there is a clear lack of compliance with ethical standards.

The other main instrument is the code of conduct. This document is much more precise than the ethical code and it specifies the expected behavior of employees in different

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[75] Atlantia SpA (2019). *Codice Etico*. Atlantia Website. Available at the link: https://www.atlantia.it/it/corporate-governance/codice-etico

situations. It settles specific rules that govern the actions and not the decision-making process of employees. The code of conduct is much more detailed, longer, and specifically directional. In terms of whistleblowing, this document is crucial as it defines the misbehaviors and their implication, generating a clear framework that separates what is right from what is wrong, and it consequently makes clear when observers should report and when the behavior observed is instead aligned with rules.

But Berry suggests that this is not enough, training and education are crucial ingredients. These codes are pivotal to generate the formal framework, but in the practice might not be enough. Organizational culture, as we know, is not just formal codes of conduct that the organization asks to follow and other similar means of control that influence employees' behavior; but it is much more than that, it is based on sociality, etiquette, nature of relationships, etc. To be more precise, culture is not just what we see and perceive, but it is especially what we are not able to see and perceive immediately. This idea is the basis on which the Iceberg theory of culture is set (Hall 1976). Thus, since formal meetings and codes are not able to effectively influence organizational culture, it is pivotal to engage in an open and ongoing dialogue with employees to improve the interpretation of rules and codes with the final goal of integrating these standards and principle of behavior into the daily life of employees and organizational members. The main message from this discussion is that to make whistleblowing a standard, education is key, both in terms of educating people to distinguish between unacceptable and ethical behaviors, and in terms of inducing employees to properly evaluate the costs and disadvantages that their company, customers, or other stakeholders, in general, are likely to face if they do not blow the whistle. To achieve such a result, annual meetings are good solutions but for sure they are not enough. It is necessary to let employees understand, through practical cases, the true extent of damages that could occur in case of misbehaviors and it is also important to let them know how a simple action such as whistleblowing could avoid a lot of damages. In two simple words, it is paramount to raise awareness. To achieve such a goal the organization must implement webinars, newsletters, e-mails, coaching, training programs, and all the other formal and informal means of communication able to spread a standard of conduct and positively influence the organizational culture.

The second important cultural dimension is named "engagement", which refers to the involvement perceived by employees. "Engagement" deals with the alignment between employees' personal values and beliefs and organizational values. This dimension is critical for whistleblowing since an observer considers, in the first instance, to blow the whistle or remain silent by establishing the moral and ethical acceptability of the misbehavior observed. Therefore, in the event of a misalignment between personal values and organizational values, observers might decide to remain silent as their personal morality would ask them to boo, but company values would consider that behavior as standard conduct. At the same time, the opposite situation could arise. The company requires employees to blow the whistle, but the high ethical standards demanded by the organization are not met by the members of the organization (Shafer, 2002).

It is then necessary to understand how to stimulate consistency and congruity between organizational and employees' values. It is clear that creating engagement is pivotal to establish an internal organizational culture able to positively perceive and accept whistleblowing and whistleblowers. In this way employees may be facilitated in blowing the whistle thanks to a general widespread positive perception of whistleblowing, and data and research suggest that the outcome of a positive organizational culture is the growth of complaints filed. Once again, to do so it is necessary to develop culture through socialization and training, more than that, Trice and Beyer (1993) suggest that organizational rites of passage and onboarding policies are good strategies to transmit cultural values and let employees internalize them.

The third dimension is "credibility". This dimension focuses on the relationship between employees and managers, more precisely it addresses the topic of leadership. Managers, and more generally everyone who has a strong decision-making power within the organization, have the duty to be an example and a model for all the employees. Managers have the same duty as lower-ranking employees in terms of alignment to organizational rules, thus if they take advantage of their position to carry out misbehaviors, they should receive an equal, or even worse, punishment for their actions. This not only because of the concept of fair and equal justice for all, but most importantly because they have stronger power in influencing employees' behaviors, therefore, through their misconducts, they could potentially destroy the internal and external credibility of the company. In other words, if an employee observes

misbehavior by his/her manager, he/she might think that that practice is accepted and consistent with organizational values. This negative influence could damage the organizational culture conveying the false message that if not even the managers follow the rules, then neither do the employees, as managers are the embodiment of corporate values. This lack of consistency between managers' actions and corporate values undermines the credibility of the company. Furthermore, even if employees understand that managers are engaging in misconducts that are misaligned with company values, employees might think that if they cannot rely on leaders, they cannot rely on anyone else as the lack of consistency between organizational values and the actions of managers is indicative of a lack of overall organizational credibility.

It should be then clear that leadership plays a central role in whistleblowing. How a company sets its internal leadership structure impacts the propensity to report and have an effect on whistleblowing. It is then important to open a short parenthesis on this topic to establish how leadership should be trained and which is the best type of leadership to facilitate whistleblowing. Eric Sigurdson suggests that an effective organization able to spur and leverage whistleblowing must focus on a good governance structure based on a transparent system, a strong organizational culture, and a proper leadership style that demonstrates accountability and a strong commitment to organizational values. Companies must set a culture based on ethics and integrity, and they can do that by shaping the governance structure, but leaders are those who actually demonstrate, through their behaviors, where is the boundary between what can be done and what is not permitted. In other words, "governance and culture are a priority as drivers of behavior, but it is incumbent upon senior leadership to drive and monitor cultural change"[76].

Caillier and Sa (2017) presented interesting research to establish how leadership impacts whistleblowing attitudes. Scholars focused on transformational and transactional leadership. The first type of leadership is pretty consistent with the perception of whistleblowing as prosocial behavior. Transformational leaders focus on constant attention on employees based on motivation, personal contacts. Odumeru and Ogbonna (2013) define a transformational

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[76] Sigurdson, E., (22-12-2019). Whistleblowing, Leadership and Organizational Culture – building accountability and restoring trust. *Sigurdson Post.* Available at the link: http://www.sigurdsonpost.com/2019/12/22/whistleblowing-leadership-and-organizational-culture-restoring-accountability-and-trust/

leader "a person who stimulates and inspires (transform) followers to achieve extraordinary outcomes"[77]. While transactional leaders are those who rely on rewards and punishment to motivate employees, relying on an approach based on "carrots and sticks" rather than personal motivation and open dialogue. In terms of whistleblowing, I already have discussed the topic of incentives and as we know they are extremely useful to spur whistleblowing, nevertheless, it is also necessary to focus on a mechanism that can achieve the same result with a different approach, an approach based on communication, motivation, intellectual stimulation, and challenges. This latter approach is what we called "transformational leadership" and it is fair to expect a higher propensity to report with this approach than with transactional leadership. Bass and Riggio (2006) underline that with a transformational approach, employees perceive a longer-lasting motivation effect than with the employment of rewards. A reward motivates employees in the short and immediate term, while personal motivation and stimulation can generate a positive effect that will be embedded in the organizational culture. Caillier and Sa (2017) tested this assumption with a scientific experiment and concluded that both transformational and transactional-oriented leadership have a positive effect on whistleblowing, but transformational one has a higher overall positive impact.

This important result suggests that we must consider the training of leaders and managers as a crucial task to incentivize whistleblowing, to establish an organizational culture that accepts and welcomes whistleblowing, and of course to foster organizational credibility. For these simple reasons, Berry (2004) suggests aligning leadership behaviors and organizational value by employing formal policies and coaching to force managers to follow ethical standards in everyday activities, and thus be a good example for all employees.

The fourth dimension is accountability, and it deals with the personal interior reasoning of observers, hence, it is linked to the dilemma that I have broadly analyzed in the first chapter. The issue of accountability is a deep problem that threatens the positive outcomes of whistleblowing. Employees may be observers of wrongdoing, but they might decide not to blow the whistle because they do not perceive that action as part of their job. I have already established that whistleblowing is not a role-prescribed activity, thus each employee can file

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[77] Odumeru, J. A., & Ogbonna, I. G. (2013). Transformational vs. transactional leadership theories: Evidence in literature. *International review of management and business research*, 2(2), 355.

a complaint. Nevertheless, the problem is not the feasibility and the realization of the act, but rather is linked to the widespread idea that blowing the whistle is not part of someone's job, and for this reason, observers might decide to remain silent since they feel that they do not have the duty, and in some cases the right, to report. Although blowing the whistle should be perceived as an option rather than a duty, employees must understand that blowing the whistle is the best decision from a moral perspective. The problem of accountability is linked to the idea that "if I don't, someone else will". In other words, the lack of accountability occurs whenever an observer decides to remain silent because he/she does not want to be involved. It is then important to understand how to intervene to let employees understand that whistleblowing is intrinsically a moral duty that should drive their action even without a formal obligation. Berry (2004) suggests that employees must sign, in addition to the employment contract, a certification that demonstrates their commitment and knowledge of the ethical standards of behavior to be followed. This recommendation makes it clear to employees that, although whistleblowing is not an activity directly prescribed to them, a sense of responsibility is required to ensure compliance with ethical standards within the organization.

Then, it is necessary to empower people. Empowerment is a necessary dimension linked to the response of the organization. Observers, in deciding whether to report or not, analyze their decision-making power. This implies that if they perceive themselves as powerless, they will not blow the whistle. Moreover, the same outcome occurs when the recipient party is not likely to support and believe them. Theory suggests that the frequency of whistleblowing tends to increase with the hierarchical level of the employee for all the different reasons that I have reported in the first chapter. Nevertheless, even low-ranking employees might have observed misbehavior and they could be precious whistleblowers in order to terminate the misconduct. This means that organizations must empower each employee, that is to say, that companies must make employees understand that each human resource is valuable, and each complaint will receive the same attention. In other words, empowerment passes through the concept that regardless of the diffusion of responsibilities and decision-making power within the organization, misbehavior is always a violation and for this reason, it is not important the role, the sex, the tenure, or in general the identity of the employee that files the complaint. His/her identity is only useful to establish if the information he/she provides is well-founded or not, but it is not important to establish the priority to be given to the complaint.

It is then clear that a culture based on empowerment is fundamental in the organization. Companies must convey the message that each employee has the right to report and to be heard. Why low-ranking employees might have some qualms in reporting? Obviously because of all the possible retaliation, but from the perspective of empowerment, they might be less prone to report when they are not involved in the organization, when they feel to be part of the organization but as passive actors that receive and follow orders. It is then necessary to actively involve them, this does not mean providing them with full autonomy and decision-making power because it is anyway necessary to preserve the hierarchy and to have consistency avoiding full freedom.

So, to empower them, dialogue is once again pivotal, it is critical to make employees feel like they are at the center of a great project, conveying the message that people have power. Employees are those who lead the company and determine its success, not only top managers, directors or shareholders. More practically, it is important to share responsibilities spurring employees to take initiatives to improve the performance of the company or generally to improve the working environment. But Berry (2004) underlines a crucial point. To achieve this result, it is paramount to provide opportunities and resources. Without opportunities or resources, employees would have no power because, even if they showed initiative and resourcefulness, they would not have the "weapons to fight". This implies that to reach a culture based on empowerment it is necessary a bottom-up approach since employees must demonstrate that they want to become active members of the organization, coupled with a top-down approach, since employers must understand the necessity to trust each employee and spread decision-making power and responsibilities. Furthermore, by trusting employees, a positive feeling spreads, and this leads to a stronger relationship between the organization and employees generating a deeply rooted sense of belonging among the members of the organization. Deeply believing in organizational values leads observers to denounce, preserving the integrity of the company through prosocial behavior. Consequently, with a culture based on empowerment, observers are more prone to blow the whistle because their loyalty toward organizational values is deeper.

The sixth element deals with a different perspective that is the one the analysis of costs and benefits of whistleblowing conduct in the mind of observers. As we have learned in Paragraphs 1.4 and 1.5 many retaliations and victimizations can drown out any type of benefits. Personal

awareness of having done the right thing is the general intangible benefit that whistleblowers receive, nevertheless, it is clear that blowing the whistle is often associated with many negative effects that represent the most important hurdles to the decision-making process of observers.

Personal and professional harms lead us to assume that blowing the whistle must be considered as an act of courage. This dimension deals exactly with this characteristic of whistleblowing, the importance of determination. Courage must be supported and well perceived by organizations, peers, and managers, nevertheless this virtue is often undermined by the lack of support. I have broadly analyzed the role of incentives, but we must now focus on the importance of informal support. An observer might prefer to remain silent because he/she wants to avoid all the negative outcomes, but if the organizational culture is able to incentivize courage and capitalize on it, observers might be more prone to report.

The big problem with this dimension of organizational culture is that it is probably the most difficult for the organization to manipulate. Courage deals with the fortitude that people show when they have to face risks or dangers. Courage is intrinsically linked to the emotion of fear and fears are linked to past traumatic experiences and memories, but often fears come from unknown sources attributable to the subconscious. For this reason, the organization does not have much room for maneuver. Develop courage in employees' minds is extremely difficult. Managerial support, peer support, incentive mechanisms, protection regulations might have partial effects, nevertheless, manipulate and enhance employees' courage is a quite impossible task for an organization.

The final element of organizational culture is "option". Berry underlines that since whistleblowing is a voluntary action, whistleblowers must decide the channel to use and the modality of their complaint. I have already emphasized that companies should set up internal channels to allow employees to blow the whistle internally. Companies should set internal policies to facilitate internal whistleblowing by providing instruction and guidelines to employees. This basically means providing different options to observers to create a positive internal organizational culture able to capitalize on whistleblowing and facilitate observers.

Formal organizations generally establish a clear structure with their own set of channels and ways of reporting. However, employees might anyway prefer to report externally, and this occurs under two main possible situations. The first occurs whenever the observer has

some doubts about the internal channel in terms of the trust. Under this scenario it is obvious that organizational culture has failed to create a positive background able to foster and welcome whistleblowing. The other situation occurs when the damage and the misbehavior are so relevant that the organization has not enough resources to terminate the misconduct or mitigate the negative outcomes produced by that illicit behavior. In the latter case, we cannot blame the organizational culture because the decision to blow externally is justified by a reason other than the inadequacy of the organizational policy. What is important to notice for our discussion is that the freedom to choose must be provided to each employee, and more than that, companies must provide credible channels and options.

This practically implies that the company must accept anonymous forms of complaints, even if there are possible problems with this form, setting different possible options of reporting in terms of channels, recipients, and forms. This also means that companies should welcome informal forms of complaints, without establishing formal and strict procedures to follow and tons of documents to fill out. Despite the lack of formalization, the organization must convey the message that it will be a priority to go deep into the complaint, analyzing the validity of the report, correct misbehaviors detected, and punish culprits, regardless of the method of reporting employed by the whistleblower. Ongoing control and monitoring are the prices to be paid to make the internal reporting system credible, but as we know, the price of excellence is eternal vigilance.

2.4.1 The role of national culture

As mentioned, organizational culture is directly influenced by founders' and top managers' values, the history of the company, and the national culture. Under this latter point of view, organizational culture can be highly influenced by the general culture that is present in the country in which the company operates or where the company was established.

Nevertheless, we also need to take into account that international companies that rely on subsidiaries might have to face misalignment between the headquarter formal culture and subsidiaries' cultures. This is more likely to occur whenever the company employs people of different backgrounds and origins. In fact, the recruitment strategy of an international company could be based on hiring HCNs (host country nationals, or locals), PCNs (parent-

country nationals, and in this case the company will use expatriates to manage foreign subsidiaries), or TCNs (citizens of third countries. In this latter case, the company hires subjects of different nationalities from that of the head office and branch). These three approaches lead to different results in terms of consistency between the organizational cultures of the subsidiaries. In other words, by employing a polycentric approach, that is to say, mainly employing HCNs, there will be a general better consistency in terms of organizational values since employees have a common background and origin, eliminating languages barriers and providing a general greater autonomy to the subsidiary, nevertheless the problem will be a lack of worldwide learning due to the limited meeting between cultures (Iles and Zhang 2013).

Moreover, it is noteworthy that national culture is rooted in personal values already before age of 10 according to Hofstede. This implies that national cultural values are learned since childhood and are likely to remain rooted in human nature until death. While organizational culture is part of people's lives from the moment when the employee starts to work for that specific company. This implies that organizational values are logically less rooted in human nature, and it also means that organizational values can change much faster than national values. This point is massively relevant since it demonstrates that people's origin matter even when the organization is able to set a strong and valid corporate culture. In fact, an organization could influence its corporate culture toward a specific direction, nevertheless, this might not be sufficient when the influence of national culture is strong. For this reason we could expect a negative relationship between uncertainty avoidance and propensity to report.

To understand how national culture affects whistleblowing, I will use the more common culture framework. Hofstede's cultural dimensions theory was developed in 1980 and then re-elaborated in 2001. Hofstede underlines that national culture can be explained through six main dimensions: power distance index (PDI), individualism index (IDV), uncertainty avoidance (UAI), masculinity index (MAS), long term orientation (LTO), and indulgence index (IND).

These six important dimensions identify and characterize different cultures all over the world. However, not all of them seem to be relevant in terms of whistleblowing. According to Brody et al. (1999), we should focus on the power distance index, individualism, and uncertainty avoidance. While, other scholars, such as Schultz et al. (1993), focused just on

power distance and uncertainty avoidance since they follow the analysis of Hofstede himself according to which these two dimensions are likely to have an impact on organizational structure. Nevertheless, I think it would be more clear and more complete to follow the reasoning of Brody et al. to understand how national culture could impact on organizational culture and consequently whistleblowing. In fact, according to my hypothesis, excluding the dimension of individualism could be a limitation since the degree to which employees are used to reasoning individually without considering the role of the group in which they operate, directly influence the decision-making process of observers.

By reasoning, we could understand why the three dimensions are the most likely to represent a source of influence in terms of whistleblowing. Power distance is connected to the level of hierarchy and the importance of the hierarchy within the company; thus, it should be clear that how people perceive an unequal distribution of power has deep relevance in terms of whistleblowing. More specifically, when power is concentrated in the hands of a manager that misbehave, lower-ranking observers might prefer not to blow the whistle in order not to object to the authority.

Then, individualism is another crucial dimension to take into account when we talk about whistleblowing. The idea of individualism is tightly connected to the integration and participation of employees in companies. When people have a strong orientation toward collectivism, they are more prone to believe that their actions have a massive effect on the performances of the group of which they are part. This means that their sense of engagement and involvement could represent a hurdle in terms of whistleblowing since they might perceive complaints as a form of betrayal to their group. A low individualism level could result in growing cover-ups in order to defend the reputation of the group.

Finally, uncertainty avoidance is also important since it deals with the uncertain outcomes of complaints. As we know, reports could be welcomed or rejected by recipients, but we have also learned that retaliations could occur as a form of defense, and these victimizations could generate an unpleasant issue for whistleblowers that want to do the right thing without risk their careers. Uncertainty also occurs because of the lack of specific internal regulations that specify how complaints will be gathered and analyzed, and how whistleblowers will be protected.

Not much research has been done in this specific matter of the importance of national culture and it is also quite clear to understand why. The influences on observers decision-making process are many and although nationality seems to play a role, its influence is also difficult to establish correctly since, by comparing the responses to misbehavior of employees with different nationality, it is not so immediate to understand how nationality has a specific weight on the decision to blow or remain silent. In other words, national culture has a role, as suggested by data, nevertheless, this role encounters some difficulties in its evaluation since it is necessary to isolate the variable of nationality from a massive number of other variables.

Luckily, Schultz et al. (1993), Brody et al. (1999), and Tavakoli et al. (2003) tried to assess the role of national culture on whistleblowing. Schultz et al. focused on France, Norway, and the US; Brody analyzed the difference between US and Taiwanese culture, and Tavakoli et al. focused on the US and Croatia. Each of the research focuses on a different number of dimensions. Schultz et al. remained faithful to Hofstede's suggestions by analyzing only the importance of power distance and the avoidance of uncertainty. Brody et al. instead focused on the role of the same two variables but also on the importance of individualism. Tavakoli et al. analyzed the role of the same three dimensions studied by Brody et al. also studying the role of masculinity.

The main hypothesis we should focus on is of course linked to the above-described reasoning that I have carried out by analyzing the possible role of the three main dimensions. Scholars hypothesized a negative relationship between power distance and propensity to report, this follows the theory that I have already analyzed, according to which with a more authoritarian hierarchical structure there will be a lower propensity to report.

If we focus on the dimension of uncertainty avoidance, we might expect a negative relationship between this dimension and the propensity to blow the whistle. To understand why it is important to remind that to avoid risks and uncertainties, it is necessary to set clear rules and well-defined procedures, but we have also learned that this could lead to high bureaucratization which in turn leads to a lower propensity to report.

Finally, as concerns individualism, we should expect a positive relationship between this dimension and the propensity to blow the whistle, and this hypothesis must be sought in the idea that in many organizations and societies whistleblowing is still considered as an act of betrayal, and where group cohesion comes first, it is fair to expect a lower tendency to report.

Things become difficult if we examine the relationship between masculinity and whistleblowing. I think that this type of dimension has not a high relevance in terms of organizational culture. However, Tavakoli et al. suggest that in feminine cultures more cases of whistleblowing might be more likely as males are more prone to confront conflict situations directly.
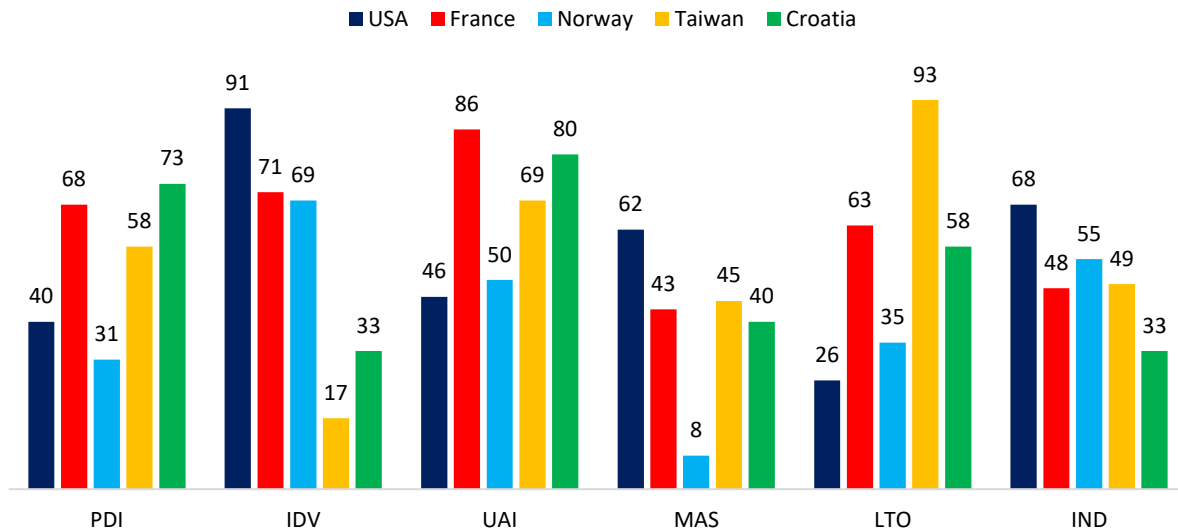
Graph II.2: Hofstede's dimensions scores for the countries studied

Source of data: https://www.hofstede-insights.com/product/compare-countries/

Graph II.2 provides a helpful description of the six dimensions for each country. We can notice an important difference that is likely to show important and significant results due to the big difference between the cultures considered. If we first consider the role of power distance, results do not provide a clear response to the relationship between this dimension and the propensity to blow the whistle. Data presented by Schultz et al. (1993) suggests that French people are less prone to blow the whistle than Norwegians and US employees due to a higher index in terms of both power distance and uncertainty avoidance.

However, Brody et al. (1999) do not confirm a clear negative relationship between the propensity to blow the whistle and the power distance since, comparing the responses of the Taiwanese and the Americans, power distance was not found to be a significant variable. While Tavakoli et al. recognize a higher propensity to report by Americans than by Croatians, and they conclude that this occurs because of the higher power distance, lower individualism, and lower masculinity of Croatian culture. Nevertheless, they do not provide any results by isolating the role of power distance from the other two dimensions. Hence, there is not

sufficient and unambiguous data to conclude that power distance has a clear negative relationship with whistleblowing.

If we move to the role of individualism, Brody et al. find important consistency for the relationship between individualism and propensity to report. All the studies seem to unequivocally conclude that the individualism index has a positive relationship with whistleblowing. In terms of individualism, we can observe a big gap between the index of the USA and the one of Taiwan and Brody et al. underline that individualistic cultures are more likely to influence the personal reasoning of employees toward whistleblowing. The explanation of this result is that in individualistic cultures people are more prone to report due to minor constraints they perceive towards colleagues, superiors, or even neighbors (in the case of social whistleblowing). In other words, in collectivistic cultures reporting a peer or a manager could be still considered a serious act of betrayal. Following this logic, since Italy's individualistic index score is 71, we should expect a higher propensity to report by Italians rather than by Taiwanese or Croatian people. Unfortunately, this will remain a conjecture since my experiment has other aims and my sample is made up of only Italian subjects, therefore it is impossible to evaluate differences in the responses between Italians and subjects from countries with a lower index of individualism.

As regards uncertainty avoidance we cannot isolate the role of this dimension since studies did not analyze the singular role of this variable and Brody et al. did not find consistent support to their hypothesis. The same conclusion can be drawn for the dimension of masculinity.

What seems to be clear is that individualism has an important relationship with whistleblowing. This is probably the most analyzed Hofstede's dimension since whistleblowing is a prosocial behavior that is likely to be influenced by the perception of others. This conclusion is emphasized by another specific study published by X. Cheng et al. (2015). By comparing an individualist culture such as the British one with a collective culture such as the Chinese one, they conclude that "compared to those from individualistic cultures, individuals from collectivist cultures have fewer tendencies to engage in whistleblowing"[78].

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[78] Cheng, X., Karim, K. E., & Lin, K. J. (2015). A cross–cultural comparison of whistleblowing perceptions. *International Journal of Management and Decision Making*, 14(1), 15-31.

To conclude, researches in this specific contest are lacking but what is evident is that cross-cultural differences have an influence on organizational culture and consequently on the perception of whistleblowing. Individualism seems to be correlated to the propensity to report, while the other Hofstede's dimensions seem to have a relationship with whistleblowing only when considered as a whole and not individually. In fact, when national culture shows high power distance, high uncertainty avoidance, and low masculinity seems fair to expect an overall lower propensity to blow the whistle. Nevertheless, data are not sufficient to reach this conclusion and this result remains speculation made by scholars.

What I think it is crucial to remark that national culture partially explains why in some cases whistleblowing is highly likely than in other organizations, however, it is also necessary to underline that many other variables must be considered since it is unfair and misleading to assume that each employee of a certain nationality follows the same decision-making process of all his/her coworkers of the same nationality. The final message of this subparagraph is that national culture influences organizational culture, however, the company has a duty to spur a positive perception of whistleblowing even where national culture seems to perceive whistleblowing as a betrayal act as in the case of collectivist cultures.

III.   Practical analyses of whistleblowing management

The third chapter will be completely devoted to the practical analysis of internal corporate whistleblowing. This is one of the central sections of the thesis as it merges all the theoretical issues seen previously with the practical aspects. More precisely, this chapter will deal with internal processes of whistleblowing management that cannot be explained theoretically but must be analyzed through the evaluation of companies' experiences. It is important to highlight that whistleblowing is a phenomenon that is linked to several topics as employees could report violations of the code of ethics, rather than of the code of conduct, sexual harassments, discriminatory activities and behaviors, lack of transparency, frauds against the company itself, and many other violations. Thus, it should be already clear that companies must create an internal system able to capitalize on the opportunity to remedy these violations before the matter becomes public or uncontrollable. But it should also go without saying that an internal whistleblowing policy must be designed in such a way that employees can report any type of violation regardless of the situation, the offender, and other characteristics of the misconduct. This practically means that companies must propose clear procedures to follow in order to report. Employers have the duty to set up clear rules to blow the whistle in order to spur observers to report and facilitate the access to internal channels of complaint. Whenever we talk about this we are indirectly speaking about the importance of processes. It is crucial to specify that the general importance of formal rules is something that is linked to the creation of organizational culture, thus, after analyzed this topic in theoretical terms in the second chapter, we will focus our attention on how companies have tried to practically implement a proper organizational culture.

Before approaching the subject through the analysis of three practical cases, it is necessary to evaluate how and why whistleblowing legislation has a fundamental role to drive companies in establishing a whistleblowing policy. It is impossible, and useless, to analyze how companies constitute internal whistleblowing procedures if we do not first evaluate the impact of legislation. Furthermore, we will notice that the whistleblowing legislation is a novelty in the Italian and European legislative framework, and this has impacts on companies as they are novices. It is also important to assess the legislative framework because there are some clear rules to be respected. In fact, laws sometimes create some stringent boundaries,

and the intervention of companies might be, in a way, quite restricted. Therefore, even if companies, in general, enjoy some freedom in deciding how to design the internal reporting structure and the various channels, some regulations place stringent limits. This conclusion is particularly valid for banks and insurance companies as I will explain better later thanks to the analysis of the Intesa Sanpaolo case.

It is also important to understand how legislation has an effect in terms of perception of incentives. In fact, we will notice that the history and legislative evolution of a country has very impacting effects on the perception of incentives. The so called "*Qui Tam*" system seems to be a very used and appreciated stimulus in the United States. In the United Kingdom until a few decades ago, whistleblowers obtained part of the fines paid by lawbreakers. Instead in Italy this system has never been used, we will see that for this reason the perceptions of companies on whistleblower incentives are negatively influenced by this lack of legislative legitimacy. The same conclusion can be extended to the European Community whistleblowing legislation which must be implemented by 2021 by the member countries.

3.1 The general importance of legislation on whistleblowing for companies and hints of US law

To have a complete overview of whistleblowing it is necessary to evaluate how countries are striving to provide a legislative framework for whistleblowing. But first, it is important to understand why legislative action is important and why whistleblowing is a booming phenomenon in terms of laws and protections. Legislative intervention, as often happens, became decisive when the regulatory vacuum became massively relevant, especially after a real case in which the actors involved did not receive equal protection or just punishment. National legislation can and must intervene to punish violations, nevertheless, some behaviors might not be specifically considered illicit by the law. In fact, there may be regulatory gaps caused by "new" violations that the legislator has not been able to foresee and introduce into the law. Think of cybercrimes, they are illicit acts that did not exist until a few years ago, while now they are on the agenda. This gap between real situations and theoretical offenses present in the legal texts can create serious problems of legal vacuum. This explains why a good legislative framework coupled with a good internal corporate policy is decisive to struggle against violations.

Linked to this, it is important to underline that regulations are often insufficient to spur the creation of an internal proper corporate culture based on ethical values and ethical actions. The practical consequence is that legislators have a deep role in influencing employers' perception toward a specific issue, in our case whistleblowing. However, national lawmakers might have no direct role in changing the internal ethical culture because founders and top managers must intervein with internal regulations that go beyond the normal compliance with national and international laws, establishing codes of conducts and ethic codes that complement formal rules set at national and international level.

Moreover, another extremely relevant point to underline is the role of national and international legislation in terms of the acceptability of whistleblowing. As above explained, public opinion could play an important role in the decision-making process of observers, thus, if people are generally aware of the importance of whistleblowing and have a diffused positive perception of whistleblowing, observers are more motivated to blow the whistle. It must be then clear that legislations should create a general favorable background for whistleblowing, enhancing the social acceptability of this phenomenon establishing clear rules to facilitate corporate whistleblowing.

Historically speaking, the UK was the first country to consider the importance of whistleblowing. In fact, in 1318 King Edward II introduced the "*qui tam pro domino rege quam pro se ipso in hac parte sequitur*" (hereinafter also referred to as "*Qui Tam*"), a law that rewarded one-third of the value of the fine to those who reported illegal acts and fraud against the Crown. Obviously, that was not a specific case of whistleblowing legislation, but it was a good starting point. In terms of legislation, we could consider the US as the true pioneers of whistleblowing protection since the "False Claim Act" was firstly introduced in 1863. The act, and its amendments of 1943, 1986, and 2009, provide for the imputation of responsibility against companies and people who defraud the State or the Government, rewarding whistleblowers with a percentage between 15% and 30% of any recovered damages. Thus, also in this case, the importance of a *Qui Tam* system is fundamental to spur citizens and employees to blow the whistle.

Furthermore, this law provides for a mechanism against false complaints. As we know, the presence of an incentive under the form of monetary reward has the positive effect of increasing the number of complaints, and the general observers' propensity to blow the

whistle. Nevertheless, at the same time, a massive limitation occurs since employees might be motivated by the sole aim of receiving a reward and not by the termination of the misbehavior. Therefore, whistleblowers might decide to report partially or completely unfounded misbehavior just to have the possibility to receive a reward. In other words, with a reward system, people might decide to file a complaint even if they do not have enough pieces of evidence that certify the presence of the breach. To solve this problem the False Claim Act provides for a defensive mechanism against unfounded complaints by imposing penalties equal to double the damage caused by the false report.

Yet, the False Claim Act is not directly linked to the private sector since it refers to frauds and misbehaviors that damage the federal government. So, what I should highlight is that this law is much more concerned with the regulation of a specific type of whistleblowing that is the one in which the injured party is the Government, and consequently, the society since citizens finance the Government. It is therefore important to understand how private sector laws affect corporate whistleblowing. The big problem is that, generally, states do not have a single law on whistleblowing that extends to all companies, but rather, national legislations have different rules, laws, and acts that constitute a fragmented and, I would add, an overly complex and specific framework. Lombard (2020) wrote that legislation, in general, follows two different approaches. The first one is the one of fragmentation that, unfortunately, the majority of countries have followed, while the other one is the "umbrella" approach by which whistleblowing legislation is presented and contained in a precise piece of legislation. In other words, an "umbrella" approach is preferable, as also underline by Transparency International, since leads to a perfect whistleblowing legal framework thanks to clear and specific stand-alone legislation.

But as declared, many national legislators used a fragmented approach. This is the case of the USA that is probably the country with the longest juridical tradition in terms of whistleblowing. As a matter of fact, in terms of the public sector, the "Whistleblowing Protection Act 1989" is in force, while in terms of the private sector we can recognize the copresence of the Sarbanes-Oxley Act since 2002 and the Dodd-Frank Act since 2010. This copresence generates a complex legal system especially if we look at the Dodd-Frank Act, as perfectly demonstrated by the title of this 849-page law: "An Act to promote the financial stability of the United States by improving accountability and transparency in the financial

system, to end ''too big to fail'', to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes"[79]. By reading it, it is obvious that this law contains too many topics, and it is appliable mainly to companies that operate in the financial sector. Indeed, Lombard himself explains that "whistleblowing provisions under the Dodd-Frank Act are essentially confined to securities regulatory matters"[80]. This sadly confirms the presence of a too fragmented legal framework in the USA.

But I have also mentioned another important Act that is the Sarbanes-Oxley Act. This law deals with the violation of securities laws, nevertheless, it contains important regulations in terms of whistleblowing because it was issued in 2002 after one of the most important cases of whistleblowing that engulfed the company Enron. In 2001 the whistleblower Sherron Watkins reported a case of accounting irregularities in Enron's financial reports. This case gave the lead to whistleblowing legislation since it became apparent the importance and the necessity to protect whistleblowers and to provide a clear legal framework.

What is important to highlight by analyzing this legal fragmentation are the problems that arise for observers. Without a clear all-encompassing regulatory structure, observers are not able to establish in advance what are the remedies put in place by the legislator, the protection they can enjoy, their legal obligations, and their rights. These limitations generate a deep uncertain scenario in which observers might prefer to remain silent since they are not able to foresee the possible outcomes of their complaints. Fragmented and unclear legislation is as bad as a legislative vacuum in this case. OECD in a 2016 report on whistleblowing wrote that many domestic legislators are focusing on whistleblowing, however, their interventions tend to regulate specific sectors indirectly influencing internal whistleblowing structures. The problem is "almost a legal vacuum", as reported by the OECD, since some countries have implemented regulations on whistleblowing in specific cases of "anti-competitive or cartel-like behaviour; health; environment or occupational safety threats; or on a sector-specific basis, such as whistleblower protection in the finance sector"[81], leaving a legislative void for all other cases not expressly and explicitly regulated.

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[79] *Dodd-Frank Wall Street Reform and Consumer Protection Act* Pub. L. No. 111-203, 124 Stat 1376, 1871 (2010)
[80] Lombard, S. (2020). Regulatory Policies and Practices to Optimize Corporate Whistleblowing: A Comparative Analysis. *In Corporate Whistleblowing Regulation* (pp. 3-35). Springer, Singapore.
[81] OECD (2016). *Committing to Effective Whistleblower Protection*. OECD Publishing. Available at the link: http://www.oecd.org/corporate/committing-to-effective-whistleblower-protection-9789264252639-en.htm

Without going any further on the issues of legislative gaps, I find it useful to analyze what legislative interventions in the field of whistleblowing are in practice starting from the United States since this country is one of the first in the world to address this phenomenon. The Dodd-Frank Act provides a general prohibition against retaliation by stating that "no employer may discharge, demote, suspend, threaten, harass, directly or indirectly, or in any other manner discriminate against, a whistleblower in the terms and conditions of employment because of any lawful act done by the whistleblower"[82]. However, this type of protection is too limited because according to the Supreme Court, for an employee to be defined as a whistleblower and to be protected as such, he/she must report to the Securities and Exchange Commission (SEC); internal denunciation alone is not sufficient for the American legislator to provide legal protection to the complainant.

As regards the Sarbanes-Oxley Act the situation is quite similar since, even if there is not the specific necessity to report to the SEC to receive protection, it is anyway necessary to report to a "federal regulatory or law enforcement agency, or to a member or committee of Congress, or to a person with supervisory authority of the employee"[83] in order to be protected. This once again demonstrates how specific US legislation is and how weak it is in terms of the generic protection of the private sector's whistleblowers. However, at the same time, the US whistleblowing law demonstrates a serious commitment toward the defense of whistleblowers after the complaint. In fact, the Sarbanes-Oxley Act also provides corrective measures to repair the damage caused by the accused party victimizing the whistleblower. The Sarbanes-Oxley Act provides corrective tools such as: reinstatement, payment of damages and related interest, compensation, and reimbursement of costs for the trial and for lawyers and legal practices.

Another big problem is the defensive provisions presented in the Sarbanes-Oxley Act. Section 1107 provides a criminal liability to the employers that retaliate against a whistleblower that reports a federal offense. While section 806 provides civil remedies, but it protects whistleblowers just in the case of reports of misbehaviors such as securities violations or frauds against shareholders. Once again it is more than evident the too limited legislative protection, and Lombard explains that "from the perspective of an insider who detected

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[82] *Dodd-Frank Wall Street Reform and Consumer Protection Act* Pub. L. No. 111-203, 124 Stat 1376, 1871 (2010)
[83] *Sarbanes-Oxley Act*, s 806(a)(1).

wrongdoing in an organization, this means that they might have to 'classify' the nature of the wrongdoing first in order to determine whether there is whistleblowing remedy available"[84] and this obviously generates a chaotic framework that is unsuitable to address and correct the problem.

National and international legislations have a role in terms of corporate whistleblowing because they are likely to influence employees' perception of whistleblowing, but it is especially relevant in terms of practical implementation of whistleblowing procedures within companies. More simply, domestic legislation influences the feasibility, efficiency, and utility of internal corporate reporting channels. To understand why it is once again important to look at the role of incentives. If national legislation, as in the case of the USA, provides incentive mechanisms to lead people to report to an external institutional channel, such as the SEC or the police, the attractiveness of the internal channel falls. It is simple to understand that an employee in front of an externally granted monetary reward, is more prone to abandon the idea of reporting internally.

American lawmaker luckily understood its role in terms of influence on internal disclosure attractiveness and it required public companies to set internal procedures and systems to enable employees to report internally. But obviously, this request is not enough to spur employees to actually prefer internal channels. Therefore, the SEC established as a criterion to determine the amount of the financial award, the prior use of the internal reporting channel by the whistleblower. More than that, a whistleblower who reports internally will still be eligible to receive a reward, on the condition that he/she also submits the report to the SEC within 120 days. So, this provision practically demonstrates that the influence of national legislator in terms of corporate whistleblowing is extremely relevant also internally, but at the same time, it shows that legislators are aware of their weight, and in the case of the US, an external report has to be considered as a secondary alternative to the internal channel.

Still, on the topic of financial incentives, it is important to underline that according to Dworkin (2007) the sole protection is not enough to persuade observers to blow the whistle. He indeed emphasizes that financial incentives should be provided by national lawmakers, not only in

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[84] Lombard, S. (2020). Regulatory Policies and Practices to Optimize Corporate Whistleblowing: A Comparative Analysis. *In Corporate Whistleblowing Regulation* (pp. 3-35). Springer, Singapore.

terms of the financial reward bestowed by the government to whistleblowers who report externally, but also in terms of internal financial rewards provided directly by the organization itself under the legislative influence of the national legislator. Data suggests that financial incentives are empirically a strong incentive, as already theoretically explained in the second chapter. According to the report published by the SEC, in 2020 the Commission awarded $175 million to 39 people. Those are massive figures considering that in 2019 the total rewards were $60 million to 8 individuals, while in 2018 the awards were $168 million to 13 people[85,86,87].

In general, we are witnessing a steady growth in whistleblowing and rewards thanks to the US approach based on financial incentives. Obviously, fluctuations in terms of rewards and the number of whistleblowers over the years are likely, but the overall trend shows a pattern of growth. Nevertheless, the topic of financial incentives is highly controversial for all the arguments already mentioned, but the main reason that discourages domestic legislators in not providing for financial incentives is what I call "the commodification of an ethical duty". Companies and legislators all around the world should prefer to rely on the ethical and moral sense of people rather than on an artificial incentive that unnaturally increases the sense of duty. Some national legislators are following the American incentive approach, this is the case of Canada, while some others, such as the UK, France, and Italy, do not establish financial incentives to whistleblowers.

Another relevant point in terms of the influence of domestic jurisdiction on corporate whistleblowing is the issue of whistleblowers' identity. To be more precise, domestic regulations need to establish clear rules to protect the identity of whistleblowers. Legislative protection is not only about protecting against threat and victimization but must also address the confidentiality of the disclosure and the identity of the whistleblower. For this reason, US law prohibits the SEC from disclosing any information that could compromise the

[85] U.S. Securities and Exchange Commission (2020). *Whistleblower Program, 2020 annual report to congress.* Web publication. Available at the link: https://www.sec.gov/files/2020%20Annual%20Report_0.pdf
[86] U.S. Securities and Exchange Commission (2019). *Whistleblower Program, 2019 annual report to congress.* Web publication. Available at the link: https://www.sec.gov/files/sec-2019-annual%20report-whistleblower%20program.pdf
[87] U.S. Securities and Exchange Commission (2018). *Whistleblower Program, 2018 annual report to congress.* Web publication. Available at the link: https://www.sec.gov/files/sec-2018-annual-report-whistleblower-program.pdf

whistleblower's identity. More specifically, the Sarbanes-Oxley Act forces companies to establish anonymous reporting channels. Nevertheless, what should be clear is that for some types of misbehaviors it is necessary to disclose the identity of the whistleblowers. Let for example think about a sexual harassment lawsuit that goes to court, in this specific case it is often impossible to provide tangible pieces of evidence of the misbehavior, thus the only proof in the hands of the complainant is his/her deposition, and in this case, it is then pivotal to reveal the whistleblower's identity.

This topic of identity protection fits into the argument of motivation of whistleblowing. It is simple to understand that when the legislation defends with ad-hoc measures whistleblowers' identity, observers are more prone to blow the whistle since they feel safe. But national legislation must also intervene to ensure a good level of efficacy of the reporting channels. This is also link to the motivation since Miceli and Near (1985) are sure that observers in their decision-making process evaluate the likelihood of receiving retaliations, and the level of efficacy of their reports. This practically implies that national legislators must set clear rules to increase the efficacy of internal reporting channels. To achieve this result, lawmakers must force companies to follow specific duties of communication, investigations, and other duties that generate a constant flow of information between the organization and the whistleblower. The main aim is to spur companies in communicating what are the steps that will follow the reception of the complaints, what are the rules that the organization will follow to investigate on the reported misbehavior, why the company decides to further investigate or to stop its examination, and in general a constant update of the status of the report. Lombard (2020) assures that this type of intervention has an enormous effect on observers' perception of reporting channels' efficiency. Unfortunately, the US legislator did not observe this suggestion, and as we can read in the FAQ section of the SEC's website, after the submission of the complaint "the SEC cannot disclose the existence or non-existence of an investigation, or any information gathered unless made a matter of public record in proceedings brought before the SEC or in the courts"[88].

All in all, I can then conclude that laws have a key role for whistleblowing. As explained, legislations are necessary to achieve several goals. More precisely, lawmakers, through their

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[88] U.S. Securities and Exchange Commission. (09-05-2018). Filing Guidance and Confidentiality. *SEC Website.* Available at the link: https://www.sec.gov/complaint/info

legislative work, are able to influence people by increasing the general awareness of this phenomenon. Linked to this, we should consider laws and regulations as the starting point for the creation of an internal corporate culture in which whistleblowing is welcomed and praised. Another immediate effect of laws is the generation of a clear framework able to educate whistleblowers and observers about their rights, obligations, protections, and procedures to follow. Furthermore, legislators should work to facilitate the access to reporting channels. Nevertheless, it is necessary to remark that they also should remind that this also means give priority to internal reports. In fact, lawmakers have the power to influence people's preferences toward a channel rather than another one. In this specific context, internal channels should be perceived as primary options compared to external ones. This in practice implies that the laws must facilitate internal whistleblowing and not instead give weight only to the external complaint because, as mentioned, this latter channel risks being dangerous for the company. Finally, the last but not the least role of legislation is to provide suitable and safe legal protection against retaliation and threats.

3.1.1 *The European legislation and its practical impact on employees and employers*

After the analysis of the general and important influence played by national legislation in terms of whistleblowing, it is now important to be more practical by discussing how the European legislator decided to intervene. As we know, whistleblowing is, academically speaking, a not-so-new phenomenon, but many companies understood its importance quite recently.

The same could be said for the European legislator since the directive that I am going to analyze in this subparagraph was issued in 2019. More specifically, I refer to "Directive 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law" (hereinafter I will refer to it simply by using the term "the Directive"). I can state that, compared to the US legislative experience, the EU one has an absent historical background and has also to deal with the internal fragmentation in terms of different member states' legislative frameworks. On 23 April 2018, the European Commission filed a proposal for a directive to address the issue of whistleblowers' protection. The European Commission justified its request by affirming that,

according to a survey, 81% of Europeans observe a case of corruption but do not report it, moreover 85% of employees are afraid of retaliation and negatively suffer the lack of an adequate protection system. Furthermore, the Commission itself explains that the lack of whistleblower protection leads to an estimated annual loss that ranges between € 5.8 billion and € 9,6 billion in the public sector alone[89]. Thus, we can understand that the *ratio legis* of the Directive is to establish clear rules to defend whistleblowers with the final main aim of leading observers to report misbehaviors, especially in the public sector. This latter part is noteworthy because it leads us to realize that the intervention of the European legislator was mainly driven by a willingness to limit and combat corruption cases especially in public offices and procurements. Hence, we can already understand that the eagerness to fight misbehaviors and protect whistleblowers in the private sector by setting clear rules for the internal channels was quite limited compared to the willingness to intervene in the public sector. More than that, the Commission established that the European legislator intervention was crucial to limit the fragmentation. As we know one of the key roles of the European legislator is to promote the convergence of national rules to create a legislative framework based on a high congruence of national laws across all the member states. Coming back to what I have written before, the will was to pursue and follow an umbrella approach.

Therefore, after the proposal by the European Commission, the Parliament voted in favor of Directive 2019/1937. This directive will probably become a cornerstone for many members states' whistleblowing legislation, while for the countries that have already implemented specific whistleblowing laws, it will represent a useful regulation under the perspective of specific laws that the country will add to its current legal framework. More precisely, in 2019, before the publication of the Directive, 16 out of 28 countries (the UK included) already had a specific whistleblowing domestic legal framework. This practically means that the Directive will be able to introduce a good legal protection framework in all the European member states introducing some important specific provisions in the countries that are still reluctant to perceive whistleblowing as prosocial behavior. What I want to convey through my words is that legislative intervention is extremely important to spread awareness that whistleblowing must be accepted and encouraged. This reasoning is again linked to the idea that legislation plays a crucial role in changing public opinion on an issue, so the Directive must be seen as an

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[89] *Proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law.* COM/2018/218 final - 2018/0106 (COD)

important step forward in spreading the idea that whistleblowers should not be seen or treated as traitors or spies, but rather, they must be welcomed and recognized as subjects who perform courageous, altruistic and ethically commendable acts.

A point that is worthy of attention in my discussion is the usage of the future tense. In fact, Directive 2019/1937 is already in force, nevertheless, member states have up to two years to incorporate it within their national legislations. More precisely, the European Parliament and the Council of the European Union established that member states must "bring into force the laws, regulations, and administrative provisions necessary to comply with this Directive by 17 December 2021"[90].

Let me now consider what will be the practical implications of this Directive on companies operating in the private sector. One important point to emphasize is that this Directive does not differentiates between the public and private sectors, but it provides for the protection of employees that report cases of misbehaviors in the following sectors: public procurement; financial services, products and markets, and prevention of money laundering and terrorist financing; product safety and compliance; transport safety; protection of the environment; radiation protection and nuclear safety; food and feed safety, animal health and welfare; public health; consumer protection; protection of privacy and personal data, and security of network and information systems; breaches affecting the financial interests of the Union; and breaches that might compromise the operation of the internal market[91]. This list identifies a limited number of sectors, but this is a choice justified by the principle of subsidiarity that governs legislative action at the European level. In other words, the European legislator intervenes to address some specific issues that need to be covered by national laws, but it also provides a margin of freedom to national legislators to establish additional and more stringent rules on other specific areas not mentioned in the Directive.

Besides, as regards the acceptable types of reports, the Directive imposes to members states to accept both oral and written complaints. However, if we focus on the debate on anonymity, the Directive does not specify that this form of whistleblowing is worthy of legal

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[90] *Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law*. PE/78/2019/REV/1 - CELEX number: 32019L1937

[91] Article 2, Paragraph 1, Point a,b,c. *Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law*. PE/78/2019/REV/1 - CELEX number: 32019L1937

protection. To be more precise, the Directive establishes the freedom upon national legislator to accept or not anonymous reports. But the Directive also specifies that "persons who anonymously reported or who made anonymous public disclosures falling within the scope of this Directive and meet its conditions should enjoy protection under this Directive if they are subsequently identified and suffer retaliation"[92]. Hence, the European legislator does not provide specific attention to the matter of anonymity, but it implicitly recognizes the possibility to accept anonymous reports without forcing national legislators to go in this direction.

The Directive in Chapter II defines how internal reporting channels should be managed by organizations. This is probably the part that has the biggest impact on companies, since it outlines the characteristics of internal channels, also setting who must institute these channels. The European legislator invites member states to encourage internal whistleblowing since it recognizes that in some situations the intervention of managers or internal committees could lead to better and faster results than interventions by external parties. This conclusion is further supported by the idea that internal agents are more aware of the internal functioning of the organization and can investigate the reported act with deeper and more targeted analyses without losing precious time. This internal reporting system must be preferred compared to an external channel, but the European legislator is also aware of the fact that internal channels could lead to conflicts of interests and victimizations, and for this reason the Directive specifies that the internal channel must be preferred "where the breach can be addressed effectively internally and where the reporting person considers that there is no risk of retaliation"[93].

The Directive also prescribes the duty to establish internal reporting channels to some specific companies. This Directive is extended to both the private and public sector, but in the case of private-sector organizations, companies are required to establish internal channels when they employ 50 or more employees. This threshold can be lowered by member states if a specific company with fewer than 50 employees carry out an activity that may be risky for public health, the environment, or the community in general.

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[92] Recital 34. I*bidem*
[93] Article 7, Paragraph 2. *Ibidem*

Furthermore, internal channels must follow precise indications set forth by the Directive. Indeed, the internal channel must ensure the confidentiality of the communication without disclosing the identity of the whistleblower. Besides, the Directive also establishes specific procedures that the internal channel has to follow. The internal channel must communicate to whistleblowers the reception of the complaints within 7 days. The reason for this rule must be sought in the necessity of certainty. In other words, whistleblowers must be informed of the correct opening of the reported case since they might decide to report the same complaint to an external channel if they do not receive communication that certifies the commitment of the organization toward the analysis of the denunciation. More than that, organizations must appoint a specific person or internal committee that will gather the complaints, communicate with whistleblowers and that will carry out all the necessary follow-up actions required to investigate and ascertain the validity of the complaint. In doing so, the designated person, or group of people, are obliged to comply with the due diligence obligations provided for by the case, especially in terms of confidentiality, collaborating with external authorities if necessary.

What is more than evident if we compare the text of the Directive with the US whistleblowing legislation is that the European legislator seems to have better understood the necessity to have open communication with the whistleblower to make employees perceive that the internal channel is valid, efficient, and effective. I have above mentioned that communication is a crucial element to spur whistleblowing, thus the European legislator has correctly acknowledged this need forcing internal channels to provide feedback to whistleblowers. This is even more evident if we read Article 9, Paragraph 1, Point f of the Directive that states that internal channels must set "a reasonable timeframe to provide feedback, not exceeding three months from the acknowledgment of receipt or, if no acknowledgement was sent to the reporting person, three months from the expiry of the seven-day period after the report was made"[94].

As instead concerns the actual protection measures provided by the Directive, we must state that the European legislator provides for specific measures of protection (Articles 19, 21, and 22), measures of support (Article 20), and penalties (Article 23). Hence, it is undeniable a strong commitment toward the protection of whistleblowers. Indeed, the central part of the

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[94] Article 9, Paragraph 1. *Ibidem*

Directive is precisely the one that contains all these regulations, that is Chapter IV. But what I must underline is that the whistleblower is not the only person that enjoys this legal protection. Article 4, Paragraph 4 of the Directive specifies that the measures of protections are also guaranteed to those who facilitate whistleblowing, third persons connected to the whistleblower (i.e., colleagues and relatives), and all the other legal entities connected to the whistleblower. That is a huge step forward in terms of the protection of whistleblowers since it introduces a protection shield that covers third parties that could suffer negative consequences even though they are not the main active players in the whistleblowing process.

The European legislator explicitly prohibits several forms of retaliation. Siddhartha Dasgupta and Ankit Kesharwan (2010) identify seven main types of retaliation (see Paragraph 1.5), while the Directive identifies fifteen different types of victimizations. More precisely these are:

- Suspension, lay-off, dismissal or equivalent measures.
- Demotion or withholding of promotion.
- Transfer of duties, change of location of place of work, reduction in wages, change in working hours.
- Withholding of training.
- Negative performance assessment or employment reference.
- Imposition or administering of any disciplinary measure, reprimand or other penalty, including a financial penalty.
- Coercion, intimidation, harassment or ostracism.
- Discrimination, disadvantageous or unfair treatment.
- Failure to convert a temporary employment contract into a permanent one, where the worker had legitimate expectations that he or she would be offered permanent employment.
- Failure to renew, or early termination of, a temporary employment contract.
- Harm, including to the person's reputation, particularly in social media, or financial loss, including loss of business and loss of income.
- Blacklisting on the basis of a sector or industry-wide informal or formal agreement, which may entail that the person will not, in the future, find employment in the sector or industry.

- Early termination or cancellation of a contract for goods or services.

- Cancellation of a license or permit.

- Psychiatric or medical referrals.[95]

This long list is more than exhaustive, so I will not invest time in commenting on it. Nevertheless, I find important to remark that the inclusion of psychological pressures and retaliations in addition to the more tangible and visible ones such as demotion. I consider this an element of great importance given that the psychological impacts are often dramatic and affect the whistleblower in his/her daily life and his/her private as well as working life. The Directive does not specify precise measures to avoid reprisal and to repair the damages caused by victimizations, but it simply mandates member states to establish corrective measures and full compensation systems.

Another legislative novelty introduced by the Directive is support measures. Article 20 defines "measure of support" as all the activities that help the whistleblower to understand how the law intervein and how his/her report will be analyzed. More practically, the Directive asks member states the provision of free of charge consultancy, assistance, and also financial assistance and psychological support to whistleblowers that must face a judicial process. In practical terms, this article does not influence the company and its internal channel, nevertheless, it is paramount to encourage whistleblowing.

The last protection mechanism envisaged by the European legislator is about penalties. The Directive establishes general rules that member states must follow in setting clear punishment against those who hinder or attempts to hinder reporting, who retaliates, who does not follow the rules of confidentiality revealing the identity of the whistleblower, and who brings vexatious proceedings against the whistleblowers. But at the same time, as a corrective measure against false claims, the Directive asks to member states the provision of penalties also for the employees and people that reported false information being aware of the lack of validity of the complaint. It is then clear that the European legislator prefers not to intervene by detailing some specific types of punishments based on the misbehavior, and this is once again justified by the principle of subsidiarity of EU legislation. The only provision

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[95] Article 19. *Ibidem*

that the Directive specifies is that the punishment must be effective, proportionate, and dissuasive, without providing further details.

To conclude our discussion on the European legislation and its importance for companies and employees, we must notice a massively important missing point of the Directive. The thesis has often underlined the relevance of incentives, and I have analyzed the impact of rewards in terms of observers' motivation. Nevertheless, in the whole directive the term "incentive" never appears. The same goes for the Proposal of the Directive. In the US and also in Canada a system of incentive had been put in place, while the European legislator preferred not to incentivize whistleblowing. It is then fair to wonder why this difference of approaches occurs. We could speculate by thinking that this occurs because both Canada and the US are common law countries, while EU has a long tradition of civil law. Nevertheless, this hypothesis does not reflect the truth since the UK has its own whistleblowing legislation and it does not provide for any cash incentive to who reports.

So, how can we explain this difference? The first reason could be embedded in the history of the countries, we might think that the US still employ a system based on financial incentives since they employed it from the beginning of their history. As we know the USA have a long tradition of *Qui Tam* system that we can trace back to 1778. But this hypothesis is weak since also the UK has a long tradition of this incentive system, in fact, in the UK the *Qui Tam* system was abolished only in 1951 with the Common Informers Act. The whistleblowing incentive system in the UK was abolished because in 1951 was developed an alternative means of law enforcement based on a strong and effective control system. More than that, already in 1934 Sir Gerald Hurst presented a motion to abolish the law on financial incentives for whistleblowers in the UK, explaining that that system had become a system of legal blackmail in which observers extorted money to those who committed illegal acts so that they would not report[96]. This could be then an explanation that clarifies why the European legislation prefers not to provide monetary incentives.

An additional reason could be what I have called "the commodification of an ethical duty" (Paragraph 3.1). I cannot give a sure answer to why the European legislator has not introduced any incentive system; however, I believe that what has been hypothesized is more than

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[96] Beck, J. R. (1999). The False Claims Act and the English Eradication of Qui Tam Legislation. *NCL Rev.*, 78, 539.

satisfactory and able to make it clear what may have been the drivers of this choice. Honestly, I would exclude the purely economic hypothesis according to which the absence of financial incentives is justified by the need to not weigh on the coffers of the state or companies. However, it cannot be denied that this possibility may be realistic, given that European laws are set to give a common and generic direction, leaving the freedom to establish monetary incentive systems to the various member states.

3.1.2   The Italian legislation and its practical impact on employees and employers

It is finally necessary to evaluate how the Italian legislator intervened in terms of whistleblowing. As mentioned, the Directive just presented is not yet in force in the Italian legislative framework. To be more specific, with law n.53 of 22 April 2021, the Italian parliament delegated the government to deal with the transposition of directive 2019/1937. Thus, we can state that the process has just started. Beyond this discussion on the implementation of European legislation, it is pivotal to understand how the Italian legal framework shapes the internal organization of Italian companies. This influence is particularly important to provide an overview of the context in which the companies that I will analyze in the next paragraph operate. The description of the regulatory framework is essential to understand how the Italian legislator has influenced the methods of access and use of internal channels. This discussion is also relevant to reveal in advance some useful conclusions that I have reached thanks to my interviews and analyzes.

First of all, it is important to understand how the Italian regulatory framework is shaped and organized. As we know, whistleblowing legislation is often fragmented since many sectoral policymakers have decided to set whistleblowing laws at different times. This simply means that in Italy there is no single common regulation valid for all organizations, but rather, it implies the co-existence of many different laws and acts that address the issue of whistleblowing in specific sectors and sectors. The result is the creation of a complex legal background in which companies have to comply with different standards based on the product they produce, or the service they provide, the size of the company, the type of business, and so on.

The whistleblowing discipline in Italy is strictly connected to a fundamental law starting from which there was a real legislative revolution which then materialized in the establishment of an *ad hoc* law on whistleblowing. In fact, before addressing the specific topic of whistleblowing, I must present an important Legislative Decree that created the basis for the subsequent law on whistleblowing. As also emerged during my interview, in 2001 there was a shift of paradigm in Italy that gave the lead to a series of organizational structural changes. In 2001 the Italian legislator issued Legislative Decree n. 231/2001 (hereinafter referred to as "the Decree"). This Decree introduced some radical changes in the Italian legislation, bringing companies to modify their organizations in order to avoid bad legal consequences. Before 2001 only physical persons were held responsible for illicit acts carried out in their workplace. More precisely, until 2001, the Italian penal code considered that only those who physically committed the illegal act could be prosecuted. The principle "*societas delinquere non potest*", is clear in specifying that companies cannot be held criminally responsible. Nevertheless, a legislative void became apparent when different misconducts carried out by managers, chief executive officers, or employees in general, were actually driven by corporate interests. In other words, it seemed not to be fair that there was not the possibility to held responsible also the legal person as well as the natural person. It is logically correct to think that if misbehavior is carried out by an employee in the interest, in the name and advantage of the company he/she works for, it should be possible to condemn both the employee and the organization. The sole criminal liability of a subject is too reductive, especially when the real cause of the offense is the lack of internal control and supervision.

For these reasons, in 2000 the Italian Parliament delegated the Italian Government to issue a Decree aimed at introducing, alongside the criminal liability of the physical perpetrator, the criminal and administrative liability of the legal entity. Article 5 of the Decree establishes that the company is responsible for offenses committed in its interest or its benefit by its representatives, administrators, managers, and more generally everyone that exercise, even *de facto*, the management and control of the company and all the employees that are subjected to the vigilance of all the above-mentioned people. This obviously means that when individuals acted in their own interest or the interest of third parties, the company is not responsible. The *ratio legis* of the Decree is to set clear rules to directly affect the patrimony of the company when misbehaviors benefit the organization. It is then important to focus on

this "principle of advantage received", since, whenever the violation does not bring benefits to the organization, the Decree does not intervene.

More than that, the Decree also establishes which are the types of offense, and this is an important point for our discussion since it clarifies when the responsibility of the company occurs. Over the years these types of crime have increased, and subsequent decrees and amendments have introduced new crimes that have occurred over time and that have forced the Italian legislator to intervene to fill the legislative vacuum. I can then mention: fraud against the state, frauds and computer crimes, unlawful data processing, embezzlement, corruption, abuse of office, crimes against industry and commerce, corporate crimes, crimes for terrorism, market abuse, murder or injury, receiving stolen goods, money laundering, copyright infringement, false statements, crimes against the individual, racism, tax crimes, smuggling, environmental crimes, and many other crimes[97]. Why is it crucial to identify these types of crimes? Simply because they identify several types of practical cases of violations that whistleblowers everyday observe and decide to report. Nevertheless, this list does not contain all the possible types of misbehaviors that can be reported by whistleblowers since we must remind that this Decree intervein only when the organization gains an advantage from the misbehavior, but as we know there are many other types of misconducts, such as mobbing, sexual harassment, robbing, and many more, that are not presented in this list since do not bring benefits to the organization.

Moreover, as we can notice by evaluating this long list, the Italian legislator specifically addressed some types of misbehaviors such as money laundering, while in some other cases it provided for a generic description of the misbehavior, and this is the case of Article 25-quinquies named "crimes against the individual", or Article 25-ter named "corporate crimes". This double approach generates an uncertain legal framework for some types of misbehaviors.

Hence, I can affirm that the Italian legislation has some interpretative limitations due to the difficulty in identifying if certain specific violations are regulated by Decree 231/2001. However, I must underline that this specific, and at the same time general, identification has the advantage to include many types of misconducts without having to go into details, providing a legal framework that can create a quite all-encompassing background.

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[97] Articles 24 - 25-undecies. *D.Lgs. 231/2001 - Responsabilità amministrativa da reato*. Decreto legislativo, 08/06/2001 n° 231, G.U. 19/06/2001

It is then important to understand what the practical effects under the perspective of implications and punishments are that the company could undergo. This topic is pivotal to stress the negative implications that companies have whenever they do not intervene to contain and control the misbehaviors carried out by their employees, managers, executives, etc. The Decree puts in place four main macro types of corrective measures to prosecute administratively the company. More precisely, there are pecuniary fines, interdiction measures, confiscations, and the publication of the sentence. Each of these measures is extremely dangerous for the company since it could completely jeopardize the credibility and profitability of the organization. More than that, under the perspective of interdiction measures, the company could be forced to stop its activity for a specific range of time, or the State could withdraw concessions and licenses that could be vital for the operativity of the business. Financial penalties can generally vary between € 25.800 and € 1.549.000. Obviously, the amount varies based on the "seriousness of the fact, the degree of liability of the entity as well as the activity carried out to eliminate or mitigate the consequences of the fact and to prevent the commission of further offenses"[98].

As regards interdiction measures, this type of punishment can be applied temporarily (from three months up to two years) or definitively whenever the benefit perceived by the company is economically relevant and when the company has already been sentenced at least three times in the last seven years. It is then obvious that this measure applies whenever the monetary penalty is not sufficiently suitable to let the company understand the severity of the damage committed. Moreover, the publication of the sentence is ancillary to an interdicted punishment, the reason of Article 18 must be sought in the idea that all the stakeholders of the organization must be informed of the limitation that the judge has issued toward the company. Finally, Article 19 establishes the seizure of the profit, that the company received because of the misbehavior. This seizure may concern also physical goods other than money.

After providing an overall analysis of the Decree, it is necessary to evaluate how companies are influenced in their internal organization and why this Decree is a fundamental starting point for the Italian whistleblowing legislation. It should be clear by now that the Decree

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[98] Article 11, Paragraph 1. *Ibidem*. Literally translated from the Italian sentence: "gravità del fatto, del grado della responsabilità dell'ente nonché dell'attività svolta per eliminare o attenuare le conseguenze del fatto e per prevenire la commissione di ulteriori illeciti."

provides for many restrictive measures that could cause major inconveniences for the company, both in terms of visibility and profitability. Nevertheless, the true importance of this Decree is the impact on the internal organization. Article 6 provides an "escape route" to companies. More precisely and professionally, the liability of the company decays if the organization puts in place control mechanisms that are able to monitor employees' activities preventing and discouraging misbehaviors. In fact, the Italian legislator explains that the company is not liable if it puts in place organization and management models suitable for preventing crimes entrusting the functions of initiative and control to an independent internal committee, also when the culprits acted by evading the control systems, and if the control system was sufficient and effective.

What must the company do to avoid its criminal liability in practical terms? Each company must adopt its own specific "Organization and Management Model" (hereinafter referred to as "the Model") that describes the internal functioning of the control system, underlining the most typical types of offense according to the industry in which the company operates. Thus, each company could apply a really different Model compared to other companies and competitors since it is necessary to evaluate what are the specific sensitive areas of intervention. The Model must contain specific procedures to follow, also known as "protocols", in order to make human resources activities traceable, meticulously describing the principles of behaviors required, and the controls implemented to verify the smooth functioning of the day-to-day activities in the different specific sensitive areas. The Decree does not specify the obligation to insert the code of ethics and the code of conduct within the Model. Nevertheless, lawyers and legal consultancy firms agree that the code of ethics and the code of conduct are the starting points of the Model. More precisely, they assert that the codes must pre-exist the Model and while the codes identify the general guidelines, the Model acknowledges and puts into practice the principles established in the codes. Nevertheless, this does not mean that the Model includes the codes, and this is an important point for our discussion as I will specify below.

The second necessary step is to institute an internal surveillance body named "Organismo di Vigilanza" (also named: OdV, Supervisory Body, Supervisory Board, SB, or Watchdog Body) that meets the requirements of autonomy, professionalism, and independence. The SB must evaluate and supervise the correct effective implementation of the Model, also updating it when necessary. in companies that use the two-tier model this body is already mandatory by

law, while, in the one-tier system, the SB can coincide with the internal management control committee.

What is important for our discussion on whistleblowing is that this body must verify the correct implementation of the Model, and consequently, it has to verify the adequacy of internal reporting channels, as I will clarify better below. Nevertheless, Italian legislation does not specify if this body has also the duty to manage internal complaints. In other words, a company that adopts a Model of Organization is forced to put in place internal reporting channels for whistleblowing, but the management of these channels is up to the internally selected and appointed body. The diffused opinion, and the practical implementation cases, suggest that the SB has also the duty to manage the complaints. Yet, in practice, the SB does not manage all complaints regarding all types of misconduct, but only those relating to the type of crimes specified by decree 231/2001 and in general all violations of the internal organization model. For other types of violations not included in these cases, such as violations of the internal code of conduct or the code of ethics, companies often entrust the management of the reports to other bodies such as the internal audit.

It is important to remind that the Model must be based on the codes, but the management of reports of violation of these codes is not the direct responsibility of the OdV. However, the law does not prohibit entrusting the watchdog body to manage all reports of any entity, although, according to my analysis, this is not a particularly widespread practice, especially in large companies. For example, by analyzing the document "Management of reports of suspected violations of the Code of Ethics and the 231 Organizational Model" published by Cairo Communication S.p.A., we can read that all the internal and external individual can file a complaint regarding violations of the Model, the code of ethics, and the code of conducts to the Supervisory Board by ordinary mail or email. This simple example clarifies that companies enjoy an area of freedom in identifying the recipient body of internal reports.

But the Decree is just the starting point of Italian whistleblowing legislation. The main problem of the Italian legislation is its large fragmentation. The first intervention occurred in 2012 when the Italian legislator decided to intervene introducing the so-called "Legge Severino". Law 190/2012 named "Provisions for the prevention and repression of corruption and illegality in

the public administration"[99] was the first intervention on whistleblowing by the Italian legislator. Nevertheless, it is evident that this Law was highly specific since it intervened in a specific area, namely corruption in the public sector. In other words, law 190/2012 protected only whistleblowers who, as public employees, have decided to report a case of corruption. It is therefore more than obvious that this provision was too limited and unable to protect whistleblowers in the private sector and in cases of misconduct other than corruption. More than that, law 190/2012 did not provide any type of practical protection to whistleblowers.

Thus, the Italian legislator understood the presence of a legislative vacuum to fill and in 2017 issued law 179/2017 named "Provisions for the protection of the authors of reports of crimes or irregularities of which they have become aware in the context of a public or private employment relationship"[100] (hereinafter referred to as "the Law"). The Law modified and introduced important measures to decree 231/2001 about the private sector, while it modified decree 165/2001 as regards the public sector, but I am not going to consider it since the thesis is focused on private sector companies.

More precisely, the Law introduced the obligation on the part of companies that adopt a Model, to set up one or more channels that allow employees, managers, and all subjects operating within the company to report violations of the organizational model. This was a huge step forward in terms of protection and recognition of the importance of the whistleblowing phenomenon, not only in public administrations but also in the private sector. The Law basically specifies the importance of an internal reporting channel. Moreover, it asks companies to put in place the needed measures to ensure the confidentiality of the whistleblower's identity. Nevertheless, this does not mean that the internal channel can receive anonymous complaints. In fact, one of the limitations of the current Italian legal framework in terms of whistleblowing is precisely this lack of clarity about whether it is mandatory to treat anonymous complaints as standard complaints, and also if they are comparable from the point of view of legal protection. Another important point introduced by the Law is the requirement of an IT channel equally suitable for guaranteeing the confidentiality of the complaint and the whistleblower's identity.

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[99] Literally translated from the Italian title: "Disposizioni per la prevenzione e la repressione della corruzione e dell'illegalita' nella pubblica amministrazione"
[100] Literally translated from the Italian title: Disposizioni per la tutela degli autori di segnalazioni di reati o irregolarità di cui siano venuti a conoscenza nell'ambito di un rapporto di lavoro pubblico o privato."

The most important change introduced by law 179/2017 is the system of protection that the Italian legislator puts in place and guarantees to all the whistleblowers that reported misbehavior connected to the Model. More precisely, the Law establishes the absolute prohibition of direct and indirect retaliation and discriminatory acts against the whistleblower for reasons directly or indirectly related to the complaint. The whistleblower has now the possibility to report the victimizations received to the National Labor Inspectorate. More than that, for specific types of retaliations such as the dismissal and the downgrade of the whistleblower, the Law invalidates that reprisal and the burden of proving the lack of connection between the disciplinary measure and the complaint rests with the employer. Moreover, it is also noteworthy that the Law establish a corrective measure to avoid the growth of unfounded complaints and false claims, by setting that the system of sanctions aimed at penalizing non-compliance with the rules set out in the Model, also applies to those who commit unfounded reports with willful misconduct and gross negligence.

To conclude the discussion, it is important to emphasize that the Italian legislation still has some problems. Fragmentation is one of the biggest issues. In some sectors, such as the banking one, there are some specific regulations more stringent than the one that we have analyzed. Banks must also comply with the rules set forth by the "Testo unico delle leggi in materia bancaria e creditizia" (aka TUB) and the "Testo unico delle disposizioni in materia di intermediazione finanziaria" (aka TUF). I will shortly discuss them in the next paragraph, but it is necessary to reveal in advance that this excessive fragmentation leads to an uncertain legal framework. The TUB for example prohibits anonymous complaints, while law 179/2017 does not take a specific and clear position.

The most important and impacting limitation is the non-compulsory nature of decree 231/2001. As above explained, companies *may* decide to implement an internal Model to avoid the liability of the company. This implies that companies are not forced to establish Models in which they set up a control structure. The direct consequence is that if a company does not implement a Model, its employees cannot report internally, and furthermore, the protection provided by law 179/2017 cannot intervene as it extends only to companies that have implemented an organizational model. Hence, if they anyway decide to informally report to their managers or other employees and are subsequently victimized, they will not enjoy the protection provided by the Law.

Of course, it is highly advisable to adopt a model of organization, nevertheless, in some cases, the cons are higher than the pros. If we think of a small company, the adoption of a Model could involve high costs since it would be necessary to create a specific model and appoint an OdV. But in small businesses this role could be played by the administrative office, however, this would compromise the character of autonomy and independence required by law. It is then clear that for small companies the adoption of a Model would be too tricky. What are then the practical emerging problems? The first implication is that the company will be held responsible in case of the types of offenses listed in the Decree. But from the perspective of whistleblowing, the direct consequence will be, as explained, the complete lack of protection and defense of whistleblowers. In a few words, the optional nature of the Model erodes the actual whistleblowers' protection and legal encouragement.

Finally, it is also noteworthy to stress that the Italian legislator, like the European one, decided not to rely on monetary or non-monetary incentives. More precisely, the Italian legal framework relies much more on a system based on heavy monetary and non-monetary sanctions and fines. This sharp stance is endorsed by the words of Raffaele Cantone, former President of the National Anti-Corruption Authority (ANAC), that during an interview stated "the goal is to change the mentality, and those who help us must do so for a serious motivation. Not for money and not to slander"[101].

3.2 Practical cases of whistleblowing policies

In this paragraph, I will analyze some practical cases as it is pivotal to pass from the theory to the practice by examining how companies have actually implemented internal whistleblowing policies. This empirical analysis will also help us to understand how whistleblowing is important for companies in terms of the number of complaints received and managed. To do so, I have analyzed reports and whistleblowing policy documents of three large Italian companies. I decided to analyze only Italian companies because, as mentioned before, each

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[101] Raffaele Cantone interviewed by Lattela Maria (27-01-2016). Con Cantone e Transparency: perché ci fa bene parlare di corruzione. *Il Messaggero*. Available at the link: https://www.ilmessaggero.it/blog/tendenza_latella/con_cantone_transparency_perche_ci_fa_parlare_di_corruzione-1511213.html. Literally translated from the Italian sentence: "L'obiettivo è far cambiare mentalità, e chi ci aiuta deve farlo per una motivazione seria. Non per denaro e non per calunniare".

country has its own whistleblowing legislation, thus, since in the above paragraph I have analyzed the Italian legal framework, I think it is more pertinent to continue on this topic in order to carry out a perfectly thorough analysis.

I have also decided to directly contact some companies, unfortunately, however, all of them, except for Intesa Sanpaolo, have not made themselves available to make statements on their internal whistleblowing channels. In the vast majority of cases, I have not even received an answer, while those who replied to my request for an interview with the Supervisory Body, with Internal Audit, or with a member of the committee that receives and manages complaints, have justified their inability to do interviews due to the specific constraints provided by the employment contract and the internal code of conduct. However, for some of it is easily possible to find sufficient information about the internal organization of the reporting channels on their corporate websites.

Hence, I was anyway able to analyze some concrete examples of internal whistleblowing management from an exclusively external perspective without interviewing subjects operating within companies who almost certainly would have given a valid contribution to the analysis. I will therefore present how Intesa Sanpaolo, Ferrero, and Poste Italiane have implemented internal whistleblowing channels. I decided to analyze these companies because I find their commitment extremely noteworthy as it goes beyond the sole compliance with regulations on whistleblowing.

It is nevertheless important to underline that in Italy many other companies show a strong commitment toward this phenomenon. I will not analyze them in depth because they tend to set up internal whistleblowing policies completely comparable to systems that I am going to analyze in the next subparagraphs. Nevertheless, I think that I should briefly mention the case of Pirelli as it is quite emblematic. Pirelli is a big multinational headquartered in Milan with 19 production facilities in 12 countries and with 15.900 points of sale in 160 countries[102]. Its approach in terms of whistleblowing is remarkable as in the corporate webpage is published the whistleblowing policy document translated in 23 different languages.

Table III.1 summarizes some information and data of Pirelli's whistleblowing system from 2017 to 2020. It is interesting to notice that in 2020 the number of reports drops. Pirelli did

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[102] Pirelli (2020). Pirelli in the world. *Pirelli Website*. Available at the link: https://corporate.pirelli.com/corporate/en-ww/aboutus/worldwide-presence

not accept to release an interview about its whistleblowing policy and performances. Nevertheless, to explain the reason behind this drop I might speculate by stating that the COVID emergency forced many companies, Pirelli included, to switch to remote working. This way of working limits the possibility to control the work and the conduct of peers and managers, thus, we might conclude that the decline of reports can be justified by that new situation in which it was physically more difficult to observe violations. The table also highlights an overall growth in the number of complaints, what are the main violations reported, and how a large multinational company is able to manage complaints coming from 16 different countries.

	2020	2019	2018	2017
Total reports	50	77	70	34
Of which anonymous	17	29	22	7
Of which filed closed for being absolutely generic	2	6	2	1
Of which founded	17	24	25	9
Countries of origin of the reports ascertained	Brazil and UK	Brazil, Bulgaria, Dubai, Greece, Italy, Romania, and Russia	Brazil, China, Italy, Romania, Russia, United States and UK	Brazil, Chile, Spain, United States and UK
Matter alleged in the reports ascertained	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, employee claims, discrimination.	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, product quality anomalies, discrimination	Violation of the Code of Ethics and/or company procedures, fraud against the Company or third parties, claims by employees, discrimination	Violation of the Code of Ethics and/or Company procedures, fraud against the Company, claims by employees, discrimination.
Outcome of cases investigated	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department	Review and integration of processes where deemed fitting, decisions by the functions concerned and the Human Resources Department	Review and process integration where deemed fitting, orders by the functions concerned and Human Resources Department

Table III.1: Pirelli's whistleblowing data

Source: Pirelli (2020). *Pirelli Annual Report 2020.* Web publication. Available at the link: https://psi-dotcom-prd.s3-eu-west-1.amazonaws.com/corporate/EN_Pirelli_Annual_Report_2020.pdf

3.2.1 Intesa Sanpaolo

To study the phenomenon of whistleblowing from a practical perspective, I had the opportunity to have an interesting interview with Andrea Marzano, a member of the secretariat of the collegial bodies and corporate affairs of Intesa Sanpaolo. But before establishing how this company implemented whistleblowing practices it is necessary to contextualize where the bank operates and how it is structured and organized. Intesa Sanpaolo is a bank founded in 2007 headquartered in Turin. It is the first bank in Italy, ahead of Unicredit, and 10th in Europe for total assets, € 942,63 billion[103]. Intesa Sanpaolo ranks first in Italy also in terms of reliability, its CET1 and CET1 Ratio, financial soundness indexes. Intesa Sanpaolo group has more than 14.7 million customers and more than 5.300 branches in Italy, but it has also an important international profile thanks to its 1.000 branches all over the world, moreover, the Bank employs more than 87.000 employees[104].

It is then obvious that the complexity of this company is massive as it operates in different sectors (private banking, insurance, asset management, and corporate & investment banking) and in different countries. The high number of branches and employees further increases the complexity in terms of human resources management. Whistleblowing is a phenomenon that can be explained and analyzed by considering the role of people as central and pivotal, thus it should be clear that managing whistleblowing in a corporation of these dimensions and relevance is determinant to avoid the bad repercussions linked to possible external complaints that could undermine the credibility of the company.

More than that, whistleblowing in such an organization is fundamental to improve performances and act as soon as possible on the critical elements. The management of more than 87.000 employees is a tough challenge, for this reason, large companies have to set clear procedures and complex and decentralized control systems to reduce as much as possible the realization of illegal or unethical acts.

Moreover, another source of complexity is played by the scope of action of the Bank. Intesa Sanpaolo has to take care of the interest of more than 14 million customers, and this in

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[103] Ali, Z. (09-04-2020). Europe's 50 largest banks by assets, 2020. *S&P Global.* Available at the link: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/europe-s-50-largest-banks-by-assets-2020-57901087

[104] Intesa Sanpaolo S.p.A. (2021). About us*. Intesa Sanpaolo website*. Available at the link: https://group.intesasanpaolo.com/en/about-us

other words means that it must comply with various rules, regulations, laws, and treaties that the Italian and European legislators issue.

Intesa Sanpaolo, to comply with the Italian regulations above mentioned, adopted its own Model 231. Nevertheless, banking institutions must comply with other regulations that shape the legislative whistleblowing framework. More precisely, Intesa Sanpaolo must also comply with legal requirements established by the anti-money laundering regulation, Consolidated Law on Banking (aka "Testo Unico Bancario", hereinafter referred to as "TUB"), and Consolidated Law on Finance (aka "Testo Unico della Finanza", hereinafter referred to as "TUF").

The Italian anti-money laundering regulation is contained in legislative decree 21 November 2007, n. 231. Article 48 of this decree underlines once again the importance of protecting the confidentiality of the identity of the whistleblower and the alleged person responsible for the violation. But it also underlines the necessity to adopt an internal specific whistleblowing channel that meets the requirements of anonymity, independence, and proportionality with regard to the nature and size of the company. Thus, unlike the provision of decree 231/2001, the anti-money laundering regulation precisely addresses the issue of anonymity. In addition, the European legislator also intervened on the issue, asking member states to guarantee anti-retaliation measures to specifically struggle against the victimization of whistleblowers who report money laundering activities.

Besides, the Consolidated Law on Banking also establishes specific regulation on complaints. In fact, in Article 52-bis of the TUB, specify the provision on internal systems for reporting violations. The article is similar to the text of the anti-money laundering legislation, with the only main big difference that the TUB requires the adoption of an internal specific, independent, and autonomous channel, without accepting anonymous complaints. The reason for this is explained by the idea that this internal channel must be used by employees that observe misbehavior concerning illegal banking activities, for this reason, those who receive the complaint must identify the source of the complaint to intervene and investigate. Moreover, it is explicitly required to file to the Bank of Italy the report on the organizational measures of internal whistleblowing together with the financial statements. The TUB also enables employees to report externally to Bank of Italy.

Finally, also the TUF intervenes in whistleblowing. It establishes very similar rules to those set forth by the TUB. In fact, it specifies the importance of an internal channel that guarantees and secures the identity and the confidentiality of the complaint, the importance of anti-retaliation measures, and the independent, autonomous, and specific nature of the internal channel. It also specifies that an external channel is guaranteed for all whistleblowers who want to report illegal acts relating to financial intermediation, providing for specific channels made available by Consob and the Bank of Italy. Nevertheless, there are not explicit provisions as concern the matter of anonymity.

After briefly discussing the "strengthened" legal context to which Intesa Sanpaolo is subject, we can now move on to the practical analysis of the company's internal organization as regards the system of control, supervision, and management of reports. As we know, the adoption of Model 231 is important to avoid the liability of the company, but we also know that to do so it is necessary to put in place clear internal protocols able to supervise the work of employees. The specific instruments put in place by the Bank to guide employees' behaviors and limit the presence of breaches and illegal acts are the code of conduct, the code of ethics, anti-corruption guidelines, internal control system, and the delegation of powers and responsibilities.

It is then clear that to prevent and combat violations, Intesa Sanpaolo adopts many measures to limit the necessity of the internal reporting channel. This does not mean that the organization operates to discourage whistleblowers, but these measures must be rather interpreted as means through which the company aims to discourage in advance its employees from undertaking misbehaviors that could damage the company itself, employees, customers, and/or stakeholders in general. In other words, thanks to the adoption of this organization, management, and control model, Intesa Sanpaolo aims to minimize the feasibility of illegal acts within the company, putting in place specific punishment and control systems to hinder and curb misconducts. The main instruments employed to achieve this result are the above-mentioned codes and guidelines that should provide a common direction placing a sharp boundary between what is allowed and what is not.

However, as we have learned, formal rules are not enough, and employees might anyway decide to put in place illegal acts because they might think that they can get away with it. For this precise reason, an internal system of control must be set up. Still, this internal system

might be useless when, as in the case of Intesa Sanpaolo, employees' number is close to 100.000. Therefore, the right solution is to complement an efficient surveillance system with a valuable and strong whistleblowing internal channel.

Starting with the internal control system, the Bank has established clear protocols and procedures to: guarantee the effectiveness of internal processes, safeguard the value of assets and protection against losses, guarantee the reliability and integrity of information, and comply with internal and external regulations. These are basically the main tasks that the internal control system must undertake daily. During my interview, Andrea Marzano explained to me that the backbone of the control system is composed of the corporate regulatory framework that is in turn composed of the organizational statute, code of ethics, code of conduct, and the various specific regulations of the group and business areas. Unexpectedly, the majority of these documents and codes are publicly disclosed, hence, I had the opportunity to have access to the internal code of conduct, the Model and the code of ethics. Intesa Sanpaolo also has specific internal guidelines on complaints. Unfortunately, though, this document is not disclosed publicly and cannot be divulged externally.

To better understand the whistleblowing system, it is first necessary to analyze the governance and control system implemented by the Bank. Intesa Sanpaolo on 27 April 2016, became one of the first banks to adopt a one-tier corporate governance model. This corporate governance model has some implications in terms of internal control system since in the one-tier model the three main company organs are the shareholders meeting, the Board of Directors, and within the BoD there is the internal management control committee[105] that has as main function the supervision of the adequacy of the organizational structure and internal control systems. This governance structure is important to understand how the company is organized in terms of internal control. More specifically, Intesa Sanpaolo identifies three main levels of internal control. The first level of control deals with the control of back-office functions and it is carried out by managers that must control the work and good functioning of the various offices and departments.

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[105] Literally translated from the Italian term: "Comitato interno per il controllo sulla gestione"

Then, the second layer of control is much more general and deals with the correct implementation of the risk management processes, the compliance with the operating limits assigned to the various functions, and the compliance of company operations with the rules, including those of self-regulation. In this second level, we have for example risk management, compliance, quality control, and other functions.

The last layer is the highest one and it takes care of the overall control, reliability, and adequacy of the company. This control must be carried out by an independent structure and more precisely, Internal Audit has this precise function. Internal Auditing dialogues with the BoD and with the Management Control Committee. The main objective is to control the internal company procedures, independently assessing the compliance of the activities with the laws.

Thanks to the interview I learned that Intesa had a well-structured and effective control system already before the adoption of Model 231. Nevertheless, the Bank believes that this Model is crucial to convey the message that the company makes every effort to prevent and remedy any incorrect acts of its employees and management. Moreover, the Model is also internally relevant since it raises employees' awareness on various issues regarding misbehaviors and the importance of whistleblowing.

However, it is important to acknowledge that after the issue of decree 231/2001, it became important to institute an internal supervisory body other than the Internal Audit capable of addressing all the types of offenses listed in the Decree. In fact, as mentioned, to avoid administrative liability companies must also establish a supervisory body (OdV) that is completely devoted to collect, analyze, and investigate misconducts. The Italian legislator did not consider sufficient to entrust this specific task to the internal audit, but, given the vastness of the responsibilities and activities necessary to ascertain the presence of the various offenses, it preferred to force companies to appoint an internal body capable of dealing exclusively with these issues without overloading the internal audit. Thus, Intesa Sanpaolo also counts on the presence of its Supervisory Body.

The Watchdog Body has the main duty of supervising the correct implementation of Model 231. Therefore, this body guarantees the correct implementation of the Model, while the internal auditing function generally ensures the independence of the control activity supporting the SB. The SB needs to be supported by many other organizational functions since

it has to control the validity of the complaint, investigating and, possibly, promoting one or more punishments against offenders. It is then clear that the HR department, internal auditors, and all the employees that work in the other relevant offices, departments and committees, must cooperate with the Supervisory Board to reach a satisfactory solution.

It is therefore important to understand how this SB is configured as it is one of the main actors involved in the whistleblowing process regarding the specific violations presented by decree 231/2001. As required by the law, the Supervisory Board must meet autonomy, independence, professionalism, and integrity requirements. Intesa Sanpaolo decided to confer the functions of the SB to three external members, plus three substitute members. These members are appointed by the Board of Directors; moreover, they remain in office for the duration established by the Board of Directors or as long as the Board of Directors that appointed them remains in office.

The members of the Supervisory Board must meet the requirements of professionalism, autonomy, integrity, and independence. This latter prerequisite is probably the most important one since it specifies that the Supervisory Board must be an independent body that must operate as a *super partes* authority. As concerns whistleblowing, this is paramount since it is crucial to demonstrate that a whistleblower can blow the whistle against his/her organization without the fear of retaliation. Guaranteeing the independence of the Supervisory Board is crucial to spur observers to blow the whistle, especially when the misbehavior benefits the organization or managers. To achieve such a result, Intesa Sanpaolo states that the members of the SB must not be "the spouse, relatives, and in-laws within the fourth degree of the directors of the company" and must neither be "linked to the company [...] by independent or subordinate employment relationships or by other relationships of a financial or professional nature that compromise their independence"[106].

As concerns the tasks of the Supervisory Board I have already mentioned that the main task is to monitor the correct implementation of the Model to limit or avoid the misbehaviors and

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[106] Article 148, Paragraph 3. *Testo Unico della Finanza.* Decreto legislativo 24 febbraio 1998, n. 58. Literally translated from the Italian sentence: "il coniuge, i parenti e gli affini entro il quarto grado degli amministratori della società [...] coloro che sono legati alla società [...] da rapporti di lavoro autonomo o subordinato ovvero da altri rapporti di natura patrimoniale o professionale che ne compromettano l'indipendenza".

the types of offenses listed in decree 231/2001. Further, it must also update the Model to introduce the necessary changes that might arise due to new types of misbehaviors that were not previously considered by the Model. According to my interview, this could happen quite frequently since when decree 231/2001 was issued, certain types of misbehaviors were not considered, for example, cybercrimes. As explained by Andrea Marzano, this task is especially important in Italy, since the Italian legal framework is, as we know, really fragmented, and in terms of whistleblowing the Italian legislator is continuing to adapt the various laws and regulations of the sector by introducing specific laws to better address this phenomenon. Thus, constant control over the ability of the Model to be up to date on the latest types of misbehaviors is crucial to have an efficient internal control system able to prevent the many types of misconducts.

What I find necessary to underline is that the Supervisory Board has also the duty to monitor the compliance with the principles and values contained in the codes of ethics and conduct, and also, on the effectiveness of internal systems aimed at safeguarding, preventing, and protecting employees from the point of view of safety and health in the workplace. Nevertheless, this does not mean that the OdV must receive, investigate, and analyze all the complaints filed by whistleblowers, but rather just the ones that are linked to violations of the Model or that are generally related to the types of offense set out in decree 231/2001. In other words, the Supervisory Body must also monitor the compliance with the rules set out by the whole company regulatory system, but this does not mean that the SB has the duty to receive and manage the complaints of whistleblowers that are not specifically related to the misbehaviors listed in the Decree. To be more precise, the Italian legislator does not specify who should be appointed as the recipient of complaints related to code of ethics or code of conduct violations, but Intesa Sanpaolo decided to rely on different bodies as regards the management of internal whistleblowing.

Finally, another crucial task appointed to the OdV in terms of whistleblowing is the duty to verify the adequacy of the internal reporting channels, checking their suitability to guarantee confidentiality also monitoring compliance with the prohibition of direct or indirect retaliation or discriminatory acts against the whistleblower.

It is then important to explain how Intesa Sanpaolo manages internal whistleblowing channels. As explained so far, the OdV is one of the most important bodies in terms of

whistleblowing as it receives and manages all the complaints linked to violations of the Model and all the other misbehaviors presented in decree 231/2001. The two main whistleblowing channels that employees can use to contact the SB are a specific mailbox (OrganismoDiVigilanzaDL231@intesasanpaolo.com) and a postal address. These two channels ensure the confidentiality of the whistleblower's identity. More than that, Andrea Marzano told me that Intesa Sanpaolo have decided to accept anonymous complaints. In fact, although the Decree does not specify whether anonymous complaints should be accepted or not, the Bank is sure that allowing whistleblowers to report anonymously is very relevant in encouraging them to speak. Moreover, also external parties can file a complaint to the OdV.

As concerns violations of the code of ethics observed by both internal and third parties (i.e., customers, collaborators, or suppliers), Intesa Sanpaolo gives to all its stakeholders the possibility to submit a complaint. The Bank has a specific email address (codice.etico@intesasanpaolo.com) through which all stakeholders can report violations of the Code of Ethics. At the same time, the Bank also accepts reports sent to a specific postal address. It important to notice that is the duty of the CSR office to receive and manage these complaints. The CSR function reports through the Chief Financial Officer to the CEO and the Board of Directors, and it also needs to interface with the Internal Audit Function and with the 231 Supervisory Body.

If the misbehavior observed deals with a case of corruption, the whistleblower could directly report to the Corporate Anti-Corruption Manager. Intesa Sanpaolo applies the "zero tolerance" principle against corruption cases, for this reason, the Bank specifies that any employee that observes misbehavior linked to this issue must immediately report to his/her manager, which in turn will be obliged to immediately inform both the head of the anti-corruption system and the internal audit. However, we also need to clarify that corruption cases can be reported through the general channel below mentioned, that is to say, the one whose contact is the Internal Auditors.

A fourth channel that can be used to report conducts that are not aligned with the principles of sustainable commercial practices, respectful of the dignity of the workers and the needs of the customers, is the channel "Io Segnalo". Through the email address iosegnalo@intesasanpaolo.com, it is possible to submit reports that specifically refer to violations of the above-mentioned topics. What is important to point out is that this channel is not managed by an office or a function, but it was set up in 2015 by trade unions.

Finally, two channels are the most important ones for whistleblowing, as specified by Andrea Marzano. The first one has as its recipient the Internal Audit and it can be contacted by the email address: segnalazioni.violazioni@intesasanpaolo.com. It is important to focus briefly on the characteristics of the Internal Audit because as mentioned, Intesa Sanpaolo is subjected to a "strengthened" legal context. This implies that internal channels that receive complaints about the above-mentioned regulations, must comply with specific requirements. More specifically, the internal channel must be independent and autonomous. Internal auditors perfectly comply with these requirements because they must comply also with the specific requirements set forth by the Institute of Internal Auditors. They are independent because they report to the Board of Directors, consequently, they are not influenced by the interests of shareholders and other internal stakeholders. Moreover, they are also autonomous as the internal audit has a budget that can be exercised independently, has access to all company data, and has all the resources, authorities, and skills necessary to carry out their duties. Hence, we can easily understand that the Bank, by appointing the internal audit as the recipient body, perfectly complied with all the rules.

The reason why this channel is the most important one is that internal auditors can accept all types of complaints. To be more precise, the internal whistleblowing policy establishes that for violations of banking activities (i.e., violations of the TUB, the TUF, anti-money laundering law, etc.), the whistleblower has to submit his/her report to these channels. However, in practice, these channels can be used for any complaint concerning any violation. If the reported violation is not attributable to banking activity, the recipient entities will forward the report to the function in charge. Hence, the Internal Audit can receive all the types of complaints, also those that have as their object violations of the Model, but in this latter specific case, the Internal Audit will have to inform the Supervisory Body. Thus, this channel is the most generic one and it can be used whenever a whistleblower wants to report a case of misconduct of any type. Furthermore, Internal Auditors must then manage complaints that have as their object violations of TUB, and as we know, the Consolidated Law on Banking forbids anonymous complaints. So, in this case, reports will have to be necessarily non-anonymous, even though Andrea Marzano specified that even if they are anonymous, they are superficially verified in practice.

The other channel can be defined as a "replacement channel" since it can be used whenever case a conflict of interest occurs. This may happen when the whistleblower is an

employee that works in the internal auditing office. When the whistleblower is an internal auditor, he/she can file the complaint directly to the internal management control committee through the email: segnalazioniviolazioni.comitatoperilcontrollo@intesasanpaolo.com.

Finally, "informal" whistleblowing channels are always available. The code of conduct specifies that any case of significant misbehavior must be reported to the direct superior, HR function, or relevant corporate individual/structure. While anyone who becomes aware of illegal or in any case irregular situations are encouraged to notify the Internal Audit function also without employing the above analyzed "formal" channels.

It is therefore clear that the internal whistleblowing management structure of the Bank is well established and follows some clear guidelines and legal requirements. We can now continue our discussion by understanding how the whole whistleblowing process takes form. But first, it is necessary to point out that complaints, to be considered worthy of attention, especially if anonymous, must present "factual elements". The analysis of factuality passes through the data presented by the whistleblower. It is not always easy to demonstrate *a priori* the validity of a complaint, this happens especially when the incorrect act does not leave obvious and tangible signs. For this reason, Intesa Sanpaolo, like all companies, bases the analysis of the validity on the whistleblower's story, any third-party testimonies, finding of evidence, and possible interrogation of the alleged guilty. However, it is also important to underline that Intesa Sanpaolo accepts all complaints also concerning suspicious acts, therefore absolute certainty that the violation has occurred is not required, but only the suspicion of the presence of misconduct is sufficient. To reduce the number of unfounded complaints, specific measures are envisaged against those who willfully report an unfounded act.

In the case of complaints filed to the Internal Audit the sole recipient of the report is the Chief Audit Officer and his/her delegate. These are the only two persons that will know the identity of the whistleblowers and in this way, Intesa Sanpaolo can guarantee the utmost confidentiality of the complaint and the complainant.

After the reception of the complaint, the delegate must provide feedback to the whistleblower as regards the acceptance or rejection of the report within three days. After this taking charge, the procedure continues with the registration of the report and the start of the preliminary investigations. The Bank must reconstruct what happened to establish the responsibilities. To do so, the recipient party assigns the case to a specific function (i.e.,

department or office) of the Bank that is able to establish responsibilities and clarify what happened. Practically speaking, the recipient party must identify the department manager, the area manager, or the office manager that can verify the complaint by providing all the necessary information and data to the recipient party. At this point, all the specific checks and verifications activities required by the case are carried out.

After that, Intesa Sanpaolo proceeds with the remediation interventions needed to stop the misbehavior, carrying out all activities aimed at limiting the negative consequences also repairing the damages. Remediation activities are promoted by the recipient of the complaint in agreement and in conjunction with the function to which the practice has been assigned. This penultimate phase also consists in the allocation of responsibility and execution of penalties against offenders.

To accomplish such a result, the internal sanctioning system provides for the adoption of minor, intermediate, and severe sanctions established on five levels. The punishments are established by the HR office, but are promoted by the bodies to which the complaint is addressed. The criteria followed by the HR department to define the fair sanction are the degree of imprudence, inexperience, negligence, fault or intentionality of the behavior related to the action/omission, also taking into account any recidivism, as well as the work carried out by the guilty party, and the related functional position.

After considering all these variables, the human resources department must impose one of five penalties. Thanks to my interview I was able to identify the five punishments provided for by Intesa Sanpaolo and the reasons that lead the company to adopt one rather than the other. The first type of sanction is the lightest one and it corresponds to verbal reprimand. This punishment is applied whenever the misbehavior is a mild non-compliance with contractual rules, tolerance of minor irregularities committed by other members of staff or by third parties, and slight negligence. The second sanction is the written reprimand, and it is obviously more important than the previous type of punishment, but it is still not so serious. This is applied when the employee or the manager demonstrates a non-serious non-compliance with contractual provisions or directives and instructions given by management or superiors, non-serious negligence in carrying out the work, and failure to report or tolerance of minor irregularities committed. The third type of punishment is more serious as it leads to the suspension from the service of employees or managers for a maximum of 10 days. This happens when the lawbreaker shows recidivism, carrying out and demonstrating

negligence and/or tolerance of severe activities. After this sanction the punishment reaches the highest point of severity, causing the offender to be dismissed. Dismissal can take place for a justified reason or just cause. In the former case, the culprit is fired because of his/her significant non-fulfillment of his/her obligations. This same result occurs when the non-compliance is repeated. While, in the case of just-cause termination, the guilty party is fired because of a very serious non-compliance such as to forever compromise the relationship between employee and employer.

It is also important to underline that this sanctioning system also applies when a subject presents an unsubstantiated report guiltily and intentionally, and it also intervenes against all those who violate the confidentiality of the report by revealing the identity of the whistleblower and also against those who victimize, discriminate, and take revenge on the whistleblower.

The final step in the reporting process is to close the case and jointly communicate the conclusion of activities to the whistleblower. Intesa Sanpaolo provides for a maximum of three months for all the necessary checks, I can therefore say that this whistleblowing process does not last long since the part that requires the most time is that of verifying the complaint and identifying those responsible. Obviously, throughout the process, the Bank guarantees the utmost confidentiality on the whistleblower's identity, explicitly prohibiting any form of retaliation and direct or indirect discriminatory act, making any dismissal of the whistleblower null and void. To have an overall view of the whole whistleblowing process in Intesa Sanpaolo we can appreciate Figure III.1.
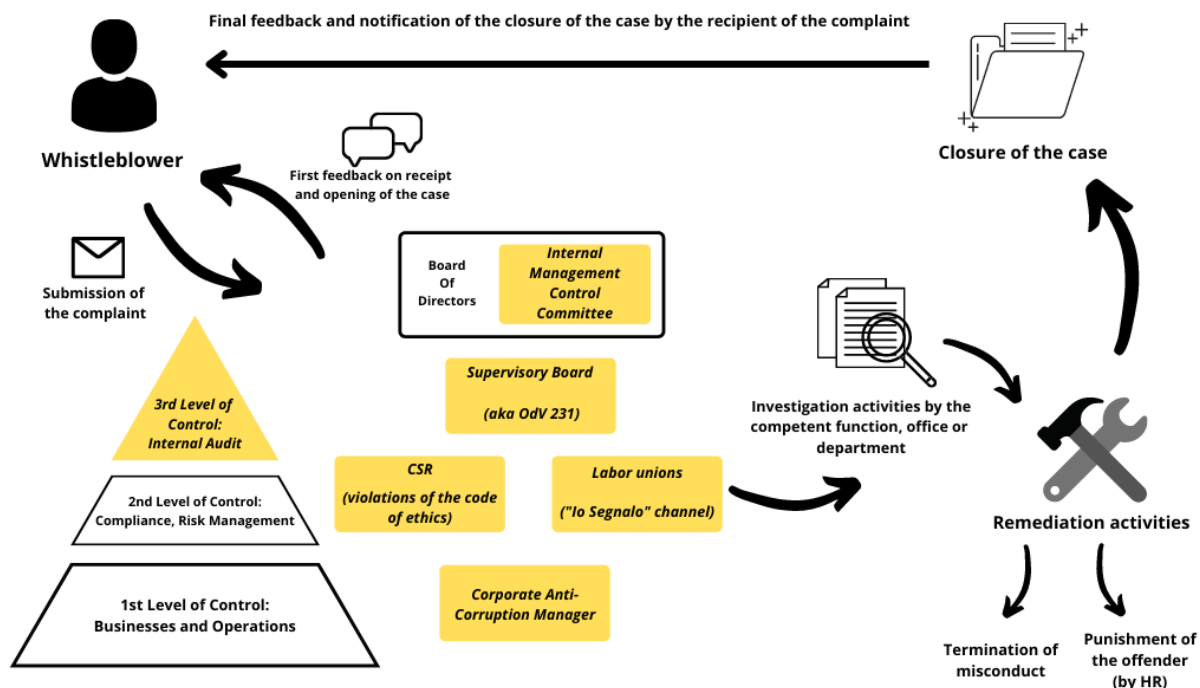
Figure III.1: Intesa Sanpaolo's whistleblowing management

Recipient bodies highlighted in yellow

A last crucial topic to analyze is the diffusion of a specific corporate culture suitable to welcome whistleblowing. The widespread idea is that whistleblowers are traitors and snitches, thus employers need to address this issue by creating a favorable working environment in which whistleblowing is encouraged and well perceived. To do so communication and training are vital to conveying the message that whistleblowing is an important and valuable activity that could benefit the organization and employees.

The starting point is the delivery of the code of ethics, code of conducts, and the Model to new employees. As explained by Andrea Marzano, each employee receives a copy of these important documents that are the three pillars of Intesa Sanpaolo as they constitute the common direction that the company aims to establish. New employees sign the reception of these documents along with their employment contract, formally certifying their commitment to respect established rules and to align with company policy. But these documents must be accessible from anywhere as it is highly unlikely that employees will physically keep these documents in their office. For this reason, Intesa Sanpaolo makes available its code of ethics, code of conduct, Model, and anti-corruption guidelines in the company's Intranet.

The publication on Intranet is also justified by the fact that legislations intervene frequently, especially in the banking sector, therefore, all these documents must be constantly updated to include the latest legislative developments. However, these changes and innovations must be brought to the attention of all staff, or at least to the attention of all employees that are directly impacted by the new regulations. For this reason, constant communication and update are crucial. To accomplish this result Intesa Sanpaolo puts in place many different channels that are basically the same employed to spread the culture of whistleblowing.

The Bank has its own internal news website, a kind of online newspaper that gathers all the relevant information regarding several themes and subjects. More than that, the Bank has also an internal Web TV which can be accessed with employees' credentials. Unlucky, I had not the possibility to take a look at this communication system, but by reading the Model and by interviewing Andrea Marzano, I understood that this is available in live and on-demand mode. I think that this is an amazing idea, extremely effective to spread important communication but also to create a positive organizational culture. The employment of a Web Tv is something that, as a person outside the company, I thought was an excellent but little-used tool. However, through two informal interviews with Intesa Sanpaolo's employees, I was able to understand that in reality, Web TV is a well-known and often used tool to become aware of the latest important news. This is especially used when the CEO, or other top managers of the company, has some important communications. I think that Web TV is a very important tool to spread the culture of whistleblowing especially if it is used to broadcast interviews of managers and employees that explain how whistleblowers are welcomed and protected in the company. Then, Intesa Sanpaolo also uses traditional communication channels such as newsletters, a house organ, handbooks, and memos.

But communication is not sufficient, it is also crucial to verify that employees learn the importance of these communications and their content. To do so, Intesa Sanpaolo provides constant training activities. These are especially important to identify all the misbehaviors that employees might observe. It is crucial to move from theory to practice testing if employees understand the boundary between what is allowed and what is not within the company. This is particularly significant in the case of all the types of offenses listed in decree 231/2001. As we know, the Model includes specific protocols to follow to minimize the presence of

misconduct. While it may be easy for an employee to understand that bullying is an illegal act, as specified by the code of conduct and the code of ethics, it may instead be difficult to understand whether another behavior observed is contrary to what is specified in the Model and therefore worthy of a complaint to the Supervisory Body. For this reason, training is paramount, especially for all the offenses envisaged by decree 231/2001 and by the Model.

In general, to make employees understand how to behave in case of observation of violations, Intesa Sanpaolo offers various courses, workshops, and meetings to raise awareness and clarify the dynamics of corporate whistleblowing. More specifically, these training sessions are held online through the platform "APPrendo", and they must be taken during working hours. Intesa Sanpaolo sends an e-mail to the employees' mailboxes every time a new course is available and ready to be taken. There is not a specific periodicity, but these courses are supplied whenever there is a new regulation or when the company believes that is important to reinforce the awareness of employees as regards a specific issue. To strengthen this training system, at the end of the course the Bank subjects the employee to an assessment test to verify the successful use and assimilation of the course topics; moreover, these courses are also highly interactive and display several case studies.

As stated, these courses are held online, but this is not due to the COVID emergency, but rather because in this way it is not necessary to organize physical meetings that are quite costly in terms of time and money. In fact, through an online platform, it is possible to manage several courses at no cost since the same course can potentially be enjoined by all the employees and this is extremely important for a company that employs more than 87.000 employees all over the world. It is then clear that online courses are an important advantage under several points of view as they enable the company to easily reach all its employees creating a common organizational culture even when the organization operates through 6.300 branches. Furthermore, online courses can be accessible and available from every corner of the world at any moment, thus if an employee observes misbehavior and he/she is not sure about the modality or the feasibility of the complaint, he/she can consult all the videos, guidelines, courses, and rules that specify when, how, and why he/she can blow the whistle. More than that, the platform "APPrendo" also gives the employees the opportunity to self-manage their time without forcing them to attend a course in person at a certain time and in a certain place.

All these measures are even more important during the pandemic emergency in which many Intesa Sanpaolo's employees continued to work fully or partially from home. Nevertheless, although remote working had to become the praxis, smart working was already implemented before the COVID emergency, hence, Intesa Sanpaolo was already used to remote working. This is an important point in terms of whistleblowing since, as Andrea Marzano explained to me, the organizational culture is unlikely to be affected by remote or smart working because, despite the impossibility to work at the office with all the colleagues as before the COVID, the Bank is able to maintain continuous and direct communication with all its employees, therefore the development of the organizational culture in terms of whistleblowing is not affected by this situation thanks to IT channels.

Nonetheless, it is also important to notice that we cannot conclude that smart working does not have an actual influence in terms of the numbers of reports. As explained by Andrea Marzano, the number of complaints received during the pandemic is quite in line with the pre-COVID trend, the SB received 11 complaints during the fourth quarter of 2020, bringing the annual total to 21. If we evaluate the overall trend of the number of complaints received and managed, we can notice that there is a growth compared to the number of complaints received in 2019. But the results of 2020 are aligned with the number of denunciations received in 2016, which is the year in which Intesa Sanpaolo set up the reporting channels. To give a precise representation of the trend, I report in Table III.2 the data of the 5 years of whistleblowing experience.

Year	Number of complaints received	Number of complaints without follow-up inspections	Source of data
2016	22	3	[107]
2017	16	6	[108]
2018	21	4	[109]
2019	17	7	[110]
2020	21	8	[111]

Table III.2: Number of complaints received and managed by Intesa Sanpaolo

It is quite interesting to notice that while Pirelli witnessed a drop in complaints received in 2020, Intesa Sanpaolo did not. The justification I have provided above about remote working impact and COVID impact seems not to be correct in the case of Intesa Sanpaolo. Andrea Marzano gave me a good hint as to why Intesa did not witness a decrease in reports. According to him, from one point of view, without physical control employees might be more prone to carry out misbehaviors, but from another perspective employees and managers do not have access to certain resources that could be important to accomplish misbehavior.

In practical terms, there are not factual conditions to undertake some specific types of misbehaviors. Let for example consider a case of theft of cash from the cashier's desk. Without the physical presence, this crime is concretely impossible to carry out. Thus, we cannot affirm that smart or remote working are likely to increase or decrease the number of misbehaviors or the number of complaints. More than that, we have also to remind that, albeit a company may invest many resources to encourage whistleblowing, the number of complaints will always be lower than the number of violations observed. Yet, this gap can be reduced by investing in an organizational structure based on supervision, communication, and more generally, on an organizational culture capable of encouraging observers to whistle. Another

[107] Intesa Sanpaolo S.p.A. (2016). *Rapporto di sostenibilità 2016.* Web publication. Available at the link: https://group.intesasanpaolo.com/it/sostenibilita/dcnf/archivio-dcnf/2016
[108] Intesa Sanpaolo S.p.A. (2017). *Dichiarazione Consolidata Non Finanziaria 2017.* Web publication. Available at the link: https://group.intesasanpaolo.com/it/sostenibilita/dcnf/archivio-dcnf/2017
[109] Intesa Sanpaolo S.p.A. (2018). *Dichiarazione Consolidata Non Finanziaria 2018.* Web publication. Available at the link: https://group.intesasanpaolo.com/it/sostenibilita/dcnf/archivio-dcnf/2018
[110] Intesa Sanpaolo S.p.A. (2019). *Dichiarazione Consolidata Non Finanziaria 2019.* Web publication. Available at the link: https://group.intesasanpaolo.com/it/sostenibilita/dcnf/archivio-dcnf/2019
[111] Intesa Sanpaolo S.p.A. (2020). *Dichiarazione Consolidata Non Finanziaria 2020.* Web publication. Available at the link: https://group.intesasanpaolo.com/it/sostenibilita/dcnf/archivio-dcnf/2020

reason that justifies the different trend of violations reported between Intesa Sanpaolo and Pirelli is the sector in which these companies operate. While a Bank can keep working online and remotely at 100%, a manufacturing company like Pirelli cannot be fully operational during a pandemic emergency due to the impossibility of having all workers work under the same roof as before COVID.

Thanks to the annual reports of Intesa Sanpaolo, we can also notice the priority that the Bank gives to whistleblowing and in general to the internal compliance with rules. To evaluate this, we should analyze the materiality matrix of the company. The materiality matrix is the starting point of annual reports since, through this chart, a company identifies the topics that worth particular attention and that will be consequently extensively explained and analyzed in the annual reports. To be more precise, the materiality matrix has the role of identifying what are the most relevant area of intervention, or in other words, the most material topics. The materiality principle requires that the company discloses all the information that is relevant from the perspective of stakeholders. The process of definition of materiality and immateriality topics passes through different steps that each company must undertake before creating the report. Each company needs first to define all the aspects that are likely to impact the creation of value. To do so, and to understand the priority that a company must give to the different topics and issues, organizations draft a materiality matrix in which they add all the topics previously identified in a matrix that has the impact on strategy as a vertical dimension, while the relevance of the topic for stakeholders is plotted on the horizontal axis. In this way, the company sets its priority. Intesa Sanpaolo in 2020 presented the materiality matrix displayed in Figure III.2.

As we might notice, there is not a specific topic named "whistleblowing", nevertheless, Intesa Sanpaolo specifies that whistleblowing is included in the macro-topic named "integrity in corporate conduct", that is the light grey dot highlighted in yellow. As we can see, it is one of the issues with an absolute top priority. Intesa Sanpaolo also specifies that integrity in business conduct is an important issue due to the potential impact in the form of fines and penalties, and damage to reputation and brand that could occur if there were no efficient system of control, supervision, training, and whistleblowing able to limit the outbreak of these problems.
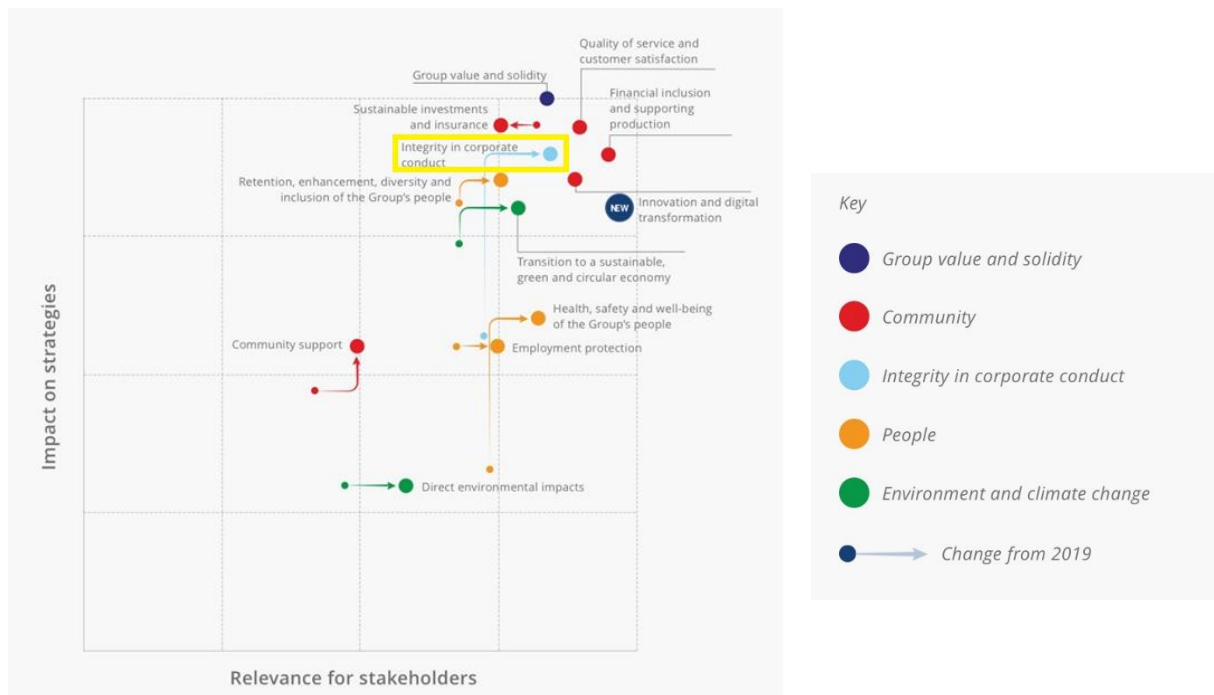
Figure III.2: 2020 Materiality Matrix of Intesa Sanpaolo

Source: Intesa Sanpaolo S.p.A. (2020) *The dialogue with stakeholders – Material issues*. Intesa Sanpaolo website. Available at the link: https://group.intesasanpaolo.com/en/sustainability/our-commitment/dialogue-stakeholders/material-issues

To conclude the analysis of this practical case, we have to notice that the Model does not provide for any incentives. We know that incentives could be a double-edged weapon. Intesa Sanpaolo has never even considered the hypothesis of introducing incentives of any kind. Silent observers might be punished according to the type of misbehavior discovered, but as specified by Andrea Marzano, there is not a clear rule that punishes them. Anyone who is in some way complicit with the lawbreaker is sanctioned, but silent observers are not fined nor sanctioned in any way according to the Model and the internal code. It is also true that in some cases it is quite difficult to verify that a subject was aware of the misbehavior. Likewise, whistleblowers do not receive any kind of reward, neither monetary nor non-monetary. We can then conclude that incentives are not part of corporate whistleblowing policies for Intesa Sanpaolo. The reason for this can be traced to the cases analyzed in the second chapter concerning all the pros and cons of the various forms of incentives. But in my opinion, the true justification of this lack of interest in incentives is national legislation.

What emerged in my interview is that whistleblowing policies follow some clear guidelines established by several regulations and laws. The room for intervention and freedom for the

company is quite limited, therefore Italian companies have become accustomed to following stringent procedures without going too far beyond what is required by law. Many Italian organizations have implemented whistleblowing systems very similar to Intesa Sanpaolo's, and none seem to have even taken into consideration the importance of incentives. I am sure that this is due to the lack of importance given by the Italian legislator, but also by the European one. Andrea Marzano told me that he believes that incentives are likely to lead to a "pathological deviation" with a surge of conflicts of interest and exponential growth of futile complaints.

Obviously, this is the main reason why lawmakers do not have a good perception of incentives, nevertheless, I think that non-monetary incentives or fines should be at least considered. But I also need to acknowledge that the true driver to reach such a change within companies is a radical reconsideration of the importance of incentives by national and international legislators. In other words, it is necessary a change of pace and direction, but in my opinion, Italian culture is not used nor ready to employ incentives. It is therefore necessary a greater analysis of all the pros and cons by the various legislators, evaluating all types of incentives, including non-monetary ones.

3.2.2 Ferrero

Ferrero S.p.A. is an Italian large multinational company founded in 1946 in Alba, Piedmont, by Pietro Ferrero. It operates in the food industry and in 2017 it ranked 1st in its sector with regard to the world ranking of brand reputation[112]. It is then worldwide recognized especially thanks to Nutella, its flagship product. Ferrero operates in 55 countries worldwide and it sells its products in 170 countries. It can count on 31 production plants present in 5 continents and Ferrero Group is composed of 105 consolidated companies. Its workforce counts 37.122 employees (August 2020). Its turnover for 2019/2020 amounts to € 12,3 billion[113].

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[112] Ferrero Group (2017). Ferrero 1st food company in the world for reputation in the ranking of the 100 best companies. *Ferrero Corporate website*. Available at the link: https://www.ferrero.com/group-news/FERRERO-1st-FOOD-COMPANY-IN-THE-WORLD-FOR-REPUTATION-IN-THE-RANKING-OF-THE-100-BEST-COMPANIES?lang=EN
[113] Ferrero Group (2020). I nostri numeri. *Ferrero Corporate website*. Available at the link: https://www.ferrero.it/i-nostri-numeri

It should be then clear that its dimension and data suggest that the degree of complexity of Ferrero is extremely high as it has to manage and coordinate the tasks and activities of a massive number of human resources. More than that, the company operates thanks to a complex global value chain composed of many distributors and outsourcing companies. Thus, its impact in terms of foreign and domestic countries' economies is highly relevant as the company directly employs more than 37.000 employees, but if we take into account all the people that operate in Ferrero's GVC, the number skyrockets. For this reason, the commitment of the company in terms of economic, social, and environmental sustainability is extremely noteworthy and well-explained thanks to the sustainability reports published by Ferrero and its plenty of certifications obtained. Sustainability, company welfare, and employee satisfaction are directly or indirectly linked to whistleblowing because as we know whistleblowing is also a crucial instrument to improve workplace conditions and to detect and deter misbehaviors that could undermine employees' loyalty and employees' well-being.

In practical terms, Ferrero is an Italian company and for this reason, it has to deal with Italian legislation in terms of whistleblowing. Thus, as in the case of Intesa Sanpaolo, Ferrero has adopted its own Model of organization 231. Nevertheless, compared to Intesa Sanpaolo, Ferrero has not to comply with a strengthened legislative framework because, obviously, TUB, TUF, or anti-money laundering regulation do not intervene in the food and beverage industry. For this reason, Ferrero has more freedom in establishing its internal whistleblowing channels. Hence, Ferrero published its own Model in 2019 specifying all its types of offenses.

As envisioned by decree 231/2001 Ferrero appoints a Supervisory Board with specific requirements of professionalism, autonomy, independence, and continuity of action. This last requirement refers to the constant control that this body must carry out, which implies that the supervisory board does not have the sole purpose of verifying the adequacy of the model in a certain specific period, but its activity must be continuous and constant. In the specific case of Ferrero, the Supervisory Body has a monocratic structure, thus, the company established that a collegial structure is unsuitable or useless for its needs.

But the real reason why I chose to analyze Ferrero is that I find its whistleblowing policy very effective and unique. As we know, according to the law, the Supervisory Body must just monitor the correct, efficient and effective implementation of the Model, but also in this case it directly receives complaints. Nevertheless, in this precise case, Ferrero does not specify the types of complaints the body can receive, or better, it states that any violation of the Model,

the code of ethics, or internal procedure regulations, can be denounced to the SB through a specific email address. Therefore, the difference compared to Intesa Sanpaolo is that the OdV also receives complaints about generic violations. Obviously, if the violation is not linked to a topic of the Model or specified in decree 231/2001, the Supervisory Body will then forward the complaint to another body. Ferrero puts in place several types of channels, but it does not define which one to use based on the observed violation. In other words, Ferrero explains that "the corporate subjects responsible for receiving such information assess on the basis of the information available that the report is actually "relevant for 231 purposes". In this case, they promptly inform the Supervisory Body"[114]. So, the point to underline is that the Supervisory Body can directly receive complaints, however, whistleblowers can use any channel made available, and the body or office that receives the complaints will have the duty to skim the reports and forward them to the competent body. The system is then different compared to Intesa Sanpaolo as in this case there is not a pre-identification of the body in charge to collect and manage the complaint, but rather, there are different bodies that receive the complaints and only retrospectively there is a selection of the competent body or office.

What are then these whistleblowing channels, how are they managed and who do they report to? Ferrero makes available four alternative reporting channels. The first channel is the one that I have just analyzed, through which it is possible to directly contact the Supervisory Body. The second available channel is a specific email address that can only receive internal complaints. This channel is exclusively designed for employees and internal subjects in general, and with the aim of making it one hundred percent exclusively usable by internal subjects, it can be accessed via the company intranet. Unfortunately, since the code of conduct of the company forbids employees to give interviews, I had not the opportunity to learn how this internal channel operates and who practically manages it. I can speculate by stating that this is probably managed by the same committee that manages the complaints received through the web platform, as I am going to explain better below. The third channel is instead a postal address. If we analyze this normal mailing address, we can notice that it

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[114] Ferrero Group (2019). *Modello di organizzazione e gestione di Ferrero S.p.A*. Web publication. Available at the link: https://www.ferrero.it/Modelli-Organizzativi-231. Literally translated from the Italian sentence: "I soggetti aziendali preposti al ricevimento di tali informazioni valutano sulla base delle informazioni disponibili che la segnalazione sia effettivamente "rilevante ai fini 231". In tal caso informano tempestivamente l'Organismo di Vigilanza"

identifies as recipient party the "compliance officer 231". It seems that, in this case, the recipient is not a specific whistleblowing committee, but rather the compliance function that is, as we have seen thanks to the explanation of Intesa Sanpaolo's internal control levels, the second control layer. Nevertheless, due to the impossibility of having an interview with Ferrero, this is not sufficient to understand if the specific internal committee manages also the reports filed through this third channel or not.

But the whistleblowing channel that I find more interesting and relevant is the last one that Ferrero itself calls "whistleblowing channel" suggesting that the other channels are in some way alternative or specifically linked to issues concerning violations of the Model or decree 231/2001. This whistleblowing channel is called "Ferrero Integrity Helpline" and I think that it is a very innovative tool that represents a huge step forward in terms of corporate whistleblowing culture. I also honestly think that under this point of view Ferrero raises the issue of whistleblowing on a much higher level than Intesa Sanpaolo, demonstrating a great deal of attention to the phenomenon. Ferrero Integrity Helpline is a whistleblowing channel that can be used by both internal and external subjects that observed a violation of the code of ethics or the code of conduct. This channel is incredibly well-organized as it enables people to blow the whistle through a simple web form. The real strong points of this channel are its availability and efficiency that are determinant factors for a large multinational company such as Ferrero. In fact, everyone can confidentially blow the whistle 24 hours a day, 365 days a year, enabling foreign employees to report whenever they prefer. More than that, reports can be submitted in the language whistleblowers prefer, and the platform is perfectly translated into 43 languages.

This service is operated by a third party, Convercent, a US software company specialized in ethics and compliance software. Obviously, this company has the duty to manage the helpline and receive the complaints, but the true review and management of these reports is the responsibility of an internal Steering Committee. This Steering Committee is a specific committee that is in charge of the due assessment of the complaints gathered through the integrity helpline platform. This Committee is led by the CEO, and it is composed of members of the Group Management Team (GMT). GMT that is in turn composed of the heads of the following functions: Areas-Europe; International; APAC-MEA; Global Brands; Industrial and Supply; Institutional Affairs and Corporate Communication; Finance; HR and Organization and Improvement; Legal; Procurement and the Ferrero Hazelnut Company (HCO); and The Sales

Business Development. This Committee receives the complaints from Convercent and then it has to process the report and start investigations. By evaluating the composition of the Committee, it should be clear that whistleblowing for Ferrero is a serious matter since it calls into play the most important members of the company.

But the true advantages of this platform are that it enables people to verify if the behavior observed is actually a violation, and it is also possible to have constant feedback on the report submitted. More precisely, the Integrity Helpline platform offers three main activities. The first one is to fill a form in which the observer question the organization about a behavior detected. In this way, the observer can get clarifications about the alignment or misalignment of the behavior with the code of conduct or the code of ethics. The observer can be also an external party and he/she can decide to request this clarification anonymously.

The second main function of the platform is the actual whistleblowing in which the observer decides to report. Ferrero presents a list of typical cases of misbehaviors that can be reported (for example, bribery, discrimination, sexual harassment, retaliation, theft, unprofessional behavior, and many others), but it also gives the possibility to report non-listed misbehavior. After that, the whistleblower must add a description of what happened to specify all the important data such as the date, the place, the people involved, and all other relevant information to assess the validity of the report and identify the lawbreakers. Finally, the whistleblower can access the platform to track the follow-up of his/her report. The whistleblower can check the status of the report by entering an ID number and a password that Convercent sends to the whistleblower. In this way, a constant update, similar to the tracking services provided by couriers, is guaranteed.

I also find important to underline that Ferrero specifies that it is possible to make reports also through "informal" channels. That is to say that, although it is clear that all the formal channels provide more certainty, especially in terms of feedbacks, for example, employees might decide to blow the whistle internally without following the specific procedures or channel indicated in the Model. It is implicit to state that employees should use this approach when they think they are secure from victimizations and/or when the misbehavior observed is not serious and/or when the recipient party can intervene quickly and resolve simply the problem reported. In all these cases employees can informally report to their managers, hierarchical superiors, company contacts, corporate bodies, and functions that carry out control activities, and Ferrero makes these reports possible both in written and verbal form.

The role of Convercent is also crucial as regards anonymous reports. Ferrero specifies that complaints should be made in nominative form. Therefore, since the Italian legislator has not specified whether anonymous complaints should be accepted or not, Ferrero has decided to accept only complaints through which it is possible to trace the identity of the complainant. Nevertheless, it is important to clarify better how Ferrero actually operates. If we analyze the Helpline Platform, we can notice that the whistleblower can decide to file a complaint anonymously or not. So how is this aligned with whistleblowing policy? The justification has to be sought in how complaints are gathered. It is always necessary to enter personal information in the form, however, the whistleblower can decide if Ferrero will receive the complaints anonymously. In other words, the strong point of Ferrero's whistleblowing management is that complaints are gathered by a third party, Convercent, that knows the identity of the whistleblower but does not reveal it to Ferrero if the complainant decides to remain anonymous to the company. In this way, both anonymity and confidentiality are guaranteed. If Ferrero has any questions or clarifications to request from the whistleblower, Convercent will intervene again and contact the whistleblower without having to reveal the identity to Ferrero. This process based on the presence of an intermediate agent is noteworthy as whistleblowers perceive greater security, especially when the complaint concerns a breach that brings advantages to the company. This occurs because, thanks to the system described, the whistleblower can report the company itself (i.e., the managers who have endorsed incorrect behavior that favors the company by disadvantaging customers, for example) without having to communicate directly with the reported company. This system guarantees an incredibly efficient defense against forms of retaliation. Obviously, the identity of the whistleblower will have to be disclosed if a judicial proceeding is initiated.

As for Intesa Sanpaolo, to limit the presence of false claims, it is required the submission of sufficient and accurate information to be able to assess the merits of the complaint. More than that, the system of sanctions is also applied to those who have filed a tendentious or maliciously unfounded complaint.

The internal procedure regarding the investigations and identification of those responsible is completely similar to that envisaged by Intesa Sanpaolo, with the only difference that in Ferrero the bodies to which the complaints are addressed are partly different. And the sanctioning system is also very similar, although some differences are

present. More precisely, also Ferrero has a sanctioning system organized into different types of sanctions based on the gravity and repetition of the illegal act. In fact, Ferrero, following the indications of the collective labor agreement (CCNL), sets forth five types of punishments: verbal warning, written warning, fine, suspension, and dismissal. As we can notice, four of them are the same as those present in Intesa Sanpaolo. But Ferrero also provides for a monetary fine. I think that this is an important element, and it is one of the reasons why I decided to focus on this company. In fact, in the second chapter, we analyzed the importance of incentives, and we have mentioned that monetary and non-monetary rewards are not the only possible incentives that a company can put in place in order to foster whistleblowing, but fines and other types of non-monetary sanctions also favor whistleblowing. In this case, the fine is not applied to those who observe an illegal act and do not report it, but to those who commit the violation. Despite this, the topic on incentives still remains valid from a general perspective and suggests that fines are generally an excellent tool to guide individual decisions. We can therefore state that providing monetary fines against those who violate the law is a wise decision. Obviously, within a company, these fines take the form of a deduction from the payroll, but the message we might learn is that a good punishment system also passes through fines.

Finally, the system of defense of the whistleblower against victimization provides for a general obligation on the part of Ferrero to sanction anyone who carries out a harmful activity against the whistleblower, both directly and indirectly and in any form.

Although I am sure that Ferrero has an extremely efficient internal whistleblowing system that should be taken as an example by other companies, it is also necessary to underline that the company, from an external point of view, does not stress too much the importance of whistleblowing. What I am trying to explain is that Ferrero does not highlight enough the role of whistleblowing. This conclusion is justified by the lack of resources such as data concerning complaints received and managed. While Intesa Sanpaolo publishes a non-financial report every year in which it presents these data, underlining how important whistleblowing is also in terms of materiality; Ferrero does not.

As proof of that, I have analyzed the only report that the company publishes on its website. Ferrero publishes every year a sustainability report, thus it is obvious that the main focus is on sustainability. But as we should know sustainability pass through the analysis of ESG issues. Whistleblowing is part of corporate governance; thus, we should expect to find

some data on the sustainability report. Ferrero in its materiality matrix stresses that "business ethics" is one of the main material topics as we can appreciate in Figure III.3. As we have learnt, whistleblowing is transverse phenomenon that deals with several subjects and issues. Therefore, being such a material and transversal topic, I do not understand why Ferrero limits itself to presenting how it has worked to encourage whistleblowing without however publishing the performance of the internal reporting channel. In fact, if we look at the annual sustainable report, Ferrero mentions that its whistleblowing channel is available since 2018, but it does not specify the number of complaints received and managed. Probably, this choice is driven by the idea that Ferrero considers this data extremely confidential. Even so, I think that it would be correct to present the performance of its internal whistleblowing channel to further demonstrate how the company believes in whistleblowing's importance and this could also spur observers, external and internal ones, to report.
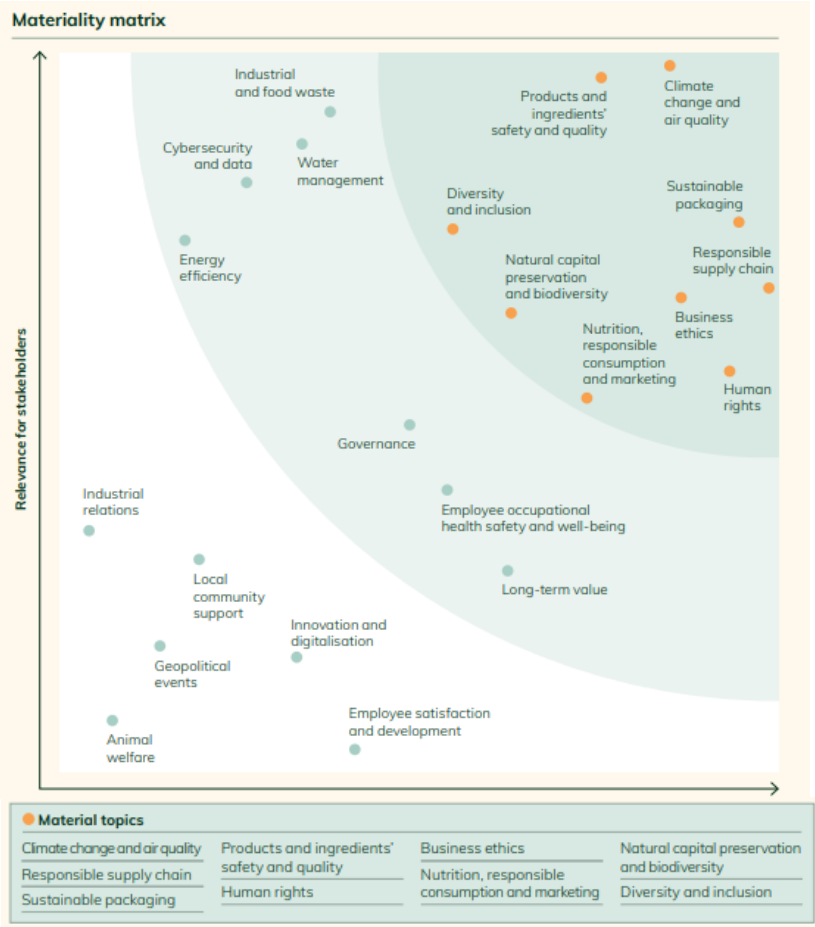

Figure III.3: 2019 Materiality Matrix of Ferrero

3.2.3   Poste Italiane

Poste Italiane S.p.A. is an Italian postal service provider that operates since 1862, but it also operates in the telephony, finance, and insurance sectors. It is one of the biggest companies in Italy, to be more precise it is the biggest one in terms of employees as it employs 124.600 employees all over Italy. Its performances are also astonishing. In 2020 Poste Italiane's net profit was € 1.206 million and its turnover amounted to € 10.500 million[115]. Furthermore, in terms of branches, Poste Italiane has a huge number of branches as it has to guarantee its services in practically every city, town, and village in Italy. In fact, the company manages 12.765 post offices to fulfill its 35 million customers. Thus, unlike Ferrero, its value chain is not global but rather much more domestic-centered, yet its impact on the Italian economy and companies' supply chains is massive as it influences the logistics flow.

The company, due to its importance, is partially state-owned. The Ministry of the Economy and Finance (MEF) owns 29.3% of the company's shares, while Cassa Depositi e Prestiti SpA (a State-controlled company) owns 35% of shares[116]. Under the perspective of whistleblowing, Poste Italiane adopts an organizational model 231 and has its own internal channels as all private companies. Thus, although the company is identified by the Italian Council of State as a body falling within the category of public law bodies, I will anyway discuss how Poste Italiane manages whistleblowing since our focus here is on the identification of internal procedures and channels without focusing too much on the legislative issue. Moreover, even if I have not analyzed whistleblowing legislation in the public sector, we should precise that, except for the role of the ANAC (National Anti-Corruption Authority), the defense of the whistleblower and the need to implement internal channels is quite the same in the case of a company operating in the public or private sector. Indeed, the point of our discussion is the role of the Model rather than the role of the legislation. In fact, each company that adopts a Model must follow the same legal indications without taking into account the typology of the company.

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[115]   Poste Italiane (2020). *Annual Report 2020.* Web publication. Available at the link: https://www.posteitaliane.it/files/1476536505101/Annual-Report-2020.pdf

[116]   Poste Italiane (2020). About us*. Poste Italiane webpage*. Available at the link: https://www.posteitaliane.it/en/about-us.html

After this due clarification, we can move on to the analysis of the whistleblowing management of Poste Italiane. The company demonstrates enormous and remarkable attention to corporate welfare, transparency, sustainability, and equality in the workplace. This attention is also well perceivable if we evaluate the whistleblowing management model established by Poste Italiane. The Italian postal services provider has published its Model of organization and its whistleblowing policy on its website. The free fruition of these documents is massively important for us, and it demonstrates that the company is truly engaged and focused on this phenomenon. In fact, unlike the two other practical cases above analyzed, Poste Italiane is the only company that has a specific document that explains how whistleblowing is important for the organization and how the company manages reports and complaints. Indeed, Intesa Sanpaolo has a similar document that is however confidential and cannot be disclosed externally. The same can be said for Ferrero, with the difference that within its website the company has published some important information about its whistleblowing channel that can also be used by external individuals.

The reason for this greater transparency on the part of Poste Italiane can be explained by thinking of its importance and its public nature. However, it is true that even private companies, and this is the case of Pirelli and Benetton, use a similar approach by publishing a specific document on internal whistleblowing procedures accessible to all. Probably the difference lies in the fact that all these companies enable external parties to blow the whistle, while Intesa Sanpaolo does not. But beyond these hypotheses, the main message is that Poste Italiane proves to be a company that values and gives importance to whistleblowing, and this encourages observers to blow the whistle. Moreover, I think that its internal organization is noteworthy especially in terms of identification of the recipient body, and this is the main reason why I think it is important to analyze the case of Poste Italiane.

Poste Italiane accepts all the complaints by a whistleblower that has reasonable suspicion that a violation of internal regulations (code of ethics and conduct, Model 231, internal policies, etc.) or external regulations (anti-money laundering regulations, TUB, TUF, and various national and European laws) has occurred or may occur. Thus, also in this case, it is not required that an unlawful act has occurred, but a reasonable suspicion is simply necessary. More than that, as for Ferrero, also third parties, such as customers, suppliers, or collaborators, can blow the whistle through whistleblowing channels. The available channels

are a specific web platform named "Portale Segnalazioni - Whistleblowing", a postal address, and an e-mail address. The latter channels can be used when the group company has not its own web platform. This because Poste Italiane is a holding company that owns several companies such as PostePay S.p.A., Poste Vita S.p.A., SDA express Courier S.p.A., and many others. Each of these companies is encouraged by Poste Italiane to establish its own whistleblowing web platform, nevertheless, some of them did not, and in this case, an alternative channel is available, that is a simple email address. In any case, the report must contain references on the unfolding of the facts (e.g., date, place) any information and/or evidence that can provide valid feedback on the existence of what has been reported, any useful general information though which it is possible to identify the lawbreaker, any private interests related to the report, and any other useful information about other possible people involved or other observers.

Unlike the other cases, Poste Italiane does not accept anonymous complaints, this is because the company does not outsource the management of complaints to a software and services provider such as Convercent, thus the identity of the reporter is crucial. Nevertheless, the identity of the whistleblower is highly confidential and will not be disclosed in any way except to the body that receives the complaints.

So, who actually receives and manages the complaints? Unlike Intesa Sanpaolo, in which different bodies can receive the complaints, in Poste Italiane, there is a unique committee named "Comitato Whistleblowing Poste Italiane" (hereinafter referred to as "Whistleblowing Committee" or simply "the Committee"). This centralized system is highly efficient as whistleblowers do not have to understand which body they should report to, but they only have to submit the complaint through the aforementioned channels. I think that this approach is extremely helpful to facilitate whistleblowing and it represents the true strong point of Poste Italiane whistleblowing management.

This Whistleblowing Committee is composed of several individuals, to be more precise it is a collegial body composed of 6 + 1 members. Six members are permanents, while one member can be specifically convened. There is a president appointed by the Board of Directors that must be independent and external from the organization and he/she has to comply with the requirements of professionalism. Then, the other five permanent members must be representatives of the following internal functions: Internal Control Committee, Corporate

Affairs - Legal Affairs section, Corporate Affairs - Group Risk Governance section, HR, Corporate Affairs - Group Risk Governance section - 231 Presidium. It is then clear that this Whistleblowing Committee covers the various risk areas, and it operates efficiently by analyzing all the complaints to understand how to consequently operates. Such a composition is particularly efficient as it is able to quickly establish who is the office or function responsible for the complaint, thus speeding up the verification process. In Intesa Sanpaolo, on the other hand, one subject receives the complaint, analyzes it, and only subsequently understands whether it is within its competence or not. Clearly, in this last case, the waste of time could be significant as it could lead to a rebound of competence between the various bodies in charge.

Coming back to Poste Italiane, whenever a case of conflict of interests emerges, the member of the Whistleblowing Committee must be substituted by an external party, or he/she must refrain from any activity relating to the complaint that puts him in a conflict of interest. Nevertheless, it is necessary to underline that this system has also a really important flaw since the president of the Committee first receives and reads the complaint and then evaluates the presence of conflicts of interest. This simply implies that if there is a conflict of interest within the Committee the identity of the whistleblower is not as secure as in the case of Ferrero or Intesa Sanpaolo. In other words, the collegial and inter-functional composition of the Committee could also represent a problem since, given that there is no prior skimming by third parties, conflicts of interest could lead the person or function in conflict to become aware of the identity of the complainant.

The Committee has also the function of Ethics Committee, which implies that it has the duty to monitor the general compliance with the code of ethics, but it is the Supervisory Body that has the task to investigate the reported cases of violation of the code of ethics. There is a periodic information flow between the Whistleblowing Committee and the Supervisory Body to ensure the effectiveness of the reporting process. While, between the Whistleblowing Committee and the Board of Directors, there is an annual information flow. These information flows make us understand how whistleblowing management is deeply rooted in the corporate control and management system, and consequently, in the organizational culture.

After the receipt and the first analyses to verify the validity of the complaint, the Committee identifies the topic of the complaint, establishing the office, department, or function in charge

of the issue reported. In case of violations of the Model and/or of the code of ethics, the Committee informs the Supervisory Body 231. For the other violations, the Whistleblowing Committee identifies the competent functions and involves them for further checks and investigations. The office, body, or function appointed must also take the necessary measures, that is to say, stop the misbehavior and promote the punishment that will be practically carried out by HR. If necessary, the Committee can also ask for the intervention of external authorities if the reported offense is of certain importance and if a more in-depth investigation is necessary.

Moreover, another task of the Whistleblowing Committee is to inform the reporter about the developments of the procedure through the web platform. More precisely, the whistleblower will receive one of the following communications regarding the status of his complaint. "Submitted" when the report is acquired by the whistleblowing portal; "in progress" when the recipient body is carrying out the first analysis, investigations, and evaluations; "request for clarification" when further details are needed, and in that case, a specific mail will be sent to the whistleblower; "redirected" when the report is sent to the competent corporate functions; "rejected" when the report cannot be processed due to the lack of elements to establish the validity; and "close" when the activities of receipt, preliminary analyses, investigation and evaluation of the report have been completed; finally the complaint is archived with a result of "validity" or "unfounded". Poste Italiane indicates that from the submission to the first analysis of the complaint a maximum of one month may pass, given that the Committee meets monthly.

So, after the due examinations, the lawbreakers must be punished and the punishment system of Poste Italiane is equal to the one of Ferrero, thus it also includes fines. But the true innovation in terms of the punishment system is that Poste Italiane also establishes that whenever the whistleblower declares himself/herself as the author of the act or as an accomplice, his/her punishment will be less severe.

The criteria adopted for determining the fair punishment are: seriousness, role and mansion of the lawbreaker, predictability of the event, intentionality, degree of negligence, imprudence or incompetence, the overall behavior of the perpetrator of the unlawful act (i.e., reiteration), participation of several workers, and other details not better defined in the

Model. As in the other cases, the penalties are also applied to those who file a maliciously unfounded complaint aimed at discrediting the accused.

Complying with the laws set forth by the Italian legislator, the whistleblower is protected from any type of direct and indirect victimization and at the same time, the disciplinary provisions that are considered in some way connected to the complaint are canceled. Under the perspective of the protection of identity and confidentiality, the company guarantees the utmost confidentiality of the complaint and the author of the complaint, sanctioning and punishing anyone who makes the whistleblower's identity public.

The last point that I find important to analyze is Poste Italiane's devotion to this phenomenon thanks to the analysis of the 2020 integrated report. Once again it is useful to evaluate the materiality matrix of the company. As displayed in Figure III.4, there are many relevant topics that Poste Italiane identifies as material issues. More precisely, the most important one is integrity and transparency, and as we know whistleblowing also deals with the integrity of the company, thus we could consequently state that whistleblowing is, implicitly, a top priority for the Italian postal services provider. Obviously, since complaints can concern different topics, I cannot claim that whistleblowing is just an integrity and transparency-connected matter, but rather, that whistleblowing management is highly relevant for Poste Italiane as it is interconnected with many topics present in the materiality matrix. For example, whistleblowing can also be linked to quality and customer experience in the case that the whistleblower is an external party who reports a violation of the relationship he/she has with the company; or protection of human rights if the complaint concerns a case of discrimination.

It is then clear that the company implicitly considers this phenomenon as massively relevant, and this is also well emphasized if we look at the long list of the possible risk drivers and human rights actions that the company explains in its annual report. Poste Italiane, in fact, places "dignity and respect" at the top of the list of risk drivers linked to human rights, and stresses that the main solutions to mitigate the risks associated with violations of dignity and respect are the Model, the code of ethics, the whistleblowing portal and the guidelines for whistleblowing. This once again perfectly explains the high commitment of the company toward whistleblowing.

As for Intesa Sanpaolo, whistleblowing channels were established in 2016, but the web portal was launched in April 2018. Compared to Intesa Sanpaolo the number of complaints

received is higher. More precisely, in 2016 the number of complaints received by the Committee was 282, in 2017 290, in 2018 230, in 2019 the Committee received 214 complaints, while in 2020 Poste Italiane handled 274 reports[117]. Unfortunately, Poste Italiane does not specify the types of violations reported most frequently. Nevertheless, the company pays particular attention to the cases of corruption that were: 23 in 2016, 23 in 2017, 7 in 2018, 4 in 2019, and 3 in 2020[118]. Only 1 of these 60 allegations of suspected corruption proved to be well-founded.

It is interesting to notice that the number of reports of Poste Italiane, compared to the ones of Intesa Sanpaolo and Pirelli, is huge. I cannot answer as to why this gap is so considerable, but I think that we should take into account that since the web platform is open to everyone it is highly likely that external individuals misinterpreted the true aim of the whistleblowing platform. In fact, by reading the whistleblowing guidelines, it is frequently specified that all complaints relating to inefficiencies are not the responsibility of the Committee and will be redirected to the complaint's office, it is as if the company wanted to emphasize the point that explains that this whistleblowing channel is in no way a platform for reporting inefficiencies. It is fair to assume that the ease with which it is possible to report through the whistleblowing channel, even if you are an external party, certainly increases the number of reports. Unfortunately, we are unable to establish how many of these have proved to be founded due to the impossibility of interviewing the company.

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[117] Poste Italiane (2020). *Annual Report 2020*. Web publication. Available at the link: https://www.posteitaliane.it/files/1476536505101/Annual-Report-2020.pdf
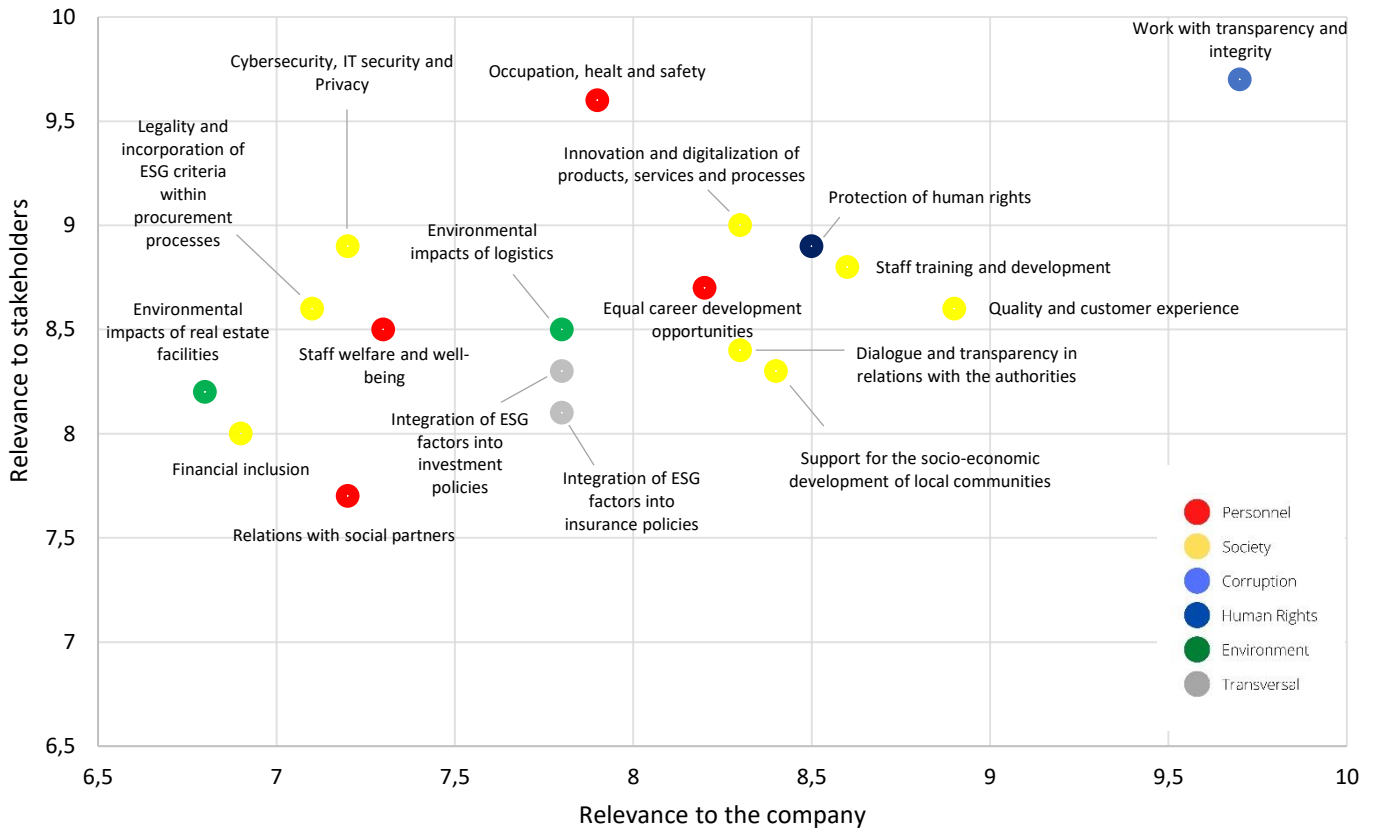[118] *Ibidem*

Figure III.4: 2020 Materiality Matrix of Poste Italiane

Source of data: Poste Italiane (2020). *Annual Report 2020*. Web publication. Available at the link:
https://www.posteitaliane.it/files/1476536505101/Annual-Report-2020.pdf

IV.   My experiment

To better analyze the phenomenon from a practical perspective I have decided to design an experiment based on a survey. The main aims of this experiment were to understand how people perceive violations, how they would report misbehavior, if there is a connection between their propensity to report and their characteristics, evaluate the presence of different approaches between external and internal channels, understand when and why people might prefer anonymous reports, and finally how incentives are perceived.

Before describing and analyzing the results of my experiment it is necessary to clarify how it was designed. Considering the main aims of my research, I have opted for an online survey developed on Office Forms. The choice of an online survey presents a tradeoff. The positive points of it are that the questionnaire can be easily shared and sent using social channels and emails, moreover, it is at no cost, and in a few minutes, I already had more than 25 completed surveys available. The drawback is that it is impossible to control the commitment of respondents as they fill the form wherever and whenever. This is a limitation as the survey was quite demanding and it was necessary to be focused and pay attention to the answers given. However, I must be honest in stating that the general commitment demonstrated by the sample was good. Indeed, the average time spent filling the form was 19 minutes, therefore a remarkable dedication.

The survey was completely in Italian because I have decided to interview only adult Italian subjects for two reasons. The first one, the most practical one, is that the great majority of my connections live in Italy, thus it would be difficult to interview non-Italian people. The second reason is that I have focused on Italian legislation. Each country has its own legislation on whistleblowing and, more importantly, each country has its own culture which has a profound effect on this phenomenon. For this reason, it was important to have a unique sample in terms of culture. It would have been interesting to evaluate the importance of national culture by analyzing the different answers given by an Italian sample and a non-Italian sample, but this is not one of the objectives of the thesis and a different approach would have been necessary.

The reason behind the choice of interviewing only adult people is instead justified by the idea that this phenomenon is work-related, thus it is expected that this sample is better able to identify with the hypotheses presented.

4.1   Description of the survey structure

The survey is composed of six main sections as we can appreciate in Appendix A. The first section is introductory and socio-demographic. In this part of the survey, respondents are asked to anonymously enter their personal information. More precisely, age, sex, job, educational qualification, and size of the company or institution respondents work for are asked. Further, it is asked how they consider their economic situation compared to the neighborhood, presenting 5 possibilities ranging from "far above average" to "far below average". This question would have been useful to understand if there is a correlation between the personal financial situation and the answers given. It is however necessary to underline that this measure is highly biased by false assumptions. In particular, it is not always true that those who answered "above average" are well off given that the neighborhood in which they reside could be inhabited by individuals in economic difficulties and vice versa. Furthermore, since it is a qualitative variable, people may have a different perception even if they are part of the same family. However, this is the only possible solution as I think it is not correct to explicitly ask about people's income or patrimony as it is considered a piece of sensitive information.

In this same section, two additional questions aim to probe the awareness of the phenomenon of whistleblowing and its diffusion. Specifically, it wonders if the interviewee has ever heard of "whistleblowing". The interviewee is then asked whether the company or institution for which he/she works informs its employees about an internal whistleblowing policy.

The second section deals with the first scenario in which the interviewee has to put him/herself in the shoes of a simple employee that observe three types of violations of the code of conduct and the code of ethics. The three main types of violations were presented in order of importance. A mild violation is for example the use of company resources for personal purposes while working. An intermediate violation is for example a lack of transparency in tasks performed during working hours or pressure towards colleagues or subordinates. While an example of a serious violation is absenteeism, sexual harassment, or steal of corporate financial resources. It is fair to state that these examples might have influenced people's answers as not all of the respondents might consider lack of transparency as a case of

intermediate violation, also not all of them might think that absenteeism is to be considered at the same level of sexual harassment. However, it is important to specify that this categorization based on examples is necessary to create a common scenario. In other words, without examples people might have problems in identifying the difference between mild, intermediate, and serious violations, thus it was crucial to provide some examples. At the same time, it is important to underline that this differentiation was suggested by Andrea Marzano, and I was also inspired by the documents published by some large companies.

After the description of the violations, the survey introduces the two main channels that can be used to report the various misconducts. People can blow the whistle addressing an internal channel such as an independent and autonomous internal committee. Alternatively, respondents might opt for an external channel, and this means reporting to the police, labor inspectorate, or other external institutions.

Once the scenario is described, interviewees must decide how to report the violation observed. These three violations can be carried out by one of their peers or they can be realized by their superiors. Moreover, another specific type of misconduct is presented in which the illicit act is endorsed by managers because it brings a benefit to them and the company in terms of profitability, but it ends up harming customers. This could occur when the product is of poor quality or when it poses a health risk to customers. Hence, the respondent had to decide how to act in these seven main cases, namely: mild, intermediate, and serious violation carried out by a peer; mild, intermediate, and serious violation carried out by a manager; misbehavior that benefits the company endorsed by the board of directors and managers but that harms customers. For each of these seven cases, the interviewees had to choose how to act. More precisely, he/she could choose: remain silent, report internally, report internally anonymously, report externally, and report externally anonymously.

The third section presents a different scenario in which the interviewee can report only internally and non-anonymously. The same seven misconduct are presented, but now the interviewee must choose which type of incentive motivates him/her the most to report. The types of incentives that I have designed are the ones discussed in Paragraph 2.3 and sub-Paragraph 2.3.2. I have decided to leave aside the incentive "command" because, as mentioned, force employees to report makes whistleblowing a mandatory act and no more a voluntary action. Thus, in the third section, we can notice three main types of incentives:

monetary, non-monetary, and fines. Each of them becomes more important as the seriousness of the denounced act increases. This implies that employees are rewarded with a large monetary reward if the reported crime is an important financial fraud or a case of sexual harassment, while the employee receives a lower gratification if the reported act is a mild violation. The same reasoning is used for the non-monetary incentives and fines.

So, each respondent had to identify which incentives would most influence his/her propensity to report in the seven cases. Not all respondents would be more likely to report in the presence of these incentives. For this reason, I still had to allow the interviewees to decide not to report. It is important to note that if in the first section a subject decides to report while in the second section the subject decides not to report the same violation in the same context, this does not invalidate his/her answers because in the presence of incentives he/she could decide to remain silent due to the bad reputation enjoyed by those who report only to receive a reward. In other words, in this case, an interviewee might decide to remain silent because he/she considers that whistleblowers that receive a reward are regarded as greedy spies by their colleagues.

I also believe it is important to assess whether for some types of violations the interviewee would still have reported even without incentives. One of my hypotheses is that a serious violation would be reported even without any incentive. To test this hypothesis in the third section it was possible to answer that the violation would still be reported even without incentives to stress the fact that, in that case, incentives do not have any effect on the decision to report.

The fourth and the fifth sections are the same as the second and third ones with one big difference. Now interviewees have to put themselves in the shoes of a manager. This implies that people must take into account that violations are carried out by other peer managers or subordinates. In other words, in these two scenarios, the interviewee has to consider that he/she has broader decision-making power and higher hierarchical importance. Considering this big difference, people had to decide how they would act in the seven cases; and after that, they had to choose which incentives would stimulate them the most, while still giving them a choice between: "I would not report, "monetary incentive", "non-monetary incentive", "fine", and "I would report even without incentive".

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The last section is a multiple-choice question in which respondents have to choose one or more sentences that they endorse and approve. The question asks not to think about a specific violation and respondents should state whether they believe monetary and non-monetary incentives should be used to reward whistleblowers, or whether these incentives have more cons than pros, or whether they have a neutral opinion about incentives. This question aims to evaluate if, as theory and Andrea Marzano's interview suggest us, in Italy incentives, especially monetary ones are not well perceived as they can lead to a moral drift.

All collected data were analyzed in aggregate form using the "Stata" analysis software. For all the analysis of significance and comparison I performed a bidirectional two-sample test using the function "prtesti". The null hypotheses were rejected with: high significance (p-value <1%, ***), significance (p-value> 1% and <5%, **), or weak significance (p-value> 5% and <10%, *). To facilitate the understanding of the structure of the experiment, Table IV.1 depicts the framework of the survey underlining the four main Scenarios and the six sections.

1st section: socio-demographic variables	Age, sex, job, qualification, economic situation compared to the neighborhood, size of the company you work for, awareness of the whistleblowing phenomenon, awareness of the internal corporate whistleblowing policy
2nd section: *Scenario 1* The observer is an employee For each of these sub-Scenarios the interviewee has to decide how to report choosing among: remain silent, internal channel, internal channel anonymously, external channel, external channel anonymously	*Sub-Scenario 1a*: 3 types of violations by a peer employee
	Sub-Scenario 1b: 3 types of violations by a manager
	Sub-Scenario 1c: violation endorsed by managers that benefits the company but harms customers
3rd section: *Scenario 2* The observer is an employee who works in a company that incentivizes whistleblowers For each of these sub-Scenarios the interviewee has to decide which incentive influence him/her the most choosing among: I would also sue without incentive, I would not report, monetary incentive, non-monetary incentive, fine	*Sub-Scenario 2a*: 3 types of violations by a peer employee
	Sub-Scenario 2b: 3 types of violations by a manager
	Sub-Scenario 2c: violation endorsed by managers that benefits the company but harms customers
4th section: *Scenario 3* The observer is a manager For each of these sub-Scenarios the interviewee has to decide how to report choosing among: remain silent, internal channel, internal channel anonymously, external channel, external channel anonymously	*Sub-Scenario 3a*: 3 types of violations by a subordinate
	Sub-Scenario 3b: 3 types of violations by a peer manager
	Sub-Scenario 3c: violation endorsed by managers that benefits the company but harms customers
5th section: *Scenario 4* The observer is a manager who works in a company that incentivizes whistleblowers For each of these sub-Scenarios the interviewee has to decide which incentive influence him/her the most choosing among: I would also sue without incentive, I would not report, monetary incentive, non-monetary incentive, fine	*Sub-Scenario 4a*: 3 types of violations by a subordinate
	Sub-Scenario 4b: 3 types of violations by a peer manager
	Sub-Scenario 4c: violation endorsed by managers that benefits the company but harms customers
6th section: multiple choice question The interviewee has to choose one or more sentences with which he/she agrees	It is fair to financially reward whistleblowers; it is fair to reward whistleblowers with non-monetary reward; monetary rewards have more cons than pros; non-monetary rewards have more cons than pros; I have a neutral opinion about monetary rewards; I have a neutral opinion about non-monetary rewards

Table IV.1: Structure of the survey

4.2   Socio-demographic analyses

First of all, it is necessary to describe how the sample is composed. To do so, I will now introduce the demographic and social characteristics of the interviewees. The sample size is 213. As expected, the majority of the sample is composed of young people with an age between 18 and 25 (101 out of 213; 47,4%). This is due to the connections I have and also because the survey was sent to all the students of my mentor professor.

The young average age is also reflected in the data on employment which attests to a predominance of students (89 out of 213; 41,8%). As for sex, there is a weak prevalence of males who make up 54,5% of the total (116 out of 213). As for the level of education, there is a clear predominance of people with a high school diploma (102 out of 213; 47,9%), followed by people with a bachelor's degree (39 out of 213; 18,3%) and people with a master's degree (27 out of 213; 12,7%).

In terms of organizational size, employed people are 117 (54,9% of the total). One self-employed interviewee did not answer the question on the organizational size. The majority of employed respondents (63 out of 117 53,8%) works for a big size company, this is due to the high number of university professors and researchers and also thanks to the high number of Intesa Sanpaolo's employees who took part in my survey. To provide a better and more complete description of the composition of the sample from a social and demographic perspective we can have a look at Graphs B.1, B.2, B.3, and B.4 in Appendix B.

In this same section of the survey, we have other important data that already suggests an interesting result. 134 people out of 213 have never heard of "whistleblowing" (62,9%). This means that more than 6 people out of 10 are not at all familiar with this term. This result is quite relevant but not shocking. Indeed, I think it is important to notice that "whistleblowing" is an English term, and many people might not be so familiar with this specific word even if they actually know that within companies such a phenomenon could exist.

It is also curious to notice that individuals with higher education (such as those with a post-graduate master, or Ph.D.) are those who have a greater knowledge of the phenomenon. To understand this, it is simply necessary to evaluate the percentage of interviewees that answered "no" to the question "have you ever heard of whistleblowing?" grouping them into groups sorted by educational level. 7 people out of 28 with higher education are not aware of

this phenomenon, while 82 out of 103 people with lower education (elementary education and high-school diploma) are not aware of this phenomenon. Thanks to a bidirectional proportions test performed in Stata with the "prtesti" function, I can conclude that the difference between people with higher education and people with a lower education that are aware of this phenomenon is highly significant (p-value≈0%). This difference remains highly significant even when in the first sub-sample we include interviewees with a master's degree.

Furthermore, the relative number of people that is familiar with whistleblowing increase as the age increases. To be more precise, only 18% of young people (18-24) have heard of this phenomenon, this percentage rises to 51% for those who are 26-40 years old and to 57% for those aged between 41 and 60; while it drops to 50% for the over 60 respondents. According to my analyses, there are highly significant differences between young people (18-24) and 26-60 years old interviewees (p-value≈0%). While there is a significant difference between young people and over 60 years old interviewees' answers to the seventh question (p-value=1,66%).

Another interesting point is the relationship between the size of the company/institution for which employed people work and the familiarity with this phenomenon. More precisely, there is a positive relationship between the familiarity with this phenomenon and the size of the company. The percentage of employees who work for a large company and are aware of the meaning of "whistleblowing" is 66,6% (42 out of 63); in the case of medium-sized enterprises, this percentage drops to 44,4% (8 out of 18); for employees or managers of small businesses the ratio falls to 36,8% (7 out of 19); finally, in micro-enterprises, only 31,2% (5 out of 16) of the interviewees have heard of whistleblowing. Comparing these data, I can affirm that there is a highly significant difference between the answers given to the seventh question by the respondents who work for a large company and those provided by those who work for a micro-sized company (p-value=1%). While there is a significant difference in the comparison between big-sized companies' employees and small-sized companies' employees (p-value=2,01%); and a weak-significance difference between big-sized companies' employees and mid-sized companies' employees (p-value=8,71%).

The last question of the first section was interesting to understand if the interviewees' employers have ever communicated the internal whistleblowing policy to their employees. The results of this question are important to establish if companies are trying to diffuse a positive culture based on acceptance and approval of internal reports. The answer to this

question is Boolean; thus, respondents could answer yes or no. I think it is fair to speculate that some negative answers might be biased because quite often companies have an internal whistleblowing policy, but employees do not pay particular attention to that since they are not involved in violations. Furthermore, in my opinion, some companies have an internal channel, but they do not promote it enough since they are not fully aware of the opportunities of this phenomenon. This question has been answered by all those who have heard of whistleblowing and who are employed. 62 people have answered: 28 positively (45%), 40 negatively (55%). This means that 55% of employed people who know what "whistleblowing" is, work for a company or institution that has not an internal whistleblowing policy.

Nevertheless, I think it is also important to carry out additional analysis. Indeed, employed people are 117. 54 of them have never heard of whistleblowing (46,1%). This leads me to speculate that also these people work for a company or institution that does not promote an internal whistleblowing policy. In other words, if we consider those who answered "no" both to the 7th and 8th questions, we notice that 88 interviewees out of 117 (75,2%) work for a company or institution that has not an internal whistleblowing policy.

However, I still need to underline that many of them might have ignored internal communications or corporate web pages that describe the commitment of the company toward this phenomenon. This is an assumption I make on the basis of the composition of the sample. As written above, an internal whistleblowing policy is highly suggested and recommended especially to large-sized companies. Although the Italian legislator does not force companies to set up a whistleblowing system, the resulting advantages are manifold, as seen thanks to the analysis of decree 231/2001. Thus, I think it is fair to assume that some interviewees, especially employees of big companies, might have answered "no" to the last two questions of the first section due to their personal ignorance and not because the company they work for does not have an internal whistleblowing policy.

A final important data that we can obtain by analyzing the answers to the last question is the difference between employees who work for large, medium, small, and micro-companies. As expected, the majority of interviewees that answered "yes" to both the 7th and 8th questions work for a big company (20 out of 26; 76,9%); followed by employees of mid-sized companies (4 out of 26; 15,4%), small and micro-companies (in both cases 1 out of 26; 3,8%).

This data confirms what I have written above. If we consider that the sample is composed of 63 people that work for a big company, 18 for a mid-sized company, 19 for a small company,

and 16 for a micro-company; we can immediately notice that the percentage of employees who work for a company or institution that communicates its internal whistleblowing policy is very low. To be more precise, only 31,7% of big-sized companies' employees are aware of the internal whistleblowing policy (20 out of 63); 22,2% in the case of employees of mid-sized companies (4 out of 18); 5,3% in the case of employees of small-sized companies (1 out of 19); and 6,25% in the case of micro-companies (1 out of 16).

These results could be justified by the idea that large-sized companies might be more prone to invest in a structured internal whistleblowing policy thanks to their generally higher availability of resources compared to small and micro-companies.

Other important results emerge from the analyses of demographic data. As explained in Paragraph 1.3, scholars through the years have underlined different results in terms of propensity to report of males and females. Some of them pointed out that there is a positive relationship between the male sex and the propensity to blow the whistle; some others suggested that there is a neutral relationship between sex and propensity to blow the whistle. Thanks to my experiment I had the opportunity to verify the hypothesis according to which sex is a variable that influences the hypothetical propensity to blow the whistle. My sample is composed of 97 females (45,5%) and 116 males (54,5%). For each of the six sub-Scenarios (macro-Scenarios 1 and 3), I tested the presence of significant differences between the answers given by males compared to those given by females. More precisely, I verified the different answers by grouping them between decisions to report or not to report. In this way, I had the possibility to verify whether females are more prone to remain silent than males. Carrying out a statistical analysis of bidirectional proportionality on the 14 violations (3 violations for each sub-Scenario 1a, 1b, 3a, 3b, plus two corporate violations in Scenarios 1c and 3c) there was no significant difference between the propensity to report of females compared to the propensity of males.

Another hypothesis I wanted to test was the one about the different hypothetical propensity to report between those who have higher education (Ph.D. and post-graduate master) compared to those who have a lower education (elementary education and high-school diploma). According to my idea, those who have a higher education should report more frequently than those who are "less educated". As for the previous hypothesis, I statistically

analyzed the different answers provided by the sub-sample of "high-educated people" (N=28) and by the sub-sample "lower-educated people" (N=103). For each of the 14 violations (the same as the above-reported hypothesis), I have computed the number of "no report" for each of the sub-samples. In 12 out of 14 violations no significant difference emerged. However, in two cases, I found a significant difference in the answers of the two sub-samples. The unexpected result is that for mild violations carried out by peer employees (sub-Scenario 1a) and for mild violations carried out by subordinates (sub-Scenario 3a), "higher-educated people" remain more silent than "lower-educated people". More precisely, in the first case, the difference is weakly significant (p-value=6,55%), and in the second case, the difference is significant (p-value=4,92%).

Contrary to what is expected, those who are more educated tend to remain more silent than those who are less educated in the case of minor violations carried out by simple employees. Instead, for all the other violations observed (medium, serious, corporate, and minor by managers) no significant difference was found between the two sub-samples. This result is quite interesting because it almost completely coincides with what we have learned in Paragraph 1.3 in which I have underlined that the level of education has a quite weak and indirect relationship with the propensity to blow the whistle. Due to the limited significance found, I can conclude that the level of education has no effect on the theoretical propensity to report shown by my sample.

Performing the same analysis, this time evaluating how students, professors, top managers, and employees answered, another interesting evidence emerges. I assumed that professors/researchers and top managers would have shown a higher propensity to report compared to students and employees. These two hypotheses follow the personal thought that, although the experiment presents hypothetical scenarios in which interviewees have to put themselves in the shoes of managers and employees, real manager and high-ranking people (professors and researchers in the case of universities) would blow the whistle more often than simple employees and low-ranking people (students in the case of universities). In other words, I hypothesized that those who in the real world have control, supervisory, or otherwise higher roles, have a higher hypothetical propensity to report.

To test this hypothesis, I verified the presence of a significant difference between the number of "no reports" of professors and researchers with the answers of students. Then I

also compared the responses of middle and top managers with those of employees. Once again, I did this for each of the 14 violations thanks to a bidirectional comparative analysis performed in Stata.

As regards the first comparison, the one between professors and students, I can conclude that there is a lack of significance in 12 out of 14 cases. In the case of mild violation by a peer employee (sub-Scenario 1a), there is a significant difference of "no report" between professors and students (p-value=4,45%). More precisely, contrary to what was expected, students seem to blow the whistle more frequently than professors in that sub-Scenario. In that situation, 69,5% of professors would prefer to remain silent, while only 46,1% would do the same among students.

The same conclusion can be drawn for intermediate violations committed by subordinates (sub-Scenario 3a). Even in this case there is a significant difference between the (lower) number of complaints filed by professors and the (higher) number of complaints filed by students (p-value=4,5%). In this case, 8,7% of professors would remain silent, while only 1,1% of students would make the same decision.

For all the other types of violations, no significance emerged. This allows me to conclude that in the majority of sub-Scenarios there are no influences deriving from the role of the interviewees. This does not mean that the role does not play a role, but rather, that the interviewees were able to put themselves in the shoes of managers and employees even if they were not, showing that the answers given to the hypothetical scenarios I presented were not influenced by the role that the interviewees have in the real world.

As concerns the second comparison, the one between the responses given by top and middle managers and employees, I reached a similar conclusion. Indeed, by performing the same test with the same conditions, I did not attain significant differences in 12 out of 14 cases. In just 2 situations: intermediate violation by a peer employee (sub-Scenario 1a) and intermediate violation by a superior manager (sub-Scenario 1b), I observed a weak significance difference between the (lower) number of reports of top and middle manager and the (higher) number of reports of employees (p-value=7,62% for both sub-Scenario 1a and 1b). In both of these cases, contrary to what was expected, "real-world" employees blow the whistle more often than "real-world" middle and top managers. More precisely, in both of the situations, the

propensity to remain silent by "real-world" employees was 4,8%, while for top and middle managers was 17,1%.

Still, for all the other types of violations, no significance emerged. And once again I cannot state that these two sub-samples show a different approach to the experiment. This implies that the hypothetical propensity to blow the whistle did not depend on the real working situational characteristics of the interviewees.

Another test I wanted to perform was the comparative analysis between the answers given by those who work for a large company (N=63) and those who work for small and micro-organizations (N=35). According to my hypothesis, those who work for a large company might be more prone to report due to a better ability in identifying with the scenarios presented. As already explained, whistleblowing is a complex phenomenon that assumes considerable dimensions within large companies. For this reason, I was brought to think that big companies' employees were more prone to (hypothetically) report than small and micro companies' employees.

The same test based on the 14 cases was performed. And once again there were no significant differences between the two sub-samples. In 13 out of 14 cases there were no significant differences at all. In just one case I found a significant difference, and in this case, as expected, for mild violations by managers (sub-Scenario 1b) there were more silences by small and micro-sized companies' employees (19 "no report" answers by large companies' employees versus 18 by small and micro-companies employees; p-value=3,74%).

If we instead focus on the different hypothetical responses given by young (18-25) people (N=101) versus over 41 years old people (N=77), we might expect that young interviewees are more prone to report even mild violations due to their lack of working experience. According to my idea, those who have few working experiences might be more prone to blow the whistle also in the case of non-serious violations since they might have more difficulties in identifying with the hypothetical scenarios presented.

To test this hypothesis, I used the same approach of the above-mentioned tests and also in this case in 13 out of 14 there were not significant differences between the number of "no report" of young interviewees and those by over 41 years old interviewees. The only exception was the intermediate violation by subordinates (Scenario 3a) in which the number of reports

was higher for young people ("no report" answers 0,9% versus 9%) with high significance (p-value=0,98%). Nonetheless, this result is explainable by speculating that young people might have had more difficulties in understanding what an intermediate violation can be, and they might have had more difficulties in putting themselves in the shoes of a manager compared to over 41 years old interviewees.

To conclude these analyses, it is now crucial to explain how we should interpret the results just presented. The five macro hypotheses above tested point out that sex, education, role within corporate/institution hierarchy (professors versus students and managers versus employees), size of the company, and age do not seem to affect terms of decision between blowing the whistle or not. In other words, these variables, are not (with few exceptions) decisive to the point of generating significant differences in terms of decision between denunciation and silence. The hypothetical propensity to blow the whistle seems not to be influenced by these factors. Nevertheless, I cannot state that these variables and characteristics do not affect potential whistleblowers, since I would invalidate what is written in Paragraph 2.1.

It is crucial to distinguish between the acceptability of a violation and the actual whistleblowing. The acceptability of a deed is influenced by personal morality. The hypothetical "fairer decision" that I asked interviewees to provide is not significantly different between those who have a high role within the company and those who are instead simply subordinates. However, I need to stress that this statement does not clash with the idea that organizational structure, control, incentive system, and culture play a crucial role in spurring people to report. The fact that (in the majority of cases) no significance was found in terms of different answers to the main dilemma "to blow or not to blow", does not mean that the characteristics and the context within which a subject operates do not make any difference for the whistleblowing phenomenon. To be more direct, the hypothetical propensity to blow the whistle tested thanks to my experiment, must not be confused with the actual feasibility of the report. Despite, according to my experiment, "real-world" top managers and subordinates have (in general) the same propensity to blow the whistle, we cannot state that there is no difference between them in the real scenario.

The tests carried out to identify the different propensities to report were crucial to demonstrating that a violation is considered as such both if you are a top manager and if you

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are an employee. It would be wrong to assume that all the 213 interviewees have the same level of morality and perceive the various violations equally. But it would be wrong as well to think that a serious violation for a young person is worthy of the report and for an elder is not. In other words, in the majority of cases, people agree upon the idea that a violation should be reported. The true difference between high-ranking elder educated male managers that work for a big company and low-ranking young uneducated female intern that work for a micro company lies in the actual feasibility of the report. Despite these two archetypes might agree on the necessity to report a certain hypothetical violation (as happens according to my tests), there might be many variables that might influence their decision in the real life. These variables are all those that I have discussed in the previous chapters, i.e., the organizational culture, access to sensitive information, the importance within the corporate hierarchy, the presence of different channels, etc. Hence, these two archetypes might be equal from a hypothetical point of view since both of them would report, but actually, the true difference is that the first archetype might be more able to report in a real-world scenario thanks to his characteristics, while the second one might be more prone to remain silent to avoid retaliations or because she assumes that her voice will remain unheard.

To recap all the significant and accepted sub-hypotheses tested and mentioned in this Paragraph we can appreciate Table IV.2.

Hypotheses	Accepted sub-hypotheses	Significance
Those who work in large companies are more aware of the whistleblowing phenomenon than those who work in smaller organizations	Large-sized companies' employees are more aware of this phenomenon compared to micro-sized companies' employees	***
	Large-sized companies' employees are more aware of this phenomenon compared to small-sized companies' employees	**
	Large-sized companies' employees are more aware of this phenomenon compared to mid-sized companies' employees	*
Those who work in large companies are more aware of the internal whistleblowing policy	Large-sized companies' employees are more aware of the internal policy compared to micro-sized companies' employees	**
	Large-sized companies' employees are more aware of the internal policy compared to small-sized companies' employees	**
Those with higher education (PhD and post-graduate master) have a greater hypothetical propensity to report than those with lower education (High-school diploma and elementary school certificate)	For mild violations by peer employees (sub-Scenario 1a) higher educated people report less than lower educated people	*
	For mild violations by subordinates (sub-Scenario 3a) higher educated people report less than lower educated people	**
Professors and researchers have a greater propensity to report than students	For mild violations by peer employees (sub-Scenario 1a) professors report less than students	**
	For intermediate violations by subordinates (sub-Scenario 3a) professors report less than students	**
Top and middle managers have a greater propensity to report than employees	For intermediate violations by peer employees (sub-Scenario 1a) "real world" managers report less than employees	*
	For intermediate violations by managers (sub-Scenario 1b) "real world" managers report less than employees	*
Those who work for large companies have a greater propensity to report than those who work in small and micro-sized companies	For mild violations by managers (sub-Scenario 1b) large-sized companies' employees report less than small and micro-sized companies' employees	**
Young people (18-25 y.o.) report more than older people (over 41 y.o.)	For intermediate violations by subordinates (sub-Scenario 3a) older people report less than young people	***

Table IV.2: Hypotheses tested and accepted as regards socio-demographic variables

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4.3   Analyses of channels

We can now discuss the results of the first and third Scenarios. In this way, we will be able to understand how interviewees would prefer to blow the whistle according to the different types of violations and also according to their hypothetical position within the corporate hierarchy. To perform these analyses, I evaluated the responses to the first and third Scenarios in order to understand if and which is the most used channel to report the different hypothetical violations observed. The main aim of these tests is to verify some hypotheses I built according to previous researches and personal evaluations. Thanks to these investigations I hopefully will be able to make the reader think about how companies should intervene in order to support this phenomenon, and at the same time, provide some interesting results that highlight how internal, external, anonymous, and non-anonymous channels are perceived by people based on the type of violation and on the hypothetical role within the company hierarchy.

The experiment in the second and fourth section (Scenario 1 and 3) is composed of 4 macro types of violations: mild (hereinafter also referred to as "low"), intermediate (hereinafter also referred to as "medium"), serious (hereinafter also referred to as "high"), and illicit behaviors endorsed by managers that benefits the company but harm customers (hereinafter also referred as "corporate violation"). The first three types of violation can be hypothetically carried out by peers (sub-Scenario 1a) or managers (sub-Scenario 1b), and in the first Scenario is observed by an employee. Whereas, in the third Scenario the same violations are hypothetically carried out by subordinates (sub-Scenario 3a) and peer managers (sub-Scenario 3b). The main difference compared to the first Scenario is that in the third one interviewees have to imagine they are managers. For each of these 14 cases, each interviewee had to decide if and how to report these violations. Graphs C.1 – C.6 display how interviewees would prefer to blow the whistle in sub-Scenario 1a (Graph C.1), in sub-Scenario 1b (Graph C.2), in sub-Scenario 1c (Graph C.3), in sub-Scenario 3a (Graph C.4), in sub-Scenario 3b (Graph C.5), and sub-Scenario 3c (Graph C.6).

4.3.1 Report versus No report

To facilitate the analyses of data we can appreciate Table IV.3. The first immediate and simple result that we can notice by evaluating the number of "no report" is that, in each Scenario, the greater the violation (in terms of severity), the greater the propensity to blow the whistle.

For mild violations by peer employees (sub-Scenario 1a), there is a preference toward the "silence" decision (104 out of 213; 48,8%). Nevertheless, it is noteworthy that the rest of the sample still thinks that it is necessary to blow the whistle. While it is true that staying silent is the most preferred option among the other four alternatives, we can see that by grouping the remaining options together we reach the majority. In this specific case, the gap between these two macro-options is extremely limited. Therefore, I cannot conclude that for mild breaches there is a significant prevalence of one of these two macro-alternatives.

	Low violation	Medium violation	High violation
Scenario 1a	48,88% 104 out of 213	7,98% 17 out of 213	0,009% 2 out of 213
Scenario 1b	40,84% 87 out of 213	6,57% 14 out of 213	0,009% 2 out of 213
Scenario 3a	37,09% 79 out of 213	4,22% 9 out of 213	0,009% 2 out of 213
Scenario 3b	27,70% 59 out of 213	3,76% 8 out of 213	0,005% 1 out of 213

Table IV.3: Percentage and absolute number of "no report" answers

However, if we look at all the other cases of mild violations, we can notice that this gap tends to grow due to a higher number of decisions to report. To be more precise, when the mild misbehavior is carried out by a manager, the employee that observes the breach would prefer to report it. To say so, we might notice that in Scenario 1b, for low violation the number of "no report" is 87 (40,8%), while the number of "report" is 126 (59,1%). By testing this result through a bidirectional proportion test, I can conclude that this difference is highly significant (p-value=0,02%). The same conclusion can be made for mild violations by subordinates observed by managers (sub-Scenario 3a), and mild violations by peer managers observed by a manager (sub-Scenario 3b). In both of these cases, there is a highly significant difference between "report" and "no report" answers (p-value≈0% in both cases). Moreover, it is

interesting to notice that the gap between these two options gets bigger and bigger passing from sub-Scenario 1a to sub-Scenario 1b, to sub-Scenario 3a, and to sub-Scenario 3b. This seems to suggest that there is a clear effect played by both the role of the lawbreaker and the role of the whistleblower within the corporate hierarchy. In other words, the higher in the hierarchy the offender and whistleblower, the greater the propensity to report than to keep quiet.

To test this hypothesis, in the case of mild violation, we can notice that the number of complaints about minor misbehavior by peer employees (sub-Scenario 1a) is weakly significative lower than the number of complaints about minor violations by managers (sub-Scenario 1b) (104 "no report" versus 87 "no report"; p-value=9,77%). But if we evaluate the same difference by comparing the answers of the first with those of the third Scenario, we have some significant results that partially endorse my hypothesis. Indeed, for mild violations by peer employees (sub-Scenario 1a), there are significantly fewer reports than for mild violations by subordinates (sub-Scenario 3a) (104 versus 79; p-value=1,44%). If we compare the number of "no report" for minor violations in sub-Scenario 1a with those in sub-Scenario 3b (violations committed by subordinates observed by a manager), the difference is highly significant (104 versus 59; p-value≈0%). And the same high significant difference occurs if we compare the number of "no report" in sub-Scenario 1b (violations committed by managers observed by an employee) with those in sub-Scenario 3b (violations committed by peer managers observed by a manager) (87 versus 59; p-value=0,43%). The only no-significant difference occurs if we compare mild violations by managers (sub-Scenario 1b) with mild violations by subordinates (sub-Scenario 3a).

To conclude, I can affirm that, for minor violations, the role of the whistleblower and the lawbreaker within the company plays an important role. Hypothetical high-ranking employees, as expected, blow the whistle more often than hypothetical low-ranking employees. More than that, if the misbehavior is committed by someone that has an important role within the corporate hierarchy, the propensity to report him/her increases. This is an interesting point since it shows that, for "low violations", people would report more often if the misbehavior were committed by a manager rather than by a simple employee or a subordinate. From this perspective, I can conclude that people are more prone to blow the whistle when a violation is committed by someone who should have exemplary and flawless behavior given his role within the company, such as a manager.

It is interesting to notice that if we perform the same analyses that I have just described above, this time by evaluating the different propensity to report "medium" and "high" violations, we notice that there are no important differences between high-ranking and low-ranking whistleblowers and lawbreakers. To be more precise, in the case of mild violations I have concluded that the role of the whistleblower and the role of the lawbreaker within the corporate hierarchy are relevant since they can make a difference between reporting or remaining silent. Nevertheless, these two variables in the case of more serious violations seem not to play a role. By comparing the number of "no report" answers in the four sub-Scenarios (sub-Scenarios 1a, 1b, 3a, and 3b), there are no significant differences when the hypothetical violator is a manager rather than an employee, or when the hypothetical observer is a manager rather than an employee.

To be more precise, in only one comparison there is a (weakly) significant difference. By comparing the number of "no report" for medium violations by a peer observed by an employee (sub-Scenario 1a) with the number of "no report" for medium violations by a peer manager observed by a manager (sub-Scenario 3b), we can notice a weakly significative difference (17 versus 8; p-value=6,36%).

Except for this result, in all other cases of medium and serious violations, the number of "silences" is highly significantly lower than the number of complaints. This allows me to conclude that intermediate and serious violations are worthy of being reported both if they are carried out by a manager or an employee, and both if the hypothetical whistleblower is a manager or an employee.

To conclude this simple analysis about "report" versus "no report" decisions, the most striking results to highlight are that, as expected, the number of reports grows proportionately to the growing seriousness of the misbehavior observed. Furthermore, for mild violations, the role within the corporate hierarchy of the whistleblower and the culprit plays an important part. Nevertheless, this cannot be said for intermediate and serious violations, misbehavior for which interviewees would report anyway without too clear differences among the different sub-Scenarios. Finally, I think that it is also important to notice that there is not a violation that achieved zero "no report". In other words, in all hypothetical situations, there is always at least one person who would not report. It is obviously important to notice that, especially for serious violations, the number of "no report" is paltry, however, I think that it is also a

curious result as it highlights that for some people blowing the whistle is still considered an act of disloyalty carried out by snitches as emphasized in Paragraph 1.1. This conclusion is personal speculation as the identity of the interviewees is untraceable, but at the same time, I find no other possible reasons that could explain this result.

4.3.2   Internal versus external channel

We can now focus on how interviewees would prefer to report. While in the previous sub-paragraph we have focused our attention on the differences between "report" and "no report" answers, we now need to take a step forward by analyzing how the different channels are perceived and if and which is the most preferred channel to use for the different types of violations. To facilitate the explanation of the result and the analysis of data we can appreciate Table IV.4.

	Low violation	Medium violation	High violation
Scenario 1a	92,66% 101 out of 109	95,92% 188 out of 196	44,55% 94 out of 211
Scenario 1b	84,92% 107 out of 126	80,90% 161 out of 199	29,38% 62 out of 211
Scenario 3a	93,28% 125 out of 134	94,12% 192 out of 204	45,02% 95 out of 211
Scenario 3b	87,66% 135 out of 154	87,32% 179 out of 205	34,43% 73 out of 212

Table IV.4: Percentage and absolute number of internal reports

Once again, I had the possibility to test some hypotheses that were reasonable to expect according to my theoretical researches. If we look at mild violations, we could expect a higher propensity to blow the whistle internally rather than externally. The reason behind this hypothesis is pretty simple and intuitive, especially for mild violations committed by simple employees (sub-Scenario 1a). For misbehavior such as the use of company resources during working hours for personal purposes, it is fair to expect a broader usage of internal channels since external bodies and institutions might not be even interested or have the power to stop these simple breaches.

And indeed, as expected, for each of the different Scenarios, for minor violations there is an enormous prevalence of the use of internal channels compared to external ones. The gap between internal and external channels in the case of mild violations is especially important in the case of minor misbehavior by a subordinate observed by a manager (sub-Scenario 3a). In that sub-Scenario, 93,18% of reports (125 out of 134) would be filed internally rather than externally. While in the case of mild violation by a manager observed by an employee (sub-Scenario 1b), the use of the internal channel remains the most appreciated form of reporting, but the percentage drops to 84,92% of total reports (107 out of 126).

It is also interesting to notice that for "low" violations there are no significant differences between the propensity to report internally expressed by hypothetical employees and that expressed by hypothetical managers. By comparing the responses of Scenario 1 with those of Scenario 3, there is a significant difference only in the case of mild violation by managers observed by employees (sub-Scenario 1b) and those by subordinates observed by managers (Scenario 3a). Indeed, in that case, there is a significantly higher tendency to report internally by hypothetical managers than by hypothetical employees (125 out of 134 in sub-Scenario 3a versus 107 out of 126 in sub-Scenario 1b; p-value=2,97%). This result suggests that, only in this specific case, managers seem to be more prone to report internally than employees. Nevertheless, it is important to remark that this statement is not valid if we compare the other sub-Scenarios. Thus, we can state that, in the majority of cases, there are no significant differences in terms of use of the internal channel (instead of the external one) for mild violations between managers and employees.

Furthermore, internal channels are not only the most chosen alternative in the case of minor misbehavior but are also the most preferred to report intermediate misbehavior. Indeed, significant differences emerge between these two possible macro-choices. In all Scenarios, internal reports are higher than external reports for intermediate violations. The highest percentage of internal whistleblowing for intermediate violations occurs in the case of misbehavior by peer employees observed by an employee (sub-Scenario 1a) in which 95,92% of complaints would be filed internally (188 out of 196). The lower percentage instead occurs in the case of an intermediate illicit act by a peer manager observed by a manager (sub-Scenario 3b), in which "only" 87,32% of reports would be presented internally (179 out of 205). This dominance of the internal channel, with respect to the external one, is to be

explained on the basis of the type of offense (not serious) and also on the basis of the power that the company has in putting an end to the offense and remedying the damage.

These are extremely important outcomes for my thesis as they prove that a company that does not set up an internal whistleblowing system can be highly harmed since those who cannot whistle internally will probably do it externally and I have already highlighted how dangerous an external complaint (which can easily go public) can be in terms of visibility and credibility. In a nutshell, these pieces of data prove that an internal whistleblowing policy is necessary since people would use internal channels, and in many cases, they would prefer them compared to the external ones.

But when violations become more serious internal channels are not sufficient. In all the four sub-Scenarios external channels become the most chosen option. However, it must be emphasized that this prevalence is not so marked. Indeed, the highest gap between internal and external channels occurs in sub-Scenario 1b (violation by a manager observed by an employee), in which the external channel was chosen 149 times out of 211 cases of denunciation (70,61%). While the gap between these two main options drops to 21 in sub-Scenario 3a (violation by a subordinate observed by a manager), in which external reports amount to 54,98% of the total number of complaints.

Data suggests that the external channel is more used than the internal one when it is necessary to report a serious violation perpetrated by a manager. If we compare these two options in the case of serious violations committed by a manager (sub-Scenario 1b) and in the case of serious violations committed by a peer manager (sub-Scenario 3b), we notice that in both of these cases, external channels are more used than internal ones with a p-value≈0%.

Two important considerations are worthy to be mentioned. First, although the difference between internal and external channels is significant in all four sub-Scenarios, there is a smaller gap between the two channels than in cases of less serious violations. In other words, the predominance of the external channel over the internal one is not as strong as that between the internal one compared to the external one in the case of mild and intermediate violations. This suggest that the external channel is actually considered as a secondary alternative channel to the internal one. Consequently, companies should capitalize on this opportunity by setting up their own internal reporting channel.

The second important consideration is linked to the last result highlighted. Data suggests that the external channel is predominant when whistleblowers must report a manager (as we can notice by considering the lower percentage of internal reports in the second and fourth row of the last column in Table IV.4). By testing the different observed propensity to report externally in the case of a serious violation, I noticed that there is a significant difference when the misbehavior is carried out by an employee than when it is committed by a manager. There is a greater propensity to report managers externally (sub-Scenarios 1b and 3b) than to report employees externally (sub-Scenarios 1a and 3a). More precisely, by comparing the answers of sub-Scenario 1b with those of sub-Scenario 1a there is a highly significant difference (p-value=0,13%). By the comparison between sub-Scenario 3b and 1a a significant difference emerges (p-value=3,33%). Analyzing the responses to sub-Scenario 3b and sub-Scenario 3a still a significant difference occurs (p-value=2,6%). Finally, a highly significant propensity to report externally in sub-Scenario 1b than in sub-Scenario 3a is evident (p-value=0,09%).

All these results prove that the external channel is more used to report managers than employees. That is an important point since it emphasizes that high-ranking employees might have so much power internally to the extent that lower-ranking whistleblowers believe that their actions would not lead to satisfactory results. In other words, I interpret this result by theorizing that a manager might be so important for the corporate hierarchy to the point that the company would prefer to "mute" the whistleblower rather than listen to him.

According to my view, we can also explain this outcome by assuming that managers have more influence within the company, and this could be correct also from a negative perspective, which means that they could be more able to retaliate against whistleblowers forcing him/her to keep quiet. In practical terms, it is not so far from reality to assume that a low-ranking employee has less power than a high-ranking employee. And the consequence of this is that interviewees, in their decision-making process, (probably) took this factor into account concluding that, despite you are a peer manager, it is anyway safer, and probably more effective, to blow the whistle externally when the serious misbehavior is committed by a top manager.

Shifting the attention from the identity of the culprit to the identity of the whistleblower, another interesting point to study is the comparison between the modality of the report of serious violation in the case of hypothetic managers (Scenario 3) and the case of hypothetic

employees (Scenario 1). More precisely, I assumed that the internal channel is more used by managers rather than by employees to report "high" misbehavior. This assumption lies in the idea that low-ranking employees might prefer to blow externally since they perceive that their importance within the corporate hierarchy is too low to lead to a favorable outcome. In other words, I supposed that, especially when the employee has to blow the whistle against a manager, he/she would prefer to report externally rather than internally, and more than that, that this preference toward the external channel is more marked in the first Scenario rather than in the third one. Logically thinking, this could be a reasonable result also from the point of view of retaliation since external whistleblowers might think that their identity is better protected given the difficulty in identifying the whistleblower by internal subjects. Nevertheless, it is worthy to remind that using external channels have a positive relationship with retaliations.

Once again, to test this hypothesis I performed a bidirectional comparative test in Stata. According to my analyses, I can conclude that, through the comparison between the answers to sub-Scenario 3a and sub-Scenario 1b, highly significant differences emerge in the case of a serious violation. In particular, hypothetical managers who report subordinates, resort more to the internal channel than hypothetical employees who report their superiors (95 reports through the internal channel in sub-Scenario 3a, 62 in sub-Scenario 1b; p-value= 0,09%). The justification of this result is obvious since in the first sub-Scenario the whistleblower is in a higher position than the culprit, while in the second sub-Scenario the whistleblower has a lower position than the lawbreaker. However, it is necessary to specify that for these serious violations, in both sub-Scenarios, the external channel is still the most chosen.

The different use of the internal channel, always in the case of serious violations, is also evident in the comparison between sub-Scenario 1a and 3b. However, in this case, hypothetical employees prefer to use the internal channel more than hypothetical managers. When employees have to report serious violations by peers, they rely on the internal channel more than managers that have to report serious violations by peer managers (94 reports through the internal channel in sub-Scenario 1a, 73 reports through the internal channel in sub-Scenario 3b; p-value=3,72%).

This is an unexpected result that suggests that, in this specific case, managers blow the whistle externally more than employees. On reflection, this outcome is not so illogical. The translation suggests that high-ranking employees may prefer an external channel more than

low-ranking employees to report a peer. This does not mean that low-ranking employees use the internal channel more than the external one in this sub-Scenario, but rather that the gap between these two channels is lower compared to the gap highlighted in the case of the other sub-Scenario. According to my experience, I can conclude that this effect is justifiable by evaluating the importance of the lawbreaker rather than focusing on the identity of the whistleblower.

In a nutshell, when who commits the violation is a high-ranking employee, people might be more prone to blow the whistle externally even though they are themselves high-ranking employee since in this scenario it is difficult to understand how the company might react to the charge of an important person for the company. While, when the lawbreaker and the whistleblower are low-ranking employees, the reaction by the company might be more welcoming toward the whistleblower as the lawbreaker does not represent a crucial element for the company itself.

Finally, by the comparison of the sub-Scenarios 1a and 3a and the comparison of the sub-Scenarios 1b and 3b, no significant differences emerge from the point of view of internal versus external whistleblowing.

4.3.3   Anonymous versus non-anonymous reports

We can now focus on another important topic that my experiment highlights, the matter of anonymity. As explained in the previous chapters, the choice between anonymous and non-anonymous complaints is a crucial one in some situations. Table I.2 has highlighted that an anonymous channel leads to greater victimization if the whistleblower's identity is somehow revealed. Furthermore, anonymous complaints might face the problem of not being managed as non-anonymous complaints. As I have mentioned above thanks to the analysis of Intesa Sanpaolo, the company has decided to accept anonymous complaints but for some types of violations, the identity of the whistleblower has a crucial role. Many companies are trying to accept only non-anonymous reports while guaranteeing full protection to whistleblowers' identities. But in reality, whistleblowers might anyway prefer to blow the whistle completely anonymously as they want to avoid any possible connection between the report and their identity. For these reasons, I wondered about when whistleblowers might prefer to report

anonymously. Table IV.5 summarizes the propensity to report anonymously in the different sub-Scenarios.

	Low violation	Medium violation	High violation
Scenario 1a	43,12% 47 out of 109	38,77% 76 out of 196	29,38% 62 out of 211
Scenario 1b	50% 63 out of 126	52,26% 104 out of 199	38,86% 82 out of 211
Scenario 3a	14,18% 19 out of 134	13,23% 27 out of 204	12,32% 26 out of 211
Scenario 3b	26,62% 41 out of 154	27,80% 57 out of 205	25% 53 out of 212

Table IV.5: Percentage and absolute number of anonymous complaints (both external and internal)

My first hypothesis was that anonymous channels do not represent the most chosen option in all sub-Scenarios except in the case of intermediate violations by managers observed by employees (sub-Scenario 1b). According to my idea, there should not be a clear preference toward anonymous complaints in all the sub-Scenarios, while there could be a strong preference for this way of reporting in the case of a violation by a manager observed by an employee. The reason behind this hypothetical exception is that, in that sub-Scenario, employees might feel in danger due to their publicly and internally expressed dissent towards one of their superiors, and by following this logic, they should prefer an anonymous channel.

After performing the bidirectional tests, significance preferences toward non-anonymous complaints emerge in the case of: intermediate and serious violations by peer observed by an employee (sub-Scenario 1a), serious violation by manager observed by an employee (sub-Scenario 1b), and in all the sub-Scenarios in which the observer is a manager (sub-Scenarios 3a and 3b). It is then necessary to discuss these results. Unexpectedly, the anonymous channel is not the preferred channel in the case of a serious violation of a manager observed by an employee. Put simply, hypothetic employees think that for serious violations by managers, they have the duty to report non-anonymously (129 non-anonymous reports, 82 anonymous reports; p-value≈0%).

There are two possible justifications for this result. The first one is that serious violations are worthy of enhanced attention by the company and for this reason, a non-anonymous complaint could place a higher emphasis on the problem. According to my idea, people might

prefer to report internally and non-anonymously because a serious violation cannot benefit the company, thus the whistleblower has no reason to believe he/she is wrong, but rather he/she thinks that the company will support him/her. The other reason is that, as explained, anonymous reports might be managed less actively by the internal or external recipient body as it could be difficult to evaluate the validity of the report. And this could lead employees to prefer to report non-anonymously a serious violation by a manager.

However, it is also necessary to mention that in the previous list of significant differences observed, I have not included some sub-Scenarios. More precisely, a significant preference toward non-anonymous complaints emerges also in the case of "low" violation in sub-Scenario 1a. Indeed, 62 out of 109 reports would be filed non-anonymously (56,88%). This percentage leads me to state that in this case a significant preference toward non-anonymous reports occurs, but it is important to specify that the gap between the two macro-options is not as evident as in the other above-mentioned cases (p-value=4,22%, while in the other cases was ≈0%).

But there is a further clarification to be made. For mild and intermediate violations by managers observed by employees (sub-Scenario 1b), there is no significant difference between anonymous and non-anonymous complaints. More than that, in the case of intermediate violations by managers observed by employees, the number of anonymous complaints is (non-significantly) higher than the number of non-anonymous reports (104 anonymous versus 95 non-anonymous). The gap is not sufficiently broad to state that there is a clear preference toward the first option, nevertheless, it is curious to notice that this is the only case in which the absolute number of anonymous reports exceeds the number of non-anonymous ones.

All these pieces of data are extremely important for my thesis as they suggest three important conclusions. First, companies should accept anonymous complaints since, although in the majority of situations there is a clear preference for the non-anonymous channel, many respondents still think that it is the best option for them. Moreover, we should remind that my experiment is not an on-field experiment that studies real-world experiences that already occurred, but rather, it is a hypothetical survey, and the consequence is that in real situations

people might be more prone to report anonymously considering all the real-world pros and cons.

The second important conclusion is that, in contrast to what was initially assumed, anonymous reports seem to be more used when the violation is non-serious. To be more precise, by statistical analysis I can confirm that the frequency of anonymous reports in the cases of mild and intermediate violations observed by employees (sub-Scenarios 1a and 1b) is significantly higher than the number of anonymous reports in the case of severe violations observed by managers (sub-Scenarios 3a and 3b). Through statistical analysis, the comparison of sub-Scenarios 1a, 1b with sub-Scenarios 3a, 3b, suggests that there is a greater propensity for anonymous reporting by employees than by managers in all sub-scenarios (p -value≈0%). This is also simply perceivable by looking at the high gap between the percentages of the first two columns with the percentage of the last column in the first and second row of Table IV.5. Nevertheless, in the case of violations observed by managers (sub-Scenarios 3a and 3b), there is no significant difference between the frequency of anonymous reports of mild and intermediate violations and the same frequency in case of a serious violation, even if the percentage of anonymous reports is still lower than in "low" and "medium" violations in this latter case. Indeed, in these cases, the gap between the first two columns and the last one is less significant than in Scenario 1.

Finally, we can also notice that, as expected, hypothetical managers generally use the anonymous channel less than employees thanks to their high-ranking status within the corporate hierarchy. Once again, the percentage gap perfectly represents the situation highlighting that hypothetical managers are generally less prone to use anonymous channels than hypothetical employees (comparison between the first two rows with the last two rows of Table IV.5).

Linked to this last statement, to further explore the relationship between the use of anonymous channels and the importance of the whistleblower within the corporate hierarchy I also tested other interesting hypotheses. Since I have underlined that the position of the whistleblower is an important variable, we should expect to observe a higher propensity toward anonymous reports by employees that detect managers' misbehavior than by managers that detect peer managers' violations. In simpler words, we should notice a significant gap in sub-Scenario 1b than in sub-Scenario 3b. Thanks to statistical analyses I can

certify that there is a highly significant difference between the propensity to report anonymously in these two sub-Scenarios. As expected, there is a significantly higher propensity to report anonymously a serious violation by a manager if the observer is a simple employee than if he/she is a manager (p-value=0,22%).

It is also important to evaluate the difference between internal and external anonymous complaints. Although I have highlighted that anonymous reporting is in no case the preferred way to report, we should take a step forward and evaluate whether there is a different perception of external and internal anonymous channels. A logical assumption is that, for mild and intermediate violations, internal anonymous channels are preferred to external anonymous ones. The logic behind this assumption is obvious and it follows the same reasoning that I have mentioned as regards the difference between internal and external channels. In fact, for minor violations the power to intervene and stop the misbehavior by external institutions might be significantly lower than the power of the company, thus internal reports should be the dominant anonymous choice in these cases. Indeed, statistical analyses led me to accept these hypotheses with a high significance (p-value≈0%) in all the Scenarios. Thus, for mild and intermediate violations there is always a prevalence of anonymous internal rather than external complaints.

But the same logic cannot be followed in the cases of serious violations. The hypothesis that I advanced was that, for serious violations, anonymous external complaints could be more important than anonymous internal complaints, especially if the violation is committed by a manager (sub-Scenarios 1b and 3b). In my opinion, when serious violations are carried out by a manager, the whistleblower might be more prone to report anonymously externally rather than internally to be more protected. Indeed, we should perceive external anonymous channels as the safest whistleblowing alternative, and it is obvious to understand why. Thus, we might expect employees and managers to use the external anonymous channel with more frequency than the internal anonymous one. Table IV.6 highlights how anonymous complaints are distributed in the case of serious misbehavior.

	Number of internal anonymous reports	Number of external anonymous reports
Scenario 1a: Serious violation	29 (46,78%)	33 (53,22%)
Scenario 1b: Serious violation	25 (30,49%)	57 (69,51%)
Scenario 3a: Serious violation	11 (42,31%)	15 (57,69%)
Scenario 3b: Serious violation	17 (32,08%)	36 (67,92%)

Table IV.6: Number of internal and external anonymous reports in the case of serious violations

A striking immediate result that we can appreciate is the higher propensity to report externally and anonymously in the case of violations committed by managers (sub-Scenarios 1b and 3b). In both of these cases, the difference between internal and external anonymous complaints is highly significant (p-value≈0%). Whereas, if we focus on violations committed by peer employees or subordinates (sub-Scenarios 1a and 3a) there is no significant difference between these two alternatives.

These analyses allow me to conclude that, as expected, when a serious violation is committed by a high-ranking employee (sub-Scenarios 1b and 3b), whistleblowers prefer to report anonymously externally rather than internally. Rather, if we focus on the role of the whistleblower instead of the one of the culprit, we can notice that the only difference that occurs is that the overall number of anonymous complaints is lower for hypothetical managers, but in terms of decision between external or internal anonymous complaints, no significant differences are observed.

4.3.4   Corporate violations

A last interesting topic to mention is how corporate violations are considered and reported. If we focus on corporate violations (Scenarios 1c and 3c) we might notice that the number of reports is highly more significant than the number of "silences". Furthermore, a piece of interesting information that we can get is the extremely high similarity of responses between the two Scenarios. Indeed, there is no significant difference between corporate violations observed by an employee and corporate violations observed by a manager if we consider the

two macro choices "report" or "no report" (p-value≈0%). This leads me to assume that these types of violations, as in the case of intermediate and serious ones, are considered worthy of report. In other words, misbehavior endorsed by the management that brings benefits to the company while harming customers is considered a serious illicit act that needs to be reported without reflecting too much about whether the observer has enough power to report or not. Table IV.7 displays how interviewees answered these two sub-Scenarios.

	Corporate violation observed by an employee (Scenario 1c)	Corporate violation observed by a manager (Scenario 3c)
External report	55	76
External + anonymous report	71	42
Internal report	39	62
Internal + anonymous report	36	22
No report	12	11

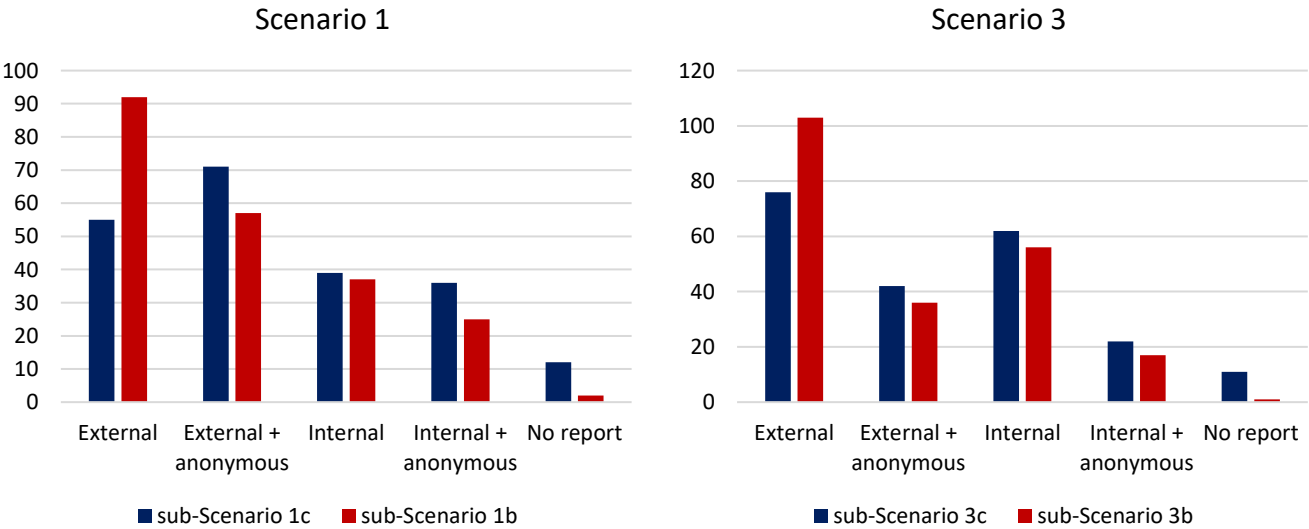*Table IV.7: How corporate violations are reported*

This led me to wonder how interviewees perceive this type of violation. According to my idea, corporate misbehaviors should be perceived as serious violations. To test this hypothesis, it was necessary to perform a statistical analysis. More precisely, to evaluate the similarity of the responses, I performed the two-sample Kolmogorov-Smirnov test for equality of distribution functions in Stata. Thanks to this test it is possible to understand if two samples have a similar or different distribution. I then compared the distribution of the answers to the sub-Scenario 1c with those to the sub-Scenarios 1a and 1b in the case of serious violations. An interesting result emerged. Since the test Kolmogorov-Smirnov focuses on the differences in the distribution, a significant result implies that the two samples have a different distribution and thus they are not similar.

After performing this analysis, I noticed that in the case of corporate violations observed by employees (sub-Scenario 1c) there were no significant differences between the responses to this sub-Scenario and those to the serious violations committed by managers (sub-Scenario 1b). Whereas the comparison between sub-Scenario 1c and sub-Scenario 1a highlighted a highly significant difference. Translating this result in real terms, in the shoes of a hypothetical employee, people react similarly when the company misbehaves and when a manager

commits a serious violation. This does not only mean that there is a similar tendency to report, but also that how the denunciation is filed tends to be similar in these two sub-Scenarios.

Following the same approach, I also tested the differences between the sub-Scenarios 3a, 3b, and 3c. Also in this case it was possible to find a similar distribution of responses given in the case of corporate violations observed by a manager and serious violations observed by a manager. To be more specific, in this case, I found a similar distribution between the sub-Scenario 3c and the responses to the serious misbehavior by peer managers observed by a manager (sub-Scenario 3b). Graph IV.1 highlights the similar distribution of the answers to sub-Scenarios 1b and 1c, and of the answers to sub-Scenarios 3b and 3c.

Because of these results, I can conclude that corporate illicit acts endorsed by managers that benefit the company, but harm (or could harm) customers, are considered as a serious violation. More than that, they are considered as really serious ones since in both of the sub-Scenarios people provide similar responses to those observed when the violation is perpetrated by a top manager. The interesting aspect of this analysis is that it allows me to speculate that even though the company obtains tangible benefits, which can indirectly favor the potential whistleblower as well, the interviewees do not give any weight to possible advantages since they believe that third parties external to the company must have the priority. This denotes, on average, a sense of duty and altruism without any doubt commendable.

Graph IV.1: Similar distribution between responses to sub-Scenarios 1c and 1b, and between responses to sub-Scenarios 3c and 3b

Taking a step forward, I should discuss the observed results to understand how corporate violations are reported. In the first Scenario, we can see that the most chosen option was the external report channel (126 complaints out of 201; 62,69%). External complaints are dominant and there is a highly significant difference between the number of external and internal reports (p-value≈0%). It is also important to observe that this is one of the few cases in which anonymous reports are higher than non-anonymous ones (107 versus 94). Nevertheless, the gap is too limited to state that there is a clear significant dominance of the anonymous channel. But what I think it is important to stress is that the most chosen option is the external anonymous channel (71 out of 201 reports; 35,32%).

Honestly, these results did not surprise me as I think that it is quite logical to expect that corporate violations have a higher probability to be reported externally rather than internally. The reason behind this has to be found in the idea that when managers endorse misbehavior that benefits the company itself, there is no reason to believe that the complaint will be positively welcomed by the company itself. If a company, or to be more precise the management or the board of the company, approves an illicit act, the organizational culture is deeply corrupted, thus there is no reason to believe that the whistleblower will be accepted. More than that, I should remind that top managers' support has a negative relationship with the probability of being retaliated. Thus, in this case, the likelihood of receiving victimization is extremely high and this justifies both the high propensity to report externally and the high tendency to do it anonymously.

A last important point to stress in this sub-Scenario 1c is that the number of "no report" is higher than in the case of serious violations by manager observed by an employee (sub-Scenario 1b). The overall inclination to remain silent is significantly higher for corporate violations observed by employees than for serious violations by managers observed by employees (12 out of 213 versus 2 out of 213; p-value=0,66%). According to my idea, it can be assumed that in case of corporate violations, employees are more afraid of the repercussions of their complaints as they do not go against a single person, but rather find themselves having to face the entire company management and this involves very high probability of retaliation. Once again, this also justifies the high number of external and anonymous reports.

Focusing on the third Scenario, we can draw the same conclusions with some differences. Let first consider the similarities. As in the case of sub-Scenario 1c, external reports are highly

significantly higher than internal reports, even if the gap between these two main channels is more limited than in the previous situation (118 external reports versus 84 internal reports; p-value=0,07%). This information is curious because, since top managers have higher decision-making power and a higher influence on the corporate's decisions, I expected hypothetical managers to choose the internal channel more than the external channel. Nevertheless, my initial assumption had to be rejected and I can conclude that, following the same reasoning above mentioned for employees, managers prefer to blow the whistle externally in the case of corporate violations.

Moreover, also in this case the number of "no report" is higher than in the case of serious violations by peer managers (sub-Scenario 3b). We can observe that in this sub-Scenario 11 people answered "no report", while in sub-Scenario 3b only 1 person answered in this way. This leads me to conclude that there is a strong significant difference between these two sub-Scenarios (p-value=0,34%). While in the case of employees this result was reasonable, in the case of managers could be more difficult to understand. I am saying this because, as above explained, hypothetical managers are generally more prone to report than employees (especially in the case of mild violations). However, for serious violations, we did not observe significant differences in the behavior of employees and managers. Therefore, it is fair to assume that, since corporate violations are perceived as serious breaches, the propensity to report corporate misbehaviors by managers and by employees should not be so different, and in fact this is what happened.

The main massive difference between the first and the third Scenario concerns the use of anonymous complaints. While the gap between anonymous and non-anonymous reports was quite poor in the first Scenario, in the third one we can observe a larger gap between these two ways of reporting. More specifically, anonymous reports are 64 in sub-Scenario 3c, while non-anonymous ones are 138. The difference is highly significant (p-values≈0%). Furthermore, anonymous reports are lower than non-anonymous ones in contrast to what happens in sub-Scenario 1c. We can then conclude that hypothetic managers are more prone to report non-anonymously and I think that this result can be explained by evaluating their position within the company hierarchy. Indeed, managers can leverage their position to be better listened to by internal or external recipient bodies. In other words, their rank can represent a value-added to the complaint, and for this reason, they might prefer to report non-anonymously. Obviously, also comparing anonymous external and internal complaints we can see that the

external option is the most chosen one, and once again this is due to the type of misbehavior and the complicity of the company in the unlawful act.

4.4   Analyses of incentives

We can now focus on the topic of incentives. One of the main goals of the experiment was to determine the acceptability of incentives and their perception. To achieve these results Scenarios 2 and 4 asked interviewees to choose the incentive that would affect them the most. Three types of incentives were presented: monetary bonus, non-monetary incentive, and fine for those who observed and remained silent. At the same time, respondents could decide to report even without incentives or rather decide not to report. Thus, in these 14 cases (low, medium, high violation by peers; low, medium, high violation by managers; low, medium, high violation by subordinates; low, medium, high violation by peer managers; corporate violations observed by an employee and by a manager), it was possible to choose one of the five main alternatives. Appendix D displays all the data collected in Scenarios 2 and 4.

The first important hypothesis that I wanted to test was about the effectiveness of incentives. To be more precise, a crucial analysis to carry out is the one that aims to evaluate whether incentives have a positive effect on the overall number of reports. To understand this, it is necessary to look at the number of "no report" answers in Scenario 1 and 3 and compare it with the number of "silences" in Scenarios 2 and 4. I hypothesized that incentives could have a positive effect on the number of reports, especially for mild violations. The assumption behind this hypothesis is that normally (without incentives) people might prefer to turn a blind eye to minor violations due to the low impact of these misconducts. But when incentives are introduced the number of complaints is likely to increase significantly as whistleblowers might gain a benefit thanks to their denunciation.

Thus, I analyzed statistically the differences in the number of "no reports" in the case of mild violations. To do so I compared Scenarios 1 and 3 with Scenarios 2 and 4. Table IV.8 suggests some clear interesting results. As we should notice, there a significant decrease of "silences" in two cases: mild violations by peers and mild violations by managers. More precisely, with incentives the number of reports grows in each sub-Scenarios, however only

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in the two above-mentioned cases, we can talk about significant expansion. I can then conclude that incentives have the effect of increasing the number of reports for minor violations observed by employees and committed by peers or managers.

	Without incentives (Scenarios 1 and 3)	With incentives (Scenarios 2 and 4)	P-value of the difference
Mild violation by a Peer (sub-Scenario 1a and 2a)	104	78	1,09%
Mild violation by a Manager (sub-Scenario 1b and 2b)	87	51	0,02%
Mild violation by a Subordinate (sub-Scenario 3a and 4a)	79	73	54,40%
Mild violation by a Peer Manager (sub-Scenario 3b and 4b)	59	52	43,97%

Table IV.8: Number of "no report" answers without and with incentives

Therefore, I cannot fully accept the initial hypothesis as, as it is visible, the incentives do not seem to have great effects in the other sub-Scenarios. We might wonder why hypothetical managers seem not to be positively influenced by incentives in these cases. There is not a clear answer to this question, nevertheless, I might speculate that, since managers have an important role within the corporate hierarchy, incentives do not further spur them to blow the whistle; whereas employees are more reactive because blowing the whistle could put them in a very uncomfortable situation that could be partially improved thanks to incentives. This is more than an opinion since, as we can see, incentives seem to be extremely effective especially when an employee observes misbehavior by a manager. This demonstrates that when whistleblowers are low-ranking employees that have to denounce high-ranking employees, they might be more motivated thanks to additional security in the form of an incentive.

However, this higher reactivity to incentives by employees does not occur in the case of intermediate, serious, and corporate violations. Indeed, in all sub-Scenarios, there is not a significant growth, or decrease, of complaints passing from a "no incentive" scenario to an "incentive" scenario in the case of intermediate and serious violations. To be more specific,

both hypothetical employees and managers do not significantly change their decision between "report" or "no report" in the circumstances of "medium" and "high" misbehavior. This is a crucial result as it underlines that my interviewees are reactive to incentive only in 2 out of 14 cases. The consequence of this is that incentives are quite ineffective to boost the number of reports, especially in the case of monetary ones.

Linked to the topic of the effects of incentives, I tested another hypothesis. I assumed that for serious and corporate violations, interviewees would have decided to report even without incentives in the majority of the cases. To be more specific, since I gave the possibility to choose the option "I would also report without incentive", I expected that the majority of interviewees would answer in this way in front of serious and corporate violations. The reason behind this assumption reflects the idea that these illicit acts are morally or ethically unacceptable with or without incentive, and because of this, no incentive would be able to have a boost effect on the number of reports.

As expected, the number of "I would also report without incentive" answers is significantly dominant over all other options in the cases of serious and corporate violations (p-value≈0% in all sub-Scenarios). It is also important to point out that the three incentives were chosen by few interviewees. This implies that some people (an insignificant minority) think that thanks to the incentives they would be more willing to report serious and corporate offenses. Unfortunately, they do not represent an important portion of the sample, thus I cannot conclude that the provision of incentives is effective in increasing reports of intermediate, serious, and corporate misconduct. The same conclusion can be drawn for intermediate violations.

An interesting analysis linked to mild violations is the one about the comparison between the answers provided by hypothetical managers and employees in the case of mild violations. I hypothesized that managers would be more prone to report even without incentive because their position within the corporate hierarchy allows them to blow the whistle without fear of retaliation, and for this reason, they may be neutral to the effect of incentives as they do not need any external motivation or any greater protection. Statistical analyses suggest that my hypothesis is partially correct. In fact, by comparing the number of "I would also report without incentive" in sub-Scenario 2a with those in sub-Scenario 4a and 4b, there are

significant differences that underline a higher propensity by managers to report without incentives (p-value=1,90% in the comparison between sub-Scenario 2a and sub-Scenario 4a; p-value=0,23% in the comparison between sub-Scenario 2a and sub-Scenario 4b). Nevertheless, if the lawbreaker is a manager and the observer is an employee (sub-Scenario 2b), there are no significant differences in terms of propensity to report even without incentive between observer employees and observer managers.

If we focus only on the three options of incentives, without considering "no report" and "report even without incentives" answers, we can evaluate if there is a preferred incentive. Let first focus on mild violations. In this case, it is curious to observe that there are no significant differences among the three types of incentives. Indeed, in each sub-Scenario, interviewees did not choose an incentive more than another one with a significant preference. It is then impossible to conclude that for mild violations there is an incentive that is more accepted than the others.

For intermediate violations, some significant preferences emerge. In sub-Scenario 2a, there is a weakly significant preference toward fines and non-monetary benefits than monetary incentives (p-value=3,43% in both cases). The translation of this is that employees that observe intermediate misbehavior by a peer employee are more responsive in front of non-monetary bonuses or fines rather than monetary bonuses in order to report the culprit.

If the lawbreaker is a manager (sub-Scenario 2b), employees would prefer a non-monetary incentive rather than a monetary one, while a fine would be slightly less effective than a non-monetary bonus (34 "fine" answers versus 46 "non-monetary reward" answers; p-value=8,91%). This result is quite logical as it proves that employees prefer to receive some non-monetary guarantees, such as an extension of the contract or the inclusion of favorable contractual clauses in the employment contract, to protect themselves against the possible spite of managers. In fact, a monetary reward in this situation is quite useless if the manager will still be able to fire the whistleblower.

In sub-Scenarios 4a and 4b, there is again a greater preference for non-monetary bonuses and, secondly, fines. In both of these cases, interviewees underlined that non-monetary benefits and fines are the two most effective incentives to push them to blow the whistle. It is important to underline that I expected to observe a higher dominance of the "fine" incentive in these two sub-Scenarios. The reason behind this assumption is that managers should be an

example for subordinates, and if they do not blow the whistle and receive a fine because of their negligence, give evidence of their lack of responsibility and this could undermine their internal credibility. Data confirms that fines are preferred over monetary incentives, however they are less preferred than non-monetary incentives (37 "non-monetary incentive" answers versus 33 "fine" answers in sub-Scenario 4a; 42 "non-monetary incentive" answers versus 37 "fine" answers in sub-Scenario 4b. No significant difference sub- in both cases). What should be stressed is that monetary rewards are the least chosen option in all intermediate misbehavior sub-Scenarios.

In the case of serious violations, results are not that different from intermediate breach cases. Even in these hypotheses, the monetary bonus is significantly the least chosen incentive, and even in these cases non-monetary benefits and fines are the most chosen incentives. In sub-Scenarios 2a, 2b, and 4a there is a significant preference toward non-monetary rewards than toward monetary ones (p-values are respectively equal to: 1,13%; 3,83%; 0,97%). While, in Scenario 4b there is a significant preference toward fines over monetary rewards (p-value=1,01%), and also toward non-monetary rewards over monetary ones (p-value=7,48%).

It is worthy to remind that all these analyses were carried out only considering the three options of incentives. But once again, if we consider all the five options, none of the three incentives is preferred over the options "I would report even without incentives" or "I would not report". This means that the analysis just carried out is useful only if a company wants to introduce incentives in any case, but the results suggest that stimulus or fines are partially helpful and only in the case of minor violations.

As regards corporate violations, the results observed are really similar to those described above. More specifically, there is a clear and significant dominance of the "I would report even without incentives" option: 61,03% (130 out of 213) answers for sub-Scenario 2c; 61,50% (131 out of 213) answers for sub-Scenario 4c. Moreover, the number of "no report" answers does not undergo significant decreases, showing that incentives in these situations are highly ineffective.

Once again, if we only focus on the three incentives, we can observe a highly significant preference toward fines over monetary incentives (32 versus 12; p-value=0,03%) and also a

highly significant preference toward non-monetary rewards over monetary bonuses (28 versus 12; p-value=0,29%) in sub-Scenario 2c.

While, in Scenario 4c we can appreciate a highly significant preference toward fines over both monetary and non-monetary incentives (42 versus 15, and 42 versus 16; p-value≈0% in both cases). This is the only situation in which there is a clear strong preference toward a single specific incentive. When a hypothetical manager observes a corporate violation, the most effective incentive to spur him/her to blow the whistle is through a fine. It is a logical conclusion that can be justified by the idea that the high-ranking observer is him/herself part of the company management that endorsed the illegal act. This does not imply that he/she is a transgressor, but it does mean that if he/she does not report he/she will be judged as an accessory. Thus, it is reasonable to observe that fines, in this case, are the most effective tool to spur observers to report.

To conclude the analysis of incentives, I should now consider how interviewees answered the last question of the survey. Each interviewee had the possibility to select one or more sentences on which he/she agreed. The main goal of this multiple-choice question is to understand how my sample perceives incentives. It is necessary to remark that all interviewees are of Italian nationality, which led me to expect a general widespread aversion to monetary rewards. Graph IV.2 depicts the distribution of the 313 answers.

As expected, we can notice that the most diffused opinion is that monetary incentives have more cons than pros. This idea is perfectly aligned with the idea expressed by Andrea Marzano when he talked about the generation of a "pathological deviation" within the organizational culture. Moreover, it is interesting to notice that, and this is an unexpected result, 82 interviewees think that it is fair to reward whistleblowers with non-monetary bonuses. It is unexpected because in Scenarios 2 and 4 the number of "non-monetary reward" answers was quite low.
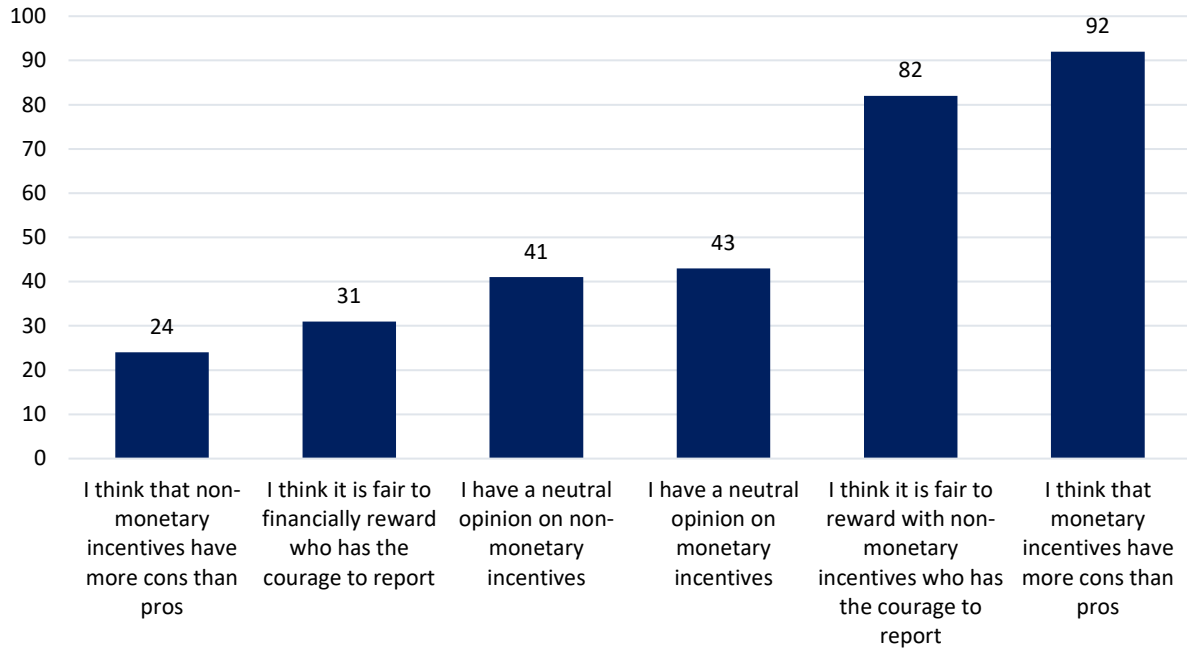
Graph IV.2: Answers to the last question of the survey

It is curious to observe that many Italian people (38,49% in my sample) welcome non-monetary rewards. Obviously, the question is extremely generic, and it does not consider many different variables that should be considered to actually make a judgment about this matter. I find it hard to believe that non-monetary rewards would be so welcomed in a real-world scenario. Granting these incentives, especially in the case of mild violations could, on the long way, create a climate of distrust and envy. These benefits are likely to be considered as medals that testify to the fussy and nosy soul of a whistleblower. These are personal considerations that do not deal with the real reasoning behind the choice of interviewees, but once again I find it quite hard to believe that the passage from the theory to the practice would be so simple and smooth.

Linked to this point, I think it is crucial to understand who is more welcoming towards monetary and non-monetary incentives. Indeed, I think that the high number of people that have a positive view about non-monetary incentives could be partially biased by the responses of people that do not have sufficient work experience to understand how incentives might be perceived within an office. My hypothesis is that this result might have been influenced by the high number of students that took part in my experiment.

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To verify this hypothesis, I calculated how many young people and how many over 40 people are in favor of monetary and non-monetary incentives. The sub-sample of young people (18-25 years old) is equal to 101, while over 40 are 77. Young people that are in favor of monetary incentives are 24 (23,76%), while in the "over 40 sub-sample" are only 6 (7,79%). Young interviewees that are in favor of non-monetary incentives are 42 (41,58%), while in the other sub-sample are 29 (37,66%). These data suggest that young people are much more in favor of monetary incentives than those over 40 (p-value=0,48%). However, unlike what was assumed, there are no significant differences under the perspective of non-monetary incentives (p-value=59,65%). I must therefore reject the hypothesis according to which those with more work experience (older subjects) are less favorable to non-monetary incentives than younger subjects. As further counterevidence, older and younger subjects do not show significant differences in terms of aversion to non-monetary incentives.

A last important result that I want to display is the comparison between the top and middle managers' answers to the last question and employees' responses. Following the same logic of the previous hypothesis, I expected a greater preference for incentives (monetary and non-monetary) from employees (N=42) than by "real-world" top and middle managers (N=18). Evidence suggests no significant differences between these two sub-samples in the case of monetary incentives (1 favor opinion by managers, 4 by employees).

But the real unexpected result emerges when one compares the acceptance of non-monetary incentives. In fact, "real-world" managers are more prone to welcome non-financial benefits to whistleblowers than employees (14 positive opinions by managers versus 15 by employees; p-value = 0,28%). This result allows me to conclude that non-financial rewards might actually be a good solution for companies that want to incentivize whistleblowing as it underlines that also top managers would endorse this type of stimulus (in my experiment 77,77% of the top and middle managers would welcome these incentives). This is also evident if we evaluate the number of managers who specified to be against non-monetary incentives (3 out of 18).

V. Suggestions and guidelines for an optimal internal corporate whistleblowing policy

It is then crucial to provide practical suggestions to help companies establishing the best and most effective internal whistleblowing policy. More precisely, in this paragraph, I am going to list and analyze how companies should operate to put in place the best whistleblowing system without considering the influence of legislation and rules as companies might operate in different sectors and countries and they might have to comply with different legislations. In this paragraph, we will carry out a general analysis trying to give some clear indications that identify an implementation path to reach the full efficiency of the internal whistleblowing channels. To do this, I will ignore the provisions of specific laws, as the purpose of this paragraph is to be useful to any company operating in any sector and country. I will then consider both theoretical and practical guidelines also considering the most important takeaways that we have learned thanks to the analysis of practical cases.

I will carry out the discussion employing a "blank sheet" approach assuming that a company does not have to comply with particular legislative constraints and that it has never implemented a whistleblowing internal policy. Thanks to this approach, I will enjoy enough wiggle room to focus on all the different topics that must be deeply analyzed and considered before and during the implementation of a whistleblowing system. The final aim is to build an ethics infrastructure, which is basically the set of formal and informal procedures, rules, and actions that are necessary to create the best context for whistleblowers. Before discussing the practical guidelines to implement such infrastructure, it is important to understand what needs to be done to achieve this result and what are variables to consider and manipulate. According to Fernández and Camacho (2016), a company to set up an efficient ethical infrastructure must manipulate formal, informal, and leadership dimensions through communication, training, and management. More precisely, the scholars explain that the elements that contribute to the creation of an ethics infrastructure are the ones displayed in Table V.1. I am not going to analyze all the elements mentioned in the table since not all of them are directly linked to the phenomenon of whistleblowing. In fact, informal elements of ethics infrastructure are directly influenced and manipulated by employees, thus the company

can only intervene with formal rules and through a suitable leadership approach. In other words, the organization can influence employees' behaviors, but it has no direct power in influencing the informal system. This implies that the informal structure of the company, that is the corporate climate, depends on how the various subjects interpret and perceive the organizational culture, therefore, the company cannot intervene on this aspect since it is up to the employees to internalize the formal system of values and principles dictated by the company. For this reason, since this paragraph aims to identify practical guidelines for companies that want to implement an internal whistleblowing policy, I am going to focus on what the organization can do to support whistleblowing and whistleblowers.

	Elements		
	Formal	Informal	Leadership
Goals			
Communication	Values, mission, vision Code of ethics Code of conduct	Conversations between employees Stories, myths Own language	Avoid 'moral silence' Setting example Establishing clear expectation
Training	Specific ethics content Welcome manual/process	Socialization process	Specific training for managers on ethics and CSR
Management	Ethical channel Sanction systems Self-evaluation Adherence to bodies or standards Integrate ethical issues into the selection and review process	Verbal and nonverbal behaviors Informal performance rules Identify informal leaders	Selection process Promote responsibility of actions Recognize and reward specific behaviors

Table V.1: Elements that influence ethics infrastructure

Source: Fernández, J. L., & Camacho, J. (2016). Effective elements to establish an ethical infrastructure: An exploratory study of SMEs in the Madrid region. *Journal of Business Ethics*, 138(1), 113-131.

Before providing some clear guidelines and hints based on my analyses, I find it noteworthy to mention that, as proof of the daily increasing attention toward this phenomenon, the International Organization for Standardization is developing an ISO standard named "37002 Whistleblowing management systems – Guidelines" in which the most famous international organization for standards depicts and describes some practical guidelines for an efficient and effective whistleblowing system. Unfortunately, the document is still a draft and there is no definitive text yet; voting for this standard will only start in June 2021 and end in August of

the same year. Journalists and experts predict that the document will be published by the end of 2021[119].

1) Formal communication

The first crucial step to create a suitable culture that accepts, welcomes, and supports whistleblowing and whistleblowers is to establish rules. As we know, employees are individuals that belong to a society with its own principles and values, but we also should know that when they operate in a company they are also highly influenced by the set of implicit and explicit, written and non-written rules that govern the organization. For this reason, to influence people's perception about whistleblowing it is first of all crucial to intervene on their general perception and ability to separate what is right from what is wrong, and likewise on what is allowed and what is not allowed. In other words, it is necessary to build a culture based on integrity and full compliance with rules. To do so, it is pivotal to issue a code of ethics.

The incorporation of ethics into the company's philosophy and strategy passes through the identification of a code of ethics that enables employees to understand the dominant values and principles of the company. The formalization of values under the form of the code of ethics is a crucial task to foster a radical cultural change based on a strong endorsement of ethical behaviors, and it is consequently important to make people understand what acceptable and unacceptable behaviors are. Obviously, this task has to be accomplished by the Board of Directors, or in general by top management, since it deals with a top-down approach. More precisely, in terms of organizational culture, we might notice that the code of ethics is directly linked to the first dimension discussed in Paragraph 2.4, that is to say, "vigilance".

But another formal document is crucial to guide people's actions, and this is the code of conduct. I have already stressed the difference between these two codes and how they are different also in terms of contents. But it should be here reminded that the code of conduct must set clear and precise guidelines, more specific than those established by the code of ethics. Under the point of view of whistleblowing, the code of conduct is important to specify

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[119] Amiranda, A. (25-07-2019). Entro il 2021 la ISO sul whistleblowing: tutti i dettagli. *LinkedIn post.* Available at the link: https://www.linkedin.com/pulse/entro-il-2021-la-iso-sul-whistleblowing-tutti-i-andrea-amiranda/?originalSubdomain=it

that the company puts in place specific whistleblowing channels through which it is possible to report. In this way, the organization conveys the message that whistleblowing is an important part of the internal control system, and that the collaboration of all resources is essential to ensure internal and external corporate integrity. However, as a best practice, I would suggest not to include whistleblowing policies within the code of conduct, but rather to draw up a specific and separate document to be delivered to all employees together with the code of ethics and the code of conduct at the time of signing the employment contract. In this way the company proves to invest a lot of attention on this topic, enhancing employees' awareness on this issue. These documents must always be available and accessible remotely, for this reason, they must be published on the website or at least on the intranet.

What this whistleblowing policy document should include? Obviously, it must establish clearly and unambiguously the rules and the procedures to follow, specifying all the channels that can be used by the whistleblower, the protection provided by the company, some examples about what it would be correct to report and what does not constitute an object of complaint due to the lack of seriousness of the misbehavior. Then, it needs to set clear procedures to access whistleblowing channels, specifying how the complaint must be filed and what it must contain in terms of minimum requirements necessary for the receiving party to at least consider the complaint. Moreover, the whistleblowing policy document must settle and define who is the recipient party, it also needs to specify what are the steps and the whole procedure from the reception to the closure of the case, assuring the utmost transparency and clarity in the procedures. Furthermore, it is important to guarantee the extreme confidentiality of the information received by establishing clear anti-retaliation policies. The document must also include clear punishments for those who abuse the whistleblowing system by sending unfounded complaints. The whistleblowing policy document should also specify general timing from the opening of the case to its closing, also ensuring constant feedback on the progress of the practice. Finally, the document should point out that the whistleblower has the right to receive a clear justification as to why the complaint did not achieve the desired results, establishing how and if the whistleblower can oppose or appeal if he/she is dissatisfied with the investigations carried out.

However, formal communication does not only mean codes but, as Ray (2006) points out, other types of formal communications are intended to remind employees of the company's values and founding principles. According to the scholar, companies must invest in internal communication to constantly remind the guiding principles of the organization, and among this set of values, it is certainly necessary to emphasize how the support and preservation of corporate integrity pass through the whistleblowing system. More precisely, the scholar suggests placing values and principles statements "in highly visible locations throughout the organization"[120] so that employees unconsciously internalize these values and principles. This idea of aligning personal beliefs and values with the corporate principle is paramount because, as Berry (2004) explains, employees that identify with the organization are more prone to blow the whistle.

To obtain such a result, the codes must be integrated with all the other means of communication, which means, memos, specific sections on the company websites, intranet, and, following the excellent hints of Intesa Sanpaolo, web TVs, newsletters, company blogs, social media channels, specific platforms, and apps. It should be then clear that to promote a culture based on integrity and whistleblowing, the company must leverage all its communication channels from the most formal to the less formal ones.

Always from the point of view of communication, we should also consider the important role played by annual and integrated reports. These reports are not part of the internal communication system, but rather, they are extremely relevant for stakeholders as they describe the activities carried out during the year identifying the most important topics in terms of impacts on stakeholders and on the company's performances. We have already described what is a materiality matrix and we have seen that both Intesa Sanpaolo and Poste Italiane identify company integrity as one of the most important topics. For this reason, the practical suggestion that I would like to recommend to companies that implement an internal whistleblowing policy is to communicate to stakeholders that the company has several channels available to preserve the internal and external integrity, also presenting the data concerning the number of complaints received and managed. In this way, companies give proof of a true and deep commitment toward whistleblowing.

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[120] Ray, S. L. (2006). Whistleblowing and organizational ethics. *Nursing ethics*, 13(4), 438-445.

2) Training

But as we know, communication is not sufficient to create a proper culture. It is necessary to intervene through training programs capable of influencing people's behaviors, decisions, and awareness about the importance of whistleblowing. Training programs have five main important goals: remind people about the importance of whistleblowing, update employees about the latest news on the internal corporate whistleblowing policy, teach them how to recognize misbehavior, educate, and raise internal awareness about the phenomenon.

Deliver the codes and the whistleblowing policy document during the signature of the employment contract is insufficient to encourage ethical behaviors and fully compliant actions and conducts. A company that limits itself in providing rules and guidelines without actually demonstrating how much these are important for the organization is everything but an ethic righteous and virtuous organization, as it proves to be only an organization that wants to appear externally and internally based on integrity and transparency without putting into practice what it claims in annual reports, documents, codes, and all other documents published for stakeholders.

How should companies practically intervene? This idea of reminding people what are the ethical drivers of the company is linked to the training system. Indeed, to remind people that the company endorses whistleblowing it is also necessary to set up and manage an efficient training system for both employees and managers. In terms of reminding people how the company welcomes whistleblowing, it is also necessary to underline how whistleblowers will be protected and safeguarded against retaliation.

Through specific training programs, organizations can stress their commitment toward whistleblowing, reminding how internal whistleblowing policy is organized. Training programs are important to convey the message that whistleblowing is aligned with the corporate philosophy, but more than that, that it is also an extremely useful phenomenon for the company itself. Internal whistleblowing gives the chance to the company to stop the misbehavior and repair damages before the problem reaches public opinion, and this could be extremely important in certain cases. More precisely, identify, steam, and remedy to misbehaviors is extremely important for the company itself whenever the misconduct harms organizational performances or financial stability. But it is also massively relevant when the

wrongdoing does not jeopardize the company, but it could do so if the illicit act were reported externally. This could, for example, damage the company's credibility, visibility and reputation.

Still on this point of reputation, external stakeholders are becoming more and more interested in how the company is internally organized and how it behaves internally (i.e., company welfare, positive organizational climate, inclusive workplace, etc.). Internal whistleblowing is a closely related issue as the way a company facilitates, encourages, and praises its employees who make the correct decision by reporting a breach of corporate integrity is a clear signal of how the organization is able to listen to all its employees, and this consequently increases its external good reputation. For this reason, training programs should make employees understand that reporting internally is not only an act of loyalty but also a useful act for the organization, in terms of the ability to limit the damage suffered by the company itself, in terms of visibility and reputation as it enables the company to repair damage caused externally without losing face.

But obviously, the training system does not have the primary objective of reminding people of the high attention that the company pays to whistleblowing. Also because, to remind people that the company endorses whistleblowing, an efficient communication system could be sufficient. Nevertheless, I would suggest organizations employ a training system also to remind people that a whistleblowing channel is available and at their disposal. Some communications may go unnoticed. However, organizing mandatory whistleblowing courses will be effective in conveying the message that the company is truly committed to this phenomenon.

Another reason why training is pivotal is to keep employees updated on the latest news regarding the introduction of new external and internal regulations that could, for example, introduce new types of reportable crimes or that could affect the whistleblowing policy. Constant updating is, as we have seen thanks to practical cases, necessary, above all because whistleblowing is a very recent phenomenon (especially in Italy), therefore continuous legislative changes are highly likely. Furthermore, the above-analyzed companies began to implement whistleblowing channels only in 2016, the year in which the legislation that obliged all companies that adopted the model to establish internal reporting channels came into force; thus, their practical experience is still too limited and channels and internal policies will

certainly require adjustments and updates as in organizations some flaws or problems in the management and/or collection of reports will almost certainly emerge.

Hence, it is also important to train people to recognize misbehavior. This important role of training programs is linked to the fact that codes are often too generic, and many situations might not be specifically addressed or mentioned in these documents. Thus, it is essential to help people identify and distinguish what is allowed from what is not. Intesa Sanpaolo has an efficient training system that enables employees to better understand what should be reported and what should not thanks to the analysis and presentation of examples and practical cases. In this way, employees can better understand what the company expects.

But the sole identification of the problem is not sufficient. The problem is that a company can spend and invest a lot of resources to train its employees. However, helping them to separate right from wrong is an activity that precedes actual whistleblowing. What I want to say is that training is also crucial to let people understand that blowing the whistle must be considered as part of their job. As we have seen in the first chapter, the frequent issue is that employees think that blowing the whistle is not their task, and for this reason they might prefer to remain silent. But it should be clear that blowing the whistle is not a role-prescribed activity. There is not an employee or an office that has the duty to blow the whistle. Obviously, internal auditors and other vigilance bodies have the role to monitor performances and activities, but this does not mean that they are whistleblowers.

This implies that another aim of training programs is to rise employees' awareness about whistleblowing by educating employees. This is probably the most important and also most difficult task. It is crucial to let people understand that blowing the whistle is at the same time a duty of everyone and no one because anyone should report misbehavior observed even though his/her contract does not specify that blowing the whistle is part of his/her job and/or responsibility. To be more precise, it is important to build accountability, which means that the organization must, through training and communication systems, convey the message that each employee is responsible for the corporate well-being and performance, and consequently that the organization expects everyone to blow the whistle whenever misconduct is observed. In a few words, the company must communicate that blowing the whistle is an ethical and moral duty although it is not a contractual or formal duty.

This does not only mean that seminars and webinars are important to spread the idea that whistleblowing is an integral part of the internal control system, but most importantly it means that whistleblowing does not mean being disloyal to peers, managers, the company, or other individuals. "Loyalty" is an extremely relevant word when we analyze this phenomenon, and it is also the reason why most people prefer not to report. In the first chapter, I have broadly stressed the problem of the widespread misperception that people have towards whistleblowers, and we should have understood that whistleblowing can be perceived as an unfair act if we consider that employees must always be loyal to their employers or managers. However, the solution to the loyalty dilemma that I support is the one based on the theory of "rational loyalty" suggested by Vandekerckhove and Commers (2004). These authors explain that the object of loyalty is the set of codes, values, and principles formalized by the company in its mission, vision, and code of ethics. This implies that an employee must not be loyal toward the organization considered as the sum of managers, peers, and other individuals, but rather as an entity based on clear values that must be respected, shared and defended. The integrity of the company lies in its ability in defending its principles. When an employee or a manager carries out an illegal or unethical act, he/she is against the organization. The true traitor is not the whistleblower, but rather the lawbreaker because he/she has not respected what the company asked him/her. This conclusion is valid also when misbehavior is endorsed by the top management and also when it brings benefit to the organization. Misconduct of any kind is a disloyal act towards the organization. Whistleblowers are probably the most loyal people because they report an illicit activity that undermines the integrity of the company, even though that misconduct could benefit him/her or all the employees. This important point must be underlined, and once again, in practical terms, webinars, seminars, training programs are pivotal to address this topic and to teach employees that whistleblowing is everything but an act of betrayal.

How these trainings should be designed and made available? Following the practical case of Intesa Sanpaolo, I would suggest making these webinars and training courses available on a web platform or the intranet. It is however important to evaluate all the pros and cons of offline and online training. Offline courses enable greater interaction and involvement, moreover, people who participate in face-to-face courses face fewer distractions as they have to stay focused during the whole course. Furthermore, those who provide the course can

assess the active involvement of participants, understanding if there are doubts, problems, or lack of participation.

However, offline courses also have some downsides. First, it is necessary to acknowledge that this type of approach is costly as it requires that the same course be given multiple times to reach all employees. This practically implies that the company must establish a clear organization to manage all the training courses involving all its employees, and this is extremely expensive if we consider an international company with many subsidiaries. Then, it is also important to take into account that it is required the presence of the employee on a certain day in a certain place. This means that an employee has not the freedom to decide when he/she can participate, in practical terms, this translates into a massive lack of flexibility.

For these reasons, online courses are better as they are highly flexible and are also much cheaper for the organization. In addition, online training facilitates data acquisition regarding the level of active involvement and participation as it is possible, and I would recommend it for whistleblowing courses, to verify the acquisition of information through a final test. Also with offline courses it is possible to test employees, nevertheless, the verification system, in this case, is time-consuming. Post-training evaluation activities are crucial to understanding if courses have been clear and effective enough. Ethical issues could be hard to identify in the practice, for this reason, a training system must be coupled with an adequate verification system.

Another important advantage of online courses is that employees can have access to the training courses whenever and wherever the employee prefers. This implies that if the employee observes a possible breach and he/she is not sure about how to blow the whistle or if it is correct to blow the whistle, he/she can easily check and have access to the specific course on whistleblowing through the web platform. Finally, online and pre-recorded courses have proved to be extremely useful during the COVID emergency. It is also important to mention the main hurdle of online courses, that is lack of focus and the ease with which employees lose the focus as they are not in front of a physical person that teaches and explains vis-à-vis. However, this drawback is more than offset by the advantages provided by online training programs. Therefore, my personal advice in terms of training on whistleblowing is to make available and keep available online training courses on this issue within a web platform that collects all training courses. These courses should be as specific as possible by including

practical cases and analysis of real-world situations to facilitate the passage from the theory to the practice.

3) Leadership

Another intervention variable is leadership. As we know the employer cannot directly influence organizational climate and informal organizational culture. For this reason, the company should take care of its managers and all the people that have an important role within the corporate hierarchy. This practically means that the role of leaders is crucial to influence people's behavior and people's attitude toward whistleblowing. In fact, training employees and establishing formal rules, codes, and procedures is not sufficient, as the formal organizational culture could be highly welcoming toward whistleblowing but at the same time, informal organizational culture could instead convey the opposite message. This occurs whenever managers and leaders do not believe in the company's value, and this is a huge problem as it completely undermines the credibility and the integrity of the organization. Furthermore, leaders and managers that do not comply with the rules formally set forth by the company offer a bad example as they implicitly authorize employees to do the same. This topic is directly linked to the "credibility" dimension explained in Paragraph 2.4. Lack of internal credibility completely erodes and undermines internal integrity as managers become a bad example, making unethical or illegal acts into standard behaviors.

Thus, in terms of whistleblowing, the role of leaders is crucial for several reasons. The first important reason lies in the idea that, as analyzed in Paragraph 1.3, there is a positive relationship between the position held in a company and the tendency to whistle, more than that, since high ranking employees have privilege access to information, they are also more likely to come into contact with certain types of wrongdoing that deserve to be reported. It should be then clear that the company must raise awareness of the use of whistleblowing channels and the general importance of this phenomenon, especially addressing managers as researchers suggest that they are extremely important resources due to their higher propensity to blow the whistle and to their privileged access to sensitive information.

But this is not the only reason a company should demonstrate a high focus on training high-ranking employees and managers. Indeed, Sigurdson (2019) explains that a company needs to have "true leaders with a strong commitment to organizational values, ethical

leadership and accountability, who can use their privileged positions to inspire millions of people […] by doing the right thing, the right way"[121]. This idea is linked to the topic of being a positive example for all employees. For this reason, it is even more important to train managers than employees as they are role models that should demonstrate an enhanced commitment toward organizational integrity. Practically speaking, I suggest that the company should establish frequent training courses with specific characteristics for managers. It is basically necessary to pay more attention and effort in training directors, senior executives, and all those who hold top positions in the corporate hierarchy.

Furthermore, managers and leaders should be encouraged to communicate formally and informally how the company protects and endorses whistleblowers, favoring a culture based on transparency, open-mindedness, and open communication. Thus, under this perspective, they must be the bridge between the formal structure and organizational culture and unwritten organizational culture. In other words, they represent a value-added in the fight against unethical and illegal acts because the company has no role in influencing internal socialization processes and the development of informal culture. However, through a great training of its managers and leaders, the organization can intervene indirectly by convening the message that the organizational culture is entirely based on full compliance with the rules and on the importance of internal reporting systems. This also means that managers must comply with the code of ethics on a daily basis, demonstrating full honesty and transparency in everything they do.

At the same time, they have to be encouraged to communicate, even informally, to employees the importance of reporting all wrongdoings, demonstrating how the company is fully committed to eliminating any act contrary to the law, severely punishing those responsible, and fully protecting and supporting complainants. A transformational approach must be preferred to a transactional approach (Paragraph 2.4). Managers and leaders must also make themselves fully available to collect informal complaints and to personally assist

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[121] Sigurdson, E., (22-12-2019). Whistleblowing, Leadership and Organizational Culture – building accountability and restoring trust. *Sigurdson Post.* Available at the link: http://www.sigurdsonpost.com/2019/12/22/whistleblowing-leadership-and-organizational-culture-restoring-accountability-and-trust/

undecided observers who fear reprisals, suggesting to them the best decision to make and guaranteeing them full protection.

4) Channels

It is then important to provide some practical guidelines as regards the internal reporting channel and its characteristics. More precisely, we need to understand how the company must set up its whistleblowing channels to maximize the efficacy of controls and complaints management. To do so, it is pivotal to look at the theory and the practice that I have analyzed in the previous chapters and paragraphs. The first point I would like to address is linked to the issue of bureaucratization. As we have learned, this variable is directly linked to higher resistance to change, higher retaliation against whistleblowers, and in general higher whistleblowing aversion. The reasons have been broadly discussed in Paragraph 2.1 and 2.2, but it is important to remark that this positive relationship occurs because in high bureaucratic and high hierarchical organizations, whistleblowing is perceived as a phenomenon that opposes the status quo and that jeopardizes internal culture and climate. This problem of aversion to whistleblowing must be addressed by the company by establishing formal and informal procedures to blow the whistle. To be more precise, in high bureaucratic companies, observers might think that changing the status quo is impossible and that they have no power. From an organizational culture perspective, this translates into a lack of accountability as the message that observers receive is that they can act but their deeds will not change anything. So how companies must intervene? The necessary steps are to establish both formal and informal internal whistleblowing channels, this means that whistleblowers could decide to report, even verbally, the irregularities observed to their superiors or managers, and obviously the company must ensure that equal attention will be given to this type of complaint.

But I need to remind that bureaucracy is important, and a complete absence of bureaucracy leads to dramatic effects. This implies that organizations must establish some more formal internal channels providing for clear rules and clear instructions to follow to file complaints. Once again there is not a "fair" level of bureaucratization that ensure the top effectiveness and efficiency of the system, nevertheless, it is important to underline that the company must in some way guide observers to report, and to do this it is necessary to be clear about how the company manages the complaints and how these should be filed. In practical

terms, companies need to describe clear procedures in the whistleblowing policy document, moreover, they should guarantee easy and non-complex access to internal whistleblowing platforms and channels.

Then, I have also mentioned that hierarchy is another important variable linked to organizational structure that has an influence on observers. More precisely, I have concluded that, as for bureaucracy, high hierarchy discourages observers as they perceive many hurdles in changing the status quo. Tall structures, especially highly centralized ones, generally have higher communication barriers and for whistleblowers, this means that many steps are required before contacting those responsible for correcting misconduct. The overall effect is a lack of motivation by observers and the perception that blowing the whistle will not lead to positive effects nor satisfactory results. Thus, companies need to address this issue by filling the gap between whistleblowers and recipient parties. In practical terms, internal whistleblowing channels must create a line of contact between the whistleblower and the function that deals with the assessment, investigation, and correction of misconduct.

To be more precise, the line of contact is preferable to be direct, but companies should rely on independent and autonomous bodies. This is also well emphasized by the TUB, but beyond the compliance with rules, putting in charge an office or a body that operates independently from the organization is crucial to convey the message that the recipient body does not have a conflict of interests. In other words, it is good practice to identify an impartial body with sufficient power to receive and manage complaints. Practically speaking this means that organizations should identify specific bodies or offices with the main function of receiving and analyzing the validity of complaints. These bodies could be the supervisory body, the internal audit, specific whistleblowing committees, or other specific functions that meet the requirement of autonomy and independence. But a different approach that I think would be more effective is to delegate these tasks to an external party as in the case of Ferrero. This approach is extremely valid, and I think it is the best one from different points of view. Indeed, through a whistleblowing helpline managed by a third party, whistleblowers might feel safe from retaliation. Under this perspective, thanks to an intermediary it is possible to achieve the full confidentiality of the report.

Obviously, this approach has higher costs compared to the appointment of an internal committee or office, thus companies should evaluate their specific costs and benefits. The

approaches used by Intesa Sanpaolo and Poste Italiane have proven to be equally effective in terms of complaints received and managed, nevertheless, I think that Ferrero adopted the best solution under this specific point of view as it guarantees complete anonymity. In any case, the most important takeaway of this discussion is that whichever internal office or external service provider is in charge of receiving the reports, it must be neutral, impartial, independent, and autonomous.

Still on the subject of anonymity, it is important to remind that anonymous complaints have some pros and cons. The most important advantage is that whistleblowers feel secure by using this approach because it is basically impossible to retaliate against an unidentified whistleblower. Nevertheless, if a leak occurs, anonymous whistleblowers will suffer from greater retaliation. Moreover, for some types of wrongdoings reported, it could be really hard to evaluate the validity of the complaint without taking into account the identity of the whistleblower. But this problem can be resolved by stating in the whistleblowing policy document that the company will only further investigate complaints that present factual or valid information. In this way, the whistleblower is advised that to reach a satisfactory result he/she must file all the needed information and although the company accepts anonymous complaints, these must meet clear requirements. If the entire investigation depends on the identity of the whistleblower, the company must make it clear that in these cases the whistleblower will have the possibility of revealing his/her identity to an independent internal subject (who has the obligation to keep the information confidential), or to withdraw the complaint. This approach is pivotal to avoid wasting time with anonymous false and unsubstantiated complaints since the beginning.

What would I suggest in practical terms for anonymous complaints? First, I think it is important to stress that I am sure that companies should accept anonymous complaints, as also Intesa Sanpaolo specified during the interview. Also my experiment has highlighted that, although an anonymous complaint seems not to be preferred option in most of the sub-Scenarios, some individuals might anyway prefer to report in this way. For some types of reportable misbehaviors the threat of retaliation might be too heavy to bear and for this reason give the possibility to whistleblowers to report anonymously is a good strategy. But a necessary condition is that organizations must ensure equal treatment to these complaints.

Furthermore, in this case, it is even more important to delegate the activities of reception of complaints and first analyses to a third body. I think that appointing the internal audit could be dangerous in this case because a leak is possible since internal auditors work within the company and not in a separate structure, and this could have devastating effects. The same could be said for any other internal body. Thus, in my opinion, to avoid any possible leak, companies should appoint external parties to receive anonymous complaints. This does not mean that these external parties must investigate, as in that case it would be a case of external whistleblowing, but rather, this means that external providers should collect anonymous reports and then forward them to an internal office. In this way the company will never come into direct contact with the whistleblower, while the third party will know the identity, giving the company the opportunity to indirectly obtain further information. Obviously, once again, this approach drives up costs, but it is the best solution from the perspective of whistleblowers.

It should be then clear that providing different alternatives and options to whistleblowers is important to empower them and to make them understand that changes are possible and welcome in and by the organization. Under this point of view of empowerment and options, I also need to suggest instituting different channels. More precisely, I suggest providing different alternatives to observers. In practical terms, this means offering a range of possible tools to whistleblowers to give them freedom of choice in terms of channels to use. Several tip-off lines do not mean high uncertainty, but rather higher choice. We might think that letting employees deciding the channel to use could be problematic because they might be undecided and not understand which channel is best for their needs. However, the company must specify that any channels will guarantee the same effectiveness. In this way, the choice will be only driven by the whistleblower's preferences. If the various channels refer to the same body or office, as they should, the decision on which channel to use will be merely based on the preferences of the observer. Thus, companies should establish several tip-off lines. These might include email addresses, postal addresses, switchboards for collecting telephone complaints, informal and formal communication to superiors and managers, intranet contacts, and the one that I personally endorse the most, a web helpline platform. But I want to underline that companies might not define which of these channels should be used based on a specific violation observed. In other words, I think that Intesa Sanpaolo, under this point

of view, presents the limitation that forces its employees to use one channel rather than another one according to the violations to be reported. I, on the other hand, would suggest adopting an approach more similar to that of Poste Italiane and Ferrero in this case, i.e., making various channels available but not indicating which one to use based on the violation. Through this approach, the whistleblower will be facilitated, and he/she does not have to analyze and assess if his/her complaints should be forwarded to the supervisory body 231 rather than to the ethics committee, rather than to human resources or internal audit.

The helpline web platform should be similar to the one analyzed thanks to the Ferrero and Poste Italiane case. This implies that through this platform whistleblowers or observers can first understand if what they observed is worthy of the report and if it is or not aligned with corporate law and policy. Then, this platform should give the possibility to submit a complaint presenting a clear form to fill with all the required data and information. In this way, the whistleblower will be sure that the company will receive all the information that it expects to receive. And finally, the platform should enable whistleblowers to check and monitor the status of their complaints.

Linked to this latter topic I must underline the importance of feedbacks. In any case and using any channel, whistleblowers must be informed about how the follow-up process is proceeding. In practical terms, companies (or service providers that manage the whistleblowing channel) must keep an open dialogue with whistleblowers because they might expect to receive updates about the status of the report. Hence, whenever the whistleblower submits a complaint through the web platform, he/she should receive an ID and a password to log in to the reserved area in which he/she can check how their complaint is managed. This is a simple task if the whistleblower files the complaints through the web platform or through an email since he/she can be easily contacted by the company itself or by the service provider that manages the platform. But things are not so easy if the whistleblower prefers to blow the whistle making an anonymous call. In this case, I would suggest companies release login credentials during the call and the informant can decide whether or not they are interested in staying informed using those login credentials. Obviously, in this case, the credentials will be automatically generated by the IT system even without having first verified the validity of the complaint, which is instead possible with the other channels. But if the complainant blows the whistle through an anonymous letter is actually impossible to identify the whistleblower.

Thus, in this case, feedback cannot be given, then, companies should underline that letters can be anonymous, but whistleblowers will have no chance to follow the progress of their complaint. If, on the other hand, the whistleblower wants to monitor the status by receiving feedback, but still prefers to use the postal channel, the company must emphasize that the letter must specify an e-mail address, a postal address or a mobile number to which to send the login credentials.

5) Vigilance and control

Another relevant topic to address is the one of vigilance and control. As we should know, whistleblowing is a phenomenon that deals with several dimensions and functions of the company, but it is primarily influenced by the internal system of control. More precisely, a whistleblowing system is an integral part of the internal control system as also demonstrated by the fact that many companies delegate the tasks related to whistleblowing management to internal bodies with strong power in terms of control and vigilance such as supervisory bodies or the internal audit. Therefore, the control system is a central issue for whistleblowing. Indeed, companies should adopt an efficient internal control structure that enables organizations to check the internal and external integrity and full transparency of corporate activities. Talking about whistleblowing, this means that a robust internal control system implies a strong commitment toward whistleblowing. A company that has strong control powers is able to limit the occurrence of illegal or unethical acts *a priori*, but this is insufficient since there are not perfect control systems that can completely eliminate any possibility of wrongdoing. In other words, as far as efficient the control system may be, some cases of misconduct could still occur. For this reason, the organization must focus on an effective whistleblowing system capable of collecting and managing complaints, capitalizing on the opportunity, and remedying the problems before the impacts of misbehaviors become uncontrollable.

An in-depth analysis of the most effective control system goes beyond the scope of this thesis; therefore, I am not going to dwell on this topic. Nevertheless, it is important to point out that there are some good practices to follow to implement a control system aligned with the aims of the whistleblowing system. More precisely, companies should control the work of employees and managers to check compliance with internal and external regulations. Above

all, it is essential to monitor the behavior of people in terms of retaliatory activities against whistleblowers. Control also passes through protection; the monitoring and surveillance system must deal with the identification of those responsible for illegal activities, their punishment, and the protection of whistleblowers. A control system is actually efficient and effective when people understand that they are fully protected, and that investigations activity will be carried out with the utmost confidentiality and using all possible means. It is, therefore, crucial to convey the message that follow-up control activities will take the form of in-depth and comprehensive investigations aimed at identifying and punishing offenders, and whoever retaliates against the whistleblower, by applying the punishment system provided for by the internal code of conduct. These investigation activities should be realized by the functions or offices that have access to the information needed, while they should be promoted by the recipient party. In this way, the whistleblower's identity is not disclosed to the function or body that conducts investigations, further limiting the threat of victimizations.

6) Psychological support

Moreover, it is also necessary to focus on what might happen after the report. I have already mentioned that within the internal whistleblowing policy document it is necessary to establish clear punishments against those who retaliate. But this is not enough. Prevention is better than cure, which means that an efficient control system coupled with strong defense mechanisms for whistleblowers should avoid the possibility to put in place victimizations of any type. However, the company cannot always be present, this means that some personal spite could happen outside the working context. Of course, in this case, whistleblowers might report to the police the acts they have suffered by colleagues and/or managers and/or external parties outside the workplace. Nevertheless, some types of underhand acts of revenge or spite, such as cutting ties with whistleblowers, cannot be reported as retaliations nor victimization, but their psychological impact can be very significant. As underlined by Lennane (1993), and as broadly explained in Paragraph 1.5, whistleblowers might undergo difficulties after their denunciation. They may start suffering from various physical and psychological ailments, more or less severe.

For this reason, another suggestion that I would like to present is the establishment of psychological support programs for anyone who needs it. This tip should not be followed by

implementing these programs just for whistleblowers, but rather, these initiatives should be open to everyone. Some observers may have understood that blowing the whistle is a good deed, well perceived, and well protected by the company; but at the same time, observers may not be willing to whistle for fear of suffering psychologically and/or physically due to their action. This topic is then linked to the dimension of organizational culture named "courage". In practical terms, the company should make a corporate therapist available, creating a specific "listening line" for anyone who needs support. The same result can be achieved by reimbursing employees the fees for sessions with the psychologist they have had to pay due to work-related problems, specifically including all those in some way related to whistleblowing.

Table V.2 summarizes all the guidelines and suggestions provided in this chapter also identifying the dimensions of the organizational culture most influenced by the suggested activities. As we can notice, there are no guidelines as regards incentives as it is a debatable issue. This latter topic has been explored in the previous chapter, and as I have stressed, incentives seem not to be particularly effective to increase the number and the quality of reports. Only in the case of mild violations, there is a significant increase in the number of complaints. Moreover, non-monetary and fines incentives seem to be more incisive than monetary ones. Nevertheless, there are many pros and cons as I have established in Paragraph 2.3. Hence, I would not suggest Italian companies to set up an incentive system for whistleblowers as this could actually lead to an increase in trivial or unfounded complaints that overload the recipient bodies. Also, this approach could lead to a "pathological deviation" and to an excessive "commoditization of an ethical duty".

Field of action	Best practices and guidelines	Dimensions of the organizational culture affected*
Formal communication	- Issue a code of ethics that formalizes organizational principles and values - Issue a code of conduct - Issue a whistleblowing policy document - Place values and principles statements in visible places throughout the company - Publicize and broadcast these codes and their contents via all the means of communication - Highlight the importance of whistleblowing in annual and integrated reports	Vigilance Accountability
Training	Goals: - Remind about the importance of whistleblowing - Keep employees up to date on changes to the whistleblowing policy - Teach to recognize violations - Specify that it is not a role prescribed activity, but rather a moral and ethical duty - Raise awareness about whistleblowing: Whistleblowing is a prosocial behavior, it is good for the company, it is a test of loyalty toward organizational values Instruments: - Online courses available on Intranet or on a specific web platform - Presentation of practical cases - Courses and clarifications available online anytime, anywhere - Tests and verification activities at the end of the courses to evaluate the effectiveness of the training system	Accountability Engagement Vigilance
Leadership	- Specific training courses for managers and leaders - Encourage managers and leaders to keep an open dialogue with employees about whistleblowing - Make them realize and internalize the importance of corporate integrity, transparency, and open communication - Favor an approach based on transformational leadership over transactional leadership	Credibility Accountability

Channels	- Little bureaucracy but not zero - Allow both formal and informal whistleblowing - Providing options in terms of different channels - Appoint a few recipient bodies, committees, or offices - Allow anonymous reports - Appoint an independent and autonomous body to receive complaints (preferably an external service provider) - Establish a line of contact between the whistleblower and the body or office with decision-making and investigative powers (better if mediated through an external party to protect identity and confidentiality) - Ensure constant feedbacks and maintain an open dialogue with whistleblowers	Options Empowerment
Vigilance and control	- Whistleblowing as an integral part of the internal control system - Establish clear and robust punishments for violators, for those who retaliate against the whistleblower, and for those who misuse whistleblowing channels	Vigilance Empowerment Credibility
Psychological support	- Make available a company therapist - Set up listening lines - Reimburse the therapist/psychologist's fees	Courage

Table V.2: List of best practices for an efficient internal whistleblowing management and their impact on organizational culture

* Every dimension of the organizational culture is directly or indirectly influenced. Those most affected by the guidelines are displayed in order of importance

Conclusions

The thesis has had the merit of identifying some excellent ideas and guidelines that companies, especially large ones, should follow to set up an optimal internal whistleblowing policy. We have been able to understand why companies should invest in this phenomenon. Internal whistleblowing could limit external whistleblowing which can be extremely damaging for the company since when a complaint is made externally, the organization has a limited power to intervene, stopping the misbehavior and prosecute the lawbreaker. Because of this, companies should capitalize on the opportunities provided by internal complaints. Through internal reports, the company can intervene as soon as possible, proving to be highly compliant with both internal and external rules. It should be stressed once again that welcoming internal whistleblowing is a testimony of great integrity. Many companies have invested in their ethical profile to convey the message that the organization is committed to ethical issues. But the sole demonstration of this ethical responsibility towards the outside, through reports or communications, is absolutely insufficient if inside the company all the members of the organization do not respect these principles. Obviously, it would be utopian to believe that in a company all subjects are completely respectful of the rules. Misbehaviors are a daily occurrence in workplaces. Clearly, what I have named "mild violations" in my experiment are the most frequent cases of misconduct, while "serious violations" are not so likely to occur frequently within a workplace.

Thus, an internal whistleblowing system is important also to fill the void of control that could occur. The internal control system, no matter how effective, will never be able to detect all the incorrect behaviors. It is then necessary for everyone's cooperation and active involvement of employees. Detecting frauds, illicit acts, unethical deeds, etc., is a role-prescribed activity that supervisory bodies should carry out. But these bodies could have major problems detecting some violations. That is why whistleblowers must be regarded as guardian angels of the organization. The most important characteristic that elevates them above the silent observers, is that they take the responsibility, and the risk, of voluntarily denouncing an act.

Why do they do it? As explained, this is a tricky question that has not a specific and clear unique answer. What we have understood is that they do not act in this way for an act of

personal revenge or fame. They cannot be considered as blabbermouth or greed spies that find pleasure in reporting violations to cause harm to the offender. Their true main aim is to stop the misbehavior and avoid, terminate, or limit the negative impacts suffered by them or by third parties. We should then consider them as subjects with a strong sense of duty, and with a strong morality. In my opinion, they are closer to heroes rather than to snitches. However, many other variables should be considered to raise them to the role of crime fighters. I think that we should not exaggerate to the point of think of them as superior humans. The only important duty that we (as part of the public opinion) have, is to welcome them and to use them as role models, without falling into the trap of considering them spies, but at the same time without falling into the trap of deifying them.

It is important to remark that they are not superior entities, but they are not as well disloyal employees. The issue of loyalty has brought us to understand that after all, whistleblowers are the most loyal individuals within an organization and not vice versa. A shift of paradigm is necessary to understand why we have concluded so. Loyalty must be considered and evaluated toward the set of values and principles that are the basis of the organization. It is then wrong to assume that blowing the whistle against a peer or a manager has to be considered as a disloyal act since the focus must not be on the alleged criminal, but rather on the violation reported. This implies that if a behavior goes against the values of the organization, that conduct is worthy of report, and the true disloyal person is not who blows the whistle, but rather who committed the violation.

We have also understood that within a company some people might be more prone and more facilitated in reporting misbehavior. More specifically, we have seen that there is a crucial link between the job performed and the likelihood of detecting misbehavior. More than that, high-ranking employees are more prone to report, as also highlighted by my experiment. Then I have also mentioned that pay level, pay satisfaction, and professional status play a role in the propensity to report. Whereas age, gender, job satisfaction and educational qualification have an uncertain and unclear relationship with the propensity to report. Nevertheless, it is once again crucial to remind that the characteristics already mentioned do not influence the theoretical propensity to blow, but rather the actual feasibility. This means that, as observed through the results of my experiment, these characteristics do not imply that a manager has a greater sense of duty and morals than an employee, but rather that a manager is in a better position to report. In other words, a

violation is a violation both if the observer is a manager and both if he/she is an intern. The difference between them is that the latter subject is less prone to report since he/she perceives a higher threat of retaliation or in general a lower power in being listened to and changing the status quo.

Retaliations are exactly the biggest obstacle that whistleblowers might need to overcome. While the benefits are very limited, the costs could be large. Generally speaking, if whistleblowers make a cost-benefit analysis to decide whether to report or not, in the majority of cases they would not proceed with the denunciation. However, as proved by Franzoso's case, the personal satisfaction of having done the right thing and having proved to be an honest person often overrides any type of victimization. But retaliations are sometimes serious, and some whistleblowers might undergo strong pressures and psychophysical disorders. Scholars suggest that retaliations have a positive relationship with anonymous and external complaints, whereas a negative relationship occurs when the whistleblower is supported by a manager. These results further explain why an internal corporate whistleblowing policy based on a responsive and positive organizational culture is crucial.

I have then shifted the point of view toward the one of the organization. The main point underlined is that control systems, incentive systems, organizational structure, and organizational culture both influence and are influenced by whistleblowing. More precisely, complex tall organizations might reduce the effectiveness of internal reports as the chain of command might be too long and the complaint might not find a satisfactory outcome. The same conclusion can be made for highly centralized companies; however, also highly decentralized companies might generate hurdles in the management of complaints. For this reason, I have suggested a mixed structure in which middle managers might have enough power to intervene in the case of mild and intermediate violations, while top managers should deal with the most serious violations. Moreover, I have tried to give some ideas regarding how the company dimension could influence the whistleblowing phenomenon. Nevertheless, researches on this specific topic are quite poor. This is not because not enough studies have been done, but because some variables of the organizational structure seem to have a very limited and secondary role in the context of the phenomenon.

We have then explored how bureaucracy is detrimental to the organization and whistleblowers. A good mix of formalization and informal communication should dominate

the control system of the company. Bureaucratic and rigid controls based on a high formalization of tasks have the problem of creating a too stiff organization in which there is a high tendency to resist changes. This limits the field of action of whistleblowers as it generates an environment in which it is difficult to change the status quo and in which the control of activities seems to be a role prescribed activity that only those who operate in the HR department or similar supervisory bodies and committees can carry out. In these organizations, whistleblowers are not motivated to report. But it is also correct to state that a too flexible and non-bureaucratic organization has the same effect on whistleblowers as in that case they cannot follow a procedure to report, and they might be frustrated by the lack of clear directions on the expected behavior and how and when the control system intervenes.

We have then investigated how incentives influence whistleblower. It is a central issue in the whistleblowing literature and scholars over the years have tried to provide an answer to the dilemma of incentives. Incentivize whistleblowers could bring benefit to the organization in terms of the number of reports received, but as mentioned, the problem is about the quality and not the quantity. Monetary incentives are especially useful for inducing "low morality" individuals to report. However, monetary incentives are extremely controversial as they might undermine the prosocial aspect of the report. Moreover, some countries have a long tradition of monetary incentives while some others (Italy is one of them) have always opposed monetary incentives as many people think that they can lead to a "pathological deviation" spurring people to report every single trivial misbehavior, generating a climate of distrust. It is also necessary to evaluate how incentives are perceived externally, as observers are influenced by what third parties think about them, and this has to be evaluated considering if the outcomes of the violations are visible and if the public opinion has a role in that specific case of whistleblowing. But monetary incentives are not the only solution, fines and non-monetary bonuses could spur whistleblowers as well. The incentive "command" also has an overall positive effect on the propensity to report, however forcing people to report makes whistleblowing a mandatory and not voluntary act.

Then, I have considered the most important variable of the organizational architecture, i.e., organizational culture. Indeed, to create a responsive structure able to capitalize on the opportunities of whistleblowing, it is crucial to generate an internal corporate culture that favors, both formally and informally, whistleblowers. Culture is also linked to corporate climate. But the most important point of the discussion is that to instill a positive corporate

culture it is crucial to intervene on seven main dimensions: vigilance, engagement, credibility, accountability, empowerment, courage, and options. These dimensions have been practically analyzed in Chapter V, in which I have listed many practical suggestions to set up the best internal corporate whistleblowing policy. Creating an organizational culture means influencing people's behaviors and people's values. It means generating a workplace environment in which all the subjects work for a common main goal respecting some clear important principles. To do so, the company must demonstrate a strong commitment toward integrity and toward the respect of the mission, vision, principles, and values that create the basis of the organization. I have then tried to provide some simple hints on how national culture could influence the perception of whistleblowing, concluding that individualism (one of Hofstede's culture dimensions) seems to have a relationship with the acceptability of whistleblowing.

I have then explored how companies should practically set up their own internal corporate whistleblowing policy. To do so, it has been firstly necessary to understand how the legislative framework influences the perception and the acceptance of this phenomenon. This is a crucial point as it highlights that, since a stigma toward this phenomenon is still present, national legislators must address this problem by creating a legislative framework that protects and promote whistleblowers. Indeed, without legislative protection, observers are less prone to denounce as they might suffer from retaliations without any guarantee that will safeguard their position. Moreover, national lawmakers' interventions are important for the definition of incentives. In the USA there is a long story of monetary incentive, we have seen that also in the UK the incentive system was used before being abandoned. Whistleblowing legislation is also relevant to define the acceptability of anonymous reports and to set up the legislative framework that protects the identity of the whistleblower. Observers want to receive clear and unambiguous answers to their dilemmas. It is crucial to convey the message that national laws are there to protect them and are on the side of whistleblowers. Furthermore, laws must also determine some alternative external channels that observers can use whenever the internal ones are insufficient or absent. I can then affirm that laws are important to spread awareness about this phenomenon, to create a clear legislative framework able to draft all the rights, obligations, and procedures that whistleblowers have to follow, to constitute an external alternative reporting channel for those who are not satisfied by the internal one, provide legal protection to the complainant.

Thanks to the analysis of the European Directive 2019/1937, we have noticed that there are some relevant differences compared to the US legislation, especially from the perspective of incentives. The Directive will generate some important changes as it will force companies with more than 50 employees to set up an internal reporting channel. Furthermore, it is asked to provide feedback to whistleblowers after the draft of their complaints, and that seems to be a detail, but it is an important point as communication is crucial to demonstrate the active commitment by the company. Some other important points of the Directive are the set of protection measures, support measures, and penalties. All these points will surely improve the protection and the legal framework of whistleblowing.

As regards the Italian legislative framework, I have stressed that it is unfortunately really complex and fragmented. Moreover, private-sector companies have their legislation, and the whistleblowing legal framework is connected to Legislative Decree 231/2001. The Decree requires companies that want to avoid criminal liability to set up an organizational model. Companies that have instituted their own Model, must also appoint a supervisory body (OdV) that needs to supervise the correct implementation of the Model. A subsequent law (179/2017) also obliged all organizations that have a Model to set up specific reporting channels, also prohibiting and punishing all spite to the detriment of the reporters. The main problems that are still evident in the Italian whistleblowing legislation are that the Model can be (not "must be") adopted by the organizations that want to avoid the criminal liability, and that the whistleblowing legislative framework also depends on the sector in which the company operates. In fact, banks, insurance companies, and public companies, or companies with public participation, must also comply with other, more stringent, laws on whistleblowing. It goes without saying that this high fragmentation is harmful to whistleblowers as it creates an uncertain legislative structure.

After this legislative analysis, I have described how three big Italian companies have organized their internal whistleblowing policy. Intesa Sanpaolo's case has been important to understand how communication is crucial to create a proper corporate culture. The commitment of the Bank toward this phenomenon is extremely remarkable, and all the channels used to internally spread a culture that accepts and encourages whistleblowing, are the proof of this extraordinary dedication. At the same time, this example has been useful to figure out how too many optional channels might create some problems, as observers might be misled. Next, I have considered how Ferrero has set up its internal corporate

whistleblowing policy. The main point we should have learned is that relying on an external service provider can be a very effective solution in terms of the management of reports. This because it guarantees full confidentiality of the complaint and above all of the complainant's identity. Its "integrity helpline" is a perfectly good example that describes how companies should be open to whistleblowers. Their web channel is always available, and it allows whistleblowers to report violations observed from everywhere, also giving the possibility of verifying whether that observed behavior is an act contrary to the code of ethics and the code of conduct. Ferrero's main problem is its poor external communication. From a huge multinational I would have expected greater attention to this phenomenon in the annual reports. Finally, I have also evaluated how Poste Italiane set up its internal whistleblowing system. This example has been useful to understand how a company should address this phenomenon with effective external communication. Poste Italiane has proven to be highly committed to whistleblowing as explained in many documents and reports that the company makes available. Even this company has a good web whistleblowing platform, however in this case it is not managed by an external provider. The main problem of Poste Italiane is the composition of the whistleblowing committee as, in my opinion, if conflicts of interest within the committee occurs, the identity of the whistleblower is not as secure as in the case of Ferrero or Intesa Sanpaolo.

Chapter IV has described my experiment and some interesting practical results. Socio-demographic analyzes show that those who work for large-sized companies are more aware of the phenomenon than micro, small, and medium-sized companies' employees. Furthermore, they are also more aware of their company's whistleblowing policy compared to small and micro-sized companies' employees. This suggests that this phenomenon, as expected, is still too little known, and that only large and mid-sized companies are investing in an organizational culture that welcomes whistleblowing. In the foreseeable future also small and micro-companies should at least consider the possibility to set up an internal whistleblowing policy.

Results also suggest that personal characteristics such as sex, age, position within the corporate hierarchy, and qualification are not determining variables that bring out a different propensity to report among different subjects. To be more precise, this outcome implies that, with few limited exceptions, the merit of a complaint does not depend on these social and

demographic variables. Misbehavior is worthy of the report whether you are young or old, whether you are a manager or an intern, whether you are a male or a female, etc. Nevertheless, this does not mean that these subjects have the same likelihood of observing and reporting violations. Indeed, as above explained, we do not have to confuse the hypothetical propensity to report (expressed thanks to the answers to my survey) with the actual feasibility of reporting (which is, in a real-world scenario, influenced by the variables highlighted in Chapter I).

Then, thanks to the analyses of the decision between reporting or remaining silent, I had the possibility to explore in which situation people might be more prone to remain passive observers. In particular, my analyses suggest that for mild violations the position within the corporate hierarchy of the observer and the culprit are decisive. This means that for minor breaches by a manager observed by an employee, the number of reports is lower than in the case of mild violations by subordinates observed by a manager. We can thus understand that both the whistleblower and the culprit's identity are important variables in the decision-making process. However, these two variables are not decisive in the case of intermediate and serious violations, and this demonstrates that these misbehaviors are so morally unacceptable that observers do not consider the role they have within the corporate hierarchy and decide to blow the whistle even if the accused is a much more powerful and important subject than them. Furthermore, thanks to the comparison of "report" and "no report" answers we have understood that there is a clear positive relationship between the seriousness of the violation and the propensity to report.

As regards internal versus external channels, some interesting outcomes have been underlined. Internal channels are the most chosen alternative to report mild and intermediate violations, while external channels are more appreciated to report serious violations. More than that, when the gap between the whistleblower and the culprit (in terms of hierarchical importance) is broad, the external channel becomes more appreciated. This is especially evident if we compare the behaviors of employees that report a manager and managers that report a subordinate. Additionally, to denounce a peer, there is a greater propensity to the external channel on the part of managers than on the part of employees. Thus, this means that the role of the lawbreaker within the corporate hierarchy is determinant also in the decision between internal or external reports.

While for anonymous complaints I have stressed that this type of denounces are more frequent for mild and intermediate violations rather than serious ones. In the majority of cases, anonymous reports tend to decrease as the importance of the violation increases. More precisely, anonymous reports are common in the case of mild violations by managers observed by an employee (even though they are not significantly higher than non-anonymous ones). Hypothetical employees generally rely on anonymous complaints more than hypothetical managers. But in the totality of the sample, it must be emphasized that the decision to report anonymously is not significantly prevalent in any sub-Scenario. If we focus on the differences between internal and external anonymous reports, we can verify that internal anonymous channels are more used for mild and intermediate violations as whistleblowers might think that these types of misbehavior can be easily managed and prosecuted internally. Whereas, for serious violations, especially those committed by managers, anonymous whistleblowers prefer the external channel.

Then, analyses of corporate violations have underlined that people perceive these types of misbehavior on a par with serious illicit acts carried out by managers. This implies that the number of "no report" is quite low as for serious misconduct. It is important to notice that the most-used channel in this situation is the external one, especially when the whistleblower is an employee. In that specific case, there is also a preference toward anonymous complaints, while if the whistleblower is a manager, he/she would prefer a non-anonymous complaint, but also in this case the external channel is preferred to the internal one.

Finally, I have explained how incentives are perceived. My sample seems not to be against non-monetary rewards, while monetary ones are strongly controversial. "Real-world" top and middle managers seem to be more welcoming toward non-financial incentives than employees. Nevertheless, it is curious to notice that non-monetary bonuses do not represent a dominant alternative in the various sub-Scenarios. To be more precise, incentives are not significantly useful in increasing the propensity to report except in cases of minor violations. Indeed, the only increase in complaints that I noticed thanks to incentives is for mild misbehaviors observed by employees. Whereas, if the whistleblower is a manager, the incentives are ineffective even in the case of minor misconduct. The conclusion is that, for intermediate, serious, and corporate violations, incentives do not affect the number of reports. Generally speaking, it is interesting to see that, among the three types of incentives presented, the most chosen is a non-monetary one, followed by fines, and in the last position

we find the monetary rewards. Thus, I can state that even though many interviewees are in favor of non-monetary incentives, the answers they gave seem to suggest that these incentives are in fact quite useless for whistleblowing.

Finally, the last chapter has been crucial for my thesis as it defines the guidelines that each company should follow to set up an optimal internal corporate whistleblowing policy. Following the previous discussion about corporate culture, I have identified and designed some clear rules and instructions to follow based on previous theoretical and practical analyses. The first step is to establish clear rules. Code of conduct, code of ethics, formalization of the mission, the vision, values, and principles are the backbones of the ethical structure of the company. The formalization of rules is not sufficient. Communication is decisive to spread internal awareness of this phenomenon. Communication must be both formal and informal, which means that managers should be motivated to informally talk about this phenomenon with their colleagues and subordinates. Under this point of view, leadership has a massive role in promoting an organizational culture able to accept whistleblowing. But managers and employees must be trained to acknowledge why whistleblowing is important, why it is not a disloyal act, how observers can decide to report, how an observer can understand if behavior is worthy of being reported or not, and training is generally necessary to increase the awareness. The definition of channels is another pivotal task; it is crucial to facilitate access to reporting channels by providing clear instructions to whistleblowers. These channels should be 24/7 available, ensuring constant feedback and maintaining open communication with whistleblowers. Then, rules are also important to define a clear defensive mechanism against retaliation and unambiguous penalties for violators. Both violators and observers must be aware of all the protection activities that the company reserves for employees and of all the punishments that it can carry out against lawbreakers. Finally, psychological support could be decisive. To encourage people to make the right decision it is important to help them and guide them towards the best decision, supporting them in their internal conflict by suggesting the best solution to their dilemma. This support is helpful also after the denunciation, because, as explained in Chapter II, whistleblower might suffer from different disorders.

To conclude, my thesis has highlighted that this phenomenon is highly controversial and still too little appreciated and known. Many steps forward have already been made mainly thanks

to legislative interventions. The legislative aspect is crucial to continue spreading the idea that whistleblowing is a positive phenomenon for companies. However, excessive fragmentation and too complex legislative frameworks constitute a serious obstacle to the awareness of this phenomenon.

My thesis has tried to provide some clear hints to companies that might want to capitalize on the opportunities of internal whistleblowing. It is crucial to stress that everything must start with an awareness on the part of the top management. Establishing internal reporting systems with the sole purpose of complying with the rules required by law is useless and costly. It is necessary that managers truly recognize how important corporate whistleblowing is and implement all the suggestions proposed by me and scholars. The company must prove itself up to the situation by demonstrating that it is truly committed to this phenomenon. To do so the keyword is "organizational culture". Creating, or even worse modifying, culture is a huge challenge, but it is the only solution to reap the benefits provided by internal whistleblowing.

External whistleblowing, in my opinion, should be considered as the last resort. This does not mean that companies need to prevent employees from reporting externally, but rather that observers should understand that before turning externally they should report internally. In this way, it is possible to solve an issue as soon as possible without attracting undesired attention. A company that is unable to remedy its internal problems proves to be weak and it proves to have internal control problems. This argument is well-founded if the company can do something to prevent or stop misbehaviors. But for serious violations, as highlighted in my experiment, the company may have problems in intervening or may not have sufficient powers to stop the misconduct and repair the damages. Hence, it should be clear that the external channel should not be perceived as an antagonist of the internal one, but rather, as a secondary channel to be used only when the company has no sufficient powers.

All in all, there are good signs that show growing general attention towards this phenomenon. There is still a lot to work on, starting from the legislative aspect, but large companies are already leading the way towards optimal management of this phenomenon. Hoping that this thesis may have been useful to anyone reading it, I thank you for your kind attention.

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Appendix A

Section 1 of the survey:

1) Age*

- 18-25
- 26-40
- 41-60
- Over 60

_____

2) Sex*

- M
- F

_____

3) Employment status*

- Student
- Worker
- Office worker
- Middle manager
- Top manager
- Self-employed
- Professor/researcher
- Pensioner
- Unemployed

4) Educational qualification*

- Elementary education
- Junior High School license
- High school diploma
- Bachelor's degree
- Master's degree
- One-cycle degree
- 1st or 2nd level Master
- PhD
- Other...

_____

5) How do you consider your financial situation compared to your neighborhood? *

- Much above the average
- Above the average
- Average
- Below the average
- Much below the average

6) What size is the company/ institution you work for?

- Micro (<10 employees)
- Small (10-49 employees)
- Medium (50-250 employees)
- Big (>250 employees)

_____

7) Have you ever heard of "whistleblowing"? *

- Yes
- No

_____

8) If so, has the company/institution you work for ever made you aware of its internal whistleblowing policy?

- Yes
- No

* = mandatory question

Section 2:

SCENARIO 1: Assume you are an EMPLOYEE

Types of violations:
- MILD: ex. Prolonged use of company resources for personal purposes during working hours
- INTERMEDIATE: ex. Lack of transparency in activities performed during working hours, pressure toward colleagues or subordinates
- SERIOUS: ex. Sexual harassment, embezzlements of corporate funds, absenteeism

Channels available for reporting:
- INTERNAL: internal AUTONOMOUS AND INDEPENDENT committee
- EXTERNAL: police, labor inspectorate

9) How would you report these violations? *

	I would NOT report	Internal channel	Internal channel anonymously	External channel	External channel anonymously
Mild violation by a peer					
Intermediate violation by a peer					
Serious violation by a peer					
Mild violation by a manager					
Intermediate violation by a manager					
Serious violation by a manager					
Misbehavior endorsed by the managers that benefits the company but harms customers (low quality/dangerous product)					

* = mandatory question

Section 3:

SCENARIO 2: Assume you are an EMPLOYEE in a company that incentivize whistleblowers - In this scenario you can report only NON anonymously and INTERNALLY

Types of incentives:
- MONETARY REWARD
- NON-MONETARY REWARD: career advancement for the most serious complaints, fringe benefits for less relevant complaints
- FINE for those who do not report despite being aware of the breach and of the culprit

10) Which of these incentives would most influence your propensity to report these violations? *

	I would NOT report	Monetary reward	Non-monetary reward	Fine	I would also report without incentives
Mild violation by a peer					
Intermediate violation by a peer					
Serious violation by a peer					
Mild violation by a manager					
Intermediate violation by a manager					
Serious violation by a manager					
Misbehavior endorsed by the managers that benefits the company but harms customers (low quality/dangerous product)					

* = mandatory question

Section 4:

SCENARIO 3: Assume you are a MANAGER

Types of violations:
- MILD: ex. Prolonged use of company resources for personal purposes during working hours
- INTERMEDIATE: ex. Lack of transparency in activities performed during working hours, pressure toward colleagues or subordinates
- SERIOUS: ex. Sexual harassment, embezzlements of corporate funds, absenteeism

Channels available for reporting:
- INTERNAL: internal AUTONOMOUS AND INDEPENDENT committee
- EXTERNAL: police, labor inspectorate

9) How would you report these violations? *

	I would NOT report	Internal channel	Internal channel anonymously	External channel	External channel anonymously
Mild violation by a subordinate					
Intermediate violation by a subordinate					
Serious violation by a subordinate					
Mild violation by a peer manager					
Intermediate violation by a peer manager					
Serious violation by a peer manager					
Misbehavior endorsed by the managers that benefits the company but harms customers (low quality/dangerous product)					

* = mandatory question

Section 5:

SCENARIO 4: Assume you are a MANAGER in a company that incentivize whistleblowers - In this scenario you can report only NON anonymously and INTERNALLY

Types of incentives:
- MONETARY REWARD
- NON-MONETARY REWARD: career advancement for the most serious complaints, fringe benefits for less relevant complaints
- FINE for those who do not report despite being aware of the breach and of the culprit

12) Which of these incentives would most influence your propensity to report these violations? *

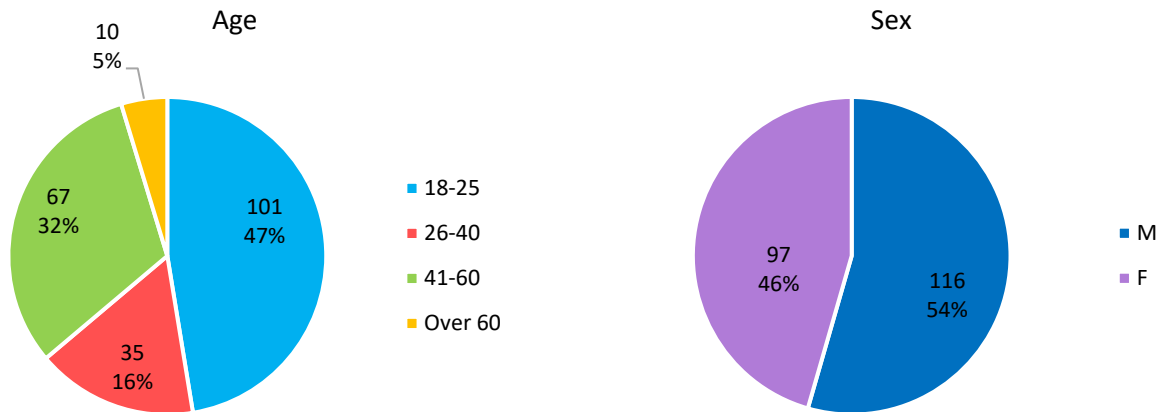|	I would NOT report	Monetary reward	Non-monetary reward	Fine	I would also report without incentives
Mild violation by a subordinate					
Intermediate violation by a subordinate					
Serious violation by a subordinate					
Mild violation by a peer manager					
Intermediate violation by a peer manager					
Serious violation by a peer manager					
Misbehavior endorsed by the managers that benefits the company but harms customers (low quality/dangerous product)					

* = mandatory question

Section 6: Multiple choice question

13) Which of these statements do you personally think is more correct? (Select 1 or more alternatives without thinking about a specific violation) *
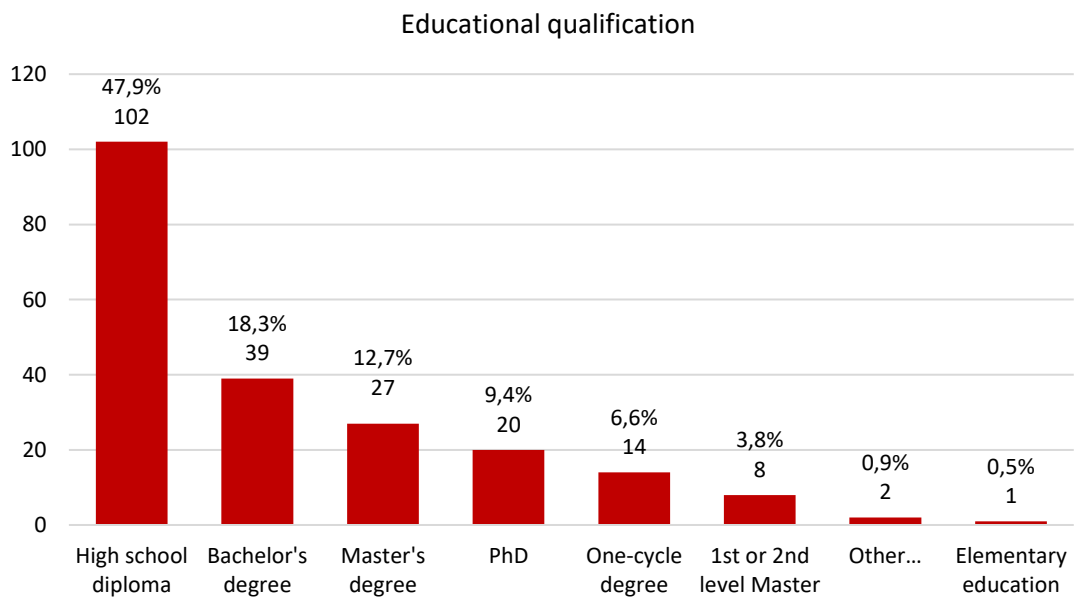
- I think it is fair to financially reward those who have the courage to report

- I think it is fair to reward those who have the courage to report with non-monetary incentives

- Monetary rewards have more cons than pros

- Non-monetary rewards have more cons than pros

- I have a neutral opinion about monetary incentives

- I have a neutral opinion about non-monetary incentives
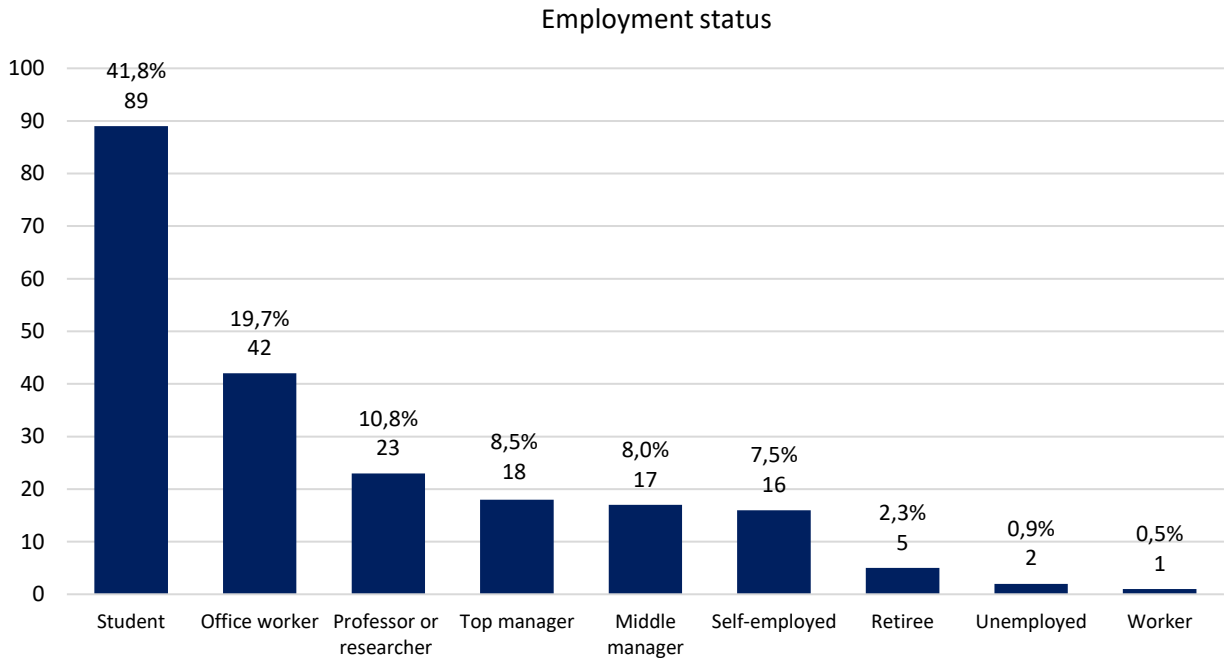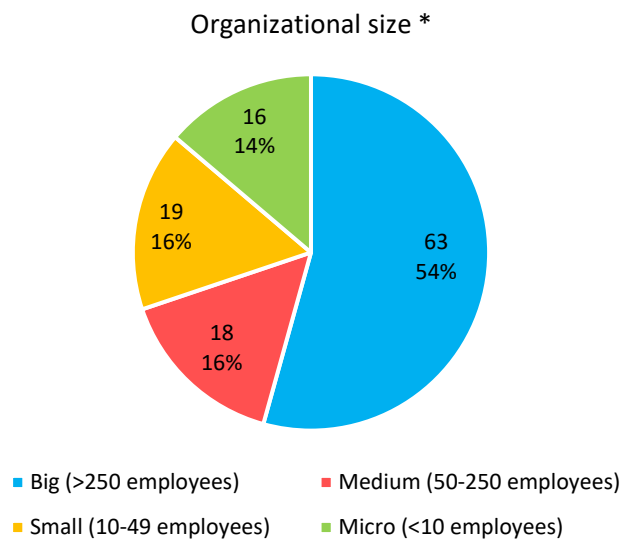
* = mandatory question

Appendix B

Age

- 18-25
- 26-40
- 41-60
- Over 60

10
5%

67
32%

101
47%

35
16%

Sex

- M
- F

97
46%

116
54%

Graph B.1: Age and sex of the sample

Educational qualification

- High school diploma: 47,9% / 102
- Bachelor's degree: 18,3% / 39
- Master's degree: 12,7% / 27
- PhD: 9,4% / 20
- One-cycle degree: 6,6% / 14
- 1st or 2nd level Master: 3,8% / 8
- Other…: 0,9% / 2
- Elementary education: 0,5% / 1

Graph B.2: Educational qualification of the sample

Employment status

| | 41,8%
89 | 19,7%
42 | 10,8%
23 | 8,5%
18 | 8,0%
17 | 7,5%
16 | 2,3%
5 | 0,9%
2 | 0,5%
1 |

Student — Office worker — Professor or researcher — Top manager — Middle manager — Self-employed — Retiree — Unemployed — Worker

Graph B.3: Employment status of the sample

Organizational size *

- Big (>250 employees)
- Medium (50-250 employees)
- Small (10-49 employees)
- Micro (<10 employees)

Graph B.4: Size of the company or institution for which respondents work

*Total number of employed people is 117 (54,9% of the sample size), one of them did not answer to this question

Appendix C

Violation by a peer (sub-Scenario 1a)
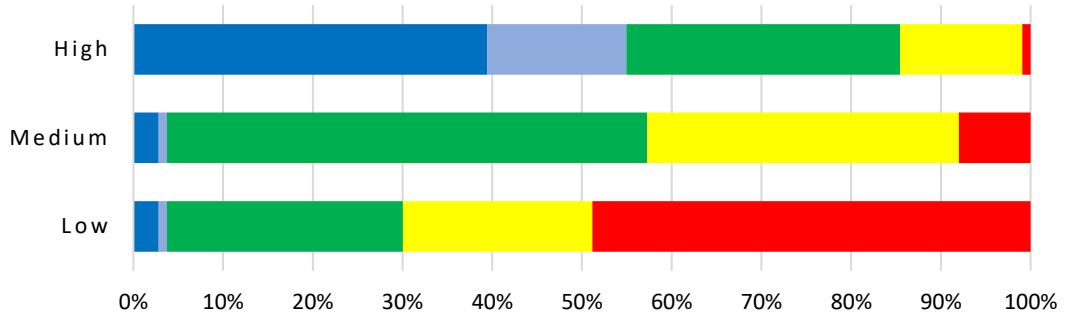
	Low	Medium	High
External	6	6	84
External + anonymous	2	2	33
Internal	56	114	65
Internal + anonymous	45	74	29
No report	104	17	2

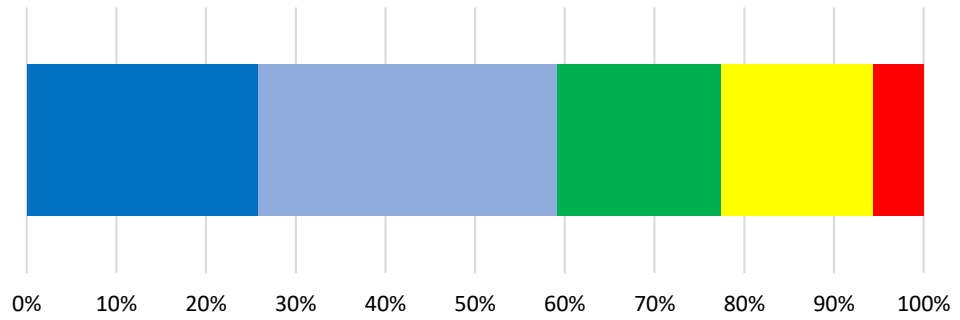*Graph C.1: Answers to sub-Scenario 1a - Violations by peer employees observed by an employee*

Violation by a manager (sub-Scenario 1b)
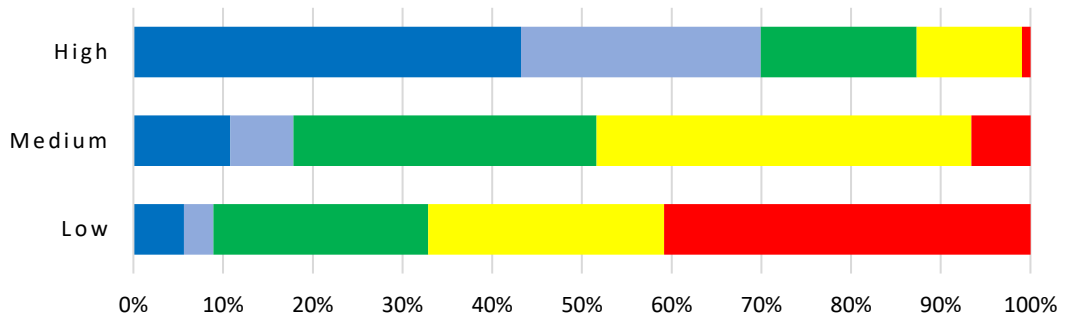
	Low	Medium	High
External	12	23	92
External + anonymous	7	15	57
Internal	51	72	37
Internal + anonymous	56	89	25
No report	87	14	2

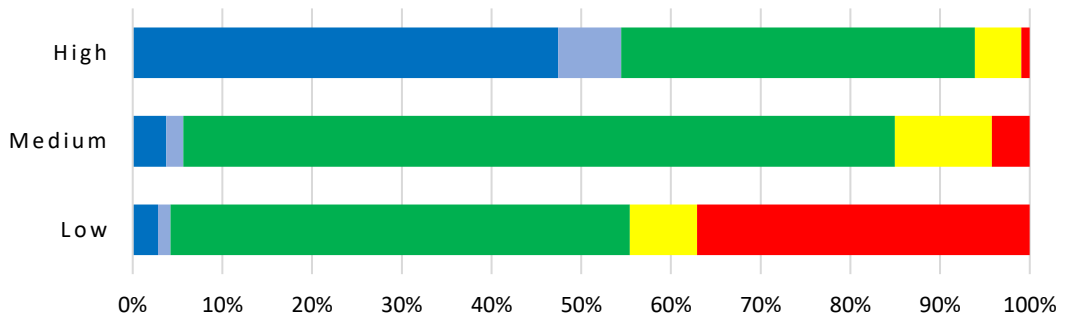*Graph C.2: Answers to sub-Scenario 1b - Violations by managers observed by an employee*

Corporate violation (sub-scenario 1c)

	Corporate violation
■ External	55
■ External + anonymous	71
■ Internal	39
■ Internal + anonymous	36
■ No report	12

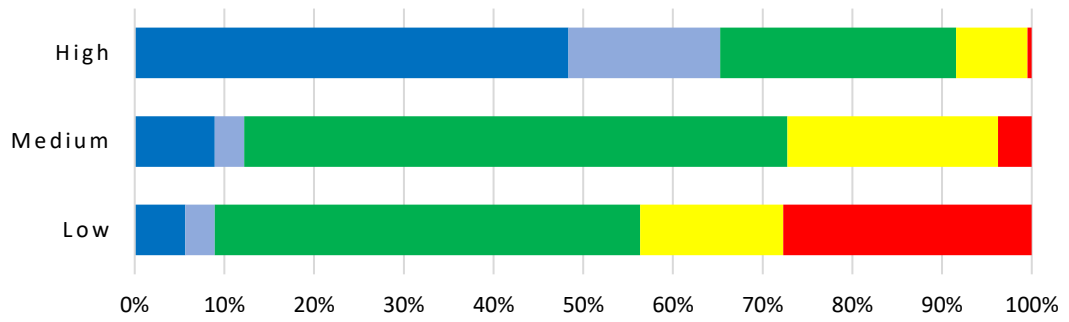*Graph C.3: Answers to sub-Scenario 1c - Corporate violation observed by an employee*

Violation by a subordinate (sub-Scenario 3a)

	Low	Medium	High
■ External	6	8	101
■ External + anonymous	3	4	15
■ Internal	109	169	84
■ Internal + anonymous	16	23	11
■ No report	79	9	2

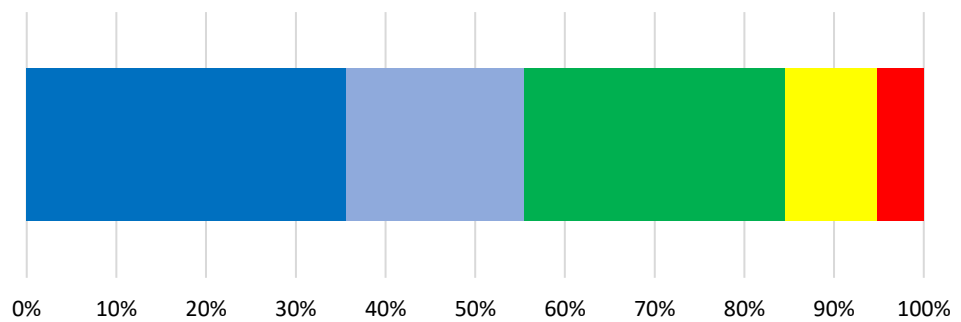*Graph C.4: Answers to sub-Scenario 3a - Violations by subordinates observed by a manager*

Violation by a peer manager (sub-Scenario 3b)

	Low	Medium	High
■ External	12	19	103
■ External + anonymous	7	7	36
■ Internal	101	129	56
■ Internal + anonymous	34	50	17
■ No report	59	8	1

Graph C.5: Answers to sub-Scenario 3b - Violations by peer managers observed by a manager
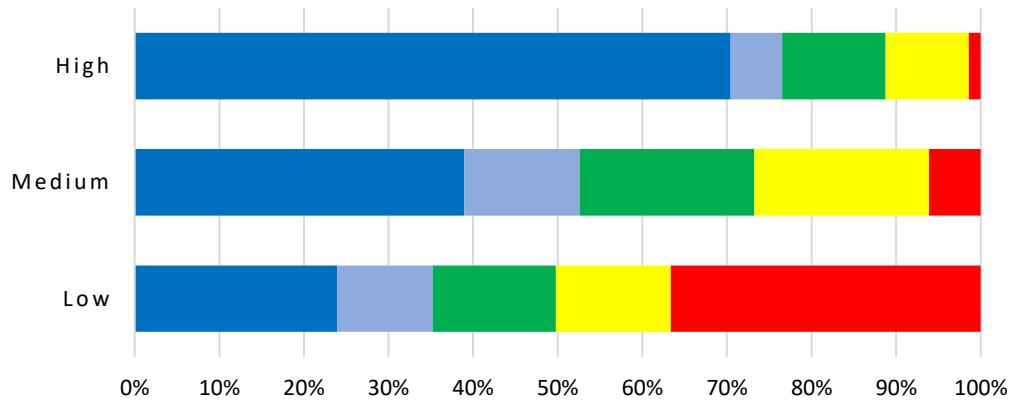
Corporate violation (sub-Scenario 3C)

	Corporate violation
■ External	76
■ External + anonymous	42
■ Internal	62
■ Internal + anonymous	22
■ No report	11

Graph C.6: Answers to sub-Scenario 3c -Corporate violation observed by a manager
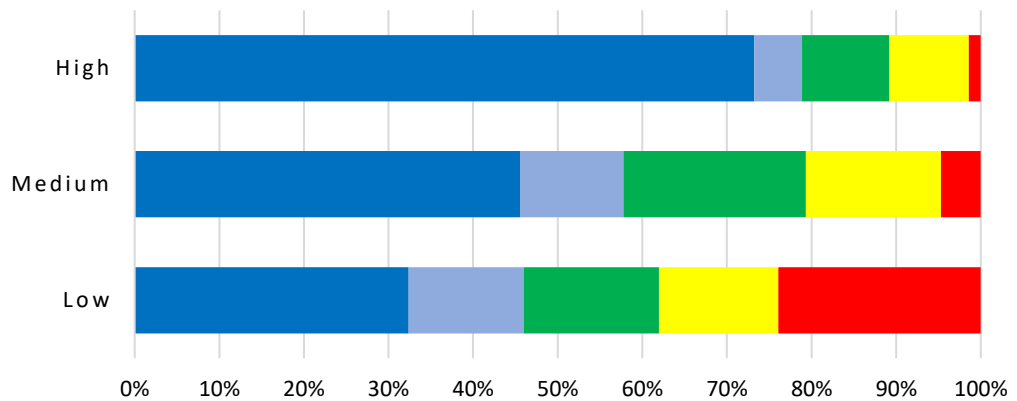
C-3

Appendix D

Violation by a peer (sub-Scenario 2a)

	Low	Medium	High
■ Report even w/o incentives	51	83	150
■ Monetary bonus	24	29	13
■ Non monetary bonus	31	44	26
■ Fine	29	44	21
■ No report	78	13	3

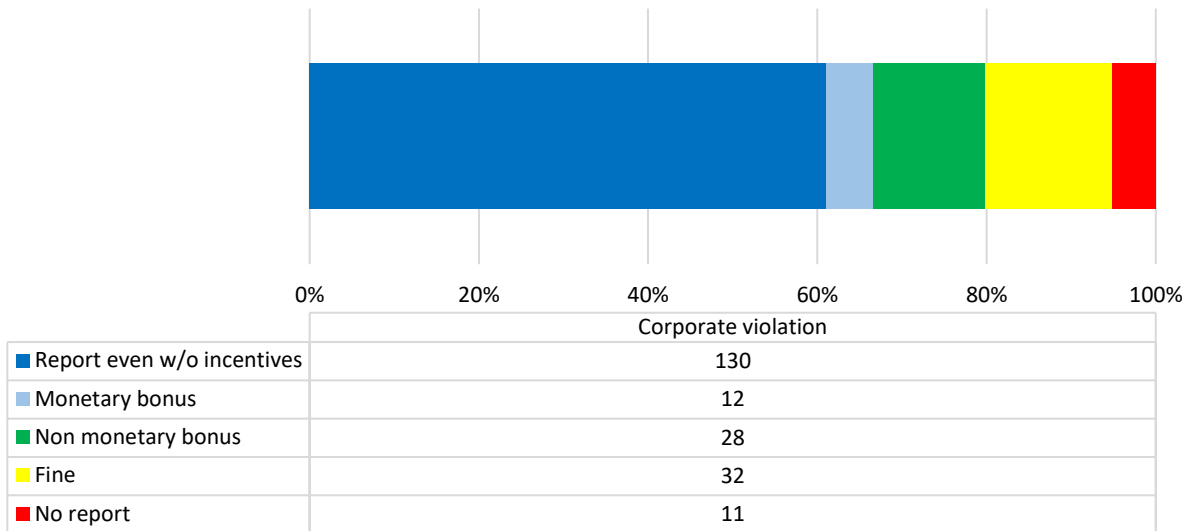*Graph D.1: Answers to sub-Scenario 2a – Best incentive for violations by peers observed by an employee*

Violation by a manager (sub-Scenario 2b)

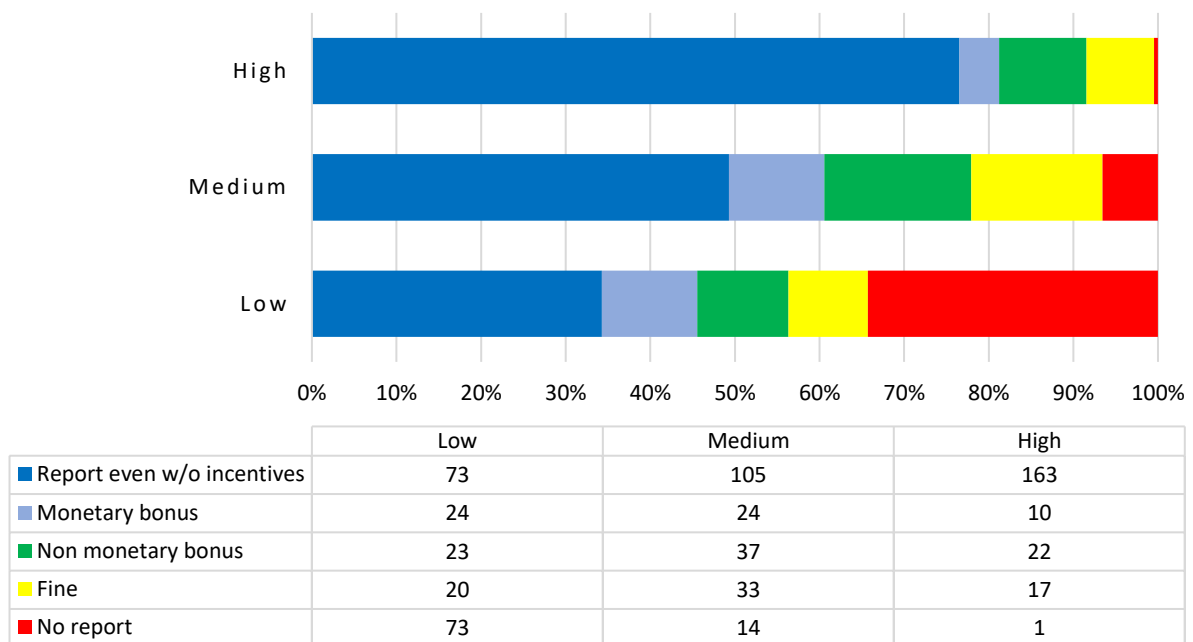|	Low	Medium	High
■ Report even w/o incentives	69	97	156
■ Monetary bonus	29	26	12
■ Non monetary bonus	34	46	22
■ Fine	30	34	20
■ No report	51	10	3

Graph D.2: Answers to sub-Scenario 2b – Best incentive for violations by managers observed by an employee

Corporate violation (sub-Scenario 2c)

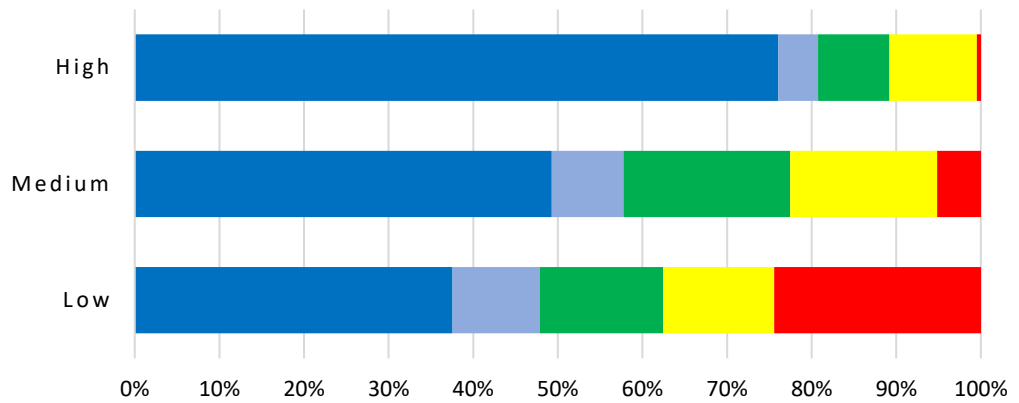|	Corporate violation
■ Report even w/o incentives	130
■ Monetary bonus	12
■ Non monetary bonus	28
■ Fine	32
■ No report	11

Graph D.3: Answers to sub-Scenario 2c – Best incentive for a corporate violation observed by an employee

Violation by a subordinate (sub-Scenario 4a)

	Low	Medium	High
■ Report even w/o incentives	73	105	163
■ Monetary bonus	24	24	10
■ Non monetary bonus	23	37	22
■ Fine	20	33	17
■ No report	73	14	1

Graph D.4: Answers to sub-Scenario 4a – Best incentive for violations by subordinates observed by a manager

Violation by a peer manager (sub-Scenario 4b)

	Low	Medium	High
■ Report even w/o incentives	80	105	162
■ Monetary bonus	22	18	10
■ Non monetary bonus	31	42	18
■ Fine	28	37	22
■ No report	52	11	1

Graph D.5: Answers to sub-Scenario 4b – Best incentive for violations by peer managers observed by a manager

Corporate violation (sub-Scenario 4c)
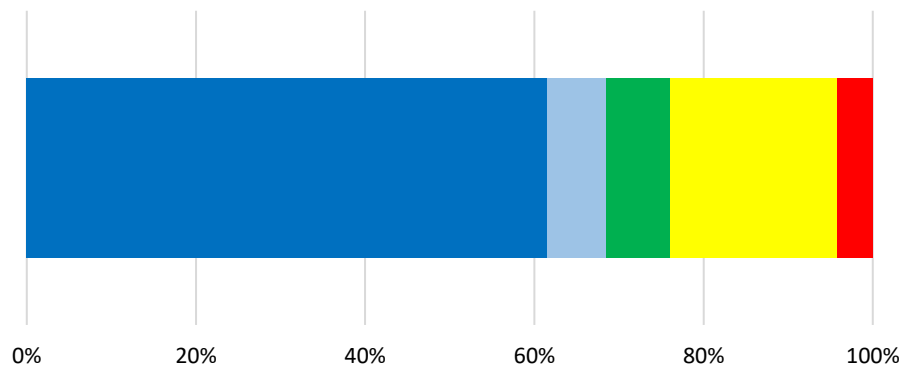
	Corporate violation
■ Report even w/o incentives	131
■ Monetary bonus	15
■ Non monetary bonus	16
■ Fine	42
■ No report	9

Graph D.6: Answers to sub-Scenario 4c – Best incentive for a corporate violation observed by a manager

D-3