

An Investigator's Guide to the Whistle-Blower

Part 1: The Initial Action

As an investigator, you are likely to eventually come across a whistle-blower in your career. The 2015 Kroll Global Fraud report found that 81% of companies surveyed are the victims of fraud perpetrated by insiders. In addition, the same survey found that whistle-blowers were responsible for exposing 41% of the fraud incidents.¹ In the first part of the series, the psychology of the whistle-blower will be discussed so that we can better understand their mindset.

Researchers initially believed the idea of whistle-blowing (revealing illegal or illicit actions by people within the company) was done after the whistle-blower had performed a cost-benefit analysis and/or economic calculation determining that revealing the information was the best way forward. Since their initial assumption, researchers have determined that emotions and values are also essential to the whistle-blower's decision-making process.² While emotion may not have necessarily been the initial impetus to report wrongdoing, emotions will certainly have an impact on the whistle-blower at later stages in the process. Many lawyers who have made millions of dollars on whistle-blower cases say they discourage people who walk into their offices from becoming a whistle-blower. Why? Because the process is long and arduous as well as emotionally draining.³

¹ Unknown Author(s) (2015). The Threat Within: Insider Fraud on the Rise, Kroll, November 23, 2015.

² Henik, E. (2008) Mad as Hell or Scared Stiff? The Effects of Value Conflict and Emotions on Potential Whistle-Blowers, *Journal of Business Ethics*, Volume 80, pp. 111-119.

³ Sullivan, P. (2012). The Price Whistle-Blowers Pay For Secrets, *The New York Times*, September 21, 2012.

Many times, a whistle-blower accidentally comes across information that he/she wasn't necessarily supposed to see. Once digested, the whistle-blower feels an obligation to go to someone in the organization to report the wrongdoing. In their mind, the solution is simple. I need to report this so that my organization will fix the problem. Many times, however, the organization does not fix the problem and this causes the whistle-blower to experience cognitive dissonance. If we compared whistle-blowing to a friend who smoked, it would be like you telling your friend that smoking causes cancer and while he agreed with you, he also continued to smoke. In a survey of ninety known whistle-blowers, most tended to take a utopian view with the belief that following universal moral codes, as a guide, would lead to the best outcome for them as well as their organization. Yet after exposing the organizational misdeeds, every whistle-blowing survey respondent employed in the private sector was dismissed from their job a short time after their disclosure.⁴

Michael Winston was a high-level executive at McDonnell Douglas and Lockheed Martin before agreeing to take a similar job at Countrywide Financial in 2005. The mortgage business, at the time, was roaring along realizing huge profits and to Winston, this seemed to be a good opportunity. After beginning employment with Countrywide Financial, Winston was walking through the parking lot and saw a car with a vanity license plate that read, "Fund Em". When asked what that meant, another executive allegedly told Winston that the phrase was Countrywide Financial's growth strategy according to Angelo Mozilo, their top executive. In a subsequent executive meeting, Winston sought clarification concerning the "Fund Em" strategy

⁴ Farnsworth, C. (1987). Survey of Whistle Blowers Finds Retaliation but Few Regrets, New York Times, February 22, 1987.

and asked about Countrywide Financial's approach to funding applicants with no job, no income and/or no assets. Winston was told by fellow executives to fund these loans even with the obvious questions concerning the applicant's ability to repay. Winston warned his fellow executives of the problems believing that his bosses had not fully considered the risks of these loans. By 2008, Winston had lost his job at Countrywide Financial.⁵

At this initial stage, a whistle-blower cycles through an entire spectrum of emotions ranging from depression, helplessness and anger. Some whistle-blowers are in shock and disbelief as the exact opposite of what they expected occurred. What surprises them the most and is the hardest thing for them to comprehend is that they got fired for doing what they felt was the right and moral action. Little do they know the worst is yet to come.

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⁵ Taibbi, M. (2015, February 18). A Whistleblower's Horror Story. Retrieved May 22, 2016, from <http://www.rollingstone.com/politics/news/a-whistleblowers-horror-story-20150218>

investigative consulting and expert witness services. Michael is also the author of the new, critically acclaimed leadership books, Eat More Ice Cream! A Succinct Leadership Lesson for Each Week of the Year, and Get Off Your Horse! Fifty-Two Succinct Leadership Lessons from U.S. Presidents available at www.amazon.com