

WHISTLE BLOWER PROTECTION IN PRIVATE SECTOR: IT'S RELEVANCE IN ENSURING ETHICAL LEADERSHIP

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ABSTRACT

Whistleblower protection in the private sector: its importance in ensuring ethical leadership. Whistleblower protection has always remained a public sector affair in India, with a large gap between intention and reality despite the preponderance of the private sector in the delivery of services since the economic liberalization of 1991. In the current liberalized scenario, the private sector occupies an important place in key sectors such as finance, health infrastructure, and information technology where unethical activity can produce a systemic problem for the public and the governance system. However, the existing whistle blower protection system in the private sector is patchy, voluntary, and poorly enforced-which acts as a deterrent to the employees in blowing the whistle and keeps the unethical activities under the lid. The paper on this particular topic takes the stance that the protection of whistle blowers in the private sector of the economy is an absolute necessity for ethical leadership. The following paper suggests that there is an important balance to be struck between legal protection and internal policies such as safe reporting, non-retaliation policies, and effective ethical leadership structures typical of the private sector. The following paper stresses the importance of legal protection of the whistleblower, far beyond legal formalism.

Keywords: Whistleblowers, Whistle blower Protection Laws, Ethical and Moral Leadership, Private Sectors, Organisational - Ethics, Retaliation, Corporate Governance, Workplace Integrity.

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I. Introduction

Whistle blowing is an act of persons blowing the whistle for unethical or illegal practices in an organizational setup; hence, it is the bedrock of organizational accountability. In addition, this paper seeks to investigate the importance of an ethical fostering environment in empowering persons who blow the whistle, as well as factors that sustain the ethics involved in blowing the whistle. In the private sector, which at some point differentiates between profit maximization and ethics, ethical leadership is instrumental in promoting organizational integrity in whistleblower protection policies.

Unlike in public organizations, which are monitored by the government, private companies are run with much less intervention from the government. This calls for the establishment of internal factors that prevent the prevalence of cases of fraud, embezzlement, and unethical behavior. Whistleblowers play a crucial role in the corporate world in exposing cases of corruption, financial impropriety, and the abuse of power that can have catastrophic consequences on the organization. Ethical leadership changes the scene altogether by creating a workplace where employees are encouraged to speak up about their concerns without the fear of reprisals. Ethical leadership involves setting an example by being ethical in decision-making and distribution of resources and having a zero-tolerance attitude towards unethical behavior.

The relationship between ethical leadership and the protection of whistleblowers is a multifaceted issue full of implications. Ethical leaders enhance the moral identity of their subordinates, increasing their motivation to whistle blow when faced with moral dilemmas. In addition, by protecting those who demonstrate integrity, organizations stay ahead of the changing legal environment while building strong, resilient, and value-based cultures. This paper examines these relationships and provides perspectives for policymakers, managers, and researchers.

II. Research Problem

The growing trend of the private sector's growth in India after the economic reform process has given it much more significance in terms of areas such as finance, healthcare, infrastructure, technology, and service delivery, amongst others. Meanwhile, the overall level of accountability in private sector organisations is, on the other hand, low, although the issue of whistleblower protection has been addressed in the public sector, as opposed to the private sector, whose protection frameworks are limited and less enforceable, therefore deterring staff

from disclosing wrongdoings due to fear of retaliation, dismissal, reputation loss, and social stigmatisation.

Though the pertinent corporate governance structures have underlined the importance of having internal compliance structures in place, the efficacy of these structures largely depends on the organisational culture. Even in private sector firms, the organisational culture revolves around financial gain, making the ethical aspects take a backseat. Another area, which needs more research, is the role of ethical leadership in developing a culture of safe reporting.

Thus, the research question that needs to be addressed in this research revolves around the lack of an effective whistleblower protection system in the private sector and the need to incorporate the principle of ethical leadership as a viable system to deter retaliation and misconduct. This study hopes to find the link between ethical leadership and the protection of whistleblowers.

III. Research Methodology

This research employs a qualitative approach of doctrinal research methodology. The research is based on the principles of the law, legal frameworks, corporate governance, and other scholarly writings related to the topic of whistleblower protection and ethical leadership. The study relies on:

- Review of relevant enactments concerning whistleblower protection and corporate governance practices.
- The review will include existing scholarly writings, journal publications, and other research studies concerning ethical leadership, organisational ethics, and whistleblowing.
- Conceptual Analysis of the Relationship between Ethical Leadership and Internal Reporting Culture within Private Organisations
- Comparative references to international definitions and approaches to whistleblowing for understanding.

The method employed is said to be analytical and interpretive in nature. The method seeks to link legal theory to organisational behaviour. The method does not seek to gather information from the field; instead, it seeks to draw on existing legal knowledge to assess the effectiveness of ethical leadership as a non-legal yet potent tool to build whistleblower protection.

IV. Analysis & Findings

From the analysis of the relationship that exists between whistleblower protection and ethical leadership in the private sector, some implications have been established. Second, it is not just a legal matter but also an organisational behavioural matter that is shaped by leadership and ethical climate. For example, employees are more disposed to speak out if they perceive that their leaders are trustworthy, just, and ethical. Ethical leaders create a psychological climate that minimises employees' fear of retaliation, which is the major deterrent from whistleblowing.

Secondly, it is the case that the internal reporting mechanisms in private organisations are effective provided the organisations have good ethical leadership. 'Organisations may have good written policies, such as no retaliation or reporting procedures, but these are not always effective on paper.'

Thirdly, the study reveals that good corporate governance and risk management benefit from ethical leadership. The whistleblower disclosures help to flag frauds, corruptions, and other irregularities before they build up to major crises. Organisations that have good ethical leadership can weather the challenges more effectively to sustain their growth.

Fourth, the absence of ethical leadership impacts the effectiveness of the protection given to whistleblowers, even in organisations that have legal provisions for this scope. Employees may not use the legal provisions to report the misconduct due to the organisational culture, which might be opposed to the issue. This indicates that the law by itself is not enough to ensure the protection, although it may serve as a complementary mechanism to the ethical leadership governance. Finally, the investigation proves that the integration of ethical leadership within private sector governance structures changes the role of whistleblowers from a purely reactive legal requirement into a proactive business strategy that boosts trust, accountability, reputation management, and performance.

A. Ethical Leadership

Research has shown that those who possess a stronger moral identity have greater tendency of acting Ethically/morally.¹ Ethical leaders use their managerial skill and moral Principles in

¹ Patrick, R.B., Bodine, A., Gibbs, .C., &Basinger, K.S. (2018), What accounts for prosocial behaviour? Roles of moral identity, moral judgment, and self-efficacy beliefs. The Journal of Genetic Psychology, 179(5),231-245.

influencing and directing the behaviours of their employees by guiding them with Ethical actions.² Ethical leader shapes the moral identity of their followers Due to their own ethical and moral values.³ One of the prime factors that can result in positive outcomes at workplace is leadership Such that leaders play a noteworthy role in sculpting, encouraging and promoting pro-social and Constructive/moral voice of employees working under the.⁴ The impact of leadership upon followers and the organization cannot be emphasized enough, and the power of moral leaders to inspire their followers rests upon the leader's ability to serve as a role model, to act in accordance with ethical and moral standards. Ethical leaders set clear moral standards and convey them such that employees are motivated to report any wrongdoing which gives rise to Whistle Blowing behaviours.⁵

Ethical Leadership is defined as “the demonstration of normatively appropriate Conduct through personal actions and interpersonal relationships, and the promotion of Such conduct to followers through two-way communication, reinforcement and ethical Decision making”.⁶ People watch their leaders by observing the behaviors that are consistently shown, the behaviors that are rewarded or recognized, and the behaviors that need correction or punishment. An ethical leader does this through ‘role modelling’ which refers to demonstrating the right conduct by oneself.⁷ Ethical leaders are also known as moral persons and moral managers. At the point when a leader shows ethics and morality through his own behaviour and relational influences then he/she is essentially doing ethical leadership.⁸

B. *Whistle Blowing*

The term "whistleblower" is defined as an employee or worker (an insider) who reveals information of public interest (such as corruption, wrongdoing, and health and safety concerns) in foreign countries, such as the United Kingdom⁹. The emphasis of the definitions adopted by

² Miceli, M. P., & Near, J. P. (1985). Characteristics of organizational climate and perceived wrongdoing associated with whistle-blowing decisions. *Personnel Psychology*, 38(3), 525-544.

³ Mayer, D. M., Aquino, K., Greenbaum, R. L., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171.

⁴ Grojean, M. W., Resick, C. J., Dickson, M. W., & Smith, D. B. (2004). Leaders, values, and organizational climate: Examining leadership strategies for establishing an organizational climate regarding ethics. *Journal of business ethics*, 55(3), 223-241.

⁵ Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616.

⁶ Ibid

⁷ Yukl, G., & Chavez, C. (2002). Influence tactics and leader effectiveness. *Leadership*, 139-165.

⁸ Sharif, M. M., & Scandura, T. A. (2014). Do perceptions of ethical conduct matter during organizational change? Ethical leadership and employee involvement. *Journal of Business Ethics*, 124(2), 185-196.

⁹ Public Interest Disclosure Act (1998).

the Europe Council is the similar: "any person who reports or discloses information on a threat or harm to the public interest in the context of their Work-based relationship, whether public or private."¹⁰ In different parts of the world, like Malaysia, the definition of whistle blower is "any person Who makes a disclosure of improper conduct" in connection with an enforcement agency¹¹, it does not matter from whom the information comes from (whether it is an employee/member of the public, for eg) because the legal system is only concerned with the nature of the problem/ complaint which is being brought up. The legal system shields informers, also known as "whistleblowers," from prosecution.¹² Every two years, Price Waterhouse Coopers (PwC) conducts a Global Economic Crime Survey. Based on their first survey in 2005, tips and whistleblowers accounted for 31% of economic fraud. Based on the study, the internal "controls" designed for detecting fraud were "not enough," and tips from whistleblowers must be protected from retaliation and encouraged to report fraud. Based on the 2011 survey of PwC, 11% of economic fraud cases were detected through internal tips, and 7% through external tips. Formal internal whistleblower programs had detected 5% of cases.

Therefore, the total cases that originated from whistleblowing whether in 1 form or other was 23 percent, which was much lower than the cases in 2005, but still a large number. As per the latest report, which was released in 2014, the above figures remained unchanged. As per the survey conducted Asset misappropriation, procurement frauds, bribery and corruption, cybercrime, and accounting fraud were the top five frauds reported in 2014.¹³

C. India And Private Sector

In India's mixed economic framework, the private sector plays a crucial role in accelerating economic growth, employment generation, and innovation. Since the economic reforms of 1991, liberalisation, privatisation, and globalisation have expanded the scope of private enterprise, making it a key driver of GDP growth. The private sector contributes significantly to core industries such as manufacturing, information technology, telecommunications,

¹⁰ Council of Europe Recommendation CM/Rec (2014)7 of the Committee of Ministers to member States on the Protection of whistleblowers. Available from <https://wcd.coe.int/ViewDoc.jsp?id=2188855&Site=CM>

¹¹ <https://www.bheuu.gov.my/portal/pdf/Akta/Act%20711.pdf>

¹² The United Nations Convention against Corruption, Resource Guide on Good Practices In the Protection of Reporting Persons Publishing and Library Section, United Nations Office, Vienna, 2015.

¹³ Ibid.

infrastructure, pharmaceuticals, and services, thereby strengthening India's global competitiveness.¹⁴

The efficiency of the private sector in the allocation of resources can be attributed to the free-market economic system. This will lead to better productivity, technological innovation, and the quality of the products¹⁵. Moreover, the private sector is the largest employment generator in India, especially in the unorganized sector/service sector. This will ease the burden on the public sector.

With the arrival of start-ups and MSMEs, entrepreneurship and regions have been developing. Government initiatives such as Make in India, Startup India, and PPPs also acknowledge the role of the private sector in country development. Therefore, a robust private sector is imperative for inclusive growth, resilience, and development in India.¹⁶

D. Positive And Negative Aspects Of Whistle Blowing In Private Sector

There are several benefits to the whistleblowing act. The benefits, advantages, relevance, importance, and positive aspects of whistleblowing are included in the positive aspects. The benefits of whistleblowing can be explained by the following factors.

Positive Implications of Anti-Corruption Mechanism: Whistleblowing is an effective mechanism for combating corruption, as it helps to identify and remedy fraud and misconduct. **Enhances Internal Controls:** It is a preventive as well as a detective mechanism in the internal control structure of an organization, especially when the reporting mechanism for irregularities is formally incorporated. **Demonstrates Good Corporate Governance:** In this way, it ensures transparency and communication with all levels of employees, thereby protecting the stakeholders of the organization, such as shareholders, directors, managers, employees, suppliers, and consumers, who have a collective and direct interest in the well-being of the organization. Employees, who are best placed to know the realities of the organization, can protect their interests through whistleblowing. **Risk Management Mechanism:** It enables organizations to take corrective measures in time, preventing escalation and long-term negative consequences. **Triggers Public Policy Reforms-** Effective whistleblowing can catalyze reforms in public policies. However, there are some demeritorious aspects of whistleblowing, which are listed below. **Potential for Personal Use:** This is the potential for the system to be abused

¹⁴ Ramesh Singh, Indian Economy, 10thedn. (New Delhi: McGraw Hill, 2022), p. 112.

¹⁵ Dutt&Sundharam, Indian Economy (New Delhi: S. Chand, 2019), p. 256.

¹⁶ Misra&Puri, Indian Economy (Mumbai: Himalaya Publishing House, 2021), p. 401.

by selfish, bent, and discontented employees for their own gain, whether by way of revenge, increased power, job, or money. Lack of Organizational Support System: Without an organizational support system, employees are reluctant to blow the whistle inside the organization; hence, there is a tendency to blow it outside, which is bad for the organization. Causes Stress, Termination, and Lack of Trust: Due to retaliatory action from the employer, termination of employment, intimidation, credible evidence of monitoring, stress, lack of trust, health problems, and what is termed career destruction, relationship problems, health crises such as having a failed marriage, etc., are complained of. Destabilizes Team Building: There is mistrust of fellow workers, which impacts teamwork, team spirit, and overall organizational efficiency, while the whistleblower has to suffer with guilt feelings. In summary, the benefits of whistleblowing far outweigh the disadvantages if the latter are adequately dealt with beforehand.

E. Ethical Leadership And Whistleblower Protection In Private Sector

Ethical leadership is an important factor that determines the promotion of whistleblower protective mechanisms. This happens particularly in countries like India where organizational structures and the fear of retaliation are a discouraging factor. Ethical leaders establish moral standards within institutions by demonstrating integrity, accountability, and transparency in decision-making processes. Such leadership fosters an environment in which employees perceive ethical conduct as a shared organizational value rather than an individual risk-bearing choice. Scholars argue that leadership grounded in ethical principles enhances trust and psychological safety, which are essential preconditions for whistleblowing behavior.¹⁷

Research shows that the presence of an ethical environment in an organization will enhance the intention of whistleblowers.¹⁸ Ethical leaders give them Speaking out against unethical measures in an ethical climate formed by ethical leaders is encouraging and rewarding when there is sufficient psychological safety.¹⁹ Consequently, employees working under an ethical leader will be able to develop strong ties with the organization and other employees. They will

¹⁷ Linda Klebe Treviño, Katherine A. Butterfield & Donald L. McCabe, The Ethical Context in Organizations, 8 Business Ethics Quarterly 447, 452–453 (1998).

¹⁸ ¹⁹ Dalton, D., & Radtke, R. R. (2013). The joint effects of Machiavellianism and ethical environment on whistleblowing. *Journal of business ethics*, 117(1), 153-172.

¹⁹ Tu, Y., Lu, X., Choi, J. N., & Guo, W. (2019). Ethical leadership and team-level creativity: mediation of psychological safety climate and moderation of supervisor support for creativity. *Journal of Business Ethics*, 159(2), 551-565.

also be able to identify themselves more strongly²⁰ with the organization and the key figure, the leader, which will enhance their voice and whistleblowing behaviors in the organization²¹.

In India, despite the enactment of the Whistle Blowers Protection Act, 2014, effective implementation remains limited due to weak internal reporting cultures and inadequate assurance against victimization. Ethical leadership can help span this chasm by promoting internal disclosure practices and safe non-retaliatory cultures. Leaders who embrace open communication about ethical practices and report systems will instil among their employees a commitment to legal behaviour, which will motivate them to disclose unethical behaviour.²²

Also, ethical leadership can help in corporate governance by making whistleblower protection an aspect of compliance. Studies indicate that organizations led by ethically conscious leaders experience higher levels of internal reporting and lower incidences of external exposure, which ultimately protects organizational reputation and public interest.²³ Thus, ethical leadership is not merely a moral obligation but a strategic necessity for effective whistleblower protection. Since an ethical leader is a role model for his subordinates and leads by example, which affects them, he encourages them to come forward with information. Since they are viewed as trustworthy and accountable, they enhance the effectiveness of the organization against inappropriate conduct. Each day, ethical leaders interact with employees for routine duties. They establish social relations with their subordinates due to their frequent interactions with them.²⁴ Thus, it is accepted that it is the duty of the subordinates to react to an unethical circumstance. Ethical leadership may also promote whistleblowing because it eradicates the fear of Retaliation.²⁵

F. Role Of Strong Private-Sector Whistleblower Protection in Organizational Resilience and Sustainable Growth

Strong whistleblower protection frameworks in the private sector play a crucial role in reinforcing ethical conduct and regulatory compliance within organizations. Employees are

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²¹ Walumbwa, F. O., & Schaubroeck, J. (2009). Leader personality traits and employee voice behavior: mediating roles of ethical leadership and work group psychological safety. *Journal of Applied Psychology*, 94(5), 1275.

²² OğuzDemirtaş, Ethical Leadership Influence at Organizations, 126 *Journal of Business Ethics* 273, 278 (2015).

²³ Janet P. & Miceli, Marcia M., Integrating Models of Whistleblowing, in *Rebels in Groups* 302, 315 (2011).

²⁴ Alkahtani, A. H. (2015). The influence of leadership styles on organizational commitment: The moderating effect of emotional intelligence. *Business and Management Studies*, 2(1), 23–34.

²⁵ Avey, J. B., Palanski, M. E., & Walumbwa, F. O. (2011). When leadership goes unnoticed: The moderating role of follower self-esteem on the relationship between ethical leadership and follower behavior. *Journal of Business Ethics*, 98(4), 573–582.

often the first to observe instances of fraud, corruption, environmental violations, financial misreporting, or workplace harassment. Whistleblower protection laws that shield whistleblowers from any form of retaliation are effective in promoting early reporting of any irregularities, thus allowing organizations to deal with the irregularities before they develop into major crises. This plays an important role in promoting ethical governance in organizations.²⁶

Apart from ethics and compliance, whistleblower protection is another significant topic that brings value to organizational resilience. Organizational resilience is the ability of an organization to predict, absorb, and recover from shocks within and outside the organization. The information revealed by whistleblowers acts as an early warning system in organizations, providing an early chance for management to identify weaknesses and failures in governance and compliance within the organization. Through a constructive approach to information revealed by whistleblowers, organizations can build their resilience to market risks.²⁷

Whistleblowing procedures are also closely linked with risk management. Modern risk governance frameworks recognize the importance of whistleblowing in the identification of non-financial risks. Internal reporting channels reduce the reliance on external investigations and enforcement actions, which can be costly and damaging. Empirical studies indicate that organizations with efficient whistleblower procedures experience fewer instances of prolonged fraud and lower monetary losses. By integrating whistleblower reports into enterprise risk management frameworks, organizations can reduce legal risk, investor trust, and regulatory integrity.²⁸

In the long run, the protection of whistleblowers plays a significant role in ensuring sustainable growth performance. The protection of whistleblowers is vital in the promotion of ethical business performance. In today's business world, investors, consumers, and business partners care about environmental, social, and governance issues in the process of making business decisions. By supporting the protection of whistleblowers, businesses demonstrate their commitments to ethical governance, which is vital in the recruitment of ethical investors and the retention of the loyalty and cooperation of employees. Sustainable growth performance is

²⁶ Richard A. Lord, *The Role of Whistleblowers in Corporate Governance* (Edward Elgar Publishing, 2010) p. 47.

²⁷ OECD, *Committing to Effective Whistleblower Protection* (OECD Publishing, 2016) p. 32.

²⁸ Tom Devine & Tarek F. Maassarani, *The Corporate Whistleblower's Survival Guide* (Berrett-Koehler, 2011) p. 89.

therefore guaranteed not only through the maximization of profits in the business but through ethical performance.²⁹

In conclusion, the importance of whistleblower protection in the private sector goes beyond the conventional function of ensuring compliance. It has become a strategic tool for ensuring ethical purity, enhancing resilience, enhancing risk management, and facilitating sustainable economic growth. A legal system that does not safeguard the rights of whistleblowers is likely to lead to muzzling of information, leading to crises in organizations.³⁰

V. Conclusion

Ethical leadership has a great influence on intentions to whistleblower among employees in an organization. If ethical leadership exists in an organization, it is believed that employees will report to leadership immoral practices within the organization because they look up to their leaders as role models. Moreover, it was found that internal whistleblowing is positively related to ethical leadership.

The research has identified a positive correlation between having an ethical climate that reduces fear, boosts moral reasoning, and acts as a mediator of intentions to report, as subordinates commit to values of justice and courage. The positive link between having these institution-based trusts helps build greater institutional trust as those acts of whistleblowing keep institutions away from wrongdoing. Therefore, it is strategic for the private sector to implement these measures because it reduces risk factors such as scandals that create negative public images of an organization that does not have strong ethics to govern itself. Moreover, protecting the whistleblower in the private sector is vital in building a basis for having ethical leadership prioritize sustainability over gains.

²⁹ Jill Treanor, *Corporate Governance and Accountability* (Routledge, 2014) p. 118.

³⁰ Vandekerckhove, Wim, *Whistleblowing and Organizational Social Responsibility* (Ashgate, 2006) p. 141.