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When Lack Of A Red Flag Is A Red Flag

By Melanie C. Nolen



An analysis of more than two million whistleblower reports at publicly traded U.S. companies finds that companies with more employee hotline reports perform better, are generally healthier and attract fewer negative headlines.

The slew of headlines surrounding leaks, lawsuits and whistleblower reports at U.S. corporations paints a grim picture of the many failures of management across industries. But a George Washington University professor, Kyle Welch, and colleague Steve Steuben, a University of Utah researcher, have found that an increase in whistleblowing isn't indicative of an increase in fraudulent activities or other corporate wrongdoings—it, in fact, can be a sign of healthy corporate practices.

In the fall of 2019, Welch and Steuben partnered with NAVEX Global, one of the largest providers of internal third-party whistleblowing systems, on a study that would compare employee hotline data from thousands of publicly traded U.S. companies with their financial results, regulatory and legal dealings and the bad press they receive. Their analysis found negative associations between the number of secondhand reports and negative outcomes, including lawsuits and government fines...

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