

Organizational Whistleblowing Policy as A Corporate Social Responsibility (CSR) Initiative: Employees' Perspectives of Moral and Religious Considerations

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Abstract

Corporate Social Responsibility (CSR) refers to the practice of the corporates returning the favour to society in the form of programs that benefit the less privileged members of the community where the business is situated. Many of its program are social and environmental in nature whereas internally companies could also show its concern to issues of human rights and employees' welfare as part of its CSR activities. In this way companies are encouraged to promote socially conscious business practices and provide funds for its continuance. In other words CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interest of diverse stakeholders. It requires companies to take a holistic look at their operations and identify all possible impacts as well as positive contributions. This article discusses the benefits of having a whistleblowing policy that would be able to foster an ethical environment for employees and build their confidence towards the management in terms of reputation and the goodwill of the organisation. In fact consumers will be confident with an organisation that is concerned with its employees' welfare and willing to take the task of implementing such policy in good faith.

Keywords: Corporate Social Responsibilities; Ethics; Moral obligation; Whistleblowing.



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1.Introduction

The World Business Council for Sustainable Development (2012:3) defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society". The European Commission regards CSR to mean not only being socially responsible in fulfilling legal expectations but also to "go beyond compliance and investing more into human capital, the environment and relations with stakeholders". But how does a whistleblowing policy comes into the picture?

The rising role of CSR hitherto has a valuable impact on consumers as more organizations involved themselves by participating in CSR programmes. Consumers have come to place a higher value on companies' participation in society and recognise the importance of this awareness. Therefore CSR is not only becoming a mere regulatory obligation on organizations but could also give an impact to companies' image and reputation in the eyes of consumers. Consumers know how to value and aware of their own role to make the world a better place in society. They are no more the primary buyers of goods and services but now has a preference to direct their spending in ways that support what they believe. At the same time it must be remembered that consumers are also employees and shareholders like individuals will be willing to uphold and promote their values.

This is evidenced in a recent nine country consumer survey of attitudes, perceptions and behaviours around CSR-2015 Cone Communications Global CSR study shows that more than being just a consideration in shopping aisles worldwide, CSR is now woven into the very fabric of how consumers lead their lives. The study reveals that global consumers view CSR as a personal responsibility to be integrated and championed across the things they buy and the companies they work at and invite into their neighbourhoods and are willing to make sacrifices to address social and environmental issues. The survey key findings include how the consumers have grown suspicious of corporate behaviour and are no longer willing to take corporates at their word. So while consumers expect companies to act responsibly 52% said they need to see proof of a company's CSR initiatives to believe them. So companies must develop CSR programs and publicize their results across multiple touch points. 90% of over 10,000 consumers surveyed said they would switch to brands that supported responsible causes, and 84% bought responsible products when available. 71% of those surveyed said they would pay more for socially responsible goods and services and 81% said they would curtail wasteful spending if it would have a positive impact on

environment and social issues. The survey found a 6% increase in global consumer awareness of the role of corporates must play in promoting CSR. If companies engage in meaningful CSR they must set bold goals and have clear and consistent CSR communications. When used effectively CSR can become an advantage to brand reputation and affinity. Further global consumers consider CSR commitments when they look at which companies they want doing business in their communities (84%), where to seek employment (79%) and what investments to make (67%). Therefore it could be seen here that consumers place high importance on a companies' CSR program that do not only involve communities programs but also values employees work environment as equally important.

2. Whistleblowing Policy as a CSR Compliance Initiative

Defined by [Near and Miceli \(1985\)](#), whistle blowing is the disclosure by a current or former organization member of illegal, inefficient or unethical practices in an organization to persons or parties who have the power or resources to take action. Within an organization whistle blowing is an act of alerting on the scandal, malpractice or corruption where wrongdoings maybe of illegal or unethical activities. Being basically a form of disclosure, a person will become a whistleblower when he/she initially raises serious concerns about the incident of wrongdoing and the risks of the wrongful activities or wrongdoings within an organization.

The definition which describes whistle blowing involving a current or former employee suggests that a former employee could also turn into a whistleblower. An employee will be in such a predicament when his concerns have gone to deaf ears, where organizations ignore reports of wrongdoings from such workers and choose to be silent on it. A persistent employee will face retaliations in many forms and one may end up with termination. Even with this position employees can still become a whistleblower as a former employee if he blows the whistle to enforcement agencies or the media.

Taking into account that whistle blowing may occur internally and externally, organizations must acknowledge the occurrence of wrongdoings within and the fact that, whistle blowing may be able to assist the organization in handling issues with regard to wrongdoings effectively. Previous research have shown that by giving attention to whistle blowing activities and acknowledging the need for an internal whistle blowing policy. The organization's external whistle blowing activities may be prevented. This is where the whistleblower seeks external outlets to report wrongdoings for example to enforcement authorities or even to the media. Such resort to external platforms could be avoided if there is in place an internal mechanism to receive complaints or concerns over wrongdoings occurring internally. In fact organizations will reap the benefits of having such a mechanism that will contribute to efficient and effective management of organization. The findings of American research suggest that employees go to external authorities only once they come to believe that internal channels are closed to them, that the organization is amoral and that senior management is inert or complicit in the wrongdoing ([Rothschild and Miethe, 1999](#)). In effect organizations that abhors wrongdoings and failed to take corrective action or addressing internal complaints may likely face external whistle blowing. When employees go externally organizations may not be able to handle media attention on the issue and may put company's reputation at stake. This is where Corporate Social Responsibility could take its place in relation to whistleblowing activities and policy.

Corporate Social Responsibility (CSR) refers to the practice of the corporation "giving back" to society in the form of programmes that benefit the less privileged members of the community where the business is situated. Many of its programmes are social and environmental in nature whereas internally companies could also show its concern in issues of human rights and employees' welfare as part of its CSR activities. In this way companies are encouraged to promote socially conscious business practices and provide funds for its continuance. Thus allow the employees to participate and be informed of the advantages of having a whistleblowing policy as a compliance to the organization's CSR.

2.1. The role of a CSR Initiative

It is a known fact that in many jurisdiction that the motive behind all corporate actions and decision making is the people who run corporations have a legal duty to shareholders and that duty is to make money. Failing this duty can leave directors and officers open to legal suits by shareholders. The legal imposition of director's fiduciary duties is, such duties must be fulfilled in the interest of the shareholders dictates the norm that business organizations are to pursue its own self-interest and equates corporate self-interest with shareholder interest. Such imposition explain fundamental issues such as human rights or employees' welfare as irrelevant because they are outside the corporation legal mandate. At employee level executives behave differently than they should be because the law says their only obligation in business is to make money and profits. Yet business organization like PLCs (Public Listed Companies) for instance are required to disclose their CSR activities to encourage Malaysian PLCs to become engaged in being socially responsible and to make the way they approach the process of Corporate Social Responsibility as (CSR) part of the way they normally work and think.

Within this premise there is an ongoing debate over whether a company should exist solely for profit making or whether it should pay attention to the social, human rights, employees' welfare and environmental concerns in the name of corporate social responsibility. Proponents of the latter view reasoned that the existence of a company is solely for business markets and competes rigorously for acceptance in the market as the final arbiter of the allocation of resources. This is the place where incentives are to be found to address concerns over such social and environmental issues of a CSR nature.

The opponents viewed that the markets are full of uncertainties and cannot be given the sole power to decide on environmental and social causes which need to be taken care of by responsible companies and business firms. In fact it is an accepted practice today among companies in Malaysia that CSR should be enforced through a formal control

than voluntarily imposed. However the finding of this study concluded that many companies do engage in active participation in CSR according to the amount of funds allocated for the purpose of those activities and that a control through formal means assisted them to answer the call for participation. In effect this suggest further that business entities can no longer act independently in ignorance of public interest. There is a realization amongst them that to ensure their continued existence, their practices will have to be altered in such a way that they should not only focus on the conventional quest of profits but to widen the spectrum to include social and environmental interests. (Pomeroy and Dolnizar, 2009).

In fact one organisation that is the Bursa Malaysia conceded that it is committed to CSR as a strong advocator of good and holistic CSR practice to regulate it with a multiplier effect, to drive the promotion of CSR practices amongst PLCs, to advocate that CSR and profit go hand in hand and to integrate CSR values into business operations and decision making. According to a study on Bursa Malaysia guidelines set for Public Listed Companies (PLC) to help them practice CSR not only to improve their image but to use it as an inherent and vital business practice that promotes ethical values, social responsibility and awareness to environmental problems, social issues and interests. Malaysian PLCs must not only adhere to CSR as a legal duty but to value its importance to assist the community in order to advance both economically and socially in the global economy. Sanwar and Azam (2013)

The concept of CSR is often expressed as the voluntary assumption of responsibilities that goes beyond economic and legal responsibilities. It is about corporation doing the right thing to achieve some larger economic and legal responsibilities. It is about corporation doing the right thing to achieve some larger social goals. A few examples of possible impact to environment that could be contributed by business decisions are energy/water consumptions, pollutions, waste management, biodiversity and land use and others. While the legal responsibilities of business which are created by legislature, regulatory agencies and the courts are constantly increasing, largely in response to greater societal expectations. These regulatory interventions are not necessarily needed in encouraging adoption of CSR. Based on moral minimum theory of CSR, it is a corporation's duty to avoid harm to others while making profit. So corporations would be making an effort to avoid or correct the social injury it causes to fulfill the minimum moral obligation.

2.2. Whistleblowing for Muslim Employees

A whistleblowing policy within an organization will give similar response to CSR initiatives within an organization's legal duties for the welfare of its employees and the company as a whole. However employees must first be aware of the purposes of the policy and the reasons of implementation by the organization. If this understanding is achieved both organization and employees will greatly benefit from this as not only a CSR initiative but to create a confident and safer working environment based on trust and diligence. In Islam the crux of a whistle blowing notion is very clear. There are justifications in both legal sources of Syariah principles, the Al-Quran and Al-Hadith.

Many would accept the view that the idea of disclosure or whistle blowing originated in The United States of America since they were the first to readily address the practice and proceeded to provide legal protection for whistle blowers. It is rarely discussed in the perspective of Islam and how it should be applied in the life of a Muslim. In Islam there is no legal quandary with regards to disclosures. The religion of Islam is not only a faith of its followers but it is a way of life that must be incorporated through one's daily routines. Therefore the faith and believe of a Muslim is a part of his identity and culture or lifestyle. The encouragement of any moral and ethical act of any Muslim is generated by a reward scheme, which will be awarded in the afterlife. In short it is a concept whereby wrongdoing or evil deeds must be discouraged and prevented.

In this respect this is referred to as an-Nahyu a-nil-Munkar (correction of wrongdoing), the act of informing or correcting must be immediately after the wrongdoing is uncovered. Usually it is informed on the wrongdoer himself. The whole focal point to this concept is that the wrongdoing must be stopped or corrected. Therefore the idea of reporting to one's superior or relevant authorities could be accommodated. The justifications for whistle blowing is found in various verses in the Quran where Allah S.W.T. said;

"Let there arise out of you a group of people inviting to all that is good (Islam), enjoining Al-Maaruf (i.e Islamic Monotheism and all that Islam orders one to do) and forbidding Al-Munkar (polytheism and disbelief and all that Islam has forbidden) and it is they who are successful." (Al-Imran verse 104).

"So when they forgot the reminding that had been given to them, we rescued those who forbade evil, but We seized those who did wrong with a severe torment because they used to rebel against Allah's Command (disobey Allah)." (Al-A'raf verse 165)

"If only there had been among the generations before you persons having wisdom, prohibiting others from Al-Fasad (disbelief, polytheism and all kinds of crimes and sins) in the earth, except a few of those whom We saved from among them! Those who did wrong pursued the enjoyment of good things of (this worldly) life, and were Mujrimun (criminals, disbelievers in Allah, polytheist, sinners)." (Hud verse 116)

Undoubtedly the Quran, which comprises the word of God Al-Mighty endorses the act of correcting and preventing wrongdoing and evil deeds. This is further strengthened by the Al-Hadis of the Prophet Muhammad S.A.W as follows;

Narrated by Abu Said, the Prophet said, "Those who witness the Al-Munkar must correct it firstly with his hand, if cannot with his mouth (orally), if cannot with his heart and that is the lowest of Iman. Hadis Sahih Muslim.

Islam requires these values to be practiced on a day-to-day basis and eventually becomes a way of life for a Muslim. As a whistle blowing policy this effort could be realized in day-to-day business values and incorporated in the practice of employees and employers alike in particular to those of Islamic faith. However nowadays men are

more conscious and obsessed with enhancing their standard of living physically rather than spiritually. This is the reason why these Islamic values must be codified and legislated to impose obedience and at the same time to promote a moral and ethical environment. The Whistle blower Protection Act came into the picture in 2010 and is enforcing the activities of whistle blowing in Malaysia. Along the way the statute may be able to demonstrate its efficiency in managing whistle blowing but as a man-made law it does not fall short of certain drawbacks that will pose as a challenge to the law-makers and legislators. However policy makers must ensure from time to time improvements and needed modifications must be academically discussed and debated by both conventional and Islamic scholars of the field. One such improvement is to ensure that the principle of natural justice is given to the employees who are accused of wrongdoings. This is an assurance that both parties the accuser and the accused are given equal attention and the fairness that they are seeking.

2.3. Problem Statement

This work analyses whether director's judiciary duties could be translated into fundamental issues such as human rights or employee's welfare in the form of a whistleblowing policy within the organization and the same time fulfilling the company's Corporate Social Responsibility Business organization like Public Listed Companies (PLCs) for instance are required to disclose their CSR activities as part of the governments initiative to encourage Malaysian (PLCs) to become engaged in being socially responsible. This step is to fulfil such responsibility for the welfare of company's employee's and the organization as a whole.

3. Research Questions

Whether director's judiciary duties could be translated into fundamental issues such as human rights or employee's welfare in the form of a whistleblowing policy within the organization and the same time fulfilling the company's Corporate Social Responsibility

3.1. Purpose of the Study

The purpose of this study is to encourage Business Organization to become engaged in a CSR initiatives for the welfare of their employee's in the form of a whistleblowing policy as a CSR program.

4. Research Methods

The method used in this work is through library research and legal analysis of legislation, rules and regulations including code of conduct of business organization

5. Findings

The concept of CSR is often expressed as the voluntary assumption of responsibilities that goes beyond economic and legal responsibilities. It is about corporation doing the right thing to achieve some larger economic and legal responsibilities. It is about corporation doing the right thing to achieve some larger social goals. A few examples of possible impact to environment that could be contributed by business decisions are energy/water consumptions, pollutions, waste management, biodiversity and land use and others. While the legal responsibilities of business which are created by legislature, regulatory agencies and the courts are constantly increasing, largely in response to greater societal expectations. These regulatory interventions are not necessarily needed in encouraging adoption of CSR. Based on moral minimum theory of CSR, it is a corporation's duty to avoid harm to others while making profit. So corporations would be making an effort to avoid or correct the social injury it causes to fulfil the minimum moral obligation.

A whistleblowing policy within an organization will give similar response to CSR initiatives within an organization's legal duties for the welfare of its employees and the company as a whole. However employees must first be aware of the purposes of the policy and the reasons of implementation by the organization. If this understanding is achieved both organization and employees will greatly benefit from this as not only a CSR initiative but to create a confident and safer working environment based on trust and diligence. In Islam the crux of a whistle blowing notion is very clear. For Muslim employees in particular there are justifications in both legal sources of Syariah principles, the Al-Quran and Al-Hadith.

Many would accept the view that the idea of disclosure or whistle blowing originated in The United States of America since they were the first to readily address the practice and proceeded to provide legal protection for whistle blowers. It is rarely discussed in the perspective of Islam and how it should be applied in the life of a Muslim. In Islam there is no legal quandary with regards to disclosures. The religion of Islam is not only a faith of its followers but it is a way of life that must be incorporated through one's daily routines. Therefore the faith and believe of a Muslim is a part of his identity and culture or lifestyle. The encouragement of any moral and ethical act of any Muslim is generated by a reward scheme, which will be awarded in the afterlife. In short it is a concept whereby wrongdoing or evil deeds must be discouraged and prevented.

In this respect the concept referred to as an-Nahyu a-nil-Munkar (correction of wrongdoing), the act of informing or correcting must be immediately after the wrongdoing is uncovered. Usually it is informed on the wrongdoer himself. The whole focal point to this concept is that the wrongdoing must be stopped or corrected. Therefore the idea of reporting to one's superior or relevant authorities could be accommodated. One of the justifications for whistle blowing is found in various verses in the Quran where Allah S.W.T. where in one verse Allah said;

“Let there arise out of you a group of people inviting to all that is good (Islam), enjoining Al-Maaruf (i.e Islamic Monotheism and all that Islam orders one to do) and forbidding Al-Munkar (polytheism and disbelief and all that Islam has forbidden) and it is they who are successful.” (Al-Imran verse 104).

Islam requires these values to be practiced on a day-to-day basis and eventually becomes a way of life for a Muslim. Ethically a non-Muslim is generally required to do goodness and report wrongdoings since it is the right and ethical thing to do. As a whistle blowing policy this effort could be realized in day-to-day business values and incorporated in the practice of employees and employers alike in particular to those of Islamic faith. However nowadays men are more conscious and obsessed with enhancing their standard of living physically rather than spiritually. This is the reason why these Islamic values must be codified and legislated to impose obedience and at the same time to promote a moral and ethical environment. The Whistle blower Protection Act came into the picture in 2010 and is enforcing the activities of whistle blowing in Malaysia including to the non-Muslims. Along the way the statute may be able to demonstrate its efficiency in managing whistle blowing but as a man-made law it does not fall short of certain drawbacks that will pose as a challenge to the law-makers and legislators. However policy makers must ensure from time to time improvements and needed modifications must be academically discussed and debated by both conventional and Islamic scholars of the field. One such improvement is to ensure that the principle of natural justice is given to the employees who are accused of wrongdoings. This is an assurance that both parties the accuser and the accused are given equal attention and the fairness that they are seeking.

6. Conclusion

Most whistle blowing statutes in the United States uphold a primary objective of correcting the wrongdoing as quickly and efficiently as possible. That too should be the one of the priorities of the stakeholders in Malaysia. While external reporting remains optional, immediate report to the accused organization is still required to enable corrective action be started promptly and as a CSR initiative organizations are not only participating in an ethical duty but also to its Muslim employees, a religious duty. As for others moral obligations will act as an influence to their acceptance and behavior. If external whistle blowing becomes inevitable the role of law will take its place in the hands of the authorities concerned.

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