To have or not to have a whistleblowing system

A qualitative study on the incentives of implementing or not implementing whistleblowing systems in Swedish listed companies
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Whistleblowing system
Legitimacy theory
Risk management
Personal Data Act (PDA)
Misconducts/Irregularities
Fraud
Reporting
Internal control
Effectiveness

Abbreviations

AICPA- Certified Public Accountants
PDA - Personal Data Act
ACFE - Association of Certified Fraud Examiners
EU- European Union
CSR- Corporate social responsibility
CFP- Corporate financial performance
SEB- Skandinaviska Enskilda Banken
NCC- Nordic Construction Company
Abstract

Due to the highly publicized corporate scandals in the 1990s and the early 2000s, whistleblowing systems to control misconducts have become increasingly important for organizational management. Even though many organizations have implemented whistleblowing systems as part of their internal control; there are no fundamental theories that explains the incentives for the implementation in Swedish listed companies. Furthermore, there are still companies that do not have whistleblowing systems. Our aim is to describe the incentives for organizations to implement a whistleblowing system, as well as the incentives not to implement a whistleblowing system. The theories and concepts applied in this study are the concepts of the legitimacy theory, risk management, and the Personal Data Act. We conducted the study through five face-to-face interviews and one phone interview, with Swedish listed companies. We choose six different companies from different business segments; four of the companies had a whistleblowing system, while two of them did not. The findings showed that the incentives for companies to implement a system was according to the legitimacy theory and risk management, while the incentive not to implement a whistleblowing system was for one of the companies, the PDA, and for the other company, proactive measurements.
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Introduction:

Whistleblowing

The British police force used to “blow the whistle” when a crime was taking place to inform their comrades of the violation. The whistle was a significant tool to alert the society about a wrongdoing taking place, which is how the adaptation of the word whistleblowing on an organization’s misstatements and fraudulent behavior came about (Arszutowicz and Gasparski, 2011).

Studies on whistleblowing have been dated from the 1980s (Pittroff, 2013). According to Near and Miceli (1995), whistleblowing is the revelation or disclosure of illegal, unethical or illegitimate activities by individuals or employees who are under the control of higher authority. The information provided is the wrongful activity that may have large consequences. For instance, if an organization presents misleading information, the organization can face major setbacks, both legally and ethically, which could cause major financial losses, or in worst case scenario, leave many people with personal financial losses and unemployment like in the Enron case ("Enron: The Smartest Guys in the Room", 2005).

Because of the highly publicized ethical breaches in the 1990s and the early 2000s in the U.S (e.g. Enron, WorldCom, Tyco), as well as Swedish corporate scandals (e.g. Carnegie, HQ Bank, Panaxia, Skandia), whistleblowing has become progressively important to organizational management and control (MacNab and Worthley, 2008; Dagens Industri, 2013). According to a study by PwC (2011), approximately every fifth Swedish company that participated in the survey, state that they had suffered economic irregularities, such as wrongdoings or misstatements, in the previous 12 months; in Western Europe and globally, every third company had been suffering from economic irregularities. Additionally, regardless of the region that participated in the survey, the proportion of economic irregularities increased since the previous study carried in 2009.

Corporate scandals and the revelation of wrongdoings and misconducts by whistleblowers have made major headlines causing a debate regarding the view of whistleblowing (Pittroff, 2013). Although some people believe that whistleblowers are heroes, others believe that they are disloyal to their peers and organization, and if employees are afraid of being viewed as disloyal or afraid of retaliation, it may cause them not to raise their voices when needed. However, whistleblowing is mostly considered to be negative in the eye of the
organization if the information of the misconduct has reached the public and society (Pitroff, 2013).

**The difference between a complaint and whistleblowing**

On Deloitte’s (n.d), one of the big 4 accounting firms, whistleblowing policy, there is an explanation to what classifies a whistleblowing and what classifies a complaint. Whistleblowing events follow when an employee raises an issue concerning dangerous or illegal activities that can have an effect on other parties such as the shareholders or the employer. The individual that blows the whistle usually does not get personally affected by the dangerous or illegal activities; therefore, the one that blows the whistle does not usually have an own interest in the aftermath of the investigation. Thus, the whistleblowers should not have the obligation to show proof of his or her claim. The whistle blower raises the issue, so other parties investigate it (Ibid). A complaint by an employee usually involves personal interest of not being treated fairly, and the unfairly treatment can be a breach of the employees’ rights and the complaint is made to receive justice for oneself (Deloitte, n.d). Thus, the employee that makes the complaint has a self interest in the issue; therefore, the employee is expected to show proof to support their case (Ibid).

**Whistleblowing system**

Internal whistleblowing is when the wrongdoing is reported through people or channels, existing within the company. The whistleblower informs a supervisor or manager about the wrongdoing who then can inform the upper level management group so proper measurement can be taken (Park et al. 2008). External whistleblowing is when the person who wants to report an alleged illegal or unethical activity does it outside the company, for example through media, in other words external agencies are the ones who are first informed about the alleged wrongful activity (Ibid).

Since whistleblowing “in one form or another is an important part of establishing a strong ethics and compliance culture and framework” (Maher, 2013, p.2), a way of managing the risk of public whistleblowing is to implement a whistleblowing system as part of the corporation’s internal control (Pitroff, 2013). According to the American Institute of Certified Public Accountants (AICPA) recommendations, a working whistleblowing system is a channel where employees feel safe to report wrongdoings, and one main aspect for employees to feel safe is when the process of whistleblowing is anonymous (Fulcrum, 2012). Thus, an effective whistleblowing system is an anonymous way for employees to report misconduct. Therefore, the main part of a whistleblowing system is the part of anonymity,
which grant the whistleblower the integrity needed to feel safe enough to inform a third part about the wrongdoings (Ibid).

Systems for whistleblowing as part of an organization’s internal control are important to implement because the nonexistence of a system that is effective lowers the likelihood that an employee will whistle blow illegal activities within a company, and increases the likelihood of whistleblowing outside the company (Lee and Fargher, 2013). A well-functioning whistleblowing system detects fraud, and allow for the opportunity for companies to correct misconduct, as well as minimize the costs associated with fraud (Chung et al. 2004; Paul and Townsend 1996). Moreover, since employees are encouraged to follow the ethical code, it increases the well-being of the corporation, the satisfaction and loyalty of employees, as well as helps avoid claims of damages (Bowden and Smythe 2009; Miceli et al. 2009; Paul and Townsend 1996).

An effective whistleblowing system is applying and monitoring the system, and it is not just the development of a whistleblowing policy that is good (Lee and Fargher, 2013). Furthermore, a whistleblowing system that is effective is expected to have an active procedure (Hassink et al. 2007). One of the most effective ways of detecting fraud is through reporting channels (ACFE 2010; Bierstaker et al. 2006; Holtfreter 2005). The Association of Certified Fraud Examiners, ACFE, (2010), found that the present of hotlines where the tips are received lowers the median loss of fraud with the largest percentage among controls relating to anti-fraud. Studies have shown that hotline channels are effective mechanisms for reporting and contributing an effective system for whistleblowing, since it encourages the reporting of misconduct and enhances deterrence (Lee and Fargher, 2013).

However, although the advantages of implementing a whistleblowing system are evident for corporations (Pittroff, 2013), there are some disadvantages. Some of the disadvantages for corporations are the restrictions, such as rules and regulations, regarding the storage of personal data that companies have to follow if they choose to implement a system for whistleblowing. It is especially, challenging in a country like Sweden (Data Inspection Board, 2010), which has a stricter interpretation of the Personal Data Act (PDA) (Bengtsson and Kahn, 2008). This makes it more difficult for corporations to implement a system for whistleblowing since storing personal data can cause trouble with the employment contracts and the employees’ rights (Bengtsson and Kahn, 2008). There is a risk that a company breaks the law if the company implements a whistleblowing system and stores personal data of an
employee; therefore, companies might be discouraged by the idea of implementing a whistleblowing system.

**Problem discussion**

According to Claes Sandgren, the Chair of the Institute against Bribery, warnings by whistleblowers are the most effective way to discover corruption (Dagen Nyheter, 2013). Nonetheless, it’s very rare that people in Sweden have the courage to blow the whistle. It’s not surprising since there are risks that the whistleblower will face retaliation such as ostracizing or even get fired (Dagens Nyheter, 2013). Gunnar Stetler, the Prosecutor of the National Anti-Corruption Unit in Sweden, recommends that if serious criminal acts are being committed, systems must be created, so that the acts can be reported (Ibid). It is clear from previous studies that there are different views on internal whistleblowing systems in different companies and countries (Lee and Fargher, 2013). Due to changes in the market that have altered the ordinance for many international companies including Swedish companies, it has become a necessity to create and implement some form of whistleblowing systems (Neurath, 2013). 18 Swedish governmental institutions have followed the trend in creating a network, which will help prevent fraud and other wrongdoings from both inside and outside the institution (Ibid).

In recent years, several European nations, such as Norway and the UK, have strengthened the protection of whistleblowers; in Norway, it is punishable to retaliate against a whistleblower that alarms about irregularities, and the whistleblower is entitled to compensation (Efendic, 2010). Furthermore, it is a legal requirement in Norway for organizations to implement whistleblowing systems, while in Sweden there are no requirements (Neurath, 2013). Only one of the big Swedish banks has implemented a whistleblowing system, SEB, while others such as Handelsbanken, only have guidelines, and according to an employee at Handelsbanken, the culture in the company makes it more difficult to communicate with the management group, which is a reason why a system for whistleblowing might be needed (Neurath, 2013).

There is a need to highlight why some companies choose to implement whistleblowing systems while other companies choose not to implement in Sweden. Pittroff (2013, p.2) state that “currently there is no theoretical foundation that explains why organizations actually implement whistleblowing systems and why they decide on a specific form of whistleblowing system.”
Even though the whistleblowing topic has become more heightened in recent years because of corporate scandals, (Anrell, 2009), there has been limited research on whistleblowing systems as part of an organizations’ internal control (Pittroff, 2013). In particular, there is limited research on whistleblowing systems as part of Swedish listed companies’ internal control.

Aim
Because of the research gap on whistleblowing systems as part of the internal control in Swedish listed companies, the aim of this study is to investigate why some Swedish listed companies choose to implement whistleblowing systems as part of their internal control, while other Swedish listed companies choose not to. Since it is not a legal requirement in Sweden to implement a whistleblowing system, the objective is to investigate the underlying reasons why some companies voluntarily chose to have whistleblowing systems, while other companies chose not to. To add value to the study’s aim, we will also investigate how the systems are implemented to develop a better view as to why they are implemented. Ultimately, the research question is:

What are the incentives for Swedish listed companies to implement, or not implement, whistleblowing systems?
**Literature review and theories**

The literature review explains the theoretical understanding of what the incentives for Swedish listed companies are to implement or not implement whistleblowing systems. The literature review is explained in three sections.

The first section explains the theory of what the external incentive is for companies to implement whistleblowing systems. The second section explains the theory of what the internal incentive is for companies to implement whistleblowing systems. Finally, the third section explains what the incentive is for companies not to implement a whistleblowing system.

**External incentive to implement a whistleblowing system**

Previous research suggests that organizations internal control systems are influenced by environmental changes (COSO, 2013); in other words, if society changes, the internal controls are influenced by the changes. Most often companies are depended on their consumers, suppliers, stakeholders, as well as shareholders (Pittroff, 2013). In general, this means that most companies are dependent on their communities, which means that companies strive to gain legitimacy from their communities (Pittroff, 2013).

**Legitimacy theory**

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574).

Most organizations that are legitimatized would generally want to maintain their legitimacy where their activities involve “(1) ongoing role performance and symbolic assurances that all is well, and (2) attempts to anticipate and prevent or forestall potential challenges to legitimacy” (Ashford and Gibbs, 1990, p. 183). However, to maintain legitimacy can be difficult since it is a dynamic theory, with changing society views and expectations (Deegan et al., 2002). Society’s expectations are not static; they change over time, and therefore require corporations to be responsive to the society where they operate. If a company doesn’t fulfill the community’s requirements at this point of time, the company could lose its legitimacy, even though the previous activities were meeting with the community’s requirements (Deegan et al., 2002). In other words, companies have to be aware of the changes in society.
To gain legitimacy by implementing whistleblowing systems

Since a well-functioning whistleblowing system benefits the company and its stakeholders, in recent years, media outlets and society have encouraged companies to implement whistleblowing systems (Pittroff, 2013).

“Underlying organizational legitimacy is a process, legitimation, by which an organization seeks approval (or avoidance of sanction) from groups in society” (Kaplan and Ruland, 1991, p. 370). The theory explains the social contract between organizations and society, which suggests that the essential existence of a corporation depends on society’s norms and boundaries (Brown and Deegan, 1998; Hooghiemstra, 2000). The social contract is described as containing specific expectations society has regarding the optimal behavior of a corporation (Sawyer et al. 2010). According to Pittroff (2013), the motivation for companies to implement a whistleblowing system is explained according to the legitimacy theory. In this regard, the drive for companies to implement whistleblowing systems may be due to society’s expectations and demands. If society expects companies to have whistleblowing systems then the motivation for companies to implement whistleblowing systems could be to gain legitimacy and meet society’s demands (Pittroff, 2013). A legitimacy gap arises if a corporation breaches the contract or goes against the social norms (Brown and Deegan 1998; Deegan and Unerman 2011; Lindblom 1993). This can result in enormous damage to the reputation (Pittroff, 2013). The degree of damage depends on the size of the legitimacy gap. If the legitimacy is threatened, the manager has different choices to act on. In order to show that an organization is in convergence with societal expectations, it is probable that the manager report actual changes regarding the performance and activities of the organization, on the other hand, the manager may just report about the changes, and in practice has not changed anything (Pittroff, 2013). Relating to whistleblowing systems, this means that if the public demands a whistleblowing system for a corporation, it has the chance to implement a system for whistleblowing and report about the implementation publicly (Ibid). Thus, the corporation benefits from the reputation of being an organization that focuses on revealing corporate wrongdoings before the issue becomes public, which enhances the legitimization of the organization in society. The relevant part in this context is not whether the corporation actually has behaved in the manner that was reported, but rather in what way the public perceives the corporations wrongdoing (Pittroff, 2013). The other risk is that the corporation does not implement a system for whistleblowing, and rather focus and put attention on other
topics to distract the public. Then again, as Pittroff (2013) stated, the corporation might convince the public that a system for whistleblowing is not necessary.

Previous studies suggest that there are many reasons why organizations pursue legitimacy, and the assumptions about the importance, effectiveness as well as difficulty of legitimation efforts could rely on the objectives, which dimensions they are measured by (Suchman, 1995). In this regard, there are two important dimensions: “(a) the distinction between pursuing continuity and pursuing credibility and (b) the distinction between seeking passive support and seeking active support. Continuity versus credibility” (Suchman, 1995, p. 574). Suchman (1995) explains that legitimacy improves both the comprehensibility and the stability of company activities, and often comprehensibility and stability improve each other. Conversely, organizational activities hardly foster credibility and continuity, meaning and persistence, in equivalent degrees.

Topics that are highly charged and debated such as environmental pollution and the equivalent social activities are reflected in the choices of an organization (Meyer and Rowan, 1977). Every manager forms specific strategies to fulfill expectations, since the perceptions about what the expected social norms differentiate from manager to manager (Pittroff, 2013). Therefore, the social obligation might require organizational procedures that prevent organizational wrongdoing like for instance accounting scandals. Because public corporate scandals often come from the result of management not knowing about the misbehavior or unsuccessful internal whistleblowing (Pittroff, 2013), society might demand an initiative of the corporation to demonstrate that it has changed its activities and performance. The obligation of the social contract might include tools that prevent corporate scandals, as well as the related monetary losses for the investor. Therefore, a whistleblowing system can be assumed as a mechanism required in the social contract (Pittroff, 2013). It has to be considered that it’s easier for a company to maintain its legitimacy than to gain or repair it once a legitimacy gap has been developed (Deegan and Unerman, 2011). To maintain legitimacy, firstly, it may lead to the perception of changes in the future, and second to the security of the previous actions that helped to improve legitimacy (Pittroff, 2013). If an organization enters a new field, then it is most often a necessity to attain legitimacy and gain acceptance in that area (Pittroff, 2013). One of the most difficult parts is to regain legitimacy after a crisis that was unforeseen. For example, Siemens invested a lot in the compliance sector following the 2006 bribery affair. In this context, a scandal that was due to uncontrolled
whistleblowing, which if management knew about before, it could have been prevented, could have been the cause of implementing a whistleblowing system (Pitroff, 2013).

According to Branco and Rodrigues (2006) p.237 “Legitimacy theory studies suggest that companies in industries with a high visibility are expected to exhibit greater concern to improve the corporate image as this is susceptible of influencing sales and may be considered more likely to make social responsibility disclosure.” To present a positive social image among society is more likely to be important to organizations that have high public visibility (Branco and Rodrigues, 2006). In this regard, relating to whistleblowing systems, companies with high visibility are more prone to try and show their social responsibility by implementing whistleblowing systems. Since the legitimacy of companies could be threatened, both internally and externally, the companies need defense mechanisms. As management of the companies tries to counter the threat, the reactive activities related to legitimacy tend to be forceful (Ashford and Gibbs, 1990). It is likely that almost every company must regularly defend its legitimacy, since companies must fulfill a community requirement to recognize legitimacy (Hearit, 1995).

“Legitimacy leads to persistence because audiences are most likely to supply resources to organizations that appear desirable, proper, or appropriate”(Suchman, 1995, p. 574). Research suggests that audiences view organizations that are legitimate more worthy, more predictable as well as more trustworthy (Suchman, 1995).

In general, the legitimacy theory has mainly been used to explain corporate disclosures regarding the environment or Corporate social responsibility (CSR) investments. Since the implementation of a whistleblowing system favors society, because of the transparency within the organization, a whistleblowing system could be viewed as an instrument of CSR, which makes the legitimacy theory relevant in the context of what the motivation is for companies to implement a whistleblowing system (Pittroff, 2013). Pittroff (2013) suggests that the reason why companies implement whistleblowing systems could be to gain legitimacy from the public and to diminish a legitimacy gap. The company can only gain from an improved reputation, since it indicates that the company will put their effort on uncovering wrongful behavior or fraud before it becomes known to the public (Pitroff, 2013). In nations such as the United States, as well as many European nations, it has become a norm to develop and publicize whistleblowing systems (Efendic, 2010; Moberly, 2006). Organizations may be motivated to gain legitimacy since it improves their image, as well as their trustworthiness
increases, which eventually may increase the companies’ overall profits. To that extent, as the corporation’s credibility indicates that it meets society’s requirements, it can profit from society’s license to operate (Cramer 2002, Hansen and Schrader, 2005), which can be viewed as an assurance for continuous existence (Brown and Deegan 1998; Reverte 2009). Likewise, other corporations may as well implement a whistleblowing system in order to keep their legitimacy. Eventually, the legitimacy theory diverges from the traditional view that it is for financial benefits. It is not important whether the investment of implementing a system for whistleblowing has a financial outcome, but the investment may enhance the financial security in the long-run, because of society’s acceptance (Pittroff, 2013).

In summary, the legitimacy theory implies that organizations that implement whistleblowing systems might be doing it because of society’s demand. A corporation might promote that it has implemented a system for whistleblowing because of society’s demands, which could help the corporation maintain or gain its legitimacy.

In the following illustration, the incentive to gain legitimacy is shown: An organization is pressured by society and the public to implement a whistleblowing system as part of diminishing fraud or other related wrongdoings. The organization applies to pressure from society, and implements a whistleblowing system as part of its internal control. As a result, the organization’s incentive is to gain legitimacy from society.

*Figure 1: The external incentive why companies implement whistleblowing systems (Authors’ illustration).*
Internal incentive to implement a whistleblowing system

A hotline service permits anonymous reporting of wrongdoings, which helps lower the perception of the risk of retaliation as a consequence of whistleblowing (Bierstaker et al. 2006; Holtfreter, 2005). Researchers have linked external whistleblowing to the lack of a well-managed internal reporting system (Barnett, 1992; Tavakolian, 1994). Therefore, the implementation of a well-functioning whistleblowing system within the company becomes beneficial for the company in the long-run.

The AICPA recommend that all companies should establish a whistleblowing system that is anonymous to report wrongdoings because one main defense mechanism against managements’ upper level override of the internal control is a system for anonymous claims of suspected misconduct (Fulcrum, 2012). Different sorts of fraud are 40% of the time discovered by tips internally; therefore, a system of anonymous submission of tips about suspected misconduct is the leading method to finding fraud (Fulcrum, 2012).

If the illegal or unethical activities become public, it can become damaging for the organization and the whistleblower, and legal studies have focused on the regulation of whistleblowing that encourages organizations to implement channels promoting whistleblowing to somebody within the organizations with the intention to avoid external whistleblowing that can become extremely costly (Pittroff, 2013). In this regard, the incentive to implement a whistleblowing system is to manage risks of fraud and misconduct that would have severe consequences within the company if it wasn’t managed properly, and a significant benefit for companies to implement a whistleblowing system is efficiency, in the sense of saving time and money.

Whistleblowing system as an internal risk management mechanism

“The topic of whistle-blowing is important because it contributes to improvements in internal control systems (Patel 2003, p.70)”. Internal controls are implemented to keep the organization on path toward profitability objectives and attainment of its operation, and to reduce surprises that come along the way (COSO, 2013). The internal controls enable management to handle changing competitive and economic environments, changes in customer demands, and rearranging for future growth. Furthermore, they encourage efficiency, and help lower the risk of asset loss, and they ensure the reliability of financial statements and the compliance with regulations (COSO, 2013). Since internal controls help function several important purposes, there is a demand for better internal control systems.
Internal control is viewed as a solution to different potential problems (COSO, 2013). Therefore, since a whistleblowing system is part of an organization's internal control, the incentive to implement a whistleblowing system is to manage risks of potential misconducts and fraud (COSO, 2013).

**Enterprise Risk Management (ERM)**

To begin with, to be able to comprehend what Enterprise Risk Management (ERM) is, one must understand what risk is, and what type of risks companies are facing. There are different types of risks. There is the risk that is caused by the environment or the nature, such as the risk of earthquakes, and there are manmade risks, such as human faults that create a risk of negative consequences, such as the Enron and HQ-Bank cases (Collier, 2009).

“Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (COSO, 2004 p.2).”

Three of the objectives of enterprise risk management (ERM) is to 1) align risk appetite and strategy, which means that management considers the organization’s risk appetite when evaluating strategic options by setting correlated objectives, as well as develop instruments to manage correlated risks; 2) enhance risk response decision, which means that enterprise risk management develops the rigor to detect and select alternative risk responses such as avoidance, reduction and acceptance; 3) reducing operating unwanted surprises and losses, which means that enterprise risk management enables organizations gain greater capability to detect possible events and build responses, which in turn reduces surprises, as well as related costs or losses (COSO, 2004). In this regard, a whistleblowing system is implemented as an internal risk management mechanism in order for companies to follow the three objectives when it comes to potential risks with fraud and wrongful behaviors. ERM is a relatively new concept, and there is no real consensus on how to implement it; it can differ depending on the company’s own decision on how to design it (Kleffner et al, 2003). Furthermore, ERM is not about excluding and eliminating risk from the company but rather recognizing it (Collier, 2009). In this regard, companies that implement whistleblowing systems recognize that there are risks of fraud and misconducts within their companies; therefore, the companies implement the whistleblowing systems in order to manage the risks. According to both
Liebenberg and Hoyt (2003) and Kleffner et al. (2003), there is a greater demand on the companies to encounter corporate governance rules because of the late 1990s corporate scandals.

The benefits of operating with ERM, which was seen in Kleffner et al. (2003) study, was that the organization’s different levels could communicate much better, due to an efficient way of exchanging information between the different departments, which increases the awareness of activities within the organization. Companies that can communicate through all the individual departments due to a coherent goal or mind-set have a greater chance to catch irregularities before they can reach the public (Lahtinen, 2013). One of the critical stages with ERM is the actual implementation phase; the system must be convincible so all of the different levels within the organization get an understanding on the value added from ERM (A Morgan Stanley Production, 2006).

Collier (2009) defines risk as a concept that has an effect on the organization’s performance and operation. However, Collier (2009) also mentions that risk can have both negative and positive effects on the company depending on how the organization is handling the outcome if it. It is important to recognize and understand the concepts of positive and negative effects that comes with risks, since the effects are what impacts the ultimate objectives of the company (Collier, 2009). There are many different ways to manage a company; ERM’s tactic is to handle the risks, managing them in line with the business approach, strategy and goal (Collier, 2009). As mentioned above, there are different methods and proactive methods, and one of the most recognized one is the COSO’s ERM Framework; one of the components of ERM is the internal environment, which includes the tone of an entity, and sets the foundation for how risk is perceived and addressed by an organization’s members, as well as the philosophy of risk management and risk appetite and ethical values, and the environment of the organization (COSO, 2004).

Most often whistleblowing initially takes place within the organization, and if it fails to stop the illegal or unethical activities, it will sometimes go outside the walls of the organization (Donkin et al.2008; Miceli and Near 1994). To avoid external whistleblowing, companies implement whistleblowing system, since managing the risk of fraud or unethical activities is easier to do so within the company, in a controlled environment (Pittroff, 2013). Furthermore, according to Liebenberg and Hoyt (2003), firms that are expecting or planning to grow are more likely to operate with ERM. The firms require a more demanding risk management, due
to the fact that they are facing more uncertainties as a direct cause of the possibility of expansion into new areas (Liebenberg and Hoyt, 2003), which means that companies that expand are more likely to implement whistleblowing systems in order to govern their risks that come with expansions.

A more efficient internal control

The internal incentive for a company to implement a whistleblowing system is to create a more efficient internal control system, where the company can govern their risks for fraud and misstatements (PwC, 2012). A well-functioning whistleblowing system is a way for a company to find irregularities, in a timely and secure manner, through tips that would otherwise not be captured in normal internal control routines (PwC, 2012). When the design and implementation is done correctly and when employees and stakeholders know how to use the system, the whistleblowing system is an effective safety net for all types of organizations (PwC, 2012). Companies that implement whistleblowing systems are more likely to find irregularities before they become public, which in turn causes the incentive to implement a whistleblowing system. If implementing a whistleblowing system means improved risk management, then the reward of implementing a whistleblowing system would mean an overall improved internal control system (PwC, 2012).

The following illustration shows the incentive to gain a stronger risk management: One of the main objectives of the internal control is to improve the internal risk management, and a way to improve the internal risk management is through the implementation of a whistleblowing system. Therefore, a company implements a whistleblowing system. As a result, the internal incentive becomes to gain or maintain a stronger internal risk management.

Figure 2: The internal incentive to implement a whistleblowing system (Authors’ illustration).
The incentives not to implement whistleblowing systems

Personal Data Act (PDA)

As previously stated, the development of whistleblowing systems in the United States began after the Enron and WorldCom scandals, and it has received widespread consequences. According to lawyers Roos and Mitrovic (2011), in recent years, giants such as UBS, ENI and Daimler embroiled in lawsuits for irregularities detected because of their American business connections. Swedish corporations with international operations have become increasingly better at providing systems for internal whistleblowers to report irregularities, and so far most of the Swedish corporations that have implemented whistleblowing systems are companies with U.S operations (Roos and Mitrovic, 2011). Roos and Mitrovic (2011) explains, in recent years, it has become increasingly common with "anonymous mailboxes" in major Swedish companies with U.S operations, and several of Sweden’s leading companies are now reporting the activities on their annual reports. However, to implement whistleblowing systems in Swedish companies is still not as common as it is in other nations (Roos & Mitrovic, 2011). The main theory for not implementing a whistleblowing system in Swedish companies is because of the Swedish Data Inspection Board, which has oversight and enforcement of the Personal Data Act (PDA), which has a restrictive approach to whistleblowing systems in Sweden (Roos & Mitrovic, 2011).

How the Personal Data Act (PDA) effects the implementation of a whistleblowing system

The PDA was first established and implemented 1998, as a direct requirement from the European Union (EU); the regulation is based "in common rules adopted within the EU, the so-called Data Protection Directive” (Data Inspection Board, 2010, p. 2). The latest version of the directive was published in 2010, which permits companies to handle personal data without seeking permission from the Data Inspection Board as they used to previously (Data Inspection Board Statue Book DIFS 2010:1). According to the PDA, information relating to criminal offenses, or alleged ones, cannot be handled by any other parties but the public authorities (Data Inspection Board, 2010). A whistleblowing system may not allow processing data that can be considered sensitive data information, and for instance, data that exposes employees’ sexual preferences, ethnicity of origin and religious stance (Data Inspection Board, 2010). An important aspect regarding the system is the requirements of notifying the suspected about processing her/his personal profile on the basis of an investigation, according to section 23-25 of the PDA (Data Inspection Board, 2010).
Although the benefits of implementing a system for whistleblowing is clear when it comes to detecting fraud or misstatements before it becomes public (Pittroff, 2013), in a nation like Sweden, the strict regulations involving storing personal data in a computer system can make companies disinterested in internal whistleblowing systems (Bengtsson and Kahn, 2008). An organization cannot easily storage any personal data about an employee because of an alleged accusation (Data Inspection Board, 2010). According to Roos and Mitrovic (2011), the current situation in Sweden regarding the implementation of whistleblowing systems can only be adopted in the following approach:

1) The system is a supplement to the normal internal control and is optional.

2) The report refers to serious irregularities concerning accounting, internal accounting controls, auditing matters, fight against bribery, crime, banking and finance, or other serious irregularities concerning the vital interests of the company or individual's life and health.

3) The system can only cover people in leading positions and key employees.

According to Bengtsson and Kahn (2008), the Swedish Data Inspection Board has made a more strict assessment of the personal data protection law, than other European National Data Protection Authorities, and the main strict assessment is the rule to only allow a whistleblowing system for violations committed by employees in leading positions that the Swedish Data Inspection Board has made (Bengtsson and Kahn, 2008).

Additionally, according to Data Inspection Board (2010), the following is the reasons for initiating the whistleblowing process:

- The data being used for the process

- Inform about the voluntary to use the whistleblowing system

- The employee being under surveillance has the right to see the information registered about her/him

Furthermore, there is also a possibility to outsource the whistleblowing system to another country outside of EU, but if a company is choosing to do so many more regulations and guidelines must be taking into consideration from the PDA (Data Inspection Board, 2010). According to section 33-35 in the PDA, the country’s laws and other regulations must match and fulfill the requirements from the Commission, meaning that the country’s regulation must
be safe enough to handle the sensitive information (Ibid). The incentive for companies not to implement a whistleblowing system may be due to the risk of overstepping the regulations. In this regard, there is a risk of misinterpreting the law of what is considered for instance “serious irregularities” exactly, and who exactly in the company can be reported on or not reported on.

Additionally, under section 9 of the Swedish PDA, the basic law for processing personal data must be in accordance with good practice on the labor market in Sweden (Bengtsson and Kahn, 2008). The Data Inspection Board refers to the Article 29 Data Protection Working Party, “the protection of individuals with regard to the processing of personal data ” established on the EU Directive, and emphasizes on the importance of how the design of a whistleblowing system should be in compliance with the basic principles for handling of personal data (Bengtsson and Kahn, 2008 and Data Protection Commission). Moreover, it can be expected that there is a requirement to negotiate with trade unions and additional employee organizations before the implementation of a whistleblowing system because of the Act on Co-Determination law, which is about co-determination in the workplace (Bengtsson and Kahn, 2008).

Because of the Swedish Data Inspection Board’s restrictive view, it makes it difficult for many US and Swedish companies with international affairs when implementing or not implementing whistleblowing systems, since they may come into conflict with either the U.S. Sarbanes Oxley Act (SOX) or the Swedish Personal Data Act (Bengtsson and Kahn, 2008). Companies that are listed in The New York Stock Exchange (NYSE) and NASDAQ are obligated to implement whistleblowing procedures (Bengtsson and Kahn, 2008). Therefore, Swedish listed companies that do not have international affairs in the U.S, and are not listed in either NYSE or NASDAQ, may not choose to implement a whistleblowing system since the implementation is not a requirement and since it is difficult to get approved according to the Swedish Personal Data Act (Bengtsson and Kahn, 2008).

Furthermore, according to section 21 of the PDA, processing of violations of law is forbidden. The Swedish Data Inspection Board as well as the Swedish courts has a strict interpretation of judicial data, which results in even data that is not identified to a specific criminal act are viewed as judicial data (Bengtsson and Kahn, 2008). Additionally, according to section 21, the Data Inspection Board has been delegated the right to determine upon exceptions (Ibid).
In the following illustration, the incentive to not take the risk of implementing a whistleblowing system because of PDA is shown: Companies are not willing to take the risk of overstepping the PDA and deal with the consequences if they broke the law; therefore, companies do not implement a whistleblowing system, which makes the incentive, not taking the risk of implementing a whistleblowing system because of PDA.

Figure 3: The incentive not to implement a whistleblowing system (Authors’ illustration).

Summary of the literature review and theories:

Incentives to have whistleblowing systems implemented:

An external incentive why companies implement whistleblowing systems is expected to be related to the legitimacy theory, which suggests that organizations may benefit from implementing a whistleblowing system since it enhances the society’s acceptance. This suggests that the implementation of a whistleblowing system may be due to pressure from society and the public. An internal incentive why companies implement a whistleblowing system is expected to be because they want to manage their internal risks; therefore, it becomes a part of their risk management, meaning that the implementation relates to enterprise risk management.

Incentives not to have whistleblowing systems implemented:

The incentive not to implement a whistleblowing system is expected to be that the disadvantages outweigh the advantages of implementing a whistleblowing system. In other words, if a whistleblowing system was implemented, the challenges, such as the laws and regulations would be too great for an organization to handle without the risk of deteriorating the organization. According to (Bengtsson and Kahn, 2008), the Swedish Data Inspection
Board has a stricter view on the Personal Data Act, which makes it challenging for Swedish companies to implement a whistleblowing.

**The analysis-model:**

<table>
<thead>
<tr>
<th>External incentive to implement a whistleblowing system</th>
<th>Internal incentive to implement a whistleblowing system</th>
<th>Incentive not to implement a whistleblowing system</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To gain legitimacy</td>
<td>• To improve the internal risk management</td>
<td>• Not willing to take the risk of overstepping the Personal Data Act (PDA)</td>
</tr>
</tbody>
</table>

*Figure 4: A summary of the incentives for companies to implement, or not implement, whistleblowing systems (Authors’ illustration).*

**Research method**

The data collected consists of information gathered through one-on-one interviews by the authors of this study. The data was collected to create the empirical findings and analyze the outcome.

The study is focused on six Swedish listed companies, and their views on reasons why companies implement or don’t implement whistleblowing systems. The following will explain the method we used to collect the data.

**Research Design**

This study was heavily influenced by Lahtinen’s (2013) master thesis about “Whistle Blowing Schemes in 20 Biggest Finnish Companies”. Lahtinen’s (2013) study is a research about the underlying factors influencing Finnish companies to implement or not implement whistleblowing schemes. One of Lahtinen’s (2013) methods to collect data was through interviews with some of the 20 Finnish companies. Data collection through interviews is the better option when collecting data to analyze words rather than numbers (Bryman and Bell, 2011). The emphasis is on the underlying meaning, which is the essence to get the relevant information to ensemble the empirical findings (Denscombe, 2007). Therefore, to get a deeper understanding to what the incentives are to implement or not implement whistleblowing systems, the choice to interview six Swedish companies was made.
Since this study is focused on the reasons behind why companies choose to have a system for whistleblowing, the study centers on what the incentives are which makes this study a qualitative research. Since this study is similar to Lahtinen’s (2013) thesis, the questions that were asked in the interviews in this study were influenced by Lahtinen’s question. (Appendix A is the questions that were asked to the interviewees who had whistleblowing systems; appendix B is the questions that were asked to the interviewees who did not have whistleblowing systems; and appendix C is Lahtinen’s (2013) thesis interview questions). It is both time saving and reliable to use similar questions as a previous study, due to the fact that similar questions have already been tested and used in an academic dissertation.

**Sampling of companies**
Due to the sample of interviews, there is no possibility to generalize this study (Denscombe, 2007). The purpose of this research is to contribute with a deeper understanding of what the incentives are to implement or not implement a whistleblowing system, and the most suitable method to use in order to gather the data is through interviews. The sample consists of six Swedish listed companies: Nordic Construction Company (NCC), Ericsson, TeliaSonera, Swedbank, Skandinaviska Enskilda Banken (SEB) and Systembolaget. The companies were chosen from Veckans affärer, which is an online newspaper that lists Sweden’s top 500 companies.

According to Neurath (2013), most of the large banks in Sweden lack a formal whistleblowing system where employees can anonymously report irregularities within the bank. SEB is the only large bank that has a full-fledged system, where employees cannot be traced back by managers. Therefore, the data sample that was purposefully chosen consists of two banks; one bank, SEB, that has a whistleblowing system, and another bank, Swedbank that does not have a whistleblowing system. The other four companies were randomly selected from the top 500 list. According to Kleffner et al. (2003) and Liebenberg and Hoyt (2003), the employees that are responsible for the companies risk management or in this case the employees that are responsible for the whistleblowing system subject, has the role of a Chief Risk Officer (CRO); although the employees main work titles could be different. One key feature for a successful implementation of ERM is a group or a specific person that monitors it, and according to Liebenberg and Hoyt (2003) the person that monitors it is called a CRO. The following section introduces the interviewees:
The interviewees are the most suitable candidates for this study since they are all directly involved with the whistleblowing process within their respective companies. They are all working with either the internal control or the legal aspect of the company.

**Design of the interviews**
The primary data was collected through a series of six interviews with employees who are directly in contact with the internal control of their respective companies. The interviews were
conducted through so-called semi-structured interviews (Bryman and Bell, 2011, p. 205). The semi-structured interviews allows for follow-up questions, which allows the interviewer to modify the next question depending on the interviewees’ answers (Bryman and Bell, 2011, p. 205). This was important, since even if we had structured questions, the flexibility of using semi-structured interviews was allowing us to go further and beyond, which gave us more information for our empirical data. Five out of the six interviews were done face-to-face. The one company, SEB, that was not able to do the interview face-to-face, was done over the phone. Due to the sensitivity of the subject, it is better and more comfortable for the interviewee to be questioned face-to-face, but because of the time limitations and scheduling, a phone interview was more suitable for the SEB interview.

**How we conducted the interviews**

The interviewees were contacted through their email addresses and phone number contacts, where they were asked if they were able to participate in the research after we had explained the purpose of this study to them. It was explained to the participants how many questions were going to be asked, what the questions were going to be about and that the interviews would take approximately 40 min per interview. Due to the sensitivity of the questions and in regards for the interviewers’ sake, we asked them if they wanted to have the questions sent to them before the interview. The authors wanted to be clear in the purpose of the study, and be as objective as possible. Before each interview the authors asked the interviewees if they wanted to be anonymous. All of the participants gave their permission to us to use their work titles in this study. We also sent them a copy of the transcripts of the interviews, since misinterpretations and misunderstandings could have occurred, and with the transcript they could correct the words in order to formulate the wordings they felt the most comfortable with.

**Data Sources**

The literature review and theories were collected and based on trustworthy sources such as Google scholar, Emerald’s journals, as well as well-known Swedish newspapers. They are sources with significant trustworthiness due to their connection to academic research; this has also contributed to this study’s reliability (Bryman and Bell, 2011). The information from the newspapers shows that whistleblowing systems are relevant to the companies and society overall.
Data processing methods

To interview is a method to gain information that generates a lot of text that needs to be handled with care so that important information can be used for empirical findings (Bryman and Bell, 2011, p. 571). A method we used for this study that was mentioned by Bryman and Bell (2011) is coding; we processed the material as soon as possible by reading the notes to see if a “red thread existed” in the notes. The method involves categorizing the raw material, the manuscripts, with the purpose to find the common contents (Denscombe, 2007, p. 98). The common features that we tried to locate were if the same subject is brought up, or if they are using comparable words about matters such as the legal framework regarding whistleblowing systems in Sweden (Ibid). After the information from the interviews was gathered, the companies were divided into those who had whistleblowing systems, and those who did not have whistleblowing systems. The empirical findings were then analyzed according to the analysis-model.

Quality check

The quality check is a very important part of the research; the quality criteria involve the trustworthiness of how the authors’ experiences correlate well with reality (Klenke, 2008). Criteria as credibility, transferability, dependability and conformability are those who are dominating the qualitative research (Bryman and Bell, 2011). Qualitative research are often said to be very “unstable” due to the variables that are often abstract, as in this study the relationship between having or not having a whistleblowing system when there are no law requirements.

Credibility involves the result’s credibility; in other words, how believable the study is (Bryman and Bell, 2011). We want to investigate the factors behind the companies’ decisions to implement or not implement a whistleblowing system. By stating the legislation that does not require an internal system for whistleblowing from the companies, we are stating the companies’ own reasons. Therefore, we believe that there is high credibility to this study by presenting the companies own thoughts and ideas in combination with the explanatory theories for their behavior.

Transferability involves the possibility for the context of the research to be transferred to another environment and population (Klenke, 2008). Although, we recognize that our
research could have different results in different cultures, we believe that our research could be transferable in countries similar to the Swedish culture, such as the other Nordic nation.

Dependability is addressing to the reliability of the study, meaning if the study could attain the same results twice (Bryman and Bell, 2011). Furthermore, Klenke (2008) explain the challenges due to the abstractness of the factors often related to qualitative research, similar to this study the reasons why companies have or don’t have whistleblowing systems. Therefore, to make it less challenging, we have addressed what questions we have used during the interviews, stated the companies who participated in the study, as well as what departments and positions these interviewees have.

Conformability concerns the objectivity of the interviewers when conducting the research (Bryman and Bell, 2011). During the interviews, we always had in mind to not let our own experiences or beliefs affect the interviews. We stayed as objective and unbiased as possible, to get the most objective outcomes.

**The Companies’ background**

**NCC**

“*NCC’s vision is to innovate our industry and offer the best sustainable solutions.*” (NCC.se)

NCC is a leading construction company that mainly operates in the Scandinavian countries, but they also operate in the Baltic countries and in Germany (NCC, n.d). NCC was founded 1988, due to a fusion between companies Nordstjernan AB and Armerad Betong Vägförbättring, the name was a recycling from their own subsidiary company Johnson Construction Company (NCC, n.d); they replaced Johnson with Nordic Construction Company (Ibid). NCC has more than 18 500 employees (NCC’s annual report, 2013).

**Ericsson**

“We are a world leader in the rapidly-changing environment of communications technology – providing equipment, software and services to mobile and fixed network operators all over the globe” (Ericsson.com)

Ericsson, or as it was called in the early beginning LM Ericsson, was founded by Lars Magnus Ericsson in 1876 (Ericsson.com). It is one of Sweden’s largest public companies, with more than 115 382 employees, and in Sweden there are more than 17 497 workers who are managing the business on the home market.
TeliaSonera

“TeliaSonera provides network access and telecommunication services that help people and companies communicate in an easy, efficient and environmentally friendly way.” (TeliaSonera.com)

Telia were known as Swedish Kungliga Telegrafverket and were founded in the early 1900s century and Sonera, was founded in 1917 under the name Suomen Lennätinlaitos (TeliaSonera.com). But it was not until 2002 the modern company TeliaSonera was born as a result of a merging of the two companies (Ibid). There are approximately 28 000 employees who are working for the company, and the company is operating in around 17 countries (Ibid).

SEB

“Most people strive to grow through visions and plans for the future. At SEB we see it as our job to be there as our customers turn these ambitions into reality” (sebgroup.com)

SEB was founded in 1856 by André Oscar Wallenberg; it was the first privately owned bank in Sweden (sebgroup.com). SEB’s headquarter is located in Sweden, but they are mainly operating in the Baltic countries, and other nations they operate in are for instance China, India and Singapore. The bank is operating in 20 countries worldwide (subgroup.com). The whole corporation has more than 16 000 employees (Ibid).

Systembolaget

“Systembolaget exists for one reason: To minimize alcohol-related problems by selling alcohol in a responsible way, without profit motive.” (Systembolaget.se)

Systembolaget is owned by the Swedish government and it is not driven to earn profits (Systembolaget.se). It was due to heavily drinking and almost no regulation regarding self-producing alcohol, which was the starting point for the government, during the 1900-century, to create the first Systembolaget (Systembolaget.se). Systembolaget is only operating in Sweden and consists of 426 small stores all around the country, as well as around 500 agents that are permitted to serve smaller communities, and the company has 5 087 employees (Ibid).
Swedbank

“We work hard to develop close, long-term relationships with our customers.” (Swedbank.se)

The first Swedbank was created in Gothenburg in 1820, the bank had in total 219 deposits when it started, which was a sum of 646 SEK, in modern value around 50 000 SEK (Swedbank.com). In 1860, twenty new banks opened, and it grew fast and expanded to nearby countries such as the Baltic countries, but the headquarter office is still in Sweden (Annual report, 2013). Swedbank’s employees consist of 14 335 people (Ibid).

Empirical findings & analysis
In this section, the findings from the interviews that we have conducted from the six different companies will be stated and analyzed. The interviews are not in its fullest but have been transliterated to ease for the reader. The transcribing has been conducted with the consciousness to find similarities and differences. As stated above, the personnel we interviewed were Systembolaget’s Legal Counsel, Swedbank’s Compliance Officer, NCC’s Group Compliance Officer (NCC’s compliance officer), Ericsson’s Head of Corporate Audit (Ericsson’s head auditor), SEB’s Head of Group Corporate Sustainability (SEB’s head of sustainability), and TeliaSonera’s the Ethics & Compliance Program Coordinator (TeliaSonera’s coordinator).

Findings Part 1
The following are empirical results from the companies that have implemented whistleblowing systems: NCC, Ericsson, TeliaSonera, SEB

Reasons for implementing a whistleblowing system

Pittroff (2013) explains that a whistleblowing system benefits the company and its stakeholders, and all four of the companies recognized that one of the initial reasons for implementing a whistleblowing system was to benefit the company or its stakeholders.

Ericsson’s head auditor explains that it was outside requirements and forces that demanded the company to implement a system.
“All you can say, it started up as a part of Sarbanes Oxley act” (Ericsson’s head auditor).

Since Ericsson is a listed company in the United States, the corporation is legally required to implement an internal whistleblowing system, which may be applied in the pressure from stakeholders and society. The company has taken proactive measurements against a so-called legitimacy gap, which is when an organization breaches from the social norms and expectations (Brown and Deegan 1998; Deegan and Unerman 2011; Lindblom 1993). This could be viewed as if the organizations did not implement a whistleblowing system, the result could be that they risk diminishing their legitimacy.

While Ericsson’s head of audit stated that the regulations to be the main reasons for implementing a whistleblowing system, both NCC’s compliance officer and TeliaSonera’s coordinator had different motives from Ericsson’s motives. One of the reasons was that the companies wanted the employees to feel safe and give them the opportunity to report anonymously if they knew anything about misconducts in the companies.

Additionally, NCC implemented the system as a security measurement to prevent misconducts against their way of operating when it comes to their Code of Conducts by controlling the possibility for breaching the Conducts before it becomes a great scandal. Similar to NCC, SEB has implemented a system due to ethical reasons and to prevent irregularities, so they can within the organization correct the misbehaviors. This supports Liebenberg and Hoyt (2003) and Kleffner et al (2003) studies about internal risk management, since the employees and ethical consideration is a great part of a company’s risk management framework.

**Anonymity**

According to the AICPA recommendations, the most essential part of an effective whistleblowing system is the anonymity (Fulcrum, 2012). Bierstaker et al. (2006) and Holtfreter (2005) studies found that hotline channels permit anonymous reporting of wrongdoings, which helps lower the perception of the risk of retaliation as a consequence of whistleblowing. All four of the companies have established anonymous channels, and all four of the interviewees thought that anonymity was important for the employees to feel safe enough to report misconducts. TeliaSonera’s coordinator illustrated:
“It's really important to us; what we also want to communicate to the employees is that it is safe too, we want them to know that even if they have made a report they will feel safe enough knowing that they will not lose their job due to the report.”

NCC’s group compliance officer explained:

“...precisely because there are a lot of people who can become scared internally, within a company. I definitely think it is for internal purposes because if you do not dare to go to the closest manager because she or he is involved, so yes, I think it's very important for them to feel safe. But if we manage to work enough with our people then it should not be like this, this feeling of uncertainty I mean. If they feel that we act seriously when they call or report anything then my guess is that this interest of being anonym might diminish.”

Although Ericsson’s head auditor had a similar view to TeliaSonera’s coordinator and NCC’s group compliance officer, the auditor explained that Ericsson Corporation exists in more than 150 countries, which means that the corporation operates in many different cultures. The head auditor explains that in some cultures it can be difficult for employees to go to management because they are afraid of the consequences. He illustrated:

“...since we are in so many places in the world, and we got so many different cultures, in some cultures it is hard for the people to go to the management or the managers’ manager and report that because they are concerned about the consequences. I am sure that different violations can also occur in our own organization as we said we are in many places in the world, and we got many different people employed. We are hoping that all of us are doing a good job but sometimes maybe people are behaving in the way we do not want them to behave. So, I think it is important from that perspective that people need to be prepared to report something...”
A different observation was made by SEB’s head of sustainability, who stated that there could also create problems with having it anonymous. She stated:

“I think that it is important and that is why we introduced that because it makes people feel more comfortable that nothing negative will happen due to it. But at the same time there is a fine balance that you don’t want to have a culture where people sort of report on each other in a negative way, I mean we really want people to be open, but at the same time understand that in some case people might not want to, so that is why it is there, that’s why it’s important. Basically if everything was reported anonymously, there would be something wrong with the culture, but it’s important to have the possibility for it.”

This relates to risk management; although the head of sustainability, explains that the want is for people to be open. However, the bank has implemented a whistleblowing system that is anonymous because there are people who don’t feel comfortable to report misconduct openly (SEB’s head of sustainability), which can be assumed that the implementation of an anonymous system is due to preventive risk measurements. A company would rather have anonymous internal whistleblowing than external whistleblowing.

Most companies’ objectives are to minimize and manage risks that can damage the company; if a large portion of fraud is detected through anonymous submissions, it is understandable that companies implement anonymous whistleblowing procedures as a risk management tool.

The importance of transparency for a company

All four respondents emphasized that transparency is really important; however, they still had different views or perspectives on when a company can be transparent.

NCC was aware of society’s expectations of wanting companies to be more open and transparent. NCC’s group compliance officer explained:

“I think it's really important. Transparency in this context is very important and I think that it will become more and more important with time. I think the market is not just expecting us to just say we have an incident responsibility by having this whistleblowing function. I think they
expect us to be very open; we will soon be able to say the number of reports coming in what type of violation they belong to, e.g. that 25% of those showed on bribery and such.’’

Pittroff (2013) study explains the concept of companies wanting to legitimate their activities because of society’s demands. According to the legitimacy theory, there is a social contract between an organization and society, which implies that the existence of a corporation depends on society’s norms and boundaries (Brown and Deegan, 1998; Hooghiemstra, 2000). The social contract includes specific expectations society has regarding the optimal behavior of an organization (Sawyer et al. 2010). Pittroff (2013) research explains the motivation for companies to implement a whistleblowing system to gain legitimacy. In this regard, the motivation for companies to implement a whistleblowing system could be because of society’s expectations and demands.

Ericsson’s head of audit and SEB’s head of sustainability recognizes the importance of transparency but also emphasizes on the different legislations that surrounds this matter. Ericsson’s head of audit explained:

“It is very important; it’s on the agenda all the time and to be open about everything you can be open about. Then you have issues around legislation that puts limits on what you can do such as privacy issue, it can be different in different countries as well. Names are always an issue, how to manage it because it can become a privacy issue. E.g. in the US, there you got a legislation that is quite tough, and in different countries you have to be careful depending on which country it is, how to do things and how transparent you can be.”

SEB’s head of sustainability illustrated:

“I think that it is important to be transparent, and at the same time, there are number of reasons where you can’t be transparent actually; there is a balance when you need to protect the individual or clients or things like that, so that is why we have the system lie within our compliance and audit function.”
This means that both NCC and Swedbank considers the protection laws for employees’ identities of being stored limits the transparency; in other words, they are considering the accused employee, who is being accused of acting unethically or committing fraud.

TeliaSonera’s coordinator explains that transparency is shown in the sustainability report and annual report; they will also broadcast their whistleblowing solution on their website, which can be viewed as an attempt to gain legitimacy. He illustrated:

“It’s very important indeed, and it is something that management has devoted very seriously which can be seen in our sustainability report and in our annual report, we want to show and really be open with what we are doing within the company with everything. Shortly an announcement will be broadcasted on teliasonera.com that we have opened this whistleblowing solution. We also want to enable so that our customers and suppliers also can make a report if they see something inappropriate, so it is for external use too.”

According to Kaplan and Ruland (1991) organizational legitimacy is a process where an organization seeks approval from society. It is implied that TeliaSonera want to show their social responsibility activities in order to meet the public's expectations.

**A company implements a whistleblowing system for itself, the public or both**

Since public corporate scandals often come from the result of management not knowing about the misbehavior or unsuccessful internal whistleblowing, companies might be pressured by society to implement a whistleblowing system (Pittroff, 2013); companies may want to improve their internal risk management through the implementation of whistleblowing systems (PwC, 2012); or, companies may want to both meet societies expectation and manage their internal risks.
Ericsson’s head of audit explained:

"That is a tricky question but I think it started in the beginning to become compliance issues, that the companies were expected to have such thing. I think it might have changed a bit, I think we have got good information out from that channels as well, important information about weaknesses in certain areas not a lot but some kind of information which is useful for us to do some kind of improvements."

This shows that Ericsson decided to implement a whistleblowing system for the purpose of showing the public that the company is meeting society’s expectations. Branco and Rodrigues (2006) stated that companies in high visibility industries are more likely to show their responsibility, and in that sense attempt to legitimize the company. However, in the process of having a whistleblowing system, Ericsson’s Head of Audit recognized that it may have changed a bit, meaning that they have discovered good information from the whistleblowing channels, which may be related to the company’s risk management. This relates to the concept of enterprise risk management (COSO, 2004); in other words, corporations may want to lower their risk of for instance fraud, misconducts, unethical activities, as well as public whistleblowing by managing it through whistleblowing systems.

On the other hand, TeliaSonera’s coordinator and SEB’s head of sustainability had different answers then Ericsson auditor.

“....we do it for the company's behalf to secure the company. It is about risk management, to find out what might happen out there that are wrong and try to correct it in time” (TeliaSonera’s coordinator).

“It’s definitely for the company, because it’s a way for us to find out and therefore do something about things that are not working well, so it’s absolutely for us” (SEB’s head of sustainability).
Both companies clearly relates to the concept of enterprise risk management, meaning that both companies’ reasons for implementing a system for whistleblowing was for the benefit of the company’s risk management. This aligns with one of the objectives of enterprise risk management, which is to align risk appetite, as well as strategy; in other words, management considers the organization’s risk appetite when evaluating strategic options by setting related objectives, as well as develops instruments to manage the related risks (COSO, 2004). The instrument in this case is the whistleblowing system.

Nevertheless, NCC’s group compliance officer had a different perspective. He explained that if the implementation of a whistleblowing system is for the company, one could translate it to financial goals and the existence of the company. He illustrates:

"Those are linked together if one jumps to internal control the risk appetite is the major prospector. The company's existence and financial goals is what it's all about, what risk appetite we have, how much risk we can take in and continue our operations, then this is a part of it all. It is then a matter of how the company manages risk. In the construction business, we got this major risk...which is crucial to the company's profitability."

He discusses competition and court disputes, which are assumed to be able to damage the company if not managed as risks; he explains:

"...dealing with cases with different amount from 500 million up to 1 billion in compensation fees."

Competitors and court disputes can affect the company’s legitimacy, whether the society might view the competitor of the company as better in the social responsibility or court disputes that end in large sums of compensation fees might harm the company’s overall image. This can cause a legitimacy gap, which arises if a company goes against the social contract (Brown and Deegan 1998; Deegan and Unerman 2011; Lindblom 1993). As a result,
it could cause enormous damage to the reputation, and the degree of damage depends on the size of the legitimacy gap (Pittroff, 2013). If the legitimacy is threatened, the organization has different choices to act on, and to illustrate that an organization is in line with society’s expectations.

NCC’s group compliance officer explained that they need to control the risk appetite competition, and he recognizes that it’s about risk management, and the main part of the company’s internal control is the risk appetite. He stated:

“…sadly a whistleblowing function can also become a control function…I’m not sure if it really is so, but it is a part of many other verification activities. But it is based nevertheless on the business environment, to report things that are a violation of the Code of Conduct… In some countries, it is considered as a "snitch culture" and that is not popular. But it's absolutely so that in this company it is for the company's sake that we're doing it. Also the public is a group of stakeholders who do not like surprises and that is also included when calculating the risk appetite. First, you got this risk appetite concerning the company's earnings but also for shareholders' perspective and they do not want a company that now and then is constant have a change in its share value.”

This goes in line with the enterprise risk management, since it is explained that the main object of the internal control is to manage risk (COSO, 2004). In this regard, the motivation to why NCC implemented a system for whistleblowing is because a whistleblowing system as part of a corporation’s risk management can be described as a tool that helps detect misconduct before it becomes public (Miceli and Near 1992; Callahan et al. 2002; Moberly 2006).

Furthermore, NCC’s group compliance officer identifies the stakeholder’s role, meaning that the public is a part of the company’s stakeholders. The aspect that he recognized that the public does not like surprises, indicates that NCC may have implemented a whistleblowing system since the society expects the company to take proactive measures, such as whistleblowing systems when managing risks (Pittroff, 2013; COSO, 2004).
The advantages and disadvantages of a whistleblowing system

According to Pittroff (2013), a well-functioning whistleblowing system benefits the company and its stakeholders. The company benefits from managing the risks of fraud or misconduct internally before the issue becomes public. A whistleblowing system is implemented as part of ERM in order for companies to align risk appetite and strategy; enhance risk response decision, and reduce operating unwanted surprises and losses (COSO, 2004). However, although there are evident advantages with whistleblowing systems, the strict rules and regulations can be viewed as a disadvantage.

All four of the companies had similar answers, supporting that the main advantage of whistleblowing systems is that whistleblowing systems improves their overall internal risk management.

“The advantages is that it is possible and in a fairly easy and safe way to make a report on the colleagues or managers if they would do something inappropriate, such as corruption or similar behavior” (TeliaSonera’s coordinator).

“I think that the advantages, you provide an additional way for people externally, and internally, to report that something isn’t done correctly or ethically, or sometimes it might be illegal, to have as many ways to make sure that things aren’t hidden” (SEB’s head of sustainability).

“The advantages are that the possibilities that whoever in the company is able to feed back to the group management or actually to the board in our case. What they might have not been able to get their own management to act upon or take into consideration or whatever it might be. It’s like an escape door for someone to use, which is a good thing to use in my opinion.” (Ericsson’s Head of Audit).

“…to pinpoint this with hygiene factor, it's an employment factor, if I see something that is not good but dare not really turn somewhere to get help. But I should be able to turn
somewhere I mean anywhere, which this enables. Enter anonymously and tell what it is that I have seen or know without suffering from the consequences” (NCC’s group compliance officer).

However, the views on the disadvantages of a whistleblowing system differed between the interviewees. TeliaSonera’s coordinator did not see any disadvantages, even when describing the financial cost of implementing a whistleblowing system he explained:

“...corruption or fraud cost a lot of money to repair, which cannot be compared to.”

SEB’s head of sustainability had a different answer she explained the disadvantages regarding the culture within a company, related to whistleblowing. She stated:

“...the disadvantage is of course, if it becomes a culture where you can’t discuss problems in the open, that’s why you need to encourage people to talk about things they see are not working well openly so that they can make correction through open discussions and people finding solutions. That’s why you can’t rely on just having a whistleblowing process; I think that it needs to be there, so that it’s going to be there for hopefully a few incidences so that most can be dealt with sort of in the regular process for daily improvements.”

Ericsson’s head auditor explained that the issue with a whistleblowing system could be the bureaucracy and administration side of it. He illustrated:

“The disadvantages about it would be concerning bureaucracy and administration. Like everything, it cost money to administrate everything. As all the companies in the world, we try to have an efficient business model and we try to avoid unnecessary costs. You have to see the cost side and the gain side of the area, I don’t think there are too much disadvantages, and otherwise the part of general bureaucracy you have to manage.”
NCC’s group compliance officer explained that the disadvantage could be, not with the system itself, but that its function could be misused if it is not used correctly. He stated:

“...it can be used to harm individuals in the organization. The system can be abused in some cultures. We are in Russia and in Germany, and in some countries it is more common with such behavior. To use the system to harm another person e.g. when competing for the same job, accusation about bribery, it would harm the other parties chances to get the job. I think it is okay, if you have a good system to investigate things, you have to take the disadvantages into consideration. It has happened but it is not so common but revenge motive is of course a risk, but the risk is included in all such systems were you can call in anonymously, one is that the reporter know too little which is also a risk and the other is to use the system for revenge.”

It was noticeable that none of companies really discussed the strict rules and regulations with implementing a whistleblowing system in Sweden as a disadvantage. This could be implied that the companies do not view the implementing of a whistleblowing system as a risk of overstepping the law.

**Whistleblowing systems impact on companies**

Cramer (2002) and Hansen and Schrader (2005) findings are that the impact of whistleblowing systems could be that companies may gain legitimacy from the public since it can profit from society’s license to operate, which can be viewed as an assurance for continuous existence (Brown and Deegan 1998; Reverte 2009). Furthermore, if a company implements a whistleblowing system, the company improves its risk management (PwC, 2012). As a result, the reward of implementing a whistleblowing system becomes a stronger internal risk management for the company (PwC, 2012). The findings of the previous studies can be supported by the findings of this study although the four companies had different views on the impact of whistleblowing systems; the companies had different explanations.
Ericsson’s head of audit explained how a channel for whistle blowing enhances the company’s image. He explained:

“I think it’s from the internal perspective and the external perspective, it gives people the possibility. A channel to report things that they believe is important; it gives both, the company a better image, positive, and from the supplier’s perspective, who also can use the channel. It shows the world that we are open about and are taking these things seriously. It is an important part of it because in our case at least things about sustainability, environmental and human rights are more important in the agenda, so this is a part of the whole. It is related to the brand basically, you want to have a brand that people perceive as a positive thing and not a negative thing.”

He continues explaining how to help them manage suppliers, which could be interpreted as part of their internal risk management. He states:

“It could also help us on e.g. the supplier side, if we feel that we are using suppliers that are not appropriate having poor working conditions in the manufactories or things like that; this could be a way to report things like that to us without revealing the names. Because if you are a supplier in the world then Ericsson might be a very important customer and if they are concerned about certain things it might be difficult for them to go to Ericsson’s purchase department locally because they are afraid to be revealed out; therefore, this is a good way for people to anonymously express their view. Whistleblowing is a part of our responsibility…”

NCC’s group compliance officer explained how relevant compliance is becoming. He explained:

“… we have really tried to push the Compliance a lot with promotions and such. I think it is a positive thing; a Compliance culture is becoming more relevant… see a compliance
businesses will be better valued, so we think you we will be more effective and make more money. There is also an ethical perspective on this as well and that is that we can make more money if we follow the laws, and that is positive.”

Companies might feel the external pressure to comply with the stakeholders’ demand that they should take certain measurements, and as a snowball effect, the more stakeholders demand, the more companies might oblige to be able to “persuade” the stakeholders to reach their financials goals.

TeliaSonera’s coordinator had a different perspective. He explains that whistleblowing systems have affected companies’ awareness in general. He believes that the awareness in Swedish companies regarding whistleblowing systems are low, but because of the company’s heavy media coverage, the awareness is greater in TeliaSonera.

Furthermore, SEB’s head of sustainability believed that it is important to have it, so that people are able to report irregularities since it helps the company find irregularities such as misconducts or misstatements. She stated:

“… so that they can be investigated and corrected; however, the most important part is to have a culture in a company where you can discuss things that need to be improved openly and sort of go about in the regular work aim to improve constantly,... but overall I think it’s a tool to make sure that things are not hidden, and therefore allows us to improve.”

Summary of findings of the incentives to implement whistleblowing systems:

All four of the companies implemented whistleblowing systems to gain legitimacy and to be able to improve their internal risk managements. These findings support the expectations of this research.

Findings Part 2

The following are the empirical results from the companies that have not implemented whistleblowing systems: Systembolaget, Swedbank
The reasons for not implementing whistleblowing systems

In recent years, it has become increasingly common with whistleblowing systems in Swedish companies with U.S operations; however, to implement a whistleblowing system in Sweden is still not as common as it is in other nations in (Ross and Mitrovic, 2011). According to Ross and Mitrovic (2011) the main theory why companies may be discouraged to implement a whistleblowing system is due to the Personal data act. Bengtsson and Khan (2008) explain the possibility of interpreting the law in a wrongful way, which may lead to a breach of law, which is supervised by the Data Inspection Board. The risk to overstep the law is a risk that may not be appealing to companies. This could be seen in this study’s findings according to Swedbank’s compliance officer. She explained:

“...the data inspection provides certain regulations which are limited regarding what can be handled in the system. .....you cannot have all those people in the system because then it is you who are committing a crime; that is considered a serious offense to process personal data. It is something only the authority is allowed to do.”

She is clearly explaining the complicated task in handling the sensitive information, which can occur with a whistleblowing system. The risk of overstepping the law was a risk Swedbank wasn’t willing to take.

However, Systembolaget had a different reason. The company did not feel the need to use such a system within their company. She explained:

“The major reason that a whistleblowing system does not exist currently in Systembolaget is that we believe that the way we have designed and the way we operate and manage the whole business, is in itself a proactive measurement. Its policy in the daily activity is a constant reminder for the employees of how they should act and approach when working within the company. Frequent discussions with the employees are organized to talk about the company’s ethics and moral; this is a part of their proactive measurements.
The form of systems or means that exists to diminish the risk of fraud and misconducts, in a company that does not have a whistleblowing system

According to section 21 of the PDA, the processing of violations of law is forbidden; therefore, Swedbank’s compliance officer emphasized on the fact that the company is following the law when handling tips of violations. The company has put the information on how to handle the violation of the rules of various kinds on a form in the intranet, which to submit you have to print out, fill in and submit manually. She explained that the information goes to the Chief of Compliance and that it is possible to have it anonymous or not. She explained:

“The letter is sent via the postal service, because if it were electronic then it would be possible to see whom it was from. The main goal for us is to enable it to report to their manager if it is something you believe to be wrong or you can turn to human resources. We will continue, of course, to have it in this way, we follow the mandatory law.”

However, Systembolaget’s legal counsel did not emphasize on the fact that the law prohibited the company from implementing a system. Instead Systembolaget’s legal counsel described that Systembolaget has an Ethics advisor; an experienced store manager who has a high level of confidence within the company. The advisor gives advice on issues relating to ethics and has the role as someone to whom personnel in the company can turn to with information on any abnormalities from the company’s code of conduct. Systembolaget’s legal counsel stated:

“Systembolaget is not an ordinary company who can have a business strategy where we market the most popular brands and such, since we have monopoly in this industry, which makes us incomparable and also decides how we operate. We must be brand–unbiased. We cannot favor a special brand; we have to treat all brands the same. Another way that distinguishes us from other businesses is that our employees are not driven by rewards or other bonus systems....Because of previous scandals, it has forced the company to take proactive measurements earlier than most companies in Sweden.”
An example of such proactive measurement is that Systembolaget made the effort to make the whole company central driven run from Stockholm’s headquarter, as well as giving store managers less power by not giving them individual decision powers. She explains:

“In other words, they are not able to make any decisions that can lead to favoritism or have the power to give a supplier advantages compared to its competitors.”

According to Systembolaget’s legal counsel, Systembolaget should in its capacity as a buyer, act along with non-discriminatory and brand neutral conduct. The company’s purchasing process involves suppliers that are offered access to the market as well as the market is open to small suppliers and producers. One of the aspects they sample is the products that are delivered to the stores; in order to see that the products delivered are the same as the ones that were selected. The fixed product range is controlled once every year; while, the new products are examined continuously. The company’s whole purchase procedure is therefore structured in a way that does not allow an individual make any decision on their own. She explains:

“This is to prevent a supplier, who might have a good relationship with one of our purchases, to influence the decision making process. This is also created in a way to avoid future corruption and other scandals. What we try to do is to take away the possibility to create an opportunity to make decisions that are not in line with the company’s profile. A whistleblowing system would if we decided to create one, complement our already existing Ethics advisor. It would be designed in a way that enabled it for the suppliers to effortlessly both find and use if necessary.”

The legal counsel explained that the main responsibilities of the Ethics advisor were to provide advice to all of the employees; to be a recipient of reporting by the employee; the employees must be able to contact the counselor anonymously. Anonymity will be protected in those employees who so desire, and their names may not be given to another, unless the
person explicitly permits it; the ethics advisor shall work proactively and risk oriented to self-
identify ethical issues, as well as areas for improvement, etc.

Since Systembolaget does not have a structured system for whistleblowing, but instead focuses on having an ethics advisor, it is implied that the company is not willing to implement a whistleblowing system but not because of the PDA, it’s because the company is focused on proactive measurements. This finding cannot be applied to Ross and Mitrovic (2011) theory that the restrictive regulations by the Swedish Data Inspection Board are the reasons why a company does not implement a whistleblowing system.

The advantages and disadvantages of a whistleblowing system

As stated above, the advantages of a whistleblowing system is evident, since it helps detect fraud and misconducts; however, Swedbank’s compliance officer had an opposing view, she did not think that certain types of crime should be treated in a computer system, and that Swedbank have a function for reporting misconducts that is permitted. Her beliefs are in compliance with the Data Inspection Board’s strict interpretation of the personal data protection law (Data Inspection Board, 2010)

Since Swedbank’s compliance officer did not see any advantages of a whistleblowing system, it’s assumed that she only sees the disadvantages, and completely rules out the advantages.

However, Systembolaget’s legal counsel had a different explanation. She stated:

“What I have observed is that in general, a trend within the Swedish business world is to “be open”, transparent. One big advantage for the companies to have such system is that they then will receive the areal perspective over the whole organization, which is very valuable.”

In this regard, Systembolaget’s Legal counsel did see the advantages of implementing a whistleblowing system, which could be interpreted in the sense that the legal counsel does
recognize that it is beneficial to have whistleblowing system, but also that it could be due to a trend, which in a sense may come from society’s or competitors pressure.

**International operations**

Systembolaget does not have outside operations since it’s a state-owned company, and since it’s a monopoly, the company is not for profit; therefore, there are no international forces that demand whistleblowing systems.

However, Swedbank do have international operations. Swedbank’s compliance officer explained that Swedbank has operations in the Baltic States. She explained:

“...there is a risk that they are not so particular fond of these kinds of things that are allowing you to report anonymously.”

However, many European nations are following the trend of implementing a system where employees can report anonymously; this could mean that international affairs may demand the implementation of whistleblowing systems (Efendic, 2010)

**The implementation of a whistleblowing system in the future, and the comparison with implementing a system in the U.S.**

Systembolaget’s legal counsel explained that the company will probably look into it even further in the future, but as of now, the company has not decided yet. In a sense, it seems that Systembolaget is not against the idea of a whistleblowing system, and that they are considering the idea of a whistleblowing system, which could be an indication that they are not as concerned with the strict PDA law. However, Swedbank’s compliance officer stated:

“...we do not want the American way to treat people.”
She explains that in the European nations, privacy and integrity is strong, and the consumer interest and the interest from different organizations are large. She explained:

“You get to work in a particular way that is very special and that is very privacy-protective. You can be wrongfully accused of certain things and you cannot see or prove anything, and it might not really be such a big deal in the beginning. There may be various reasons why people report and it is clear that it is easier to report if you are anonymous. But you should be able to be that, absolutely.”

This could be related to the Data Inspection Boards (2010) regulations of organizations not being able to easily storage personal data about an employee because of an accusation.

She explains that whistleblowers may act out of revengeful or opportunistic motives if whistleblowing systems are implemented, and that the law is structured in a way that offers anonymity, but that there could be difficulties with anonymity since it is difficult to really know what happened, and difficult to know the details because the person is not known. Thus, it becomes difficult for the Chief of Compliance, who is in charge of that kind of matter, which eventually takes it further depending on the type of concern. She illustrated:

"For example, if it would be a real whistleblowing situation alleged bribery or misconduct in accounting, this type of crime which then is put up for whistleblowing crimes, then they should of course investigate it along with the security department and others who can help with their special knowledge. It's not like the board of compliance is by themselves.”

This could be implied that the compliance officer is concerned about the stakeholders’ interest, but mostly concerned about the Chief of Compliance interest, as well as the employee who allegedly committed the crime or the wrongful activities. In this regard, the Swedbank’s compliance officer is concerned about the effects of storing an employee’s information, which is in line with the Data Inspection Boards (2010) interpretations of the
PDA, and it is also in line with the fact that companies may get discouraged when it comes to whistleblowing systems.

**The importance of transparency for a company**

Swedbank’s compliance officer explained that they have mottos such as "open climate" that they are constantly trying to implement, but she also recognized that:

“...one can understand that it's not so popular to report someone for serious issues.”

The motto and the culture that soaks the entire banking system are supposed to help them with their mission. She further explains that the banking industry is incredibly rules-based when it comes to security because of the banks sensitive market for their customers, and so people are very well aware of this. Also, there are some rules governing the employment, so they cannot expose them easily. In this regard, it could be assumed that there are detailed rules that Swedbank’s compliance officer implies limits the entity from having an overall transparent climate.

She also explained that the high and low climate within the company was not relevant to the company. She explains:

“...because here we are so aware that it is so vitally important for the bank's reputation for us to be a great and big player in the market, that everything is going as it should that everything is done properly. These things such as bribery and all sorts of things that are crime related must come to the surface anyway. I think a lot of big companies operating in other countries in Asia have to deal with bigger problems than we have to. Here you are so fully aware of it, that violations are not acceptable. The possibility should not exist, and I do not think there is as much of that kind of rule violations in a Swedish bank. It is extremely rare”.
By stating the importance of reputation, it is clear that Swedbank’s compliance officer is well aware of their legitimacy and stakeholders, since according to Pittroff (2013), the legitimacy theory explains that companies have a social responsibility to society. However, the compliance officer explains unlawful activities such as bribery will eventually come to surface, implying that there isn’t a need for a whistleblowing system.

**Summary of the incentives not to implement whistleblowing systems:**

Swedbank’s incentive not to implement a whistleblowing system is due to not willing to take the risk of overstepping the Personal Data Act.

While Systembolaget’s incentive not to implement a whistleblowing system is due to proactive measurements, which did not apply to the theory of not willing to take the risk of overstepping the Personal Data Act.
Conclusions
The aim of this research was to develop an understanding of what the incentives are for Swedish listed companies to implement, or not implement whistleblowing systems. The literature review and theories were divided into three sections:

- The external incentive to implement a system for whistle blowing, which was to gain legitimacy

- The internal incentive to implement a system for whistle blowing, which was to improve the internal risk management

- The incentive not to implement a whistleblowing system, which was not willing to take the risk of overstepping the law.

The companies’ external and internal incentives to implement whistleblowing systems were supported by the literature review and the expected theories. All four of the companies did in fact relate the incentives to risk management and to gain legitimacy. In other words, the companies saw the potential of managing unwanted risks by introducing a system for whistleblowing, as well as, show the public that they were aware of the demands of whistleblowing systems. The expectations of this study were that the companies’ main incentives to implement whistleblowing systems were to gain society’s acceptance and be able to oversee their internal risks when it comes to fraud. Pittroff, (2013) research suggests that companies implement whistleblowing systems due to gain acceptance from society, which relates to this study’s findings as well; moreover, this study also shows that an incentive to implement a whistleblowing system is also to improve risk management.

TeliaSonera’s coordinator, as well as SEB’s head of sustainability implied that the main reason why the companies implemented whistleblowing systems were for the benefit of the companies’ risk management, they also recognized that it was due to their stakeholders, which indicates that the companies did it for legitimacy reasons as well. Ericsson’s head of audit and NCC’s chief of compliance did recognize that the implementation was due to both the public and for the companies’ internal risk management. Both companies did explain that the reasons why they did implement the systems were because of outside pressure, but recognized that whistleblowing systems had a huge role in managing risks. Therefore, this study’s findings contribute to the relevant theories and concepts of what the incentives are for implementing a whistleblowing system.
While the implication that the disadvantages outweigh the advantages is the reason why a company does not implement a whistleblowing system does apply with Swedbank, it does not apply with Systembolaget. The main reason why Swedbank did not want to implement a whistleblowing system was because of the law, and the challenges of implementing a whistleblowing system when it is not legal to storage personal data in a system. Swedbank was not willing to take the risk of overstepping the law. This complies with the expectations of this study’s theory that the reason why a company may not want to implement a whistleblowing system is due to risk of overstepping the strict interpretation of the Personal Data Act by the Swedish Data Inspection Board. On the other hand, Systembolaget, had a different explanation on the incentive not to implement a whistleblowing system, which was that the company may believe more in proactive measurements, which makes a whistleblowing system not necessary. This finding was not supported by the relevant theory and expectations, since Systembolaget’s main risk management strategy was focused on the prevention of fraud and misconducts.

**Further research:**
We would like to suggest that further studies could focus on more than six companies in Sweden regarding their incentives to have or not to have whistleblowing systems. It would contribute to the development of organizational structures and behaviors. Furthermore, it could be interesting to see if the chosen companies really are doing what they have stated that they will do, or are doing, which could be in relative to the expectation gap theory by asking the following question: Does their actions match the stakeholders’ expectations?

Since the demand for whistleblowing systems is increasing from the public, the society, as well as the media, the topic of the incentives to implement, or not implement, whistleblowing systems is relevant for several future studies.
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Appendix A

Companies that have whistleblowing system:

Areas to discuss:

1. Does a whistleblowing channel exist in this company?
2. What are the reasons for implementing whistle blowing system?
3. How was the system implemented?
4. How does the whistleblowing system function?
5. How is the system used?
6. How important is it to have a whistleblowing system anonymous?
7. Who monitors and controls the procedure?
8. How important is transparency for a company?
9. What are the advantages and disadvantages of a whistleblowing system?
10. Does a company implement a system for the company or for the public?
11. How does a whistleblowing system affect the company?
Appendix B

Companies that do not have a whistleblowing system:

Areas to discuss

1) What are the reasons for not implementing a whistleblowing system?
2) Does this company have another type of policy specifically regarding whistleblowing?
3) Do you think that there should exist an anonymous whistleblowing system?
4) How important is CSR in the company?
5) Do you think that it is important to have a system for whistleblowing for CSR?
   If yes, why? If no, why not?
6) How important is transparency for this company?
7) What are the advantages of a system?
8) What are the disadvantages of a system?
9) How does it affect the company to not have a system for whistleblowing system?
Appendix C

This section is copied from Lahtinen, (2013) p. 91

1. Existence of whistle blowing channel

2. Reasons behind the need to establishment the whistle blowing channel

3. Influence of factors on the channel such as number of employees, number of operating countries, industry

4. Function of the whistle blowing scheme

5. Usage of the channel

6. Role of anonymity of the channel

7. Monitoring of the procedure

8. Transparency about the topic to company’s other stakeholders

9. Pros and cons of having/ not having such a channel

10. Outsourcing or insourcing the channel

11. Relativity of risks related (from multiple angles)

12. Motivation behind the existence of whistle blowing scheme