

Whistle Blowing Schemes in 20 Biggest Finnish Companies

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Objectives of the study

Literature and studies of whistle blowing are rather young and relatively few. Whistle blowing schemes are currently a timely topic in Finnish company context. Only one report has been conducted reflecting the issues of whistle blowing schemes in Finnish companies (KMPG 2011). The aim of this study is to deepen the understanding of whistle blowing scheme status and to find out the factors influencing the establishment of whistle blowing schemes. The aim of the study resulted in two research questions: I. Do biggest Finnish companies employ whistle blowing schemes? and II. What are the underlying factors influencing to the existence or non-existence of whistle blowing schemes in the case companies?

Methodology

The thesis uses qualitative case study approach. The study was conducted by using a multiple case study method, including extensive use of company documents and thematic interviews. Twenty case companies' 128 reports or documents and numerous company internet sites were systematically searched through for any references to whistle blowing schemes. All the citations were filed and saved. For more in depth understanding of the issue three face-to-face interviews were done, five shorter phone interviews and eight email interviews.

Findings and Conclusion

The study shows that whistle blowing scheme status in biggest Finnish companies is high while almost 90 per cent of the companies employ whistle blowing scheme of some form. More than 60 per cent of the companies mentioned additionally to employ anonymous whistle blowing channel. The use of anonymous whistle blowing scheme was found to be in contradiction with EU Directive 95/46/EC. Moreover the underlying factors behind the establishment of whistle blowing schemes fall under the three reasonings: firstly legislation works as a coercive reason for some companies to establish whistle blowing schemes. Secondly some companies face binding expectations and pressures coming from the company environment for establishing whistle blowing schemes without the legislative pressure. And thirdly cultural-cognitive element may hinder the establishment of whistle blowing schemes in Finnish culture where trust and credibility are relied on to gain legitimacy.

Key Words

Whistle blowing, anonymous whistle blowing, formal whistle blowing, Sarbanes-Oxley Act 2002, UK Anti-Bribery Act 2010, EU Directive 95/46/EC, Corporate social responsibility (CSR), institutional theory, Finnish culture

Whistle blowing -järjestelmät eli Järjestelmät väärinkäytösten raportointiin -tapaustudkimus 20 suurimmasta Suomalaisesta yhtiöstä

Tutkimuksen tavoitteet

Whistle blowing järjestelmät tutkimusaiheena on nuori ja kirjallisuutta on toistaiseksi vähän. Whistle blowing -järjestelmät ovat tällä hetkellä ajankohtainen aihe suomalaisissa yrityksissä. Ainoastaan yksi raportti on syventynyt whistle blowing -järjestelmiin Suomen kontekstissa (KPMG 2011). Tämän tutkimuksen tavoite on syventää ymmärrystä whistle blowing -järjestelmien nykytilasta suurimmissa suomalaisissa yrityksissä. Toiseksi tavoitteena on ymmärtää, mitkä tekijät vaikuttavat whistle blowing kanavien perustamiseen ja olemassaoloon tutkituissa yrityksissä. Nämä tavoitteet johtivat kahden tutkimuskysymyksen muotoutumiseen: I. Käyttävätkö suomalaiset yritykset whistle blowing järjestelmiä? ja II. Mitkä ovat ne tekijät, jotka vaikuttavat whistle blowing kanavien käyttöön ottamiseen yrityksissä?

Tutkimusmenetelmät

Tutkimus toteutettiin kvalitatiivisena, useiden tapausyksiköiden tutkimuksena. Aineiston kerääminen tapahtui yrityksiin raporttien, dokumenttien ja internet-sivustojen analysoimisella, tavoitteena löytää viittauksia whistle blowing -järjestelmiin. Lisäksi aineiston kerääminen tapahtui teema-, puhelin- ja sähköpostihaastatteluiden avulla. Tutkimus sisälsi 20 yrityksen 128 raporttia tai dokumenttia, lukuisia internet-sivustoja, jotka dokumentoitiin ja taltioitiin. Tutkimuksessa suoritettiin 16 haastattelua, joista kolme kasvokkain, viisi puhelimesta ja kahdeksan sähköpostin välityksellä.

Tulokset ja johtopäätökset

Tutkimus osoittaa, että whistle blowing -järjestelmien käyttö on suurimmissa suomalaisissa yrityksissä yleistä. Kahdestakymmenestä tutkitusta yrityksestä lähes 90 prosenttia käytti whistle blowing -järjestelmää. Yli 60 prosenttia yrityksistä käytti lisäksi nimetöntä raportointikanavaa. Nimettömien raportointikanavien käyttämisen todettiin tutkimuksessa olevan ristiriidassa EU:n direktiivin 95/46/EY kanssa. Tutkimus osoitti lisäksi, että lainsäädäntö on pakottavin tekijä perustaa whistle blowing -järjestelmiä. Toiseksi sidostyhmiin sitovat odotukset ja dynaamisen liiketoimintaympäristön luomat paineet ovat syy käyttää whistle blowing -kanavia tuomaan yrityksille lisää legitimitettä. Kolmanneksi kulttuurisidonnaiset tekijät, kuten luottamus ja uskottavuus, saattavat hidastaa tai estää whistle blowing kanavien käyttöönottoa Suomessa, koska tarvetta niihin ei nähdä.

Avainsanat

'Whistle blowing' eli järjestelmä väärinkäytösten raportointiin, nimetön raportointi kanava, muodollinen raportointi kanava, Sarbanes-Oxley- laki 2002, UK Anti-Bribery- laki 2010, EU direktiivi 95/46/EC, yritysten sosiaalinen vastuu, institutionaalinen teoria, suomalainen kulttuuri

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1. Introduction

Introduction section of the thesis will shortly present the foundation of the study. This section of the study will present the background of the selected topic, reasons for choosing it and the prevailing research gaps and problems. In the end of the introduction section of the study key definitions and research limitations are presented.

1.1 Background

Companies invest lot of time and money of conducting ethical frameworks to support their core business. Whistle blowing channels are one of the newest channels that companies have adopted as part of their internal monitoring processes. Whistle blowing concept originates from USA but has rapidly spread globally.

Listed companies almost consistently declare their values and codes that their employees and other stakeholders are expected to follow. These guidelines often come in the form of code of conduct, several policies or combinations of these. If someone breaks these rules most naturally it comes to the knowledge of the employer somehow. Ultimately whistle blowing channels are meant to be the channel where employees feel comfortable to raising matters if they will not be resolved other ways. Naturally it is better for companies that employees blow the whistle internally instead of going to company external parties to report their concerns.

The topic of whistle blowing is interesting while it is not so widely studied from multiple perspectives available. No academic research of the topic was found that would include any focus on Finnish multinational companies which worked as a stimulus for this paper. KPMG (2011) had conducted a short review of the whistle blowing systems in Finnish companies that gives confirmation that the topic is very timely and studies about it non-existent. The interviewed company representatives additionally gave positive feedback for the selection of the topic and were interested in hearing the results afterwards.

The topic is relevant to study while big corporate scandals around the world are still anything but rare. The pressure for companies to control their activities increases when they go public or additionally when the number of their operating countries increases. Existence of whistle blowing channels might be the bottom line approach from companies' side in preventing misconducts to occur. Big scandals that has occurred in the past, like Enron, has given food for thought for both company representatives as well as for researchers on how to minimise all the risks of non-compliance in the organisation. Therefore legislation, codes and policies are encouraging and forcing companies to do their utmost on preventing such incident to occur. Whistle blowing schemes are one of the preventative measures that have come into existence as a result of it all.

1.2 Research Problem

The thesis topic focuses on analysing *whistle blowing* schemes in the 20 biggest Finnish companies. The topic of whistle blowing scheme is regarded as a reporting tool that employees could use to report misconducts and wrongdoings inside the company. It is also considered as a managerial tool that could add value to company operations through better reputation, risk management, early interception to problems and easy communication channel to employees that might not be able to communicate problems otherwise. An academic study on the whistle blowing system status of biggest Finnish companies has not been reviewed thoroughly before. Therefore it was selected as a research gap. Before two studies were found that relates to whistle blowing topic in Finland: "Ethics Codes in Finnish Business" by Lise-Lotte Lindfelt. (2004) and KPMG's report on Whistle blowing schemes in Finnish companies (2011).

1.3 Research Objectives and Research Questions

The main objective of the study is to review Finnish companies' internal procedures relating to whistle blowing schemes. The aim is to define different forms of whistle blowing channels that Finnish companies use to understand the status quo of whistle blowing schemes in biggest Finnish companies. The aim is to compare the results to

KPMG's (2011) report on whistle blowing schemes to deepen the understanding of such internal control measures.

Second objective of the study is to extend the viewpoint to comprehend the underlying factors behind whistle blowing schemes that influence the company behaviour to establish or not to establish whistle blowing schemes. This will give understanding to company motives, aims and reasons. Additionally the study aims to shed light on the topic of whistle blowing schemes to nourish more research on the topic, give other viewpoints for professionals working for companies and create transparency on the field that is not so widely discussed on public.

Research questions:

- I. Do biggest Finnish companies employ whistle blowing schemes?
- II. What are the underlying factors influencing to the existence or non-existence of whistle blowing schemes in the case companies?

1.4 Definitions and limitations

In the following paragraphs the seven key definitions are presented and defined. It is followed by a description of the limitations of the study.

1.4.1 Key definitions

'Whistle blowing'

According to Crane and Matten (2007: 147) "whistle blowing refers to acts by employees to expose their employers for perceived ethical violations". Another definition by Dasgupta and Kesharwani (2010: 58): "A whistle blower generally blows the whistle on acts of wrongdoing that are illegal as well as on those acts which are considered immoral and illegitimate as per the perceptions of the whistle blower".

'Formal whistle blowing'

According to Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008; p. 930) mean that organization has already established a communication channel or procedure for reporting misconducts.

'Institutional whistle blowing'

Means an informal way of reporting misconducts that is by personally telling associates who the person trusts for example. (Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008; p. 930)

'Identified whistle blowing'

Means that the person who reports on misconduct uses his or her real name. (Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008; p. 930)

'Anonymous whistle blowing'

Means that the report on wrongdoing does not contain any information on the employees name, but is done anonymously. (Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008; p. 930)

'Internal whistle blowing'

Meaning that the person reporting the misconduct reports to a supervisor or someone with governance within the company (Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008; p. 930)

'External whistle blowing'

Means that the person wanting to submit a report on wrongdoing has the only option to report to outside sources or public. (Park, Blenkinsopp, Oktem, and Omurgonulsen, 2008; p. 930).

In this paper the word whistle blowing refers to company's internal act where employees raise an unethical matter to their employer's knowledge. In the study four forms of whistle blowing were recognised: Identified whistle blowing, anonymous

whistle blowing, internal whistle blowing and external whistle blowing. All the previous definitions are used in the paper.

1.4.2 Limitations

The paper will only focus on twenty biggest Finnish case companies. These twenty companies vary greatly due to size (turnover and the number of personnel) and degree of internalisation. The results will present the current situation of those twenty companies and give direction for further studies.

This paper includes only the external data that companies provided for their stakeholders and is therefore publicly available for everyone. Interviews were an additional source of data from those companies that had *no references* of using any forms of whistle blowing channels. Only one representative per company was interviewed for more indebt data Only from Fortum two company representatives were interviewed. This might lead to some bias in the results of the paper while representatives might have personal perceptions influencing on the interviewed topic.

2. Literature review

The literature review begins with introducing whistle blowing topic's background, differences between whistle blowing forms and conducted research around the topic. Additionally the KPMG's previous report about whistle blowing systems in Finnish companies is reviewed and analysed.

The second part of literature review focuses on institutional theory and how it can be applied to relevant issues that affect the establishment of whistle blowing schemes in Finnish companies.

2.1 Whistle Blowing

Whistle blowing is originally defined to be “acts by the employees to expose their employers for perceived ethical violations.” (Crane And Matten 2007: 147) A real life example of one of the first huge whistle blowing scandals occurred in the United States against a big tobacco company Brown and Williamson Tobacco Corporation.

Jeffrey Wigand worked for Brown and Williamson Tobacco Corporation as head of research through the years 1989 to 1993. Wigand became aware of the downsides of smoking cigarettes and brought his knowledge to the top managements' awareness. He tried to create safer cigarettes but the company kept on having additive cancer-causing cigarettes because they saw the negative influence of the knowledge on company sales. Many of the top management of Brown and Williamson knew about the serious issues, tried to quiet Wigand, manipulate facts and eventually even fire him so that the story would not end up in public knowledge. The incident and Wigand's desire to be truthful led even to the point where Wigand and his family received death threats. Finally Wigand went public with everything he knew about the cigarettes and the unethical acts by the top management. First he gave an interview to The Wall Street Journal about the issue. After the interview Brown and Williamson Tobacco Corporation's company lawyers tried to stop Wigand of going further with his testimony nearly succeeding. It took three months until the CBS News were able to broadcast an interview in a

television show called "60 Minutes" where Wigand blew the whistle with everything he knew. All this led to a massive court process and serious consequences for the company and for the management. (Crane and Matten 2007; Crane and Matten 2007: Carter 1996 A; Carter 1996 B)

This story tells the basics behind the whistle blowing. A worker identifies a problem (misconduct, serious concern, wrongdoing, non-compliance, unethical behaviour etc.) and informs his or her supervisor about it. The employer reacts to the information in different ways; they may take the responsibility to correct the problem themselves, but still do nothing about it, asks to forget the whole thing or so. The result is that the ultimate problem is not resolved and the employee must consider what to do about the issue. Probable outcome is that the only solution for the employee is to go public and report the matter to other stakeholders, for example a legal authority, journalist, or someone else. These sorts of actions by the whistleblower often end with very negative consequences to the whistleblower as well as to the company. The worker might be victimized, fired and black labeled. and the companies reputation might suffer (Crane and Matten 2007)

Several cases have shown that this phenomenon did not stop to the above described case of Brown and Williamson. Enron is probably one of the best known global whistle blowing cases that resulted from an accounting fraud in 2002 leading to the company bankruptcy and loss of investors' money. WorldCom is another example from the same year of a big financial scandal.

Whistle blowing systems and schemes originate as a result from the above described scandals and cases. These scandals has led to a current situation where they are tried to be avoided by installing proper measure by government, institutions and companies themselves to minimize the risk of financial losses due to whistle blowing. Therefore whistle blowing term has shifted from the situation when someone blows the whistle to a more anticipative approach where companies try to avoid those situations by proper means, often installing different kinds of whistle blowing systems. According to the EU data protection working party (2006) "Internal whistle blowing schemes are generally

established in pursuance of a concern to implement proper corporate governance principles in the daily functioning of companies. Whistle blowing is designed as an additional mechanism for employees to report misconduct internally through a specific channel. It supplements the organisation's regular information and reporting channels, such as employee representatives, line management, quality control personnel or internal auditors who are employed precisely to report such misconducts. Whistle blowing should be viewed as subsidiary to, and not a replacement for, internal management." (Data Protection Working Party 2006: 6)

Whistle blowing studies have had mostly focus on whistle blowing processes (Dworkin and Baucus 1998; Somers and Casal 2011), antecedents of the whistle blowing (Miceli and Near 1985; Miceli and Near 1988; Miceli and Near 2005; Near, Rehg, Van Scooter and Miceli 2004; Rothwell and Baldwin 2006) retaliation and consequences (Miceli and Near 1989; Miceli and Near 1992), effectiveness of whistleblowers (Miceli and Near 2002), whistle-blower disclosures and management retaliation (Rothschild and Miethe 1999) and cultural effect on whistle blowing (Zhuang, Thomas and Miller 2005; Aguilera et al. 2007; Park, Blenkinsopp, Oktem and Omurgonulsen 2008) Therefore this literature review takes a closer look on the companies side of the story. What influencing factors drive the establishment of whistle blowing channels inside corporations and what does not. Literature reviews starts with a short chapter on whistle blowing forms.

2.1.1 Different Forms of Whistle Blowing

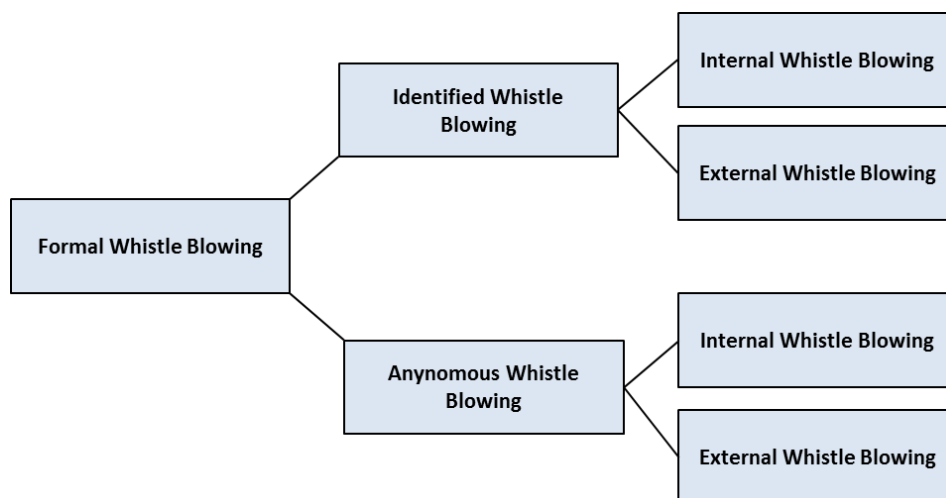
Park, Blenkinsopp, Oktem, and Omurgonulsen (2008) defined whistle blowing in different types. Their typology of whistle blowing categorises whistle blowing first to *formal and informal whistle blowing*. Previously Rohde-Liebenau (2006) defined whistle blowing in same ways using terms *authorised* and *unauthorised*. Formal whistle blowing can occur when organization has already set up a communication channel or procedure for reporting misconducts. Then employees can follow the set protocol for reporting concerns. Informal whistle blowing occurs when there does not exist such a

channel or procedures and employee might turn to associates who the person trusts for example.

The second diversifying type is whether employee need to use or uses their real name or other information revealing their identity. This is called identified whistle blowing according to Park, Blenkinsopp, Oktem, and Omurgonulsen (2008) The other option is to have a communication channel in place enabling anonymous contacts. (Park, Blenkinsopp, Oktem, and Omurgonulsen (2008)

Thirdly person must make a choice between reporting *internally* or *externally*. Internal whistle blowing refers to reporting the misconduct inside the organisation, to supervisor, management or to other appropriate person within the organisation. External whistle blowing instead refers to reporting misconducts to outside agencies that are trusted to have the power to interfere and solve the problems. Park et al. also mention that external whistle blowing also means that employee could inform public as well. (Park, Blenkinsopp, Oktem, and Omurgonulsen (2008) In this study only the formal ways of whistle blowing are considered and discussed.

Figure 2: A typology of Whistle blowing



Adapted from Park, Blenkinsopp, Oktem, and Omurgonulsen (2008: 930)

Park et al. (2008) study examined the differences in attitudes on whistle blowing between different nationalities. Additionally the focus was on whether they found differences could be explained by differences in cultural orientation. In general the three samples they had amongst UK, Turkish and South Korean students, the result showed a preference for formal, anonymous and internal types of whistle blowing. Still worth noticing is that significant variations were found related to nationality and cultural orientation. They found that nationality was more influencing factor in attitudes towards whistle blowing than cultural orientation. These findings they concluded to have implications on corporate guidelines and practices in a way that to improve likelihood of employees reporting misconducts there might be a need to tailor their guidelines and practices to a country specific context. As an example they gave an example that “the results show the general preference for anonymous over identified whistle blowing is relatively weak in Turkey and the U.K., but much stronger in South Korea, suggesting that developing a channel by which an employee anonymously reports a wrongdoing would be a particularly effective strategy in this country.” (Park, Blenkinsopp, Oktem, and Omurgonulsen 2008)

Bhal and Dadhich (2011) Studied Impact of Ethical Leadership and Leader–Member Exchange on Whistle Blowing. They found that ethical leader behavior is strongly significant on whistle blowing. Ethical leaders are themselves ethical persons but they additionally must support and encourage ethical behavior of the employees. They make sure that set ethical policies are followed by their subordinates.

2.1.2 Whistle blowing research of Finnish companies

KPMG had conducted a short review concerning the whistle blowing systems in Finnish companies. They covered the topic of how common such channels are in 49 biggest Finnish companies measured in their turnover. They used company external web pages as a source of information. They searched for references for guidance targeted to companies’ stakeholders on how to report misconducts, what kinds of channels they have in use, do they offer possibility to report anonymously and does they give other stakeholders besides employees to use the systems. 64 per cent of the reviewed

companies were publicly listed companies. The results were that 43 per cent of the companies mentioned of the duty to report if company guidelines are being violated or there are suspects of misconducts. 57 per cent of the companies did not have any reference of such. Another of their key results was the channels that companies provide for reporting. The most common was own supervisor (86%), internal audit (48%), law department or person in charge (33%), management (24%), the audit committee (10%). 43 per cent of the companies employed more than one channel. Nine companies out of 21 companies that had a whistle blowing channel reported to use more than one channel. 11 of the 21 companies (52%) had anonymous function offered. Seven companies (33%) specifically gave other stakeholders besides employees on opportunity to report on misconduct. Most used reporting channels were electronic (email, online forms) by 57 per cent, phone line by 24 per cent, physical mailing address by 24 per cent, reporting personally by 10 per cent and fax as a reporting channel was provided by 5 per cent. (KPMG 2011)

The conclusion was that less than half of the companies reviewed told of having whistle blowing channel in use. The positive result found was that there are alternative recipients for reporting issues. Nevertheless less than half of the companies having such channels offered more than one channel for reporting. Half of the companies had an anonymous function in use that employed whistle blowing channels. One third of companies had opened a whistle blowing channel for other stakeholders. (KPMG 2011)

There were some limitations of KPMG's review. The review was not specific on what was defined as a whistle blowing channel. Other limitation would include the use of only companies' web pages as an only source of information.

In the following part institutional theory is presented to build frame for the discussion of whistle blowing schemes in the literature context. The institutional theory frame introduces three categories that each are applied to whistle blowing schemes context to detect the underlying issues in each category. Later the same structure is followed when presenting the findings.

2.2 Institutional Theory

Behind the institutional theory there is a perception that organizations are largely embedded in broader institutional environments. This theory was established late 70's and early 80's. (Scott and Meyer 1994) Institutional theory has been increasingly applied to the study of MNC's in recent years (Kostova and Roth 2008)

Scott (2001) defines institutions as social structures that are not easily changes but persistent. He follows by saying that: "institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life." (Scott 2001: 48) There are many ways to transfer institutions. That can happen through symbolic or relational systems, artifacts or routines. Institutions can exist in many levels of authority varying from global systems to local interpersonal relationship. Usually institutions refer to sustainability but can alter incrementally and cyclically. Regulative, normative and cultural-cognitive elements are the enforcing agency behind the processes that cause the above mentioned properties of institutions. Regulative, normative and cultural-cognitive elements are the foundation of institutions that cause resistance of institutions to change. Rules, norms and cultural beliefs are an essential part of institutions deriving from social interaction between men. (Scott 2001)

Scott (2001) writes that regulative, normative and cultural-cognitive systems are the core of institutions. These three elements create a continuum that shifts "from the conscious to the unconscious, from the legally enforced to the taken for granted." (Hoffman 1997: 36) These three elements influence on institutions independently but similarly in mutually reinforcing ways. They create the enforcing direction for institutions through values, reward and social sanctions to become more consistent.

Organisations need social acceptability and credibility among other things in order to succeed in societies. This is often called legitimacy. All three pillars have their ways to capture legitimacy. Legally sanctioned, morally governed and comprehensible, recognisable and culturally supported. (Scott 2001) Another theorists DiMaggio and Powell (1983) studied organisations embedded in institutions. They detected three

mechanisms that cause institutional isomorphic change: Coercive, mimetic isomorphism and normative. DiMaggio and Powell's theory is parallel with Scott's theory of institutions.

Table 1: Three Pillars of Institutions

| | Regulative | Normative | Cultural-Cognitive |
|-----------------------------|------------------------|------------------------------|--|
| Reasons to comply | Expedience | Social obligation | Taken-for-grantedness / Shared understanding |
| Reasons behind order | Regulative rules | Binding expectations | Constitutive scheme |
| Mechanism | Coercive | Normative | Mimetic |
| Logic | Instrumentality | Appropriateness | Orthodoxy |
| Indicators | Rules, laws, sanctions | Certification, accreditation | Common beliefs, shared logics of action |
| Basis of legitimacy | Legally sanctioned | Morally governed | Comprehensible, recognizable, culturally supported |

Adapted from Scott (2001)

Institutional theory has been used for studying the adoption and diffusion of organizational practices among organizations. A central tenet of institutional perspective is that organizations sharing the same environment will employ similar practices and become isomorphic with each other due to institutional pressures driven by legitimacy motives. (Kostova and Roth 2002)

However MNCs face pressures since their subsidiaries also have to comply with national culture and laws. Hence MNC have to adapt to local practices as well. However a competitive advantage requires the utilization of organizational capabilities worldwide. MNCs have to both integrate globally and adapt locally. Subsidiaries' willingness to adopt a new practice is expected to differ given their unique local pressures. Hence subsidiaries are confronted with two isomorphic pressures and need to maintain legitimacy within the host country and MNC. The authors refer to this problem as institutional duality. (Kostova and Roth 2002)

2.2.1 The Regulatory pillar

Regulatory pillar is the most highlighted pillar of all. Institutions mission is to regularize and set frames for behavior. The regulative aspect of the system consists of a process where rules are first set, then monitored and depending on the behavior punished or rewarded. This process naturally influence on the future behavior. Regulatory aspect includes formally established rules and unwritten codes of conduct. (Scott 2001) When these rules are violated punishments are executed. Crucial point to view the functioning of institutions is to weigh the costs to reveal violations and the seriousness of the sanctions. (North 1989) Scott encapsulated that regulative pillar consists of force, fear and expedience. These three parts are still often shadowed by the formal rules and laws. The rulers seldom use force alone when establishing rules and laws. Legitimacy, threat of sanctions, inducements and authority are the key words when securing the compliance to the rules and laws. The costs of monitoring the compliance to the rules and laws is a topic much talked of. One way of controlling the costs and creating a sound system is to create incentives to follow the set rules. Sometimes the parties involved can monitor the agreements, sometimes third parties are needed. Third party representative often is the state that monitors that the rules and laws are being followed. (Scott 2001) “A stable system of rules, either formal or informal, backed by surveillance and sanctioning power, is one prevailing view of institutions.” (Scott 2001: 54)

DiMaggio and Powell (1983) argue that coercive isomorphism is a result from informal and formal pressures that organisations confront in the society. These pressures derive from other organisations that they are dependent of and additionally from cultural expectations that they are part of. These pressures lead to the situation where organization feel compelled to act in an isomorphic ways. As Scott (2001) claimed above legislation is also one of the reasons to derive organizational change in DiMaggio and Powell’s theory. Change is a direct response to governmental regulations and laws. Common legal environment changes organizations’ structure and behavior in many ways while organization’s controlling activities ought to honor these rules of society.

Organisations seeking legitimacy in this way in societies lead to the situation where organisations become increasingly homogeneous. (DiMaggio and Powell 1983)

In the following paragraphs legislative pillar is applied to whistle blowing related laws and acts that influence on existence and establishment on Finnish case companies' internal whistle blowing procedures. The Sarbanes-Oxley Act 2002 is presented first while it is the strictest law established, followed by UK Anti-Bribery Act 2010, EU Legislation related to whistle blowing and then lastly Finnish corporate Governance 2010 for listed companies is presented.

The Sarbanes-Oxley Act 2002

The Sarbanes-Oxley Act 2002 came into force July 2002. Influencing factor to establish the Act was big scandals among multinational corporations at the time, Enron being probably the best known example. It widely spread distrust among investors towards general reporting and accounting practices (Rauhofer 2007) The reason behind the new act was “To protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes.” (Sarbanes-Oxley Act of 2002: 745) Sarbanes-Oxley Act also demanded corporations and more specifically their audit committees to create procedures so that companies can better handle complaints that involve accounting or auditing matters. This included an establishment of a procedure where employees can confidentially and anonymously report concerns regarding questionable accounting or auditing matters. (Sarbanes-Oxley Act of 2002)

Sarbanes-Oxley Act 2002 set a demand for publicly listed companies to create a standard code of ethics for senior financial officers that promote: “ (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the issuer; and (3) compliance with applicable governmental rules and regulations.” (Sarbanes-Oxley Act 2002: 789-790) Additionally specifically Sarbanes-Oxley Act of 2002 established

law to protect whistleblowers for employees of publicly traded companies who will provide company with evidence of fraud. (Sarbanes-Oxley Act 2002)

More specifically Sarbanes-Oxley Act Requires companies to include internal control report to their annual report. In this report they ought to “(1) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (2) contain an assessment, as of the end of the most recent fiscal year of the issuer, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting.” (Sarbanes-Oxley Act of 2002: 789)

The Sarbanes-Oxley Act 2002 also increased criminal penalties in any cases when failing to comply with the act. (Sarbanes-Oxley Act 2002) As a result of this Act all the listed US companies and non-US companies listed on a US stock exchange needed to establish such procedures.

The UK Anti-Bribery Act 2010

In the UK Anti-bribery Act 2010 it was stated that the Secretary of State is to publish guidance about procedures. This is aimed for the relevant commercial organisations so that they can set up procedures in order to prevent persons associated with them from bribing. The Secretary of State Kenneth Clarke published a guidance book on March 2011.

“The Act creates a new offence under section 7 which can be committed by commercial organisations which fail to prevent persons associated with them from committing bribery on their behalf. It is a full defense for an organisation to prove that despite a particular case of bribery *it nevertheless had adequate procedures in place to prevent persons associated with it from bribing.*“ (Clarke 2011: 1)

The reasons to establish UK Anti-Bribery Act 2010 was that UK Laws concerning the matters were outdated (Clarke 2011). Clarke claims that it is not a burden for companies but also beneficial for them. The Act should establish clarity and help trading nations by creating standard rules. Clarke also mentions that by creating this act it will also help

companies in means of statutory defense if malpractices should emerge despite the company adequate measures to prevent it (Clarke 2011)

The Bribery Act 2010 has a territorial effect. It clarifies that the act applies “for the purposes of subsection (2)(c) a person has a close connection with the United Kingdom if, and only if, the person was one of the following at the time the acts or omissions concerned were done or made (h) a body incorporated under the law of any part of the United Kingdom”, (The Bribery Act 2010: 8) ...”or that the organisation carries on a business or part of a business in the UK.” (Clarke 2011: 8) Furthermore it is not unambiguous that company having subsidiaries in UK would directly mean that the “parent company is carrying on a business in the UK, since a subsidiary may act independently of its parent or other group companies.” (Clarke 2011: 16) The guidance states that in unclear situation the court is the final arbiter to judge whether the company is “carrying on a business in UK.” (Clarke 2011: 15)

The commercial organisations are being informed by six principles coming from the government that should be acknowledged when establishing anti-bribery procedures. The principles are not prescriptive because the flexibility wanted to be preserved for the variety of circumstances commercial organizations have depending whether it is multinational company or a smaller company in question. The outcome nevertheless is required to be efficient and robust anti-bribery procedures. The guidance highlights the proportionate of risks that should be acknowledged due to different circumstances between the organizations. They believe that organisations operating only in domestic markets have less risk in terms of bribery than those operating in foreign markets. (Clarke 2011)

Principle one states that “a commercial organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.” (Clarke 2011: 21) It indicates that each organization should include a variety of different issues for example a clear strategy, risk mitigation plan, implementation plan, procedures, policies,

communication plans, adequate measures to monitor and control that they are followed. The guidance also communicates that adequate measure for preventing bribery might embrace for example: “The reporting of bribery including ‘speak up’ or ‘whistle blowing’ procedures.” (Clarke 2011: 23) They continue that smaller organisations may rely on periodic oral briefings while multinational organisations may need to establish extensive written communication about the issue. (Clarke 2011)

The second principle includes the commitment of the top-level management to foster the anti-bribery culture. It is also mentioned that statements by top-management that effectively demonstrate top-level commitment include reference to several procedures that are established to mitigate and prevent bribery. Clarke (2011) gives examples of these procedures that are *likely* to include any protection and procedures for confidential reporting of bribery (whistle-blowing).

The *third* principle: states that “The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it.” (Clarke 2011: 25) They list commonly encountered risks that can have a clear influence on the risk levels. These are *country risk*, *sectoral risk*, *transaction risk*, *business opportunity risk* and *business partnership risk*. In brief some *countries* may possess greater risks for bribery due to lack of coherent anti-corruption legislation, poor country government etc. *Sectoral risks* instead are greater in some sectors than in the others. They give example that extractive industries and industries in large scale infrastructure perceive greater risks for bribery. *Transaction risk* increases the risk for bribery for example in situations where charitable or political contributions, licenses and permits are dealt. *Business opportunity risk* may arise in situations for example when commercial organizations deal with high-value projects. *Business partnership risk* means that when interacting with some partners, intermediaries or joint venture partners for example the risks increase.

The *forth* principle remarks that commercial organisation must establish proper due diligence procedures where they take into consideration a proportionate and risk based approach planned to prevent personnel from bribing. Due diligence procedure is to

mitigate the risks related to bribery. (Clarke 2011) The *fifth* principle focuses on communication. “The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.” (Clarke 2011: 29)

The last principle the sixth one states that commercial organizations must monitor and reviews those procedures that are established to prevent bribery. Risks and situations alter constantly and organizations must take this into consideration when monitoring and reviewing the procedures. (Clarke 2011)

The new Act creates pressure for organizations to prevent persons associated with them from bribing on their behalf. Organisations that fail to prevent bribing are subject to a new offence under section 7. Organisations need to ensure that they have adequate procedure in place to prevent bribing. (Clarke 2011)

The Anti-Bribery Act 2010 is empowered with heavier punishments by giving more power to courts (raise of maximum sentence for an individual from 7 years up to 10 years imprisonment), broadening jurisdictional powers (Clarke 2011). For a company failing to prevent bribery could also lead to unlimited fines and other serious consequences for business (UK Anti-Bribery Act 2010). The UK Anti-Bribery Act 2010 does not take a stand on *anonymous* whistle blowing.

Rules of Whistle Blowing in EU Institutions

European Parliament publishes a directive 95/46/EC on the protection of individuals with regard to the processing of personal data in year 1995. In the section 26 it states that a principle of protection of this directive applies to “an identified or identifiable person...” “...whereas the principles of protection shall not apply to data rendered anonymous in such a way that the data subject is no longer identifiable; whereas codes of conduct within the meaning of Article 27 may be a useful instrument for providing guidance as to the ways in which data may be rendered anonymous and retained in a form in which identification of the data subject is no longer possible.” (European

Parliament 1995) In the article 27 of the same directive European Parliament encourages establishment of Codes of Conduct based on the directive. “The Member States and the Commission shall encourage the drawing up of codes of conduct intended to contribute to the proper implementation of the national provisions adopted by the Member States pursuant to this Directive, taking account of the specific features of the various sectors.” (European Parliament 1995) Later in the article 30 the Directive states that Working Party is to give opinion on the community level on codes of conduct as well as in all cases they see appropriate to make recommendations relating to protection of personal data. (European Parliament 1995)

Additionally article 29 in the same directive declared the terms on grounding a Working Party on the Protection of Individuals with regard to the Processing of Personal Data. This working group created an Opinion 1/2006 that gives direction on “the application of EU data protection rules to internal whistle blowing schemes in the fields of accounting, internal accounting controls, auditing matters, fight against bribery, banking and financial crime.” (Data Protection Working Party 2006: 1) This opinion therefore gives advice on how to establish whistle blowing schemes that are in accordance with EU data protection rules that are described in EU directive 95/46/EC. (Data Protection Working Party 2006) With this opinion the Working Group takes a stand on the lack of standards in this area in EU communities. The Working party acknowledged their awareness on the differences between EU countries that some countries’ have established a whistle blowing scheme under law while most of the countries have not. (Data Protection Working Party 2006) If companies fail to comply with EU data protection rules they are in a risk of getting sanctions from EU data protection authorities. (Data Protection Working Party 2006) The Working Party notes that whistle blowing systems must be executed according to the EU data protection regulations. (Data Protection Working Party 2006)

The objective of the working party is to stress that whistleblowers are properly protected in terms of data protection. The working group has listed eight issues to evaluate the compatibility of the whistle blowing systems to the directive 95/46/EC. *First the system needs to be legitimate* that means that it is in accordance with the

directive as well as with other affecting laws. To express the legitimate interest by the controller whistle blowing system may be necessary to establish. "...the goal of ensuring financial security in international financial markets and in particular the prevention of fraud and misconduct in respect of accounting, internal accounting controls, auditing matters and reporting as well as the fight against bribery, banking and financial crime or, insider trading appears to be a legitimate interest of the employer that justifies the processing of personal data by means of whistle blowing systems in these areas." (Data Protection Working Party 2006: 8) "Companies setting up these systems should clearly define the type of information to be disclosed through the system, by limiting the type of information to accounting, internal accounting controls or auditing or banking and financial crime and anti-bribery." (Data Protection Working Party 2006: 12) The act does not take a stand on other serious allegations besides the above listed ones.

Secondly principles of data quality and proportionality need to be addressed when establishing whistle blowing schemes. In other words this means that all the data that comes through the scheme are to be handled "fairly" and according to the law. They make notices that they leave to the companies whether they should limit the number of persons who can use the whistle blowing systems as well as be accused through the system. (Data Protection Working Party 2006) For the comment they give no explanation. Additionally they highlight the anonymity on this issue. Data Protection Working Party recommends not to establish anonymous whistle blowing channels for many reasons. They question whether the anonymity maintains the privacy and anonymity of the persons who raises the concern. Moreover they state that it is more difficult for the organization to investigate without the contact person. Then again they state that protecting the whistleblower against retaliation is easier when the person is known particularly in those countries where protection is ensured through law. They continue by questioning anonymous reports because it might lead the focus on the whistleblower instead of the matter while they might think that the motives are false behind the report. This meaning that it might be a fake report deriving from wrong reasons to raise a concern.

They also claim that company faces a risk of building a corporate culture where malicious reports are normal and daily. Lastly they say that “the social climate within the organisation could deteriorate if employees are aware that anonymous reports concerning them may be filed through the scheme at any time.” (Data Protection Working Party 2006: 10-11) The reason they give against the anonymity is that it would not be “fair” collection of personal data. Therefore the Working Party states that it is a “rule” that only identified reports should be reported via the whistle blowing scheme so that the requirements are met. They also say that they are aware of the downsides of not having an anonymous whistle blowing channel. They approve the anonymity as an exception to the rule when following conditions are met: Firstly they say that anonymous option for reporting should not be promoted nor encouraged. Then they add that if the whistleblower still prefers the anonymity, they can submit the report. Nevertheless they continue by saying: “It is also necessary to make whistleblowers aware that their identity may need to be disclosed to the relevant people involved in any further investigation or subsequent judicial proceedings instigated as a result of the enquiry conducted by the whistle blowing scheme.” (Data Protection Working Party 2006: 11)

The opinion underlines the data proportionality and accuracy when collecting personal data. The Working Party clearly states that not all kind of information should be reported through the whistle blowing scheme, but only issues that relate to accounting, internal accounting controls, auditing, banking financial crime or anti-bribery. Other serious misconducts are not to be reported via the whistle blowing system and the opinion does not take a stand on that. (Data Protection Working Party 2006)

In the section 3 of the opinion controllers of the whistle blowing system are reminded to give proper information about the function of the scheme. This includes the confidentiality of the whistleblower thought the process and that they are being informed about it. Additionally it is relevant to state that misuse of the system will lead to sanctions, but if one blows the whistle in a good faith it is punishable. (Data Protection Working Party 2006)

In the following part where the Working Party deals with rights to access the data, rectify or erase the data that comes via the scheme they state that: “Under no circumstances can the person accused in a whistleblower’s report obtain information about the identity of the whistleblower from the scheme on the basis of the accused person’s right of access, except where the whistleblower maliciously makes a false statement. Otherwise, the whistleblower’s confidentiality should always be guaranteed.” (Data Protection Working Party 2006: 14) Other issues that the Working Party highlights in the opinion are necessary technical safety measures for the system, confidentiality of the received reports whether or not the system is in-house or outsourced. (Data Protection Working Party 2006) The Working Party favors the management of the scheme to be kept in-house due to the data protection and confidentiality. Moreover the Working Party demands that the whistle blowing system must be kept as an independent organization apart from the other departments. The personnel should be especially responsible and well trained for the positions. If the company wants to outsource the service they still remain responsible for the processing operations. The Working Party additionally commented on the information transfer of the whistle blowing reports among personnel and also in the case the transfer is made to different country. (Data Protection Working Party 2006) Lastly the Working party comments on the compliance of the opinion: “In application of Articles 18 to 20 of the Data Protection Directive, companies which set up whistle blowing schemes have to comply with the requirements of notification to, or prior checking by, the national data protection authorities.” (Data Protection Working Party 2006: 17)

Finnish Corporate Governance Code

Securities Market Association updated Finnish Corporate Governance Code on 15th June 2010. The aim of the association is to promote and ensure that listed Finnish companies follow common rules and policies and to promote good corporate governance among them. Behind the Securities Market Association lie the Confederation of Finnish Industries EK, the Central Chamber of Commerce of Finland and NASDAQ OMX Helsinki Ltd. Corporate Governance recommendations has been available for listed companies in Finland since 2003. It has been updated every now and

then to include relevant changes and international development. (Securities Market Association 2010)

The Finnish Corporate Governance state that “The aim of the Code is that Finnish listed companies apply corporate governance practices that are of a high international standard. The Code will harmonise the practices of listed companies as well as the information given to shareholders and other investors. It will also improve the transparency of administrative bodies, management remuneration and remuneration policies. The Code also provides an overall picture of the central principles of the corporate governance system of Finnish listed companies. Good corporate governance will enhance the success of Finnish listed companies.” (Securities Market Association 2010: 6)

It is enclosed that many of the recommendations are based on legislation and therefore it is a must for companies to comply with the code. The eight part of the code relates to the issue in a sense that it has three recommendations on Internal Control, Internal Audit and Risk Management that are closely linked with whistle blowing. These above mentioned areas are to ensure that operations are in compliance with relevant rules and regulations as well as to monitor risks and implement board’s obligation to supervise operations (Securities Market Association 2010)

The part of the Finnish Corporate Governance Code states that listed companies should ensure internal control of their activities by the board and for that they ought to have operating principles for internal control. The same applies to risk management. Boards are expected to report uncertainties and risks that they know of. “Legislation requires that the report by the board of directors contain an evaluation of the major risks and uncertainties. In addition, the interim reports and financial statements releases shall describe major short-term risks and uncertainties related to the business operations.” (Securities Market Association 2010: 22) Then again companies must be transparent in the way they organize their Internal Audit functions. Furthermore it is commented that: “The organisation and working methods of the internal audit function depend on, e.g.

the nature and scope of the company's operations, the number of personnel and other corresponding factors.” (Securities Market Association 2010: 22)

The code says that companies are to report their compliance with the Finnish Corporate Governance Code as a separate report of Corporate Governance Statement. (Securities Market Association 2010)

2.2.2 The Normative Pillar

Some scholars highlight the normative aspect of institutions claiming that normative rules instead present a “prescriptive, evaluative, and obligatory dimension into social life.” (Scott 2001: 54) Normative element of institutions contains the ingredients of values and norms. Values can be defined to tell what kind of behavior is expected and preferred. Values are mirrored to the cultures or nations standards to assess the behavior. Norms instead can be defined to stand for the commonly accepted and agreed ways of doing things. Norms “...define legitimate means to pursue valued ends.” (Scott 2001: 55) Then again when referred to normative systems, they determine the goals and aims and the ways to achieve those ends. Scott (2001) presented an example of a sport game where the goal is to win the game and rules of the game specify how you can pursue your strategy to win the game.

Not all the participants of some society share the same norms and values. Some individuals are expected to act differently. This means that there might be differing roles. For example a team manager is expected to fulfill his role as a leader and not behave as his/her subordinates. His /her subordinates assume and expect that the persons work as he/she is supposed to. This is called normative expectations. Therefore normative systems are often said to constrict social behavior. Simultaneously normative systems also encourage social behavior through defining rights and responsibilities. To encapsulate normative systems different authors often focus is on social obligations. (Scott 2001)

DiMaggio and Powell (1983) explained that mimetic isomorphism derives from uncertainty that encourages institutions to mimic. The other name they give to the mimicking behavior is modeling. Modeling other organisations in the society could also result from technological or environmental uncertainty or uncertainty caused by aspiring goals set by the organization. Modeling behavior with other institutions may bring great advantage with little expense. Behavior or practice mimicked by organisations may then transfer unintentionally forwards to other organisations due to employee transfer or turnover, or intentionally via consultancy companies or via industry trade associations for example. Organisations sharing the same field of business tend to mimic the behavior of those organisations that are commonly believed to be successful or more legitimate. The common structures and models of institutions are more probably a result of mimetic behavior of organisations rather than realisation that some models would enhance efficiency.

Modeling (DiMaggio and Powell 1989) seems to be in consistent with Scott (2001) idea of normative element of institutional theory. According to Scott (2001) indicator of normative element is certifications and accreditations. Increasing standards like codes of conduct, ethics policies and company declarations on follow GRI principles are modern way of creating legitimacy for companies. DiMaggio and Powell (1983) perception of institutional was published more than two decades ago when international standards were not so many as they are present. Therefore it would be justifiable to modeling was previous to many of the international standards that have developed during 21st century.

Corporate social responsibility

Corporate social responsibility is important issue for the discussion of whistle blowing. According to the above reviewed institutional theory companies sometimes simply must follow the rules of law to gain legitimacy for business. In some cases there are no laws established and that is the situation where companies can solely do what they want in the frames of the country legislation or go beyond and fulfil stakeholders' binding expectations. Companies build in self-regulating systems to monitor that the rule of law and companies own ethical set standards are met. "Most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and

environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities 2001: 6)

Corporate social responsibility is an ideology that focuses more on the corporations’ ethical responsibility and how it is ‘good’ to act in a socially acceptable and responsible manner. CSR according to Milton Friedman, who is one of the first fore speakers of CSR and who also wrote a meaningful article about it: “The social responsibility of business is to increase its profits” (Friedman 1970). This point of view is usually seen as a narrow perspective for corporations to have responsibility only for maximisation of shareholders profits. In the article Friedman stated three main premises for his arguments; the first argument was to put the moral responsibility only for human beings for their actions not for corporations. By this he meant that companies are not human beings and therefore the responsibility falls for the individuals in the corporations that carry out the decision making for the companies. (Crane and Matten 2007)

Secondly he stated that moral responsibility cannot also be put to managers, because they have been hired to act only for the shareholders interest. Companies are set up to maximise the profits and managers are there to make sure it does. This is at present the reality for companies, because of the current legal framework. (Crane and Matten 2007) In other words this current legal framework makes it impossible for companies to act solely on the basis of ethical decision-making, because businesses have a legal and fiduciary obligation for their shareholders in order to maximise their wealth. (Solomon 2007)

Friedman’s third argument was that it is not for managers to look after the decision making for society, that is the task that belongs to government and politicians that have been democratically elected to do so (Crane and Matten 2007). But as in the attempt to modernise the company law, these two dimensions could perhaps go hand in hand. Salomon referred to work: Modernising Company Law 2002 section 3.3 that described that in order to maximise profits companies would need to foster its relationships with its stakeholders, think of the company’s reputation and also make their business

environment more profitable by taking care of its condition and maintaining the favourable business environment for the company in the future too. (Solomon 2007)

But on the other hand it is nearly impossible to push companies into ethical business making unless it is demonstrated to be valuable for companies. This is not only so, because of shareholders and managers ways of thinking but mostly because of the current legal system and corporate governance structure. To make a change to company laws everywhere it would take more than an enormous change in people's attitudes without mentioning the imperative for having a good, strong example for corporate social responsibility that would motivate companies to pursue it. (Solomon 2007)

It is nowadays widely accepted that businesses do have social responsibility beyond profit making. This is often referred to be the wider perspective on CSR. Companies are able to accomplish social and environmental problems that make them responsible for resolving what they have caused. Companies are responsible to a broad range of stakeholders and also responsible for delivering sustainable development. Stakeholders include employees and shareholders: business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment. It is also argued that companies do it just because of their self-interest, also known as enlightened self-interest. By self-interest means that companies carry out their social responsibilities as far as it promotes their self-interest in it. (Crane 2007; Commission of the European Communities 2001) Wider CSR perspective assumes that companies go further than legal framework. Companies can do more and invest their business environment and increase the welfare of its stakeholders. (Commission of the European Communities 2001)

For one reason or the other companies are increasingly engaging in different ways of ethical behaviour and social responsibility. One proof of that is the rapid increase in sustainable or sometimes called responsible investing. This means that that companies around the world are starting to realise that "Values have value" (Hawley 2011: 34-35). This trend has created number of global initiatives during the past ten years that represent and foster this focus. Hawley (2011) mentions some of the most famous

initiatives. For example there are *The Global Compact* (that is concerned with issues such as human rights, labour, environment and anti-corruption, to mention few). Then there is *The Global Reporting Initiative* (GRI) that is concerned with standardising sustainability reporting (GRI 2011), *The Principles for Responsible Investment* (PRI) that describes that to be a framework for enhancing the analysis of environmental, social and governmental issues in the investment and to assist corporations to exercise responsible management (PRI 2011). Hawley (2011: 35) continues the list with *The Equator Principles* (that has established voluntary standards for assessing social and environmental risks in project financing [Equator Principles, 2011]) Another initiative is the *Organization for Economic Cooperation and Development* (OECD) that promote standards that serves economic and social wellbeing around the globe (OECD 2011). Also European Union is planning to adapt compulsory reporting of ESG standards (Warren 2011), similar to Sarbanes-Oxley Act in the USA. Besides these above mentioned initiatives there are *The World Economic Forum* that is committed to enhancing circumstances in the world by engaging leaders of the societies from different fields (World Economic Forum, 2011) and *The International Standards Organization* that has developed over 18 500 standards for different fields and one particularly for Corporate Social Responsibility called ISO-26000 that gives guidance on social responsibility (ISO, 2010). The common characteristic of these important initiatives is the focus on whether they create or destroy value. This materialistic view is consistent with shareholder and company focus.

2.2.3 The Cultural-Cognitive Pillar

Many authors view cultural-cognitive elements of institutions the most relevant aspect. Scott (2001:57) define cultural-cognitive pillar to consist fro: “the shared conceptions that that constitute the nature of social reality and the frames through which meaning is made ...cognitive-cultural recognizes that internal interpretive processes are shaped by external cultural frameworks.” Compliance is resulted in cultural-cognitive element due to the unfeasibility of other behavior models. Formed routines are followed by all because that is the normal and generally accepted way of doing things. Authors of cultural cognitive element stress the power of role models and codes for establishing

certain type of action. In localized contexts differentiated ways of action do develop as a result of repetitive actions as time passes. It leads to the actions becoming habitualised and objectified. Authors point to notice also the role of wider institutional frameworks that built common order models and codes in societies. Cultural frames and other wider systems that are based on belief work as models that impose their ways to individuals and organisations or are adapted by them. To encapsulate cultural-cognitive element “the central role played by the socially mediated construction of a common framework of meaning.” (Scott 2001: 58)

Scott (2001) stated that the last element of institutional change is culturally supported and based on shared understanding where DiMaggio and Powell (1983) argue for change that mostly derives from professionalization. DiMaggio and Powell (1983) focus in their study to the normative pressures that drive institutions to become homogeneous. They claim that normative isomorphic change of institutions derives mostly from professionalization. Professionals are defined to be the management and specialised staff in big firms. Professionalization in this context means that people in same profession set the conditions and ways of working. The power for professionals comes from the state and from the activities they are responsible for. Pressure coming from normative isomorphic change is realised similarly by the professionals due to formal and similar schooling background and professional networks that gather professionals from multiple organisations advancing normative change. This leads to a situation where number of professionals with same positions across organisations operating in the same field influence on the change though the similarity in their disposition and mind-set bypassing even differences in traditions and control that have used to determine the behaviour of the organisation.

Another mechanism that strongly influences on the normative change is the similarities in organisations’ hiring practises. They tend to hire professional similar with their background to same positions. “To the extent managers and key staff are drawn from the same universities and filtered on a common set of attributes, they will tend to view problems in a similar fashion, see the same policies, procedures and structures as normatively sanctioned and legitimated, and approach decisions in much the same

way.” (DiMaggio and Powell 1983: 152) DiMaggio and Powell (1983) say that industries equipped with extensive professional labor force are the main drivers of status competition. To attract skilled professionals image and resources of the organization are crucial. This works as a catalyst making organisations homogenous. Even though DiMaggio and Powell (1983) wrote their study already over twenty years ago it is in parallel with Scott (2001) view of culturally supported change. In cultures organizations tend to become homogeneous and DiMaggio and Powell (1983) explained the drivers of cultures and institutions to such a transformation.

In the following paragraphs Finnish culture and drivers of successful corporate performance in Finnish context are discussed. This explains how legitimacy is created in old Finnish firms. The issues under explain how institutional change in terms of cultural-cognitive aspect influence Finnish companies perceptions on whistle blowing schemes.

Finnish corporate culture

Example of Finnish corporate culture can be viewed from a study: Over 100 Years of Age But Still Entrepreneurially Active in Business: Exploring the Values and Family Characteristics of Old Finnish Family Firms by Matti Koiranen. (Koiranen 2002)

Koiranen studied 68 Finnish family firms that are over 100 years old. Koiranen focused on discovering how the owning families of the companies perceive and rank their business values. Koiranen asked how fundamentally 39 different values have contributed the survival of these 68 firms. Values were given values from 1 to 5, five being the most fundamentally influenced and one having no effect. The results indicate that honesty (4.96) was the most important factor, credibility coming as second (4,81) and thirdly obeying the law (4.60). Fourth and fifth values were quality (4.54) and working hard (4.52). Other values that ranked with over four (4) were respectability, service mindedness, responsibility, flexibility, stress tolerance, needs and well-being of personnel, innovativeness, autonomy, visionary top management. (Koiranen 2002)

In addition Koiranen conducted a narrative research of the role of the values. In the summary of discourse of narratives Koiranen encapsulated six points of the qualitative research. First Koiranen stated that via the values we can understand what is important for the family businesses. Koiranen evaluated that values mirror the strategic choices that family businesses make. The again Koiranen wrote that values demonstrate the relevance and the order of importance of family goals. Koiranen added that sense and emotions reflect the values and therefore rationality and emotions affect to the way how values are formed. Additionally Koiranen came to the conclusion that values help in decision making. It is easier to make them when you believe strongly. Lastly Koiranen wrote that inspiring and collective values among family members can also help people to commit to company goals. (Koiranen 2002)

2.2.4 Summary of literature review

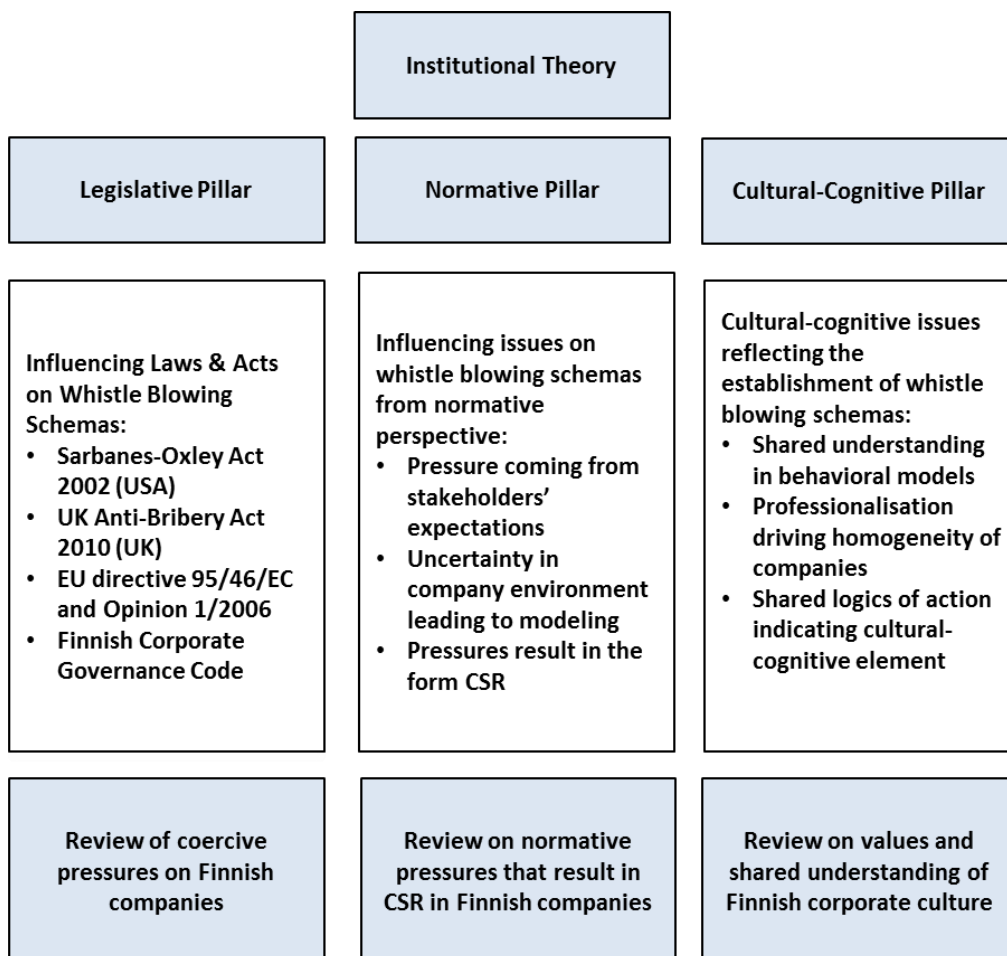
Whistle blowing has already a long history, but it seems that the effect of big corporate scandals like Enron has established a big change wave in companies' perception to internal procedures like whistle blowing schemes and also aroused the researchers interest in studying the topic from various of perspectives. (Park, Blenkinsopp, Oktem, and Omurgonulsen, (2008) have been first ones to define different whistle blowing channel forms that include *formal whistle blowing, institutional whistle blowing, identified whistle blowing, anonymous whistle blowing, internal whistle blowing and external whistle blowing*. These definitions are used through the study.

Literature review focuses on discovering the underlying reasons and pressures behind the institutional isomorphic change. Scott (2001) states that organisations need social acceptability and credibility to succeed which is often referred to legitimacy. He divides three pillars legislation, normative and cultural-cognitive as ways to capture legitimacy. DiMaggio and Powell (1983) argue for pressures that cause the isomorphic change in organisations: coercive, normative and mimetic. They are consistent with Scott's (2001) findings. When mirrored these three elements to Finnish companies there can be found pressures and sources of legitimacy that steer the companies' perception of whistle blowing schemes. The literature review creates a framework that helps understanding

the environmental context of companies that influences on the incremental and institutional change. This change in this study means the transition of whistle blowing scheme existence and whistle blowing channel form in case companies.

In the following section of the paper all the methodologies used for studying the biggest Finnish companies are presented. The aim of the methodology part is to explain how the phenomenon of Finnish multinational companies having adopted whistle blowing schemes as a part of their internal reporting procedures is studied, examined and concluded. The research process goes through the stages from selecting a research method to overview of the case companies, presenting data collection methods, explaining how data is analysed, assessing validity and reliability of data and finally discussing of data limitations.

Figure 2: Summary of literature review and influential elements on whistle blowing schemes



3. Methodology

The methodology part of the thesis will present the research method, case companies and go through data collection methods and data analysis. Moreover validity, reliability and limitations of the study are considered.

3.1 Research Method: Multiple case study

This thesis uses a qualitative research method. Moreover it elaborates one qualitative research strategy; *multiple case study approach* to focus on 20 case companies. Qualitative research method in general gathers research data from natural and real situations. As a data collection method qualitative research ensures that the perspectives and the “voice” of the researched topic comes through. (Hirsjärvi, Remes and Sajavaara 2007) A starting point for the study is to describe and present true world phenomena comprehensively in order to discover and reveal underlying factors and mechanisms behind it. The aim of the qualitative study method is to conceptualise the phenomenon that means perceiving the phenomenon in a theoretical level. (Eskola and Suoranta 1998)

The meaning of the empiric data is to function as a real world phenomenon that gives new information. The cases are unique and therefore material must be interpreted accordingly. (Hirsjärvi, Remes and Sajavaara 2007). As a method to conduct qualitative research, a case study method is adapted relatively often. The study focuses on analysing the case and to interpret its connections to its environment. (Hirsjärvi, Remes and Sajavaara 2007) Eriksson and Kovalainen (2008) defines the main purpose of a case study research to: ”investigate the case in relation to its historical, economic, technological, social, and cultural context” (Eriksson and Kovalainen, 2008: 115). Piekkari et al. (2009) instead quoted on Ragin (1992) who defined case study “be a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of “confronting” theory with the empirical world. This confrontation can take the form of either identifying

constructs for later theory testing or searching for a holistic explanation of how processes and causes “fit together” in each individual case (Piekkari et al 2009: 569).

Piekkari et al. (2009) argued in their study that case studies follow a disciplinary convention in particular management branch that is international business specific journals. The convention they discovered is that case study research method is “exploratory, interview-based multiple case studies based on positivistic assumptions and cross-sectional designs” (Piekkari et al. 2009: 583) They studied the convention in few long time frames and came to the conclusion that the convention is institutionalized. Instead they said that case study is not possible to understand in a “vacuum” but “rather, one needs to turn to localized research practice to gain insights” (Piekkari et al. 2009: 583) They stated that the problems with convention is that it is not consistent with recommendations provided in literature and that it hinders the existence of other approaches to conduct a case study research. Piekkari et al (2009) reminded that instead of increasing the number of cases more attention needs to be paid to “variety and depth of data sources and temporal boundaries.” (Piekkari et al 2009: 584)

Eisenhardt (1989) describes theory building through case studies to be an iterative process. This means that the researcher can focus on one aspect of the process at the time and that in itself forces the researcher to go back and forth of the different stages all the time. “For example, an investigator may move from cross-case comparison, back to redefinition of the research question, and out to the field to gather evidence on an additional case.” (Eisenhardt 1989: 545) Eisenhardt continues that the process is about using many investigators and variety of data collection methods and additionally several cross-case searching tactics. In case studies these research tactics are ought to view evidence from many angles. Eisenhardt (1989) goes through each step while converting case study research. It starts by forming a research question even a broad one then moves to selecting cases for the study which is a critical part. Appropriate selection of population assists in defining the limits for generalization of the findings. Thirdly case study research usually consists of many data collection methods; interviews, observations, public data, archives etc. Eisenhardt (1989) argues it to be highly relevant

for building “stronger substantiation of constructs and hypotheses.” (Eisenhardt 1989: 538)

Fourth stage of the case study approach is that researchers usually find overlap in data analysis when collecting data. The fifth step is to analyse data within the case context using several techniques. “Gains familiarity with data and preliminary theory generation” and “forces investigators to look beyond initial impressions and see evidence thru multiple lenses.” (Eisenhardt 1989: 532) After the previous steps the relationships between the variables studied come up and become notable. The idea is to compare data and theory through the study to build empirically valid theory. The next step of case study research is to compare the results with the conflicting literature and similar literature. This helps to “Build(s) internal validity, raises theoretical level, and sharpens construct definitions” as well as “sharpens generalizability, improves construct definition, and raises theoretical level.” (Eisenhardt 1989: 533) Lastly the study should come to a closure when saturation in terms of theory is reached. Eisenhardt (1989) claims that case study research is especially well suitable for new research areas. Overcoming the challenges of case study approach Eisenhardt (2007) recommends to accurately think of the justification of theory building, sample cases by using existing theories, use interviews as a part of research that limit informant bias, presenting the findings in tables and appendices and to clearly present and state the theoretical arguments.

Case study research method was chosen for this research paper due to the above mentioned issues. First of all whistle blowing literature and theories are still quite young and few compared to many other fields of study. The interviewed company representatives gave the impression that creating a whistle blowing system in the companies have been a challenging process while it is a new thing for most of them and that there are little knowledge about setting up a whistle blowing schemes in global consultancy firms and also in law firms. They claimed that they have needed to study the field themselves quite a lot while there was no existing knowledge available to apply to Finnish market. One evidence of the phenomenon is KPMG’s newly published

report about the topic. It gives both legitimacy to this paper and confirmation to the study that the topic is not much studied.

3.2 Overview of Case Companies

The twenty biggest Finnish companies were selected to the units of analysis while they most likely present the forerunners in the use of whistle blowing schemes due to their degree of internationalization, relative size, wide range of stakeholders and potential to cause substantial effect on numerous stakeholders and societies around them.

The characteristics of the sample varied greatly. Most of the companies represented multinational companies while two of the companies markets were only in Finland. The biggest multinational company was Nokia in telecommunications, internet and computer software industry having operations in 160 countries. Smallest in this respect were pension insurance companies Varma and Ilmarinen operating only in Finland. In terms of the number of employees Nokia was also the biggest with its 132 000 employees compared to the smallest Ilmarinen (573). All the others are positioned in between these two extremes. Nokia is still easy to distinguish from the others while it is incomparable to others due to its size in every respect.

The twenty biggest companies in terms of their turnover in Finland include: Nokia, Neste Oil, SOK, Stora Enso, UPM-Kymmene, Kesko, Metso, Fortum, OP-Pohjola Group, Sampo Group, Metsä Group, Kone, Outokumpu, St1 Group, YIT, Nordea Bank Finland, Tamro, Wärtsilä, Varma, Ilmarinen, and Nordea Henkivakuutus Suomi. All the companies are listed annually by Talouselämä (2011). From the year 2010 the situation between the companies changes quite much. Company St1 was not listed in 2010 among the biggest 20 companies. St1 Group was dropped from the companies studied in this paper while they have little information available for stakeholders. All other companies are included to the list by using their *group* figures. Nordea Bank Finland and Nordea Life Holding Suomi belong to Nordea Group. Therefore Nordea Group's external material is also included to the study even if the group is registered in Sweden. For example their CSR report covers also operations of Nordea Bank Finland and

Nordea Life Holding Finland. That is the reason why Nordea groups statistics are used in all the analysis and the companies are calculated as 19 instead of twenty companies is to minimize bias.

The analysis of these companies' material included reports published in 2010 and 2011. The websites were analysed between a timeframe of January until February 2012. Worth noticing in that during the analysis period Metsäliitto changed its group name into Metsä Group.

Twenty case companies varied greatly from each other. The biggest company of the study was Nokia with turnover of 38 659 Milj. euro in year 2011. The rest fell between 15 420 Milj. Euro (Neste Oil) to the smallest of 1 830 Milj. euro (Nordea Life Holding Suomi) in year 2011. In terms of personnel companies ranged from 130 050 (Nokia) to 162 employees (Nordea Life Holding Suomi) in 2011. Great differences were also found within the degree of internationalisation. Nokia being the most widely spread company operating in around 160 countries. Ilmarinen and Varma instead operate only in Finland. These 20 companies represented around 11 different industries. Metsä group, Stora Enso and UPM-Kymmene were three companies in forestry. Varma and Ilmarinen in pension industry. Nordea group, Sampo group and OP-Pohjola group competes in financial services industry. Kesko and SOK instead share a long history in retail industry, though nowadays SOK has rapidly expanded to many new industries and is therefore their industry is categorised as multibranch. Sixteen of the twenty companies are listed in Nasdaq OMX Helsinki. Metsä has one of its subsidiaries listed, Metsä Board, but is still calculated to the previous sixteen companies. Four companies that are not listed in stock exchange are SOK, Tamro, Ilmarinen and Varma. More detailed description see Appendix B.

3.3 Data Collection

All of these companies material that they provided for external stakeholders were analysed in terms of whistle blowing related content. Firstly the focus was on companies that did not report to use an *anonymous* whistle blowing channel. Thereafter

the other forms of whistle blowing channels were identified among case companies. The aim was to get a comprehensive review of Finnish companies' use of whistle blowing channels. Companies that did not report to use any kind of whistle blowing channels were contacted to get more information about their situation relating to the use of whistle blowing channels and also to confirm that they do not employ such a channel while they do not report about it.

3.3.1 Documents

Sources of data include all the *external material* that companies provided for their stakeholders. This data is presented in numerous company websites, online reports, documents, annual reports, annual reviews, financial reports and sustainability reports, company magazines, etc. in pdf. format. (Notice that sustainability report refers in this paper to all different forms of sustainability report names e.g. CSR report, global responsibility report, responsibility report, responsibility reviews etc.) The found citations relating to the use of whistle blowing schemes were most often communicated in companies' internet sites.

Limitation in the data collection is considered the quick pace that companies change and update their websites. Therefore all the websites were analysed during a short time span enabling the comparability at a same point of time. Some websites were also slightly different depending on the language of the website. To bring the companies into a same line only the group websites were used and English chosen as a language. Some websites were extremely multifaceted that might have enabled errors. The possibilities of making errors were tried to minimize by using sitemaps and systematic analysis. The following table does not include the number of websites while sometimes companies had many and to count the number of different sites that were analysed in each of the webpages it would have been nearly impossible. One company's web page could contain information over 100 sites but each were searched through to avoid errors.

Table 2: List of document sources

| Document name | Number of reports | Total number of pages |
|--|--------------------------|------------------------------|
| Annual Reports 2010 | 21 | 3 414 |
| Financial Reports 2010 | 4 | 493 |
| CSR Reports 2010 | 9 | 652 |
| Codes, governance reports, policies and magazines 2010-2011 | 53 | 477 |
| Annual Reports 2011 | 20 | 3476 |
| Financial Reports 2011 | 9 | 998 |
| CSR Reports 2011 | 12 | 1035 |

3.3.2 Interviews

Secondly eleven companies were interviewed by phone, personally or via email. Three companies were selected to a more extensive face to face interview that had an interesting case relating to the use of whistle blowing channels. These companies included a company from financial services sector that does not have an anonymous whistle blowing channel and has decided many times of not having the need to establish one. Second company selected was operating in the same industry. They have decided to establish a whistle blowing channel and they are currently in a planning stage. Thirdly company representatives from energy sector were interviewed while they are on a situation where they have launched a new anonymous whistle blowing system in the beginning of the year 2012. From all of these interviews the goal was to broaden the understanding of the underlying factors and reasons behind the lack or existence of anonymous whistle blowing channel.

The interviews as a source of data were eleven altogether and the total number of transcribed material was 20 pages. First potential interviewees were identified and selected. The first option was to find Executive Directors-, Vice Presidents, Heads, or Directors responsible for company's sustainability area for the interview. After that Risk Management level was tried to contact. The last option was the management level

in Communications and Law departments. Secondly all the identified managers were primarily contacted by phone. The ones who could never be reached by phone were then approached via email. Additionally some managers asked to send additional information or the questions first via email. All the company representatives were reached for answers but three company representatives did not want to comment on the issue.

Moreover the goal was to interview all the company representatives shortly that *did not* possess any references in their external communication to whistle blowing systems. After that three companies were selected to conduct a face to face in-depth interview to get a better understanding of the phenomena. One company was selected because of its superior transparency in their communication scale and due to their usage of the system. The selection of other company was more challenging while the aim was to interview a company without such a channel and with minimal external communication on such issues.

Table 3: List of Interview sources

| Interview Method | Source | Date and place | Duration | Interview language |
|---------------------------|--|----------------------------|-----------------|---------------------------|
| Thematic interview | Vice President, Corporate Internal and Sustainability Communications | 21st May 2012 Espoo | 37 min | Finnish |
| Thematic interview | Senior Vice President, Brands and CSR | 25th May 2012 Helsinki | 26 min | Finnish |
| Thematic interview | Group Financial Crime Compliance Officer | 5th June 2012 Helsinki | 30 min | Finnish |
| Phone interview | Sustainability Director | 21st May 2012 | 11 min | Finnish |
| Phone interview | Director, Communications and Corporate Responsibility | 10th May 2012 | 10 min | Finnish |
| Phone interview | Senior Vice-President, Communications | 10th May 2012 | 4 min | Finnish |
| Phone interview | Head of Internal Auditing | 10th May 2012 | 3 min | Finnish |
| Phone interview | Head of Corporate Internal Audit | 24th May 2012 | 10 min | Finnish |
| E-mail interview | Ethics Specialist | 31st May and 1st June 2012 | | English |
| E-mail interview | Group General Counsel and Executive Vice President | 21st May 2012 | | Finnish |
| E-mail interview | Press Officer, Investor Relations and Group Communications | 11th May 2012 | | Finnish |
| E-mail interview | Group Chief Risk Officer | 11th May 2012 | | Finnish |
| E-mail interview | Group General Counsel and Executive Vice President | 21st May 2012 | | Finnish |
| E-mail interview | Legal Counsel | 13th June 2012 | | Finnish |
| E-mail interview | Senior Vice-President, Administration, Chief Legal Counsel | 18th May 2012 | | Finnish |
| Phone interview | Executive Vice President Reputation and Responsibility | 7th May 2012 | 9 min | Finnish |

3.4 Data Analysis

Eisenhard (1989) presents eight steps to follow when building theory by using case study approach. Analysing data is one of the most relevant phases according to Eisenhardt (1989). Eisenhard (1989) continues that each researcher has a different approach to analyse cases. Nevertheless Eisenhard states that it is important to know each of the cases individually and thoroughly. Eisenhardt argues that the process allows researcher to realize “unique patterns” from each company before generalizing these patterns across all the case companies. In cross-case comparison it is essential to avoid bias by screening data from any different angles. Eisenhardt (1989) gives examples on how to build tactic by creating dimensions and categories and then analyzing the data in “within-group similarities coupled with intergroup differences.” (Eisenhardt 1989: 540)

Findings out of the company public data provided by the Finnish companies varied greatly. The aim was to look for references from the company external data that referred to the use of channels where employees and other stakeholders can express or report their concerns on misconducts. The references to whistle blowing channels were situated in companies’ web pages, some in annual reports as well as in different kinds of responsibility reports and financial reviews. Few referred to such a channel in their separate code of conduct or corporate governance documents.

Some distinctions were made between different kinds of whistle blowing channels. To be defined as a whistle blowing channel in this paper a certain criteria had to be met. *First* there needed to be guidance or encouragement for employees / stakeholders to express their concern of misconduct relating to company operations. Therefore normal ‘*feedback*’ channels were excluded. The same consideration was for ‘*normal contact information*’ that companies often provided as part of their external communications. Such contact information was regarded for example email addresses to corporate responsibility departments, street addresses or phone numbers that did not guide or encourage reporting of unethical behaviour. *Secondly* many company representatives responded that they did not have a whistle blowing channel in their companies use during interviews. This means that many of the company representatives naturally

thought that reference to a whistle blowing channel means only the ones that can be used anonymously. According to Park, Blenkinsopp, Oktem, and Omurgonulsen, 2008; p. 930 a whistle blowing channel can be categorized in six different ways (see above; *introduction; definitions*) and *an anonymous channel* is just one of them. Many companies did encourage and guide their employees to report misconducts without having anonymous reporting option. In this study also the un-anonymous ones meet the requirements that it can be defined to be a whistle blowing channel.

Another important notion needs to be made. This study was interested mostly in the *external information* that companies provide for stakeholders. Companies that were additionally contacted were due to the reason that they lacked any references to a use of *anonymous* whistle blowing channel in their communications and therefore certainty of their current status needed to be confirmed as well as the form of the whistle blowing channel.

To start the data analysis all the twenty companies' external data were systematically searched and read through while looking for references to companies' whistle blowing systems. To ensure that all the relevant references were found and to avoid error all the documents were search through using specific search words in case something had gone overlooked. All the relevant documents were searched through by using key words and the web browser search tool. Gladly most of the information was available as pdf. file format which enables the easy use of word check. Search words were: *malpractice, grievance, channel, misconduct, wrongdoing, reporting, whistle blowing, hotline, code of conduct, violation, ethic, incident, feedback, online, contact* and *anonymous*. When more relevant key words and themes were discovered from the companies' web pages and documents' the other web pages were scanned trough twice with the new key words to ensure nothing went by. This enabled the data analysis starting from the first case company.

In the external material that companies had published they referred to anonymous whistle blowing channels in many ways; "grievance mechanism", "Contact the Board" channel (Nokia), "online tool" (Neste Oil), "procedure for anonymous reporting of

violations” (Stora Enso), “electronic channel”, “whistle blowers hotline” (UPM-Kymmene), “feedback”, “DirectLine” (Kesko), “whistleblower channel”, “EthicsPoint” service (Metso), “Raise a concern” (Fortum), “helpline” (Outokumpu) and “anonymous reporting channel”, “grievance mechanism” (YIT). In a process where the references for whistle blowing channels were searched from the company publications the references were found in different documents, companies’ web-pages and under multiple headlines; “Labour conditions”, code of conduct- documents (three), "Performance management", "Corporate Governance" (four), "Social Compliance", "Social Responsibility", "Controlling and monitoring systems", "People", "Guideline and communication", “Corporate Responsibility”, “Internal Audit”.

The companies that did not mention to use an anonymous whistle blowing channel in their company external data were further interviewed. The thematic interview template was planned after the companies’ external material 2010-2011 was scanned through. It enabled better to see the themes that also arose from the interviews. In the interviews the thematic interview was further remodeled by changing the questions after identifying new issues after the first interviews. Learning and analyzing the data as data collection moved forward helped in the analyzing phase to identify common patterns and themes around the topic. For the thematic interview template see Appendix A. All the whistle blowing related references on company reports see Appendix C. The citations from the companies’ internet pages are not included to the appendices due to the heavy amount of the data. The references to all the company material where the citations to the whistle blowing channels were mentioned can be found under the section references at the end of the paper.

After the data collection from all the documents and interviews were done while constantly comparing data and theory it was rather simple iterating the data towards the theory. It resulted in organizing the data into three different categories based on institutional theory; regulation as a reason to establish whistle blowing schemes, normative behavior behind the whistle blowing scheme and cultural-cognitive orientation influencing to whistle blowing schemes. After dividing the cases under the three categories it was possible to detect patterns and other explaining issues of the

different cases. In the first category where legislation represents a prime reason for establishing whistle blowing channels multiple country legislations were studied that could effect on Finnish companies. The analysis is to some extent based on facts considering the countries' legislation. Though it is always possible that some laws, acts or opinions were not detected that might play a crucial role for some companies. The analysis was done parallel on writing the literature review since lot of legal facts was discovered that explained the companies' behavior in establishing whistle blowing schemes.

In the second category where normative behavior explains companies behavior when establishing whistle blowing schemes there were more possibilities that could influence on the fact whether or not companies establish whistle blowing schemes. The literature had also a crucial part in iterating between the empirical material and the theories in order to detect the underlying issues.

Last category is based on cultural-cognitive aspect where explaining factors behind the company behaviour was most difficult to assess. Iterating literature and theories on empirical material was more complex than in the two previous categories. Some cases were naturally dropped to this category while they did not meet the criteria to belong to the other two categories. Few relevant and explaining patterns were found behind the company behaviour that belonged to this third category.

3.5. Validity and reliability of data

The steps of Eisenhardt (1989) were closely followed in this study to bring legitimacy and credibility for the paper. Eisenhardt (1989) recognised ways to bring reliability to the research and one of the most crucial issues is the existence of literature that has found parallel findings. It demonstrates the similarities in phenomena that are not associated with each other. For example in this case study institutional theory and KPMG's report best demonstrates the similarities in the phenomenon. The whistle blowing scheme existence and establishment is supported by institutional theory which creates internal validity, more extensive generalizability and better conceptual level.

The transferability and generalizability of the whistle blowing scheme status in different country contexts are likely connected with the underlying factors that push or hinder companies to establish whistle blowing schemes. Through institutional theory this study sheds light on the underlying factors that influence on whistle blowing scheme establishment in companies. Therefore the transferability of the findings is connected with the three categories of institutional theory and depends on legislative, normative and cultural-cognitive elements of the specific country context. For example when the legislation influencing establishment of whistle blowing schemes is different in Sweden the results are in accordance with this different set of underlying factors that have a coercive effect on company internal procedures. Same applies for the other elements that take into account the country contexts and different pressures that companies face.

3.6 Data limitations

In the company reports and websites there were lot of information available. 37 Annual reports, sustainability reports or financial reports 2010 were reviewed. Similar reports totaled 36 in year 2011. Additional material in a form of different policies, code of conducts, other reports and guidelines were around 49 and company websites that might have each consisting of tens of sites. Therefore decision what data to include to the analysis needed to be made. Many companies had “normal” feedback channels without any encouragement, guidance or reference to report misconducts via the channel. These feedback channels were *excluded* from the data.

Another factor of data limitation is the interviews. Four indebt interviews were conducted for the most “valuable” and interesting case companies. Other interviews were aimed to bring validity and generalizability for the study while systematically interviewing all the case companies that had not establish or mentioned to establish an anonymous whistle blowing channel. Some case companies were also interviewed that had an anonymous whistle blowing channel in use to get a better understanding of the whole phenomena. Data limitations are the greatest in terms of the data from the companies that have an anonymous whistle blowing channel while the focus on the ones that had just established the channel or had no channel existing.

4. Empirical Analysis of the Findings and Discussion

First the findings of the whistle blowing system status in Finnish companies are presented. After the review of the current whistle blowing scheme status empirical findings are organised according to the institutional theory presented earlier to give construct to the analysis and present the findings clearly. The three categories that were detected based on the underlying factors influencing the existence of whistle blowing schemes were; *regulation as a reason to establish whistle blowing schemes, normative behavior behind the whistle blowing scheme and cultural-cognitive orientation influencing to the existence whistle blowing schemes.*

4.1 Empirical Analysis of the Findings

In the following paragraphs the empirical analysis on whistle blowing scheme status and the underlying factors influencing the establishment of the schemes is analysed in the context of twenty biggest Finnish companies.

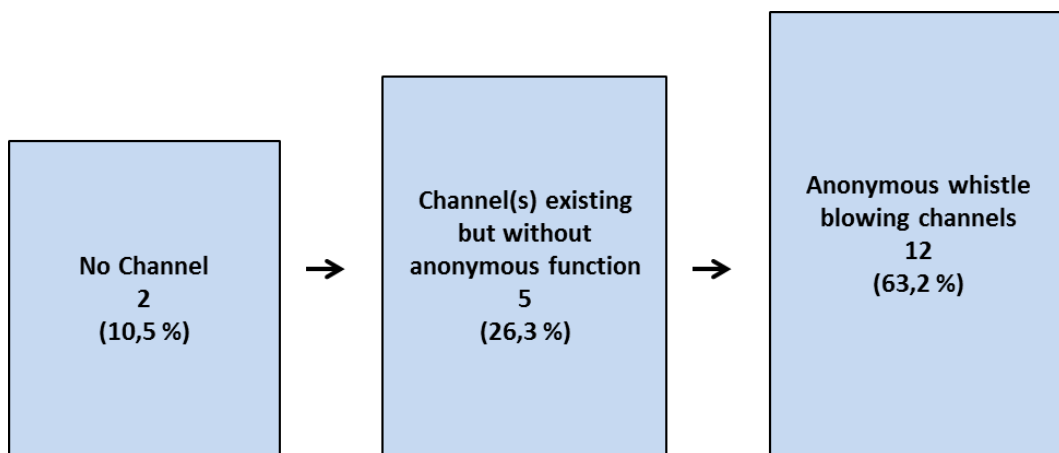
4.1.1 Review of whistle blowing scheme status in case companies

19 biggest Finnish companies were divided in three categories. In the first category there are the ones that had no channel at all mentioned in their external communication. From these companies it was also affirmed through a short interview whether they do have an anonymous whistle blowing channel that would have been communicated only internally to employees.

In the second category there are companies that did mention in their external communication to use a communication channel of some sort but not an *anonymous* reporting channel. To use these channels personal information was required in order to submit a report. Reports were able to submit via an own supervisor, internal audit, law department, through email, via phone, via an online tool or so.

The third category made possible to raise a matter inside the company or via a third party channel by using an *anonymous function* so that personal identity was preserved. Channels for using anonymous reporting included postal addresses and online tools. Online tools were supported either by the company in question internally or they were outsources for a third party.

Figure 3: Types of reporting channels used by case companies



Companies that employed anonymous whistle blowing channels were the majority of the 19 biggest Finnish companies. 11 out of 19 had an anonymously functioning whistle blowing channel by the end of 2010. During the year 2011 the number increased to 12 out of 19 while Nordea Group will adopt an anonymous whistle blowing channel during the year. All of the companies except for two (Metsä group and Tamro) gave the information in company public data that they employ anonymous whistle blowing channels. Metsä group and Tamro reported to use also anonymous function when their representatives were shortly interviewed via email and phone.

Companies that had anonymous whistle blowing channel operated in seven different industries: electronics- (1), energy- (2), forest- (3), wholesale (retail and pharmacy) (2), metal- (2), construction- (1) and financial industries (1). Other interesting commonalities were also found. All companies except for YIT that had a channel for anonymous whistle blowing also used GRI- reporting principles.

Park, Blenkinsopp, Oktem and Omurgonulsen (2008) defined four types of whistle blowing schemes and *anonymous whistle blowing* channels was one of them providing the broadest option for employees to report on misconduct. Anonymous whistle blowing channel were adapted by Nokia, Neste Oil, Stora Enso, UPM-Kymmene, Kesko, Fortum, Metsä Group, Tamro, Nordea, Outokumpu, YIT and Metso (only for reporting financial misconduct). Additionally to make a report with a name (*identified whistle blowing*) was possible from the above mentioned companies at Nokia, Neste Oil, Stora Enso, UPM-Kymmene, Kesko, Fortum and Metso. All of these companies that had a possibility to report anonymously encouraged employees also in some ways to contact their supervisors or other manager as a one instance which was usually the most recommendable channel (*internal whistle blowing*). Two companies had outsourced the anonymous whistle blowing channel to a third party (*external whistle blowing*). These companies were Metso and YIT.

Table 4: Anonymous whistle blowing channels in companies

| | Anonymous whistle blowing channel | Ways for anonymous reporting |
|-----------------------------|--|---|
| Nokia | Yes | online, physical mailing address |
| Neste Oil | Yes | online |
| Stora Enso | Yes | online, physical mailing address |
| UPM-Kymmene | Yes | online, physical mailing address |
| Kesko | Yes | online |
| Metso | Yes | phone, email address, online |
| Fortum | Yes | online, email address |
| Metsä Group | Yes | (unknown) |
| Outokumpu | Yes | email, physical mailing address, fax, phone |
| YIT | Yes | online, phone |
| Nordea Bank | Implementing | |
| Tamro | Yes | physical mailing address |
| Nordea Henkivakuutus | Implementing | |

Company representatives' comments on the anonymity issue

According to the company representative the biggest risk of not having an anonymous reporting channel is the reputation risk. *“If employees feel that they cannot approach different company quarters anonymously it can result as a reputational risk”*. The interviewee sees the anonymous function of the channel to be highly important. Internal and external stakeholders need to be able to see that the company wants to act in accordance with the ethical codes of conduct. Company representative says that *“in Finnish companies the perception in general is that misconduct does not happen very much at all”*. The company representative recommended creating a culture of trust so that employees know that they are being taken seriously. The interviewee commented that *“the whistle blowing channel will give that kind of signal that company is building a culture of openness.”* (Interview with Group Financial Crime Compliance Officer 5th of June 2012 in Helsinki)

One of the company representatives who work in internal audit was interviewed of ones perceptions relating to the report quality that comes through the whistle blowing channel. Almost all of the contacts are essential and no-nonsense references and the reliability of the reports does not seem to depend on the anonymity. The representative said that rarely the contacts are inappropriate (inappropriate here meaning false reasons to contact internal audit; e.g. false accusations, envy). When asked about the ways that employees has been previously contacting internal audit, the interviewee estimated that it would be half and half of receiving anonymous contacts and contacts with a name. The representative thoughts that it is not so highly relevant which channel companies establish for the employees to raise a concern and whether they can make a report anonymously or not, but instead the interviewee sees it as a question of how guidelines and codes are communicated to the employees and stakeholders by the management. The representative sees the communication as a key to the functionality of the channel. (Interview with Head of Corporate Internal Audit on phone 24th May 2012)

Additionally one of the biggest companies in terms of turnover that mentioned to use an anonymous whistle blowing channel in their company external material was also interviewed. The company representative commented that there are opinions both for

and against the anonymous functioning of the whistle blowing channel. When asked about the ratio in which they receive anonymous contacts or contacts with a name via the reporting channel the Ethics Specialist commented that: *“Approximately 20% are anonymous.”* In the company *“we have always considered the anonymity aspect to be very important not only because it is required by law. We established the anonymous whistle blowing channel and the existence of this channel has been communicated extensively both internally and externally. It is also mentioned in our Code of Conduct training, which is required for all the employees. Furthermore, industry data suggests that less than half of employee populations feel comfortable raising concerns, so anonymous is required. We require the line to be used in good faith and would take action against anyone who abused it.”*: the company representative stated. When talked about the contact “quality”, the representative said that: *“The quality varies. Sometimes they are spot on and many times completely false.”* The representative continued by saying that the reporting channel: *“...is a key element of risk management, required under US law and provides employees who fear retaliation with a safe way to raise concerns. Of course we prefer that the person raising the concern identify themselves so we can get additional information, ask questions, and report back on the results of the investigation.”* (Interview with Ethics Specialist via email 30th May 2012).

Table 5: Whistle blowing channels by companies with identified whistle blowing channel

| Company name | Reference to reporting channel of any kind* | Ways for reporting |
|-------------------------|--|--|
| SOK | Yes | Supervisor or person responsible for the corporate security or internal auditing |
| OP-Pohjola Group | Yes | Supervisor and other channels that were not specified |
| Kone | Yes | Corporate compliance officer, or the global or local legal function |
| Wärtsilä | Yes | Superior, Legal Affairs or Group General Counsel (in extreme case) |
| Ilmarinen | Yes | Supervisor, a representative of the management or the head of internal control |

Companies that used identified whistle blowing channel as a channel were employees can report on misconduct or a concern were altogether five. Most of these five

companies gave the guidance how and where to report also in their companies' external sources of information. OP-Pohjola Group had internally communicated the instructions to their employees. Supervisor was the common first contact to make a report. Then if the lower parties were involved with the wrongdoing some other channels were guided to contact next.

Company representative's comments on the anonymity

The company in case is a multinational company operating in several locations. Their Director, Sustainability told that they do not have or do not really believe on channels where employees can report concerns anonymously. The company representative commented that they do not see that it would add value. He sees it more or less like an US style approach on the topic. At the company they want to protect their employees other ways to ensure employee safety. For the reported matters the interviewed company representative sees it necessary that people report concerns by using their own names so that the issue can be further discussed and investigated by the compliance function. Without names it is more problematic to know what is actually true and what is not true. By saying this the interviewee meant that there is a chance that people may have wrong or fake intentions to report on matters when they can do it anonymously. (E.g. envy, bitterness, need for a revenge etc.) The representative said that they have training on code of conduct and afterwards employees will need to sign up a paper where they commit to report if they observe any fraudulent behaviour. (Conversation with Director, Sustainability on the phone on 21st of May 2012)

Summary of the whistle blowing status

In the twenty biggest Finnish companies the whistle blowing channels were widely established. Among all of these companies 89.5 percent had established a whistle blowing channel. 10.5 percent of the companies had not established a channel. In these eleven companies it is still possible that they have a channel established but for some reason they do not want to communicate it to external stakeholders.

Most often the channel established includes anonymous function for reporting misconducts. That was the case in 63 percent of the cases. In both of the systems there

are additional channels established so that employees can decide themselves which channel they feel comfortable in using. 26 per cent of the companies had established identified whistle blowing channel.

The role of the anonymous function of the channel was widely discussed with the interviewees. Most interviewees considered anonymity as a relevant channel to minimize reputational risks and have a channel existing where everyone can feel comfortable on raising issues. Two interviewed company representative were the only ones that could give some numbers of the channels usage percentage. In these cases it varied from 20 to 50 percent usage for the anonymous channel. Therefore it seems that anonymous channels are widely used and therefore needed. As one of the company representatives mentioned, there is always the risk of getting false reports. Therefore they had not established anonymous whistle blowing channel. According to the others they have had some false reports sometimes and the other said that almost all of the reports are relevant. The one interviewee who was against anonymous channels had never had one in use.

In the following three categories that are presented below, the thesis will focus on detecting the underlying reasons behind the selection and establishment of different kinds of whistle blowing channels.

4.1.2. Regulation as a reason to establish whistle blowing schemes

During the interviews and in the literature three main reasons emerged for reasons to establish whistle blowing schemes of many kind. The most coercive reason behind the anonymous whistle blowing channel and identified whistle blowing channel is the legislative pressure.

Regulative rules are the reason behind the isomorphic institutional change ((Scott 2001) in this case establishment of whistle blowing schemes. In Finland there are no laws that would demand establishment of a whistle blowing channel. Though many of

the twenty biggest Finnish companies operate in countries where legislation has effect on them in this matter.

Table 6: Influence on whistle blowing related regulation on Finnish companies

| UK Anti-Bribery Act 2002 | Sarbanes-Oxley Act 2002 | Corporate Governance Code on listed companies |
|---------------------------------|--------------------------------|--|
| Nokia | Nokia | Nokia |
| Neste Oil | | Neste Oil |
| Stora Enso | | Stora Enso |
| UPM-Kymmene | | UPM-Kymmene |
| Metso | | Metso |
| Fortum | | Fortum |
| Metsä Group | | Metsä Group |
| Kone | | Kone |
| Outokumpu | | Outokumpu |
| Nordea | | Nordea |
| Wärtsilä | | Wärtsilä |

Nokia is the only Finnish company that is a non-US company listed on a US stock exchange and therefore under the influence of Sarbanes-Oxley Act 2002. That means that under Sarbanes-Oxley Act 2002 Nokia must employ an anonymous whistle blowing channel (Sarbanes-Oxley Act 2002) Nokia’s representative confirmed the conclusion by saying that when it comes to the relativity of such channel Nokia is required to have it by US law because Nokia is a publically listed company. *“At Nokia, we have always considered the anonymity aspect to be very important not only because it is required by law.”* (Interview with Ethics Specialist via email 30th May 2012).

Companies that operate in the UK are influenced by the UK Anti-Bribery Act 2010. Under the influence of the UK Anti-Brubery Act 2010 are Nokia, Neste Oil, Stora Enso, UPM-Kymmene, Metso, Fortum, Metsä Group, Kone, Outokumpu, Nordea and Wärtsilä. The non bolded companies in the table are the ones who do not have an anonymous whistle blowing channel in use that would have been communicated to their stakeholders. UK Anti-Bribery Act does not require an establishment of an anonymous whistle blowing channel. To avoid any possible consequences if bribery occurs in the

organisation, companies must be able to show that they have done everything under their influence to prevent that happening. Otherwise they take a risk of heavy punishments and serious consequences for their business. Therefore UK Anti-Bribery Act 2010 recommends “The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication” (Clarke 2011: 29).

One of the companies’ Financial Crime Compliance Officer was introduced because they had lately decided to establish an anonymous whistle blowing channel. In the company they have discussed for some years of the need to establish a whistle blowing channel. The establishment of such a whistle blowing channel originates from the need to make sure that employees feel secure in raising their concerns if company’s ethical guidelines are not followed. One reason to create the system was the new law that came into force in UK. It has an extraterritorial effect on the company’s operations while it is one of their operating countries. (Interview with Group Financial Crime Compliance Officer 5th of June 2012 in Helsinki)

Another company representative (Interview with Vice President, Corporate Internal and Sustainability Communications in Espoo 21st May 2012) commented their establishment of an anonymous whistle blowing scheme by saying that it is a cultural change and change in the course of operations that pushes companies to adapt such channels. The representative thinks that establishment of such reporting channels will only increase in the future and also the possibility for employees to report anonymously. The establishment of an Anti-Bribery Act in the UK and all the other things that happen around the globe has caused the effect that companies are in the process of waking up to the change in the companies’ business environment. The interviewee thinks that their company is somewhat leading the way in many ways.

When they started creating their “raise a concern” channel they bought some legal services from a law company for getting the basics what establishment of such a channel requires and what kind of issues they need to consider in juridical sense. The results lead to a situation that they needed to undergo employer-employee negotiations

in many countries for example in Finland. There were numerous issues that they needed to consider in legal terms before they were able to establish the channel. The representative recaptures that only for the new code of conduct they have been working for one year in total before it was ready to be published and additionally they have worked hard for the establishment of the actual whistle blowing channel. The interviewee said that it was not a simple task to perform. When they bought the legal consulting services externally for establishing the system they noticed that even their lawyers who are experts in this field did not know straight away all the facts relating to it. That also confirmed their perception that this is a rather new issue among companies and it will probably become even more important when the time passes.

The company's executive management regards the matter with constant importance. In today's society they need to have such a channel for external parties and the anonymous function for reporting, commented their company representative. These derive partly from the UK anti-bribery act which is to some extent the benchmark in terms of legislation worldwide. The company has operations in UK and not only does their legislation apply to the company in questions but the legislation in UK also states that companies must be able to show that they have considered these issues and done hundred per cent in order to make sure that these procedures are in order. The interviewee considered this as a so called incentive or encouragement that it is a good thing that they have this kind of a channel existing. It also needs to be remembered that the company is an international company and that they will be even more international in the future. (Interview with Vice President, Corporate Internal and Sustainability Communications in Espoo 21st May 2012) This interview gave additional confirmation on the above mentioned reasons to establish whistle blowing schemes. Being under UK Anti-Bribery Act 2010 represents a coercive mechanism for multinational companies to adapt such systems.

All of the companies having a whistle blowing channels are also listed to Nasdaq OMX Helsinki and therefore they are ought to follow Finnish Corporate Governance Code. The code does not give any direct recommendation in terms of whistle blowing channel. The aim of the code is to harmonise risk management and internal control by using high

international standards (Securities Market Association 2010). It remains to be seen which institution in Finland takes a first stand on whistle blowing schemes.

EU legislation affects additionally on all the companies. If companies fail to comply with EU data protection rules they are in a risk of getting sanctions from EU data protection authorities and therefore whistle blowing systems must be executed according to the EU data protection regulations. (Data Protection Working Party 2006) EU Data Protection Working Party recommended of *not* establishing anonymous whistle blowing channels for many reasons that were discussed in the literature review. Additionally they said that anonymous option for reporting should not be promoted nor encouraged by the companies. EU's stand therefore question Finnish companies' decision of having anonymous whistle blowing schemes. It is highly controversial to Sarbanes-Oxley Act 2002. EU Data Protection Working Party (2006) is aware of the controversiality and "Working Party intends to contribute to the provision of legal certainty to companies which are subject both to EU data protection rules and to SOX." (Data Protection Working Party 2006: 6) In the light of these acts and opinions the US SOX law weight more for companies than EU data protection regulation in other words only for Nokia. While UK Anti-Bribery Act (2010) does not take a stand on anonymous whistle blowing channel issue all the other companies are not recommended law wise to establish anonymous whistle blowing channels. The EU opinion is still a recommendation for companies on how to establish whistle blowing schemes taking into account EU data protection rules.

A table is presented under to present the companies' context that have created the legislative pressure for establishing whistle blowing schemes for employees and stakeholders.

Table 7: Summary of company key figures belonging to the first category

| Summary of company figures | Range | Average | Median |
|----------------------------|---------------|---------|---------|
| Operating countries | 8-160 | ~43 | ~30 |
| Personnel | 5 000-130 000 | ~30 300 | ~28 000 |
| Turnover, Milj. € | 4 200-38 700 | ~10 700 | ~6 200 |
| Listed companies | 11 / 11 | | |

Nokia is a massive global company and therefore their key numbers tend to skew the average numbers. The median is also presented to illustrate the direction and size category better. All in all these numbers tell that the most influencing factor on belonging to the first category is number of operating countries. All of the companies were multinational. These companies have many times wider presence in multiple countries than the companies in the two following categories. A conclusion can be drawn that the legislative pressure of establishing a whistle blowing scheme seem to be higher for the companies expanding abroad on multiple countries and facing new legislative rules and laws. In this category basis for legitimacy is legally sanctioned (Scott 2001).

4.1.3 Normative behavior behind the whistle blowing scheme

Most of the twenty companies that do not have legal pressures on establishing whistle blowing schemes fall under the second and normative category. When companies do not have legal pressures on establishing whistle blowing schemes they still have social obligation to fulfil binding expectations by the society which is the reason to comply and adapt whistle blowing schemes. Organisations detect other organisations around them establishing policies, codes and other accreditations which create the pressure to model and benchmark other organisations to create legitimacy. Where rules and laws are the indicators behind regulative element, certifications and accreditations are the indicators behind normative elements.

Table 8: Whistle blowing channels employed by companies without legal pressure

| Company name | Reference to reporting channel of any kind | Code of conduct | GRI Reporting Initiative in use | follow Finnish CGC |
|-------------------------|--|-----------------|---------------------------------|--------------------|
| SOK | Yes | Yes | Implement 2013 | No |
| Kesko | Anonymous channel | Yes | Yes | Yes |
| OP-Pohjola Group | Yes | Yes | Yes | Yes |
| YIT | Anonymous channel | Yes | No | Yes |
| Tamro | Anonymous channel | Yes | Yes | No |
| Ilmarinen | Yes | Yes | No | Yes |

Six companies reported either in their external data or during the interviews to employ reporting channel of some kind. According to Park, Blenkinsopp, Oktem and Omurgonulsen (2008) these channels here are defined to meet the criteria for *identified whistle blowing* and *anonymous whistle blowing channels*. From these companies SOK, Kesko, YIT and Ilmarinen communicated the use of a whistle blowing channel in their company’s external reports and policies or in company web-pages. OP-Pohjola Group and Tamro representatives disclosed this information during an interview while they did not refer to it on their company’s publications. None of these companies have neither effect of UK Anti-Bribery Act 2010 nor Sarbanes-Oxley Act 2002 on their business. Only Finnish Corporate Governance Code 2010 has an effect on the listed companies which include Kesko, OP-Pohjola Group and YIT. Interestingly Ilmarinen stated in their Annual Report 2011 that they follow Finnish Corporate Governance Code 2010 for Listed Companies as far as it is possible for a mutual employment pension insurance company. They also highlighted that they additionally comply with the insider guidelines provided by Nasdaq OMX Helsinki to the extent possible for an unlisted company operating in their branch. The reason to do this even if it is not required from them they said that “the purpose of these guidelines is to promote public confidence in Ilmarinen’s investment operations and to increase awareness of insider regulations so as to prevent any violations, including inadvertent ones.” (Ilmarinen Annual Report 2011: 29) Another good example of going beyond the legal requirements is the three

companies, Kesko, YIT and Tamro have an anonymous whistle blowing channel established even though they are not required to do so under the law.

None of the above mentioned companies had any pressure due to legislation to establish whistle blowing channels. Nevertheless six companies above had established a whistle blowing scheme and three of them had established additionally anonymous whistle blowing channel. Scott (2001) and DiMaggio and Powell (1983) claim that this result would derive from companies determination to fulfill stakeholders' expectations and to model successful or more legitimate companies.

According to Hawley (2011) international companies face a fast changing business environment that encourages companies into ethical behavior and social responsibility. That is in accordance with DiMaggio and Powell (1983) who argue that by modeling other organisations in the society could also result from technological or environmental uncertainty or uncertainty caused by aspiring goals set by the organisation. To interpret their studies fast changing industries, increasing global competition and rapid new innovation in technological field may be one of the reasons to model other companies operating in the same field and establish whistle blowing schemes. Establishment of numeral global initiatives to create standards and foster ethical and socially responsible business making has created lot of pressure for companies that inevitably must reflect their behavior on these expectations. In this case establishing whistle blowing channels to meet stakeholder expectations is a proof that companies seek legitimacy for the company.

One of the interviewed company representatives commented that the reason to start updating their code of conduct was a direct order from the board of directors. The representative says that *“there has been lot of transformation in the business field during the last couple of years. The pressures and expectations for international companies to act and report according to a certain business ethics have increased”*. (Interview with Vice President, Corporate Internal and Sustainability Communications in Espoo 21st May 2012. Issues and matters that were generally allowed and accepted five years ago are not allowed anymore. The company does not want to take risks in

those areas. Company stakeholders expect good employer ship and good reputation. The interviewee also highlights transparency. The company representative said that management needs to act in a transparent way in relation to subordinates. Employees must have the experience that control and ethical guidelines are transparent. It is not enough that company acts according to the laws. (Interview with Group Financial Crime Compliance Officer 5th of June 2012 in Helsinki)

Moreover DiMaggio and Powell (1983) explained how else modeling can occur without purposeful mimicking. Behavior or practice mimicked by organisations may then transfer unintentionally forwards to other organisations due to employee transfer or turnover, or intentionally via consultancy companies or via industry trade associations for example. Finnish markets are rather small and therefore it is very likely that this sort of unintentional modeling happen widely. Many of the companies use consultancy companies for many purposes and new practices like whistle blowing schemes will spread across boundaries. One interviewed company representative agreed that the *“topic is very timely and therefore they have discussed about the topic regularly in the management”* whether or not they should establish an anonymous whistle blowing system. The representative also admitted that they read other companies external reports. (Interview with Senior Vice President, Brands and CSR in Helsinki 25th May 2012) Naturally companies view competitor behavior more than other companies in other industries which could results in isomorphic change inside certain industry.

Companies in this second category differed from the first one also in terms of GRI-reporting guidelines. Almost all of the companies in the first category followed GRI-reporting guidelines as well. In this category four out of six follow GRI- reporting principles. SOK stated in their Responsibility Review 2012 that they will base their reporting on GRI guidelines first time in year 2013's reporting. Additionally all of the companies had established a Code of Conduct for standardizing company rules and manners across their operating countries. The adaption of these two international standards shows that companies are seeking acceptability and credibility through normative system. One company representative defined the primarily meaning of the channel to strengthen management's message about the importance of the code by

giving employees and other stakeholders an option to raise a concern. The interviewee sees whistle blowing channels as a complementary channel in terms of risk management at the company while the use of the channel is based on a voluntary act by employees and stakeholders. (Interview with Head of Corporate Internal Audit on phone 24th May 2012)

Table 9: Summary of company key figures belonging to the second category

| Summary of company figures | Range | Average | Median |
|----------------------------|--------------|---------|--------|
| Operating countries | 1-14 | ~7 | ~6,5 |
| Personnel | 600- 41 600 | ~17 600 | 16 100 |
| Turnover, Milj. € | 3 200-11 300 | ~6 400 | ~5 100 |
| Listed companies | 3 / 6 | | |

The summary of companies' key figures that belong to the second category reveals that the companies are on average almost half smaller in terms of personnel when compared to the first category companies. Same applies to turnover though not as strongly. When in the first category all of the companies were listed in Nasdaq OMX Helsinki in the second category only half are. Nevertheless the single most significant difference between these two groups is the number of operating countries. In the first group the average was 43 countries and the median was 30 while in the second group average is 7 and median 6,5. Only one of these companies operated only in Finland while the others were multinational. One of the interviewed company representatives added that the corporate size does matter while the company in question is a systematically important financial institution and the presence of the company in many different cultures which in itself creates the need for such a channel. *"All that creates a need to unify people's thinking"*. (Interview with Group Financial Crime Compliance Officer 5th of June 2012 in Helsinki) Another company representative added that the company is planning to expand to new market areas and the interviewee said that therefore it is extremely important that they have shared rules at the company that they all will follow no matter which country at issue. The interviewee agreed that this kind of reporting channel

targeted for employees where they can report concerns or misconducts anonymously represent a bottom line risk management strategy for the company. (Interview with Vice President, Corporate Internal and Sustainability Communications in Espoo 21st May 2012)

Obviously modeling other organisations in the society could also result from technological or environmental uncertainty or uncertainty caused by aspiring goals set by the organization. Uncertainty and risk go hand in hand. Often risk faced by the organization are proportionate to the procedures establish in the organization. Clarke (2011) believes that the risks of bribing in general are higher in foreign countries versus conducting business only in UK. Therefore as the number of operating countries increases the environmental uncertainty gets higher for companies leading to tighter measures for risk management. To give an example to demonstrate the environmental uncertainty and pressure for the companies, YIT's (2011) situation describes it well. They have entered to 10 new countries during the 21st century through mergers and acquisitions. First to Scandinavia trough company history's biggest acquisition and then to central Europe. In 2010 they already planned their strategy to expand more on potential new markets that includes Great Britain, Netherlands and Belgium and for some areas Poland. (YIT D 2010) Therefore YIT has a profound reason to engage in CSR to prepare for the future and to ground a whistle blowing scheme to respond to the risks, uncertainties and new country legislations if the expand as planned.

To make a conclusion the more international the company the more pressure there are to establish a whistle blowing scheme due to increasing stakeholders, expectations and uncertainty. These companies action, measures and procedures demonstrate CSR while they do not have any legal force to establish whistle blowing schemes but have done so anyways and gone beyond legislation.

4.1.4 Cultural-cognitive aspect and whistle blowing schemes

Hoffman (1997) stated that these three elements legislative, normative and cultural-cognitive represent a continuum changing between the conscious to the unconscious. Legislative element stands for conscious end of the vacuum and cultural-cognitive demonstrates the unconscious and in other words taken for granted. Many issues in Finnish culture support the cultural-cognitive aspect. Those company representatives that were widely interviewed shared the understanding that Finland is often recognized as a “culture of trust” which could work as a barrier to establish whistle blowing schemas while the need is not recognised. Koironen (2002) studied 68 Finnish companies that had been operating more than 100 years. Company owners of those 68 firms voted the most critical values that have enabled their survivor and success during the century and those values were honesty and credibility. This proves how strong the connection is between the belief in these legitimate culture values and the success of the company.

One interviewed company representative that had not introduced an anonymous whistle blowing channel said that management might experience that there is no confidence in their management systems by the personnel if such a channel would be established. Interviewee stressed that in their company *“they have not experienced any need for such a channel while the corporate heritage is tightly connected to Finnish culture, culture with trust.”* (Conversation on phone with Executive Vice President Reputation and Responsibility 7th May 2012)

Another interviewed company representative said that at their company *“the leadership style is strongly based on values and while one of their core values is people-first approach and humane values they have decided not to adapt such a channel (anonymous whistle blowing channel) while it would be in contradiction with these values”*. The representative added that they are aware that there are big cultural differences between the company’s five operating countries in Nordic and Baltic countries. The representative continued by saying that one had previously worked in an international company and thinks Finland is a very different in terms of culture and

because of it is easy to build on. *“especially in this industry where everything is based on trustworthiness.”*... *“it is not possible to operate as a bank if you are not reliable.”* The representative continued by saying that in their company they aim for openness and trust and when problems arise should they be able to manage them without having that kind of a channel. (Interview at Helsinki 25th May 2012)

In third category Scott (2001) reasoned the company behavior to derive from shared understandings and the reasons behind order to come from constitutive scheme in this case Finnish culture and generally approved way of doing business.

Table 10: Summary of company key figures belonging to the third category

| Summary of company figures | Range | Average |
|----------------------------|-------------|---------|
| Operating countries | 1-9 | ~5 |
| Personnel | 600-6 900 | ~3 700 |
| Turnover, Milj. € | 3 900-5 600 | ~4 800 |
| Listed companies | ½ | |

In the above table a summary of the two remaining companies can be viewed. To compare the key figures with the previous category it is possible to see parallel results though not so significant. The average of the operating countries is only slightly smaller (5) compared to the previous category (7). Only one of the companies could be described to be multinational while it operated in nine countries that were in Nordic and Baltic countries. Companies in the previous category employ 4.5 times more personnel than companies in this category. Turnover on average is only slightly higher in the companies belonging to the previous category. Still the results are parallel to the results when comparing the first and the second category companies' key figures that could be concluded that companies belonging to this category are 'smaller' in terms of their key figures listed above.

Neither Sampo Group nor Varma had any reference in their company external data that they would use of any kind of whistle blowing channel. Unfortunately confirmation for

the status quo could not be received. In parallel with the previous results, companies belonging to this category lacked the use of GRI- reporting guidelines as a part of their reporting. Though Sampo had established a Code of Conduct and Varma might have established a similar document as well. Sampo is a listed company that makes a legal difference to Varma while they must consider Finnish Corporate Governance Code. Sampo operates in financial industry and Varma in pension industry.

Scott (2001) argued that institutional change is culturally supported and based on common beliefs and shared logics of action. That is the way to gain legitimacy. DiMaggio and Powell (1983) argue for the institutional isomorphism that mostly derives from professionalization. Adding these two aspect together Finland is a small market and personnel shift between companies widely transferring the professionalization and knowledge from one company to another. If companies have not any whistle blowing schemes established it is likely that they only hire professionals for positions that need to be occupied not created. Thus it is probable that through employee transfer benchmarking and mimicking increases resulting in more homogeneous company schemes.

According to Scott (2001) compliance is results in this category due to the unfeasibility of other behavior models. The routines embedded in Finnish culture and in different industries are followed by all because that is the normal and generally accepted way of conducting business. In localized contexts as in Finland and in different industries differentiated ways of action naturally develop and it shows in a form of repetitive actions while time passes. Scott (2001) states that to be the result of the actions becoming habitualised and objectified. Scott (2001) reminds that authors studied the cultural-cognitive element of institutional change point to notice additionally the role of wider institutional frameworks that built common order models and codes in societies. EU is a good example of a wider institutional framework versus Finnish society.

In this third category of cultural-cognitive aspect companies have legitimacy for their business model without any whistle blowing systems established. Scott (2001) claims comprehensible, recognizable and culturally supported way of doing business to be the

basis for legitimacy. As discussed above whistle blowing schemes are rather a new communication and risk management channel for companies. Those companies that have long traditions in the country context and they have been successful in their business have most likely not missed any additional source of legitimacy. To conclude these companies lack the legislative pressure to establish a whistle blowing scheme compared to companies belonging to the first category. Companies in the second category according to the institutional theory (Scott 2001; DiMaggio and Powell 1989) might recognize a greater need for legitimacy or have more uncertainties in the business environment that might encourage companies to establish whistle blowing schemes which could be derived from wider presence in other countries. Companies belonging to the last category might represent the “taken for granted” end of the vacuum while they probably have experience that their other means of risk management systems and internal control measures have been enough and brought enough legitimacy for the business.

4.2 Discussion

In the following paragraphs the discussion of the findings is presented, first the whistle blowing system status and then the underlying factors behind the existence of whistle blowing schemes.

4.2.1 Whistle blowing system status

First part of the main findings relates to the review of whistle blowing system status in biggest Finnish companies. KPMG (2011) had conducted a report on whistle blowing system usage in Finland by the 49 biggest Finnish companies that provided a good comparison for this paper.

In Finland the biggest companies in terms of their turnover 17 companies out of the 19 companies mentioned either in their public reports or during the interviews that they employ a whistle blowing channel. In percentage it represents 89.5 per cent of the case companies included to this study. In KPMG’s (2011) report 43 per cent that is 21 companies out of 49 had mentioned to use a whistle blowing channel.

In this study 12 companies had established anonymous whistle blowing schemes which represents 63,2 per cent out of the case study companies. In KPMG's (2011) report 11 companies out of 49 said to have the anonymous option for reporting. That represents 22,4 per cent of all the studied companies.

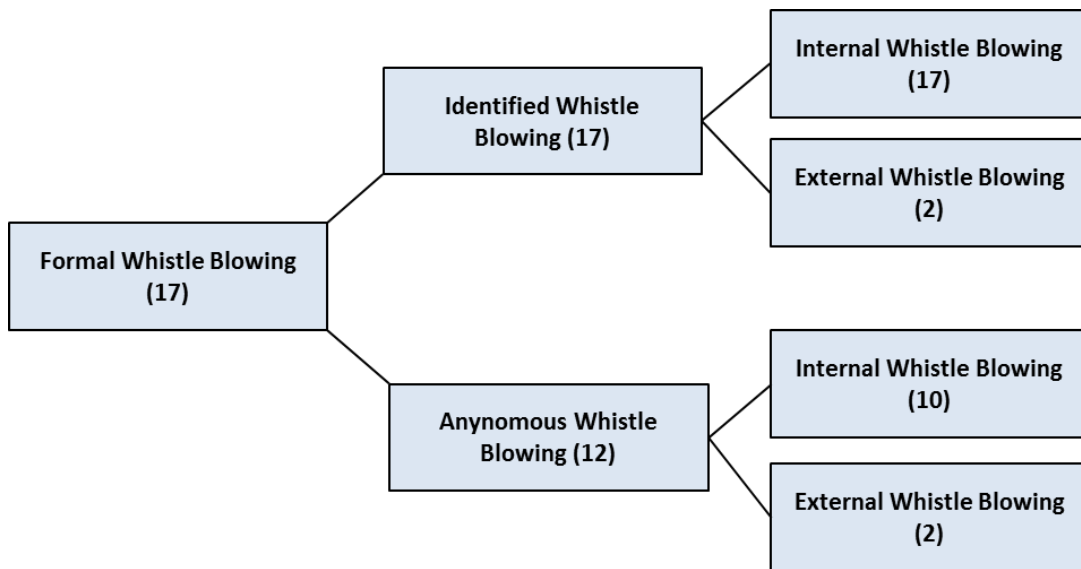
KPMG's (2011) report had the limitation of only reviewing companies' public reports. In this paper all of the companies were shortly interviewed though email, a phone conversation or on the spot. In three interviews the real whistle blowing status of the company was confirmed to be different than what could be deducted from the companies' public data. One company that did not announce to employ any channel confirmed that they use identified whistle blowing channel. Two of the companies that mentioned to use identified channel additionally employed anonymous whistle blowing channel. More research should be done to discover the reasons for not announcing the use of anonymous whistle blowing scheme in public. One fair reason for that could derive from EU's recommendation of not promoting and encouraging anonymous whistle blowing. Companies failing to comply with EU data protection rules face a risk of getting sanctions from EU data protection authorities. (Data Protection Working Party 2006)

Moreover three of the companies' representatives declined to respond to the issue leaving speculation whether the number would be higher for companies employing whistle blowing schemes. One possible reason for the reluctance to discuss of the issue could be that companies view the channel as something negative and do not want to give the information for the stakeholders. The Securities Market Association (2010) additionally recommends Finnish listed companies to act in a transparent way when organize their Internal Audit functions in the Finnish Corporate Governance Code 2010.

To answer to the first research question whether biggest Finnish companies employ whistle blowing channels is that 17 companies resulting in 89.5 per cent of the studied 19 biggest Finnish companies have established an *identified whistle blowing scheme*. Equally important is the result that 12 companies making 63,2 per cent of the case study

companies offer their employees an option to *report anonymously*. Two out of the 17 companies reported to use an *external whistle blowing channel* that is maintained by an independent third party. 15 of the 17 companies used *internal whistle blowing*.

Figure 4: A typology of Whistle blowing adapted by case companies



Adapted from Park, Blenkinsopp, Oktem, and Omurgonulsen (2008: 930)

KPMG (2011) report's lower numbers in the amount of whistle blowing schemes in general and also in terms of anonymous whistle blowing channels. It could be explained though their limitation of data source to public information. Then again they studied 50 biggest Finnish companies so as in this paper the establishment of whistle blowing channels might decrease in a relation to company size. Results of this study compared to KPMG's (2011) report are more accurate while they show that companies do not necessarily inform their stakeholders of the existence of whistle blowing scheme even if they would employ one.

4.2.2 The underlying factors behind the existence of whistle blowing schemes

Main findings of the thesis will culminate to the context of institutional theory presented before in the literature review. Institutional theory explains how organisations function in societies and could be applied to the existence of whistle blowing schemes to detect the underlying factors whether companies have such schemes or not. The key is that organisations need social acceptability and credibility among other things in order to succeed in societies which is often also call legitimacy. (Scott 2001)

Institutional theory divides sources of legitimacy in three pillars: regulative, normative and cultural-cognitive (Scott 2001). DiMaggio and Powell (1983) detected three mechanisms that cause institutional isomorphic change: Coercive, mimetic isomorphism and normative pressures. The existence of whistle blowing schemes in companies seems to be in accordance with this distribution. The structure of the presented findings therefore will be divided into these three categories. The three elements create a continuum that shifts “from the conscious to the unconscious, from the legally enforced to the taken for granted.”: (Hoffman 1997: 36)

To answer to the second research question the underlying factors influencing to the existence or non-existence of whistle blowing schemes in the case companies culminate to the institutional theory. The underlying factors behind the whistle blowing schemas are legislative, normative and cultural-cognitive factors. Each of the case companies fall under one of these categories that explains the existence or non-existence of whistle blowing channels in the companies.

During the past decade whistle blowing systems have taken its place in biggest Finnish companies. Most of the twenty studied companies employ a whistle blowing system of some kind. *Firstly* legislation seems to be the number one reason forcing companies to adapt such systems. *The second* underlying factor having caused the establishment of whistle blowing systems are the binding expectations and pressures deriving from uncertain company environment. *The third* category of cultural-cognitive aspect seems to differ in a way that whistle blowing schemes are still unconscious and not relevant

for the companies having legitimacy from shared understandings which is supported by Finnish culture.

Table 11: Summary of underlying factors behind establishing whistle blowing schemes

| | Regulative | Normative | Cultural-Cognitive |
|--|---|---|--|
| Underlying factors for establishment of whistle blowing schemes | Regulative rules | Binding expectations and uncertainty in the company environment | Finnish culture based on trust and credibility, Status quo of current monitoring tools through professionalization / shared understanding |
| Indicators | Laws that reflect establishment of whistle blowing schemes: Sarbanes-Oxley Act 2002, UK Anti-Bribery Act 2010, EU directive 95/46/EC and Opinion 1/ 2006, Finnish Corporate Governance Code | Certification, accreditation that create legitimacy: Whistle blowing schemes, codes of conduct, GRI-Reporting Initiative use, company policies and operations in multiple countries | Shared logics of action that is unnecessary perception of whistle blowing schemes, strong heritage and presence in Finland and prospecting business without greater uncertainties, professionalisation |
| Basis of legitimacy | Legally sanctioned through supervisory bodies | Morally governed through stakeholders and in some cases legally sanctioned* | Comprehensible, recognizable, culturally supported by Finnish society and stakeholders |

*EU Directive 95/46/EC and Opinion 1/ 2006 on the protection of individuals with regard to the processing of personal data and on the free movement of such data in this case related to anonymous whistle blowing channels

Adapted from Scott 2011

Legislation behind the existence of whistle blowing channel

Altogether eleven Finnish multinational companies were under the direct influence of some law to establish whistle blowing systems in the companies. These companies were Nokia, Neste Oil, Stora Enso, UPM-Kymmene, Metso, Fortum, Metsä group, Kone, Outokumpu, Nordea and Wärtsilä. Nokia is the only company that is listed in New York Stock Exchange and therefore they are under the Sarbanes Oxley Act of (2002) and have a coercive pressure of employing anonymous whistle blowing channel.

All the other ten companies mentioned to have operations in the United Kingdom, Nokia as well. The UK Anti-Bribery Act (2010) is the enforcing legislation for the eleven companies and therefore it gives pressure to establish whistle blowing systems to

meet the law enforcements. These companies were Neste Oil, Stora Enso, UPM-Kymmene, Metso, Fortum, Metsä Group, Kone, Outokumpu, Nordea and Wärtsilä. As a conclusion these eleven companies meet the legislative requirements of UK Anti-bribery Act 2010.

Nokia is the only case company that faces controversial coercive expectations. EU Parliament published a directive 95/46/EC in 1995 that includes personal data protection (European Parliament 1995). In the directive a working party was declared to create an opinion for protecting individuals in terms of data protection. (Data Protection Working Party 2006). The single most crucial aspect of the opinion is that they are against establishing anonymous whistle blowing channels for many reasons and see anonymous reporting as an exception to the rule which should not be promoted. (see section “Rules of Whistle Blowing in EU Institutions”) Sarbanes-Oxley Act (2002) instead demands the establishment of a procedure for anonymous reporting that Nokia must comply. The UK Anti-Bribery Act 2010 does not take a stand on the anonymity issue. It only recommends to establishing whistle blowing channel for bigger organisations and extensive written communication on companies’ policies and procedures. (Clarke 2011) Therefore it can be concluded that the nine companies mentioning to employ anonymous whistle blowing channel in the company public data somewhat act against the EU directive 95/46/EC and the Opinion 1/2006.

Additionally EU directive 95/46/EC and the Opinion 1/2006 underlined that whistle blowing systems should clearly define the type of information to be disclosed through the system that are limited to accounting, internal accounting controls or auditing or banking and financial crime and anti-bribery. (Data Protection Working Party 2006) This means that companies welcoming all the concerns through the channel are not in accordance with EU’s stand. Only Metso encourages their employees only to report on issues relating to financial misconduct.

Pressures and risks as a probable reason to establish whistle blowing channels

It was found that companies that do not have a legal pressure on having a whistle blowing schemes had still established such reporting channels to engage in corporate

social responsibility. Engagement to CSR according to the authors could be explained due to the pressure to increase its shareholders profits (Friedman 1970) fulfil legal and fiduciary obligations (Crane and Matten 2007) to maximise profits through fostering its relationships with its stakeholders, gain legitimacy and to sustain the company environment by taking care of its condition and maintaining the favourable business environment (Solomon 2007), looking after of their self-interest that is the responsibility to their shareholders, (Crane 2007; Commission of the European Communities 2001), to meet the stakeholders binding expectations (Scott 2001) or to respond to the uncertainty in the company environment (DiMaggio and Powell 1983).

Companies that belong to this category are SOK, Kesko, OP-Pohjola Group, YIT, Tamro and Ilmarinen. Indicators of them belonging to this category is the accreditations and certifications to bring legitimacy (Scott 2001) All of these companies have a identified whistle blowing channel established, a code of conduct and moreover four out of six companies have or will follow GRI- reporting principles. Most often in the interviews it was referred that the companies that have established a whistle blowing mechanism are expected by the shareholders to act in a way that minimizes the risks for the company. Additionally literature and the interviews refer that the more company expand to foreign countries the more urgency for establishing whistle blowing schemes it creates.

Additionally three of the companies had established an anonymous channel and two of them mentioned to have an anonymous channel in their public reports while one of them mentioned that during an interview. The EU Directive 95/46/EC (European Parliament (1995) and the Opinion 1/2006 ((Data Protection Working Party 2006) was against the announcement and promotion of anonymous whistle blowing channels.

Finnish culture in contradiction with whistle blowing schemes?

Compliance results in cultural-cognitive element due to the unfeasibility of other behavior models, in the last element of institutional theory. The indicators of behavior are common beliefs and shared logics behind actions (Scott 2001). When the cultural-cognitive element is applied to Finnish culture and Finnish companies it seems that

there are factors that influence on the establishment and existence of whistle blowing channels. That is corporate culture and traditions, shared understandings in business models that is based on credibility and trust.

Two companies Sampo Group and Varma did not mention to use any kind of whistle blowing channel in their company external data. These two companies that have no channel operate in one country and the other in nine countries. They have long history and roots still strongly in Finnish culture and markets that could lead to the the situation where whistle blowing schemes are unrecognized.

During the study when asking the reasons of not establishing whistle blowing schemes the Finnish culture, credibility and “trust” were brought up several times. Koiranen (2002) also proves that businesses in Finland have been able to succeed though those values in Finland. It seems that a shared understanding among managers is that trust and credibility are fundamental values in Finnish culture that can be counted on and build on. Some think that it is essential but not enough when talking about risk management and internal control some think that because of these values no bottom line risk management tool like whistle blowing channel is needed while other measures of risk management and internal control are enough.

5. Conclusion

The conclusion section of the paper will summarise the paper by reviewing the main findings and theoretical contributions to the existing literature. Lastly managerial implications and suggestions for further research are presented.

5.1 Main Findings and Theoretical Contributions

To summarise the results of whistle blowing scheme status in 20 biggest Finnish companies it can be concluded that 89.5 per cent of the companies had some form of whistle blowing channel in use while only 10.5 per cent did not communicate to have any whistle blowing form in use. Additionally 63 percent of the case companies had anonymous whistle blowing channel as one form of reporting channel. From the interviews and companies external data it can be concluded that whistle blowing channels are widely recognized in biggest Finnish companies and still rather a new phenomenon. Some of the case companies had just established whistle blowing schemes and some had constantly talked about grounding one which gave confirmation of the topic being timely.

To make a conclusion on the second researched topic the underlying factors influencing the existence of whistle blowing schemes can be divided into three categories; legal factors, normative factors and cultural-cognitive factors that explain the existence or non-existence of whistle blowing schemes in case companies. The more multinational the company in terms of size and number of operating countries the more likely it is that they come across a legislation that has a coercive effect on them on establishing whistle blowing channels. USA is one of the world's most desired markets among companies and SOX demands companies that are listed in US Stock Markets to have an anonymous whistle blowing channel in use to give an example.

The normative factors demonstrate the expectations and pressures coming from companies' various stakeholders in the fast changing business environment which increases the likelihood of companies' establishing additional reporting channels like whistle blowing channels. Certifications and accreditations are the indicators of belonging to the normative category and whistle blowing schemes could be interpreted to be an indicator of normative behaviour when there are no legal requirements on establishing one. One of the most influential factors is the companies' increased expansion to new markets that bring lot of uncertainty to the business environment. Uncertainty instead encourages organisations to model other successful companies (DiMaggio and Powell 1983). This seems to influence on companies perception to employ whistle blowing schemes. Additionally companies might establish whistle blowing schemes in order to prepare them in case they have planned to expand to markets where legislation is coercive on whistle blowing schemes or when they feel they need more legitimacy for example.

The cultural-cognitive factor is the most country specific of these elements. The case companies originate and have a long history in Finland. Common beliefs and shared logics of action are the indicators for cultural-cognitive element. In Finnish companies there is a long history in business making that relies on trustworthiness and credibility that has enabled companies to survive and to be successful (Koiranen 2002). The cultural-cognitive element seems to be in contradiction with establishment of whistle blowing schemes for some case companies while the need for the channel is not recognised. Enough legitimacy for these companies comes from other sources of monitoring and internal control procedures that are comprehensible, recognizable and culturally supported in Finland.

The findings of the study are generalizable to companies listed in the US Stock Markets while those companies are bound to comply with Sarbanes Oxley Act (2002). Additionally findings are transferable to companies operating in the EU area while EU legislation represents an important part of the legislative pressure for companies inside the EU. (Data Protection Working Party 2006; European Parliament 1995) Nevertheless each country might also have their own legislation that is influential on establishment of

whistle blowing schemes. The case companies were only Finnish and therefore other countries' legislation was not included to this study but those highly relevant for these companies like SOX, UK Anti-Bribery Act (2010) and EU Directive 95/46/EC. Therefore this study gives only direction for other companies operating in EU area.

The findings under the normative category are somewhat transferable to other country contexts. If companies do not experience legal pressure on establishing whistle blowing schemes and they still have introduced one they fall under the normative element. Many multinational companies that are neither present in UK nor USA that operate in dynamic business environment have established a whistle blowing scheme to respond to the uncertainty in the company environment and to gain legitimacy.

Cultural-cognitive elements influence on companies is highly connected with country culture where company originates and is registered in. Seem that the smaller the company in terms of operating countries the more the cultural-cognitive element influences on the companies. Therefore cultural-cognitive results of this study are not widely transferable and generalizable to other country contexts but give direction for further studies in other contexts.

5.3 Managerial implications

This study brought insight to the whistle blowing scheme discussion from the Finnish multinational companies' perspective. The study answered many questions of the current status of the Finnish companies' relation to whistle blowing schemes and the underlying factors behind them. Whether companies have whistle blowing schemes existing or not probably this study will give advice and direction to company representatives while answering some relevant questions related to whistle blowing systems and the issues behind them.

Especially the legislation related to whistle blowing schemes in Europe is highly impenetrable and does not support the primary goals of whistle blowing schemes.

Professionals in this area are mostly in the favour of anonymous whistle blowing channels while the EU regulations are against it. Nevertheless even though the study does not cover all of the relevant laws and regulations in EU countries it hopefully gives support to the company internal discussions considering the current whistle blowing status.

The current legal framework in Europe for anonymous whistle blowing channels in multinational companies seem rather discouraging. At present the EU legislation is highly against the establishment of anonymous reporting channels even though for some reason lot of companies are employing one and most of them are informing all their stakeholders of it.

After hearing and reading about the arguments for and against anonymous whistle blowing schemes, Data Protection Working Party's (2006) strong reasoning against anonymous channels sound outdated hindering progression in the field. An image is created through the discourse of company stories and prevailing legislation in Europe, USA and Finland that companies are pioneers in risk management and internal control while legislation should be updated to support the development.

It would be naïve to think and believe that cases as Enron and WorldCom that has led to the development of SOX in USA cannot happen in Europe. In Europe we have not experienced as big corporate scandals that would have led to such great financial losses of that extent but it does not mean that it could not happen. Therefore SOX seem to lead the way for the legislation until proved otherwise.

In Finland specific legislation is missing but still most of the big companies are establishing internal control systems that include whistle blowing schemes. As the degree of internationalization increases the more uncertain the company environment becomes. Therefore to protect shareholders assets and other stakeholders as well it seems justified to establish whistle blowing schemes- even anonymous ones.

5.4 Suggestions for further research

Further research should be done on the topic in wider context. This study included only 20 biggest Finnish companies and therefore cannot be applied universally. To interpret legislation is rather straightforward process still needing more thorough scanning through all the relevant country legislations for the companies discussed in the study.

For further research lot of research gaps emerged during the study. Whether establishment of the whistle blowing scheme is dependent on the company size or the number of operating countries should be studied more to verify the perception. Additionally further research should be done in the field of anonymous whistle blowing channels and the effects of SOX. EU legislation reasoned against anonymous whistle blowing channels from multiple aspects and these reasoning's should be further studied to bring legitimacy for the current legislation or to create initiative to update the legislation.

Finally in the last category of institutional theory cultural-cognitive element included only two case companies in this study and neither one of them were willing to discuss of the matter therefore leaving lot of speculation to the results and need for more research on the field. Many influencing factors in this study was not answered; to what extend can one person influence on the decision whether a company establishes a whistle blowing scheme? What are the backgrounds and experiences of the professionals in internal control and how does it reflect on their opinions and decisions concerning company internal procedures? What is the role of boundary spanners in terms of professionals transferring between companies? What are the whistle blowing channel usage rate in companies? These and many other questions remain to be answered.

In general this study only shed the light on the topic and more research is needed to create universal theory. Finnish companies whistle blowing schemes seem to be in transition and more insight is needed to determine all the variables that influence the establishment of different kinds of whistle blowing schemes in companies.

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Appendices

Appendix A – Theme Interview Frame

Thematic Interview: XXX

Interview person: XXX

Place and date: XXX

Areas to discuss:

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

Appendix B- Case companies' key numbers and additional information

| Company name | Industry | Turnover Mij. € 2010 | Turnover Mij. € 2011 | Net profit, Mij.€ 2010 | Net profit Mij.€ 2011 | Personnel 2010 (1) | Personnel 2011 (1) | Operating countries 2010 (2) | Operating countries 2011 (2) | GRI 2010 (4) | GRI 2011 | Anonymous whistleblower channel | Identified whistle blowing channel | Established Code of Conduct |
|-------------------------------|---------------------------|-------------------------|-------------------------|---------------------------|--------------------------|-----------------------|-----------------------|------------------------------------|------------------------------------|-----------------|----------------|---------------------------------------|---|--------------------------------|
| Nokia | Electronics | 42 446 | 38 659 | 857 | -2 080 | 132 427 | 130 050 | ~160 | ~160 | Yes | Yes | Yes | Yes | Yes |
| Neste Oil | Energy | 11 892 | 15 420 | 225 | 127 | 5 030 | 4 926 | 15 | 14 | Yes | Yes | Yes | Yes | Yes |
| SOK | Multibranch | 9 258 | 11 280 | 14 | 1 | 39 500 | 41 568 | 5 | 5 | No | Implement 2013 | No | Yes | Similar (6) |
| Stora Enso | Forest industry | 10 297 | 10 965 | 819 | 353 | 27 383 | 27 958 | ~35 | ~35 | Yes | Yes | Yes | Yes | Yes |
| UPM-Kymmene | Forest industry | 8 924 | 10 068 | 539 | 226 | 21 560 | ~23 367 | 15 | 16 | No | Yes | Yes | Yes | Yes |
| Kesko | Wholesale, retail | 8 777 | 9 460 | 150 | 204 | 22 124 | 18 960 | 8 | 8 | Yes | Yes | Yes | Yes | Similar |
| Metso | Metal industry | 5 552 | 6 646 | 243 | 371 | 28 593 | 30 324 | ~50 | ~50 | Yes | Yes | Yes | Yes | Yes |
| Fortum | Energy | 6 296 | 6 161 | 1 156 | 1 403 | 11 156 | 11 010 | 9 | 9 | Yes | Yes | Yes | Yes | Yes |
| OP-Pohjola Group | Financial services | 6 186 | 5 734 | 440 | 0 | 12 504 | 13 229 | 4 | 4 | Yes | Yes | No | Yes (9) | Developing |
| Sampo Group | Financial services | 6 515 | 5 560 | 1 104 | 1 | 6 814 | 6 874 | 9 | ~9 | No | No | No (5) | No | Yes |
| Metsä Group | Forest industry | 5 377 | 5 346 | 1 77 | - 210 | 13 168 | 12 525 | ~30 | 26 | Yes | Yes | Yes (10) | Yes | Yes |
| Kone | Metal industry | 4 987 | 5 225 | 535 | 581 | 33 755 | 34 769 | ~50 | ~50 | Yes | Yes | No (5) | Yes | Yes |
| Outokumpu | Metal industry | 4 229 | 5 009 | - 167 | - 267 | 8 104 | 7 886 | ~30 | ~30 | Yes | Yes | Yes | Yes | Yes |
| St1 Group (7) | Oil | | 4 651 | | | | 386 | | 4 | | | | | - |
| YIT | Construction, services | 3 788 | 4 382 | 149 | 118 | 24 317 | 25 996 | 15 | 14 | No | No | Yes | Yes | Similar |
| Nordea Bank Finland | Financial services | 3 635 | 4 330 | 854 | 1 | 9 097 | 8 828 | 8 | 8 | Yes (3) | Yes (3) | Implement 2012 | Yes | Nordea group's |
| Tamro | Wholesale, Pharmacies | 4 387 | 4 217 | 132 | | 5 458 | 5 425 | 9 | 9 | Yes | Yes | Yes (10) | Yes | Yes |
| Wärtsilä | Manufacturing and service | 4 553 | 4 209 | 266 | 295 | 18 000 | 17 913 | ~70 | 70 | Yes | Yes | No | Yes | Yes |
| Varma | Pension industry | 4 888 | 3 943 | | | 720 | 580 | 1 | 1 | No | No | No | No | No (8) |
| Ilmarinen | Pension industry | 4 598 | 3 210 | | | 573 | 573 | 1 | 1 | No | No | No | Yes | Yes |
| Nordea Henkivakuutus Suomi | | 2 792 | 1 830 | 128 | 0 | 157 | 162 | 4 | 4 | Yes (3) | Yes (3) | Implement 2012 | Yes | Nordea group's |

(1) Average number of full-time personnel used when information available. Otherwise replaced with number of personnel at year end.

(2) Some companies gave only on approximate number of countries where they have operations. These numbers are marked by using ~ sign.

(3) Nordea Group uses GRI-reporting and Nordea Bank Finland and Nordea Henkivakuutus are part of Nordea group and therefore Nordea Group's GRI-reporting applies for them as well.

(4) Complies with GRI-guidelines

(5) Kone and Sampo did not comment on their whistle blowing schemes

(6) SOK, Kesko and YIT established similar guidelines that seem parallel with codes of conduct. (SOK ethical principles, Kesko Responsible working principles, YIT ethical guidelines)

(7) St1 was a new company in the list and no required information was provided

(8) Varma referred to similar guidelines, but they were not available. (Varma ethical operating principles)

(9) This company confirmed through interview that they have whistle blowing scheme that meets the criteria for identified WB channel

(10) These companies gave the confirmation during the interview that they have an anonymous whistle blowing channel in use

Appendix C - Case companies' whistle blowing related citations from company reports between 2010-2011

| Company name | Citations from company reports 2010 | Citations from company reports 2011 |
|--------------|---|---|
| Nokia | "As part of the human rights approach, we follow up and take action on operations identified as having risks related to freedom of association, child labor, forced and compulsory labor, and business units at risk from corruption. We monitor actions and the number of incidents of discrimination and corruption through our internal grievance mechanisms and assessment processes. When making operational changes, we always follow local legislation. In cases of multi-country changes, we always take the longest required notice period to inform our employees. Read more about our approach to human rights." (Nokia Sustainability Report 2010, p.56) | "The year 2011 represented an important milestone for us, as it was the year we had all of the elements of Ruggie's framework in place. We also launched the Nokia Human Rights Approach, articulating our commitment to human rights. The document was developed in cooperation with our key stakeholders including NGOs, investors and operator customers and it draws on the analysis of the challenges identified in the due diligence process and our assessment of international best practices. The document is available on our website. On top of defining our Human Rights policy we monitor key performance indicators, which demonstrate the effectiveness of John Ruggie's framework including, for example, monitoring the number of times people have contacted us via grievance channels ." (Nokia Sustainability Report 2011, p.29) |
| | "Employees should raise concerns with their line manager, local human resources department, the Ethics Office, legal department or security department in the first instance, as they can address the concern or advise whom to contact if escalation is required. Employees can also report concerns through the electronic channel established by Nokia's Board of Directors which is available on the company's website." (Nokia Sustainability Report 2010, p.57) | "As part of the human rights approach, discussed in chapter 2.2.1, we follow up and take action on operations identified as having risks related to freedom of association, child labor, forced and compulsory labor, and business units at risk from corruption. We monitor actions and the number of incidents of discrimination and corruption through our internal grievance mechanisms and assessment processes. When making operational changes, we always follow local legislation. In cases of multi-country changes, we always follow the local legislation and required." (Nokia Sustainability Report 2011, p.34) |
| | | "The training programs will continue during 2012. The training program has been designed to help employees identify and solve ethical dilemmas they may face in real-life situations, know who they should ask for support and where to report concerns. We also offer classroom training for employees who do not have access to computers. The training covers topics such as bribery and corruption, health and safety, labor conditions as well as how to report concerns about unethical conduct, corruption or any suspected violations of Nokia's Code of Conduct. In 2011, we created the position of Chief Ethics and Compliance Officer. This individual plays a key role in the support and development of the Code, oversees corporate investigations as well as compliance with policies and laws, and aims to foster the highest ethical standards in all the countries where Nokia operates and does business. We have established several communications channels for employees and others to get help in understanding and applying the Code, or to report concerns of violations. This includes a " Contact the Board " channel for contacting the Board of Directors anonymously." (Nokia Sustainability Report 2011, p.30) |
| Neste Oil | "Should employees notice or suspect misconduct, they can inform their manager or supervisor, the head of Internal Audit, the head of the Group's Corporate Security Unit, HR personnel or via an online tool . Internal Audit is responsible for evaluating cases that are reported and investigating them thoroughly if appropriate. Legal Affairs is responsible for any legal action taken in response to cases of misconduct. Misconduct and suspected misconduct is reported to the Board of Directors' Audit Committee." (Neste Oil Annual Report 2010, p.69; Neste Oil Annual Report 2011, p.255; Neste Oil Corporate Governance Statement 2010, p.6) | "Ethics Online, Neste Oil's online tool for reporting misconduct and other activity incompatible with the Company's Code of Conduct, which was introduced in 2009, was further developed; and employee communication related to the Code was extended. No cases of misconduct took place in 2011 that would have had a material impact on the Company's financial performance." (Neste Oil Annual Report 2011, p.256) |

| Company name | Citations from company reports 2010 | Citations from company reports 2011 |
|--------------|---|---|
| Stora Enso | <p>"The Financial and Audit Committee has established a procedure for anonymous reporting of violations related to accounting, internal controls and auditing matters." (Stora Enso Financial Report 2010, p.16)</p> <p>"Grievance Mechanism. In 2010, Stora Enso's Senior Vice President, Internal Audit, received several complaints through our Code of Conduct grievance channel, which enables employees to report anonymously and in confidentiality on concerns or breaches against the Code of Conduct. All reported cases were duly handled and reported to Stora Enso's Financial and Audit Committee. The complaints were all related to ethical business practices such as the misuse of company assets or poor management culture." "Half of the complaints were considered to be serious, and thus resulted in further actions. Of the complaints that were investigated, 50% resulted in disciplinary actions." (Stora Enso Sustainability Report 2010, p.18)</p> | <p>"An effective <i>grievance mechanism</i>. During 2011 several complaints were received through our Code of Conduct grievance channel, which enables employees to report breaches of the Code of Conduct <i>anonymously</i> and confidentially. All complaints are received and reviewed by Stora Enso's Head of Internal Audit and reported to Stora Enso's Financial and Audit Committee. The cases reported in 2011 mainly related to suspected misuse of company assets, conflicts of interest or kickback schemes. A total of 89% of these cases were considered to involve possible policy violations, and consequently resulted in internal investigations. Of the cases investigated, 88% led to disciplinary or legal actions. None of these cases were related to child labour, forced or compulsory labour, or discrimination. We aim to improve our grievance mechanism in 2012 by engaging an external whistle-blowing service provider. This will further lower the threshold for employees who might wish to report on non-compliance issues confidentially." (Stora Enso Global Responsibility Report 2011, p.15)</p> <p>"We consider all of the concerns stakeholders might have about the changes our operations might bring to an area, and address these concerns through open and transparent communications and dialogues. Effective grievance mechanisms are set up to enable local people to raise issues publicly, and also anonymously." (Stora Enso Global Responsibility Report 2011, p.20)</p> |
| UPM-Kymmene | <p>"Employees are required to report any possible violations against this Code to their own superior or to the Internal Audit function. UPM has also <i>an electronic channel</i> and <i>a physical mailing address</i>, both available on UPM's intranet and website, through which concerns and issues can be confidentially and <i>anonymously</i> addressed to the head of UPM's Internal Audit function." (UPM-Kymmene Code of Conduct 2010, p.3)</p> | (-) |
| Kesko | <p>"Through Kesko's intranet, employees in all operating countries, except for Belarus, can give feedback on operations not only in their own units but also directly to top management. Feedback can be given openly or anonymously." (Corporate Responsibility Report 2010, p.84)</p> | <p>Added to the comments in Corporate Responsibility report 2010 (p.84) they continued: "Through the intranet, employees can also contact Kesko's Internal Audit." (Kesko Corporate Responsibility Report 2011, p.57)</p> |
| Fortum | (-) | <p>"In Russia, ethics ambassadors' network was established in June 2011. Their role is to foster compliance culture and to provide an additional channel for raising compliance concerns." (Fortum Sustainability Report 2011, p.29)</p> |
| Metso | <p>"Reporting suspected financial misconduct. Our guidelines on the prevention of financial misconduct define how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be submitted in several languages via the Internet, by phone or by email, and anonymously if necessary. Suspected misconduct is investigated immediately and confidentially. Internal audit decides on how the matter will be investigated and reports the suspicion to the Audit Committee. The legal affairs and HR functions together implement any measures consequential to the misconduct. (Metso Annual Report 2010, p.156)</p> | <p>"Employees encouraged to report financial misconduct. The purpose of our internal control and monitoring systems is to prevent financial misconduct. However, should such misconduct occur, specific guidelines have been defined on how to report, investigate and further proceed with the issue. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be made via the Internet, by phone or by email in 21 different languages and anonymously, if necessary. Suspected misconduct is investigated immediately and confidentially. All cases proven to be misconduct are reported to the Audit Committee." (Metso Sustainability Results 2011, p.14)</p> |

| Company name | Citations from company reports 2010 | Citations from company reports 2011 |
|--------------|--|---|
| Metso | <p>"Employees encouraged to report financial misconduct. The focus of our internal control and monitoring systems is on preventing financial misconduct. However, should such misconduct occur, we have specific guidelines on how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Metso employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to internal audit. Additionally, Metso employees and partners can report suspicions of financial misconduct confidentially via the Whistleblower channel, which is maintained by an independent party. The report can be made via the Internet, by phone or by email, also anonymously if necessary, and in 21 different languages. Suspected misconduct is investigated immediately and confidentially. All cases proven to be misconduct are reported to the Audit Committee." and "Non-financial issues also reviewed annually. Issues fundamental for Metso's management and strategy are scheduled for review in the strategy and annual plans of the Board of Directors, its committees, businesses, and the Group management. This procedure ensures that issues of strategic importance are reviewed regularly and that the achievement of targets and compliance with operating principles are monitored. Our senior management thoroughly reviews our strategy and business environment, investments, acquisitions, quality, human resources, market shares and customer satisfaction, services business, product development and risk management at least once a year and more frequently, as needed." (Metso Sustainability Results 2010, p.13)</p> | <p>"Included in Metso's Code of Conduct and Metso Global Anti-Corruption Policy. Any incidents can be reported anonymously through Metso's Whistleblower." (Metso Sustainability Results 2011, p.55) "Reporting of suspected financial misconduct. 2011. We received 11 reports of suspected financial misconduct via the Whistleblower channel. Additionally, internal audit received four direct contacts. A total of six cases were investigated, two of the suspicions were classifiable as misconduct. There were no cases of misconduct revealed in conjunction with internal audits. The cases of misconduct were reviewed by the Audit Committee in line with our guidelines on reporting misconduct. The cases did not have a significant impact on the financial results we reported." (Metso Annual Report 2011, p.115)</p> |
| Metsä Group | (-) | <p>"Metsä Group promotes equal opportunities and emphasises that discrimination may lead to disciplinary actions. It is the responsibility of each employee to report any discrimination. All formal complaints are systematically handled through the Group's Code of Conduct practices. No cases of discrimination or human rights violations were reported in 2011." (Metsä Group Sustainability Report 2011, p.24)"The Code of Conduct also calls for each employee to report any conduct contrary to the guidelines. A report can be submitted to an employee's superior or to the Group General Counsel. In 2011, two cases were reported." (Metsä Group Sustainability Report 2011, p.25)</p> |
| Kone | <p>"Every KONE employee is expected to report any Code of Conduct violations to the corporate compliance officer or the global or local legal function." and "A dedicated corporate compliance officer provides guidance on, and helps to ensure adherence to, the Code of Conduct. The compliance officer provides employees with any support they may require in relation to complying with KONE codes and policies, and can be reached through multiple channels. Employees have the right to contact the compliance officer in their native language." (Kone Corporate Responsibility Report 2010, p.64-65)</p> | <p>"All our employees are expected to familiarize themselves with the code and understand it, and to report any violations of the code to the Corporate Compliance Officer or to the global, or relevant local, legal function." (Kone CSR Report 2011, p. 41)</p> |

| Company name | Citations from company reports 2010 | Citations from company reports 2011 |
|------------------|--|--|
| Ilmarinen | "What to do in case of violation of the Code of Conduct. Any acts or situations that are in conflict with Ilmarinen's Code of Conduct shall be addressed primarily through the supervisor, a representative of the management or the head of internal control. These cases shall be processed as quickly as possible, with confidentiality and impartiality, and actions shall be taken based on them, in co-operation with the Human Resources or Legal department where necessary. Depending on the nature of the issue at hand, Ilmarinen's sustainability working group can also take a stance on the interpretation of the Code of Conduct and address conflict situations at a general level." (Ilmarinen Code of Conduct 2011, p3) | |
| Wärtsilä | "Any Wärtsilä employee becoming aware of a potential violation of this code must contact his or her superior or Wärtsilä Legal Affairs . The president of the respective subsidiary must be informed, unless he or she is party to the alleged violation, in which case the Group General Counsel of Wärtsilä Corporation must be contacted. Wärtsilä will investigate all reported matters with discretion. Wärtsilä shall not take any adverse actions, as a result of such reporting, against any employee reporting in good faith what he or she believes to be a violation of this code." (Wärtsilä Annual Report 2010, p.58) | Same reference as for code of conduct in internet pages. (For citation see Internet section data) Wärtsilä Annual Report 2011, p.71-72) |
| | "An effective internal control system needs sufficient, timely and reliable information to enable the management to follow up the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal ways for employees to give feedback to management and to communicate suspected misconducts (for example directly to the Legal Affairs or Internal Audit function) are used. All external communication is carried out in accordance with the Group Communications Policy." (Wärtsilä Annual Report 2010, p.201) | |
| Outokumpu | "A confidential Helpline has been set up on the company intranet and also on the Internet. This can be used anonymously to report to internal audit any action that contravenes the Group's Corporate Responsibility principles. Four cases of possible wrongdoing were reported during 2010. In one of these cases, the employment of an employee who was found to have misused private personal data was terminated. Charges in the other three cases were found to be groundless. Four cases of possible misconduct were reported through other channels and were handled at local level. One of these cases involved the breaking of Outokumpu's Leadership Principles and led to disciplinary procedures." (Outokumpu Annual Report 2010, p.153) | "A confidential Helpline has been set up on the company intranet and on the Internet, and this can be used anonymously to report to our internal audit any action that contravenes the Group's Corporate Responsibility principles. Three cases of possible wrongdoings were reported during 2011. In all cases charges were found groundless. One case of possible misconduct was reported through other channels, and it was handled at local level. There were no incidents, suspected wrong doings or cases involving discrimination or human rights violations." (Outokumpu Annual Report 2011, p.169) |

| Company name | Citations from company reports 2010 | Citations from company reports 2011 |
|--------------|---|--|
| Outokumpu | <p>"A confidential Helpline has been set up on the company intranet and also on the Internet. This can be used anonymously to report to internal audit any action that contravenes the Group's Corporate Responsibility principles. Four cases of possible wrongdoing were reported during 2010. In one of these cases, the employment of an employee who was found to have misused private personal data was terminated. Charges in the other three cases were found to be groundless. Four cases of possible misconduct were reported through other channels and were handled at local level. One of these cases involved the breaking of Outokumpu's Leadership Principles and led to disciplinary procedures." (Outokumpu Annual Report 2010, p.153)</p> | <p>"A confidential Helpline has been set up on the company intranet and on the Internet, and this can be used anonymously to report to our internal audit any action that contravenes the Group's Corporate Responsibility principles. Three cases of possible wrongdoings were reported during 2011. In all cases charges were found groundless. One case of possible misconduct was reported through other channels, and it was handled at local level. There were no incidents, suspected wrong doings or cases involving discrimination or human rights violations." (Outokumpu Annual Report 2011, p.169)</p> |
| YIT | <p>"YIT's ethical guidelines were harmonised across the entire Group. An anonymous reporting channel through which matters related to accounting and audit can also be informed was adopted at the same time. No critical cases were found." (YIT Corporation's Corporate Governance Statement 2011, p.4)</p> <p>"If an employee observes any misconduct, he/she should primarily report it to an immediate supervisor or other member of the company's management. In addition, all countries where YIT operates have appointed persons in charge of ethics who escalate the processing of reported misconduct. In 2010, we also introduced a reporting channel maintained by a third party, allowing our employees to report confidentially, and, if necessary, anonymously any suspected misconduct. A report can be submitted online or by telephone in 15 languages. Each suspected misconduct will be investigated carefully and without delay, and will lead to appropriate action." YIT Annual Report 2010, p.47)</p> | <p>"Ethical guidelines and reporting misconduct. Our ethical guidelines include our operating procedures regarding the following matters: conflicts of interests, confidentiality obligation and protection of rights and assets, insider trading, bribery and corruption, subsidies, competition rules, entertainment and business trips, equal treatment, openness and documents and presence in social media. If an employee observes any breaches of the guidelines, he/she should primarily report it to an immediate supervisor or other member of the company's management. In addition, all countries where YIT operates have appointed persons in charge of ethics who escalate the processing of reported breaches. We use a reporting channel maintained by a third party, allowing our employees to report confidentially any suspicions of misdemeanours and, if necessary, anonymously. A report can be submitted online or by telephone. Each suspected misdemeanour will be investigated carefully and without delay, and will lead to appropriate action." (YIT Financial Review 2011, p. 13-14)</p> |
| | <p>"We aim to continuously develop our business to be more responsible and ethical. As part of this development work, we unified the Group's shared ethical guidelines in 2010. These principles guide our operations in all countries, throughout our organisation. We require that all employees become familiar with the principles and guidelines, and comply with them in their daily activities. We also encourage our personnel to report any misdemeanours, either personally or through an anonymous channel maintained by an independent service provider." (YIT Annual Report 2010, p.31)</p> <p>"Risks related to financial reporting are managed through the Group's joint accounting manual, financing policy, investment guidelines and acquisition guidelines. Via reporting channel maintained by an independent party, YIT employees can confidentially report suspected misdeeds related also to accounting and auditing. The consistency of financial reporting is also promoted by the joint SAP system, the use of which was expanded within the Group during 2010." (YIT Annual Report 2010, p.48)</p> | <p>"The Group's financial and financing management is responsible for identifying and assessing financial risks. The risks related to financial reporting are evaluated annually and control measures and reporting control points are developed on their basis in order to prevent risks. The risks are managed through the Group's joint accounting manual, financing policy, investment guidelines and acquisition guidelines. There is an anonymous reporting channel through which matters related to suspected financial misconduct can be reported. The consistency of financial reporting is also promoted by the joint SAP system for financial management. With regard to identified reporting risks, separate measures and responsibilities for managing them were defined in 2011. For example, controls were developed and guide-lines on reporting and the content of the Group's internal reporting were specified with regard to the identified risks." (YIT Financial Review 2011, p.14)</p> |
| Nordea Group | (-) | <p>"Nordea is evaluating a Whistle Blowing system that will be implemented in 2012. It will have both a confidential and anonymous functionality to encourage employees, or anyone else providing services for Nordea to report misconduct in the organisation." (Nordea Group CSR Report 2011, p.17)</p> |