

Whistleblowers: Why you should heed their warnings

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The media loves them, but most businesses treat them as loudmouth malcontents. They do so at their own peril.

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PHOTO: GETTY IMAGES FORTUNE -- 'Ignore him. He's a wack

job."

"She's just bitter she didn't get promoted."

"He's been shooting his mouth off for years -- and it's always nothing."

Those lines sound familiar? If you work in business, they probably do -- it's how people talk about whistleblowers. Whistleblowers may have a noble reputation in the media, but when they surface within a company, management almost always brushes them off with a discrediting back story or a little piece of history that explains away all their annoying accusations. And here's why that happens: In the vast majority of cases whistleblowers are, to some degree, crazy or vengeful or both. Until one terrible, awful day when, speaking out of vengefulness or ethical earnestness, the whistleblower also happens to be telling the truth. And then, well, you get a crisis like the one Wal-Mart finds itself tangled in today.

Make no mistake. We think Wal-Mart ([WMT](#)), which was accused of [bribing Mexican officials](#), is a great company. It has created upward mobility for thousands of people and 1 million--plus jobs around the world, and it remains the American consumer's greatest ally in the war against inflation. Furthermore, the recent accusations against Wal-Mart are just that -- accusations. But

those allegations, proven true or not, offer an important lesson to everyone in business, and we don't mean the one that's being widely bandied about right now -- that [big companies like Wal-Mart](#), because of their size and power, engage in corruption because they can. We don't think that's generally true. Nor do we think the biggest take-away from the Wal-Mart story is how hard it is for American companies to do business abroad without bribery. It's perfectly possible to operate globally -- and win -- while playing by good old American rules and regulations.

More: [Wal-Mart's 6 biggest blunders](#)

No, to us the Wal-Mart story is most importantly a reminder of the pervasive, even understandable, impulse within companies to ignore whistleblowers because they're so often time wasters. And it's a reminder of why you can't turn your back on them. Ever. In fact, the only way to deal with a whistleblower's accusations -- again, every single time and often against your own instincts -- is with a hyperbias toward believing that the informant is onto something big. Such a bias must impel you to investigate every claim ferociously. You may think it's a waste of time and money, and will go nowhere; you should be so lucky. And for goodness' sake, don't let the investigation be conducted by the boss who's been accused of wrongdoing! Bring in an outside agency to do the sleuthing, or at the very least executives outside the scope of the alleged problem, with no relationship to the people involved. Yes, you may hate the whole meshugaas and so might everyone it touches. But it's the only way to overcompensate for the propensity to wish whistleblowers away with the perfunctory spot check or the "Everything okay?" kind of look-see that usually occurs.

In the months ahead Wal-Mart ([No. 2](#) on the [Fortune 500](#)) will very likely experience the steps that characterize virtually every organizational crisis. First, the company will quickly come to see that its problem is actually much worse than it originally appeared. That's the nature of these kinds of things. Wal-Mart will also find that there are no secrets in this world. Every last detail of the Mexico situation -- and of the corporate coverup, if there was one -- will seep out. Third, Wal-Mart's handling of the crisis will be depicted in the press in the worst possible light. Being vilified goes with the territory. Finally, [there will be "changes."](#) That is, someone will be fired.

It's too bad this crisis had to happen in the first place. And it wouldn't have, if Wal-Mart had done a very hard, very necessary thing: taken every whistleblower at his word.

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