

# Minimizing Corporate Criminal Liability

by Sophia



## WHAT'S COVERED

In this lesson, you will learn about specific strategies and laws that can help combat crime in the business world. Specifically, this lesson will cover:

## 1. Ethics Codes and Hotlines

Businesses can take steps to reduce the potential for criminal liability. Likewise, individuals do not have to sit by passively if they know that criminal activity is afoot.

Businesses should conduct annual training sessions, such as ethics training, to help ensure good workplace ethics. As you learned in an earlier lesson, they should also develop company-wide **codes of ethics**, which serve as the organizational commitment to ethical behavior.

This can go far toward developing a corporate culture that values ethical behavior and condemns unethical actions, by providing leadership that serves as positive role models for all employees.

Some companies, such as Boeing, have even instituted an **ethics hotline**, which allows employees to anonymously report unethical behavior so that it can be investigated.

Additionally, **federal sentencing guidelines** in place for organizations state that organizations that maintain a rigorous compliance program to detect and report violations of the law, and voluntarily disclose those violations when they occur, are eligible for significantly reduced sentences and fines.



## TERMS TO KNOW

### Code of Ethics

A set of rules created to guide honest conduct, often in business.

### Ethics Hotline

An identified telephone number or other mode of communication that provides a confidential means for employees or other stakeholders to report unethical conduct.

### Federal Sentencing Guidelines

A set of non-binding rules established for federal criminal sentencing under the Sentencing Reform Act of 1984 in order to make sentences uniform and consistent in the federal system.



## 2. Protection of Whistleblowers

Sometimes, of course, things still go wrong. A person who observes illegal behavior in the workplace may choose not to participate in that illegal behavior. Such a person can even choose to become a **whistleblower**.

Whistleblowers are people who report the illegal activity of their employers or organization to authorities. Typically, the whistleblowers have observed some wrongdoing that may harm others, and they decide to “blow the whistle” to protect the potential victims or to simply stop the wrongdoing.

Whistleblowers face many challenges in the workplace, not the least of which is the stigma associated with blowing the whistle. Paradoxically, even though the whistleblower may be preventing harm to innocent people, other employees may view the whistleblower as someone who has betrayed the organization.

Because of this, whistleblowers are often placed in a terrible ethical dilemma, because while they may observe wrongdoing, they may not feel comfortable reporting the illegal activity. They may fear losing their job or not being able to find a new job. Prospects of losing one’s status, friends, or reputation can prevent many people from blowing the whistle, even though they may wish the behavior to stop.

Whistleblower protection laws prohibit **retaliation** against whistleblowers. Certain statutes also contain whistleblower protection provisions.

### IN CONTEXT

The Sarbanes-Oxley Act contains whistleblower protection, but the statute is not entirely devoted to whistleblower protection.

The False Claims Act provides that anyone who blows the whistle on a federal contractor committing fraud on the government can personally receive a portion of any amount recovered, up to 25 percent.

Check out the [Whistleblower Law Blog](#), which lists many of the statutes under which whistleblower protections are offered.

Despite these protections, many real-world whistleblowers have discovered that the laws are cold comfort for the realities that face them after a whistle is blown.

Corporations can also avail themselves of **safe harbor** provisions in certain statutes. If they see criminal behavior and realize that they may be implicated in the criminal behavior, they can report certain actions to authorities, which will allow them to receive a lesser penalty, or no penalty at all. Only a few criminal statutes have safe harbor provisions, however.



### TERMS TO KNOW

#### Whistleblower

The designation given to a person who reports wrongdoing in an organization in order to stop it, typically pursuant to a statute or rule that also provides protection from retaliation to the whistleblower.

#### Retaliation



## Retaliation

The act of taking revenge. In employment law, employers can be prohibited under certain laws for firing, demoting, or otherwise applying adverse employment actions against individuals who claim rights against the employer or whistleblower.

## Safe Harbor

In certain situations, a law that provides relief from liability so long as particular conditions are met.



## SUMMARY

In this lesson, you learned that businesses can encourage ethical behavior in the workplace to help employees avoid illegal behavior through **ethics codes and hotlines**, training seminars, and ethical leadership.

**Whistleblower protection** laws and provisions also encourage ethical behavior by prohibiting retaliation against whistleblowers. However, whistleblowers often experience negative consequences when they report the illegal activities of their organization to the authorities despite these laws.

Best of luck in your learning!

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