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YOUR TURN

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Bounty hunters: open season on office unity

Companies spend an extraordinary amount of time and energy binding their culture to unite employees to strategically “pull” in the same direction to accomplish a mission. This team building can be challenging because employees, supervisors, managers and executives at the highest level have unique personalities and passions. These are not sheep. Independent

**GUEST
COLUMNIST**



By Phil Stanton

thinking is prized. Now, companies that file reports with the Securities and Exchange Commission (SEC) or that operate in the securities industry, face a new challenge to binding a culture: “bounty hunters” in the office. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC has set aside more than \$400 million for whistle-blower compensation. This amounts to a carrot dangling just outside a company’s office window, one that will pay workers a “bounty” if they provide a high-quality tip that uncovers \$1 million or more in securities law violations. A whistle-blower can collect 10 percent

to 30 percent of a fine of more than \$1 million imposed against a firm – quite an enticement to ferret out potential wrongdoing. The presence of this lure will only complicate the already difficult process of team building.

First and foremost, companies will

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have to run a cleaner operation, which is the law’s intent. Compliance programs need to clearly spell out what is expected from employees, from the top down. Creating a culture of trust will be very important because companies will want employees to report any possible violation internally first.

The new rules do not require internal reporting first and only indirectly encourage whistle-blowers to report internally before reporting to the SEC

through the prospect of a higher bounty if they do so. In informing employees of the desired chain of command reporting, companies should consider whether their processes for handling internal whistle-blowers are perceived as unwelcoming or unresponsive.

The real challenges are not technical or legal, but about human nature. A member of management, like any human being, does not like being criticized. Companies should want their employees to know that when a whistle-blower claim is made, the focus will be on finding the truth, not shooting the messenger.

Human nature will also challenge compliance with SEC rules prohibiting retaliation – an issue that can linger long after a whistle-blower makes a successful or unsuccessful report to collect a bounty. Anti-retaliation rules are not new to the legal landscape, but now there is a whole new class of protected persons. Companies that deal with the SEC will need to make sure that all members of their team know that retaliation against whistle-blowers will not be tolerated.

Binding a business culture is based on building trust, including trust that the mission is a worthy endeavor. With the specter of bounty hunters in the office, another layer of trust must be added, namely that the company will not let human nature impair compliance

efforts. This is best accomplished if compliance is part of the mission itself.

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