

Whistle-Blowing: Target Firm Characteristics and Economic Consequences

Robert M. Bowen; Andrew C. Call; Shiva Rajgopal

+ Author & Article Information

The Accounting Review (2010) 85 (4): 1239-1271.

<https://doi.org/10.2308/accr.2010.85.4.1239>

Share ▾

Tools ▾

Cite ▾

ABSTRACT: We document the first systematic evidence on the characteristics and economic consequences of firms subject to employee allegations of corporate financial misdeeds. First, compared to a control group that avoided public whistle-blowing allegations, firms subject to whistle-blowing allegations were characterized by unique firm-specific factors that led employees to expose alleged financial misdeeds. Second, on average, whistle-blowing announcements were associated with a negative 2.8 percent market-adjusted five-day stock price reaction; this reaction was especially negative for allegations involving earnings management (-7.3 percent). Third, compared to a control group that exhibits similar characteristics, firms subject to whistle-blowing allegations were associated with further negative consequences including earnings restatements, shareholder lawsuits, and negative future operating and stock return performance. Finally, whistle-blowing targets exposed by the press were more likely to make subsequent improvements in corporate governance. Our results suggest whistle-blowing is far from a trivial nuisance for targeted firms, and on average, appears to be a useful mechanism for uncovering agency issues.

This content is only available via PDF. Note: Supplemental materials and Teaching Notes are not available for Early Access articles. Links within the PDF will be activated once the article has been compiled and published in an issue.

American Accounting Association

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

[Skip to Main Content](#)

Member Login

[Log in](#)

Pay-Per-View Access

\$25.00

AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.

 Buy This Article



[View Metrics](#)

Citing Articles Via

Web Of Science (176)

Google Scholar

CrossRef (254)

Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert

Information for Authors

Authorship Policy

Plagiarism Policy

Data Integrity Policy

Citing Corrected Articles Policy

Minimizing Overlapping Decision Rights Policy

Prior Publication Policy



[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.