COMPLIANCE**LINE**

2020 Ethics & Compliance Hotline **Benchmark Report**

Prepared by:

Sara Orrell Business Analyst

Matthew Keding System Administrator

Jenelle Case Chief Compliance Officer

Table of Contents

Introduction

When it comes to creating a safe workplace, what matters most to your employees should matter most to you.

Analyzing your issue intake and case management performance is a critical step in continuous improvement, not only for your Ethics and Compliance (E&C) program, but also for the culture you are driving in your organization. There's always room for improvement, regardless of how successful a company's E&C efforts are.

This benchmark report is designed to cut through the noise and help compliance leaders focus on actionable comparison points for improvement. Compare your performance to a broad set of results to ensure that you're:

- *Generating suitable performance from your program*
- *Substantiating an appropriate proportion of your cases*
- *Following-up on cases quickly enough*
- *Creating appropriate awareness for intake channels*
- *Driving a Speak Up culture that generates the positive externalities you should expect*
- *Sufficiently training your people and refreshing your policies frequently enough*

The only way to gain true confidence in your program's performance is to compare your organization's metrics to peer and market trends through benchmark data review. This comparative analysis drives the goodness we all want to achieve.

The only way to gain true confidence in your program's performance is to compare your organization's metrics to peer and market trends through benchmark data review.

With three years of anonymized customer data and **144,053 reports in the 2019 dataset**, we explored the following metrics: reporting rate, issue sequence (original vs. follow-ups), reporting channels, issue severity levels, issue categories, issue days open, issue validity (reports that were substantiated vs. unsubstantiated), issue anonymity, reporter type, and reporter awareness.

Any time you're evaluating data, some data points surprise you and there are others you'd expect to find. This benchmark report is no exception. Since Hotline Reporting Services are at the heart of what we do at ComplianceLine, we're pleased to see that Hotline Reporting is not only the top reporting channel, but it's on the rise – **up from 57.9% in 2017 to 62.9% in 2019.**

Thank you for trusting us to help make the world a better workplace. We hope you find this benchmark report to be a useful tool when examining which E&C solutions are most important to your employees and, therefore, to you.

How We Calculated Our Benchmark Metrics

Our analysis includes data from organizations that generated greater than 10 reports during each measurement period. The dataset used for this report contains 144,053 reports across approximately 647 organizations in 2019.

Throughout the report, you will see references to comparable "Traditional Comparison" standard values. "Traditional Comparison" refers to the Navex Global 2020 Risk & Compliance Hotline Benchmark Report[1] and is presented to show a comparison point to the range of performance data available.

In statistical analysis, "statistical significance" is extremely, well, significant. With bigger sample sizes, you're less likely to get results that reflect randomness. While the Traditional Comparison report contained a sample of 1,411,158 total reports, almost 10x our dataset, this size difference is not statistically relevant at these population sizes. Comparisons between the Traditional Comparison datasets and ComplianceLine datasets are statistically valid.

Considering the dataset sizes another way, a statistically significant sample from a dataset the size of the Traditional Comparison report (1,411,158) with a 99% confidence interval and 1% error rate needs to contain 16,385 reports. Our dataset of 144,053 is 8.8x larger than that.

Given that the two datasets both represent large pools of the same general activity (i.e., intake results from ethics and compliance functions across a large number of diverse customers) and have the same basic steps applied to retain statistical accuracy (i.e., removing clients with less than 10 reports during the year), we assert the respective datasets have a similar degree of aggregate and specific normalcy.

Throughout the report, we tend to use aggregated raw ratios (as opposed to averages of averages) and untrimmed data as the basis for our reported benchmarks. We found this approach paints a more conservative and authentic picture of performance, preserves outliers, and doesn't create unnecessary data smoothing. Additionally, for the most important metrics with skewed datasets, the resulting mean values were relatively more conservative than the related medians.

For example, "Reports per Employee" dataset has a positive skew, with the median value less than its mean value.

Median
Mode — Mean
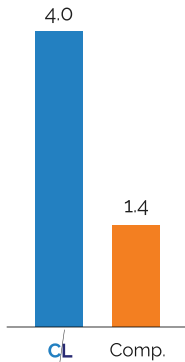Positive Skew
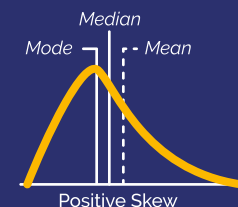
Assuming the purpose of benchmarking is to accurately measure performance and identify ways to improve, comparing your organization's actual reporting rate per 100 employees to the *median* rate of 1.5 reports, rather than the *average* of 4.0 would be less conservative in all cases.

---

[1] *Penman, Carrie. "2020 Risk & Compliance Hotline Benchmark Report." Navex Global, 2020.*

2020 Hotline Benchmark Cheat Sheet
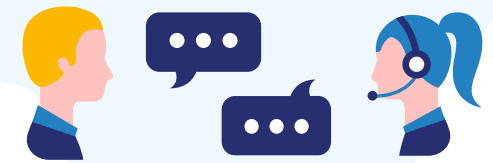
Reports per Employee

The Benchmark

4.0 — CL
1.4 — Comp.

⚠️ **Negative Drivers**
· Fear of retaliation
· No belief that Management cares
· Lack of awareness
· Painful intake process

🔧 **The Fix**
· Drive culture of trust;
  reward those who speak up
· Simplify intake
· Close cases quickly and communicate

% Original Issues (vs. Follow-Ups)

The Benchmark

80% — CL
64% — Comp.

⚠️ **Negative Drivers**
· More complex cases
· Less info gathered initially
· High case closure duration
· Poor communication
  back to reporters (macro/micro)

🔧 **The Fix**
· Adaptive interview (vs. rigid, efficiency-focused)
· Communicate to reporter when possible (micro)
· Respond with policy changes/training (macro)
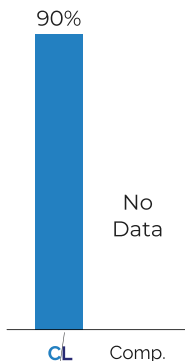· Close cases faster

Reporting Channel

Hotline
63% — CL
33% — Comp.

In-Person
28% — CL
43% — Comp.

Online
9% — CL
24% — Comp.
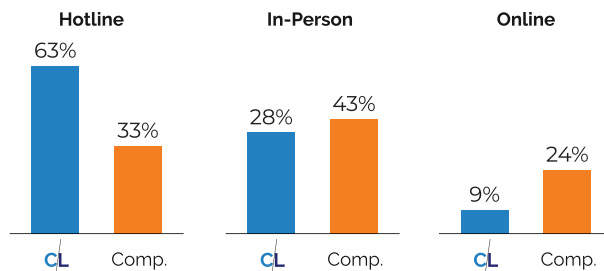
⚠️ **Negative Drivers**
Low hotline % due to:
· Lack of trust in hotline
· "Painful" intake process;
  lack of empathy

🔧 **The Fix**
· Empathetic + adaptive interview approach
· Make experience more pleasant
· Drive awareness

Regular (vs. Severe)

The Benchmark

90% — CL
No Data — Comp.

⚠️ **Negative Drivers**
· Purpose of line
· Categorization/definitions
· Systemic risks (culture, operations)

🔧 **The Fix**
· Analyze directives and severity triggers
· Confirm line purpose; consider specialty lines
· Trace systemic risk and fix with operational
  changes/training

Business Quality % of Issues

The Benchmark

19% — CL
21% — Comp.
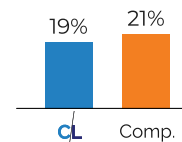
⚠️ **Negative Drivers**
· Low employee engagement
· Lack Speak Up/ownership culture

🔧 **The Fix**
· Employee round tables; "Fair Process"
· Consider specialty lines (e.g., Ideation Line)
· Reinforce Speak Up culture

Issue Days Open

The Benchmark

45 d — Comp.
23 d — CL

⚠ **Negative Drivers**
- Poor intake information gathering
- Lack of urgency in investigation ops
- Case overload, staff overwork

🔧 **The Fix**
- Utilize technology to leverage process
- Drive more oversight; special initiative
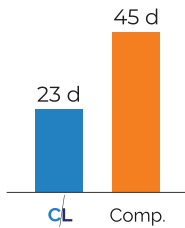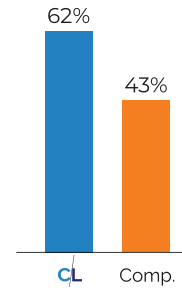- Outsource investigations

Substantiated Case %

The Benchmark

62% — CL
43% — Comp.

⚠ **Negative Drivers**
- Lack of understanding of hotline purpose
- Lack of trust in reporting process

🔧 **The Fix**
- Educate workforce on purpose; awareness campaign
- Improve intake process; info

Anonymity %

The Benchmark

59% — Comp.
50% — CL
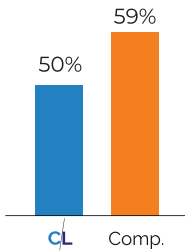
⚠ **Negative Drivers**
- Fear of retaliation
- Lack of Speak Up/ownership culture

🔧 **The Fix**
- Drive culture of trust; reward those who speak up
- Educate workforce on purpose; awareness campaign

Reporter Awareness: Internet

The Benchmark

29% — CL
No Data — Comp.
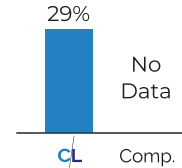
⚠ **Negative Drivers**
- Awareness
- Lack of ample "Internet" marketing
- Lack of information available

🔧 **The Fix**
- Ethics & Compliance portal
- Drive awareness (smart campaigns) and word of mouth

Reporter Type: Employee %

The Benchmark

54% — CL
No Data — Comp.
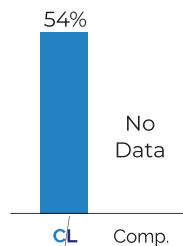
⚠ **Negative Drivers**
- Lack of awareness in target audience

🔧 **The Fix**
- Awareness campaigns

6

Executive Summary

Results of the 2020 Benchmark Report are encouraging because they validate that a process that puts "people over profits" generates superior results. The results also illustrate that there is no cookie cutter formula for effective ethics and compliance, and that it's possible to make the world a better workplace through genuine caring and common sense.

Many of our strongest clients use compliance strategically to create and reinforce positive organizational culture and crowdsource risk mitigation from their team. This type of compliance leadership produces meaningfully better organizational performance. **Here are the major takeaways from the report:**

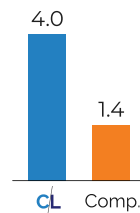**1** **Reporting rate maintained relatively constant at an aggregate 4.0 reports per 100 employees across the sample (Traditional Comparison is 1.4 reports).**

4.0

1.4

CL   Comp.

Your reporting rate is perhaps the most important single metric to measure cultural health. While it goes without saying that a single data repository for all report types from all intake channels is a critical best practice, with 6 out of 10 workplace instances of wrongdoing not being reported,[2] driving more reports from your people is your greatest lever for improvement.

Per the Ethics and Compliance Initiative (ECI), 84% of workers report misconduct in organizations with the most effective compliance programs, compared to 33% in those with weak or non-existent ones.[3] Driving a Speak Up culture is a smart way to improve operational excellence across your organization. The most ethical companies see significantly better results than their average peers.

2 **Original issues as a percentage of total calls remained approximately flat at 80% (Traditional Comparison is 64%).**

80%

64%

CL   Comp.
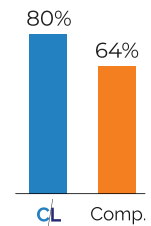
Original issues versus follow-up mix can provide insight into how reporters are experiencing your reporting intake, the quality of your intake process, and your organizational communication back to the workforce.

Higher follow-up rates can be a function of more complex issues in aggregate, but often are driven by (and are highly correlated with) longer case closure times and a lack of consistent communication back to reporters after investigation. Organizations that prioritize communication back to reporters tend to see lower follow-up rates.

[2] *Van der Meulen, Rob. "Gartner Says Just 41 Percent of Workplace Misconduct Is Reported." Gartner, 2019.*

[3] *"Increasing Employee Reporting Free From Retaliation." Ethics & Compliance Initiative, 10 May 2019*

3 Hotline remains the most dominant intake avenue at 63% (Traditional Comparison is 33%).

Reporters continue to prefer the hotline to report issues. While we've seen an increase in Internet reports in recent years, the increase in Hotline shows that in most cases, reporters want to talk with another human being.

An empathetic, conversational approach to intake reinforces the application of strong employer branding and shows reporters that your organization respects and appreciates them speaking up. It also allows for more and better information to be gathered.

63%
33%
CL   Comp.
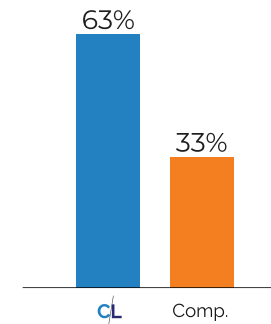
4 Case closure rate averaged 23 days (Traditional Comparison is 45 days) with 80% of cases closed under 30 days (Traditional Comparison is 23%), a 4% improvement over prior year.

45 d.
23 d.
CL   Comp.
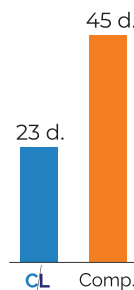
Organizations focused on building authentic culture view intake as part of a *conversation* and they tend to place high importance on driving down case closure time. Case closure time is a critical factor indicating the health of the intake and case investigation processes.

Generally, the lower the closure rate the better; best practice is to aim for case closure times of less than 30 days. Organizations that can both maintain consistently low case closure times and communicate results back to reporters quickly reinforce their organization's Speak Up culture in a direct and meaningful way. Not doing so compromises your program's credibility to your workforce.

5 62% of all reports were substantiated (Traditional Comparison is 43%) and 50% of reporters remained anonymous (Traditional Comparison is 59%), both relatively flat from 2018.

Substantiated   **Anonymous**
62%   59%
43%   50%
CL   Comp.   CL   Comp.
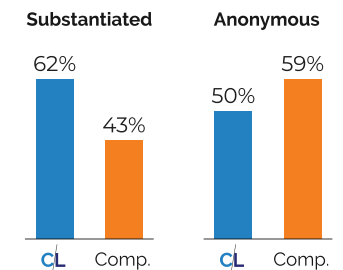
Higher substantiation rates indicate that the proper info is being gathered during the initial intake call, and that reporters understand the purpose of the hotline. Generally, lower anonymous rates are better, though rates under 20% should cause concern, as that indicates a lack of trust in the intake process.

Organizations that are serious about driving a genuine culture of ownership, engagement, and trust should analyze their anonymous rate closely for indications of employee trust. Up to 39% of employees say they aren't confident that their concerns will be addressed fairly, and up to 46% say they fear retaliation,[4] so trust remains an area for improvement in even the healthiest organizations.

[4] *"HR Acuity Employee Experience Survey Findings." Survey October 15, 2019.*

1. **Average Reports** per 100 Employees

2019 Avg. Reports / 100 Employees

REPORTS

- 10.03 — 1-500
- 4.68 — 501-1,000
- 3.27 — 1,001-5,000
- 4.25 — 5,001-10,000
- 3.06 — 10,001-50,000
- 2.05 — 50,001+

COMPLIANCE**LINE**

Traditional Comparison

EMPLOYEE COUNT
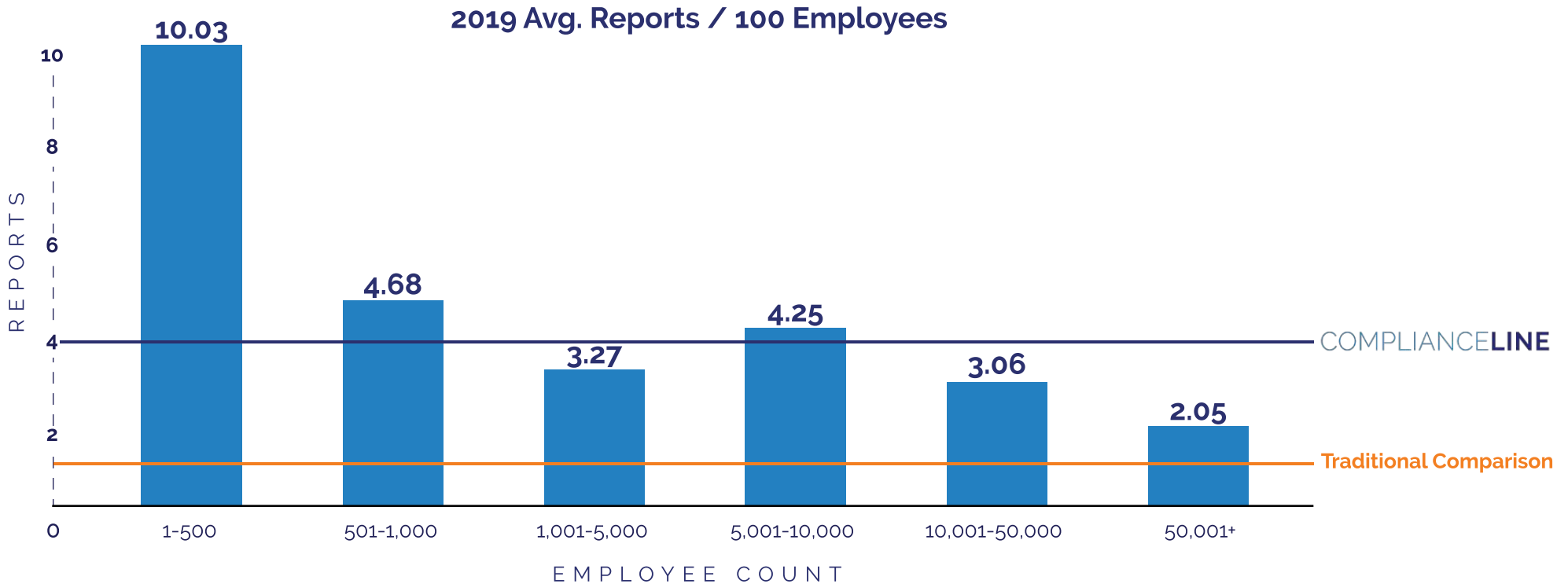
In hotline reporting, more reports are better. More hotline activity/reporting generally means fewer government fines and material lawsuits.[5]

In 2019, reports per 100 employees across various company sizes with 10 or more reports show industry averages between 2 and 10%, with aggregate average at approximately 4.0% (median reports in aggregate were 1.5 per 100 employees).

[5] *Stubben, Stephen and Welch, Kyle, Evidence on the Use and Efficacy of Internal Whistleblowing Systems (February 29, 2020).*

Reporting rates broadly decline with organization size, due to several factors. Large organizations tend to have higher policy standardization, while smaller ones tend to have higher employee ownership due to smaller cultures.

Counterintuitively, higher call volumes indicate a healthier employee base, higher engagement, lower fines and lawsuits, and stronger Speak Up culture.

If your company receives fewer issues or more issues than benchmark averages, you'll want to understand why. Lower call volume is usually due to one or a combination of several factors:

- Fear of retaliation
- Lack of belief that Management cares or will do anything about concerns
- Lack of awareness of reporting channels
- Painful intake process (i.e., lack of empathy, confusing reporting forms)

Counterintuitively, higher call volumes indicate a healthier employee base and stronger Speak Up culture, leading to higher engagement, lower fines/lawsuits, and higher productivity.

A Speak Up culture cannot be forced top-down on your organization. If it's going to be authentic, it will rise organically from your people, but it will always be rooted in trust.

Think About

A Speak Up culture cannot be forced top-down on your organization. If it's going to be authentic, it will rise organically from your people, but it will always be rooted in trust.

Drive higher reporting rates by increasing employee awareness (rotate posters, increase communications and training, push on social), simplifying and streamlining the reporting process, ensuring that intake is based on empathy (versus efficiency), preserving the safety of reporters, and following up with reporters in a timely manner.
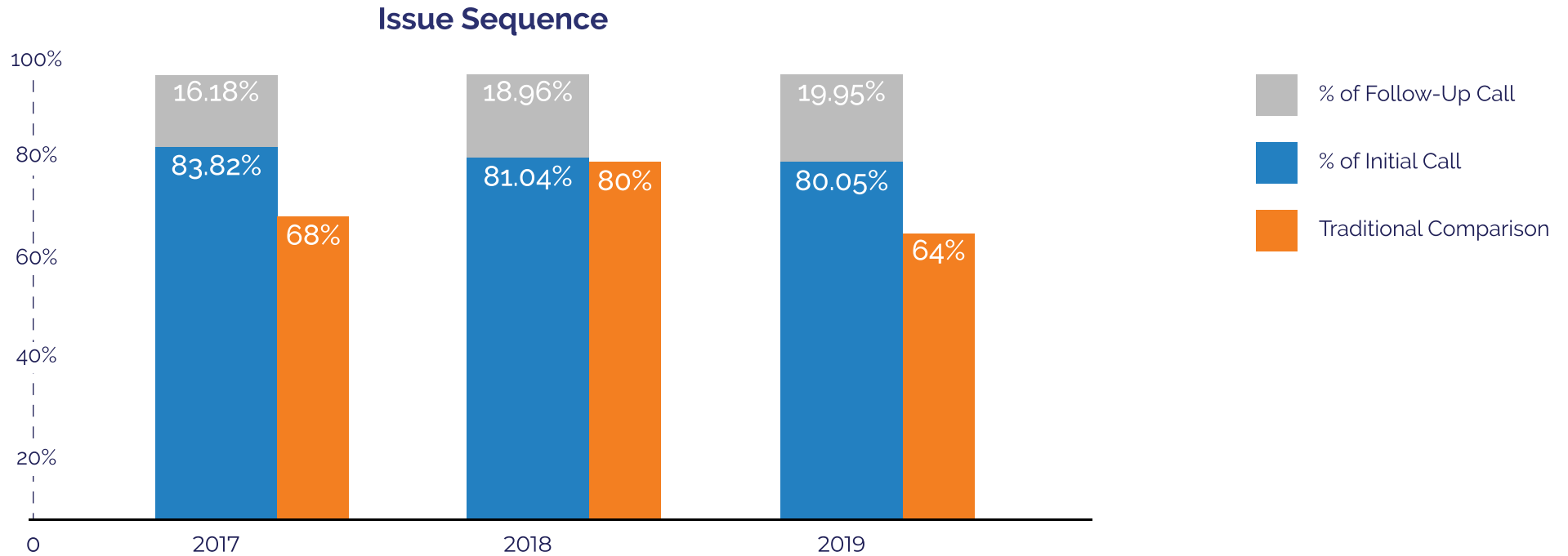
How to Calculate

Run a report from your case management system that aggregates all your reports, then divide by your effective number of employees over the year. This is your reporting rate. Multiply by 100 to find your number of reports per 100 employees.

$$\text{Reports per 100 Employees} = \left(\frac{\text{All Reports}}{\text{Number of Employees}} \right) 100$$

2. Issue Sequence (Original Calls / Follow-up Calls)

Issue Sequence

Legend:
- % of Follow-Up Call (gray)
- % of Initial Call (blue)
- Traditional Comparison (orange)

Chart data:
- 2017: 16.18% (follow-up), 83.82% (initial), 68% (traditional)
- 2018: 18.96% (follow-up), 81.04% (initial), 80% (traditional)
- 2019: 19.95% (follow-up), 80.05% (initial), 64% (traditional)

Follow-up calls are crucial for case managers to communicate back to the caller and to gather additional report information to resolve the caller's concern, question, or request.

We identified the number of follow-up calls required to clarify or update information over 2017, 2018, and 2019. Follow-up calls make up about 20% of the call volume, increasing from approximately 16.2% in 2017.

Typically, the more follow-up calls submitted on a specific concern, the more complex the case (or the more distraught the reporter). Complex cases tend to stay unresolved longer. In some situations, however, follow-up calls may be a result of insufficient information provided by the caller during the initial call or a lack of trust in the reporting process – especially when the caller remains anonymous.

However, we do not find a statistically significant difference when considering anonymous versus identified callers for this metric and, therefore, don't break these out separately.

Follow-up rates tend to move inversely with case closure duration. Generally, a lower follow-up rate indicates that cases are being closed quickly and that ample initial information is gathered during the initial intake call.

2019 Issue Sequence by Sector

2019 Issue Sequence by Sector

Legend: % of Follow-Up Call (grey) | % of Initial Call (blue)

Sector	% of Initial Call	% of Follow-Up Call
Energy	69.23%	30.77%
Financials	88.76%	11.24%
Health Care	81.01%	18.99%
Industrials	67.12%	32.88%
Materials	76.54%	23.46%
Other	77.79%	22.21%
Real Estate	59.65%	40.35%
Tech	75.53%	24.47%
Telecom	74.28%	25.72%
Utilities	68.77%	31.23%

This graph demonstrates follow-up call to initial call volume by sector. The real estate sector has the highest follow-up call volume (40.3%) and the financial sector has lowest (11.2%). The average follow-up call volume across all sectors for 2019 is approximately 20%. Use these numbers to benchmark your follow-up call to initial call volume to your industry sector.

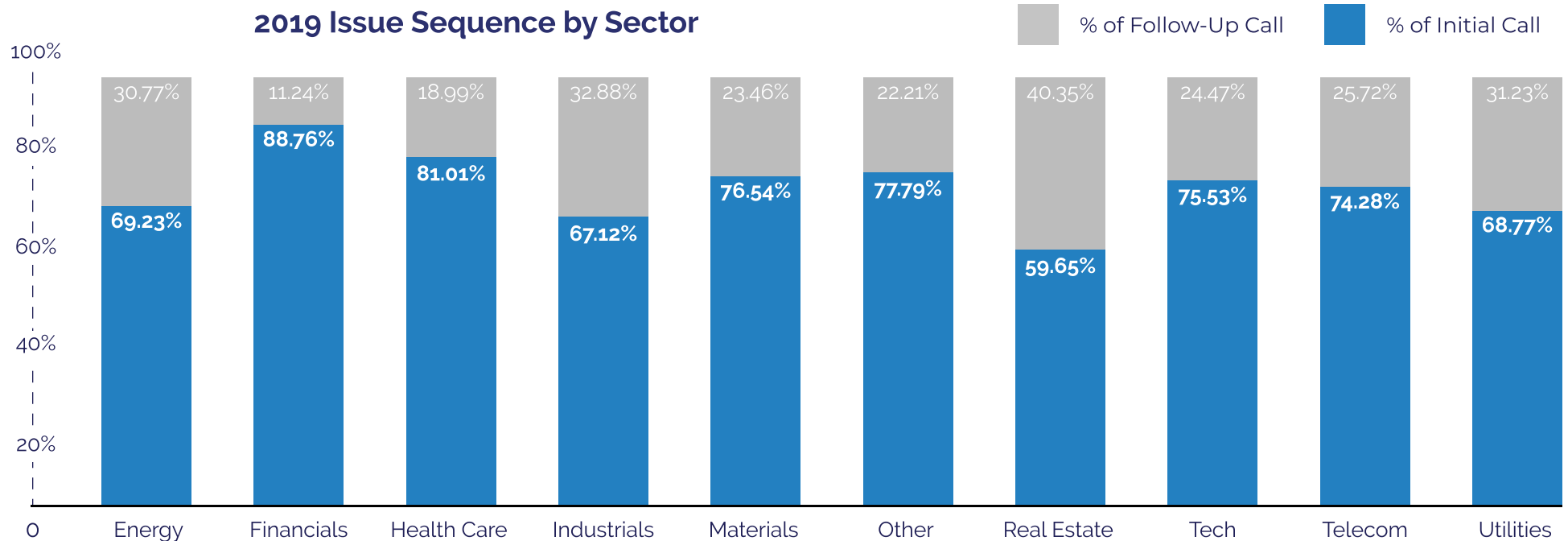**Typically, the more follow-up calls submitted on a specific concern, the more complex the case (or the more distraught the reporter).**

Think About

What is your ratio of follow-up calls to call volume? If your follow-up rate is significantly higher than 20%, you may have a problem either in taking too long to close cases or a lack of communication back to reporters.

Separately, if callers repeatedly follow-up with additional details, you need to diagnose further to determine whether the repeated follow-ups are due to a trust issue (where callers are testing the process before divulging everything) or an initial intake issue (where perhaps an adaptive interview is not being employed). The latter can be caused by an over-emphasis on speed and efficiency versus empathy and gathering sufficient information value.

How to Calculate

Find the number of cases where a caller returned to the system to follow-up on a report. Divide this number by your total cases to find the follow-up rate. Subtract your follow-ups from total cases and divide by total cases to get your original issue rate.

$$\text{Original Issue Rate} = \frac{\text{Total Calls - Follow-up Calls}}{\text{Total Calls}}$$

$$\text{Follow-Up Rate} = \frac{\text{Follow-Up Calls}}{\text{Total Calls}}$$

3. Reporting Channel

Reporting Channel
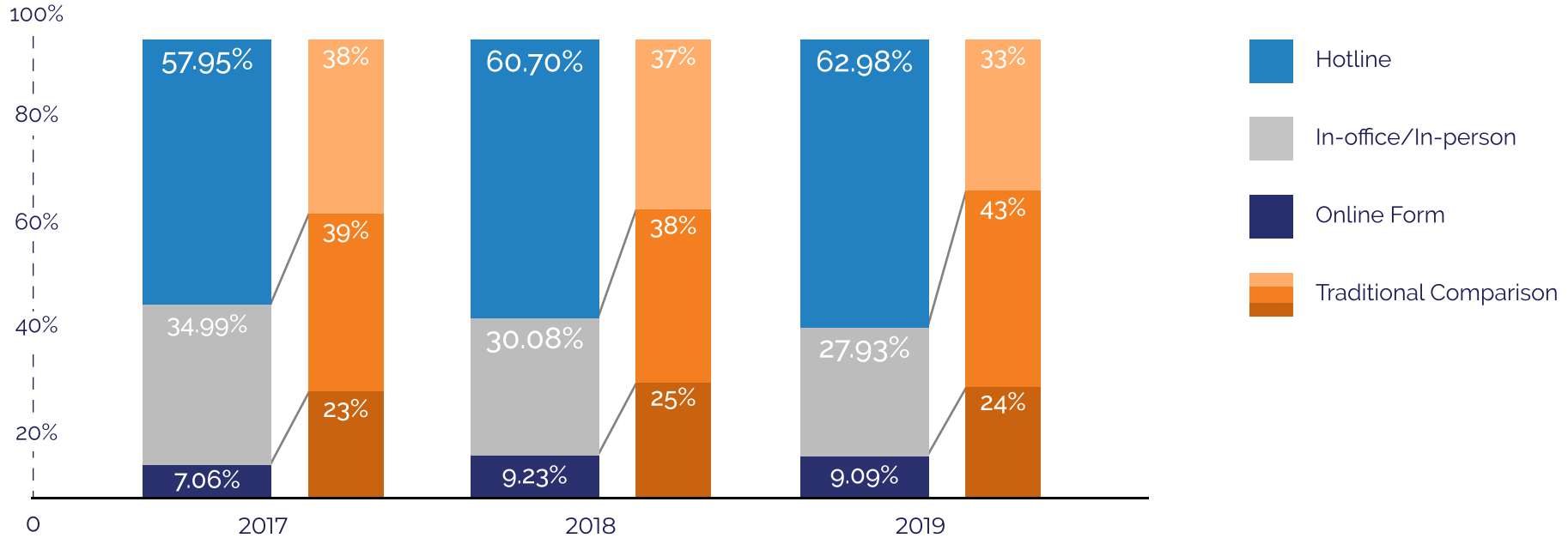
This intake method...

Hotline

In-Office / In-Person

Online Form

Represents issues documented...

By the 24/7 Help Center

By client organizations

Online via the web form

Reporting Channels are important to evaluate. They help organizations monitor the effectiveness of intake methods, identify where additional resources may be needed, as well as where additional opportunities exist for improvement.

The graph above compares all original issues by issue intake method over 2017, 2018, and 2019.

While online forms have seen strong relative increase over the period presented, Hotline intake remains the dominant channel, increasing from 58% in 2017 to 63% in 2019. Hotline provides a superior outcome: the opportunity for callers to speak to a human and the best initial information set (i.e., empathetic intake, adaptive interview, anonymity options).

Over the last 3 years, we have seen considerable growth in Hotline reporting and Online Form reporting, the latter possibly driven by a generational shift taking place in the workforce. The increase in Hotline reporting indicates a growing level of trust in both the hotline itself and in the process as a whole.

Significantly lower Hotline reporting rates can indicate a lack of trust in the anonymous hotline and/or a lack of belief (culturally) that something will be done and/or an intake process that is painful (e.g., extremely long introductory statements, too many cumbersome required questions, etc.).

The increase in Hotline reporting indicates a growing level of trust in both the hotline itself and in the process as a whole.

Anecdotally, new clients who transition from other providers often show the most meaningful shift in Hotline reporting, which -- when considered with a corresponding increase in overall reporting rate -- may be driven by a significantly different intake process (empathy focused). Regardless of the reason, the increase in reporting tends to come through the Hotline.

2019 Reporting Channel by Company Size

Company Size	Hotline	In-office/In-person	Online Form
1-500	87.25%	4.55%	8.20%
501-1,000	55.29%	24.24%	20.47%
1,001-5,000	74.05%	12.82%	13.14%
5,001-10,000	71.98%	8.45%	19.57%
10,001-50,000	75.67%	14.48%	9.85%
50,001+	82.26%	10.47%	7.27%
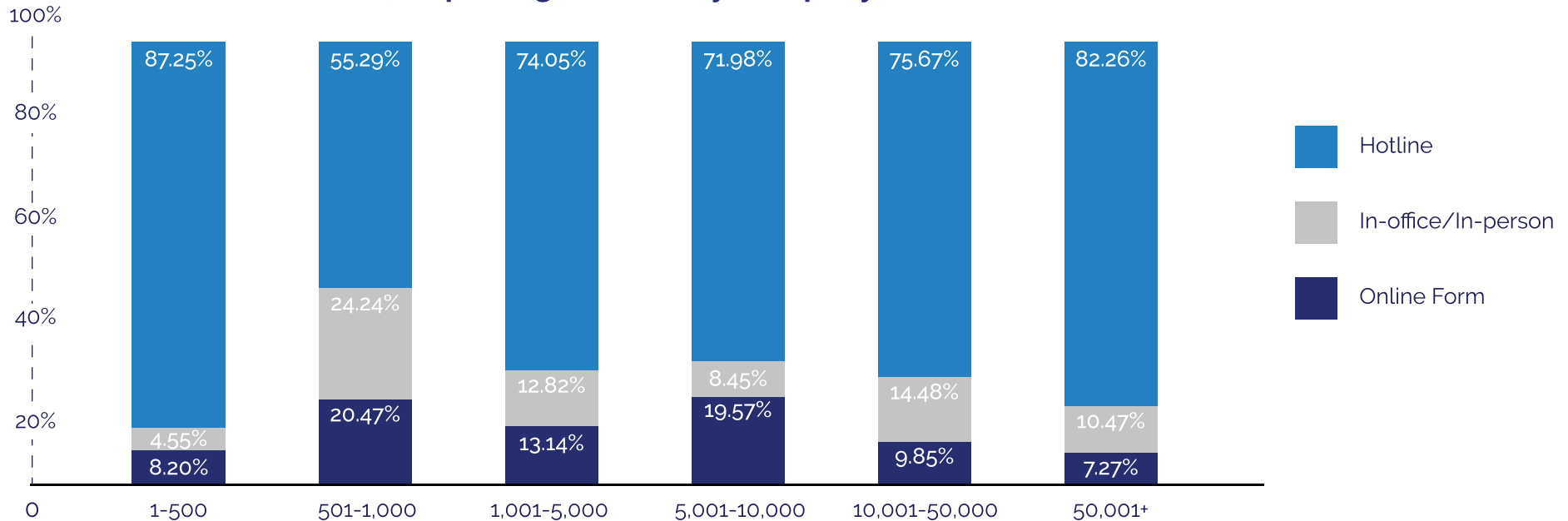
In 2019, larger companies received more Hotline reports than issues reported through other channels (82.3%). Trends above 1,000 employees were relatively stable across company sizes. This indicates a greater trust in the corporate Hotline and the process in general as compared to smaller organizations (500-1,000). Mid-size (1,000-5,000) companies receive relatively more Hotline reports, but Online Forms remain as another strong channel of choice.

Very small companies (1-500) signal the greatest trust in the Hotline and the process (83.8%), with an interesting cultural pivot occurring as organizations grow toward 1,000 employees, where reports come through In-Person and Online at a 5:4 ratio.

Think About

How can you increase your proportion of reports through the Hotline (in the context of your reporting rate)? Consider conducting a round table or survey with known callers to your hotline to get feedback about the process. Revisit your directives and general call process with a fresh eye to see if there are opportunities to streamline (long wait times, cumbersome intro statements, call queues?). Test your hotline to ensure processes are handled the way you want.

Analyze your awareness campaign (posters, flyers, wallet cards, e-signs). Do people know about the Hotline? How are you sure? How often do you rotate your awareness materials? (Best practice is 2-4 times per year.)

A proper Hotline intake methodology, coupled with an adaptive interview is by far the most superior method available, as it presents the highest combination of caller safety (anonymity preservation) and actionable information to be gathered.
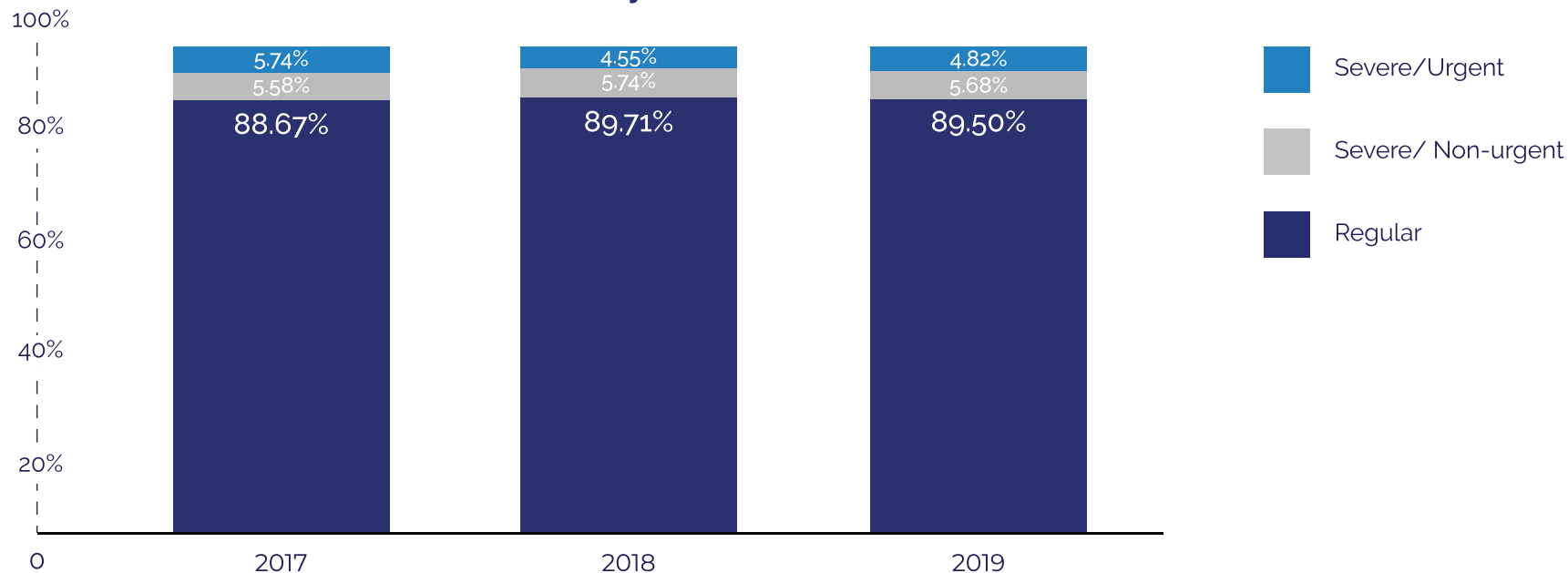
How to Calculate

Generate your list of cases over the last year and code each one based on the intake channel.
Sum all cases by channel and divide each total by the total number of cases.

$$\text{Reporting Channel} = \frac{\text{\# Cases by Intake Method}}{\text{Total Cases}}$$

4. Issue Severity Level

Severity Level

Severity Level I *(Severe and Urgent)*
This is the highest priority of a reported issue, as it is a serious and imminent threat to a person, property, or environment, or one that just occurred. Immediate notification to the client coordinator(s) upon termination of the call is made.

Severity Level II *(Severe, but not Urgent)*
The second-highest priority of a reported issue, defined as a serious situation that requires prompt attention, but does not require immediate action. These calls are typically ongoing situations like drug and alcohol use, workplace violence, or patient care issues that are not occurring at the time of the call. Notification to the client coordinator(s) upon termination of the call is made.

Severity Level III *(everything else)*
Calls that do not require immediate action.

Over 2017, 2018, and 2019, there was no significant change in the percentage of calls in each severity, which indicates a statistically stable sample set and increased confidence interval of comparability between periods presented.

In 2019, we saw approximately 89.5% of calls falling into Severity III, with the remaining 10.5% of Severe calls split relatively evenly between Urgent (4.8%) and Non-Urgent (5.7%).

This mix remained relatively stable over the period presented, with regular cases averaging approximately 90%. Severe/Urgent cases ranged between 5-6%, as did Severe/Non-Urgent at a similar rate.

If your aggregate level of severities (Urgent and Non-Urgent) is significantly higher than this combined 9-11% range, reasons are usually due to:

1   **The way your hotline is used.**

For example, if your hotline is only for nuclear power plant failures, then every call would be a high severity call. High severity rates due to this type of hotline also usually correspond to a relatively low reporting rate.

2   **The way you categorize severities.**

In this instance, you may have a definitional issue whereby too many reports are being labeled as severe. Analyze your severity categories to ensure everything you are calling a high severity issue is, in fact, high severity.

3   **Systemic operational problem.**

In these cases, your reporting rate is at or above normal rates and the categorization of severities is accurate. This is a high confidence indicator of a systemic problem in your operations that is creating outsized risk. These problems need to be handled on a case-by-case basis to ensure that the proper protocols and risk mitigation systems are in place – including accurate and relevant training, appropriate response, and adequate policy or process changes.
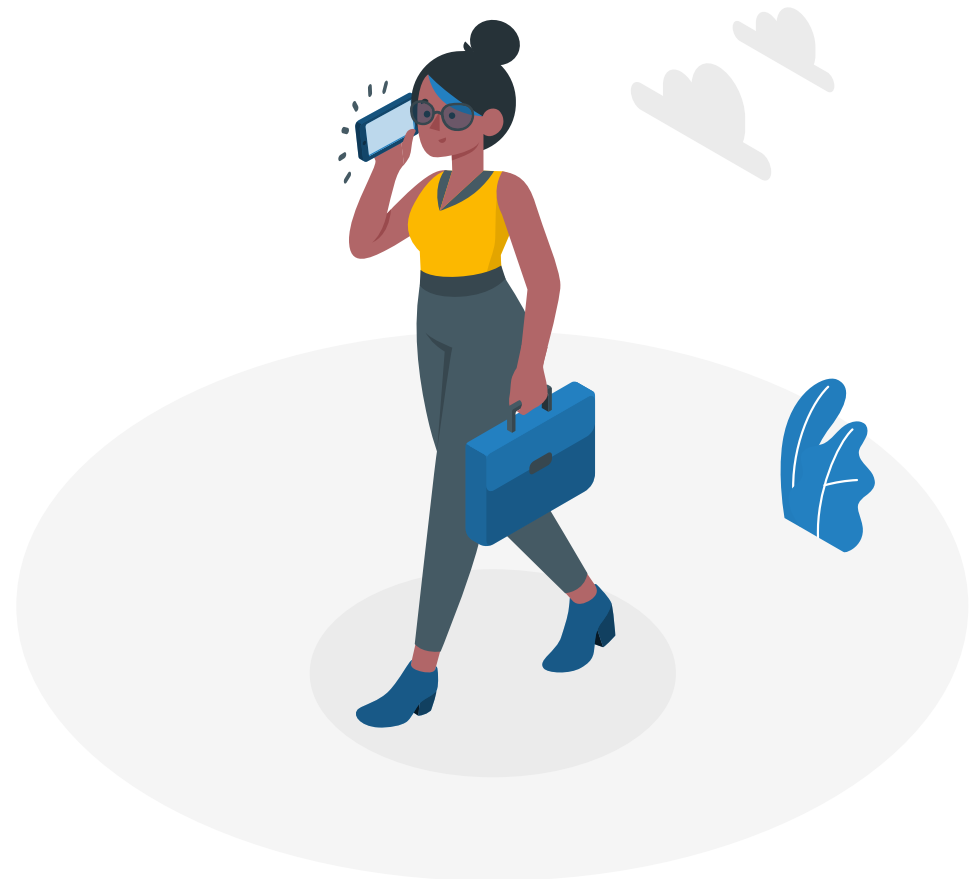
2019 Issue Severity by Sector

2019 Issue Severity by Sector
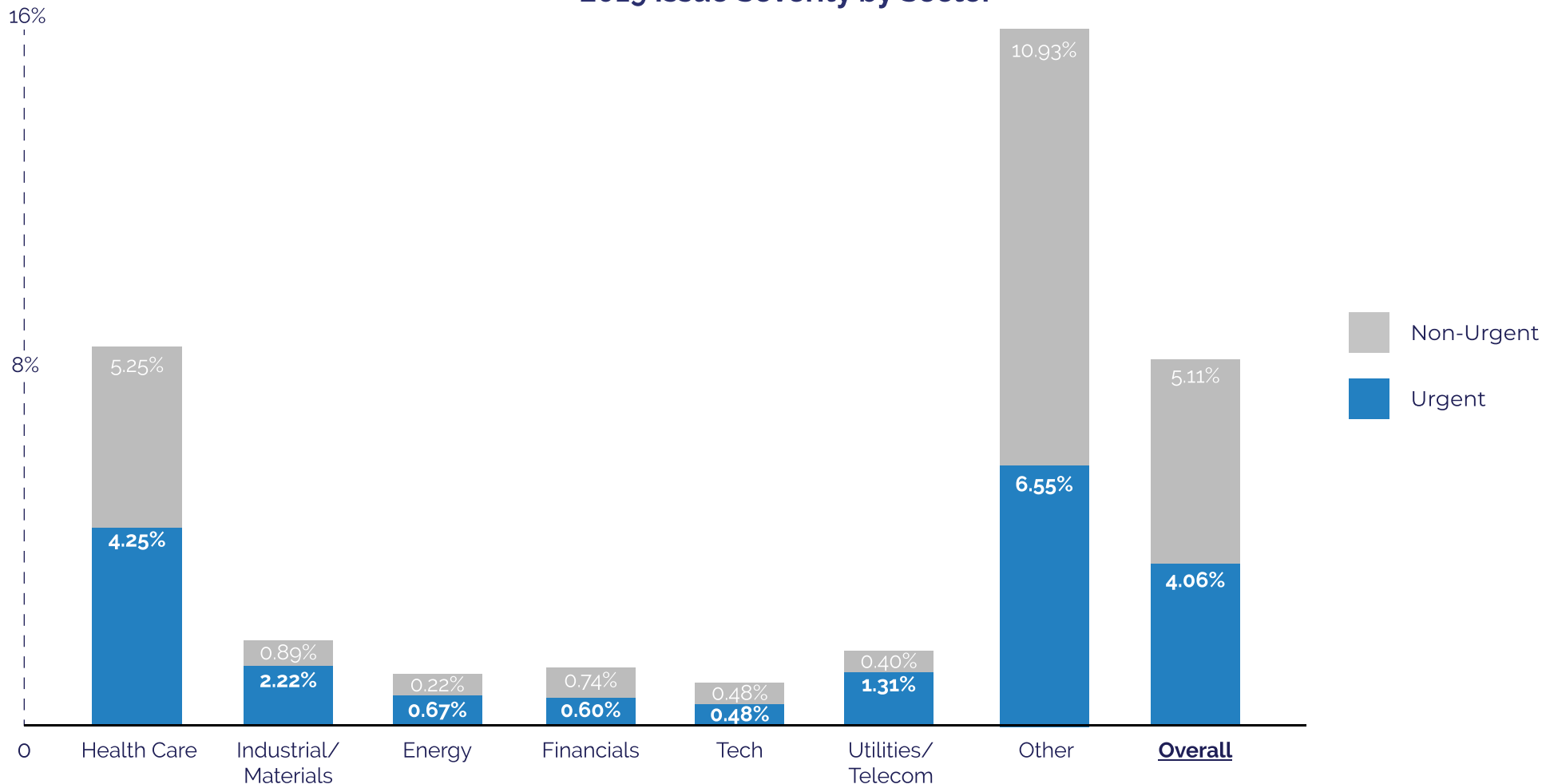
In general, high risk industries understandably tend to have higher severity rates than non-regulated industries. Healthcare, for example, one of our largest industries represented, is in line with the overall average of Severe/Non-Urgent and Severe/Urgent reports for 2019 (4% and 5%, respectively). Other sectors are below the average for 2019 which may indicate a need for additional training, awareness materials, or a calibration of definitions around severity categories.

Think About

All else equal, how can you decrease the proportion of severe cases? In most instances, you can achieve this through improved operational quality, training, and compliance overlays.

It is helpful to crowdsource potential solutions from your broader team, especially from front line personnel, as they often have underutilized ideas. Further, front line participation in problem solving greatly increases the likelihood of buy-in to the ultimate solution initiatives. Employing a "Fair Process" to change management is most effective.

How to Calculate

Aggregate all your reports over the time period to be analyzed and apply a severity level to each. Sum each severity level type and divide each total by total issues to get your percentages.

$$\text{Issue Severity Level Rate} = \frac{\text{Total Severity Level Type}}{\text{Total Issues}}$$

5. Issue Categories

2019 Hotline Issue Categories
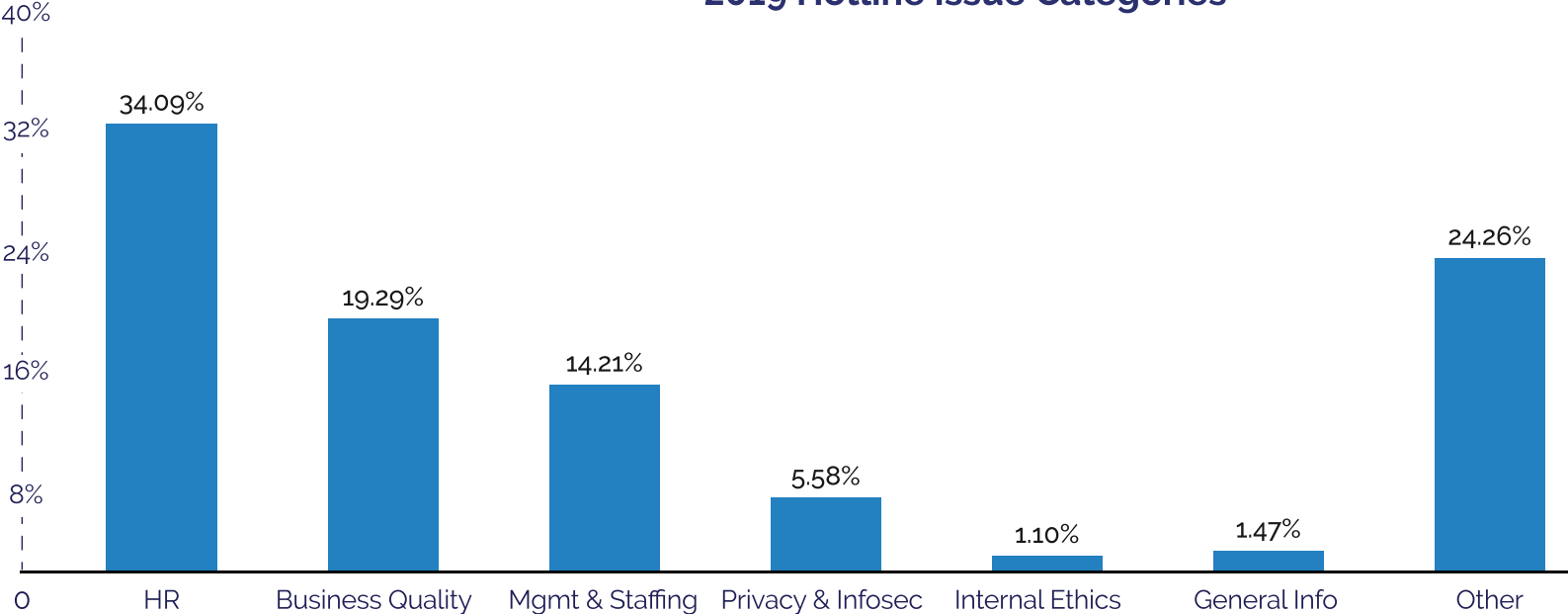
This level...	includes...
Human Resources	HR, Diversity, and Workplace Respect (Discrimination, Harassment, Retaliation, Compensation, General HR)
Business Quality	Patient Safety, Clean Food Prep, Customer Service
Management & Staffing	Staffing
Privacy & Information Security	HIPAA, Security
Internal Ethics	Misuse, Misappropriation of Corporate Assets (Employee Theft, Time Clock Abuse)
General Information	General info, Request, Re-route, etc.
Other	All Other

Human Resources-related issues represented the highest percentage of issues reported through the hotline, followed by issues of Business Quality. It's no surprise that these are the highest given the nature of a hotline. HR issues typically include reports for harassment, discrimination, retaliation, and safety. However, note that this benchmark has the most "noise" due to non-standard categorization across the client base.

Business Quality reporting often offers clues into cultural health and employee ownership because apathetic employees tend to not care about quality and, therefore, tend to not report. A rate of Business Quality calls significantly lower than a 1 in 5 may indicate cultural apathy and employee disengagement that drives broad underperformance.

Top Issue Categories through all Intake Methods

	2017	2018	2019
HR	18.07%	22.28%	23.06%
Business Quality	16.27%	15.60%	15.34%
Privacy & Infosec	7.13%	6.97%	7.15%
Management & Staffing	11.33%	10.92%	11.06%
Internal Ethics	4.94%	4.41%	3.46%
Other	22.83%	22.81%	22.14%
General Info	19.44%	17%	17.79%
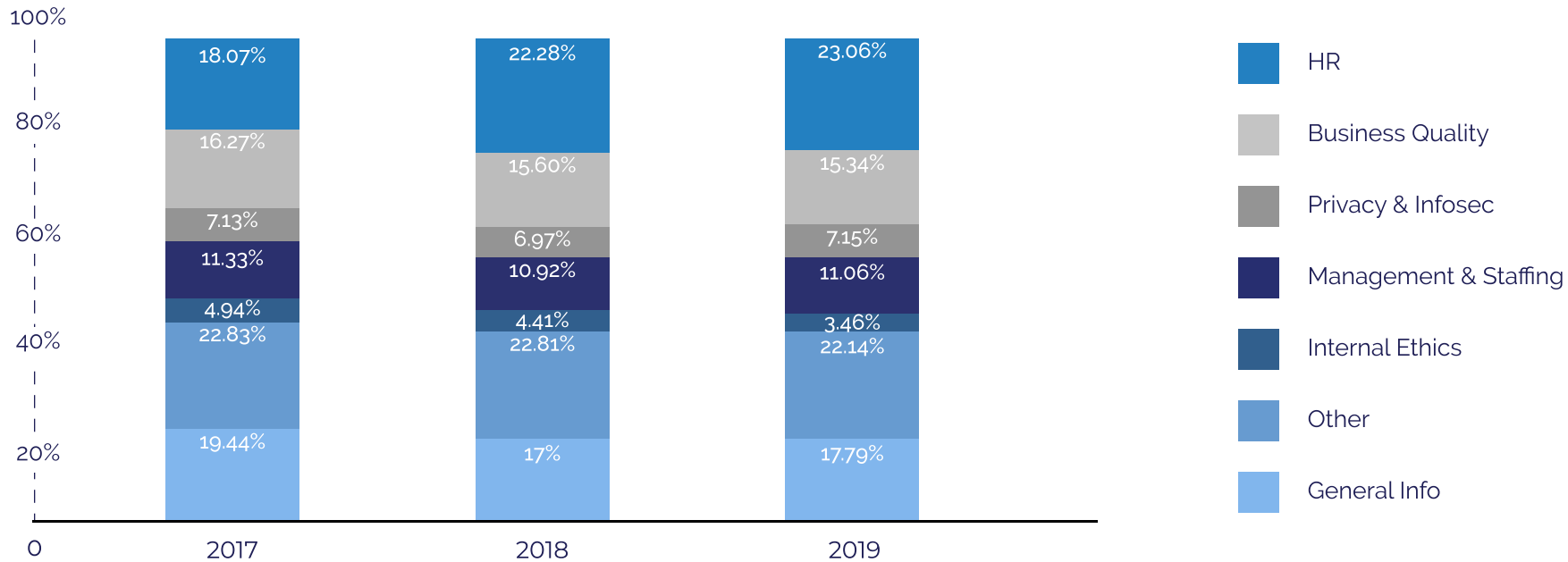
Monitor and track categories reported year-over-year to understand the strengths and weaknesses of your organization. Above we identified the top categories reported for 2017, 2018, and 2019. Human Resources related issues remain the top category across all years, followed by Business Quality issues.

In comparison to the previous graph, it is interesting to note that reports regarding management concerns are significantly

higher through the hotline than through other intake channels. The third-party protection the hotline provides drives this increase and overcomes the underlying fear of retaliation that accompanies reporting management issues within the four walls of an organization.

Fear of retaliation is present to some degree even in the healthiest cultures. See benchmark *8. Issue Anonymity* for details of anonymous mix and impact.

Think About

What can you do to increase your proportion of Business Quality reports? Some clients have launched specific campaigns around quality improvement and ideation to drive higher employee engagement and promote a Speak Up culture.

Low employee engagement is the silent killer in organizations, costing US companies between $450 and $550 billion per year.[6] Not only does such a campaign show employees that their voice matters, thus driving the Speak Up culture we are all after, it also allows them to engage in the reporting process regarding a positive topic, making it easier to report later if or when they see something wrong.

How to Calculate

Aggregate all reports/issues over a specific time period and assign consistent primary and secondary categories to each issue. Your case management system or data warehouse should (hopefully) contain this information. Once categories are assigned to each case, determine the number of instances in each category and divide by the total number of cases in the measurement period. This will give you your proportion of cases by category. Repeat for other equal measurement periods to compare trends over time.

$$\text{Issue Intake by Category} = \frac{\text{Issue Category}}{\text{Total Cases}}$$

The third-party protection the hotline provides drives the increase of this channel and overcomes the underlying fear of retaliation that accompanies reporting management issues within the four walls of an organization.
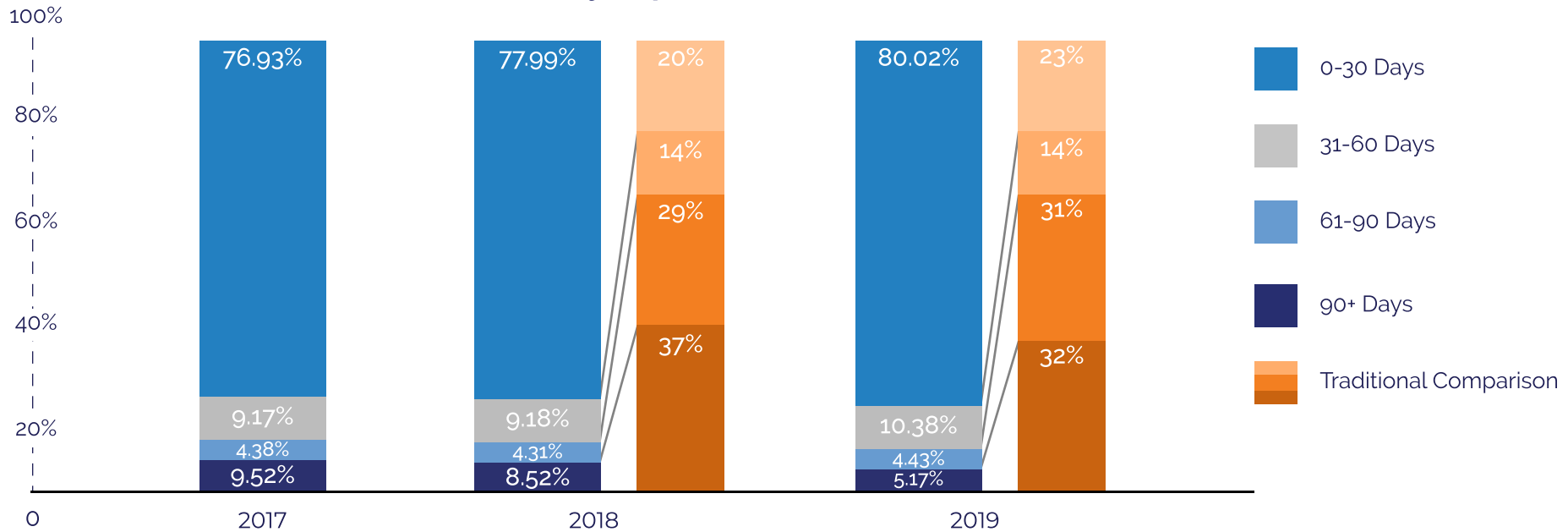
---

[6] *Ayu, Ariana. "The Enormous Cost of Unhappy Employees." Inc.com, Inc., 27 Aug. 2014,*

6. Issue Days Open

Issue Days Open

Legend:
- 0-30 Days
- 31-60 Days
- 61-90 Days
- 90+ Days
- Traditional Comparison

Chart values:

Year	0-30 Days	31-60 Days	61-90 Days	90+ Days	Traditional Comparison (bottom to top)
2017	76.93%	9.17%	4.38%	9.52%	
2018	77.99%	9.18%	4.31%	8.52%	37%, 29%, 14%, 20%
2019	80.02%	10.38%	4.43%	5.17%	32%, 31%, 14%, 23%

Case closure rate is a key performance indicator within an ethics and compliance reporting program. Reporters want to know that their issues are being taken care of in a timely manner.

If too much time has passed, reporters may feel that they are not being taken seriously and may lose trust in the organization. Equally important, organizations may open themselves up to avoidable regulatory and legal risk when cases are allowed to go unresolved for too long.

Our clients close 80% of all reports within the first 30 days with an average closure rate of 23.4 days. This is approximately 48% faster than the median presented in the Traditional Comparison, which showed a 45-day closure rate in 2019.

Reports closed in under 30 days increased 3% from 76.9% in 2017. At the same time, the 90+ Days metric was approximately cut in half, falling from 9.5% in 2017 to 5.2% in 2019. This significant drop indicates a general decline in days to process cases as a whole, which can mean overall less administrative work that buries compliance teams.

The decline is largely influenced by data captured in the initial interview (which allows investigators to start investigations with more information) and with certain software enhancement on the vendor side, coupled with an operational drive on the client side to minimize case closure times. In recent years, there's been a general industry shift toward more strategic emphasis on cultural implications of fast follow-up on the client side.

These two areas – operations and intake – present the biggest opportunities to reduce case closure times.

Think About

What can you do to minimize the time to close cases? Not only is it a best practice for general risk mitigation, reducing time to close also has positive cultural implications. When employees see that their cases are both being closed quickly and the results of those investigations are communicated back when possible (either directly or through policy changes, education, or other management-level interventions), your people see that their voice matters and that you care about their concerns.

Minimize case closure time in your process through periodic (weekly, daily) reviews of open cases with your team and optimize intake from an interview and directives perspective. These two areas – operations and intake – present the biggest opportunities to reduce case closure times.
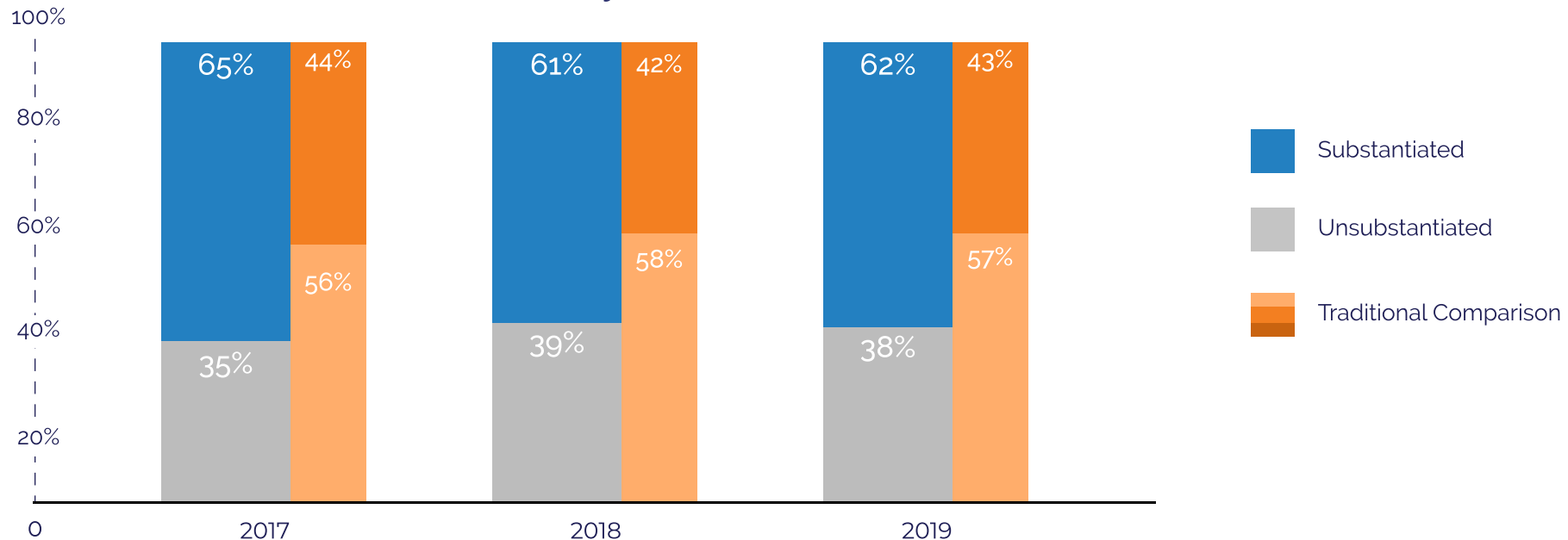
How to Calculate

Determine the number of days each issue is open and sum all the days. Divide the total sum of all Days Open by the total number of cases closed.

$$\text{Issue Days Open Rate} = \frac{\text{Total Days Open}}{\text{Total Case Closed}}$$

7. Issue Validity Substantiated / Unsubtantiated

Issue Validity

Legend:
- Substantiated
- Unsubstantiated
- Traditional Comparison

Chart data (stacked bars):

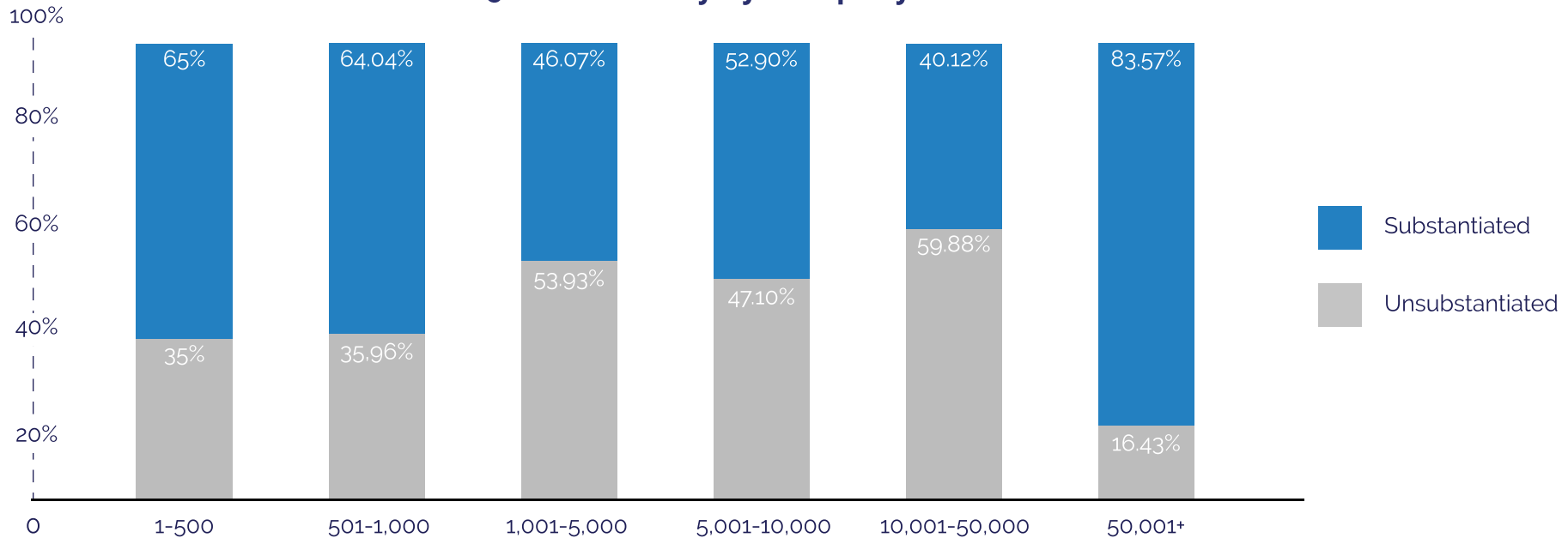| Year	Substantiated	Unsubstantiated	Traditional Comparison (Substantiated)	Traditional Comparison (Unsubstantiated)
2017	65%	35%	44%	56%
2018	61%	39%	42%	58%
2019	62%	38%	43%	57%

Issue Validity measures reports that were found to have merit compared to those that did not uncover any issue. It's important to monitor Issue Validity, as it is an indicator of overall report quality made by employees and the quality level of your investigation team. Analyzing this metric also helps to ensure that reports are being properly investigated and resolved.

While Substantiated issues have fallen from 65% to 62%, the proportion remained relatively stable over the measurement period, averaging approximately 63% over the three years shown. Our clients' substantiation rate is almost 1.5 times higher than the Traditional Comparison benchmark of 43%.

The increased Substantiation Rate is evidence of a growing level of trust in the hotline and the reporting process, a better understanding of the purpose of the reporting hotlines, and better performing investigations teams.

2019 Issue Validity by Company Size

Company Size	Substantiated	Unsubstantiated
1-500	65%	35%
501-1,000	64.04%	35.96%
1,001-5,000	46.07%	53.93%
5,001-10,000	52.90%	47.10%
10,001-50,000	40.12%	59.88%
50,001+	83.57%	16.43%

To achieve a high rate of substantiation, you need both a healthy starting point (meaningful/verifiable issues are reported with sufficient information) and a robust investigation and follow-up process. Either of these may explain the disparity across company size.

From anecdotal polling of our client base, it seems that sub-1,000 employee companies beat the 62% overall Issue Validity rate for 2019 due to the benefit of closer-knit cultures and a relatively more manageable issue follow-up workload.

As companies grow, ensuring thorough information upon intake at scale tends to be more difficult (in addition to having more issues reported with minimal information). Interestingly, the largest companies (>50K employees) in our sample seem to have achieved scale (headcount, budget,

process, etc.) in their compliance programs with an 84% substantiation rate across thousands of issues each year.

The increased Substantiation Rate is evidence of a growing level of trust in the hotline and the reporting process, a better understanding of the purpose of the reporting hotlines, and a better performing investigations team.

Think About

How does your substantiation rate compare to this broad trend? If it is significantly lower than the 2/3 benchmark, try to diagnose where the problem lies. Is it on the investigations side, or the employee education side?

If your investigations are attentive and quick, and cases are being closed in a timely period (<30 days 8/10 times), the unsubstantiated issue problem is likely on the employee side. In this case, develop awareness campaigns to educate employees about the purpose of the hotline. Ensure your people understand that the interview process is empathetic and based on an adaptive style – not a robotic one.

If cases are taking longer than 30 days to close most of the time, focus on the investigation process. Provide increased oversight of the process (distributed vs. centralized) and consider additional training for investigators. Set S.M.A.R.T. goals for case closures and work with your team to achieve them over the coming quarter to drive improvement. Ultimately, you may want to consider outsourcing some or all investigative work to increase capacity.

How to Calculate

Divide your number of substantiated cases by the total number of closed cases. Exclude open cases to eliminate noise from your results. Repeat the process for the previous period (e.g., quarter, year) to analyze internal trends and areas to improve.

$$\text{Substantiated Rate} = \frac{\text{Total closed cases} - \text{Unsubstantiated Cases}}{\text{Total Closed Cases}}$$

$$\text{Unsubstantiated Case Rate} = 1 - \text{Substantiated Rate \%}$$
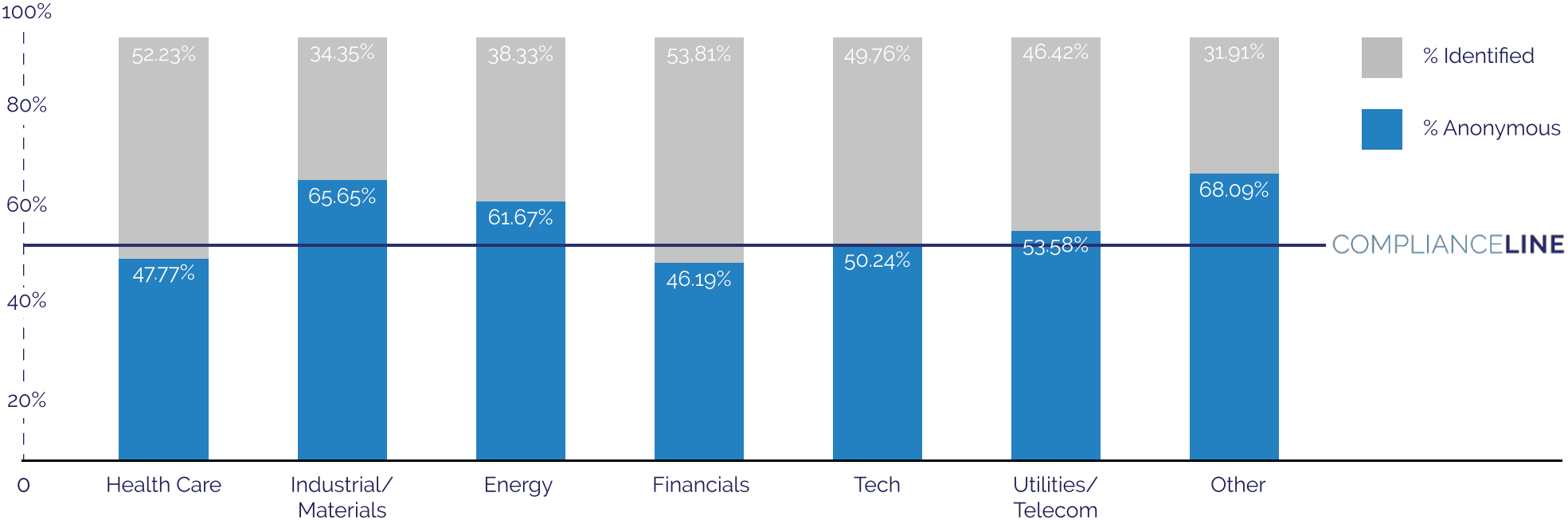
8. Issue Anonymity

Issue Anonymity
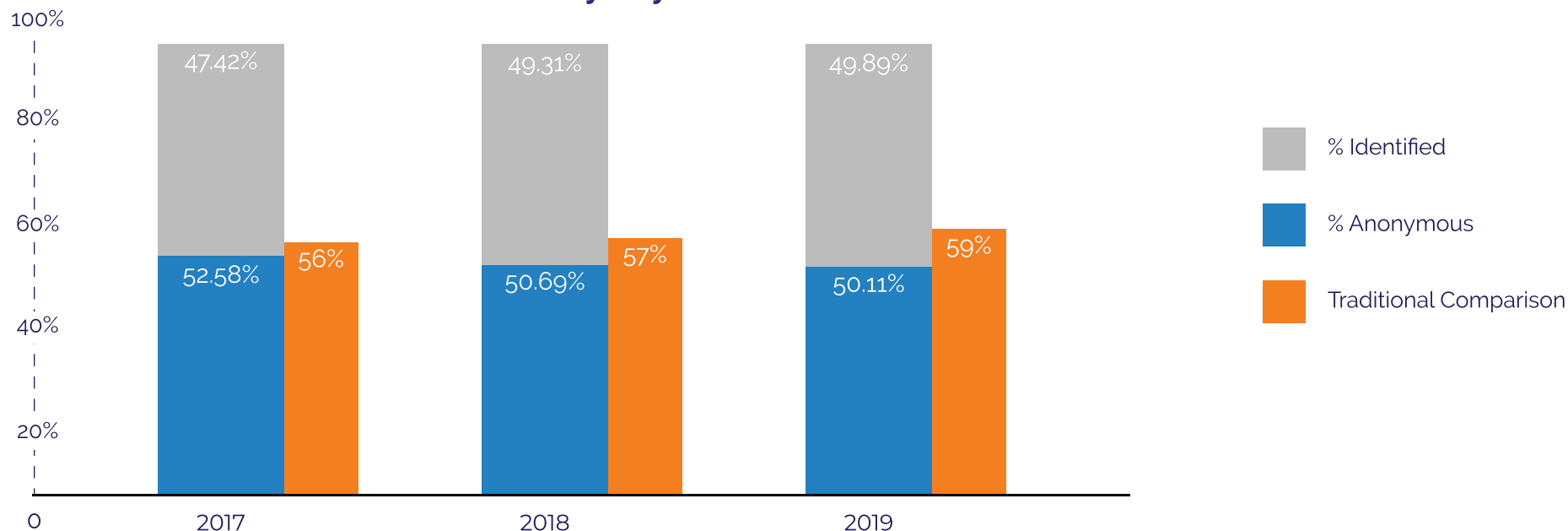
Issue Anonymity is a critical datapoint for any company to evaluate, as it demonstrates aggregate employee trust in an organization. Higher anonymous rates indicate lower trust, while lower anonymous rates indicate a lower fear of retaliation and a higher level of ownership. While we have seen the Identified reporter percentage increase 2.5% over the measurement period, in aggregate, it has remained relatively stable at approximately 50/50.

Traditionally, the lower the anonymity, the more trust reporters have in the organization. Keep in mind that a "zero anonymous rate" is virtually non-existent at scale except in organizations that operate their own internal line. Even in the healthiest cultures, some team members still want the anonymous option.

That is to say, none of our clients in the sample (who offered anonymity as a reporting option) with more than 100 reports had zero anonymous calls.

An anonymity rate close to 60% indicates some trust issues either with the organization in general or with the reporting process specifically. This may be due to several factors previously discussed, but usually is driven by a general fear of retaliation and/or lack of trust in the reporting process (i.e., lack of intake empathy). Organizations showing high Anonymous Rates usually see symptoms of cultural short-falls in other areas of the business, including lower employee engagement, higher turnover, and a relatively higher material lawsuit rate.

2019 Issue Anonymity by Sector

	Health Care	Industrial/Materials	Energy	Financials	Tech	Utilities/Telecom	Other
% Identified	52.23%	34.35%	38.33%	53.81%	49.76%	46.42%	31.91%
% Anonymous	47.77%	65.65%	61.67%	46.19%	50.24%	53.58%	68.09%

Anonymous reporting is a pillar of the issue intake process. Offering and gaining trust for employees and other stakeholders to submit a report while keeping their identity private is beyond a best practice – it's critical to protect your employees and empower your compliance team with essential, sensitive information.

The chart above shows Anonymity Rate by sector. Healthcare, averaged 47.8% anonymous reports. This was just below our overall average of 50%. The Industrial/Materials sector, followed by Energy, had the highest rates of anonymous calls.

However, it's challenging to read much into your Anonymity Rate alone without considering other factors. A high rate of anonymous reporting may indicate that employees withhold their identity out of fear of retaliation for even relatively innocuous issues. In this case, they are not comfortable entrusting their name or other identifying information to Management.

On the other hand, a low Anonymity Rate (compared to the benchmark) may indicate that employees have an especially high trust in the process and your team. In this case, your employees are comfortable reporting especially sensitive issues due to their ability to remain anonymous. You receive sensitive issues earlier and more frequently than your peers, who operate in a lower trust environment.

Think About

What is your anonymous rate? If it is significantly higher (10%+) than the 50% stable trend we see in our data, examine whether a lack of trust is an issue in your organization. Gain insights from employees through roundtable discussions, anonymous surveys, or through cultural consulting engagements. Further, examine the reporting process, issue intake and case management processes, and the resulting outcomes with an unbiased eye.

Factors such as lack of empathy on intake (where speed and efficiency are more important than people), lack of follow-through, extended periods of unresolved cases, and lack of communication back to reporters all contribute to lack of trust. Remember, people don't report for two major reasons: fear of retaliation and/or they don't think Management cares (or won't do anything about it). As E&C professionals driving a Speak Up culture, it is our responsibility and it is possible to improve in virtually all cases.

Consider triangulating your Anonymity Rate with other indicators in your reporting system, such as reporting rate, substantiation rate, and case closure times.

Total Issues

Low incidence of overall issues and high Anonymity Rate may indicate a reticence to engage and a preference to remain anonymous, even when less necessary due to low trust.

Sensitive Issues (severity or category)

A high relative incidence of sensitive/severe issues and high Anonymity Rate may mean you've built a strong culture and the ability to remain anonymous is enabling earlier visibility into thorny issues, especially if the per capita reporting rate is relatively high.

Anecdotal Cultural Indicators
(cooperation with and trust in the compliance team):

Compare metrics to your sense (or a rough sampling of employee sentiment) of the trust in your process. While less objective, this can help you form some assumptions to monitor and measure against.

Offering and gaining trust for employees and other stakeholders to submit a report while keeping their identity private is beyond best practice – it's critical to protect your employees and empower your compliance team with essential, sensitive information.

How to Calculate

Divide your number of anonymous issues by total issues to get your anonymous reporting rate. Subtract the anonymous reporting rate from 1 to get your identified rate.

Higher anonymous rates indicate lower trust, while lower anonymous rates indicate lower fear of retaliation and a higher level of ownership.

$$\text{Anonymous Rate} = \frac{\text{Anonymous Issues}}{\text{Total Issues}}$$

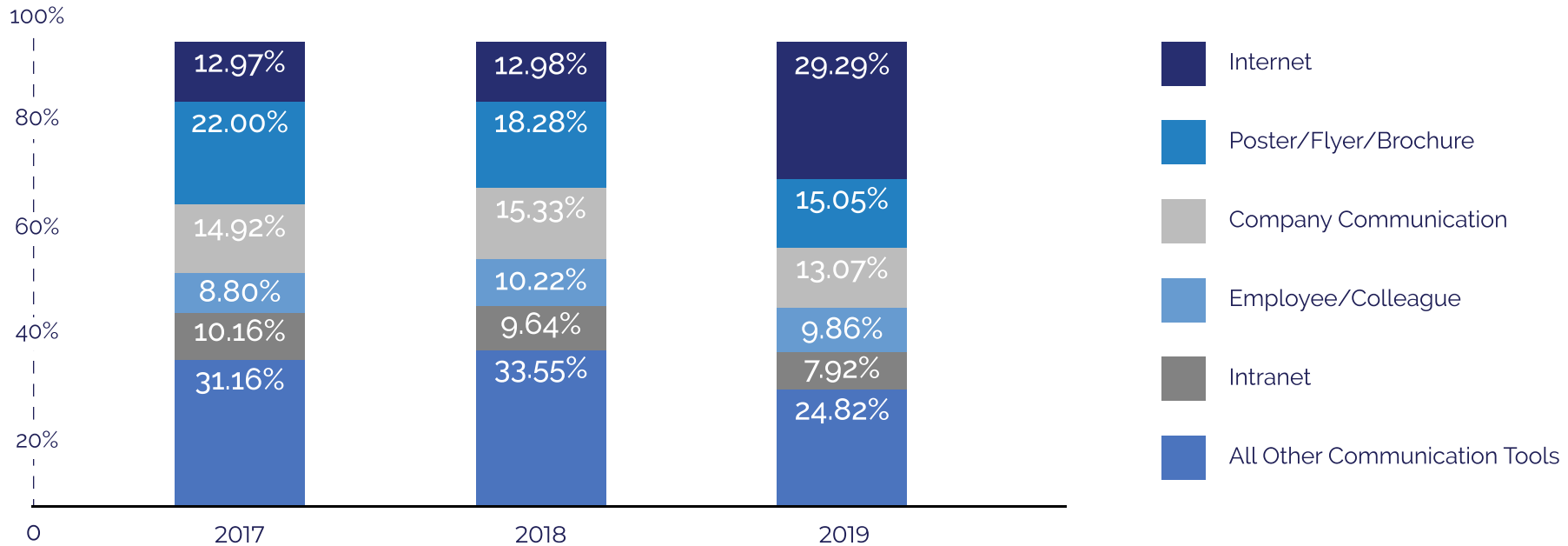$$\text{Identified Rate} = 1 - \text{Anonymous Rate \%}$$

Factors such as lack of empathy on intake (where speed and efficiency are more important than people), lack of follow-through, extended periods of unresolved cases, and lack of communication back to reporters all contribute to lack of trust.
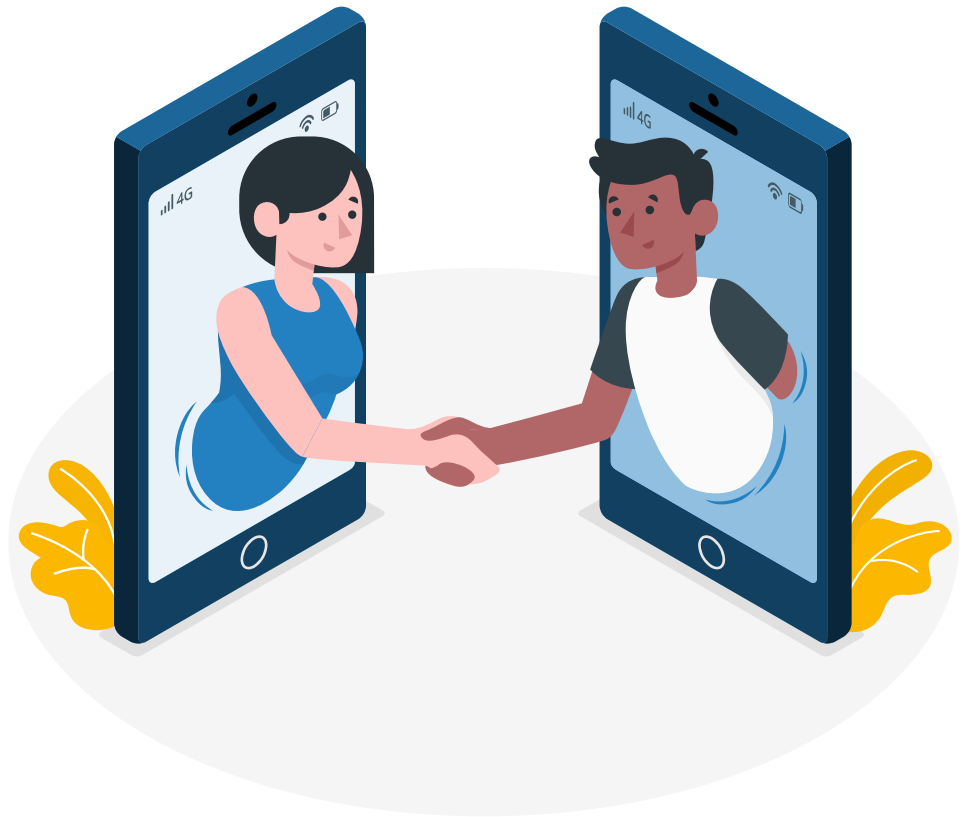
9. Reporter Awareness

Reporter Awareness

Reporter Awareness is critical to track as it demonstrates which awareness efforts are driving engagement from your employees. Evaluating your awareness sources and types against the benchmark identifies successful engagement paths as well as media you might be under-leveraging (and thereby missing opportunities for information and employee collaboration).

Track and compare Reporter Awareness to ensure your employees are informed about the reporting resources available to them.

The graph above shows how employees were made aware of compliance resources. These data points show a clear trend toward the effectiveness of digital awareness channels. The rise in the Internet as an effective awareness channel over the past 2 years has come at the expense of almost all other awareness types, including referrals and word-of-mouth. Interestingly, even captive company Intranets (HR portals, et. al.) have declined in favor of employees searching company sites or other web postings for compliance reporting options.

Think About

What awareness methods are you trending behind on? Do these differences indicate a difference in culture (such as a less digital-dependent employee population) or an opportunity to engage a previously left behind portion of your employee base? A high level of Employee/Colleague word-of-mouth awareness can indicate a more pervasive and open culture that trusts compliance as both secure and effective.

Also consider an Internet-based Ethics Portal that is readily available and accessible to employees (e.g., on social pages), which can quickly provide the information that potential reporters need to speak up.

Additionally, consider a refresh of your awareness materials, or an awareness program that provides new materials periodically throughout the year. These should incorporate best practices from cognitive psychology to help change behavior and drive action (e.g., "Be brave. Speak up.").

Reporter awareness data points show a clear trend toward the effectiveness of digital awareness channels.
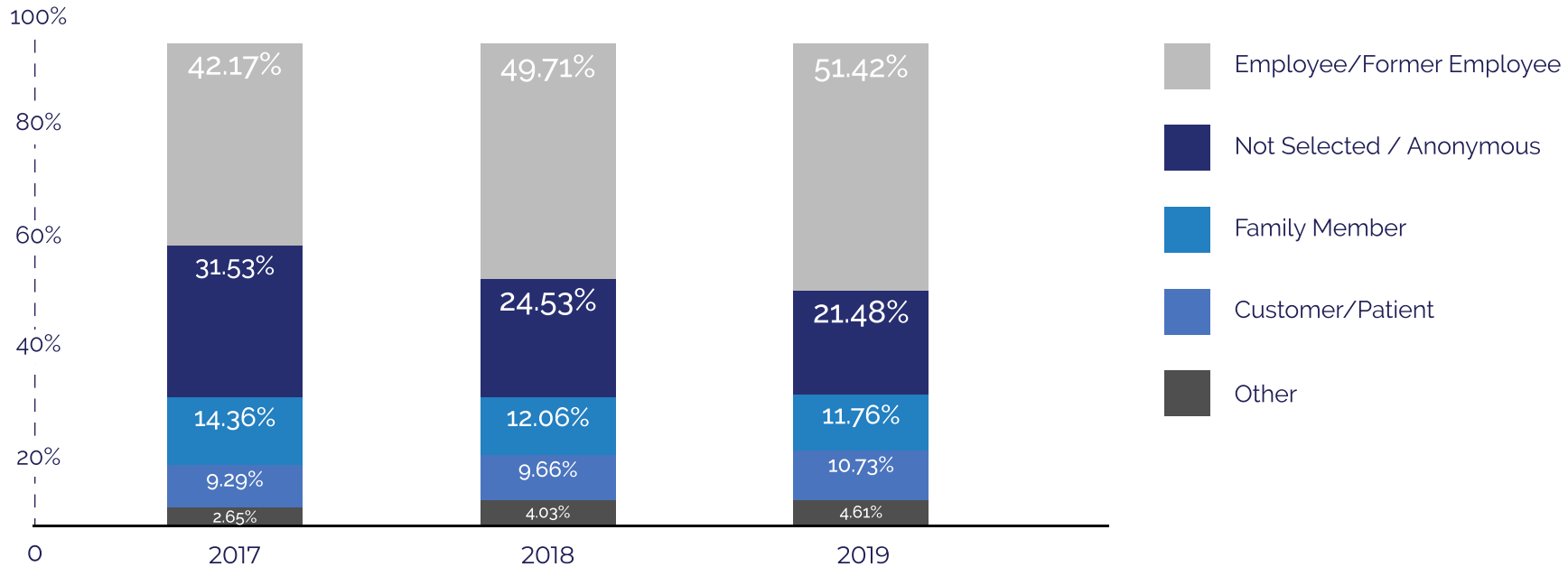
How to Calculate

Identify all issues reported by channel and sum the total reports per channel. Divide the channel total by total cases.

$$\text{Reporter Awareness Rate} = \frac{\text{Channel}}{\text{Total Cases}}$$

10. Reporter Type

Reporter Type

Chart: Stacked bar graph showing Reporter Type percentages for 2017, 2018, and 2019.

2017:
- Employee/Former Employee: 42.17%
- Not Selected / Anonymous: 31.53%
- Family Member: 14.36%
- Customer/Patient: 9.29%
- Other: 2.65%

2018:
- Employee/Former Employee: 49.71%
- Not Selected / Anonymous: 24.53%
- Family Member: 12.06%
- Customer/Patient: 9.66%
- Other: 4.03%

2019:
- Employee/Former Employee: 51.42%
- Not Selected / Anonymous: 21.48%
- Family Member: 11.76%
- Customer/Patient: 10.73%
- Other: 4.61%

Legend:
- Employee/Former Employee
- Not Selected / Anonymous
- Family Member
- Customer/Patient
- Other

Reporter Type indicates the relationship of the reporter to the organization. Calls from employees and former employees represent the highest identified issue volume.

The bottom three categories (Family Member, Customer/ Patient, Other) remained relatively consistent in aggregate across the measurement period (averaging 26.4% with standard deviation of only 0.7%). The Employee/Former Employee and Not Selected/Anonymous categories shifted significantly with the latter dropping over 10% from 31.5% in 2017 down to 21.5% in 2019.

This encouraging drop indicates an increase in cultural health and organizational trust over the period presented, as significantly more reporters were willing to identify themselves.

The proportions depicted in your hotline reporter types will be a function of how your hotline is used, and how it is advertised internally or externally. However, examining mix trends over several comparable periods will provide insights into how you can improve your issue intake operation.

Think About

How do you use your hotline, and where do reports that signal risk originate? If you're trying to build customer or community relations, look for trends in those reporter types, and drive awareness there.

Low metrics against our benchmarks indicate opportunity to build external awareness. Likewise, if employees are your source for reports that flag internal risk, low metrics indicate a need for more employee education, awareness, and training.

How to Calculate

Categorize issues by reporter type. Sum each category and divide by total reports.

$$\text{Reporter Type Rate} = \frac{\text{Sum of Reporter Type}}{\text{Total Reports}}$$
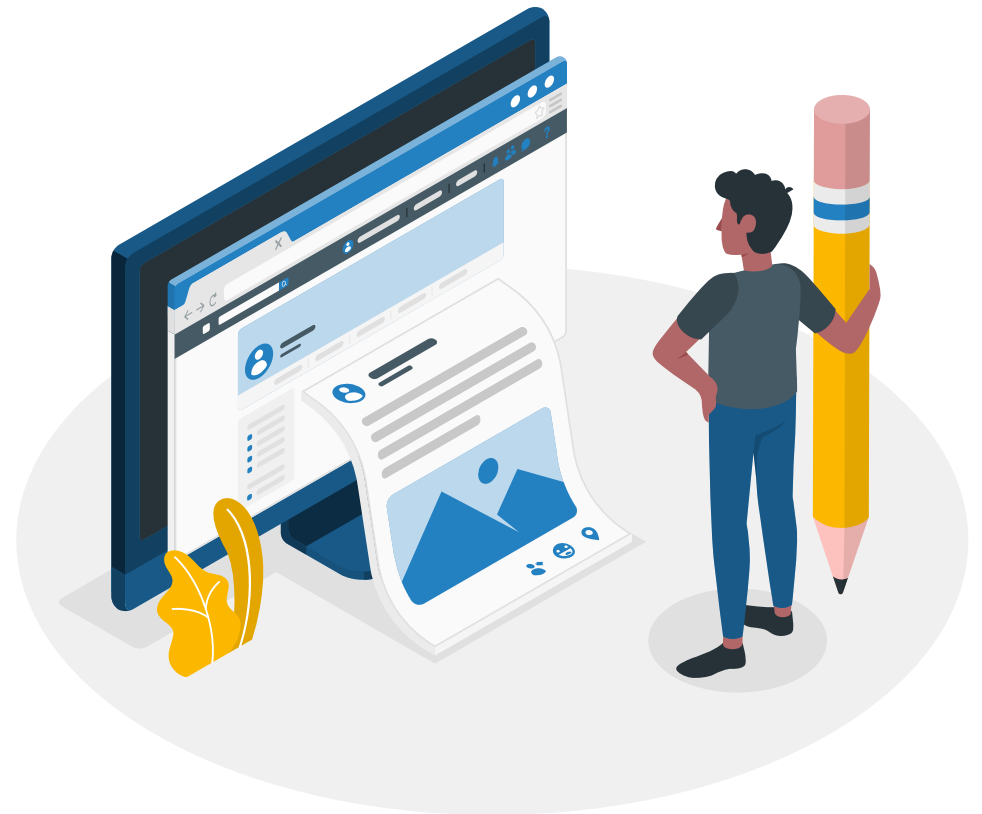
The proportions depicted in your hotline reporter types will be a function of how your hotline is used, and how it is advertised internally or externally.

Conclusion

Every day, Compliance and Ethics leaders work to make their workplaces better. And we believe deeply in the value of what you contribute to your organization. Now is the time to elevate ethics and compliance to the strategic lever it should be and to break out of the 1990's-style cost center pigeonhole many have been cast into.

The 2020 Ethics and Compliance Hotline Benchmark Report equips you to identify areas of even greater strategic contribution to the people and organizations you serve.

Many studies focus on average benchmarks. However, in today's workplace environment, average has become the new bottom. We encourage you to set your sights higher. Compare your company's results to those you find in the top and bottom figures and aim higher with your compliance programs to make your workplace the best it can be.

Over the next decade, compliance and ethics professionals will show how their impact can drive the behaviors that reinforce their organizations' commitment to their missions, and they will do it partly by using their hotlines as strategic tools to influence the employee experience and their broader culture.

You can't manage what you don't measure, so it is important to keep a close watch on your own trends, as changes can often be early warning signs of a deeper cultural issue or brewing risk factor. Hopefully, you found this report to be helpful and actionable.

Let's make the world a better workplace together.

Here are some actionable steps to focus on to drive a more impactful program:

- **Recognize that your hotline is the start of a conversation, not a mere comment box.** This will lead you to humanize your process, to place an added emphasis on accepting the feedback, to do something about it, and to communicate results of findings back to the reporter. This shows that concerns are valued and being addressed.

- **Recognize that your hotline is a resource for your whole organization,** not just the ethics and compliance team. Your hotline can also help make your department more collaborative while helping to break down interdepartmental silo walls that may have been erected over time by helping others strategically solve their problems with tools you already have in place.

- **Recognize that your organization's first clients are your employees.** You will never have an organization that your clients love if it is not full of employees who love it first. Driving a Speak Up culture means encouraging employees to raise their hand when they see something that is wrong or something that can be improved, which requires trust and an ownership mentality.

- **Use your hotline in creative ways.** Adding additional capabilities to your hotline, such as using it as an employee or stakeholder information resource, creates operational leverage for over-worked ethics and compliance teams, allowing them to focus on the more strategic issues. Additionally, adding specialized lines, such as Ideation Lines or Diversity and Inclusivity Lines, can show your organizational commitment to hearing your employees input for optimization, as well as showing your commitment to specific culturally important issues.

About ComplianceLine

For more than 20 years, ComplianceLine has put our customers and the quality of our work before profits to become the leading provider of ethics and compliance (E&C) solutions and second-largest player in the space. Our clients trust us to listen to their employees and empower us to assist in the identification of unethical, illegal, and questionable behavior.

In building this trust, we have provided compliance solutions in 50,000 locations to more than 6 million employees in 100+ countries through our highly-trained, caring, and compliance-minded professionals.

We have helped E&C leaders investigate nearly 10 million reports, offering employees the industry's leading-edge tools to report unethical or illegal behavior free from retaliation.

Our client companies include Fortune 500 companies, such as International Paper and AT&T, a higher concentration of risk-conscious industries, including 6 of top 7 US healthcare systems, and brands of all sizes who value their people and their impact, like Johns Hopkins University, Raytheon, Blue Cross Blue Shield, and numerous county and city governments.

Our services:

Hotlines (Issue Intake)

Case Management

Sanction Screening

Compliance Awareness Programs

Credential Monitoring

Compliance Training

COMPLIANCE**LINE**

MAKING THE WORLD
A **BETTER WORKPLACE**

🌐 complianceline.com   📞 1+(800) 617-0415