



# 2017 ETHICS AND COMPLIANCE SURVEY

Align Business Goals with Your Ethics and Values

A special publication by **ETHISPHERE**® and  convercent  
GOOD. SMART. BUSINESS. PROFIT.

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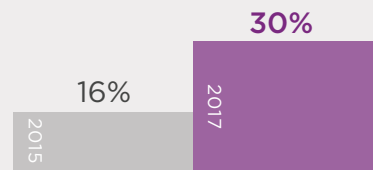
# Introduction

The last few years have produced a plethora of headlines showcasing ethical lapses. From financial fraud and sexual harassment allegations to emissions testing scandals, the progression of lapses serves as a cautionary tale. But what the headlines don't show is a top-to-bottom ethical culture gaining visibility and mindshare in the executive suite and the boardroom.

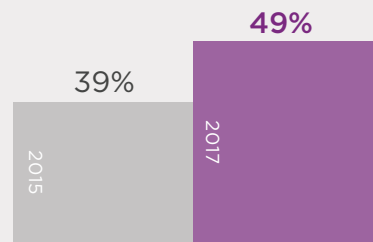
This year's research from Convercent and The Ethisphere Institute reinforces the movement from a reactive posture of check-box compliance to proactive management. More organizations are embarking on a journey to establish corporate culture and financial growth on a foundation of ethics and values.

Taken together, the survey responses show an increasing understanding of the importance of ethical behavior as a long-term differentiator. While challenges remain, this is unquestionably good news for the compliance professional seeking to move beyond mere cost-center status and to establish their contribution to the business as a market advantage.

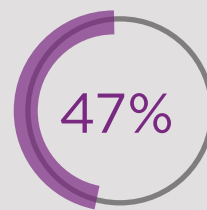
## PERCENTAGE OF ETHICS AND COMPLIANCE OFFICERS:



Report to the CEO



Almost always or regularly involved in strategic decisions



Chief ethics and compliance officers (CECOs) are spending more time with their CEOs than ever with 47% of CECOs talking to their CEOs more than once a month and over 75% designing audits, reviewing results, attending HR training events, and adding compliance/ethics questions to employee surveys.

# Top Challenges for CECOs



As continuous improvement is one of Kimberly-Clark's key behaviors, we use data to inform our ethics and compliance program KPIs. This allows us to proactively identify trends and issues so we can address them more quickly.

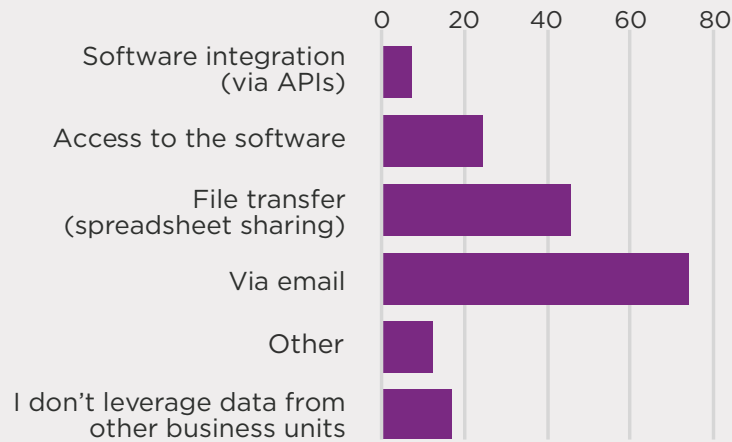
- Kimberly-Clark

In spite of increased visibility and seniority, the survey shows that CECOs continue to face significant challenges. Too many companies are behind the technology curve, wrestling a mountain of compliance data using legacy processes, outdated tools, and disconnected systems. As a result, CECOs are trapped in details, lacking the tools to engage with the data, be responsive to issues and trends, or gain the perspective required to tie ethics and values to the financial and strategic goals of the organization.

## Responsiveness: Be Proactive, not Reactive

The primary goal of an ethics and compliance program is to detect and anticipate ethical issues in real time and address them before they become a problem. Reaching that goal is contingent on having the processes and supporting infrastructure in place to analyze all aspects of a case, from an incident report to root cause analysis. In addition, a proactive approach demands a high level of analysis and visualization to identify problem areas. Consequently, it is disconcerting to see that 88% of respondents continue to use spreadsheets as a compliance and ethics reporting tool, a severely limiting choice that poses a serious impediment to the journey to their ability to proactively address risk.

## How do you leverage or get access to data from other divisions?



The downsides to this approach are obvious; not only is such an approach time-consuming, but the possibility for error or oversight is high.

## Data Silos Undermine Visibility

**MOST ORGANIZATIONS GATHER DATA FROM MULTIPLE DEPARTMENTS FOR COMPLIANCE AND ETHICS REPORTING, INCLUDING:**



The results show that up to 10 different systems are used among those surveyed, with total usage across all respondents at 50%. This indicates that most CECOs are using multiple systems and

**only 7% are integrated via automatic data feeds like APIs or other methods.**

The rest must log onto multiple systems and manually or individually extract the data to a third-party tool, spreadsheets being the predominant tool used (46%). In this cumbersome process, most collaboration occurs over email (74%), divorcing analysis and decision-making from real-time data.

# Voice of the Employee

When it comes to capturing ethical incidents, the primary intake methods are:



This is not surprising; what is surprising is the number of respondents who say they are not currently tracking open door reports or reports received by managers.

# 73%

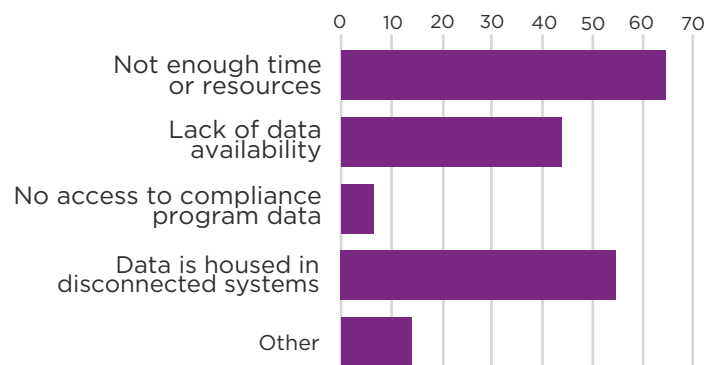
Given that 73% of employees in Ethisphere’s overall culture data set

indicate they raise concerns primarily with their manager, their manager’s manager or HR, this is an obvious area for focus by those companies not currently gathering this crucial information.

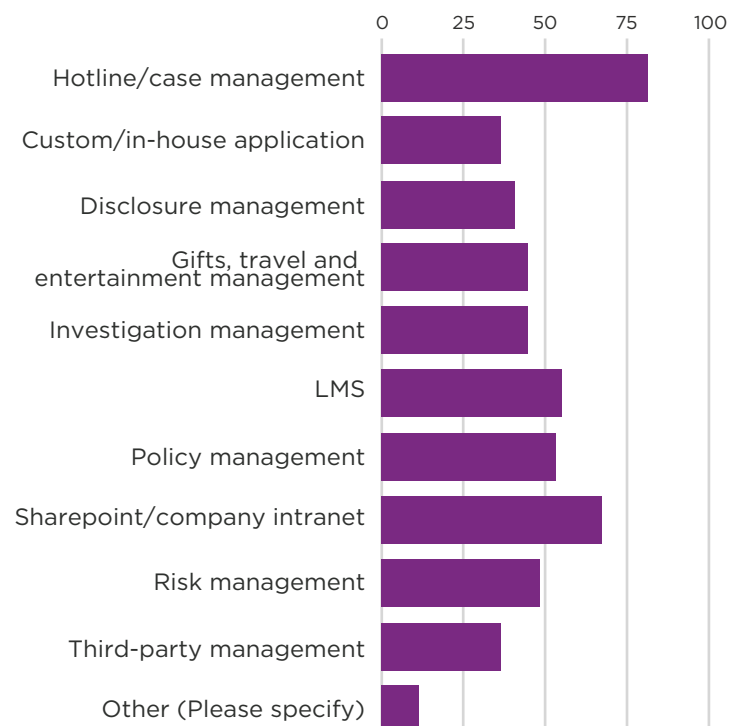
Worse yet, regardless of the intake method, 65% of CECOs struggle to aggregate and analyze data due to lack of time and resources, up from 57%. More than half (55%) indicate that data are housed in disconnected and unintegrated systems, and 44% say the data simply aren’t available to them.

One respondent used the “Other” category to describe the nine different data systems used across multiple countries to manage compliance-related activities. While most CECOs aren’t wrestling with nine systems, multiple systems are clearly the norm, many using a hotline/case management system, LMS, SharePoint/intranet, and a policy management system.

Challenges in accessing data

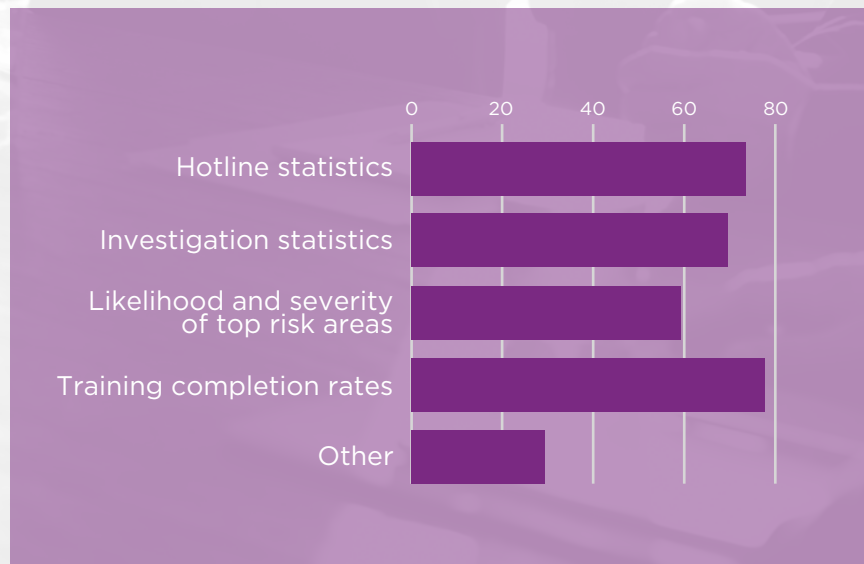


Systems used to manage programs



# Board Reporting

Most CECOs report on progress quarterly (57%) or monthly (19%) to the CEO (62%), GC (53%), ethics and compliance committee (50%), audit committee (50%), the board (44%), or other entities (23%). The primary statistics currently reported are activity metrics including training completion rates (78%), hotline statistics (74%), and investigation statistics (70%). Also, 60% of respondents are reporting on the likelihood and severity of issues in top risk areas.

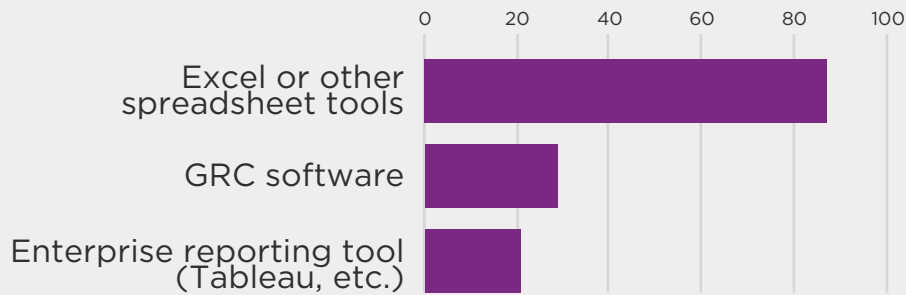


The “Other” category (29%) showed a move from tracking activity to proactively measuring performance, with reporting on audit results, risk assessment results, third-party due-diligence findings, conflicts of interest disclosure metrics, and culture survey results, all excellent measures of progress on the journey to an organic ethical culture.

**However, the responses show obvious room for growth regarding the desired metrics that CECOs want to track. The more than 70 responses include:**

- open-door reporting
- behavioral root cause
- campaign and engagement effectiveness
- benchmarking (internal and peer)
- ethics and compliance value

The finding that 88% use spreadsheets for reporting (followed by GRC software at 29% and ERP tools at 20%) also highlights the rudimentary conditions most ethics and compliance programs are still working under.



The persistent recurrence of spreadsheets as a tracking and reporting tool bears calling out. While spreadsheets are useful for many tasks, they are not suitable for the volume or diversity of data types CECOs must track. As a free-form what-if tool with no controls, they lack the ability to enforce data consistency, integrity, security, confidentiality, scalability, and so many other elements that are important in an ethics and compliance platform. Furthermore, the cross-category analysis becomes a manual process, introducing significant risk of human error.

	Reports: Employee Population	Average % Named	Average % Substantiated	Average Report Close Time
Survey Average	2.7%	63%	39%	42 Days
Best in Class	7.9%	71%	51%	37 Days



We are entering the future of proactive ethics, an era in which prioritizing ethics at the center of everything we do is a necessity, not an option. This survey confirms our belief that for companies to accurately report the level of employee engagement, they need to dig deeper than just the surface analytics. They need to ask the right questions, spot trends/hotspots and have access to the right technology to do so. This survey clearly shows that engaged employees are less worried about retaliation; therefore, they feel comfortable and safe filing a report and using their name vs. being anonymous. If an organization has higher reporting rates and high anonymous reporting, there is a problem. On the other hand, if an organization has high reporting rates and lower anonymous reporting, you have an engaged workforce. Our survey clearly shows this correlation, and it also sheds light on the need for sophisticated reporting and thorough investigations.

- Patrick Quinlan, CEO, Convercent



# Recommended Areas of Focus

The survey reveals several areas that CECOs can focus on as they move toward the use of meaningful metrics.

## All Your Ethics and Compliance Data in One Place

Data silos are a contributing factor to lack of data availability and shunting real-time data into static, inappropriate tools such as spreadsheets. Without a single platform that supports the full complement of metrics required to visualize the data, recognize hotspots and trends, and proactively address issues before they become problems, it is difficult if not impossible to address risks early and support the kind of ethical culture that can drive business value.

## An Effective Open-Door Program

Given the volume of incidents reported via proxies in an open-door policy and the importance of capturing sufficient data to provide a full picture of each incident, the impact of establishing a robust, structured proxy intake process cannot be overstated. It begins with good policy and is bolstered with good training that aligns HR and line managers on best practices, using a simplified online capture portal that supports the full range of metrics. Once that portal is in place, an effective case management system that allows cross-issue analytics is key.



Given that more than 70% of reported incidents come through open-door reporting, it's critical that CECOs provide the training and tooling for managers so that issues can be both captured and followed up on. This is important information that could otherwise be miscategorized or lost.

- Katie Smith, CCO, Convercent

## Analytics and Visualization

Traditional reporting shows what happened, providing lagging indicators that point to ethical lapses that have already occurred. To proactively intervene before lapses occur, CECOs need access to leading indicators that show why things happened and point to areas of concern regarding process and culture. This kind of reporting is made possible by comprehensive data capture of all relevant metrics combined with integrated real-time analytical and visualization tools. Spreadsheets and static reporting tools simply are incapable of providing this level of functionality.

## Root Cause Analysis

The survey reveals that 50% of respondents do not track root cause effectively, 25% do not track root cause at all, and 26% track root cause ineffectively in spreadsheets. Given DOJ Guidance 2.17 and the global regulatory expectation of root cause analysis, this is an obvious place for improvement.

Root cause analysis requires both the visualization of outliers and the ability to drill down and reveal behavioral and contributing factors responsible for lapses and continued areas of risk. Root cause analysis needs a comprehensive investigation process run by well-trained and competent investigators to correctly establish substantiation for reported incidents, and if so, to document all relevant details, including the contributing and behavioral factors. With this data captured, analysis enables the CECO to discover patterns and proactively make strategic business decisions to optimize performance and minimize risk.



Root cause analysis is an area of opportunity for CECOs. Through proper investigative discipline and appropriate categorization, root cause information can be captured for all substantiated cases. This allows for effective analysis of trends and locations of concern which in turn provides for informed and efficient resource allocation.

**- Erica Salmon Byrne,**

EVP and Executive Director of Business Ethics  
Leadership Alliance, Ethisphere

## Conclusion

A successful company is built on financial goals, but if goals aren't tied to fundamental values and ethics, the risk of brand-damaging lapses significantly increases. The connection must be intentional and highly visible to all employees from top to bottom, publicly rewarding ethical behavior, anonymously when appropriate, and clearly and transparently taking corrective action when lapses occur. When employees know that the company values an ethical culture and are confident that incident reports result in follow up and not retaliation, they will embrace that culture as an authentic expression of the values of the organization, which in turn will enhance brand value and financial performance. To achieve this outcome, CECOs require a solid, integrated, real-time platform that eliminates data silos and supports analysis and visualizations to provide leading indicators, which allows them to leverage their increased inclusion in the strategy and leadership of the organization into meaningful impact.



## About Convercent

Convercent is the leading provider of ethics and compliance cloud software that helps global enterprises maximize performance by bringing ethics to the center of their business. The traditional focus on governmental regulatory compliance is inadequate as enterprise performance (and stock price) has shifted to consumers who demand higher ethical standards from companies with which they do business.

Companies use Convercent's Ethics Cloud to hear the voice of their employees, understand organizational behavior, and make informed decisions to protect their culture. The Convercent Ethics Cloud applications include: Helpline and Case Manager, Learning Manager, Policy Manager, Disclosure Manager and Convercent Insights.

Convercent has more than 550 customers worldwide, including: Microsoft, Tesla, The Four Seasons, Capgemini and Under Armor. The company's rapid success is fueled by product innovation and a unique culture. Convercent's core values are: open and honest communication, focus, positive, uncomfortable, curious and design. Convercent is backed by venture capital funding from Sapphire Ventures, Tola Capital and Azure.



## About Ethisphere

The Ethisphere® Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. We have a deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character and believe integrity and transparency impact the public trust and the bottom line of any organization. Learn more at [ethisphere.com](http://ethisphere.com).

### Good Ethics is Good Business.

The World's Most Ethical Companies® program honors companies that excel in three areas – promoting ethical business standards and practices internally, enabling managers and employees to make good choices, and shaping future industry standards by introducing tomorrow's best practices today. Honorees have historically out-performed others financially, demonstrating the connection between good ethical practices and performance that's valued in the marketplace. As we compared publicly held 2017 honorees to the US Large Cap Index over the last two years, the gap (6.6% to the positive) is palpable – we call it the Ethics Premium. See chart below.

#### THE ETHICS PREMIUM: 6.6%

Performance of the 2017 Honorees as compared to the US Large Cap Index over the 2015-2016 calendar years



■ 2017 ETHX  
■ US LARGE CAP INDEX





## Methodology

Convercent and Ethisphere partnered to create the “2017 Anti-Bribery and Corruption Benchmarking Report.” Senior Ethisphere analysts and Convercent partners created the survey in October, and invited senior-level executives working in ethics, compliance, or anti-corruption worldwide to respond. The survey was open from January 3, 2017, to March 22, 2017.

The survey produced 335 complete and partial responses. Nearly half (48%) represented organizations that have had a dedicated compliance and ethics functions for at least seven years; while 6% have had a dedicated compliance and ethics function for fewer than one year. Several interim stages of program maturity are also represented in the data set. Nearly all of the organizations operate in North America (88%), followed by Europe (53%), Asia (43%), South America (37%), Latin America (37%) and the Middle East (36%).

Forty-eight percent of respondents held the title of compliance and ethics officer or chief

compliance officer, followed by general counsel or chief legal officer (13%). A wide range of other titles trailed closely behind, all of them related to compliance or anti-corruption activities and very few below a senior or C-suite level title.

Respondents represented a wide range of industries; the largest industry group was healthcare (17%), followed by manufacturing (14%) and energy (9%). Several dozen other industries were represented in the data pool.

The median worldwide employee headcount of the qualified respondents was 8,200, while the majority of organizations’ revenue segment was between \$1 billion and \$8 billion.

This was a self-reported survey from Convercent and Ethisphere’s audience of ethics and compliance professionals, and Ethisphere did not attempt to verify or audit the data reported by survey-takers.