



WHITE PAPER

Are you Missing 82% of Your Ethics & Compliance Reports?

LACK OF MANAGER REPORTING CREATES LEGAL RISK FOR ELECTRONICS RETAILER:

One major electronics retail chain whose managers weren't required to capture all reports into a centralized incident management system discovered an employee who was transferring from location to location to avoid disciplinary action for workplace harassment. Because individual managers were handling the reports differently, the employee's misconduct wasn't discovered until someone reported him through the hotline and an investigation began. By then, the employee had left a long line of liability in his wake.

Organizations need to start treating employee reports like the critical pieces of business intelligence they are.

Organizations are at a disadvantage when it comes to learning about misconduct within their ranks. There are dozens of reasons employees are reluctant to share their questions or concerns: fear of retaliation and cynicism that a report will not be taken seriously are among the top reasons employees don't report. In fact, 40% of employees who see misconduct never report it.¹

So when employees do report, organizations need to treat those reports like the critical pieces of business intelligence they are. Every time an employee makes a report stating "I'm not sure this is okay," it's an opportunity to uncover and proactively address potential ethics and compliance risk.

But today, many employee reports—which can encompass anything from questions about a policy or procedure to serious allegations of misconduct—may never make it on the radar of compliance professionals.

Why? Because only a fraction of reports come through an established, trackable hotline/helpline.

While hotline/helpline and web intake forms are automatically captured in a centralized incident management system, other reporting methods—email, mail, fax, or reports made in-person to a manager, for example—are not.

Among these, the biggest missed opportunity for report capture is how organizations document in-person reports to managers.

1 ECOA, National Business Ethics Survey, 2013

MANAGERS CAN MAKE OR BREAK YOUR COMPLIANCE RISK VISIBILITY.

Eighty-two percent of employees report ethics and compliance issues directly to their managers.² If organizations don't require managers to document those reports, and make it easy to do so, visibility into the scope of compliance risk can be severely compromised.

Employee willingness to raise issues to managers is something every ethics and compliance officer should be proud of. When employees make an "open door" report directly to their manager (rather than keeping it anonymous) it is a sign of a healthy organizational culture. This behavior indicates employees trust their manager to listen and take action—and they do not fear retaliation. This trust is fundamental to a speak-up culture, and what every compliance professional hopes to achieve. It is also critical for reducing the likelihood employees will bypass reporting systems and go to the press or regulators.

What managers do with these reports, however, is also of critical importance. Far too many organizations do not have the policies and processes in place to enable managers to capture reports they receive. Many also lack the tools and training managers require to directly address these reports and help keep the speak-up culture strong.

IS THIS HAPPENING IN YOUR ORGANIZATION?

The scenario: Jane Doe went into her manager's office to tell him that some team members were prioritizing internet surfing and personal blogging over meeting deadlines and responding to client concerns.

Without Open Door Reporting Policies & Tools: The manager talked to the two alleged wrongdoers who denied the allegation and the manager believed them. As a consequence for reporting them to the supervisor, the two individuals made Jane's work life miserable.

With Open Door Reporting Policies & Tools: As directed by the E&C office, the manager entered the report into the centralized incident management system through an open door report form. The E&C team investigated based on internal protocol and determined that the two individuals had not only been abusing the social media and cyber security policy they had previously attested to, but they had also been altering their timesheets to reflect overtime hours that had not been worked.

HELP MANAGERS BETTER PROTECT THE ORGANIZATION FROM COMPLIANCE RISK.

Empowering managers with an open door intake form—a web-based tool that allows managers to input issues raised and actions taken into an organization's E&C incident management system—has major benefits for the compliance team, and for the company as a whole. Benefits include:

- Sets the expectation with managers that every employee report is a critical piece of business intelligence.
- Increases the percentage of reports captured to provide a more accurate picture of compliance risk in your organization.
- Enables real-time reporting so you can get more risk visibility more quickly.
- Standardizes manager reports so they are in better alignment with the system used to track the rest of your reports.
- Allows better visibility of manager-administered remedial actions that can be monitored for consistency and adherence to policies and procedures.
- Better protects managers and the organization in the event of an employment claim or legal investigation by documenting how the issue was addressed.

2 ECOA, National Business Ethics Survey, 2013

CONCLUSION

Organizations that aren't creating ways of capturing every employee report— regardless of when, how, or to whom the employee chooses to report—in a centralized incident management system should strongly consider starting as soon as possible.

Combining NAVEX Global's E&C intake and incident management solutions improves compliance risk visibility—and better protects your organization from legal, financial and reputational damage.

Every employee report received increases the value of your ethics and compliance program. Don't miss or undervalue the data you have at your fingertips. Expand your E&C reporting intake options to capture the 82% of issues you may be missing.

Get in touch to learn more about how we can help you make sure you can see all of your E&C risk. We'll discuss your needs and set up a custom demo to show you how to expand and strengthen your E&C intake ecosystem today.

NAVEX GLOBAL'S ETHICS & COMPLIANCE INTAKE & INCIDENT MANAGEMENT SOLUTIONS

- Ethics & Compliance Hotline: NAVEX Global provides most trusted ethics and compliance hotline services in the world
- Web Intake Forms: Our easy-to-use web intake form is an online version of hotline intake for employees who would rather report online
- Open Door Intake Forms: A simple yet powerful web-based form that enables managers to capture employee reports and actions taken directly into your incident management system
- EthicsPoint Incident Management: Our powerful incident management systems allows organizations to centralize and analyze ethics and compliance reporting data to proactively spot trends and address issues

SELF-ASSESSMENT: SHOULD I EXPAND MY E&C REPORTING CHANNELS TO INCLUDE OPEN DOOR INTAKE FORMS?

As you consider whether you need to change the way you capture manager reports, ask yourself these questions:

- Which reports can I afford not to know about? Consider the potential financial, reputational and legal costs and implications of missing even a single report that uncovers an issue that needs to be addressed. Missing an issue that could have been proactively addressed simply because there isn't a protocol or avenue of entering that report into a centralized system is a major liability.
- What trends or issues am I missing if I'm not capturing as many employee reports as I possibly can? When an employee reports an issue or question to their manager and the manager addresses it without ever talking to the ethics and compliance, HR or legal department, that report—and its resolution—becomes invisible.
- How do I know how reports that aren't captured are being addressed in a way consistent with our policies and our code of conduct? The answer, of course, is that you can't. You can't manage reports or resolution processes that you never see. You can't ensure that the issue was resolved within the parameters of your code of conduct or your policies and procedures. Unfortunately, the way you're most likely to learn about them is later—after an issue snowballs.
- How can my board and executive team resource my department appropriately if I'm not able to show them my true E&C report volume? Anytime a report is not captured in an incident management system, it becomes invisible. Even those reports everyone loves to hate—like complaints about a colleague's perfume—require time and effort to address and resolve. Including all reports in a centralized incident management system exposes the true cost of the investigation and remediation work that's being done on these off-the-radar reports.
- Can I trust my benchmarks if I'm not capturing the majority of the reports happening in my organization? Benchmarking is only valuable if it reveals insights about where to focus your organization's time and resources. By not capturing a large percentage of reports in your system, your benchmarks aren't as accurate as they could and should be—and you're missing risks and opportunities to better protect your organization from compliance risk.

ABOUT NAVEX GLOBAL

NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the FORTUNE 100 and more than 12,500 clients, our solutions are informed by the largest ethics and compliance community in the world.