

## **Benchmarking: Maximizing the Benefit of Hotline Data**

### **By Carrie Penman**

Hotlines are an important tool in any ethics and compliance program, but is your helpline or hotline data working hard for you? Is it giving you useful insights into the effectiveness of your ethics and compliance program? Is it helping you to identify trends and spot gaps in your program?

Measuring program effectiveness has been an ongoing challenge for ethics officers since ethics and compliance programs began. Experienced ethics officers will tell you that one of the most effective measurement tools they have is the data from their internal reporting systems. The challenge is analyzing the data in a way that provides meaningful interpretation, meets the USSC standard<sup>1</sup>, and gives early warning of potential problems areas within the organization.

### ***Seeking Meaningful Data***

Every year, ethics and compliance professionals gather data from the reports made through their various reporting systems. The way the data is “sliced and diced” may mean the difference between catching a problem early or just having a stack of tables and graphs with little context for your Board and senior executives. As we conduct program assessments, we continually find frustrated ethics officers and their Boards trying to make sense of all the numbers. They know they received “x” number of reports in one year regarding fraud and “y” number of reports on HR-related issues, but without any context – and more specifically, without any benchmarks for comparison – they are missing the kind of perspective that stimulates or quells concern.

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<sup>1</sup> The United States Sentencing Commission, in its 2007 Sentencing Guideline Manual, states, “An organization’s failure to incorporate and follow applicable industry practice or the standards called for by any applicable governmental regulation weighs against a finding of an effective compliance and ethics program.”

If the data is not meaningful, then Boards and executives become complacent about the program and miss the organizational implications that can be gleaned from well analyzed hotline data. Is there then an easy way to perfectly mine data so that relevant information is readily at hand? No, but there are approaches and resources, which can dramatically change the way your organization looks at its hotline data.

### ***Challenges***

The first challenge in hotline data analysis is that there is no “right” number of total calls or calls about a specific issue type. Every organization and industry faces different risks, which is reflected in the variety of concerns raised. Every organization also has in place a collection of mechanisms to address employee concerns which could impact the number and types of issues raised through the ethics and compliance channels. For example, some organizations have a separate 800 number to deal specifically with Human Resources or Equal Employment complaints. In these organizations, we may then find the percentage of Human Resources issues received by the Ethics and Compliance reporting systems to be generally lower than those organizations that don’t have a separate system because some of these issues will be handled through the alternate reporting channel.

Though we know that there is no “right number of calls,” we also know that companies receiving very few or very many have reason to dig deeper. So where do you start? The most useful data analysis provides “context” for the reviewer and allows the organization to focus on those areas where potential problems are indicated.

Creating appropriate context is the second challenge. Context is often best conveyed through comparisons, trend analysis, or benchmarking against internal and external data sources. Such analysis looks for significant changes in data or deviations from norms. Unfortunately there

has been little information available to date that defines “the norms” leaving ethics and compliance officers on their own to draw conclusions. Indeed, the most cited benchmarks continue to be the periodic surveys conducted jointly by Ethical Leadership Group and the Ethics and Compliance Officer Association (“ECO”). The last survey conducted in 2006 had only 64 companies participate; yet the results are by far the most often used in analysis and most often provided to Boards and senior leadership as benchmarks for comparison of internal data.

In developing cross-industry or industry-specific benchmarks (norms), the best approach is to define acceptable “data ranges” based on a mid-point, or median, rather than calculated averages. Benchmarks based on averages could be skewed and artificially inflated or deflated by a few large companies or a few companies with extreme values that draw the average away from the results of the majority of companies. By using the medians and ranges, organizations are better able to recognize unusual occurrences and focus efforts and resources on them. Using the sizable Global Compliance database of industry and cross-industry reports (nearly 300,000 reports in 2007), we are now able to solidly define these ranges and provide this information to our clients.

### ***Two Types of Benchmarking***

There are two ways to benchmark your reporting system data. First is to compare data internally within the organization. Second is to compare the data to external organizations both within your industry and to all industries. Each approach can provide valuable insights.

#### ***Internal Benchmarking***

Internal benchmarking across an organization’s businesses provides important context, particularly when observing deviations from internal norms over time. Here, the sophistication of an organization’s case management system will determine how robust the analysis can be – more

tracked data, more context, and more opportunity for actionable conclusions. By looking at reports over time, an organization can compare trends, detect trouble spots, and help measure the effectiveness of its program. For example, if an organization has a significant spike in the number of reports received there could be several causes including:

- Employee perception that other channels of communication are not effective or cannot be trusted.
- Extremely high employee awareness of this reporting channel versus others, perhaps due to recent high levels of training or publicity.

In this situation, an organization could consider two courses of action based on their high volume of calls:

- If training or a publicity campaign related to reporting awareness had recently been conducted, the level of reports should be monitored for the next three quarters.
- If neither is the case, the organization could conduct an employee survey or targeted focus groups to determine the root cause of the spike in call volume.

In addition to trending specific allegation types over time, there are other ways to look at internal data. An organization can discern its case cycle time, review substantiation rates, or analyze trends in anonymous reporting. An organization could also correlate two or more variables. For example, if fraud-related allegations spike after training regarding fraud recognition, the organization may wish to determine if the percentage of substantiated fraud-related allegations increased. This correlates training with substantiated fraud reports which offers a measurement of training effectiveness.

Another important aspect of internal benchmarking is the comparison of different business units or locations. This allows an organization to better examine how different parts of

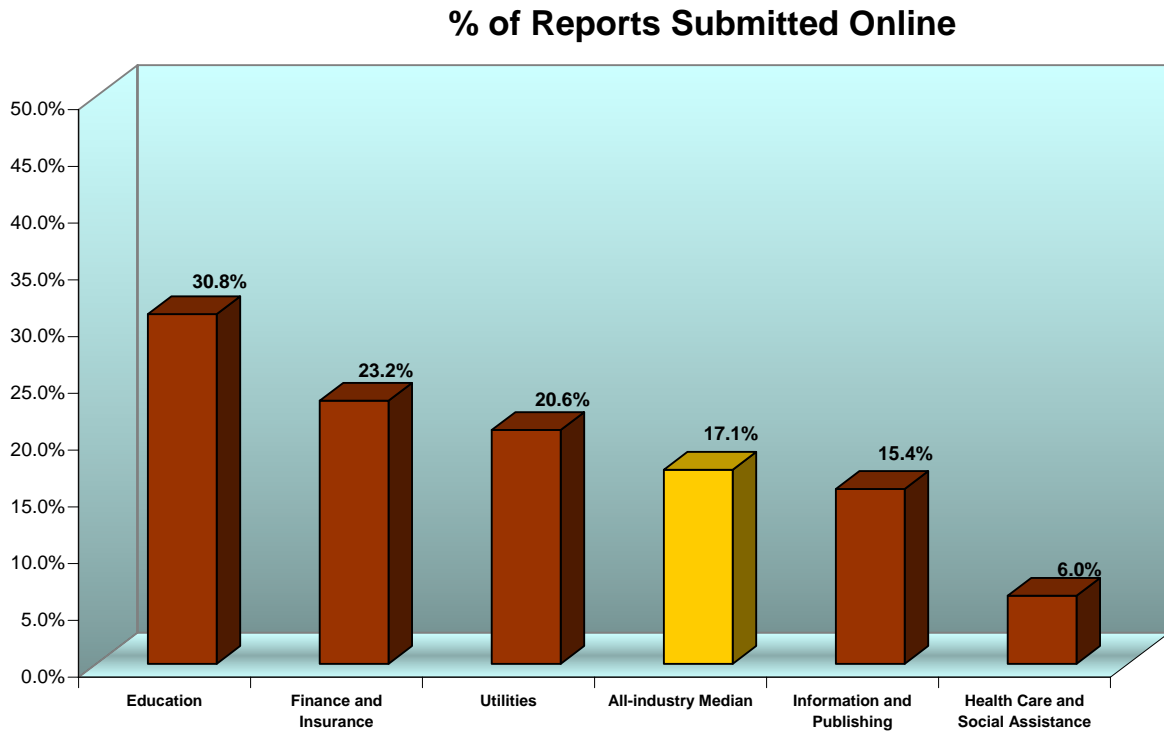
its operations are performing in relation to ethics and compliance. If there are more reports in certain locations, it could indicate a need for intervention. When looking at data as a whole, without trending or grouping, this would not be so obvious. Internal data mining and benchmarking do not always lead to an answer, but they can clarify which questions to ask. This may also lead to questions best answered by external benchmarking.

### *External Benchmarking*

A key point that many Boards and executives want to know is: How does our ethics and compliance program stack up against those of our competitors and others in the industry? By benchmarking within the industry, an organization can, for example, compare itself against the numbers or types of allegations reported by its peers. This can inform an organization whether certain allegations are more common in the industry than others, or if the organization itself has higher numbers than its competitors.

In addition to looking within your own industry, benchmarking across all industries adds another useful perspective to your data analysis. For example, consider the numbers of online helpline reports in the Global Compliance database (figure 1). If your industry is health care and your data is at the benchmark, you may wonder if the industry norm of 6% is typical of other industries. Looking at the larger context of all industries where the median is 17.1% and the upper end is 30.8%, you may conclude that the low industry percentage is driven by the unique characteristics of health care – such as more limited access to computers -- compared to the education industry at the other extreme. This suggests that better computer access could drive up your number of online reports.

**Figure 1:**



***Specific Data Comparisons***

Internally and externally, there are certain types of data that can be most beneficial to review, including:

- Types of reports
- Anonymous vs. named reports
- Allegation priority
- Substantiation percentage
- Online vs. telephone reports
- Source of awareness

- Follow-up contacts
- Discipline/remediation actions
- Allegations vs. inquiries
- Case cycle time

Based on our analysis of the Global Compliance data collected over a one-year period, we discovered some striking trends and insights. This is the type of information executives and board members look for as they seek to understand whether or not your compliance program is effective. To better illustrate, consider a couple of our findings regarding anonymous reports.

*Substantiation Rates: Anonymous vs. Named Callers*

This topic has long been discussed in the ethics and compliance world. Many assume that anonymous reports are more likely to be unsubstantiated. Some even argue that anonymity should not be an option when making reports. Our findings regarding substantiation showed a far different situation (figure 2):

**Figure 2:**

Call Type	Median	Range
Percent of cases substantiated with a named reporter	30%	13% - 67%
Percent of cases substantiated with an anonymous reporter	26%	14% - 46%

Surprisingly, there is only a 4% difference. Based on over 300,000 reports across all industries, this is strong support for keeping the anonymous reporting option. In fact, another finding suggests that anonymous reports may be the most important.

*Critical Priority and Anonymous Reports*

The data revealed another important insight: anonymous reports are usually the most severe.

More specifically:

- A linear relationship exists within industries between critical priority allegations and % of anonymous reporters.
- Industries with more anonymous reporters generally have a higher percentage of critical priority allegations.

Taken together, report substantiation rates and criticality make a powerful case for keeping the anonymous reporting option.

### ***The Case for Benchmarking***

Helpline data is a treasure trove of information about your organization and your compliance program. But, data is just that until it is placed into context. The twin tools of internal and external benchmarking work together to extract the most useful information from your data and provide that context.

With a state-of-the-art case management system, internal benchmarking can be a regular part of your ethics and compliance program, determining trends and adjusting the program to address the issues. By also benchmarking outside of your organization, through industry organizations and groups that aggregate cross industry data, you can gain critical knowledge about the norms in your industry and in the business environment in general.

Good benchmarking leads to more questions -- Do you need more training? What about better communication with employees? Should you dig deeper with employee surveys and focus groups? These are the important questions driving the actions that shape your compliance program's effectiveness.