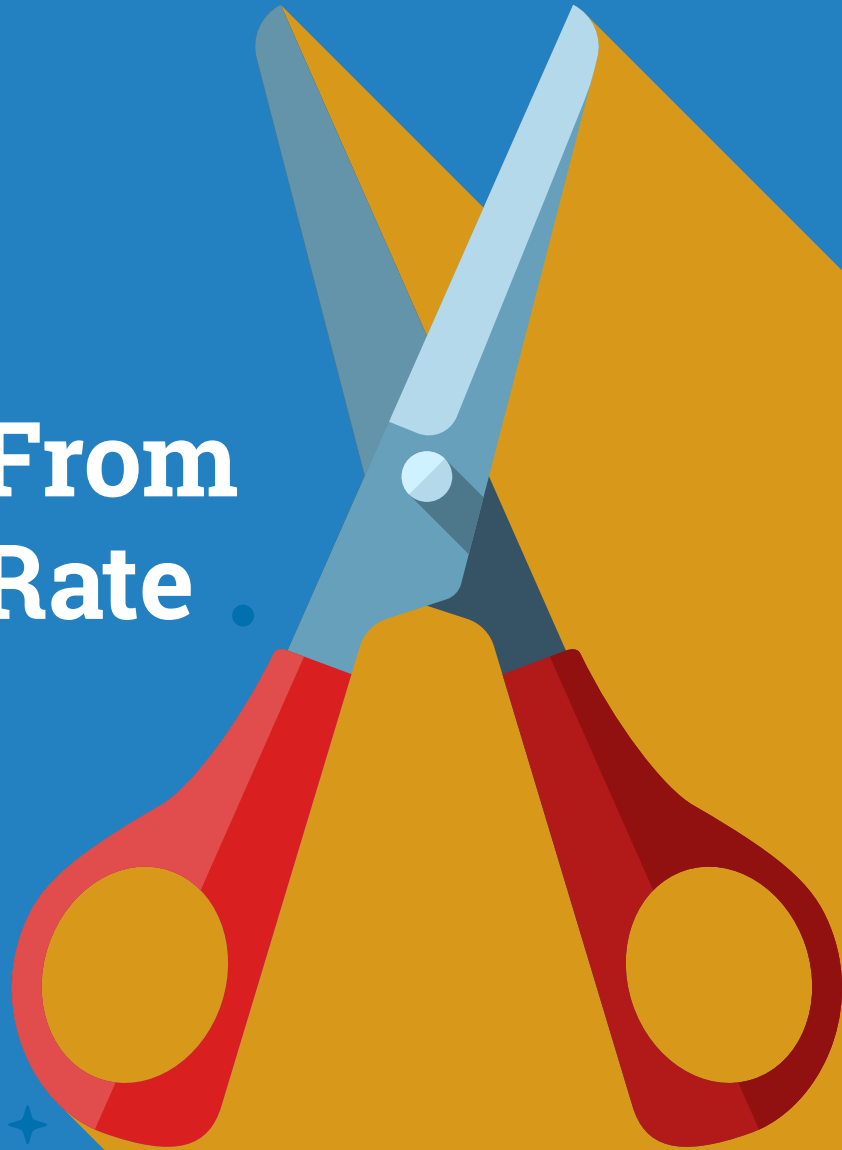


ISSUE INTAKE:

How to Cut Days From
Your Issue Open Rate



Introduction

Managing complaints, investigations, and other issues is a core duty of corporate compliance functions. In the modern enterprise—with thousands of employees, scattered across the world, doing all sorts of tasks every day—a manual approach to “issue management” is untenable. Compliance officers need a systematic method to receive complaints, evaluate their merits, and resolve the issue in a timely manner.

The purpose of this e-book is to explore how compliance teams can improve their issues management, especially at the intake stage.

With the right steps taken at the beginning, the rest of issues management can unfold more efficiently.

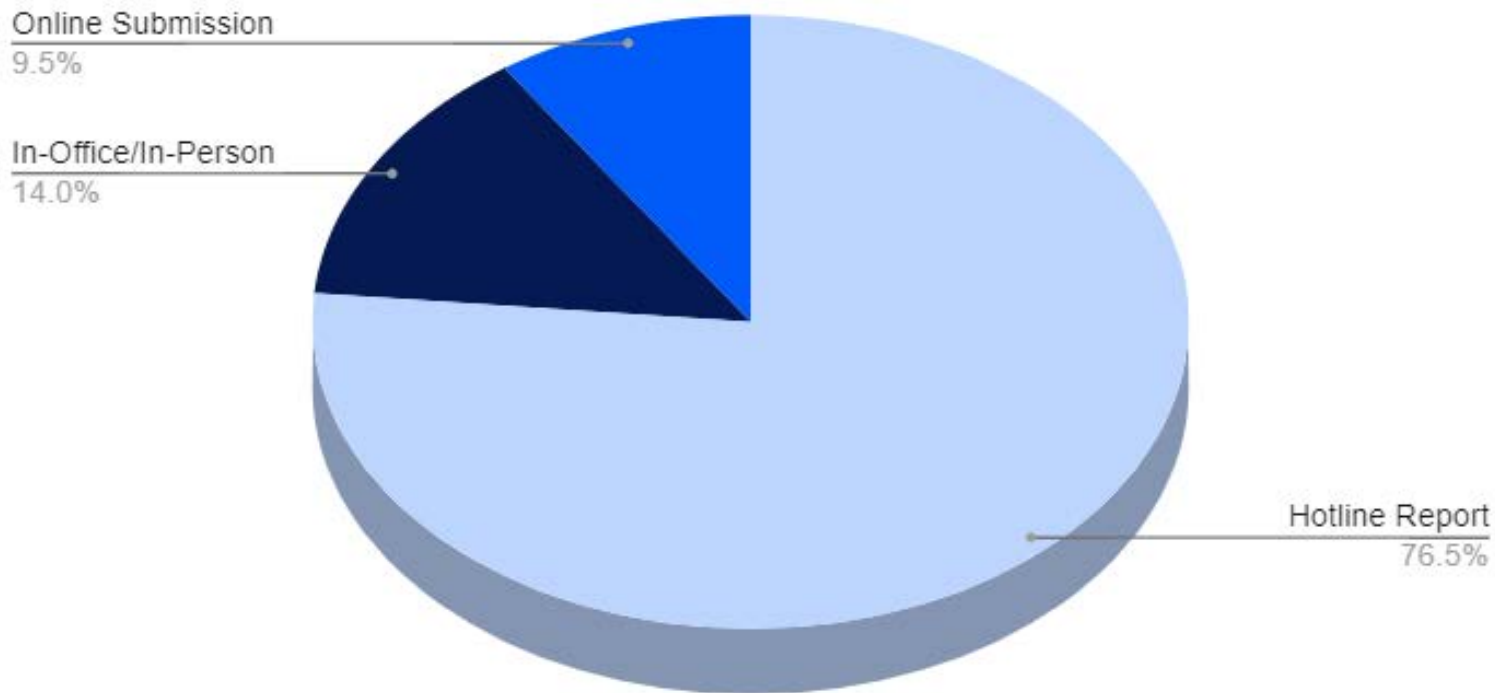
That, in turn, can push down one of your most important performance metrics: days to close an issue. And as the compliance function can investigate and resolve issues more quickly, larger benefits, such as greater organizational trust and a stronger speak-up culture, soon follow.

Demonstrating yet again that a bit of thought at the beginning can reap significant returns later.

Who this ebook is for:

- Compliance officers
- HR directors
- Hotline managers
- Board directors

76.5%
of reports arrive
via the hotline



Source: Ethico 2022 Hotline Benchmarking Report

1

Issue Intake Matters

All compliance investigations begin with someone bringing an issue to the attention of the compliance team. In theory, **the more reports that reach your attention, the better**. That means employees and third parties know they can bring matters to the compliance officer, and want to bring their issues forward to be heard.

In Practice, Reports Can Overwhelm

Corporations need an efficient system to receive all those reports and resolve them in a prompt and appropriate manner. That's true literally (efficient complaint systems are mentioned in the [Justice Department's criteria](#) to evaluate corporate compliance programs), and also practically. Without a systematic way to receive, evaluate, and investigate reports, effective compliance gets lost in a sea of emails, spreadsheets, meeting notes, and scribbled memos.

1

Issue Intake Matters

Hotlines Still Dominate

The traditional compliance hotline, where an employee picks up the phone to report an incident, still accounts for the solid majority of reports brought to compliance officers' attention. Done poorly, receiving reports via the hotline can be a laborious process, fraught with the risk of error or misunderstanding.

That, in turn, can lead to significant problems down the road, from investigations mismanaged to distrust festering in the workforce.

So Starting Smartly Pays Dividends

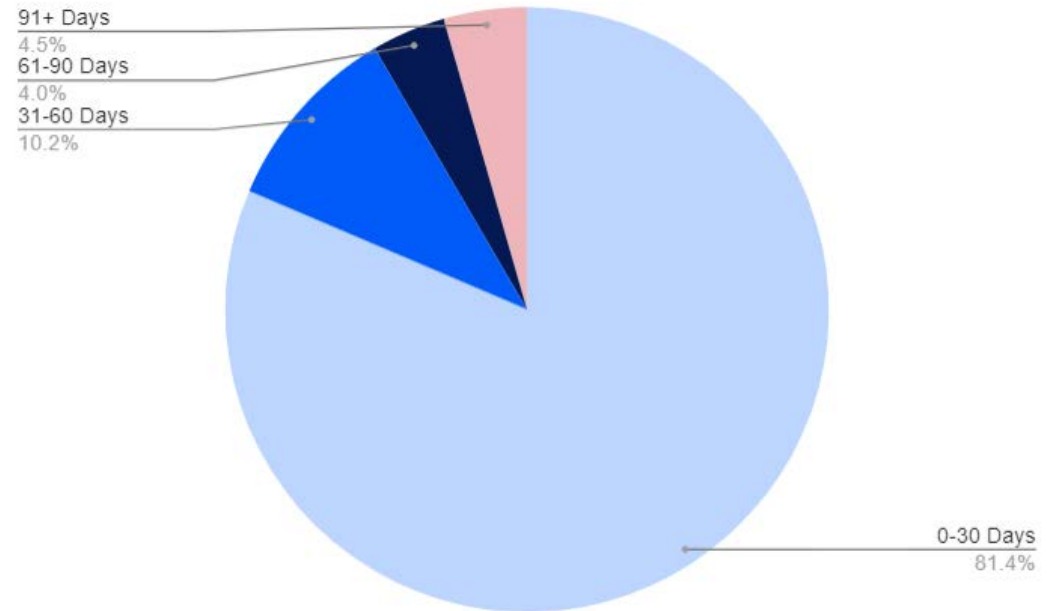
To avoid those pitfalls, compliance officers need to construct a thoughtful intake process: one that fosters trust with the reporter, and generates the right information to let you address an issue swiftly and correctly.

2

Importance of Issue Open Rates

All compliance officers grasp the idea that swift investigation and resolution of hotline reports is good. The practical benefits, however, are worth calling out:

- **Swift investigation fosters trust with employees.** They can see action happening, and feel heard. That encourages them to bring more issues to management's attention.
- **High issue open rates can raise questions with regulators, auditors, or other outside examiners.** They may wonder whether the compliance program is adequately resourced or has the right competency fulfill your role.
- **High issue open rates trap the compliance function in a reactive role, as it keeps wading through reports that need attention.** That means the compliance team can't spend as much time developing new programs for new risks.



Hence the need to focus on intake.

First contact with a reporter is critical. It can send an incident down one path, disciplined and prompt; or another, replete with follow-up calls, uncertainty, and compliance team resources expended less efficiently. The consequences of each path are enormous for program success.

With Effective Issue Intake

51.1% of all reports are substantiated
50% of anonymous reports are substantiated

Higher substantiation rates
mean your intake process
is gathering the right info

Source: Ethico's 2022 Hotline Benchmarking Report

3

Work With the Reporter

Given the importance of getting intake of a report right, and that most reports still arrive via the hotline, your compliance program should embrace the idea of **adaptive intake**—where the call center employee works with the reporter thoughtfully and carefully to get as much information as possible, and to foster a sense of trust between employee and the organization.

From Empathy to Trust to Improvement

All successful relationships, including the one between reporter and compliance program, begin with a sense of empathy: “I must try to understand what this other person is experiencing.”

Adaptive intake is based on that principle. It lets the reporter feel heard. With that foundation in place, the

reporting employee will be more trusting of the entire compliance process generally. That leads to fuller participating in the reporting process—everything from providing more information, to submitting more reports, to telling colleagues that a speak-up culture truly is something the organization wants to embrace.

And that culture is what empowers the compliance program to resolve issues and drive change.

9.3%

**Portion of all reports that are
'severe' and require swift action**

Source: Ethico's 2022 Hotline Benchmarking Report

4 Next: Real Program Improvements

Adaptive intake leads to efficient intake, and that efficiency leads to improvement in key performance indicators for your compliance program. Compliance officers should track those KPIs over time, both to show regulators that your compliance program satisfies expectations for the fabled “effective” program; and to derive insight about what else should change for even more improvement: new policies, better training, more outreach to managers, and so forth.

Substantiation rates should rise, as you collect more reliable information.

Follow-up calls should decline, as you collect collect more comprehensive information.

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

The Goal: To close cases in one month or less.

Each Industry Has Its Own Challenges



Source: Ethico 2022 Hotline Benchmarking Report

5 Other Practices for Improvement

After the intake phase, compliance programs should still implement several other best practices to improve efficiency and generate insights that can lead to better performance across the whole enterprise. Among them:

Hone Escalation Procedures

The vast majority of hotline reports are not urgent—but roughly 10 percent of them are, and the subject matter of reports can vary enormously. So internal reporting systems need **strong processes to classify the urgency of a report, and then to escalate that report to the right people.**

For example, reports of accounting fraud should immediately go to the audit committee, as well as to senior executives not implicated in the report. Reports of harassment might go to HR, the board, or outside counsel.

Use Data Analytics

Any large enterprise will generate thousands of reports over the course of a year. That can be valuable raw material to study for changes to policy or internal control, if you are able to extract that insight. So reports should be tagged by various criteria (subject matter, location, employment level of accuser, level of accused, etc.), and you should use data analytics to connect trends in reporting to possible improvements.

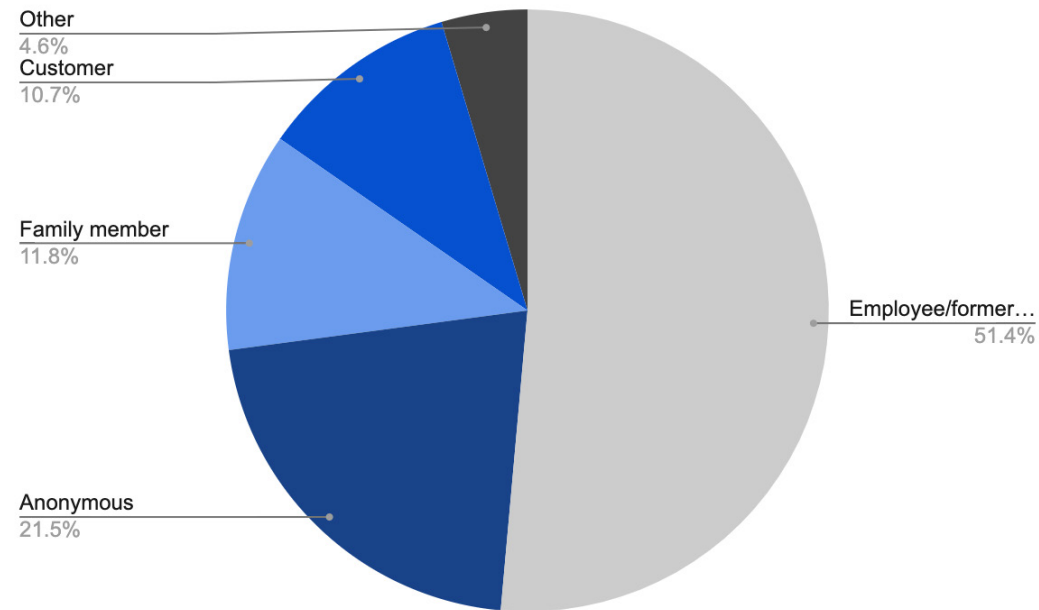
Present Your Results

The best way to foster a culture of trust is to communicate. When possible, tell individual reporters what your investigation found. Or present anonymized summaries in employee newsletters, to let people see that speaking up can indeed bring results.

6 Put Your Hotline to Maximum Use

For employees to submit a report, they first must know that the hotline exists. **Spreading the word via Internet communication is now the most common awareness channel cited by employees—30 percent, up from only 13 percent two years ago.**

Ideally, compliance officers will promote hotline awareness through many channels. The more awareness there is, the more you can leverage the hotline's potential.



Think Expansively

Hotlines don't need to be restricted to employees. For example, in 2019, nearly 38 percent of all reports came from people other than employees. A hotline available and advertised to outsiders can provide a wealth of information—particularly about third- and fourth parties, where the compliance officer might have poor visibility into potential misconduct. Accepting reports from outsiders does require more attention during the intake phase, but the overall benefits, from corporate culture health to intelligence about potential misconduct, are well worth it.

Conclusion

As global business becomes more regulated; as social media allows employees and third parties more avenues to broadcast their discontent to large audiences; the importance of strong internal reporting capabilities **and** a corporate culture that embraces speaking up will only become more important.

An effective, robust intake process supports both of those goals. **Adaptive intake** fosters a direct relationship with the reporter, and helps to identify the necessary, important information during that first contact.

The success of a good intake program will then become apparent in several KPIs a hotline program

would typically use, from substantiation rates to follow-up calls to case open rates. Effective intake will, ultimately, lead to more cases being closed more quickly. That efficiency is what regulators and boards want to see.

Compliance officers can also use their hotline programs to identify policy changes that might be necessary, internal controls that don't work, or bad habits of the corporate culture that need to change. The hotline can become a lever that leads to organizational change. **It all starts with that first point of contact: the intake process.**

About Ethico

For more than 20 years, Ethico 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)**



**Exit/Stay
Interviews**



**Sanction
Screening**



**Case
Management**



**Disclosure
Forms**




**Compliance
Training**

ETHICO

MAKE THE WORLD A
BETTER WORKPLACE

 ethico.com

 1 (800) 859-8840

