

# 2016 Client Survey reveals value of whistleblowing hotlines

We've completed our annual survey to help us better understand how clients are using our services within their organisation.

Our latest client survey shows:

- **why organisations are introducing outsourced whistleblowing hotlines**
- **the insights offered by hotline data**
- **the way organisations are using hotline data**

## About this survey

We conducted our client survey during September and October 2016. It was responded to by more than 100 of our clients.

The organisations that completed our survey ranged in size from under 1,000 employees (27%) to more than 50,000 employees (4%). Twenty-three percent of organisations that responded have between 10,000 and 50,000 employees.

Forty-three percent of respondents have UK-only operations; while 57% have an international or global footprint.

## 'Giving employees confidence' is #1 reason for outsourcing



Quite often clients will introduce our independent service alongside their own internal whistleblowing hotline. Others prefer the convenience of having all whistleblowing reports handled by our outsourced service.

In response to the question: "Why did you choose to implement an independent whistleblowing hotline?", our clients told us:

- The **most important** reason for introducing our service is to **give employees confidence to report issues**
- Other **very important** factors included:
  - Protecting the brand
  - Demonstrating best practice
  - Reducing operational risk (deterrent effect)
  - Regulatory / Legal requirements
- **Freeing up internal resource** and **Pressure from investors** were viewed as the least important factors

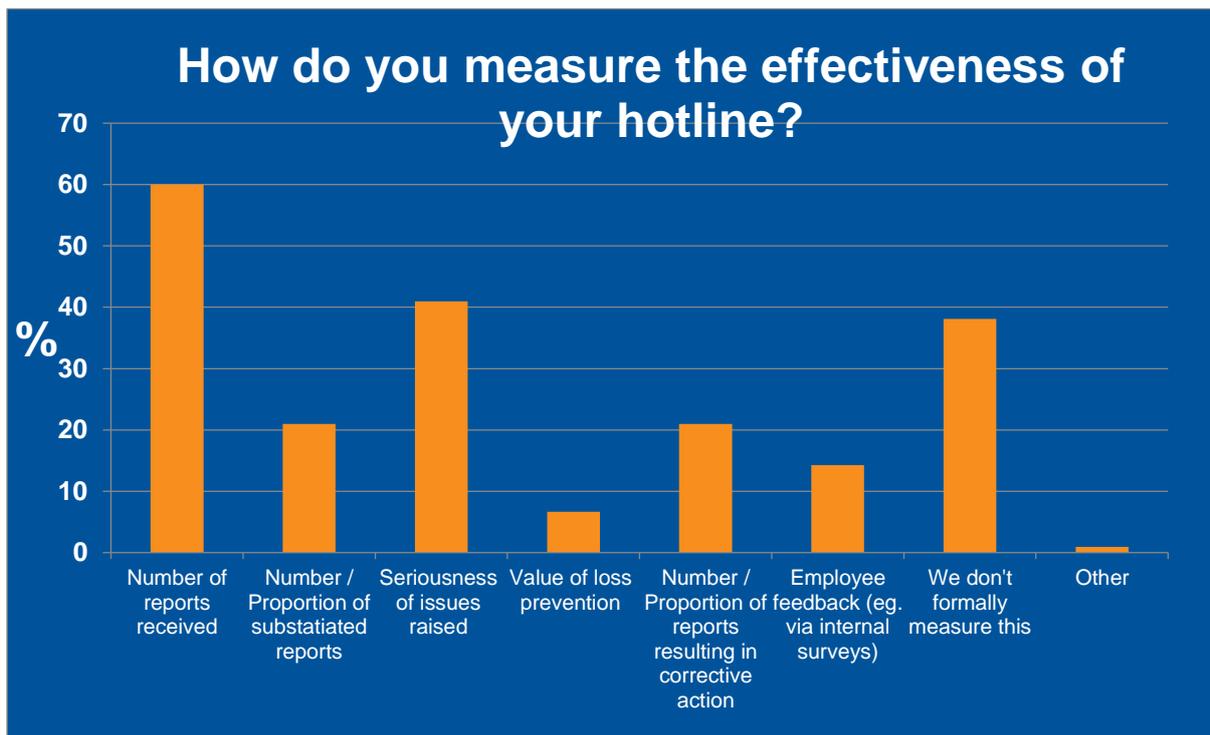
## Independent hotlines increase report volumes

Some employees feel uncomfortable raising their concerns in with a manager or colleague. This may mean a report is not made, keeping an important issue hidden from view.

The introduction of an independent channel can help reduce this risk.

Our results support this view. The majority of clients surveyed agreed that the existence of an independent hotline increases the likelihood of employees reporting wrongdoing. Of those who held that view, more than 40% had hard data to support it.

## ‘Number of reports’ is the favoured measure for hotline effectiveness



We encourage clients to regularly review the effectiveness of their hotline and compare their performance with peers using our whistleblowing benchmarking data.

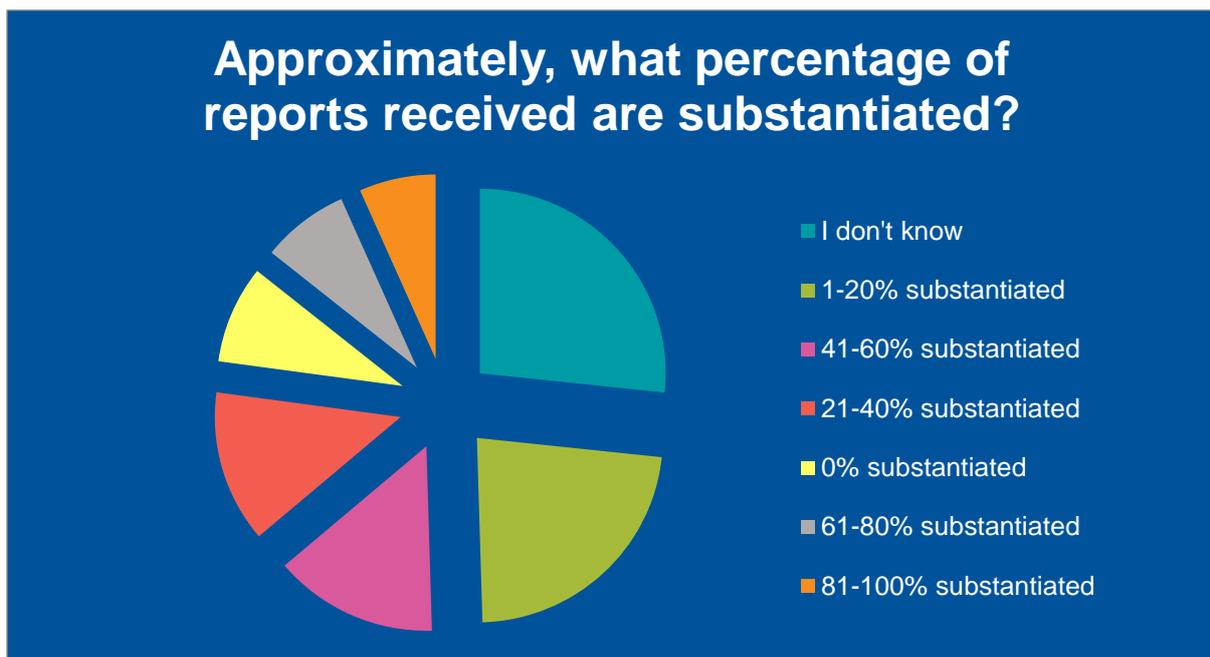
According to our survey most popular measures for hotline effectiveness are:

- Number of reports received (60%)
- Seriousness of issues raised (41%)
- Proportion of substantiated reports (21%)
- Proportion of reports resulting in corrective action (21%)

More than one-third of respondents (38%) told us that they do not formally measure the effectiveness of their hotline.

Among those that do regularly audit the effectiveness of their hotline, 39% undertake annual reviews while 17% conduct a review every 2-3 years. Quarterly (9%) and monthly audits (3%) were the least favoured options.

## 27% don't know report outcomes



Measuring the number of substantiated reports (i.e. those found to have merit) received by your hotline can help reveal how effectively it has been promoted – and understood – among its intended users. It can also provide insight into the effectiveness of your investigation procedures.

Our survey results revealed that report substantiation levels varied significantly among our clients. Our findings were as follows:

- 0% of reports substantiated (9%)
- 1-20% of reports substantiated (23%)
- 21-40% of reports substantiated (14%)
- 41-60% of reports substantiated (14%)
- 61-80% of reports substantiated (8%)
- 81-100% of reports substantiated (7%)

Our results also revealed that 27% of respondents are unaware of how many reports are found to have merit. This implies the existence of an undeveloped case management process, limited reporting capability and/or no defined programme 'owner'.

## 15% of clients have launched criminal proceedings following a report



Any whistleblowing solution will ultimately be judged by the outcomes it helps bring about. It is worth noting that the effectiveness of a single tool, such as a hotline, should be considered within the wider context of an overall programme.

With that said, 85% of clients told us that they had taken some form of remedial action as a consequence of a whistleblowing report. The most frequently-reported actions were:

- Improvement of internal controls (62%)
- Policy changes (46%)
- Dismissal of accused employee or vendor (42%)
- Sanctions for malpractice (34%)
- Criminal proceedings (15%)
- Recovery of misappropriated funds (15%)

Just over 15% of clients told us they were not aware of any actions taken as a result of whistleblowing reports received by their organisation.

A further 6% said they had taken steps against employees for making a report in bad faith.

## What we've learned

It's interesting to understand the various ways our whistleblowing services are being used and interpreted in the 'real world'.

### Clients share 'whistleblower first' goal

We believe in putting the whistleblower first. To us, that means giving them the opportunity to report wrongdoing on their terms, in a way that makes them feel comfortable and confident.

It appears our clients share that view, as they told us that giving employees confidence to report wrongdoing is their primary goal.

### Success measures

Our findings also show the majority of clients use the number of contacts they receive as a measure of their hotline's success. This can be a useful measure in the right context and when supported by other insights.

But, as ever, numbers are often only half the story.

High volumes alone don't necessarily equate to a 'successful' hotline. Equally, a hotline that receives a low number of reports could indicate a healthy culture, low awareness or a fear to speak up – or highlight regional variances requiring deeper investigation.

A hotline that doesn't receive any reports at all, on the other hand, should be a serious cause for concern.

Ultimately, a hotline is a tool that can help to reduce risk or drive positive change within an organisation, as part of a wider ethics programme. Clients that apply outcomes-based measures to the success of their hotline (eg. corrective action taken, proportion of substantiated reports), linked to other influencing factors, are better able to assess its value within a broader context.

### Report handling

We're encouraged to learn that whistleblowing reports have contributed to positive change within our clients' organisations. Almost two-thirds told us that internal controls had been improved as a direct result of a report, while almost half had dismissed an employee or supplier after receiving information via their hotline.

Our findings also demonstrated that organisations are taking steps to manage unfounded accusations, with 6% imposing sanctions for reports made in bad faith.

The insight provided by internal reporting processes appears to vary significantly across our client base. It's clear that some find it difficult to track the outcomes of reports they receive, making it difficult to accurately judge the success of their whistleblowing tools and processes.

Assigning clear ownership, putting robust report escalation procedures in place, and introducing tools to simplify the case management process can all have a positive impact.