Mining for hotline gold: What your hotline can tell you about your culture

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As compliance professionals, we well know the benefits of a robust hotline program and a healthy “speak-up culture.” However, what some fail to realize is the value of the untapped data residing inside their hotline programs. Not only can this data help improve your hotline program and identify hot spots in your organization, but it can also provide valuable insight into your organizational culture.

Changing a culture is arguably one of the most difficult tasks an organization and/or ethics and compliance professional can undertake. This task becomes increasingly difficult, if not impossible, without a baseline measurement from which to start. As management guru Peter Drucker has said, “If you can’t measure it, you can’t improve it.” I would argue this also applies to any efforts in understanding and improving organizational culture.

Fortunately, our hotline programs contain an abundance of quality data just waiting to be mined. In this article, we will discuss three reports that are easy to compile, analyze, and benchmark—all residing within in your hotline programs:

1. Report volume
2. Anonymity rate
3. Substantiation rate

Report volume

The first and easiest is report volume. Measuring the number of reports per quarter or per year not only helps with staffing and identifying hot spots, but can also be an important indicator of organizational culture.

There is a natural tendency to view a higher number of reports as a negative; in fact, dramatic increases can indicate a problem or hot spot. However, as compliance professionals, we understand a higher number can also point to a healthy speak-up culture. We have hotlines because we want (hopefully) employees to report concerns so we can address and remedy...
them. We also understand that all organizations experience issues, and it behooves us to address them sooner rather than later. Therefore, increased or increasing reporting is not always bad and, in fact, can show that employees:

- Understand how to report and their obligation to do so,
- Have confidence in the process and trust the organization to handle the matter appropriately, and
- Have a strong commitment to ethics and compliance and/or to the organization’s stated values.

Report volume can also be broken down to look at specific departments, locations, and subsidiaries. For instance, if four similar business units all show an average of 10 cases per period save for one, which consistently shows zero, what might this mean? Does it mean this unit is more ethical and never has concerns? If so, I want to know what leadership is doing at this location and how we might reproduce this in the other areas! Alternatively, might it mean they have concerns, but employees at this location are afraid to report or do not know how? Either way, this is an important anomaly worth looking into, and it may go unnoticed without analyzing report volumes.

**Anonymity rate**

Anonymity rate may be the single most important identifier you have for measuring employee trust. I realize this is a strong statement, but let us think about it. Reporting to the hotline is never an easy decision. In fact, it is an extremely difficult decision and one fraught with fear and anxiety. Therefore, when an employee takes the difficult step to make a report, the choice to do so anonymously can be an easy one. So when an employee offers their name, this shows trust. According to NAVEX Global’s 2018 *Ethics & Compliance Hotline & Incident Management Benchmark Report*, the median rate of those reporting anonymously is 56%. So across the globe and across industries, we know that on average only 44 out of 100 employees making reports are comfortable giving their names. If your numbers agree, you can have confidence in this aspect of your program, because you are in line with industry norms. However, if your numbers are worse, let us say 20%, you may have a problem, because we know there is a direct correlation between this metric and organizational trust. If your numbers are better, let us say 60%, this is an indicator of a highly ethical culture. High marks here show that employees trust your program. If I were a senior leader in this organization, I would want this information. Wouldn’t you?

**Substantiation rate**

Substantiation rate can tell us many things about our organization and offers clues about our culture. According to the aforementioned report from NAVEX Global, the median substantiation
rate for 2017 was 44%—meaning, for the millions of reports made to the thousands of hotlines in the NAVEX portfolio, 44% had investigative findings. What is your substantiation rate, and how does it align, or not, with this benchmark? Optimally, your rate is somewhere near 40%. If so, this means you are in line with industry norms, and you have a solid indicator of program effectiveness. However, noticeably lower or higher rates should warrant further analysis.

For the sake of discussion, let us say your organization’s substantiation rate is 60%. What might this tell us? I would argue that such an increase could be evidence of:

- A higher quality of reports from employees (also an indicator of a highly ethical culture)
- A well-trained investigative staff that conducts solid and thorough investigations

If your numbers are well below the average, you may have problems with one or both of the above and/or:

- A hotline program under-socialized or in need of a refresh
- Misuse of the hotline by employees
- An investigative staff in need of added training
- Too much pressure placed on investigation quantity as opposed to quality

If I were the chief ethics and compliance officer, these are all important signals of culture and potential areas for improvement I would want to know about.

**Conclusion**

To improve our organizational culture, we first need baseline measurements. Where is our culture at now, what areas need improvement, and which are working well? Taking a shotgun-style approach is not only inefficient and expensive, but it can also be counterproductive. Therefore, we need empirical data and verifiable ways to collect, measure, and report it. Ethics surveys (a future article topic) provide invaluable insight when trying to measure culture. However, these surveys alone provide only a portion of the total picture. By leveraging the data in our hotlines, we now have additional data to bolster our results.

In addition, as ethics and compliance professionals, measuring program success is of critical importance to our survival. However, this is never an easy task, because we are not a revenue-generating department. We know we are providing value, but we cannot measure savings by what failed to happen because of our efforts. Therefore, we must also be able to present data to demonstrate the value proposition of our programs for sustained support and buy-in. Our hotline program data can help us here.

So, if you have not done so already, start mining your hotline data to see how you measure up. “There’s gold in them thar hills!”
Takeaways

- Are you getting the most from your hotline program? Leveraging your hotline data can provide key insights into program effectiveness.

- Your hotline program data contains a wealth of valuable information, including clues into your organizational culture.

- Analyzing hotline data can aid compliance professionals in the always-difficult task of demonstrating the value proposition for their compliance programs.

- Analyzing and benchmarking your hotline data can show you how your organization stacks up against others.

- Do employees in your organization trust you and/or the organization in handling their concerns? By analyzing hotline reporting data, you can definitively answer this question.


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