

Best practices for navigating risk in challenging times



2023

Ethics & Compliance Program
Effectiveness Report



Inspiring Principled Performance is core to what we do at LRN. It embodies our commitment to helping people around the world do the right thing, and our understanding of what makes ethics and compliance (E&C) programs truly effective in that mission.

Welcome to our 2023 Ethics & Compliance Program Effectiveness Report. This report provides insight into best practices that distinguish effective ethics and compliance programs worldwide.



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Introduction

About the LRN Ethics & Compliance Program Effectiveness Report

LRN publishes its Ethics & Compliance Program Effectiveness Report annually. The report reflects the input of ethics and compliance professionals from around the world, filtered through insights we have gained from our research as well as our work with thousands of companies and organizations worldwide.

The 2023 report is based on a survey of nearly 1,860 ethics and compliance professionals at companies and organizations. All respondents came from organizations with at least 1,000 employees and were distributed fairly evenly across North America, Europe, Asia, and Australia ([see p. 54](#)). Using methodology and insights we have developed over 28 years working in this space, we analyzed the data and information these practitioners provided to determine the critical differentiators that make some ethics and compliance (E&C) programs more effective than others.



E&C programs face new risks and greater scrutiny by regulators

US regulations apply broadly to organizations doing business in the US, using the US financial system or listing on US stock exchanges, and generally represent the cutting edge in regulators' expectations for compliance programs worldwide. In September 2022, the Department of Justice's (DOJ) Deputy Attorney General (DAG), Lisa Monaco, announced changes to the Department's corporate criminal enforcement policies. The policies made clear that *personal responsibility* for misconduct by corporate directors, executives, and employees is the Department's highest priority. Determining accountability, disclosing it promptly to the DOJ, and ensuring financial consequences for those involved through clawbacks of compensation and incentives should be priorities for companies seeking to resolve misconduct investigations. The Securities and Exchange Commission (SEC) also published long-awaited rules requiring clawbacks if compensation is paid based on material misstatements in an issuer's financial results. The recent changes by US regulators highlight the need for E&C programs that work effectively in practice (not just on paper), embrace accountability, and reflect regulators' expectations.

Moreover, the war in the Ukraine, plus tensions with China and Iran, have dramatically changed the risk environment for any organizations that do business across borders. In April 2022, DAG Monaco highlighted the importance of export controls, sanctions, and money-laundering compliance to US national security, noting that "one way to think about this is as sanctions being the new FCPA (Foreign Corrupt Practices Act)." The DAG made it clear that multinationals would have to apply stringent scrutiny to their supply chains to avoid violating these regulations. Many other countries and multilateral institutions have adopted similar controls. As we will see in this report, our data suggests that more needs to be done to mitigate such risk and there are significant gaps in the E&C programs surveyed.

These gaps include critical areas—risk mitigation, supply chain compliance, data metrics, board of directors' engagement, effective training, and others—that all E&C programs need to improve. Our results this year also document strong headwinds, such as a lack of adequate IT infrastructure to support E&C programs, that can hold back programs' ability to reach and respond in real time, particularly if an economic downturn occurs. Given the emphasis by regulators on personal accountability and new, complex risks, boards and C-suites would be well advised to ensure that their organization's program is resourced and supported.

"One way to think about this is as sanctions being the new FCPA."

—Lisa Monaco, Deputy Attorney General, US Department of Justice, April 2022



Highlights

The high-performance differentiator: What makes E&C programs more effective?

“Rules are good and necessary, but the right values—if communicated correctly and consistently throughout an organization—can be so much more powerful to help guide and change behavior.”

—Ty Francis MBE, Chief Advisory Officer, LRN

Many of the dramatic gaps between high-performing E&C programs and less-effective ones documented in the report can be summarized as the difference between, on the one hand, meeting the basic E&C program requirements of training, code of conduct, policies, and hotlines, and on the other, continuously improving them dynamically and effectively to meet evolving risks and lift employee engagement to positively impact behavior.

Over the years, our research has consistently shown that E&C programs that focus on building trust, embracing integrity, embedding respect in the workplace, and ensuring organizational justice at all levels of their organizations and other values score highest on our Program Effectiveness Index ([see p. 50](#)). Our results show that these programs are dynamic, not static, able to meet new challenges, and prioritizing learning and tools to enable employees to make good decisions in real time.

This approach is a far cry from using five-pound rule books to mitigate risk, one-size-fits-all training, uninspiring codes of conduct, and policies which may require a law degree to decipher—which are all too common in less-effective programs. This year’s report starkly illustrates the many, and significant, differences between highly effective E&C programs and those that are less effective. These differences—and the best practices embraced by high-performing programs—are even more critical to understand than before.

This year’s report starkly illustrates the many, and significant, differences between highly effective E&C programs and those that are less effective.



Ethics and compliance programs emerged from the pandemic with strengthened ethical culture. **85% of respondents** reported that their ethical culture is stronger as a result of their experiences meeting challenges over the past year.



More than half of our respondents gave their executives and managers high marks for taking ethical considerations into account in business decisions, managing risk, and balancing employee needs with business goals and priorities.



Use of employee surveys, engagement with E&C resources, root cause analysis, and other metrics to assess program effectiveness **increased by one-third** over our 2022 survey results, highlighting the importance of continuous review and improvement.



High-performing programs were 30% or more likely than those ranked as less effective to impact important business decisions, relevance, and continuous evaluation and improvement.



More than half of high-performing programs improved their engagement with employees using interactive codes of conduct, improved and more flexible training, and simplified policies.



More and more organizations—**over 60%** of those we surveyed—have formal requirements that executives' and employees' ethical behavior is taken into account in performance evaluations, promotion, bonus awards, and hiring for key control functions.



And **56% of all respondents** reported that their organization's policies provided for clawback of bonuses, incentives, and compensation in the event of misconduct—an area emphasized by regulators and a "must have" best practice.

According to our 2023 report:

But areas of weakness emerged as well:

Overall, a significant majority of respondents identified internal systems, staff shortages, budget constraints, employee disengagement, lack of authority, and cooperation from other departments and senior management as major obstacles to improving program effectiveness.

More specifically:

20%

Although **59%** of respondents gave high priority to collecting and analyzing data metrics that provide real-time insight into their program's impact, only **20%** actually improved their ability to capture and understand such metrics.

25%

Only **25%** of respondents reported that they plan to enhance their trade controls and sanctions training and only **45%** have strengthened risk controls in this area, despite the war in the Ukraine and enhanced sanctions on China and other countries.

40%

Only **40%** indicated their organization prioritized making their E&C program more employee focused and user friendly.

40%

Only **40%** reported using major program components such as code of conduct, training, or policies to incorporate best practices.

Other areas—notably, the board of directors' review of E&C programs, updating risk analyses regularly, and incorporating results into programs—also need attention.

Top-ranked programs go beyond the basics, engage employees, and are embedded in their organizations’ decision-making.

For the purpose of analysis, LRN categorizes E&C programs as high-impact, medium-impact, or low-impact based on their impact on ethical culture (see Methodology section on program evaluation, [p. 53](#)). Our overall findings show that high-performing programs significantly outperformed less-effective ones, specifically:

1.6x

more anticipate investing in the greater use of data analytics and benchmarking as a means of understanding program impact (75% compared to 45% of low-impact programs).

1.6x

more expect to make key program elements, such as the code and policies, digital, searchable, and accessible on mobile devices (on average, 74% compared to 45%).

4 out of 5

high-impact programs (82%) ensure their board receives regular training in ethics and compliance matters, compared to just over half of low-impact programs. This has a significant impact as explored on [p. 30](#).

1.7x

more likely to identify a wide variety of metrics and indicators as useful in evaluating program impact and identifying areas for improvement (on average, 82% compared to 46% of low-impact programs). These include risk analysis, employee surveys, engagement with E&C resources, data about speaking out, and benchmarking against peer organizations.

1.8x

more indicate their organization’s consideration of ethics and compliance risks or factors led to substantially modifying or abandoning a business initiative (69% compared to 38% of low-impact programs).

1.6x

more incentivize ethical conduct by formally including it as a significant factor in key stages of the employee lifecycle, such as performance management, bonus awards, promotion decisions, and hiring for managerial, executive, or control functions (on average, 84% compared to 52% of low-impact programs).



Regional findings

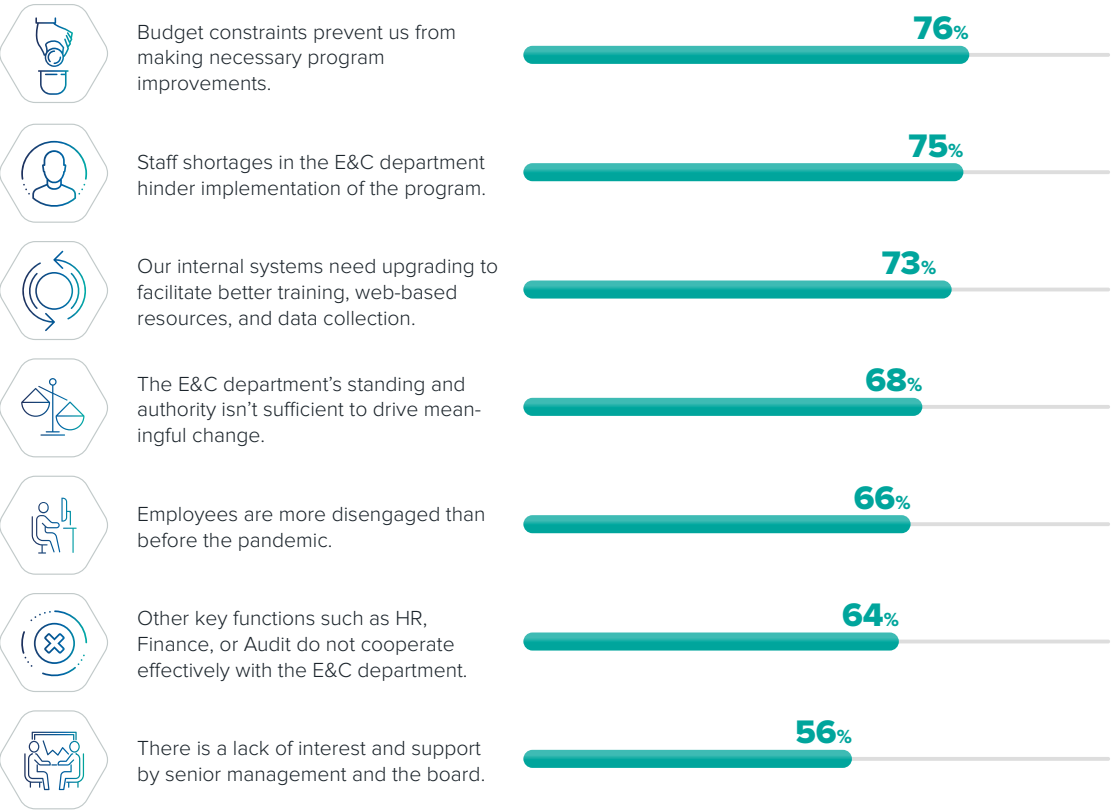
Germany's ethics and compliance programs by the numbers

Ethics and compliance programs located in Germany represented 12% of our more than 1,800 respondents worldwide. Programs located in Germany generally mirrored our global results in terms of program development, measurement metrics, and training best practices. Set out below are some specific datapoints that shed light on the concerns and priorities of German E&C professionals.

- 1
- German programs reflected the global average with respect to the percentage of programs scoring as less effective on our ranking index.



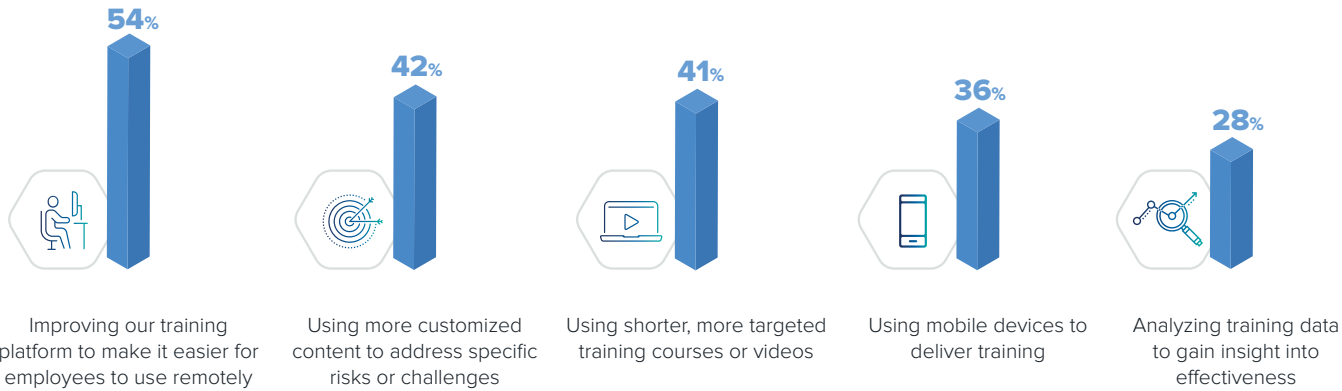
- 2
- German programs report that budget constraints, staff shortages, and internal systems are the greatest obstacles to improving E&C impact and effectiveness.



Click [here](#) to compare Germany results to global findings.



- 3
- Consistent with the need for stronger internal systems, training improvement priorities in Germany overwhelmingly center on training platform enhancements.

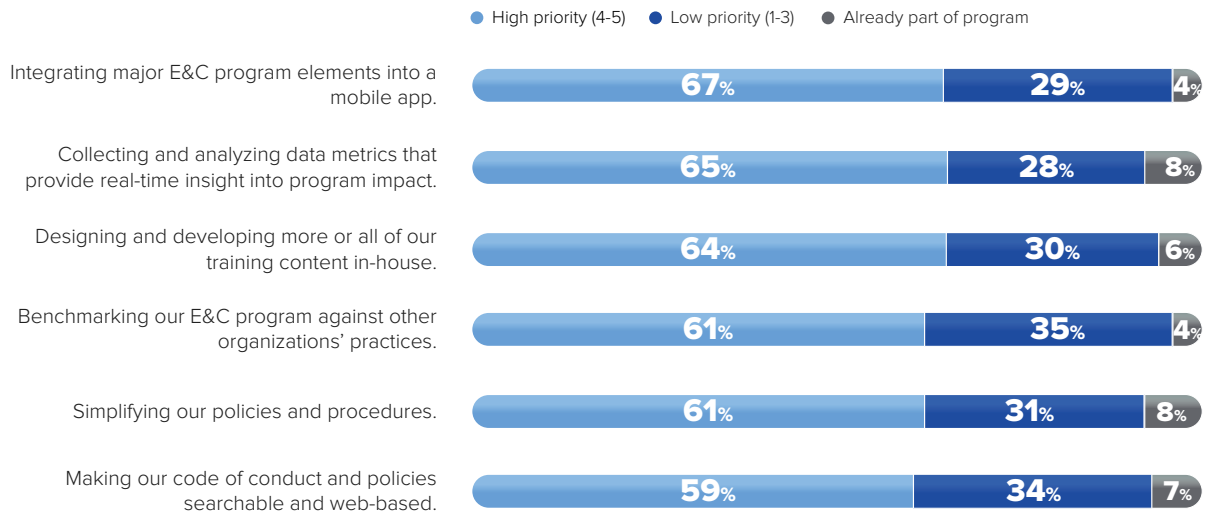


Click [here](#) to compare Germany results to global findings.

4 German programs rely upon a variety of data sources to gauge their effectiveness, in particular risk analysis and culture surveys.



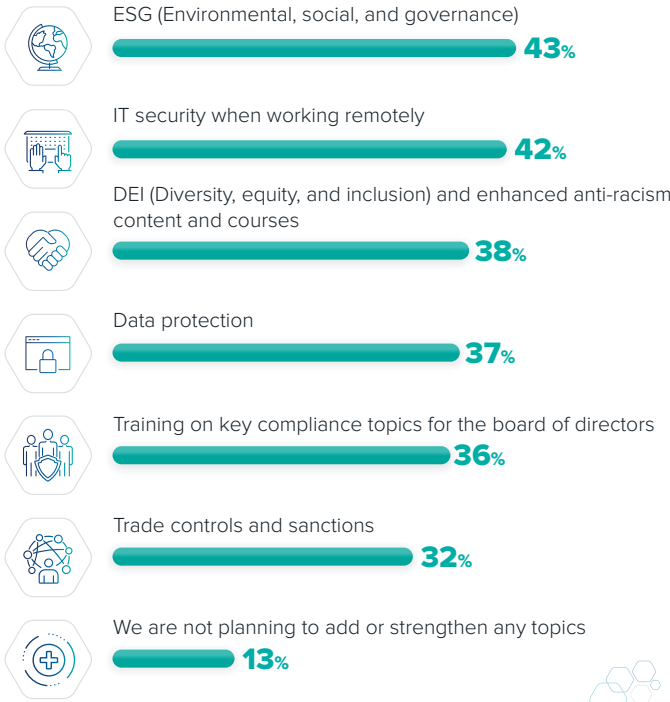
5 German programs' highest priority in terms of planned improvements is integrating E&C program elements into a mobile app, followed by implementing and using data metrics.



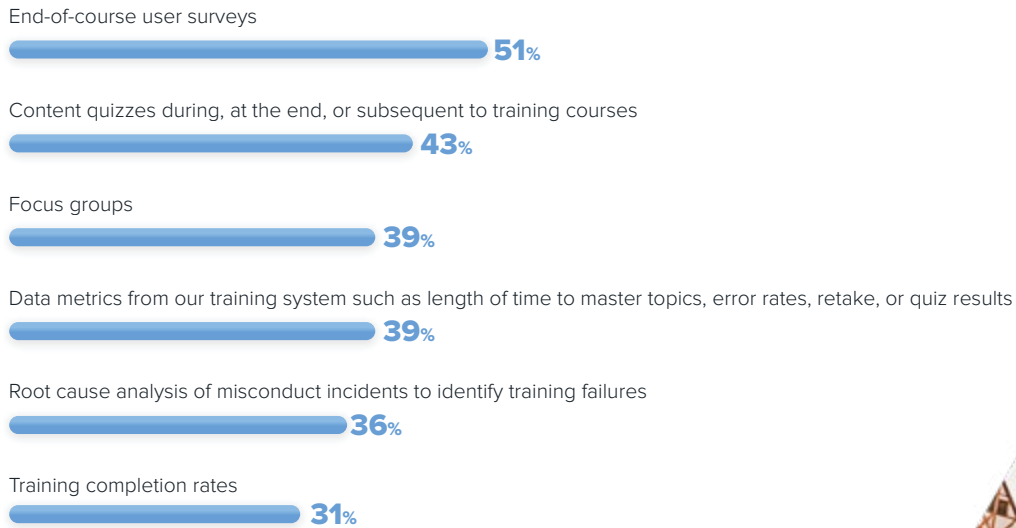
Click [here](#) to compare Germany results to global findings.

6 In terms of curriculum development priorities, German programs are prioritizing ESG and IT security for remote workers.

What topics are you considering adding to or strengthening in your current training curriculum?
(Select all that apply)



7 When it comes to measuring training effectiveness and impact, German programs focus principally on end-of-course surveys and content quizzes.



Click [here](#) to compare Germany results to global findings.



Detailed findings

E&C programs:
What is working well
and what isn't



1

Ethical culture has strengthened

This year’s survey confirmed many of the findings in our previous years’ results. 85% of all respondents reported that their ethical culture has strengthened by meeting the challenges of the past 12 months. Even more reported that ethics and compliance considerations were taken into account in meeting these challenges. And 84% reported that their organizations relied upon values, rather than rules, to motivate employees to do the right thing.

To what extent do you agree or disagree with each of the following statements about your organization’s response in meeting the challenges of the past 12 months?



That more organizations report relying on values rather than rules to motivate employees is a particularly significant finding, as LRN’s research over the past 28 years shows that values strengthen ethical behavior much more effectively than rules. It also documents the importance of ethical culture in determining whether rules will be observed or not.



Ethical culture underpins successful performance across the organization—not just in E&C

Regulators, employees, boards, consumers, and other stakeholders agree: company culture matters. One need only to read a few business headlines to appreciate the role culture played in any number of recent corporate scandals. As such, understanding and shaping culture has become critical for business leaders concerned about walking the walk and not just talking the talk of responsible business.

Because you can’t manage what you don’t measure, LRN sought to answer the question of how to measure ethical culture. The results of this research, including a proposed framework of ethical culture, can be found in the LRN [Benchmark of Ethical Culture](#) report. Notably, we found that two dimensions of ethical culture—organizational justice and trust—have an outsized impact on whether people behave ethically. This insight and more provide guidance to E&C professionals seeking to protect their company’s reputation and mitigate E&C risk.

Leadership is engaged

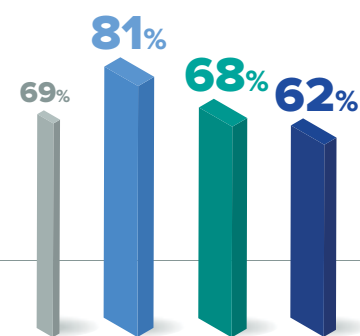
Tone at the top is always a critical factor in the success of any E&C program, but managers are the “first responders” when it comes to incorporating ethics into the workplace. Our findings suggest that E&C has a seat at the table in terms of their organization’s business and is integrated into its systems—although middle managers performed less well than senior leaders, particularly in terms of navigating difficult choices.

What steps have your organization’s leaders taken to respond to ongoing business disruptions and new challenges in the past 12 months?

(Select all that apply)

● Overall ● High-Impact ● Medium-Impact ● Low-Impact

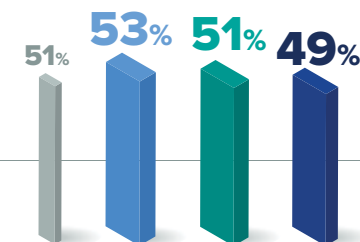
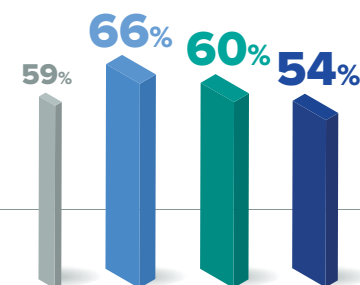
Made difficult decisions consistent with our company values and purpose



Executive leaders

Middle management

Integrated E&C considerations into their decision-making



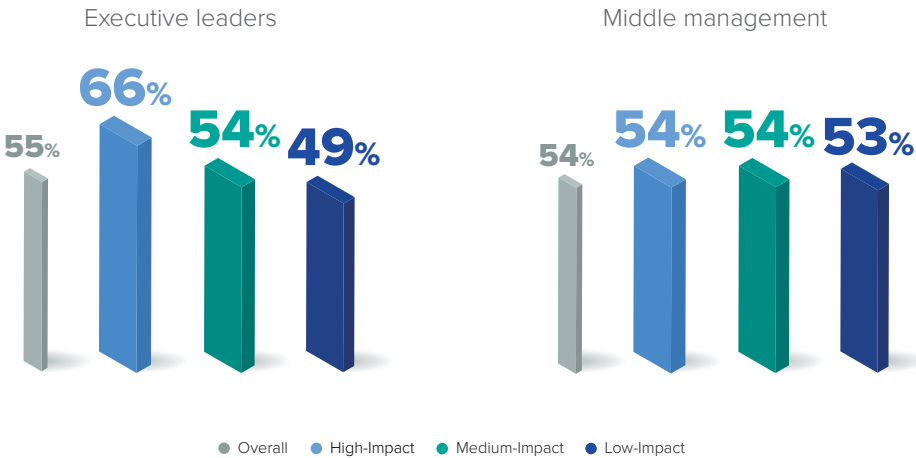
The differences suggest that focusing on helping middle managers meet new difficulties and risks that cause business disruptions, consistent with the organization’s values, is an area for greater attention. This is especially important for navigating in challenging times.

In the critical area of managing E&C risks that arise in doing business, the news was good. But given the proliferation of new risks and regulatory expectations, there is room for improvement.

What steps have your organization’s leaders taken to respond to ongoing business disruptions and new challenges in the past 12 months?

(Select all that apply)

Identified and managed new E&C risks and challenges as they arose in the course of business

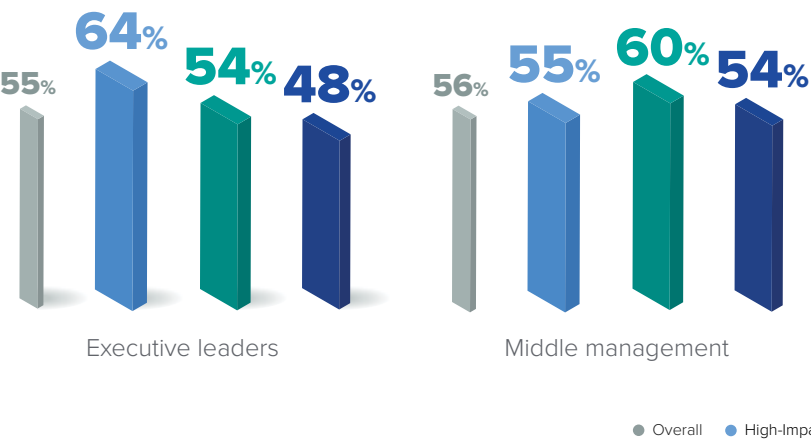


An area where both executive and middle managers performed strongly was in balancing business goals with employee needs and increasing their engagement with employees to meet the challenges of remote and hybrid work. This reflects a greater emphasis on employee needs than identified in previous reports.

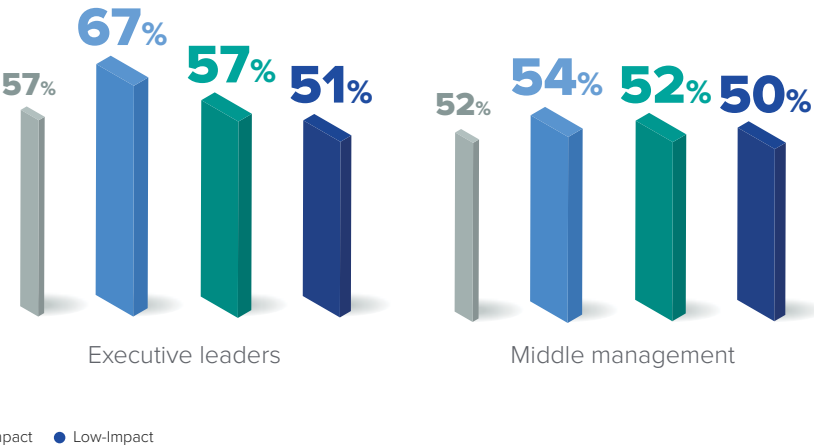
What steps have your organization’s leaders taken to respond to ongoing business disruptions and new challenges in the past 12 months?

(Select all that apply)

Increased their engagement with employees and communication to meet the challenges of remote and hybrid work



Effectively balanced business goals and priorities with employee needs and well-being



Moreover, as discussed later (p. 44), 80% of the E&C programs surveyed have made changes to meet the needs of employees working remotely and on a hybrid basis.

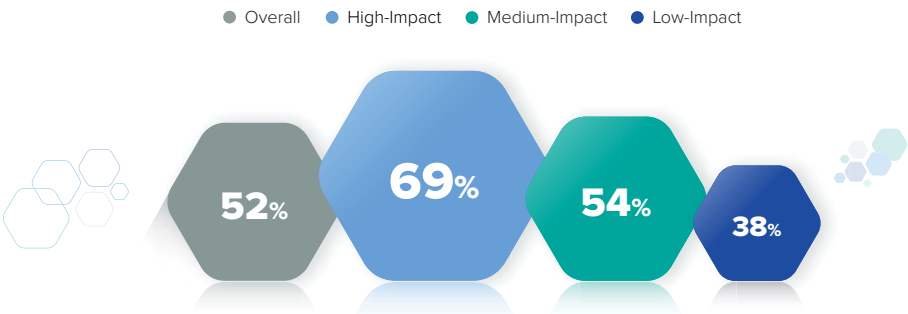
3

E&C programs are impactful when it matters

Encouragingly, over half of respondents reported that E&C factors and risks led to their organization substantially modifying or abandoning a business initiative, and 60% reported that their board of directors actively ensures that misconduct by senior executives or high performers is effectively addressed.

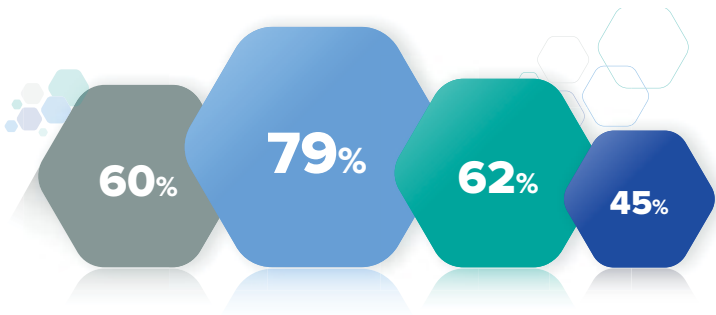
In the past year, has your organization’s consideration of ethics and compliance risks or factors led to substantially modifying or abandoning a business initiative?

(% Yes)



In the past year, has your organization’s board of directors taken an active role in ensuring that any misconduct by senior executives or excellent performers is effectively addressed?

(% Yes)



Making difficult decisions such as these shows that leaders are walking the walk as well as talking the talk. Moreover, behavioral science research shows that ensuring there is one standard for everyone in the organization, a.k.a. organizational justice, is foundational to building and sustaining an ethical culture. This is also reflected in the [LRN Benchmark of Ethical Culture report](#). Perhaps unsurprisingly, high-performing programs reported significantly more impact on these two critical indicia than less-effective programs.



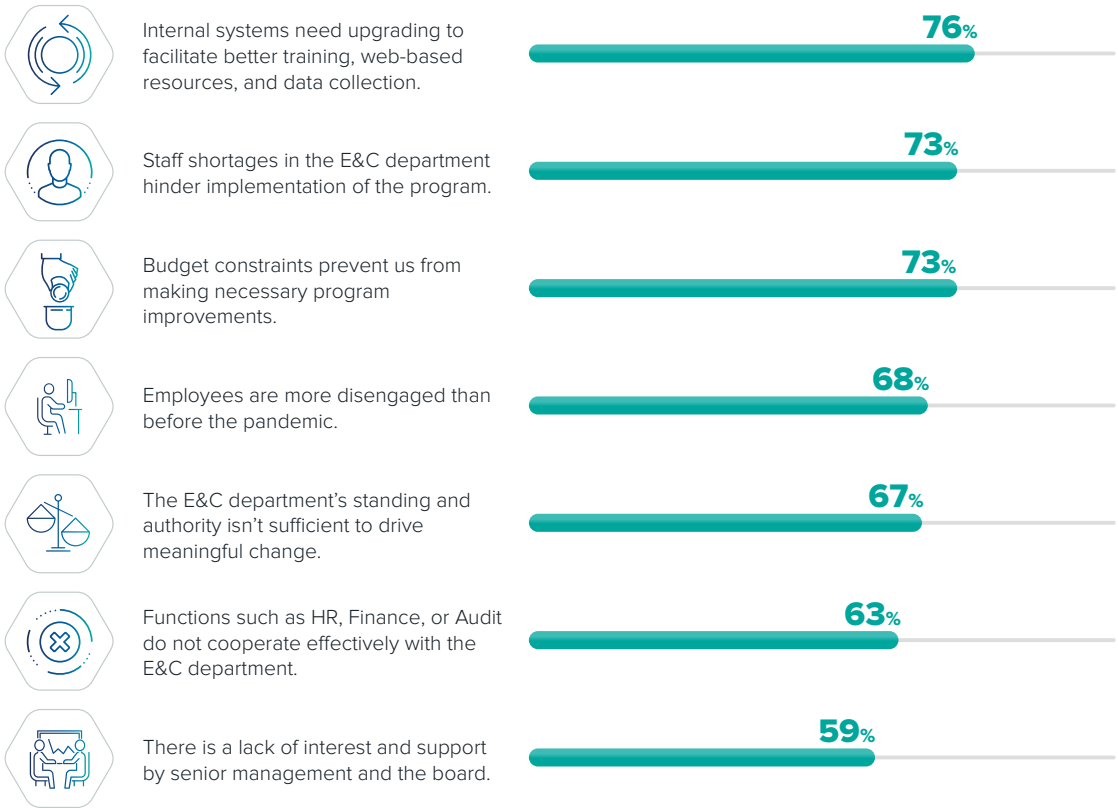
4

There are obstacles to program effectiveness

Respondents also reported that there were significant obstacles to improving their programs’ impact and effectiveness.

Which statements best describe the biggest obstacles to improving your E&C program’s impact and effectiveness over the past 12 months?

(% Agree)



Some of these factors, such as staff shortages and employee disengagement, may not be unique to E&C programs but nonetheless represent real challenges that boards of directors and senior leaders need to address. This survey’s results on boards of directors’ engagement show that a well-trained board and/or one with expertise in E&C has a significant impact on mitigating these obstacles to E&C program effectiveness. [See p. 32.](#)

“...even a well-designed compliance program may be unsuccessful in practice if implementation is lax, under-resourced, or otherwise ineffective.”

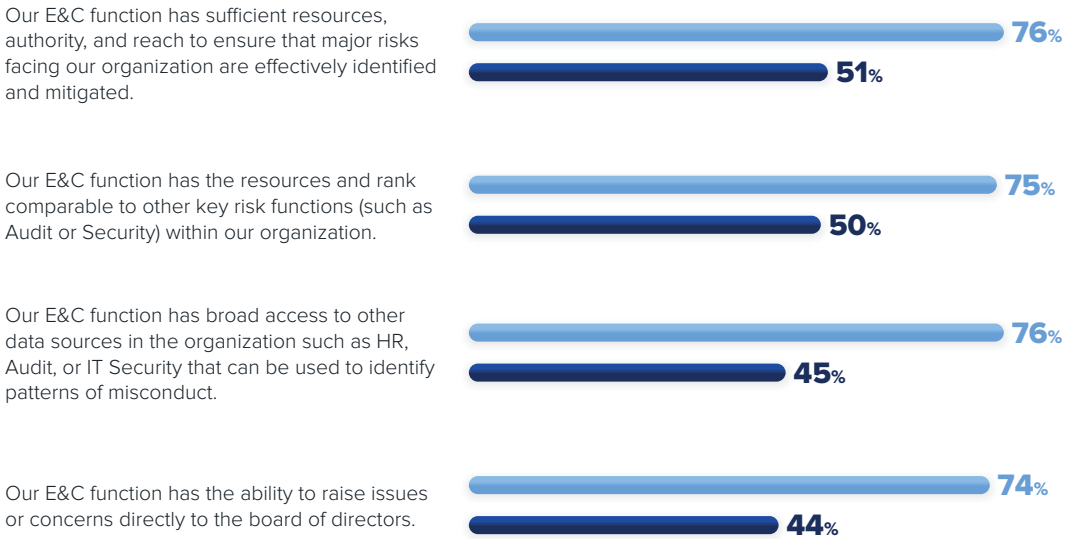
—Department of Justice Evaluation of Corporate Compliance Programs Guidance, 2020

The 2020 Department of Justice Evaluation of Corporate Compliance Programs Guidance states “...even a well-designed compliance program may be unsuccessful in practice if implementation is lax, under-resourced, or otherwise ineffective.” The guidance makes a sharp distinction between simply “paper programs” and those that are “implemented, reviewed, and revised, as appropriate, in an effective manner.” Thus, it’s not enough to have a compliance program; it must be up to the job of preventing misconduct. Making the case for sufficient resources and support for E&C programs is critical to their success.

Do E&C programs have sufficient resources, rank, information, and access to carry out their mission?

(% Yes)

● High-Impact ● Low-Impact



Not surprisingly, there is a wide gulf between high-performing and less-effective programs when it comes to resources, standing, and authority.

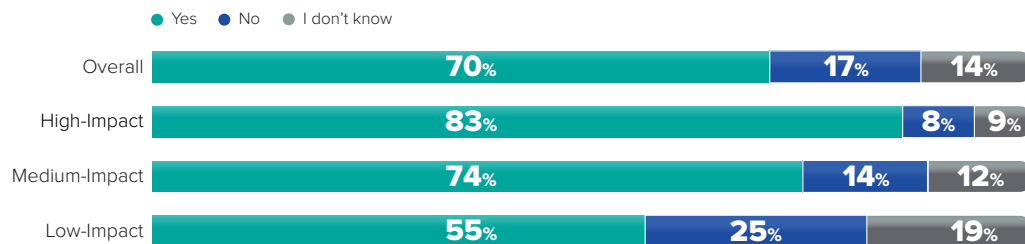


The critical role of boards of directors

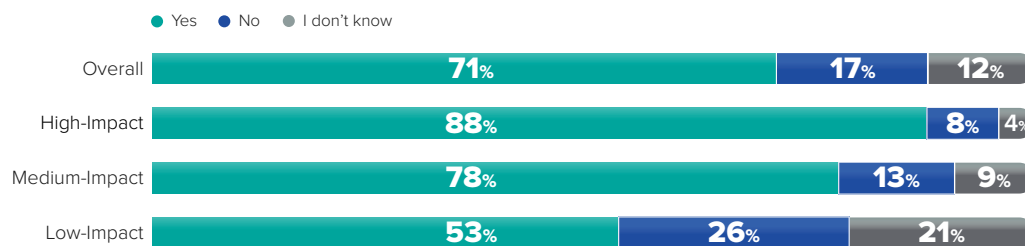
This year's data tells a powerful story that highlights the importance of an engaged and informed board of directors, an area in which high-performing programs excel.

How effective is the board of directors in supporting your E&C program?

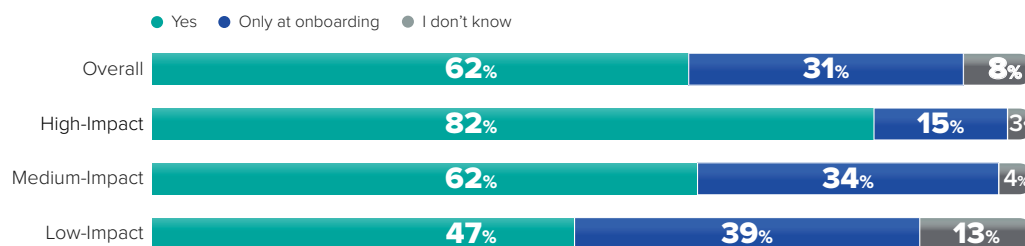
Does your board of directors include members with expertise in ethics and compliance?



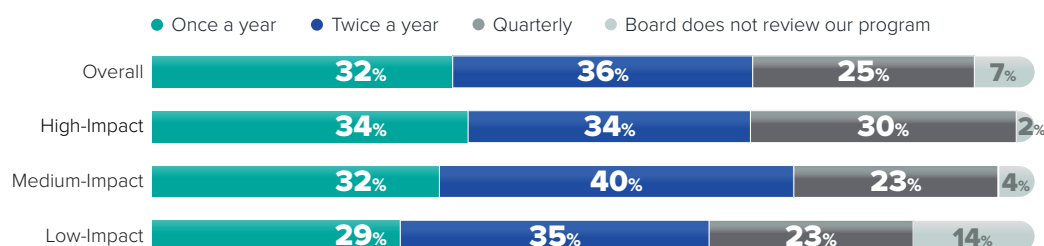
Is the board held to the same standards of conduct applicable to executives in the organization?



Does your board of directors receive regular training in ethics and compliance matters?



How often does your board of directors review your ethics and compliance program?



* Numbers may not add up to 100 due to rounding

Correlating this data with our other results shows that:

2.5x

When boards are *regularly* trained on E&C matters, E&C professionals are 2.5x more likely to say that their board is engaged and supportive, compared to when boards are trained on E&C *only at onboarding*.

10.5x

This factor rises to 10.5x when compared to boards that don't receive *any* E&C training.

If the board includes members with specialized expertise in E&C, respondents are significantly more likely to avoid the obstacles described above to program effectiveness and are:

4.1x

less likely to report staff shortages in the E&C department hinder implementation of the program.

3.3x

less likely to report that internal systems need to be upgraded to facilitate better training, web-based resources, and data collection.

2.9x

less likely to report that budget constraints prevent necessary program improvements.

3.6x

more likely to report that the E&C department's standing and authority within the organization is sufficient to drive meaningful change.

3.6x

more likely to report that other key functions such as human resources, finance, or audit cooperate effectively with the E&C department.

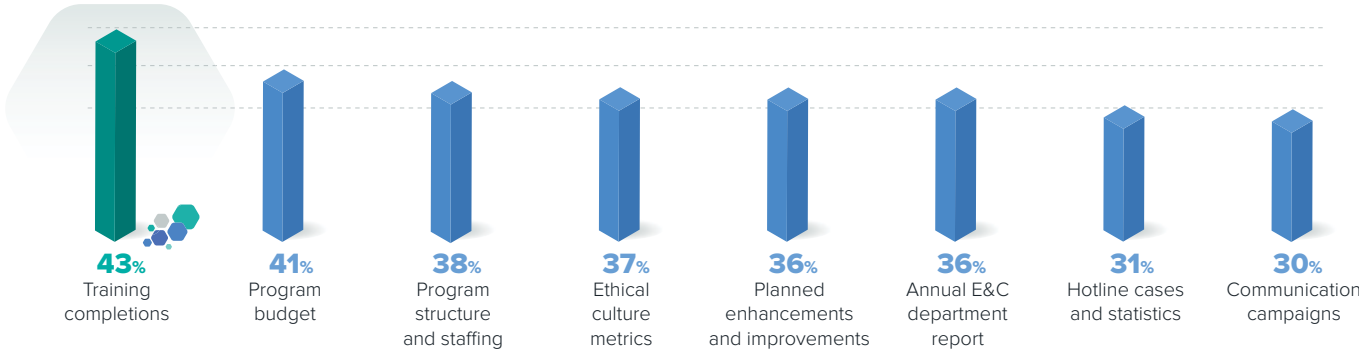
3.5x

more likely to experience interest and support from senior management and the board.

Our results also pinpoint an area for improvement by all programs with respect to interacting with their boards of directors.

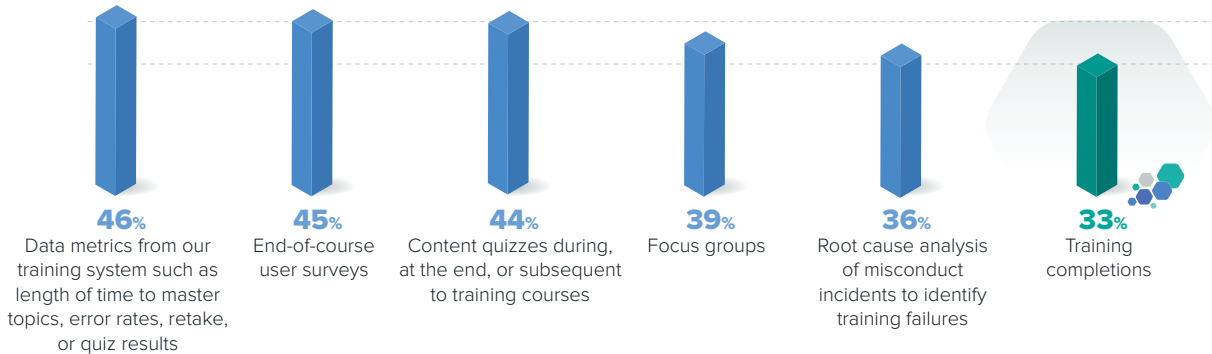
What materials and topics does the board receive and review related to your E&C program?

(Select all that apply)



What methods does your training program use to measure effectiveness and impact?

(Select all that apply)



As can be seen above, training completions data is ranked at the bottom for usefulness in evaluating training impact but is nonetheless the most common data shared with boards. Reporting *activities* is never as effective as reporting *impact* (i.e., quality over quantity) and should be addressed by E&C professionals and boards.





E&C programs: What do high-performing programs do better?

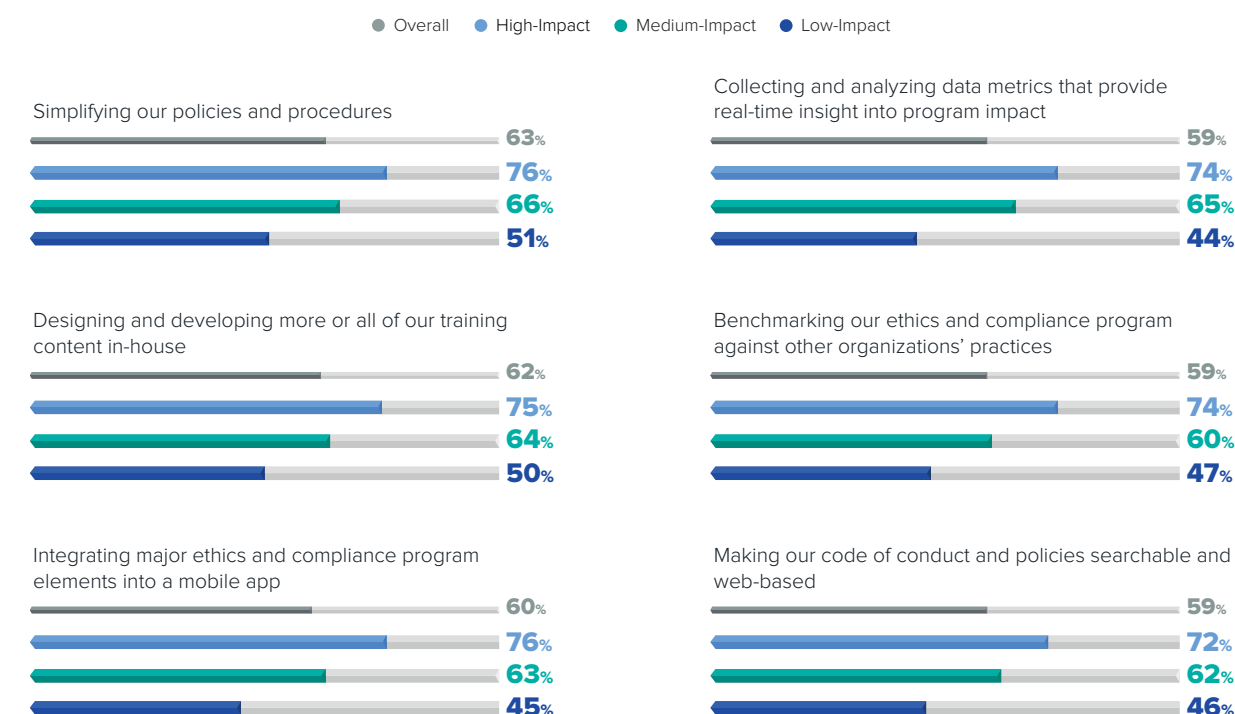
1

Continuous enhancement and evaluation

Effective E&C programs must develop and mature over time, adapting as their organizations change—for example, through mergers and acquisitions—or as the risks they face, such as international sanctions and trade controls, evolve. Ongoing enhancements designed to enhance program impact are a defining difference between high-performing and less-effective ones.

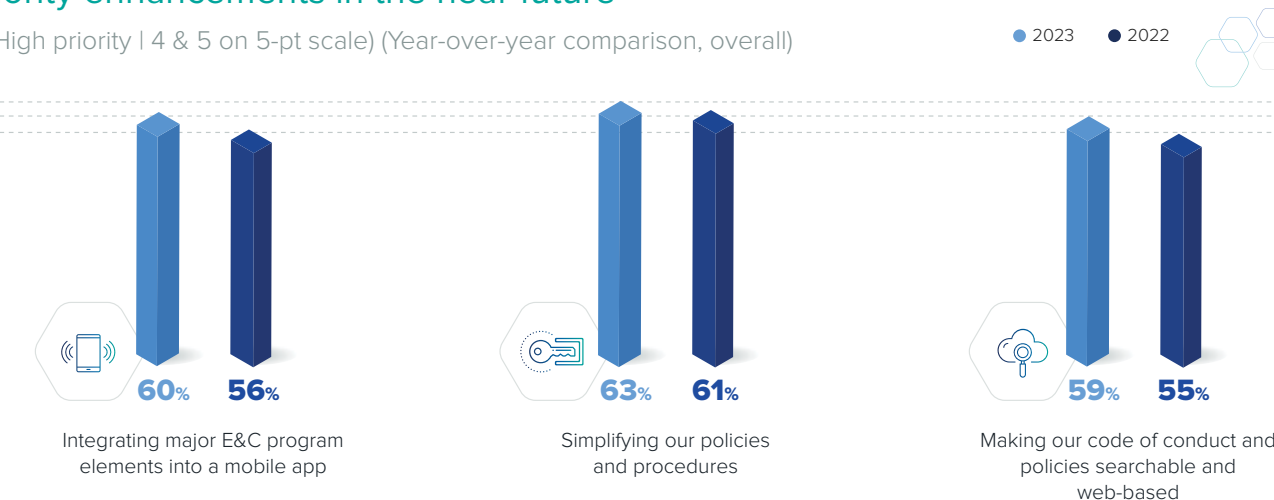
How high of a priority will the following enhancements be to your E&C program in the near future?

(% High priority | 4 & 5 on 5-pt scale)



Priority enhancements in the near future

(% High priority | 4 & 5 on 5-pt scale) (Year-over-year comparison, overall)



Ongoing evaluation, particularly in light of changing risks, is a key component of this process. The 2020 Department of Justice Evaluation of Corporate Compliance Programs Guidance stresses the importance of regular risk assessments, asking “Is the risk assessment limited to a ‘snapshot’ in time or based upon continuous access to operational data and information across functions? Has the periodic review led to updates in policies, procedures, and controls?” High-performing programs excel in this area as well.

How useful are the following in evaluating your program’s impact and identifying areas for improvement?

(% Useful)



“The starting point for a prosecutor’s evaluation of whether a company has a well-designed compliance program is to understand the company’s business from a commercial perspective, how the company has identified, assessed, and defined its risk profile, and the degree to which the program devotes appropriate scrutiny and resources to the spectrum of risks.”

—Department of Justice Evaluation of Corporate Compliance Programs Guidance, 2020

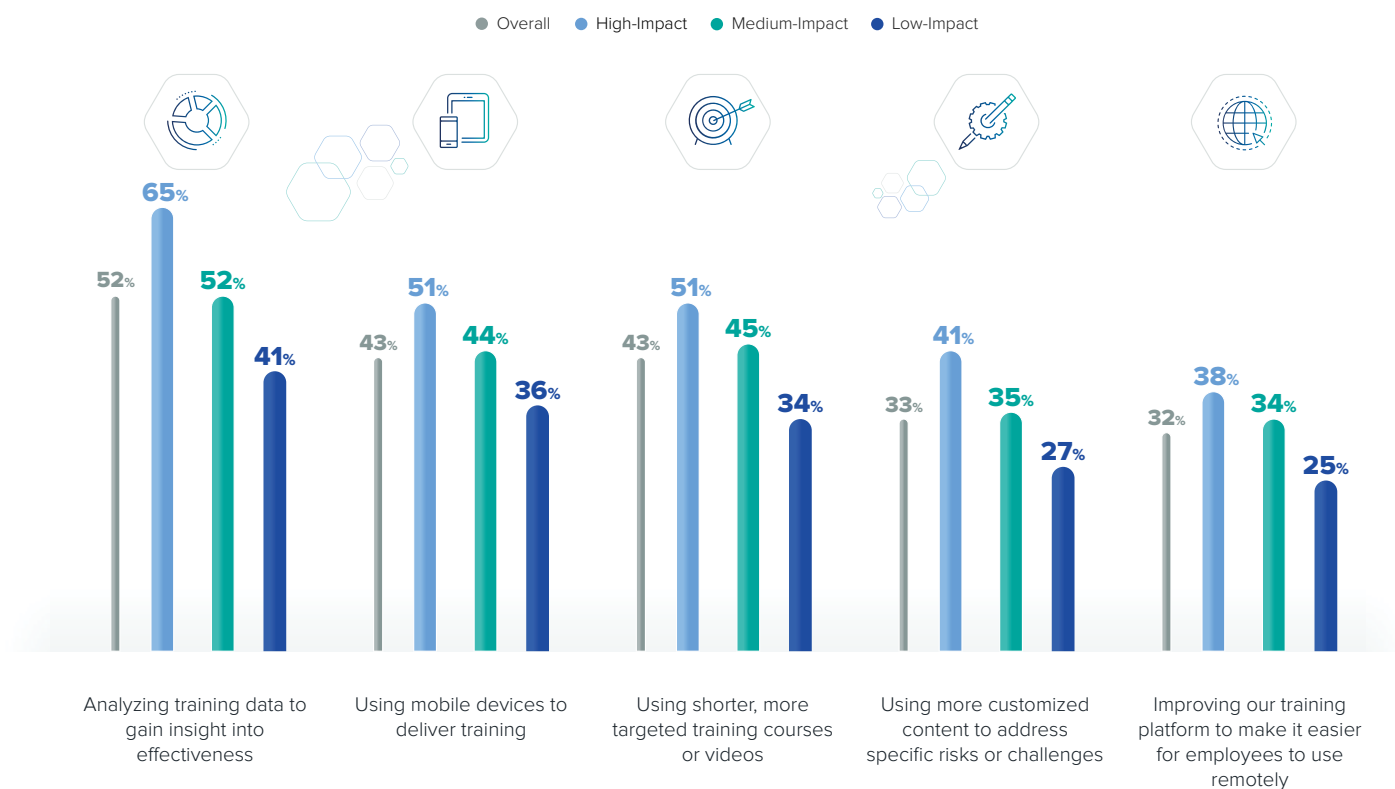
Notably, risk assessments are overwhelmingly ranked as more useful than benchmarking against other programs, reflecting the Department of Justice’s emphasis on tailoring programs to mitigate the organization’s specific challenges.

Making training more effective

Training is fundamental to effective ethics and compliance programs—and essential in helping employees understand their organizations' expectations and standards. Regulators view training as a key program component that makes ethics and compliance programs impactful. Consistent with high-performing programs' emphasis on enhancement and evaluation, high-performing programs lead the way in making training more engaging and employee friendly. For more insights into best practices for E&C training, read the December 2022 [joint report](#) from Ethisphere and LRN.

What changes have you made to increase the impact and effectiveness of your training?

(Select all that apply)



High-performing programs similarly outperform less-effective ones in implementing emerging best practices in the training area.

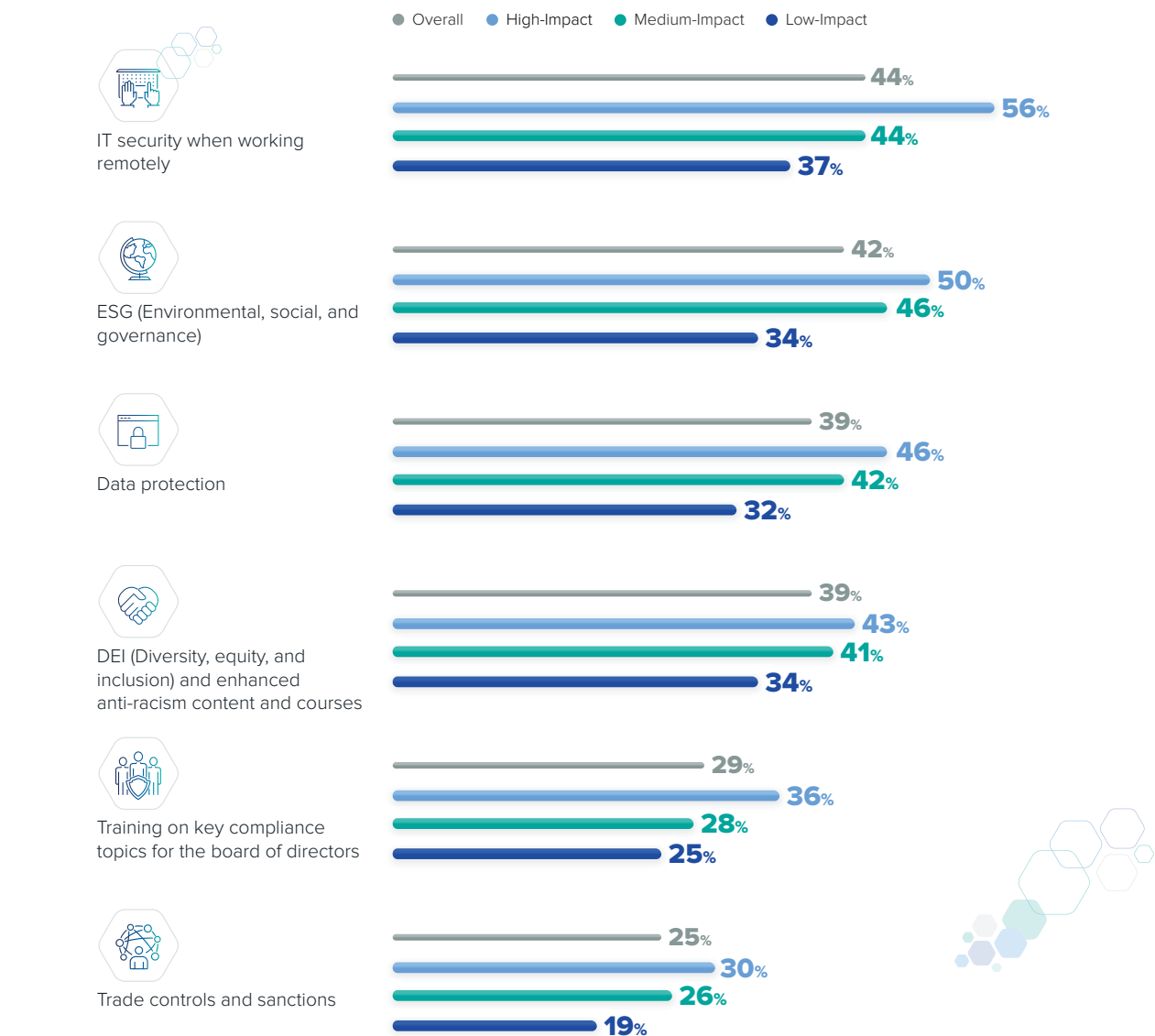
Please select the following features that apply to your organization's E&C training program

Legend: High-Impact (Blue), Low-Impact (Dark Blue)



They also are more proactive in incorporating curriculum updates on topical issues.

What topics are you considering adding to or strengthening in your current training curriculum?

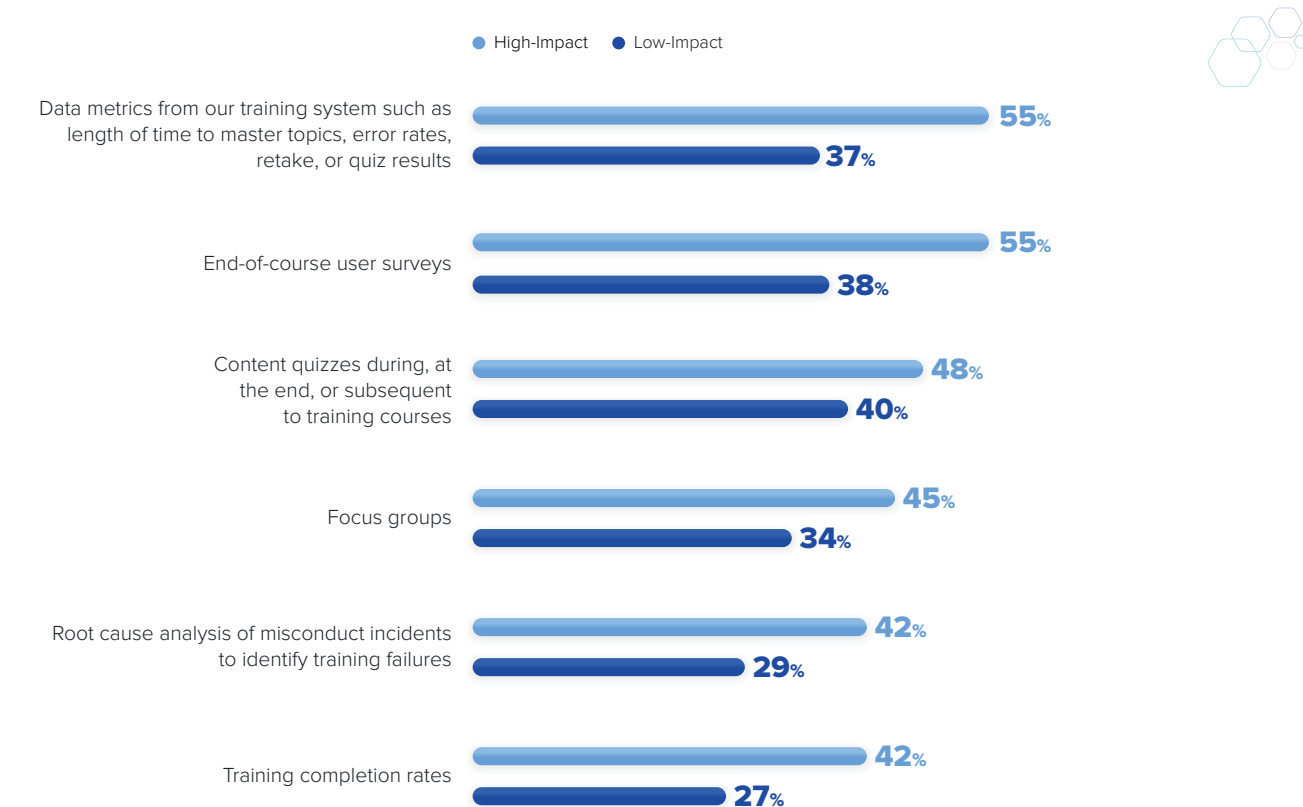


Similarly, evaluating the impact of training is the foundation for improving it, and high-performing programs are significantly more proactive in this area using a variety of methods.

Measuring training effectiveness and impact:
The high-performance premium

What methods does your training program use to measure training effectiveness and impact?

(Select all that apply)



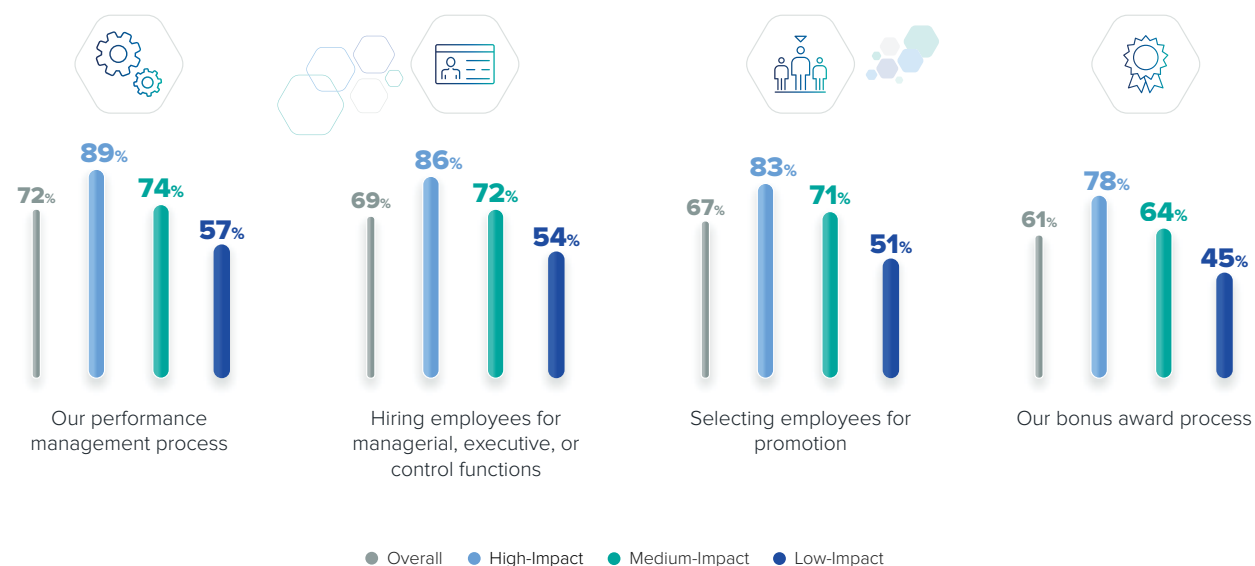
Ensuring personal accountability for misconduct

As noted at [p. 30](#), 79% of high-performing programs reported that their board of directors took an active role in ensuring that misconduct by senior leaders or excellent performers was effectively addressed. This is a particularly important area given the Department of Justice's emphasis on personal accountability.

In addition to support from the board, high-performing programs significantly outperform less-effective ones in embedding E&C criteria into their performance, incentives, and hiring systems and processes.

My organization has formal requirements that executives' and employees' ethical behavior is evaluated as a significant factor in...

(% Yes)



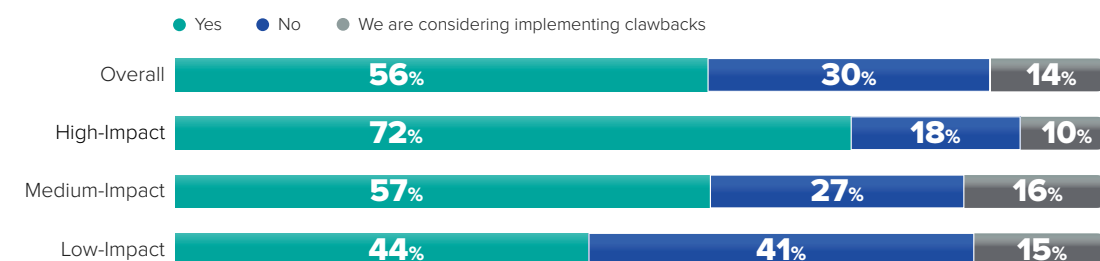
Rewarding and recognizing good ethical behavior and punishing misconduct were cited by the Department of Justice in its September 2022 policy on corporate criminal prosecution. In announcing the policy, DAG Monaco stated:

“Going forward, when prosecutors evaluate the strength of a company’s compliance program, they will consider whether its compensation systems reward compliance and impose financial sanctions on employees, executives, or directors whose direct or supervisory actions or omissions contributed to criminal conduct. They will evaluate what companies say and what they do, including whether, after learning of misconduct, a company actually claws back compensation or otherwise imposes financial penalties.”

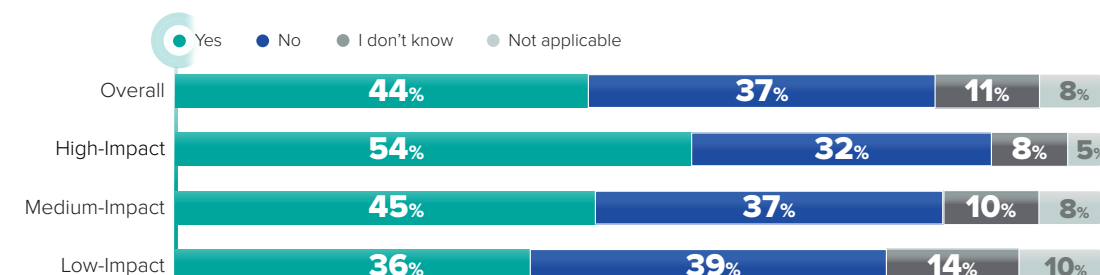
Thus, the DOJ views the use of clawback provisions that allow organizations to recoup compensation paid to those responsible for misconduct as prima facie evidence of an effective compliance program. High-performing programs lead the pack in both implementing and using such provisions.

Financial penalties for misconduct

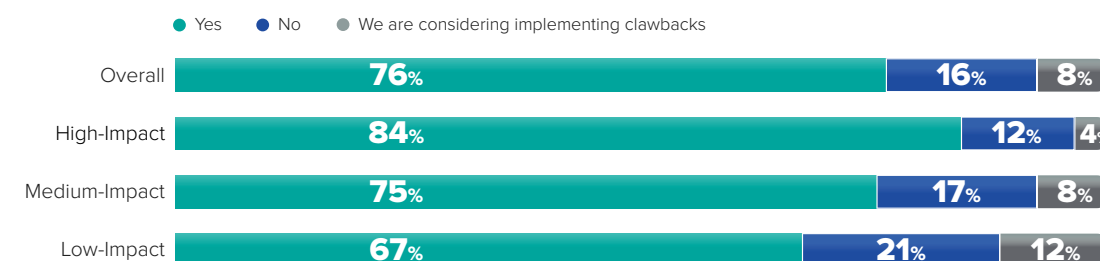
My organization has policies that allow “clawback” of bonuses, severance, or other rewards.



In the past year, has your organization disciplined or terminated a senior executive or excellent performer for unethical behavior?



[If "Yes"] Was the individual subject to “clawback” as a result of their unethical behavior?



Meeting employees where(ever) they are

This year's survey indicates 80% of E&C programs have made significant changes to meet the needs of employees working remotely and on a hybrid basis. What does this look like in practice? Compared to those that haven't adjusted to changing workforce models, these programs were made to be more tailored for relevancy to employees, made it easier for employees to comply, and prioritized the data and analysis that enables them to measure impact and continuously improve. They are, on average, 7x more likely to:

7.5x

Have translation capacity for non-English speakers in their hotline

7x

Integrate related control and approval procedures into policies

7.1x

Have a code of conduct and policies that are searchable and web-based as a high priority

7.2x

Offer mobile-compatible E&C training

6.6x

Incorporate chat bots or other "live" features in the code of conduct that allow questions from employees

6.5x

Enable personalized learning options tailored to role, region, or seniority

7.7x

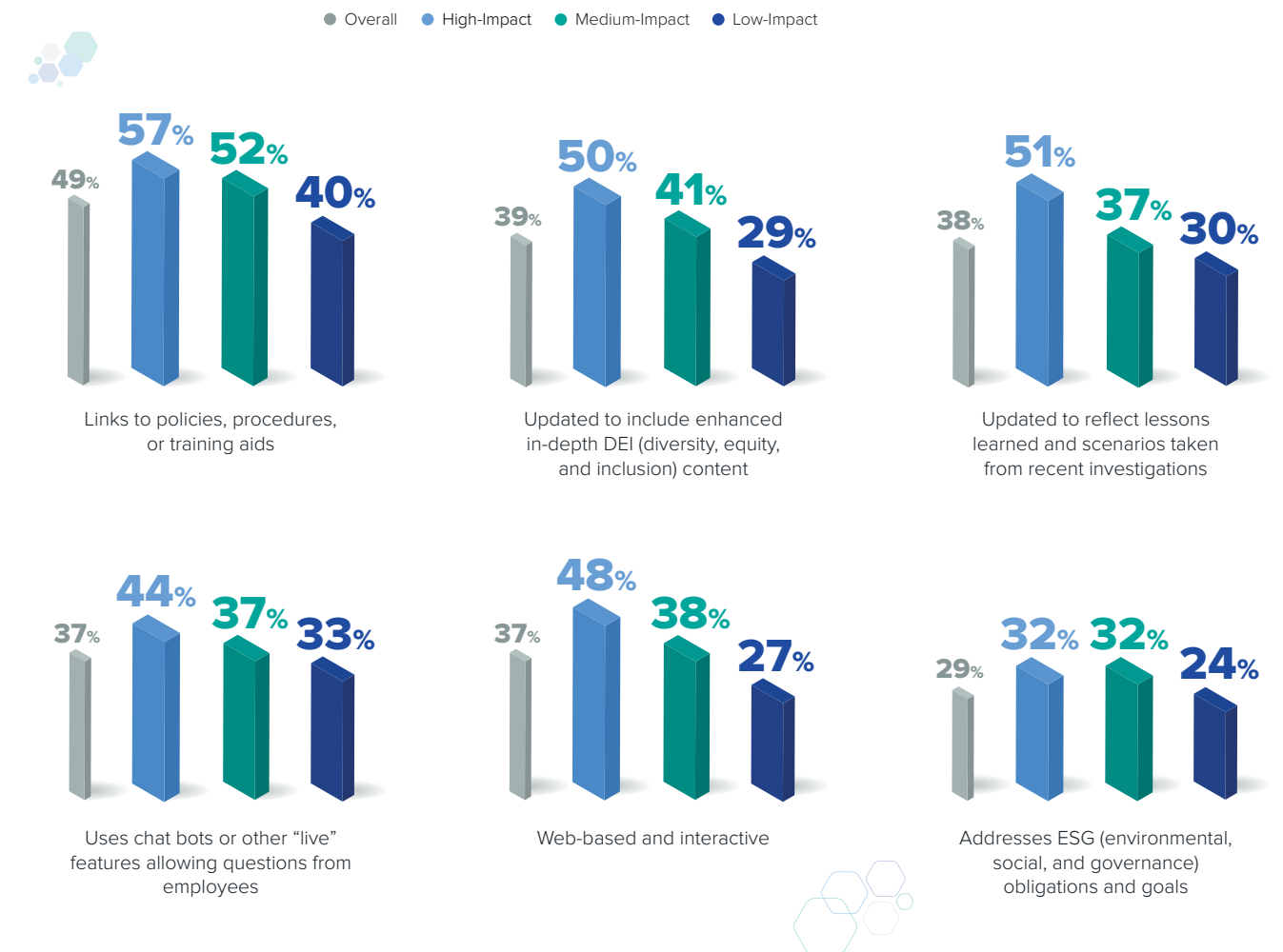
Offer "just in time" training triggered by internal systems such as expense reporting, travel, or procurement

7.4x

Collect and analyze data metrics that provide real-time insight into program impact

This approach to making E&C program elements more employee friendly and engaging reflects in the best practices that high-performing programs use with respect to their code of conduct, policies, and hotline.

Please select the following features that apply to your organization's code of conduct



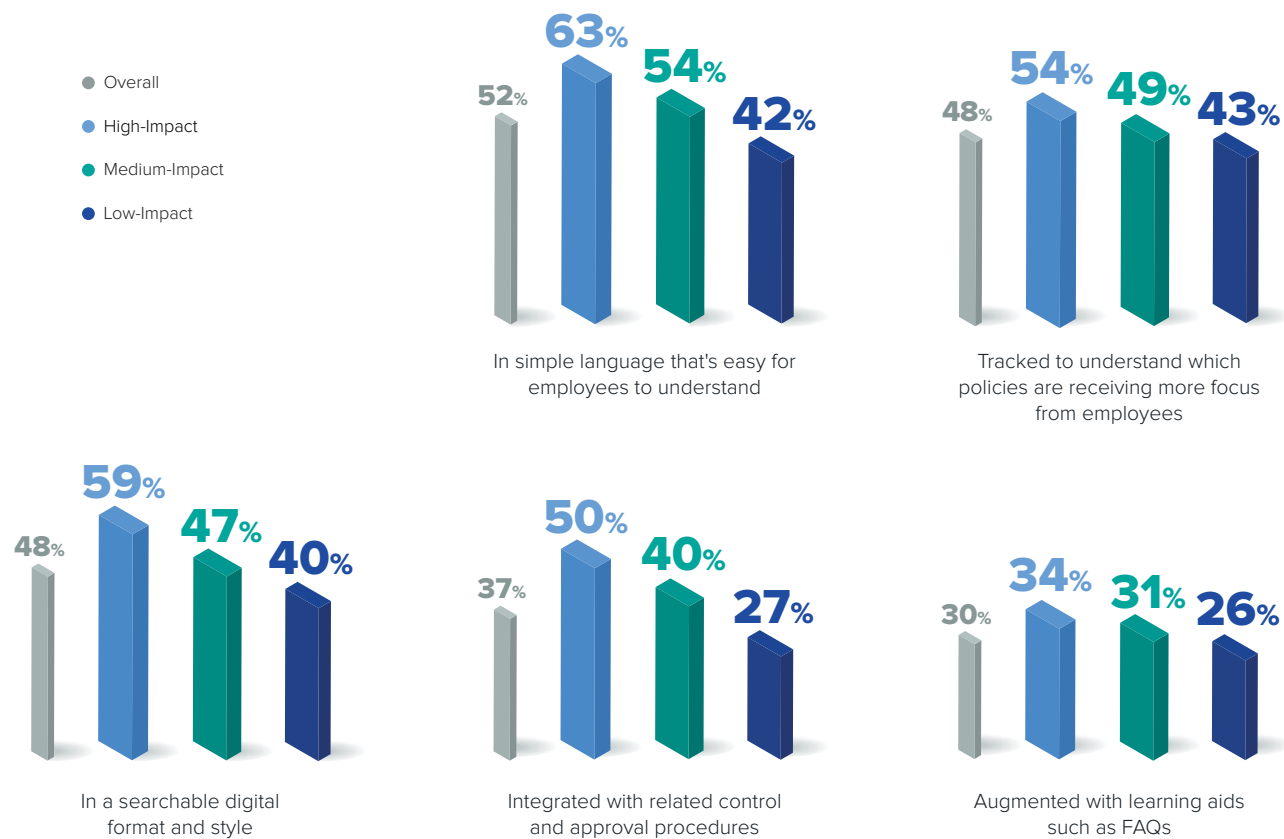
Although there is room for improvement even among high-performing programs, the direction for those that want to enhance their codes of conduct—a fundamental part of any E&C program—is clearly towards employee engagement.

Over the last 20 years, codes of conduct have undergone an evolution. What were once textbook-sized rule books, covering all manner of what you can and cannot do, codes now seek to illustrate values-based principles of what you should and should not do. Today's codes are visually engaging, readable, and useful to employees as guides to help them make ethical decisions and do the right thing.

Seeking to break these goals into more actionable practices and identify gaps in code of conduct development, LRN assessed nearly 150 codes from some of the top companies headquartered in Europe and the United States. For insights into best practices in code design and implementation, check out LRN's [2022 Code of Conduct Report](#), which details the results of this major assessment exercise.

Another critical area for employee engagement is simplifying policies to make them more accessible to employees from every background and education level.

Please select the following features that apply to your organization’s policies



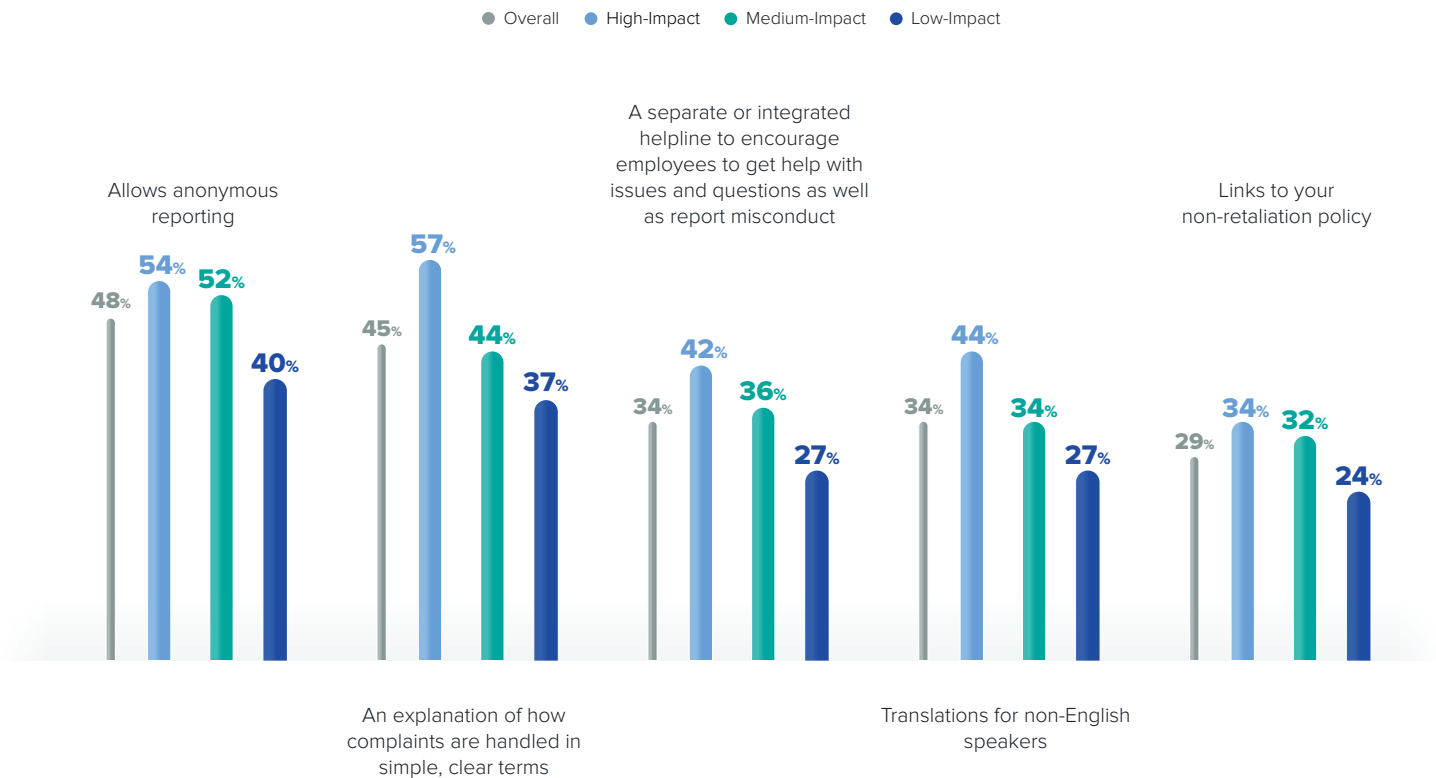
Another consideration with respect to policies is simplifying them with the goal of making them available on a mobile app, as an emerging best practice.

“Have the policies and procedures been published in a searchable format for easy reference? Does the company track access to various policies and procedures to understand what policies are attracting more attention from relevant employees?”

—Department of Justice Evaluation of Corporate Compliance Programs Guidance, June, 2020

Hotlines remain an important fixture for E&C programs. Ensuring that they are user friendly and have translation capacity is essential.

Does your hotline have any of the following features?



Conclusion



*“In civilized life, law floats
on a sea of ethics.”*

—Earl Warren, Chief Justice of the Supreme Court

LRN’s annual Ethics & Compliance Program Effectiveness Report is an opportunity to pause, stand back, and understand the accomplishments and challenges facing E&C programs around the world. This year’s report is no exception. It highlights the success of many programs in framing their organizations’ operations and responses to ongoing challenges. It documents that there is a significant difference between doing the minimum and aspiring to the maximum—the key characteristic of high-performing programs. And it demonstrates that flexibility, excellence, responsiveness to new risks, and, above all, a commitment to values are the keys to effectiveness.

The challenge now for those committed to values and principled performance is to internalize these lessons and embed them going forward in all that they do, making principled performance a reality, not just an aspiration.

About the Program Effectiveness Index

Measuring outcomes, not just activities

The LRN Program Effectiveness Index (PEI) was introduced in 2016 to evaluate the impact that organizations’ compliance programs have on workplace behavior. The study provides insight into the ethical culture of the organizations surveyed, not merely their E&C program structures.

The 2023 Ethics & Compliance Program Effectiveness Report is based on a survey of 1,855 ethics, compliance, and legal experts around the world representing more than 25 industries.

How we quantify program effectiveness

LRN’s Program Effectiveness Index (PEI) is a proprietary framework for analyzing the impact of E&C programs. Notable for its unconventional approach to program effectiveness, the PEI measures outcomes across three areas of critical workplace behavior rather than measuring program activities (such as the number of employees trained or hotline reports generated, etc.) to gain insight into ethical culture and how the program works “in practice.”

The areas we measure are:

Ethical decision-making:

Are the choices employees make animated by values or expediency?

Organizational justice:

Are senior executives and high performers held to the same standards of conduct as other employees?

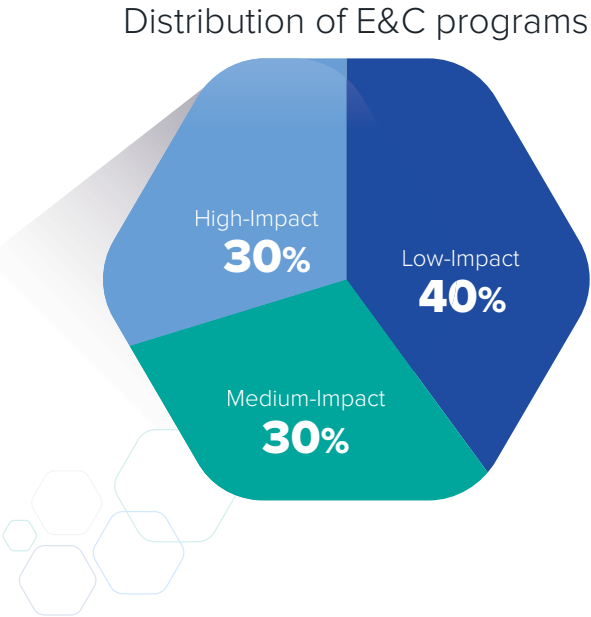
Freedom of expression:

Do employees speak up, contribute willingly, and exchange ideas freely?

Respondents rated their organizations against the following eight statements using a five-point agree/disagree scale:

- 1 Excellent performers who violate our code of conduct or values face disciplinary action.
- 2 Managers in my organization never act as if they are above the rules.
- 3 Our employees trust their leaders consistently make value-based decisions.
- 4 Even under pressure, people abide by our organization’s values and standards of conduct.
- 5 Employees in my organization speak up/ out during team meetings.
- 6 Employees in my organization question decisions when they conflict with our values.
- 7 Employees in my organization do the right thing, even if it’s not in their personal best interest.
- 8 Employees in my organization are comfortable skipping levels or going to a level above their direct boss to raise ethical concerns.

We combined and averaged these responses to generate an overall PEI score for each survey participant’s organization. LRN then analyzed PEI scores across tertiles (or thirds). We consider those programs that fall into the top tertile to have a “high-impact” on organizational culture and strategy as demonstrated by their indicia of a healthy ethical culture. Those that fall in the middle and bottom tertile are characterized as having “medium-impact” and “low-impact” on organizational culture and strategy, respectively. The distribution of programs is as follows:



LRN’s Program Effectiveness Index and accompanying report therefore ranks programs by their workplace impact. This methodology differs from most surveys of E&C programs, the majority of which focus on measuring activities, not outcomes. This approach is consistent with the shift in regulators’ approach to evaluating E&C program effectiveness and the extent to which programs work “in practice.”



Methodology



The survey results presented in this report are based on completed online interviews with a global sample of 1,855 ethics, compliance, and legal professionals from corporations and organizations with a minimum of 1,000 employees.



The responding sample of ethics and compliance professionals represents 10 countries and 26 industries.



Ethics and compliance professionals participating in the research were drawn from a global research panel fielded by Mometric. All survey respondents were pre-screened to ensure their job responsibilities involve development, oversight, or implementation of ethics and compliance and/or legal objectives, policies, or procedures.

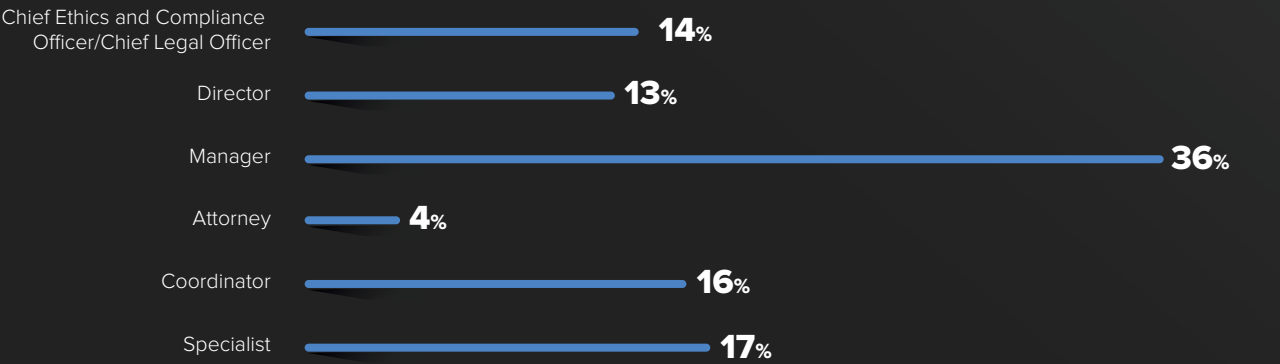


The survey was fielded in September – October 2022.

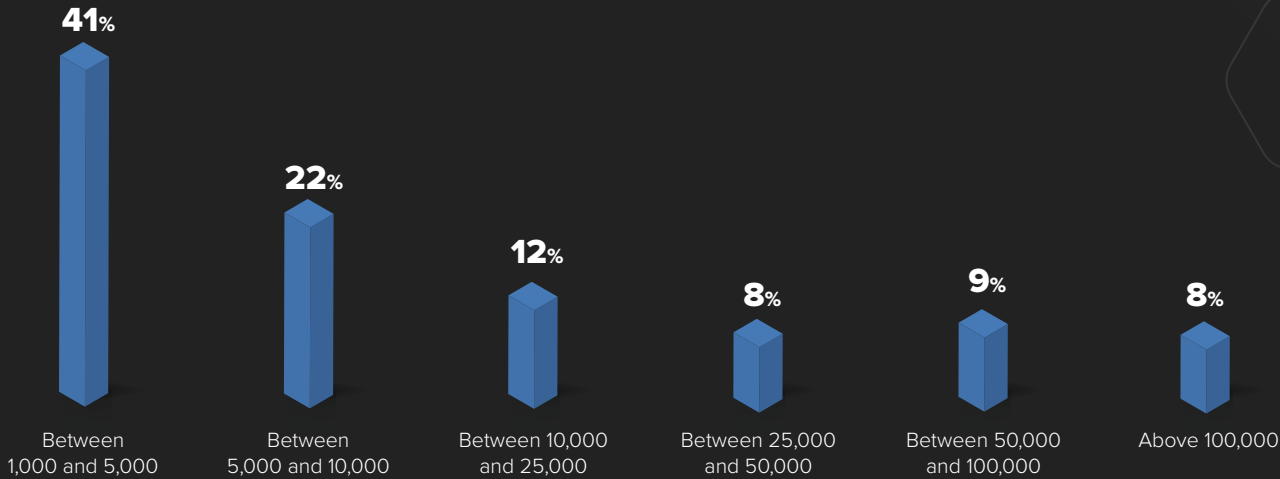
About the 2023 Ethics & Compliance Program Effectiveness Report

Respondent demographics

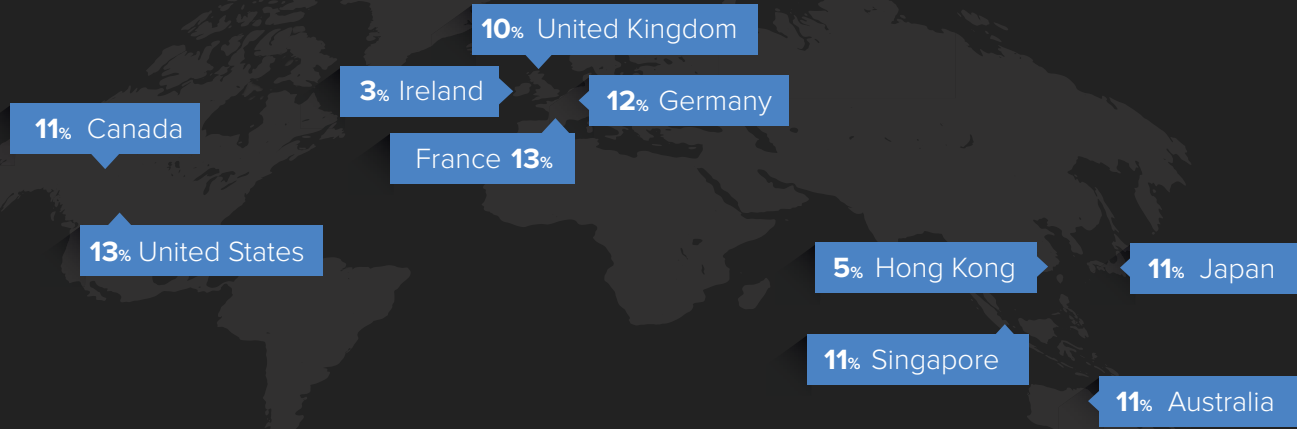
Participant role



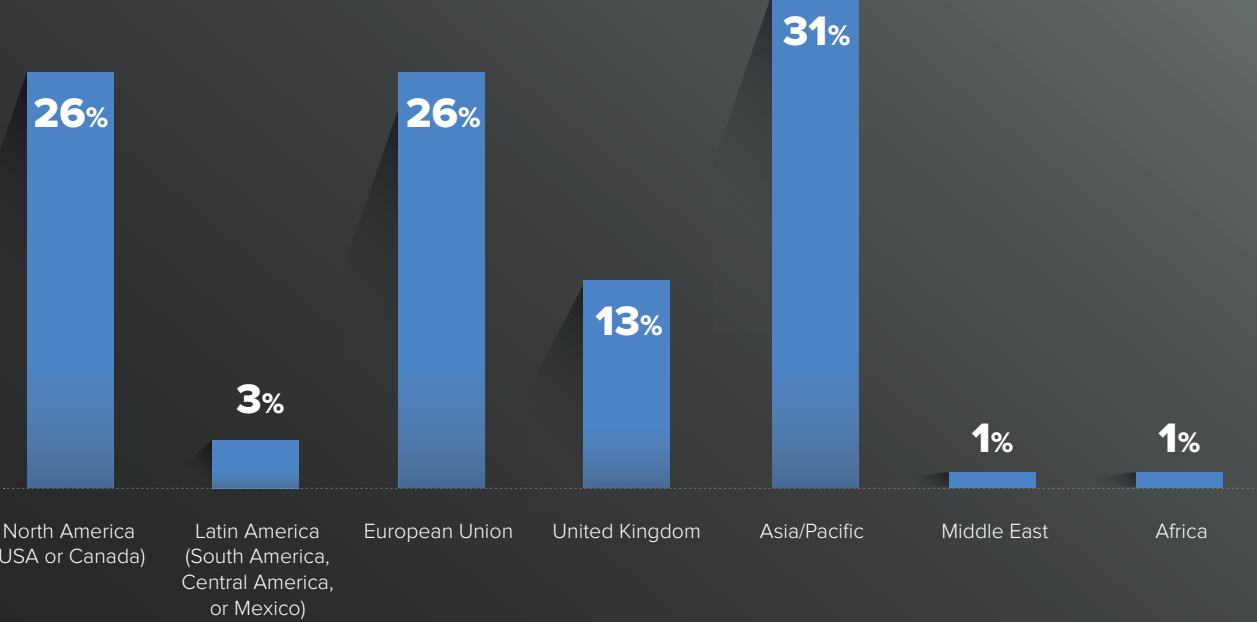
Company size (# employees)



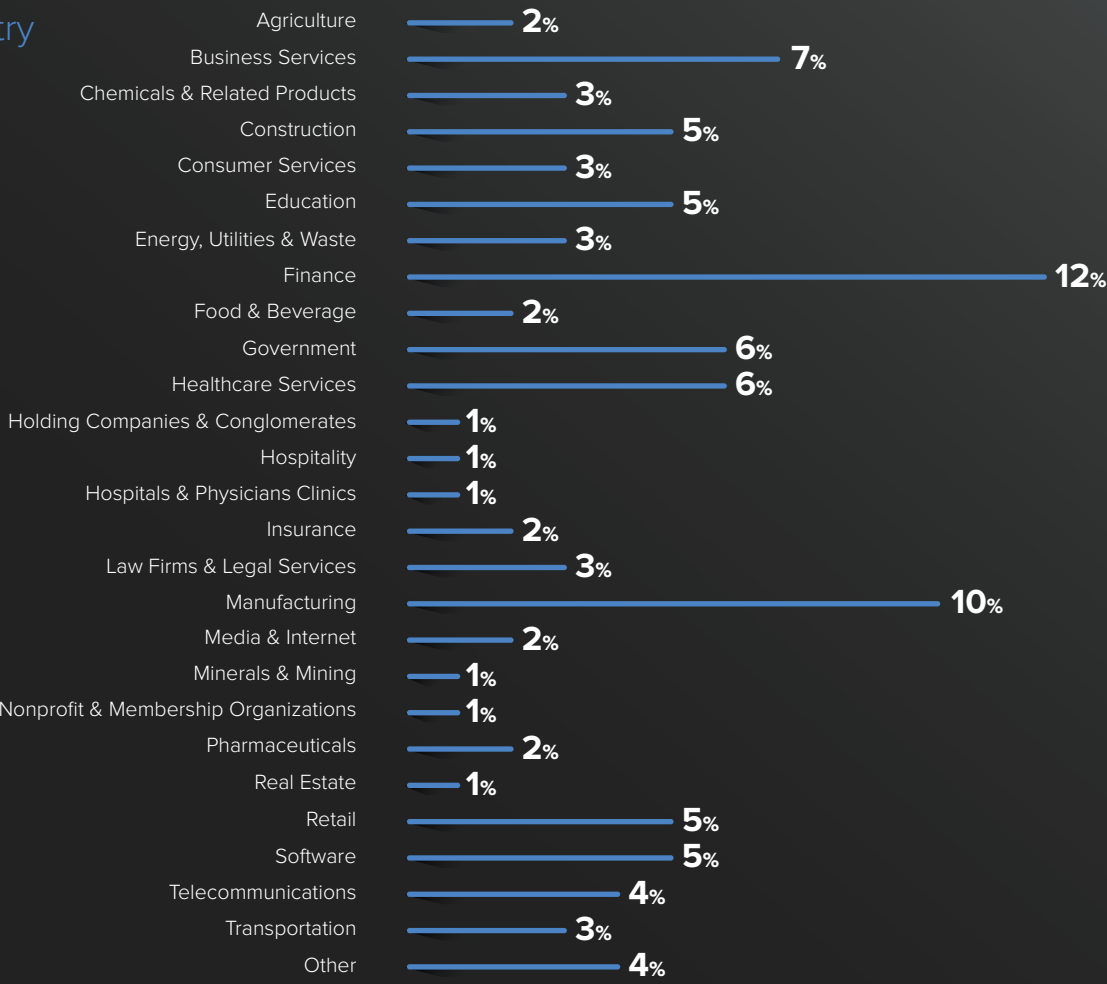
Participant location



Organization headquarters



Industry



Leverage our **expertise**

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