A Glimpse Into How Employees Use Hotlines

By Paul J. Martinek — January 3, 2007

Nearly three-quarters of callers to corporate whistleblower hotlines haven’t tried to take an issue to management first—and people who report corruption and fraud are actually less likely to seek anonymity than those who report other types of issues.

Those findings are just two of many in a first-of-its-kind benchmarking report recently released by The Network, CSO Executive Council, and the Association of Certified Fraud Examiners.

The groups analyzed nearly 200,000 hotline calls from more than 500 organizations across various industries over a four-year period. Among the other notable findings:

- **Investigations**—A majority of hotline reports (65 percent) were serious enough to warrant an investigation and nearly half (46 percent) resulted in some form of corrective action;

- **Most Common**—Personnel-management incidents were by far the most common complaint, followed by professional-code violations, employment-law issues, and fraud;

- **Access**—Those who called a hotline likely became aware of it by seeing a poster or sign about it in the workplace;

- **Size**—Companies with fewer than 5,000 employees received 60 percent more reports per 1,000 employees than larger organizations; and

- **Industry**—The retail industry had more reports than any other, while the construction industry had the fewest.

Tony Malone, CEO of The Network, which manages hotlines for corporations, says the report is the first comprehensive look at actual calls to corporate hotlines. “This is something people have a great deal of interest in; all [companies] are interested in business metrics and being able to benchmark themselves with other companies,” says Malone.

‘Keen Interest’ In Benchmarking
Michael Maher, a business professor at the University of California at Davis, tells Compliance Week that it’s not surprising that a high percentage of people would go to a hotline before taking an issue to management.

“This is not necessarily a bad thing,” he says. “A lot of times the problem—or the perceived problem—is with management. If the problem is with an employee’s supervisor or immediate manager, where do they go? They have to go to that manager’s boss. For a lot of reasons it can be intimidating, and there may be a perception that the boss’s boss is on the boss’s case to do a bad thing.”

While initially it may seem counterintuitive that complaints about ethics and fraud are less likely to be made anonymously, Maher says that statistic could reflect heightened awareness of legal protections for corporate whistleblowers, as well as the possibility that other kinds of complaints may be more personal. Ethics and fraud issues can seem abstract, where other sorts of complaints “may be more concrete, situations where you’re really pointing the finger at some specific person.”

Bob Hayes, managing director of CSO Executive Council, says companies should compare the findings with their own experiences. “There’s a very keen interest in data and benchmarking, but if you don’t combine this with organizational analysis or management expertise, you could be way off base,” he says.

Hayes notes that personnel-management complaints sometimes are not viewed as the type of issue that hotlines were meant to address. “But many times you can identify trouble spots by doing an analysis of personnel management calls,” he says. “It can be a helpful diagnostic tool and help you to pinpoint problems. It can also tell you that you don’t have an appropriate mechanism to handle things at [a particular] level.”

Finance Tops Fraud Reports

Although a slim majority of reports in the study (51.1 percent) involved personnel-management incidents, that figure was noticeably higher for the service industry (59.3 percent) and was lowest in the finance, insurance, and real-estate industries (36 percent). Those three industries, however, had the highest percentage of complaints over corruption and fraud (18.5 percent) and the second-highest for ethics code violations (16.9 percent). Only the retail-trade industry (22.6 percent) ranked higher in the number of calls relating to code violations. But the retail industry had the lowest percentage of complaints relating to corruption and fraud (8.8 percent).

Complaints about employment-law violations were pretty consistent across industries, ranging from a low of 8.8 percent (finance, insurance, and real estate) to a high of 13.2 percent (transportation, communications, and utilities).

Not surprisingly, the agriculture, forestry, and fishing industry had a far greater percentage of calls about environmental, health, and safety issues (18.8 percent) than any other industry—double that of the next-highest industry, the mining industry (with 9.4 percent).
Hotline reports about the misuse of assets or information were rare, regardless of the industry. Only 1.3 of the reports in the survey fell into this category; the manufacturing industry had the highest levels, but even that scored only 3.5 percent.

**Face-To-Face vs. Hotline**

Only 29 percent of reports concerned issues about which people had complained to management before resorting to the hotline. Of those who notified management in advance, two-thirds still chose to remain anonymous when they called the hotline. The percentage of anonymous hotline reports was actually lower (48.7 percent) for those who hadn’t already reported the issue to management.

Prior notification to management was by far the lowest in the public-administration industry, with only 10.6 percent of reports having been made to management first. In every other industry, one-quarter to one-third of hotline reports previously had been made to management directly.

Although issues involving the misuse of assets or information constituted a small percentage of overall reports, this category of complaint (36.4 percent) was the most likely to have been reported to management beforehand. Issues involving the environment, health, and safety were close behind with 35.5 percent. In contrast, nearly three-quarters of complaints involving ethics-code violations were made through the hotline first.

The authors of the study noted that if an organization prefers for reports to be made to management first but still experiences a high percentage of incidents reported via the hotline before management becomes involved, “it may be a signal to look at re-communicating your preferred methods of feedback."

**Half Remain Anonymous**

Although one of the benefits of a hotline is the ability to raise an issue anonymously, only a slim majority (53.5 percent) of all reports covered by the study chose to remain anonymous.

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<td><strong>Below is an excerpt from a report by the Association of Certified Fraud Examiners, explaining how information should be disseminated among managers once a hotline complaint is lodged.</strong></td>
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One of the most important aspects of planning the hotline is deciding where to send information that is received. A system of rules must be developed to determine what happens to information upon completion of the call.

One of the most important aspects of dissemination is planning for checks and balances. Dual dissemination can be a helpful practice for ensuring that complaints are not overlooked. A system of dual dissemination involves having an Ethics or Compliance Officer receive copies of all reports as a secondary layer of dissemination, beyond the report sent to the person responsible for investigation. For example, reports of harassment would be sent to Human Resources as the primary recipient of the information, with a copy to the Ethics Officer as the secondary recipient.

The industries with the most anonymous hotline reports were the transportation, communication, and utilities industries (59.5 percent), followed closely by retail trade (57.6 percent). The only industry where less than a third of all reports were anonymous was in the area of public administration (29.4 percent).

Reports about customer or competitor interaction were most likely to be made anonymously, with 61.6 percent of callers choosing not to identify themselves. Incidents involving personnel management also were more likely to be made anonymously (59.7 percent).

At the other end of the spectrum, two-thirds of reports involving corruption and fraud were not anonymous, followed closely by reports of ethics-code violations, where 58.9 percent of reports were
The authors of the study speculated that the Sarbanes-Oxley Act and whistleblower protections have made individuals “more comfortable reporting corruption and fraud.” And the authors noted that in some cases, individuals making a hotline report may be willing to provide their name “because they have a strong desire to be part of the resolution.”

**Corrective Action Common**

The benchmarking report suggests that nearly two-thirds of hotline reports, regardless of the industry, were valid enough to warrant additional investigation; nearly half of the reports (46.6 percent) resulted in corrective action.

The retail-trade industry saw the largest percentage of reports (41.7 percent) for which no additional investigation was warranted, followed by the finance, insurance, and real-estate industries (35.1 percent); the transportation, communications, and utilities industries (32.4 percent); and the manufacturing industry (31.8 percent).

The study suggests that incidents that result in corrective action are somewhat more likely to be reported anonymously. “This trend towards anonymous reports resulting in an investigation with corrective action could be due to anonymous reports providing more detailed information or pertaining to more serious allegations,” the authors noted.