



2005 Survey Report

Global Ethics & Compliance Programs
Best-Practices & Benchmarking

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umluluk *código*
ethik **ethics** *Ethiek*
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erhaltenskodex
道德 *cumprime*

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Survey Highlights

Primary Driver: Values Versus Compliance

- The majority of respondents describe the current focus of their organizations' approach to business ethics and compliance as "primarily values-driven" or "primarily compliance-driven, but becoming more values-driven."

Communication and Educational Tools

- Respondents identify the top five communication and educational tools used to support ethics and compliance initiatives as:
 1. Codes of Conduct
 2. Communications from senior management
 3. Helplines
 4. Printed materials
 5. Face-to-face training
- Nearly 2/3 of respondents indicate that their domestic code of conduct has been translated, adapted, and/or modified by international employees or that they have multiple codes for different geographic regions.
- Over 3/4 of respondents who report translating their code, translate it into "all" or "the major languages" spoken by their employees.
- E-training ranks as the top training tool used by respondents for domestic and international employees.
- Over 2/3 of respondents acknowledge that their organizations' boards of directors have participated in ethics or compliance training.
- Over 1/2 of respondents describe the estimated impact of their organizations' investment in training international employees as "very much worth the investment." Nearly 1/3 of respondents report they "do not know" the impact of their investment.

Stakeholder Communications

- Many stakeholder groups receive formal communications or training on organizations' ethics or compliance programs, particularly vendors and consultants.

Highlights



Reporting Misconduct

- Most respondents have a helpline available to international employees, although more than half describe helpline usage by international employees as “limited or nonexistent.”
- Nearly 2/3 of respondents acknowledge misconduct appears to be reported less often by international employees than by domestic employees.
- The top 3 reasons respondents gave as “definite” or “likely” causes of underreported misconduct by international employees are:
 1. Cultural differences regarding what is considered misconduct,
 2. Fear of retaliation from coworkers, and
 3. Fear of retaliation from supervisor or manager.

Local Ethics / Compliance Networks

- Nearly 3/4 of respondents have a formal network of local ethics or compliance representatives in the countries and regions in which they conduct business.
- Nearly 3/4 of local ethics / compliance representatives work in their organizations’ legal department.

Benchmarking and Performance Measures

- When asked about their primary concerns regarding the successful implementation of a global program, ethics and compliance professionals mentioned cultural issues more often than any other topic.
- Over 1/2 of respondents rely on informal benchmarking activities such as attending educational programs, reviewing publications, and networking with peers.
- Employee surveys were mentioned most often by respondents as the way they measure the quality and effectiveness of their ethics / compliance programs.

Highlights



Survey Goals and Objectives

Although it is intuitive that there are unique issues associated with creating a successful *global* ethics / compliance program, little information is available and few surveys have been done that focus on global initiatives. The goal of this survey is to introduce a meaningful measurement tool that can support a common discourse around practitioners' standard practices, best practices, and innovations in the area of global communications and education programs.

The **2005 Global Ethics and Compliance Programs: An Online Survey** is intended to provide useful information regarding the important goals of transferring ethics messages and compliance standards across organizational, geographical, cultural, and linguistic boundaries.

The objectives of the survey were to:

1. Identify standards of comparison for global ethics and compliance professionals;
2. Establish benchmarks and uncover best practices;
3. Share results with the ethics and compliance community; and
4. Create a baseline to conduct meaningful research on a future periodic basis.



Research Methodology and Limitations

The survey included a combination of 43 multiple choice and open-ended questions. An announcement about the survey was e-mailed to 1,133 members of the Ethics Officer Association and over 80 corporate subscribers of the Institute for Business Ethics. (See acknowledgements). One-hundred thirteen EOA members and 19 IBE subscribers responded to the survey for a total response rate of 11 percent.

Survey responses were compiled using an online survey tool (www.surveymonkey.com) during a five-week period in July and August 2005. Individual responses were anonymous and confidential, although respondents could elect to provide their name and contact information for follow-up communications.

Total Respondents

113 Ethics Officer Association members

19 Institute for Business Ethics subscribers

Total Response Rate: 11%

Survey results may reflect the following potential limitations:

- Limited timeframe for responses (i.e., five weeks).
- Possibility of multiple responses from one company (e.g., the EOA has 529 member companies and 1,133 members).
- Completion of all 43 survey questions was restricted to respondents who indicated their organizations have local operations in other countries AND ethics/compliance programs that have been implemented internationally (97 respondents).



Respondent Profile

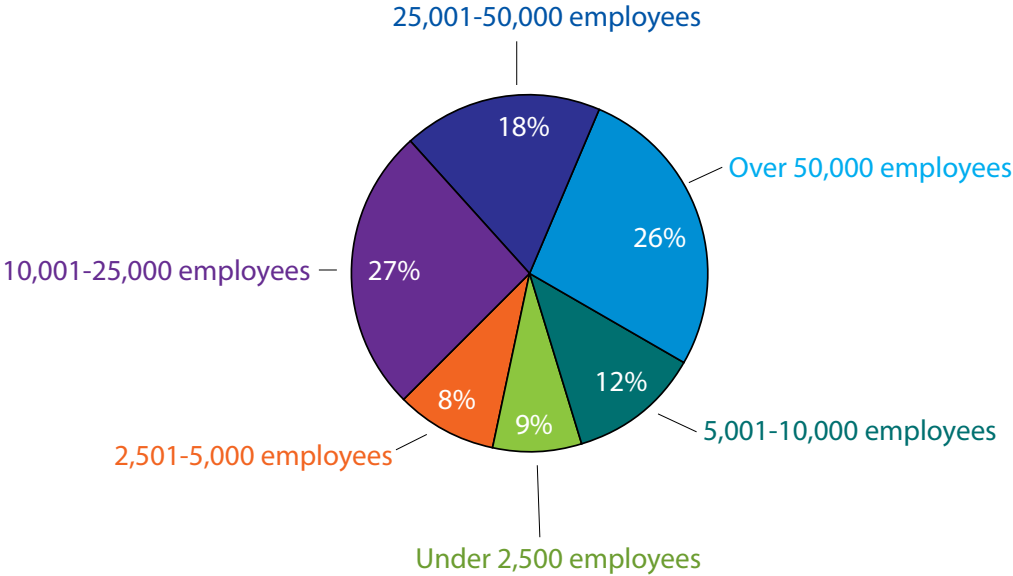
Industries

Respondents represented the following industries:

- Aerospace
- Agriculture
- Biotechnology, healthcare, pharmaceutical and medical products
- Chemical, polymers, and fibers
- Communications, media, information technology, and technology services
- Consumer products and electronics
- Energy, power, oil and gas
- Financial services, banking, insurance, professional services
- Forest Products
- Manufacturing
- Retail
- Transportation, engineering, and waste
- Tobacco

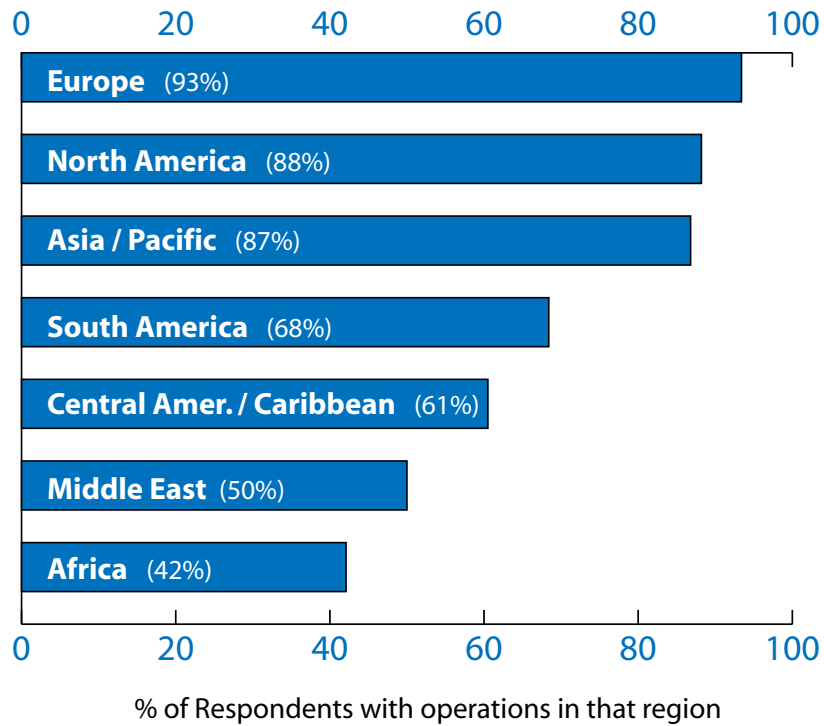
Organization Size

Respondents represented organizations with the following number of employees:

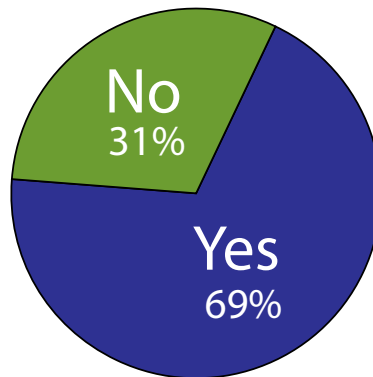


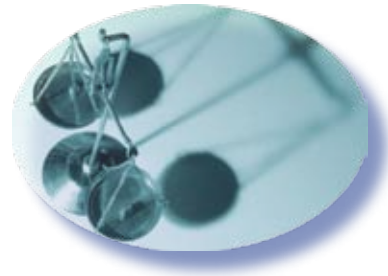
World Regions

Respondents' organizations have local operations in the following regions:



Do You Have Responsibility for Your Company's **Global** Business Ethics / Compliance Initiatives?





Global Programs

What Are the Driving Forces Behind Global Programs: Organizational Values or Compliance?

Over 70% of respondents describe the current focus of their organizations' approach to business ethics and compliance as "primarily values-driven" or "primarily compliance-driven, but becoming more values-driven." This approach is consistent with the recommendations of many thought leaders in the ethics and compliance community. 17% of respondents acknowledged a shift in focus from "primarily values-driven" to "more compliance-driven."

How Are Messages Delivered to Employees?

Organizations currently use a diverse portfolio of communication and educational tools to support their ethics and compliance initiatives. The tools used do not differ widely between domestic and international programs, according to respondents. The following chart ranks the use of support materials for domestic and international employees.

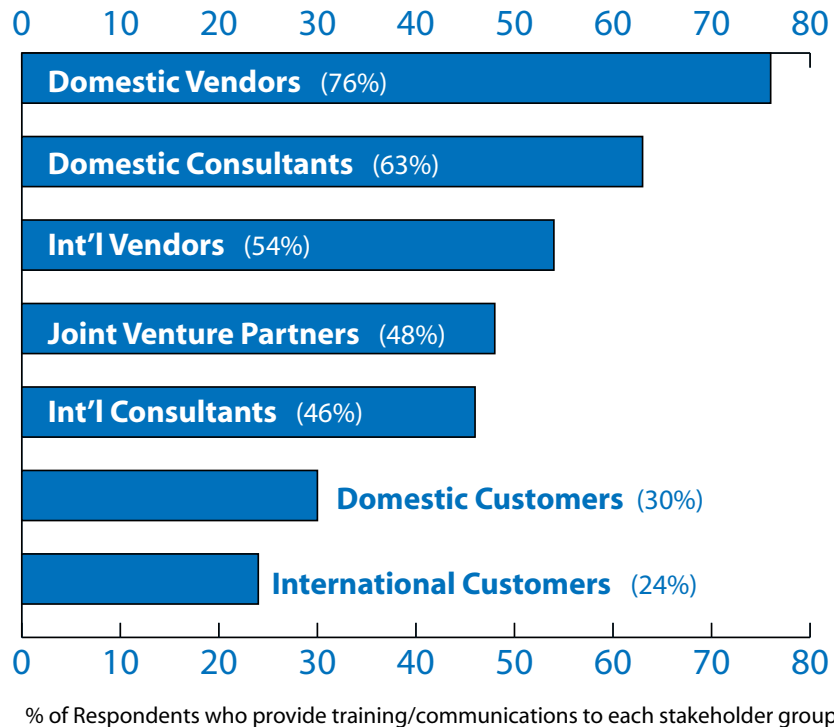
Rank of Use for <i>Domestic</i> Employees	Communication and Educational Tools	Rank of Use for <i>International</i> Employees
1	Code of Conduct	1
2	Communications from senior management	2*
3*	Helpline	2*
3*	Printed materials (e.g., brochures, posters, promotional items, etc.)	3
4	Face-to-face training	4
5	Articles in company newsletters	6
6	E-training	5
7	Compliance certification requirement	7
8	Site visits	8
9	Sub-committees	10
10	Focus groups or pilot testing	11
11	Ethical assessments incorporated into performance evaluations	9
12	Competitions or reward programs	12

*Equal number of respondents

Communicating With Other Stakeholders

Respondents confirm that traditional employees are not the only recipients of information about an organization's ethics or compliance program. Many stakeholder groups also receive formal communications or training on organizations' ethics or compliance programs, particularly vendors and consultants.

Q: Which of the following stakeholder groups have received formal communications or training on ethics / compliance initiatives?





What Are the Primary Concerns You Have Regarding the Successful Implementation of a Global Program? (Below are sample responses; some responses have been edited for clarity.)

22 respondents mentioned – **Cultural Barriers**

- *"Delivering a consistent message in language and formats that are locally appropriate"*
- *"Developing materials that are meaningful and relevant for all employees"*
- *"Encouraging and responding to reports of misconduct by international employees"*
- *"Increasing international employees' comfort level to raise questions and concerns"*
- *"Not knowing or not recognizing cultural differences"*
- *"Overcoming local ways of doing business that are not in compliance"*

13 respondents mentioned - **Program Integration**

- *"Ensuring consistency in application of penalties and responses to misconduct"*
- *"Ensuring fair treatment across all locations"*
- *"Focusing on embedding culture rather than enforcing compliance"*
- *"Improving helpline/feedback access and usage"*
- *"Keeping it simple"*
- *"Overcoming appearance of program as a 'US export'"*

10 respondents mentioned – **Resources**

- *"Delivering the message in a cost effective manner"*
- *"Having adequate personnel, materials and finances to implement the program in all locations"*

9 respondents mentioned – **Oversight and Evaluation**

- *"Achieving transparency in case management"*
- *"Addressing pressure to show results"*
- *"Developing effective performance measures"*
- *"Managing competing priorities"*

8 respondents mentioned – **Communication and Education**

- *"Creating and delivering compelling training programs"*
- *"Developing targeted training based around high risk groups and issues"*
- *"Incorporating real cases"*
- *"Maintaining accountability after training"*
- *"Managing logistics of international training (e.g., subtitles, equipment differences, etc.)"*
- *"Training non-English speaking populations"*

6 respondents mentioned - **Program Acceptance**

- *"Obtaining management support, ownership, enforcement and role-modeling"*
- *"Overcoming organizational and cultural resistance"*

5 respondents mentioned – **Legal Concerns**

- *"Reconciling differing legal issues, especially regarding competitive intelligence practices, gifts and entertainment practices, privacy issues and whistleblower regulations"*
- *"Staying current on domestic and local legal regulations"*



Codes of Conduct

Domestic versus International Codes of Conduct

All survey respondents confirmed that their organizations currently have a code of conduct. 33% of respondents describe their code as a single code of conduct, which is distributed, unmodified, to all domestic and international employees. Slightly more than half (55%) of respondents noted that their domestic code of conduct has been translated, adapted and/or modified for international affiliates.

For most organizations, the only difference between the domestic and international codes of conduct is the language of publication; the content of the international code is a direct translation of the domestic code. 65% of respondents translate the code of conduct into the major languages spoken by most employees. 15-20% of respondents also modify the content of their international codes of conduct to incorporate local laws and cultural differences.

15-20% of respondents modify the content of their international codes of conduct to incorporate local laws and cultural differences.

In over 60% of cases, respondents confirmed that the international code of conduct was developed with some level of involvement from international affiliates. International employees often responded to a solicitation for comments and some participated in focus groups that were established to create or review the code. Nearly 25% of respondents acknowledged that their international code of conduct was developed by ethics, compliance, or legal staff members without input from international affiliates.



Training

What Are Organizations Doing About Training?

Over 65% of domestic and international employees receive training “periodically” or “annually.” Senior management and high risk employees participate in ethics / compliance training most regularly. 32% of respondents indicated that their organizations’ boards of directors have not yet participated in ethics or compliance training. 91% of respondents acknowledged that formal training is currently provided to employees.

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Of those respondents who provide formal training,

42% rely primarily on **e-training**, supplemented by face-to-face training, while

30% of respondents deliver training primarily **face-to-face**, supplemented by e-training.

Training Tools

The following chart ranks the use of training tools by respondents.

Rank of Use for Domestic Employees	Training Tools	Rank of Use for International Employees
1	E-training on specific subjects (e.g., gift giving, facilitation payments)	1
2*	Classroom training presented by ethics / compliance staff	2
2*	E-training based on the code of conduct	3
3	Subject matter training for selected employees	4
4	Classroom training presented by other staff members	5
5	Classroom training presented by line managers	6
6*	Train the trainer programs	7*
6*	Videos	7*
7	Other E-training [†]	8
8	Classroom training presented by external facilitators	9

*Equal number of responses

[†] Other E-training Topics Mentioned by Respondents:

Anti-money Laundering
Antitrust Issues
Discrimination Prevention
Employee Fraud
Export Controls
Foreign Corrupt Practices Act
Harassment
Industry-specific Topics

Insider Trading
Integrity
Privacy
Protection of Sensitive Information
Procurement
Refresher Training
SEC Requirements



Adapting Training for International Audiences

58% of respondents affirmed that training materials for international affiliates were developed by the ethics or compliance office with “limited” or “significant” involvement from international employees. In a majority of cases (58%), international employees responded to a solicitation for comments; some also participated in focus groups and pilot testing of the training program.

58% of respondents acknowledge that international employees were involved, to some extent, in the development of training materials.

25-30% of respondents modify the content of their international training materials to incorporate local laws, policies, and cultural differences. 57% of respondents noted that training provided to international employees is directly translated from domestic materials.

Half of respondents conduct training in employees’ local language “always” or “most of the time.” 33% of respondents usually conduct training in English, with occasional local-language training. One respondent explained that training for executives is conducted in English because it is the common language for those in attendance.

Does International Training Pay?

Overall, the majority of respondents describe the estimated impact of their organizations’ investment in training international employees as “very much worth the investment.” 32% of respondents did not know the impact of their organizations’ investment in training international employees.

The majority of respondents describe the estimated impact of their organizations’ investment in training international employees as “very much worth the investment.”



Local Representatives

How Ethics and Compliance Offices Leverage Global Resources

Nearly 3/4 of respondents have a formal network of local ethics or compliance representatives in the countries and regions in which they conduct business. The number of representatives varies widely, from 1 to nearly 300.

Local Representatives: Who Are They?

Over 70% of local ethics / compliance representatives work in their organizations' legal department. The remaining representatives work in human resources (56%), auditing/finance (50%) or as a country manager / head of business unit (34%). Other functional backgrounds mentioned by respondents include security, operations, and external or corporate affairs.

Most local ethics or compliance representatives are management-level employees who have been recommended by members of local management. A few organizations noted that representatives were chosen through a formal application process to the office of ethics or compliance; others indicated that representatives were elected by their peers.

Over 76% of local ethics / compliance representatives serve indefinite terms. A few respondents noted that term limits were set for local representatives in more senior-level ethics or compliance positions (e.g., committee chairs or team leaders).



Local Representatives: What Do They Do?

Local representatives assist ethics and compliance offices in a variety of ways. The following chart ranks the type of assistance provided, according to respondents.

Assistance Provided by Local Representatives	Ranking
Communicate ethics / compliance initiatives to local employees	1
Oversee local compliance with company standards and policies	2
Provide periodic consultation to ethics / compliance officer	3
Create or adapt ethics / compliance communication materials for local employees	4
Create or adapt ethics / compliance training materials for local employees	5*
Investigate incidents	5*
Create and approve local standards and policies	6*
Receive or review local helpline calls	6*
Coordinate focus groups, pilot tests, or training roll-outs	7
Review audit results	8
Implement disciplinary action	9

*Equal number of respondents



Reporting

Are International Employees Reporting Misconduct? Why or Why Not?

While the majority of respondents confirm that the disciplinary process for misconduct is similar or the same for domestic and international employees, over 60% of respondents acknowledge misconduct appears to be reported less often by international employees than by domestic employees.

When asked why misconduct may be underreported among international employees, 40% or more of respondents identified the following three reasons as “definite” or “likely” causes of underreporting:

1. Cultural differences regarding what is considered misconduct
2. Fear of retaliation from coworkers
3. Fear of retaliation from supervisor or manager

When asked why misconduct may be underreported among international employees, 40% or more of respondents identified the following two reasons as “probably not a cause” of underreporting:

1. Language barriers
2. Limited access to reporting mechanisms (e.g., Internet access, private telephone line)

Over 60% of respondents acknowledge that misconduct appears to be reported less often by international employees than by domestic employees.

Are Helplines Helping?

Although nearly 90% of respondents have a helpline available to international employees, more than half of respondents describe helpline usage by international employees as “limited or nonexistent.” Approximately 32% of respondents say the number of calls by international employees is increasingly slightly.

Helpline interpretation services are provided by nearly three-quarters of respondents’ organization, while a few organizations still require callers to speak English.

Many respondents confirmed that they formally review their helpline on a regular basis (e.g., monthly, quarterly, or annually), although 25% have not conducted a formal review to date.



Measurement & Evaluation

Respondents offered the following insights regarding these open-ended questions. Similar responses have been grouped by topic and edited for clarity.

What Are You Doing to Benchmark With Other Organizations?

Respondents acknowledged that most benchmarking efforts are informal, although a few companies have initiated more formal activities.

38 respondents mentioned - **Educational Programs, Publications and Networking**

10 respondents mentioned - **Benchmarking Projects with Other Leaders in the Ethics and Compliance Field** (*e.g., gap analyses, interviews, site visits, etc.*)

4 respondents mentioned - **Guidance from Consultants, External Counsel and Service Providers**

Ethics / Compliance Resources Identified by Respondents

- Compliance and Ethics Leadership Council (www.celc.executiveboard.com)
- Corporate Executive Board (www.executiveboard.com)
- Defense Industry Initiative (www.dii.org)
- Ethics Officer's Association (EOA) (www.eoa.org)
- Ethics Resource Center (www.ethics.org)
- General Counsel Roundtable (www.generalcounselroundtable.com)
- Global Council on Business Conduct (www.conference-board.org)
- Institute of Business Ethics (www.ibe.org.uk)
- Society of Corporate Compliance and Ethics (SCCE) (www.corporatecompliance.org)
- And other local ethics organizations (*e.g., Bay Area Compliance Association*)

How Do You Measure the Quality and Effectiveness of Your Ethics / Compliance Program? (Below are sample responses; some responses have been edited for clarity.)

26 respondents mentioned - **Employee Surveys**

- "Corporate-wide surveys (e.g., risk assessment)"
- "Ethics office-driven surveys"

18 respondents mentioned - **Assessments of Reporting Channels**

(e.g., helplines, e-mails, face-to-face reports, etc.)

- "Quality of call / e-mail management"
- "Volume of calls / e-mails / reports"
- "Trend analysis (e.g., by business unit, issue, region, response time, length of investigation)"
- "Follow up interviews with individuals involved in investigations"

11 respondents mentioned - **Ethics and Compliance Audits**

- "Conducted by internal audit groups"
- "Conducted by compliance committees"

11 respondents mentioned - **Management Metrics**

- "Incident rates"
- "Losses per \$1M revenue"
- "Number of regulatory actions"
- "Review of fines and penalties"
- "Verified allegations per 1000 employees"
- "Performance reviews (e.g., assessing extent of integration, accountability)"
- "Policy reviews"
- "Self-assessments by management"
- "Site visit reports"

9 respondents mentioned - **Training Metrics**

- "Anecdotal or anonymous feedback"
- "Participation / completion rates"
- "Pre- and post-training evaluations"

6 respondents mentioned - **Focus Groups**

5 respondents mentioned - **Benchmarking and/or Gap Analyses**

- "Comparison of milestones achieved versus planned activities"
- "Comparison with other leaders in ethics and compliance field"
- "Comparison with revised U.S. Federal Sentencing Guidelines"

3 respondents mentioned - **Ethics/Compliance Office Measures**

- "Analysis of ethics database"
- "Annual report of activities"



Acknowledgements

Language & Culture Worldwide would like to express sincere gratitude to the following individuals and organizations for their valued assistance with this survey.

The Ethics Officer Association (EOA)

The Ethics Officer Association (EOA) is a non-consulting, member-driven association exclusively for individuals who are responsible for their company's ethics, compliance, and business conduct programs, and is dedicated to building trust and corporate integrity worldwide. The only organization of its kind, it is the largest group of corporate ethics and compliance practitioners in the world. By bringing together people who are new to the field with those with years of experience to share, EOA facilitates peer-to-peer learning, and helps to foster a global commitment to ethics and integrity.

The EOA offers an annual conference for ethics and compliance professionals, professional development workshops, periodic web casts, and regional forums that provide members the opportunity for education and discussion on recent legislation. In addition, the EOA publishes a monthly newsletter, daily news updates, and houses a library containing ethics and compliance program materials from more than 300 member companies, along with business videos, DVDs, magazines and books.

The EOA is a non-profit, 501(c)(6) association, which derives all of its revenue from members' dues, conferences and other meeting fees, and financial contributions. EOA members represent more than 500 companies worldwide and over 30 industries. To learn more about the EOA, please visit the website at www.eoa.org or call 781-647-9333.

The Institute for Business Ethics (IBE)

The Institute of Business Ethics (IBE), based in London, England, is a registered charity established to encourage high standards of corporate and business behavior and the sharing of best practices. The IBE currently has over 80 subscribers. For more information about the IBE, visit www.ibe.org.uk.

Individual Survey Respondents

The standards of practice described in this report would not be possible without the voluntary participation of 132 respondents who shared information about their organizations' ethics and compliance programs.



About the Sponsor

Language & Culture Worldwide (LCW) is a research, training and development consultancy based in Chicago, Illinois (USA). LCW specializes in helping firms to adapt their ethics and compliance messages to be more effective across cultural, linguistic, and geographic boundaries. For more information, visit www.LanguageAndCulture.com.

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It's a multi-cultural world...
Are You Ready?™



Plans for the 2006 Survey

Planning has begun for the 2006 version of the *Global Ethics and Compliance Programs Survey*. We look forward to hearing your ideas regarding:

Additional questions to include

Other ethics and compliance practices to address

Suggestions for enhancing the survey

Applications that can be achieved using the data

Suggestions for improving representations of the results and data

Please send your ideas regarding the 2006 Survey to Language & Culture Worldwide at

EthicsSurvey@languageandculture.com

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Global Ethics & Compliance Programs
Best-Practices & Benchmarking