



LRN *Inspiring Principled Performance*

Strong foundations:
The importance of
risk mitigation



2024

Ethics & Compliance
Program Effectiveness Report

North American Edition



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 2024 Ethics & Compliance Program Effectiveness Report. This report provides insight into the foundations of ethical culture in organizations across North America.



Contents

Introduction	4
Highlights	9
Detailed findings	12
North American E&C programs: What is working well and what isn't	13
1. Values fuel ethical culture and decision-making	14
2. Risk management and mitigation are high priorities	16
3. Operationalizing E&C into decision-making presents challenges	22
4. E&C programs are impactful when it matters	24
5. Company size makes a difference: Mid-sized vs. Large enterprise programs	30
What do high-performing programs do better?	37
1. Scaling E&C program operations globally	38
2. Using data for ongoing evaluation	41
3. Having an active and educated board of directors	42
4. Making training more effective and risk based	46
5. Meeting employees where(ever) they are	54
Conclusion	62
Methodology & Demographics	67

Introduction

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 [2024 global report](#) is based on a survey of 1,415 ethics and compliance professionals at companies and organizations. North America—defined in this report as Canada and the United States—represented 33% of our respondents worldwide. Using methodology and insights we have developed over 30 years working in this space, we analyzed the data and information these practitioners provided to determine the critical differentiators that make some E&C programs more effective than others.

LRN's ongoing research and experience with thousands of organizations over the decades demonstrates that a values-based approach to governance builds and sustains ethical culture that correlates strongly with more effective E&C programs. Values transform culture and impact behavior; rules merely set minimum standards. Both are necessary, but rules are not self-executing, and culture determines which ones are observed in practice. Moreover, ethical culture underpins successful performance across the organization, not just in the ethics and compliance area. Our research has consistently shown that an organization dedicated to sustainable human values will exhibit superior performance across operations and be significantly more successful at integrating ethics and compliance into its day-to-day operations.





North America: Keeping up with trends and setting new ones

In many ways, the data for North American ethics and compliance programs mirrors global trends. This overarching similarity illustrates how companies worldwide are changing the way they operate. It also marks the emergence of a global standard, as discussed in the special [Global Standards Edition](#) of our *Ethics & Compliance Program Effectiveness Report* that evaluated program performance from 2020 to 2023. Focusing on company values and responding to key risk developments have been the most impactful ways to determine where to add and deploy resources to keep companies operating ethically.

We identified data privacy risks as a major concern that applies to companies doing business in California. For example, the California Consumer Privacy Act (CCPA), though signed into law in 2018, only began to see enforcement actions in 2022 with a landmark settlement of \$1.2 million with beauty retailer Sephora for CCPA violations. A clear line was certainly drawn, as California Attorney General Rob Bonta stated in the 2022 press release, “I hope today’s settlement sends a strong message to businesses that are still failing to comply with California’s consumer privacy law. My office is watching, and we will hold you accountable.”

More recently, in September 2023, AG Bonta reached a major \$93 million settlement with Google. The press release noted that Bonta “determined Google was deceiving users by collecting, storing, and using their location data for consumer profiling and advertising purposes without informed consent.” Beyond the fine levied, Google agreed to adopt a number of remediation measures to avoid this type of misconduct in the future. These enforcement actions have shone a new “local” spotlight on consumer privacy rights that had previously not been a major risk. Although the adoption of the EU’s General Data Protection Regulation (GDPR) in 2018 should have put North American companies with any global presence on notice for data privacy regulations.

Overall, North American E&C programs are more robust and impactful than other programs we surveyed. Much of this stems from the comprehensive guidance from the US Department of Justice (DOJ) over the years, which has created clearer expectations for compliance programs. The data in this report speaks to how robust E&C programs are while still underscoring perennial limitations, such as limited budgets, that are always an issue for E&C professionals.

North American E&C programs tell a compelling story when broken down by company size. We followed this thread and discovered interesting differences and trends between mid-sized and large enterprise programs. For the purposes of this report, “mid-sized” organizations are defined as organizations with 1,000 to 10,000 employees, whereas “large enterprise” organizations are defined as organizations with more than 10,000 employees.





Highlights

According to our 2024 report...

Our report reflects the continued strength of North America as a leader in E&C programs, blazing a trail that has become a model on the global stage.

Like their global counterparts, North American E&C programs show that:

82% Values as the principal means of motivating ethical behavior has become a fundamental principle of E&C programs. **82%** of E&C professionals indicated their organization emphasizes values rather than rules to motivate ethical behavior—a 29 percentage-point increase from when we first asked this type of question in 2016.

60% More and more organizations—over **60%** of those surveyed—have incorporated ethical behavior into performance systems, major hiring decisions, promotion, and bonuses.

61% And **61%** 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.

High-performing programs were more likely to take a hybrid approach to training, combining live custom training with online content to efficiently and effectively train employees than less-effective programs.

76% Moreover, **76%** of all survey respondents have made significant changes to their E&C programs to meet the needs of employees working remotely and on a hybrid basis.

A deeper dive into North American respondents revealed some gaps between mid-sized and large enterprise E&C programs that show different approaches to strikingly similar risks, with shifts in focus for 2024.

45% Mid-sized programs are working to do more with less, prioritizing improvements to web-based resources (**45%**) and hotline/speak-up processes (**44%**).

43% Large enterprise programs, by contrast, are focusing on enhancements to more mature program elements like measuring ethical culture (**43%**) and training delivery (**39%**).

59% Budgeting remains an issue regardless of company size. **59%** of both mid-sized and large enterprise programs identified budget constraints as an obstacle to program effectiveness.

Top-ranked programs go beyond the basics, are accessible to employees, and prioritize enhancements to meet new and emerging global risks.

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. 67). Our overall findings show that high-performing programs in North America significantly outperformed less-effective ones, specifically:

1.4x

more indicated that their board had responsibility for E&C oversight, possessed E&C expertise, and received E&C training, compared to just over half of low-impact programs.

1.5x

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, 83% compared to 56% of low-impact programs).

1.5x

more scaled their E&C programs globally, using regional committees and ethics ambassadors as well as appointing compliance officers to countries in which they had major operations.



1.6x

more made significant program changes to meet the needs of employees working remotely and on a hybrid basis (92% compared to 57% of low-impact programs).

1.7x

more improved their training systems to make them more user-friendly and increase overall effectiveness (60% compared to 34% of low-impact programs).

1.8x

more incorporate employee-friendly features into their hotlines such as explanatory material on how complaints are handled, links to non-retaliation policies, and helplines for additional assistance reporting misconduct (on average, 55% compared to 30% of low-impact programs).

1.9x

more leverage data from a variety of sources to guide E&C program focus and development as part of ongoing evaluation—including risk analysis, misconduct trends and patterns, root cause analysis data, ethical culture surveys, training content retention, benchmarking, and much more (on average, 58% compared to 30% of low-impact programs).



Detailed findings

North American
E&C programs:
What's working well
and what isn't

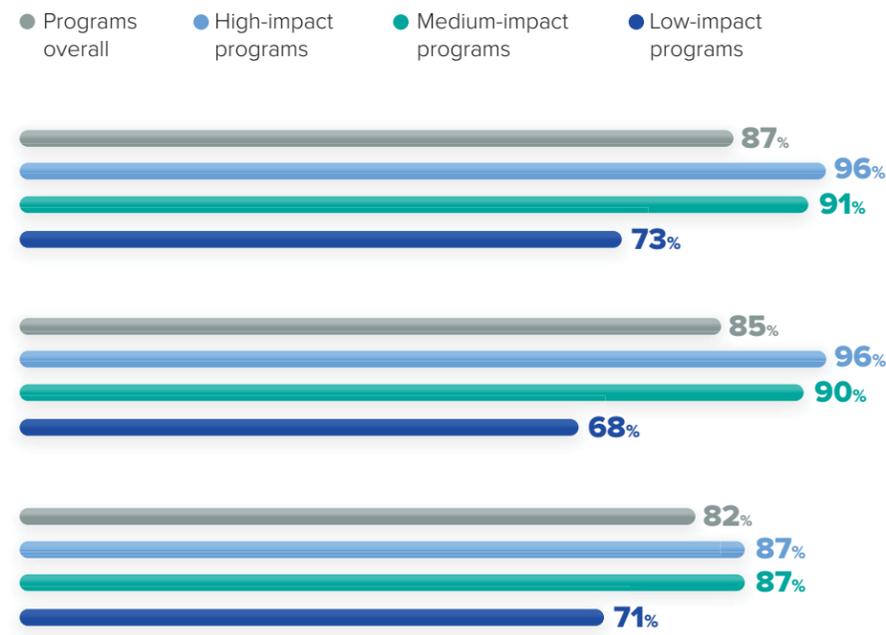


1 Values fuel ethical culture and decision-making

Emphasizing values over rules is a hallmark of an impactful E&C program, a finding consistent with LRN research over the years. This was particularly true in North America. Our 2024 survey found that 82% of North American programs rely on values as the principal means of motivating leaders and employees towards ethical behavior, compared to 77% of the E&C programs [we surveyed globally](#). Additionally, 85% of all North American respondents—and 96% of the region’s high-performing programs—stated that their ethical culture has gotten stronger in the last year.

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?

(% Agree)

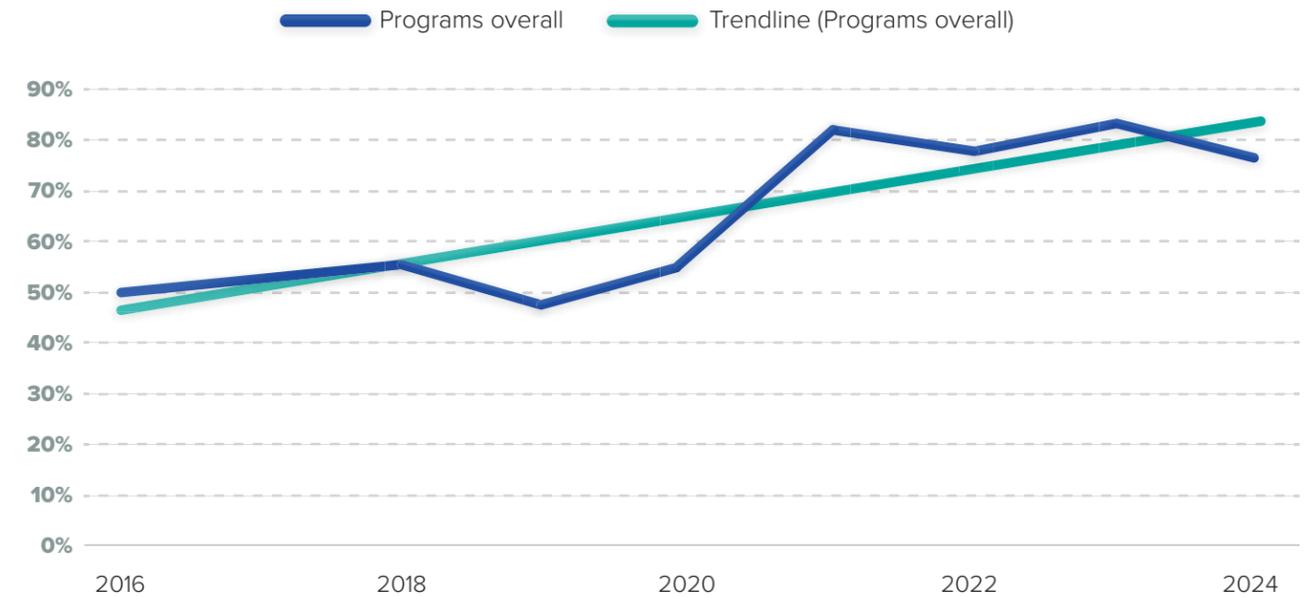


Finally, 87% of all North American programs surveyed this year report that E&C considerations played an important role in how the organization responded to the challenges it faced, compared to 82% of programs globally.

As mentioned earlier, emphasizing values as the principal means of motivating ethical behavior is a best practice that has gained traction over time.

The growing role of values

Over time, programs and organizations increasingly focus on values, rather than rules.



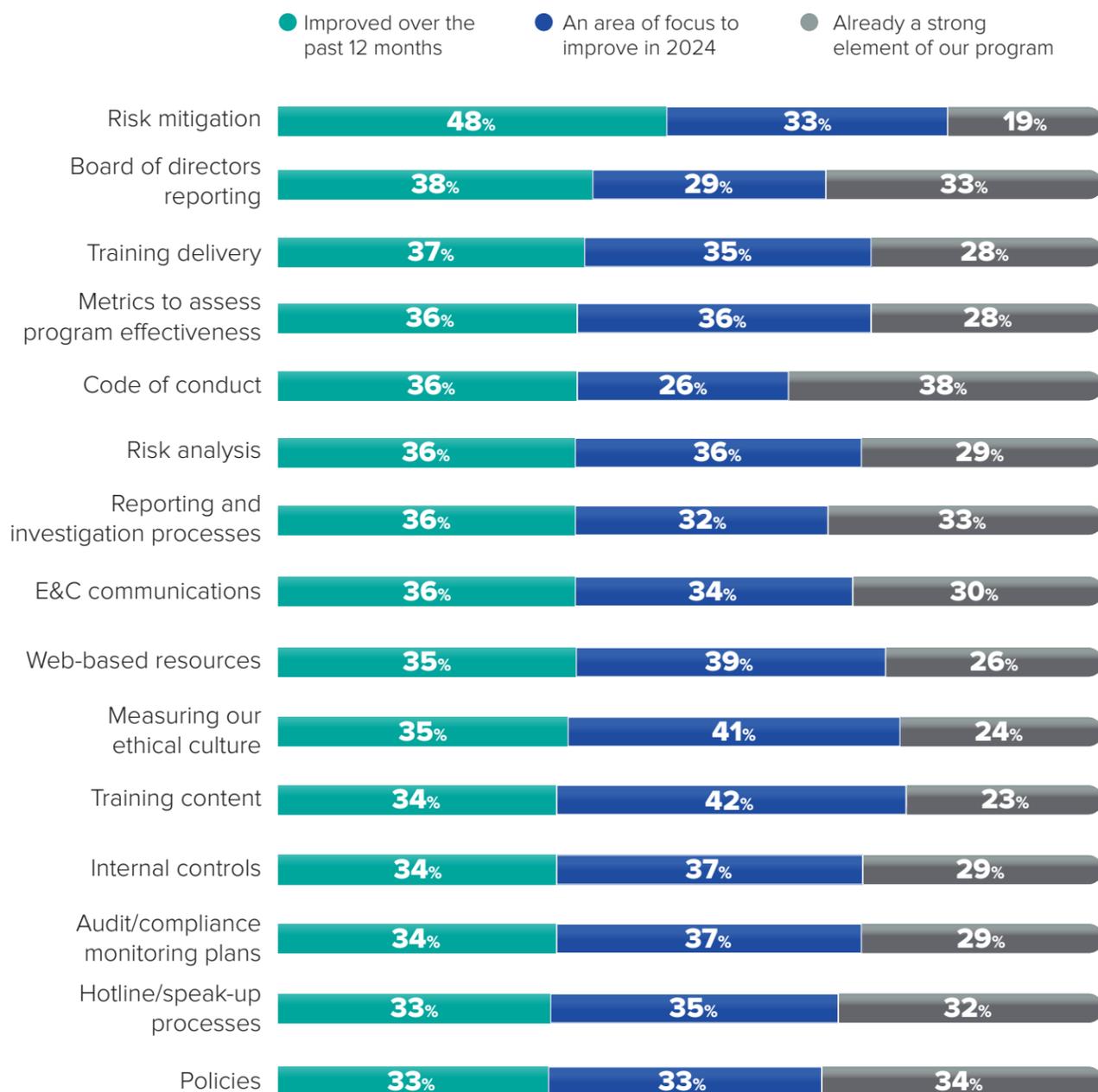
For the last eight years, LRN has asked E&C professionals whether their program and company efforts have increasingly focused on values, not just rules. Although the wording of this question has varied slightly over time, the responses clearly indicate that values-based E&C programs are now the norm. The 82% of North American E&C professionals who indicated their organization emphasizes values rather than rules to motivate ethical behavior marks a significant increase—by 29 percentage-points—from when this topic was surveyed to North American respondents in 2016.



Risk management and mitigation are high priorities

Risk is the foundation of E&C programs, and this year’s data clearly demonstrates that risk has taken on new importance and priority for program design. By a wide margin, risk mitigation was the main area of focus for North American E&C programs to improve over the past 12 months.

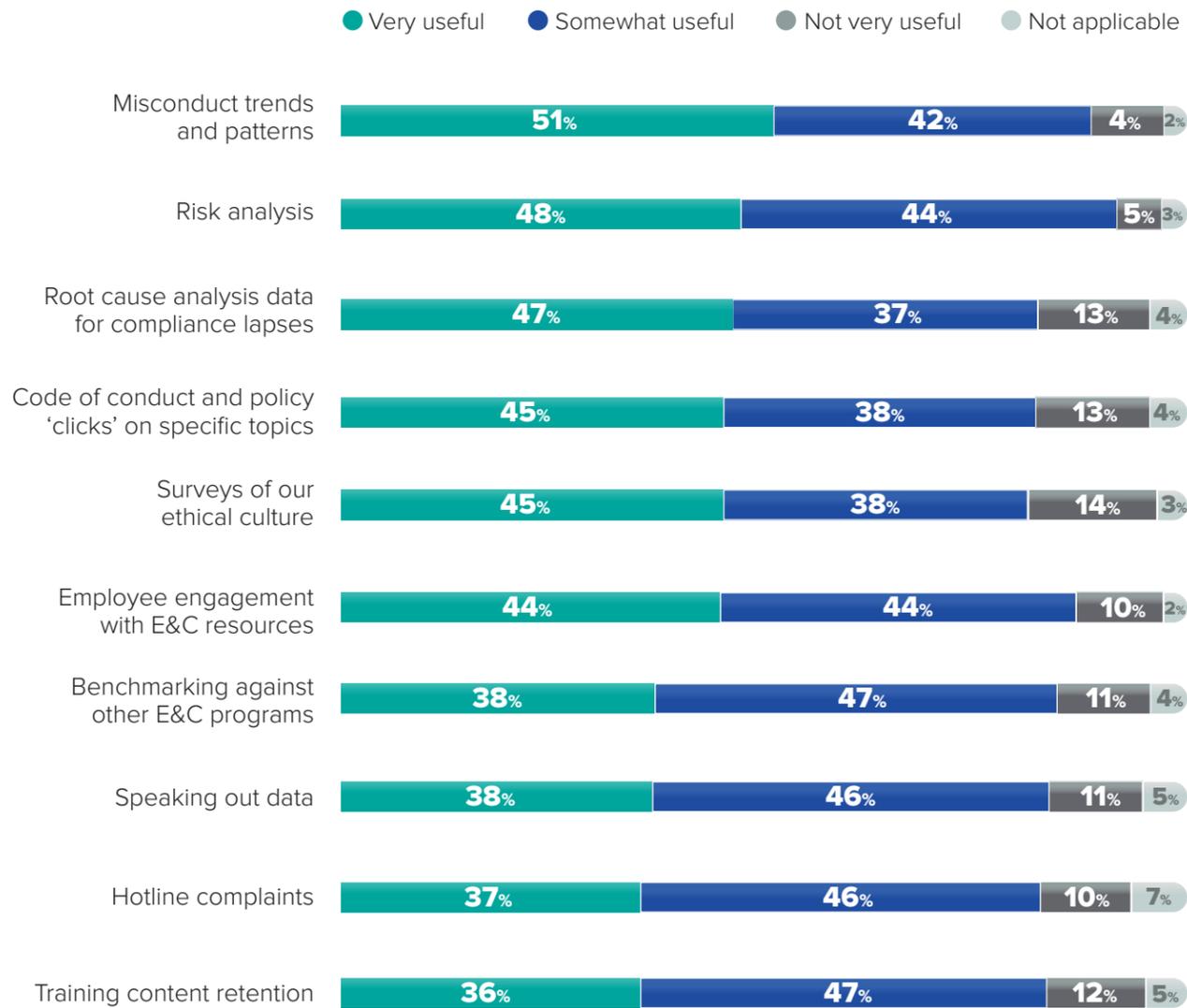
Rate the status of the following E&C program elements





Additionally, North American programs ranked risk analysis just behind misconduct trends in terms of usefulness for evaluating program impact and identifying areas for improvement.

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



Risk is the foundation of an effective E&C program

The US Department of Justice has articulated that updated, comprehensive risk analyses are the basis for an effective ethics and compliance program in the Criminal Fraud Division's [*Evaluation of Corporate Compliance Programs*](#) (ECCP). Updated in March 2023, the ECCP is a set of guidelines for DOJ prosecutors to use in evaluating the strength and effectiveness of corporate E&C programs. The DOJ's evaluation of corporate E&C programs is a major factor in determining whether to bring charges, as well as the severity of any fines or penalties imposed because of corporate misconduct. There are three fundamental topics in the ECCP:

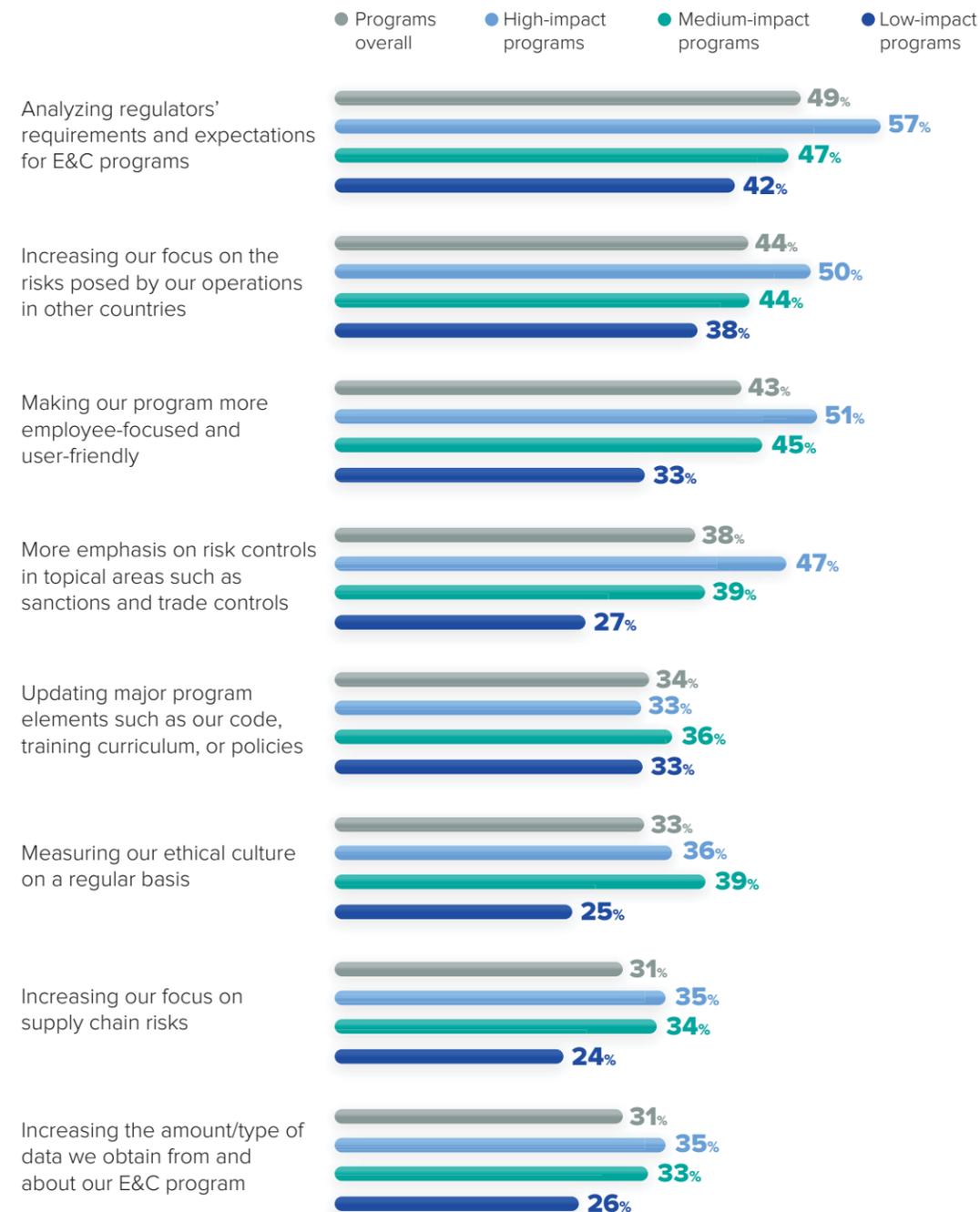
- 1 Is the corporation's compliance program well designed?
- 2 Is the program being applied earnestly and in good faith? In other words, is the program adequately resourced and empowered to function effectively?
- 3 Does the corporation's compliance program work in practice?

As part of these determinations, the ECCP emphasizes the importance of risk in E&C programs (emphasis added): "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."

Well-designed programs change their priorities to respond to changing risks and challenges. North American respondents indicated they are focusing most of their efforts on addressing complex government regulations that impact their business as well as risks posed by operations in other countries—two areas likely to overlap.

What changes has your E&C team made in the past 12 months?

(Select all that apply)



An example of the changing regulations in North America is the newly enacted *Fighting Against Forced Labour and Child Labour in Supply Chains Act*. This act represents Canada's first modern slavery legislation, and its requirements are a significant step forward for the country, stating:

“Every entity must, on or before May 31 of each year, report to the Minister on the steps the entity has taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.”

—Fighting Against Forced Labour and Child Labour in Supply Chains Act, Government of Canada, May 2023

The reporting requirements of this new legislation are set to become effective in 2024, and are a major consideration for E&C programs to keep in mind if their organizations do business in Canada.

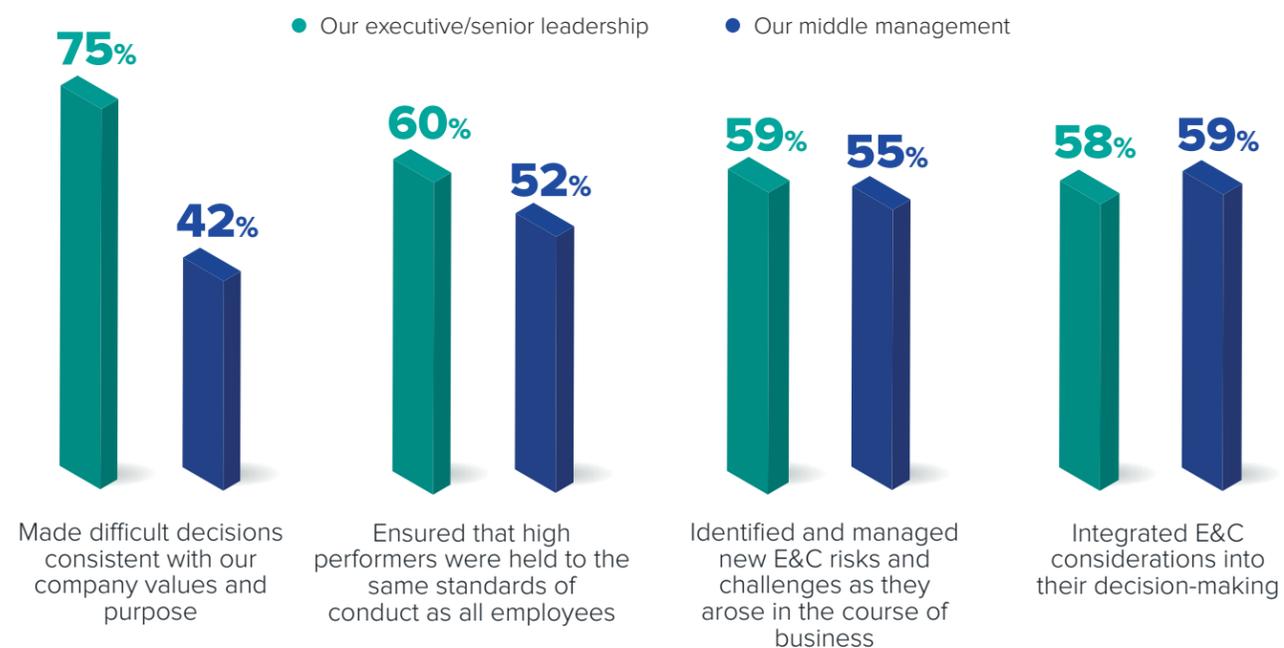


Operationalizing E&C into decision-making presents challenges

Tone at the top is always a crucial 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 data shows that 75% of North American respondents said their executive leaders are generally walking the talk when it comes to dealing with compliance risks by operationalizing company values when making difficult decisions. But the data also illustrates that middle managers in particular struggle to make difficult decisions consistent with company values and purpose. While the gap between leadership and middle managers isn’t quite as wide as in the other regions we surveyed, there is still a 28 percentage-point difference between the two, showing that there is still more work to be done.

What steps have your organization’s leaders taken to respond to compliance risks and challenges in the past 12 months?

(% Yes)



These results are consistent with our data from the past several years and show that focusing on helping middle managers make hard choices, consistent with the organization’s values, is an area for greater attention. This is especially important considering the enhanced focus globally on personal accountability and mitigating risk. The 2023 version of the ECCP asks, “Have managers tolerated greater compliance risks in pursuit of new business or greater revenues? Have managers encouraged employees to act unethically to achieve a business objective, or impeded compliance personnel from effectively implementing their duties?”

E&C programs are impactful when it matters

One of the areas of focus for the US Department of Justice is whether an E&C program has sufficient authority and resources to carry out its function and purpose. The ECCP 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.” In short, 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 success.

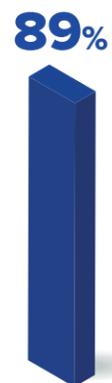
Do E&C programs have sufficient resources, rank, information and access to carry out their mission? (% Agree)



Our E&C function has sufficient resources, authority, and reach to ensure that major risks facing our organization are effectively identified and mitigated.



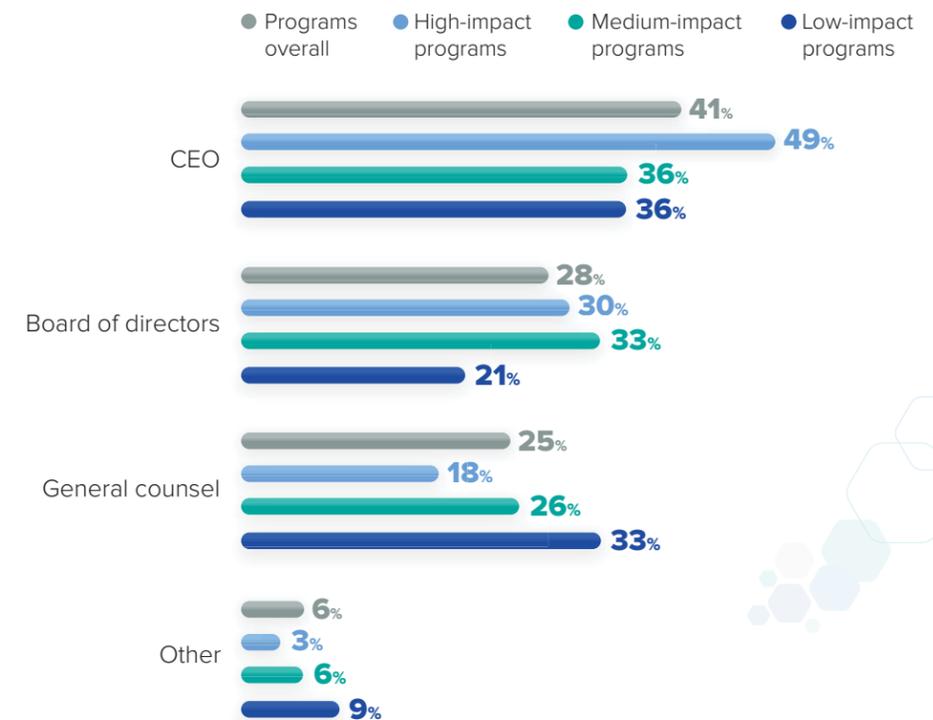
Our E&C function has the ability to raise issues or concerns directly to the board of directors.



Our E&C function has the resources and rank comparable to other key risk functions (such as Audit or Security) within our organization.

Consistent with our global findings, all North American programs surveyed reported favorably in this critical area. Although programs varied in their reporting relationships amongst the CEO, general counsel, and board of directors, 90% of respondents had the authority to raise issues directly to the board.

To whom does the person assigned administrative responsibility for the E&C program report?



What does effective remediation look like?

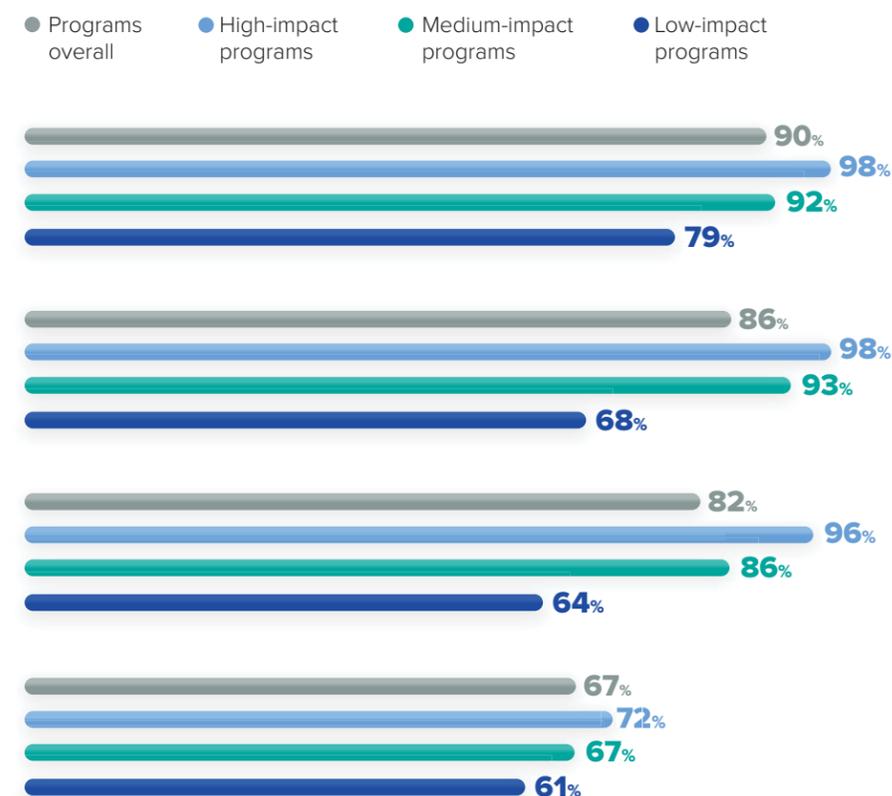
The 2023 enforcement action by the US Securities and Exchange Commission (SEC) against 3M Corporation illustrates the financial penalties of a FCPA civil violation but also provides, on a close reading, a good example of a company responding to a self-discovered violation. In the section of the published enforcement action covering self-reporting, cooperation, and remediation, “the Commission considered 3M’s self-reporting, cooperation and remedial efforts. 3M promptly self-reported the misconduct after first learning of it. The company’s cooperation included making witnesses available for interviews, voluntarily producing translations of relevant documents, sharing facts uncovered during its internal investigation—including notes of witness interviews—and providing comprehensive, periodic updates on its investigation. 3M also undertook significant remedial measures, including disciplining and/or terminating involved employees, terminating its relationship with the China Travel Agencies, and further enhancements to its internal controls environment and compliance program including additional controls over cross-border fund transfers.” Mistakes happen, but decisive action and a strong commitment to remediation is what’s needed when they do.



Programs also reported a high degree of confidence in their risk mitigation efforts. High-performing programs outperformed—by 1.5x—in terms of evolving and new compliance risks.

To what extent do you agree or disagree with each of the following statements about your organization's compliance risk response and mitigation efforts?

(% Agree)



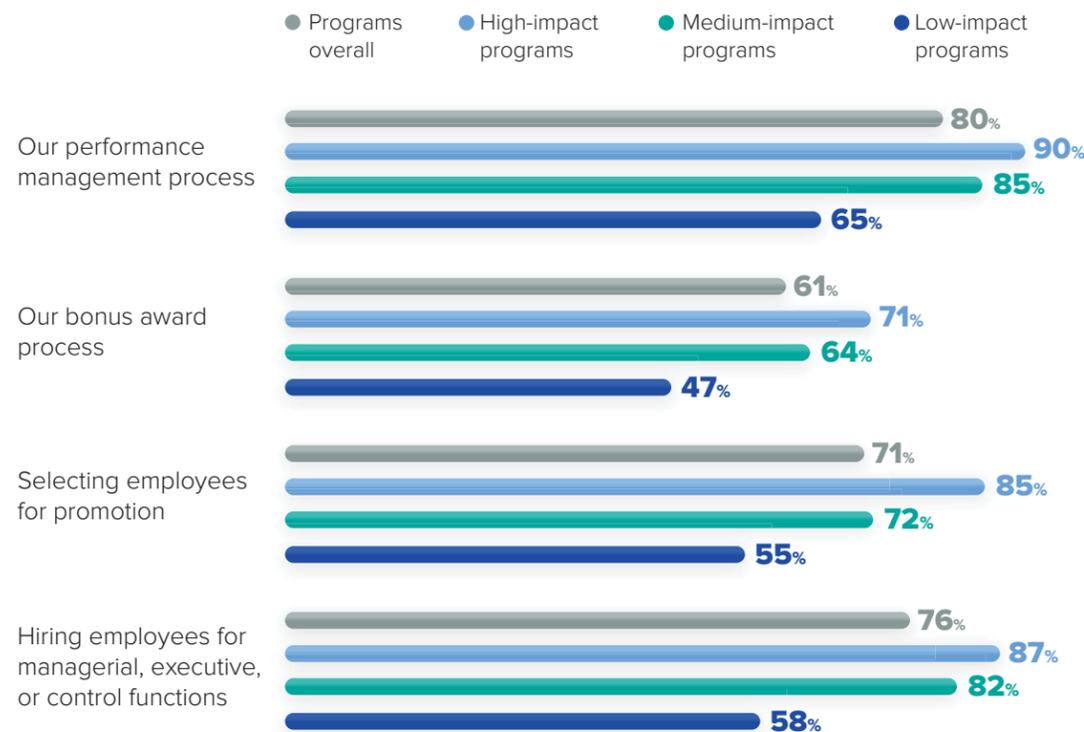


Another program feature that has become a “must have” indicator of effectiveness is implementation of incentives and disincentives for ethical behavior. The revised March 2023 ECCP clearly states: “The hallmark of effective implementation of a compliance program is the establishment of incentives for compliance and disincentives for non-compliance.” Looked at another way, incorporating rewards and penalties as part of the company’s compensation structure is a major step towards an impactful ethics and compliance program.

Significantly more than half of the North American programs surveyed have incorporated ethical behavior into performance systems, major hiring decisions, promotion, and bonuses. In particular, the region had higher percentages in the promotion (71% vs. 67% of global programs) and hiring areas (76% vs. 72% of global programs). It is also worth noting that high-performing programs in North America are, on average, 1.5x more likely to evaluate ethical behavior in these areas compared to less-effective programs.

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

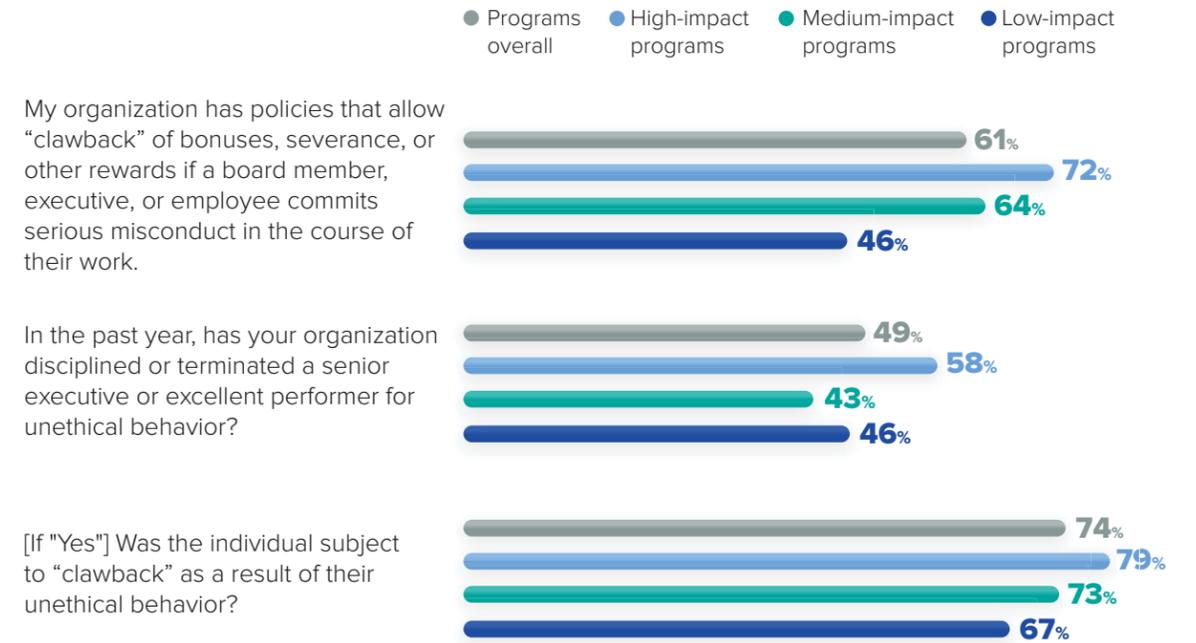
(% Yes)



This is a critical area of program evolution as discussed above. The DOJ implemented a pilot program involving claw backs of financial compensation in the event of corporate misconduct, similar to the US Securities and Exchange Commission’s program. Every corporate settlement of a DOJ misconduct investigation will include a requirement that the company develop and deploy compliance-promoting criteria within its compensation and bonus systems—including clawback provisions to recoup bonuses and compensation in the event the recipient participated in misconduct. Additionally, if and when a company uses its clawback procedures to penalize wrongdoers, the pilot program will provide fine reductions to those companies.

Describe the financial penalties or consequences your organization enforces for misconduct

(% Yes)



Our data shows growing use of clawbacks in the event of misconduct, particularly in high-performing North American programs, who are 1.6x more likely to have such policies. Of course, this takes into account that not all respondents needed to discipline a senior executive in the past 12 months.



Company size makes a difference: Mid-sized vs. Large enterprise programs

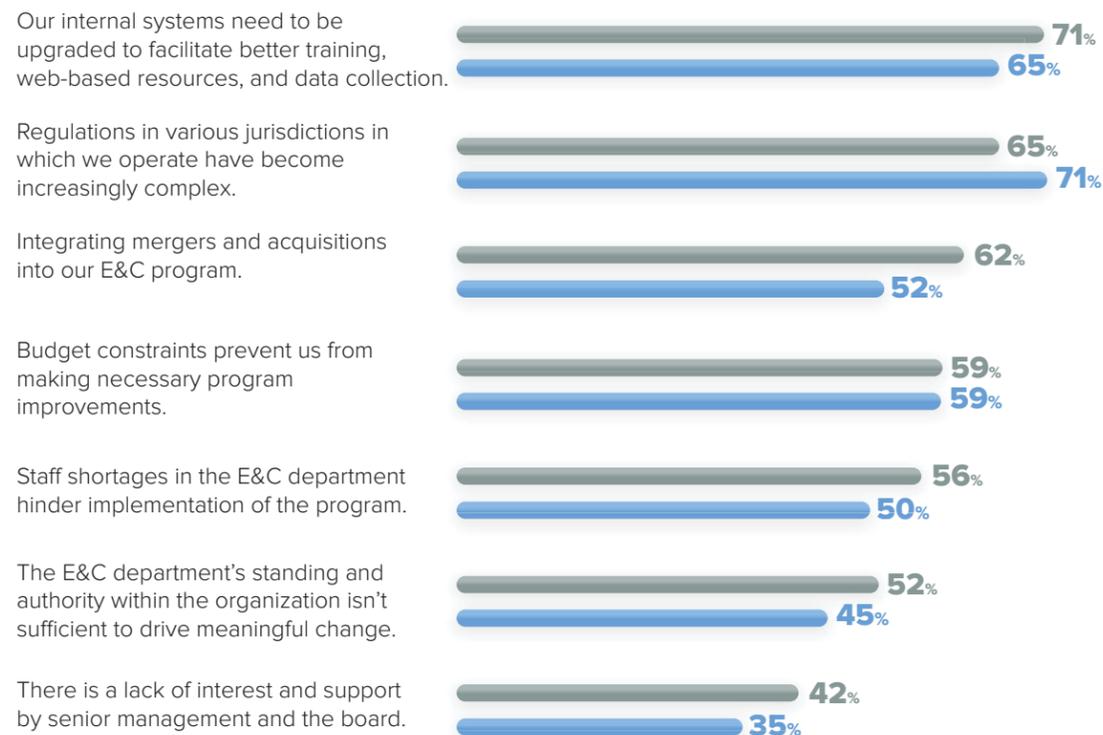
As noted in the introduction, a closer look at the company size of North American respondents—which we categorize as “mid-sized programs” (1,000 to 10,000 employees) and “large enterprise programs” (more than 10,000 employees)—reveals another layer of insights into program effectiveness. Though identified risks to E&C programs are strikingly similar between mid-sized and large companies, there are marked differences in both the specific investments going into risk mitigation as well as the obstacles facing those programs as they try to level up.

For example, mid-sized programs are more likely to report a lack of interest and support at a high level, lack of sufficient authority, and staff shortages as primary obstacles to progress over the past year. Yet the data also shows that 59% of respondents in both mid-sized and large enterprise programs pointed to budget constraints—a universal sore spot for E&C professionals—as an impediment to program improvements.

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

(% Agree)

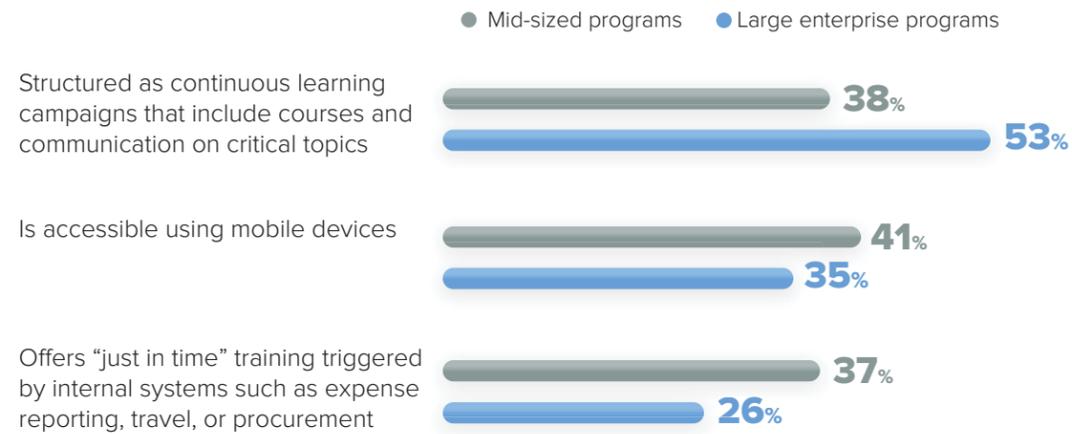
● Mid-sized programs ● Large enterprise programs





Considering the challenges, mid-sized programs had major accomplishments over the past year. Of note, mid-sized programs focused more than their larger counterparts in emerging areas like mobile accessibility for E&C program elements as well as “just in time” training. This may point to an overarching trend of doing more with less, as mid-sized enterprise programs have limited resources.

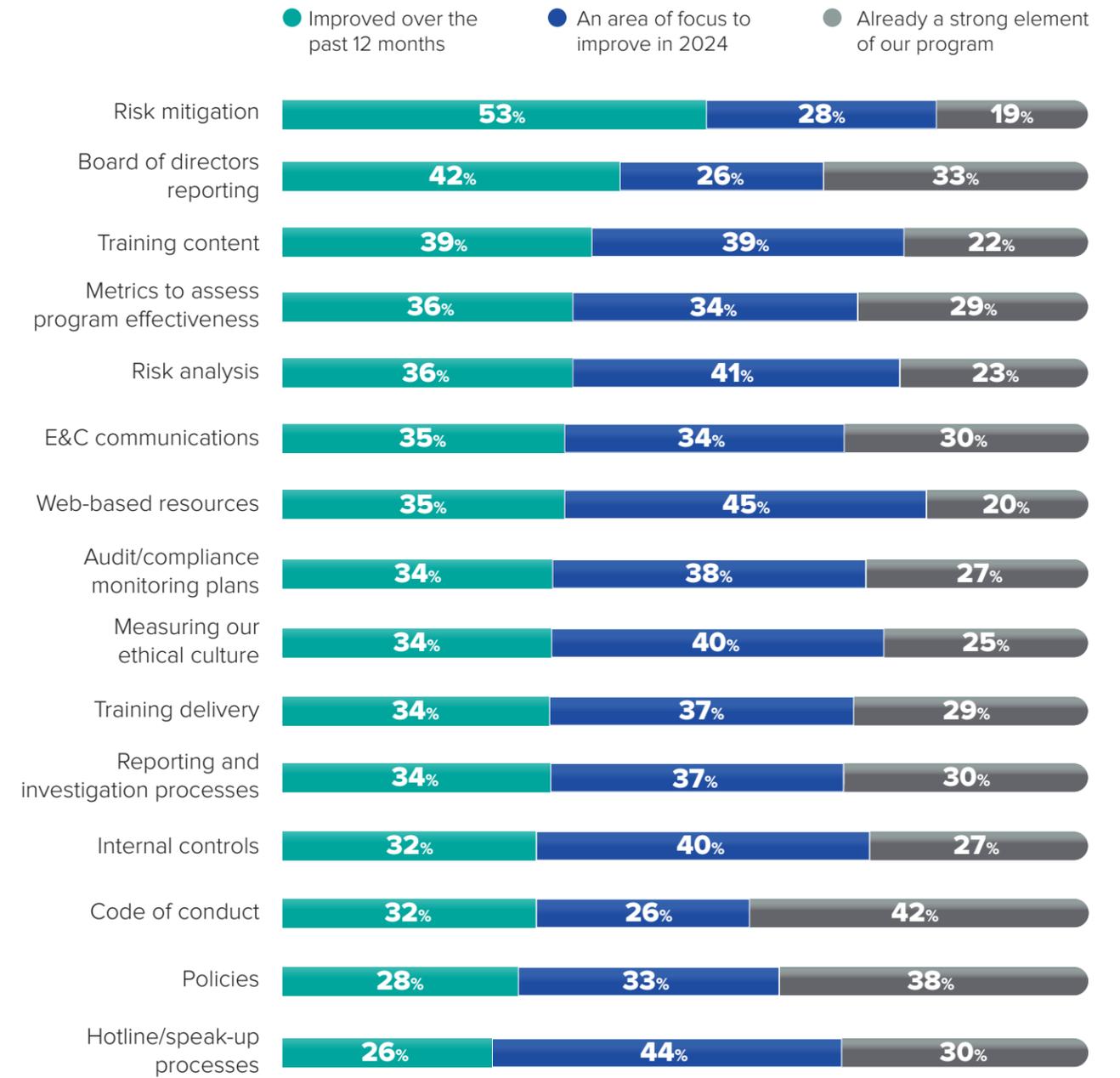
Please select the following features that apply to your organization's your E&C training program



Another striking difference between mid-sized and large enterprise programs is the ranking of program elements. Risk mitigation ranked highest for improvement over the past year for mid-sized programs at 54%, whereas the most significant improvement for large enterprise programs was in E&C communications at 42%. Risk mitigation ranked lower for large enterprise programs at 37%. The explanation for this difference becomes clearer when looking at what these organizations deemed their strongest program elements today: only 19% of mid-sized programs ranked risk mitigation as a strong element of their program already, whereas a much higher 32% of large enterprise programs said the same.



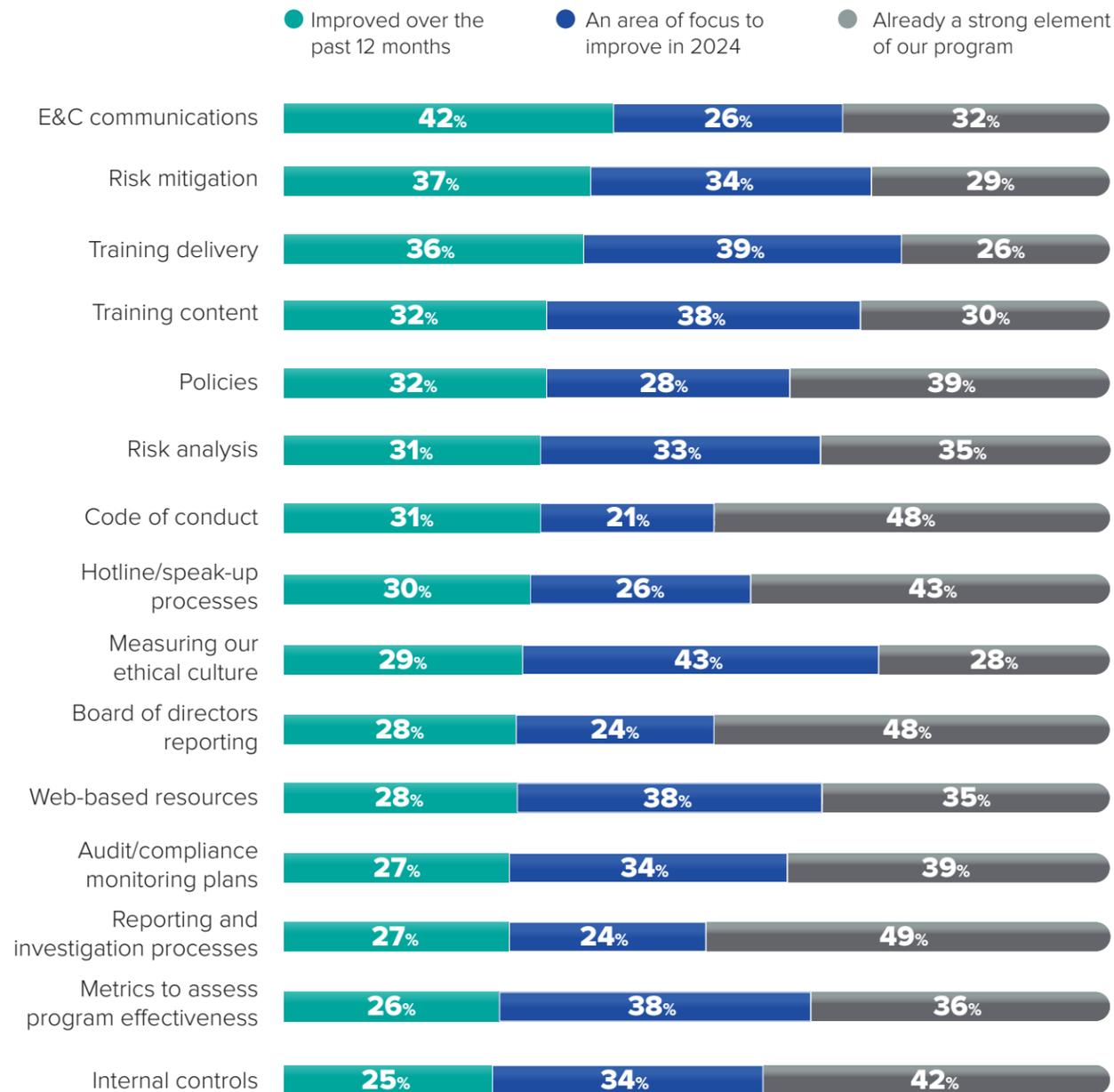
Rate the status of the following E&C program elements (Mid-sized programs)



Looking at the list of data in this area, more of the same trends emerge. Large enterprise programs had more E&C program elements that were either improved upon or strong already in the past year, whereas mid-sized programs indicate they have more work to do in more areas. That said, some areas saw significant overlap. Both mid-sized and large enterprise programs reported having strong codes of conduct (42% and 48%, respectively).

Rate the status of the following E&C program elements

(Large enterprise programs)



Moving forward, the two biggest areas mid-sized programs seek to improve in 2024 are web-based resources (45%) and hotline/speak up processes (44%). By contrast, large enterprise programs are focusing their 2024 efforts on improving how they measure ethical culture (43%) and deliver training (39%).

Overall, it's quite clear that the approach for these two segments is significantly different. This demonstrates that although risks and the broader regulatory landscape may be strikingly similar, company size impacts how North American programs navigate these areas.





What do high-performing programs do better?

As E&C programs look to increase their value and impact in their organizations, identifying and implementing best practices plays a significant role. LRN research shows that E&C programs are dynamic and evolve to meet new risks and the needs of their organizations. Although North American programs generally report the same status, priorities, and activities across the board, our data shows significant differences between high-performing and less-effective programs across best practices.

Scaling E&C program operations globally

A perennial challenge for any program in a global organization, wherever located, is ensuring that operations in other locations and cultures share the same values and standards. Ensuring that programs are well designed to address this challenge is essential to mitigate risk.

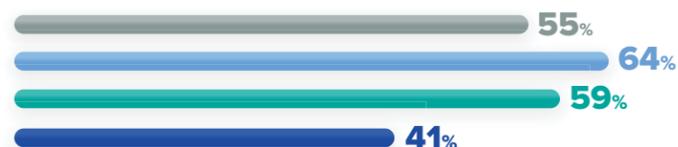
North American E&C programs scaled their operations globally, consistent with our global report findings, but it’s worth noting this was especially the solution of choice by high-performing programs. In addition to using regional committees, high-performing programs are 1.6x more likely to use ethics ambassadors and appoint compliance officers to countries in which they had major operations.

How does your program scale its scope and operations?

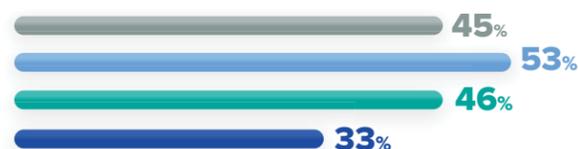
(Select all that apply)

● Programs overall ● High-impact programs ● Medium-impact programs ● Low-impact programs

We have, or plan to have, compliance officers located in countries where we have production or major sales/sourcing activities.



We have an Ethics Ambassador program.



We have regional E&C committees in some or all of the countries in which we operate.



The rise of a global E&C standard

As regulatory enforcement becomes increasingly global, LRN’s research shows a clear convergence of E&C best practices across countries and regions, resulting in a global standard for the basic elements of E&C programs. In September 2023, we published a special [Global Standards Edition](#) of our Ethics & Compliance Program Effectiveness Report that looked at how programs have performed from 2020 to 2023, the period “before” and “after” the COVID-19 pandemic and the beginning of worldwide political upheaval. Four years of data from E&C leaders across the globe revealed that there is general agreement on the necessary components of an E&C program—including policies, code of conduct, training, audit, tone at the top, and board of directors’ support. Although there are some regional differences in how these foundational elements are implemented, there are no alternate models of what an ethics and compliance program generally looks like and what it is designed to do.

Using data for ongoing 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 evolve, such as international sanctions and trade controls.

Ongoing evaluation, particularly in light of changing risks, is a key component of this process. The ECCP 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 in North America excel in this area, leveraging data from a variety of sources—on average, 1.9x more likely than less-effective programs—to guide program focus and development.

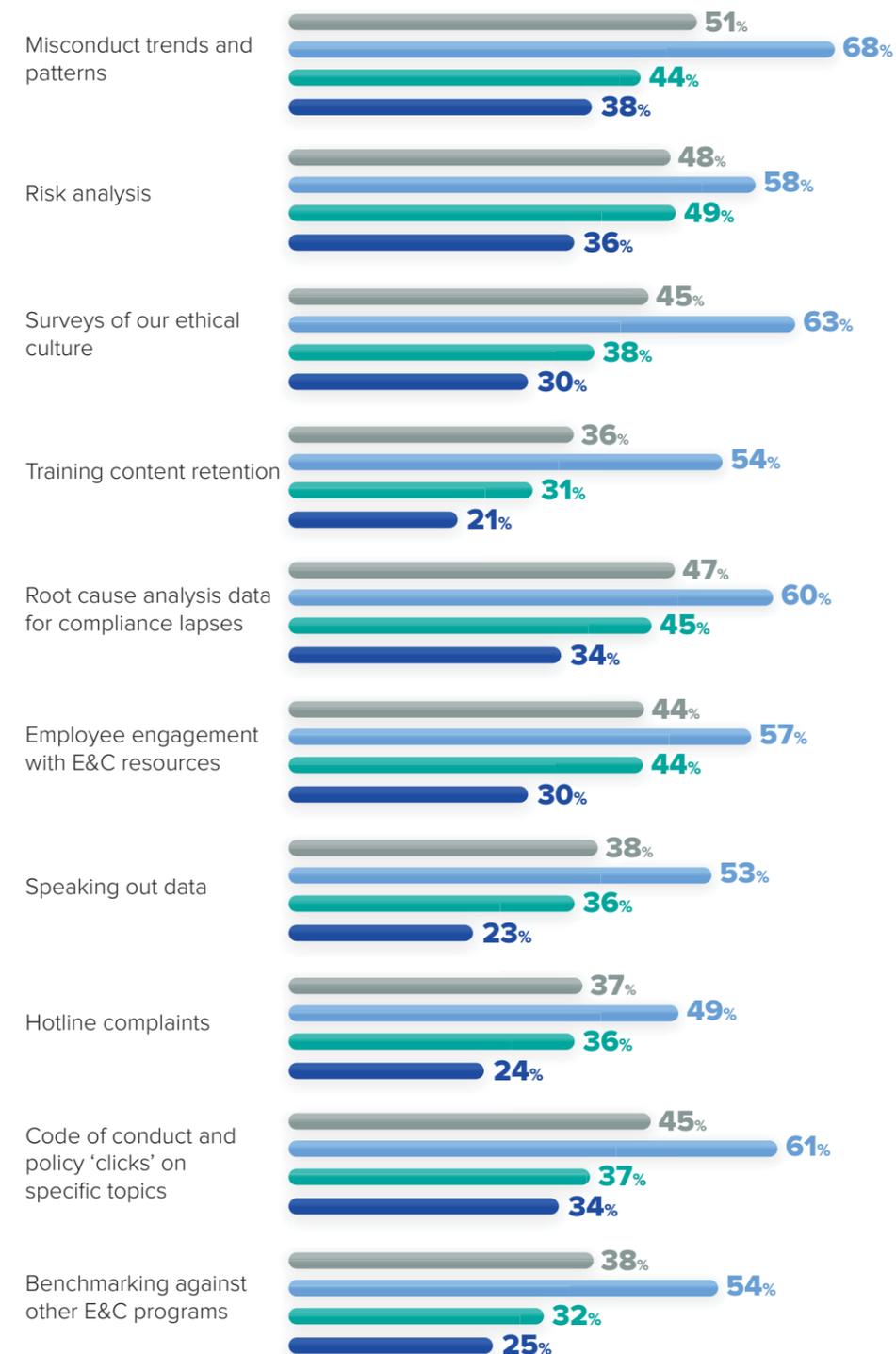
Notably, high-performing programs are more likely to leverage training content retention (2.6x), speaking out data (2.3x), and ethical culture surveys (2.1x).



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

(% Very useful)

● Programs overall ● High-impact programs ● Medium-impact programs ● Low-impact programs

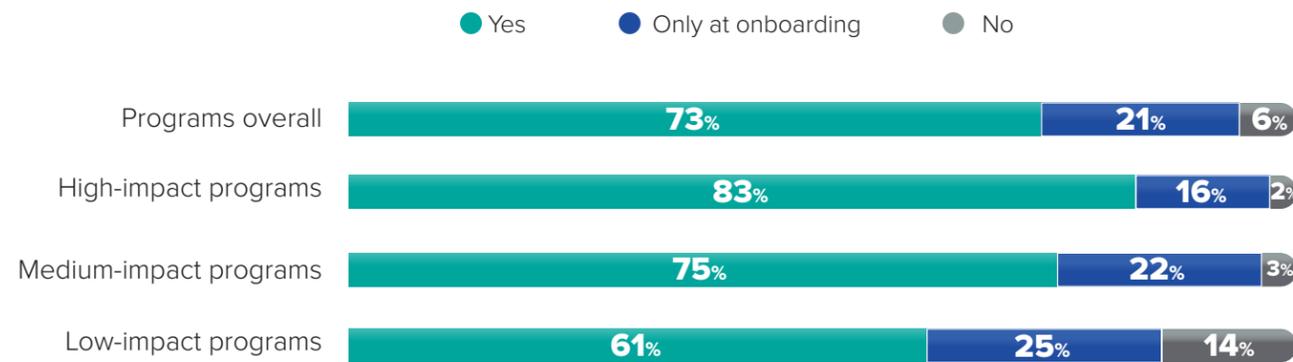


Having an active and educated board of directors

The ECCP strongly emphasizes the role of the board of directors in supporting and sustaining effective ethics and compliance programs. The ECCP asks, “What compliance expertise has been available on the board of directors? Have the board of directors and/or external auditors held executive or private sessions with the compliance and control functions? What types of information have the board of directors and senior management examined in their exercise of oversight in the area in which the misconduct occurred?”

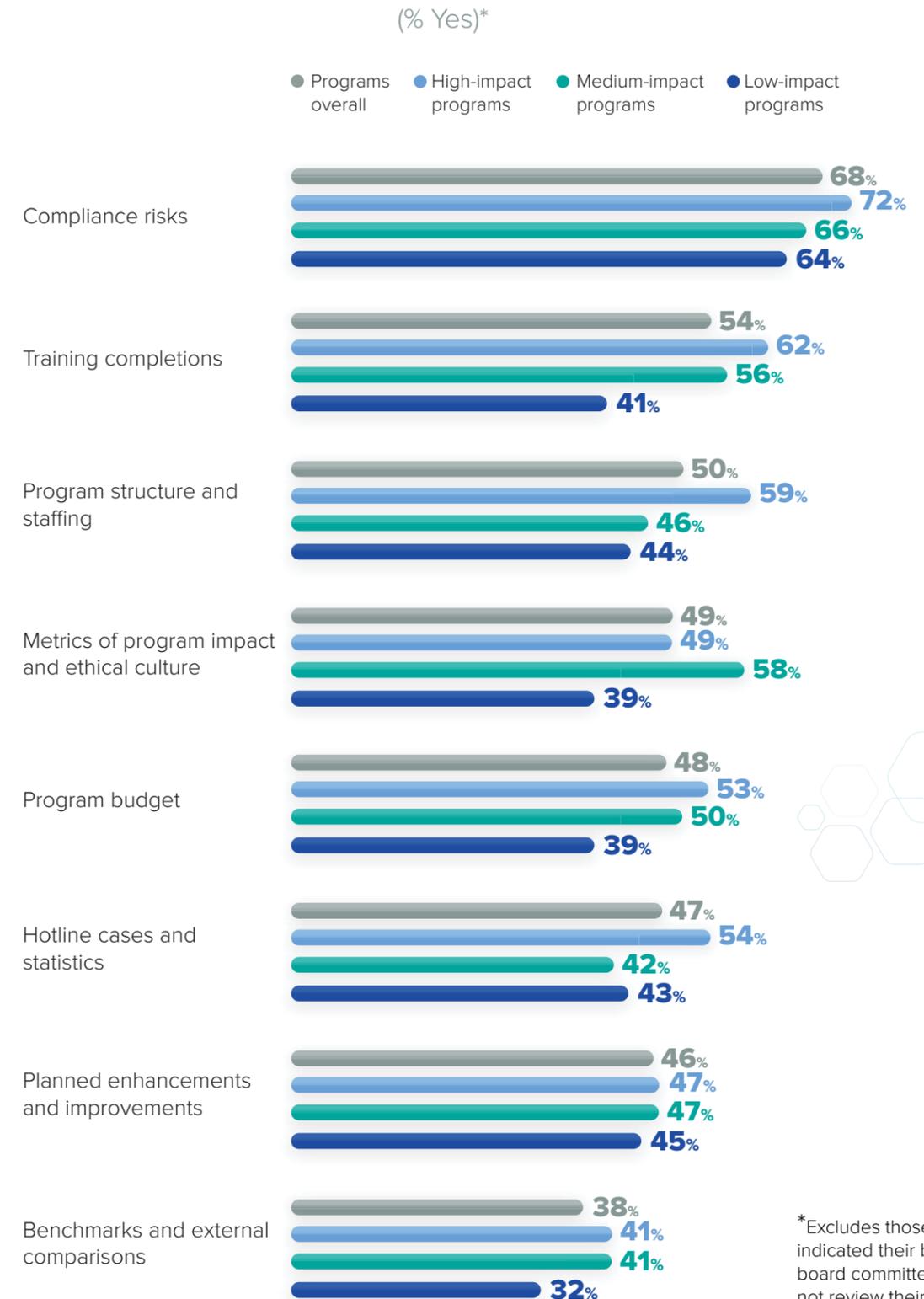
LRN’s research tells a powerful story that highlights the importance of an engaged and informed board of directors, an area in which high-performing programs excel. This year’s data demonstrates the critical role of the board in supporting an organization’s E&C program, as more than four out of five North American programs indicated that their board had responsibility for E&C oversight, possessed E&C expertise, and received E&C training.

Does your board of directors receive periodic, ongoing training in E&C matters?



Consistent with the emphasis on risk that our data shows, risk is at the top of the list of topics for board review, especially in high-performing programs.

What materials and topics does the board receive and review?



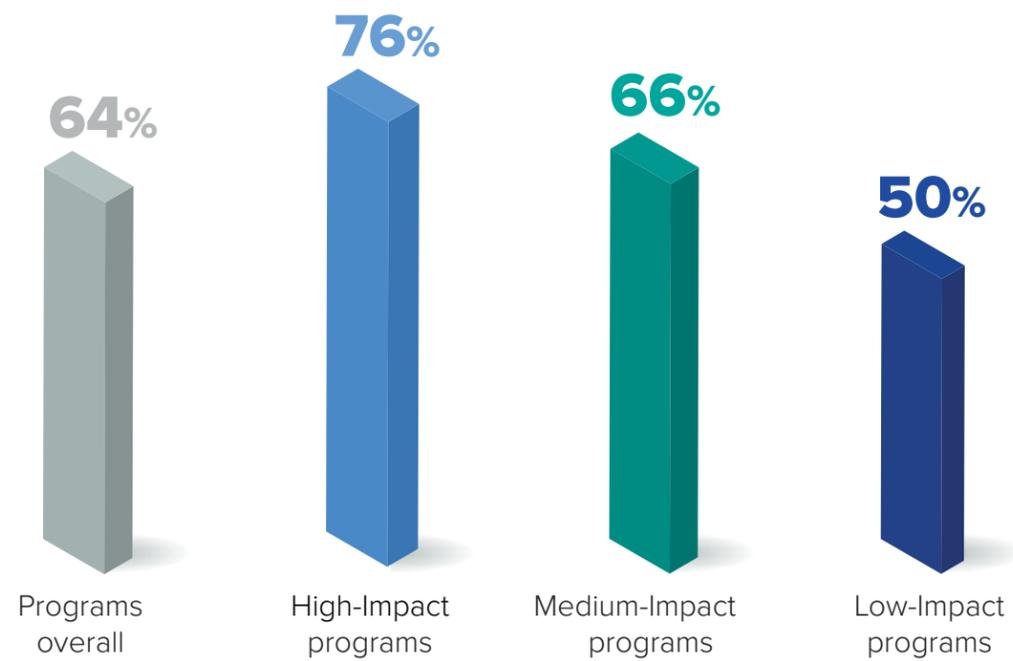
*Excludes those that indicated their board or a board committee does not review their program



And perhaps most importantly, more than three-quarters of high-performing programs indicated that their boards took an active role in ensuring that misconduct by senior executives or excellent performers was addressed within the last year—1.5x higher than less-effective programs.

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

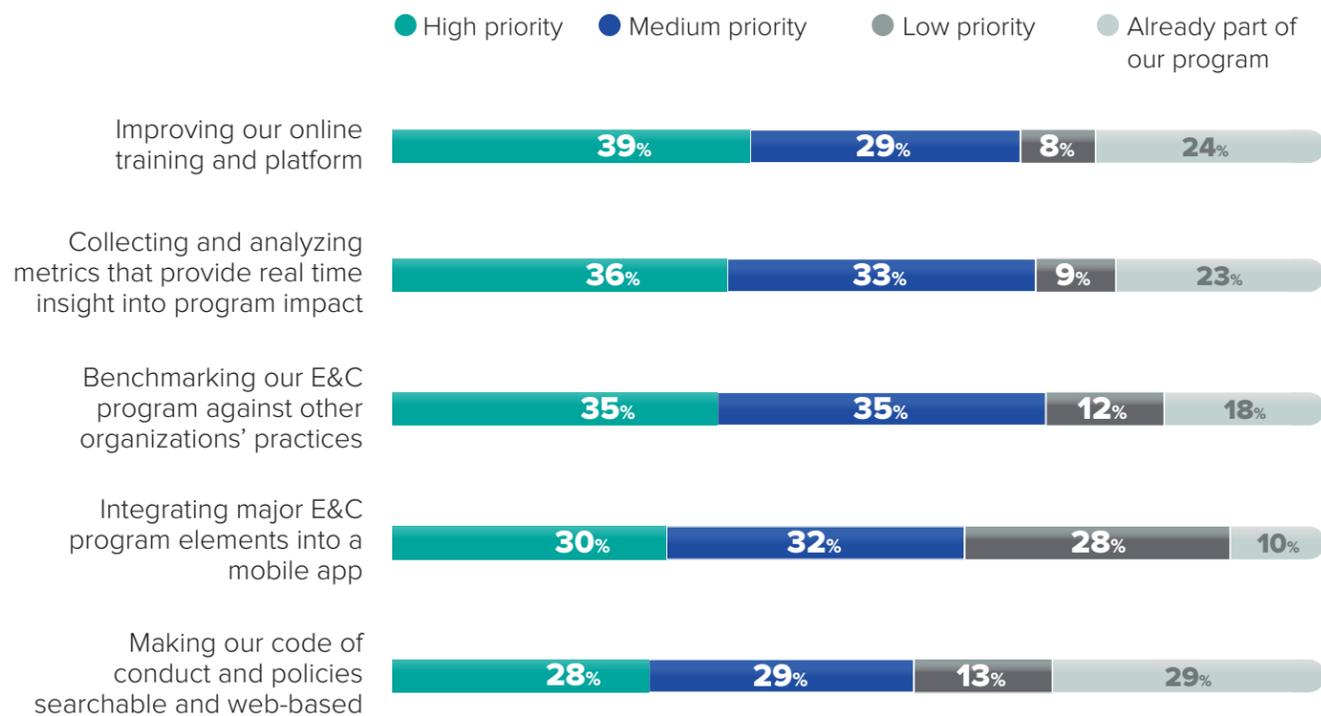
(% Yes)



Making training more effective and risk based

Over time, training has evolved away from “one size fits all” lectures complete with legal citations towards a focus on content that’s easier to access, more relevant to employees’ day-to-day work, and more tailored to individual roles. Increasingly, North American E&C programs overall indicate an urgency to update training platforms, which correlates with improving accessibility for other important program features.

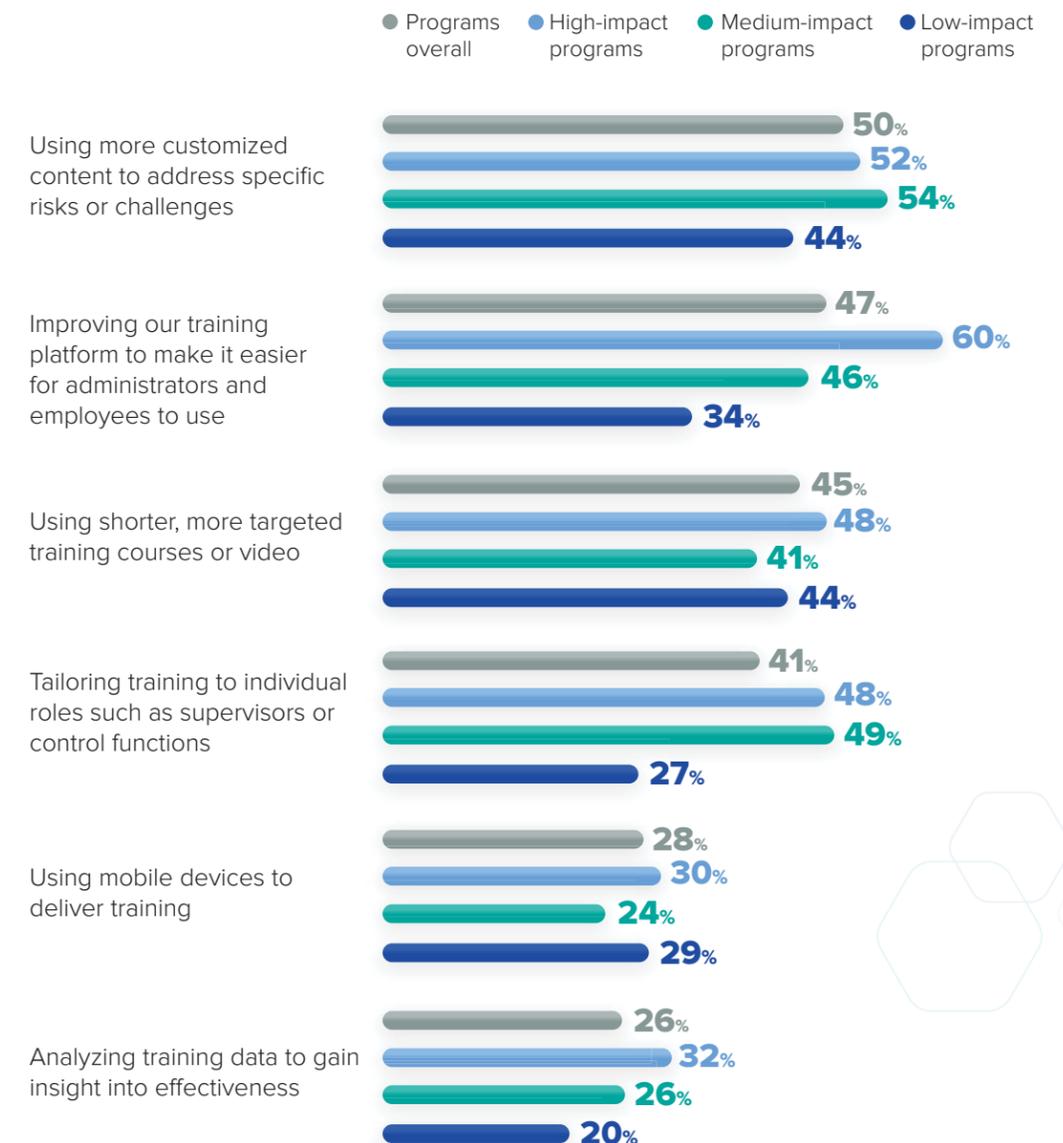
How high of a priority will the following enhancements be to your E&C program in the near future?



Some of this is not surprising. For example, consider the hindrance a cumbersome training platform can be for an E&C program. What is striking, however, is the sense of urgency among high-performing programs to make these updates—they are 1.7x more likely than their less-effective peers to have improved their training platform to make it easier to use. It is also worth noting that high-performing programs favor tailoring training to control functions and role 1.8x more than their less-effective peers.

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

(Select all that apply)

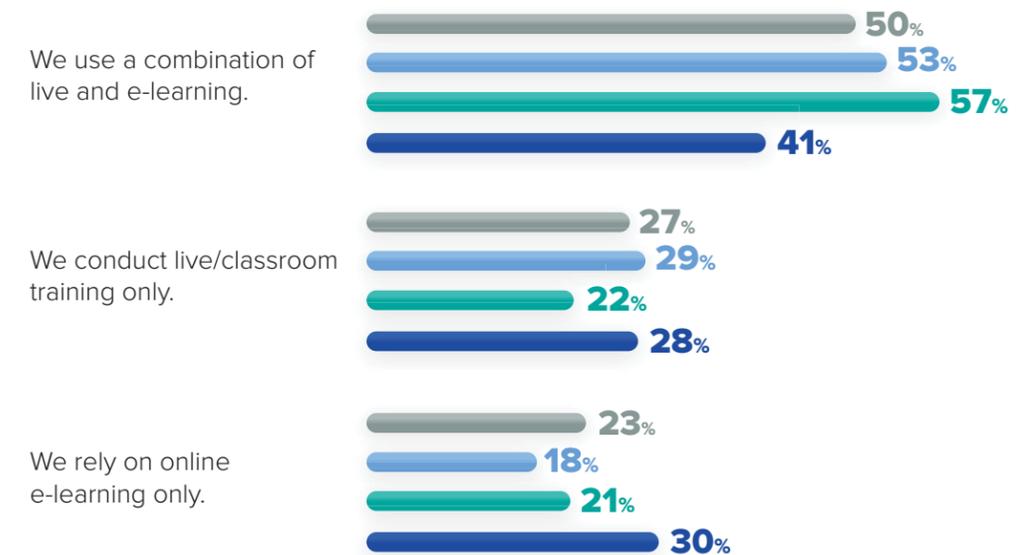




Increasingly, E&C programs are adopting a hybrid approach, combining live custom training with online content to efficiently and effectively train their employees. Our [global data](#) indicates that this is an emerging best practice.

How do you train your workforce on ethics and compliance topics?

● Programs overall ● High-impact programs ● Medium-impact programs ● Low-impact programs

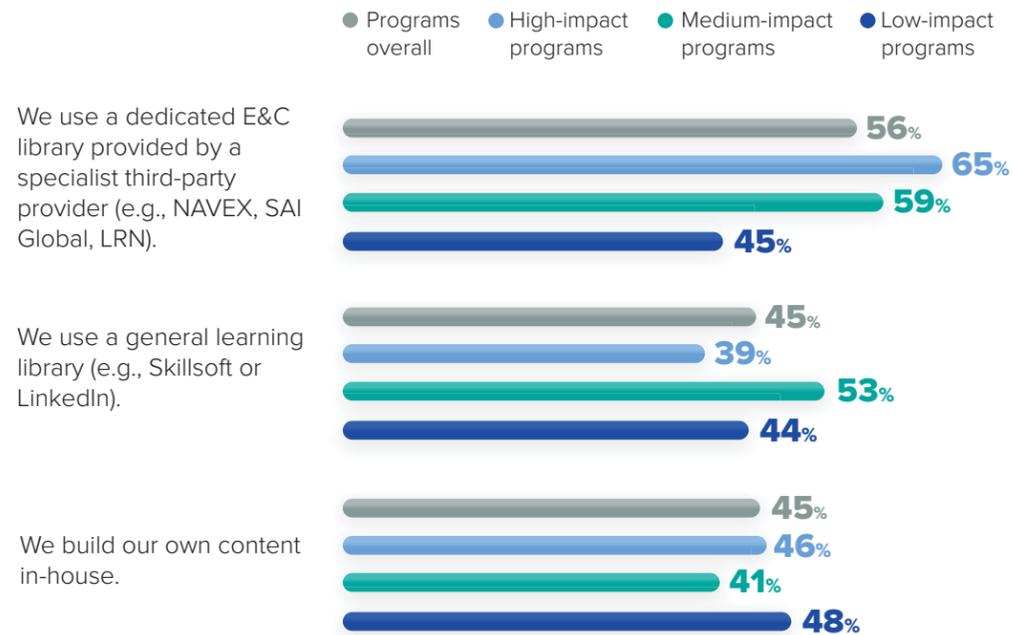




Given the challenges with maintaining a comprehensive, up-to-date training library in-house, the majority of North American programs use online providers for their programs. This is especially true of high-performing programs, which are 1.4x more likely to use online providers.

How do you source your online E&C training?

(Select all that apply)*



*Question only shown to respondents that answered "online e-learning" or "a combination of live and e-learning" to the previous question).

The ECCP focuses on employee-focused, tailored training, asking "[w]hat training have employees in relevant control functions received? Has the company provided tailored training for high-risk and control employees, including training that addresses risks in the area where the misconduct occurred? Have supervisory employees received different or supplementary training? What analysis has the company undertaken to determine who should be trained and on what subjects?"

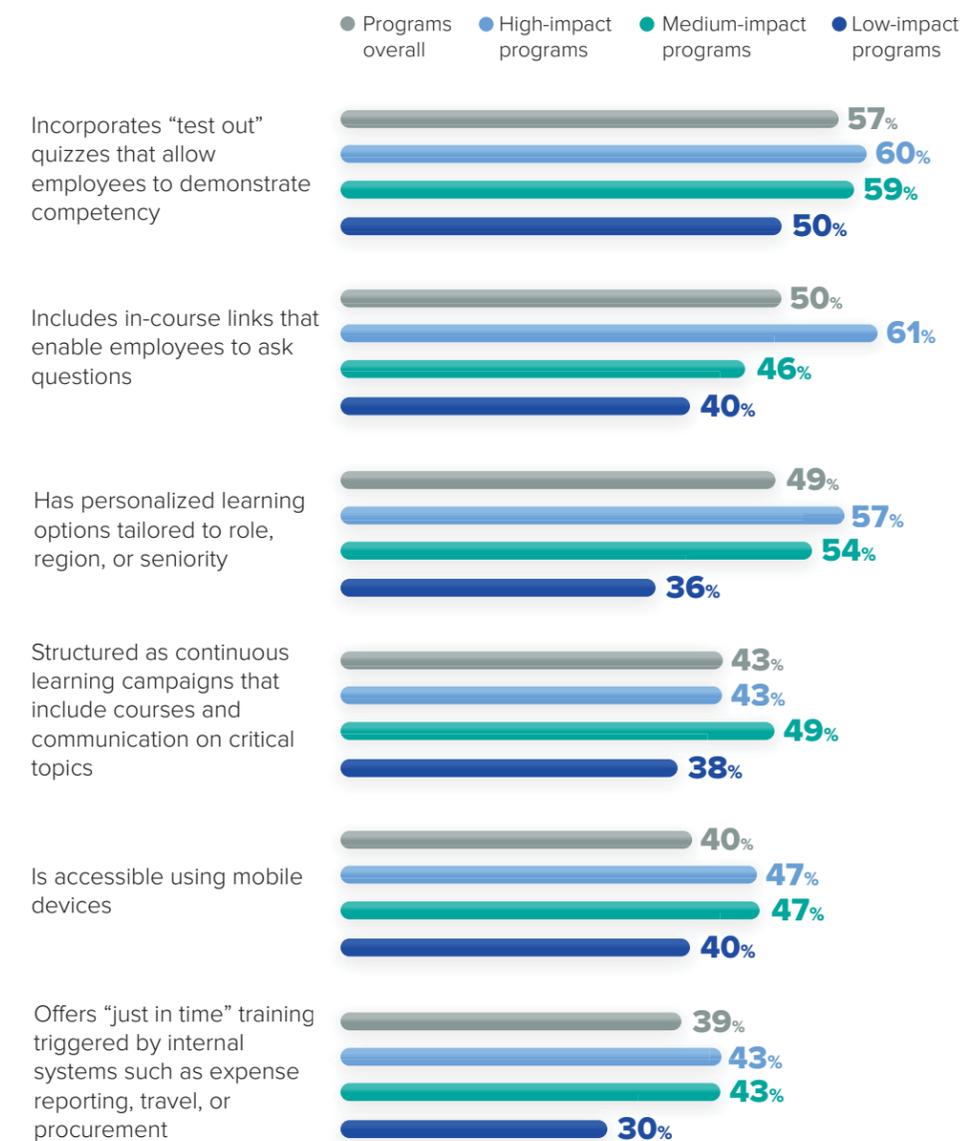


Features such as test out, tailoring learning to employees' roles, region, or seniority, and offering shorter, more relevant training have continued to evolve as best practices over the past few years as North American E&C programs have responded to the challenges of remote or hybrid work. These practices continue to be widely adopted particularly in high-performing programs. One interesting shift has been the focus that high-performing programs have placed on linking training to the ability to ask questions—1.5x higher than less-effective programs. This speaks to the importance of establishing a speak-up culture through all possible means, not just the hotline.



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

(Select all that apply)*



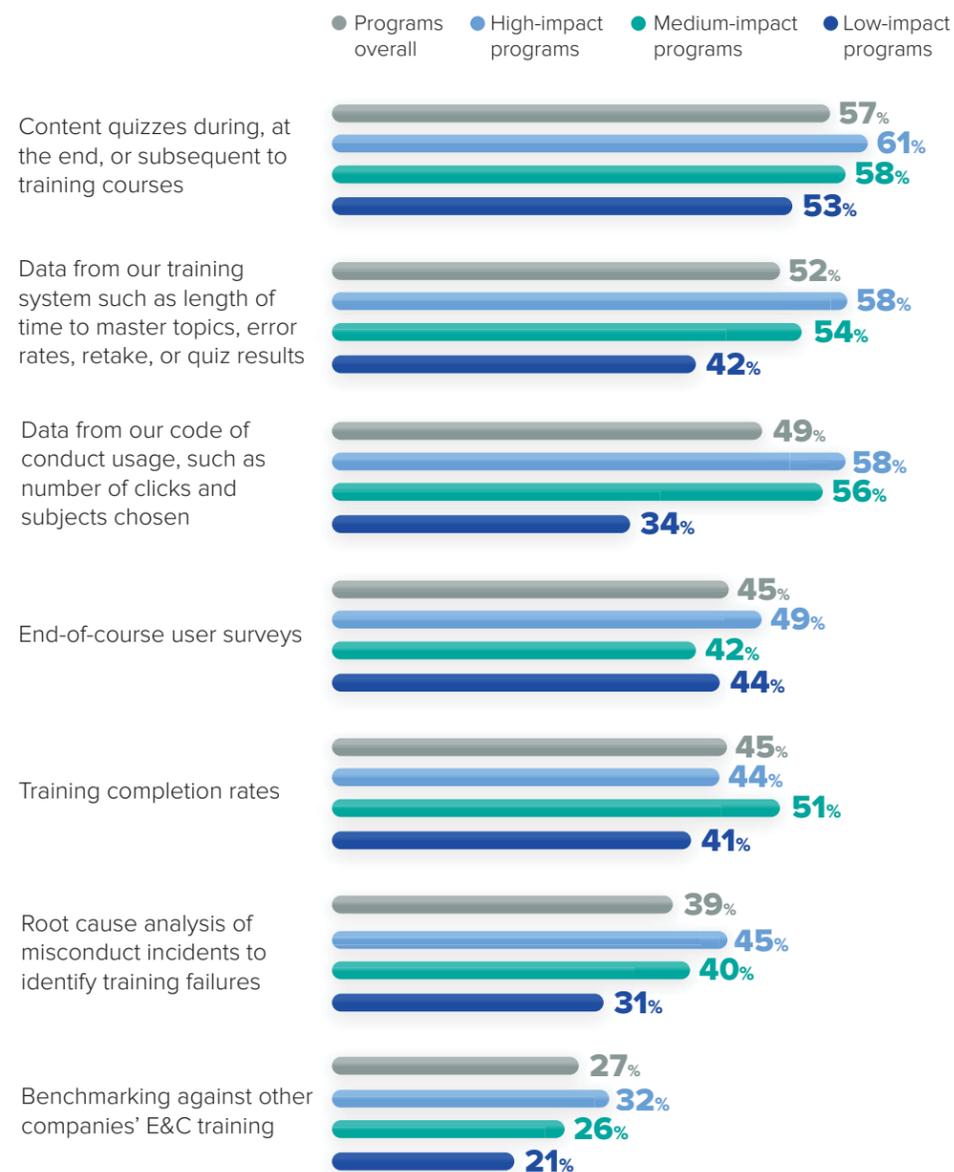


Measuring impact has long been one of the goals of an effective E&C program. The ECCP asks “How has the company measured the effectiveness of the training? Have employees been tested on what they have learned? How has the company addressed employees who fail all or a portion of the testing? Has the company evaluated the extent to which the training has an impact on employee behavior or operations?”

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.

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

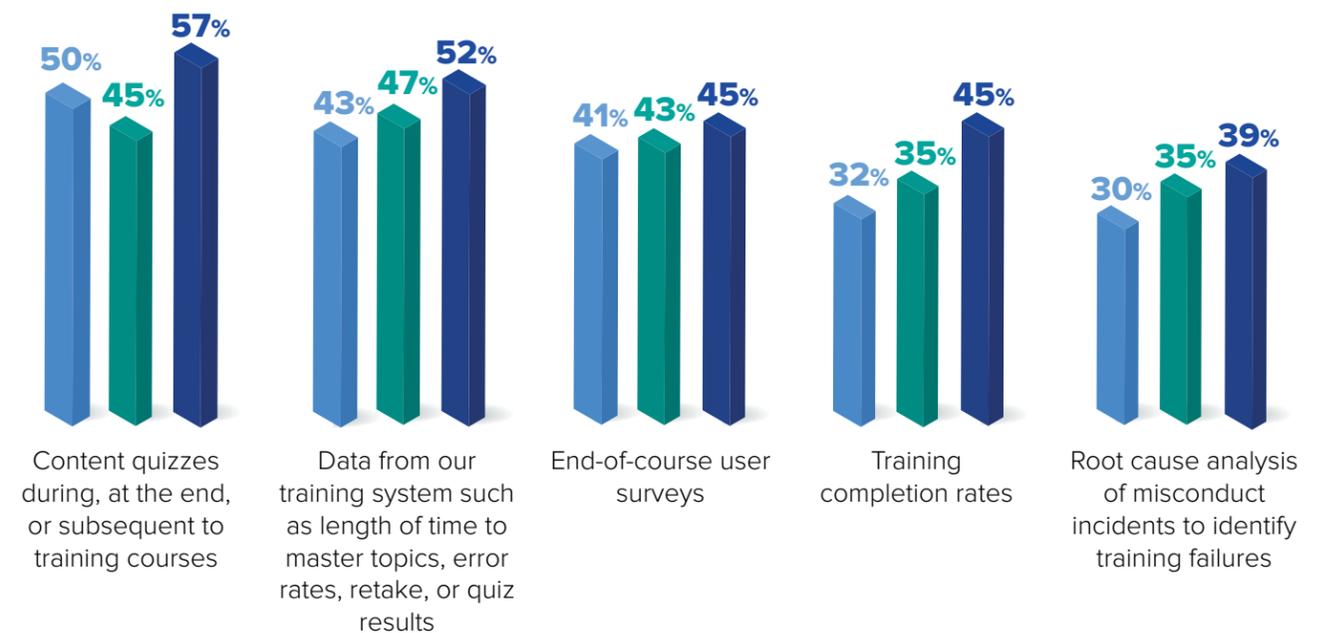
(Select all that apply)*



This is not entirely surprising, as our data over the last three years shows how programs' approach to measuring effectiveness and impact has become more sophisticated over time. Since we started asking E&C professionals about their methods, a growing number of respondents have leveraged content quizzes, data metrics from training systems, training completion rates, and root cause analysis of misconduct incidents.

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

(Select all that apply)



Meeting employees where(ever) they are

This year's survey indicates 76% of North American E&C programs—and 92% of high-performing 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.

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?

(% Agree)

- Programs overall
- High-impact programs
- Medium-impact programs
- Low-impact programs

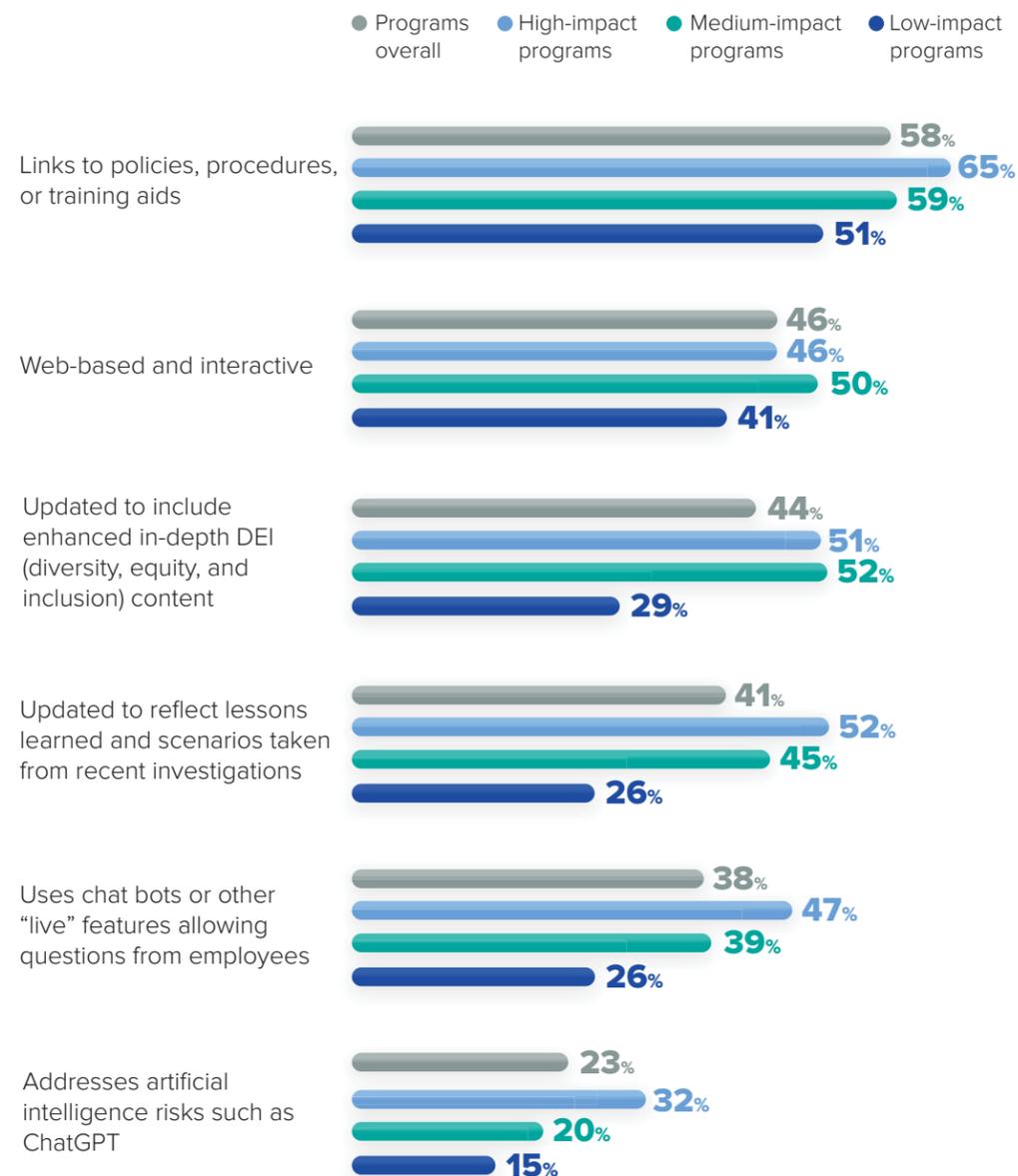


This approach to making E&C program elements more employee-friendly and engaging reflects in the best practices that high-performing programs use with respect to their code of conduct, policies, and hotline.



In the important area of codes of conduct, our 2024 global data shows that high-performing programs lead the way in implementing best practices and updating their codes to be more integrated with other program elements—e.g., policies, procedures, and training aids—and to reflect lessons learned from recent investigations. High-performing programs are also 1.8x more likely to include interactive like chat bots that can field questions “live” from employees. That said, the data also shows significant room for improvement, even among high-performing programs.

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



Web-based codes of conduct

We are seeing an increase in interest in and utilisation of web-based codes of conduct by companies throughout the world. LRN’s 2023 Code of Conduct Report notes that such codes are gradually supplanting the traditional digital PDF, which has served companies well but is not up to the challenges faced by E&C professionals today.

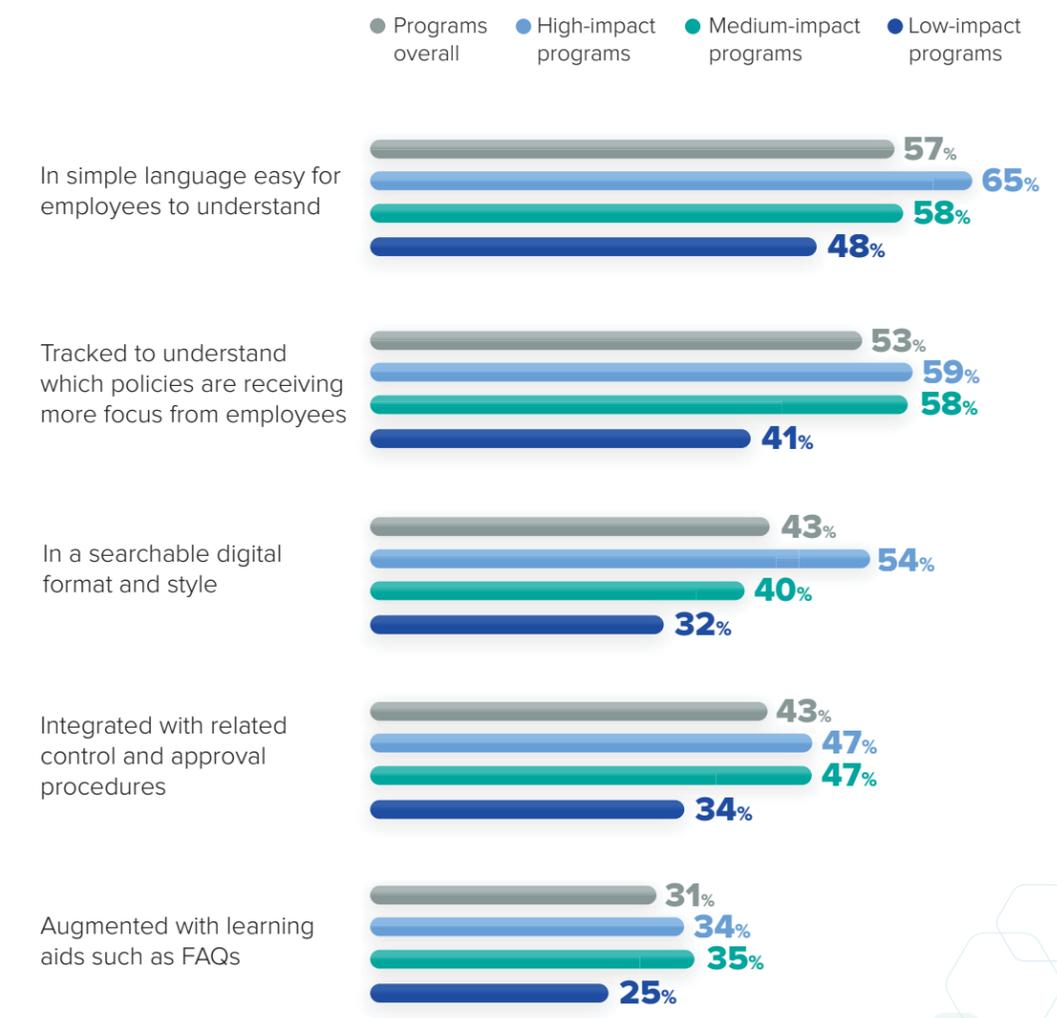
Advantages of web-based codes of conduct include:

- **Data analytics:** Ability to track employee interactions with the content, such as site visits, page visits, time on page, and search terms
- **Enhanced interactivity:** Includes robust navigation, searchability, live decision trees, “click-and-reveal” content, and embedded videos
- **Mobile responsive:** Automatically adapts to fit the device or screen used to access the code, with full functionality
- **Consistent user experience:** People are used to navigating websites to find the information they need



High-performing programs in North America are also leading the way with best practices in policy development, particularly in making policies more accessible for employees. Nearly two-thirds of high-performing programs (65%) write their policies in simple language that is easy to understand. More than half (54%) also develop their policies in a searchable digital format—1.7x more than less-effective programs.

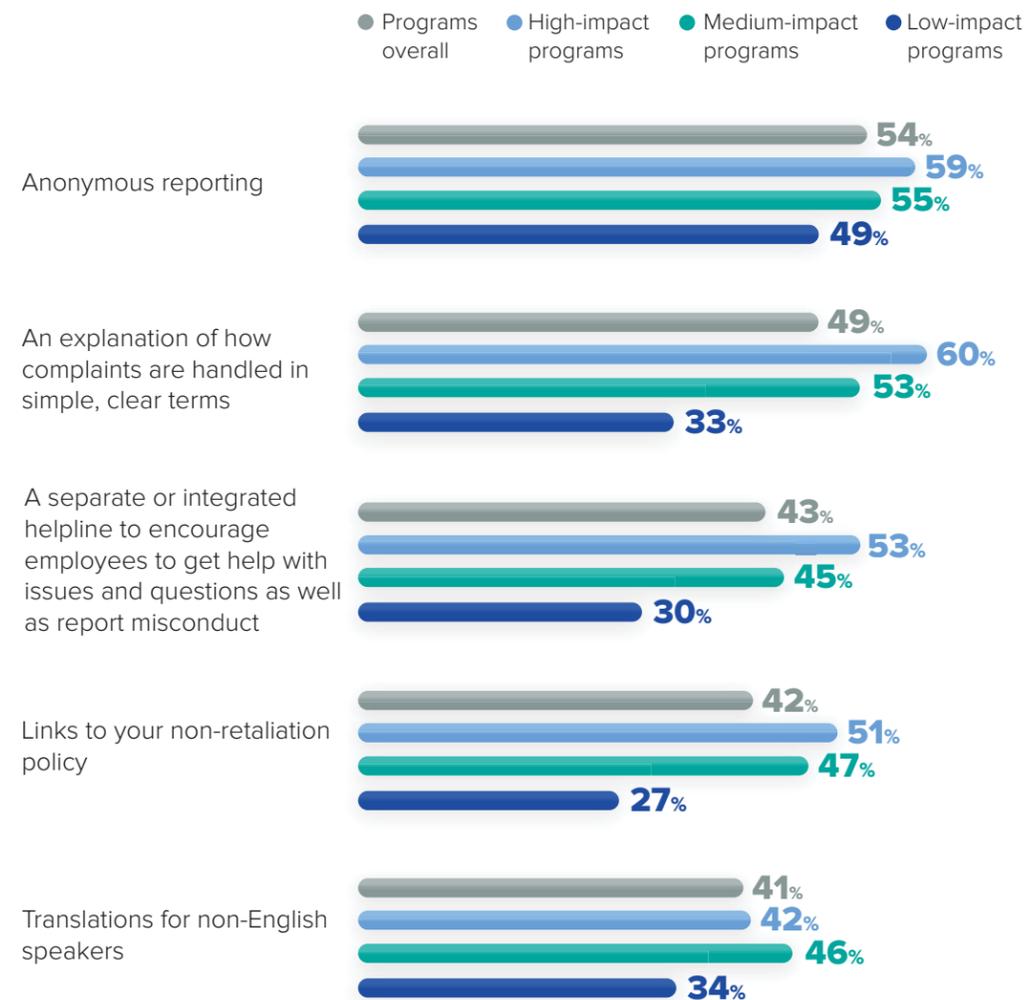
Please select the following features that apply to your organization's policies



Similarly, high-performing programs are more likely to have hotlines that are employee-focused. They are, on average, 1.8x more likely to feature explanatory material on how complaints are handled, links to non-retaliation policies, and helplines for additional assistance reporting misconduct or handling issues.



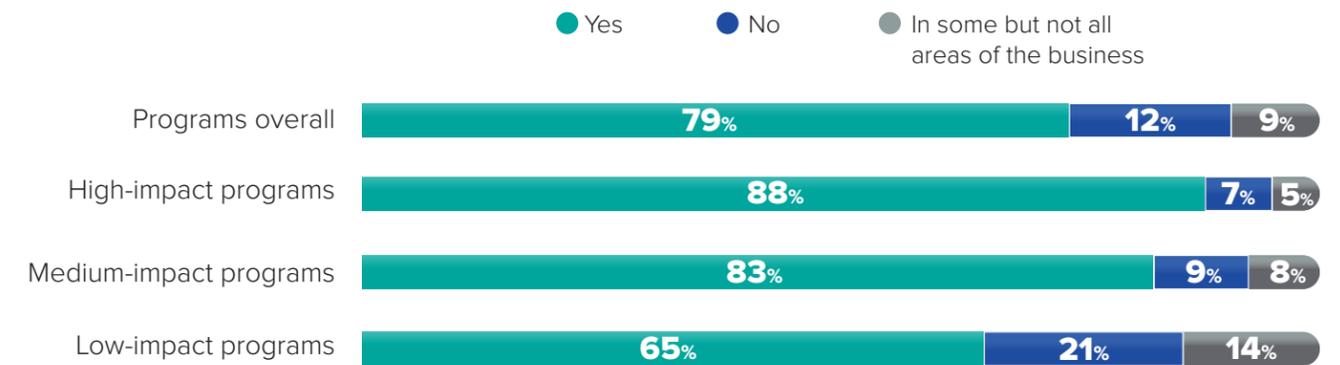
Does your hotline have any of the following features?



High-performing programs have also implemented mechanisms to track complaints raised by employees to their managers or Human Resources function, a growing best practice as studies show that the majority of E&C complaints are made to managers or HR.



Do you have a mechanism to track complaints raised by employees to their managers or the Human Resources department?



Conclusion

LRN's annual *Ethics & Compliance Program Effectiveness Report* is an opportunity to stand back and take a strategic look at how E&C programs are responding to the evolving risk landscape. Overall, North America's E&C programs are in a good place and continue to be a leader around the globe in implementing E&C best practices. As regulations such as the relatively new CCPA out of California and the Modern Slavery legislation out of Canada roll out, as well as other requirements, the ability of E&C programs to adapt will become even more important. When segmenting by business size, our data shows that mid-sized and large enterprise programs are identifying similar challenges but focusing on them differently. In short, the bottom line for E&C professionals is to adapt and pivot to meet new challenges, invest in enhancements and best practices, and follow the risks.

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 2024 Ethics & Compliance Program Effectiveness Report is based on a survey of 1,415 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:

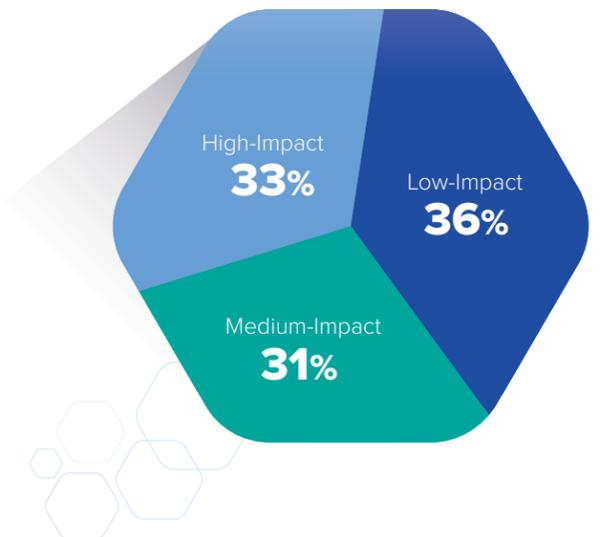
Do employees speak up, contribute willingly, and exchange ideas freely?

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

- 1 Top performers are held to the same standards as everyone else.
- 2 Managers hold themselves to the same standards as everyone else.
- 3 Leaders explain how our values influence their decision-making.
- 4 Even under pressure, employees follow our values and code of conduct.
- 5 Employees in my organization voice their opinions in team meetings, even in front of managers.
- 6 Employees in my organization question decisions that don't seem to match our values or ethical standards.
- 7 Employees in my organization don't compromise our ethical standards to achieve results.
- 8 Employees in my organization are comfortable going above their 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:

Distribution of E&C programs



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

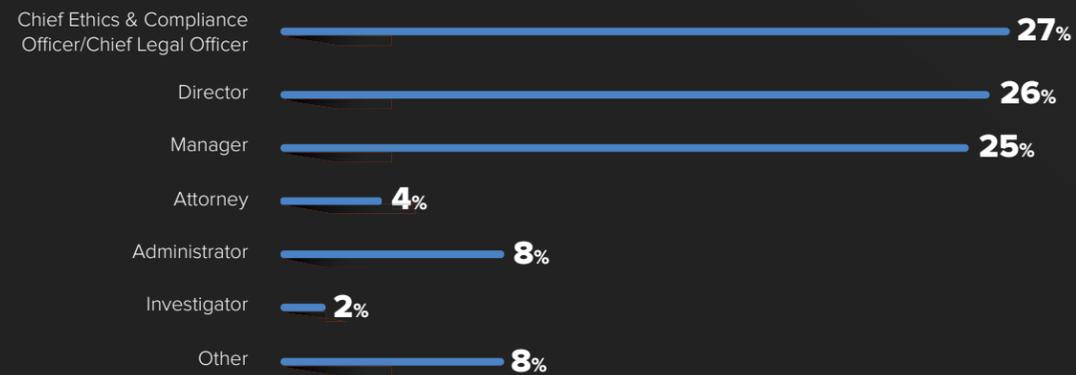
The survey results presented in this report are based on completed online interviews with a sample of 474 ethics, compliance, and legal professionals from corporations and organizations in North America with a minimum of 1,000 employees. For the company size segments, organizations with 1,000 to 10,000 employees (210 total) are defined as “mid-sized programs” and organizations with more than 10,000 employees (114 total) are defined as “large enterprise programs.” Participants were drawn from global panels fielded by research firms Sago and Dynata, as well as LRN’s organic promotion efforts. 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 November 2023.



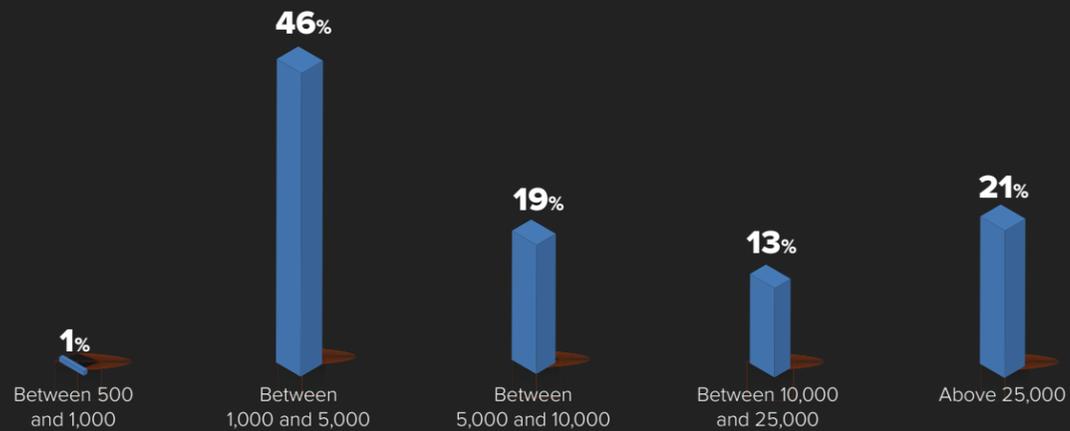
About the 2024 Ethics & Compliance Program Effectiveness Report

Respondent demographics

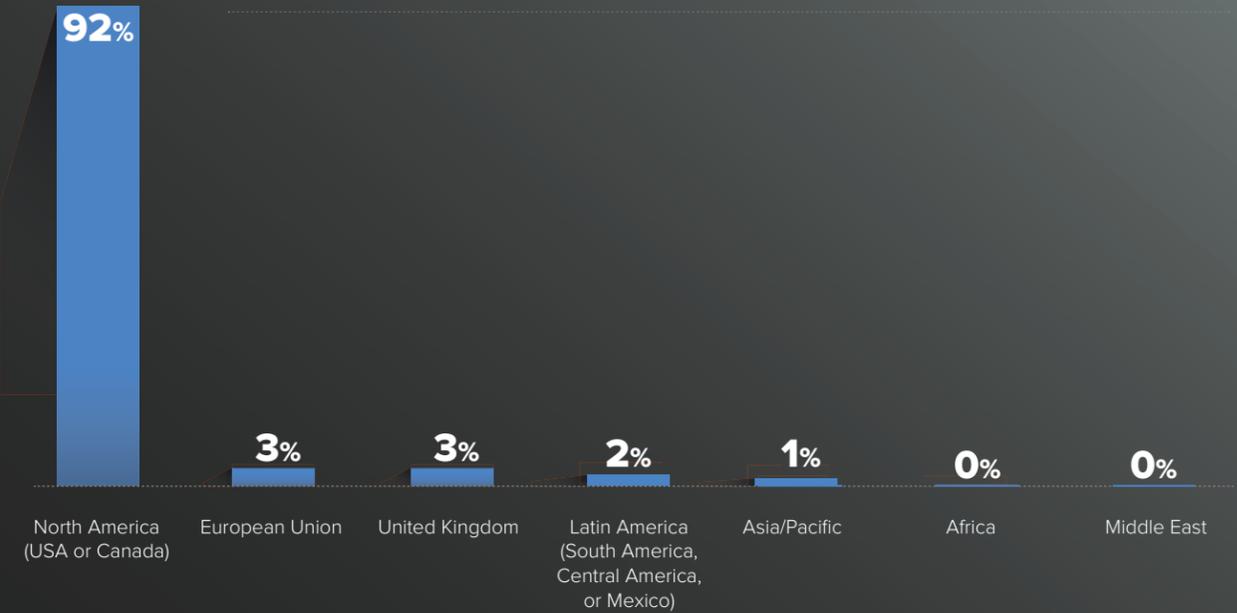
Participant role



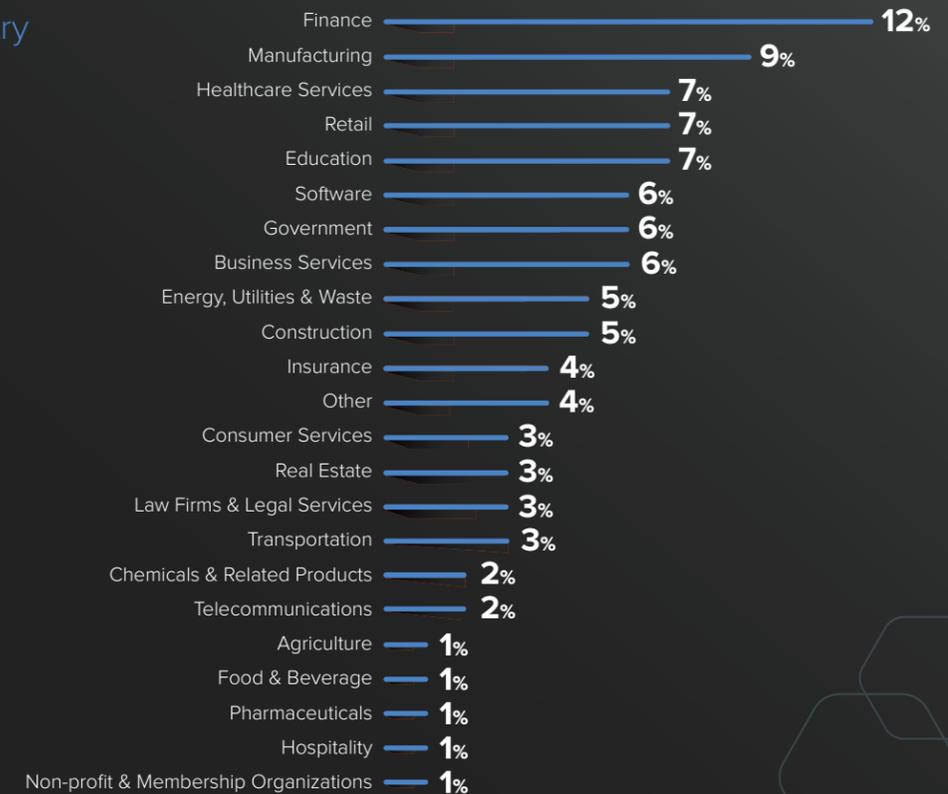
Company size (# employees)



Organization headquarters



Industry



Leverage our **expertise**

lrn.com