

Compensation, Performance, Compliance and Ethics

*A survey by the Health Care Compliance Association
& the Society of Corporate Compliance and Ethics*

May 2009



Health Care Compliance Association and
Society of Corporate Compliance and Ethics
6500 Barrie Road, Suite 250, Minneapolis, MN 55435
HCCA 888 580 8373 | SCCE 888 277 4977 or +1 952 933 4977
www.hcca-info.org | www.corporatecompliance.org

Executive Summary

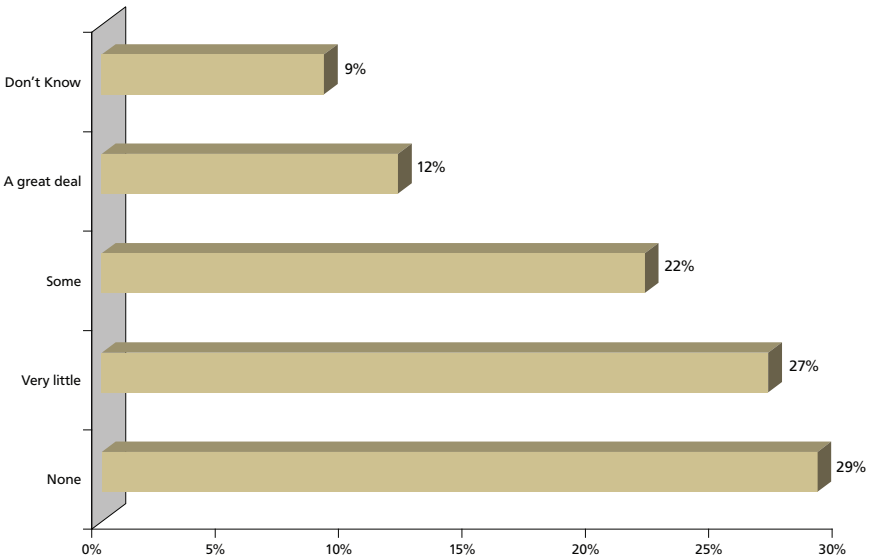
Companies for years have sought to align their compensation, incentive, and performance evaluation programs with individual and corporate goals. New research among compliance and ethics professionals conducted jointly by the Society of Corporate Compliance and Ethics and the Health Care Compliance Association reveals that when it comes to compliance and ethics metrics, very little has been done to incent ethical behavior.

The majority of respondents indicated that compliance and ethics are not strongly tied to how executives and line employees are compensated. When it comes to bonuses, ethics and compliance plays an even smaller role.

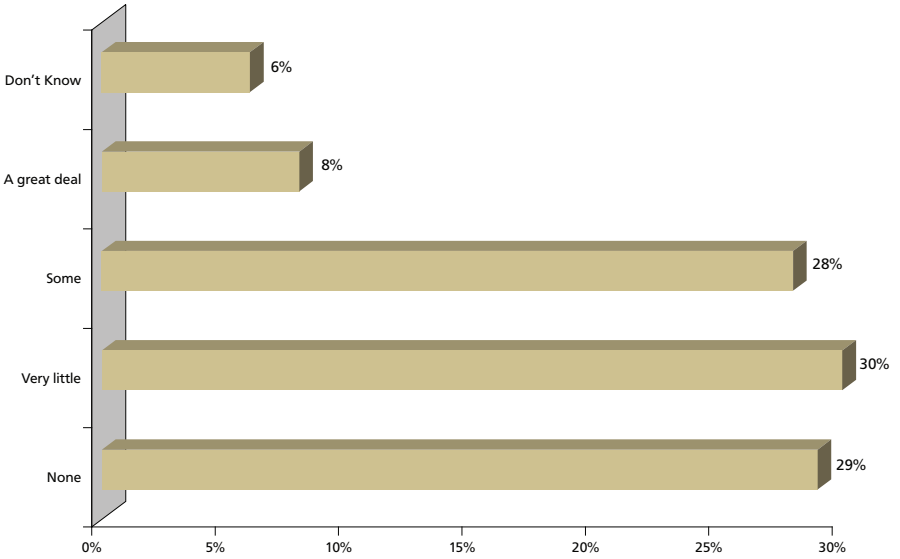
Detailed Findings

When asked about the impact of ethics and compliance on the compensation process for executives, just 34% said it had some or a great deal of impact. The rest of those surveyed indicated compliance and ethics played no (29%) or very little role (27%). The balance were unsure of the role of ethics and compliance, which does not appear to suggest that it does. The numbers for non-executive employees were similar.

How much impact does the ethics and compliance function have in the compensation process for the executives at your organization?



How much impact does the ethics and compliance function have in the compensation process for non-executive employees?



Tired of
24/7/365
compliance
issues?

Try
4,500/30/12
instead.

4,500
compliance
& ethics
professionals
joined in one
community.

30 conferences
a year to choose
from, all with special
members-only rates.

12 issues of
*Compliance & Ethics
Professional*, the
exclusive SCCE
member magazine.

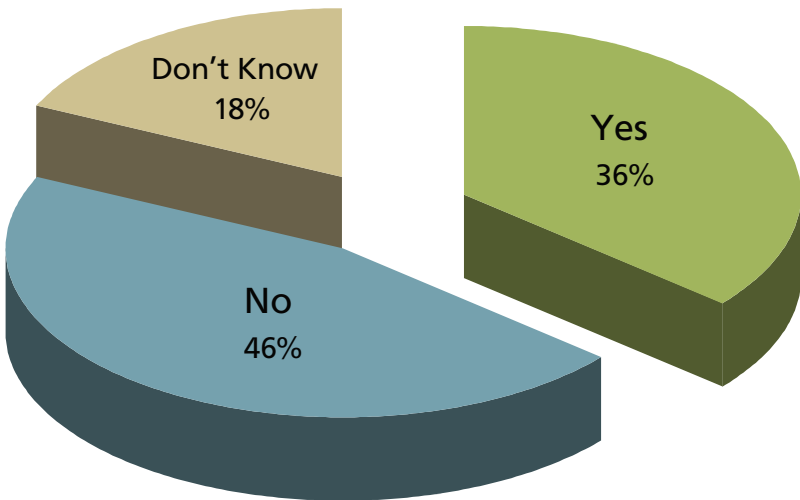
Join the Society of Corporate Compliance and Ethics.

Visit corporatecompliance.org to learn how you can enjoy the educational opportunities, networking, and support of the Society of Corporate Compliance and Ethics.

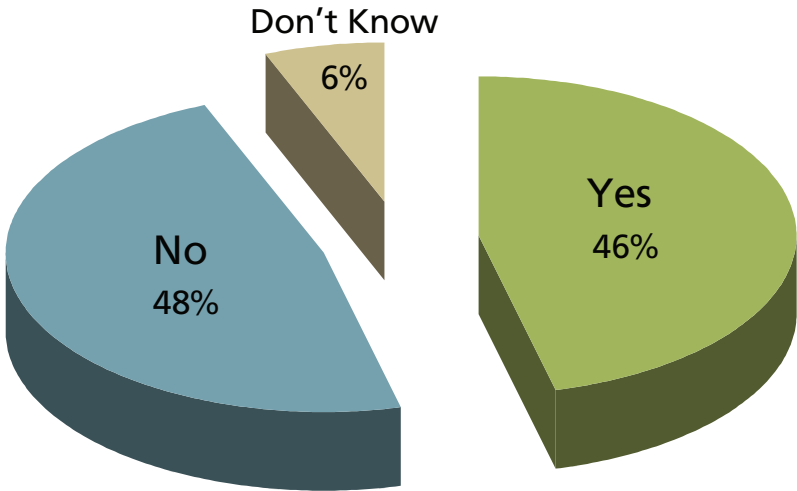


In the area of compliance and ethics metrics for executive performance evaluations, there was greater murkiness. Eighteen percent of survey respondents did not know if compliance and ethics was included. Among those who did provide an answer, 43% reported that compliance and ethics was included, and 57% reported that it was not. There was greater clarity around non-executive employee metrics, most likely because survey respondents were subject to those metrics. They reported close to a 50/50 split between companies that include ethics and compliance and companies that do not.

Does your organization include compliance and/or ethics metrics as a part of its executive performance evaluation program?

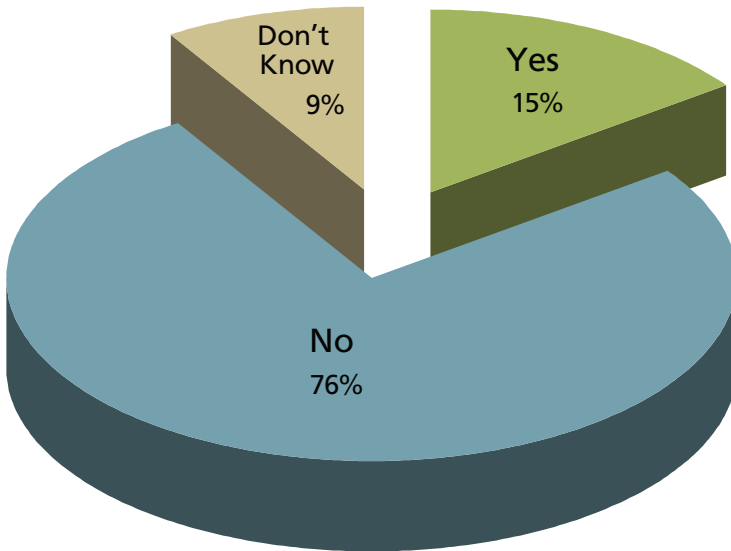


Does your organization include compliance and/or ethics metrics as a part of its non-executive employee performance evaluation program?



In the highly sensitive area of bonuses, compliance and ethics does not appear to be a factor for 76% of companies. Just 15% of survey respondents reported that compliance and ethics metrics have a significant impact on bonus or incentive compensation awards. Seventy six percent reported that compliance and ethics was not a significant factor, with the balance not knowing.

Do compliance and/or ethics metrics have a significant impact on bonus or incentive compensation awards?



Conclusions

At a time of renewed focus on both corporate compensation and business ethics, it appears that there is relatively little activity at the nexus of the two. Only a minority of companies have made ethics and compliance a process for determining how employees are compensated, and only about one company in six ties employee bonuses and incentives to ethical performance.

Despite all the training and other efforts made in compliance, employees may be getting a message that their companies care less about ethical, compliant behavior than they do about hitting short-term sales and revenue goals.

The net result is that there is more work to be done in aligning business practices with stated commitments to compliant, ethical behavior.

Survey Methodology

Survey responses were solicited during May 2009 from compliance and ethics professionals in the database of the Health Care Compliance Association and Society of Corporate Compliance and Ethics. Responses were collected and analyzed using Zoomerang, a web-based third party solution. A total of 358 responses were received.