

Strength in Numbers: Hotline is the C-Suite and Board's Strongest Tool

Panelists

Bob Conlin (host) | William Cameron | Kristin Olson | Kyle Welch

1

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Bob Conlin
President & CEO
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(Moderator)



Kyle Welch, PhD
Assistant Professor,
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William Cameron
Assistant General Counsel
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Kristin Olson
Director, Compliance & Ethics
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2

Efficacy of Internal (Hotline) Reporting Systems

Empirical Evidence of the
Return on Investment in Compliance

Prof. Kyle Welch



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3

3

Inspiration for this research

- Human capital is the most important corporate asset, and a window into the health & performance potential of the organization
- Existing “whistleblower” research is based on **externally** reported events that make it into the media or court room (frequently both)
 - Research shows that one bad public event tends to presage more
- We wanted to see what was happening inside of firms, before events are “public”

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4

4



Working hypothesis

- **Internal** hotline reporting data, and the processes used for incident management, is instructive about workplace culture
- The data are likely indicative – and potentially **predictive** – of business results

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5

5



Key Findings – Part I: Attributes of User Types

There is a significant difference between the types of firms that have a high level of usage of their hotline reporting system vs. those with low usage.

1. **Power Users:** More profitable firms (ROA), large firms, and firms with higher quality governance
2. **Limited Users:** Less profitable, smaller firms, and firms with lower quality governance

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6

6



Key Findings – Part II: relationship to business results (partial list)

More active, robust hotline reporting & incident management usage is associated with:

1. Greater firm productivity as measured by return on assets (ROA)
2. Fewer material lawsuits & lower settlement costs
3. Fewer external regulatory agency inquiries & lower fine amounts
4. Fewer negative news stories in the business/financial media

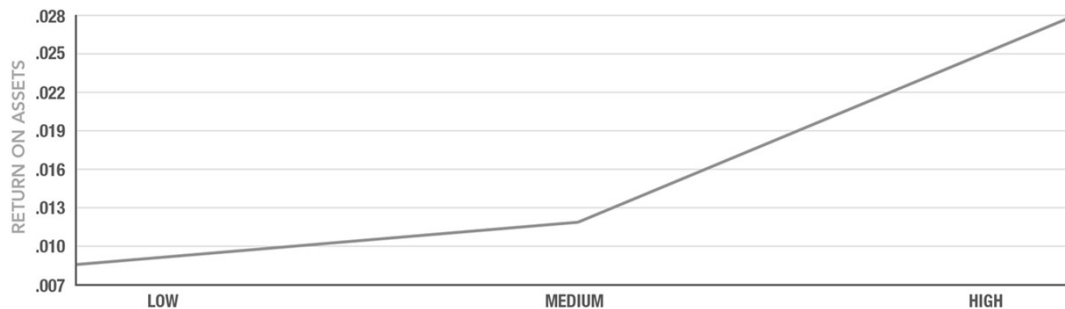
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7

7



1. Hotline Usage Associated with Greater Return on Assets (ROA*)



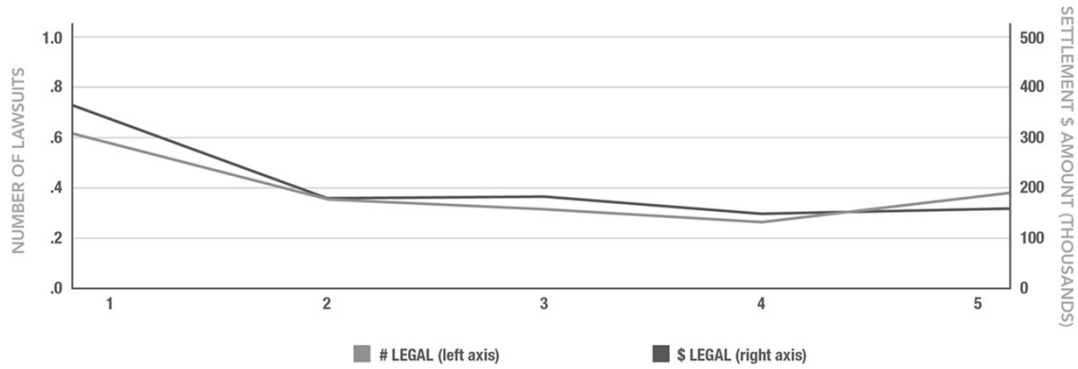
* Evaluates efficient use of resources: Net Income / Assets Used

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8

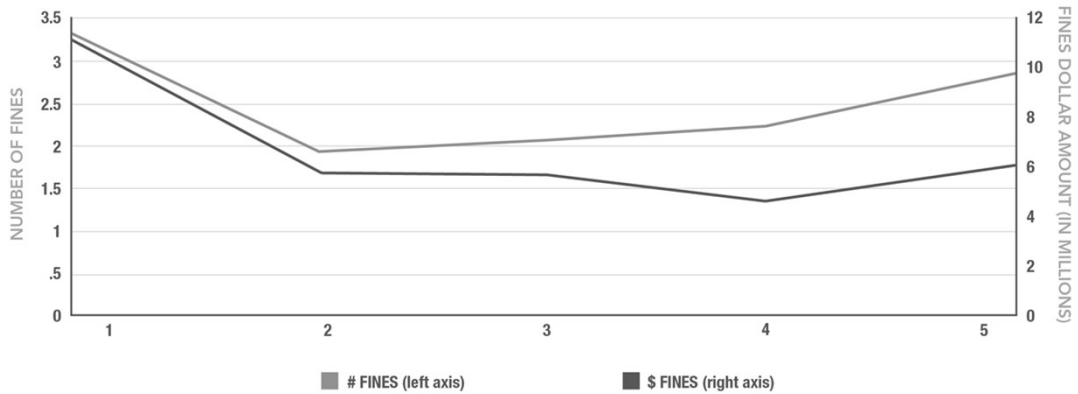
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2. Hotline Usage Associated with Fewer Material Lawsuits and Lower Settlement Costs



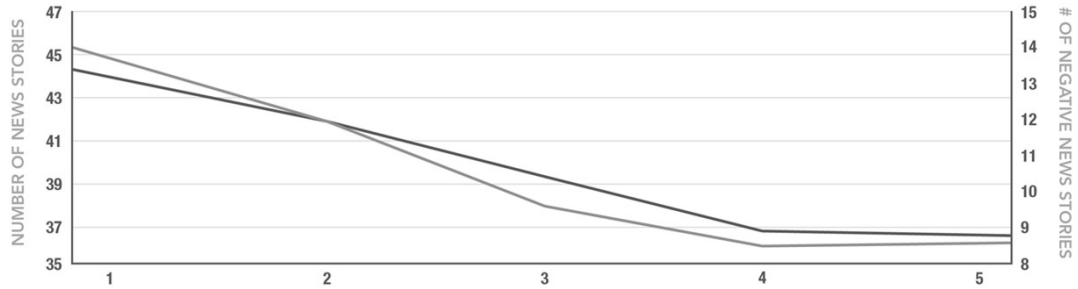
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3. Hotline Usage Associated with Fewer Regulatory Agency Inquiries and Lower Fine Amounts



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4. Hotline Usage Associated with Fewer Negative News Stories in the Financial and Business Media



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11

11

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12