



Turning 2023 Challenges into Ethics and Compliance Opportunities

Futureproofing Your Ethics and Compliance Program
Through Benchmarking

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An Urgent Time

Forecasts point to interesting times ahead, and that is not exactly good news for ethics and compliance officers who have to secure the budgets they need to build a robust program, or to maintain the programs they already have in place. In fact, the next few years might be especially challenging ones for this space, making it extremely important to have the tools on hand that can make an ethics and compliance program recession-proof and economically defensible.



Like any corporate function that does not directly generate income, ethics and compliance must justify its existence in every budget cycle. Depending on organizational culture, the value of ethics and compliance may be self-evident and championed by senior leaders. Or, a robust sense of risk management may include having a strong corporate culture and compliance apparatus.

But not every ethics and compliance program enjoys such support and instead, teams must fight tooth and nail to get the resources it needs. This is especially true in times of economic pressure and uncertainty, and current indicators all point to more of that in the coming months. Top challenges for 2023 include:

Recession

At the end of July, the United States posted its second consecutive quarter of negative economic growth, a key indicator that the economy has fallen into recession. The verdict is still out on whether or not a recession is truly underway, since the U.S. still has quite strong employment numbers. But the reality is that economic uncertainty abounds, and should the U.S. officially enter a recession, experts predict that it will be, as one publication put it, “long moderate, and painful.”

Ongoing pandemic impacts

Even without a recession, businesses are still fighting against the lingering effects of the severe supply chain disruption that began during the height of the COVID-19 pandemic and have yet to fully sort itself out. The Russian invasion of Ukraine in early 2022 introduced a whole new set of shocks to the global supply chain, creating disruptions of energy, product shortages, and contributing to global inflation. In a protracted war scenario in Ukraine, the cost of continued supply chain disruption across the Eurozone could reach nearly €1 trillion. Additionally, organizations continue to deal with ongoing COVID outbreaks, and the challenges of hybrid and remote workplaces.

Continued inflation

The threat of recession is unwelcome news for global inflation, which has already been creating pressures of its own. In the U.S., inflation rates reached 9.1 percent, their highest level since 1981. Many of the world's leading economies are experiencing inflation rates of five percent or more. And some, like Turkey, are experiencing debilitating inflation rates of over 50 percent. Recession and supply chains aside, this is a key ingredient for the kind of economic stability that makes businesses nervous.

Taxes

The corporate tax rate in the U.S. is set to increase from 21 to 28 percent for corporations starting in the 2023 calendar year. Concurrent with that are provisions that will restrict the incentive for companies to offshore as a way to lower their tax burden.



Recession, supply chain disruption, inflation, taxation. It all adds up to the kind of economic turmoil no company wants to see as it enters its budgeting season for 2023. For those organizations that only recently returned to strength from the ups and downs of COVID, the timing could not be worse, since there are very real needs not just to maintain ethics and compliance spending, but to increase it, for a number of reasons:

Regulatory Demand

Compliance officers expect the volume of regulatory expectations to increase in the coming year. And regulators already expect organizations to compare their ethics and compliance programs to the guidelines, industry standards, and best practices of their peers.

Improved ESG Reporting

Environmental, Social, and Governance initiatives have been cited as a key pillar for building organizational value and resilience, and yet, face ongoing criticism over their inability to report hard data. Increasingly, regulators are looking for more substantive ESG reporting, as well.

Remote Working

Many organizations are returning to a physical office slowly, if at all. And for ethics and compliance teams, this means a renewed call to ensure adequate levels of training and communication to an increasingly dispersed workforce.

All of these needs are growing at a time when compliance teams are already facing tight headcount and bandwidth limits, and the overall cost of compliance is rising, due to the increasing demand for skilled and experienced staff, the increasing volume of regulatory change, increasing personal liability for senior leadership, and the need to employ third-party specialists. Simply put: in the coming months, it will be crucial for ethics and compliance teams to recession-proof their programs, make them budgetarily defensible, and to provide quantitative analysis to executive leadership teams and Boards that shows how their program aligns to leading practices.

Benchmarking for 2023 Planning

The ethics and compliance function has suffered from a dearth of meaningful data almost since the inception of its function. For years, E&C professionals have had no choice but to rely on annual (or even less frequent) reviews that provide a piecemeal approach to securing scarce, and sometimes out-of-date, data to inform practices or build a business case.

Today's complex, evolving E&C landscape requires more efficient, on-demand access to data. The rising costs of regulatory non-compliance, as well as perceived sociocultural transgressions, make ethics and compliance an area worthy of strategic risk management. Failure to do so invites regulatory scrutiny, shareholder protest, consumer backlash, employee dissatisfaction, and operational disruption.

These well-documented risks carry with them a certain sense of futility. For without any kind of firm data to work with, ethics and compliance programs cannot know if they are actually preventing crises from occurring. Nor can they know if their activities are indeed advancing a culture of integrity that will make compliance a virtuous circle among employees.

In its evaluation of Corporate Compliance Programs, the United States Department of Justice addresses these very issues as it asks the following:

1. Is the corporation's compliance program well designed?
2. Is the program being applied earnestly and in good faith?
3. Does the compliance program work, in practice?

None of these questions can be answered with confidence, authority, authenticity, or accuracy without the aid of relevant data. Benchmarking is the best way for an organization to obtain and present that data, as well as to understand where it is on its journey to compliance excellence, improve how it does business, and manage its ethics and compliance risk.



KEY TAKEAWAY

For benchmarking to deliver real value, it needs to deliver multifaceted insights:



Full Program

Full-program assessment and benchmarking is used as a baseline to measure effectiveness across the organization, by teams, by roles, gaps in processes, and opportunities for targeted training.

Against Peers/Industry

The results of your assessment should benchmark you against your specific industry standards, your peers, and companies of similar sizes to yours so that you can pinpoint specific areas of need in your business.

By Element or Process

Drill down on a specific program element or processes that need further analysis. This will help you ask the right questions or create opportunities to collaborate with colleagues on relieving pain points.

But there is another evolving aspect of benchmarking, as well. Many benchmarking services have given compliance professionals targeted data across multiple risk areas as a way to deliver comparative data and give compliance programs a competitive edge within their respective industries and marketplaces. In our increasingly data-driven age, however, compliance teams want to access benchmarking data directly for a purely internal review of how their program performs against others.

To meet these various needs, the best benchmarking results are part of a comprehensive solution that is all on a single platform that can easily compare against relevant peers.

Understanding the Value of Benchmarking

Ethics and compliance programs suffer from a Catch-22 when it comes to data. If a program does its job, there will be no regulatory enforcement, no internal investigations, no loss misappropriation. And while that outcome (however fanciful it may be) would be optimal, it also begs the question of how much the program itself contributed to such results. After all, without any data to show how the program worked, one could cynically argue that the inherent qualities of an organization's culture might have prevented bad things from happening, and thereby argue against the funding of ethics and compliance programs.

Similarly, in many organizations, the things that most easily produce data are negative proof points—the amounts of regulatory fines, the costs of lawsuits, employee attrition rates, and other issues. Relying on such numbers alone is never an optimal solution because it fails to contextualize the organization's experience against any kind of meaningful comparison.

These long-standing issues lead to the three key reasons why benchmarking delivers such value to ethics and compliance programs.

Benchmarking has become a business imperative

As leaders demand data-driven decisions and investments, benchmarking has become a vital part of a defensible ethics and compliance program. The qualitative and quantitative insights from a benchmarking program can keep regulators, executive leadership teams, and Boards informed on how an ethics and compliance program aligns with guidelines, industry standards, and peer-driven best practices.

Benchmarking informs key decisions

By knowing what “good” looks like, an ethics and compliance program informed by insightful benchmarking can help prioritize initiatives that align with the organization's business strategy. Moreover, it identifies blind spots in the program that might otherwise go unaddressed.

It obtains buy-in

Benchmarking can help prove to internal stakeholders, such as HR, Communications, and other functions, what programs (e.g., training, third-party risk management, data protection) are needed to drive strategic objectives. It also provides the crucial evidence for making the case for additional budget and resources (or to protect what has already been allocated). And, it helps to drive collaboration with other functions that will want to access the data coming from ethics and compliance.

A New Approach to Benchmarking



In response to the need for on-demand benchmarking Ethisphere launched [The Sphere](#), a new product that provides access to ethics and compliance data, including the practices of the World's Most Ethical Companies® honorees. For the first time, ethics, compliance, and legal teams can easily benchmark against the practices of companies with exceptional programs, identify gaps, and access a wealth of insights and resources to guide program improvements.

The Sphere is a valuable resource for ethics and compliance professionals at a time when economic uncertainty will place budgetary strain on budgets. The need to justify the efficacy of an ethics and compliance program—or defend its current level of spend—will become even more pronounced that it is already.

That is where data and analytics come in. Data-driven decision-making has been a topic of acute interest in this field for some time, but by the start of 2022, it had reached critical mass. For too long, a relative lack of performance data hobbled ethics and compliance programs, especially in comparison to far more data-rich functions such as internal audit, human resources, legal, and IT. This rendered ethics and compliance programs unable to pinpoint areas of program improvement and success.

Thus, Ethisphere developed The Sphere. This comprehensive database provides business integrity professionals with the tools to measure their own programs against their peers and best-in-class organizations among The World's Most Ethical Companies honorees.

The Sphere also allows its users to take part in a evolving and iterative process, as the data they volunteer into the total dataset further enriches the results for all of its users, making the data and analysis derived from The Sphere increasingly accurate and meaningful over time.

Understanding How The Sphere Works

Using The Sphere consists of three main steps: assessing your business, benchmarking your results, and applying expert insight and analysis to those results.

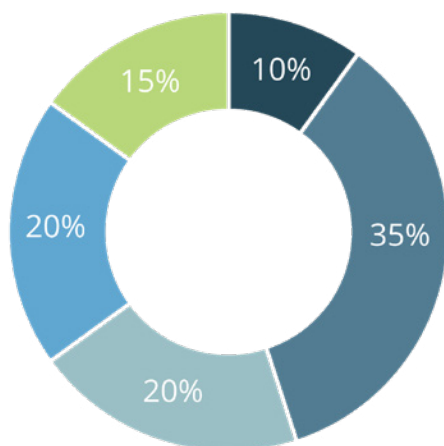
STEP ONE:

The Ethics Quotient

The process begins by filling out the Ethics Quotient (EQ) framework—Ethisphere’s proprietary assessment of more than 200 multiple-choice questions that reflect your organization’s performance in a variety of business areas, including:

- Ethics and compliance program elements and activities (e.g., structure, staffing and organization; ethical culture measurement; training and communications practices; audit and risk assessment; investigations and incentives; and third-party business partner interactions)
- Environmental and social impact reporting and transparency
- Governance
- Initiatives to support a strong value chain

The Ethics Quotient is widely undertaken by the members of the **Business Ethics Leadership Alliance**—the premier membership community dedicated to advancing the cause of business integrity worldwide—as well as companies spanning a broad variety of industries, headcounts, levels of annual revenue, geographies, and levels of program maturity. This ensures a rich and diverse data set that will provide meaningful comparison of one’s own ethics and compliance program.



GOVERNANCE

- Oversight
- Governance Principles
- Risk Management

LEADERSHIP & REPUTATION

- Legal compliance and ethical track record
- Ethical reputation the marketplace
- Awards and accolades garnered
- Examples of leadership locally, nationally, and globally

CULTURE OF ETHICS

- Efforts to establish ethical tone from top to middle
- Frequency with which culture is elevated
- Methods and outcomes

ETHICS & COMPLIANCE PROGRAM

- Program structure, responsibility, and resources
- Program oversight and tone at the top
- Written standards, training, and communication
- Detection, monitoring, auditing, and risk assessments
- Enforcement and discipline

ENVIRONMENTAL & SOCIETAL IMPACT

- Sustainability, citizenship and social responsibility
- Environment stewardship
- Community Involvement
- Corporate Involvement
- Corporate Philanthropy
- Workplace Impact and well-being
- Supply chain engagement and oversight

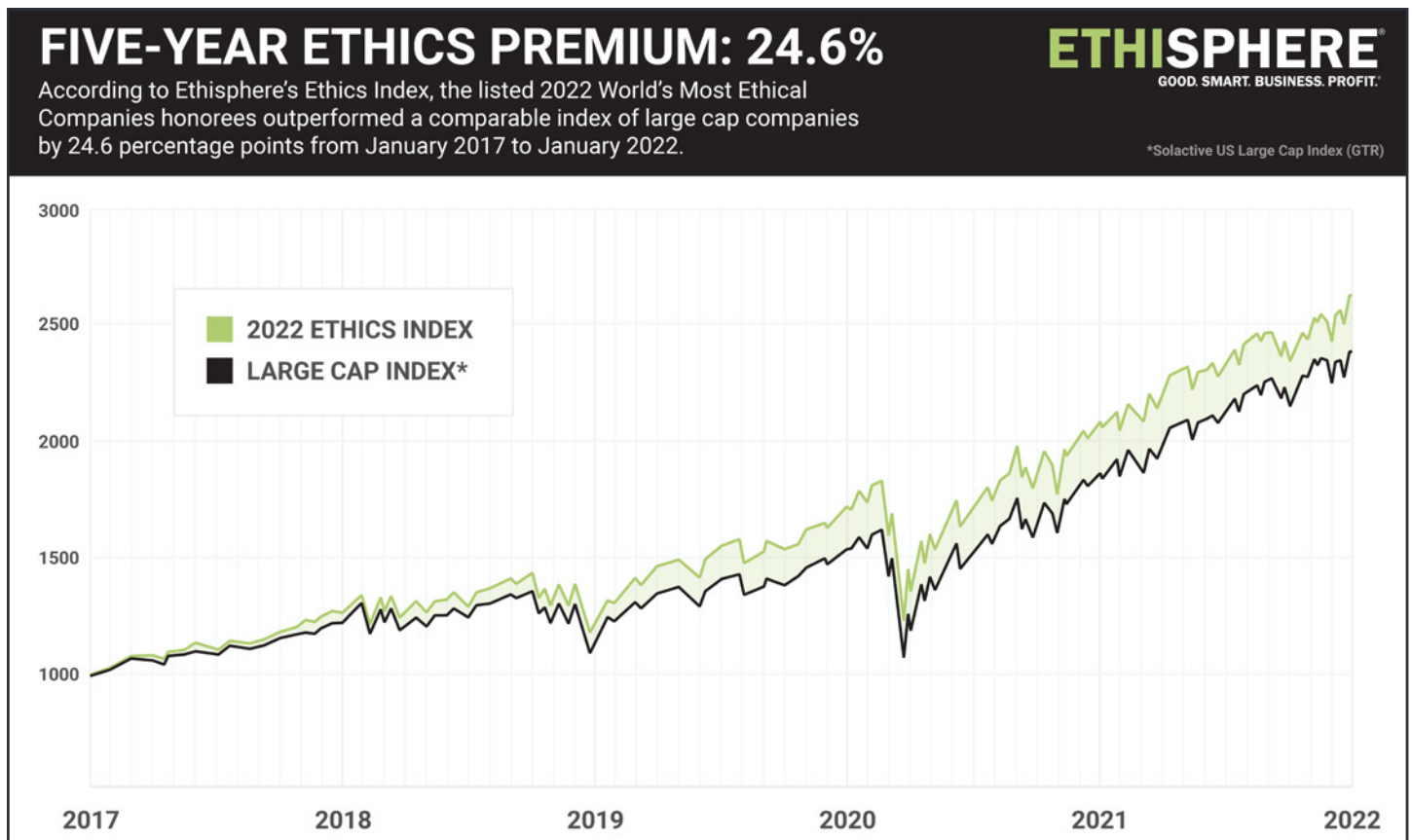
STEP TWO:

Compare Your Results

With the simple click of a button, organizations can compare the results of their Ethics Quotient assessment against their peers by industry, headcount, annual revenue, or geography. Data can also be compared specifically against the results of the World’s Most Ethical Companies®—those organizations whose leading practices outperform peers and competitors financially and demonstrate a tangible return on investment for business integrity.

The 2022 World’s Most Ethical Companies represent 136 companies from 22 countries and 45 industries, with a combined \$10.5 billion in market capitalization. They also represent the connection between robust ethical practices and financial performance in the Ethics Premium. For 16 years, the Ethics Premium has tracked the degree to which the World’s Most Ethical Companies outperform a comparable index of large cap companies; in 2022, the Five-year Ethics Premium reached a record high of 24.6 percent.

This all underscores how comparing Ethics Quotient data against that of the World’s Most Ethical Companies honorees provides an accurate comparison against the very best ethics and compliance practices.



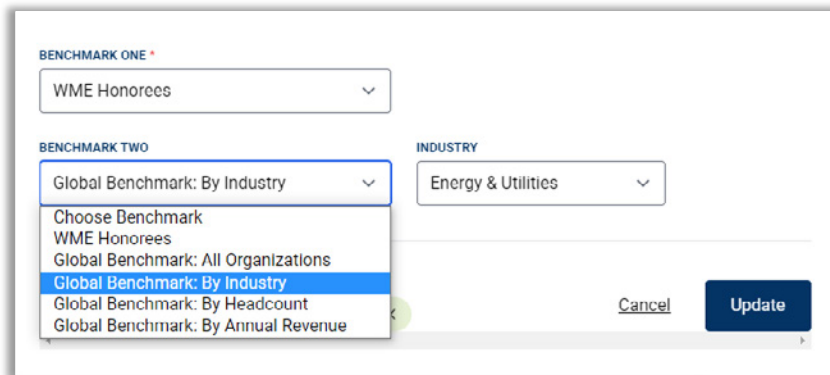
STEP THREE:

At-a-Glance Results, Expert Analysis, Guidance, & Resources

Once that comparative data has been obtained, users of The Sphere can drill down to specific questions in the Ethics Quotient to better understand issues of interest. Furthermore, users of The Sphere have access to Ethisphere’s own subject matter experts who can identify gaps, opportunities, and emerging trends based on the data and develop a roadmap for program improvement based on those insights. Or, that analysis can be used to validate current practices and approaches that compare favorably to current best practices. Both outcomes can showcase the rationale behind investments necessary to build and/or maintain a top-performing ethics and compliance program.

Data cuts from The Sphere can be downloaded in multiple formats, including raw data exports that can be modified to meet external brand guidelines, as well as presentation-ready PDFs.

All data, insights, and analysis coming from The Sphere capture a moment in time, since the data universe of The Sphere is constantly expanding and refining, so subsequent deep dives into The Sphere will yield more applicable results.





THE SPHERE™
DATA. INSIGHTS. ACTION.

LEARN MORE

The Sphere is the first database of its kind, providing unprecedented benchmarking capabilities against peers that range from the World's Most Ethical Companies to smaller organizations whose ethics and compliance journeys have only just begun. With the enterprise subscriptions that The Sphere offers, users can make unlimited use of this valuable resource to ensure their own business integrity programs run at peak efficiency, empower greater financial performance, and help to make the world a more forthright place in which to do business.

To request a demo of The Sphere, contact Tyler Lawrence, Director, Data and Services, at tyler.lawrence@ethisphere.com. Or, visit us at <https://ethisphere.com/sphere>.

ETHISPHERE®
GOOD. SMART. BUSINESS. PROFIT.®

Ethisphere is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. Ethisphere has deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character.

Ethisphere honors superior achievement through its [World's Most Ethical Companies](#) recognition program. It provides a community of industry experts with the [Business Ethics Leadership Alliance \(BELA\)](#). It showcases trends and best practices in ethics with [Ethisphere Magazine](#).

Ethisphere also helps to advance business performance through data-driven assessments, benchmarking, and guidance.