

# EMPOWERING MIDDLE MANAGERS AS ETHICS CHAMPIONS

## A Tactical Guide for Ethics & Compliance Teams

### I. Introduction

In the complex landscape of modern business ethics and compliance, there exists an often-overlooked resource of immense potential: middle managers. These individuals, positioned at the crucial intersection between senior leadership and frontline employees, hold the key to unlocking a wealth of risk intelligence and fostering a robust culture of integrity. This white paper aims to explore the pivotal role of middle managers in ethics and compliance programs, and how activating them can transform an organization's approach to risk management and ethical behavior.

### The Overlooked Opportunity

Ethics and Compliance (E&C) teams face a significant challenge in their mission to crowdsource risk intelligence at scale. Despite the implementation of anonymous hotlines and reporting systems, a vast majority of potential reports never reach the E&C team's radar. This gap represents not just missed opportunities for risk mitigation, but also a failure to tap into the collective wisdom and insights of an organization's workforce.

Consider the following statistics:

- According to the Ethics & Compliance Initiative (ECI), 65% of employees witnessed wrongdoing in the last 12 months.
- Research from Ethisphere and ECI indicates that employees are 6-8 times more likely to report issues to their direct managers than to use anonymous reporting channels.
- Yet, major industry hotline and employee investigation benchmark reports show average report rates of only 1.5 to 3.6 per 100 employees.

These numbers paint a clear picture: there is an ocean of unreported issues and insights within organizations that E&C teams are not accessing. This represents a critical blind spot in risk management and a missed opportunity for organizational improvement.

Middle managers, by virtue of their position, are uniquely placed to bridge this gap. They have direct, daily interactions with frontline employees, often serving as the first point of contact for concerns or observations. Moreover, they possess a broader perspective on departmental operations, allowing them to contextualize individual reports within larger organizational patterns.

### Goals of the Whitepaper

This white paper seeks to address the untapped potential of middle managers in ethics and compliance programs. Our primary objectives are to highlight the current state of workplace integrity culture, demonstrate the significant costs associated with inefficiencies and missed reporting, and provide practical strategies for E&C teams to activate middle managers as key allies in promoting ethical behavior and gathering risk intelligence.

We will explore methods for training middle managers to recognize, report, and appropriately handle ethical concerns raised by their team members. Additionally, we'll delve into the implementation of proxy reporting systems that enable managers to efficiently submit reports on behalf of their team members. The white paper will also outline methods for transforming middle managers into ethical ambassadors who can promote a culture of integrity throughout the organization. Finally, we will provide metrics and methods for measuring the effectiveness of these initiatives.

## The Importance of Middle Managers in Ethics and Compliance

Middle managers are not merely conduits for information or policy enforcement. They are influential shapers of organizational culture, often setting the tone for their teams and departments. Their actions and attitudes can significantly impact how employees perceive the importance of ethical behavior and the value of speaking up about concerns.

Consider the following:

- A study by the Harvard Business Review found that employees are 54% more engaged when they believe their managers are ethical leaders.
- Research from Gallup indicates that managers account for at least 70% of the variance in employee engagement scores across business units.
- A report by Deloitte revealed that 82% of employees said they would prefer to be paid less but work for a company with ethical business practices.

These statistics underscore the critical role that middle managers play in shaping employee perceptions and behaviors. By activating middle managers as partners in ethics and compliance efforts, organizations can create a multiplier effect, dramatically increasing the reach and impact of their E&C initiatives.

## The Transformative Potential

Imagine an organization where every middle manager is not just aware of their role in ethics and compliance, but actively engaged in promoting ethical behavior, gathering risk intelligence, and fostering a speak-up culture. In such an environment, ethical concerns would be surfaced and addressed more quickly and efficiently. Employees would feel more supported and empowered to voice their concerns. The E&C team would have access to a richer, more nuanced understanding of potential risks and issues across the organization. Ultimately, the organization would benefit from increased employee engagement, reduced risk, and improved operational efficiency.

This white paper provides a roadmap for achieving this vision. As we delve into the subsequent sections, we will explore the current state of workplace integrity culture, the costs of inefficiencies and missed reporting, and detailed approaches for leveraging the power of middle management in ethics and compliance efforts. Through this exploration, we aim to inspire a paradigm shift in how organizations approach risk management and ethical culture-building, placing middle managers at the heart of these crucial efforts.

By the end of this document, readers will have a comprehensive understanding of why activating middle managers is crucial for ethics and compliance success, along with practical strategies and tactics for implementation. It's time to unlock the full potential of middle managers in creating and maintaining a robust ethical culture that drives organizational success.

## II. The Current State of Workplace Integrity Culture

The importance of a strong ethical culture cannot be overstated. Yet, despite increased focus on ethics and compliance programs, many organizations still struggle to foster a truly integrated culture of integrity. This section explores the current state of workplace integrity, highlighting key challenges and trends that shape the ethical environment in modern organizations.

## Statistics on Observed Workplace Misconduct

Recent studies provide alarming insights into the frequency and nature of ethical breaches in the workplace. According to the Ethics & Compliance Initiative's (ECI) 2023 Global Business Ethics Survey, 65% of U.S. employees observed misconduct in the past year. This represents a slight increase from previous years, and indicates that nearly two-thirds of all employees witness ethical violations in their workplaces.

More encouragingly, the same study found that 72% of employees who observed misconduct reported it. However, assuming this is true, this also means that 28% of observed misconduct goes unreported, representing a significant blind spot for organizations. Additionally, a 2022 survey by Gartner revealed that 42% of employees have witnessed at least one compliance violation at work in the past 12 months.

These statistics highlight the persistent challenge of maintaining ethical conduct in the workplace and underscore the need for robust ethics and compliance programs that can effectively detect and address misconduct.

## Low Reporting Rates Despite High Observed Misconduct

While the observation of misconduct is relatively high, formal reporting rates through official channels remain low. As mentioned in the introduction, major industry hotline and employee investigation benchmark reports show average report rates of only 1.5 (Navex) to 3.6 (Ethico) per 100 employees.

This discrepancy between observed misconduct and formal reporting rates suggests that many issues are either going unreported or are being handled informally, often at the manager level. The point being, they are not captured by the risk management “machine”. This highlights the critical role that middle managers can play in the ethics and compliance ecosystem. They are often the first point of contact for employees with concerns, making them crucial gatekeepers of ethical information within the organization.

## Employees Want Integrity and Meaning in Their Work

Today's workforce, particularly younger generations, places a high value on workplace integrity and ethical business practices. A 2021 study by Deloitte found that 44% of Millennials and 49% of Gen Z say they have made choices over the type of work they are prepared to do and the organizations they are willing to work for based on their personal ethics.

According to the 2023 Edelman Trust Barometer, 60% of employees choose a place to work based on their beliefs and values. Furthermore, a survey by LRN Corporation revealed that 94% of employees say it is critical or important that the company they work for is ethical.

These statistics demonstrate that ethical business practices are not just a compliance requirement but a key factor in attracting and retaining talent, as well as driving employee engagement. Organizations that fail to prioritize ethics risk losing out on top talent and suffering from decreased employee loyalty and productivity.

## Importance of an Ethical Culture for Employee Retention and Engagement

An ethical workplace culture has far-reaching benefits beyond mere compliance. It significantly impacts employee retention, engagement, and overall organizational performance. A study by the Society for Human Resource Management (SHRM) found that 78% of employees say they're more likely to stay with their current employer because of its ethics program.

Research by the Corporate Executive Board (CEB) showed that employees who work in high-integrity environments are 12 times more likely to report witnessed misconduct to management. This indicates that a strong ethical culture not only reduces misconduct but also increases the likelihood that any issues will be brought to light and addressed.

The 2021 Edelman Trust Barometer revealed that employees who trust their employer are far more likely to advocate for the organization (78%), to be engaged (71%), and to remain loyal (74%). The 2024 Trust Barometer report showed that Business remains the only trusted institution globally, however, the US is neutral and declining. Trust is driven by perceptions of ethical behavior, is thus a crucial factor in employee engagement and retention.

## The Role of Middle Managers in Shaping Ethical Culture

Middle managers play a pivotal role in translating organizational values and ethical standards into day-to-day practices. A study by the Ethics Resource Center found that 60% of misconduct involves someone with managerial authority, underscoring the significant influence managers have on ethical behavior within their teams.

Research by the Harvard Business Review showed that employees are 54% more engaged when they believe their managers are ethical leaders. This highlights the direct link between managerial ethical leadership and employee engagement.

The 2021 ECI Global Business Ethics Survey found that 40% of employees who reported misconduct did so to their direct supervisor. This statistic emphasizes the crucial role middle managers play in the reporting process and the need to equip them with the skills and knowledge to handle such reports effectively.

## Challenges in Current Ethics and Compliance Programs

Despite the clear importance of ethics and compliance, many organizations struggle to implement effective programs. A 2022 survey by KPMG found that only 35% of organizations believe their compliance programs are very effective.

A 2023 study by FTI and Ethico showed an Net Promoter Score of -35 (53% detractors) for the question: "I would recommend adopting my organization's compliance program to other organizations".

Moreover, a study by Deloitte found that 59% of organizations do not measure the effectiveness of their ethics and compliance programs. This lack of measurement makes it difficult for organizations to improve their programs and demonstrate their value.

Research by Gartner showed that over 50% of misconduct observed by employees is never reported to management. This high rate of unreported misconduct represents a significant risk for organizations and highlights the importance of improved reporting mechanisms and a stronger speak-up culture.

These challenges point to the need for innovative approaches to ethics and compliance, particularly in leveraging the influence and position of middle managers. By activating middle managers as key players in ethics and compliance efforts, organizations can address many of these challenges and create a more robust ethical culture.

In the following sections, we will explore strategies to harness the potential of middle managers to address these challenges and create a more effective ethics and compliance ecosystem. By doing so, organizations can bridge the gap between observed misconduct and reported issues, fostering a culture of integrity that resonates throughout the entire workforce.

### III. The Costs of "Inefficiencies" and Missed Reporting

The concept of "fraud, waste, and abuse" is well-known. However, the "waste" component, particularly in terms of process inefficiencies and missed reporting opportunities, often receives less attention than it deserves. This section explores the significant costs associated with these inefficiencies and the value of leveraging employee insights for continuous improvement.

#### Defining Fraud, Waste, and Abuse

Before delving into the costs, it's crucial to understand the full scope of what "fraud, waste, and abuse" encompasses:

1. Fraud: Intentional deception for personal gain or to damage another individual or entity.
2. Waste: The thoughtless or careless expenditure, consumption, mismanagement, or use of resources.
3. Abuse: The excessive or improper use of resources that can lead to destruction or improper benefits.

While fraud and abuse often grab headlines, waste - particularly in the form of process inefficiencies - can be equally, and arguably more, detrimental to an organization's bottom line and ethical culture.

#### The High Cost of Inefficient Processes

Inefficient processes represent a significant drain on organizational resources. According to a study by IDC, companies lose 20-30% of profit each year due to inefficiencies. This staggering figure underscores the magnitude of the problem and the potential for improvement.

Research by Gartner found that over 80% of enterprise processes remain inefficient and manual. This prevalence of inefficient processes not only impacts productivity but also creates opportunities for errors, misconduct, and ethical lapses. When processes are cumbersome or unclear, employees may be tempted to cut corners or bypass procedures, potentially leading to compliance issues.

The impact of inefficiencies extends beyond direct financial losses. A report by Gallup revealed that disengaged employees, often a result of inefficient processes, cost U.S. companies up to \$550 billion a year. This disengagement can manifest in reduced productivity, increased absenteeism, and higher turnover rates, all of which have ethical implications.

#### The Hidden Costs of Missed Reporting

When employees fail to report observed misconduct or process inefficiencies, the organization incurs several hidden costs. The Association of Certified Fraud Examiners (ACFE) found that the median duration of fraud schemes is 14 months before

detection. This prolonged period of undetected misconduct can lead to significant financial losses and reputational damage.

Missed reporting opportunities also contribute to cultural erosion. A culture where issues go unreported can lead to decreased trust and employee engagement. Gallup reports that disengaged employees are 18% less productive and 15% less profitable than their engaged counterparts. This disengagement can create a vicious cycle, where employees become less likely to report issues, leading to more problems going unaddressed and further disengagement.

From a regulatory perspective, failure to detect and address compliance issues can result in hefty fines and reputational damage. In 2023, the combined enforcement actions by the DOJ and SEC totaled \$733 million in penalties, disgorgement, and interest. Many of these violations could have been prevented or mitigated if reported earlier or acted on by management.

Perhaps most significantly, when employees don't feel empowered to speak up about inefficiencies, organizations lose out on potential process improvements. Over the last 10 years, the Ethisphere Ethics Premium has ranged from 7% to over 24%. This statistic highlights the potential value of authentic employee buy-in and insights in driving organizational improvement and competitive advantage.

## **Employees as the Key to Process Improvement**

Employees who are directly involved in day-to-day operations often have the best insights into how processes can be improved. A study by Gartner found that 56% of employees say they've had ideas for improving their organization's operations, products, or services in the last year. This represents a vast pool of untapped potential for organizational improvement.

Research by McKinsey revealed that companies in the top quartile for employee engagement were 21% more profitable than those in the bottom quartile. This correlation between engagement and profitability underscores the value of creating an environment where employees feel empowered to contribute ideas and report issues.

The "State of the Global Workplace" report by Gallup found that business units with engaged workers have 23% higher profitability compared to those with low engagement. Engaged employees are more likely to go above and beyond in their roles, including reporting inefficiencies and ethical concerns.

## **The Role of Middle Managers in Harnessing Employee Insights**

Middle managers are uniquely positioned to bridge the gap between frontline employees and senior leadership. A study by Harvard Business Review found that middle managers are responsible for 70% of employee engagement variance. This statistic highlights the crucial role managers play in creating an environment where employees feel comfortable speaking up.

Research by Deloitte showed that 81% of employees say they would consider leaving their job due to a lack of empowerment, often stemming from poor middle management. This emphasizes the need for managers who can create a culture of openness and empowerment, encouraging employees to share insights and report concerns.

By activating middle managers to encourage and facilitate reporting of both ethical concerns and process improvement ideas, organizations can both tap into a wealth of insights while reinforcing a culture of open communication and presents the opportunity for employees to engage in a low-stakes speak up process. Remember: Waste is risk. And process inefficiencies and employee disengagement are the biggest sources of waste in most companies.

## **The Value Proposition for Ethics and Compliance Departments**

Ethics and Compliance departments are still often viewed as cost centers. However, by focusing on process improvements and tying it to risk mitigation, these departments can demonstrate significant value. A recent study by Ethisphere found that companies with strong ethical cultures outperformed their peers by 12.3% on a five-year annualized basis.

Research by PwC revealed that companies with robust compliance programs spend 46% less on compliance failures than those with weaker programs. This statistic demonstrates the direct financial benefit of investing in strong ethics and compliance initiatives.

By positioning themselves as facilitators of process improvement and risk intelligence gathering, Ethics and Compliance teams can shift perception from cost center to value creator. They can play a crucial role in identifying inefficiencies, mitigating risks, and driving organizational improvement.

## Continuous Improvement Through Employee Empowerment

Creating a culture of continuous improvement requires empowering employees at all levels to speak up about inefficiencies and potential improvements. A study by Towers Watson found that companies with highly effective communication are 3.5 times more likely to outperform their peers. This underscores the importance of creating channels for employees to share insights and concerns.

Research by the Kaizen Institute showed that organizations implementing continuous improvement strategies can achieve productivity gains of 10-30%. By activating middle managers to encourage and facilitate this continuous feedback loop, organizations can create a self-reinforcing cycle of improvement and ethical behavior.

The costs of inefficiencies and missed reporting opportunities are substantial, impacting not just the bottom line but also organizational culture and risk exposure. By recognizing the value of employee insights and the pivotal role of middle managers in harnessing these insights, E&C Executives can create channels to activate these human sensors and transform their cultural impact. This approach not only reduces waste and mitigates risks but also fosters an authentic culture of integrity and sustainable innovation that drives long-term business success.

### IV. Strategies for Activating Middle Managers

Activating middle managers as key players in ethics and compliance efforts requires a strategic approach. This section outlines four core strategies that E&C Executives can employ to engage and empower middle managers effectively.

#### 1. Frequent Communication About Program Goals

Clear, consistent communication is crucial for aligning middle managers with ethics and compliance objectives. Organizations should implement a multi-faceted communication strategy to keep managers informed and engaged.

Regular Ethics Briefings are an essential component of this strategy. These can take the form of monthly or quarterly touchpoints specifically designed for middle managers. During these briefings, the ethics and compliance team can share updates on compliance initiatives, discuss recent case studies, review resources and questions, and discuss emerging risks. These sessions also provide a valuable forum for managers to ask questions and share concerns, fostering a two-way dialogue.

For example, a global manufacturing company implemented a "Manager's Ethics Minute" program, providing brief, weekly ethics scenarios for managers to discuss with their teams. This initiative increased ethics-related conversations by 65% and improved ethical decision-making scores in annual assessments by 23%.

Targeted Messaging is another crucial aspect of the communication strategy. You should develop communication materials tailored to middle managers' roles and responsibilities. This can include email newsletters, intranet resources, and discussion points or discussion prompts for team meetings. The key is to emphasize the crucial role managers play in shaping ethical culture and to provide them with the language and tools to effectively communicate these concepts to their teams. Make it easy.

Leadership Involvement is vital in reinforcing the importance of ethics and compliance. Senior leaders should consistently communicate the importance of ethical behavior and participate in manager ethics training sessions and company wide communication. This top-down approach demonstrates organizational commitment and helps managers understand that ethics is actually a priority at all levels of the company.

#### 2. Incentives and Recognition

Motivating middle managers to prioritize ethics and compliance requires meaningful incentives and recognition. This goes beyond mere financial rewards and should be integrated into the overall performance management system.

Performance Metrics related to ethics and compliance should be included in manager evaluations. These can include metrics such as team reporting rates, proxy forms submission rates, completion rates for ethics training, and effective handling of ethical issues. By making these metrics a formal part of performance reviews, organizations signal the importance of ethical leadership.

A financial services firm integrated ethics metrics into its balanced scorecard for manager evaluations. Managers could earn up to 20% of their annual bonus based on ethics-related performance. Within two years, employee trust in management increased by 34%, and reported ethical violations decreased by 28%. Incentives drive behavior.

Rewards and Recognition programs can be powerful motivators, but so can competition. Establishing an "Ethical Leadership Award" for managers who excel in promoting integrity can create healthy competition among peers while showcasing best practices. Consider providing tangible rewards, such as additional professional development opportunities, for strong ethical performance.

Career Advancement opportunities should be tied to ethical leadership. Making ethical behavior a key criterion for promotion to management positions sends a clear message about organizational values. There is benefit in offering advanced ethics and compliance training as part of leadership development programs, further reinforcing the link between ethical leadership and career progression.

### **3. Leverage Natural Desire to Help Their Teams**

Middle managers often have a strong commitment to their team's success. Organizations can leverage this natural inclination to encourage ethical behavior and reporting.

Emphasizing Team Benefits of ethical behavior can be a powerful motivator. Managers should be equipped with data and examples demonstrating how strong ethical practices contribute to team performance and morale. For instance, sharing studies that show the correlation between ethical behavior and employee satisfaction or retention can help managers see the tangible benefits of promoting ethics within their teams.

Empowering Managers as Ethics Advocates involves providing them with the tools and resources to effectively communicate the benefits of ethical behavior to their teams. This can include training on how to handle ethical concerns within their teams and guidance on incorporating ethics discussions into regular team meetings.

A tech company implemented an "Ethics Champion" program where managers could nominate team members to receive special ethics training and act as departmental ethics resources. This program increased ethical issue reporting by 47% and improved employee perceptions of managerial ethical leadership by 39%.

### **4. Provide Resources and Training**

Equipping middle managers with the right tools and knowledge is crucial for their success as ethical leaders and extensions of your program.

Comprehensive Ethics Training should be developed specifically for middle managers, specifically focused on their role as bridge between "front lines" and the "risk brain" of the organization. This should include modules on recognizing ethical issues, handling reports, and promoting a speak-up culture. Utilizing a mix of online and in-person training can ensure maximum engagement and retention of key concepts.

A healthcare organization developed a comprehensive "Ethical Leadership Academy" for its middle managers. The six-month program combined online modules, in-person workshops, and practical assignments. Graduates of the program reported a 56% increase in confidence in handling ethical issues, and their teams showed a 41% increase in willingness to report concerns.

Decision-Making Tools, such as ethical decision-making frameworks tailored to managerial roles, can provide practical support for managers facing ethical dilemmas. These can include easy-to-use flowcharts or decision trees that guide managers through the process of evaluating ethical issues.

Real-Time Support is crucial for managers dealing with complex ethical situations. Establishing a dedicated helpline for managers to seek guidance on ethical issues can provide immediate assistance when needed. Additionally, creating an online repository of resources, including FAQs, case studies, and best practices, can serve as a valuable reference for managers.

By implementing these strategies, organizations can transform their middle managers into powerful allies in ethics and compliance efforts. These activated managers become key drivers in creating and maintaining a robust ethical culture, bridging the gap between organizational policies and day-to-day practices. The next sections will explore specific tactics for training managers on reporting, creating proxy reporting systems, and turning managers into ethical ambassadors.

## V. Tactics for Training Managers on Reporting

Effective reporting is a cornerstone of any robust ethics and compliance program. Middle managers play a crucial role in this process, often serving as the first point of contact for employees with concerns. This section outlines specific tactics for training managers to recognize, report, and appropriately handle ethical issues.

### Recognizing Issues Warranting a Report

The first step in effective reporting is the ability to identify situations that require formal reporting. Training programs should focus on developing this skill in managers.

Managers should be provided with a comprehensive list of reportable issues, including legal violations, policy breaches, and ethical concerns. This should be accompanied by real-world examples to enhance understanding. For instance, a case study of a conflict of interest scenario can help managers recognize subtle signs that might otherwise go unnoticed.

Training should also address "gray areas" where judgment may be required. Role-playing exercises can be particularly effective in helping managers navigate these complex situations. For example, managers could be presented with a scenario where an employee's personal relationship with a vendor might influence business decisions. Through guided discussion and feedback, managers can learn to identify the ethical implications and determine when reporting is necessary.

Red flags and warning signs should be a key focus of the training. Managers should be taught to identify common indicators of ethical breaches or misconduct. This might include unusual patterns in expense reports, sudden changes in employee behavior, or inconsistencies in project documentation. Industry-specific red flags should also be covered, as ethical risks can vary significantly across different sectors.

Cultural and contextual awareness is crucial in recognizing reportable issues. Managers should be trained to consider how cultural differences might affect perceptions of ethical issues. For example, what might be considered a courtesy in one culture could be viewed as a bribe in another. Training should also address the impact of power dynamics on reporting behaviors, helping managers understand how their position of authority might influence employees' willingness to speak up.

### Asking Clarifying Questions Without Investigating

Once a potential issue has been identified, managers need to gather essential information without crossing into formal investigation territory. This is a delicate balance that requires specific skills.

Active listening techniques should be a core component of the training. Managers should learn how to create an environment where employees feel comfortable sharing concerns. This includes maintaining a neutral tone and body language, using open-ended questions to elicit more detailed responses, and avoiding judgmental reactions.

Appropriate questioning strategies are crucial. Managers should be provided with a list of appropriate questions to ask when receiving a report. For example:

- "Can you tell me more about what you observed?"
- "When did this occur?"
- "Who else might have knowledge of this situation?"

It's equally important to train managers on questions to avoid, such as leading questions or those that might compromise an investigation.

The boundaries of managerial involvement should be clearly defined. Managers need to understand where their role in gathering information ends and when to escalate the issue to the appropriate channels. This includes training on how to explain the next steps in the reporting process to employees, ensuring transparency while maintaining confidentiality.

### Submitting Timely Reports with Critical Details

Prompt and thorough proxy reporting is crucial for effective ethics and compliance management. Managers should be trained on the specific procedures for each available reporting channel, including any relevant deadlines.

Training should include a checklist of critical details to include in every report. This might cover:



- Who was involved?
- What happened?
- When and where did it occur?
- How was it discovered?
- What evidence is available?

Managers should be instructed on how to organize this information in a clear and logical manner, emphasizing the importance of factual accuracy and objectivity.

Confidentiality and anonymity are critical aspects of the reporting process. Managers should be trained on how to respect and protect reporter confidentiality, and how to handle requests for anonymity. They should understand the differences between confidential and anonymous reporting, and be prepared to explain these concepts to their team members.

If the organization uses a proxy-reporting system, hands-on training should be provided. Managers should learn how to navigate the form, input information effectively, and update reports as new information becomes available.

## **Following Up Appropriately with Employees**

Proper follow-up is crucial for maintaining trust and encouraging future reporting. Managers should be trained on best practices for acknowledging receipt of a report without compromising confidentiality. They should learn how to set appropriate expectations about the process and timeline, and how to communicate outcomes within the bounds of confidentiality.

Supporting reporting employees is a critical skill. Managers should be aware of available resources for employees who have reported issues, such as employee assistance programs or counseling services. They should also be trained to recognize and address signs of stress or anxiety in reporting employees.

Training should cover how to maintain a normal working environment post-reporting and how to monitor for and address potential retaliation. This might include guidance on how to handle team dynamics if other employees become aware of a report.

For situations involving repeated or ongoing issues, managers should be trained on how to encourage continued reporting without creating frustration. They should learn how to escalate recurring issues appropriately and how to document patterns of behavior or systemic problems.

## **Practical Application and Continuous Improvement**

To reinforce these skills, organizations should implement regular scenario-based training sessions. These could involve complex ethical dilemmas that managers work through in groups, fostering discussion and shared learning.

Organizations should also encourage managers to reflect on each reporting experience for personal growth. A framework for self-evaluation of handling reported issues can be provided, along with opportunities for advanced training based on real-world experiences.

By implementing these comprehensive training tactics, organizations can equip their middle managers with the skills and knowledge necessary to handle ethical issues effectively. This approach not only improves the quality and timeliness of reporting but also reinforces a culture of trust and integrity throughout the organization. As managers become more adept at recognizing and reporting issues, the ethics and compliance program becomes more robust, leading to better risk management and a stronger ethical foundation for the entire company.

## **VI. Proxy Reporting Forms and Processes**

Proxy reporting forms and processes are essential tools that enable middle managers to efficiently submit reports on behalf of their team members. This section explores the importance of these systems, their implementation, and best practices for training managers to use them effectively.

## The Importance of Proxy Reporting Systems

Proxy reporting systems serve several crucial functions in an effective ethics and compliance program. First and foremost, they allow managers to quickly document and submit reports on behalf of employees who may be uncomfortable using formal channels directly. This increased reporting efficiency can lead to faster identification and resolution of ethical issues.

For example, an employee might share a concern about potential financial improprieties during a casual conversation with their manager. Without a proxy reporting system, the manager might struggle to formally document this information, potentially leading to delays or loss of critical details. A well-designed proxy system allows the manager to immediately capture the essence of the report while the information is fresh.

Enhanced data collection is another key benefit of proxy reporting systems. By providing a structured approach to gathering information, these systems ensure consistency in the type and quality of data collected across reports. This consistency facilitates easier trend analysis and pattern recognition, enabling organizations to identify systemic issues that might otherwise go unnoticed.

Moreover, proxy reporting systems strengthen manager engagement in the ethics and compliance process. By providing managers with a tangible tool to support their ethical leadership responsibilities, organizations reinforce the critical role managers play in maintaining a culture of integrity. This engagement can lead to more frequent and open discussions about ethical issues within teams, further strengthening the ethical fabric of the organization.

## Implementing Proxy Reporting Forms

Effective implementation of proxy reporting forms requires careful planning and execution. The design of the form is crucial. It should be user-friendly, with clear instructions and intuitive navigation. The form should include fields for all essential information required for effective follow-up, such as the nature of the issue, when it occurred, who was involved, and any immediate actions taken.

Consider incorporating drop-down menus or checkbox options to ensure consistent categorization of issues. This standardization not only makes the form easier to complete but also facilitates more effective data analysis. However, it's equally important to provide ample space for narrative descriptions, allowing managers to capture nuanced details that might not fit neatly into predefined categories.

Integration with existing case management systems is vital for the success of a proxy reporting initiative. The process should be seamless, with automatic data transfer to minimize manual entry and reduce errors. Unique identifiers should be assigned to each proxy report to facilitate tracking and follow-up.

Accessibility is another key consideration. Proxy reporting should be available through multiple channels, including the web form, the hotline, and even in print format for situations where electronic access might be limited. The forms should be easily accessible to managers at all times, including outside of regular business hours, to ensure timely reporting of issues.

## Training Managers on Proper Use of Proxy Forms

Comprehensive training is crucial to ensure managers use proxy reporting forms effectively. This training should begin with a clear explanation of the purpose and importance of proxy reporting within the overall ethics and compliance strategy. Managers need to understand how this tool complements other reporting channels and its role in creating a speak-up culture.

Technical training on the use of the proxy reporting system is essential. This should include step-by-step guidance on how to access and complete the forms, along with hands-on practice sessions using sample scenarios. Managers should be trained on how to navigate the form efficiently, save and submit reports, and track the status of submitted reports within the system.

A critical aspect of the training should focus on information gathering and documentation. Managers need to understand what details are crucial to include in a proxy report and how to document information objectively and thoroughly. This might include training on effective interviewing techniques to gather necessary information from reporting employees.

For instance, a manager might be trained to ask open-ended questions like, "Can you walk me through what happened?" rather than leading questions like, "Did John steal the money?" This approach allows for a more complete and unbiased account of the situation.

Confidentiality and privacy considerations should be a key component of the training. Managers must understand the importance of maintaining confidentiality when using proxy reporting forms and be provided with clear guidelines on how to protect the identity of reporting employees. This might include instructions on secure storage of any physical notes taken during conversations with reporting employees and guidance on how to discuss the report without revealing identifying details.

Follow-up and communication strategies should also be covered in the training. Managers need to know how to set appropriate expectations with reporting employees about the process and timeline for addressing their concerns. They should be trained on how to keep reporting employees informed within the bounds of confidentiality and how to handle situations where employees may be dissatisfied with the reporting process.

## Measuring the Effectiveness of Proxy Reporting Systems

To ensure the success of proxy reporting initiatives, organizations should implement robust measurement and evaluation processes. Quantitative metrics might include tracking the number of proxy reports submitted over time, monitoring the ratio of proxy reports to direct reports through other channels, and measuring the time taken from initial report to case closure for proxy reports.

Qualitative assessment is equally important. This might involve conducting surveys or interviews with managers to gauge their comfort with the proxy reporting process and gathering feedback from employees on their perception of this reporting option. The quality and completeness of information provided in proxy reports should be regularly evaluated to identify areas for improvement in the form design or training process.

System performance should also be monitored, including technical aspects such as uptime and response time, as well as the efficiency of integration between proxy forms and the case management system.

By implementing robust proxy reporting forms and processes, organizations can significantly enhance their ability to capture and address ethical concerns. This approach not only empowers middle managers as key players in the ethics and compliance ecosystem but also reinforces a culture of openness and integrity throughout the organization. With proper implementation, training, and ongoing evaluation, proxy reporting can become a powerful tool in the ethics and compliance toolkit, driving better risk management and fostering a stronger ethical foundation for the entire company.

## VII. Turning Middle Managers into Ethical Ambassadors

Middle managers are uniquely positioned to serve as ethical ambassadors within an organization. Their role as a bridge between senior leadership and frontline employees makes them critical in promoting and maintaining a culture of integrity. This section explores strategies to transform middle managers into effective ethical ambassadors.

### Equipping Managers to Promote Ethics Initiatives

To successfully champion ethics initiatives, managers need the right tools and knowledge. Organizations should provide comprehensive ethics training that goes beyond simple compliance rules. This training should delve into the nuances of ethical decision-making, helping managers understand not just the "what" of ethics policies, but the "why" behind them.

For instance, a large technology company implemented an "Ethics Ambassador Certification" program for its middle managers. The program included in-depth training on the company's code of conduct, scenario-based learning sessions, and workshops on emerging ethical challenges in the tech industry. Managers who completed the program reported feeling 85% more confident in their ability to handle ethical dilemmas and promote ethical behavior within their teams.

Communication toolkits are essential resources for ethical ambassadors. These might include ready-to-use presentation materials on key ethics topics, talking points for team meetings, and templates for ethics-focused newsletters. By providing these resources, organizations empower managers to consistently and effectively communicate ethical messages to their teams.

A pharmaceutical company developed an "Ethics Conversation Starter" app for its managers.

The app provided weekly ethical scenarios relevant to the industry, along with discussion questions and key points to emphasize. Managers who regularly used the app reported a 40% increase in ethics-related discussions within their teams.

Resources for ethical decision-making are also crucial. These might include decision-making frameworks specific to common ethical dilemmas, a handbook of case studies relevant to the organization's ethical challenges, and access to ethics experts for consultation on complex issues. Some organizations have even implemented AI-powered ethics chatbots to provide managers with quick reference and support for ethical questions.

## **Providing Talking Points on Culture of Integrity**

Managers need clear, compelling messages to effectively communicate the importance of ethical behavior. Organizations should develop concise statements that link ethical behavior to each of the organization's core values. These statements should be accompanied by examples of how living the values contributes to ethical decision-making in day-to-day operations.

The business case for ethics should be a key component of these talking points. Managers should be equipped with data and case studies demonstrating the link between ethical behavior and business success. For example, they might be provided with statistics showing how companies with strong ethical cultures outperform their peers financially, or case studies of how ethical behavior has led to innovation and competitive advantage within the organization.

Personal responsibility messaging is also crucial. Managers should be given talking points that emphasize each employee's role in maintaining ethical standards. These messages should highlight the impact of individual actions on organizational integrity, without creating a culture of fear.

For instance, a retail company developed a "Ripple Effect" campaign for its managers to use in team discussions. The campaign illustrated how small ethical decisions by individual employees could have far-reaching positive impacts on customers, colleagues, and the company as a whole. This approach helped employees see the importance of their personal ethical choices in a more tangible way.

## **Having Managers Explain the Value of Speaking Up**

Encouraging a speak-up culture is crucial, and managers play a key role in this. Managers should be equipped to clearly communicate the benefits of reporting ethical concerns. This includes providing examples of positive changes resulting from employee reports and explaining how speaking up protects colleagues and the organization.

Managers need to be well-versed in the organization's reporting processes and be able to explain these clearly to their team members. This includes knowledge of all available reporting channels, understanding of confidentiality and anonymity policies, and familiarity with the organization's non-retaliation stance.

A financial services firm implemented a "Speak Up Champion" program for its middle managers. As part of this program, managers received training on how to create psychological safety within their teams and were given scripts for explaining the reporting process. They also participated in role-playing exercises to practice handling difficult conversations about ethical concerns. Following the implementation of this program, the company saw a 60% increase in reports of potential ethical issues, many of which led to process improvements and risk mitigation.

## **Ensuring Proper Handling of Reports from Their Teams**

Managers must be prepared to handle reports effectively to maintain trust and encourage future reporting. Training should cover the initial response to a report, including scripts for acknowledging receipt and creating a supportive, non-judgmental environment for the reporting employee.

Clear escalation procedures should be established and communicated to managers. This includes guidance on when and how to escalate reports to the ethics and compliance team, as well as what information to share (and not share) when escalating.

Follow-up and communication strategies are crucial. Managers should be trained on how to keep reporting employees informed of progress while maintaining confidentiality. They should also be equipped to handle situations where employees may be dissatisfied with the outcome of their report.

A manufacturing company implemented a "Report Resolution Checklist" for its managers.

This tool guided managers through the process of receiving a report, escalating it appropriately, and following up with the reporting employee. The checklist included reminders about confidentiality, timelines for action, and suggestions for supportive language to use with the reporting employee. After implementing this tool, the company saw a 30% increase in employee satisfaction with the reporting process.

## Measuring Ambassador Effectiveness

To ensure the success of ethical ambassador initiatives, organizations should implement robust measurement and evaluation processes. This might include tracking the number and quality of ethics-related discussions led by managers, monitoring changes in reporting rates within teams, and assessing employee perceptions of their managers' ethical leadership.

Regular surveys can provide valuable insights into the effectiveness of managers as ethical ambassadors. These surveys might assess employees' comfort in approaching their managers with ethical concerns, their understanding of ethical expectations, and their perception of the organization's overall ethical culture.

An energy company implemented quarterly "Ethical Pulse" surveys for its teams. These brief surveys included questions about the frequency of ethics discussions, employees' comfort in raising concerns, and their perception of their manager's ethical leadership. The results were used to identify areas for improvement and to recognize managers who were excelling as ethical ambassadors. Over two years, the company saw a 25% increase in employees' willingness to report ethical concerns and a 67% improvement in perceptions of managerial ethical leadership.

By implementing these strategies, organizations can transform their middle managers into powerful ethical ambassadors. These managers will not only promote ethical behavior and encourage speaking up but will also serve as crucial links in the ethics and compliance chain. Their ability to effectively communicate ethical standards, handle reports, and foster a culture of integrity will significantly enhance the overall ethical climate of the organization. As ethical ambassadors, middle managers become key drivers in creating a sustainable, values-driven organizational culture that supports long-term success and integrity.

## VIII. Measuring Program Effectiveness

To ensure the success of initiatives aimed at activating middle managers in ethics and compliance efforts, it's crucial to implement robust measurement and evaluation processes. This section outlines key metrics and methods for assessing the effectiveness of these programs.

### Tracking Reports Submitted by Managers

One of the primary indicators of program effectiveness is the quantity and quality of reports submitted by managers. Organizations should implement systems to monitor these reports closely.

Quantitative metrics should include tracking the total number of reports submitted by managers over time. This can provide insights into the level of engagement of managers in the ethics and compliance process. For example, a multinational corporation implemented a dashboard that tracked manager-submitted reports across different regions and departments. Within a year of implementing their manager activation program, they saw a 40% increase in the number of reports submitted by managers, indicating a greater awareness and willingness to engage with ethical issues.

It's also important to measure the ratio of manager-submitted reports to total reports received. This can help organizations understand the extent to which managers are serving as effective conduits for employee concerns. A financial services firm found that after implementing their manager training program, the proportion of reports coming through managers increased from 25% to 45% of total reports, suggesting that employees were becoming more comfortable approaching their managers with concerns.

Qualitative assessment of these reports is equally important. Organizations should evaluate the completeness and clarity of information provided in manager-submitted reports.

This can be done through regular audits of submitted reports, assessing factors such as the level of detail provided, the clarity of the ethical issue described, and the initial steps taken by the manager.

A technology company implemented a quarterly review process where a cross-functional team evaluated a sample of manager-submitted reports. They found that six months after their manager activation program, the quality scores of these reports increased significantly, with managers providing more comprehensive and actionable information.

## Employee Surveys on Manager Support for Integrity

Regular surveys can provide valuable insights into employees' perceptions of their managers' commitment to ethical behavior. These surveys should be designed to assess various aspects of managerial ethical leadership.

Survey design should include questions that assess employees' comfort in approaching managers with ethical concerns. For instance: "How comfortable do you feel discussing ethical concerns with your manager?" or "Do you believe your manager would take appropriate action if you reported an ethical issue?"

Items that measure perceived manager support for speaking up should also be included. Questions might include: "Does your manager encourage open discussions about ethical challenges?" or "Has your manager explained the importance of reporting ethical concerns?"

The frequency and quality of ethics-related communications from managers should be assessed. For example: "How often does your manager discuss ethical considerations in team meetings?" or "Do you feel your manager effectively explains how our ethical standards apply to your day-to-day work?"

A global manufacturing company implemented bi-annual "Ethical Climate" surveys across its workforce. After a year of focused efforts on activating middle managers, they saw a 26% increase in positive responses to questions about managerial support for ethical behavior and a 32% increase in employees reporting they felt comfortable approaching their managers with ethical concerns.

## Audits for Knowledge Retention and Proper Reporting

Regular audits can help assess the effectiveness of training programs and the proper implementation of reporting procedures. These audits should encompass both knowledge assessments and process evaluations.

Knowledge assessments might include periodic quizzes on ethics policies and procedures. These can be administered through online platforms, allowing for easy tracking of results over time. A pharmaceutical company implemented quarterly ethics knowledge checks for its managers. After a year of their enhanced training program, they saw an average increase of approximately 40% in quiz scores, indicating improved retention of critical ethics and compliance information.

Scenario-based assessments can be particularly effective in evaluating managers' ability to handle ethical situations. These might involve presenting managers with complex ethical dilemmas and assessing their responses. A retail organization developed a series of video-based ethical scenarios that managers had to navigate. They found that managers who had been through their activation program were 60% more likely to choose the most ethical course of action in these simulations compared to those who hadn't.

Process audits should review a sample of manager-submitted reports for adherence to protocols. This might include assessing the timeliness of reporting, the proper use of reporting channels, and the quality of follow-up actions.

## Measuring Impact on Organizational Culture

Assessing the broader impact of manager activation on the organization's ethical culture is crucial. This can be done through a combination of quantitative and qualitative measures.

Cultural indicators might include tracking changes in overall employee engagement scores, monitoring turnover rates (particularly in relation to ethical concerns), and assessing changes in customer satisfaction and trust metrics.

Ethical decision-making across the organization can be evaluated through regular assessments. This might involve organization-wide ethical decision-making simulations or reviews of how ethics considerations are incorporated into strategic planning processes. A technology firm implemented new annual ethical decision-making training for all employees. Two years after focusing on activating middle managers though, is when they finally saw an improvement in scores across the organization, with the most significant improvements in teams led by managers who had been through their activation program.

Stakeholder perceptions can provide valuable insights into the effectiveness of ethics programs. This might include surveys of external stakeholders on perceived organizational integrity, monitoring media coverage and social media sentiment related to the organization's ethical stance, and assessing changes in investor confidence and ethical investment ratings.

## Conclusion

Measuring the effectiveness of programs aimed at activating middle managers in ethics and compliance efforts requires a multifaceted approach. By tracking reports, conducting employee surveys, performing regular audits, and assessing broader cultural impacts, organizations can gain a comprehensive understanding of their progress in this crucial area.

These measurements not only provide valuable insights into the success of current initiatives but also inform the development of future strategies. They help identify areas of strength and opportunities for improvement, allowing for targeted interventions and resource allocation.

Furthermore, robust measurement practices demonstrate the organization's commitment to ethical behavior and continuous improvement. This commitment, when clearly communicated, can enhance trust among employees, customers, and other stakeholders.

Ultimately, the goal of these measurement efforts is not just to track progress, but to drive meaningful change in organizational culture. By consistently evaluating and refining their approach to ethics and compliance, organizations can create a sustainable culture of integrity that is championed by middle managers and embraced at all levels of the company.

## IX. Conclusion

As we conclude this comprehensive exploration of activating middle managers in ethics and compliance efforts, it's crucial to synthesize the key insights and emphasize the transformative potential of this approach. This final section will summarize the benefits of engaging middle managers, reiterate their critical role as ethical leaders, and provide a call to action for Ethics and Compliance (E&C) teams.

## Summarizing the Benefits of Activating Middle Managers

The activation of middle managers as key players in ethics and compliance initiatives offers numerous advantages that can significantly enhance an organization's ethical culture and performance.

First and foremost, it leads to enhanced risk intelligence. Middle managers, by virtue of their position, serve as crucial conduits for information, bridging the gap between frontline employees and senior leadership. Their proximity to day-to-day operations allows for early detection of potential ethical issues and risks.

Improved reporting culture is another significant benefit. Managers who are well-versed in ethics and compliance can create an environment where employees feel comfortable speaking up. The implementation of proxy reporting systems enables managers to facilitate reporting, potentially increasing the overall number of issues brought to light.

Reinforced ethical leadership is a key outcome of activating middle managers. When properly equipped, middle managers become visible embodiments of the organization's ethical standards. Their day-to-day interactions with team members provide numerous opportunities to model and reinforce ethical behavior.

Increased program effectiveness is another crucial benefit. Engaging middle managers expands the reach and impact of E&C initiatives beyond what a centralized team could achieve alone. Managers can provide valuable feedback on the practicality and effectiveness of ethics programs, leading to continual improvement.

### The Critical Role of Managers as Ethical Leaders

Middle managers occupy a unique and pivotal position in the organizational structure, making them indispensable to ethics and compliance efforts. They serve as the bridge between strategy and execution, translating high-level ethical principles and policies into actionable guidelines for their teams.

A study by the Ethics & Compliance Initiative found that employees are 12 times more likely to believe that their organization encourages ethical conduct when their managers regularly discuss the importance of ethics.

As front-line ethical decision makers, managers often face ethical dilemmas in real-time, making them the first line of defense in maintaining ethical standards. Their decisions and responses to ethical challenges set the tone for their teams and can significantly influence organizational culture.

Middle managers also act as cultural catalysts. Through their words and actions, they shape the ethical climate of their teams. They have the power to create psychologically safe environments where ethical concerns can be freely discussed and addressed.

As ethical mentors and coaches, managers are ideally positioned to provide ongoing ethical guidance and support to their team members. They can help employees develop their ethical decision-making skills through regular discussions and feedback.

## **A Call to Action for E&C Teams**

To fully leverage the potential of middle managers in ethics and compliance efforts, E&C teams should consider the following actions:

### **1. Prioritize Manager Engagement:**

Develop targeted programs and resources specifically designed for middle managers. Regularly seek input from managers on ethics and compliance initiatives to ensure relevance and practicality.

### **2. Invest in Comprehensive Training:**

Implement robust training programs that go beyond compliance basics to develop ethical leadership skills. Utilize diverse learning methods, including scenario-based training, role-playing exercises, and peer learning opportunities.

### **3. Develop Robust Support Systems:**

Create easily accessible resources and tools to support managers in their ethical leadership roles. Establish mentoring programs pairing experienced ethical leaders with newer managers.

### **4. Implement Effective Measurement and Recognition:**

Develop comprehensive metrics to assess the impact of manager activation on ethical culture and performance. Regularly survey employees to gauge the effectiveness of managers' ethical leadership. Create recognition programs to celebrate managers who excel in promoting ethical behavior.

### **5. Foster Cross-Functional Collaboration:**

Work closely with HR to integrate ethical leadership into management development programs and performance evaluations. Collaborate with operational leaders to ensure ethics and compliance initiatives align with business objectives.

The activation of middle managers represents a powerful strategy for enhancing the effectiveness of ethics and compliance programs. By leveraging the unique position and influence of these key players, organizations can create a more robust ethical culture, improve risk management, and foster a genuine commitment to integrity at all levels.

The journey to fully activate middle managers in ethics and compliance efforts may be challenging, but the potential rewards are substantial. A workforce led by ethically engaged managers is better equipped to navigate the complex moral landscapes of modern business, more resilient in the face of ethical challenges, and more likely to sustain long-term success.

As organizations continue to recognize the critical importance of ethical behavior in today's business environment, the role of middle managers as ethical leaders will only grow in significance. By investing in their development and empowerment, E&C teams can transform middle managers from mere policy enforcers into true champions of organizational integrity.



The time for action is now. By embracing the strategies and tactics outlined in this white paper, organizations can unlock the full potential of their middle managers, creating a powerful force for ethical behavior that permeates every level of the company. In doing so, they not only mitigate risks and ensure compliance but also build a foundation for sustainable success rooted in unwavering integrity.

## ABOUT ETHICO

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For more than 20 years, Ethico has put our customers and the quality of our work before profits to become the leading provider of ethics and compliance (E&C) solutions and second- largest player in the space. Our clients trust us to listen to their employees and empower us to assist in the identification of unethical, illegal, and questionable behavior.

In building this trust, we have provided compliance solutions in 50,000 locations to more than 6 million employees in 100+ countries through our highly trained, caring, and compliance-minded professionals.

We have helped E&C leaders investigate nearly 10 million reports, offering employees the industry's leading-edge tools to report unethical or illegal behavior free from retaliation.

Our client companies include Fortune 500 companies, such as International Paper and AT&T, a higher concentration of risk-conscious industries, including 6 of top 7 US healthcare systems, and brands of all sizes who value their people and their impact, like Johns Hopkins University, Raytheon, Blue Cross Blue Shield, and numerous county and city governments.