The true cost of

RULE BREAKERS

in workplace compliance

Non-compliance costs businesses $1.6 million per year on average

CYPHER Learning®

Executive summary

We surveyed 400 HR and business leaders across the US and UK to understand **how they educate employees about workplace policies and procedures**. We learned that although lack of compliance is rated a serious and costly problem, educating staff remains a comparative afterthought.

Policies and procedures (P&Ps) provide guardrails and clarity over what is and isn't acceptable, removing the gray to ensure people color within the lines. Good ones shape and uphold organizational culture, define shared values, and offer a blueprint of who you are as a business. This creates order and consistency, and improves the chances of everyone working in a safe, secure, efficient, and harmonious way.

But policies are not enough to insulate from business risk – workforce compliance is also

essential. In the past year alone, Wells Fargo, Morgan Stanley, and other Wall Street trading firms have paid out a combined $549 million in fines to federal regulators because employees were using personal devices to send work-related texts and communications, in breach of industry regulations. Last year, other major firms had to pay nearly $2 billion for similar violations.

In these cases and more **there were clear failures to embed P&Ps into the organizational culture**. Intentionally or not, numerous employees – including senior management – did not follow the rules. This underscores the importance of engaging the workforce regarding policies and procedures – as **without employee compliance, policies are not effective, which exposes businesses to risk.**
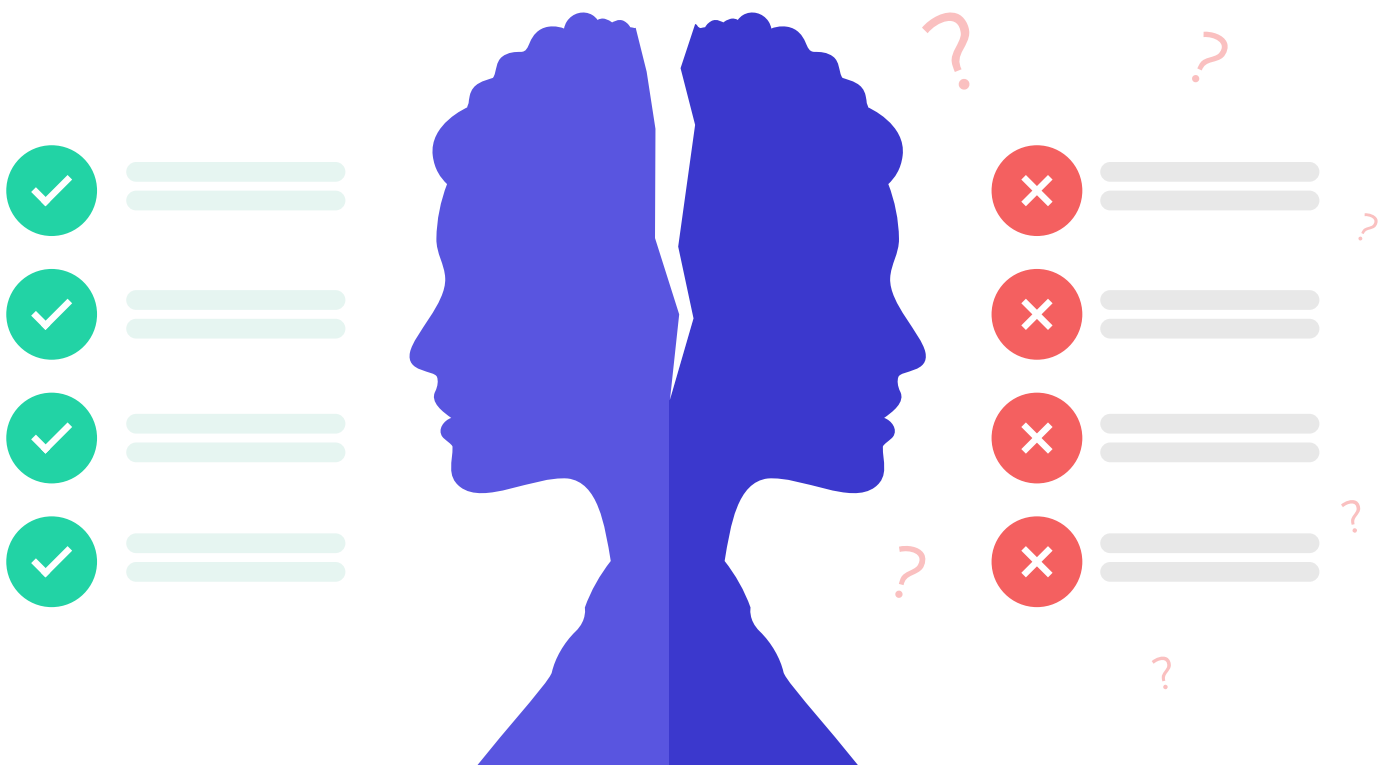
Too often policies and procedures are treated as a tick box exercise. It's easy to lose sight of their purpose – to drive and influence behavior. The only way to do that is by engaging people – they need to understand the purpose and the benefit, what's in it for them? It's time we get creative and think of new ways to reach people by telling stories that are timely, relevant and interesting.

Graham Glass
CEO and Founder,
CYPHER Learning

Key survey findings

Rule breaking costs businesses a reported average of $1.6 million per year – rising to over $2 million in the UK.

The most common excuses employees give for policy breaches are they either **'didn't know about'** or **'didn't understand' it**.

88%

of respondents say **greater employee accountability would mitigate business risks**,

68%

say **getting workers to comply with policies and procedures is a major headache**. And

66%

admit that when developing policies, **educating employees is often an afterthought – with firms spending just $104,744 each year on related training**.

To encourage greater workforce **accountability and compliance, better training and development should be at the heart of risk mitigation strategies.** By making training around policies more interesting, fun and memorable, companies can reduce their risk. Yet with limited time and resources, what can businesses do to raise the profile of policy training? Could AI be part of the answer?

Let's dig into the data to find out more...

Staying ahead of moving target

It's clear business and HR leaders value policies and procedures. Nine in ten (89%) say they are key to the successful running of their business. The same proportion say that when completed in the right way, policies and procedures can be used as **an educational opportunity**, to **reinforce company values** and **instill a culture of best practice**.

When asked to define key drivers behind P&Ps, almost half **(46%) cited the need to influence employee behavior or drive employee accountability**. Risk mitigation was also a clear concern – with over a fifth **(22%) saying meeting legal and compliance requirements** or mandates is the main driver for policies and procedures.
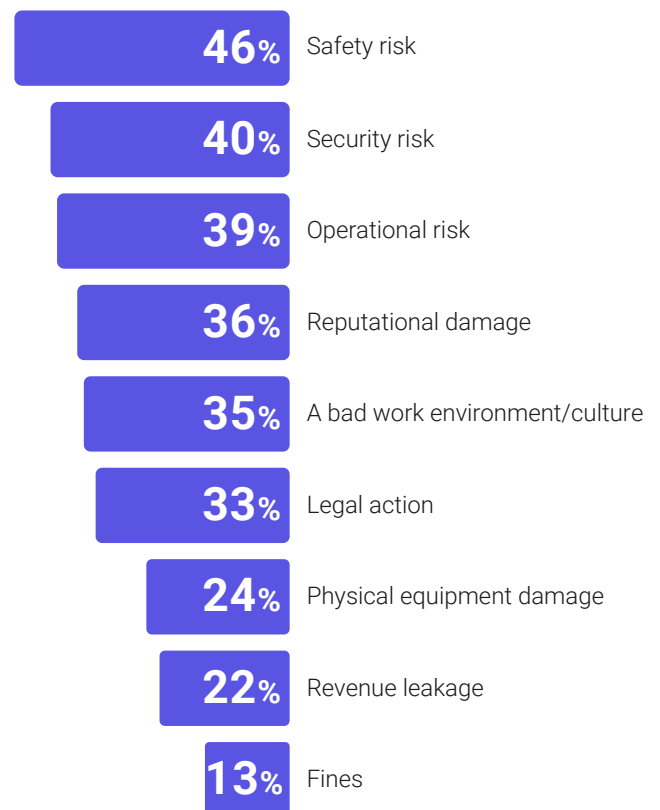
Respondents work for organizations ranging from 500 to 5000+ employees. Their companies have an average of 47 policies and procedures, with **UK respondents reporting higher numbers of P&Ps than their US counterparts: 55.31 in the UK compared to 38.27 in the US**.

These **P&Ps span every corner of the business** - from ensuring employee safety and reducing security and operational risk, through to reputational damage and impact on workplace culture. These concerns tended to vary by industry. For instance, respondents working in education said safety risk, legal action and bad workplace culture are their top three concerns. For financial services, the top three are reputational damage, legal action, and security risks.

"89%

of business and HR leaders say that when completed in the right way, policies and procedures can be used as an **educational opportunity, to reinforce company values and instill a culture of best practice**.

Biggest concerns relating to people not complying with company policies and procedures:

%	Concern
46%	Safety risk
40%	Security risk
39%	Operational risk
36%	Reputational damage
35%	A bad work environment/culture
33%	Legal action
24%	Physical equipment damage
22%	Revenue leakage
13%	Fines

And the number of P&Ps companies create or update increases year on year. In the past three years alone, **businesses have updates or create new policies and procedures on a** **range of issues** from social media and AI usage to inclusivity, sexual harassment, and substance abuse.
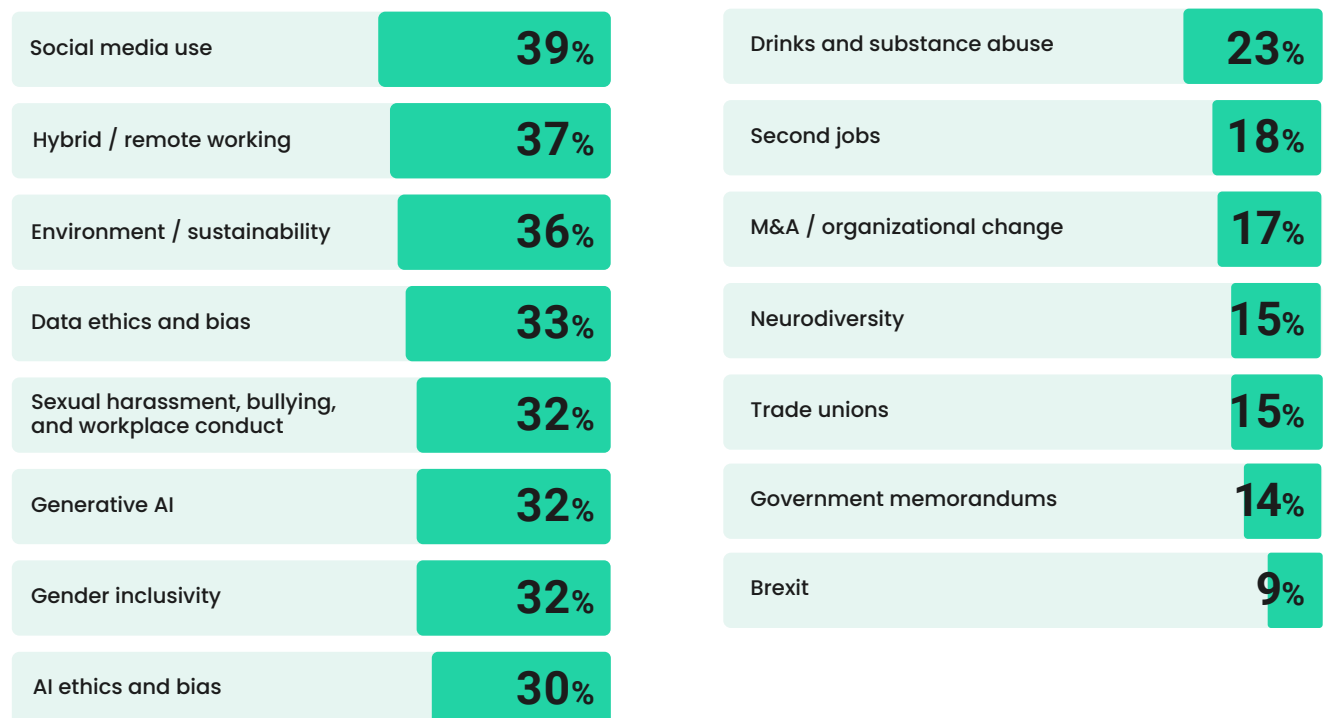
> *From shifting regulations to the introduction of new technologies, new threats, and evolving societal norms; what was acceptable or trusted one year may not be the next. It's hard to keep up. But a breach in policy – or failure to have a policy in place – can quickly result in reputational damage, injury, fines, revenue loss, reduced productivity, or even legal action.*

Graham Glass, CEO and Founder, CYPHER Learning

Businesses have **updates or create new policies and procedures** on a range of issues:

Issue	%
Social media use	39%
Hybrid / remote working	37%
Environment / sustainability	36%
Data ethics and bias	33%
Sexual harassment, bullying, and workplace conduct	32%
Generative AI	32%
Gender inclusivity	32%
AI ethics and bias	30%
Drinks and substance abuse	23%
Second jobs	18%
M&A / organizational change	17%
Neurodiversity	15%
Trade unions	15%
Government memorandums	14%
Brexit	9%

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Is a P&P iceberg heading your way?

Ultimately, **the success of policies and procedures comes down to their implementation**. Without constant monitoring, there is no way to ensure that employees are following the rules. This leaves businesses open to unknown and unaccounted for risks.

The success of policies and procedures comes down to their implementation.

– with **policies relating to HR, data sharing, and health and safety being the areas in which people are thought most likely to cut corners**. Here again there were variations among business verticals. Those in construction had more concerns about breaches relating to environmental and customer service policies, whereas regulatory compliance was more of an issue for telecoms and life sciences.

71% of respondents think staff are likely breaking the rules, but often don't know until something goes wrong

Areas where you are most concerned about employees breaching policies and procedures:

Human Resources	**47**%

e.g., sickness, annual leave, flexible working, etc.

Data protection, privacy, and data sharing	**44**%

e.g., GDPR, California Consumer Privacy Act, etc.

Health and safety	**37**%

e.g., fire safety, workplace safety, etc.

Information Technology	**34**%

e.g., use of AI, BYOD, etc.

Regulatory compliance	**31**%

e.g., anti-bribery, insider trading, etc.

Legal	**30**%

e.g., discrimination, harassment, equal opportunities, etc.

Customer service	**29**%

e.g., complaint handling or returns

Environment	**28**%

e.g., sustainable practices, company code of conduct – e.g., substance abuse

Unfortunately, when such breaches do rise to the surface, the damage is already done. On average, **businesses in our survey investigate 26 policy breaches each year**, with the US investigating more breaches each year than the UK (27.73 versus 23.35 respectively). Despite this, breaches are costing UK businesses significantly more. UK respondents estimate policy breaches cost a business on average $2,188,452.28 per annum, compared to $1,164169.65 in the US.

When employees are found in violation of a policy or procedure, 73% of respondents say the most common reasons are that employees are either unaware of the rules or did not understand them.
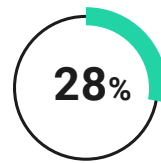
UK estimated policy breaches

$2,188,452.28

US estimated policy breaches

$1,164,169.65

Most common reasons employees give for violating a policy or procedure:
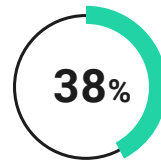
38% of employees didn't understand the rules.
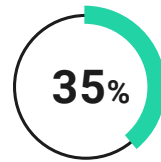
35% of employees were not aware of the rules.

28% of employees deliberately broke the rules.

*These costs are just the very tip of the iceberg. **Policy breaches can manifest in several ways that fly under the radar and chip away at revenues.** People may genuinely not know they are breaking the rules, or have simply forgotten, due to poor communication. Others know they are rule-breaking but think they can 'play dumb'. Holding employees to account, and reducing the risk of accidental non-compliance, all comes down to education, awareness, and culture.*

Graham Glass,
CEO and Founder, CYPHER Learning

Is lackluster training putting businesses at risk?

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Training and education around policies and procedures shouldn't be a yawn-fest. It needs to be engaging, memorable, timely, and measured to drive home the message. If the people designing courses feel uninspired, can they really expect the staff to engage? The fact that policies and procedures can be seen as 'boring' simply underlines the need for creativity – that's the challenge.

Graham Glass, CEO and Founder, CYPHER Learning

Employee education should be a key risk mitigation strategy. However,

68%

say ensuring workforce compliance in policies and procedures is a major headache for their business. A further

71%

say staff don't 'get' the importance of policies and procedures, so getting them to engage is an ongoing battle.

But it's not all the employees' fault. Despite their pivotal role, **the organizations surveyed only spend $104,744 annually on employee education**. Moreover:

56%

of respondents admit that **educating employees is often an afterthought**.

62%

complain that training on policies and procedures is **"one of the most boring things"** they must do.

65%

admit training around policies and procedures is treated **"as a one and done information dump"** during the onboarding process, then they're never really talked about again.

Engage to influence

98% Almost all respondents think people would be more likely to understand and comply with P&Ps if given more engaging training and education.

However, they say, **a lack of time, funding, and urgency conspire to hold them back**. Email updates and company newsletters are the most common ways employees learn about policies and procedures. **Less than half of companies conduct online training**, and fewer still create explainer videos or interactive, gamified training experiences to drive the message home.

How businesses communicate information on policies and procedures to ensure workforce compliance

45% Conduct online training

47% Send updates via email / company newsletters

38% Conduct in-person training

34% Outline them in employment contracts

31% Create explainer videos

26% Use interactive games

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Reducing risk and increasing employee engagement go hand in hand. Making learning more interactive and engaging has been proven to increase information retention and engagement. For example, studies within businesses have shown that gamification can increase employee engagement levels by up to 90% and improve information retention by up to 50%.

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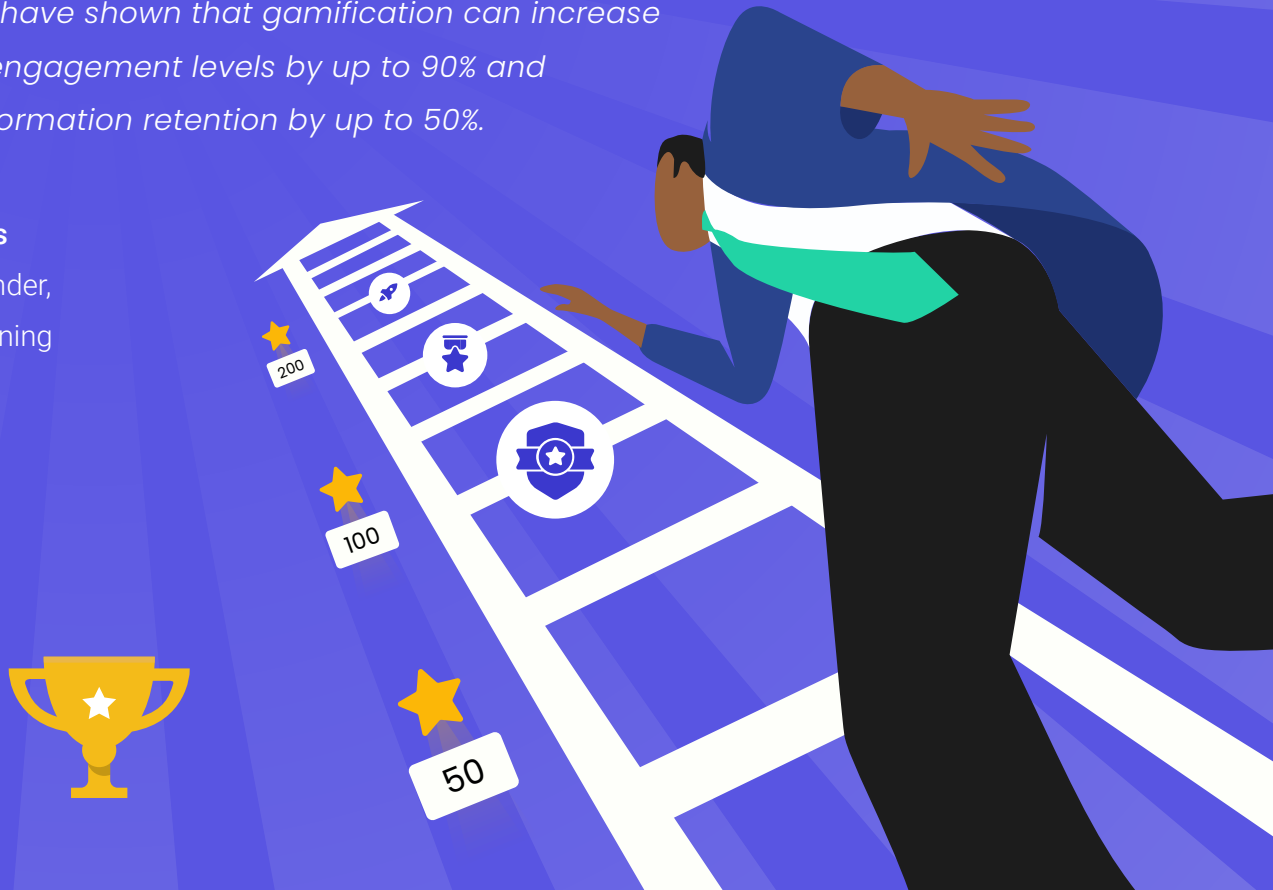
The research also showed that:

56%
of companies continually educate employees on policies and procedures

44%
test employees' knowledge to ensure they have fully understood the policy

45%
of companies educate on the purpose for each policy and procedure to aid understanding

37%
tailor guidance to individual competencies and job roles to ensure relevancy

Final thoughts

– Harnessing AI to create higher-impact training with less time and effort

Beyond the high financial costs of policy breaches, **the overall impact of a lack of compliance can be more insidious** – eating away at profits and undermining culture.

Ultimately, **there is no point in spending time and money developing policies and procedures if they are not properly implemented**, understood, or followed. But as the research shows, engaging people in this way can be very difficult. While it can be easy to get people enthused about an exciting new branding campaign with celebrity endorsements, bringing policies and procedures to life is more of a challenge.

But it can be done.

Our top five tips for **engaging the workforce** are:

1. Make training relevant and personalized

Link training on policies to key competencies that people need to excel. By putting training in the context of someone's role – for instance, giving examples of GDPR policies for customer care – it will resonate more.

2. Tell a story

Storytelling is the one thing all cultures, across all countries and times have in common – we told stories before we were even able to write. When we adopt a creative, storytelling approach to policies and procedures, people feel more invested in what you are trying to achieve and can better understand what success looks like.

3. Bring your story to life

Creating fun multimedia content, with interactive quizzes and elements of gamification, gives businesses a better chance of employees understanding and retaining information. Employees who are more engaged with content are more likely to retain it.

4. Test, track, and measure

Instead of just giving employees information, test them to confirm what they have understood. This will help to identify employees who perhaps didn't fully understand – giving an opportunity for follow-up. And if an employee subsequently breach the rules, you have a record showing that they were aware of their obligations.

5. Repeat, repeat, repeat

Repetition helps to embed information within long-term memory – increasing the chances that information will be retained. Providing refreshers on key policies may help best practices stay front of mind, acting as a deterrent to those who may seek to find workarounds.

We know what you're thinking: that sounds great, **but who has time to do all that**? Here things become very interesting. **With AI, the cost and complexity of designing courses is drastically reduced**. AI copilot technology can now assume 80% of coursework-designing effort. As a result, organizations can expend less human effort creating training materials that drive greater engagement and information retention.

Elevated compliance training with CYPHER

In a world where compliance laws, company cultures and technologies are continually changing, **it's crucial to have a system in place that allows you to remain agile**. Ensuring compliance with policies and procedures helps a company mitigate risks, foster trust among stakeholders, maintain its reputation, drive change and innovation, and enhance consistency. This requires a strong training program and technology that lets you create new coursework on-demand. More importantly, it requires **a platform that engages and inspires learners, makes them want to learn, and ensures mastery of the material**.

CYPHER empowers businesses with the ability to build compliance training courses that break down barriers - **to drive greater workforce engagement, accountability, and compliance in policies and procedures**.

CYPHER delivers the world's first unified platform for both content development and delivery, **helping teams create timely, relevant, and engaging courses at speed** – while making individual learning at scale a reality.

CYPHER AI 360 with Copilot empowers businesses to bridge skills and resources gaps, giving teams more time, more resources, and more freedom – with remarkable efficiency and economy - helping businesses to:

Create new courses quickly

Users can upload their own resources, including proprietary content, or select 3rd party content to create tailored courses.

Customize content

Deliver content that perfectly aligns with their unique goals, needs, voice, terminology, and brand. 1,000+ job descriptions inform personalized learning, aligning with specific job functions to enhance employee focus on relevant compliance areas.

Localize and translate

Content can be translated into multiple languages, while maintaining meaning and localization.

Personalize and track

Personalize training by job function to ensure relevancy, identifying areas of mastery and areas of weakness to target learning and encourage retention.

Update and enhance existing courses

Add competencies, gamification, assessments, and refresh content to meet the ever-changing demands of the business.

Engage audiences

AI synthetic graphics, AI media picker, and AI voice synthesis provide a level of convenience and creativity that's unmatched in the industry.

Integrate and embed

Integrate learning content from ideation to delivery, all the while, gathering meaningful compliance metrics that integrate easily into existing HR systems.

More about CYPHER compliance solutions, visit us at

cypherlearning.com/compliance