

Companies turn to the Web to stay out of trouble

Corporate America is taking preventive measures to ensure that they are not the next Enron. A recent survey by *Corporate Counsel* magazine stated that 53 percent of Fortune 500 law departments have decided to supply ethics compliance training programs to employees online; the number was only 25 percent in 2003.

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Increasingly, companies are relying on Web-based programs to help their employees make the right decisions every day, keeping the companies out of trouble. One such company is A. O. Smith Corporation, a Milwaukee-based, New York Stock Exchange-listed manufacturing company with 17,000 employees worldwide. “As the corporate compliance officer, I was searching for a way that we could enhance our training and communication methods in order to reach more employees and make the content come alive,” said W. David Romoser, A.O. Smith’s Vice President, General Counsel and Secretary.

The Government Talks

Decisions like Romoser’s have become common because government agencies have refused to sit idly as corporate scandals have eroded investor confidence and led to a negative impact on the economy. In 2002, Congress enacted the Sarbanes-Oxley Act, which focuses on financial accounting and reporting practices, but also requires public companies to disclose whether they had enacted a code of ethics for chief executives and other specified corporate executive positions. More recently, the U. S. Sentencing Commission amended the Organizational Sentencing Guidelines (barring reversing action from Congress), which were first instituted in 1991. While organizations are not legally required to comply with the Guidelines, they do serve as a benchmark for acceptable behavior in the eyes of federal prosecutors and regulators.

Sarbanes-Oxley and the new amendments to the Organizational Sentencing Guidelines have created a renewed focus on doing business with integrity. The need for a strong code of ethics has gained new attention. When the Guidelines were passed in 1991, most companies did in fact go ahead and develop codes of business conduct for employees. However, they did little with their

codes of ethics other than to drop it on employees’ desks and ask them to sign an acknowledgement that they had received and read it. Now more than a decade later, companies are starting to ask important questions about efficient communication and training documentation. This new focus, which was prompted by Sarbanes, the changes to the Guidelines, and other developments, means that companies must ensure that their programs are actually effective, in design, delivery and defensibility.

Training Program Design

A program designed for maximum effectiveness will cover the following factors:

- **Relevancy** — Does the training encompass overall compliance and ethics awareness as well as specific risk areas on account of the company’s industry, employees, and employees’ functions?
- **Consistency** — Does the training provide a consistent level of quality for each subject it covers?
- **Accuracy** — Is the training program reviewed and updated on a regular basis to remain current with new laws and regulations?
- **Ongoing** — Does the company deliver ethics and compliance training to employees on a continual basis?
- **Enterprise wide** — Do employees at all levels, areas and business units receive training related to their risk and job functions?
- **Retained and understood** — Is the training retained? Employees must understand the concepts and level of detail. They should be able to go back and review materials as frequently as necessary.
- **Integrated** — Are the training and the other components of the ethics and compliance program fully coordinated? All communication with employees should be consistent in its messaging, and reflect the principles of the overall program.
- **Motivational** — Does the training create within the employees a desire to adhere to the prescribed behavior pattern? It is difficult to motivate employees when the content they receive is dense and academic. The training should be appropriate to their level of understanding, and should clearly communicate the ramifications of improper behavior.
- **Convincing** — Would the training program be meaningful and credible to third parties like investigators, courts, the investment community, prospective board members and customers? Document and retain records of employee training.

Training Alternatives

There are a handful of alternatives for companies that are mulling over their compliance training options. In some cases it is appropriate for organizations and corporate legal departments to implement more than one type of training approach to ensure that

they effectively meet the program's requirements. Some of the training options are: 1) face-to-face, 2) teleconference, 3) "librarian" checkout method, and 4) online training.

For many years, the standard for compliance training was the face-to-face method. However, this method is often inefficient. At A. O. Smith, for example, "Our law department has only four attorneys and we found it increasingly difficult to conduct face-to-face training and otherwise communicate with a wide audience interactively," Romoser said. "Instead, we implemented Integrity Interactive's compliance training program because it complements our Guiding Principles, which are widely disseminated to employees in brochure form and are available on our intranet."

Implementing a Web-based compliance-training program is not without its challenges, as there are technical, integration and risk-assessment issues that need to be addressed. If done right, employees will feel engaged in the training process and the content will resonate more than it would any other way. With Web-based training, ethics and compliance content and all associated communications can be delivered directly to the employees' computers, enabling them to take the training without physically leaving their work. The model addresses the Guidelines' effectiveness requirement in that it allows the compliance program to be communicated in a way that covers the company's standards, procedures, and other aspects of the compliance and ethics program. It is sensitive to the individual roles and responsibilities of employees.

The bottom line, according to Romoser, "The employees have been very receptive to the training and in our first year, we've achieved 100 percent participation by our employees; plus we've received positive feedback."

Providing Proof

Providing a comprehensive record that the company has met its applicable training requirements in full is a crucial element of a company's ability to defend itself in the event of an investigation. A major advantage of a Web-based program is its ability to track employee response. Every company can assure that its record-keeping procedures satisfy both external and internal requirements.

A strong auditing function will not only go a long way towards ensuring legal compliance, but it will also play a key role in any

dealing with government agencies. If a company can demonstrate to the government that its audits are thorough, reliable, and credible in identifying areas of noncompliance, the company stands a far greater chance that the agencies will accept its accounts and representations as part of an investigation.

Corporate executives and boards are concerned with finding compliance solutions that protect themselves, their companies, their customers and their brands. The Sentencing Guidelines, Sarbanes-Oxley, and the countless other listing and agency requirements are not simply legal checklists to follow; they incorporate fundamental management principles and emphasize the need to reach people in a practical manner while holding them accountable. A program that is well designed, easily delivered, and consistently tracked will protect your client's company.

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