
How to create an effective ethics and compliance education program

In the past, companies have measured the effectiveness of their ethics and compliance education programs by examining employee course attendance and completion rates. In effect, success was being determined by tallying who showed up.

Today, companies need to go beyond head counts to ensure the effectiveness of their ethics and compliance education. They must focus on instilling the underlying values of an ethical business culture into the fabric of the organization. Leading ethics and compliance education programs inspire employees and management alike to integrate core values such as honesty, respect and fairness into their daily work. Values represent the key to helping employees go beyond rules and laws to evolving a sustainable self-governing corporate culture.

Leading organizations focus on five key elements in developing and implementing effective ethics and compliance education programs.

Engage corporate leadership to drive educational efforts.

Ethics and compliance education is most effective when it is backed by an organizational commitment that originates at the top and stresses the importance of fostering a self-governing ethical corporate culture. While an ethical business culture must be developed up, down and across the organization, a clear and convincing desire to foster such a culture must start with corporate leadership. Corporate leaders who seek to build an ethics-based workplace must begin by living their creed and embodying values in their actions.

Through good times and bad, the overall corporate reputation often directly reflects the leadership's reputation.

Among employees, corporate leadership's reputation for ethical behavior can often engender their own sense of pride, enthusiasm and desire to become better corporate citizens themselves. Employees are as attuned to corporate reputation as any other stakeholders, perhaps more so as their livelihoods and careers depend on it.

The proverbial "tone at the top" must cascade throughout the organization so that all employees have no doubt that leadership seeks to foster a self-governing ethical culture. Equally important as tone at the top is the "tone in the middle," that is, the talk and modeling that middle managers convey to their direct reports that show that they too are committed to running their business unit or department in line with the company's ethical goals. The importance of the tone in the middle

cannot be overstated as research suggests that immediate supervisors have the strongest influence on an employee.

Educate on values, not just laws and rules, to inspire principled behavior.

To be effective, ethics and compliance education should appeal to our noblest aspirations rather than focus strictly on training employees in laws and instilling fear about getting caught. Ethics education should be positive, proactive and inspiring in order to foster a culture in which employees do not simply acquiesce to externally imposed rules but choose to act according to values. Education becomes more than simple training when employees perceive that the learning can help them become stewards of the company's culture – and better citizens in general.

Ethics and compliance education is often viewed in terms of “carrots-and-sticks.” Unfortunately, too many companies focus their education on the stick side of the equation, emphasizing the punishments that employees can receive for violating rules and laws. This approach tends to distract employees from the positive results they can receive from building an ethical culture.

Educational approaches that focus on the stick are predicated on the assumption that companies can be “in compliance” when employees simply do not break laws or violate regulations. However, the corporate scandals of recent years belie this assumption. Companies have self-destructed despite obeying the “letter” of the law because they have failed to

take into account the spirit of the law, that is, the values implicit behind the law. A clear example of this type of behavior can be seen in the executive stock options backdating scandal.

Companies that aspire to ethical, self-governing corporate cultures focus more heavily on educating employees on ethics and values, guiding employees toward understanding and respecting the intrinsic rewards of doing the right thing. By emphasizing positive values and principled conduct, companies can often engender a greater degree of commitment to an ethical culture as well as to compliance with the specific rules and laws that affect the company – invariably leading to a culture that governs itself responsibly.

Principled conduct ultimately pays off in performance. In our post-Enron era, corporations operate in an increasingly connected and transparent business world, where little or nothing can stay hidden. Companies must first ensure they have nothing to hide and then represent that conviction to their stakeholders. The market increasingly rewards companies that openly aspire to integrate ethics into the fabric of their organizational culture. Investors, consumers and workers all increasingly want to be associated with ethical companies.

Make the education entertaining, provocative and engaging.

Ethics education should attract employees and challenge them to consider the ethical quandaries of their business world. Recognizing that many ethical questions involve gray areas of law, companies need to find ways to inspire employees to reflect on ethical issues and consider options for how they might handle difficult situations.

As a result, it is important that ethics education be entertaining, provocative and engaging. Leading companies use a diversity of techniques and methods to accomplish this. These can range from a discussion group focused on a specific issue, to interactive video vignettes in which employees witness a situation and then must choose a solution to the problem, to educational courses focused on specific topics of importance to the company. Whatever methods are used, the materials should be realistic, authentic and honest, depicting authentic situations in which employees may find themselves needing to make decisions that have an ethical impact on the company.

Many companies now turn to online educational courses because the technology developed for this type of adult learning offers many advantages. In particular, online courses can be highly interactive, thus functioning as a two-way form of communication, which gives the programs greater acculturating power. Interactive programs make passivity difficult by demanding responses to questions; by employing multiple simulations on the same issue to show how ethical choices can have consequences; and above all, by enabling participants to navigate through ethical quandaries and reflect on the assumptions underlying their decisions. The latest interactive programs encourage participants to think critically and behave ethically, again and again. Such repeated behavior is critical to altering the collective habits and instincts that constitute a business culture.

Finally, online ethics programs are most effective when they avoid a proscriptive approach to education and compliance. They should not suggest that the educational courses are there to be dutifully watched and applied, like rules to be followed. Success in education means internalizing the lessons – it is more than just showing up.

Make the ethics education professionally relevant.

Online training modules can deliver many basic lessons and simulations to a broad-based workforce. But effective ethics education must match the breadth of issues with the depth of issues. Leading companies seek courses that present recognizable, compelling ethical quandaries to as many employees as possible. This requires a diversity of program options.

After all, corporate culture is not monolithic. While some ethical issues are universal, the context in which employees encounter these issues is particular to their professional needs and objectives. Workers may be part of a single-country corporation or part of a large multinational business – and they earn their living in shipping, telecommunications, finance and scores of other industries. Some businesses are heavily regulated, some have especially vulnerable corporate reputations, and the fortunes of others may depend on the vagaries of climate, currency values or geopolitics.

As a result, the challenges of ethical decision-making vary extensively. The best educational materials must therefore address the specific ethical quandaries a particular audience is likely to face in terms of their job function, their location and their activities. This personalization makes ethics education more relevant to employees and, therefore, more likely to inspire personal consideration and deeper reflection. Diverse program options can also help companies address universal themes while engaging industry-specific concerns and sensibilities. Such a targeted approach may offer fewer economies of scale, but more persuasive lessons to employees.

It is equally important to make ethics education relevant to employees by ensuring that it is delivered in the language they are most comfortable with and in a context they understand. Using English-language online courses featuring a character named Sam who speaks in business jargon on a golf course may not translate well to a global audience. For this reason, it is vital to ensure that educational courses be internationalized (i.e., country neutral) or localized according to the language and culture of the employee's location. Such educational courses better suit the needs of international employees, maximize comprehension and make learning easy and enjoyable.

Reinforce education and apply learning on the job.

Companies cannot simply rely on completion rates to assess the degree to which employees have assimilated ethics education programs. Like all learners, employees benefit from extensive follow-up, reminders and reinforcement before they demonstrate a solid understanding of the issues and reflect the learning in their attitudes, actions and behaviors.

Follow-up efforts can take many forms. For example, managers can hold group meetings with employees to discuss issues and apply decisions to real life applications on their jobs. E-mail reminders from corporate leaders and middle managers can support tone at the top and tone in the middle. And short learning vignettes can emphasize key points and reinforce learning on specific topics.

One way to apply learning from educational efforts and to gain employee accountability is to ask employees to certify their commitment to what they have learned. Certification is the process by which a company confirms employee compliance with a regulation or policy. This can take the form of a simple acknowledgment of a new policy, an attestation of conformity with that policy, a disclosure of potential non-compliance with such a policy or an affirmation of the validity of content within a document. These steps promote better understanding of risks, encourage employees to play an active role in managing those risks and enable organizations to detect issues before they become breaches.

In companies with broad certification requirements, employees attest to being in compliance with policies concerning situations such as conflicts of interest, insider trading and other complex areas of business practice. But they must understand these practice areas before they can meaningfully attest to complying with them. In this sense, ethics education and certification are complementary. An effective education program teaches employees the risks, liabilities and corporate interests at stake in the ethical quandaries they face. In turn, certification promotes accountability and helps a company verify its degree of compliance, while helping to reinforce a collective appreciation of the values underlying the relevant issues.

A final way to follow up and apply learning is achieved by a company helpline and a clear understanding of how to use it. Helplines allow employees to ask questions about anything they have learned, to seek additional advice as needed and to report a suspected violation they know about or have witnessed.

These types of tools help companies reinforce the education topics in which they have invested as central pieces in their effort to foster and bring about a true self-governing ethical corporate culture.

Ethics and compliance education can serve as a powerful way to engage a workforce and ultimately help foster and fortify a winning corporate culture. Education is most effective when fully integrated with other foundational program elements designed to engage the workforce in ethics and compliance, including certification and helpline.



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