

How Insightful Ethics Training Can Be a Game Changer

During prosperous economic times, ethical business principles may be overlooked when the next moneymaking deal seems right around the corner. When cash is flowing, few extol the virtues of a strong corporate culture and how it contributes to long-term business success. Yet, many learn in hindsight the value of these principles.

As organizations continue to address the far-reaching consequences of the global economic crisis, boards and management have compelling reasons for making ethics training a priority. These reasons include, but certainly are not limited to:

Heightened regulatory environment – Continuing issues in the global economy have placed intense pressure on regulatory agencies and lawmakers to ramp up their rulemaking and investigations of financial fraud. Foreign Corrupt Practices Act (FCPA) enforcement actions, for instance, rose again in 2013, signaling a robust return to greater scrutiny of improper business activities in the global marketplace.¹ Add to this the “whistleblower bounty” contained in the Dodd-Frank Wall Street Reform and Consumer Protection Act, increasingly stiff fines and penalties, and the global influence of other anti-bribery legislation in the United Kingdom, Brazil, Russia, and China, and it is easy to see how costly noncompliance can be.

Reduced hiring and resource constraints – In these times of global economic recovery, the continuing impact of staff reductions on the segregation of job duties may make a company more vulnerable to fraud. Risks may include compromised fraud oversight, conflicting roles and responsibilities, and lack of personnel dedicated to monitoring for potential indicators or warning signs of fraud.

Decline in misconduct – The commitment and investment that organizations have made in ethics and compliance programs appears, among other things, to have a positive effect on employee behavior. A 2013 National Business Ethics Survey² found that observed misconduct has steadily declined over the past six years and is now at a historic low. As the long-term impact of ethics and compliance programs reverberates in offices around the world, there continues to be enthusiasm for proactive measures to help combat unethical behavior in the workplace.

¹ “FCPA Enforcement on the Rise Once Again,” *Compliance Week*, Jaclyn Jaeger, July 29 2013: <http://www.complianceweek.com/fcpa-enforcement-on-the-rise-once-again/article/304966/>.

² *National Business Ethics Survey® of the U.S. Workforce*, EBES 2013, 2014, Ethics Resource Center: <http://www.ethics.org/downloads/2013NBESFinalWeb.pdf>.

One of the essential elements to fraud mitigation is a comprehensive ethics training program. When developing such a program, the following guidelines should be kept in mind.

Customizing Training and Setting Goals

Training is often among the first things to be cut when financial restraints are applied. It is therefore critical to have buy-in from the board and senior management. Furthermore, ethics training should start first with the board and then senior management, given that boards are responsible for fraud oversight – as well as for establishing compensation and rewards structures that drive management’s behavior. This will establish a strong "tone at the top," which can make the difference between a “check the box” mentality and an ongoing process of knowledge development and cultural change management with respect to workplace ethics.

After all employees complete their initial ethics training, they should have an understanding of their company’s:

- Core values
- Policies and procedures
- Rewards and consequences
- Compliance reporting obligations

Ethics training can and should be customized to an organization's unique needs and might include:

- Compliance and ethics, including reporting obligations
- Fraud
- Bribery and corruption
- Use of corporate assets (e.g., information technology assets)
- Social media/networking
- Intellectual property protection
- Gifts and other business courtesies
- Travel and entertainment
- Health and safety regulatory compliance
- Loss prevention tailored by industry (e.g., shoplifting)
- Human resources topics

Building a Lasting Connection with Employees

Meaningful training doesn't take a one-size-fits-all approach but rather is designed with the employees' roles and responsibilities in mind. Generational attitudes, cultural standards and local customs will all impact how effective the training will be. Visual imagery and word choice need to be appropriate, non-offensive and supportive of the topic.

Successful training programs resonate with employees when training modules and exercises are relevant and engaging and use scenarios meaningful to individuals. These programs should deliver the corporate message – but not in “corporate speak.” Focus groups can be useful to help customize training for tone, terminology of targeted employee groups and appropriate incentives to reward desirable behavior.

Most important, after all employees complete initial comprehensive training, the organization must keep the key points top of mind for them through continuous communication. Not only will this reinforce ethics policies and guidelines, it also will help to establish a positive culture with regard to ethics and responsible behavior.

Measuring and Tracking Success of Training

A system should be in place to track training progress and measure participation. Periodic testing and quizzes are a time-honored way to assess learning and knowledge retention. As with the training exercises, organizations should customize the method of training for employees' roles and responsibilities. For instance, computer-learning modules tend to work well for some employees. For others, paper quiz cards or interactive voice response via telephone may be preferable to help them overcome technology restrictions.

Aside from testing, other ways for companies to assess progress include asking, and obtaining answers to, questions such as:

- Is there an increase in positive feedback received from employees?
- Do employees proactively reach out for advice on ethical issues?
- Is there an increase in reported concerns or complaints about potential unethical activity?
- Is there a change in the internal fraud statistics (e.g., number of investigations, inventory loss or shrinkage, recovery of assets)?

Recognizing the Value of a Strong Ethical Culture

A company that creates a strong ethical culture gains several important strategic advantages. A positive work environment contributes to strong employee morale, as well as the retention of valued employees and increased productivity. It also establishes a solid foundation to meet the board's expectations of compliance with corporate policies and procedures. In addition, a reputation for doing business “the right way” is attractive to both shareholders and customers. While this may sound too good to be true, employees can exceed expectations when they respect their leaders and identify with their company's values. With a tone at the top that reinforces the importance of a strong ethical culture, and employees who have participated in relevant and engaging ethics training, companies can take a significant step toward greater profitability and long-term success.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that helps companies solve problems in finance, technology, operations, governance, risk and internal audit, and has served more than 35 percent of FORTUNE 1000® and FORTUNE Global 500® companies. Protiviti and its independently owned Member Firms serve clients through a network of more than 70 locations in over 20 countries. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies.

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Our Training and Communication Practice

Protiviti's training and communication consultants help clients define a strategy to change employee behavior to align with increasing ethical and regulatory standards.

We work with companies to assess their culture and policies and understand employee readiness for change. We help firms to implement compliance policies and procedures and then evolve them as organizations and their employees adopt new capabilities. Our communication experts assist companies as they design, implement and execute awareness programs so that their employees develop a clear and measurable understanding of compliance policies and ethical behavior expectations. Our services include:

- Evaluation and design of code of conduct policies
- Development of custom training programs (interactive media, print and instructor-led)
- Development of communication strategies and executable deliverables
- Operational compliance audits (Compas – www.compasaudit.com)
- Fraud and forensic investigations
- Franchise investigations and royalty assurance auditing

For additional information about the issues reviewed in this white paper or Protiviti's services, please contact:

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