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Training Is Critical for a Strong Ethical Culture

A new survey highlights ways companies can improve their corporate culture, while governments try to hold individuals more accountable with oaths, delayed bonuses, and penalties.

Ethics training throughout an organization is believed to be a critical determinant of the effectiveness and strength of its corporate culture. The U.S. Sentencing Guidelines (USSG) Manual, for example, considers training to be one of the seven characteristics of an effective ethics and compliance program. Section 8B2.1 of the 2013 *Guidelines Manual* states: "The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program…by conducting effective training programs and otherwise disseminating information."

To enable organizations to enhance the effectiveness of their training and other ethics efforts, Navex Global, an independent vendor of ethics and compliance services, published its *2014 Ethics and Compliance Training Benchmark Report*. It's based on 763 responses to a survey of management-level ethics and compliance professionals responsible for training throughout their organizations. A strong majority of the responses (88%) were from U.S.-based companies. One-third of the companies surveyed had fewer than 500 employees.

Study Results

The study found that 94% of decision makers say that the major objective of ethics and compliance programs is evolving from one of legal defensibility to that of "creating a culture of ethics and respect." This signals a growing awareness of employees' need to understand what it means to act ethically and with integrity. There is a realization at all levels of the organization that a culture of ethics and integrity does in fact lead to favorable compliance behaviors. More organizations are recognizing that ethics drives compliance with codes of conduct, laws, and other portions of the compliance program and reduces many kinds of risk within an organization.

To achieve the objective of changing the overall ethics culture, the report calls for high-quality, engaging training combined with other elements of a holistic and robust compliance program. Training that consists of little more than "checking the box" to indicate compliance isn't likely to be effective. The number one training objective, as determined by respondents, is creating a culture of ethics and respect (90%), followed by compliance with laws and regulations (89%) and prevention of future issues or misconduct (82%).

The report cites concerns of a perceived gap in reaching the training needs of supervisors and managers. About 54% of respondents feel that existing training for their supervisors and managers isn't effective for avoiding missteps. Mishandling or downplaying employee complaints (46%) and undermining commitment to ethics and compliance (38%) also are concerns.

The challenges to overall success include scarcity of available training time (56%), difficulty measuring program effectiveness (54%), and budget limitations (42%). An emerging strategy designed to mitigate money and time constraints is the employment of short-form training called "burst learning." This lets organizations cover more topics in the same training time, resulting in lower costs and providing more frequent opportunities to raise awareness of critical knowl-

edge and refresh previous knowledge. Shorter training modules keep employees engaged when covering topics that might not be stimulating or interesting to them.

The reported average amount of training provided to employees is six hours annually, with 76% of organizations offering five or fewer hours. Small organizations deliver more training than large organizations—three more hours annually. Members of boards of directors receive one hour of annual training, and third parties don't get any.

Respondents reported on the training topic priorities their organizations have planned for the next two to three years, which include ethics and code of conduct (85%), workplace harassment (79%), conflicts of interest (68%), and confidential information (66%). Responding organizations use a wide variety of training formats, including online interactive, live group, and e-mail. A typical curriculum consists of about six topics, which provides variety to reach and engage key audiences. Quality is the most important factor in assuring productivity in ethics and compliance programs as various instructional formats and approaches differ in effectiveness.

Overall, the most important training efforts should focus on code of conduct and harassment training since these are the two greatest risks organizations face. Also, training should be thoughtfully matched to address the most important risk areas specific to each organization.

Will Bankers Under Oath Prevent Another Crisis?

Since the global financial crisis of 2008-2009, financial services regulators and legislators around the world have struggled to develop and implement mechanisms that avoid repeating the unethical behavior that caused the disaster in the first place.

Legislation in the Netherlands requires all 90,000 Dutch bank employees to take a pledge that states: "I swear that I will do my utmost to preserve and enhance confidence in the financial-services industry. So help me God." According to *Bloomberg*, "The Netherlands is demanding bankers enforce stricter codes of conduct after spending more than €95 billion ($128 billion) in capital and guarantees over the past six years to bail banks out." According to Bert Bruggink, the CFO of Rabobank Groep, the largest Dutch mortgage lender, "It's a good signal to your employees and brings back awareness of the importance of these values. It fits in with these times, where banks have to work hard to restore trust."

A similar approach has been suggested in the United Kingdom, according to a July 29, 2014, story from the British Broadcasting Company (BBC). A British think tank, ResPublica, has called for "an oath for bankers to 'fulfil their proper moral and economic purpose.'" Director of ResPublica, Philip Blond, said, "As countless scandals demonstrate, virtue is distinctly absent from our banking institutions. Britain's bankers lack a sense of ethos and the institutions they work for lack a clearly defined social purpose." Part of the oath states, "I will do my utmost to behave in a manner that prioritises the needs of customers."

A July 30, 2014, story in *Forbes* relates a new Bank of England proposal to improve responsibility and accountability in the U.K. banking sector. It speaks in terms of money, a language bankers are certain to understand: Bonuses that bank managers receive could be "clawed back" for up to seven years. On top of that, reckless conduct could result in bankers being sent to jail. Deputy Governor of the Prudential Regulation Authority Andrew Bailey describes the thinking behind the proposal: "The combination of clearer individual responsibilities and enhanced risk management incentives will encourage individuals in banks to take greater responsibility for their actions."

In the U.S., the 2010 Dodd-Frank Act includes the formation of the Financial Stability Oversight Council (FSOC). The Act assigns

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three objectives to the Council:

1. "Identify the risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace;"
2. "Promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure;" and
3. "Respond to emerging threats to the stability of the United States financial system."

The ultimate success of the FSOC agency has yet to be proven. Let's hope that ethical behavior will prevail on Wall Street as well as around the world. **SF**

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