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Inside this e-Book:

Gauging the Effectiveness of Online Training

By Karen Kroll

You roll out an online training program focused on anti-money laundering regulations. The information collected by the program indicates that everyone who needs to took the course and passed the brief exam at the end.

So, does that mean the training was effective? As online compliance training has become more popular, a growing number of compliance chiefs are asking this very question.

According to NAVEX Global's *2014 Ethics and Compliance Training Benchmark Report*, 71 percent of compliance training programs use online tools. They're used more frequently than any other methods, including live training and print resources.

Given the popularity of online training, compliance and other executives need to know these tools are effective—that the employees who participate gain a solid understanding of the relevant regulations and then apply their knowledge. After all, training of all types can account for a significant portion of a compliance budget, and the courses often take non-compliance employees away from their official responsibilities. "Executives are asking if the training is valuable," says Ingrid Fredeen, vice president of advisory services with NAVEX Global.

More is at stake than just the dollars, although the costs can add up. An effective compliance training program can earn companies favorable treatment in the event of a compliance lapse. The Federal Sentencing Guidelines state: "The organization shall take reasonable steps (a) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct; (b) to evaluate periodically the effectiveness of the organization's compliance and ethics program."

Just as organizations monitor business operations and make adjustments to boost performance, they need to monitor and adjust their compliance training programs, says Joan Meyer, chair of the North American compliance and investigations practice at Baker McKenzie. The goal here, however, is to reduce risk.

Tough Numbers

More companies are going beyond the old method of putting out compliance training programs and just hoping they work. When asked about training trends they're currently applying or will apply, "measuring training effectiveness" came in second, just below "adding more course titles." Fredeen says she's noticed this shift in her conversations with companies. "Over the last twelve to 18 months, I'm hearing more clients talk about effectiveness."

At the same time, accurately determining effectiveness is tough. Indeed, 96 percent of participants in the report ranked it as a moderate or significant challenge – putting it ahead even of budgetary challenges. "It's a hard, practical problem," says David Guralnick, president of the International eLearning Association.

Ideally, compliance professionals would be able to measure how well employees understand the material and how their behavior changes as a result of the training. But in contrast to, say, answers on multiple choice quizzes, behavior changes can't be easily quantified. Moreover, it's always risky trying to connect a change in behavior to a specific course or class, since numerous factors influence how individuals act.

As a result, few organizations appear to have mastered this. "I've not talked to one person who has it totally figured out," Fredeen says.

Many organizations start with statistics that are relatively easy to assemble, such as the percentage of employees who completed a training course. In fact, nearly three-quarters of survey respondents measure this. Another attribute, course

> "Just as organizations monitor business operations and make adjustments to boost performance, they need to monitor and adjust their compliance training programs."
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> Joan Meyer, Chair NA Compliance & Investigations Practice, Baker McKenzie

quality—that is, whether the material is relevant and presented in an engaging way—is another area in which compliance professionals are interested.

Again, this information can be important. Rebecca Herold, an information privacy, security and compliance consultant and co-owner of HIPAA Compliance Tools, says she's come across purported courses that were nothing more than hundreds of PowerPoint slides, each containing text excerpted directly out of some regulations, such as HIPAA. "It's not even training. It's just dumping information that's boring to most." Not surprisingly, few employees actually ever read it, she says.

Organizations need to look more deeply than the information presented by these measures to evaluate participants' true understanding and application of the material, Herold says.

Getting Started

While more companies are interested in gauging the effects of training. The discipline isn't entirely new. For decades some companies have employed what is known as the "Kirkpatrick Model." In 1954, Donald Kirkpatrick developed the model for his Ph.D. dissertation, "Evaluating Human Relations Programs for Industrial Foremen and Supervisors."

Kirkpatrick's model is based on four principles. As an organization progresses through the four levels, it gains increasingly valuable insight.

Level 1—**Reaction:** To what degree do participants react favorably to the training?

Level 2—**Learning:** To what degree do participants acquire the intended knowledge, skills, attitudes, confidence, and commitment based on their participation in a training

event?

Level 3—**Behavior:** To what degree do participants apply what they learned during training when they are back on the job?

Level 4—**Results:** To what degree do targeted outcomes occur as a result of the training event and subsequent reinforcement?

Here's how these principles could come into play with online compliance training:

Reaction: Assessing this could start with a survey that asks employees how they felt about the course. Did they like it? Did they find it engaging?

To be sure, any number of variables can influence the responses to such questions. An employee who is unhappy in his or her job may not like the training, no matter how good it is. Still, this information can be useful; participants who can't wait until the course is over are unlikely to learn much.

An important part of this step is establishing up front a number that indicates some level of success, Fredeen says. For example, if 75 percent of participants say they found the training worthwhile, is that a good number? The idea is to set a baseline and then improve, she adds.

Learning: A combination of quizzes, interviews, or follow-up surveys at several intervals—for example, immediately after the training and then again a few months later—can help to evaluate a participants' understanding and retention of the material, as well as highlighting areas that require additional explanation. "If 80 percent miss the same question, you need to provide more training on that topic," Herold says.

Again, it's important to define success ahead of time. What do participants need to learn for training to be deemed effective?

Fredeen also warns that capturing this data comes with responsibility, particularly if participants' names are included with the results. If it becomes clear that an employee is likely to violate a rule because he or she doesn't understand it, the organization needs to take action. "Be careful what you collect, because you own it once you have it."
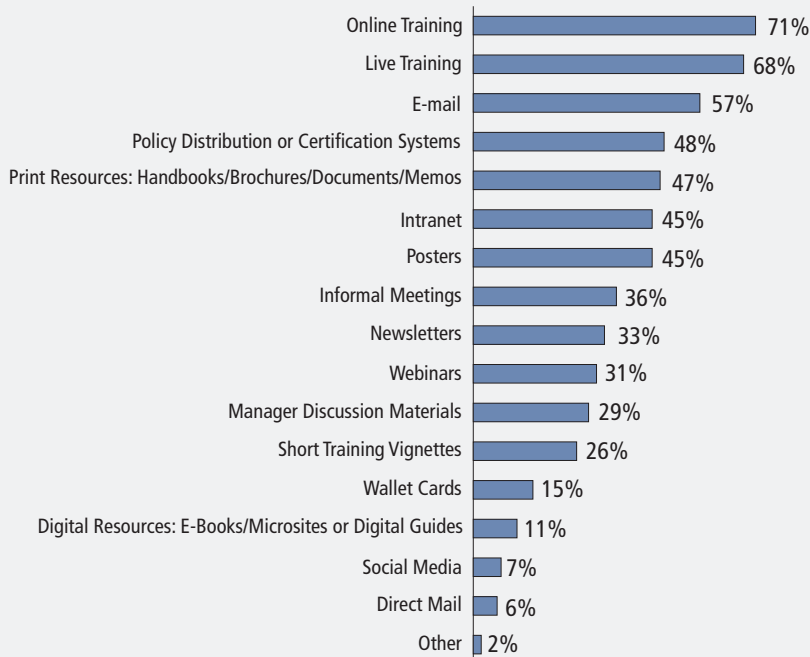
Behavior: While the goal of effective compliance training is to change behavior, determining if it actually did is a soft science. Still, compliance professionals can take steps that will offer clues. To start, they can ask managers if they notice appropriate changes in behavior, Fredeen says. Are more employees speaking up when they notice something that looks suspicious? Are their determinations of suspicious activities generally accurate? Compliance officers also can look at hotlines and case management data to see if levels of misconduct are declining.

Observation can also be a powerful tool. Three to nine

COMMUNICATION FORMATS

In the following graph from NAVEX Global, companies were asked what form of training they most frequently use.

Format	Percentage
Online Training	71%
Live Training	68%
E-mail	57%
Policy Distribution or Certification Systems	48%
Print Resources: Handbooks/Brochures/Documents/Memos	47%
Intranet	45%
Posters	45%
Informal Meetings	36%
Newsletters	33%
Webinars	31%
Manager Discussion Materials	29%
Short Training Vignettes	26%
Wallet Cards	15%
Digital Resources: E-Books/Microsites or Digital Guides	11%
Social Media	7%
Direct Mail	6%
Other	2%

Source: NAVEX Global.

Evaluating Online Training Providers

By Karen Kroll

A subpar compliance training program could uncoil several risks on a company: damaged corporate reputation, expensive investigations and protracted legal actions, not to mention the ire of regulatory agencies.

Those risks raise the bar on the due diligence companies must perform on any organization they consider to provide outsourced online training to employees. "Compliance training is a high-stakes process for all organizations," says M.J. Hall, content manager at the Association for Talent Development Forum. "While almost all training is evaluated for content, approach, and delivery and measured for impact, compliance training is under even more scrutiny."

A first step is identifying the primary risks that, if realized, could harm the company, and the education needed to mitigate these exposures, says Hall. Armed with this information, the compliance department can set out a "buy or build" analysis.

When it comes to compliance training, many companies mix the two. Third-party online training can provide a great solution for topics that are common to many organizations, such as bribery and conflicts of interest. Most providers have courses on these topics that already have been broadly deployed, and then modified and enhanced based on feedback from previous users. Other topics that are unique to the company may require a custom solution.

Third-party online solutions also can make sense when the training needs to be delivered to employees around the globe, Hall says. It's often more efficient to use a tested off-the-shelf solution that has already been translated into several languages than to develop and deliver a custom program.

At the same time, in-house solutions have a legitimate role to play, say compliance training experts. They're especially valuable when a course needs to cover a procedure that's unique to the organization, or when the information to be conveyed is complicated and detailed, or applies just to a small sub-set of employees. Training, for example, to communicate specific policies or security procedures that have been tailored to the unique needs of the company could be ripe for in-house development.

Of course, before developing online training solutions, organizations need to hire the subject matter experts and instructional designers and purchase the technology tools required to both develop and update the material in a timely manner. The commitment required to create the content and to keep it relevant are the biggest disadvantages of internal development, says Ingrid Fredeen, vice president of advisory services at NAVEX Global. "You need to manage the content, make updates, and ensure it properly reflects the organization."

Checking Under the Hood

Once an organization has made the decision to work with a third party's online training solutions, some due diligence is in order. Fortunately, it's possible to get a handle on providers' qualifications even before approaching them, Hall notes. Compliance professionals can ask for recommendations via online forums and social media sites, or they can seek opinions from other members of their professional associations.

As an organization narrows its search to several vendors, the due diligence should become more specific. Among the questions to ask: Who are the vendor's current clients? What sort of results are they achieving with the product? And what metrics is the vendor using to measure performance? Consider it a red flag if a vendor won't provide any of this information, say training advisers.

Of course, the qualifications of the vendor's staff are critical. Most compliance training materials require a review by legal professionals who can intelligently judge their accuracy. For instance, those who assess the accuracy of a course on Brazil's Clean Companies Act should be experts on the law, as well as on its background and application.

The provider should stand behind its material, Fredeen says. If the organization deploying the courses becomes involved in a legal action in which the credibility of its training becomes an issue, the provider should be ready to confirm that the course content is accurate and has been appropriately reviewed.

Working With Other Departments

Below Karen Kroll examines the issue of whether it makes sense for compliance to combine its online training with the training efforts underway in other departments. Some say it depends.

Combining forces can stretch the organization's investment and lead to consistent content across the regions, says MJ Hall, Ph.D, content manager for the ATD Forum with the Association for Talent Development.

For some organizations, however, the needs of each department are too different to make a joint effort effective. Compliance training often is more complex and must meet requirements that don't come into play with courses that, say, instruct employees on a new accounts receivable system.

Some companies require employees to rate the training courses they take so that they can roll out the courses employees ranked as most useful to the rest of the company. However, if their compliance training often is mandatory, while the other courses aren't – which often is the case – it doesn't make sense (and can send a confusing message) to have employees rate the courses they are required to take.

—Karen Kroll

Online Learning Vulnerable to Being Hacked

By Karen Kroll

Online learning is a booming part of compliance training these days—and a seldom-discussed IT weakness in such systems is growing along with it.

First, the good news: e-learning for compliance is humming right along. Statistics specifically on the adoption rate of online learning for compliance are hard to come by, but anecdotal evidence is strong. Companies are moving compliance and ethics training online and getting more creative with their offerings.

Now the bad news: while e-learning courses have compelling benefits, they also can carry the same security risks as other information systems. That means compliance officers need to remain vigilant in ensuring that employees actually are studying and learning the material they appear to be learning.

"You can't just roll out an e-learning system and relax. You have to be diligent with security," says David Lawrence, chief collaborative officer with RANE, the Risk Assistance Network and Exchange, an information services and technology company.

One reasonable assumption is that the growth in e-learning for compliance is following roughly the same trajectory as e-learning courses overall—and that market has been on a tear. According to one analysis by Docebo, an online learning company, the worldwide market for self-paced e-learning was $35 billion in 2011 and should top $51 billion by 2016, a jump of nearly 50 percent in five years.

The growth reflects e-learning's benefits. "It's an efficient, scalable way to convey information," Lawrence says. For organizations that need to communicate with thousands of employees around the globe, such scalability often makes e-learning the only practical approach.

In addition, the reporting and analysis provided by many e-learning systems can give compliance officers a good idea of how well employees grasp the information they're supposed to be learning.

For instance, a report might indicate that a large number of employees continually answer a particular question wrong, or that employees in one region have more difficulty with some lessons than employees do elsewhere. In either case, instructors can follow up with additional, targeted material.

The Hacking Risk

At the same time, e-learning—just like any other information system—can be compromised. One troubling example: a sufficiently savvy employee could hack the system to make it appear that he has studied the material and passed all the tests, when in truth he did not.

How would he pull that off? Most companies administer e-learning courses via a platform known as the learning management system (LMS) and the Sharable Content Object Reference Model (SCORM) protocol; those two systems govern the management and communication of online courses, and also report training results. The soft-ware used to communicate between the course and the LMS can be compromised, so the LMS records an individual as having completed a course even if he hasn't.

"The weakness is the link between the course and the tracking system," says Jan Sramek, chief executive officer of Better, an e-learning software vendor. Unfortunately, Sramek says, an LMS can't currently detect and protect against this hack.

The problem traces back to the origins of e-learning technology in the late 1990s. At the time, Sramek says, security wasn't as important a consideration as it is today. E-learning was used less often, and in many cases the material wasn't critical.

E-LEARNING TRENDS

Below, Docebo anticipates trends in the global e-learning market.

There seems to be universal agreement that the worldwide E-Learning market will show fast and significant growth over the next three years.

The worldwide market for self-paced e-learning reached $35.6 billion in 2011. The five-year compound annual growth rate is estimated at around 7.6 percent so revenues should reach some $51.5 billion by 2016.

A definition of self-paced learning is education in which learners study at their own pace, without a fixed starting date or regularly scheduled assignment completion dates in common with other students enrolled in the same program. However, there may be a fixed overall completion timeframe.

While the aggregate growth rate is 7.6 percent, several world regions appear to have significantly higher growth rates.

According to recent regional studies, below are the highest growth rates worldwide:

Region	Growth Rate
Asia	17.3%
Eastern Europe	16.9%
Africa	15.2%
Latin America	14.6%
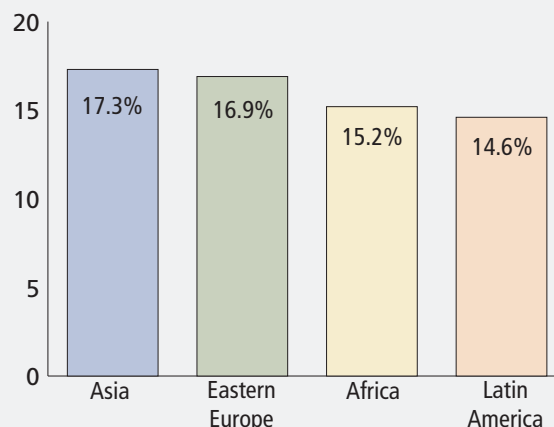
Source: Docebo.

Eight Ethics & Compliance Training Myths
DEBUNKED

By Mary Bennett & Ingrid Fredeen, Vice Presidents, NAVEX Global's Advisory Services Team

Ethics and compliance training represents a major ethics and compliance program spend; often it is the largest spend for the compliance function. With more ambitious training objectives, increased pressure placed on using training to drive behavioral change and build legal defenses, and a rapidly evolving industry landscape, compliance professionals are tasked with a daunting challenge—be good stewards of the compliance budget and acquire training that will help them achieve critical program goals.

But decisions (whether you are considering buying or building your own training) can be clouded and distorted by a wide array of compliance training myths. These myths can drive buying and deployment behaviors that aren't best for your program or your employees. NAVEX Global's recent Training Benchmark Report (which surveyed more than 750 compliance professionals across 39 industries worldwide) helped debunk some of these myths. (The full report is available for download at www.navexglobal.com/TBR2014.)

For those of you planning out your training initiatives for next year, consider these findings as you make decisions about what training you should deploy and what methods you should select.

Myth #1

Legal defensibility is compliance professionals' top training objective.

For years, ethics and compliance training focused on building legal defenses; training was the safety net that you relied on in the event your organization was sued or subjected to an agency enforcement action. If training changed behaviors or prevented future misconduct, that was an excellent "extra" benefit.

But over the years the tide has been shifting. And as our survey revealed, the most commonly pursued training objective is now "creating a culture of ethics and respect." (See Chart 1, "Top Ethics and Compliance Training Objectives")

This is an important program evolution that signals a broader awareness of the need to help employees understand what it means to act ethically and with integrity—and a realization that desired compliance behaviors often flow from a culture of ethics and integrity.

However, it also points to a major challenge for ethics and compliance professionals. "Check-the-box," bland, unengaging training will not help organizations achieve the culture and behavior change goals they are clearly chasing. In fact, outmoded training can backfire by increasing employee cynicism.

To make progress toward the goal of creating a culture of ethics and respect, organizations must seek out high-quality, engaging training that really helps employees understand how they contribute to this type of culture, and the training must be combined with other elements of a holistic and robust compliance program designed to pursue these important goals.

Myth #2

Live training is the preferred delivery method.

Live training plays an important role in an effective compliance program, but organizations have come to realize that it is

Chart 1

Top Ethics and Compliance Training Objectives

Objective	Percentage
Create A Culture Of Ethics & Respect	90%
Comply With Laws & Regulations	89%
Prevent Future Issues Or Misconduct	82%
Meet Audit Or Certification Requirements	54%
Address Existing Issues Or Misconduct	45%
Improve The Organization's Reputation	37%
Reduce Litigation	37%
Establish Strong Legal Defenses	30%
Respond To Penalties Or Sanctions	18%
Other	3%

not feasible to pursue a program that is heavily dependent on live training as the main education format. Due to cost, time pressure, and resource constraints, online learning has become the most widely used training format. More than 70 percent of organizations use online training. Live training comes in as a close second (68 percent), and in third place is e-mail (57 percent).

But just like any other learning format, organizations must use online training wisely to avoid inevitable training fatigue. If you are deploying online training that is dated, boring, and low-quality, you are not using this format in the most effective manner. This format offers many advantages over live training, including its scalability and consistency in quality and messaging.

Overall, training the right audience with the right training—for example, providing critical all-employee training using online learning while reserving live training for your highest-risk groups—will help control budgets and protect seat time.

Myth # 3

Training is only done online or live.

With seat time and budget pressures continuing to plague compliance programs, compliance professionals are getting creative about how they get the word out about key risk areas and obligations. Organizations are not just limiting their programs to live or online training.

Rather, organizations are now using on average six different formats to help educate employees. In addition to live training and eLearning, organizations are using e-mail, policy distribution and certification systems, print resources, and intranets most frequently to get their message out.

Getting creative about the tools you use, and adding low cost options to your program can help ensure that you have the budget to purchase or build the training that will be the most effective.

Myth #4

Middle managers receive adequate ethics and compliance training.

Seventy-five percent of respondents in our survey felt like their training programs provide employees and managers with the right information to protect their organization. Unfortunately, the belief that rolling out training equates with a good program and that it will drive desired compliance behaviors is a dangerous training myth that has led organizations to under-train this critical group of employees.

The reality is that a large percentage of programs have major flaws that must be addressed immediately. Survey respondents reported that they are "significantly" or "moderately" concerned that their managers are:

» Not receiving adequate training so they understand how to avoid missteps (95 percent)

» Mishandling or downplaying complaints or reports from employees (87 percent)

» Exhibiting attitudes or conduct not reflective of their organization's commitment to ethics and compliance (88 percent)

(See Chart 2, "Top Ethics and Compliance Conduct Risks for Supervisors")

Poorly and inadequately trained employees will undermine an organization's attempts to achieve the top two goals of a training program: creating a culture of ethics and respect and complying with laws and regulations.
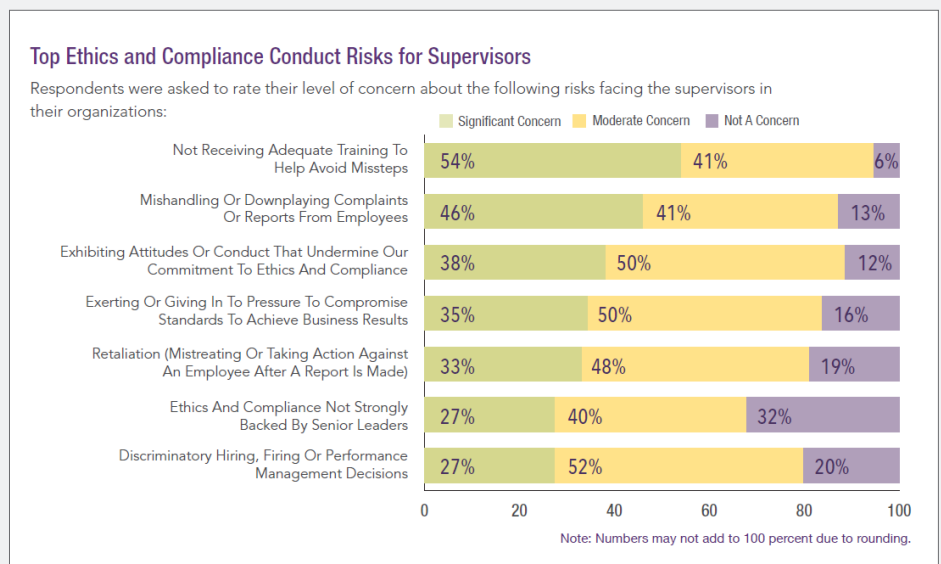
In today's highly complex and heavily regulated business environment, arming managers with the skills they need to navigate the ethics and compliance challenges they will inevitably face should be a high priority—if not the first priority. Because middle managers set the all-important "tone in the middle," it's crucial that organizations quickly identify training gaps and focus on addressing them in upcoming training cycles.

Myth #5

All online training formats are equally effective.

For years many organizations have believed that online learning is effective

Chart 2

Top Ethics and Compliance Conduct Risks for Supervisors

Respondents were asked to rate their level of concern about the following risks facing the supervisors in their organizations:

Legend: ▪ Significant Concern ▪ Moderate Concern ▪ Not A Concern

Risk	Significant Concern	Moderate Concern	Not A Concern
Not Receiving Adequate Training To Help Avoid Missteps	54%	41%	6%
Mishandling Or Downplaying Complaints Or Reports From Employees	46%	41%	13%
Exhibiting Attitudes Or Conduct That Undermine Our Commitment To Ethics And Compliance	38%	50%	12%
Exerting Or Giving In To Pressure To Compromise Standards To Achieve Business Results	35%	50%	16%
Retaliation (Mistreating Or Taking Action Against An Employee After A Report Is Made)	33%	48%	19%
Ethics And Compliance Not Strongly Backed By Senior Leaders	27%	40%	32%
Discriminatory Hiring, Firing Or Performance Management Decisions	27%	52%	20%

Note: Numbers may not add to 100 percent due to rounding.

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regardless of format. As a result, many organizations have deployed hours of outdated, poorly developed, overly legalistic, and bland compliance training that inevitably draws a deep groan from learners.

But the reality is that quality does matter. Nearly all (92 percent) of the survey respondents agree that quality of an online training course is critical to ensuring that training is effective. For peak effectiveness, respondents lean primarily on high-quality video-based training. They believe that video-based training (as opposed to cartoon graphics or slides with audio) is the best form of instructional media for establishing a training program's credibility, engaging employees, teaching behavioral principles, and helping trainees retain information.

In other words, to maximize training effectiveness, and truly impact behavior and culture, quality matters. If cost sensitivity keeps you from using the highest quality training for all risk areas, take a focused approach. Invest in the topics that are most broadly deployed and which represent the highest risk areas for your organization. Ensure that the training format you use for these topics is the best and most effective that it can be.

Myth #6

If I can buy a larger training library with my budget, that's a good thing for my training program.

When it comes to effectiveness, it's not the size of the library that matters, it's the quality and effectiveness of the training in the library. But for years, organizations have mistakenly assumed that sheer volume equals a great deal and should drive the purchasing decision.

The reality is that low-cost, high-volume libraries often have content that is poorly created, not very engaging, often outdated, overly legalistic and, ultimately, ineffective. This is not the kind of course content that inspires behavior change.

The reality is that most organizations (outside of those in highly regulated industries) will deploy only one to five ethics and compliance courses a year. That's because seat time is limited and employees can only consume so much training in a year. This very important fact underscores the need to choose quality training over quantity, buying programs that are effective, rather than purchasing large libraries that remain largely unused.

To truly understand what courses are crucial to train on, conduct a risk assessment, survey employees about the risks they are actually exposed to, and create a curriculum map—the risk assessment and survey will help you properly prioritize your risks, and the curriculum map will help you align your training with key risks and the right audience. A great curriculum map will help you plan out your training, ensure you use a variety of training methods, and ensure a proper rotation of training content to all learners over a multi-year period.

Myth #7

Short-format training is used only for awareness.

No doubt, burst or short-form training is a trend that is here to stay. Burst has quickly become a staple in a large percentage of ethics and compliance training programs. But many organizations have assumed that burst is really only good for awareness.

In fact, burst learning has emerged as a much more flexible and powerful training tool. According to the survey, 44 percent of all respondents plan to use burst learning in the next two to three years—and they plan to use it for more than just awareness:

» 49 percent believe it can be an effective substitute for full-length training in some lower-risk areas;

» 68 percent believe it is a good way to add variety to instructional methods;

» 63 percent believe burst training helps them cover trending topics.

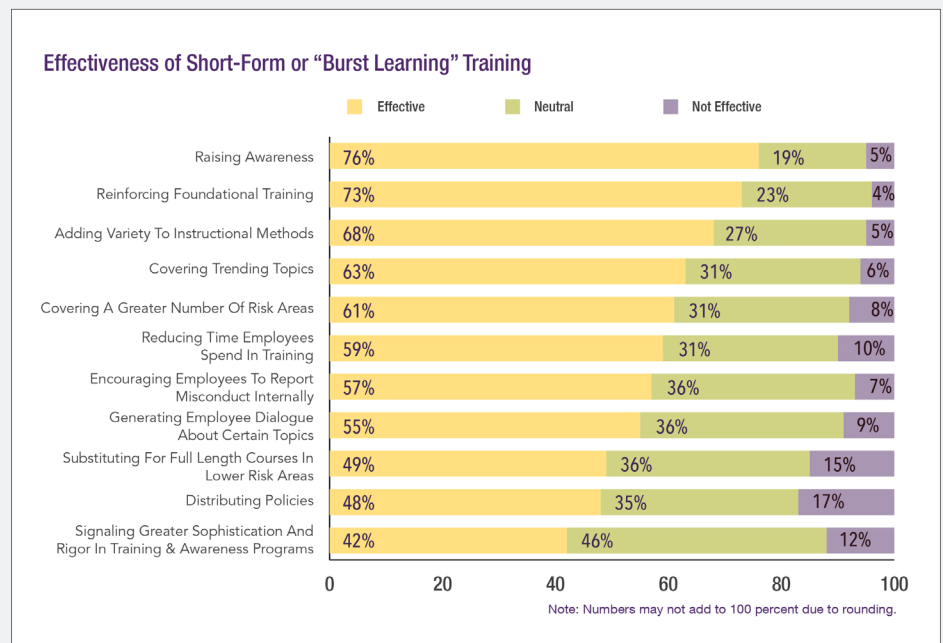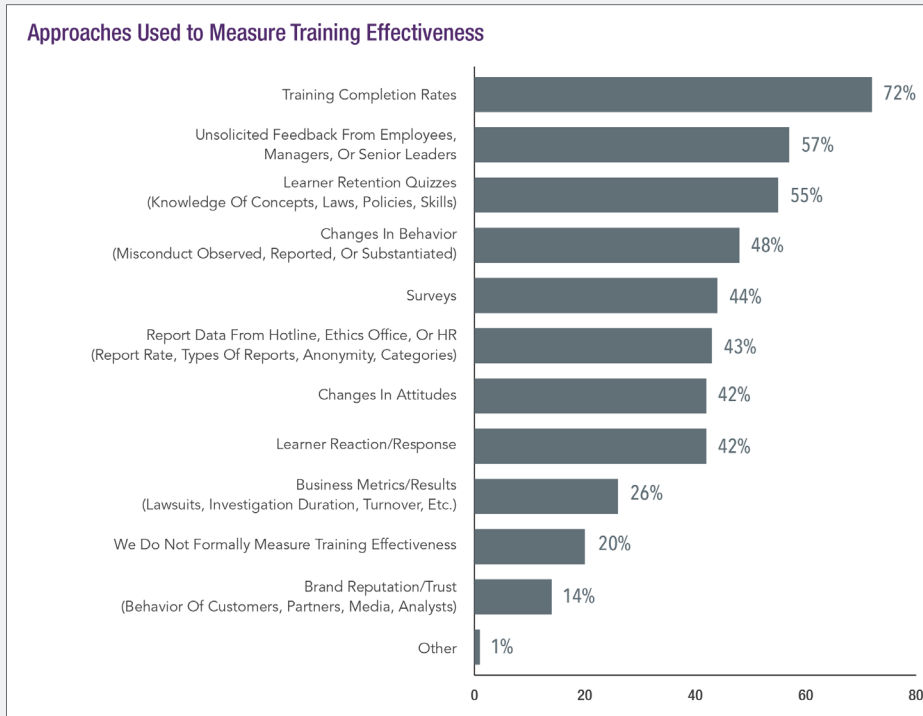(See Chart 3, "Effectiveness of Short-Form or 'Burst Learning' Training")

Chart 3

Effectiveness of Short-Form or "Burst Learning" Training

	Effective	Neutral	Not Effective
Raising Awareness	76%	19%	5%
Reinforcing Foundational Training	73%	23%	4%
Adding Variety To Instructional Methods	68%	27%	5%
Covering Trending Topics	63%	31%	6%
Covering A Greater Number Of Risk Areas	61%	31%	8%
Reducing Time Employees Spend In Training	59%	31%	10%
Encouraging Employees To Report Misconduct Internally	57%	36%	7%
Generating Employee Dialogue About Certain Topics	55%	36%	9%
Substituting For Full Length Courses In Lower Risk Areas	49%	36%	15%
Distributing Policies	48%	35%	17%
Signaling Greater Sophistication And Rigor In Training & Awareness Programs	42%	46%	12%

Note: Numbers may not add to 100 percent due to rounding.

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Chart 4

Approaches Used to Measure Training Effectiveness

Approach	Percentage
Training Completion Rates	72%
Unsolicited Feedback From Employees, Managers, Or Senior Leaders	57%
Learner Retention Quizzes (Knowledge Of Concepts, Laws, Policies, Skills)	55%
Changes In Behavior (Misconduct Observed, Reported, Or Substantiated)	48%
Surveys	44%
Report Data From Hotline, Ethics Office, Or HR (Report Rate, Types Of Reports, Anonymity, Categories)	43%
Changes In Attitudes	42%
Learner Reaction/Response	42%
Business Metrics/Results (Lawsuits, Investigation Duration, Turnover, Etc.)	26%
We Do Not Formally Measure Training Effectiveness	20%
Brand Reputation/Trust (Behavior Of Customers, Partners, Media, Analysts)	14%
Other	1%

Covering more risk areas with limited training hours and budgets is a significant priority for survey respondents, and short-form training can be an effective way to accomplish this.

Myth #8

Organizations are truly measuring training effectiveness.

With training constituting such a major percentage of the compliance program spend, it's important to be comfortable and confident that your program is effective. The majority of survey respondents (72 percent) believe that they are measuring training effectiveness properly by analyzing completion rates. (See Chart 4, "Approaches Used to Measure Training Effectiveness")

While this approach is common, completion rates measure only deployment, not effectiveness. Leaning on completion rates to determine program effectiveness can therefore leave organizations with a false sense of program success.

Truly measuring program effectiveness requires more than looking at completion rates. It requires identifying program goals—such as driving measurable changes in behaviors, results, or ROI—and measuring effectiveness in meeting those goals through the use of tools such as pre-and post-training analysis, surveys, focus groups, and helpline and litigation data and trends. Generally, it's best to use several methods to ensure that you have the best picture of effectiveness.

Conclusion

Every compliance professional responsible for implementing ethics and compliance training wants to ensure that the training they are investing in and deploying is making a difference for their organization. Testing common assumptions and myths and truly measuring your program's effectiveness is important if you want to make better decisions and improve your training program.

Using benchmarking data that can help validate program decisions and dispel common myths will help improve your decision making and ultimately help create a more effective training program—which in turn will help your organization reach important goals such as building a more ethical corporate culture, and protecting your people, reputation, and bottom line.

Download NAVEX Global's 2014 Training Benchmarking Report at www.navexglobal.com/TBR2014 or contact us at insight@navexglobal.com to learn more about our training and advisory services solutions. ∎

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Third-Party Anti-Corruption Training a Must

By Jaclyn Jaeger

Companies are becoming more insistent that third parties they do business with provide their employees with anti-corruption training, and they want more say in exactly how that training is conducted.

The move is part of a shift where companies are increasingly turning the guidelines they have traditionally provided to third parties on anti-corruption and anti-bribery compliance into guardrails that are a condition of doing business.

Microsoft, for example, announced late last year that as of January 2014 all of its business partners worldwide must certify that they're in compliance with Microsoft's Anti-Corruption Policy for Representatives and must further provide anti-corruption training to all their employees who resell, distribute, or market Microsoft products or services.

Companies such as BT Group, Cisco, and IBM have also made compliance training a requirement for third parties, such as resellers and joint-venture partners, if they want to do business with the companies. "I expect to see it more and more as a best practice," says Randy Stephens, vice president of Advisory Services at NAVEX Global.

Traditionally, anti-corruption and anti-bribery training of third parties has been a weakness for many compliance departments. According to an anti-bribery and corruption benchmarking report conducted by Compliance Week, for example, 47 percent of 260 ethics, compliance, and audit executives polled said they conducted no anti-corruption training with their third parties at all.

Stephens

The move to demand anti-corruption training for third parties comes as many companies that face investigations or charges of violating the Foreign Corrupt Practices Act are finding the trouble comes not from actions of their own employees, but from actions of those at a third party they are affiliated with.

The Department of Justice and the Securities and Exchange Commission, for example, are investigating Microsoft for potential violations of the FCPA, the *Wall Street Journal* reported. The agencies are reportedly investigating allegations as to whether Microsoft partners paid bribes to government officials in several countries, including China, Russia, Pakistan, Romania, and Italy, in exchange for contracts.

In response to the allegations, Microsoft's Vice President and Deputy General Counsel John Frank, says, "We take all allegations brought to our attention seriously, and we cooperate fully in any government inquiries. Like other large companies with operations around the world, we sometimes receive allegations about potential misconduct by employees or business partners, and we investigate them fully, regardless of the source."

"In a company of our size, allegations of this nature will be made from time to time," says Frank. "It is also possible there will sometimes be individual employees or business partners who violate our policies and break the law. In a community of 98,000 people and 640,000 partners, it isn't possible to say there will never be wrongdoing."

"Our responsibility is to take steps to train our employees, and to build systems to prevent and detect violations, and when we receive allegations, to investigate them fully and take appropriate action," Frank adds. "We take that responsibility seriously."

According to a Microsoft spokesman, "anti-corruption training is fairly common among most, if not all, IT vendors with their partner communities." If partners have not provid-

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ed training on anti-corruption laws, however, they either must agree to do so, or must participate in training that Microsoft will make available to them, the company stated. Microsoft's Partner Network Disclosure Guide did not specify what specific course material will be provided to partners, or what the potential costs might be.

BT's Training Requirement

Aside from Microsoft, other companies across industries and across geographies are also now requiring their third parties to undergo anti-corruption training, including London-based telecommunications giant BT Group.

Similar to Microsoft, BT Group also provides training to its third parties on the company's anti-bribery and anti-corruption policies and practices if they do not currently have training in place. "In some cases, the third parties themselves would have good evidence of the training they have in place for anti-corruption and bribery," says Bruno Jackson, director of compliance operations at BT Group.

Cisco also has a firm requirement that third parties ensure employees get anti-corruption training that meets with the networking equipment maker's standards. Cisco "requires our channel partners, distributors, and sales-supporting consultants to complete anti-corruption training." Cisco provides the training, which is available in multiple languages, as an online course.

Then there are other companies that promote third-party anti-corruption training as a strong recommendation rather than a full-on requirement. Oracle, for example, states on its Website that, prior to executing a distribution agreement, the company "strongly encourages" its partners to confirm their understanding of Oracle's business ethics practices by taking its anti-corruption training and passing a short skill assessment.

Siemens "invites" its third parties to take part in the company's training sessions, which are conducted by compliance officers. "We are mainly focused on anti-corruption, antitrust, data protection, facilitation payments—all kinds of conduct that can strongly effect us in terms of reputation and financial risks, and in terms of values," says Claudia Maskin,

regional compliance officer for engineering giant Siemens.

Many compliance executives say just getting third parties to voluntarily commit to a company's principles of ethics and compliance can be a challenge, never mind making it a requirement. "The most challenging part is the preliminary stage of making the business partners aware that they have to fulfil their anti-corruption obligations," says Deborah Luchetta, compliance officer and head of legal for Mercedes Benz Argentina, a subsidiary of Daimler.

Maskin agrees that the first step is getting third-party affiliates to understand the risks. "Sometimes when a global company does business in a high-risk region—such as Argentina—local business partners aren't always aware of the broader reputational and financials risks posed to a company that is found in violation of anti-corruption laws," she says.

Getting Due Diligence Started

Third-party liability is "only going to bedevil compliance officers even more in the coming years," says Stephens. As a result, companies that are not yet requiring their third parties to take anti-corruption training cannot afford to do nothing at all. "Do something," he advises.

Many compliance executives agree that third-party risk mitigation done right starts with the initial screening process. For example, Siemens has embedded into its business processes a "business partner compliance tool," an automated process that ranks business relationships by risk category. "We perform a very deep analysis," says Maskin.

The type of information Siemens analyzes includes former incidents of litigation, relationships with foreign government officials, whether the potential business partner has been charged with corruption in the past, and other red flags. Integrated into the compliance tool is a standard set of due-diligence questions, based on whether the business relationship is categorized as low, medium, or high risk.

BT similarly employs a thorough inspection process before bringing any business partner on board, says Jackson. One way BT achieves that is by subscribing to various third-party databases that automatically scan potential business partners against government watch lists and alerts BT whenever it comes across an entity that has been associated with corrupt activity in the past, he says.

The depth of the due diligence questions posed to a third party "depend on the risk profile of each business partner," says Jackson. Those categorized as high risk—such as the 350 agents BT engages with—go through an "enhanced due diligence" process, which involves a "deep dive to find out everything we can about those particular individuals," he says. "At times, we won't get into relationships if we're not comfortable about the risks or exposure."

Many companies still regard third-party risk mitigation as an "all-or-nothing approach," says Stephens. "They think they have to do the same level of due diligence around every single third party. That's not the case."

Hurdles to Adoption

Before companies can begin to adopt mandatory anti-corruption training of their third parties on a widespread scale, Stephens says some wrinkles still need to be ironed out. Prior to making such training mandatory, companies should consider the following questions:

» Who will be conducting the training?
» How would training be tailored to local jurisdictions, where anti-corruption laws and regulations may differ?
» Who will pay to provide the training?
» How will employees in geographically remote areas of the world be trained, where they may not have access to online learning management tools?

What will happen to employees who don't complete the training? How will the company ensure that they are being consistent in treatment and follow-up?

At a minimum, third-party risk mitigation needs to be continuously improved. "It's something that should be regularly reviewed," says Stephens. "You don't want an incident of bribery or corruption to be the trigger point for the review of your third-party due diligence process." ∎

TRAINING AND CONTINUING ADVICE

Below is an excerpt from the FCPA Resource Guide in which the Department of Justice and the Securities and Exchange Commission discuss the importance of anti-corruption training:

Compliance policies cannot work unless effectively communicated throughout a company. Accordingly, the Department of Justice and the Securities and Exchange Commission will evaluate whether a company has taken steps to ensure that relevant policies and procedures have been communicated throughout the organization, including through periodic training and certification for all directors, officers, relevant employees, and, where appropriate, agents, and business partners.

For example, many larger companies have implemented a mix of web-based and in-person training conducted at varying intervals. Such training typically covers company policies and procedures, instruction on applicable laws, practical advice to address real-life scenarios, and case studies.

Regardless of how a company chooses to conduct its training, however, the information should be presented in a manner appropriate for the targeted audience, including providing training and training materials in the local language. For example, companies may want to consider providing different types of training to their sales personnel and accounting personnel with hypotheticals or sample situations that are similar to the situations they might encounter.

In addition to the existence and scope of a company's training program, a company should develop appropriate measures, depending on the size and sophistication of the particular company, to provide guidance and advice on complying with the company's ethics and compliance program, including when such advice is needed urgently. Such measures will help ensure that the compliance program is understood and followed appropriately at all levels of the company.

Sources: Justice Dept.; SEC.

Online Learning Vulnerable to Being Hacked

In the years since, the applications delivered over such systems became increasingly important. At the same time, however, advances in software, and particularly in web browsers, were making the systems easier to circumvent even for people with little technical expertise. And meanwhile, regulators started stepping up their demands for robust, effective compliance programs.

"Now you're in a situation where both sides of the equation have changed," Sramek says. "Cheating has gotten easier, while breaches have become more costly for the companies that are compromised."

Lawrence admits he has never heard of employees using the hack *en masse*, so whole departments might avoid compliance training or exams. That doesn't mean compliance officers can rest easy, he says. "Caveat emptor."

Indeed, the vulnerability underlines a serious concern. One of the benefits of online training is its ability to generate an audit trail that shows a particular employee studied and tested himself on a specific set of material.

"If the audit trail is compromised, it goes to the credibility and integrity of the training," says John Squires, a partner at the law firm Perkins Coie. After all, many organizations are using these programs to assure both themselves and government regulators that they have implemented robust, credible compliance programs, and that employees have been educated in them.

Getting Around the Risk

The weak point in all this is the link between the course and the LMS. Foiling the hack, therefore, requires gathering more thorough evidence of a student's completion of a course *outside* the LMS. "You need to modify the course so it leaves trustworthy, complete evidence," Sramek says.

That can be done by adding a second software system or platform to power the courses. The second platform uses the SCORM protocol to work with the LMS, which still receives information the way it always has. So the company can continue to use its same software infra-

structure, while the new system collects learning logs that validate employees' training activity with a greater degree of independence and security.

That being said, a company's culture also has a role to play in reducing the risk that employees try to circumvent online training. Ideally, business unit leaders will convey the message it's in employees own best interests to do the right thing. The goal is to create an environment where employees *want* to comply with regulations, and want

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> Jan Sramek, Chief Executive Officer, Better

their colleagues to do so as well.

In the past, efforts to persuade employees to accept compliance initiatives often focused on the need to inoculate the company against risks. Recently, more emphasis has gone to the positive benefits of a strong compliance culture, such as greater visibility into processes and a heightened corporate reputation.

And of course, other training methods can be compromised too. Employees in a classroom can fail to pay attention, while paper-based systems for recording training statistics easily can be inaccurate, whether intentional or not.

Given this reality, companies have an obligation to investors, regulators and clients—as well as their employees who are acting ethically—to thwart those who try to undermine others' efforts to do the right thing.

"You need checks and balances to make sure the content is being absorbed and the lessons being learned," Lawrence says. "Trust but verify." ∎

Gauging the Effectiveness of Online Training

months after she's conducted training, Herold often conducts walk-through audits of the organization, checking for any mis-steps. For instance, is confidential information left unsecured on employees' desks after hours?

Scenario-based assessments—asking course participants, "In the situation described here, what would you do?"—can provide an idea of how employees might apply what they learned, Guralnick says.

The questions should be tailored to the company's business model. "Discuss real-world risks that occur in the business," Meyer says. Companies with extensive distribution channels need to cover the risks in working with third par-

ties, while those engaged in government contracting will want to incorporate anti-bribery rules.

Results: Credibly assessing the results of compliance training typically requires experts who can appropriately control for variables, then identify links between training and the outcomes desired, such as a more ethical corporate culture. Most organizations will need to use a mix of data, as no single statistic will provide all the information needed. Given the challenges, few have truly been able to master this, Fredeen says.

Even so, trying to capture this insight is worthwhile. "If a company takes the time to properly train employees," Meyer says, "it minimizes risk to a great degree. ∎

Evaluating Online Training Providers

Taking a Test Drive

Along with accuracy, training materials need to be relevant and engaging. Otherwise, employees may lose interest before they gain a solid understanding of the material.

That can present challenges for compliance professionals, who often come to e-learning with a law school mentality. They're used to reading case law and picking apart

> "You need to manage the content, make updates and ensure it properly reflects the organization."
>
> Ingrid Fredeen, VP of Advisory Services, NAVEX Global

details, Fredeen says. Few other employees will need to understand the information at that level, she adds.

To ensure that a training course will hold most employees' attention and effectively convey information, it helps to partner with experts who understand how adults learn. They can identify material that is dry, overly simplistic, or not relevant, and thus unlikely to engage course participants.

One way that training can capture attention and boost engagement is by applying the concepts to real situations through case studies and role-playing scenarios. "Training is not effective if it's just listing the law. You have to bring it to life," Fredeen says.

When deploying training across large swaths of employees, it also helps if the provider can offer sessions of varying length, Fredeen says. A shorter course can be used for employees who need just an overview of the topic, and a longer one reserved for those who require more in-depth information.

Tools like glossaries and frequently asked questions also can help employees quickly understand the material, Hall adds. Pre-tests, or quizzes employees take before starting a course, can give them an idea of the material they need to focus on, while post-course tests can, of course, help employees and managers assess how well they understand the information once they've completed the course.

Although using third-party training tools help organizations avoid much of the expense and time required to develop custom solutions, most still need some ability to tailor the material. For instance, they may want to insert their code of ethics into the training materials, or include examples tailored to their industry. The more familiar the information feels to employees, they more likely they are to retain the lessons of the training.

How Does It Handle?

When it comes to the technology behind online compliance training courses, many compliance professionals will want to tap into the expertise of their IT colleagues.

"Get IT involved early on," Fredeen recommends.

They can check that the organization's network is robust enough to handle the system, says Lisa Orndorff, HR manager with the Society for Human Resource Management. The IT experts should also know if the system will need to work with a specific Internet browser, such as Google Chrome. Compliance, IT and the vendor should work together to determine the point of contact for any technical issues employees run into, she adds.

In addition, IT can check that the system has the reporting capabilities the organization needs, Fredeen says. Compliance professionals at organizations with learning management systems (LMSs) should check that their LMSs will support the courses they're considering.

And although it's easy to get drawn in by cutting-edge courses that boast exciting multi-media special effects, compliance professionals also need to ensure that they'll be able to implement and update the training in a reasonable amount of time. The flashier e-learning courses can consume more time and resources than their plainer counterparts. ∎

ALL A GAME

Online training is increasingly turning to gaming to provide a unique training experience, increase engagement among employees who take the courses, and appeal to a younger audience raised on video games. Below is an excerpt from "Playing the Game of Risk in Workplace Education," published in Compliance Week in 2013.

An effective training program starts with a risk-based analysis of who in the company needs to be taught what, and at how deep a level of understanding based on each person's effect on or exposure to a given threat, and the level of risk that threat presents to the organization. OCEG Chair Scott Mitchell says that a great way to figure this out and determine the types and frequency of training and assurance for each role is to use a "Job Exposure to Risk Factors Heat Map."

But that really is just the start, isn't it? Determining how to ensure the required understanding is as important as deciding who needs to know what.

With the advent of online e-learning and the ever younger workforce familiarity with video gaming and role playing, research is demonstrating the value of adding a gaming aspect to your education plans.

But really, is this anything new? For decades, researchers have demonstrated that children learn best through play, and more recently the same findings have been developed for adult workplace education. Before the use of computers for training, and even still today to meet certain high-risk needs, simulation gaming in workplace classrooms has been an effective tool.

—Carole Switzer

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