



# Compliance Training

Turn risk into opportunity.

## Introduction

There's a little rebel in all of us who bristles at the mention of regulatory compliance. But compliance is a fact of life regardless of industry: business, education, government, and healthcare are all governed by a wide array of policies, regulations and laws.

Organizations without comprehensive compliance programs take an unnecessary financial and legal gamble, risking serious consequences. The potential penalties and fines, defective products, and negative PR can do a lot of damage, but it can get much worse.

Most organizations strive to behave responsibly, and examples of egregious, intentional non-compliance are rare. But many executives worry something could slip through the cracks, inadvertently breaking a law or causing injury. That anxiety brings visions of PR disasters, dangerous products, penalties, fines and declining revenue.

Todays executives are raising the priority of compliance learning initiatives and increasing compliance budgets and resources, especially in heavily regulated industries.<sup>1</sup> Training and a robust learning management system (LMS) can make the biggest impact on reducing regulatory "misses" allowing you to significantly minimize risk and avoid costly penalties and damaged reputations.

## What is compliance?

To put it simply, compliance is about your people always doing the right thing at the right time:

- An executive team, who through example and leadership, communicate the value of integrity, ethics and adhering to the organization's code of conduct and compliance standard.
- Managers who reinforce the importance of compliance, and are held accountable for the actions of their teams.
- Individuals who behave with integrity, and take responsibility for upholding compliance standards.
- An extended enterprise of partners who maintain compliance, and act with integrity when conducting business on your organization's behalf.

## Investment in compliance programs continues to increase:

- 47% of organizations are increasing compliance staff.
- 45% are increasing budget.

<sup>1</sup> PWC " State of Compliance 2014: What it Means to be a Chief Compliance Officer

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"This could reflect the fact that, across industries, business is becoming more global and complex, driving increased regulatory requirements, regardless of industry."

-PWC, "State of Compliance 2014: What it Means to be a Chief Compliance Officer

The specific mix of requirements differs depending on industry and business model, but in general, requirements fall into 4 main categories:

- Government Regulations - Federal, state and local laws and regulations such as OSHA, Sarbanes-Oxley, HIPPA, FLSA, FMLA.
- Industry Standards - Industry specific guidelines and controls such as ISO, NIST and ISMA.
- Internal Policies and Procedures - Documented standards of behavior required by employees such as codes of conduct and security guidelines.
- Operational Controls - Permit, license, and accreditation acquisition and renewal. Tracking, monitoring and reporting on compliance adherence and training. Non-compliance prevention procedures to identify and address issues.

## **The risk of non-compliance**

Delaying an investment in comprehensive compliance management is often a budget driven decision. But the short-term budget savings will be long forgotten when faced with the high cost of non-compliance. On average, non-compliance cost is 2.65 times the cost of compliance.<sup>1</sup>

The Ponemon Institute surveyed 46 multinational organizations and found that the total cost, on average, of non-compliance is over \$9 million. Most surprising is that fines and penalties aren't the highest cost. The real financial damage is from the surrounding fallout of noncompliance<sup>2</sup>.

The consequences from lack of oversight and poorly managed compliance programs can be devastating. According to the New York Times, a U.S. pharmaceutical company did not research further into early findings that their drug may cause cardiovascular problems.

A few years later, they were forced to recall the drug after it was linked to cardiac problems and deaths. In 2011, the firm agreed to pay \$950 million and plead guilty to a criminal charge.

### **Total cost of non-compliance: \$9.4 million**

- \$3.3 million: loss resulting from business disruption.
- \$2.4 million: lost productivity
- \$2.2 million: lost revenue.
- \$1.5 million: penalties, fines and other fees.

<sup>2</sup> Ponemon Institute "The True Cost of Compliance", 2011

<sup>3</sup> Ponemon Institute "The True Cost of Compliance," 2011

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Compliance is daunting, and gets more complex every year, but organizations must meet the challenge with proactive compliance programs that prevent, detect and immediately address issues.

## Compliance training delivers more than risk management

If compliance is about your people doing the right thing at the right time, compliance training ensures they understand the rules, why they are important, and how to adhere to them.

Executives, recognizing that training is essential to achieving compliance, rate compliance in the top 5 most important organizational learning initiatives.<sup>4</sup> CEOs and Chief Compliance Officers look to learning and development teams to deliver the programs that will build a knowledgeable, ethical workforce that adheres to all applicable laws, regulations, internal policies and codes of conduct.

The benefits of a comprehensive compliance training program go beyond reducing the risk of compliance violations and potential fallout. A comprehensive program builds an ethical culture with a reputation for integrity that, according to the Ethics Resource Center (ERC), "adds value to the organization, helping it secure investment capital, attract talented employees, win customers, and provide a reservoir of good will to draw on when troubles arise."

An investment in compliance training programs:

- Demonstrates a commitment to ethics and accountability that drives customer loyalty and employee retention.
- Will be considered by prosecutors when determining fault and penalties in the event that your company has a non-compliance issue.<sup>6</sup>
- Helps build a strong reputation that protects the value of your company. In one survey, CEO's estimated that reputation contribute to 63% of their company's value.<sup>5</sup>

<sup>4</sup> Brandon Hall, "Mission Critical, Managing Compliance Training" 2013

## The 3 absolutes of compliance

- 1. Compliance doesn't discriminate** – An equal opportunity inevitability, it touches every geography and industry, large multinational enterprises and small local companies, commercial businesses and non-profit organizations.
- 2. Compliance takes the concept of "embrace change" to a whole new level** – Change is constant, and that change exponentially increases the complexity as new mandates are added and existing regulations are tweaked and amended.
- 3. Compliance isn't going on a diet anytime soon** – Between 2002 and 2012, U.S. federal agencies published an average of over 3,800 new rules every year. Is it any wonder that organizations are struggling to manage the added weight?

## Ease the burden

Effective compliance training brings tremendous benefits, but without the right systems in place it can place an enormous administrative burden on learning and development teams. Relying on classroom training, manual processes and spreadsheets can work for small organizations, but as companies expand, the administrative tasks increase significantly and learning teams struggle to keep up.

The best solution to manage the complexity of compliance is a learning management system (LMS). In fact, compliance is the reason most companies implement their first LMS. A flexible, robust LMS can reduce the administrative burden with automation and workflow, centralized content management, immediate tracking of compliance activities, easy certification management, and accurate, fast reporting. As a result, the risk of errors or things "slipping through the cracks," and the potential nightmare consequences of non-compliance are greatly reduced.

An LMS allows your learning and development team to do what they do best: develop and execute innovative learning strategies. Freed from endless administrative tasks, they can turn the focus back to developing your people, giving your organization the competitive edge of an engaged, skilled, innovative and of course – ethical – workforce that understands and values "doing the right thing."

<sup>5</sup> ERC, "Building a Corporate Reputation of Integrity"

<sup>6</sup> SAI Global Blog "FCPA Lessons from the Morgan Stanley Case" June 15, 2012

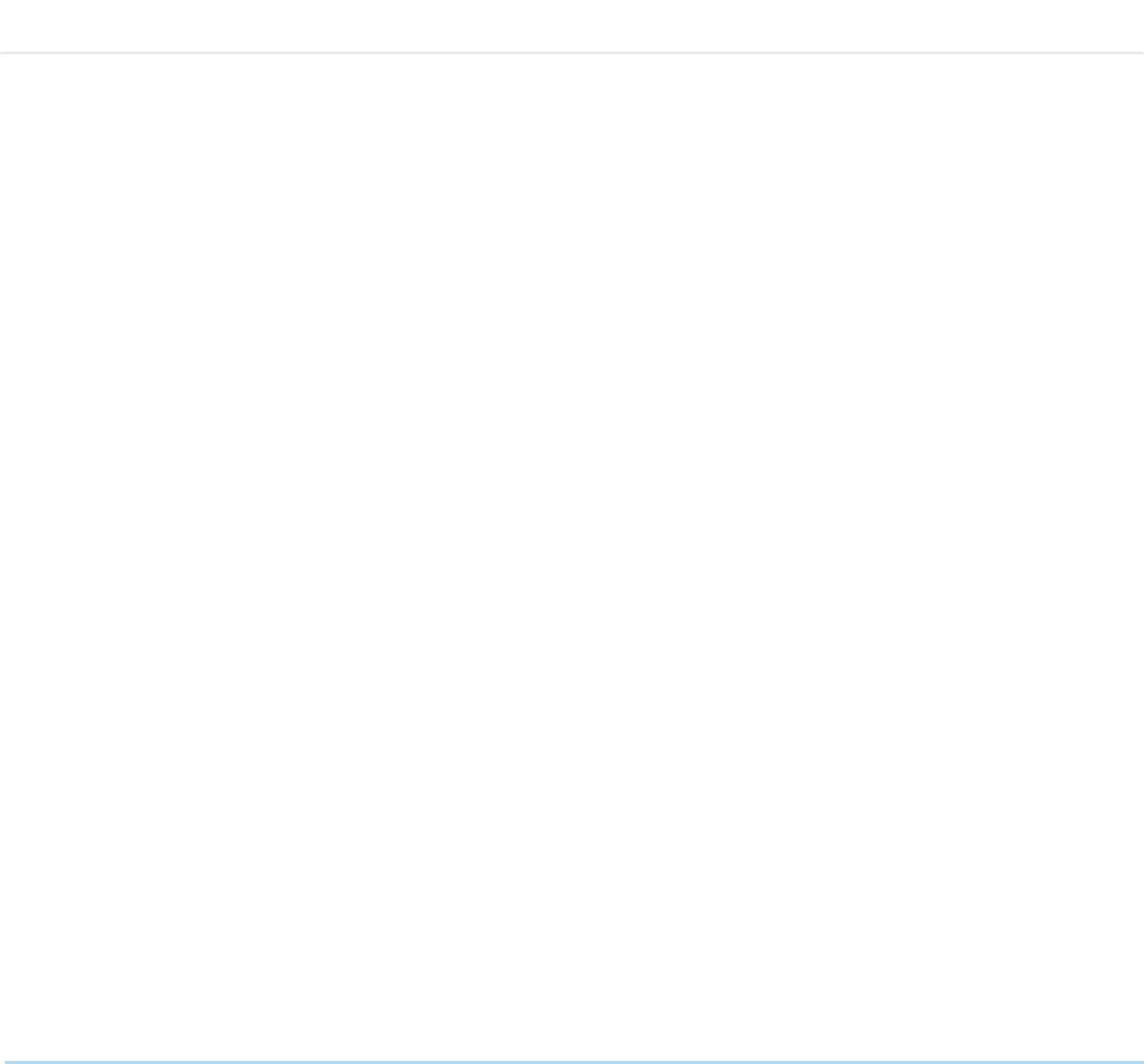
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## It's time

Yes, we all agree – compliance management is a challenge. It's a mixed bag of rules and regulations that can create frustration and be a great source of stress for everyone. But you can turn challenge into opportunity and create an ethical workplace culture where "doing the right thing" isn't just a slogan.

It's time to get proactive about compliance and make comprehensive compliance training a priority. Connect with your legal team or compliance officer to stay current on regulatory changes. Identify compliance gaps and don't leave out your extended enterprise! If the administrative burden to comply with regulations and audits is too heavy for your team to bear - and your current LMS isn't helping to ease the task - begin to investigate alternative solutions with features and reporting to better address your needs.

Waiting just isn't worth the risk.



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