



NetDimensions[®]



Achieve Compliance with Less
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ACHIEVE COMPLIANCE WITH LESS

Recently, a partner in a major law firm expressed her concern that as the financial crisis causes some firms to operate with fewer compliance resources¹, numerous companies will be investigated for financial crimes, corruption and fraud.

While perhaps a bit extreme, her warning did make a point – companies must fulfill their compliance obligations in order to carry on doing business or at least avoid costly, distracting and potentially embarrassing government investigations.

However, organizational compliance obligations are not the only compliance-related concern companies must currently contend with; many of the professionals companies employ (e.g. accountants, medical staff, and lawyers, among others) need to maintain their qualifications to practice; otherwise, key departments could effectively be shut down without qualified staff.

GROWING OBLIGATIONS

As companies must conform to an ever expanding list of voluntary and mandatory financial, environmental, corporate governance, quality or other regulations and standards, the importance of a company's compliance regime grows as well.

Yet in today's economic environment, companies need to somehow comply with a burgeoning set of obligations with fewer compliance-related resources.

UNACCEPTABLE CONSEQUENCES

The potential consequences of noncompliance – business unit closures, increased government scrutiny, contract cancellations, or even the loss of marketing reputation (e.g. to say that your company complies with an important quality standard) – are simply unacceptable to many organizations.

Additionally, the company's overworked legal and financial regulation compliance teams may themselves become enforcement targets, along with the company, should they fail to take timely action involving a suspected violation of law or internal controls.

So how can companies, particularly those facing significant resource constraints, handle growing compliance workloads and/or avoid onerous noncompliance penalties with fewer (manpower) resources?

Technology provides an answer.

¹Legal Issues: Maintaining Compliance During the Turmoil, Smartpros March 20, 2009, available at: <http://accounting.smartpros.com/x66102.xml>

NEED FOR AN EFFECTIVE COMPLIANCE SYSTEM

A compliance system that lets your organization assess whether key individuals, departments or perhaps the organization itself, meets all necessary requirements set forth by the relevant compliance or standards body or bodies, enables early detection of potential nonconformities, thus providing ample time for effective rectification.

A means of ascertaining the extent of noncompliance, where a compliance deficiency is uncovered, is useful as are tools or other means of addressing and correcting any and all compliance-related shortcomings.

Finally, a system able to provide key individuals with key updates ensures that their skills sets are both current and conform to the latest standards or regulatory requirements.

ASKING THE RIGHT QUESTIONS

In trying to gauge whether or not to implement a compliance management system, first determine what compliance training measures are being done at present and have been done historically.

- Are new hires being given compliance training? If so, are all new hires being given this training? Or only those based at the regional headquarters?
- Following the training program, is testing done? What is done with the results of the tests?
- Does the organization record the results of these tests and does it save the results?
- Is a certain level of knowledge required?
- What follow-up training is being done?
- Are employees issued with compliance manuals?
- Is it easy for them to determine a course of action in the event they encounter possible noncompliance?
- Is follow-up training given at any point across the entire organization?
- Are compliance updates issued when local and or organizational compliance regulations change? If yes, are employees tested on their knowledge of these? Are they required to demonstrate a certain level of awareness?

Another factor to consider in deciding whether or not to implement a compliance management system is obviously cost.

- What is the dollar figure now being spent on compliance programs?
- Does this number correspond to the relative importance of compliance to the organization's reputation and well-being? If not, why not?

- Has an evaluation been made recently of the return being realized by the organization on its compliance training spending?
- Is what is being done now seen as effective (e.g., in meeting the organization's goals)?
- Does management feel compliance regulations are well understood within the organization?
- Does management feel the various work groups are getting the relevant levels of compliance training?
- Is management itself aware of the importance of compliance training to the organization globally?
- How often are managers briefed on the compliance awareness of their subordinates?
- Do employees feel that they have access to adequate compliance training/resources?
- Can the majority of employees pass a simple five question compliance quiz?

ALL THE NECESSARY INGREDIENTS

Before a company embarks on a potentially expensive undertaking to create a custom-built online compliance system, it should step back and consider that a good learning management system (LMS) already has all the key ingredients needed in a good compliance system.

Consider the following:

- The fundamental function of an LMS is education; therefore, it is the perfect platform to:
 - Instruct employees both on their compliance obligations and the related subject area they must master and
 - Disseminate critical updates to key personnel online.
- An LMS can distribute online updates quickly and globally. Such online updates enable employees to meet their compliance obligations without having to take time from their busy schedules to undergo training or travel to training centers (thereby eliminating travel and accommodation expenses.)

More importantly, by helping to increase general levels of knowledge, the LMS can help reduce risks that arise, for example, from ignorance of new or updated laws, directives or regulatory guidelines.

- A good LMS, additionally, allows organizations to track who is up to date, and more importantly, identifies who has not completed mandatory training and thereby providing a good early warning indicator for management.
- A good LMS would also incorporate an assessment subsystem that not only lets organizations test employees to assess their skills in key areas, but at the same time, uncover knowledge gaps and measure the degree of these gaps. Such testing mechanisms could easily be adapted for compliance work, i.e., to assess whether key employees possess the necessary knowledge and if not, in what areas they need additional assistance.

These examinations could also serve as informal audits to measure compliance with key procedures.

In short, an LMS provides an ideal platform for an online compliance system.

IT'S BEEN DONE BEFORE

There are numerous examples of companies that, among other things:

- Employ an LMS for compliance purposes
- Use an LMS as a platform for compliance services (sold on a commercial basis)

Adapting an LMS to become a compliance system does not happen overnight, but it can be done.

An LMS, modified to serve as an online compliance platform, is almost certainly a more cost effective alternative to a custom-built compliance application because a good LMS can already do what a compliance application needs to, and can be implemented almost immediately (unlike a custom platform which requires time for coding, testing, debugging and implementation).

CASE STUDY 1

QLogic Corporation (QLGC) is a leading player in the globally competitive network storage technology sector. With over 1,000 full-time employees and an achievement-oriented work ethic, QLogic's ISO 9001 and ISO 14001 certification programs are high on the list of corporate priorities. However, the repetitive cycle of re-certification, internal audits, external audits and the certification of new processes began to pose a logistical challenge for the company.

More than 300 distinct forms of ISO documentation groups which included policies, procedures, processes, work instructions, references, records and forms had to be tracked, verified, updated and their readership authenticated. Using a manual document management system with few, if any checks and balances, QLogic experienced difficult hurdles in proving compliance to external auditors.

Since ISO certification and compliance standards are stringent and non-conformance eventually leads to de-certification, QLogic sought to implement a reliable ISO 9001 and ISO 14001 document management software solution to address the critical bottleneck of document access and ownership.

QLogic's quest ended with the selection of NetDimensions' Learning Management System (LMS), the Enterprise Knowledge Platform (EKP), which integrates seamlessly with a Microsoft Sharepoint server to track, verify and record document processing as per ISO 9001 and ISO 14001 requirements. The LMS uses advanced-level version control technology in conjunction with Microsoft Sharepoint's "launch URL" feature to accurately serve up the right document version to the right discourse community.

The LMS, in conjunction with Microsoft Sharepoint, tags the documents in the content repository with unique document URLs that are auto-generated. Employees, managers and process heads are expected to confirm the receipt of pertinent documents and document groups when they are officially assigned to them, thus generating an electronic paper trail. Each person

responsible for reviewing a process is tested by the system and the test results serve to prove compliance. This is used to simplify the auditing process.

The LMS can also be configured to generate electronic reminders via an in-built e-mail protocol when document processing becomes overdue. The LMS both records and validates document distribution throughout the organization as required by ISO 9001 and ISO 14001 compliance standards.

CASE STUDY 2

NetDimensions (NETD.L), a global provider of performance, knowledge and learning management systems, has adapted its own LMS to manage its own compliance requirements in line with the ISO 9001 standard.

NetDimensions utilized its LMS to convert Quality Management System (QMS) documentation into online courseware for its staff to study while concurrently referring to supplemental materials including text documentation, image or video.

Employees were then instructed to take online examinations and complete evaluations to test their understanding. Full compliance with the company's QMS standards can only be achieved upon successful completion of these courses, examinations and evaluations.

Implementing an LMS as a platform for an ISO 9001:2008-compliant QMS, enabled NetDimensions to:

- Offer online access to QMS documentation, obviating the need to physically distribute information,
- Control access to QMS materials and the update of these materials,
- Manage version control and
- Track which employees have complied with their QMS requirements and identify those with unfulfilled QMS obligations or who may require updates or 'refresher' courses.

NetDimensions likewise used its LMS to complete the ISO 27001:2005 recertification process of the company's Hosted & Managed Services for information security management this year.

IN CONCLUSION

So while companies face growing compliance obligations, often with reduced resources, an online compliance system is well suited for this purpose.

And rather than purchase a custom made system, companies should consider adapting currently available LMS technology for compliance purposes (or better yet, get an LMS that has already been modified to serve as a compliance platform) because the LMS route is unquestionably cheaper, faster to implement and every bit as effective as a custom-built online compliance system.



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