

Counseling Compliance in Small & Medium Sized Businesses

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Do you know
this woman?



Do you know
this woman?



Do you know
this woman?

Executive Producer

Charlie Rose

Sep 2001 – Nov 2017 · 16 yrs 3 mos
Greater New York City Area



Yvette Vega • 3rd

Emmy Award winning Executive Producer, Journalist

Greater New York City Area



Message



Experience



Co-creator

Charlie Rose The Week/PBS

Jul 2006 – Nov 2017 · 11 yrs 5 mos

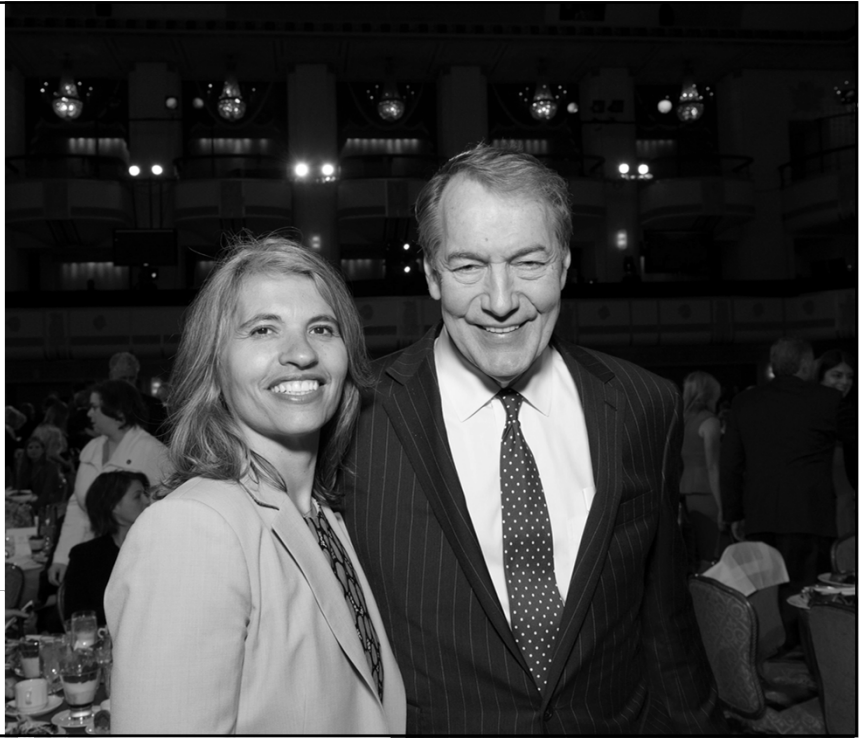


Executive Producer

Charlie Rose

Sep 2001 – Nov 2017 · 16 yrs 3 mos
Greater New York City Area

*"That's just
Charlie being
Charlie..."*

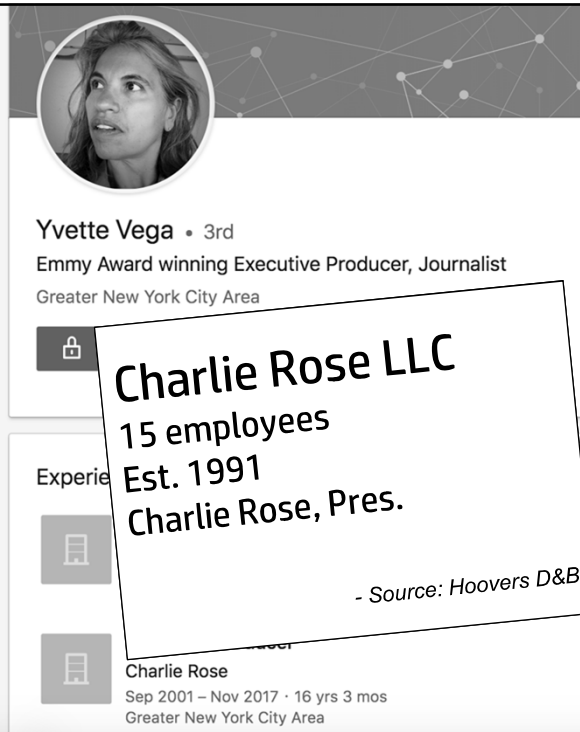


*"I should have
stood up for
them. I failed.
It is crushing.
I deeply regret
not helping
them."*



An object
lesson...

... in small
business
compliance



Yvette Vega • 3rd
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Charlie Rose LLC
15 employees
Est. 1991
Charlie Rose, Pres.
- Source: Hoovers D&B

Charlie Rose
Sep 2001 – Nov 2017 · 16 yrs 3 mos
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97%

of U.S. Companies have fewer than
100 employees

Introductions



Jason B. Meyer, JD, CCEP

President, LeadGood, LLC

Principal Lawyer, Meyer Business Law

- Former SMB general counsel, chief compliance officer, executive
- Decades of experience at the intersection of education and compliance
 - => EduNeering
 - => LRN
 - => LeadGood
- Consulting on engagement, content organization, vendor selection and management, education program assessments, "how to talk" compliance and ethics...
- **Entrepreneur and "outside general counsel" for SMBs**

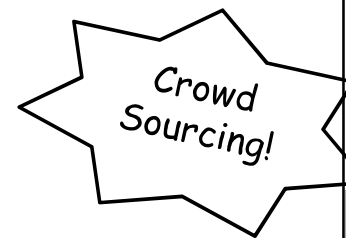
Amy McDougal, JD, CCEP

President, CLEAResources, LLC

- US Air Force veteran - 12 years as JAG officer
- Former federal prosecutor (SAUSA)
- Former General Counsel of SMB firm specializing in defense-sector security issues
- Advises organizations on culture, policies, training, investigations, monitoring and auditing, reporting, remediation, discipline and incentives

Topics

- SMBs and the elements of a compliance program
 - Oversight
 - Standards and Procedures
 - Training
 - Monitoring and Auditing
 - Investigations and Reporting
 - Discipline and Incentives
- Cultural leadership: challenge and opportunity
- Can operational excellence drive ethical excellence?



The elements...



Oversight

Someone has to do it, and have a title

They might have another job

They might be a lawyer

Get over it

Oversight: *Back-Up*

The Rose/Nasser/Sandusky Doctrine: Always have a second channel

Hot Lines are cheap, or can be replicated

- But who "answers" it?
- Anonymity is hard

Use compliance "champions" "liaisons" or "delegates" to extend the CECO's reach into the business

Oversight: *Resources*

Part of oversight is resources: ensure your executives make resources available, even if you have to form a "ghost budget" that is sourced from multiple divisions of the company:

- Finance or Internal Audit can fund audits
- HR or Legal can fund training and/or investigations
- Operational business units can also fund investigations

Oversight: *Assessment*

“SCARF” for 360 snapshot of CE program

Structure – What does the program look like?

Culture – What is going on with culture: discipline, investigations, reports, trends, successes, management change, turnover, layoffs, etc.

Areas of Risk – How is risk mitigation? What new areas of risk are emerging or shifting? Enforcement trends, new legislation (GDPR, minimum wage changes)

Forecast – What is next for the CE program? Upcoming audits, code of conduct revision, launch of new training programs, technology or initiatives, periodic communications planned, new policies developed or published

Oversight: *The Board*

Have one!

The special problems with “founder” companies and boards

The special problems with “family” companies and boards

The special problems with VC and PE-funded companies

The independent seat at the table

YOUR seat at the table

Risk Assessment

This is the true fundamental piece of your program, but you know that because you are here.

Get buy in from the business on the risk assessment process.

Ensure that the risks of not having a CE program make it into the risk assessment

Standards & Procedures

Follow your risk assessment in developing policies, just because you can have a policy on something doesn't mean you should...

Subsume the SOP process – as the CECO, you should have access to and maintain all versions of policies

- Standardize policies as much as you can.
- Use a template and include owner, version history, next review/revision date
- Centralize policies for easier management

Standards & Procedures: *Contracting*

Watch out for overly-aggressive clauses and “the deal we gotta have”

- But consider playing “offense” and leveraging third parties

Training & Education

I ♥ **live training**

Use your advantages: different groups; on-boarding; role-playing

Engagement: the same rules apply (except...)

Easiest setting for social learning

Lead with values

Subsume / piggy back on training about safety -- process -- onboarding -- benefits

But is it mandatory? (*Does it matter?*)

Monitoring & Auditing

Add the hotline number to employee badges or paychecks

Ask about unethical conduct during exit interviews

Do another background check on employees who are being promoted into a substantial authority role

Monitor enforcement trends of regulatory agencies – who is getting in trouble for what? Read the agency's strategic plan to discover what their enforcement priorities are

Monitoring & Auditing

Your business is never too small for an audit plan; start simple, base audits on the risk assessment

If no internal audit function; look for and use self-checklists (DOL, FCPA); there many available online

Investigations and Reporting

Have an investigations policy that sets forth the process for receiving, investigating and resolving complaints

Make clear who is informed of different types of complaints

Make a repository of complaints, or mini-case management system to record complaints so that you can see trends (when this gets too unmanageable, then you have a basis to advocate for resources for a case management system)

Ensure your risk assessment includes what types of things are subject to mandatory reporting (environmental spills, on the job accidents, fraud/waste/abuse, etc.)

Discipline & Incentives

Have a progressive discipline policy in place, even if it is just a simple and short policy

If there is a performance evaluation process, ensure it is fair – i.e., evaluations are completed for everyone in the organization

Discipline & Incentives

Incentives:

- Easy for sales to rule the roost in SMBs
- Easier for founders/CEO to get greedy
- Watch out for unintended consequences
- Ensure you have oversight of incentive plans (bonus, commissions, sales) and programs (spot awards)
- Ensure upper management is evaluated on at least as high standards of conduct as other employees

Culture

Tone at the Top / Mood in the Middle

- Employee who agree that their managers talk about the importance of ethics are almost 12X more likely to believe their organization encourages them to speak up (ECI GBES 2018)

Once you wrestle in to get your seat at the table, encourage the management to be leadership for the company



- *How? What do you say?*

Culture: *Persuading the Entrepreneur*

Story Time!

Boys and girls, the
moral of our story is:

Entrepreneurs and
small business CEOs
do go to jail.








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Philadelphia Division

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Former Nexus Technologies Inc. Employees and Partner Sentenced for Roles in Foreign Bribery Scheme Involving Vietnamese Officials
Company Ordered to Turn Over Assets to Court, Cease All Operations

U.S. Department of Justice
September 16, 2010

Office of Public Affairs
(202) 514-2007/TDD (202) 514-1888

WASHINGTON—Three former employees and a partner of Nexus Technologies Inc. (Nexus), a Philadelphia-based company, were sentenced late yesterday for their roles in a conspiracy to bribe officials of the Vietnamese government in exchange for lucrative contracts to supply equipment and technology to Vietnamese government agencies, in violation of the Foreign Corrupt Practices Act (FCPA), announced Assistant Attorney General Lanny A. Breuer of the Criminal Division and U.S. Attorney Zane David Memeger for the Eastern District of Pennsylvania.

The president and owner of the company, Nam Nguyen, was sentenced to 16 months in prison and ordered to serve two years of supervised release following the prison term. His sibling, An Nguyen, was sentenced to nine months in prison, followed by three years of supervised release. His other sibling, Kim Nguyen, was sentenced to two years of probation and ordered to pay a \$20,000 fine. Joseph Lukas, a former partner

Culture: *Persuading the Entrepreneur*

Work directly on retaliation and reporting: *"Your opportunity to lead"*

Ethical entrepreneurship

Operational Excellence = Ethical Excellence

Ethics as a competitive advantage

Ethics as an end

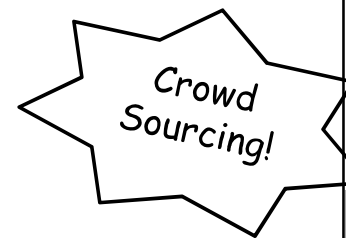


FREEsources

Add the hotline number to employee badges or paychecks

Ask about unethical conduct during exit interviews

What's your favorite?



Final Questions /Discussion?



Thanks!

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Please, keep in touch!

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703-909-8884



Appendix



What else does research say?

Research on teacher misconduct

Lessons from Milgram and Stanford

A word about “behavioral economics”

Consider “cognitive dissonance”

“Ethical violations are usually not a case of bad people doing bad things for no good reason; it is usually the case of good people doing bad things for good reasons.”

- Marcia Angell, former editor-in-chief of New England Journal of Medicine