Incentives & Creative Education

2019 SCCE Alaska Regional Conference

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Topics

- **Common misconceptions and objections to incentives.**

- **Where do incentives and education intersect?**

- **Creative ideas that make education fun.**

Incentives to Promote Compliance – *Misconception*

"*Your reward is you get to keep your job if you don't violate the Code.*"

This is very likely not going to be enough to meet the standards

- o Promoting and incentivizing compliance beyond disciplinary measures and checklist behavior has a more lasting impact and is the expected benchmark

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Common Objections to "Incentives"

"*You should not be rewarded for doing your job*"

- o We do this all the time in other ways (e.g. sales commissions, promotions, bonuses, etc.)
- o We want to reward people for compliance and ethics leadership

"*It is impossible to evaluate virtue*"

- o What is measured is <u>leadership</u> on the job, not virtue
- o Evaluating leadership is a common and important practice in most organizations

Common Objections to "Incentives"

"*It is too subjective…*"

- o Almost all evaluations have a subjective element

- o Other subjective things that are measured:

  - *Leadership*
  - *Innovation*
  - *Embracing change*
  - *Encouraging teamwork*
  - *Communicating effectively*
  - *Developing subordinates*
  - *Taking accountability for professional growth*

Why use Incentives

- Mutual Rewards
- Increased motivation
- Increased company morale
- Increase company loyalty
- Increased productivity
  - Increase objective achievement
- Reduced company costs
- Reduced Absenteeism
- Team Work
- Decreased Turnover

Why use Incentives

- ## Government Standards

  U.S. Sentencing Guidelines (USSG)

  "USSG § 8B2.1(b) (6) - *The organization's <u>compliance and ethics program shall be promoted</u> and enforced consistently throughout the organization <u>through (A) appropriate incentives to perform</u> in accordance with the compliance and ethics program; . . ."*

  U.S. Department of Justice – *Recent Insight*
  "Incentive System – How has the company <u>incentivized</u> compliance and ethical behavior? How has the company considered the <u>potential negative compliance implications of its incentives and rewards</u>? <u>Have there been specific examples of actions taken</u> (e.g., promotions or awards denied) as a result of compliance and ethics considerations?."

  US Department of Justice (DOJ); Criminal Division Fraud Section – <u>Evaluation of Corporate Compliance Programs</u> (Feb 2017)

- ## Practical Reasons

  "People in organizations tend to act in response to being recognized and rewarded…" - *Peter Drucker*

  ✓ *Incentives work and drive behavior!*

The "*How To*" of Incentives

- ### Performance Evaluations

- ### Input on Promotions

- ### Input on Company Incentive Systems

- ### Rewards/Recognition Programs

- ### What about Whistleblowers?

Performance Evaluations

Include compliance/ethics standards in evaluations

What are you measuring?

- o *Leadership in compliance and ethics; efforts to promote the Code and ethical business practices*

Different approaches

- o *Yes No Question*
- o *High-level Coverage – Specific Elements (Meet or Exceed)*
- o *Detailed – Includes Actions Required*

Can set specific management objectives and goals

Performance Evaluations – *Follow-up*

- Monitor the process – Audit and Evaluate

  - o *Meaningful engagement; not just "check the box"*

  - o *Everyone can't be "above average"*

- Assure processes are in place to address negative evaluations to include follow-up

- Partner/Work closely with Human Resources

Input on Promotions – *Example Standard*

USSG § 8B2.1(b)(3) Commentary:

4. Application of Subsection (b)(3) -

"(B) Implementation.— …[T]he organization shall **hire and promote** <u>to ensure</u> *that all individuals within* <u>high-level and substantial authority personnel</u> *of the organization will* <u>perform their assigned duties</u> *in a manner* <u>consistent with the exercise of due diligence and promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law</u>*…"*

Input on Promotions - *Considerations*

- Establish minimum standards on employee evaluations for promotion eligibility

- Require input from Ethics & Compliance Program Office on key promotions

  - o *Company example of high-level promotion, then individual being fired – No one knew of pending investigation*

  - o *Check with Ethics & Compliance Program Office first!*

- Include compliance and ethics *performance* as an explicit factor in determining promotions

Input on Company Incentive Systems

- People tend to perform better when rewarded

  - *That's why we use incentives – they work!*

- People will take the most direct path to the reward; the stronger the incentive the more it affects behavior

- Out of line incentives can drive out of line conduct

  - *Misaligned incentive systems can encourage unethical conduct*
  - *Strong incentives need strong controls!*

- Ethics & Compliance input on *business* incentives is essential to help ensure adequate controls are in place

Input on Company Incentive Systems

What is the message of your company incentive/reward system?

- *Wells Fargo & Co. Scandal (2016)*

  - Major U.S./International Banking and Financial Services Institution; publicly-traded

  - Company incentive program put in place (*from 2011 – 2016*) to increase customer product sales in banks (*e.g., the cross-selling of various banking products and services available to existing customers, including credit cards*)

  - Unreasonably high sales quotas were set for employees to achieve incentives with ongoing pressure and demands from management to perform. Goals imposed were unrealistic and often not obtainable through traditional means (*e.g. not enough daily customer interaction to meet quotas*)

Input on Company Incentive Systems

- ***Wells Fargo & Co. Scandal (Cont.)***

    o Employees resorted to improper/illegal means to achieve goals. In short, over 2 million fake accounts were created using existing customer accounts, information, and funds without their knowledge or consent; many customers incurred hidden fees and costs

    o Wrongdoing occurred over a number of years with inadequate controls and oversight; business incentives and goals took priority over ethics and compliance considerations

    o Company impact thus far: $185 million in fines and growing; significant reputational damage with customers, investors, and public; CEO resignation, 5,300 employees fired, further governmental enforcement actions and investigations underway, and more

    Key Considerations – Poorly designed/managed company incentive program with no apparent E&C input/influence, cultural challenges, leadership/management tone, oversight, and accountability issues, lack of adequate controls

Rewards/Recognition Programs

Types of Recognition – Many possibilities

- o *Simple "Thanks"*
- o *Money*
- o *Publicity*
- o *Perks*

Nelson, *1001 Ways to Reward Employees* (Workman Pub; 2005)

Rewards/Recognition Programs

- Recognition Letters
- Spot Awards
- Day-to-Day Recognition

From *501 Ideas for Your Compliance and Ethics Program* (SCCE; 2008)

Incentives – *Real-World Examples*

Tangible Recognition

Refers to recognition in the form of tangible items such as awards, certificates, perks, nominal gifts, cash awards, etc.

- o *Avis Rent A Car has several recognition programs, such as the Destination Excellence Award, given to employees who reflect Avis's values in dealing with customers and who have made a significant impact on the business.*

- o *"There is only one reserved parking spot at Iteris, Inc., manufacturer of robots in Anaheim, California, and that is given to the person selected as Associate of the Month."*

*Source: Nelson, *1001 Ways to Reward Employees* (Workman Pub; 2005)

Incentives – *Real-World Examples*

Group Recognition

Acknowledging and recognizing groups and teams in the organization in the form of team awards, events, food, etc.

- o *"At Advanced Micro Devices in Sunnyvale, California, photos of work teams often appear in company publications"*

- o *At Delta Airlines, employees fill out Team Recognition Cards to give to teams that they feel have gone "above and beyond." Cards are entered in a drawing for a prize of $500, that is donated to a charity of the team's choice*

*Source: Nelson, _1001 Ways to Reward Employees_ (Workman Pub; 2005)

Sample Incentive Resources

- • Bob Nelson, *1001 Ways to Reward Employees*, (Workman Pub; 2005); *1501 Ways to Reward Employees*, (Workman Pub; 2012)

- • Joseph Murphy, *Using Incentives in Your Compliance & Ethics Program* (SCCE; 2011)

- • Murphy, *501 Ideas For Your Compliance and Ethics Program* 66-70 (SCCE; 2008)

- • Murphy & Vigale, *The Role of Incentives in Compliance Programs,*" 18 ethikos 8 (May/June 2005)

- • Kaplan & Murphy, *Compliance Programs and the Corporate Sentencing Guidelines*, sections 16:29-:32 (Thomson/West; 1993 & Ann. Supp.)

Creative Education Ideas

How to Reach Adult Learners

You want to connect with your adult audience.

Make sure your course is:

- o Immediately useful
- o Relevant
- o Welcoming
- o Engaging
- o Respectful

Creative Education Ideas

Five Key Factors:

1. The material presented should have immediate usefulness to the learners.
2. The material presented should be relevant to adult learners' lives.
3. The training environment should be welcoming so that all learners feel safe to participate.
4. The training presentation should be engaging.
5. The training should be presented in a respectful manner, where learners have an opportunity to share their experiences.

Creative Education Ideas

Who am I teaching

o   Names, titles, skill sets

What are my learning objectives:

o   What will participants be able to do as a result of the course, training, or class?

o   What are the conditions or circumstances where the participants will perform this activity, and what knowledge or materials does he/she need to do this effectively?

o   What level of proficiency is needed to perform the task or skill successfully or apply this information?

Creative Education Ideas

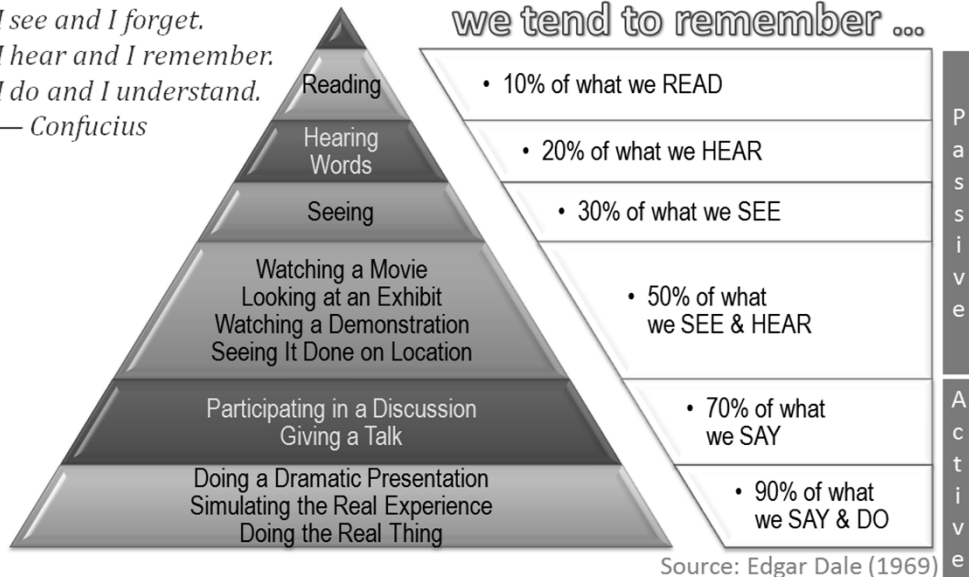## Types of Learning

o   Types of learning fall into three categories:

  o   Knowledge: specific facts, patterns, concepts

  o   Skills: practical abilities measured in speed, precision

  o   Attitudes: realizing feelings, values, motivation

The Cone of Learning

sparkinsight.com

I see and I forget.
I hear and I remember.
I do and I understand.
— Confucius

After 2 weeks, we tend to remember ...

Reading

Hearing Words

Seeing

Watching a Movie
Looking at an Exhibit
Watching a Demonstration
Seeing It Done on Location

Participating in a Discussion
Giving a Talk

Doing a Dramatic Presentation
Simulating the Real Experience
Doing the Real Thing

- 10% of what we READ
- 20% of what we HEAR
- 30% of what we SEE
- 50% of what we SEE & HEAR
- 70% of what we SAY
- 90% of what we SAY & DO

Passive

Active

Source: Edgar Dale (1969)

Creative Education Ideas

Methods of Instruction

- o Group activities
    - o Role plays
    - o Simulations
    - o Games
- o Individual
    - o Self-assessments
    - o Evaluations
    - o Writing
- o https://www.businesstrainingworks.com/training-resource/25-activities-for-making-lecture-based-training-active/
- o https://www.trainerbubble.com/downloads/category/free-training-resources/free-training-games/

Creative Education Ideas

Examples and Ideas

- o Jeopardy Game
- o Matching Game
- o Using Computer to Find Code of Conduct; Policies
- o Touch On Touch Off Lights
- o Scavenger Hunt
- o Voice of Compliance
- o Compliance Poster Contest

Questions?

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