

SARBANES-OXLEY TRAINING GETS WEB-ENABLED



The demand for knowledge and information for use in responding to new regulations is driving vendors to deliver content, and the Internet is fast becoming a crucial option for hurry-up learning.

BY SUSAN SCHOTT KARR

When KPMG established its 404 Institute (an extension of its Audit Institute) in September, its goal was to provide help for companies striving to meet the November 15 deadlines on financial reporting and internal controls under The Sarbanes-Oxley Act of 2002. Next, the 404 Institute launched and publicized its "Countdown to Compliance" program, designed to provide corporate executives with online resources to help meet these and other compliance deadlines.

In a fall Web survey, KPMG found

that the main short-term compliance issue for responders was learning more about compliance needs, expectations and requirements. So, as part of the Countdown aimed especially at companies that close their books after November 15, the 404 Institute is hosting a series of educational and informational programs, including webcasts with recognized industry experts and Web-based presentations on compliance issues.

Drive for Knowledge

Implicit in the changes brought about

by Sarbanes-Oxley is the time-pressured demand for knowledge of accounting and governance reforms for those required to respond to the regulations. Just in time, elearning has overcome some of its early technical and delivery obstacles, and education delivered electronically has become a crucial option for executives and directors hustling for learning the new guidelines in a hurry.

For instance, the audit committee is charged with the oversight of internal controls. As a result, each committee member needs to become educat-

ed in what 404 is and what it means. Audit committee members must ensure management that internal auditors, external auditors and independent consultants who are brought in are doing the job in compliance with 404's provisions. In addition, the audit committee's financial expert must have both financial management and financial reporting experience and expertise.

To provide critical help, the American Institute of Certified Public Accountants (AICPA) offers an online "Competency Self-Assessment Tool" to aid audit committee members in assessing their skills and determining what gaps they need to fill to increase their overall effectiveness.

Director and Executive Training On the Rise

In a recent study of 2,588 global companies, Governance Metrics International found that director training is provided by 80 percent of companies, as compared with 14 percent in an earlier study in 2002. As greater importance is being placed on director training in general, the use of elearning to deliver this training has also increased.

Robert Fitzgerald, president of financial software provider Cartesis Inc., believes that executives need to know where to look and the questions to ask, to find out if their systems and processes stand up to the Act's requirements. "The burden of Sarbanes-Oxley and other compliance legislation can be, and has been, turned into a significant opportunity for some companies to improve their business performance management from a people, process and technology perspective," says Fitzgerald. To this end, he explains, Cartesis is anchoring an online educational program entitled "Technology as an Enabler to Sarbanes-Oxley Compliance."

The National Investor Relations Institute (NIRI) is another source of professional development programs, some specifically on Sarbanes-Oxley compliance issues. NIRI programs are delivered as webcasts, which can be viewed live or on-demand and

include programs such as "Meet the Experts: Update of Current Disclosure Trends" and "Things You Need to Know to Navigate Sarbanes-Oxley."

Also, KPMG's 404 Institute offers online self-study programs on topics such as recently-issued Public Company Accounting Oversight Board (PCAOB) guidelines. Compliance areas it addresses encompass financial reporting deficiencies, the boardroom/audit committee relationship and fraud prevention-based internal controls.

Vendor Shift: From Leadership To Compliance

"Within the last year, the interest in this level of elearning has increased," says Heather Muir, senior consultant at Intrepid Learning Solutions. Intrepid develops elearning courses for clients and also provides market research and analysis on the industry. "The vendors will respond to where the demand is; it's been slow to evolve, as executives haven't been aggressively asking for it," she comments. Yet, as more regulations come out that are targeted to this audience, Muir predicts increased demand for compliance-related learning.

Muir says she is seeing elearning coming from a high level within the organization. In general, she notes, the feedback on the majority of compliance "catalog courses" is that they are not very dynamic or engaging. Customized courses for a senior-level audience, she comments, must be "interactive, sophisticated and relevant enough before this audience becomes



Alex Brigham,
President and CEO,
Corpedia Education Inc

willing to take them."

Indeed, providers are expanding product lines to meet market needs. For one, Corpedia Education Inc., a catalog-course provider devoted to legal compliance issues, began seven years ago with a focus on executive education. Alex Brigham, its president and CEO, says it was sensitive to the fact that the people who would take its courses have little time, so it was

determined to provide the "best of the best." Its objective was to provide elearning on management, leadership, strategy and marketing. Corpedia was also involved with compliance and ethics training, which has grown into the biggest part of its business.

PLI-Corpedia, a joint venture with The Practising Law Institute, focuses on elearning compliance and ethics. Brigham describes the content his company provides as an "institutional equivalent of Peter Drucker." He notes that "Sarbanes-Oxley weaves its way through a lot of our programs," such as "Effective Document Management: Creation, Retention, and Destruction," and "Financial Integrity and Assurance." Both are off-the-shelf, stand-alone courses. "The latter draws the most attention at the board level," he says.

In October, Corpedia launched a course that gets CEOs involved in expressing what they stand for and believe in. Leaders on ethics at companies such as Raytheon Co., Merck & Co. and Procter & Gamble Co. give their personal experience with ethics and discuss situations they were in or exposed



Jeff Snipes,
CEO and Co-Founder,
Ninth House

to that may or may not have been ethical. Brigham says, "This approach of including personalized scenarios makes the delivery more lively, robust and meaningful. It uses stories versus stating, 'Here's the law; don't break it.'"

Brigham also says the National Association of Corporate Directors (NACD) is receptive to the need for Sarbanes-Oxley training and is developing an educational priorities list. In addition, NACD has started to offer an online course for directors — "Scrutinizing Financial Statements" — an assessment tool for directors without CFO-level training.

Cottage Industries Sprout

Keeping up with the new governance environment brought about by compliance regulations and listing standards from the Securities and Exchange Commission (SEC), New York Stock Exchange and Nasdaq is driving the growth of cottage industries to support customer needs.

Grant Ricketts, Vice President of Business Development for Saba Software Inc., says many past providers of executive workshops are now doing more elearning for this higher-level audience. His is a broad perspective, as Saba works with more than 160 global content providers and ultimately ensures that content meets compliance standards.

"If businesses already had an abundance of resources, perhaps new courses would not be needed," comments Dov Seidman, chairman and CEO of LRN. LRN has a course (with 404 content) geared to directors and executives, entitled, "Your Responsibilities for Financial Reporting." Before year-end, it plans to release a Sarbanes-Oxley overview course covering the genesis of the Act, internal

controls, reporting, duties of management, boards and auditors, as well as a course targeted at managers and above on Sarbanes-Oxley-mandated 404 certifications, 302 and 906 certifications and sub-certifications.

On the Same Page

So, like in the "field of dreams" analogy, because it's there, will executives use Web offerings as their tool for learning about Sarbanes-Oxley?

Seidman thinks so. "Elearning is offered because it's highly interactive, adaptive and convenient, even for a sophisticated culture." He believes that senior executives taking the first classes can represent a starting point for modeling good corporate behavior.

"Elearning allows you to ensure that everybody at a company has the same experience; it lends itself to creating a unified culture," says Seidman.

"When the CEO or the board takes an elearning class that is then made available to other employees, senior executives and the board can come to the same discussions with a shared sense of learning. They begin at the same starting point and share the same experience."

He says it's all about keeping people on the same page.

"Elearning is highly effective at doing that at all levels. It is of great symbolic value in pursuing the goal of setting the 'tone at the top.'"

Before DuPont rolled out its LRN Legal Compliance and Ethics Center, CEO Charles O. Holliday Jr. was the first to complete the coursework. He then had his direct reports complete it, followed by the company's 55,000 employees working in 70 countries around the world. He did so to not only establish the "tone at the top," but to tangibly demonstrate the importance of this type of education.

Corpedia's Code of Conduct course, customized to meet the needs of an organization, is another case in point. A company's code of conduct is included, and ideally the course begins with an introduction by the CEO. "It's about setting the tone," says Brigham. "Executives want that track record. They want the issues of ethics and compliance to be taken seriously."

The One-Two Punch

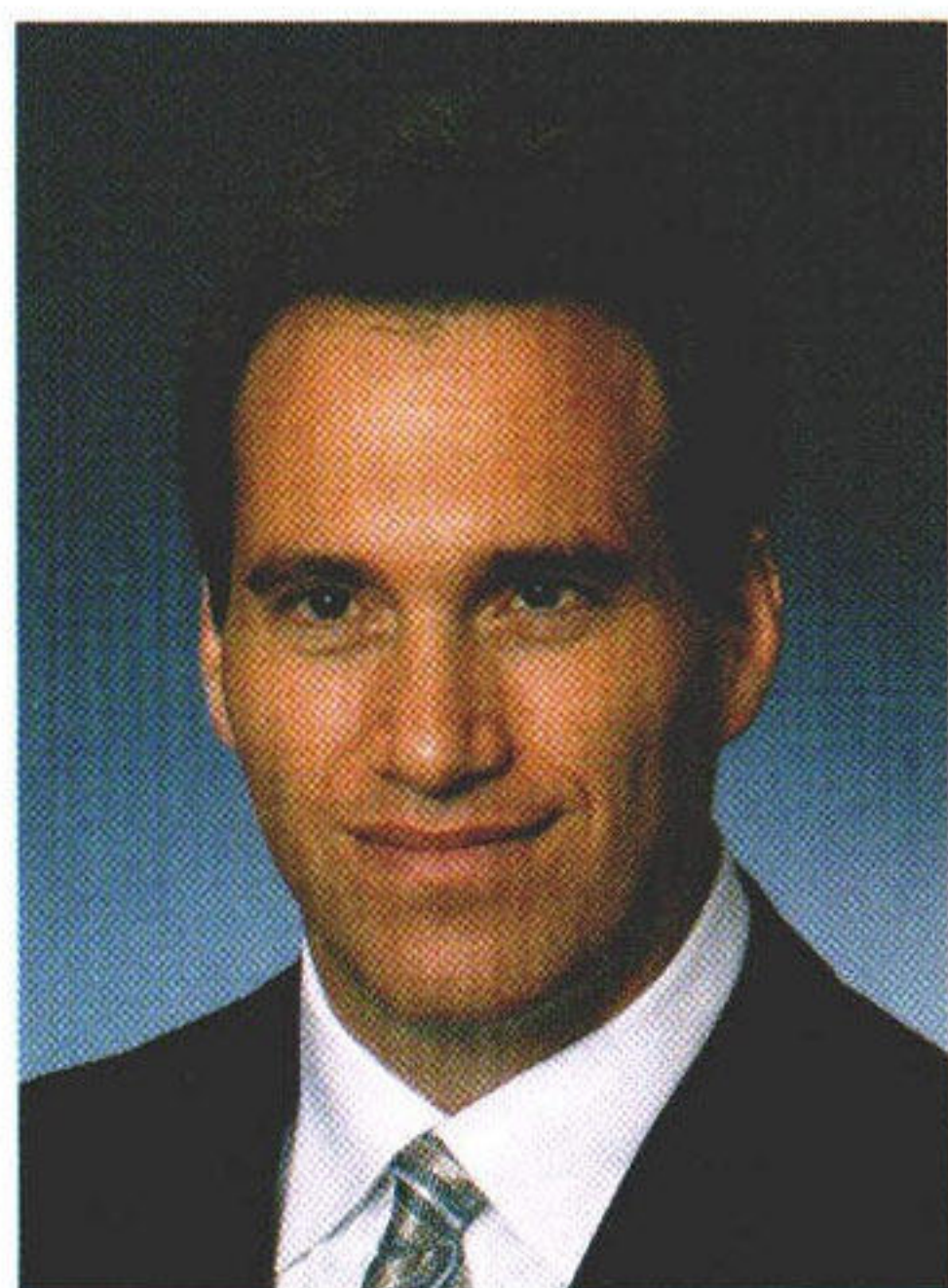
Ninth House is an example of an elearning company that uses a "surrogate CEO" as presenter. The approach, comments Jeff Snipes, CEO and co-founder, is to partner with experts and inform people through role modeling. The firm works with experts that include best-selling authors and consultants Tom Peters, Clifton Taulbert and Ken Blanchard.

Snipes describes Sarbanes-Oxley elearning education for executives, board members and those aspiring to these positions as a combination of a "one-two punch." First, people need to understand and have knowledge about rules and regulations and to hone their financial training, if necessary.

The hard part, he says, comes when everyone knows the rules. "Now, how do we change their mindset?" That's the part he dubs the second punch — which is "centered on how to change behaviors, build values, and the leadership it takes — the subtler aspect of Sarbanes-Oxley-related training."

Snipes says Ninth House's elearning offerings grapple with the question, "When it comes to Sarbanes-Oxley regulations and sound financial reporting, you can teach the rules, but how do you change the behavior within an organization? We're not focused on teaching data and rules, but rather ethics and leadership," says Snipes. And, after all, isn't that what it's ultimately all about?

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