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RYDER WANTS ETHICS DRIVING ITS BUSINESS

HOW THEY DO IT:

A customized training program teaches employees what's right

BY MARCIA L. NARINE AND SUSAN CUTRIGHT

A year ago, Ryder System Inc. launched an ethics training and compliance program for its employees. Given that Miami-based Ryder has 27,000 workers worldwide and serves some 15,000 customers in 15 countries, coordinating such a program was no easy feat.

Rather than creating the program on its own, Ryder decided to outsource the task to Integrity Interactive Corp., a Waltham, Mass.-based company that provides off-line and Internet-based ethics and compliance training services.

The result: a program tailored to Ryder's specific business needs that trains its employees in the company's Principles of Business Conduct—covering conflicts of interest, workplace harassment, proper treatment of confidential information and proper financial reporting. The program also tracks which employees have been trained and certifies their completion of the course.

Now that the program has been around long enough to have a track record, Marcia L. Narine, Ryder's deputy general counsel and vice president of global compliance and business standards, has teamed up with Susan Cutright, an attorney who is a member of Integrity Interactive's Compliance Services Group, to write about its successes and challenges. "Training is an essential component of an effective compliance program."

Marcia L. Narine's company uses an ethics and compliance training program which, so far, has resulted in a free upward flow of information—both good and bad—to decision-makers who need to know what's going on.

This is the conclusion that emerged in public hearings before the U.S. Sentencing Commission's Ad Hoc Advisory Group on the Organizational Sentencing Guidelines. The guidelines, which were adopted in 1991 and confirmed by amendments in 2004, lay out seven due diligence elements by which to measure the effectiveness of a corporate compliance program.

With those guidelines—and the Ad Hoc Advisory Group's conclusion—in mind, Ryder revamped its own ethics and compliance training program early last year.

Ryder is a publicly traded, Fortune 500 provider of transportation, logistics and supply chain management solutions worldwide, serving customers throughout North America, Latin America, Europe and Asia. For more than seven decades, the company has earned high marks for timely, cost-effective and reliable service, and has been ranked among Fortune's Most Admired Companies, the InformationWeek 500 listing of leading business users of information technology and InternetWeek's top 100 U.S. companies for effectiveness in using the Internet to achieve tangible business benefits.

Ryder sees its ethics and compliance program as a valuable initiative to protect its name and earn the trust of employees, directors, shareholders, customers, suppliers, government contacts and the public at large.

Apart from being a central reality of the Ryder culture, this emphasis on compliance and "setting the tone at the top" is contemplated by a variety of laws and guidelines, among them:

- the Federal Sentencing Guidelines (which call for active program involvement by directors, executive officers and other individuals with substantial control over the organization);

- the Sarbanes-Oxley Act (which among other things mandates corporate responsibility for financial reports, annual reports stating management's responsibility for an adequate internal control structure and procedures for financial reporting and disclosure of a code of ethics for senior financial

officers); and

- PCAOB Audit Standard No. 2 (which evaluates whether management has set the proper tone, created and maintained a culture of honesty and high ethical standards, and established appropriate controls to prevent, deter and detect fraud).

By now, these requirements have largely been seared into the collective consciousness of the corporate world. But executives' knowledge of these requirements is not enough; employees throughout the organization need to know and understand their own roles in creating an ethical workplace.

Going Beyond Sarbanes

Training is critical to effectively communicate ethical standards within an organization. Ryder is not content simply to post its ethics code on the company intranet or conduct a perfunctory periodic ethics certification drive.

Instead, Ryder puts life into its program by continuously communicating with employees to make ethics meaningful and understood at

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every level of the company.

Before launching its current training program, Ryder in 2004 re-issued its Principles of Business Conduct, which cover all areas of professional conduct, including conflicts of interest, confidentiality and compliance with the law.

The principles include a supplemental Code of Ethics that applies to Ryder's chief executive officer, chief financial officer, controller and senior financial management. Ryder chose to go beyond Sarbanes and related Securities and Exchange Commission disclosure requirements in this regard by extending the reach of the code beyond the senior financial

officers.

The company's Audit Committee of the Board of Directors also established procedures for the receipt, retention and treatment of complaints regarding questionable accounting, internal controls, financial improprieties or auditing matters.

Any Ryder employee or member of the general public may confidentially communicate concerns about any of these matters to any Ryder supervisor or manager, the vice president of internal audit, the vice president of global compliance and business standards or anonymously by way of a toll-free hotline number, an internal ethics helpline or an internal ethics e-mail address.

All of the reporting mechanisms are publicized on the company's Web site, in the Principles, and through wallet cards, brochures and posters displayed at Ryder facilities.

Ryder also has an extensive in-house training program, covering safety, job skills, human resources and other core activities, as well as ethics.

Early last year, Ryder brought in Integrity Interactive Corp. to supplement these efforts with ethics and compliance services featuring Integrity's risk-based training curricula, interactive course modules and training administration system for a select population of employees, beginning with those two levels below supervisor and going up.

Ryder uses an Integrity Interactive training system called CodeONE, which is a general ethics course, tailored to the Ryder Principles; additional online training for various employee groups relating to financial integrity, competition law, and the Foreign Corrupt Practices Act; and supervisor-oriented training and education regarding sexual harassment as contemplated by California Assembly Bill 1825.

The objective of the custom training administration system is to track employees who have completed its in-house ethics training, and exempt those employees from the equivalent online content.

The CodeONE interactive training

module consists of three elements: an introduction emphasizing Ryder's commitment to its Principles of Business Conduct; substantive examples of ethics issues addressed by the Principles; and a certification feature for employees to confirm they are familiar with the Principles, will comply with them and will report any violations.

The substantive examples in the second segment address conflicts of interest, workplace harassment, proper treatment of confidential information and proper financial reporting.

The Ryder Principles of Business Conduct and Policy against Harassment, Discrimination, and Retaliation are included in the course, along with text and audio messages from CEO Greg Swinton and Marcia Narine, the vice president of global compliance and business standards. Providing leadership from the top reinforces the importance of the Principles and associated training.

E-mail Encumbrances

Ryder would not choose to invest in an outsourced training program without a plan for maximizing employee participation. From a program defensibility perspective, the only thing worse than lack of appropriate ethics training is a passive, check-the-box allocation of resources to training, with no proactive management support of the program and, consequently, participation levels that are less than compelling.

In terms of basic good business practice, Ryder strives to deliver maximum shareholder value by aggressively managing cost and deriving full value from all spending. The company simply would not be satisfied with the "compliance confetti" of off-the-shelf training courses that never got off the shelf.

For these reasons, Ryder provides employees with a link to the courses they need to take, and ensures they have successfully completed them. The courses are tailored to the Ryder environment and the goals of the compliance program, and branded with the Ryder look and feel.

Selected employees are prompted to complete the courses through a series of e-mail messages individually addressed to each person enrolled in the program.

Ryder outsources administration of the e-mail communications, but the content is customized for appropriate segments of Ryder's training population. Initially, Ryder had the messages sent by members of management in order to get the immediate attention of their respective reporting employees.

Ryder quickly found, however, that employees would use the convenience of the e-mail reply option to attempt to send messages directly to the named manager—not recognizing that the messages would actually be routed to the Ryder Global Compliance Group via the vendor's HelpDesk. Other employees would send separate e-mails to the named manager, inquiring about administrative details of the training initiative and other matters.

While Ryder welcomes the lively interest in the training, some managers were overwhelmed with e-mail that required answers from the Compliance Group. Also, the company is mindful of IT security practices with respect to e-mails that originate outside Ryder and appear to have originated from one source, when they actually were sent from another source.

Since the program e-mails are being sent via a third-party platform, Ryder wants to be assured the messages will be delivered as intended, and will not be blocked or bounced back by IT security mechanisms.

That is why, going forward, all communications will simply be sent in the name of the Ryder Global Compliance Group, as opposed to using the names of various Ryder managers.

Customization on Command

The vendor-provided course modules can be adapted to reiterate Ryder policies and associated guidelines and in-house training materials, and include required course elements that can be customized to emphasize issues of specific concern to Ryder.

Integrity Interactive has responsibility for the actual coding, and Integrity lawyers have end-to-end oversight of the customization process. This level of support was a key differentiator for Ryder in choosing to partner with Integrity, because it allows Ryder to focus its in-house resources on activities

with a higher value-add.

In the same vein, it is important to Ryder that all of the courses are reviewed by experienced attorneys and other experts in the relevant practice area, and are presented in plain, nontechnical language designed to attract and hold the employee's attention.

Ryder has confidence in the soundness of the course content, and the documented test results and course completion and certification rates provide assurance that the training is effective.

In fact, with Ryder's first course, the company was able to realize aggregate completion and certification rates in excess of 95 percent of enrollment simply by sending the customized sequence of e-mails. The rollout was so successful that 22 percent of the enrollees took their second course, Financial Integrity, within two days of receiving the first e-mail.

Ryder is a global company, so the training program must be, too. The company is rolling out training in Portuguese and Spanish, and also is planning to deploy a translated course for French-speaking Canadians.

In addition to course translations, Integrity offers a Multi-Lingual Program service, where the courses, training home page, associated enrollment, reminder and technical support communications are available in the employee's preferred language.

Ryder has experienced demonstrable success in making sure its employees are familiar with its Principles and that they take advantage of clear reporting channels within the company. This results in a free upward flow of information—both good and bad—to decision-makers who are empowered to respond quickly and appropriately.

With the flexibility and technological edge this training program provides, Ryder has been able to leverage its in-house ethics and compliance initiatives investment. The challenge going forward: continuing to derive value from the program through active, informed employee participation in supporting the Principles, and protecting the reputation Ryder has worked so hard to build. □