

Voices

Corporate compliance can prevent harmful lawsuits

BY KEN THRASHER
For Dolan News Service

Throughout my career, I have seen companies suffer the consequences of letting compliance issues slide. The results can be damaging, including loss of credibility, the inability to attract and keep the brightest employees, even loss of investor confidence. As a result, companies may also face employee disillusionment, which can increase their vulnerability to lawsuits and regulatory violations.

First, there is a troubling upward trend in the frequency and severity of lawsuits filed by disgruntled employees — especially as companies downsize and even shut their doors. In a survey conducted by the Society for Human Resource Management, 53 percent of companies have been named as defendants in employment-related lawsuits — 90 percent of the lawsuits were brought by former employees.

Such claims typically allege discrimination based on sex, disability, age, race or religion; wrongful termination; invasion of privacy; and wrongful demotion or failure to promote. It is staggering to realize that

the cost of just one such a lawsuit can be upwards of \$50,000 in litigation fees, with the average jury award exceeding \$250,000.

Second, lack of attention to compliance and corporate governance infrastructure causes companies to experience immeasurable losses in reduced productivity and employee morale — not to mention loss of investor confidence and a tarnished public image. Furthermore, companies must ante up funds to pay for soaring insurance costs, as underwriters are less willing to assume risk on companies' behalf, particularly to companies with no solid compliance practices into place.

Meanwhile, employees throughout the enterprise waste time agonizing over how to get business back on track, as employers end up diverting valuable labor resources to short-term, "quick-fix" attempts to meet ever-changing state and federal compliance requirements.

The good news is that renewed attention to employment practices compliance has given rise to strategies that employers can apply to comply with new and existing corporate governance regulations, such as the Sarbanes-Oxley Act. Now,

more than ever, corporations need to take steps to reassure their employees, shareholders and customers that their business is run ethically and with accountability at all levels. In the process, by developing a consistent process for employment practices compliance, employers can establish indisputable transparency and accountability while at the same time reducing vulnerability to employment lawsuits.

Sound governance and employee care

Developing a sound governance process, as well as reducing risk exposure, can be accomplished with successful implementation of an employment practices compliance system. While some companies have adopted such programs as a corrective action, many companies are taking a proactive approach to improve their workplaces before they are scrutinized under new regulations or slapped with a frivolous lawsuit.

In the Northwest, forward-thinking companies such as Albertina Kerr Centers, Azumano Travel, Portland Teacher's Credit Union and Northwest Pump have found that a comprehensive EPCS provides the solid framework they need to ade-

quately manage regulatory compliance and offer a heightened "standard of care" to their employees. Furthermore, they are realizing a return-on-investment that comes from a structured process that informs and educates managers, supervisors and employees about company policies and procedures such as workplace discrimination, corporate code of conduct, hiring and firing regulations and sexual harassment. They are finding numerous bottom-line benefits, including:

- Demonstration of ethical operations, accountability and transparency
 - Consistent application of such practices typically builds a better relationship of mutual trust between the company and its stakeholders.
 - Reduced insurance costs
- Increasingly, insurers are reducing rates and offering better coverage to companies who have instituted an exemplary compliance process.
- Reduced potential of frivolous lawsuits
- Through education, training and real-time monitoring, a compliance process acts as a risk management system, reducing the likelihood that a lawsuit will be filed. However, if there is litigation, the compliance process provides organized, substantiated documentation to refute the claim.

• Reduced labor costs — Human Resources spends less time pushing paper and tracking compliance with regulations and keeping up with ever-changing laws. It results in less time spent reacting to problems and protects the company's assets.

• Improved employee morale and productivity — Companies help their individual employees gain a clearer picture of how their efforts make a difference and contribute to organizational goals, allowing each person to have a hand in corporate compliance. There are mountains of distractions and challenges that make today's business initiatives tough going. To stay on a competitive and profitable track, U.S. companies are obliged to critically examine — and when warranted, change — their operations processes. As corporations mature in this new knowledge and information age, embracing employment practices compliance and other such systems can prove to be a good roadmap toward better business management. And with better business management comes the high ethical standards that renew stakeholder confidence for long-term success.

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