

Our Approach to Culture Assessments

NAVEX Global Culture Assessments

INTRODUCTION

In order for a business conduct and compliance programme to be successful, it must be firmly rooted and supported by company values that are reflected in a strong corporate culture. But even in the best companies, subcultures and employee perceptions can at times be obstacles to the efforts. A **culture assessment** identifies elements of an organisation's culture that support good business conduct—and others that do not. It provides recommendations on how to further develop the former and mitigate the latter. It is often an eye opener for leadership and a major catalyst for improving management engagement and support.

A company should consider conducting an ethics culture assessment in order to answer these questions:

- Do employees believe that we have a **culture of integrity**?
- What can we do to build **trust and credibility** with employees so they will raise questions and concerns?
- Where are the **potential pressure points** in the organisation that could cause good people to make a bad decision?
- How do we **engage our leaders** in fulfilling their ethics and compliance responsibilities?
- How do **employees perceive** our business conduct communications? Training? Reporting systems?

We gather information for culture assessments using one or more of the following methods: **interviews, focus groups and employee surveys**. Interviews provide insight on leadership engagement and support. Focus groups provide both quantitative and qualitative information and they allow us to dig deeper into employee opinions and examine location or job-specific issues. Most importantly, focus groups provide opportunities to understand the underlying reasons for employee perceptions.

LEADERSHIP INTERVIEWS

Building and sustaining a best practice business conduct programme and organisational culture requires a strong commitment from leadership at all levels of the organisation. This includes:

- **Strong oversight** by the Board or a designated Board committee,
- **Active involvement by high-level executives** who understand their important role and are committed to ensuring that the programme is effective,
- Involvement in and support by **line management**,
- **Business conduct professionals and subject matter experts** who are aligned with the Company's values and expectations, as well as the standards of the profession.

Because of the importance of the role of leadership in defining and maintaining a strong organisational culture, understanding their perceptions using a structured interview process is a cornerstone of our assessments.

LEADERSHIP INTERVIEWS: OUR PROCESS

We typically include interviews with members of the Board of Directors, the senior management team, subject matter experts and others who, because of their responsibilities, can provide valuable insights and perspective.

Each interview is scheduled for approximately **45-60 minutes** and is conducted by one of our senior consultants. We work closely with our clients to determine the optimal list of interviewees and to schedule the meetings in a cost-effective and timely manner. Telephonic interviews, though not ideal, may supplement in-person interviews, if necessary.

We also work with clients to refine the key questions we ask our interviewees. These questions may vary depending on the interviewee's position within the company. And, like skilled musicians playing jazz, our consultants use the questions as a framework to explore the most fruitful areas rather than as a verbatim script.

SAMPLE QUESTIONS FOR EXECUTIVE INTERVIEWS

- » What are **senior management's highest priorities**? [Not just limited to business conduct and compliance...but strategic/business priorities.] Have priorities changed over the last few years? Are the reasons for the change in direction well understood by employees?
- » How do employees know what to do **when priorities conflict** with the Code of Conduct, Company policies or the Company's values? For example, how do employees balance customer satisfaction with cost savings?
- » What do **you personally** do to make sure employees understand your commitment to the Company's values and your business conduct priorities?
- » Are there areas where **incentives or other pressures** might tempt good people to engage in behavior not in the long-term best interests of customers, coworkers, or the Company?
- » Every company has problems; the important thing is to identify them early. Is this an **environment where people feel free to raise concerns**? [If not, why not?]
- » Are **risks being adequately addressed**? If you worked as the Chairman of the Audit Committee, what would you be most concerned about?

FOCUS GROUPS

Understanding employee perceptions about business conduct and organisational culture is important for sound business and legal reasons. This is where focus groups can play a critical role. Focus groups enable us to learn about employee perceptions qualitatively, and to understand the cultural and attitudinal underpinnings of effective leadership efforts. They also provide the opportunity to do a **"deep dive"** into a location, function, risk area or business unit as needed.

Many companies use surveys to address these types of questions, and surveys have great value. Management in most organisations is very interested in rigorous quantitative information. **Surveys, however, often raise as many questions as they answer.** Why do 62% of employees fear retaliation? Why do employees believe that people who violate the Code of Conduct do not face negative consequences?

For this reason, we recommend using focus groups as a complement to any survey processes or to conduct intensive analyses into areas of special concern for the company. Understanding the underlying reasons for employee perceptions is as important as understanding the perceptions themselves.

EMPLOYEE FOCUS GROUPS: OUR PROCESS

We have refined our ethics and compliance focus group protocols over the past twenty years. To ensure an effective and efficient process we work closely with our clients during every phase of the process, from start to finish, including:

- **Messaging** to the workforce and drafting invitations to participants,
- Assisting in the participant **selection process**,
- Planning the **group size** (8-12 is optimal) and the **group's composition**,
- Preparing the **room layout and hospitality** to put the participants at ease,
- Scripting in advance the **questions** as well as likely avenues for discussion,
- Designing post-focus group **employee communications**.

Each element of the process has been tested to promote a free flowing, candid discussion during the focus group, and to leverage the focus group as a signal of management's commitment to ethical behaviour.

We conduct each focus group with a "flat" group of employees and a guided interview question set to promote discussion. All focus groups are facilitated by one of our experienced consultants who are adept at drawing out employee opinion and digging deep into issues.

We are also obsessed with ensuring that potential barriers to discussion are removed from each session. **Each session will only have employees from similar job levels.** We may also further structure the focus group by function if desired by the client. This helps to concentrate the discussion on issues specific to each group. In addition, we are experienced at recognising and addressing the interpersonal dynamics of focus groups. We know that if these dynamics are not addressed they can undermine the session.

While we customise each set of questions to meet the client's specific needs, in many engagements we address employee perceptions in these areas:

- **Leadership alignment** with organisational values and business conduct expectations,
- **Ability to report issues** through various channels, and consequences of reporting,
- Role of ethical/unethical behaviour in **career success**,
- **Pressure to compromise** in order to achieve objectives
- Key compliance and reputational **risks**.

Our exploration of these issues is aided by the use of **wireless voting technology**—a process pioneered by NAVEX Global in the ethics and compliance field—to allow participants to express their attitudes anonymously. This technique provides our facilitators the opportunity to instantly follow-up on the most fruitful areas for discussion. Participants are often surprised to find others have voted the same way and are more likely to provide context and specific examples of the behaviours that drive their opinions.

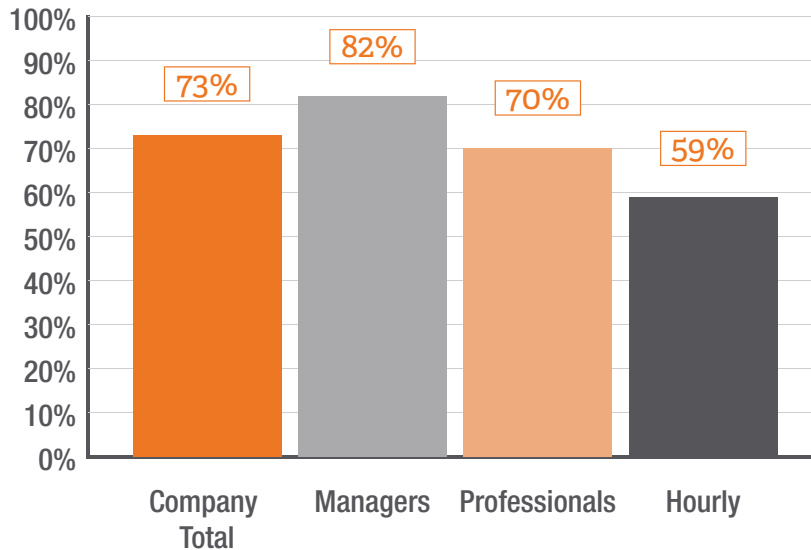
One of the biggest concerns we hear about focus groups is that employees will be fearful of attending and will not talk. Employees often tell us afterward that they were surprised to find **they enjoyed the session and were pleased that the company wanted to hear their opinions.** There have been a few rare exceptions (less than 1%) where after ninety minutes of voting and attempted discussions employees still talk only in generalities and platitudes. While disappointing, we leave even these sessions with insight of a different type.

DELIVERABLES

We work with clients in advance to be sure we understand how the information we gather will be best received by the organisation. Typically we provide written reports and/or PowerPoint presentations summarising our results. These reports can include charts like the following:

Do You Believe You Could Report Unethical Behavior Without Fear of Retaliation?

(% answering "yes"; dotted line = NAVEX Global Benchmark)



Note that this chart **breaks down results by job levels, and provides benchmark comparison to the median result from other companies** where we have conducted focus groups. In addition to quantitative information, we also include qualitative information via **written feedback**.

One of the **main benefits** organisations get out of focus groups is the fact that they are doing them. The messaging before and after the focus groups, and the positive word of mouth that comes from participants, is a major contributor to encouraging open communications—a key part of a culture of ethics and integrity.

CULTURE ASSESSMENTS – NAVEX GLOBAL’S EXPERIENCE MAKES A DIFFERENCE

Our assessments are **tailored to meet each client’s objectives**. Everyone says this, but it is our hallmark. We work carefully with the client at every step of the assessment to ensure that the process and the deliverables are practical, high quality and suited to their needs. Standards in the ethics and compliance field are evolving rapidly, and differ from industry to industry. We believe the consulting approach should be different too. Deploying inexperienced consultants—no matter how bright—is not our approach. ELG offers only experienced consultants and former ethics officers who offer actionable, calibrated insights.

In addition to our unique approach to conducting focus groups and the unparalleled breadth and depth of our benchmarking capabilities, our experience places us in a unique position to offer **practical and actionable recommendations**. We are able to make specific suggestions to managers to help them meet their responsibilities in this area.

About NAVEX Global's Advisory Services Team

Over the last 20 years, the Advisory Services Division of NAVEX Global has dedicated itself to developing and implementing effective ethics programmes in organisations of all sizes and sectors. Our methods are tested and proven, particularly for assessing and evaluating organisational culture and ethics and compliance programmes; developing best practice codes of ethics; and designing and delivering award-winning ethics-related training.

Our reputation for quality can be verified by former clients, many of whom have been our partners for years. In addition, our accomplishments have not gone unnoticed by regulatory authorities—we regularly serve as independent monitors and consultants for organisations with government administrative and deferred prosecution agreements. Finally, most of our consultants have served in senior-level ethics and compliance positions. Our experience is not theoretical; it is intensely practical from having had to develop programmes ourselves.

OUR TEAM

Carrie Penman is the Chief Compliance Officer and Senior Vice President, Advisory Services for NAVEX Global. Carrie has been with NAVEX Global's Advisory Services team since 2003 after serving four years as deputy director of the Ethics and Compliance Officer Association (ECO). Carrie was one of the earliest ethics officers in America. She is a scientist who developed and directed the first corporate-wide global ethics programme at Westinghouse Electric Corporation. Since joining NAVEX Global's Advisory Services team, she has conducted numerous programme and culture assessment projects for its clients and regularly works with and trains company Boards of Directors and executive teams. She also serves as a corporate monitor and independent consultant for companies with government agreements.

Mary Bennett, R.Ph., is a vice president with the NAVEX Global's Advisory Services team, and pharmacist by training. She joined the organisation as its first employee in 1999 after serving as vice president in the Compliance and Integrity office at Caremark, where she implemented the requirements of one of the first government agreements in healthcare. With NAVEX Global's Advisory Services team, Mary works across all industries, creating and facilitating award winning training programmes, conducting large and small programme assessments, developing compliance communications, and helping clients develop best practice programmes from the ground up.

Andrew Foose, J.D., vice president with NAVEX Global's Advisory Services team, is a former senior trial attorney in the U.S. Department of Justice's Civil Rights Division. Andrew is recognised among the country's leading experts on conducting lawful and effective internal investigations and has trained thousands of attorneys, compliance officers, auditors and human resource professionals on best-practice investigative techniques and on how to write effective, comprehensive investigative reports. He currently works with organisations ranging from large multi-national companies to smaller non-profits to assess their ethics and compliance programmes and to provide guidance on ways to enhance programme effectiveness and efficiency.

Ed Petry, Ph.D., joined NAVEX Global's Advisory Services team in 2004 after almost ten years as executive director of the Ethics and Compliance Officer Association (ECO). Ed served on the Advisory Panel to the U.S. Sentencing Commission which was responsible for the 2004 revisions. Earlier in his career he was a tenured professor of ethics and a prolific author and researcher. While others may claim to know best practices, Ed's work with the ECOA and the Sentencing Commission actually helped establish those practices as well as the standards by which they are measured. As vice president with NAVEX Global's Advisory Services team, Ed applies his more than 25 years of experience to help companies assess their ethics and compliance programmes. He has also written many of the most admired codes of conduct for companies worldwide and representing nearly every industry.

Randy Stephens, J.D., is a Vice President with NAVEX Global's Advisory Services team. A lawyer and compliance specialist, Randy has worked in roles with legal and compliance responsibility for over 30 years, including operations in Mexico, China and Canada. In 2014 / 2015 clients engaged Randy to train employees or conduct risk and programme assessments in Japan, China, Australia, UAE, KSA, Kuwait, Jordan, Qatar, Romania, Serbia, the UK and Canada while also working with clients with offices and operations throughout the U.S. and around the world. Randy has significant in-house experience leading compliance programmes and working for some of the largest and most diverse public and private corporations in the United States, e.g. Home Depot, Family Dollar and US Foods. He is the author of numerous compliance related articles and commentary and is regularly featured or quoted as a compliance expert in press and publications. He joined NAVEX Global's Advisory Services team in 2012.

Eddy O'Mara is the Operations Manager of NAVEX Global's Advisory Services team. He leads the development of our Integrity Diagnostics product offering, as well as making key statistical and analytical contributions to our annual Ethics and Compliance Hotline Benchmark Report and Client Culture Surveys. Eddy graduated from Bentley University with both a B.A. in Ethics and Corporate Social Responsibility and a B.S. in Business Management. He has been with NAVEX Global's Advisory Services team since 2012.

ABOUT NAVEX GLOBAL

NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the FORTUNE 100 and more than 12,500 clients, our solutions are informed by the largest ethics and compliance community in the world.