

## **Navran Associates - Assessment Methodology**

Navran Associates operates from a professional perspective that to properly assist an organization in attaining its desired ethics and compliance goals we must first understand both the desired goals and the current state of the organization. Only if we understand both can we help the client organization map a path from where they currently are to where they want to be.

Such an assessment would typically include an examination of the organization's operational philosophy, attitudes, perceptions, values, standards of conduct, the presence or absence of pressures to commit misconduct, effectiveness of internal communications, and ethics and compliance related risks and vulnerabilities. We examine the degree to which its values and ethics have been internalized among its stakeholders (employees, members, suppliers, etc.). We also study the philosophical, structural and informal factors that contribute to stakeholder buy-in and/or resistance to those values and ethics.

By utilizing a variety of techniques, we compare formal structures and values with the informal norms and standards that prevail throughout the organization. Not only will we examine the relevance and applicability of the core principles/values and the current Code of Ethics, we also attempt to identify factors that set the informal standards e.g., informal "heroes" and "myths" within organizations and the impact of organizations' "water cooler" culture.

This form of assessment allows us to determine the degree of congruence or conflict between formal and informal systems – between stated values and behavior. The methodology allows us to identify potential challenges that diminish the effectiveness of existing ethics and compliance programs.

Additionally, our methodology enables us to compare the client's ethics and compliance program against minimum requirements set forth by the Federal Sentencing Guidelines, Sarbanes-Oxley and other relevant standards.

On November 1, 1991, revised Federal Sentencing Guidelines for Organizations (FSGO) went into effect. Their goal is to "provide just punishment, adequate deterrence and incentives for organizations to maintain internal mechanisms for preventing, detecting and reporting criminal conduct." Simply stated the guidelines reward organizations which make a good faith effort to prevent unethical activity, by lowering their potential fines if, despite their best efforts, unethical or illegal acts are committed by the organization.

### Federal Sentencing Guidelines – Minimum Requirements

1. Implementing compliance standards and procedures that are reasonably capable of reducing criminal conduct.
2. Specifically designating a high-level Sponsor to oversee the program.
3. Exercising due care not to delegate significant authority to a person known to have criminal tendencies.
4. Communicating the policies and procedures to all members and employees.
5. Monitoring and auditing systems and putting into place a safe, publicized reporting mechanism for members and employees.
6. Consistently enforcing the standards through appropriate disciplinary actions.
7. Taking steps to prevent any similar occurrences in the future, including modifying your program.

The FSGO were revised in November of 2004 and two significant changes included; a focus on "ethical culture" and a requirement for regular, independent assessment. In addition there is increasing emphasis on the role of Boards of Directors defined in SOX -including the requirement that the Board have a Code of Ethics governing its actions.

For global organizations we typically expand the references points to include standards defined by the Organisation for Economic Co-operation and Development (OECD), the UN Global Compact, Transparency International and others, as appropriate.

Perhaps more important than the minimum requirements it is our practice to monitor the relevant standards set by organizations whose programs and infrastructure are exemplary.

We are thus able to compare our clients' assessment findings with the examples from these model organizations. By placing the client on a continuum of ethical effectiveness we can visibly identify those specific areas that present the greatest opportunities and challenges for continuing ethics effectiveness growth and development.

Typically, components of our review include:

1. Ethical Leadership
2. Vision Statement
3. Values Statement
4. Corporate Code of Ethics
5. Ethics Office/Officer
6. Ethics Taskforce/Committee
7. Ethics Communications Strategy
8. Ethics Training
9. Ethics Help-Line
10. Measurements and Rewards
11. Comprehensive System to Monitor and Track Data
12. Periodic Evaluation
13. Compliance with relevant guidelines and regulations
14. The impact of the Informal Culture on organizational conduct

### **Four-Pronged Approach**

We recommend utilizing a four-pronged approach for the assessment phase:

1. **Personal Interviews:** Interviews with key leadership

Interviews should be conducted with the senior level executives. Interviews are usually forty-five minutes to one-and-a-half hours in length and are conducted with the President, his/her direct reports and other members of senior management and selected members of the Board, if appropriate.

2. **Focus Groups:** Discussions with groups of 10 to 15 stakeholders at all levels

*Focus groups should include stakeholders from various job levels and functions and from a cross section of the organization's departments and/or locations.*

*In scheduling focus groups, the client should attempt to include a representative sample of its stakeholders. Each focus group should be comprised of members and/or employees at similar job levels. We recommend that care be taken to ensure that supervisors and their subordinates are not invited to the same focus group. Such pairings may be intimidating and may reduce the quality of the information gathered.*

*Focus group attendance should be between 10 and 15, and they should last for no longer than one-and-a-half hours.*

3. **A Document Review:** *A review of relevant written ethics and compliance materials*

The following is a general list of the types of documents we would review to complete this step. Some of these items may not exist or may be called by other terms.

- Mission, Vision and Statement of Values
- Code of Ethics/Conduct
- Employee handbook(s)
- Relevant HR, Procurement and other related policies
- Literature or communications regarding the existing ethics and compliance initiative
- Training materials currently or previously used in ethics and compliance training
- Records from the existing ethics and compliance management functions including recent Helpline/Hotline cases
- Reports regarding ethics and compliance provided to the Board
- Internal employee satisfaction/perception survey data and findings
- Other written materials relating to the organization's values, ethics and compliance practices

4. **An Ethics and Compliance Survey:** A statistically reliable survey of employees and other designated client's stakeholders (e.g., suppliers, customers, strategic partners...)

A survey provides quantitative measures of member and employee perceptions and experiences. It allows us to cross tabulate the data by a variety of demographic variables such as function, level and geographic location (if applicable). A survey also creates a baseline against which future surveys (and progress) may be compared.

Navran and the client develop the survey instrument jointly. Typically, we recommend online surveys as a means of reaching the widest audience at the lowest cost.

### **Report of Findings and Recommendations**

Upon completion of the assessment we prepare both a written report of findings and recommendations and a PowerPoint based formal briefing on the same. We typically have the primary client contact preview the draft presentation to ensure readability and to guard against client-specific inaccuracies (e.g., misnaming a function or department, misuse of an acronym, etc.).

The formal report is then presented to the client (typically the CEO and his/her direct reports) at the formal briefing. If so desired, the client may receive a "pre-brief" on the findings and recommendation prior to the formal presentation.

The formal presentation typically concludes with an extended discussion of the findings, their implications and next steps.