

HCCA - Hawai'i Regional Conference – October 2017

**Practical Steps to
Meaningful Board Engagement
in Ethics and Compliance**
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Levels of Board Engagement

Engaged — We know we set the tone and embrace that responsibility

Aware — We know we need to do this and want to do it well

“Check the Box” — “We have to do this stuff” (*grumble...*)

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Self - Assess

Your Board:

1. “Checklist”
2. Aware
3. Engaged

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Why is Board Engagement Important?

An organization's governing body is responsible to exercise "reasonable oversight with respect to the implementation and effectiveness" of compliance and ethics programs....
Federal Sentencing Guidelines

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Why is Board Engagement Important?

Practical Guidance for Health Care Governing Boards on Compliance Oversight

- Boards need to play specific and proactive roles relative to compliance oversight
- Boards are expected to gain a good understanding of the effectiveness of an organization's compliance program by setting expectations and by knowing and asking the right questions

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"If each level in a organization's hierarchy emulates the one above it, then an organization can never be better than it's board."

- Scott Killingsworth

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Engagement = <i>f</i>(Your Input, Their Appetite)

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<ul style="list-style-type: none">▪ Reports▪ Agendas▪ Training*

Engagement via Reports

- Gear to other familiar board reports
- Vary reporting
 - Areas of focus
 - Depth
- Answer the “So what?” Question
 - Trending
 - Analysis

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Engagement via Agendas

- Tie to strategic and operational issues
- Use examples: internal and external
 - Ethical/compliance lapses
 - Ethical courage
- Set up a key generative discussion item

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Deeper Dive:
Board
Meeting
Agendas

“MISTAKES ARE THE PORTALS OF
DISCOVERY...” - JAMES JOYCE (1882 – 1941)

- Share examples of moral courage
- Acknowledge ethics lapses and failures – look for the situational risks that contributed to them
- Strive for transparency and trust in all actions (take all stakeholders into account)
- Model accountability in board actions

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**Deeper Dive:
Board
Meeting
Agendas**

- In what ways are we as a board demonstrating the importance of ethics and compliance (presence at trainings, recognizing ethical courage, emphasis on agendas, organization chart, communications)?
- Do our performance expectations for staff in any way encourage behavior that lacks integrity?
- How do we create mechanisms that allow the lowest level of employee to escalate concerns without negative consequence
- How are the bearers of bad news treated in the organization?
- Are we modelling transparency in potential conflicts of interest?
- Are we doing all we can to make sure it's easy to act ethically?
- How do we communicate concerns the number and types of concerns reported, and the results of reports and investigations?

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Engagement via Training

- Tie to strategic and operational issues
- Use examples: internal and external
 - Ethical/compliance lapses
 - Ethical courage
- Set up a key generative discussion item
- Use multiple media
 - In-person
 - Videos
 - Articles
- Reinforce training
- Offer individual training

"Spend at least 10 times the energy in reinforcing training as in delivering it."
- Ken Blanchard, author of *The One Minute Manager*

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Engagement = $f(\text{Their Appetite})$

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Engagement = $f(\text{Their Appetite})$

- Onboarding/Expectations
- Training*
- Assessment
- Relationships

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Engagement via Onboarding

- Recruiting
 - Clear expectations
 - What makes this board/organization different
- Selection
 - Interview for integrity
 - Select for compliance expertise

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Deeper Dive: Interviewing for Integrity

- How would you describe a person of integrity?
- What types of situations have you experienced where to speak up or hold to your values, there as a potential cost to you? How did you handle those situations?
- What would you do if someone asked you to do something unethical or you observed or heard about something that you thought might cross ethical boundaries?

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**Deeper Dive:
Interviewing for
Integrity**

- We sometimes face situations of having to choose between what is ethically or legally right versus what is best in terms of financial results or public relations for the organization. Can you give us an example of a situation in which you faced this dilemma and how you handled it?
- Describe how you think a person in a board or chief executive role can convey to the staff of the organization that ethical behavior is a high priority?

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Engagement via Onboarding

- Orientation
 - Give compliance pride of place
 - Demonstrate importance from board members
- Ongoing Training
 - See previous section
- Assess strengths and weaknesses *
 - Chief Executive
 - Board
 - Individual Board members
 - Use findings for board action planning

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Ethisphere EQ Assessment Categories and Weighting

Beyond Usual Board
Self-Assessments

Category	Weighting
Compliance & Ethics Program	35%
Corporate Governance	20%
Leadership, Innovation & Reputation	20%
Corporate Citizenship	15%
Culture of Ethics	10%

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Indicate which information, if any, your company reports to the Board and/or Board committee

1. Overall compliance and ethics program performance
2. Overview of key initiatives
3. Hotline and misconduct reporting statistics
4. Details on misconduct investigations and resolutions
5. Compliance and ethics training initiatives and results
6. Compliance and ethics communication initiatives
7. Compliance and ethics program audit, assessment and/or benchmarking findings
8. Compliance and ethics risk assessment findings
9. Compliance and ethics risk mitigation strategy and tactics
10. Privacy risk assessment and results
11. Updates relating to the company's plan to ensure the security of its information assets
12. Culture of ethics assessment or survey findings
13. Significant regulatory and legal updates
14. Compliance and ethics trends, industry trends, and best practices updates
15. Code of Conduct updates or revisions

Beyond Usual Board Self-Assessments

From Ethisphere EQ Assessment 22

Which of the following accurately describes your approach to measuring corporate ethical culture?

1. Our company uses employee focus groups or individual interviews
2. Our company uses a survey primarily developed to measure employee perceptions of ethical culture and/or the compliance program
3. Our company includes questions on measuring employee perceptions of ethical culture and/or the compliance program as part of a broader HR or engagement survey
4. Our company uses targeted measurement methods (such as surveys, interviews, or focus groups) for particularly high risk areas
5. Our company conducts physical site visits and assessments
6. Our company interviews management to assess ethical culture and employee perceptions
7. Our company conducts a debrief and/or formal review following an investigation that includes culture of ethics as part of the analysis
8. Our company reviews social media (e.g. Twitter, Facebook) or other websites that include feedback or comments about the company (e.g. Glassdoor.com)
9. Our company's culture measurement uses a unique approach

Beyond Usual Board Self-Assessments

From Ethisphere EQ Assessment 23

Other EQ* Questions

- Do senior executive leaders include examples of ethical decisions they have faced in their communication materials?
- Does your organization publish a report that illustrates how many concerns were reported, the types of concerns reported, and the results of reports and investigations?

Beyond Usual Board Self-Assessments

From Ethisphere EQ Assessment 24

Ethisphere
Ethical Culture & Perceptions Assessment

- Awareness of the Program and Resources
- Perceptions of the Function
- Observing and Reporting Misconduct
- Pressure
- Organizational Justice
- Manager Perceptions
- Perceptions of Leadership
- Perceptions of Peers and Environment

*Beyond Usual Board
Self-Assessments*

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Engagement via Relationships

- Develop individual relationships
- Seek out board champions
 - Informal leaders
 - Compliance expertise/interest
- Seek out C-Suite champions
 - Involve in training/reporting
 - Share examples of their internal communications
- Encourage healthy board dynamics in conjunction with chief executive

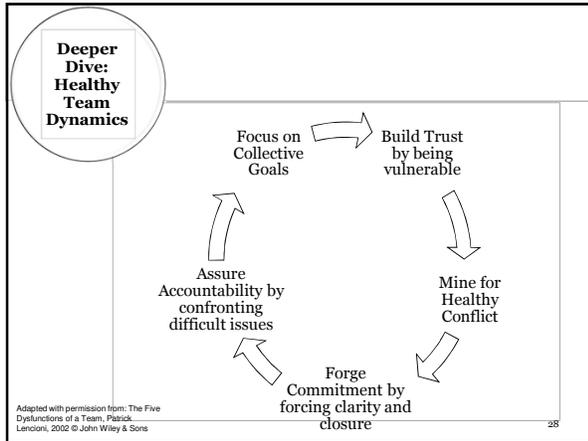
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**Board members want to add value
and make a difference**

Why am I here?

What difference do I make?

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- ### Common Challenges to Board Engagement
- Treating Board Members with Kid Gloves
 - “We Don’t Have Time”
 - “That’s Not How We’ve Done Things”
 - Rose-Colored Glasses
 - Viewing the Board as a group rather than as a collection of individuals
 - Biting off too much

What will you do next?

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Questions/Discussion

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