



NATIONAL BUSINESS ETHICS SURVEY[®] *of the U.S. Workforce*

Executive Summary



Library of Congress Cataloging-in-Publication Data

ISBN 978-0-916152-17-8

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The Ethics Resource Center (ERC) is America's oldest nonprofit organization devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. Since 1922, ERC has been a resource for public and private institutions committed to a strong ethics culture. ERC's expertise informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter — for the public trust.



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The NBES 2013 is the eighth in a series of reports that began in 1994, an ongoing research initiative of the Ethics Resource Center. All work in this effort is funded by charitable contributions. Additional donations from individuals, companies, and other organizations will enable ERC to expand its research and conduct further analysis on the data. For more information about how to support the NBES or other ERC research projects, please visit www.ethics.org/donate.

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ABOUT THE ERC'S NATIONAL BUSINESS ETHICS SURVEY® (NBES®)

The National Business Ethics Survey® (NBES®) generates the U.S. benchmark on ethical behavior in corporations. Findings represent the views of the American workforce in the private sector. Since 1994, the NBES and its supplemental reports have provided business leaders a snapshot of trends in workplace ethics and an identification of the drivers that improve ethical workforce behavior. With every report, ERC researchers identify the strategies that business leaders can adopt to strengthen ethics cultures of their businesses.

To view past issues of the NBES, please visit our website at www.ethics.org/nbes.

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FOREWORD

On behalf of the Ethics Resource Center (ERC), we are delighted to share the National Business Ethics Survey® (NBES®) for 2013. We are now in our 19th year of the NBES series, which has become the pre-eminent source of information about workplace conduct and ethics through the eyes of employees themselves.

Invariably, the results provide some surprises and usually some elements that confound us, and this year is no exception. We are happy to be able to announce that the amount of misconduct declined substantially for the third straight survey and is now at the lowest point since we began investigating it. We were somewhat surprised by this good news – given that our previous survey showed that both retaliation against workers who reported misconduct and pressure to compromise standards were at all-time highs, which strongly suggested that misconduct was poised to go up. In addition, based on past patterns, the run up in stock price indices over the past two years should have been accompanied by a rise in misconduct.

The disconnect between workers' actual conduct and these traditionally reliable leading indicators caused us to delve more deeply to see if we could figure out what has changed. Our main conclusion is that NBES 2013 is telling us that ethics and compliance (E&C) programs work. Business organizations' deep and long standing investment in E&C is paying dividends and may be fostering a fundamental change in worker behavior. Optimistically, we think we may be witnessing the emergence of a new workplace norm in which workers are predisposed to adhere to high standards of conduct and honor the rules.

Having said that, while misconduct overall is on the decline, the nature of these misdeeds is alarming. A strong majority of misconduct is attributable to individuals who hold some level of management responsibility. If allowed to persist, rule-breaking by managers bodes ill for ethics cultures, because managers set the tone for everyone else. The data also show that a significant amount of misconduct happens on a continuing basis and about 12 percent of it takes place company-wide.

Also distressing is the fact that the percentage of workers who report the misconduct they observed has stalled, after consistent growth in the previous three NBES studies. The 2013 rate

is high, but it nonetheless points to significant work still to be done; more than one out of every three people who observe misconduct choose not to report. That is a critical issue that merits further study, and we intend to investigate it more deeply.

The rate of retaliation remains alarmingly high, at 21 percent. That works out to more than six million workers in private-sector companies who experienced some form of retribution because they filed reports about misconduct on the job. The data is troubling because fear of retaliation is among the biggest deterrents to reporting, and, when workers stop reporting misconduct, the door is open to more misdeeds down the road. In our view, reducing retaliation rates is one of the most important challenges facing businesses as they strive for strong ethics cultures.

But if NBES 2013 shows us problems, it also provides insights on how to fix them. It turns out that workers who feel proud of where they work and believe they have influence in how the company operates have a stronger commitment to good ethics. Trust and transparency also make a difference. Bottom line: workers who believe management communicates honestly and openly are less likely to break rules and more likely to report bad behavior when they see it. We will have more to say on some of these issues in a series of supplemental reports that we will release later this year.

Lastly, let us say that NBES and the insights it provides would not happen without the generous contributions of companies that support ERC and the organizations that sponsor the NBES specifically. ERC staff members, too, deserve special thanks for pulling it all together. To all who have helped, we offer our deepest appreciation. We hope that you will continue to work with us by providing your own insights, commentary, and questions as together we continue to review and discuss the data and what it means.



A handwritten signature in black ink, appearing to read 'P. J. Harned'.

Patricia J. Harned, Ph.D.
ERC President



METHODOLOGY

Since 1994, the Ethics Resource Center has fielded the National Business Ethics Survey® (NBES), a nationally representative survey of employees at all levels, to understand how they view ethics and compliance at work.

NBES continues to be the national benchmark on business ethics. It is the most rigorous measurement of national trends in workplace ethics and compliance, a snapshot of current behaviors and thinking, an analysis of culture and risk, and a source of insight into topical ethics issues.

This 2013 report is the eighth in the series. It is the most exacting longitudinal cross-sectional research effort in the field. The long-term nature of the study provides ethics officers, policy makers, and researchers a unique perspective on workplace environments and the ethics risks that employees face.

SURVEY METHODOLOGY

Over the years, ERC has polled and reported findings on more than 34,000 employees through our national ethics survey research. In 2013, we collected 6,579 responses. Review of the data revealed that 159 respondents worked in the government or non-profit sectors. These cases were removed from all analysis, meaning that 6,420 responses were from employees in the for-profit sector.

Participants in the 2013 NBES were 18 years of age or older; currently employed at least 20 hours per week for their primary employer; and working for a company that employs at least two people. They were randomly selected to attain a representative national distribution, and some were selected to meet two pre-defined criteria. The first was to collect approximately 1,600 responses via telephone; with a minimum of 400 from cellphone-only individuals. About one-quarter of all participants were interviewed by telephone (approximately 33 percent over landlines and 67 percent over cellphones). About three-quarters participated through an online survey (using online panels and communities). The proportion of the cellphone group to the

landline group in the sample was weighted to a 40/60 ratio.¹ The proportion of telephone respondents to online respondents was weighted to be equal.² A second criterion was to collect approximately 1,600 responses from employees in companies with 90,000 or more employees. The proportions of respondents by organization size were weighted to correct for this oversampling.³ All participants were assured that their individual responses to survey questions would be confidential.

The survey opened September 30, 2013, and closed November 15, 2013.

Survey questions and sampling methodology were established by ERC; data collection was managed by Survey Sampling International (SSI). ERC also recognizes John M. Schaubroeck, Sean T. Hannah, Bruce J. Avolio, Steve W. Kozlowski, Robert G. Lord, Linda K. Treviño, Nikolaos Dimotakis, and Ann C. Peng for several ethical leadership questions used in the survey, as well as the Hay Group for its contributions of employee engagement questions. Analysis by ERC was based upon a framework provided by the Federal Sentencing Guidelines for Organizations, the Sarbanes-Oxley Act of 2002, and professional experience in defining elements of formal programs, ethical culture, outcomes, and ethics risk.

The sampling error of the findings presented in this report is +/- 1.2 percent at the 95 percent confidence level.

In all survey years except 2009, data were weighted by age, gender, and education. In 2009 information about education was not available and survey data were weighted by age and gender only. In 2011, data also were weighted to equalize the proportion of telephone respondents to online respondents. In 2013, data were additionally weighted by phone type (cell/landline), survey mode (telephone/online), and organization size as described above. Results for each year are reported according to the noted weighting factors.

To request a detailed explanation of methodology and the methodological limitations of this report and demographic information on survey participants, please email the Ethics Resource Center at ethics@ethics.org.

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1. The cell 40 / landline 60 ratio is an estimation of the proportion of working individuals living in households with cell-only service versus households with landlines.
 2. The equal-weight strategy was implemented because survey results from the two groups tended to differ, and it matched the methodology used in 2011. It is part of an ongoing transition from a landline telephone-only survey to a mixed telephone/online survey, and eventually to an online-only survey. The weighting equalized the influence of each group and provided comparability to 2011.
 3. This oversampling was done to provide a sufficient number of cases for a planned supplemental report on the state of ethics in very large companies. To correct for the oversampling, the data were weighted by organization size according to the average proportions found in prior NBES surveys. These proportions were compared to and roughly approximate 2008 U.S. Census data from the Small Business Administration. Table 2a. Employment Size of Employer and Non-employer Firms, 2008 (<http://www.census.gov/econ/smallbus.html>).

1 EXECUTIVE SUMMARY

NBES 2013 reveals substantial good news about the state of ethics in American workplaces. Observed misconduct is down for the third report in a row and is now at a historic low; the decline in misconduct is widespread; and the percentage of workers who said they felt pressure to compromise standards also fell substantially.

- The percentage of workers who said they observed misconduct on the job fell to an all-time low of 41 percent in 2013, down from 45 percent two years ago and a record high of 55 percent six years ago.
- The improvement was pervasive. Over the last two years, observed misconduct fell in every one of the 26 specific categories we asked about in both NBES 2011 and NBES 2013.
- Pressure to compromise standards, often a leading indicator of future misconduct, also was down – falling from 13 percent in 2011 to nine percent in the latest survey.

The dip in misconduct may reflect workers' tendency to take fewer risks when economic prospects seem weak or uncertain, given the relatively soft recovery since 2008. But it also is possible – and we believe probable – that businesses' continuing and growing commitment to strong ethics and compliance programs is bearing fruit and that ethical performance is becoming a new norm in many workplaces. That belief will be tested once economic growth becomes more robust and widespread.

NBES 2013 also reveals some areas of concern. While misconduct is down overall, a relatively high percentage of misconduct is committed by managers – the very people who are supposed to set a good example of ethical conduct and make sure that employees honor company rules. Workers reported that 60 percent of misconduct involved someone with managerial authority from the supervisory level up to top management. Nearly a quarter (24 percent) of observed misdeeds involved senior managers. Perhaps equally troubling, workers said that 26 percent of misconduct is ongoing within their organization. About 12 percent of wrongdoing was reported to take place company-wide.

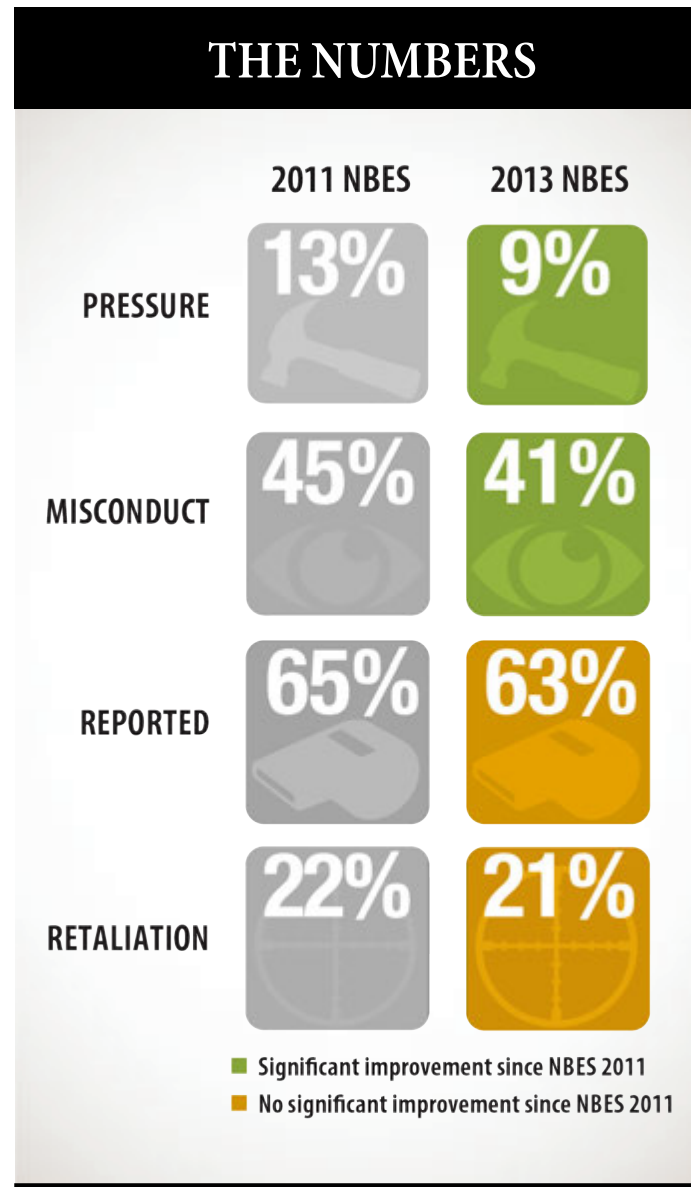
Also troublesome are the facts that the percentage of workers who reported the misconduct they see has stalled, and retaliation against workers who reported wrongdoing continues to be a widespread problem. High retaliation rates are especially worrisome because they discourage reporting and make it harder for organizations to identify and root out bad behavior.

- Among those who observed misconduct in 2013, 63 percent reported what they saw, compared to 65 percent in 2011 and 63 percent in 2009.
- For the second straight survey, more than one in five workers who reported misconduct said they experienced retaliation in return. In 2013, 21 percent of reporters said they faced some form of retribution, virtually unchanged from a record high of 22 percent in 2011.

In sum, NBES 2013 provides cause for optimism as well as a blueprint for the work yet to be done. The steady and sharp drop in misconduct since 2007 suggests that something both fundamental and good is taking place in the way Americans conduct themselves at work.

Companies' investments in ethics and compliance are paying off, but there remains room for improvement. The data show just enough negative results to suggest that progress is not necessarily irreversible – especially if a revitalized economy arouses workers' willingness to engage in riskier behavior. It is clear that manager behavior could be improved, and that reducing retaliation is essential. Building strong ethics cultures remains a constant work in progress.

NBES 2013 also includes in-depth investigation of several types of misconduct, including corruption; analysis of factors that increase employee reporting of observed misconduct; and the implications of retaliation against whistleblowers.





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STANDARDS & PRACTICES.**

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you'll want to get to know us.**

We are the nation's oldest nonprofit dedicated to independent research on workplace ethics. ERC's employee surveys and metrics help identify areas of vulnerability and measure progress – showing you what works. Our forum nurtures professional relationships and new ideas.

Give us a look.

**To learn more visit
www.ethics.org or
email Moira@ethics.org**

Join the ERC's Fellows Program

ERC's signature Fellows Program brings together senior ethics professionals from the worlds of business, government, nonprofits and academia to share insights and advance the cause of ethical leadership. Fellows meet twice a year, in January and July, and feature sought-after speakers and panelists, many of whom – thanks to ERC's location in the nation's capital – are high-level federal officials and members of Congress.

The goal of the Program is to provide a nonprofit forum that fosters professional friendships and blends academic research with practical experience in the field and timely comments from policy makers.

Measure Your Company's Ethics Program

ERC's researchers use employee questionnaires to gather pertinent information, then analyze the data to reveal trouble spots such as misconduct, retaliation and reluctance to report wrongdoing. ERC helps companies, cities, and federal agencies build healthier, more ethical work forces. Increasingly, results also can be benchmarked by industry.

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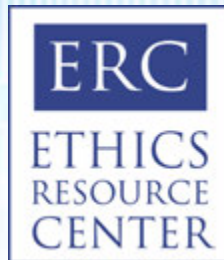
Since the mid-1990s, ERC has conducted its business ethics survey with financial support from companies who recognize its value. NBES is disseminated free of charge online to users in the United States and abroad. Over the years, it has become a highly effective research instrument, relied upon by ethics professionals, executives, academics and policy makers as the U.S. benchmark for ethics in the workplace. Our supporters receive well-deserved recognition and gratitude, as well as a wealth of useful information and analysis.

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The report was made possible in part by generous contributions from two principal sponsors:



Altria



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