

The National Business Ethics Survey of the US workforce is now in its 19th year (this is the eighth edition), and has become the pre-eminent source of information about workplace conduct and ethics through the eyes of employees themselves.

Methodology

- Data based on responses from 6,420 individuals in the for-profit sector. Participants 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.
 - Randomly selected to be representative of the US population.
 - About one-quarter of all participants were interviewed by telephone, and about three-quarters participated through an online survey.
 - The survey took place between 30th September 2013 – 15th November 2013.

Key Findings

- The amount of misconduct declined substantially for the third straight survey and is now at the lowest point since the Ethics Resource Centre (ERC) began investigating it.
 - The percentage of workers who said they observed misconduct on the job fell to an all-time low of **41%** in 2013 (down from 45% in 2011 and a record high of 55% in 2007).
 - Over the last two years, observed misconduct fell in every one of the 26 specific categories asked about.
 - Pressure to compromise standards, often a leading indicator of future misconduct, also was down – falling from 13 % in 2011 to 9% this time.
- Main conclusion is that NBES 2013 is telling us that ethics and compliance programmes work
 - In the previous study 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.
 - Business organizations' deep and long standing investment in E&C is paying dividends and may be fostering a fundamental change in worker behaviour.
- 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 – workers reported that 60% of misconduct involved someone with managerial authority from the supervisory level up to top management.

- Nearly a quarter (24%) of observed misdeeds involved senior managers.
- If allowed to persist, rule-breaking by managers bodes ill for ethics cultures, because managers set the tone for everyone else.
- Workers said that 26% of misconduct is ongoing within their organization.
- About 12% of wrongdoing was reported to take place company-wide.
- The percentage of workers who report the misconduct they observed has stalled, after consistent growth in the previous three NBES studies – more than one out of every three people who observe misconduct choose not to report.
 - Among those who observed misconduct in 2013, 63% reported what they saw, compared to 65% in 2011.
- The rate of retaliation remains alarmingly high, at 21% virtually unchanged from a record high of 22% in 2011.

Observed Misconduct

- The percentage of companies providing ethics training rose from 74% to 81% between 2011 and 2013.
- Two-thirds of companies (67%) included ethical conduct as a performance measure in employee evaluations, up from 60% in 2011.
- Almost three out of four companies (74%) communicated internally about disciplinary actions when wrongdoing occurs.
- The percentage of companies with “strong” or “strong-leaning” ethics cultures climbed to 66% in 2013; this is an improvement compared to NBES 2011 (60%) and mirrors rates in 2009, when companies were still implementing many ethics-related controls in order to weather the 2007-2009 recession.
- In 2013, one in five workers (20%) reported seeing misconduct in companies where cultures are “strong” compared to 88% who witnessed wrongdoing in companies with the weakest cultures.
- Just nine of 28 specific forms of misconduct we asked about in NBES 2013 were witnessed by 10% or more of the employees surveyed.
 - Abusive behaviour, which was observed by 18% of workers, headed that list.
 - Lying to employees, at 17%, was the second most frequent form of wrongdoing.
 - Discrimination was observed by 12% of employees.
 - Seven percent said they had observed sexual harassment at work.
- Two percent stated that they observed someone offer a bribe to public officials.
- Surveyed employees said that members of management are responsible for six of every ten instances of misconduct, and they pointed the finger at senior managers in 24% of observed rule-breaking.

- Abusive or intimidating behaviour and violations of Internet policy were the forms of misconduct most likely to be ongoing, according to 37% and 40%, respectively, of those who observed each.
- Almost three in ten (29%) of those who observed bribes given to clients said the behaviour was part of an ongoing pattern and 24% described it as a “company-wide” practice.
- Bribery of public officials was said to be ongoing by 25% of those who were aware of it at their company and 20 percent said it was company-wide.

Reporting & Retaliation

- When asked why they kept quiet about misconduct, more than one-third (34%) of those who declined to report said they feared payback from senior leadership.
 - Thirty percent worried about retaliation from a supervisor.
 - 24% said their co-workers might react against them.
- Among those who did choose to report, those who experienced retaliation in the past were less likely than those who did not experience retaliation to say they would report misconduct the next time they see it.
 - The willingness to report in the future was 86% for victims of retaliation compared to 95% among those who had not suffered retribution for past reporting.
- The data suggest that a reasonable percentage of problems are being resolved among employees themselves without the need to kick them up the ladder to management.
 - When asked why they did not report wrongdoing, more than one quarter (28%) of workers said they had worked out solutions on their own and 38% said somebody else had already addressed the issue.
- Stealing, for example, was reported by 64% of those who observed it and six of ten reported abusive behaviour. By contrast, accepting improper gifts or kickbacks from vendors was reported 36% of the time and violations of Internet-usage rules generated reports 37% of the time.

Understanding how & why employees report

- In 2013, more than nine out of ten (92%) reporters turned to somebody inside the company when they first complained about misconduct.
 - Eighty-two percent reported to their direct supervisor at some point,
 - Most (52%) said they ultimately wound up talking to higher management about their concerns.
 - Hotlines and ethics officers were much further down the list.
 - Just nine percent of employees reported problems to the government.
 - Overall, only 20% of reporters ever chose to tell someone outside their company, the same percentage as in NBES 2011.

- More than 95% of workers who would recommend their company as a place to work said they would report future misconduct, compared to just 64% who were strongly negative about recommending their workplace to others.
- Seventy-two percent of workers who said they received positive feedback from their supervisor for ethical conduct reported misconduct when observed, compared to only 51% of those who do not receive such recognition.
- There is a similar gap in the reporting rates of those who are confident that top management is transparent about critical issues that impact the company (72%) and those who are not (58%).
- Employees who said that their supervisors conduct their personal life in an ethical manner report at a rate of 73%, compared to a 51% rate among employees who are less confident about their direct supervisor's personal ethical conduct.

Can regulation affect behaviour?

- Of those who turned outside the company and/or to the federal government with concerns about misconduct, only 14% said they were motivated by possible bounty payments – the lowest number among ten choices in the survey.
 - Employees said a desire to prevent harm was a much greater motivator than money.
 - Large numbers said they went outside because they needed outside support, the misconduct was extremely serious, they did not trust anyone inside the company, they feared retaliation, or they did not think internal reporting would have an impact.

Doing business ethically ...

.... makes for better business

