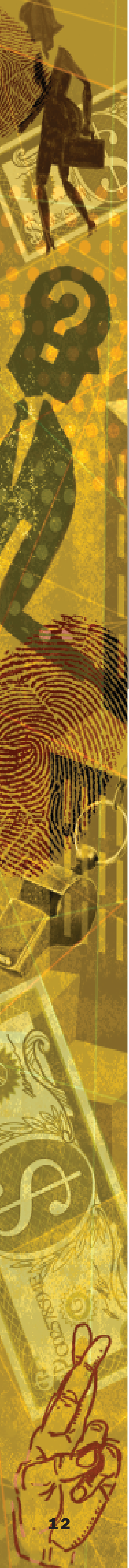

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New Survey of Workplace Ethics Shows Surprising Results

Findings from a survey of ethics in the workplace may portend a future downward shift in business ethics. The percentage of companies with a weak ethical culture is on the rise, as is the number of employees who experienced retaliation for blowing the whistle on observed misconduct.

The ethical culture of the U.S. workplace is in transition, according to the 2011 *National Business Ethics Survey* (NBES) published by the Washington, D.C.-based Ethics Resource Center (ERC). ERC is a private, nonprofit organization devoted to independent research and the advancement of high ethical standards and practices in public and private organizations. Subtitled *Workplace Ethics in Transition*, this seventh biannual study by the ERC is based on responses from nearly 4,700 employees at all levels working at least 20 hours per week in the for-profit sector. Responses came from interviews conducted online and over the telephone. Data was weighted for gender, age, and education.

Some of the study results are easily understandable, but others are unexpected and surprising. ERC calls the news both "very good" and "very troubling," saying that the findings, "which are unlike any the ERC has seen in its prior surveys, indicate something is driving a shift in the American workplace." According to ERC President Patricia Harned, "While most U.S. workers are currently 'doing the right thing' by following company standards and reporting wrongdoing when they see it, we see trouble ahead." She adds that the 2011 results show "factors that historically indicate that American business may be on the cusp of a large downward shift in ethical conduct."

The state of the economy has always been one of the major causes of workplace misbehavior—companies behave differently during economic difficulties. Because of management actions, employees perceive a heightened commitment to ethics during hard times and adopt a higher standard of behavior. Since job security is low during a downturn, employees tend to be more careful to avoid making mistakes. Consequently, only 45% of U.S. workers report witnessing actual misconduct—an historic, if still somewhat troubling, low. The five most frequently observed misconduct events were misuse of company time (33%), abusive behavior (21%), company resource abuse (20%), lying to employees (20%), and violating corporate Internet use policies (16%).

The proportion of employees who observed misconduct and then decided to report it climbed to a record high of 65%. The willingness of employees to say something about what they saw depended significantly on the nature of the violation. The highest proportion of reported violations involved stealing or improper payment offers to public officials—nearly 70% of workers who witnessed such actions reported the violations. Similarly, almost two-thirds of employees reported improper use of competitors' inside information, the falsification of expense reports, trading on inside information, making improper political contributions, delivery of goods or services that failed to meet specifications, abusive behavior or behavior that creates a hostile work environment, and the falsification and/or manipulation of financial reporting information.

On the low reporting side, only 43% of employees who witnessed violations of company Internet use policies reported it, and only half reported the inappropriate use of social networking they observed.

In terms of where employees report observed misconduct, supervisors remain the most likely recipient, at 56%. Company hotlines receive only 5% of misconduct reports and external parties only 3%.

Some of the actions that companies have taken to reduce the level of misbehavior and increase the reporting of violations include heightened efforts to raise awareness of ethics (42%) and management watching employee actions more closely (34%). Forty-four percent of employees believe their business is taking fewer risks, and 30% agree that the bad actors in their company are just lying low because of the recession.

Clouding this better news are the "ominous warning signs of a potentially significant ethics decline ahead." The percentage of employees who experienced some form of retaliation for blowing the whistle was 22%, an all-time high. This compares with 15% in 2009 and 12% in 2007. The proportion of respondents who felt they couldn't question management without fear of retaliation amounted to 19% of all employees.

Many of the retaliatory actions were severe:

- Excluded from decisions and work activity by supervisor or management (64%)
- Given a cold shoulder by other employees (62%)
- Verbal abuse by supervisor or someone else in management (62%)
- Almost lost job (56%)
- Not given promotions or raises (55%)
- Verbal abuse by other employees (51%)
- Hours or pay were cut (46%)
- Relocated or reassigned (44%)
- Demoted (32%)
- Experienced online harassment (31%)
- Experienced physical harm to their person or property (31%)
- Harassed at home (29%)

Further, the NBES reported the percentage of employees who perceived pressure to compromise their company's ethical standards or even break the law so they could perform their jobs jumped significantly from 8% in 2009 to 13% in 2011. This is the highest level since 2000.

Another worrisome finding was that the share of companies that employees reported as having a weak ethical culture climbed to near-record levels of 42%, up from 35% in the previous survey two years ago. The NBES measures critical aspects of ethics culture, including management's trustworthiness, whether managers at all levels talk about ethics and model appropriate behavior, and the extent to which employees value and support ethical conduct, accountability, and transparency.

As expected, there's a very strong correlation between a strong ethical culture and lower observed misconduct. Misconduct was observed in only 29% of companies with a strong ethical culture but seen in 90% of those with a weak ethical culture. Pressure to compromise ethical standards was felt in 33% of companies having a weak ethical culture vs. only 7% where the ethical culture was strong. Employees in companies with weak cultures failed to report observed misconduct 48% of the time, but only 6% of employees in companies with strong cultures didn't report misconduct they observed. Retaliation after reporting misconduct was also more prevalent in weaker cultures—46% vs. 28% in companies with strong cultures.

The 2011 NBES showed declines in both critical drivers of a company's ethical culture—the actions of senior leaders and of supervisors. Confidence in the ethics of senior leaders declined from 68% to 62%, equaling the all-time low reflected in the 2000 study. The proportion of employees who believe their supervisors act as ethical leaders fell from 76% in 2009 to 66% in the latest study. In another sign of weakening ethical cultures, the proportion of employees that said they were confident they could properly handle an ethics situation fell from 86% in 2009 to 77% in 2011.

Because of the increased use of social media in recent years, the 2011 NBES included questions about social networks and active users. These questions provided surprising findings from the experiences of active social networkers—defined as those who spend 30% or more of their workday using social network sites. The ethical experiences of this group are so far outside the range of their colleagues that they had a significant influence on the overall findings.

Comparisons of active social networkers with the remainder of the sample showed networkers experienced far more negative ethical events than their counterparts:

- Observed misconduct: 72% of networkers vs. 54% of the rest
- Felt pressure to compromise standards: 42% vs. 11%
- Experienced retaliation after reporting misconduct: 56% vs. 18%

Even more disturbing, perhaps, are findings that active social networkers appear to believe that many questionable ethical actions are actually acceptable, including:

- Buying personal items with your company credit card as long as you pay it back (42% of networkers believe this is acceptable behavior)
- Doing a little less work to compensate for cuts in benefits or pay (51%)
- Keeping a copy of confidential work documents in case you need them in your next job (50%)
- Taking a copy of work software home and using it on your personal computer (46%)
- "Friending" a client/customer on a social network (59%)
- Blogging or tweeting negatively about your company or colleagues (42%)
- Uploading vacation pictures to the company network or server so you can share them with coworkers (50%)
- Using social networking to find out what your company's competitors are doing (54%)

In summary, the results of the 2011 NBES sound an alarm to business leaders to make strong business ethics a top priority in their strategic plans. The improved results in some areas could also just be a symptom of the current economic situation, and leaders need to remain vigilant about emphasizing the importance of a strong ethical culture and living up to that vision. **SF**

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