Ethical Behavior Differs Among Generations

A new study shows that the ethical behavior of younger workers differs from that of older generations. Business leaders should strengthen their ethics and compliance programs to address these differences.

In June, the Ethics Resource Center (ERC) published a new study that provides further analysis of its 2011 *National Business Ethics Survey* (NBES). The Washington, D.C.-based ERC is a private, non-profit organization devoted to independent research and the advancement of high ethical standards and practices in public and private organizations. The initial analysis of the 2011 NBES showed unexpected and disturbing findings that may portend a future downward shift in business ethics. This new report, titled *Generational Differences in Workplace Ethics*, examines the differences in attitudes toward ethical issues among the four generational groups. (See "New Survey of Workplace Ethics Shows Surprising Results" *Strategic Finance*, April 2012, for more details about the 2011 report.)

Demographics

The four generational groups examined in the survey are Traditionalists, Baby Boomers, Generation X workers (Gen Xers), and Millenials or Generation Y workers (Gen Yers). Traditionalists, born 1925-1945, are hardworking, respectful of authority, and value loyalty. Baby Boomers, born 1946-1964, are hardworking, idealistic, and committed to harmony. Gen Xers, born 1965-1980, are entrepreneurial, flexible and self-reliant, and comfortable with technology. Millennials, born 1981-2000, are tech-savvy, appreciative of diversity, and skilled in multitasking.

Some of the negative traits and workplace attributes widely assigned to each cohort include:

◆ Traditionalists—Conformers who resist change, are disciplined and pragmatic, work and family lives never coincide, dress formally.

◆ Boomers—Self-centered with sense of entitlement, workaholics, self-motivated, don't appreciate feedback.

◆ Gen Xers—Lazy, skeptical and cynical, question authority figures, desire for a work-life balance and flexible schedule, work dress is at low end of business casual.

◆ Millennials—Lack basic literacy fundamentals, very short attention spans, not loyal to organization, demand immediate feedback and recognition, integrate technology into the workplace, expect to have many employers and multiple careers, work dress is whatever feels comfortable.

Reporting and Its Consequences

According to *Generational Differences in Workplace Ethics*, these differences in attitudes and traits have resulted in a great deal of variability in many of the measures of workplace ethics. The study found that the youngest workers are significantly more likely than their older colleagues to feel pressure from others to break ethical rules because the pressure "eases as workers spend more time in the workforce and learn ways of coping with their work environment." As a possible solution, companies should concentrate more on issues of ethical culture during the orientation of new employees, which should mitigate their feeling of not knowing much about how to act within the culture of their new workplace.

Another finding in the generational study was that more younger workers have observed ethical misconduct in the workplace during the previous 12 months than their older colleagues. This is in spite of the fact that Millennials observed significantly fewer examples of using company time to conduct per-

sonal business than did those in older generations. The study explains this latter phenomenon by noting that younger workers tend to integrate their work and personal lives to a greater extent.

While earlier studies have shown that younger workers were less likely to report unethical behavior, the latest report shows a sharp increase in Millennials' reporting. "They are now on par with their older cohorts, except for Traditionalists," who observed and reported fewer instances than in previous years. Millennials observed 49% of workplace misconduct, the highest of all generations. The types of misconduct observed include:

◆ Personal business on company time–26%,
◆ Lying to employees–22%,
◆ Abusive behavior–21%,
◆ Company resource abuse–21%, and
◆ Discrimination–18%.

Of those Millennials who observed unethical behavior, 67% of them reported the misconduct, which included:

◆ Stealing or theft–74%,
◆ Falsifying expense reports–71%,
◆ Goods/services fail to meet specifications–69%,
◆ Falsifying time sheets or hours worked–68%, and
◆ Offering improper payments/ bribes to public officials–67%.

All age groups tend to inform their supervisors, whom they know well and can trust, about misconduct they observed. Only a small percentage of workers went outside their organizations with their initial complaints. Millennials are the group most likely to re-

port by using the hotline option. The study found that younger workers were significantly more likely than those in older generations to feel some form of retribution or retaliation. This is possibly due to the increase in their reporting of misdeeds.

Millennials: The Future of Professionalism

Perhaps the most surprising and disturbing result in the generational analysis is the relatively high percentages of Millennials who consider certain behaviors in the workplace to be ethical:

◆ Use social networking to find out about the company's competitors–37%,
◆ "Friend" a client or customer on a social network–36%,
◆ Upload personal photos on a company network–26%,
◆ Keep copies of confidential documents–22%,
◆ Work less to compensate for cuts in benefits or pay–18%,
◆ Buy personal items using a company credit card–15%,
◆ Blog or tweet negatively about a company–14%, and
◆ Take a copy of work software home for personal use–13%.

The extensive use of social networking seems to pose challenges as significant numbers of Millennials post questionable information on their personal social networking sites:

◆ Feelings about their jobs–40%,
◆ Bad joke told by the boss–26%,
◆ Work on a project–26%,
◆ Picture of a coworker drinking–22%,
◆ Annoying habit of a coworker–20%,

◆ Information about the company's competitors–19%,
◆ Opinion about a coworker's politics–16%.

Most importantly, the report states that younger workers are significantly more willing to ignore the presence of misconduct if they think that behavior will help save jobs. "Willingness to 'let the ends justify the means' seems to have a strong inverse correlation with age," according to the report.

Building a Strong Ethics and Compliance Program

The most encouraging news in the new ERC study is that a robust ethical culture means less pressure to compromise standards, fewer observations of misconduct, higher rates of reporting, and decreased levels of retaliation against those who report. A strong ethics and compliance program has a significant role in developing and maintaining an organization's culture. In terms of the generations, Millennials are particularly driven by a strong program to be more proactive in their ethical conduct. Yet a weak ethics and compliance program has an adverse effect on older cohorts.

In terms of reporting frequency, which mirrors overall effectiveness of ethics and compliance programs, Millennials are more likely to report misconduct when they can (1) use company resources (such as a hotline), (2) feel prepared to handle an ethical dilemma (through effective training), (3) talk to an ethics advice resource in the company, and (4) rely on coworkers for support. In contrast, Boomers rely most

heavily on "formal provision of standards and resources of an ethics and compliance program and [its] successful integration into their work arena as well as signs the company is doing the right thing," according to the report. In other words, older workers are more likely to consult more formal company channels for guidance, whereas the first choice of younger workers is likely to be their families. Traditionalists and Boomers are least likely to talk to their coworkers about it.

These differences are illustrated in deciding whom to consider telling about workplace misconduct, which varies considerably among generations. Millennials' choices are more extensive and significantly different from those of older cohorts. The youngest group prefers to tell friends–65%, family–65%, government resources–28%, religious leaders–22%, social networks–21%, legal counsel–20%, and traditional media–17%.

Boomers' choices, like those of Traditionalists, are much more conservative: government–14%, religious leaders–9%, social networks–4%, legal counsel–9%, and traditional media–3%. The percentage who make their initial report outside the organization is strikingly different among the generations: Traditionalists–14%, Boomers–13%, Gen Xers–7%, Millennials–5%. But the trend reverses if an additional or second report is deemed necessary: Millennials–19%, Gen Xers–18%, Boomers–15%, Traditionalists–13%. The *IMA® Statement of Ethical Professional Practice* states, "Each member has a responsibility to keep information confidential except when disclosure is authorized or legally required."

The different resources each generation uses are a strong influence in the role the ethics and compliance program takes in an organization. Some of the objectives of the programs include raising employee awareness of:

◆ The ethical standards of the organization,

◆ Available resources for additional help,

◆ Confidential mechanisms to report misconduct, and

◆ Consequences for violating the code of conduct.

Observations contained in the ERC report include:

◆ The younger the worker, the more his or her perceptions about ethics will be influenced by social interaction;

◆ The older the employee, the more hierarchy, structure, and visible company commitment matter;

◆ Culture makes a difference for all generations, but, for younger workers, culture is the sum of their interactions with other individuals, much of which is with coworkers. Older workers get their cues about culture from the company's stated values, messages from the top, and their beliefs about the organization as a whole.

The report provides considerable motivation for senior executives to develop and maintain an ethics and compliance program in their organizations that will consider the attitudes and expectations of workers from all generations. Effective training programs should be the hallmark of a strong ethical culture. **SF**

Curtis C. Verschoor, CMA, is the Emeritus Ledger & Quill Research Professor, School of Accountancy and MIS, and an honorary Senior Wicklander Research Fellow in the Institute for Business and Professional Ethics, both at DePaul University, Chicago. He's also a Research Scholar in the Center for Business Ethics at Bentley University, Waltham, Mass. He was selected by Trust Across America as one of North America's Top Thought Leaders in Trustworthy Business Behavior, 2013. John Wiley & Sons has published his latest book, Audit Committee Essentials. *His e-mail address is curtisverschoor@sbcglobal.net.*