

National Business Ethics Survey: The Importance of Ethical Culture: Increasing Trust and Driving Down Risks

Ethics Resource Center (ERC)

2009

Executive Summary:

“Study after study confirms it: the vast majority of people act based on the circumstances in their environment and the standards set by their leaders and peers, even if it means compromising their personal moral ideals”.

Objective:

The objective of this brief of the National Business Ethics Survey 2009 (NBES) was to investigate the following questions:

- 1) What is the relationship between ethical culture strength and desired results of an ethics and compliance program?
- 2) How important are company leaders when it comes to shaping ethical culture?
- 3) How is ethical culture related to extremely serious financial misconduct, such as misrepresenting finances and insider trading?
- 4) How have perceptions of culture and different aspects of culture changed over time?
- 5) Which companies, by their nature, are less likely to have strong ethical cultures?

Methods:

The NBES is conducted biennially via telephone questionnaire. In 2009, the survey had 3010 respondents, of which 158 were removed due to being government employees, since the survey was attempting to survey only employees of for-profit businesses, for a revised total of 2852 respondents. Calls were made to randomly sampled residential households within the contiguous 48 states.

To be eligible for participation in the 2009 survey, respondents had to be:

- Eighteen years of age or older;
- Currently employed;
- Working for a company that employs at least two people; and
- Working at least 20 hours per week for their primary employer

Results of the survey were weighted based on gender and age, according to statistics obtained from the 2000 U.S. Census data. Only 12% of all non-demographic questions had a difference of two or more percentage points between un-weighted and weighted results.

Key Findings:

- “Ethical culture continues to have a profound impact on pressure, observed misconduct, reporting of observed misconduct, and rates of retaliation against reporters”

- “Actions and perceptions of top managers drive the ethical culture of the company and have a significant impact on outcomes” (8)
- “Coworker culture is particularly powerful for decreasing observations of financial misconduct, but top management culture is associated with the greatest increases in reporting it” (9)
- “Although overall culture and coworker culture are on the rise, perceptions of management (top and supervisors) are declining” (11)
- “When it comes to strength of ethical culture, some companies are at an innate disadvantage” (12)

Conclusion:

“In stronger ethical cultures, employees feel engaged and committed to the company and the company is protected from the risks associated with misconduct and lurking ethics issues” (13).

Based on the findings in this brief, ERC makes several recommendations to strengthen ethical cultures:

- 1) Make developing a strong ethical culture a business priority
- 2) Lead by example; talk the talk and walk the walk
- 3) Develop and promote programs that encourage ethics as a priority among workers at all levels
- 4) Be mindful of what challenges are innate to your organization and find ways to help employees feel invested in the company
- 5) Invest time and effort in regular assessment and careful analysis

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