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# The State of Ethics in Large Companies

*A Supplemental Research Report from the National Business Ethics Survey (NBES®) 2013*

**Skip Lowney,**  
Senior Researcher

**Nicky Brooks,**  
Researcher and Project Manager

*March 31, 2015*

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**The State of Ethics in Large Companies report was made possible in part by support from our sponsor:**



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# About the National Business Ethics Survey (NBES®) 2013

- Longitudinal, cross-sectional study first implemented in 1994
- National benchmark on business ethics
- From employee perspective
- Biennial since 2003; 2013 study is 8<sup>th</sup> in the series
- Over 34,000 surveyed for NBES
- All respondents: 18 years or older; working 20+ hr./week at company of 2 or more



# Methodology for NBES 2013

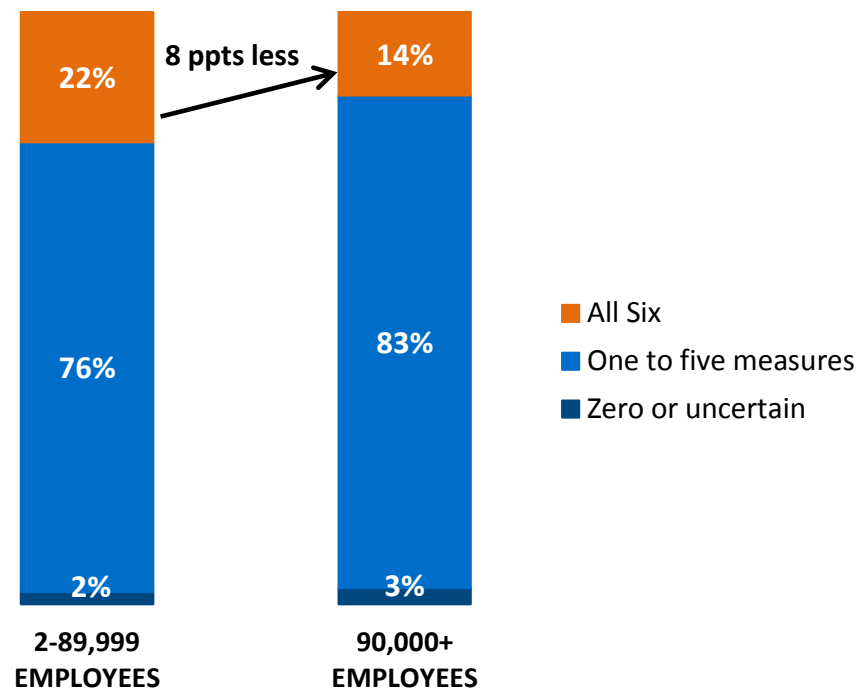
- Business-only; 6,420 responses
- Dual mode: Online and phone (including cellular)
- Oversampling for companies with 90K+ employees
- Data weighted by: collection mode; age, gender, and education of respondent
- Data collected Sept. 30-Nov. 15, 2013
- Sampling error: +/- 1.2 percent at 95 percent confidence level



**When the largest companies (those with 90,000 or more employees) *successfully* invest resources in ethics and compliance, they get impressive results.**

# Program Effectiveness and Company Size

Highly Effective Programs Are Less Prevalent in Large Companies Compared to Smaller Companies



Data from the 2013 NBES®

# Importance of Effective E&C Programs

Large and Smaller Companies Have the Same Top Three Indicators of Program Effectiveness Correlating with Lower Retaliation Rates

Indicators of Program Effectiveness	Company Size	
	Under 90K Employees	90K+ Employees
Supervisor Provides Positive Feedback	1	2
Can Approach Management Without Fear of Retaliation	2	2
Prepared to Handle Ethics Situations	3	1
Company Gives Recognition for Following Ethics Standards	5	3
Company Does Not Reward Questionable Practices	4	4
Frequency of Resource Use	6	5

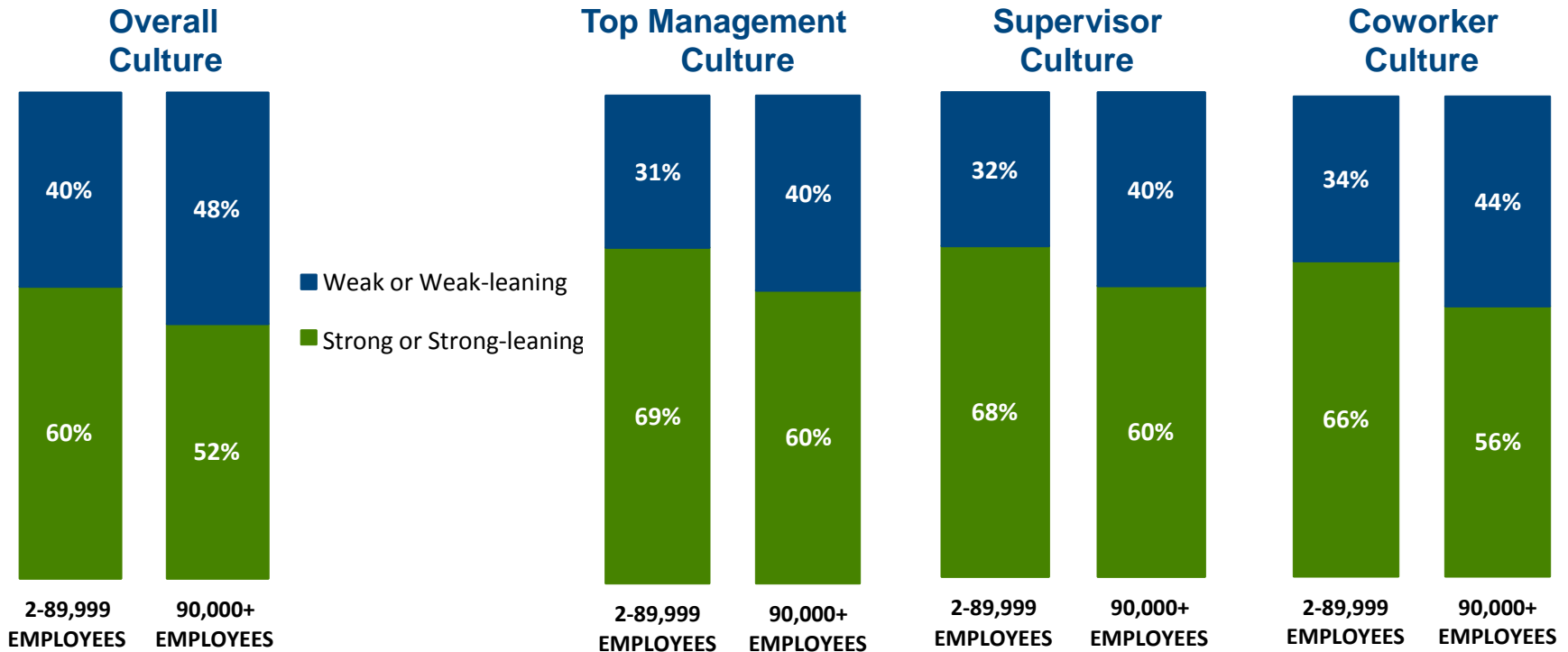
Ranks are based upon the difference in rates of retaliation between employees' agreement and disagreement of the indicators of program effectiveness. The indicators which made the most difference in retaliation were rated (1) and those with the least difference were rated (6).



Data from the 2013 NBES®

# Ethics Cultures and Company Size

## Ethics Cultures Are Typically Weaker in Large Companies Compared to Smaller Companies



Data from the 2013 NBES®



# Does Company Size Matter?

A Quick Comparison of Key Outcomes Reveals a More Nuanced Picture of the Ways That Company Size Does and Does Not Matter

Key Ethics Outcomes	Under 90K Employees	90K+ Employees
Felt Pressure to Compromise Standards	9%	10%
Observed Misconduct in the Previous 12 Months	41%	51%
Reported Misconduct When Observed	63%	66%
Reporters Who Experienced Retaliation	22%	15%

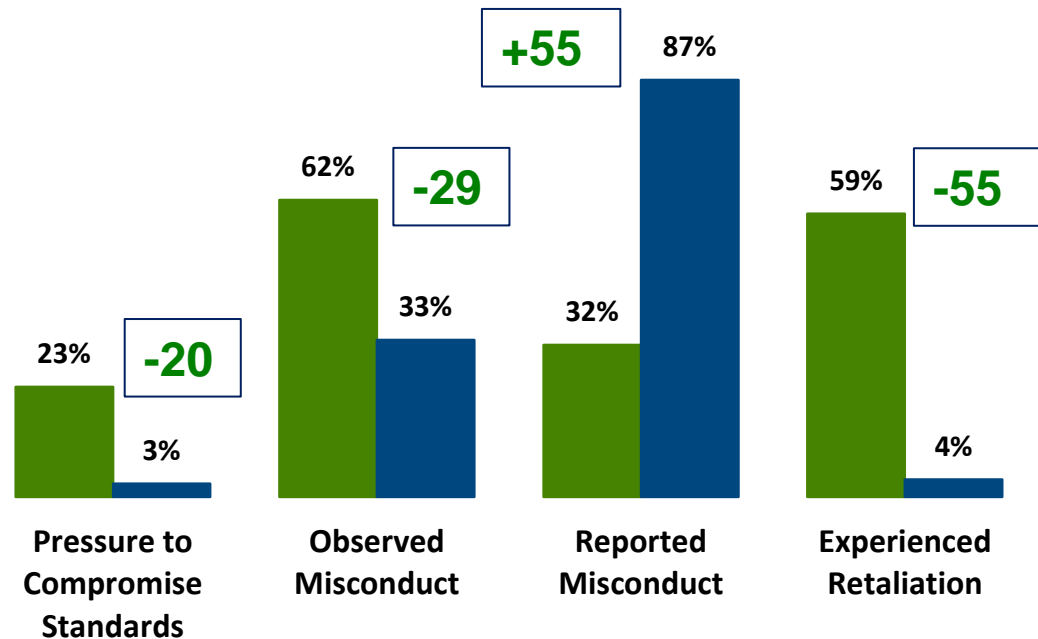
Items in **Red** are statistically worse. Items in **Green** are statistically better.



Data from the 2013 NBES®

# Effective Ethics and Compliance Programs

Large Companies with Effective Programs See Positive Outcomes



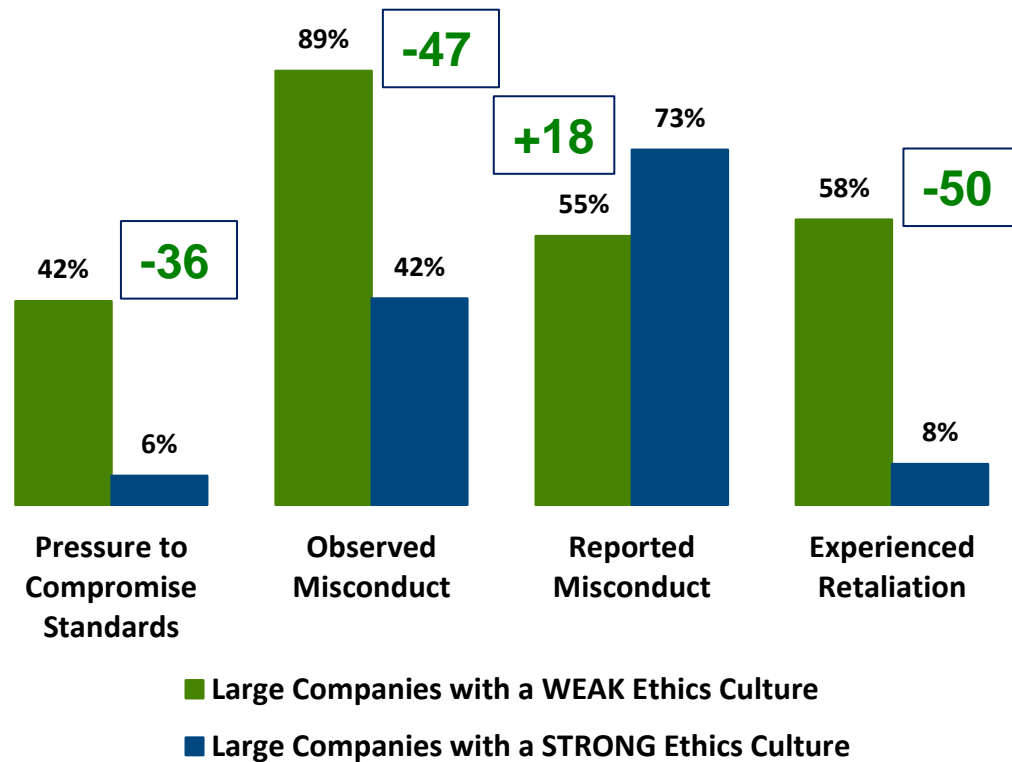
- Large Companies WITHOUT an Effective Program
- Large Companies WITH an Effective Program



Data from the 2013 NBES®

# Ethics Culture

In Large Companies Strong Ethics Culture Is Related to Better Outcomes



Data from the 2013 NBES®

# In Large Companies: Programs v. Culture?

**Both Programs and Culture Matter: Each Contributing to Improved Outcomes**

Ethics Outcomes	Percentage Point Improvement When...	
	...Program Is Effective	...Culture Is Strong
Felt Pressure to Compromise Standards	- 20 pts	- 36 pts
Observed Misconduct in the Previous 12 Months	- 29 pts	- 47 pts
Reported Misconduct When Observed	+ 55 pts	+ 18 pts
Reporters Who Experienced Retaliation	- 55 pts	- 50 pts

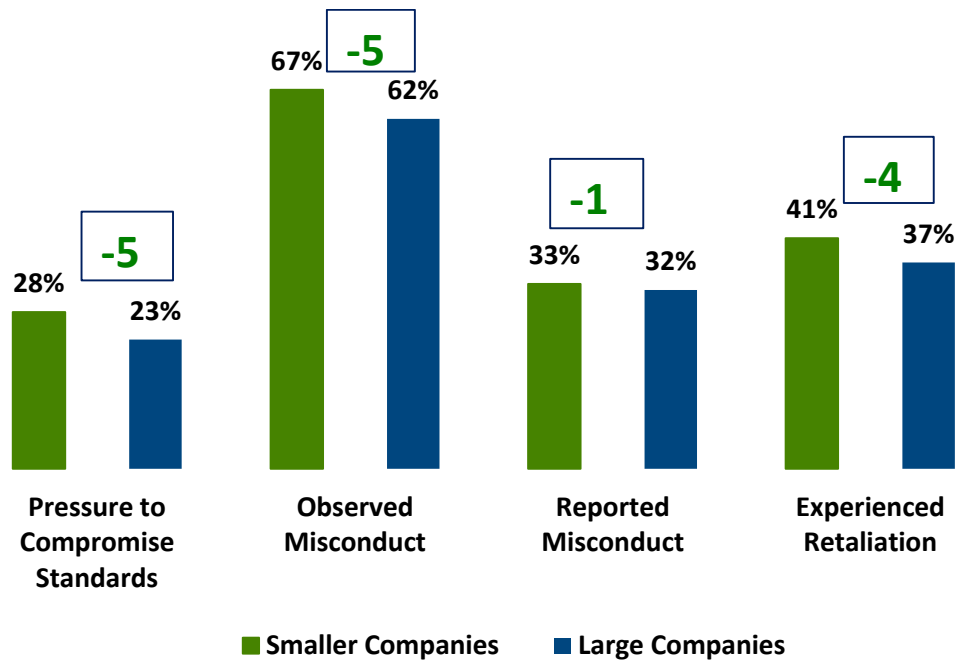
Items in **Blue** and **Green** are improvements, but the items in **Green** are more favorable than **Blue**.



Data from the 2013 NBES®

# A Seeming Advantage

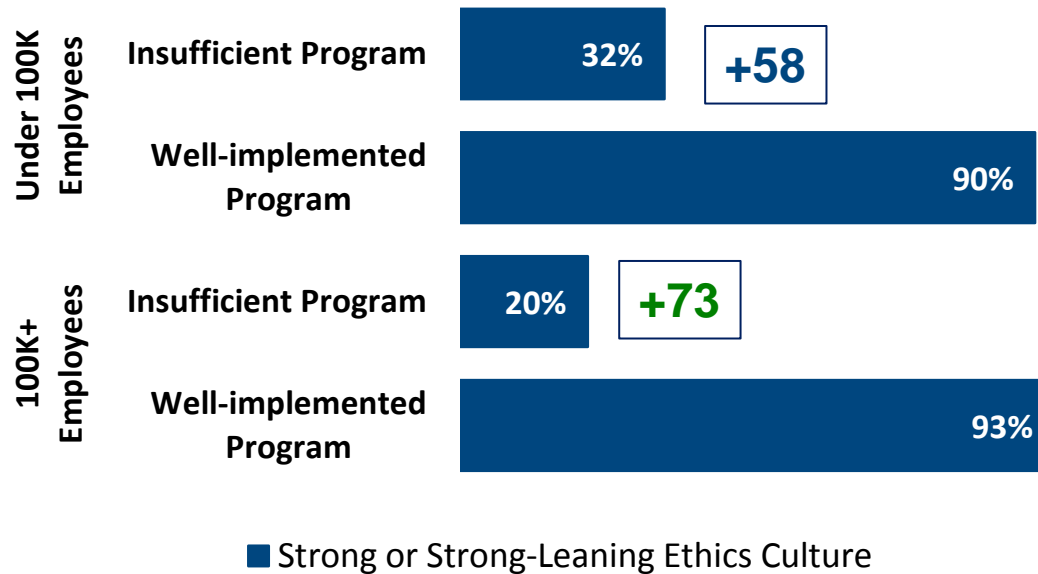
Large Companies *without Effective Programs* Have Lower Levels of Pressure, Misconduct, and Retaliation Compared to Smaller Companies



Data from the 2013 NBES®

# Well-Implemented\* Ethics Program and Strong Ethics Cultures

2011 NBES Data Demonstrate That Ethics Programs Are More Critical to Culture-Building in Large Companies



\*Well-implemented program includes both a Comprehensive Program (all 6 elements) and Effective Program (all 6 indicators).

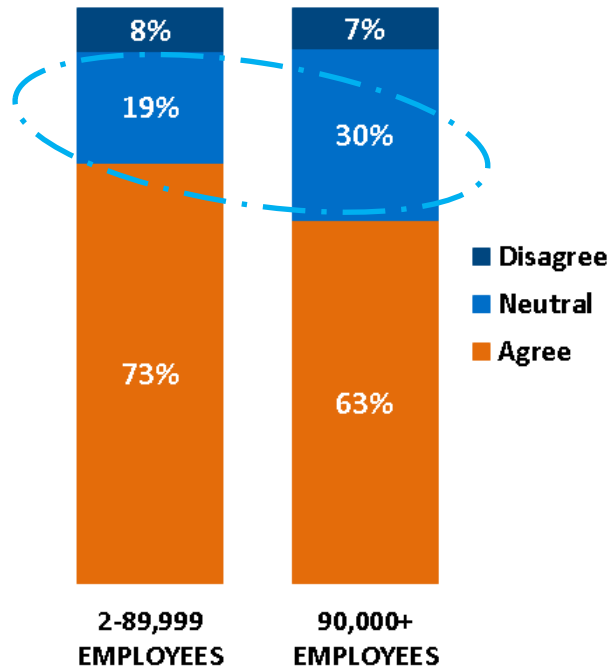
Data from the 2011 NBES®

# Opportunities to Lead the Way

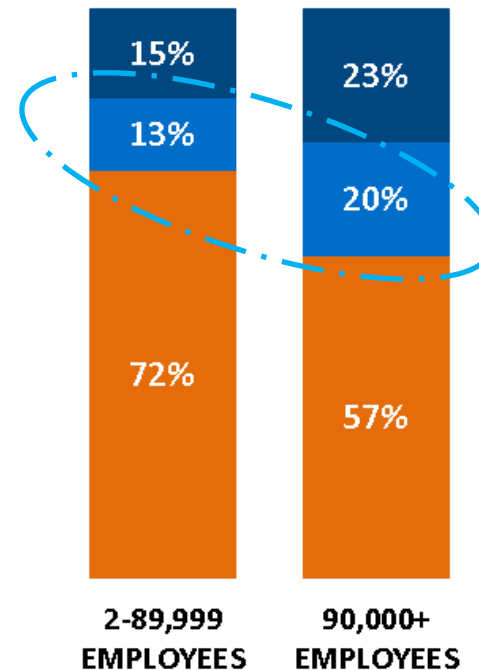
# Top Management

**Top Management Ethical Behavior is Noticed in Both Large and Smaller Companies, Although There Is More Certainty in Smaller Companies**

**Top Management Conducts His/Her Personal Life in an Ethical Manner**



**Top Management Listens to What Employees Have to Say**

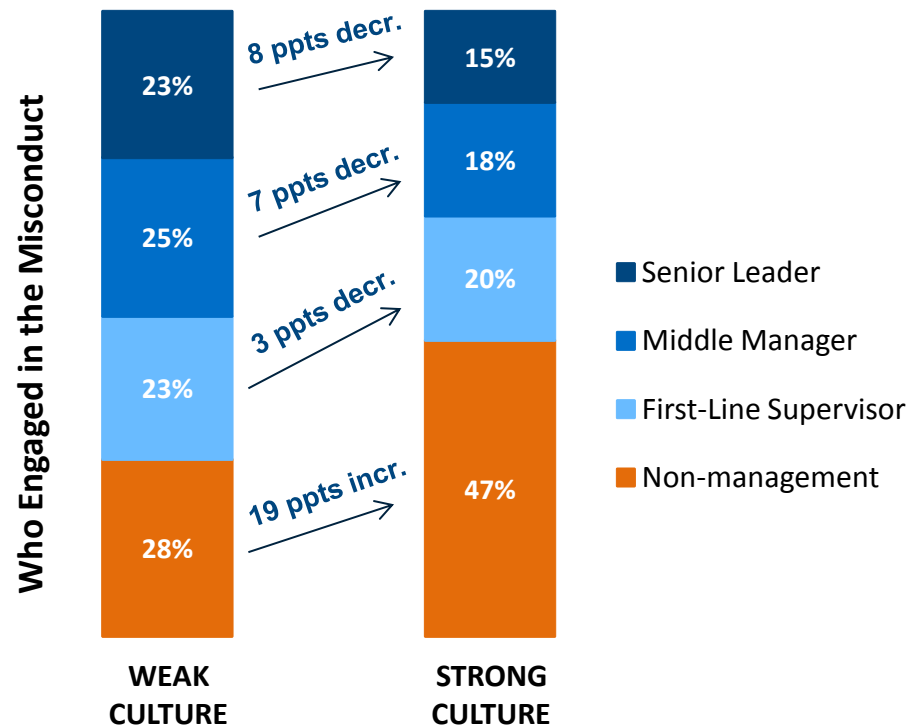


Data from the 2013 NBES®



# Who Commits Misconduct?

In Large Companies With Strong\* Ethics Cultures, There Are Fewer Management Level Employees Involved in Misconduct



\*Comparisons are made based on a three-tiered measure of culture.

Data from the 2013 NBES®

# Misconduct – Offenders and Observers

In Companies of All Sizes, Misconduct Is Generally Witnessed By Others of the Same Rank or Close in Rank, Except That of Senior Leaders

Who Was Involved in the Misconduct?	Who Observed the Misconduct?			
	Top Mgmt	Middle Mgmt	Direct Supervisor	Non-Mgmt
Senior Leaders	X	X	X	X
Middle Management	X	X	X	
Direct Supervisor			X	X
Non- Management Employees			X	X

Items in **Dark Yellow** are statistically higher than un-highlighted cells. Items in **Light Yellow** are statistically equivalent to the Dark Yellow as well as one or more of the others.



Data from the 2013 NBES®

# Specific Misconduct – Offenders and Observers

In Companies of All Sizes, a Look at a Few Types of Misconduct Involving The Senior- and Junior-most Employees Gives a Clear Picture That Ethics at All Levels Is Important

Type of Misconduct Observed	Who Was Involved in the Misconduct?	Who Observed the Misconduct?			
		Top Mgmt	Middle Mgmt	Direct Supervisor	Non-Mgmt
Sexual Harassment	Senior Leaders	54%	22%	16%	10%
	Non-management	24%	42%	35%	63%
Abusive Behavior	Senior Leaders	34%	29%	24%	20%
	Non-management	27%	35%	40%	44%
Misuse of Company's Confidential Information	Senior Leaders	56%	24%	17%	20%
	Non-management	13%	22%	26%	44%

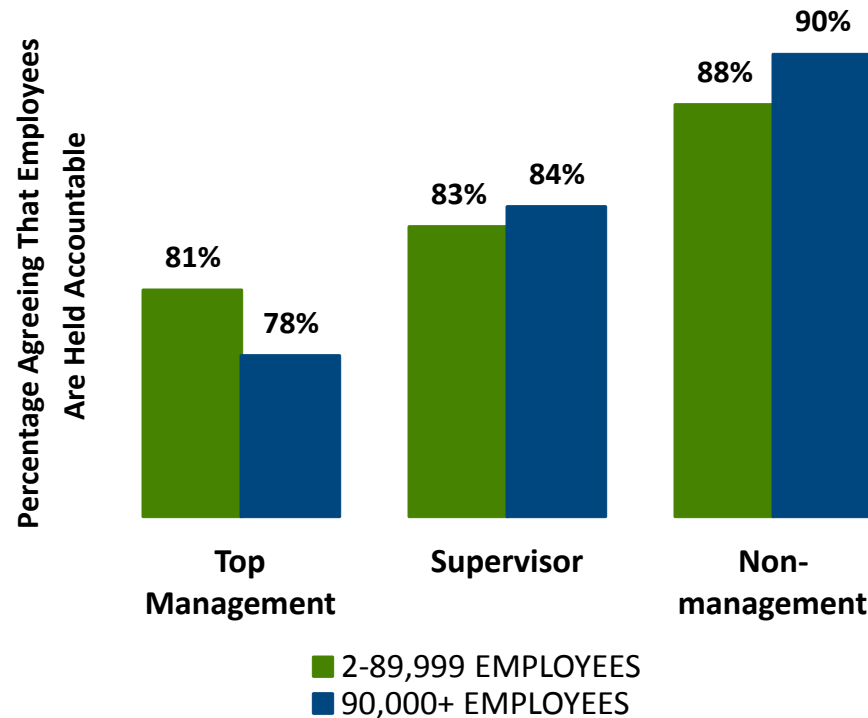
Items in **Dark Yellow** are statistically higher than the others. Items in **Light Yellow** are statistically equivalent to the Dark Yellow as well as one or more of the un-highlighted cells. Un-highlighted cells may or may not be significantly different from each other.



Data from the 2013 NBES®

# Accountability for Ethics Violations

Top Management Is Least Likely to Be Held Accountable, and This Is More Pronounced in Large Companies



\*The differences in accountability between large and smaller companies were significant for Top management and non-management, but not supervisor.

Data from the 2013 NBES®

# **A More Detailed Look at Ethics Outcomes in Large and Smaller Companies**

# Misconduct More Prevalent in Large Companies

*However, the Most Common Types of Misconduct Are the Same for Both Large Companies and Smaller Companies*

Specific Type of Misconduct Observed	Under 90K Employees	90K+ Employees	NBES 2013 Overall
Lying to employees	17%	25%	17%
Abusive behavior	17%	20%	18%
Conflict of interest	12%	16%	12%
Discriminating against employees	12%	16%	12%
Violating company policies related to internet use	12%	16%	12%
Lying to customers, vendors, or the public	10%	16%	10%
Violating health and safety regulations	10%	14%	10%

Items in **Red** are statistically worse. Items in **Green** are statistically better.

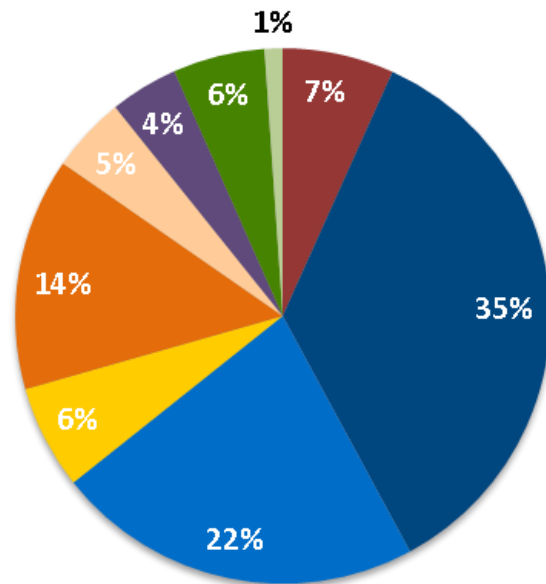


Data from the 2013 NBES®

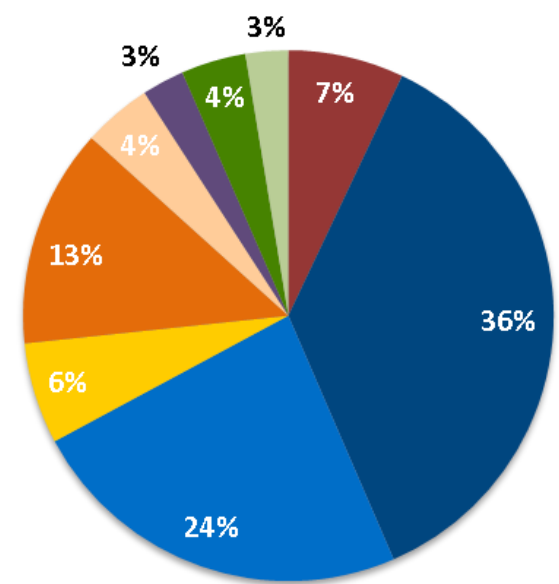
# Reporting Locations

Reporting Patterns are Similar Regardless of Company Size

**NBES 2013  
Smaller Companies**



**NBES 2013  
Large Companies**



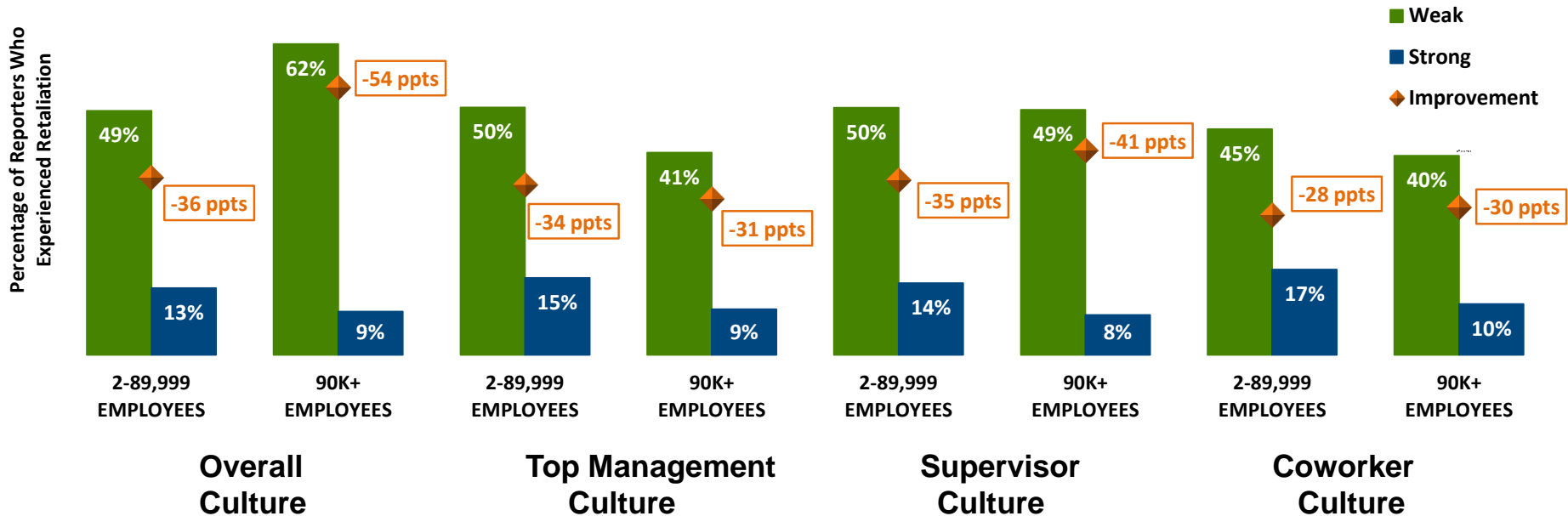
- Hotline
- Supervisor
- Higher Management
- Ethics Officer
- Human Resources
- Legal
- Government or Regulatory Authority
- Outside Non-Government
- Other



Data from the 2013 NBES®

# Retaliation Is Less Common in Strong Cultures

Large Companies See the Biggest Improvement in Rates of Retaliation Corresponding to Strong Ethics Cultures\*



\*Comparisons are made based on a three-tiered measure of culture.

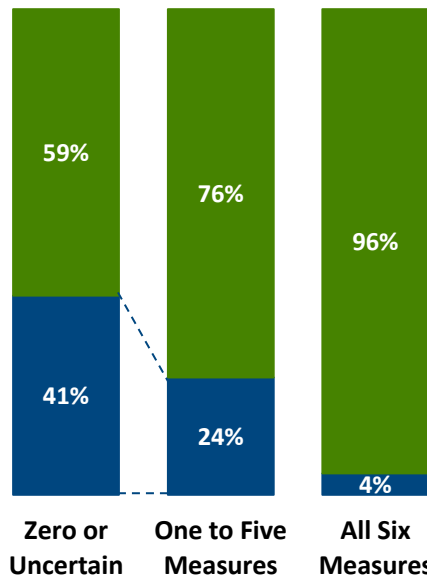
Data from the 2013 NBES®



# Retaliation Is Less Common in Companies with Effective Programs

Large Companies with at Least One Indicator of Program Effectiveness Measures See the Sharpest Decline in Retaliation

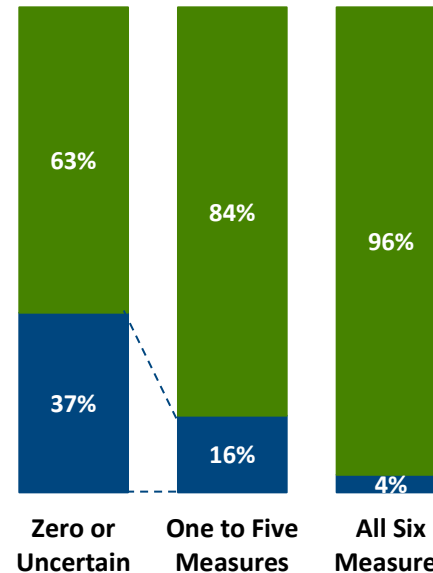
UNDER 90,000 EMPLOYEES



Indicators of Program Effectiveness

**-17 ppts.**

90,000+ EMPLOYEES



Indicators of Program Effectiveness

**-21 ppts.**

Data from the 2013 NBES®



# Implications of the Findings

*What Should Companies Do?*

# Implications of the Findings

## Both Programs and Cultures Matter

### *To Ensure a Well-Implemented Ethics and Compliance Program:*

- Assess the effectiveness of E&C program, ensuring employees are equipped and management at all levels are approachable and encouraging ethical conduct; and
- All companies, but especially smaller companies, take steps to bolster programs to ensure their effectiveness.

### *To Promote a Strong Ethics Culture:*

- Increase presence and awareness of senior leaders' ethical conduct to employees
- Model ethical behavior from the highest levels;
- Ensure top managers are holding each other accountable to ethics standards;
- Make ethical leadership a component of management training; and
- Invest in training programs and ethics advice resources that are pragmatic, approachable, and accessible.





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## Ethics Research Center

[www.ethics.org](http://www.ethics.org)  
**(703)647-2185**

## Ethics & Compliance Association

[www.theecoa.org](http://www.theecoa.org)  
**(781)647-9333**