

LRN Ethics Study: Workplace productivity

A report on how ethical lapses and questionable behaviors distract U.S. workers

workplace productivity

TABLE OF CONTENTS

01	Executive summary
02	Key findings
03	Detailed results
17	Implications and solutions
20	Survey methodology

New research from LRN finds that ethical lapses and questionable behavior in the workplace are common occurrences for working Americans and these lapses distract them from their work. Potential scandal or business disruption also exists in many companies today, according to employees.

Nearly three in four of the surveyed Americans working full time said they encountered ethical lapses in the workplace; more than one in three have been distracted by them; and one in 10 believed a current issue at their company could cause a scandal or business disruption.

These results are among the key findings of the LRN Ethics Study on workplace productivity, the latest in a series of omnibus research studies from LRN. This study shows a connection between lawful, ethical conduct and productivity in the workplace. In sum, the results suggest companies need to strengthen their focus on developing corporate cultures that value responsible conduct and clearly define appropriate behaviors for their workers.

In particular, the study indicates American companies are experiencing significant levels of ethical lapses that lead to worker distraction. A number of respondents even believe serious incidents are already occurring in their company that could cause a scandal or business disruption if revealed. At the same time, the study shows workers are not comfortable reporting ethical lapses to their companies. These findings call into question how well companies are facing the challenge of educating their workforces on ethical business conduct and principled performance. Organizations should view these results as a warning that more work is required to inspire employees to higher standards of behavior and to develop trust and confidence that reported incidents of unethical behavior will be acted upon appropriately and confidentially.

executive summary

Paul Robert, associate general counsel & director, contracts & compliance for United Technologies Corporation, notes that any type of ethical lapse in a company ultimately erodes its culture.

“Ethical lapses – even small ones in whatever form – harm the perception of a values-driven corporate culture. Questionable behavior by one employee can demotivate others, and an accumulation of small incidents detracts from productivity and job satisfaction. I draw the analogy to failing to repair broken windows – not paying attention to the small issues signals that the company is willing to tolerate a level of questionable behavior. We address the ‘minor’ issues because they show our people that high standards and performance are what we care about, and that is what enables us to identify and navigate around our highest risks.”

Key findings

- Seventy-three percent, roughly three out of four, of surveyed Americans employed full time reported encountering ethical lapses on the job, and 36 percent, more than one in three, said they were distracted by such an incident.
- More than one in three respondents who encountered ethical lapses said these incidents happen at least once a week.
- Nearly four in 10 of those respondents who reported being distracted spent a day or more distracted, including 11 percent who spent a month or more.
- One in 10 of the American workers surveyed believed a current issue at their company could create a scandal or business disruption if it was discovered. This figure increased to one in three among those who were distracted by a lapse in ethics or questionable behavior.
- Younger workers, ages 18-34, reported substantially higher levels of witnessing ethical lapses and being distracted than middle-aged and older workers.
- Although white-collar workers were more likely to have witnessed ethical lapses and been distracted by them than blue-collar workers, more than twice as many blue-collar workers – nearly one-quarter – as white-collar workers reported that they do not believe management would handle an incident appropriately if reported.
- Employees are at odds on how to handle the causes of their distraction, being almost evenly divided between handling it themselves (43 percent) or involving company management (48 percent).
- Employees frequently involved others following the incidents of ethical lapses or questionable behavior at work. About half of surveyed Americans employed full time, 46 percent, said they informed someone else. Those who reported actually being distracted by an ethical lapse told, on average, eight other people, with an average of three of those people also losing time because of the incident.
- One in three surveyed Americans working full time, 36 percent, said that they have reported an incident they believed to be unethical or questionable to management. Those observing an incident, yet not reporting it to their employers, cited several reasons for not doing so, with the top three being lack of confidence in how management would handle it (14 percent), lack of comfort in reporting (13 percent) and lack of a formal reporting procedure (11 percent).

Methodology

Survey results are based on telephone interviews conducted December 14-18, 2006, and January 4-8, 2007, among a sample of adults employed full time. The methodology used to collect survey responses involved asking a series of questions on the CARAVAN® omnibus surveys from Opinion Research Corporation (ORC). A more detailed methodology follows the report findings.

detailed results

A COMPANY'S ETHICAL ENVIRONMENT AFFECTS THE ABILITY OF ITS WORKERS TO WORK FREE FROM DISTRACTION WITH THE GREATEST PRODUCTIVITY

Three out of four full-time American employees encounter unethical or questionable behavior in their workplaces.

American employees are much more likely to observe ethical lapses on the job than not. In fact, nearly three-fourths (73 percent) of full-time employees surveyed have encountered unethical or questionable behavior in their workplace.

The Bureau of Labor Statistics estimated the number of full-time workers at more than 119 million in June 2006. Applying 73 percent to that figure results in an extremely high number of American workers encountering ethical lapses on the job – almost 87 million.

The LRN Ethics Study on workplace productivity looked at the types of ethical lapses most commonly seen. They included high-risk activities, such as giving preferential treatment to employees, customers or suppliers; sharing company secrets with others; embarrassing or mistreating co-workers publicly; and sending inappropriate or offensive electronic communications – all of which have potential legal liability or reputational risk tied to them and are among the types of activities that have been at the center of many recent high profile corporate scandals.

These findings about high-risk activities also support an earlier LRN Ethics Study on employee engagement, conducted in June 2006, which found one in four employed Americans surveyed witnessed unethical, harassing or discriminatory, even illegal, behavior where they worked in the past six months. Among those, only 11 percent said they were not affected by it. Further, 20 percent of those who said they had seen a colleague acting unethically in those past six months also reported that they had previously left a job due to ethical considerations.

Additional ethical lapses found in the LRN Ethics Study on workplace productivity include activities that may be considered low legal risks to companies, but are nevertheless significant in terms of the distraction they can cause. These activities include taking credit for another's work; using title or influence to pressure others to achieve goals; using abusive, hostile or emotionally charged language in dealing with others; back-biting or bad-mouthing co-workers; breaking promises or not delivering on one's word; and doing personal business on company time. While seemingly insignificant, all of these can create conditions that erode a company's overall compliance culture.

Personal observation is the way the vast majority of workers learned about these incidents. Of those who had been distracted in the past year, 77 percent observed the ethical lapse or questionable behavior firsthand, while only 15 percent heard about it secondhand. The groups most likely to observe these behaviors were those 18-34 years of age, white-collar workers and employees in metro areas.

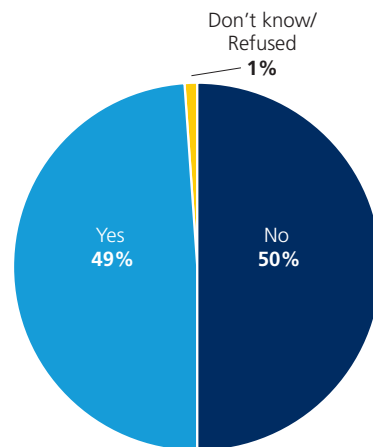
One half of those who witness ethical lapses were distracted from their work by the behavior – which translates to about one-third of Americans employed full time being distracted.

The LRN Ethics Study on workplace productivity discovered that distraction is common in the American workplace, finding that about half of those who said they witnessed an ethical lapse were distracted by it. This converts to roughly one-third of Americans employed full time being distracted by unethical behavior in the workplace. Again, with the number of full-time workers estimated at more than 119 million in June 2006, we can extrapolate the number of employees distracted by unethical or questionable behavior in American work settings at nearly 43 million people.

The forms of distraction cited included many actions that take employees away from their work. Nearly nine in 10 (89 percent) said they talk with colleagues, supervisors, managers or others outside the company including family and friends. More than eight in 10 (84 percent) think about the incident while at work. More than a third (36 percent) either send an e-mail, instant message or voicemail to someone else about the incident or file a written complaint or report.

All education levels and both blue-collar and white-collar workers reported significant distraction, with college graduates and white-collar professionals most frequently reporting being distracted. Of particular note, three-quarters of those witnessing ethical lapses on a *daily* basis reported that it distracted them, suggesting that the more frequently ethical lapses occur, the more people become distracted.

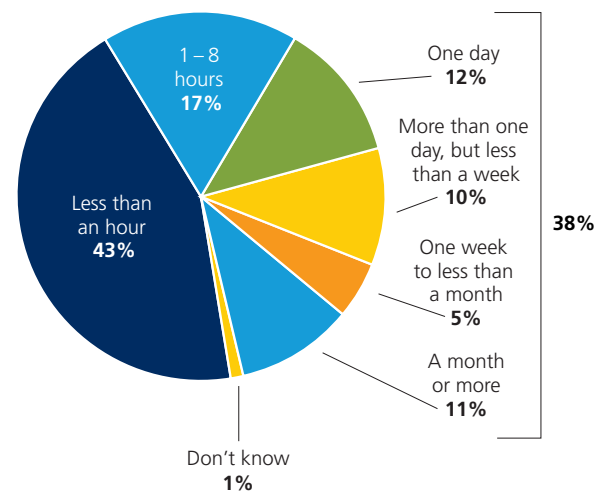
LRN Ethics Study: Has such an incident ever distracted you on the job?



The distraction experienced by employees often persists for an extended time.

Distraction is not momentary for many workers and often affects them for a substantial period of time. Nearly four in 10 (38 percent) of the respondents who were distracted by questionable behavior said the distraction lasted for a day or more, with greater than one in 10 (11 percent) saying the distraction period was a month or more. Almost two in 10 (17 percent) were distracted for one to eight hours. More than half (55 percent) experienced distraction for more than one hour. Fewer than half of workers (43 percent) experienced distraction for less than an hour.

LRN Ethics Study: In thinking of that situation, how much time did you spend distracted by the incident?



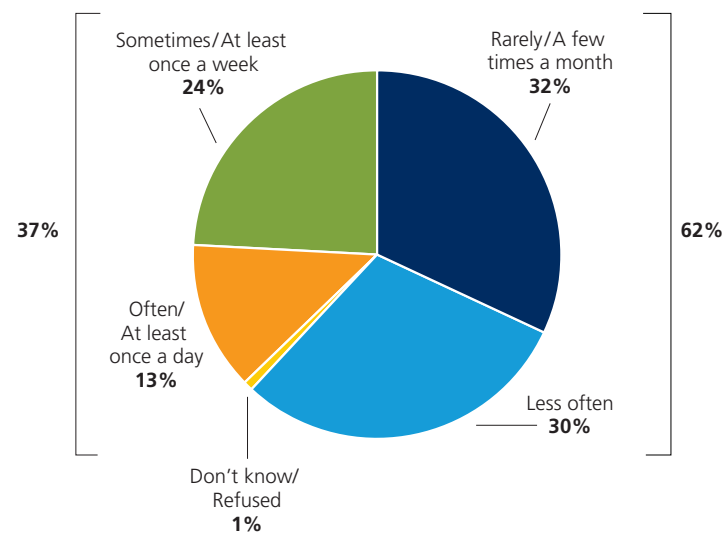
detailed results

Ethical lapses and distraction occur with great frequency: daily or weekly.

A combined total of 37 percent of respondents reported witnessing ethical lapses on a consistent basis. Of those, 13 percent indicated that they witnessed lapses *often* (at least once a day) while 24 percent said *sometimes* (at least once a week).

Among workers who saw ethical lapses on a daily basis, 77 percent were distracted by them; among workers who see ethical lapses on a weekly basis, 65 percent were distracted by them.

LRN Ethics Study: How often have you seen or heard about these types of incidents?



DEMOGRAPHIC BREAKOUT

Younger workers more prone to witness lapses and become distracted

In general, younger workers were far more prone to witness unethical behaviors and be distracted by them. Further, nearly half of the youngest age group reported being aware of unethical behavior “often” or “sometimes” with only a little more than a quarter of older employees reporting same.

How often have you seen or heard about these types of incidents?

	Often (at least once a day) or sometimes (at least once per week)
18-34:	46%
35-54:	34%
55+:	28%

detailed results

In terms of dealing with unethical incidents, younger employees were more likely to prefer involving management in handling a situation. The older the workers, the more likely they were to prefer handling ethical lapses themselves.

Generally, would you prefer to report unethical incidents to management or deal with them yourself without management involvement?

	Management	Myself
18-34:	54%	40%
35-54:	47%	44%
55+:	40%	50%

In line with the above, younger workers were more prone to turn to various types of management and colleagues than older workers when facing these incidents.

To whom do you typically turn to or would you turn to when facing such an incident?

	18-34	35-54	55+
Inside the company			
An immediate supervisor	37%	35%	26%
A higher-level manager or executive	30%	26%	20%
Colleagues in my department	22%	27%	22%
A colleague that I work near, like a cube mate or neighbor	23%	22%	17%
Company policies or materials	20%	21%	18%
A human resources representative	16%	19%	14%
Colleagues outside my department	16%	13%	14%
An ethics or compliance office	10%	13%	12%
Outside the company			
Someone outside my company like a family member or friend	36%	31%	19%

It is also worth noting in the table above that younger and middle-aged workers turn to someone outside their company (36 percent and 31 percent) at nearly the same rate as they turn to their immediate supervisors (37 percent and 35 percent).

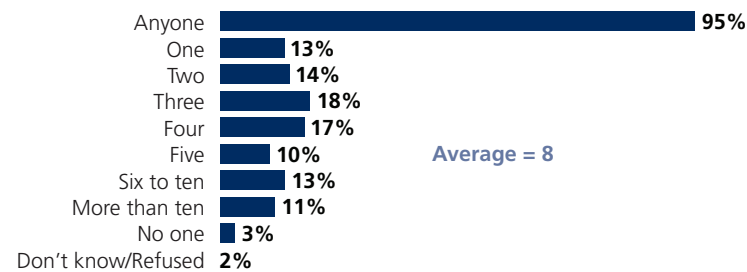
This bolsters the importance of the role that immediate supervisors must play in shaping the ethical environment of a company, especially for young people. Rather than going outside the company to air their complaints, it would be better for workers to raise issues with their supervisors, who therefore must be skilled and educated on how to deal fairly and honestly with the workplace issues of employees who report to them.

The level of people discussing incidents outside the company should act as a warning to companies that their younger and middle-aged workers do not feel comfortable talking to management and prefer to go outside of their company for a sympathetic ear and solutions. This places the company at greater risk for reputational damage, given that the company has little opportunity to take action to remedy the situation if a negative incident has already been broadcast to the outside world.

Lapses create a veritable web of workplace involvement.

The news of questionable behavior typically echoes beyond the individual employee involved. Nearly everyone (95 percent) who was distracted by an ethical lapse or questionable behavior shared the incident with someone. The average number of people the incident was shared with was eight. Only 13 percent shared the incident with just one person.

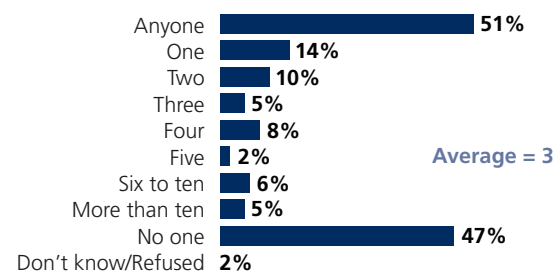
LRN Ethics Study: As best you can recall, how many people did you involve or share information with about the incident?



Distraction breeds more distraction and loss of productivity.

The chain of those losing work time as a result of unethical or questionable behavior frequently extends out from the employee who was first distracted. On average, three additional people lost work time over the incident, respondents estimated. For 21 percent of workers, anywhere from four to more than 10 other people lost time.

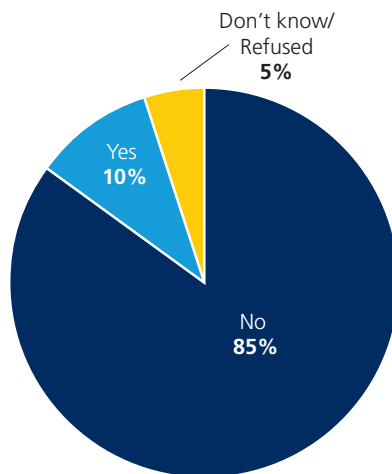
LRN Ethics Study: As best you can estimate, how many of those people lost time at work over the incident?



Workers report knowledge of current ethical lapses that have the potential to disrupt a business or create scandal.

The LRN Ethics Study on workplace productivity also discovered that the number of simmering business disruptions or scandals is high enough to deserve corporate America's immediate attention. One in 10 full-time employees surveyed – by extension, nearly 12 million American workers – said they were currently aware of a situation in their workplace that they believed could create a business disruption or scandal upon public disclosure. Among those who observed an ethical lapse in the past year, a full 30 percent believed it could cause a scandal.

LRN Ethics Study: Is there a risk that this incident or other incidents you are aware of could create a scandal or business disruption for the company if discovered?

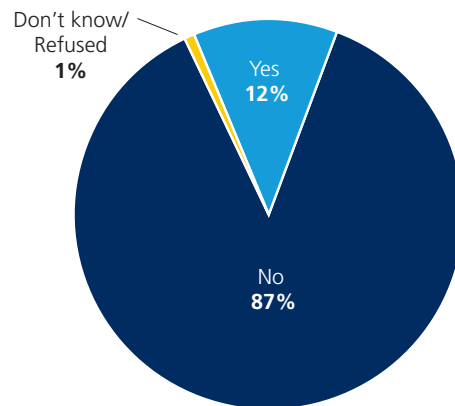


	Yes
Men	13%
Women	6%
Distracted at work in past year	30%
Not distracted at work in past year	7%

Currently millions of workers are trying to deal with ethical lapses in their workplaces.

About one in eight American full-time workers (12 percent) surveyed said they were currently trying to deal with an incident at their job relating to an ethical lapse. This translates into roughly 14 million workers dealing with the potential for workplace distraction.

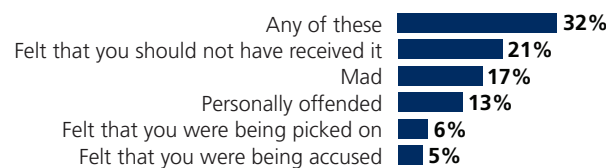
LRN Ethics Study: Currently, are you trying to deal with such an incident at work?



Offensive e-mails, instant messages and voicemails create strong negative reactions in employees.

About one in three of those surveyed (32 percent) received an unwelcome e-mail, instant message or voicemail that provoked a reaction in them. More than one in five (21 percent) felt that they should not have received it, 17 percent responded with anger, and 13 percent were personally offended.

LRN Ethics Study: Please tell me which, if any, of the following reactions you have had to an e-mail, voicemail or instant message you received in the office in the PAST YEAR.



detailed results

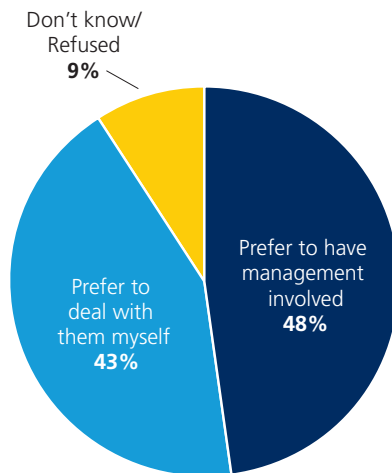
Half of employees prefer to involve management, and half prefer to deal with unethical incidents on their own.

Workers surveyed are nearly split down the middle on whether they prefer to deal with unethical incidents on their own (43 percent) or involve management (48 percent).

Men are closely split in their reactions, with 48 percent preferring to handle it themselves and 45 percent wanting to involve management. More than half (53 percent) of women prefer management involvement, with less than four in 10 (37 percent) preferring to handle the incident themselves.

Eighteen- to 34-year-olds are most likely to prefer that management become involved, while workers 55 and older are more likely than other age groups to prefer to deal with incidents themselves.

LRN Ethics Study: Generally, would you prefer to report unethical incidents to management or deal with them yourself without management involvement?



	Prefer to deal with myself	Have management involved
Men	48%	45%
Women	37%	53%
18-34	40%	54%
35-54	44%	47%
55+	50%	40%
Distracted at work in past year	57%	37%
Not distracted at work in past year	41%	50%

detailed results

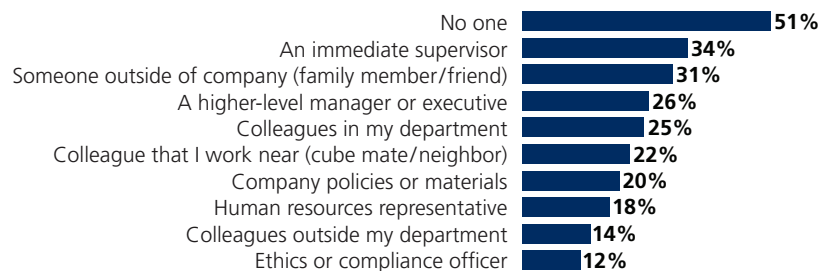
American workers frequently face ethical lapses alone, turning to no one.

More than half (51 percent) of those surveyed face incidents without seeking counsel from others. Those turning to someone are most likely to go to an immediate supervisor (34 percent) or someone outside of their workplace, such as family or friends (31 percent).

Women (54 percent) are more likely than men (40 percent) to turn to other people when they encounter unethical behavior at work. Those who work at places where unethical incidents occur daily or weekly are also less likely to tell others about them.

However, workers sharing incidents outside the company represent a significant risk area for organizations. In today's hyper-connected, transparent world, corporate reputations easily can become tarnished when information is revealed to the public before the organization has an opportunity to respond to the incident.

LRN Ethics Study: To whom do you typically turn to or would you turn to when facing such an incident?



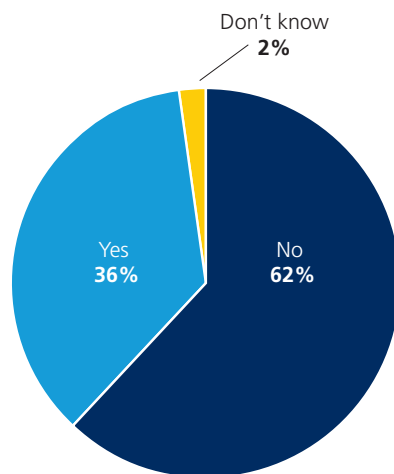
detailed results

The majority of American workers have never reported ethical lapses to their management.

According to the LRN survey, only about one in three (36 percent) Americans working full time have reported an incident they believed to be questionable or unethical to their management.

While men express less preference for getting management involved than women, more men (40 percent) have actually reported ethical lapses than have women (32 percent). While those in the 18-34 age group have a strong preference for management involvement (54 percent), less than a third (30 percent) have actually reported an incident.

LRN Ethics Study: Have you ever reported an incident you believed to be unethical or questionable to management or the appropriate reporting channel provided by your company?



	Yes, reported incident
Men	40%
Women	32%
18-34	30%
35-54	39%
55+	38%
High school graduate or less	31%
College incomplete	38%
College graduate	39%
Distracted at work in past year	66%
Not distracted at work in past year	32%

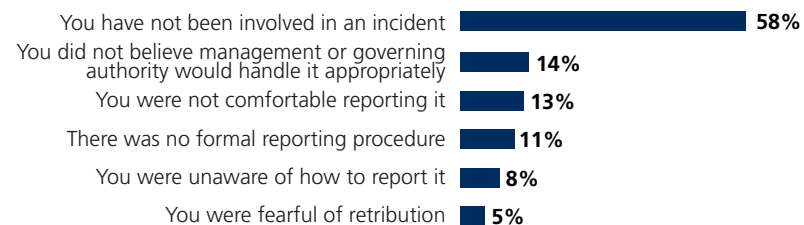
American workers cite troubling reasons why they have not reported unethical incidents.

While nearly six in 10 (58 percent) employees surveyed say they have not reported because they have not been involved in an incident, many responses of the remaining four in 10 people cite doubt and discomfort to explain why they don't. More than one in 10 cited either lack of confidence in how the employer would handle it (14 percent) or lack of comfort in reporting (13 percent). Still others identified a reason relating to not knowing what to do, citing either a lack of formal reporting procedure (11 percent) or a lack of awareness about how to report it (8 percent). The smallest group, still large since it represents many millions of working Americans, expressed fear of retribution.

Significant differences in results occurred based on education; those with a high school education or less gave the above reasons for not reporting about three times as frequently as did those with a college education. Even greater differences existed between blue-collar and white-collar workers, as the sidebar on page 15 shows.

Note: Workers' fear of retribution is actually less than ethics and compliance managers believe it to be. This contrast was revealed in a separate LRN survey on company practices. In that survey, LRN assessed common ethics and compliance practices and found that 39 percent of the responding ethics and compliance professionals believe fear of retribution is the leading challenge for them to overcome in encouraging employees to report ethical and compliance problems and violations.

LRN Ethics Study: Why haven't you reported an unethical incident?



	High School or Less	College Incomplete	College Grad
You did not believe management or governing authority would handle it appropriately	24%	13%	8%
You were not comfortable reporting it	20%	13%	8%
There was no formal reporting procedure	16%	17%	5%
You were unaware of how to report it	11%	8%	6%
You were fearful of retribution	10%	3%	3%

DEMOGRAPHIC BREAKOUT

White-collar / blue-collar differences

In general, white-collar workers were more likely than blue-collar workers to have witnessed ethical lapses and been distracted by them. More than one in two white-collar workers answered “yes” to being distracted compared to about one in three blue-collar workers.

Has such an [unethical] incident ever distracted you on the job?

	Yes
White-collar workers	54%
Blue-collar workers	38%

More than twice as many blue-collar workers as white-collar workers, nearly one-quarter, reported that they do not believe management would handle an incident appropriately if reported. Almost twice as many blue-collar workers, nearly one in five, said they are not comfortable reporting an incident. More than three times as many blue-collar workers, one in 10, reported fear of retribution.

Why haven't you reported an unethical incident?

	Blue collar	White collar
You did not believe management or governing authority would handle it appropriately	24%	10%
You were not comfortable reporting it	19%	11%
There was no formal reporting procedure	15%	9%
You were unaware of how to report it	10%	7%
You were fearful of retribution	10%	3%

Further study is required to assess the differences in the table above. But according to leading experts, the disparity in reporting between blue- and white-collar workers may reflect that some white-collar workers are part of management while others aspire to be part of it. Effectively, many white-collar workers unconsciously take the side of management, and so operate from a “we” versus “them” mentality that reduces their drive to question the company or doubt that their own managers would handle complaints appropriately. This theory is given some credibility by the fact that white-collar workers are more likely to say “yes” when asked if their company will support a person in making the right decision when faced with an ethical dilemma, as shown in the table below. However, more study is required to understand the reasons behind these differences in reporting.

Would your company support a person to make the right decisions when faced with an ethical dilemma, even if it is inconvenient, unpopular, or unprofitable to the company?

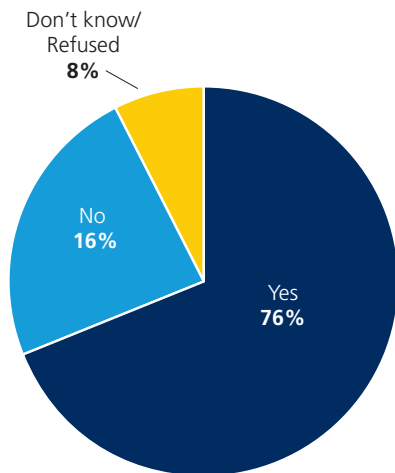
	Yes	No
White-collar workers	79%	14%
Blue-collar workers	71%	22%

detailed results

Workers believe they have employer support in making the right decisions when faced with ethical dilemmas.

Three in four working Americans (76 percent) say their company would support a person making the right decision when faced with an ethical dilemma, even if it is inconvenient, unpopular or unprofitable to the company. However, the percentage is significantly lower among the least affluent, those distracted by an ethical lapse in the past year and those who think there is an incident at work that could cause a scandal or create a business disruption at their company.

LRN Ethics Study: Would your company support a person to make the right decisions when faced with an ethical dilemma, even if inconvenient, unpopular or unprofitable to the company?



	Yes	No
Household income <\$35,000 annually	67%	24%
Household income \$35,000-\$49,999 annually	79%	14%
Household income \$50,000-\$74,999 annually	76%	19%
Household income \$75,000+ annually	81%	10%
Distracted at work in past year	53%	36%
Not distracted at work in past year	80%	13%
Incident could create scandal/ business disruption	58%	37%
Incident could not create scandal/ business disruption	80%	14%

implications and solutions

Implications for businesses

Given that three in four workers surveyed have encountered ethical lapses and fully half of those – extrapolated to almost 43 million full-time American workers – have been distracted by the unethical behavior, with nearly four in 10 (38 percent) distracted for a day or more, the American workplace is not optimized for business success. Although companies have focused for years on preventing large compliance failures and risks, there's a constant undertow of smaller issues that can significantly reduce employee productivity and morale. As a result, this study has important implications that businesses must consider.

Time loss

Workers lose significant time due to ethical lapses in the workplace. Time loss ranges from hours to days to weeks as people mull over incidents, spend time talking about incidents with others, or file reports and formal complaints. Further, there is a ripple effect. As the study shows, a worker observing an ethical lapse tells an average of eight people, out of which three also lose work time. This suggests that organizations must more rigorously craft their code of conduct and/or heighten employee education about it to improve workplace behavior and reduce time loss. It also emphasizes that companies need to implement a certification process in which employees attest to their understanding of and agreement to the company's values and performance standards.

Productivity costs

The productivity loss from distraction could be significant to American businesses per year. While the dollar cost of this productivity loss is hard to measure precisely, the total hours could be minimally on the level of billions of hours of lost time. An accurate calculation of the cost of lost productivity deserves further study, as the repercussion from such losses can significantly affect companies in reduced profits, increased litigation, greater turnover of employees and diminished workplace morale.

Reputational damage

An ethical lapse can result in reputational damage to a company and loss of stakeholders' trust. The number of employees with knowledge of current unethical situations and the fact that they talk about them widely, both internally and externally, deserves careful consideration. One widely read e-mail or blog post about perceived unethical behavior has the potential to impact the company's reputation if the underlining ethical lapse portrays the organization or its management in a negative light. This reinforces the need for companies, especially those in highly regulated industries, to have helplines available for employees to seek top-level guidance right away when they have compliance questions. Employees must be able to trust that they can report incidents in complete confidence or they will continue going outside the company to air their complaints or seek advice.

Work quality

Another implication companies must consider is the likely decrease in efficiency and quality of output when people's attention is divided. Experiencing anger or being personally offended by e-mails or instant messages, for instance, are barriers to effective performance. Employees' lack of the skills needed to handle ethical lapses on their own and their distrust of the company's willingness to deal with such lapses can lead to workplaces of interpersonal conflict and heightened stress, which take a toll on work quality.

implications and solutions

Dov Seidman, CEO, chairman and founder of LRN, comments on the solution to these issues being found in the ability of a company to cultivate a strong, ethical culture.

“Ethical lapses in the workplace, even seemingly minor ones, cause friction, dissonance and distraction that negatively impact company performance. How employees act and make decisions is a byproduct of their corporate culture. By engaging employees in shared values and educating them on the company’s expectations for appropriate conduct, companies can inspire both principled and profitable performance from their workforce.”

Employee recruitment and retention

Ethical lapses can diminish a company’s ability to attract and retain employees. A prior LRN Ethics Study on employee engagement confirmed this, finding that nearly one-third of all surveyed Americans working full time reported having left a job at some point in their career because of ethical issues. Further, 82 percent said they would prefer to work for a company with ethical business practices, even if paid less, than to work for a company which paid them more but had questionable business practices. And nearly all surveyed workers, 94 percent, said it is important or critical they work for a company that is ethical.

Solutions

Despite the enormous expenditure of dollars on compliance with U.S. regulations, which the Small Business Administration estimates to be \$1.1 trillion, averaging \$5,000 to \$7,000 per employee, a substantial task remains to develop corporate cultures of principled conduct that support greater productivity and employee engagement.

LRN’s experience, validated by more than 14 years of working with many of the world’s most respected organizations, indicates that compliance programs alone do not result in the systemic cultural change required to address the ethical lapses and productivity problems cited in this report. While it is vital to steadily augment and enhance individual components of a compliance program (such as education courses, helplines or internal communications), corporate culture change requires a far more holistic approach that addresses both rules and values in order to develop workplaces where employees are empowered to perform at their best while feeling respected and protected from ethical lapses.

LRN proposes the following key actions to develop cultures in which employees take responsibility for their actions and self-govern around shared values that drive productivity, performance and satisfaction.

Assess the cultural baseline

Companies must analyze the extent to which ethical lapses occur in their workplace. Such an evaluation is best done in the context of a broad-based “cultural assessment” that examines every aspect of the company’s culture. A comprehensive cultural assessment is a formal process by which the company surveys all employees, as well as obtains feedback from suppliers, outside partners and customers about the perceptions and experiences they have in doing business with the company. The results of a cultural assessment can provide company leadership with a clear understanding of their ethical climate, including the loss of productivity due to an environment that allows for lapses to occur without being reported.

Define the corporate culture desired

Company leadership and management must strive to determine how they want to influence their culture for greater success. This process requires serious discussion about the company’s fundamental values and operational processes given its industry, history, employees and other factors. In the end, the company must seek to define specific cultural ideals and values that it wants associated with its corporate character to help achieve enduring success.

implications and solutions

Map a plan to shape the culture

Moving from cultural ideal to reality requires a plan. This is informed, in part, by mapping the “gap” between the company’s cultural assessment results, which reveal its current status, and its cultural ideal, which is where it wants to go. For instance, companies will often see a gap in what they say they value versus what they actually reward. An example of this is that a company may have as its ideal to value “integrity” but, in practice, finds that it promotes a mindset among sales representatives to close deals at any cost, which may inadvertently compromise its commitment to ethical business conduct. As such gaps are uncovered, they point the way to actions and programs to include in the plan in order to develop and transform its corporate culture.

Earn the trust of employees and inspire them

For change to occur, company leadership and management must develop and earn the trust of employees. This begins with honest and transparent two-way discussions that inspire people to embrace the company’s values. Everyone in the company must understand why the corporate culture matters to them and feel motivated to act as stewards to protect it. Inspiring people begins with the company’s code of conduct or ethics – built around values, not rules – but it doesn’t end there. The organization must inculcate these values into its very fabric – the way the company talks about itself, the behaviors it rewards, and the tone and actions of leadership. Ultimately, everyone must embrace the corporate values and govern their own conduct, as well as that of others around them.

Educate employees and management to address risks and define conduct

Companies must embark on engaging employees in broad-based educational efforts. Individuals must be able to recognize how their day-to-day behavior affects other people at work and how the actions they take on behalf of the company reflect on the company’s reputation and credibility to engender trust in the marketplace. Meaningful education involves teaching employees not just about the rules and regulations they must comply with to reduce risks, but more important, how they can become more effective in their jobs through responsible decision-making and respectful interactions with others. Methods to educate workers must be customized to different groups within the organization relative to their job functions and work assignments.

Create reporting systems that preserve the trust of employees

Employees must feel comfortable raising issues about ethics with their supervisors and managers, and they must be aware of how to report incidents. Above all, employees must feel confident that management will respect individuals who report ethical lapses, and that incidents will be investigated and resolved fairly, without favoritism. Clear procedures and responsive reporting systems build trust and reinforce the central message that the company values its culture.

Build ethical leadership

Companies must ultimately seek to build what might be called “ethical leadership” throughout their organization by educating employees to go beyond merely complying with laws to adopting principled workplace behaviors, consistent ethical reasoning, and sound decision-making skills that can support and sustain a winning long-term business culture. Whatever an individual’s role or position in the company, every employee must recognize that his or her actions reflect on the company and have an impact on its ultimate success. Ethical leadership must appear in each and every interaction,

implications and solutions

decision, e-mail, discussion and transaction. Each person's ethical leadership then inspires all others and contributes to creating the foundation for true self-governance.

The LRN Ethics Study on workplace productivity serves as an important reminder that, despite increased budgets and attention paid to compliance, extraordinary numbers of employees still see ethical lapses in the workplace, many of which distract them from their work. Companies must renew their efforts to develop self-governing cultures of shared values, responsible conduct and principled performance that enable commercial success and enduring significance.

Survey methodology

- The LRN Ethics Study was conducted from December 14-18, 2006 (original survey), and from January 4-8, 2007 (follow-up survey).
- Methodology used to collect survey responses involved asking a series of questions on the CARAVAN® omnibus surveys from Opinion Research Corporation (ORC).
- Results are based on telephone interviews conducted among a sample of 948 adults (569 men and 379 women) in the original survey and among a sample of 998 adults (582 men and 416 women) in the follow-up survey.
- In the original study, respondents were asked if "lapse(s) in ethics or questionable behavior" at their workplace had occurred in the previous year. In the follow-up questionnaire, respondents were read a list of unethical behaviors at work and asked if they had seen or heard about each of these where they currently work or had worked previously.
- Respondents were full-time employees age 18 or older and represented every geographic region and state, except Hawaii and Alaska.
- Interviews were weighted to ensure reliable and accurate representation of the total adult population.

About LRN

LRN is dedicated to assisting its clients with developing ethical, sustainable and profitable cultures through a combination of robust education and management solutions, in-depth research and analysis and best practice advice and knowledge sharing. Founded in 1993, the company has reached more than 10 million employees, operating in more than 120 countries around the world. Headquartered in Los Angeles, LRN also maintains offices in New York and London. More information is available at www.lrn.com.



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