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REDUCING PERCEIVED PRESSURE TO BEHAVE UNETHICALLY:

THE ROLE OF LEADERS AND COWORKERS

A Project of the Ethics Resource Center Fellows Measurement Working Group



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Ethics Resource Center
2345 Crystal Drive, Suite 201
Arlington, Virginia 22202 USA

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THE ROLE OF LEADERS AND COWORKERS

A Project of the Ethics Resource Center Fellows Measurement Working Group

**In association with the
ERC Fellows Measurement Working Group**

Chair: Charles E. Ruthford, Ethics Specialist,
The Boeing Company

Academic Fellows / Contributing Researchers

Linda Treviño, Professor of Organizational Behavior
Cook Fellow in Business Ethics

Smeal College of Business,
The Pennsylvania State University

Debra L. Shapiro,
Clarice Smith Professor of Management and Organization

Robert H. Smith School of Business,
University of Maryland

Senior Authors

Skip Lowney, Senior Project Manager
Ethics Resource Center

Marshall Schminke, Professor of Management
Department of Management, University of Central Florida

Contributing Authors

Jaclyn Kupcha, Researcher,
Ethics Resource Center

Nicholas B. Fetzer, Programs Coordinator,
Ethics Resource Center

Contributing Researcher

David Mayer, Assistant Professor,
Department of Management, University of Central Florida

The ERC Fellows are a select group of corporate, government, non-profit and educational senior-level leaders who share an expertise and strong practical interest in the field of organizational ethics. The purpose of the ERC Fellows Program is to identify, examine, and further understand the critical organizational ethics questions challenging organizations today. The ERC Fellows pledge to accomplish their mission through open dialogue around cutting edge ethics issues, collaborative research, communications, and work products with practical applications.

Founded in 1922, the Ethics Resource Center (ERC) is America's oldest non-profit organization devoted to the advancement of high ethical standards and practices in public and private institutions. For more than 85 years, ERC has been a resource for public and private institutions committed to a strong ethical culture. ERC's expertise also informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter – for the public trust.

For more information about ERC, please visit the website at www.ethics.org



INTRODUCTION

In July 2003 the Ethics Resource Center (ERC), in collaboration with the ERC Fellows, formed the ERC Fellows Measurement Working Group to conduct research that would help guide leaders as they work to shape the ethical environments in their organizations. The ERC Fellows Measurement Working Group consists of corporate, non-profit, government, and academic members of the ERC Fellows Program and researchers from ERC.

The group studied the influence that the behavior of leaders and coworkers had on employees' perceptions of pressure to behave unethically, and the impact of ethics training on organizational and personal ethical outcomes. A companion paper presents the research and findings related to the impact of ethics training on outcomes.

For this paper, the research team looked specifically at who in the organization exerts the most influence on pressure to behave unethically, and which actions have the most impact.



PURPOSE & OVERVIEW OF RESEARCH¹

The data used for the analysis were collected in 2004 and 2005 via a survey of employees at all levels from eighteen organizations within one industry sector.² That survey was designed to assess the ethics and compliance programs of each organization, to enable each organization to benchmark its own results against industry and U.S. averages, and to provide participating organizations with baseline data for future assessments.

The ERC Fellows Measurement Working Group determined that answering two questions was essential to a clearer understanding of the ethics-related environment within an organization.

- First: “Do senior leaders, supervisors, and/or coworkers influence employees’ perceptions of pressure to behave unethically?”

- Second: “If so, which group is most influential, and which aspects of their behavior are associated with that pressure?”

Pressure was differentiated as : (1) pressure to violate organizational ethics standards, and (2) pressure to violate personal ethics standards. The behaviors of top management, supervisors, and coworkers included such actions as talking about the importance of ethics, setting a good example, and providing support to follow ethics standards. The research team identified specific questions from the 2004/2005 survey that it felt were relevant to the topic of perceived pressure and uncovered information about employee relationships that could aid ethics officers and leaders in their resource allocation decisions and in discussions about how to best create an ethical organizational environment.

Regression analyses enabled the researchers to determine the extent to which the two types of perceived pressure to behave unethically were linked to actions on the parts of top managers, supervisors, and coworkers, and the relative impact of these employee groups on perceived pressure to behave unethically.

While all three individuals or groups mattered, supervisors had the greatest impact on perceived pressure to compromise both organizational and personal ethics standards.

¹ For a detailed description of the topics evaluated and the analyses performed, see the Methodology section on page 15.

² The survey consisted of 80 questions administered similarly (via paper and web) with response rates for the organizations ranging from 38% to 72%. The majority of survey participants worked in the United States. 36,031 individuals across 18 organizations responded to the survey. Approximately one-third of those cases were randomly selected from the 36,000+ observations, yielding 11,283 data points for analysis in this study.



Based on these findings, the research team reviewed the survey questions and identified two additional themes related to supervisory behavior. They were:

- Supervisors reward those who get good results even though using questionable practices.
- Supervisors discipline those who violate the organization's ethics standards.

The final analysis evaluated all six of the factors in the survey that related to supervisory behavior and their impact on pressure felt by employees to behave unethically.



EXECUTIVE SUMMARY

Using data from the 2004/2005 industry sector survey, the research team examined the extent to which perceived pressure to behave unethically was linked to actions on the part of top managers, supervisors and coworkers, and the relative impact of these employee groups on perceived pressure to behave unethically.

The analyses uncovered the following insights which will help guide individuals responsible for shaping the ethics-related environments within organizations:

- Which employee groups within an organization are associated with employees' perceived pressure to behave unethically?

Positive perceptions of top management, direct supervisors, and coworkers all contribute to reduced perceptions of pressure to violate both the organization's ethics standards and employees' personal ethics standards.

- Relative to one another, which employee group is most strongly associated with perceived pressure to violate organizational or personal ethics standards?

When these three different sources of influence are studied simultaneously, supervisors matter most.

- What specific aspects of supervisory behavior have an impact on perceived pressure to behave unethically?

Of the following supervisory actions:

- talking about ethics in the workplace
- keeping promises and commitments
- setting a good example of ethical behavior, and
- supporting others to follow organizational standards of ethical behavior

Supervisory support for ethical behavior is most important in reducing perceived pressure to behave unethically.

- What other aspects of supervisory behavior have a potential impact on perceived pressure to behave unethically?

Supervisor's rewarding of unethical behavior increases perceived pressure to violate both the organization's ethics standards and personal ethics standards.

In addition, the research team concluded:

- Simply talking about ethics seems to have little impact. Talk is more effective when accompanied by supportive action.
- A supervisor not punishing unethical behavior is seen as rewarding it.
- Organizations need to provide supervisors with an understanding of the importance of their role, as well as the means and skills to convey support for ethics to their subordinates. This means training. Level-specific training in support of favorable ethics-related outcomes should be strongly considered.³
- Supervisors should be trained regarding their essential role in supporting organizational ethics standards and also be evaluated for their success in doing so.
- Managers charged with developing reward and disciplinary systems should ensure that good results achieved through unethical means are not rewarded.
- Given the importance of supervisory support, future ERC-sponsored research should investigate the specifics of what support actually means to employees, the form it takes, the strength of the relationships uncovered in this investigation, and the types of training that are most effective in creating positive supervisory support.

³ See the companion paper, Ethics Resource Center, "Improving Ethical Outcomes: The Role of Ethics Training," <http://www.ethics.org>, for more information about training.

Figure 1⁵ shows that when considered simultaneously, the behavior of supervisors accounts for 55% of the reduction in the level of employees’ perceived pressure to violate organizational ethics standards. The behavior of top management accounts for 38% of the reduction in perceived pressure, and that of coworkers accounts for 7% of the reduction. Perceived pressure to violate organizational ethics standards was derived from two survey questions: Do you feel pressure, and if so, how often?

The research team examined the behavior of supervisors in more detail to identify which specific behavior contributed the most to the reduced perception of pressure to violate the organization’s ethics standards.

Figure 2 shows the relationships between specific supervisor behaviors and employee perceptions of reduced pressure to violate organizational ethics standards. Supervisory support of employees in following the organization’s ethics standards accounts for most of the relationship, 54%. The perception that one’s supervisor sets a good example accounts for 24%, while trusting that one’s supervisor will keep promises and commitments accounts for 17%, and communicating the importance of ethics accounts for 5% of the relationship.

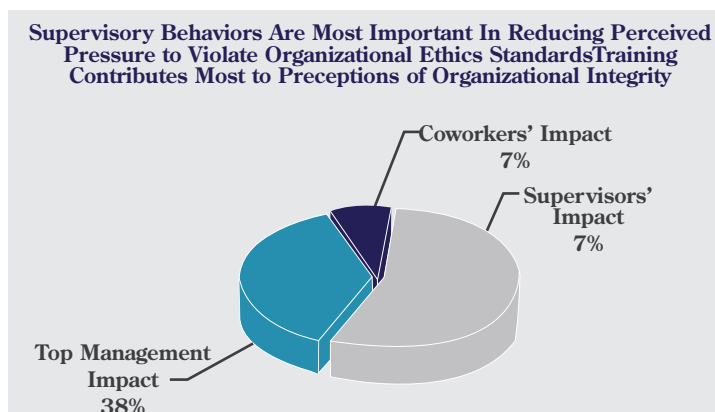


Figure 1: Which employee group contributes the most to the reduction in perceived pressure to violate organizational ethics standards?

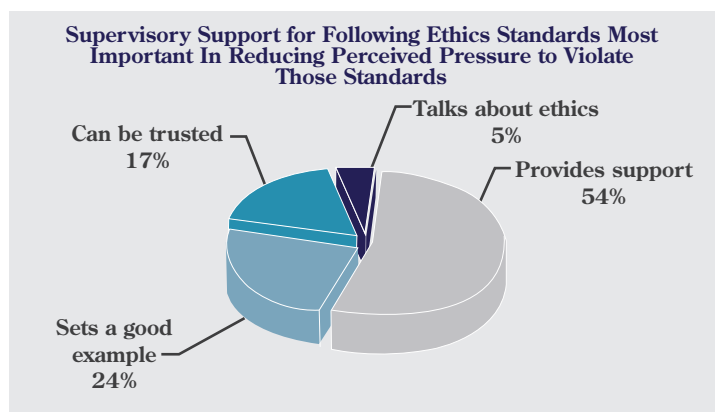


Figure 2: Which supervisor behaviors contribute the most to employee perceptions of reduced pressure to violate organizational ethics standards?

4 The ERC Fellows Measurement Working Group conducted statistical analyses of the relationships between the variables of interest. Their findings are presented in general terms to facilitate the drawing of inferences by ethics compliance personnel for their particular organizations and situations.

5 The percentages in the graphs were created by conversion of the standardized coefficients generated in the regression analysis into percentages. The absolute values of the standardized coefficients were added together and this sum became the denominator. Each standardized coefficient was then divided by the sum to create a percentage.



A similar analysis was conducted to determine which employee group contributes the most to reducing perceived pressure on employees to violate personal ethics standards. The results are derived from the responses to the survey question asking about acting against one's conscience.

Figure 3 shows that when considered simultaneously with other employee groups, the supervisors had the most impact on employees' perception of reduced pressure to violate personal ethics standards, 48%. The impact of top management was lower, accounting for 29% of the impact, while coworkers accounted for 23% of the impact.

The research team then conducted further analyses to determine which supervisory behavior contributed the most to a reduction in perceived pressure to violate personal ethics standards. The results are shown in Figure 4.

Of all the important things a supervisor can do, supporting employees' ethical behavior contributes the most (51%) to reducing perceived pressure to violate personal ethics standards. Setting a good example accounts for 27%, trust for 18%, and once again, communicating the importance of ethics contributes the least, at 4%.

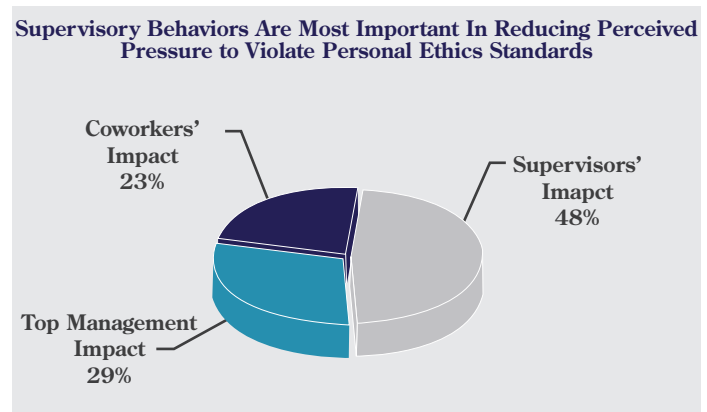


Figure 3: Which employee group is most strongly associated with the reduction in perceived pressure to violate personal ethics standards?

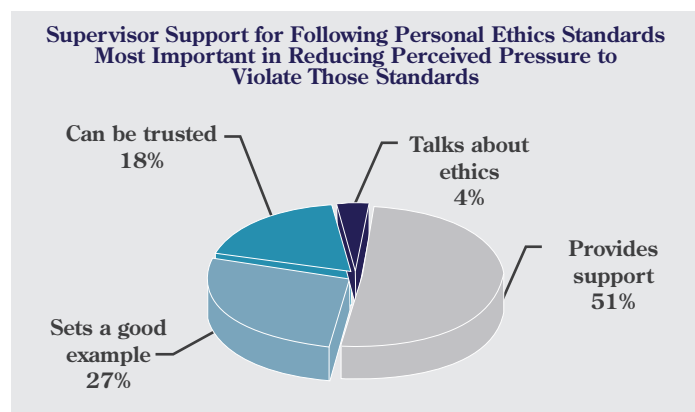


Figure 4: Which supervisor behaviors contribute most to employee perceptions of reduced pressure to violate personal ethics standards?



Based on the fact that supervisors' ethics-related behaviors accounted for more than half of the reduction in perceived pressure to violate standards, the research team extended the analysis by examining if supervisory rewards and punishments pertaining to ethical behavior are related to perceived pressure, and if so, how significant those relationships are relative to the supervisory behaviors previously discussed. This analysis encompassed responses to two additional statements:

- My supervisor rewards unethical behavior.
- My supervisor punishes unethical behavior.

Figure 5 shows that the supervisory behaviors discussed in Figure 2 account for the vast majority of the reduction in perceived pressure to violate organizational ethics standards (75%). Punishing unethical behavior decreases the perceived pressure to a much smaller extent, accounting for only 4%. Unsurprisingly, rewarding unethical behavior increases such pressure, accounting for 21% of the relationship between the variables.

A similar analysis considered these same influences on perceived pressure to violate personal ethics standards.

Figure 6 illustrates the relationship between the supervisory behaviors discussed earlier and the two reward/punishment behaviors introduced above. The supervisory behaviors definitely contribute (58%) to the reduction in the perceived pressure to violate personal ethics standards, although their impact is less than it is on perceived pressure to violate organizational ethics standards. Punishing unethical behavior accounts for only 9% of the reduction in perceived pressure. Rewarding unethical behavior increases the perceived pressure to violate personal ethics standards, by 33%.



Figure 5: What are the relationships of supervisor reward/punishment and ethics-related behaviors with employee perceptions of reduced pressure to violate organizational ethics standards?

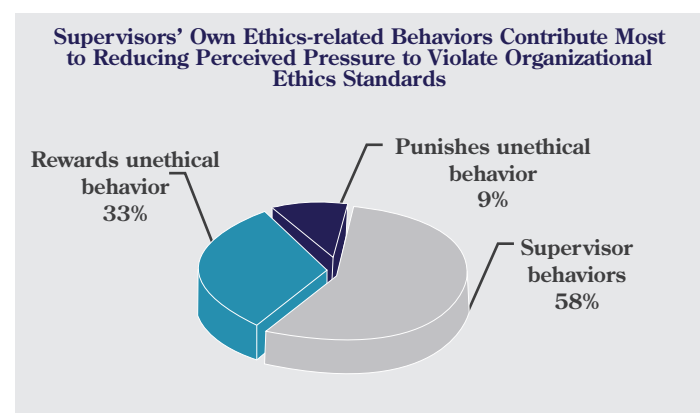


Figure 6: What are the relationships of supervisor reward/punishment and ethics-related behaviors with employee perceptions of reduced pressure to violate personal ethics standards?



CONCLUSIONS & IMPLICATIONS

Based upon the results outlined above, the research team offers the following conclusions:

- Although top management and coworkers are important, supervisors have the strongest influence on employees' perceptions of the pressure to violate ethics standards, whether organizational or personal.
- While supervisors behave in a number of ways that influence these perceptions, employees' belief that their supervisors support them in following their organization's ethics standards is most important.
- Simply talking about ethics seems to have little impact; talk is more effective when accompanied by supportive action.
- While generalized supervisory support reduces perceived pressure to violate ethics standards the most, the perception that supervisors reward unethical behavior increases perceptions of pressure to violate ethics standards.

The research in the companion study of the role of ethics training found that while training is important, the perception of support for ethical behavior has a much greater impact than any training program in creating an ethical environment within an organization.

Since supervisory support for following organizational ethics standards is crucial for creating an ethical environment within an organization; organizations need to provide supervisors with an understanding of the importance of their role, as well as the means and skills to convey support for ethics to their subordinates. This has implications for supervisory training and development; supervisors should be trained regarding their essential role in supporting organizational ethics standards and also be evaluated for their success in doing so.

This research also shows the detrimental effects of the perception of supervisors rewarding unethical behavior, and the perception that not punishing unethical behavior can be seen as rewarding it. These results have implications for the design and implementation of reward and disciplinary systems to ensure that good results achieved through unethical means are not rewarded.



NEXT RESEARCH STEPS

Given the importance of supervisory support, future ERC-sponsored research will investigate the specifics of what support for ethics actually means to employees, the forms it takes, the strength of relationships discovered during the investigation, and the types of training that are most effective at positively influencing supervisory support. Potential research questions could include:

- What differences exist in supervisory support compared to organizational support?
- What is the impact of general support compared to action-specific support?
- What training approaches targeted for supervisors (e.g. substance, method) have the greatest impact on employee perceptions of support?



METHODOLOGY

The data used for the analysis were collected in 2004 and 2005 via a survey of employees at all levels from eighteen organizations within one industry sector. That survey was fielded to assess the ethics and compliance programs of each organization, to enable each organization to benchmark its results against the industry average and U.S. averages, and to provide participating organizations with baseline data for future assessments.

The analysis consisted of a multi-step process. The research team identified questions from the employee survey relevant to the research questions, arranged the data so that they could be used via the chosen analytical methods, conducted the analyses, and pursued additional avenues of inquiry if they arose.

To gauge the level of perceived pressure, the research team identified three questions from the industry survey that appeared to best capture respondents' views of perceived pressure to violate: (1) organizational ethics standards and (2) personal ethics standards. These were treated as two outcomes:

Perceived pressure to violate organizational ethics standards was assessed using two questions:

- Did an employee feel pressure to compromise the organization's ethical standards?

If "no" the response value was 0, and:

- If yes, the respondent was asked how frequently that pressure was felt.

Respondents' answers were assigned a value from 1 to 4, with 4 representing the highest frequency of perceived pressure.

These two questions were linked in the survey; if respondents indicated that they felt pressured, then they received the follow-up question regarding frequency. For organizational ethics standards, the first and second questions were combined and the average of the two items represented a measure of the pressure to violate organizational ethics standards. The variable was assigned values from 0 to 4 such that if a respondent did not feel any pressure to violate the organization's ethics standards, then the value remained zero, and if the respondent always felt pressure, then the value assigned was 4. (Example: Respondent A felt no pressure, therefore Respondent A = 0. Respondent B did feel pressured, and felt this pressure periodically, therefore Respondent B = 2.)



Perceived pressure to violate personal ethics standards was assessed by asking:

- If an employee felt that he or she had to do things that went against his or her conscience.

Respondents' answers were assigned a value from 1 to 5, with 5 representing the highest level of agreement with the statement.

This question was a single item designated to be a measure of the pressure to violate personal ethics standards. As noted, the values ranged from 1, the lowest level, to 5, the highest level of agreement.

The next step was to identify the employee groups of interest within the organization whose behavior might impact these two types of perceived pressure. Studies conducted by the Ethics Resource Center identify the leadership structure of an organization as divided into several groups, including:

- Top management (generally considered to be an individual at a pinnacle position, i.e. the President/CEO of the organization and/or the head of a respondent's location).
- Supervisors (the individual to whom the survey respondent reports directly).
- Coworkers (those in the individual survey respondent's work group).

Next, the research team identified those survey questions that measured the ethical behaviors of the preceding groups of interest. ERC defines these behaviors as ethics-related actions, or ERAs. These ethical behaviors were tested for their relationship with perceived pressure to behave unethically.

The six specific ethics-related actions are listed below. In the survey, employees were asked about unique combinations of four of the six actions for each of the employee groups or individuals (top management, supervisors, and coworkers) and to indicate the extent to which each of these three groups or individuals performed those four actions.

- This group (or individual) provides satisfactory information about what is going on within the organization.
- This group instills trust in me that they will keep their promises and commitments.
- This group talks about the importance of ethics and doing the right thing in the work we do.
- This group sets a good example of ethical business behavior.
- This group supports me in following my organization's ethics standards.



■ This group considers ethical issues when making work-related decisions.

Respondents were asked about their level of agreement with the preceding statements; their responses were assigned a value between one and five, with five reflecting the strongest agreement. The four items for each group respectively were combined and the average score was calculated and then used to represent the influence of each group (top management, supervisors, and coworkers). The supervisor variable was created from four survey questions that asked if the respondent's supervisor: could be trusted to keep commitments, talked about ethics, set a good example, and provided support. The top management variable was created from: information, trust, talks, and sets a good example. The coworker variable was created from: talks, sets a good example, supports, and considers.

Utilizing regression analyses, the researchers tested the extent to which the two types of perceived pressure to behave unethically (described above) were each linked to actions on the parts of top managers, supervisors, and coworkers, and the relative impact of these three employee groups on the two types of pressures to behave unethically. Results from these analyses indicated that, although all groups mattered, supervisors mattered most for both perceived pressures, followed by top management, and then coworkers.

Based on the preceding finding that supervisors mattered most, regression testing was done in order to reveal the relationship of each supervisor ERA, while controlling for the effect of all other ERAs.

The next to last step was to review the survey questions and potentially identify other factors to be tested for a relationship with perceived pressure to behave unethically. Over thirty items were considered; and two in particular were isolated as they relate to supervisor actions. The questions, answered with a value from 1 to 5 with five representing the highest level of agreement, were:

- Supervisor rewards those who get good results even though using questionable practices.
- Supervisor disciplines those who violate the organization's ethics standards.

Each question also was treated as a predictor variable in the analysis.

The final step was to conduct analyses combining all six supervisor factors related to perceived pressure to behave unethically.







ADVANCING HIGH ETHICAL STANDARDS AND PRACTICES

2345 Crystal Drive, Suite 201
Arlington, Virginia 22202 U.S.A.
703-647-2185
ethics@ethics.org
www.ethics.org