ECI | ethics &
compliance
initiative™

BUILDING COMPANIES WHERE VALUES AND ETHICAL CONDUCT MATTER

USING COMMUNICATION AND TRUST TO STRENGTHEN YOUR WORKPLACE

OCTOBER 2018

GLOBAL BUSINESS
ETHICS SURVEY™

ECI ethics & compliance initiative™

ABOUT ECI

The Ethics & Compliance Initiative (ECI) is a best practice community of organizations that are committed to creating and sustaining high quality ethics & compliance programs. With a history dating back to 1922, ECI brings together ethics and compliance professionals and academics from all over the world to share techniques, research and, most of all, exciting new ideas.

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JOIN A WORKING GROUP

New working groups are forming now. Each group is dedicated to comparing program practices based on one of the HQP principles. Join 20 to 25 peers to get new ideas and discuss the ways your organization can advance your efforts. Groups are limited to ECI members and new topics include:

- ■ **E&C IN BUSINESS STRATEGY**

- ■ **IDENTIFYING & MITIGATING RISK**

- ■ **BUILDING A CULTURE OF INTEGRITY**

- ■ **ENCOURAGING & PROTECTING THE REPORTING OF CONCERNS**

- ■ **ENSURING ACCOUNTABILITY**

To join a working group, please contact Casey Williams at casey@ethics.org.

GLOBAL BUSINESS ETHICS SURVEY ™

ABOUT GBES

Since 1994, the Ethics & Compliance Initiative (ECI) has conducted a longitudinal, cross-sectional study of workplace conduct from the employee's perspective. Participants are asked for input on such things as the strength of the culture in their workplace, the instances of misconduct that they have observed, and what—if any—efforts are underway in their organization to promote integrity. The data from the Global Business Ethics Survey (GBES) provides the international benchmark on the state of ethics & compliance (E&C) in business.

Historically, ECI reported findings from the research under two titles: The National Business Ethics Survey (NBES), which provided measures of US workplaces; and the Global Business Ethics Survey (GBES), which expanded the dataset to include input from employees around the world. In 2017, ECI updated both the US and global studies and combined the research under the GBES name. For more information about the study, to access previous reports and to view the 2018 international data, please visit our interactive website at www. ethics.org/GBES.

This report focuses on the role communication and trust play in supporting employee commitment to company values and employee belief that their company measures and rewards ethical conduct.

GBES IS THE WORLD'S COMPREHENSIVE, CROSS-CULTURAL SURVEY OF WORKPLACE BEHAVIOR.

Employees offer an invaluable perspective when it comes to E&C perceptions, actions and behaviors in the workplace. With each iteration of ECI's Global Business Ethics Survey, we learn more from employees about the need for—and the impact of—corporate efforts to implement E&C programs.

Now in its 11th iteration, **GBES keeps your finger on the pulse of the ethics and cultural climate across the globe**.

This report is the third of a four-part series for 2018.

Visit ethics.org to download previous 2018 research:

MEASURING THE IMPACT OF E&C PROGRAMS

THE STATE OF E&C IN THE WORKPLACE

GLOBAL BENCHMARK ON WORKPLACE ETHICS

SETTING THE STAGE—COMMUNICATION AND TRUST IN THE WORKPLACE

Few would argue about the importance of communication and trust in the workplace; these are well-known ingredients for harmonious working relationships and a productive working environment. But less is known about the reasons that communication and trust are so essential—especially within the ethics & compliance (E&C) space.

To remedy this, the Ethics & Compliance Initiative (ECI) asked several targeted questions in its most recent Global Business Ethics Survey™ (GBES). ECI sought to learn more about how communication and trust relate to each other and how their presence supports the development of high-quality E&C programs. Specifically, this report examines the role of communication and trust in determining the following:

1. The strength of **employee commitment to company values.**

2. The extent to which employees believe that their **company measures and rewards ethical conduct.**

ECI developed two measures—**proactive communication and workplace trust**—to assess communication and trust within companies. Each measure comprises two primary dimensions based on what employees are experiencing in the workplace.

Proactive communication consists of two dimensions, talking about ethics and encouraging speaking up. Employees who agree that proactive communication is present in their organization affirm that there is significant evidence of both in their organization.

Workplace trust also consists of two dimensions, accountability and genuine interactions. Employees who agree that workplace trust is present in their organization affirm that there is significant evidence of both in their organization.

COMMUNICATION AND TRUST IN THE WORKPLACE

Results from the GBES, detailed in the following pages, help explain the relationship between communication and trust, and how the two together develop the ingredients necessary to promote an ethical workplace.

TALKING ABOUT ETHICS

+

SPEAKING UP

=

PROACTIVE COMMUNICATION

ACCOUNTABILITY

+

GENUINE INTERACTIONS

=

WORKPLACE TRUST

When Both Proactive Communication and Workplace Trust are Present in the Company

Employees Believe there is Commitment to Company Values

Employees Believe their Company Measures and Rewards Ethical Conduct

TALKING ABOUT ETHICS + SPEAKING UP = PROACTIVE COMMUNICATION

To develop proactive communication, leaders at all levels of a company must communicate that they expect adherence to the company's standards of ethical conduct. They do so by talking about the importance of ethical conduct. At a minimum, leaders need to talk consistently about ethical conduct and the ways in which the company expects their employees to behave. **But just talking about ethics is not enough. Leaders must also encourage employees to speak up when standards are not being observed.** Instead of relying on one-way exchanges, the goal should be a climate where employees feel empowered to raise concerns.

Managers and Supervisors Set the Tone by Talking About Ethics

EMPLOYEES WHO AGREE THAT THEIR MANAGERS AND SUPERVISORS TALK ABOUT THE IMPORTANCE OF ETHICS ARE ALMOST **12X MORE** LIKELY TO BELIEVE THAT THEIR ORGANIZATION ENCOURAGES THEM TO SPEAK UP.

CONVERSELY, FEWER THAN **7** IN **100** EMPLOYEES WHOSE MANAGERS AND SUPERVISORS FAIL TO TALK ABOUT THE IMPORTANCE OF ETHICAL CONDUCT BELIEVE THAT THEIR ORGANIZATION ENCOURAGES THEM TO SPEAK UP.

## WHAT IT LOOKS LIKE

Messages About Proactive Communication

TALKING ABOUT ETHICS

✓ Top management talks about the importance of workplace ethics.

✓ Supervisors talk about the compliance risks employees face in their work.

SPEAKING UP

✓ Top management encourages employees to speak up.

✓ Employees feel they can openly disagree with their supervisor or raise issues of concern without fear of retaliation.

In the US, the Majority of Employees Observe or Experience Strong or Moderate Proactive Communication: Talking About Ethics & Speaking Up

TALKING ABOUT ETHICS	SPEAKING UP
8%	11%
37%	35%
55%	54%
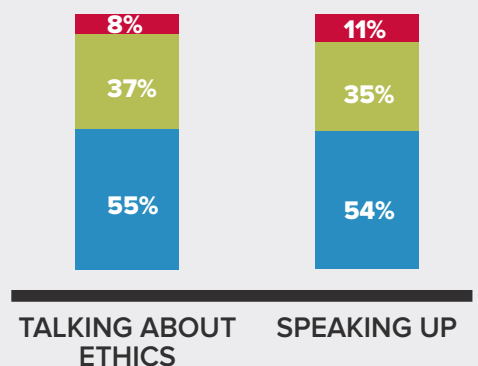
Measuring Employee Experience:

For this report, we classified employee perceptions based on the average of their responses to a range of items:

■ AGREE = AVERAGE OF STRONGLY AGREE OR AGREE

■ NEUTRAL = AVERAGE OF NEITHER AGREE NOR DISAGREE

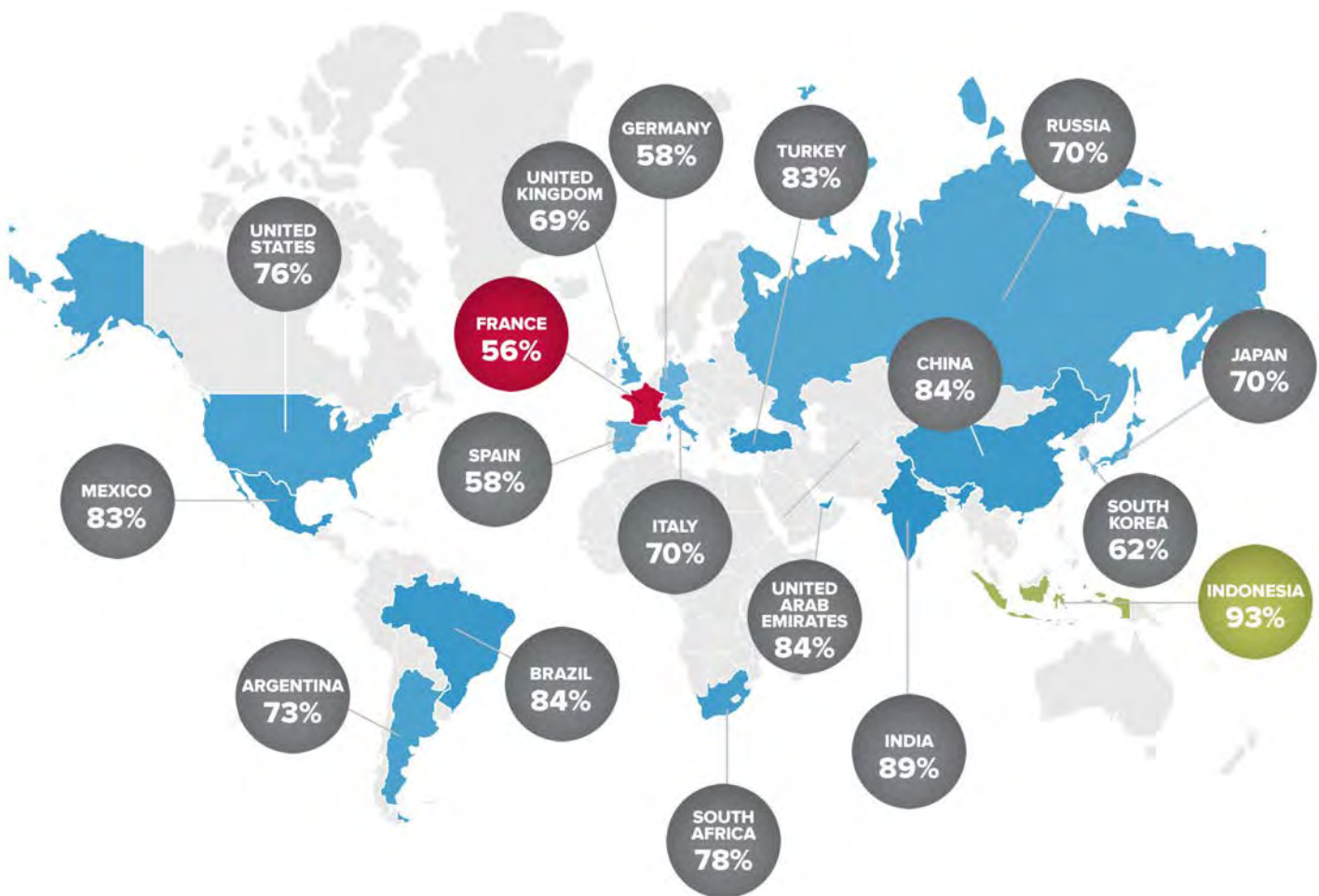■ DISAGREE = AVERAGE OF STRONGLY AGREE OR DISAGREE

FROM THE ECI GLOBAL DATABANK

Is Talking About Ethics the Norm Around the World?

Across the globe, most employees agree that top management makes an effort to talk about the importance of ethics.

" In Indonesia, more than nine in 10 employees (93%) agree that top management talks about E&C, putting it at the top of the 18 countries surveyed. Employees in France were least likely to agree (56%).

Employees Who Agree Top Management Talks About Ethics

GERMANY 58%

UNITED KINGDOM 69%

TURKEY 83%

RUSSIA 70%

UNITED STATES 76%

FRANCE 56%

CHINA 84%

JAPAN 70%

MEXICO 83%

SPAIN 58%

SOUTH KOREA 62%

ITALY 70%

INDONESIA 93%

UNITED ARAB EMIRATES 84%

ARGENTINA 73%

BRAZIL 84%

INDIA 89%

SOUTH AFRICA 78%

For more detail about ECI's global data, please see our interactive maps at www.ethics.org/GBES

ACCOUNTABILITY + GENUINE INTERACTIONS = WORKPLACE TRUST

To develop workplace trust, managers and supervisors must demonstrate accountability. A principal way to do this is by acting with integrity and accepting responsibility for their own mistakes. **In particular, top management needs to take ownership and not blame others when things go wrong.**

Another component in building workplace trust is for managers and supervisors to engage in genuine interactions with their employees. **Supervisors need to show their employees that they care about them and listen to their concerns.** Employees should walk away from meetings with their supervisors feeling that their input is not only sought but also valued by the company.

Managers and Supervisors Must Demonstrate Accountability to Support Genuine Interactions

EMPLOYEES WHO AGREE THAT THEIR MANAGERS AND SUPERVISORS DEMONSTRATE ACCOUNTABILITY ARE ALMOST **24X MORE** LIKELY TO BELIEVE THAT THEIR MANAGERS AND SUPERVISORS VALUE GENUINE INTERACTIONS.

CONVERSELY, FEWER THAN **4** IN **100** EMPLOYEES WHOSE MANAGERS AND SUPERVISORS FAIL TO DEMONSTRATE ACCOUNTABILITY ALSO FEEL THAT THEIR SUPERVISORS DEMONSTRATE RESPECT FOR THEIR EMPLOYEES.

## WHAT IT LOOKS LIKE

Messages About Workplace Trust

ACCOUNTABILITY

✓ Top managers admit their mistakes when they make them.

✓ Supervisors accept responsibility for their mistakes.

✓ Supervisors do not blame others when things go wrong.

GENUINE INTERACTIONS

✓ Employees believe that top management is open and honest.

✓ Supervisors care about employees as people.

✓ After talking with their supervisor, employees feel heard.

Genuine Interactions Are More Common Than Belief in Accountability

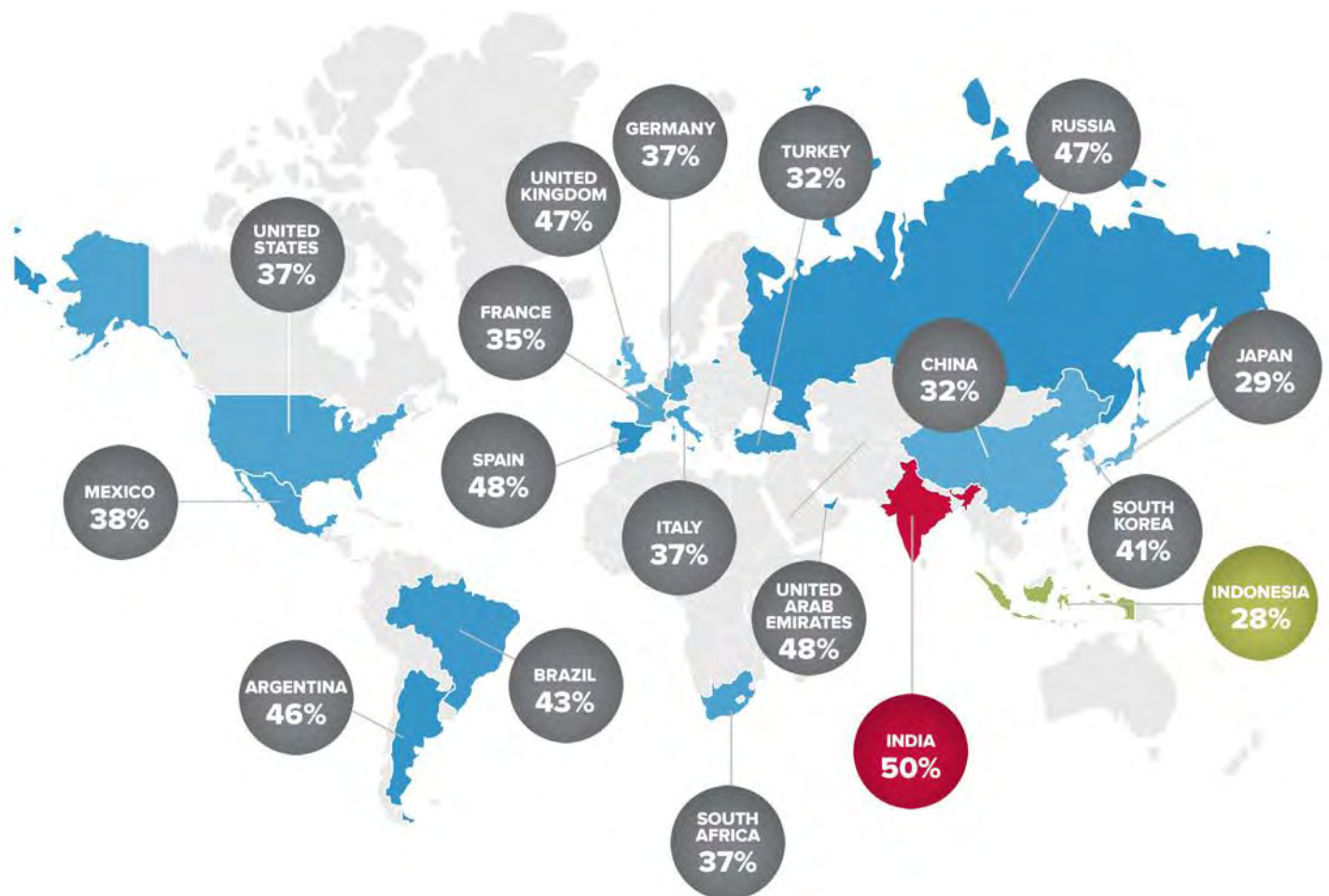|	ACCOUNTABILITY	GENUINE INTERACTIONS
DISAGREE	12%	7%
NEUTRAL	52%	37%
AGREE	36%	55%

■ AGREE   ■ NEUTRAL   ■ DISAGREE
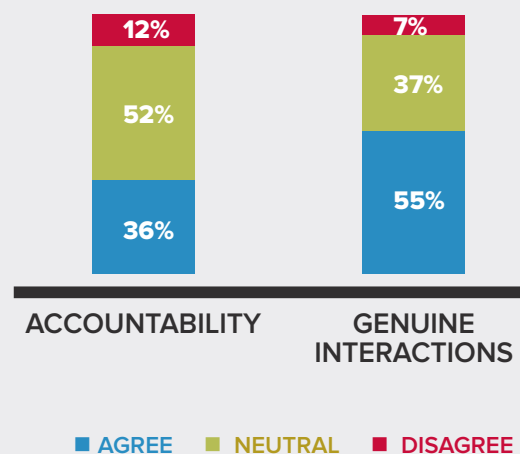
FROM THE ECI GLOBAL DATABANK

Is Management Shirking Responsibility the Norm Around the World?

Employees around the world expressed varying levels of agreement about whether top management accepts blame when things go wrong.

> " Indonesia again came out at the top of the 18 countries surveyed with only 28% of employees agreeing that top management blames others. Employees in India were most likely to agree (50%).

Employees Who Agree Top Management Blame Others When Things Go Wrong

GERMANY 37%

UNITED KINGDOM 47%

TURKEY 32%

RUSSIA 47%

UNITED STATES 37%

FRANCE 35%

CHINA 32%

JAPAN 29%

MEXICO 38%

SPAIN 48%

ITALY 37%

SOUTH KOREA 41%

UNITED ARAB EMIRATES 48%

INDONESIA 28%

ARGENTINA 46%

BRAZIL 43%

INDIA 50%

SOUTH AFRICA 37%

For more detail about ECI's global data, please see our interactive maps at www.ethics.org/GBES

THE CONNECTION BETWEEN PROACTIVE COMMUNICATION AND WORKPLACE TRUST

IN THE US, 50% OF EMPLOYEES BELIEVE THAT PROACTIVE COMMUNICATION IS PRESENT IN THEIR ORGANIZATION, WHILE 43% OF EMPLOYEES BELIEVE THE SAME ABOUT WORKPLACE TRUST.
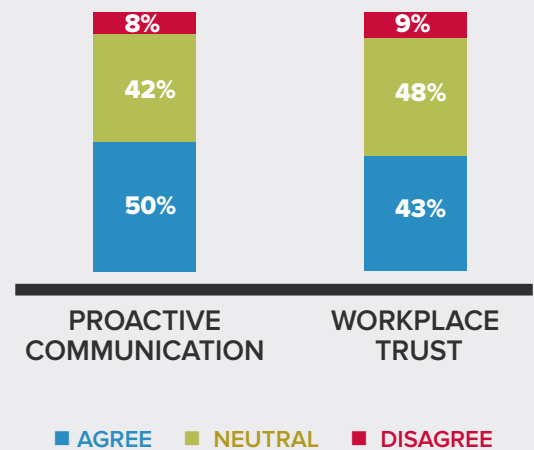
As is shown below, there is a very strong connection between proactive communication and workplace trust.

A Lack of Proactive Communication Erodes Workplace Trust

Proactive Communication is Slightly More Common than Workplace Trust

PROACTIVE COMMUNICATION
- 8% (DISAGREE)
- 42% (NEUTRAL)
- 50% (AGREE)

WORKPLACE TRUST
- 9% (DISAGREE)
- 48% (NEUTRAL)
- 43% (AGREE)

■ AGREE   ■ NEUTRAL   ■ DISAGREE

The two elements of proactive communication are talking about ethics and a culture that promotes speaking up. When these elements are not present, **0%** of employees agree that there is evidence of workplace trust in their organization.

Conversely, when proactive communication is present, **71%** of employees agree that there is evidence of workplace trust in their organization. This finding reveals that proactive communication and workplace trust are strongly connected.

Proactive Communication and Workplace Trust Are Closely Linked

WORKPLACE TRUST IS PRESENT IN WORKPLACE (AGREE — DISAGREE)

PROACTIVE COMMUNICATION IS PRESENT IN WORKPLACE (DISAGREE — AGREE)
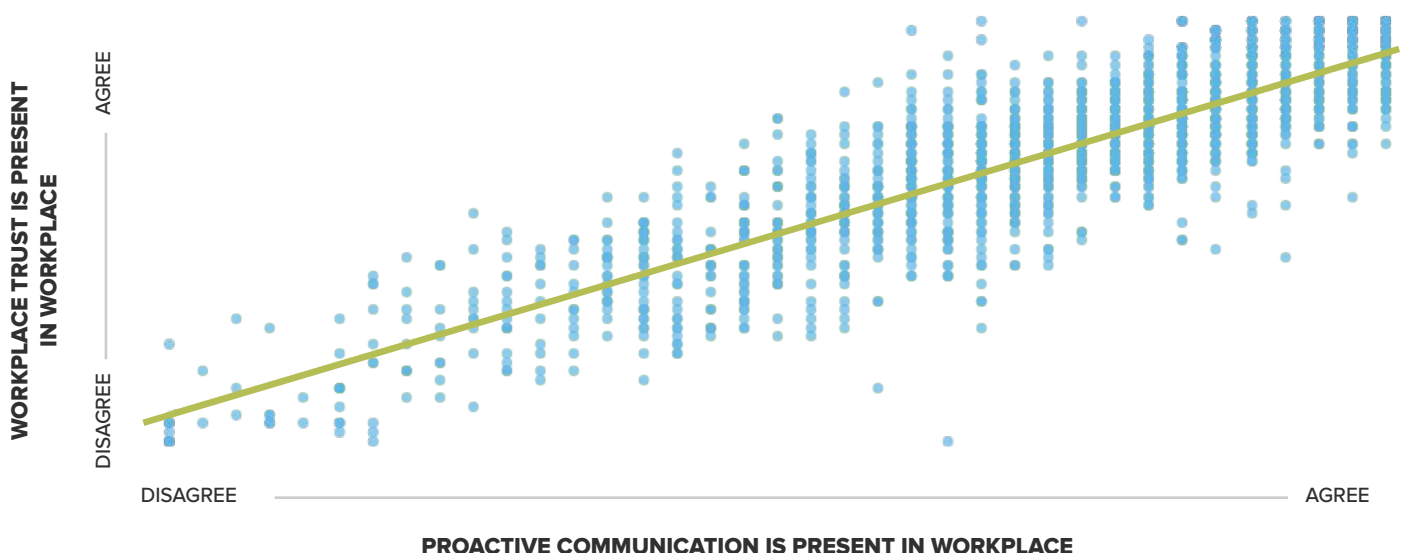
MEASURING THE IMPACT OF PROACTIVE COMMUNICATION AND WORKPLACE TRUST

(1) COMMITMENT TO COMPANY VALUES

A cornerstone of any high-quality E&C program is shared commitment and adherence to company values by all employees, regardless of their position within the company. **When managers and supervisors use proactive communication and build workplace trust, employees are more likely to believe that their leaders will remain committed to the company values**, regardless of the situation. Additionally, **leaders are better positioned to set the expectation that all employees will uphold those values.**

Proactive Communication and Workplace Trust Form the Basis of Commitment to Company Values

IN ORGANIZATIONS CHARACTERIZED BY PROACTIVE COMMUNICATION AND WORKPLACE TRUST, EMPLOYEES ARE 15X MORE LIKELY TO BELIEVE THAT THEIR MANAGERS AND SUPERVISORS ARE COMMITTED TO THEIR COMPANY'S VALUES.

CONVERSELY, FEWER THAN 6 IN 100 EMPLOYEES WHO FAIL TO EXPERIENCE POSITIVE COMMUNICATION AND WORKPLACE TRUST BELIEVE THEIR MANAGERS AND SUPERVISORS ARE COMMITTED TO THEIR COMPANY'S VALUES.

WHAT IT LOOKS LIKE

Messages About Commitment to Company Values

✓ The company expects employees to always consider values and standards when making strategic business decisions.

✓ When making decisions, top managers ask, "What is the right thing to do?"

✓ Top managers do the right thing, even if it means the company loses money, business, and/or clients.

In the US, the Majority of Employees Perceive Strong Commitment to Values

56% 38% 6%

COMMITMENT TO COMPANY VALUES

■ AGREE ■ NEUTRAL ■ DISAGREE
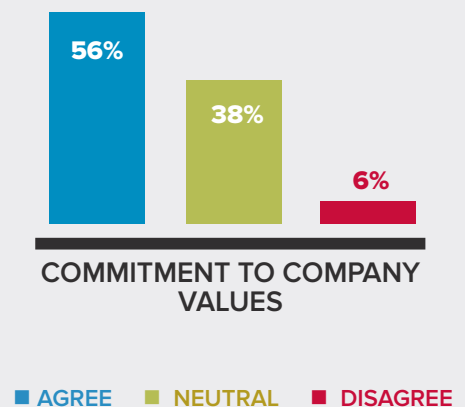
MEASURING THE IMPACT OF PROACTIVE COMMUNICATION AND WORKPLACE TRUST

(2) COMPANIES MEASURE AND REWARD ETHICAL CONDUCT

Knowing that "what gets measured gets managed," companies with high-quality E&C programs make sure that incentives for positive behavior and the integration of ethics into performance evaluation are essential components of their E&C efforts. **Measurement and reward systems are critical for promoting company values and ethical conduct by employees**. However, such systems must not only be in place; they must be lived. Employees need to know that their company regards ethical conduct as just as important as, or in some cases even more important than, other metrics when evaluating performance. **Proactive communication and workplace trust are vital in company efforts to convince employees that ethical conduct is noticed, measured and rewarded.**

Proactive Communication and Workplace Trust Drive Belief That Companies Measure and Reward Ethical Conduct

EMPLOYEES WHO SEE EVIDENCE OF PROACTIVE COMMUNICATION AND WORKPLACE TRUST ARE **15X MORE** LIKELY TO THINK THAT THEIR COMPANY MEASURES AND REWARDS ETHICAL CONDUCT.

CONVERSELY, FEWER THAN **6** IN **100** EMPLOYEES WHO SEE MINIMAL EVIDENCE OF PROACTIVE COMMUNICATION AND WORKPLACE TRUST BELIEVE THEIR COMPANY MEASURES AND REWARDS ETHICAL CONDUCT.

WHAT IT LOOKS LIKE

Messages About Employee Confidence That The Company Measures and Rewards Ethical Conduct

✓ Bonus, reward and incentive programs take into account how results are achieved, in addition to performance.

✓ Employees must set a good example of ethical behavior to be promoted.

In the US, the Majority of Employees Believe Their Company Measures and Rewards Ethical Conduct

| 54% | 36% | 10% |

ETHICAL CONDUCT IS MEASURED AND REWARDED

■ AGREE   ■ NEUTRAL   ■ DISAGREE

Communication and trust are essential building blocks for developing an ethical organization. Employees shape their behaviors based on what they hear and see others doing. To build a high-quality E&C program, managers must:

(1) **SUPPORT PROACTIVE COMMUNICATION** by talking about the importance of ethics and by encouraging their employees to speak up. When employees know that management prioritizes and acts with integrity, they are more likely to feel comfortable voicing concerns and more confident in their ability to handle tough ethical dilemmas they may face in their work.

(2) **SUPPORT WORKPLACE TRUST** by demonstrating accountability when things go wrong and by proving to their employees that they care about them as people and truly appreciate their opinions. Employees value accountability among their managers and want to feel that management cares about their opinion, especially if the information shared is tough to hear.

The benefits of proactive communication and workplace trust can be substantial. When employees know that management prioritizes proactive communication and workplace trust, they are much more likely to believe in a shared commitment to company values and that their company measures and rewards ethical conduct. Absent a **shared commitment to values**, management faces a steep uphill climb in making E&C an integral part of the organization's strategic vision. Similarly, companies that fail to **measure and reward ethical conduct** may signal to employees that ethical behavior is not a priority for the organization. In summary, companies should expect that all of their managers and supervisors consistently engage in those practices that uphold proactive communication and workplace trust.

RECOMMENDATIONS

To promote proactive communication and workplace trust, leaders and managers should:

Ensure that managers talk about values frequently and make them a regular and public part of business decision-making.
→ Set aside time at meetings to talk about ethical dilemmas, hypothetical or real.

Encourage diverse opinions, candor and thoughtful dissent from employees.
→ Role-play speaking up about a difficult issue with a manager or a colleague.

Respond in a timely manner when employees raise concerns and when misconduct occurs.
→ Develop an organization-wide standard for response times.

Ensure that managers hear and value employees as individuals.
→ Seek employee feedback through surveys and performance evaluations on whether they feel heard.

Integrate company values into both company-wide metrics/scorecards and employee performance evaluations.
→ Reward and provide examples of employees who "live" the values.

Create, promote and publicly celebrate, when appropriate, reward systems based on ethical conduct and company values.
→ Seek personalized ways to recognize and reward employees. One size does not fit all.

 | **BUILDING COMPANIES WHERE VALUES AND ETHICAL CONDUCT MATTER**

The GBES consists of data from two surveys, one focused exclusively on the US and the other on employees from 18 countries. The GBES, a biennial longitudinal study, identifies changes in the levels and types of observed misconduct in business organizations. It also measures employee patterns in reporting observed misconduct, perceptions of leader, strength of ethical cultures and the extent to which retaliation is an issue in the workplace.

US data: In December 2017, ECI continued its longitudinal study of the US workforce and collected data from over 5,000 employees. ECI began its longitudinal study in 1994, and has since surveyed over 39,000 US employees. The sampling error for the US data presented in this report is +/-1.4% at the 95% confidence level.

Global data: In 2015, ECI conducted a global survey of 13 countries. In 2017, ECI updated the global data with findings from an additional five countries. In total, ECI surveyed 18,000 employees from across the globe. The sampling error for the global data presented in this report is +/-3.1% at the 95% confidence level.

Employees were randomly selected to attain a sample representative of employees in each country. All survey respondents were:

- 18 years of age or older;
- Currently employed;
- Working at least 20 hours per week for their primary employer; and
- From companies with a staff of at least two or more.

ECI established the survey questions and sampling methodology, Precision Sample managed data collection for the US survey, and Toluna managed data collection for the global survey. ECI based its analysis on a framework provided by the Federal Sentencing Guidelines for Organizations, the Sarbanes-Oxley Act of 2002 and in-house expertise in defining elements of ethics programs, culture and outcomes.

OUR FUNDERS

We are grateful to the following companies whose generosity has made this report possible:

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L'ORÉAL Pacific Gas and Electric Company PG&E **Walmart**

Altria bp **LOCKHEED MARTIN**

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OUR COMMITMENT IS TO GIVING YOU THE INSIGHT, REFERENCES, TOOLS AND EXPERTISE YOU NEED TO GROW AND SUSTAIN AN EFFECTIVE ETHICS & COMPLIANCE PROGRAM.

GLOBAL BUSINESS ETHICS SURVEY™

Our premier, longitudinal study of ethics, compliance and workplace behavior. This survey takes a deep look in to trends and challenges facing organizations worldwide, and keeps your finger on the pulse of the E&C climate across the globe.

INTERACTIVE GLOBAL DATA MAPS

This interactive tool puts together the most important findings from our GBES report in to an easy-to-use map format that contrasts the current temperature of E&C programs in countries around the world.

ETHICSSTATS

Offering a concise snapshot of insights found in our GBES reports, Pulse Surveys, independent research, and collaboration research partners. The information found in EthicsStats is easily digestible and shareable, giving you the stats and data points you need to relay to your team and senior executives.

ECI RESEARCH

Discover our recent research. ECI's research and reporting is renowned by ethics & compliance leaders across the globe. Our research and findings provide insights and information as well as cultural, program and risk benchmarks designed specifically for E&C professionals.

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**WATCH FOR THE NEXT GBES
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