

The Impact of Organizational Values and Ethical Leadership on Misconduct: A Global Look

2019 GLOBAL BUSINESS ETHICS SURVEY



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The Ethics & Compliance Initiative (ECI) is a best practice community of organizations that is 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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About this Report

Each year ECI conducts the Global Business Ethics Survey® (GBES®) to better understand the state of ethics in the workplace from the perspective of employees. With the 2019 GBES, ECI built upon its existing research by further exploring the presence of shared organizational values and ethical leadership in organizations around the world.

This report examines the link between organizational commitment (to organizational values and ethical leadership) and the following two key ethics outcomes:

1) Observed Misconduct Rates

2) Reporting of Observed Misconduct

The 2019 GBES findings discussed in this report are based on employee responses from 18 countries. The results are discussed by five global regions, composed of the following countries:

Africa & Middle East: South Africa, United Arab Emirates

Asia Pacific: China, India, Indonesia, Japan, South Korea

Europe: France, Germany, Italy, Russia, Spain, Turkey, United Kingdom

North America: Mexico, United States

South America: Argentina, Brazil

Note: Unless otherwise specified, the percentages in this report consist of the average of all employee responses within each region. See the Methodology and the About the GBES sections for more information..



The Importance of Organizational Values and Ethical Leadership within the Workplace

Culture is a critical component of every organization. When a strong ethics culture is present across an organization, employees know not only what type of behavior is expected but also what is unacceptable. Organizations working towards developing a strong organizational culture need to focus on reinforcing a wide array of ethics-related program elements. Central among these elements is the integration of shared values throughout the organization.

In order to encourage their employees to make good decisions, leaders are looked upon to establish a set of shared organizational values and demonstrate to employees that those values play a critical role in their everyday on-the-job decision-making. Organizations that do not embed shared values in day-to-day operations tend to lack the foundation necessary for developing a strong ethics culture. Another key element of a strong culture is the presence of ethical leadership. Specifically, supervisors must hold themselves accountable and support their employees in following their organization's ethics standards. Organizations that lack ethical leadership will not develop an organizational culture grounded in ethical decision-making.

Despite the influential role that values and ethical leadership play in developing robust organizational cultures, research findings in this report reveal that employees around the world are not seeing enough evidence of either of these elements. The global median of employee responses from the 18 countries included in the 2019 GBES reveals that:

39%

of employees do not see a strong commitment to organizational values in their organization

58%

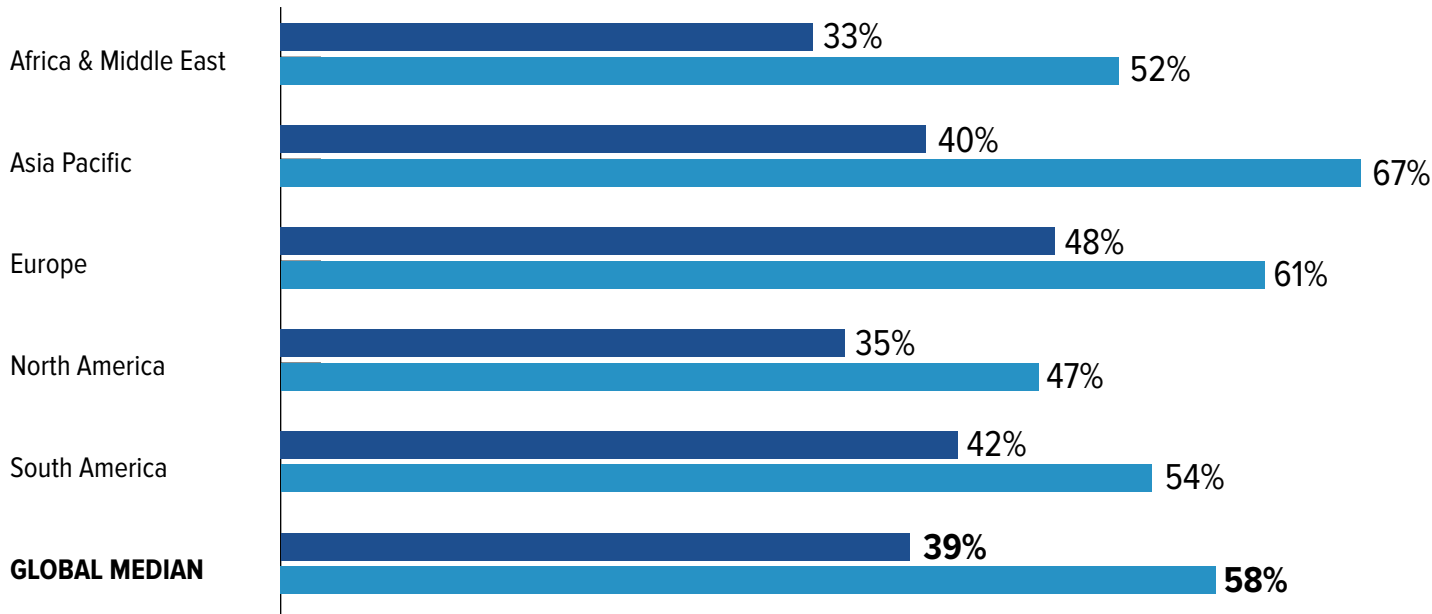
of employees do not see a strong commitment to ethical leadership in their organization



Global View of Organizational Values and Ethical Leadership

Percentage of employees who do not see a strong commitment to organizational values or ethical leadership

■ ORGANIZATIONAL VALUES
 ■ ETHICAL LEADERSHIP



The Effects of Weak Commitment

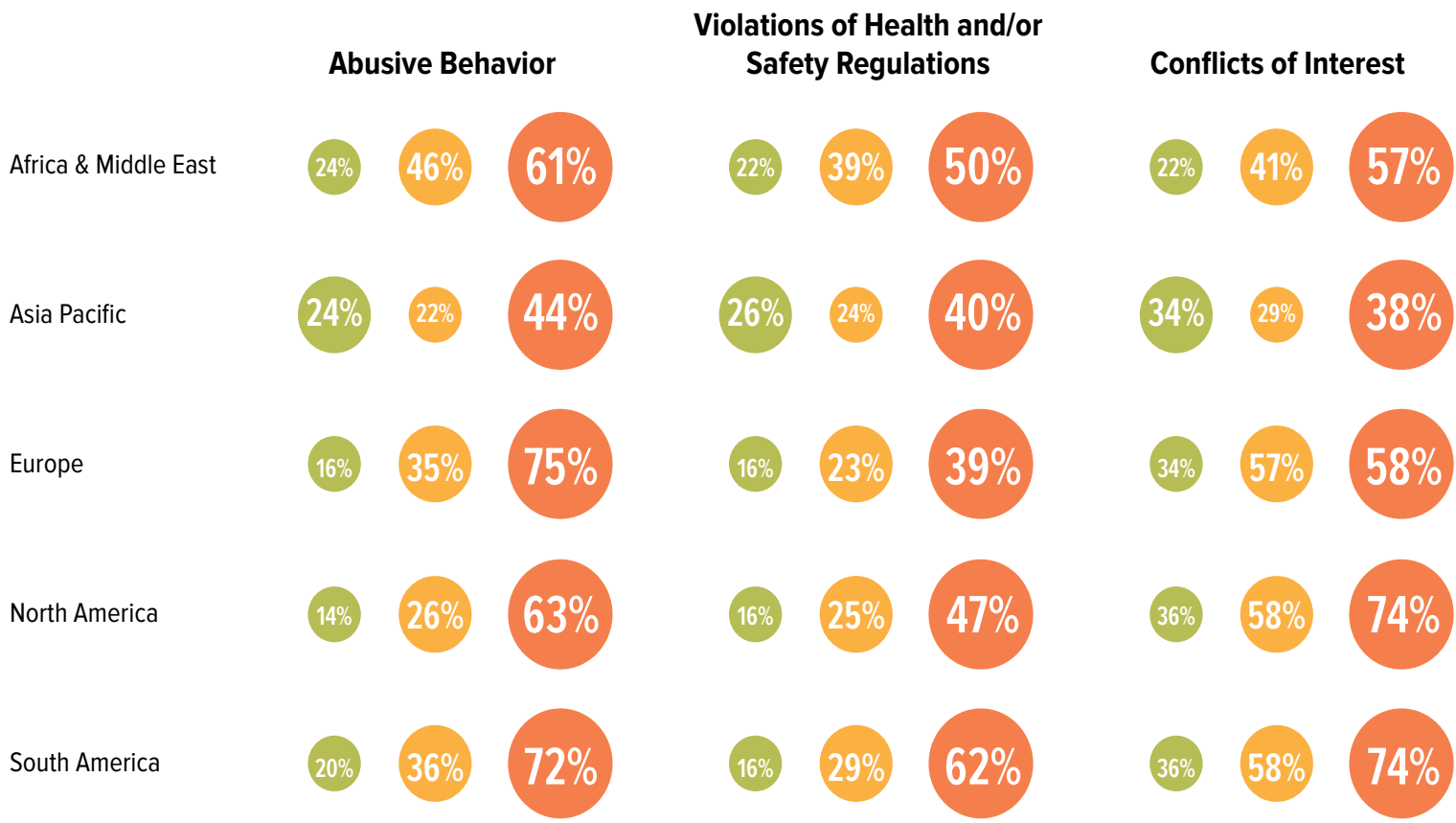
When employees perceive that leaders are committed to organizational values and ethical leadership, a tone is set for all employees. In contrast, a lack of commitment may be a signal to employees that values are little more than window dressing and that leaders, and therefore all employees, are not actually expected to adhere to the values or model ethical behavior.

This report establishes a link between the employee perceptions about the commitment level of organizations (**STRONG**, **MODERATE** and **WEAK**) to these two areas and ethics outcomes—observed misconduct and the reporting of observed misconduct.

A **STRONG COMMITMENT** to organizational values and ethical leadership leads to **BETTER ETHICS OUTCOMES.**

A **WEAK COMMITMENT** to organizational values and ethical leadership leads to **WORSE ETHICS OUTCOMES.**

Commitment Levels and Observed Misconduct Rates



Takeaway
 Misconduct by the areas examined¹ is substantially higher in organizations perceived by employees to have a **WEAK COMMITMENT** to organizational values and ethical leadership.

Pressure to Compromise Standards.

In addition to higher rates of misconduct, employees who said there was a **WEAK COMMITMENT** to organizational values and ethical leadership were more likely to say they felt pressured to compromise their organization's ethics standards, policies or the law.

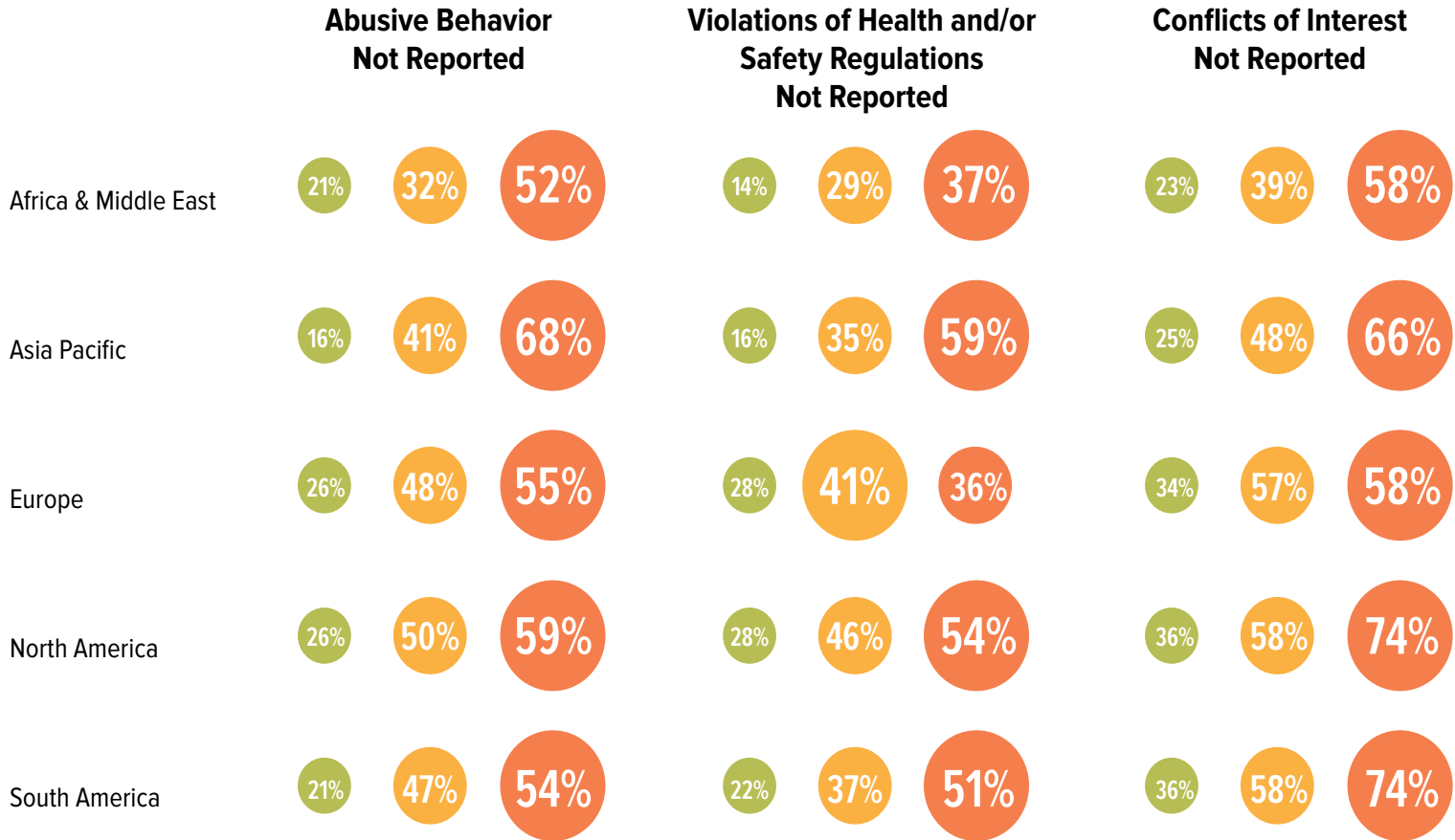


¹ In the 2019 GBES, ECI asked respondents about abusive behavior, violations of health and/or safety regulations, conflicts of interest, sexual harassment, discrimination and corruption. This report examines the three most common types of observed misconduct.

Commitment Levels and Not Reporting Observed Misconduct

Percentage of employees who did not report observations of misconduct by commitment level

● **STRONG COMMITMENT**
● **MODERATE COMMITMENT**
● **WEAK COMMITMENT**



Takeaway

In addition to higher rates of misconduct, employees in organizations perceived to have a **WEAK COMMITMENT** to organizational values and ethical leadership were more likely to say that they did not report the misconduct they observed.

Intent to Stay.

In addition to lower rates of reporting, employees who said there was a **WEAK COMMITMENT** to organizational values and ethical leadership were less likely to say they wanted to remain at their organization for 5 years or longer.

GLOBAL AVERAGE:
● **64% STRONG COMMITMENT**
● **VS**
● **38% WEAK COMMITMENT**

Conclusion

The findings in this report demonstrate that organizations are falling short with respect to two key elements related to strong organizational cultures: shared values and ethical leadership. A unified strategy that includes core values development and training, as well as a concerted focus on expecting leaders to be authentic and accountable role models, can strengthen overall organizational culture.

According to ECI's research findings, investment in these two areas can help reduce misconduct and improve the rate at which observed misconduct is reported. Furthermore, the findings also revealed that employees who work in organizations with a strong commitment to organizational values and ethical leadership are less likely to feel pressure to compromise standards and are more likely to say they intend to remain at their organization for at least five years.

Tips for Strengthening Values and Ethical Leadership.

While there are a wide range of practices and strategies leaders can use to address these areas, ECI has identified several that it considers key to any successful effort dedicated to strengthening organizational values and ethical leadership.

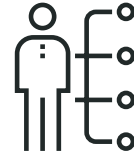
How leaders can demonstrate a **STRONGER COMMITMENT** to **ORGANIZATIONAL VALUES**



Talk about the importance of ethical conduct and reference organizational values as a framework for their decisions;



Act in **alignment with the organization's values** at all times; and

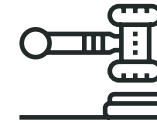


Evaluate employees, including in performance appraisals, based on how employees' actions align with organizational values, not merely on compliance with the rules.

How leaders can encourage a **STRONGER COMMITMENT** to **ETHICAL LEADERSHIP**



Speak regularly about—and **formally recognize the value of—raising issues**, even if the issues are controversial;



Hold leaders accountable for their performance in relationship to ethics and compliance; and



Have leaders assume responsibility for their role as ethical leaders in their organization, recognizing and reinforcing behaviors that align with ethical leadership.

Methodology

In May 2019, ECI continued its study of the global workforce and collected data from over 18,000 employees around the world. ECI established the survey questions and sampling methodology. A third-party vendor (Precision Sample) executed the global data collection.

Demographic Profile of Respondents²

Organization Size (Number of employees)		Job Position		Industry		Working at a Multinational Organization	
2 to 5	6%	Top management (e.g., CEO/ President, C-suite)	10%	Manufacturing	17%	Yes	41%
6 to under 25	13%	Middle management (e.g., director, persons managing multiple reports)	30%	Professional and Business Services	11%	No	59%
25 to under 50	10%	First-line direct supervisor with direct reports	20%	Education	11%		
50 to under 100	12%	Individual contributor/ Not a member of management	40%	Retail	10%		
100 to under 500	20%			Construction	9%		
500 to under 1,000	12%			Government, Public Administration, and Non-Profit	9%		
1,000 to under 2,500	8%			Information	9%		
2,500 to under 5,000	7%			Health Services	7%		
5,000 to under 10,000	4%			Financial Activities	6%		
10,000 to under 20,000	2%			Transportation and Utilities	5%		
20,000 to under 50,000	2%			Leisure and Hospitality	4%		
50,000 to under 90,000 or 90,000 or more	2% 3%			Natural Resources and Mining	2%		

Percentages may not sum to 100% due to rounding.

² *The demographic profile is based on respondents from all 18 countries.*

Our Funders

We are grateful to the following companies whose generosity made this report possible. Corporations and foundations invest in ECI's work and value the impact of our research in which we analyze current and emerging issues, establish benchmarks, generate new approaches to industry challenges, and guide organizations' ethics and compliance efforts.

If you would like to join these distinguished companies to demonstrate to stakeholders, the enforcement community, and the public-at-large your company's commitment to integrity through support of our work, contact ECI at 571-480-4416 or holli@ethics.org.



About GBES

Since 1994, ECI has conducted a longitudinal, cross-sectional study of workplace conduct from the employee’s perspective. Survey participants are asked to provide insight on the strength of the ethics 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) provide the international benchmark on the state of ethics & compliance in business. The 2019 GBES, the 12th implementation of the GBES, surveyed over 18,000 employees in 18 countries.

For more information about the study and to access previous reports, please visit our website at www.ethics.org/GBES.



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