



The State of Ethics & Compliance in the Workplace

Differences Between Small, Medium and Large Enterprises

► 2022 GLOBAL BUSINESS ETHICS SURVEY REPORT

May 2022



ABOUT THE ETHICS & COMPLIANCE INITIATIVE

Established in 1922, the Ethics & Compliance Initiative™ (ECI™) comprises the two oldest nonprofits in the ethics & compliance industry; the Ethics Resource Center® (d.b.a. the Ethics Research Center) and the Ethics & Compliance Officer Association (d.b.a. the Ethics & Compliance Association).

Through its research, ECI identifies the practices that improve ethics & compliance program effectiveness and build institutional culture strength. As an association, ECI brings together ethics & compliance professionals and academics from all over the world to share techniques, resources and exciting new ideas. ECI also has an established track record of providing support to organizations seeking to transform their cultures, often in the wake of significant challenges with noncompliance.

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About BERC

The University of St. Thomas, recognized as the largest private university in Minnesota with more than 10,000 undergraduate and graduate students and over 110,000 alumni, encompasses eight schools and colleges with more than 150 undergraduate majors and minors and more than 55 graduate degree programs.

BERC is an open-access website that makes business ethics resources freely available to the public with the intent to educate business leaders and assist them in building and maintaining strong organizational cultures of ethics and compliance in the businesses and industries they serve. BERC provides users a foundation of ethics and compliance knowledge, as well as access to best practices for enterprise-wide issues. The BERC site offers news, insight and tools to help business owners and managers address ethics and compliance challenges faced by small to medium-sized organizations.

www.businessethicsresourcecenter.org

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About This Report

This report examines data from the Ethics & Compliance Initiative's Global Business Ethics Survey® (GBES®). Data from over 5,000 employees in the U.S. are analyzed by the size of the enterprise in which they work (i.e., organizational staff size). For the purposes of this report, small, medium and large-staff-sized organizations were defined by the following categories:

- **Small organizations: Fewer than 500 employees.**
- **Medium organizations: 500 to 999 employees.**
- **Large organizations: 1,000 or more employees.**

The results are discussed by the ethical culture strength and four major ethics outcomes that are connected to ethics & compliance (E&C) program implementation: pressure, observed misconduct, reporting and retaliation (for more information see the "Background" section of this report).

Additional comparisons are made to show the impact of a strong versus a weak ethical culture on ethics outcomes.

The GBES U.S. data discussed in this report were collected in 2020 and are based on responses from individuals employed in the for-profit, nonprofit and governmental sectors. For a more detailed explanation of the methodology, please see the "Methodology" section of this report.

NOTE:



Comparisons made and presented in this report have been tested at the 95% confidence level to ascertain if the differences are statistically significant. When reading the report, significance test results are presented in various ways, including:

- No significant difference: The report might refer to the difference as "comparable," "the same as," etc.
- Significant difference: The report might refer to the difference as "more likely" or "less likely," "more than," "less than," etc.

Background

Since 1994, the Ethics & Compliance Initiative has conducted the GBES, a longitudinal, cross-sectional study of workplace conduct from the employee's perspective. There have been 16 iterations of the GBES. Data from the GBES provide the global benchmark on the state of E&C in business.

Since its inception, ECI's research has provided leaders with reliable data on trends in workplace ethics, focusing on the key drivers that improve ethical cultures in the workplace and how changes in culture impact ethics outcomes. The strength of an organization's ethical culture is measured through multiple indicators of employee behaviors at various levels within an organization, including leaders, supervisors and coworkers. These behaviors demonstrate and promote a commitment to ethics on a daily basis. A thriving ethics culture involves commitment, modeling and the right conduct by all employees in an organization. Our research shows that the quality of an organization's E&C program and the strength of its ethical culture are key to achieving desired ethics outcomes (defined below).

In addition, while a multitude of factors influence ethical behavior, the interplay of four major ethics outcomes is tied to the daily micro-decisions employees make with respect to how they behave in the workplace.

These are:

- 1) Pressure in the workplace to compromise ethical standards.
- 2) Observations of misconduct.
- 3) Reporting of observed misconduct.
- 4) Retaliation perceived by employees after they have reported misconduct.



“ Since its inception, ECI's research has provided leaders with reliable data on trends in workplace ethics, focusing on the key drivers that improve ethical cultures in the workplace and how changes in culture impact ethics outcomes. ”

Workplace Culture and Ethical Behavior

In 2016, ECI convened an independent Blue Ribbon Panel of former enforcement officials, E&C practitioners and academics, and challenged the group to identify the traits that are common to “gold standard” E&C programs.

The panel’s conclusions were published in the report entitled *Principles and Practices of High-Quality Ethics & Compliance Programs*. ECI’s 2018 GBES research explored the impact of E&C program quality on employee perceptions and behavior. Specifically, U.S. employees were asked about: (1) the presence of E&C program practices in their workplace; (2) the level of quality of those efforts, based on a framework developed by the Blue Ribbon Panel and; (3) the impact of E&C programs based on their level of maturity and on employees’ perceptions and behavior.

Two primary findings emerged that build the case for continually improving E&C practices and policies:

- 1) The higher the program quality, the stronger the culture:** Eighty-four percent of employees working for organizations with an E&C program performing at the “optimizing” level perceived their organization as having a strong ethical culture, compared with just 13% of employees working for organizations with an “underdeveloped” E&C program.¹
- 2) The stronger the culture, the greater the impact:** Eighty-five percent of employees working for organizations with a strong ethical culture indicated observing favorable outcomes, compared with 0% of employees working for organizations with a weak ethical culture.

ECI research has also shown that organizations with high-quality E&C programs (HQPs) are not only more likely to have strong ethics cultures, they also have an impact on the four major ethics outcomes in the following ways:

- Less **pressure** to compromise ethical standards.
- Less observed **misconduct**.
- More **reporting of misconduct** observed.
- Less **retaliation** for reporting.

In short, when these conditions occur, organizations with HQPs and a strong ethical culture have decreased risk for E&C violations.

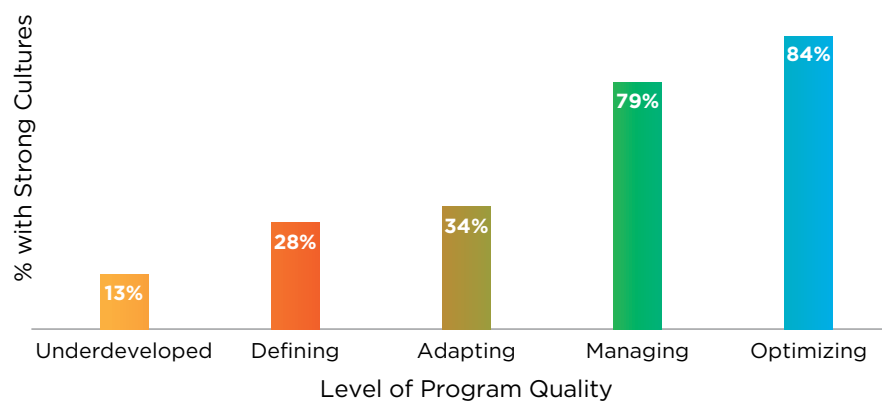
Ethical culture strength significantly influences workplace conduct. When the strength of an organization’s ethical culture is weak, the outcomes listed above suffer. ECI’s research has consistently demonstrated that when employees experience pressure to compromise their organization’s workplace ethics standards, there are higher incidences of misconduct, lower reporting of misconduct and increased rates of retaliation.

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¹ ECI measures the strength of an organization’s ethical culture through multiple questions about the behavior of employees at various levels throughout an organization. These behaviors exhibit whether there is an enterprise-wide approach to ethical culture by the organization, and demonstrate and promote a commitment to ethics on a daily basis. A strong ethical culture involves managers and nonmanagers demonstrating their commitment to ethics through their words and actions. A weak culture is represented by the inverse condition. Generally, as used in this report, “strong culture” refers to strong or strong-leaning cultures and “weak culture” refers to weak or weak-leaning cultures.

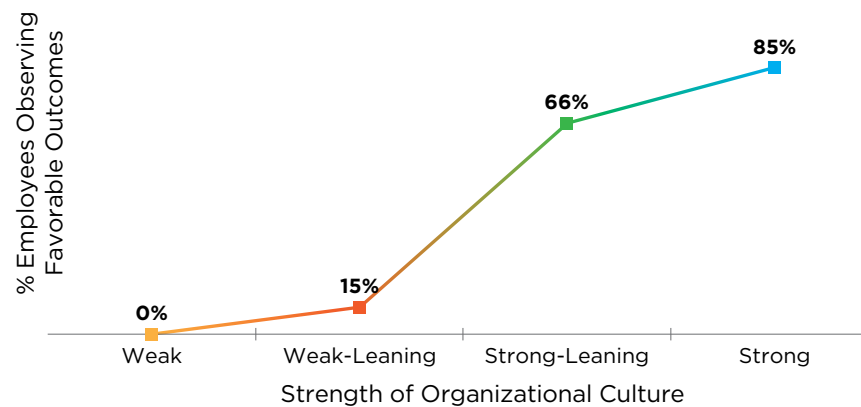
The Higher the Program Quality, the Stronger the Culture

Organizations with high-quality programs (shown here as optimizing) demonstrate a 546% increase in culture strength over organizations at the lowest level of program quality.



The Stronger the Culture, the Greater the Impact

As the culture strengthens, employee conduct improves. Organizations with strong cultures are 467% more likely to demonstrate a positive impact on employees than organizations with weak-leaning cultures. This impact includes employees' recognizing and adhering to organizational values, feeling prepared to handle key risks, reporting suspected wrongdoing and reduced levels of misconduct overall.



Executive Summary

Overall, the findings reveal that ethics & compliance initiatives operate differently in small and medium-sized organizations than in large enterprises.² Particularly, medium-sized organizations are caught in between as they transition from a smaller to a larger enterprise. Employees in medium-sized organizations report more pressure, more observed misconduct and more perceived retaliation due to reporting misconduct than employees in small and large-sized enterprises. As a result, organizations that are growing are encouraged to be aware of a “tipping point” at which informal ways of doing things give way to formal programming and support to help guide employees on workplace ethics standards and how to address wrongdoing.

KEY FINDING 1: ETHICAL CULTURE STRENGTH

ECI measures ethical culture strength by gauging employee perceptions about the ethics-related actions of management, supervisors and nonmanagement employees. Taken together, the actions of employees throughout an organization determine the overall culture strength.

Based on ECI's Culture Strength Index,

- Approximately 15% of employees in small, medium-sized and large organizations perceive a strong ethical culture in their organization



² Throughout the report, organizations are referred to as follows: Small organizations: Fewer than 500 employees, Medium-sized (or Medium) organizations: 500 to 999 employees, Large organizations: 1,000+ employees

³ "VS." indicates a statistically significant difference between values, otherwise there is no statistically significant difference.

KEY FINDING 2: PRESSURE

Pressure to compromise ethical standards serves as a warning signal for both ongoing and future misconduct. The likelihood that employees will observe misconduct in their organization rises as the rate of pressure rises.

- Employees in medium-sized organizations are more likely than employees in small and large organizations to agree that they experienced pressure to compromise their organization's workplace ethics standards.



KEY FINDING 3: OBSERVED MISCONDUCT

The rate at which employees observe misconduct is a fundamental indicator of the strength of an organization's ethical culture. Stronger cultures generally have lower rates of observed misconduct.

- Over 2/3 of employees in medium-sized organizations observed at least one of 26 specific types of misconduct asked about in the survey, significantly higher than in both small and large organizations.



KEY FINDING 4: REPORTING OBSERVED MISCONDUCT

When employees report misconduct, organizations have a better chance of holding accountable those who commit misconduct.

- Employees in medium-sized and small organizations are more likely to say they reported “every” or “some” instances of misconduct, compared with large organizations. Employees in medium-sized organizations are most likely to report misconduct.



KEY FINDING 5: RETALIATION FOR REPORTING OBSERVED MISCONDUCT

Retaliation can take many forms, making it difficult to isolate. It is critical that organizations investigate any perceived retaliation reported by employees and make it clear that the organization does not tolerate it.

- The rate of retaliation for reporting misconduct in medium-sized organizations is higher than in small and large organizations.



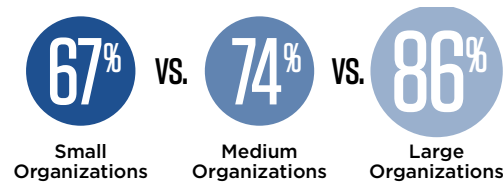
- Most retaliation is reported: The majority of employees reported the retaliation they experienced.



KEY FINDING 6: E&C PROGRAM ELEMENTS

Standardized E&C practices embedded within the organizational culture and business strategy increase as the size of the organization grows. Consistently, large organizations have E&C program elements in place at higher levels than small and medium-sized organizations. Medium-sized organizations have more robust E&C program elements compared with small organizations.

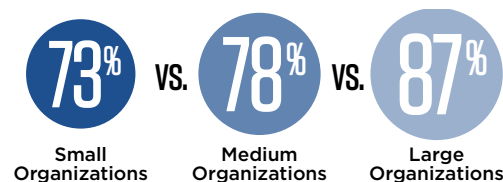
- A tenet of any E&C program are written standards of ethical workplace conduct. As organizational size increases, the prevalence of these written standards also increases.



KEY FINDING 7: EMPLOYEE READINESS

Effective handling of potential wrongdoing that employees might see and providing information on the overall reporting process serve as important guidance for employees at any organization. Employees in medium-sized and large organizations are more likely than employees in small organizations to indicate that they understand key elements of the reporting process.

- As organizational size increases, employees are more likely to indicate that they were told how to make a report.



Key Finding 1

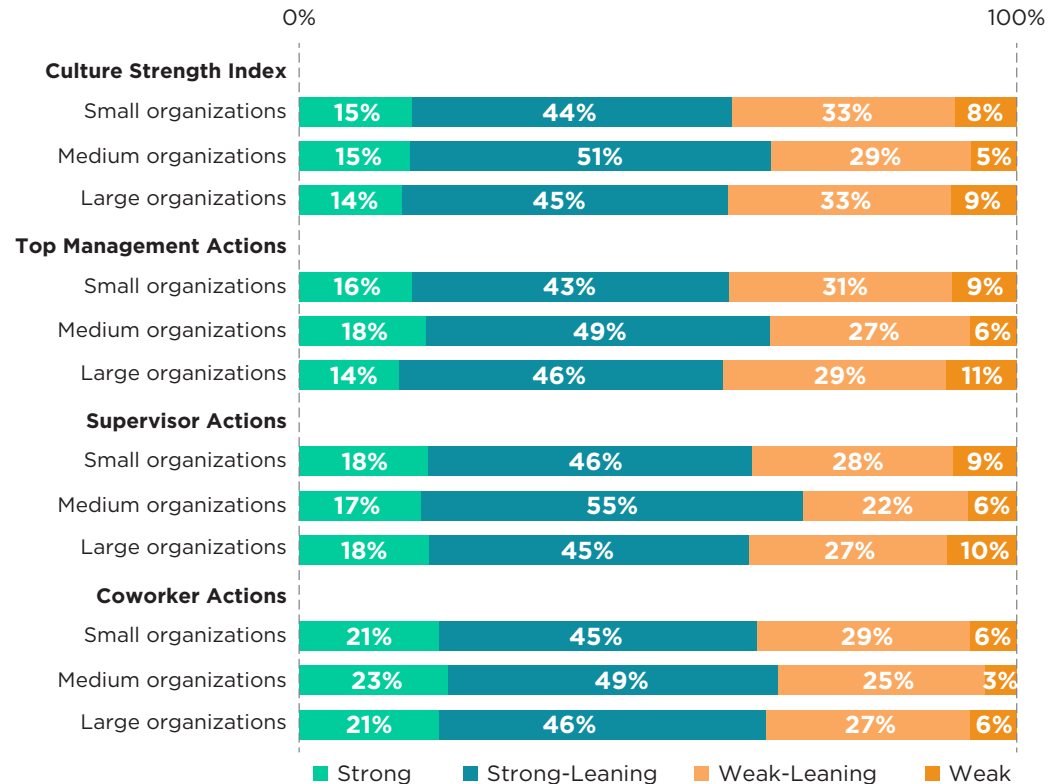
Ethical Culture Strength Is Similar Regardless of Organizational Size

ECI measures the strength of an organization's ethical culture through multiple questions about the behavior of employees at various levels throughout an organization. These behaviors exhibit whether there is an enterprise-wide approach to ethical culture by the organization, and demonstrate and promote a commitment to ethics on a daily basis. A strong ethical culture involves managers and nonmanagers demonstrating their commitment to ethics through their words and actions. A weak culture is represented by the inverse condition.

Based on ECI's Culture Strength Index,⁴ 15% of employees in small and medium-sized organizations and 14% of employees in large organizations indicate that their organization has a strong ethical culture. Given that culture is the most influential determinant of employee conduct, in total, employees in all three groups are in an equally favorable position for positive outcomes.

TOP MANAGEMENT, SUPERVISOR AND COWORKER ACTIONS

- Employees in medium-sized organizations are more likely than employees in large organizations to indicate that top management's actions support a strong ethical culture.
- Close to one-fifth of employees in small, medium-sized and large organizations perceive that supervisors' actions support a strong ethical culture.
- Slightly more than one-fifth of employees in small, medium-sized and large organizations perceive that their coworkers' actions support a strong ethical culture.



Source: *The State of Ethics & Compliance in the Workplace: Small, Medium and Large Enterprises Report (ECI, 2021)*

Small organizations: Fewer than 500 employees, Medium organizations: 500 to 999 employees, Large organizations: 1,000+ employees

⁴ Employee perceptions are grouped together to form ECI's Culture Strength Index. Survey items that make up the index include, but are not limited to, the following: (1) accountability of top management, supervisors and nonmanagement employees; (2) trust that top management and supervisors will keep their promises and commitments, and; (3) belief that top management, supervisors and coworkers set a good example of ethical workplace behavior.

Key Finding 2

Pressure to Compromise Standards Is Higher in Medium-Sized Organizations Compared with Small and Large Organizations

Employees working in organizations with high rates of pressure are much more likely to observe misconduct in their workplace. Pressure can increase during times of change, including economic challenges, expanding operations, mergers/acquisitions and restructuring, to name a few.

In medium-sized organizations, about one-half (52%) of employees agree⁵ that they have experienced pressure to compromise their organization's workplace ethics standards, 22 percentage points higher than employees in small organizations and 24 percentage points higher than employees in large organizations.

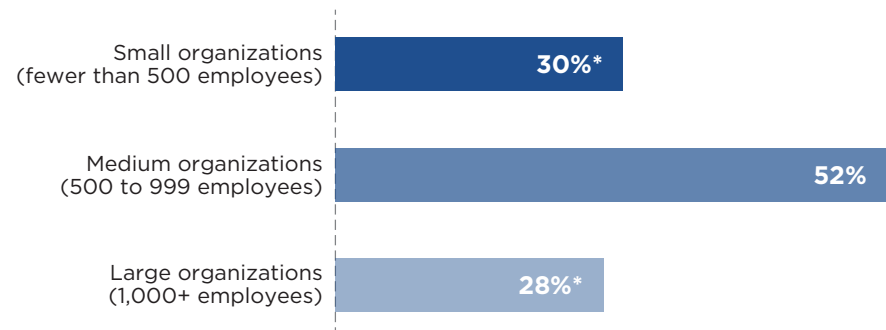
As organizations grow, building a more formal E&C program provides employees with the needed guidance to mitigate and handle situations of potential wrongdoing.

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Pressure can increase during times of change, including economic challenges, expanding operations, mergers/acquisitions and restructuring, to name a few.

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Pressure to Compromise Standards



Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

⁵ The percentage of employees who indicated “strongly agree” or “agree” that they feel pressure from others to compromise standards.

Key Finding 3

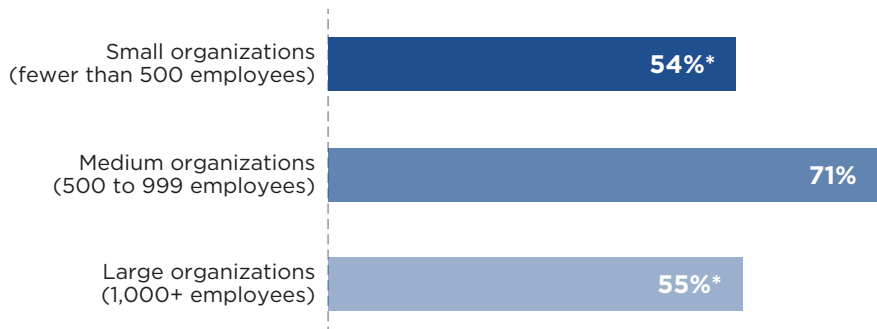
The Observed Misconduct Rate in Medium-Sized Organizations Is Higher than the Level Seen in Small and Large Organizations

Organizations with high rates of misconduct are likely to have ineffective E&C programs and weaker cultures that manifest by a lack of overall accountability for wrongdoing, and senior leaders who fail to communicate the importance of ethics in the workplace.

Employees in medium-sized organizations report observing misconduct at significantly higher rates than employees in small and large organizations.

- More than two-thirds of employees in medium-sized organizations compared with over half of employees in small and large organizations observed at least one of the 26 specific types of misconduct asked about in the survey.

Rate of Observed Misconduct



Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

TYPES OF OBSERVED MISCONDUCT

The six most-commonly observed types of misconduct revolve around interpersonal behavior. The prevalence of the specific types of misconduct is generally higher in medium-sized organizations, following the same trend identified throughout this report. The top types of observed misconduct varied by organization size.

- Small organizations: Favoritism toward certain employees (34%).
- Medium-sized organizations: Favoritism toward certain employees (49%) and conflicts of interest (40%).
- Large organizations: Favoritism toward certain employees (35%) and management lying to employees (26%).

| | Most Common Types of Observed Misconduct | | |
|---|--|---|--|
| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
| Favoritism toward certain employees | 34% | 49%↑ | 35% |
| Management lying to employees | 24% | 38%↑ | 26% |
| Improper hiring practices | 23% | 37%↑ | 24% |
| Conflicts of interest (gains at organization's expense) | 23% | 40%↑ | 22% |
| Abusive, intimidating or hostile behavior | 23% | 38%↑ | 23% |
| Violation(s) of health and/or safety regulations | 22% | 35%↑ | 23% |

Arrows (↑) indicate a statistically significant difference between medium-sized organizations and small and large organizations.

Key Finding 4

Reporting Rates Are Higher in Medium-Sized Organizations Compared with Small and Large Organizations

Understanding the nature of the misconduct that may be occurring within an organization is paramount to improving ethics outcomes. Employees who feel comfortable speaking up, in general, and reporting suspected misconduct help ensure that those who commit wrongdoing are held accountable, thus strengthening an organization's culture.

Employees in medium-sized organizations report misconduct at higher rates than employees in small and large organizations.

- 93% of employees in medium-sized organizations say they report "every" or "some of the behavior" they observe, higher than both small (87%) and large (80%) organizations.

REPORTING OF TYPES OF OBSERVED MISCONDUCT

The most observed types of misconduct are often the least reported.

- Favoritism toward certain employees** was observed by 34% of employees in small organizations, 49% in medium-sized organizations and 35% in large organizations, but was reported by only 44%, 55% and 38% of them respectively. It may be that this type of misconduct is more nuanced than other types of misconduct and therefore, is less reported.
- The least observed type of misconduct—**falsifying or manipulating financial reports to the government, shareholders and/or the public**—was observed by 16% of employees in small organizations, 30% in medium-sized organizations and 14% in large organizations, but it was reported at higher levels—68%, 75% and 70% of employees, respectively compared with other types of misconduct.



Employees who feel comfortable speaking up, in general, and reporting suspected misconduct help ensure that those who commit wrongdoing are held accountable, thus strengthening an organization's culture.



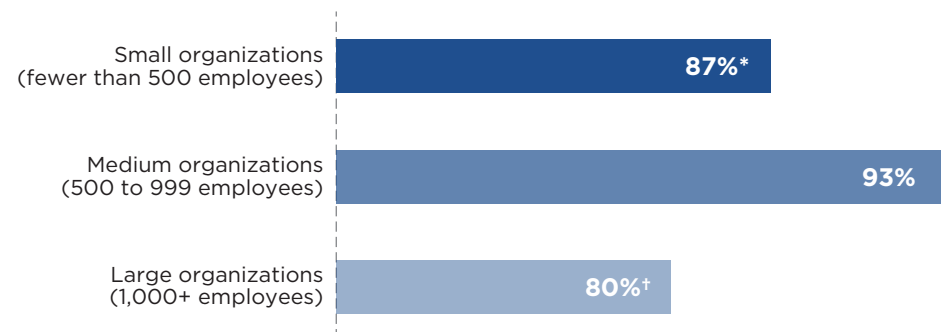
| | Reporting Rates of Most Common Types of Observed Misconduct | | |
|---|---|---|--|
| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
| Favoritism toward certain employees | 44% | 55% [↑] | 38% [†] |
| Management lying to employees | 51% | 62% [↑] | 44% [†] |
| Improper hiring practices | 53% | 63% [↑] | 52% |
| Conflicts of interest (gains at organization's expense) | 59% | 69% [↑] | 55% |
| Abusive, intimidating or hostile behavior | 62% | 65% [↑] | 59% |
| Violation(s) of health and/or safety regulations | 65% | 70% | 60% [*] |

Note: Arrows (↑) indicate a statistically significant difference between medium-sized organizations and small and large organizations.

Crosses (†) indicate a statistically significant difference from small organizations.

Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

Reporting Rate of Observed Misconduct



Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

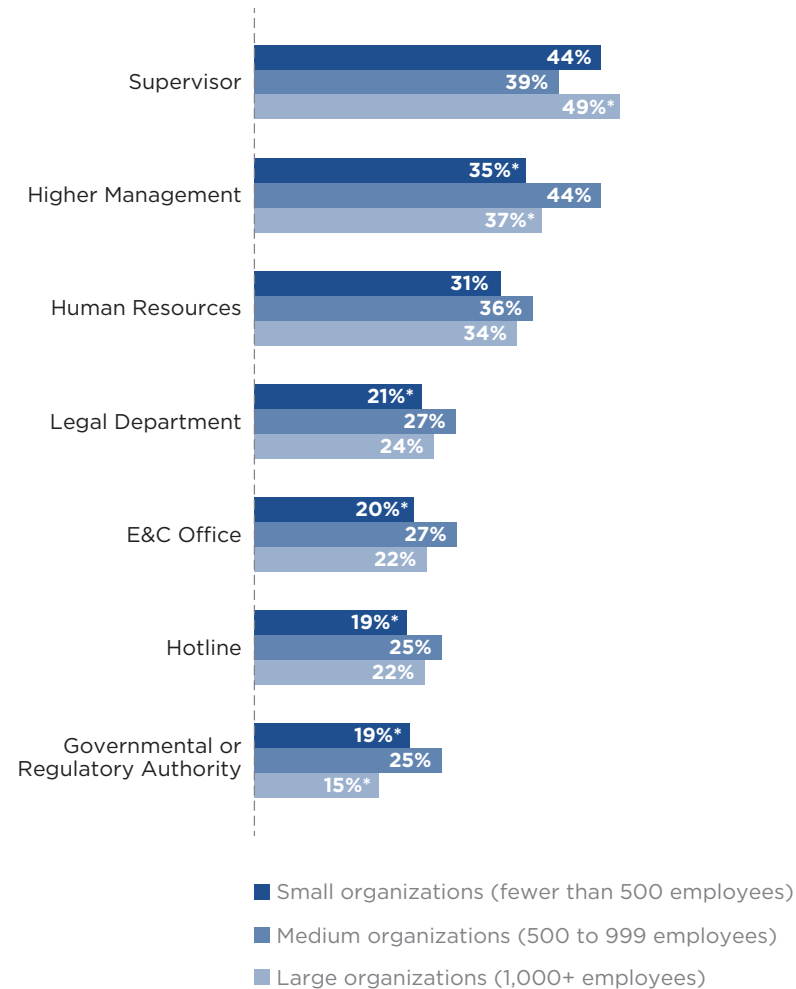
Crosses (†) indicate a statistically significant difference from small organizations.

LOCATIONS FOR REPORTING OBSERVED MISCONDUCT

Overall, as reported in previous ECI research, employees are most likely to report suspected misconduct to their supervisor (45%). This is true in small (44%) and large (49%) organizations, but it is not the case in medium-sized organizations (39%).

- Employees in medium-sized organization prefer to report to a higher-level manager (44%). Higher-level managers are the second choice in small organizations (35%) and in large organizations (37%).
- Individuals demonstrate their preference to report to someone they are familiar or comfortable with, irrespective of the size of the organization. Reporting to an anonymous or confidential hotline is used at much lower rates comparatively (small organizations—19%, medium-sized organizations—25%, and large organizations—22%).

Reporting Locations



Note: This table is sorted by highest to lowest reporting locations of small organizations. Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

Key Finding 5

The Rate of Perceived Retaliation in Medium-Sized Organizations Is Higher Than in Small and Large Organizations

Retaliation against reporters is one of the most challenging issues that organizations must address to create a culture of trust for speaking up. Retaliation can take many forms, and it is often difficult to isolate and prevent. However, it is imperative that organizations investigate retaliation and make it clear that there is no tolerance for it in their organization, otherwise reporting of suspected wrongdoing will flounder.

The rate of perceived retaliation for reporting misconduct in small (80%) and large (78%) organizations is lower than in medium-sized organizations (90%). Regardless, the retaliation rates are discouragingly high (overall, 82%).

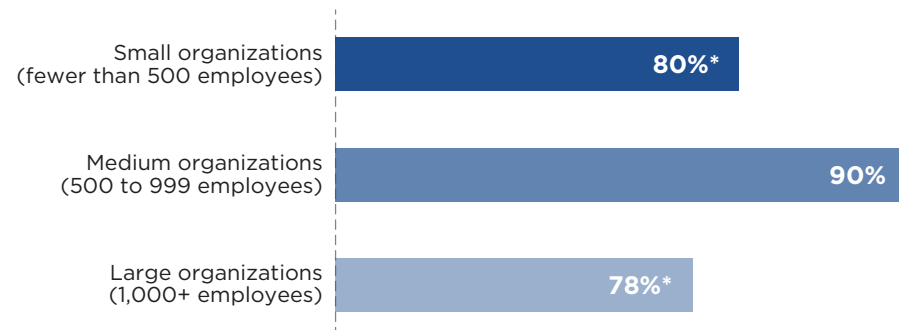
An encouraging finding is that employees are very likely to report perceived retaliation. Over 9 in 10 employees report some or all of the retaliation they experience (small organizations—93%, medium-sized organizations—97%, large organizations—93%). Consequently, most organizations are provided with an opportunity to identify and address the retaliation taking place against employees. It is critical that senior leaders and supervisors investigate the reported incidents of retaliation and take disciplinary measures when necessary. If left unaddressed, retaliation can erode ethical culture and undermine efforts that encourage employees to speak up and raise concerns.

TYPES OF RETALIATION

The most frequent form of retaliation is committed by supervisors and managers—the resource to which employees are most likely to report misconduct. Except for property damage, the incidence rates of the other most common forms of retaliation did not differ by organization size.

- About one-quarter of employees perceive retaliation in the form of the employee being intentionally ignored by their supervisor. Other forms of retaliation include being verbally abused, being excluded from decisions and/or work activity, being given an unfavorable work assignment and experiencing property damage.

Retaliation Rates After Reporting



Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

| | Specific Types of Retaliation | | |
|---|--|---|--|
| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
| Other employees intentionally ignored me or began treating me differently | 23% | 22% | 26% |
| I was given an unfavorable work assignment(s) | 22% | 21% | 22% |
| My supervisor intentionally ignored me or began treating me differently | 21% | 24% | 26%† |
| I was verbally abused by other employees | 21% | 22% | 20% |
| I was verbally abused by my supervisor or someone else in management | 20% | 25% | 25% |
| My supervisor excluded me from decisions and/or work activity | 19% | 20% | 23% |
| My property was damaged | 19% | 26%↑ | 19% |

Note: Arrows (↑) indicate a statistically significant difference between medium-sized organizations and small and large organizations.

Crosses (†) indicate a statistically significant difference from small organizations.

Key Finding 6

E&C Program Elements Are Increasingly Embedded as Organizational Size Increases

More established E&C programs are comprised of key resources that inform employees and prepare them for the ethics-related issues they may encounter in the workplace. Effective resources are practical, valuable and useful to employees as they make ethics-related decisions. As the size of an organization grows, the development of standardized E&C practices embedded within the organization increases.

Large organizations have E&C program elements in place at higher levels than small and medium-sized organizations. Medium-sized organizations, in turn, have more elements in place than small organizations.

Yet, despite a majority of medium-sized organizations having written standards of ethical workplace conduct and annual (or more frequent) training on these standards, findings in this report show that employees in medium-sized organizations are more likely to experience pressure to compromise standards, observe misconduct and perceive retaliation, compared with employees in small and large organizations. Medium-sized organizations that do not have established E&C resources and practices are likely to experience better ethics outcomes by building more formalized E&C programs.

- 67% of small and 74% of medium-sized organizations have written standards of ethical workplace conduct compared with 86% of large organizations.
- Only 42% of small organizations have a written anti-retaliation policy compared with 58% and 66% of medium-sized and large organizations, respectively.

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Medium-sized organizations that do not have established E&C practices are likely to experience better ethics outcomes by building more formalized E&C programs.

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| | E&C Program Elements | | |
|--|--|---|--|
| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
| A means for an employee to report violations of workplace ethics standards confidentially or anonymously | 67% | 74%↑ | 84%† |
| Written standards of ethical workplace conduct | 67% | 74%↑ | 86%† |
| Orientation for new employees on workplace ethics standards | 65% | 76%↑ | 83%† |
| A person or office dedicated to workplace integrity, ethics and/or compliance | 54% | 65%↑ | 75%† |
| Annual or more frequent employee training on workplace ethics standards | 53% | 70%↑ | 76%† |
| A specific office, telephone line, email address or website for advice about issues | 50% | 68%↑ | 78%† |
| A written anti-retaliation policy | 42% | 58%↑ | 66%† |

Note: Arrows (↑) indicate a statistically significant difference between medium-sized organizations and small or large organizations.

Crosses (†) indicate a statistically significant difference from small organizations.

Key Finding 7

Employees at Medium-Sized and Large Organizations Are Better Prepared to Handle Potential Misconduct

An important indicator of the strength of an E&C program is whether employees feel prepared to handle potential misconduct. Put another way, if they observed misconduct and chose to report, do they know the steps to take and the processes in place to handle their report? Do they feel supported?

Employees in medium-sized and large organizations are more likely than employees in small organizations to indicate that they understand key elements of the reporting process.

- 87% of large organizations compared with 78% of medium-sized and 73% of small organizations explain to employees how to make a report of suspected wrongdoing.
- 78% and 80% of medium-sized and large organizations, respectively, compared with 68% of small organizations, educate employees on what happens after a report is made.
- 80% and 79% of medium-sized and large organizations, respectively, compared with 64% of small organizations, provide information to employees on what the organization considers retaliation and the forms retaliation can take.

Employees in medium-sized and large organizations are also more likely than employees in small organizations to indicate that:

- They feel prepared to identify/notice situations that could lead to violations of their organization's workplace ethics standards and to handle situations that could lead to violations of their organization's workplace ethics standards.

Medium-sized organizations appear to be preparing their employees to deal with misconduct despite more limited resources than large organizations, which aligns with an earlier finding that employees at medium-sized organizations are reporting observed misconduct rates at higher levels than small and large organizations.

| | Employee Readiness | | |
|---|--|---|--|
| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
| Organization has explained how to make a report if misconduct is observed (% Yes) | 73% | 78% [↑] | 87% [†] |
| Organization has explained what happens after an employee makes a report of misconduct (% Yes) | 68% [*] | 78% | 80% [†] |
| Organization has explained what the organization considers retaliation, and the forms retaliation can take (% Yes) | 64% [*] | 80% | 79% [†] |
| Preparedness to identify/notice situations that could lead to violations of organization's workplace ethics standards (% "Very well" and "well" prepared) | 76% [*] | 83% | 85% [†] |
| Preparedness to handle situations that could lead to violations of your organization's workplace ethics standards (% "Very well" and "well" prepared) | 72% [*] | 81% | 80% [†] |

Note: Arrows ([↑]) indicate a statistically significant difference between medium-sized organizations and small and large organizations.

Asterisks (*) indicate a statistically significant difference from medium-sized organizations.

Crosses (†) indicate a statistically significant difference from small organizations.

Conclusions

Organizational growth brings a lot of changes and a lot of pressure. The findings from this research illustrate that medium-sized organizations may be at a higher risk for noncompliance. Employees in these organizations are more likely to perceive pressure to compromise ethics standards, observe misconduct and to experience retaliation after reporting than employees in small and large organizations. However, employees in medium-sized organizations are more likely than those in small and large organizations to report misconduct.

ETHICAL CULTURE

The percentage of employees who perceive that others around them are **behaving ethically as indicative of a strong ethical culture** is about the same across small, medium-sized and large organizations. Some examples of behaving ethically include promoting and modeling ethical behavior, keeping promises and commitments, and employees being held accountable for ethical behavior.

The strength of an organization's culture is pertinent in mitigating wrongdoing. **Culture strength is enhanced when:**

- 1) Employees at all levels are held accountable for misconduct.
- 2) Management transparently and consistently shares information with employees.
- 3) There is trust that leadership will keep their promises and commitments.
- 4) Employees at all levels (especially leadership) set a good example of ethical workplace behavior.

KEY ETHICS OUTCOMES

Employees in **medium-sized organizations are more likely than employees in small and large organizations to:**

- Perceive pressure to compromise standards, to observe misconduct and to perceive retaliation for reporting.
- To report wrongdoing.

“
The findings from this research illustrate that medium-sized organizations may be at a higher risk for noncompliance. However, employees in medium-sized organizations are more likely than those in small and large organizations to report misconduct.
”

Although all organizations can benefit from an enhanced E&C program to temper pressure and misconduct, these findings demonstrate that **medium-sized organizations have a more urgent need to develop their E&C programs if they are not already formalized.** While medium-sized organizations still have the advantage of being smaller than their larger counterparts in terms of being nimble, agile and more interconnected, they may need to establish ethical practices and programs that are more sophisticated and with a broader reach. **There is a point when growing from a small organization to a larger one with embedded E&C practices and programs is necessitated.**

The strength of an E&C program is critical in decreasing the likelihood of misconduct, increasing reporting and decreasing retaliation in an organization. ECI offers tools to help organizations develop more impactful E&C programs with robust cultures that promote favorable ethics outcomes, such as reduced levels of misconduct.

Details regarding ECI's High-Quality Program (HQP) principles, the HQP Measurement Framework and the Blue Ribbon Panel report, *Principles & Practices of High-Quality Ethics & Compliance Programs*, are available to the public at www.ethics.org/HQP.

These resources help E&C professionals identify strengths and weaknesses in their organizations' E&C programs and track program improvement over time. Over 100 leading practices categorized into 27 supporting objectives are grouped into **five principles that drive a high-quality E&C program.**

- 1) Strategy:** E&C is central to business strategy.
- 2) Risk management:** E&C risks are identified, owned, managed and mitigated.
- 3) Culture:** Leaders at all levels across the organization build and sustain a culture of integrity.
- 4) Speaking up:** The organization encourages, protects and values the reporting of concerns and suspected wrongdoing.
- 5) Accountability:** The organization takes action and holds itself accountable when wrongdoing occurs.

ECI offers four different versions of an assessment tool, the HQP Assessment, to measure E&C program maturity.

- 1) E&C team**—Designed for organizations that have an E&C program in place.
- 2) Senior leaders**—Designed to assess senior leader perceptions about E&C issues in their organization.
- 3) Board**—Designed to assess perceptions of the board of directors on the organization's E&C efforts.
- 4) SME**—Designed for small to medium-sized enterprises that do not have a separate E&C function.

Visit www.ethics.org/HQP to learn more.

Methodology

The GBES data in this report were collected through an online survey of U.S. employees in August to September 2020. The data from the 5,006 survey respondents form the basis of the findings.

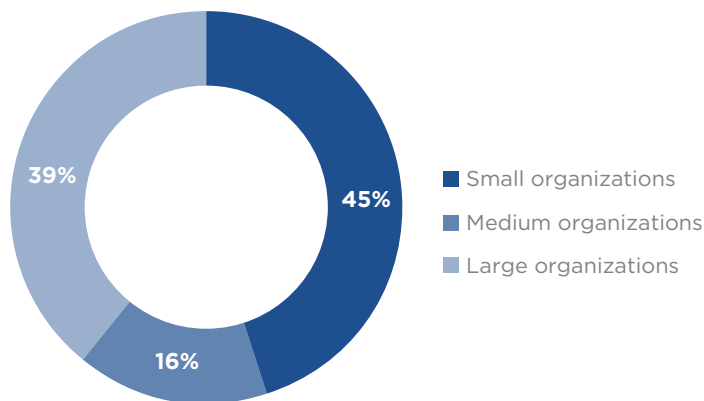
Participants were:

- 18 years of age or older.
- Currently employed at least 20 hours per week for a single employer.
- Working in the for-profit, nonprofit or governmental sector.
- Working for a company that employed at least two people.

ECl developed the survey questions and sampling methodology; Ipsos America, Inc. managed data collection.

Small, medium and large-staff-sized organizations are defined by the following categories:

- Small organizations: Fewer than 500 employees.
- Medium-sized organizations: 500 to 999 employees.
- Large organizations: 1,000 or more employees.



RESPONDENT DEMOGRAPHICS

Following is additional, unweighted demographic information about survey respondents by organization size.

| | Small Organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
|---|--|---|--|
| Job Position | | | |
| Top management (e.g., CEO/President, C-suite) and middle management (e.g., director, persons managing multiple reports) | 12% | 19% | 8% |
| First-line direct supervisor with direct reports | 15% | 19% | 16% |
| Individual contributor/Not a member of management | 74% | 62% | 76% |
| Member of a Union or Guild, or Covered by a Collective Bargaining Agreement | | | |
| Yes | 19% | 42% | 22% |
| No | 81% | 58% | 78% |

| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
|---|---|--|---|
| Industry | | | |
| Arts, Entertainment and Recreation | 2% | 2% | 1% |
| Accommodation and Food Services | 2% | 1% | 1% |
| Aerospace and Defense | 0% | 0% | 1% |
| Agriculture, Forestry, Fishing and Hunting | 1% | 0% | 0% |
| Automotive | 2% | 1% | 2% |
| Construction | 6% | 2% | 2% |
| Education | 11% | 14% | 11% |
| Finance and Banking | 4% | 7% | 6% |
| Government | 4% | 6% | 8% |
| Information, Media (e.g., Cable, Publishing, Radio, Social Media) | 1% | 3% | 1% |
| Insurance | 2% | 1% | 4% |
| Management of Companies and Enterprises | 1% | 1% | 1% |
| Manufacturing | 6% | 6% | 6% |

| | Small organizations (fewer than 500 employees) | Medium organizations (500 to 999 employees) | Large organizations (1,000+ employees) |
|---|---|--|---|
| Industry | | | |
| Medical | 8% | 4% | 11% |
| Mining: Oil, Coal, Other Materials and Ores | 0% | 0% | 0% |
| Nonprofit (Other Type Not Listed) | 4% | 1% | 1% |
| Professional, Scientific and Technical Services | 5% | 2% | 3% |
| Real Estate (Commercial, Residential), Rentals, Leasing | 3% | 1% | 1% |
| Retail Trade | 6% | 4% | 10% |
| Technology [e.g., Info Tech, Info Systems, Tech Firms, Telecomm.] | 14% | 32% | 16% |
| Transportation, Warehousing, Waste Management | 2% | 1% | 3% |
| Utilities: Electric, Gas, Water | 1% | 0% | 1% |
| Wholesaling | 1% | 1% | 1% |
| Other Services ⁶ | 4% | 1% | 2% |
| Other | 11% | 7% | 8% |

⁶ Personal Services, Repairs, Civic/Professional/Social/ Religious/Etc. Organizations

Our Funders

ECI's longitudinal research on workplace integrity provides insights for evidence-based decisions by corporate, academic and other institutions across the globe. Corporations, foundations and individuals invest in the work of ECI because they value the research it provides.

We are grateful for the generosity of our funders and appreciate their ongoing support. Without their investments in our research, ECI could not collect data from employees around the world and provide mission-critical reports for business leaders and the ethics & compliance community.

With your ongoing support, ECI will continue to sustain its longitudinal data collection while expanding its focus on special topics of interest to the ethics & compliance community.

Consider joining this illustrious group of funders to help ECI continue its research efforts. By joining this distinguished group of organizations, you will demonstrate an investment to your stakeholders, employees and customers. Additionally, it reinforces to the business community and the public at large an organizational commitment to ethics & compliance issues.

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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 a variety of topics, including 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 E&C in business across the globe. The 2020 GBES is the sixteenth iteration of the GBES (formerly NBES). In 2020, the GBES surveyed over 14,000 employees in 10 countries (approximately 5,000 employees in the United States and 1,000 employees in each of the other nine countries). Research content from the GBES is released through reports, infographics, EthicsStats® and other formats.

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



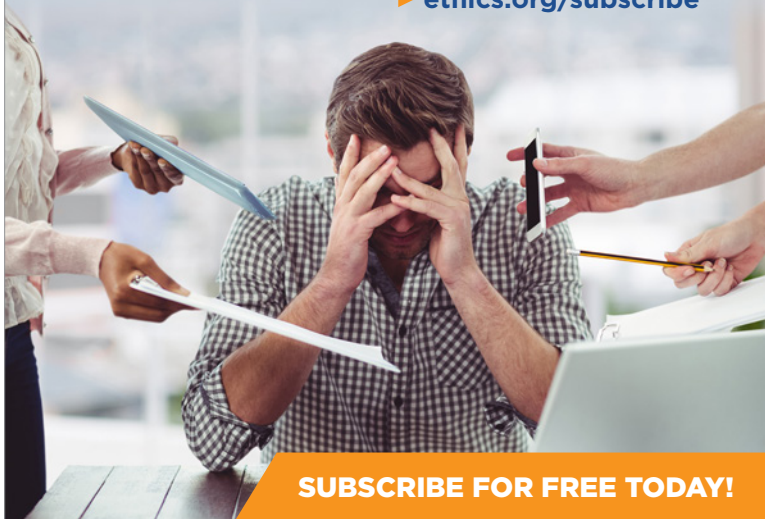
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- ✓ E&C in Business Strategy
- ✓ Identifying & Mitigating Risk
- ✓ Building a Culture of Integrity
- ✓ Encouraging & Protecting the Reporting of Concerns
- ✓ Ensuring Accountability

▶ To join a working group, contact **Dan Woltman** at danw@ethics.org.



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