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The Risk of Non-Compliance: A Report from ECI's Global Business Ethics Survey®

EXECUTIVE SUMMARY

When it comes to the potential for employees to engage in non-compliant behavior in the workplace, the risk is great. Through the recurring Global Business Ethics Survey® (GBES®), the Ethics & Compliance Initiative (ECI) regularly tracks the extent to which employees are in situations that result in non-compliance. We also identify the business practices that reduce the likelihood of future wrongdoing.

Now more than ever, employees are being exposed to situations that result in wrongdoing. More employees are observing actual acts of non-compliance than in the 29 years of ECI's GBES research. Certain regions (namely Africa & the Middle East, and Caribbean, Central & South America) are at a higher risk than others. While it appears that employees feel prepared to handle non-compliance risk, the context for business is such that misconduct is highly likely to continue to occur. There is a known and proven solution ... so what's the bottom line? Organizations that implement a High-Quality Ethics & Compliance Program (HQP) are over five times more likely to have a strong ethical culture, and organizations with strong ethical cultures are 467% more likely to experience favorable ethics outcomes, such as lower levels of observed misconduct.

What Are the Most Prevalent Acts of Non-Compliance?

Misconduct (acts that are violations of the law or workplace standards) is on the rise and takes many forms. Almost two-thirds (a global median of 65%) of employees across the globe said that they observed at least one act of misconduct within the last 12 months. This was a disturbing increase of five (5) percentage points over the last GBES data collection in 2020; levels of observed misconduct are the highest they have been in almost three decades of the study. The most prevalent form of misconduct observed by employees globally is favoritism towards certain employees (e.g., family, friends, etc.) at the expense of others. Improper hiring practices through favoritism and nepotism are also commonly observed along with conflicts of interest.



Most and Least Observed Types of Misconduct - Global Medians



Where Is Non-Compliance Most Prevalent?

Non-compliance is most frequently observed among employees in the Africa and Middle East, Caribbean, Central & South America regions.¹ In terms of specific types of wrongdoing observed, employees in these two regions were equally or more likely to see favoritism, improper hiring practices and management lying to employees compared with employees in the other regions surveyed. In the Africa & Middle East region, almost twice as many employees observe favoritism, compared with employees in the Asia Pacific region. Improper hiring practices are observed in the Africa & the Middle East region two times more often than in the North America region.

| | AFRICA & MIDDLE EAST | ASIA PACIFIC | CARIBBEAN, CENTRAL & SOUTH AMERICA | EUROPE | NORTH AMERICA |
|-------------------------------|----------------------|--------------|------------------------------------|--------|---------------|
| Favoritism | 50% | 28% | 40% | 34% | 34% |
| Improper Hiring Practices | 41% | 23% | 30% | 23% | 20% |
| Conflict of Interest | 31% | 24% | 30% | 20% | 18% |
| Management Lying to Employees | 37% | 24% | 26% | 26% | 23% |

Data points shown are based on regional medians.

¹ ECI's Global Business Ethics Survey: The State of Ethics & Compliance report can be found at: <https://www.ethics.org/gbes-2023/>.



How Prepared Are Employees to Identify Non-Compliance Risk?

There is good news – top managers are addressing non-compliance risk, and employees say they feel prepared to handle it.

- **75% of employees globally agreed that top management talks about risk.**
When employees see something that does not seem right, they can need guidance on what to do next. Talking about risk aids employees in knowing how to prevent non-compliance and what behaviors to look out for.
- **74% of employees globally said that they feel prepared to handle situations that could lead to violations of their organization's workplace ethics standards.**
Promisingly, many employees feel ready to keep situations from leading to non-compliance. With leadership openly discussing the possibility of such risk and how to handle it, their employees will be another asset in preventing it. When employees are not sure of what to do when they see a non-compliance risk, seeking guidance from other people or resources in the organization makes it more likely that the risk will be reported.
- **87% of employees globally seek guidance when they are not sure what they should do.**
The good news is that employees globally are prepared to identify risks and seek guidance when they are unsure of how to handle a situation.

This aligns with the most promising result from ECI's [*The State of Ethics & Compliance in the Workplace: A Global Look: 2023 Update*](#) report which revealed that globally, the reporting of observed misconduct is at a record high. Seventy-two percent of employees who observed misconduct reported their observation. Raising that number even further is a goal for global ethics.

So Why Be Concerned?

Despite the positive trend in reporting and the favorable findings about confronting risk, the GBES data also reveal a troubling picture for employees when it comes to workplace ethics & compliance.

- Nearly a third (28%) of employees around the world feel pressure from others to break the rules in order to do their jobs;
- Almost half (46%) of all employees who report observed misconduct experience retaliation for having done so;
- An alarming 87% of employees indicate that their workplace does not have a strong ethical culture.

Through the GBES body of research, ECI has shown that when employees feel pressure, they are more likely to observe wrongdoing taking place. The more retaliation occurs, the less likely employees are to come forward to report non-compliance, allowing wrongdoing to fester and grow. Finally, ECI has found that in strong ethical cultures, employees more consistently comply with organizational standards, uphold organizational values, and alert management to the possibility of misconduct taking place - yet the majority of global employees surveyed did not view their workplace as having such a culture. Taken together, the GBES data reveal a bleak picture when it comes to the risk of non-compliance.



What Can Leaders Do to Reduce the Risk of Non-Compliance?

1. Promote a Fair and Just Workplace.

The most prevalent forms of non-compliance, which are favoritism, improper hiring practices and conflicts of interest, don't always make the headlines, but these practices will permeate workplace culture and lead to perceptions of an unjust workplace. Keeping employees aware of these potential scenarios and what they look like, as well as keeping reporting easy and open, reduces risk of non-compliant behavior occurring.

2. Keep a Close Watch on Retaliation.

Employees report being prepared to handle risk, and reporting is at an all-time high, yet per the 2023 GBES update report, retaliation against employees who report misconduct is also high. Almost half of employees globally (46%) perceived retaliation after reporting. It is important as an organization to crack down on retaliation in order to keep observed misconduct from staying unreported out of fear, which leads to exacerbated levels of risk.

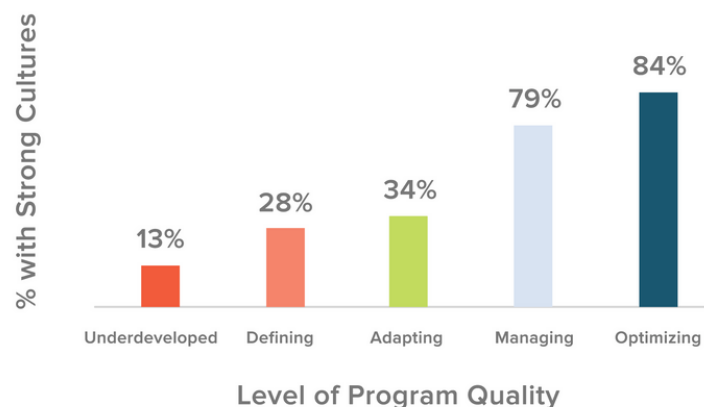
3. Put in Place a High-Quality Ethics & Compliance Program (HQP).

Since 2016, ethics & compliance professionals have worked together to define and assess the business practices that reduce non-compliance risk and transform cultures.

Through the GBES, ECI has proven that the presence of an HQP supports the development of a strong ethical workplace culture, making the organization 467% more likely to experience favorable ethics outcomes. To learn more about HQPs, a helpful starting place is to review the free resource, [*Principles and Practices of High-Quality Ethics & Compliance Programs*](#).

■ 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 Higher the Program Quality, the Stronger the Culture

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.



The evidence is clear that focusing on a high-quality Ethics & Compliance program makes a positive difference. Nevertheless, at present only 30% of employees surveyed through GBES indicated that their organization has taken steps to implement even the most basic elements of an Ethics & Compliance program (defined as an “underdeveloped” program in the chart above).

Non-compliant risk is a big liability for any organization. It can lead to lawsuits, federal regulatory issues and overall monetary loss, as well as loss of trust. Keeping employees prepared and ready to handle situations that can lead to non-compliance is an important step that organizational leadership and E&C teams can take to reduce this risk. Stay educated and up-to-date within your own organization and globally using ECI's resource and services, which can be found at www.ethics.org.

Want more detail about the prevalence of misconduct around the world? Data from 42 countries, along with a wealth of other insights from the GBES study are available in our online database. To learn more, please visit www.ethics.org/gbes-database/.

About the Global Business Ethics Survey®

Since 1994, the Ethics & Compliance Initiative (ECI) has conducted the most reliable longitudinal, cross-sectional study of workplace conduct from the employee's perspective. Now in its 17th iteration, ECI's Global Business Ethics Survey® (GBES®) data provide the global benchmark on the state of ethics & compliance in business across the globe. This version of the study is ECI's largest undertaking in its history. The international benchmark is a sample built from surveying employees in 42 countries across all regions of the world.

Results for all 42 countries, including demographic information and aggregated responses to approximately 40 GBES questions are available in ECI's new interactive, searchable, GBES Database. A GBES Dashboard is available to the public while more in-depth information is accessible to ECI members at the Fellow and Senior Fellow levels. To access, visit www.ethics.org.



Methodology

The 2022/2023 GBES data collection took place between August 2022 and January 2023. Over 75,000 employees participated in the survey across 42 countries. Participants are representative of employees in businesses in each country conducted.

For more information, visit www.ethics.org.

GBES Funders

ECI's longstanding 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. Your support provides the opportunity to expand our reach to serve others in meaningful ways.

Contact Information

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Special thanks to **KPMG** for supporting ECI's implementation of the GBES survey among employees in 12 countries in Latin America.



ABOUT ECI

ECI empowers organizations to build and sustain the programs that are proven to increase integrity in organizations. We help leaders create strong ethical workplace cultures and successful businesses that do the right thing.

Visit ECI's website at www.ethics.org to learn more. For media inquiries, please contact CarolL@ethics.org.

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