Global Differences in Employees' Views of E&C Program Maturity

2019 GLOBAL BUSINESS ETHICS SURVEY

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ECI ethics & compliance initiative™

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About this Report

As part of our 2018 *Global Business Ethics Survey* (GBES) research, ECI explored the impact of ethics & compliance program quality on employee perceptions and behavior. Specifically, we asked U.S. employees about the presence of E&C program practices in their workplace. We also inquired about the level of quality of those efforts, based on a framework developed by an independent Blue Ribbon Panel (see the next page for more detail). Finally, we examined the impact of E&C programs, based on their level of maturity, on employees' perceptions and behavior. **Two primary findings emerged.**
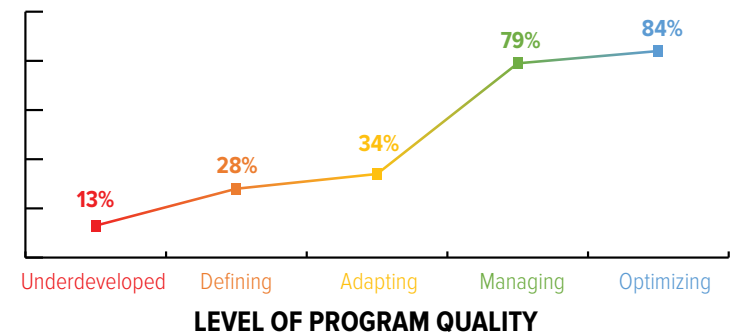
In 2019, ECI sought to build upon these ground-breaking insights by further exploring the presence and impact of E&C programs around the world. Specifically, for this latest update to the GBES, **ECI surveyed employees who self-identified as senior managers or above and who worked in organizations with 5,000 or more employees. Approximately 200 senior managers were surveyed from each of the 10 countries examined for this report.** This population was sought because senior-level leaders are most likely to be aware of the presence of resources and activities that are indicative of E&C programs. Employees with these qualifications were asked a series of four questions that assessed their organization's E&C program maturity level. The questions were derived from ECI's HQP Assessment.

It is important to note that these results cannot be generalized to the wider populations within each country. The findings in this survey only represent the perspectives of approximately 200 senior employees from each country.

Additionally, this report is based on each senior manager's self-assessment of E&C program maturity within their respective organizations. Research by ECI has shown that employees in leadership positions often have more positive views of their organizations than employees in non-leadership positions. As such, ECI recommends interpreting the results with this information in mind.

(1)

% WITH STRONG CULTURES

13% — Underdeveloped
28% — Defining
34% — Adapting
79% — Managing
84% — Optimizing

LEVEL OF PROGRAM QUALITY

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.

(2)

% EMPLOYEES OBSERVING FAVORABLE OUTCOMES

0% — Weak
15% — Weak-leaning
66% — Strong-leaning
85% — Strong

STRENGTH OF ORGANIZATIONAL CULTURE
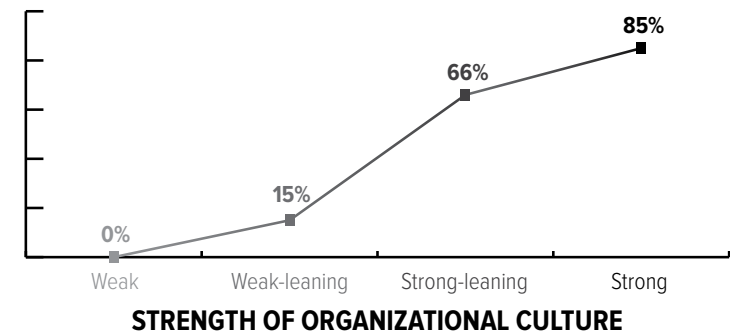
THE STRONGER THE CULTURE, THE BIGGER THE IMPACT

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.

About the Metrics Used in this Report

In order to gauge senior managers' views about the maturity of their organization's E&C program, ECI developed questions for the GBES survey based on the HQP Assessment instrument developed and tested by ECI. The HQP is the result of a multi-year effort by practitioners to define and measure the maturity of their E&C programs. The following summarizes the referenced principles and maturity levels that will be in this report. 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 conclusions of the group were published in the report entitled, *Principles and Practices of High-Quality Ethics & Compliance Programs*. **In short, the panel identified five principles that are inherent to a high-quality ethics and compliance programs (HQP):**

STRATEGY: Ethics and compliance is central to business strategy.
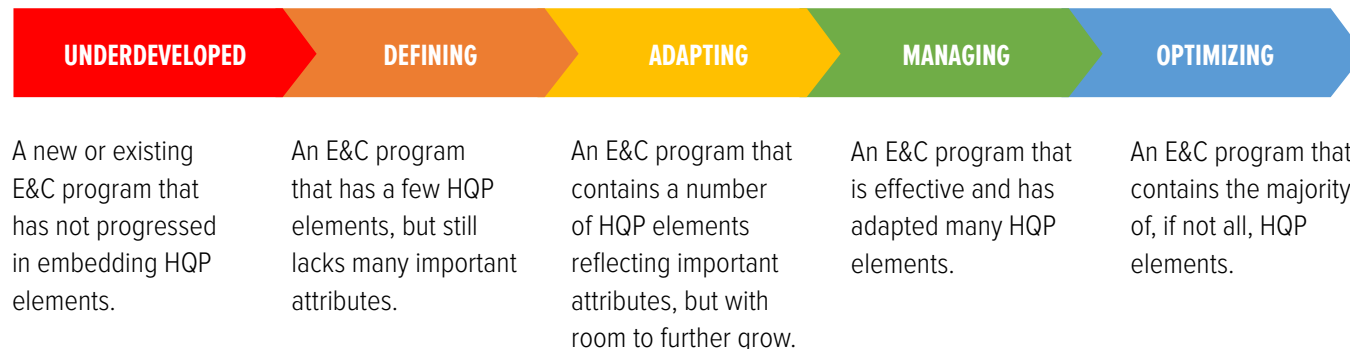**RISK MANAGEMENT:** Ethics and compliance risks are identified, owned, managed and mitigated.
CULTURE: Leaders at all levels across the organization build and sustain a culture of integrity.
SPEAKING UP: The organization encourages, protects, and values the reporting of concerns and suspected wrongdoing.
ACCOUNTABILITY: The organization takes action and holds itself accountable when wrongdoing occurs.

After the publication of the report, ECI members expressed an interest in additional guidance to assist with assessing the progress of their programs against the HQP definition offered by the Blue Ribbon Panel. This led to the formation of an ECI Working Group (2017 to 2018), which developed **a framework that organizations can use to measure the maturity of their programs towards the HQP goal**. The Working Group identified 5 levels of maturity, ranging from underdeveloped (a minimum standard program) to optimizing (an HQP).

THE 5 LEVELS OF PROGRAM MATURITY

UNDERDEVELOPED	DEFINING	ADAPTING	MANAGING	OPTIMIZING
A new or existing E&C program that has not progressed in embedding HQP elements.	An E&C program that has a few HQP elements, but still lacks many important attributes.	An E&C program that contains a number of HQP elements reflecting important attributes, but with room to further grow.	An E&C program that is effective and has adapted many HQP elements.	An E&C program that contains the majority of, if not all, HQP elements.

The intent of the ECI HQP Measurement Framework™ **is to allow all organizations, big or small, profit or nonprofit, to assess the effectiveness of their ethics and compliance programs based on the five HQP principles.** In 2019, ECI developed a means for organizations to measure the quality of their E&C program, integrating the principles and practices identified by the Blue Ribbon Panel and the levels of maturity developed by the ECI Working Group. The HQP Assessment® is a survey that ask E&C professionals about the implementation of program practices that are indicative of an HQP.

Strategy: Senior managers' views that E&C is central to their organization's strategy.

The maturity level of the Strategy principle was measured by senior managers' responses to the following items:

MEDIAN AGREEMENT % BY ALL COUNTRIES
(based on "Strongly agree" and "Agree")

89% Inclusion of **E&C objectives** in the organization's strategy.

84% Senior leaders **championing the importance of E&C** throughout the organization.

81% **Communications by senior leaders** that highlight E&C practices.

80% E&C best practices used within the organization are shared externally, positioning the **organization as a thought leader.**

How to read this map: Each country is shaded with the color that represents the average responses of senior manager's perceptions from approximately 200 business organizations in the country. Colors represent the level of maturity, as shown below.

UNDERDEVELOPED | DEFINING | ADAPTING | MANAGING | OPTIMIZING

Please see the next page for senior manager's specific responses.

Strategy: Individual Item Results

AGREEMENT %
(based on "Strongly agree" and "Agree")

FINDINGS:

✓ Senior mangers in **China and Brazil were 16% more likely** to say their organization integrated E&C into strategy than in Germany and Russia.

✓ In every country (except for Russia), of each of these 4 items, senior managers **responded most favorably about the inclusion of E&C objectives** into the organization's strategy.

	Brazil	China	France	Germany	India	Italy	Russia	Spain	UK	USA
Inclusion of E&C objectives in the organization's strategy.	96%	96%	90%	87%	95%	92%	79%	89%	88%	88%
Senior leaders championing the importance of E&C throughout the organization.	86%	91%	79%	76%	92%	91%	84%	76%	81%	85%
Communications by senior leaders that highlight E&C practices.	83%	92%	71%	75%	90%	85%	80%	78%	79%	82%
E&C best practices used within the organization are shared externally, positioning the organization as a thought leader.	83%	86%	76%	72%	88%	85%	77%	70%	82%	70%

Risk Management: Senior managers' views that E&C risks are identified, owned and mitigated.

The maturity level of the Risk Management principle was measured by senior managers' responses to the following items:

MEDIAN AGREEMENT % BY ALL COUNTRIES
(based on "Strongly agree" and "Agree")

87% Senior leaders **identify and mitigate risks** related to E&C.

83% Senior leaders have a **good understanding of key E&C risks**.

75% There is a good understanding of key E&C risks **across the organization**.

80% **Metrics are used to detect areas** that may require intervention.

How to read this map: Each country is shaded with the color that represents the average responses of senior manager's perceptions from approximately 200 business organizations in the country. Colors represent the level of maturity, as shown below.

| UNDERDEVELOPED | DEFINING | ADAPTING | MANAGING | OPTIMIZING |

Please see the next page for senior manager's specific responses.

Risk Management: Individual Item Results

AGREEMENT %
(based on "Strongly agree" and "Agree")

FINDINGS:

✓ Senior managers in **Italy and India were 30% more likely** to say there was a good understanding of E&C risks than in Spain and China.

✓ In every country, of each of these 4 items, senior managers responded most favorably about the **ability of their senior leaders to identify and mitigate E&C risks**.

	Brazil	China	France	Germany	India	Italy	Russia	Spain	UK	USA
Senior leaders identify and mitigate risks related to E&C.	90%	93%	83%	77%	93%	94%	89%	82%	83%	85%
Senior leaders have a good understanding of key E&C risks.	87%	90%	83%	76%	90%	87%	78%	77%	81%	83%
There is a good understanding of key E&C risks across the organization.	77%	63%	74%	71%	88%	83%	76%	69%	77%	73%
Metrics are used to detect areas that may require intervention.	83%	88%	74%	71%	87%	87%	82%	73%	77%	75%

Culture: Senior managers' views that leaders build and sustain a culture of integrity.

The maturity level of the Culture principle was measured by senior managers' responses to the following items:

MEDIAN AGREEMENT % BY ALL COUNTRIES
(based on "Strongly agree" and "Agree")

91% The organization has **defined the ethical behavior** expected from leaders.

81% Senior leaders **set a good example of integrity** ("walk the talk").

79% Performance reviews of senior leaders take into account their **efforts to build and sustain a strong ethics culture**.

89% All employees are expected to act in line with organization values and **are held accountable if they do not**.

How to read this map: Each country is shaded with the color that represents the average responses of senior manager's perceptions from approximately 200 business organizations in the country. Colors represent the level of maturity, as shown below.

UNDERDEVELOPED DEFINING ADAPTING MANAGING OPTIMIZING

Please see the next page for senior manager's specific responses.

Culture: Individual Item Results

AGREEMENT %
(based on "Strongly agree" and "Agree")

FINDINGS:

✓ Senior managers in **China and India were 26% more likely** so say that their leadership set a good example of integrity than in the UK and Spain.

✓ In every country, of each of these 4 items, senior managers responded most favorably about the **extent to which their organization had defined the ethical behaviors** expected from leaders.

	Brazil	China	France	Germany	India	Italy	Russia	Spain	UK	USA
The organization has defined the ethical behavior expected from leaders.	92%	97%	86%	87%	95%	95%	91%	89%	91%	93%
Senior leaders set a good example of integrity ("walk the talk").	88%	93%	75%	80%	89%	87%	80%	72%	72%	82%
Performance reviews of senior leaders take into account their efforts to build and sustain a strong ethics culture.	83%	92%	71%	75%	91%	89%	79%	75%	79%	79%
All employees are expected to act in line with organization values and are held accountable if they do not.	89%	93%	81%	81%	90%	87%	90%	82%	83%	90%

Speaking Up: Senior managers' views that the organization encourages, protects and values reporting of concerns.

The maturity level of the Speaking Up principle was measured by senior managers' responses to the following items:

MEDIAN AGREEMENT % BY ALL COUNTRIES
(based on "Strongly agree" and "Agree")

87% There are **multiple ways for employees to report** misconduct.

79% All reporters are treated the same, with **consistency and fairness**, throughout the reporting process.

81% **Leaders receive training** to make them aware of the organization's policy on retaliation.

77% The organization **openly communicates summary statistics** with all employees about reported misconduct.

How to read this map: Each country is shaded with the color that represents the average responses of senior manager's perceptions from approximately 200 business organizations in the country. Colors represent the level of maturity, as shown below.

USA · UK · GERMANY · FRANCE · RUSSIA · SPAIN · ITALY · CHINA · BRAZIL · INDIA

UNDERDEVELOPED → DEFINING → ADAPTING → MANAGING → OPTIMIZING

Please see the next page for senior manager's specific responses.

Speaking Up: Individual Item Results

AGREEMENT %

(based on "Strongly agree" and "Agree")

FINDINGS:

✓ Senior managers in **China, Brazil, India and Italy were 32% more likely** to say that their organization shared summary statistics than in the USA and Spain.

✓ In every country, of each of these 4 items, senior managers responded most favorably about the **availability of multiple channels to report misconduct**.

	Brazil	China	France	Germany	India	Italy	Russia	Spain	UK	USA
There are multiple ways for employees to report misconduct.	90%	88%	85%	84%	92%	85%	87%	89%	84%	93%
All reporters are treated the same, with consistency and fairness, throughout the reporting process.	81%	85%	77%	75%	87%	88%	77%	71%	77%	81%
Leaders receive training to make them aware of the organization's policy on retaliation.	84%	81%	75%	74%	89%	81%	83%	76%	79%	83%
The organization openly communicates summary statistics with all employees about reported misconduct.	83%	85%	74%	73%	83%	83%	74%	64%	79%	63%

Accountability: Senior managers' views that their organization takes action and holds itself accountable when wrongdoing occurs.

The maturity level of the Accountability principle was measured by senior managers' responses to the following items:

MEDIAN AGREEMENT % BY ALL COUNTRIES
(based on "Strongly agree" and "Agree")

91% The **organization's code of conduct makes it clear** that ethics violations will result in consequences.

89% The organization has a **clear policy regarding response** and escalation of significant ethics violations.

86% Senior **leadership reinforces that consequences will occur** for ethics violations.

85% **Consistent disciplinary action** is taken when ethics violations are substantiated.

How to read this map: Each country is shaded with the color that represents the average responses of senior manager's perceptions from approximately 200 business organizations in the country. Colors represent the level of maturity, as shown below.

USA

UK

GERMANY

FRANCE

ITALY

SPAIN

RUSSIA

CHINA

INDIA

BRAZIL

| UNDERDEVELOPED | DEFINING | ADAPTING | MANAGING | OPTIMIZING |

Please see the next page for senior manager's specific responses.

Accountability: Individual Item Results

FINDINGS:

✓ Senior managers in **Italy, India and China were 23% more likely** to say that discipline was consistently applied than in Germany and France.

✓ In half of the countries— Spain, Russia, India, France and Brazil—senior managers were **most likely to agree that the code of conduct makes it clear that there will be consequences for ethics violations.** In three of the remaining five countries— USA, UK and Germany— senior managers were most likely to agree that there was a clear policy regarding response to ethics violations.

	Brazil	China	France	Germany	India	Italy	Russia	Spain	UK	USA
The organization's code of conduct makes it clear that ethics violations will result in consequences.	93%	92%	85%	81%	93%	93%	89%	86%	79%	92%
The organization has a clear policy regarding response and escalation of significant ethics violations.	89%	93%	81%	83%	91%	92%	88%	79%	85%	93%
Senior leadership reinforces that consequences will occur for ethics violations.	87%	96%	82%	75%	88%	90%	86%	78%	78%	86%
Consistent disciplinary action is taken when ethics violations are substantiated.	89%	94%	73%	78%	91%	94%	89%	77%	81%	81%

Conclusion

This report provides an analysis of E&C program maturity in 10 countries. Based on responses from senior managers across the 10 countries, the E&C program maturity level, on average, fell into the "Adapting" or "Managing" level for each of the five HQP principles. These findings are consistent with ECI's ongoing research on HQPs, as relatively few organizations have the program elements in place that constitute the optimizing level.

Based on the results of this research, ECI recommends that senior leaders focus on the following areas to better integrate HQP elements within their organizations.

STRATEGY:

On average, senior managers from **6 of the 10** countries viewed their program as "Adapting" according to the Strategy principle. Across all countries, senior managers were most favorable about the inclusion of E&C objectives into their organization's business strategy. In contrast, employees were least likely to agree that their organization shared best practices externally. Senior managers may want to **focus more on this practice since this type of collaboration encourages organizations to embrace continuous improvement**.

RISK MANAGEMENT:

On average, senior managers from **8 of the 10** countries viewed their program as "Adapting" according to the Risk Management principle. Across all countries, senior managers were most confident in their senior leaders' ability to identify and mitigate risks related to E&C. In contrast, senior managers were least likely to agree that there was a good understanding of key risks across the organization. This finding suggests that organizations may want to **focus more on providing additional education and training** on E&C risks to all employees.

CULTURE:

On average, senior managers from **5 of the 10** countries viewed their program as "Adapting" according to the Culture principle. Across all countries, senior managers were most likely to agree that the organization had defined the ethical behavior expected from senior leaders. Conversely, senior managers were not as confident that their performance reviews of senior leaders actually took into account efforts to build and sustain a strong ethics culture. Moving forward, organizations could **make more of an effort to incorporate E&C into their employee evaluations**.

SPEAKING UP:

On average, senior managers from **8 of the 10** countries viewed their program as "Adapting" according to the Speaking Up principle. Across all countries, senior managers were most likely to agree that there were multiple ways for employees to report misconduct. In contrast, senior managers were not as confident that their organization shares summary statistics with all employees about reported misconduct. This finding suggests that organizations could further **develop systems to capture this information and to then share it more consistently**. This could lead to increased transparency and build trust throughout the organization.

ACCOUNTABILITY:

On average, senior managers from **6 of the 10** countries viewed their program as "Managing" according to the Accountability principle. Across half of the countries, senior managers were most likely to agree that the code of conduct made it clear that there will be consequences for ethics violations. Across all countries, senior managers were least likely to agree that consistent disciplinary action was taken when ethics violations were substantiated. Based on this finding, **leaders may want to more closely review how investigations are conducted and resolved** in order to ensure that disciplinary action is applied fairly throughout the organization.

Methodology

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

Given the nature of the questions on HQPs, only those employees who met certain qualifications were asked this portion of the GBES 2019 survey. In order to be included in the HQP section, a participant had to meet the following qualifications:

- ✓ Work at an organization with at least 5,000 employees

- ✓ Be in the position of a senior manager or above

- ✓ Work at corporate headquarters, a home office or in a shared workspace (e.g., WeWork)

BELOW IS A DEMOGRAPHIC PROFILE OF THE RESPONDENTS:[1]

Organization Size (Number of employees)

5,000 to under 10,000	42%
10,000 to under 20,000	18%
20,000 to under 50,000	15%
50,000 to under 90,000	10%
90,000 or more	15%

Job Position

Owner, Board Member of C-Suite	23%
Vice President, Assistant VP or Principal	14%
General Manager	17%
Director / Department Head	27%
Senior Manager	18%

Industry

Information	16%
Manufacturing	16%
Financial Activities	14%
Professional and Business Services	9%
Retail	8%
Construction	7%
Education	7%
Goverment, Public Administration, and Non-Profit	6%
Health Services	6%
Transportation and Utilities	6%
Leisure and Hospitality	3%
Natural Resources and Mining	3%
Other	7%

[1] The demographic profile is based on respondents from all 10 countries.

Our Funders

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

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**.