INSIGHTS FROM OUR CULTURE QUOTIENT DATA SET: VOLUME THREE
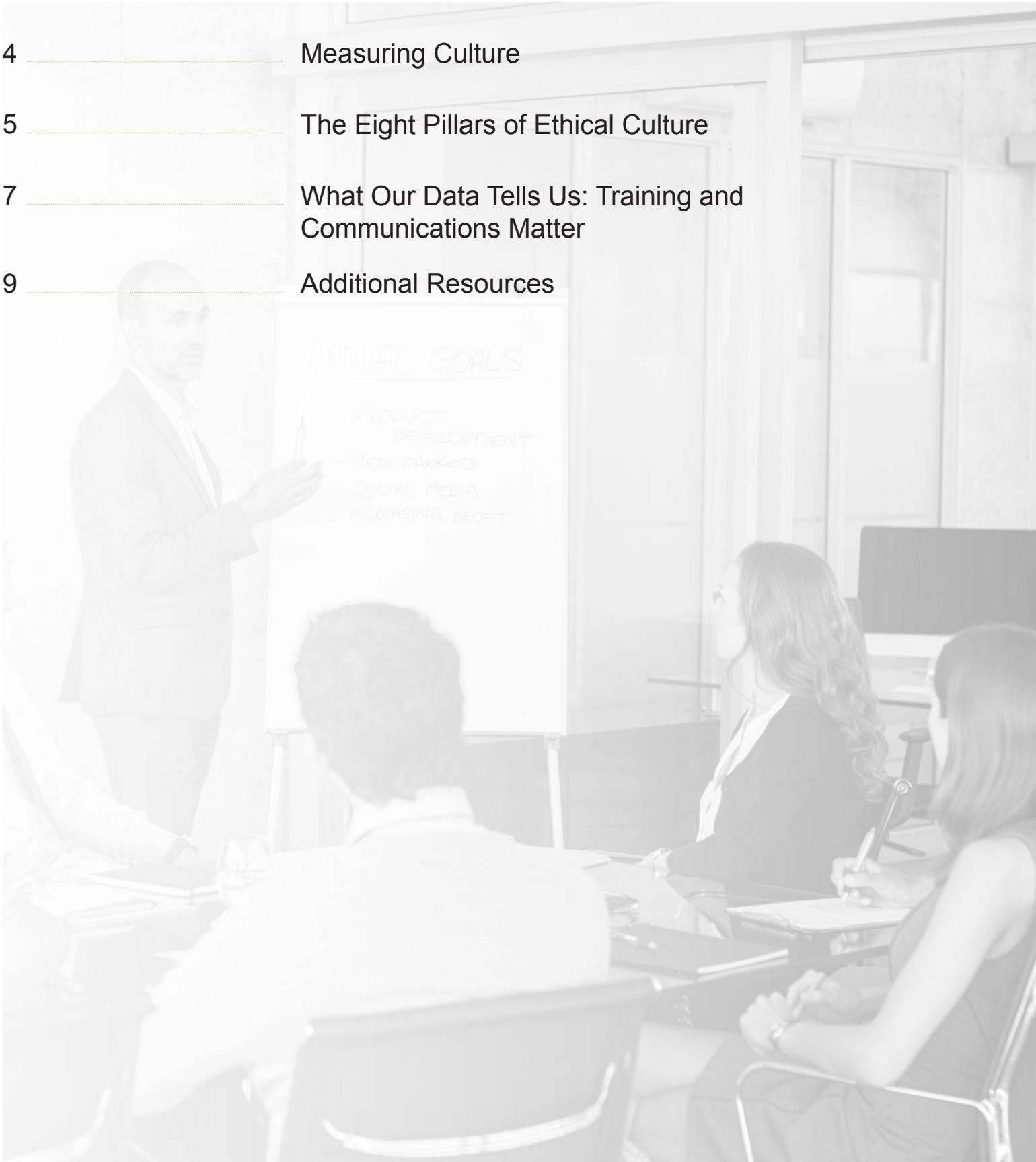
The Case for Investing in Engaging and Effective Training and Communications

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TABLE OF CONTENTS

ETHICAL CULTURE: CENTRAL TO SUCCESSFUL COMPANIES

Readers of the first two volumes of this series know well already that culture is a current focus for many corporate stakeholders—and with good reason.

INSIGHTS FROM OUR CULTURE
QUOTIENT DATA SET: VOLUME ONE
Elements of Ethical Culture, Observing and Reporting Misconduct,
and Perceptions of Senior Leaders

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November 2019

Volume one laid out some of the key challenges in building an ethical culture. Though 92 percent of employees in our data set say they would hypothetically report misconduct, only 54 percent of those who do observe misconduct actually speak up about it.

Fear of retaliation remains a major deterrent to reporting, and roughly a quarter of employees say they do not know if their company has a non-retaliation policy. However, when employees believe that their company's senior leadership acts ethically, all of these numbers improve dramatically.

In addition, when companies make an effort to be more transparent about explaining the reporting and investigation process to employees, it can increase their faith in the company's commitment to ethics.

INSIGHTS FROM OUR CULTURE
QUOTIENT DATA SET: VOLUME TWO
Focusing on the Role of the Manager in Influencing Ethical Culture

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January 2020

In **volume two**, we explored the role of managers in ethical culture. When managers discuss ethics and compliance on a regular basis with their direct reports, those employees are more likely to report misconduct and feel more personally committed to acting ethically. We also presented strategies for ensuring that managers are prepared to serve as ethical leaders and role models in the workplace.

Culture is vital for companies today. It's on the agendas of investors and boards. Ethics is also a top consideration for consumers, employees, and other stakeholders. According to the recent Deloitte Global Millennial Survey, "ethical behavior" is the top reason millennials will change their relationship with a business. In Edelman's 2020 Trust Barometer, "ethical drivers" are three times more important to company trust than competence.

Ethics matters, and a company's culture is foundational to every business seeking to operate with business integrity. In the final report in this series, we examine the strong correlation between good training and communications and employee perceptions of culture.

Erica Salmon Byrne, J.D.
Executive Vice President and Chair of the Business Ethics Leadership Alliance (BELA)

MEASURING CULTURE

A company's culture can have a fundamental, long-lasting effect on its business success, and the best way to understand culture is to measure it in a standalone ethical culture survey.

Companies may try to get some data about their culture by integrating a handful of questions on ethics and compliance issues into an engagement survey—but this does not provide a complete picture. How someone feels about their benefits, their work environment, and their colleagues is not a proxy for how likely they are to tell you when something's gone wrong in the company or how they feel about the ethics-related training and communications they receive.

Instead, we recommend running a standalone culture survey. Not only does this yield better results, it also communicates to employees that the company takes culture seriously enough to conduct a survey specifically about it.

Having a reliable, comprehensive data set about ethical culture has real benefits, too. With a dedicated ethical culture survey, you can:

▶ **Get a more detailed view of your culture.** A standalone survey yields insights into a variety of topics related to ethical culture. Are your managers communicating with their direct reports about ethics? Do employees fear retaliation for speaking up? A standalone ethical culture survey creates possibilities for data correlation, as you can cross-reference data from several questions to gain more insights.

▶ **Pinpoint trouble spots.** In every organization, culture can vary based on location, business unit, or other factors. Running an ethical culture survey with demographic identifiers can identify areas where ethical culture may not be as strong, so you can act to improve it.

▶ **Allocate resources effectively.** When you know where your challenges are, you can take actions to address them. That might mean targeting ethics-related communications to certain populations or training specific groups of managers to understand their responsibilities.

▶ **Track progress over time.** As you make targeted changes to improve your ethical culture, you can run a culture survey again to see whether your efforts have moved the needle.

Ethisphere's Culture Quotient (CQ) Data Set

Ethisphere works with companies of all sizes to measure their employees' perceptions of the ethical culture at their organizations. Our data set has grown to encompass the responses of:

585,000+
employees
around the globe

30
languages

4.5 million
employees'
views

From this category-leading compilation of current employee responses, we have pulled insights we will be sharing over the course of three reports.

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THE EIGHT PILLARS OF ETHICAL CULTURE

In Ethisphere's Culture Quotient survey, we focus on eight "pillars" of culture.

PILLAR 1: AWARENESS OF PROGRAM & RESOURCES	PILLAR 2: PERCEPTIONS OF THE FUNCTION	PILLAR 3: OBSERVING & REPORTING MISCONDUCT	PILLAR 4: PRESSURE	PILLAR 5: ORGANIZATIONAL JUSTICE	PILLAR 6: MANAGER PERCEPTIONS	PILLAR 7: PERCEPTIONS OF LEADERSHIP	PILLAR 8: PERCEPTIONS OF PEERS & ENVIRONMENT

AWARENESS OF PROGRAM AND RESOURCES

This pillar measures employees' reported level of familiarity with the assets and efforts of the compliance and ethics function. We track awareness of many different areas of the compliance and ethics function:

- Do your employees understand all of the resources available to them?
- Can they identify multiple avenues to raise a concern?
- Do they know where to find the code and applicable policies?

Some of the issues that companies ask employees to grapple with—gifts and entertainment, hiring friends and family, insider trading—don't have globally intuitive solutions, so a key component of culture is whether people know where to find answers and will use those resources.

PERCEPTIONS OF THE FUNCTION

In this area, we measure how employees perceive the quality and effectiveness of the ethics function's efforts in providing communications, training, and support. In other words:

- Are your efforts reaching the intended audience?
- Do they find those materials engaging?
- Do the assets you've created and deployed make it to employees in a meaningful way, or are they languishing somewhere on the intranet with no viewers?

OBSERVING AND REPORTING MISCONDUCT

Employees' level of comfort in reporting perceived misconduct, the reasons for doing so, potential reporting barriers, and the preferred method for reporting are all addressed in this pillar.

This pillar is critical, particularly the questions about reporting resources.

> Without a good understanding of the channels being utilized by employees, how does an organization know whether issues are surfacing?

This category also measures employee fear of retaliation, which is usually the number-one reason for not raising a concern.

PRESSURE

This pillar measures the extent and source of pressure employees may be experiencing to compromise standards in order to achieve business goals.

This pillar can demonstrate an alignment gap between stated values and company goals—employees may be told to follow the company's values and act with integrity, but if they also feel pressure to "make the numbers work" by any means necessary, they'll have a hard choice to make.

Measuring pressure by business unit and region is the best way to fully understand how your goals are being communicated to the field, and where to focus your audit team to check for early signs of wrongdoing.

PILLAR 1: AWARENESS OF PROGRAM & RESOURCES	PILLAR 2: PERCEPTIONS OF THE FUNCTION	PILLAR 3: OBSERVING & REPORTING MISCONDUCT	PILLAR 4: PRESSURE	PILLAR 5: ORGANIZATIONAL JUSTICE	PILLAR 6: MANAGER PERCEPTIONS	PILLAR 7: PERCEPTIONS OF LEADERSHIP	PILLAR 8: PERCEPTIONS OF PEERS & ENVIRONMENT

ORGANIZATIONAL JUSTICE

This section of the Culture Quotient assesses employees' perceptions of whether the company holds wrongdoers accountable and the awareness of disciplinary actions taken.

It is important to assess what your employees believe happens when people violate ethical standards. Do you have an organization where, to paraphrase *Animal Farm*, all employees are equal, but some employees are more equal than others? Just as important, do your employees believe that this is how your organization operates? For example, do they believe there is one ethical standard for the average employee and a different one for high performers? This perception of inequality can be just as damaging as actual inequality.

MANAGER PERCEPTIONS

This pillar gauges employees' perceptions of their supervisor's conduct, the effectiveness of managers' communication around ethics and compliance, and employees' comfort in approaching their managers with concerns. Employees look to their manager's behavior to see what matters most in terms of ethical leadership. How are your managers making employees comfortable with "near misses" or outright failures? What message about ethics and integrity are they passing along to their employees?

A majority of employees report issues and concerns to their managers—64 percent in our data set—so it is vital that managers are creating a culture that encourages speaking up, even if that means acknowledging something that didn't go well.

PERCEPTIONS OF LEADERSHIP

This category evaluates employees' perceptions of the conduct, values, and communications of senior leaders—also known as "tone at the top." Do employees see a gap between what is in the code of conduct—or what their manager is telling them—and the conduct of the CEO? If so, this could lead to a lack of faith in senior leaders or the impression that they aren't practicing what they preach.

PERCEPTIONS OF PEERS AND ENVIRONMENT

This measures how employees perceive the ethical priorities of their coworkers, the values of their organization, and their willingness to share opinions.

Peers, like managers and senior leadership, are an important source of information for their fellow employees about how a company does business. Their conduct must be consistent with other ethical messaging, in order to truly create a culture that values and promotes integrity.

WHAT OUR DATA TELLS US: THE IMPACT OF TRAINING AND COMMUNICATIONS—YES, QUALITY REALLY MATTERS

As we often say, the good news for compliance officers in our data set is that Pillars One and Two—awareness of the functions and perceptions of its effectiveness—are generally the best-performing pillars for organizations. On average, **more than 90 percent of respondents provide positive responses to the questions in these pillars**. This makes sense, as most companies have invested considerable resources in policies, procedures, training, and communications.

THE IMPACT OF INEFFECTIVE TRAINING

In Pillar Two of our survey, we ask employees a series of questions about their perceptions of the effectiveness of the training and communications that come out of the ethics and compliance function. We're seeking to understand whether they feel like they're equipped with the information they need to do their jobs the way the company wants them to.

TOP REASONS TRAINING MISSES THE MARK

- Not aligned to roles
- Not tailored to the organization
- Too much legalese

For the population who does not feel that training and communications are effective, the impact is huge. These employees were:

- **67 percent** less likely to identify misconduct than a colleague who found the training and communications effective

> The types of misconduct indicated are also the clearest types to identify: bullying, harassment and intimidation, and violence in the workplace.

- **Three times less likely** to indicate that they observed more complex or nuanced types of misconduct, such as misuse of company intellectual property, trade controls violations, or bribery

- **Five times less likely** to indicate observing antitrust or competition law issues or cybersecurity/privacy issues

INEFFECTIVE TRAINING LEADS TO LOWER REPORTING RATES

In the population of people who found training ineffective, if they did identify misconduct, they were **63 percent less likely** to report it than someone who found the training and communication materials helpful.

If these employees do raise a concern, the most likely reporting channel used—like all populations—is their direct manager (followed by their manager's manager). In fact, they're seven percent more likely to report to direct managers than someone who responded well to training and communications. They are even more likely to use their manager's manager as a channel. However, those are the only two channels this population will use. Our data set shows that only three percent of employees who found the company's training and communication efforts ineffective made use of any compliance-related reporting avenues.

THE IMPACT OF INEFFECTIVE TRAINING AND COMMUNICATIONS ON PERCEPTIONS OF ORGANIZATIONAL JUSTICE

As discussed in prior reports, employees who were aware of misconduct but did not report it commonly provided one of two explanations as to why: they believed that nothing would be done about it, or they feared retaliation. This poor perception of organizational justice can be corrosive, so it behooves a compliance team to identify where that perception might exist and address those concerns.

This is another area where the impact of poorly executed training and communications is substantial. The population that indicated they found company training and communications ineffective was:

▶ **119 percent less likely to feel confident that disciplinary actions** are taken by the company when individuals engage in misconduct

▶ **157 percent less likely to say they have faith that the company's rules are the same** for everyone

▶ **113 percent less likely to believe that the company would investigate** a concern they raised

DESIGNING EFFECTIVE TRAINING AND COMMUNICATIONS: HOW TO USE THIS DATA

Hopefully this data will help you respond to the next person who questions why you need to do more training or communicating about ethics and compliance. The impact of poorly executed training and communications is substantial, and it is without question worth your time to consider whether there are opportunities for you to focus your efforts even more. We see many companies adopting the following innovative strategies:

▶ **Identifying new modalities for delivering shorter-form trainings and communications**, including apps, QR-code enabled materials, and just-in-time deployments of critical information based on system triggers like travel booking functionality or expense reporting systems

▶ **Looking at new ways to assign training within the learning management system**, including self-assignment based on job descriptions, the ability to skip certain content that employees may already be familiar with, and survey-based assignment mechanisms

▶ **Sharing real company examples in communications**, whether from inside the organization or outside—as we say, never let a good crisis go to waste

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ADDITIONAL RESOURCES

Interested in learning more about how leading companies assess and improve ethical culture? Check out the following resources and more at **Ethisphere.com/ethical-culture**.

GLOBAL ETHICS SUMMIT SESSION

Building Integrity Skills: Microsoft and Dell share new style of training with a unique blend of ethical dilemmas and the neuroscience influence on integrity-based decision-making.

Watch Now

WEBINAR

Ethical Culture: The Why, the What, and the How of Measuring and Supporting Your Organization

Watch Now

TRAINING RESOURCES IN BELA MEMBER HUB

Members of the Business Ethics Leadership Alliance (BELA) have access to a broad range of training resources in the exclusive BELA Member Hub. These include:

▶ Training program examples from companies including Bayer, JLL, U.S. Bank, Nokia, Starbucks, and others

▶ Communication and policy examples from Oshkosh Corporation, Schnitzer Steel, and others

▶ Senior leader discussions from the Global Ethics Summit, webcasts, roundtable recaps, and more

BUSINESS ETHICS LEADERSHIP ALLIANCE

Sign-In to the BELA Hub

Not a member? Learn more

ADDITIONAL RESOURCES

Interested in learning more about how leading companies assess and improve ethical culture? Check out the following resources and more at **Ethisphere.com/ethical-culture**.

INSIGHTS
Ethisphere's Eight Pillars of an Ethical Culture

Read Now

INSIGHTS
The Business Case for a Standalone Ethical Culture Survey

View Now

SPOTLIGHT
Sony: Insights and Outcomes from Benchmarking Ethical Culture

Read Now

INSIGHTS
Infographic: Measuring Ethical Culture & What Our Data Tell Us

View Now

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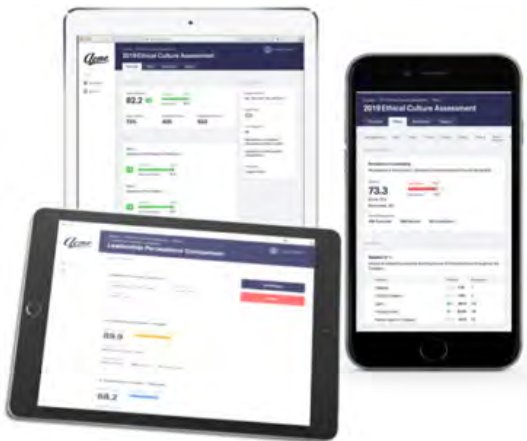
THE ETHISPHERE
ETHICAL CULTURE ASSESSMENT

EASY TO IMPLEMENT

▸ Guidance by expert analysts to help design the survey to meet your requirements

▸ A full database of questions and templates to use as a foundation

▸ Ethisphere manages the survey and engagement with your employees

DATA AND REPORTING THAT MAKES A DIFFERENCE

▸ Insights into the ethical culture sentiment between divisions, locations, generations, and genders

▸ Benchmarking against a data set of peer companies or the full Ethisphere data set

▸ Cloud-based reporting application enables unlimited data analysis and report creation
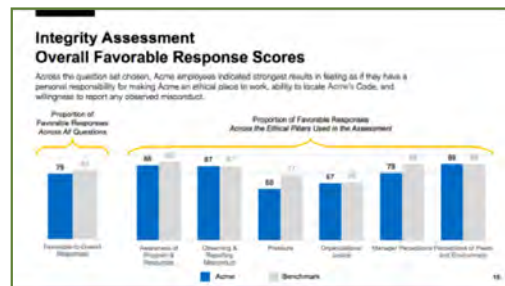
OPTIONS TO SUIT YOUR REQUIREMENTS

☑ **Ethical Culture Assessment:** One-time ethical culture survey to conduct a baseline, during times of transition, or to address a specific business purpose

☑ **Ethical Culture Monitoring:** Includes the survey, ongoing access to the Culture Quotient (CQ) data set and reporting engine, multiple pulse surveys, continual spot checks to address organizational priorities, a dedicated data analyst/project manager to identify and align BELA resources, and data to meet culture development strategies

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ABOUT ETHISPHERE

Ethisphere is the global leader in defining and codifying the standards of ethical business practices that fuel corporate character, marketplace trust, and business success. Ethisphere has deep expertise in advancing business performance through data-driven assessments, benchmarking, and guidance.

Our Ethics Quotient data set enables the ability to benchmark against the ethics and compliance practices of leading companies across sectors and industries. We also work with the world's largest companies to assess and enhance ethical culture capital with the insights from our culture assessment data set, which represents the views of millions of employees worldwide and is grounded in our Eight Pillars of Ethical Culture.

Ethisphere honors superior achievement through its World's Most Ethical Companies recognition program and by showcasing best practices in Ethisphere Magazine and at global events. We also facilitate the Business Ethics Leadership Alliance (BELA), a global community committed to solving the big challenges of business integrity together.

More information about Ethisphere can be found at **https://ethisphere.com**.