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Global Business Ethics Survey Results

Compliance and Ethics

Earlier this year, the Ethics and Compliance Initiative (ECI) published the results of its first Global Business Ethics Survey (GBES). A free copy of the GBES can be obtained from the ECI website at ethics.org. The GBES is an expansion of the ECI's National Business Ethics Survey (NBES) that has been conducted eight times, since 1994. Where the NBES focused entirely on US workplaces, the GBES survey collected data globally from workers in the United States and 12 other countries: Brazil, China, France, Germany, India, Italy, Japan, Mexico, Russia, South Korea, Spain, and the United Kingdom. Survey respondents included employees of organizations in the private, public, and nonprofit sectors.

When conducting the survey, the ECI took an expansive view of workplace integrity. Instead of focusing exclusively on issues related to violations of law, the GBES also collected information about perceptions of universal ethical principles like respect, fairness, and honesty in the workplace. The ECI then consolidated its data into four key metrics that provide insight into the "ethical environment" of the countries surveyed:

1. **Pressure to compromise organizational standards —** An important warning sign of future workplace misconduct.
2. **Observed misconduct —** The most fundamental indicator of the state of integrity in the workplace is whether or not employees follow the rules and live out core values.
3. **Reporting of observed misconduct —** Alerts management about the need to address violations. This acts in contrast to those that allow wrongdoing to continue and grow worse.
4. **Retaliation against reporters —** Such as the silent treatment, verbal harassment, demotions, undesirable assignments, or even violence. Perceived retaliation erodes trust and often deters employees from reporting misconduct, which allows bad behavior to fester and spread.

By generating these metrics, the ECI focuses its attention on what matters most — the key social dynamics in organizations that drive behavior. These are far more important than policies, procedures, or internal controls. There are written rules and then there are the real, cultural rules embedded in the organization that everyone follows. In a coercive atmosphere where whistleblowers are punished, most employees will keep their heads down and tolerate illegal or unethical behavior in silence, rather than risk retaliation for speaking up.

In broad strokes, the GBES report confirms what you might expect. Its results show that corrupt, disrespectful, and dishonest business practices are universal attributes in public, private, and nonprofit organizations around the world. There are, of course, differences worth noting between the ethical environments in various countries and organizational types. However, the GBES confirms that the inclination to lie, cheat, abuse coworkers, pressure others to compromise their integrity, and retaliate against those who report misconduct is so ubiquitous it may well be a fundamental characteristic of human nature. Moreover, the report observed that some forms of misconduct were more common than others in all the countries surveyed:

Economic conditions, local customers, and national cultures differ, but when it comes to workplace behavior, a few types of misconduct predominate everywhere. …[T]he most common issues involve problematic communication and poor conduct in day-to-day relationships. Employees in nearly every country cited lying to employees, customers, vendors, or the public, and abusive behavior more frequently than other forms of misconduct asked about.

In addition to these similarities, the GBES reveals some important differences between the ethical environments in various countries. Specifically, it noted that across all sectors, more employees in Brazil, India, and Russia experience pressure to compromise standards and to observe misconduct in the workplace than their counterparts in the other 10 countries surveyed. It is likely that this pairing of attributes is not coincidental. Human beings are social creatures and are highly sensitive to social pressure. When bosses or peers urge their colleagues or subordinates to violate their ethical standards, many will follow orders rather than risk the social and economic consequences of refusing to cooperate. As Philp Zimbardo has observed, unethical behavior in organizations is generally not the consequence of a few bad apples. Instead, it is the product of “bad barrels” that tend to corrupt all who occupy them.

Another key GBES finding is that private sector employees of multinational companies are more likely to feel pressured to compromise standards and observe misconduct than employees at companies that operate in a single country. There are many possible explanations for this dichotomy. One possibility might be that leaders in countries and regions remote from a multinational’s headquarters have a greater degree of freedom to misbehave than company leaders operating in a single nation. Regardless of the cause, this finding should cause some head scratching in the compliance departments of multinational corporations. For a decade, many multinationals have devoted significant resources to reduce such pressure and misconduct rates. The GBES data may be suggesting that these efforts are not completely up to the task.

Another significant GBES finding is that across all sectors, on average, the greatest declines in key measures occurred at organizations undergoing profound organizational change. The specific changes the ECI took into account include:

1. Expanded operations into new countries and/or markets;
2. Merged with another organization;
3. Acquired another organization;
4. Was acquired by another organization;

5. Experienced changes in top management;
6. Implemented layoffs, restructuring, and/or downsizing; and,
7. Implemented cost-cutting measures (e.g., compensation/benefits reductions, adjusted work schedules).

This observation is not particularly surprising. When organizations are undergoing substantial change, controls may weaken and leaders and their subordinates might be more tempted to compromise their ethical standards to achieve performance goals and/or preserve their jobs. Given the fact that, in our modern global economy, there is almost constant change, it is important that compliance and ethics officers take steps to counteract this phenomenon.

The ECI suggests a number of steps that might mitigate the ethical harm of organizational change. They observe that in most cases, organizational changes can be anticipated. In such circumstances, the ECI recommends, among other things, that company leaders “add ethics and compliance to the priority list” and “ensure that change management and crisis plans put values at the forefront.”

Regardless of whether you anticipate significant changes in your organization, the insights and advice provided by the GBES are likely to help you identify opportunities to build and sustain a strong ethical culture in your firm in both the short and long term.

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