

ERC

ETHICS
RESOURCE
CENTER

NATIONAL BUSINESS ETHICS SURVEY[®] *of the U.S. Workforce*



Library of Congress Cataloging-in-Publication Data

ISBN 978-0-916152-17-8

This report is published by the Ethics Resource Center (ERC). All content contained in this report is for informational purposes only. The Ethics Resource Center cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any information presented in this report.

©2014 Ethics Resource Center.

All rights reserved. Printed in the United States of America.

Additional copies of this report and more information about permission and licensing may be obtained by calling 703-647-2185, or by visiting www.ethics.org/nbes.

The Ethics Resource Center (ERC) is America's oldest nonprofit organization devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. Since 1922, ERC has been a resource for public and private institutions committed to a strong ethics culture. ERC's expertise informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter — for the public trust.



For more information, please contact:

Ethics Resource Center
2345 Crystal Drive, Suite 201
Arlington, VA 22202

Telephone: 703.647.2185
FAX: 703.647.2180

www.ethics.org
ethics@ethics.org

NBES SPONSORS

*The National Business Ethics Survey of the U.S. Workforce
was conducted with the generous support of:*

Primary Sponsors:

Altria Group, Inc.
Walmart

Sponsors:

Lockheed Martin Corporation
Edison International
PricewaterhouseCoopers LLP
United Technologies Corporation

Donors:

Raytheon
KPMG LLP
Assurant, Inc.
Archer Daniels Midland
SAIC
BAE Systems
Bechtel Group, Inc.

The NBES 2013 is the eighth in a series of reports that began in 1994, an ongoing research initiative of the Ethics Resource Center. All work in this effort is funded by charitable contributions. Additional donations from individuals, companies, and other organizations will enable ERC to expand its research and conduct further analysis on the data. For more information about how to support the NBES or other ERC research projects, please visit www.ethics.org/donate.

The findings and conclusions of this report are those of the Ethics Resource Center alone and do not represent the views of the corporate and individual sponsors of this research project.

NBES SPONSORS





ABOUT THE ERC'S NATIONAL BUSINESS ETHICS SURVEY® (NBES®)

The National Business Ethics Survey® (NBES®) generates the U.S. benchmark on ethical behavior in corporations. Findings represent the views of the American workforce in the private sector. Since 1994, the NBES and its supplemental reports have provided business leaders a snapshot of trends in workplace ethics and an identification of the drivers that improve ethical workforce behavior. With every report, ERC researchers identify the strategies that business leaders can adopt to strengthen ethics cultures of their businesses.

To view past issues of the NBES, please visit our website at www.ethics.org/nbes.

To support the NBES or other ERC research projects, please visit our website www.ethics.org/donate

TABLE OF CONTENTS

Foreword	8
Methodology.....	10
Executive Summary	12
Observed Misconduct Rate Drops to Historic Low.....	14
In-Depth Look: A Clearer Picture of Misconduct <i>(and the Trouble It Reveals)</i>	20
A Deeper Look at Corruption	23
Reporting & Retaliation: Two Key Outcomes Do Not Improve	26
Understanding How & Why Employees Report.....	29
Can Regulation Affect Behavior?.....	34
Conclusions & Recommendations.....	36
Appendix.....	41
NBES Advisory group.....	46
The NBES Team	47

FOREWORD

On behalf of the Ethics Resource Center (ERC), we are delighted to share the National Business Ethics Survey® (NBES®) for 2013. We are now in our 19th year of the NBES series, which has become the pre-eminent source of information about workplace conduct and ethics through the eyes of employees themselves.

Invariably, the results provide some surprises and usually some elements that confound us, and this year is no exception. We are happy to be able to announce that the amount of misconduct declined substantially for the third straight survey and is now at the lowest point since we began investigating it. We were somewhat surprised by this good news – given that our previous survey showed that both retaliation against workers who reported misconduct and pressure to compromise standards were at all-time highs, which strongly suggested that misconduct was poised to go up. In addition, based on past patterns, the run up in stock price indices over the past two years should have been accompanied by a rise in misconduct.

The disconnect between workers' actual conduct and these traditionally reliable leading indicators caused us to delve more deeply to see if we could figure out what has changed. Our main conclusion is that NBES 2013 is telling us that ethics and compliance (E&C) programs work. Business organizations' deep and long standing investment in E&C is paying dividends and may be fostering a fundamental change in worker behavior. Optimistically, we think we may be witnessing the emergence of a new workplace norm in which workers are predisposed to adhere to high standards of conduct and honor the rules.

Having said that, while misconduct overall is on the decline, the nature of these misdeeds is alarming. A strong majority of misconduct is attributable to individuals who hold some level of management responsibility. If allowed to persist, rule-breaking by managers bodes ill for ethics cultures, because managers set the tone for everyone else. The data also show that a significant amount of misconduct happens on a continuing basis and about 12 percent of it takes place company-wide.

Also distressing is the fact that the percentage of workers who report the misconduct they observed has stalled, after consistent growth in the previous three NBES studies. The 2013 rate

is high, but it nonetheless points to significant work still to be done; more than one out of every three people who observe misconduct choose not to report. That is a critical issue that merits further study, and we intend to investigate it more deeply.

The rate of retaliation remains alarmingly high, at 21 percent. That works out to more than six million workers in private-sector companies who experienced some form of retribution because they filed reports about misconduct on the job. The data is troubling because fear of retaliation is among the biggest deterrents to reporting, and, when workers stop reporting misconduct, the door is open to more misdeeds down the road. In our view, reducing retaliation rates is one of the most important challenges facing businesses as they strive for strong ethics cultures.

But if NBES 2013 shows us problems, it also provides insights on how to fix them. It turns out that workers who feel proud of where they work and believe they have influence in how the company operates have a stronger commitment to good ethics. Trust and transparency also make a difference. Bottom line: workers who believe management communicates honestly and openly are less likely to break rules and more likely to report bad behavior when they see it. We will have more to say on some of these issues in a series of supplemental reports that we will release later this year.

Lastly, let us say that NBES and the insights it provides would not happen without the generous contributions of companies that support ERC and the organizations that sponsor the NBES specifically. ERC staff members, too, deserve special thanks for pulling it all together. To all who have helped, we offer our deepest appreciation. We hope that you will continue to work with us by providing your own insights, commentary, and questions as together we continue to review and discuss the data and what it means.



A handwritten signature in black ink, appearing to read 'P. J. Harned'.

Patricia J. Harned, Ph.D.
ERC President

i

METHODOLOGY

Since 1994, the Ethics Resource Center has fielded the National Business Ethics Survey® (NBES), a nationally representative survey of employees at all levels, to understand how they view ethics and compliance at work.

NBES continues to be the national benchmark on business ethics. It is the most rigorous measurement of national trends in workplace ethics and compliance, a snapshot of current behaviors and thinking, an analysis of culture and risk, and a source of insight into topical ethics issues.

This 2013 report is the eighth in the series. It is the most exacting longitudinal cross-sectional research effort in the field. The long-term nature of the study provides ethics officers, policy makers, and researchers a unique perspective on workplace environments and the ethics risks that employees face.

SURVEY METHODOLOGY

Over the years, ERC has polled and reported findings on more than 34,000 employees through our national ethics survey research. In 2013, we collected 6,579 responses. Review of the data revealed that 159 respondents worked in the government or non-profit sectors. These cases were removed from all analysis, meaning that 6,420 responses were from employees in the for-profit sector.

Participants in the 2013 NBES were 18 years of age or older; currently employed at least 20 hours per week for their primary employer; and working for a company that employs at least two people. They were randomly selected to attain a representative national distribution, and some were selected to meet two pre-defined criteria. The first was to collect approximately 1,600 responses via telephone; with a minimum of 400 from cellphone-only individuals. About one-quarter of all participants were interviewed by telephone (approximately 33 percent over landlines and 67 percent over cellphones). About three-quarters participated through an online survey (using online panels and communities). The proportion of the cellphone group to the

landline group in the sample was weighted to a 40/60 ratio.¹ The proportion of telephone respondents to online respondents was weighted to be equal.² A second criterion was to collect approximately 1,600 responses from employees in companies with 90,000 or more employees. The proportions of respondents by organization size were weighted to correct for this oversampling.³ All participants were assured that their individual responses to survey questions would be confidential.

The survey opened September 30, 2013, and closed November 15, 2013.

Survey questions and sampling methodology were established by ERC; data collection was managed by Survey Sampling International (SSI). ERC also recognizes John M. Schaubroeck, Sean T. Hannah, Bruce J. Avolio, Steve W. Kozlowski, Robert G. Lord, Linda K. Treviño, Nikolaos Dimotakis, and Ann C. Peng for several ethical leadership questions used in the survey, as well as the Hay Group for its contributions of employee engagement questions. Analysis by ERC was based upon a framework provided by the Federal Sentencing Guidelines for Organizations, the Sarbanes-Oxley Act of 2002, and professional experience in defining elements of formal programs, ethical culture, outcomes, and ethics risk.

The sampling error of the findings presented in this report is +/- 1.2 percent at the 95 percent confidence level.

In all survey years except 2009, data were weighted by age, gender, and education. In 2009 information about education was not available and survey data were weighted by age and gender only. In 2011, data also were weighted to equalize the proportion of telephone respondents to online respondents. In 2013, data were additionally weighted by phone type (cell/landline), survey mode (telephone/online), and organization size as described above. Results for each year are reported according to the noted weighting factors.

To request a detailed explanation of methodology and the methodological limitations of this report and demographic information on survey participants, please email the Ethics Resource Center at ethics@ethics.org.

-
1. The cell 40 / landline 60 ratio is an estimation of the proportion of working individuals living in households with cell-only service versus households with landlines.
 2. The equal-weight strategy was implemented because survey results from the two groups tended to differ, and it matched the methodology used in 2011. It is part of an ongoing transition from a landline telephone-only survey to a mixed telephone/online survey, and eventually to an online-only survey. The weighting equalized the influence of each group and provided comparability to 2011.
 3. This oversampling was done to provide a sufficient number of cases for a planned supplemental report on the state of ethics in very large companies. To correct for the oversampling, the data were weighted by organization size according to the average proportions found in prior NBES surveys. These proportions were compared to and roughly approximate 2008 U.S. Census data from the Small Business Administration. Table 2a. Employment Size of Employer and Non-employer Firms, 2008 (<http://www.census.gov/econ/smallbus.html>).

1 EXECUTIVE SUMMARY

NBES 2013 reveals substantial good news about the state of ethics in American workplaces. Observed misconduct is down for the third report in a row and is now at a historic low; the decline in misconduct is widespread; and the percentage of workers who said they felt pressure to compromise standards also fell substantially.

- The percentage of workers who said they observed misconduct on the job fell to an all-time low of 41 percent in 2013, down from 45 percent two years ago and a record high of 55 percent six years ago.
- The improvement was pervasive. Over the last two years, observed misconduct fell in every one of the 26 specific categories we asked about in both NBES 2011 and NBES 2013.
- Pressure to compromise standards, often a leading indicator of future misconduct, also was down – falling from 13 percent in 2011 to nine percent in the latest survey.

The dip in misconduct may reflect workers' tendency to take fewer risks when economic prospects seem weak or uncertain, given the relatively soft recovery since 2008. But it also is possible – and we believe probable – that businesses' continuing and growing commitment to strong ethics and compliance programs is bearing fruit and that ethical performance is becoming a new norm in many workplaces. That belief will be tested once economic growth becomes more robust and widespread.

NBES 2013 also reveals some areas of concern. While misconduct is down overall, a relatively high percentage of misconduct is committed by managers – the very people who are supposed to set a good example of ethical conduct and make sure that employees honor company rules. Workers reported that 60 percent of misconduct involved someone with managerial authority from the supervisory level up to top management. Nearly a quarter (24 percent) of observed misdeeds involved senior managers. Perhaps equally troubling, workers said that 26 percent of misconduct is ongoing within their organization. About 12 percent of wrongdoing was reported to take place company-wide.

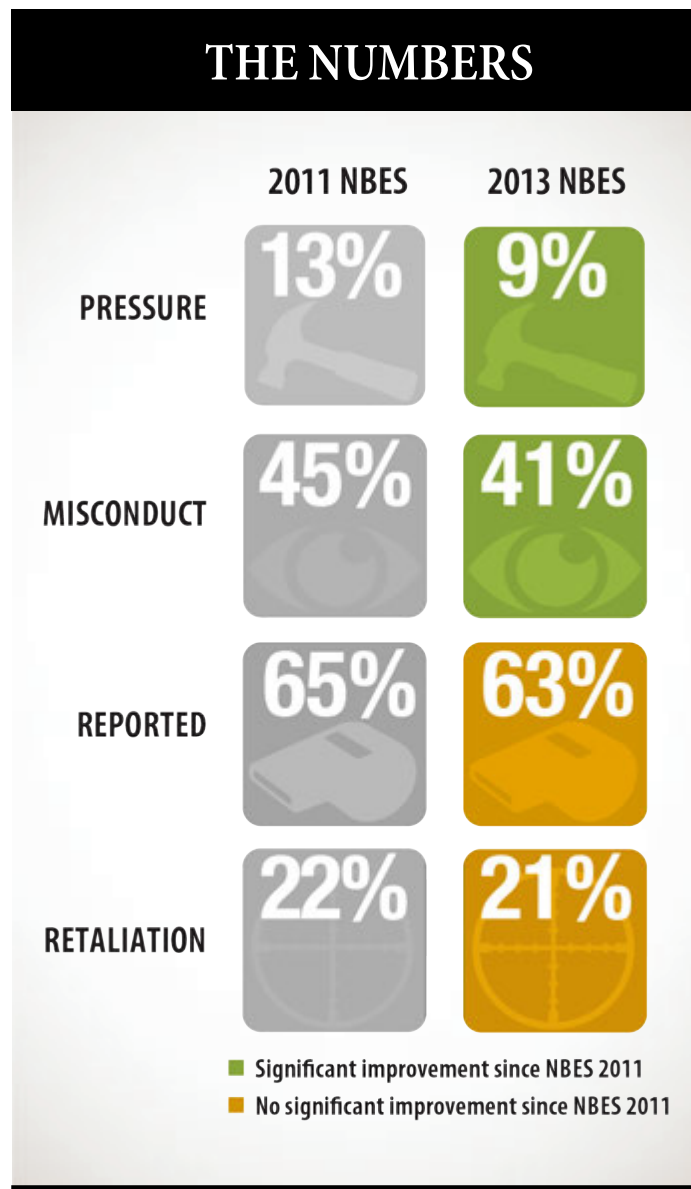
Also troublesome are the facts that the percentage of workers who reported the misconduct they see has stalled, and retaliation against workers who reported wrongdoing continues to be a widespread problem. High retaliation rates are especially worrisome because they discourage reporting and make it harder for organizations to identify and root out bad behavior.

- Among those who observed misconduct in 2013, 63 percent reported what they saw, compared to 65 percent in 2011 and 63 percent in 2009.
- For the second straight survey, more than one in five workers who reported misconduct said they experienced retaliation in return. In 2013, 21 percent of reporters said they faced some form of retribution, virtually unchanged from a record high of 22 percent in 2011.

In sum, NBES 2013 provides cause for optimism as well as a blueprint for the work yet to be done. The steady and sharp drop in misconduct since 2007 suggests that something both fundamental and good is taking place in the way Americans conduct themselves at work.

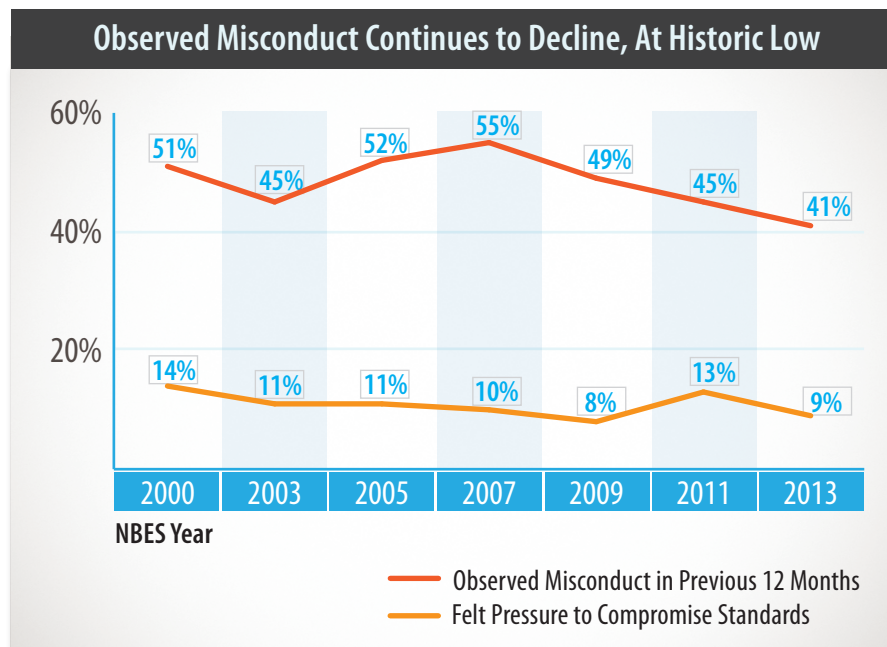
Companies' investments in ethics and compliance are paying off, but there remains room for improvement. The data show just enough negative results to suggest that progress is not necessarily irreversible – especially if a revitalized economy arouses workers' willingness to engage in riskier behavior. It is clear that manager behavior could be improved, and that reducing retaliation is essential. Building strong ethics cultures remains a constant work in progress.

NBES 2013 also includes in-depth investigation of several types of misconduct, including corruption; analysis of factors that increase employee reporting of observed misconduct; and the implications of retaliation against whistleblowers.



2 OBSERVED MISCONDUCT RATE DROPS TO HISTORIC LOW

Workplace misconduct has declined steadily and significantly since 2007 and is now at an all-time low. From the record high of 55 percent in 2007, the share of private-sector workers who said they had observed misconduct on the job in 2013 fell for the third straight survey to 41 percent. The decline in misconduct is not the only good news in the 2013 data. Fewer employees felt pressure to compromise standards. The percentage who said they experienced such pressure fell to nine percent from 13 percent, a possible precursor of future declines in misconduct.

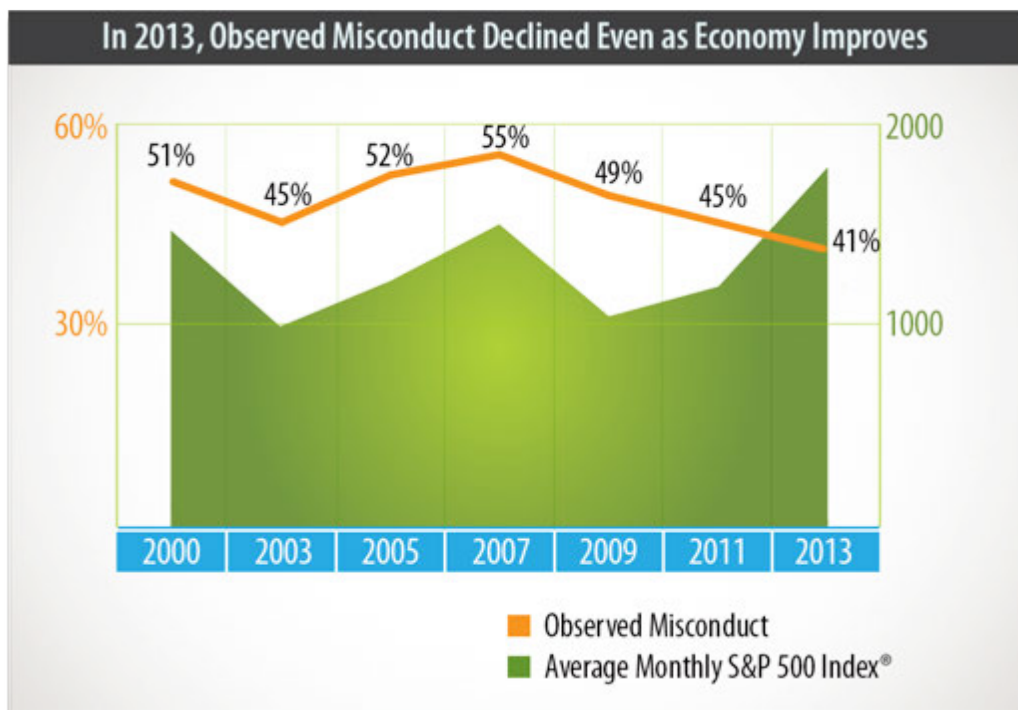


The continued decline in wrongdoing defied two factors that often accompany observed misconduct – retaliation and pressure, which both rose two years ago in NBES 2011 and seemed to foreshadow an uptick in bad behavior. Significantly, the good news on misconduct

took place even as the economy grew stronger –an encouraging break with the historic pattern in which misconduct gets worse as the economy improves.

Historically, NBES has revealed that higher stock prices (as measured by the S&P 500®) have been accompanied by higher rates of misconduct, presumably because workers and companies both were tempted to bend the rules in order to take the greatest advantage of the rising tide. The reverse also was true: in times of economic challenge, companies increased their focus on ethics in order to weather the storm, and misconduct declined accordingly.

But that relationship between economic prosperity and ethical health was severed in NBES 2011.



In part, we believe the change reflects the uneven nature of the economic recovery, which has been marked by higher profits and a surging stock market even though unemployment rates remain relatively high and workers' incomes have grown only modestly. It seems likely that the severity of the 2007-2009 recession and the relatively soft recovery have taken a toll on workers' confidence and tempered risk-taking on the job. A key question for the future is what happens to misconduct rates when economic growth becomes more robust and individuals see greater opportunity to improve their personal financial prospects.

IMPROVEMENTS REFLECT SOPHISTICATED ETHICS & COMPLIANCE INITIATIVES, STRONGER ETHICS CULTURES

It is also possible -- and we believe probable -- that increasingly sophisticated ethics and compliance (E&C) programs⁴ are creating new norms in worker conduct. By almost every measure, companies are working harder to build strong cultures and further develop their ethics and compliance programs.

That is significant because data from ongoing ERC client work⁵ show that discipline and ethics as a part of employee evaluations are two of the most powerful tools in effective E&C programs.

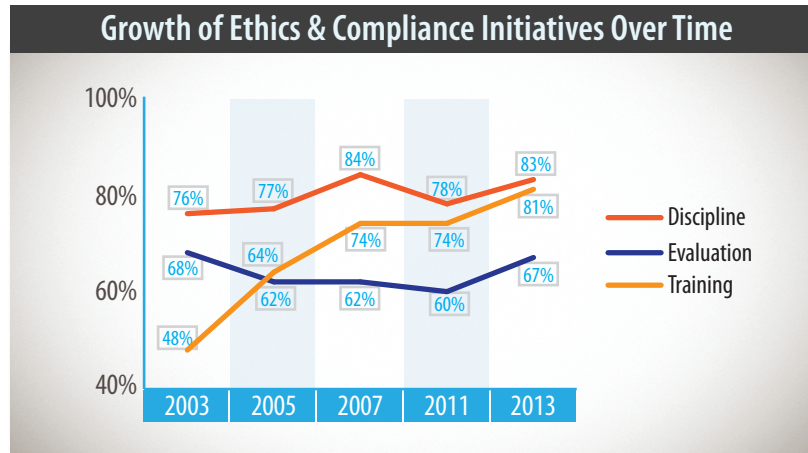
- The percentage of companies providing ethics training rose from 74 percent to 81 percent between 2011 and 2013.
- Two-thirds of companies (67 percent) included ethical conduct as a performance measure in employee evaluations, up from 60 percent in 2011.
- Almost three out of four companies (74 percent) communicated internally about disciplinary actions when wrongdoing occurs.⁶

4. The elements considered as part of an ethics and compliance program include: 1) written standards of ethical workplace conduct, 2) training on the standards, 3) company resources that provide advice about ethics issues, 4) a means to report potential violations confidentially or anonymously, 5) performance evaluations of ethical conduct, and 6) systems to discipline violators. A seventh element is a stated set of guiding values or principles. Past ERC research has demonstrated that many of the elements are implemented as a set. In 2013, we elected to only measure the three elements (see graph on p. 17), two of which (evaluation and discipline) are proven to be most critical for reducing misconduct, and the third of which is instrumental in building group awareness of ethical conduct.

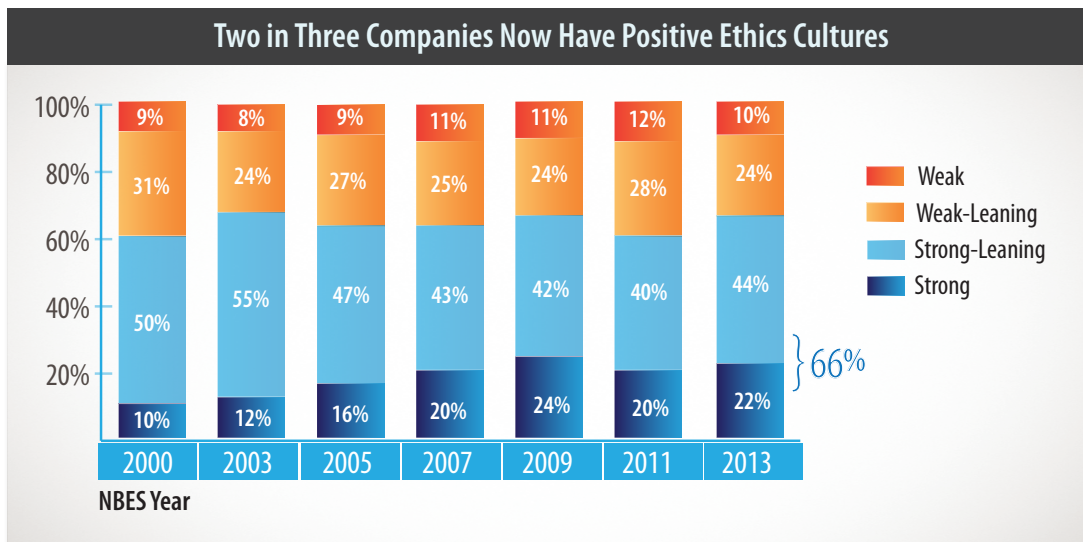
5. Ethics Resource Center. (2011). PowerPoint Presentation at the Ethics and Compliance Officer Association (ECO) Annual Conference. *What Difference Does Your Program Make?* Research & Reality. Arlington, VA: Ethics Resource Center.

6. Calculations for the training and evaluation question results include the "don't know" responses in the calculations (ERC does this for the six program element questions). Calculation for publicizing disciplinary actions does not include the "don't know" response (as is done for calculations of other survey question responses). See the NBES 2013 Methodology for additional information.

Companies are doing a better job of holding workers accountable, imposing discipline for misconduct, and letting it be known that bad behavior is being punished.



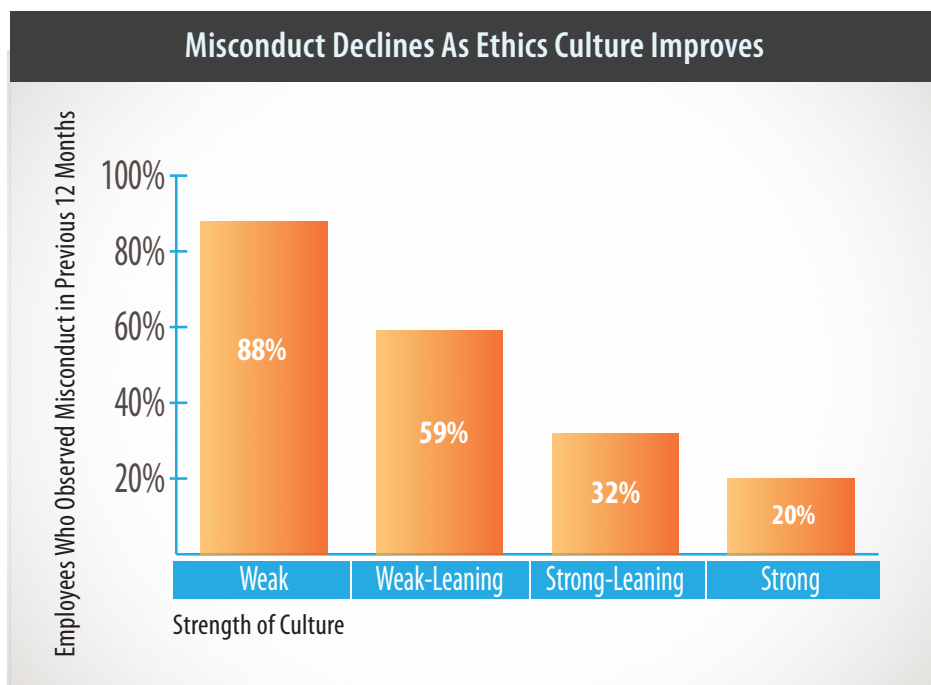
Past ERC research⁷ has proven that robust and well-implemented ethics and compliance programs have a profound positive impact on companies' commitment to standards and good conduct, i.e., their ethics cultures. Following from the improvements in programs, strong ethics cultures are also on the rise. The percentage of companies with "strong" or "strong-leaning" ethics cultures climbed to 66 percent in 2013; this is an improvement compared to NBES 2011 (60 percent) and mirrors rates in 2009, when companies were still implementing many ethics-related controls in order to weather the 2007-2009 recession.



7. Ethics Resource Center. (2008). PowerPoint Presentation at the Ethics and Compliance Officer Association (ECO) Sponsoring Partners Forum. *Proving the Power of Programs*. Washington, DC: Ethics Resource Center.

NATIONAL BUSINESS ETHICS SURVEY
of the U.S. Workforce

This increase in ethical commitment is significant because ethics culture drives employee conduct. When companies value ethical performance and build strong cultures, misconduct is substantially lower. In 2013, one in five workers (20 percent) reported seeing misconduct in companies where cultures are “strong” compared to 88 percent who witnessed wrongdoing in companies with the weakest cultures.



IN STRONG ETHICAL CULTURES...

Management and supervisors

- Communicate ethics as a priority
- Set a good example of ethical conduct
- Keep commitments
- Provide information about what is going on
- Support following organizational standards

Coworkers

- Consider ethics in making decisions
- Talk about ethics in the work we do
- Set a good example of ethical conduct
- Support following organizational standards



WHAT IS ETHICS CULTURE?

Culture is another way of referring to “the way things are done around here.”

In business, culture encompasses everything from how employees dress, to the way they work with customers, and their interactions with the boss.

Ethics is a component of culture. NBES measures critical aspects of ethics culture, including: management’s trustworthiness, whether managers at all levels talk about ethics and model appropriate behavior, the extent to which employees value and support ethical conduct, accountability, and transparency.

The strength of ethics culture indicates the extent to which employees at all levels of the company are committed to doing what is right and successfully upholding values and standards.

Ethics culture includes:

- Ethical leadership – tone at the top
- Supervisor reinforcement of ethical behavior
- Peer commitment – supporting one another in doing right

IN-DEPTH LOOK A Clearer Picture of Misconduct *(and the Trouble It Reveals)*

Managers are responsible for a worrisome share of workplace misconduct and senior leaders are more likely than lower-level managers to break rules.

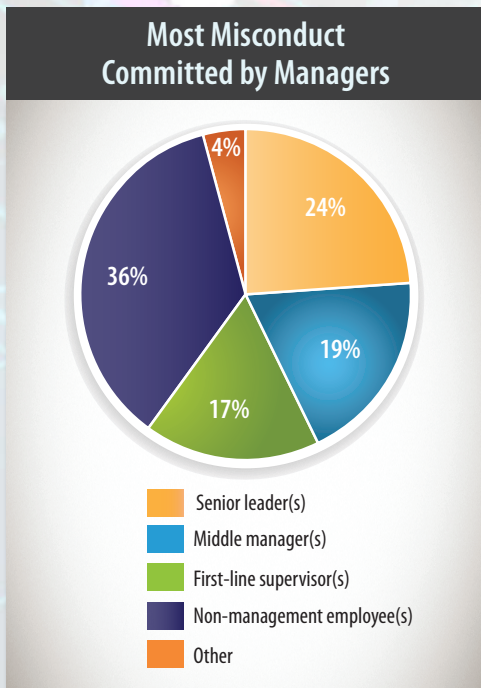
The overall decline in misconduct in 2013 was replicated across the board as the percentage of workers who observed misconduct fell in every one of the 26 specific categories that we asked about in each of the last two surveys. Further, high-frequency misconduct was confined to a relatively small number of categories. Just nine of 28 specific forms of misconduct we asked about in NBES 2013 were witnessed by 10 percent or more of the employees surveyed. Abusive behavior, which was observed by 18 percent of workers, headed that list. Lying to employees, at 17 percent, was the second most frequent form of wrongdoing. Discrimination was observed by 12 percent of employees, and seven percent said they had observed sexual harassment at work (see Appendix, page 41).

The data show that rare but extremely serious forms of misconduct, such as falsifying company financial data and public reports or bribing public officials, were observed less frequently in 2013. Three percent of employees said they were aware of misleading information on financial reports and two percent stated that they observed someone offer a bribe to public officials.

Despite the positive trends, a deeper investigation of the data reveals areas of concern. For the first time, in NBES 2013, ERC not only looked at observation rates, but also delved into the nature of observed misconduct: who commits the misdeeds, how frequently they occur, and the breadth of the problem.

The data reveal that managers are responsible for a worrisome share of workplace misconduct, and senior leaders are more likely than lower-level managers to break rules. In sum, the very people that are supposed to act as role models or enforce discipline are often guilty of bad behavior – a troubling insight that ethics and compliance programs should account for. Surveyed employees said that members of management are responsible for six of every ten instances of misconduct, and they pointed the finger at senior managers in 24 percent of observed rule-breaking.

While it might be tempting to write off these findings as being



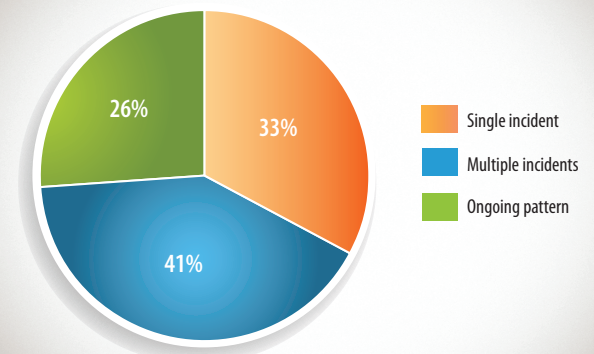
the result of employees' frustrations with management, our data demonstrate this is not the case. Analysis by management level reveals that employees are most aware of their peers' conduct. A plurality of non-management employees (41 percent) cited their peers as the perpetrators of misconduct. Senior and middle managers were actually the groups most likely to point a finger at senior leaders (41 percent and 28 percent, respectively).

Another worrisome discovery is the frequency of some types of misconduct. This new line of research revealed that a significant amount of misconduct involved continuous, ongoing behavior rather than one-time incidents. Only about one-third of rule-breaking represented an isolated incident, which is arguably less troubling than more habitual behavior as it may indicate a single slip rather than bad behavior that is tolerated on an ongoing basis. Abusive or intimidating behavior and violations of Internet policy were the forms of misconduct most likely to be ongoing, according to 37 percent and 40 percent, respectively, of those who observed each.

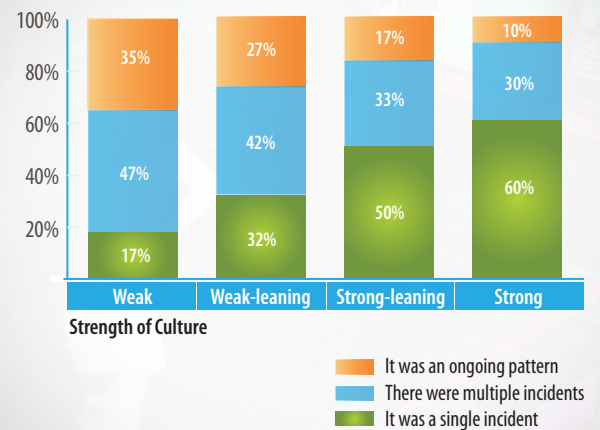
Further analysis of the data revealed the frequency of misconduct mirrors the strength of the company's ethics culture. A clear majority of misconduct (60 percent) committed in companies with strong ethics cultures was a one-time occurrence. And the frequency of the act rose as strength of ethics cultures declined. In the weakest ethics cultures, more than four out of five (82 percent) misdeeds happened repeatedly, and 35 percent were characterized by observers as an ongoing pattern.

More often than not, particular instances of misconduct involved more than one person and a troubling amount of bad behavior appeared to represent standard operating practice in an organization. Employees said 41 percent of observed misconduct was committed by multiple people and 12 percent was identified as "company-wide," suggesting that the bad behavior was deeply rooted in the organization. It is worth noting that the "company-

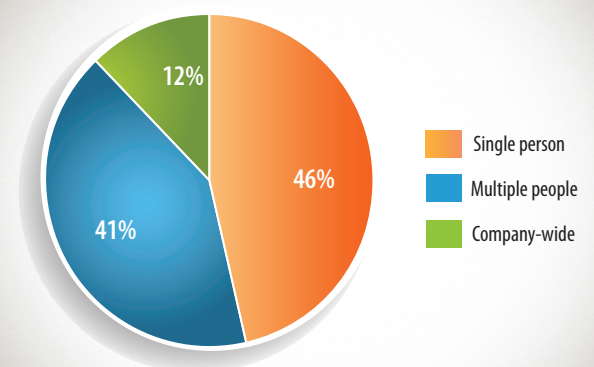
Vast Majority of Misconduct Happens Repeatedly



Ongoing Misconduct Far More Likely in Weaker Ethics Cultures



Most Misconduct Not Limited to Lone Employees



IN-DEPTH LOOK A Clearer Picture of Misconduct *(and the Trouble It Reveals)*

Strong ethics cultures reduce both misconduct overall and the likelihood that a misdeed which does occur is a pervasive, ongoing issue.

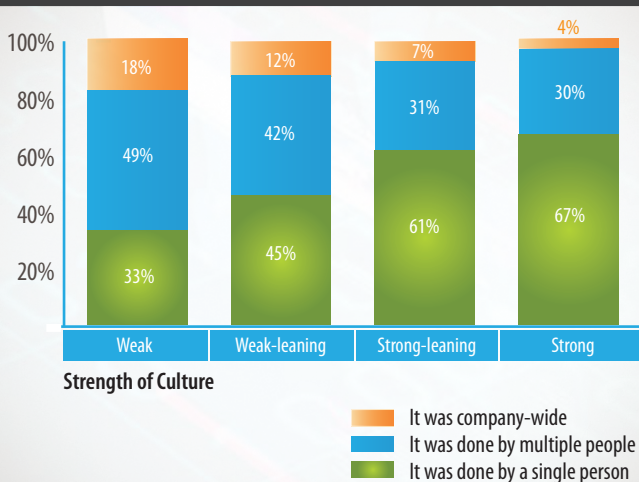
wide” designation was not a function of organization size; the frequency of “company-wide” misconduct neither increased nor decreased along with organization size.

On a somewhat more positive note, company-wide misconduct was largely confined to a small number of categories, which means companies can identify a relatively narrow slice of bad behaviors for special attention. In particular, at least one in five who observed the misconduct characterized each of the following as company-wide:

- Offering something of value (e.g., cash, gifts, entertainment) to customers/clients (24 percent)
- Health/safety violations (22 percent)
- Offering something of value to public officials (20 percent)
- Violating employee benefits, wage, or overtime rules (20 percent)
- Violating internet policies (20 percent)

NBES 2013 data point to a solution to the problem of pervasive misconduct. In strong ethics cultures, company-wide misconduct is rare (four percent of observations), and individual “bad apples” commit two-thirds of all misconduct. Conversely, two-thirds of misconduct in companies with weak ethics cultures involves multiple people or is company-wide. Strong ethics cultures reduce both misconduct overall and the likelihood that a misdeed which does occur is a pervasive, ongoing issue.

In Strong Ethics Cultures, Vast Majority of Misconduct Done by Individual Employees



A DEEPER LOOK AT CORRUPTION

While all misconduct hurts someone, some types of wrongdoing, which we combine under the label “corruption,” are notable for their potential to impact unusually large numbers of people and damage the credibility of entire companies. To get a better understanding of corruption in U.S. workplaces, we asked employees (all of whom work in the private sector) about four specific behaviors: accepting inappropriate gifts or kickbacks from suppliers or vendors; offering bribes (i.e., something of value) to influence potential or existing clients or customers; offering bribes to influence public officials; and making improper political contributions to officials or organizations. Past iterations of NBES have revealed these misdeeds to be far less commonly-observed than many other forms of misconduct (such as abusive behavior or lying to employees), but these especially egregious behaviors are noteworthy for their potential impact. As a result, we sought to test common perceptions about the circumstances in which they occur.

For example, in some parts of the world bribing public officials is common enough that it is sometimes considered a normal cost of doing business. We wanted to test the perception that such practices are relatively rare in the United States. We also wanted to know whether private companies seek to buy their way into business contracts by giving gifts to key officials at other companies – another practice that is believed to be common in some countries.

For the most part, we found that these types of misconduct are observed by a relatively small percentage of workers. Just two percent of U.S. workers were aware of bribery or attempted bribery of public officials, and only four percent knew of a colleague accepting inappropriate gifts or kickbacks from suppliers or vendors. In both cases, those numbers were lower in 2013 than in the previous NBES (when rates were four percent and five percent, respectively). Four percent of those surveyed were aware of bribes to clients and two percent said someone in their workplace made illegal political contributions, presumably in an attempt to influence successful candidates. On the whole, eight percent of U.S. employees⁸ said they observed at least one of these types of corruption in 2013, about the same as the 2011 rate of nine percent.

More worrisome than the overall frequency of bribery and similar corruption are indications that in some companies these types of wrongdoing are common practice. Almost three in ten (29 percent) of those who observed bribes given to clients said the behavior was part of an ongoing pattern and 24 percent described it as a “company-wide” practice. Bribery of public officials was said to be ongoing by 25 percent of those who were aware of it at their company and 20 percent said it was company-wide.

8. It is worth noting that observations of corruption are significantly more common among workers in unions--17 percent, compared to only six percent of non-union employees.

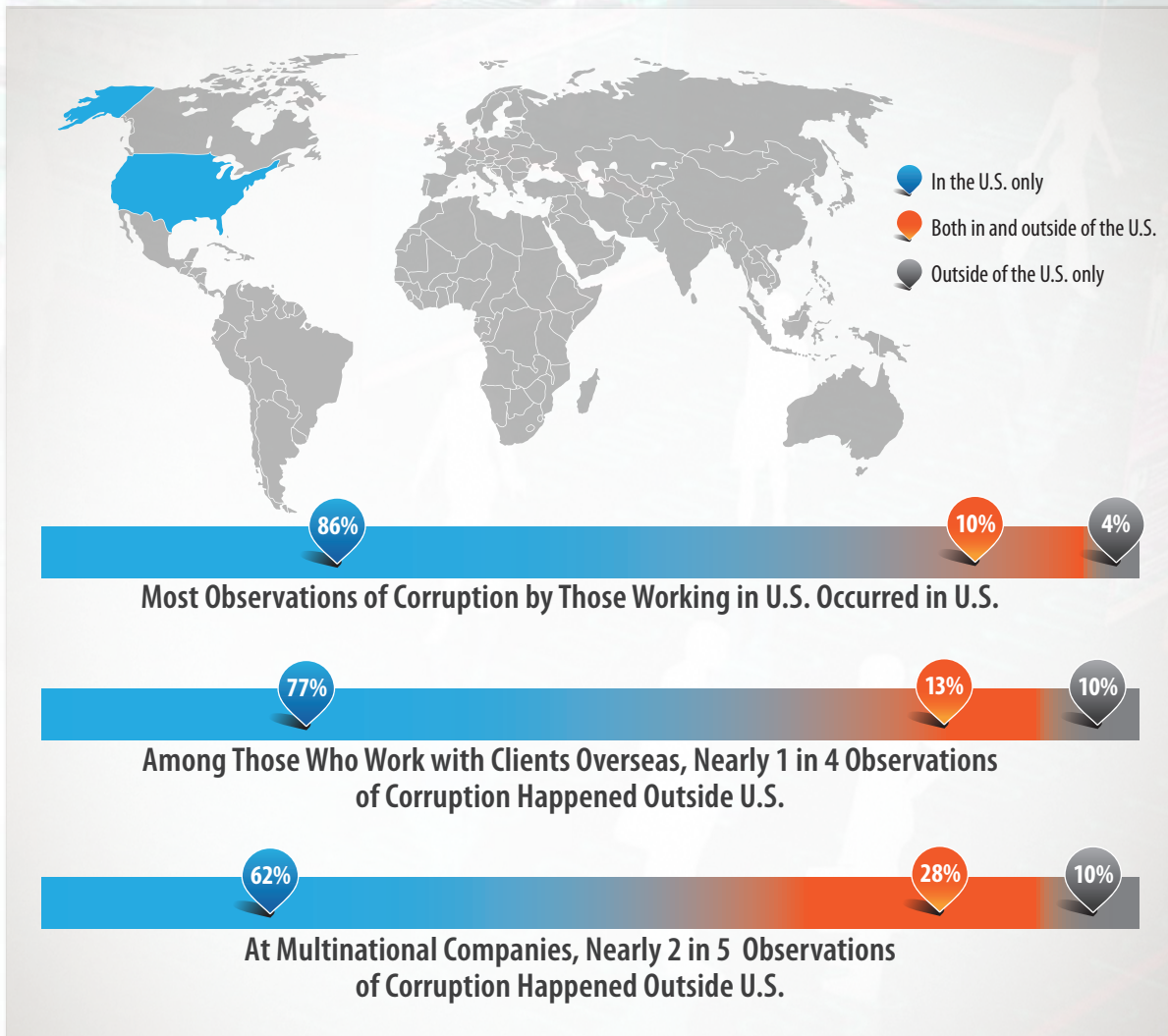
Most typically, such misdeeds involved senior managers. That may be a function of greater access to public officials, as well as cash and other assets for bribery. The involvement of senior officials suggests a tolerance for serious misconduct that could erode the corporate culture.

THE FACTS ON CORRUPTION: *How Often It Happens & Who's Doing It*

		Among Those Who Observed Corruption			
		Accepting Inappropriate Gifts from Suppliers/ Vendors	Offering Bribes to Clients	Offering Bribes to Public Officials	Making Improper Political Contributions
Frequency	Single Incident	42%	37%	44%	49%
	Multiple Incidents	41%	34%	31%	36%
	Ongoing Pattern	17%	29%	25%	15%
Breadth	Single person	48%	39%	52%	65%
	Group of People	42%	36%	28%	26%
	Company-wide	10%	24%	20%	9%
Perpetrator	Senior leader(s)	25%	30%	41%	53%
	Middle manager(s)	27%	22%	28%	13%
	First-line supervisor(s)	19%	16%	14%	11%
	Non-management employee(s)	24%	25%	16%	19%
	Other	6%	6%	0%	4%

Among U.S.-based workers who were aware of the forms of corruption we investigated⁹, the vast majority of the misdeeds they were aware of (86 percent) occurred only in the United States – not surprising because most respondents do not routinely work with individuals in other countries. Among those working for multi-national corporations, however, the proportion of non-U.S. acts was noticeably higher. Among those workers, the U.S. only number fell to 62 percent. Ten percent of the acts of corruption observed by employees of multinationals occurred outside the United States only and 28 percent of the bribery and similar misdeeds occurred both in the United State and abroad.

9. Although only eight percent of respondents observed one or more form(s) of corruption, the overall survey sample size for NBES 2013 was 6,420 responses. As a result, even the relatively small group that observed corruption were of sufficient size for analysis..



Corruption includes accepting bribes from suppliers or vendors, offering bribes to clients and/or public officials and illegal political contributions.

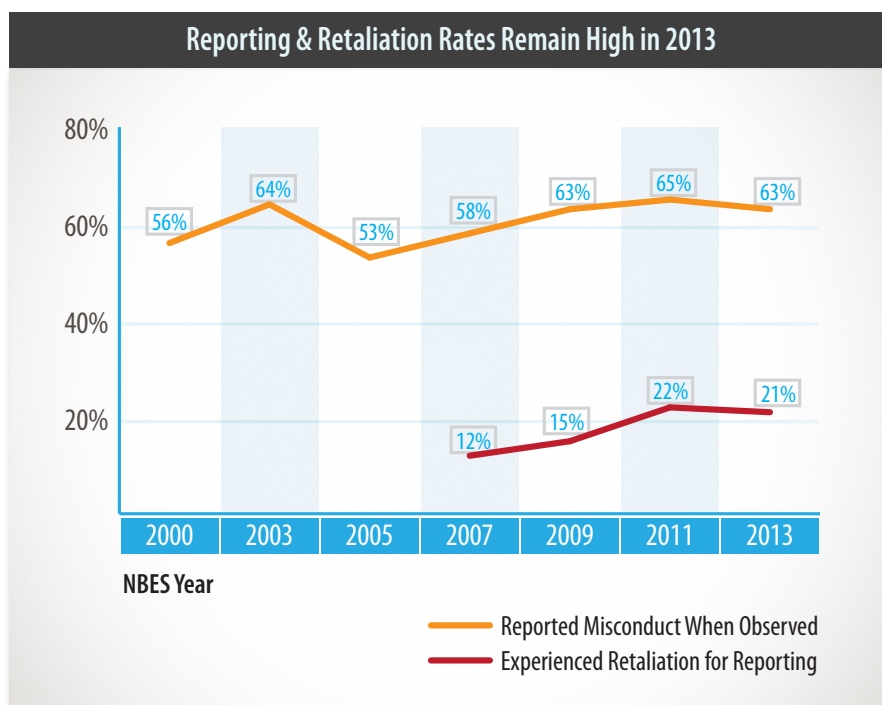
Such misconduct took place far more often at the local level than the federal level. Almost three out of four (74 percent) workers who witnessed attempted bribery of public officials at domestic-only U.S. companies said the bribery and bribery attempts involved local government officials, compared to 39 percent¹⁰ who said such actions targeted federal officials. The local percentage was higher still for those who had contacts with overseas clients and customers. Bribery requires personal access to targeted officials, and such access is typically easier to achieve at the local level.

10. Respondents were asked whether they observed each behavior involving public officials at the local, state, or federal levels as well as foreign public officials. Responses may total more than 100 percent because respondents could select all that applied.

3 REPORTING & RETALIATION

TWO KEY OUTCOMES DO NOT IMPROVE

Despite the positive news about declines in observed misconduct and pressure to compromise standards, the results for two other key measures of ethical performance were less encouraging. Both the number of workers who reported the bad conduct they saw and the number who experienced retaliation after they reported showed no improvement in 2013.



HIGH RETALIATION RATE: A Cause for Concern



More than **1 in 5** U.S. workers

[21%] who reported misconduct said they experienced **6.2 million** retaliation. That is about **Americans.**¹¹

This is nearly identical to the 22 percent retaliation rate in 2011.¹² It is important to keep in mind that retaliation has not always been so widespread; the rate was 12 percent in 2007, the first time it was measured in NBES.

The high retaliation rate is worrisome because retaliation reduces workers' willingness to report misconduct. When asked why they kept quiet about misconduct, more than one-third (34 percent) of those who declined to report said they feared payback from senior leadership. Thirty percent worried about retaliation from a supervisor, and 24 percent said their co-workers might react against them.

Furthermore, among those who did choose to report, those who experienced retaliation in the past were less likely than those who did not experience retaliation to say they would report misconduct the next time they see it. The willingness to report in the future was 86 percent for victims of retaliation compared to 95 percent among those who had not suffered retribution for past reporting.¹³

Data show that 12 of 13 specific forms of retaliation we asked about occurred significantly less often in 2013 than in 2011 (for more information, see Appendix, p. 45). In the past, those who have experienced retaliation often said they had been the victim of more than one form of retribution, but the data suggest that, in 2013, fewer reporters were victims of multiple forms of retaliation.

11. Calculations based on the Bureau of Labor Statistics Employment Situation as reported in November 2013, and considers only those: 18 years or older, currently employed in the agricultural and private workforces (not government) and not self-employed or in private households. <http://www.bls.gov/news.release/empsit.t08.htm>

12. There is not a statistical difference between the 2011 and 2013 reporting rates.

13. Self-prediction of future reporting should be considered optimistic as individuals are more likely to overestimate their future morally correct behavior

WHY HAS REPORTING STALLED?

The rate of reporting has held steady in a narrow range of 63-65 percent over the last three NBES surveys and was 63 percent in 2013. While these numbers are high compared to earlier surveys, that still means that a significant percentage of employees do not report misconduct they observe. And, in some areas, the reporting picture worsened. The data show that 15 of 26 specific types of misconduct in the last two surveys were significantly less likely¹⁴ to be reported in 2013 than in 2011 (for a comparison of reporting rates, see Appendix, p. 43).

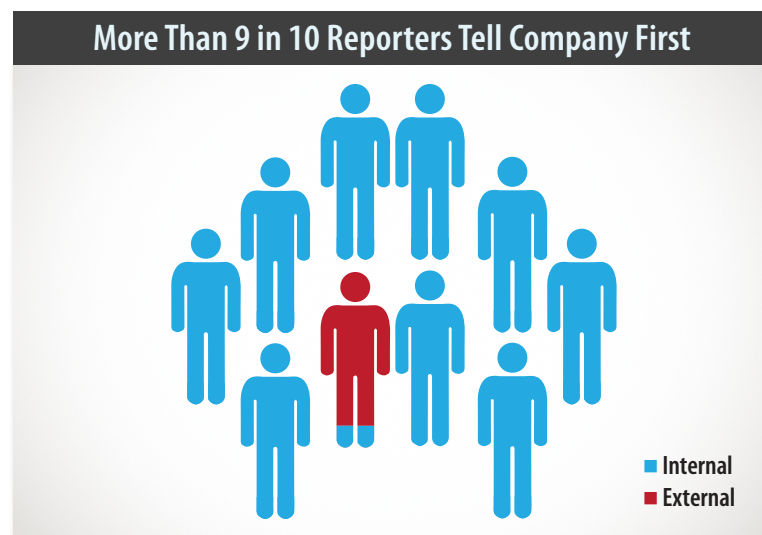
Given the substantial investments in advanced programs and improving cultures, why is this so?

For one, reporting conflicts with many people's natural instinct to look the other way and avoid confrontation or possible conflict. More positively, the data suggest that a reasonable percentage of problems are being resolved among employees themselves without the need to kick them up the ladder to management. When asked why they did not report wrongdoing, more than one quarter (28 percent) of workers said they had worked out solutions on their own and 38 percent said somebody else had already addressed the issue. It is also possible that reporting is influenced by personal value judgments about certain types of violations and the value of reporting them. Stealing, for example, was reported by 64 percent of those who observed it and six of ten reported abusive behavior. By contrast, accepting improper gifts or kickbacks from vendors was reported 36 percent of the time and violations of Internet-usage rules generated reports 37 percent of the time. As noted above, high rates of retaliation also hold down reporting.

Our ability to explain stagnant reporting rates does not reduce concerns because every non-report is a lost opportunity. Silence about misconduct enables potentially harmful problems to fester and erode workplace culture. Rather, understanding why individuals choose not to report helps pinpoint areas for additional effort. ERC will examine reporting and its implications in greater depth in an NBES Supplemental Report later this year.

14. The remaining 11 types of misconduct were reported at statistically equivalent rates in 2011 and 2013.

4 UNDERSTANDING HOW & WHY EMPLOYEES REPORT



EMPLOYEES PREFER TO REPORT INTERNALLY

External whistleblowers often get hero treatment in the movies and media, but most employees start out by reporting problems to internal authorities. In 2013, more than nine out of ten (92 percent) reporters turned to somebody inside the company when they first complained about misconduct.

Eighty-two percent reported to their direct supervisor at some point, and most (52 percent) said they ultimately wound up talking to higher management about their concerns. Hotlines and ethics officers were much further down the list. Just nine percent of employees reported problems to the government.

Overall, only 20 percent of reporters ever chose to tell someone outside their company, the same percentage as in NBES 2011.

*Overall, only
20%
of reporters ever chose
to tell someone outside
their company.*

NATIONAL BUSINESS ETHICS SURVEY
of the U.S. Workforce

Reporting Location	Percent of Reporters Who (at Some Point) Utilize This Resource*
Your supervisor	82%
Higher management	52%
Human Resources	32%
Hotline/Help Line	16%
Ethics officer	15%
Someone outside your company who was not a governmental or regulatory authority	13%
Legal	11%
A governmental or regulatory authority	9%

* Responses total more than 100 percent because respondents were asked to select all that applied.

Our data reveal that, when employees reported externally, it was because they needed support and wanted to help stop misconduct or limit its harm. Half of those who reported externally said the problem was ongoing and that outside help was necessary to stop it. Others said they felt safer going outside the company. Forty-five percent said they did not trust anyone in their company, and 40 percent said they worried about retaliation or losing their job if they complained within the company. A similar number (39 percent) said people would be hurt or the environment damaged unless outside authorities intervened.

Why Report Externally?

50% The problem was ongoing and I thought someone from outside could help stop it.	36% My company acted on my report, but I was dissatisfied.
45% I did not trust anyone in my company.	29% My company did not act on my report.
40% I was retaliated against after I made my first report inside the company.	29% I thought keeping quiet would get my company into big trouble.
40% I was afraid I would lose my job if I did not get outside assistance.	22% I was afraid for my safety.
39% I thought that keeping quiet would cause possible harm to people or the environment.	14% I had the potential to be given a substantial monetary reward.

Responses total more than 100 percent because respondents were asked to select all that applied.

20% Percentage who report outside the company at some time

RAISING REPORTING RATES

NBES 2013 data point to effective strategies for increasing reporting, especially at the individual company level. For example, there is a significant disparity in reporting rates between those who said their companies do not tolerate retaliation in the workplace (72 percent) and those who think retaliation is tolerated or ignored (54 percent). Companies should work to eliminate retaliation, protect whistleblowers, and act strongly and consistently against those who ignore anti-retaliation standards.

More broadly, companies should strive for positive work environments where employees feel empowered and engaged. Measure after measure shows that workers with positive feelings about their company are more likely to report misconduct than workers who are dissatisfied.

Feeling good about their work environment makes employees want to protect it by acting against bad behavior. More than 95 percent of workers who would recommend their company as a place to work said they would report future misconduct, compared to just 64 percent who were strongly negative about recommending their workplace to others. There was a 16 percentage point difference in intended reporting between those who strongly agreed that their company motivates them to contribute more than is required and those who strongly disagreed with the statement (95 percent vs. 79 percent, respectively). In terms of empowerment, when asked whether they would report in the future, nearly all (97 percent) employees who strongly agreed that “I have an influence on the way things are done” intended to report, compared to only 78 percent of those who strongly disagreed.

SUPPORT, TRUST & TRANSPARENCY INCREASE REPORTING



Support, trust and transparency make a difference. Seventy-two percent of workers who said they received positive feedback from their supervisor for ethical conduct reported misconduct when observed.

Support, trust, and transparency also make a difference. Seventy-two percent of workers who said they received positive feedback from their supervisor for ethical conduct reported misconduct when observed, compared to only 51 percent of those who do not receive such recognition. There is a similar gap in the reporting rates of those who are confident that top management is transparent about critical issues that impact the company (72 percent) and those who are not (58 percent). Finally, employees who said that their supervisors conduct their personal life in an ethical manner report at a rate of 73 percent, compared to a 51 percent rate among employees who are less confident about their direct supervisor's personal ethical conduct.

Indicators of Support, Trust & Transparency	Reporting Rate of Employee Who Disagree or Strongly Disagree	Reporting Rate of Employees Who Agree or Strongly Agree	Percentage Point* DIFFERENCE in Reporting Rate
Supervisor gives positive feedback for ethical behavior	51%	72%	21 ppts.
Satisfied with information from senior leadership about what is going on in company	52%	70%	18 ppts.
Supervisor supports following company's ethics standards	53%	67%	14 ppts.
Believe that senior leadership is transparent about critical issues that impact our company	58%	72%	14 ppts.
Trust coworkers will keep their promises and commitments	54%	67%	13 ppts.
Senior leadership sets a good example of ethical behavior	57%	69%	12 ppts.
In their work, employees at company act with integrity	55%	67%	12 ppts.
Trust senior leadership will keep their promises and commitments	56%	67%	12 ppts.
Trust supervisor will keep promises and commitments	57%	68%	11 ppts.
Coworkers set a good example of ethical behavior	57%	68%	11 ppts.
Coworkers support following company ethics standards	57%	67%	10 ppts.

* Percentage points express the percentage point change. For example, while an increase from 5 percent to 10 percent would be a 100 percent increase in magnitude, it would only be a 5 percentage-point increase. Percentage point differences are based on unrounded percentages.

5 CAN REGULATION AFFECT BEHAVIOR?

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted by Congress in 2010 in a bid to head off a repeat of financial misconduct that contributed to the 2007-2009 recession, included a number of measures to encourage employees to report misconduct. The law's whistleblower incentives, for example, authorize federal authorities to pay bounties for tips that lead to successful prosecutions for financial fraud and other misdeeds. Those incentives would seem to entice employees to report wrongdoing to the government. The law also includes measures designed to protect whistleblowers from retaliation, which could encourage workers to report their concerns internally.

NBES 2013 included a number of questions designed to determine the impact of these features on reporting. In particular, we wanted to know whether the potential financial rewards encouraged reporting and whether the law affected employees' decisions about turning to internal channels or taking their reports outside the company.

We found that financial rewards were not their main goal. Of those who turned outside the company and/or to the federal government with concerns about misconduct, only 14 percent said they were motivated by possible bounty payments – the lowest number among ten choices in the survey. As noted previously, employees said a desire to prevent harm was a much greater motivator than money. Large numbers said they went outside because they needed outside support, the misconduct was extremely serious, they did not trust anyone inside the company, they feared retaliation, or they did not think internal reporting would have an impact. (See Table bottom of 30)

In addition to investigating the motivations of past reporters, we also included more specific questions asked of all survey respondents – about the impact of the whistleblower rules. Many workers indicated that the provisions would not impact their intent. But a sizeable number said the law's combination of whistleblower protections and bounties made them more likely

to report, both internally and externally. Significantly, those who had experienced retaliation in the past and those who had reported in order to receive a bounty were far more likely to say that these rules would encourage them to report. The rules appear to raise the odds of reporting to the federal government slightly more than reporting internally.



NOTE: 15 percent of those who reported externally to receive a bounty said they would be LESS likely to report to the federal government, and 12 percent of this same group would be less likely to report internally.

6 CONCLUSIONS & RECOMMENDATIONS

When we reflected upon the results NBES 2013, we were heartened by both the significant decline in observed misconduct and the evidence that business organizations' continuing investment in ethics and compliance programs is bearing fruit. However, it is clear that problem areas remain.

As we considered what steps business could take to maintain the momentum against workplace misconduct, we were informed by some key findings:

- Workplace misconduct hit a historic low in 2013 and has been trending steadily down for more than half a decade.
- At least for now, the rule of thumb that the economy and misconduct rise and fall together should be discarded. In the past, economic growth appeared to nurture misconduct by encouraging workers and companies alike to take more risks. But in 2011 and 2013, misconduct fell even as the economy improved.
- The broad positive trend in misconduct is clouded by micro-numbers showing that managers, especially senior managers, frequently break rules – a troubling reality given that leaders set the tone for an organization. We worry that if managers continue to commit misdeeds, lower level employees will follow their bad example.
- The data also show that a substantial amount of misconduct repeats itself over and over, and that some types of misdeeds occur company-wide.
- Reporting of misconduct was essentially unchanged from 2011, and retaliation is stuck at high levels.
- Certain egregious types of corruption – bribery, unlawful political contributions, and accepting inappropriate gifts – are primarily local affairs, perhaps driven by informal relationships and lax enforcement of policies or the law that can happen close to home.

To address these trends and other concerns, ERC has developed the recommendations below.

FOR POLICYMAKERS:

Monitor and review the impact of Dodd-Frank whistleblower provisions to determine whether they are helping to identify misconduct and improving the odds of successful prosecutions. NBES data suggest that the rules, especially protections against retaliation and the law's bounty provisions, make employees more likely to report misconduct. While the U.S. Securities and Exchange Commission's (SEC) Office of the Whistleblower issues an annual report on program operations, whistleblower reports, and bounty awards, the report does not analyze the impact on private sector misconduct or internal E&C programs. It is not clear whether Dodd-Frank has affected the amount or types of misconduct taking place in the private sector. Nor is it certain whether the rules have had an impact on the effectiveness of companies' internal compliance programs. Regulators should consider whether adjustments in the rules might encourage yet more employees to report misconduct and/or strengthen internal E&C programs.

Shine a light on corruption at the local level and toughen enforcement. Certain serious types of misconduct such as bribery of public officials are more likely to take place close to home where informal relationships and easier access to public officials may open the door to corruption. National laws in a growing number of countries recognize the systemic threat of these forms of corruption and governments are working harder against them, but this vigor is not always matched in local settings.

Clearer guidelines on gift-giving and political contribution rules, public awareness efforts, and tougher anti-corruption laws at the state and local level can help change old habits that enable this type of wrongdoing.

FOR BOARDS & EXECUTIVES:

Maintain commitment to ethics and compliance programs and seek industry leadership. The positive trends identified in NBES suggest that E&C programs are effectively reducing workplace misconduct and raise the possibility that ethical performance is becoming the new normal among large numbers of American workers. The investment in ethical performance is paying dividends and success should continue if the commitment is maintained or even increased.

Companies that are enjoying success in this area should continue to stress the importance of ethical performance as the responsibility of every employee in order to build on recent gains. Companies where misconduct rates are relatively higher should strengthen their current E&C commitments and aspire to join the leaders in ethical performance.

In all cases, senior leaders should continue to provide sufficient resources to E&C and visibly support ethics efforts with regular company-wide communications.

Focus on efforts to empower employees and deepen their commitment to the company and its long-term success. NBES 2013 shows that employees are much more likely to act against misconduct and report wrongdoing when they feel good about where they work and believe they have influence in the workplace. Employees who receive positive feedback for playing by the rules and believe that senior leaders communicate honestly about what is going on in the company have a stronger commitment to ethics than workers who are not similarly engaged. Building a trusting and transparent relationship with employees, provides senior leadership a low-cost way to reinforce formal ethics and compliance efforts.

Empower the E&C team to develop the ongoing programs and structures to monitor misconduct within the company and seek systemic fixes for areas of concern. Providing established systems for identifying potential problems, evaluating conduct, and imposing discipline as appropriate encourages compliance with standards by providing employees with the confidence that misconduct is dealt with in an effective and consistent way.

Benchmarking and data collection support ethical performance by enabling the E&C team to identify areas that require special focus or additional resources. Further, policy should emphasize strategies aimed at systemic fixes of problem areas rather than one-off solutions to specific incidents. NBES 2013 shows that some types of misconduct occur with some regularity and may be pervasive across a company. Rooting out bad behaviors that repeat themselves should be a key goal.

Target management employees for special attention given their prominence as role models. Data show that employees observe misconduct by managers more often than among non-management employees. For example, employees say that almost a quarter of infractions they observe are committed by senior executives and that middle-managers and first-line supervisors combined account for another 36 percent of workplace misconduct. That is alarming because it is hard to expect employees to do the right thing when they often see managers break the rules. While misconduct among managers is certainly less acute at many companies, its impact is significant and boards and top executives should do all they can to ensure ethical performance among managers at all levels.

Give greater weight to ethics in performance reviews and career advancement for employees with the greatest leadership responsibilities. Doing the right thing becomes even more important as individuals take on expanded responsibilities. Tone is set at the top and the more senior the manager the greater his or her potential influence on company culture. Leadership should make crystal clear that ethical performance is a prerequisite for career advancement, and that promotions and compensation increases will be directed to those who honor company values and are good models of ethical performance.

FOR ETHICS AND COMPLIANCE PROFESSIONALS:

Develop special E&C initiatives to address the most common forms of misconduct. Just as Willie Sutton reportedly robbed banks because “That’s where the money is,” E&C officers should go where the problems are and address the most common forms of wrongdoing. Ideally, companies will find ways to monitor and measure behavior in their own workplace in order to identify target areas. NBES data can be a useful guide if company-specific information is not available.

E&C also may want to focus on misconduct that is repeated persistently or occurs companywide. Forty percent of workers surveyed for NBES 2013 who said they observed violations of Internet rules and 37 percent who were aware of abusive conduct said the violations represented an ongoing pattern. At least one-in-five employees who observed bribery, health and safety violations, and Internet rules violations, said these types of misconduct happened across the company.

Identify strategies and programs to increase reporting. When workers report the misconduct they observe, companies are given the opportunity to learn about and fix problem areas. Though reporting rates are close to a historic high, more than one-third of misconduct is not reported, making this a prime area for improvement. We offer two specific suggestions for improving reporting:

- *Focus on retaliation.* Fear of retaliation from both management and co-workers makes it far less likely that employees will report the misconduct they observe. Conversely, reducing concerns about retaliation is one of the best ways to boost reporting rates. The persistence of high retaliation rates since 2011 may be the most disappointing data in NBES 2013 and raises concern that the recent downtrend in observed misconduct may be at risk. E&C officers should give a high priority to retaliation reduction when setting E&C priorities. Companies should be clear that retaliation is itself a form of misconduct that will not be tolerated.
- *Encourage supervisors and employees to report problems even if they have addressed them on their own.* A company may benefit when supervisors or employees work out issues on their own. However, it is still important that such events are reported to the E&C department, which can ensure that the resolution is consistent with company policy and track issues in order to identify and address widespread or persistent types of wrongdoing. Resolving misconduct on the fly with an inappropriate solution can be counterproductive, allowing misconduct to fester, jeopardizing individual victims of misconduct, and possibly exposing the company to legal liability.

Design special programs to address misconduct by managers. As noted in the recommendations for the board and senior executives, misconduct by members of management is especially worrisome. Consistent with the recommendation for upper management to emphasize this concern, E&C should design specific programs to identify bad behaviors by managers and to reduce their frequency. Some forms of misconduct, such as bribery or abuse of confidential information, are naturally more likely among senior manager than lower level employees because top executives are more likely to have access to the funds or information required by such activity. But more than a quarter of discrimination cases and more than one-in-five instances of abusive behavior are also attributed to senior leaders, which suggests that some executives fail to police their own behavior and would benefit from specially-designed E&C initiatives.

Educate workers about Dodd-Frank and other laws designed to encourage whistleblowers and protect them from retaliation. Workers who feel safe from retaliation are more likely to report misconduct, and the chance of a financial reward for turning in a wrongdoer may encourage additional workers to report. Dodd-Frank provides both types of incentives, but many workers may not be aware of the law or understand how it can help them address misconduct. Raising awareness of the law's provisions as well as protections or incentives provided by other statutes or rules may boost reporting in a straightforward way and without excessive expense.

APPENDIX

OBSERVED MISCONDUCT

	2011	2013
OVERALL	45%	41%
Abusive behavior or behavior that creates a hostile work environment	21%	18%
Lying to employees	20%	17%
A conflict of interest – that is, behavior that places an employee’s interests over the company’s interests	15%	12%
Violating company policies related to Internet use	16%	12%
Discriminating against employees	15%	12%
Violations of health or safety regulations	13%	10%
Lying to customers, vendors, or the public	12%	10%
Retaliation against someone who has reported misconduct		10%
Falsifying time reports or hours worked	12%	10%
Stealing or theft	12%	9%
Violating employee wage, overtime, or benefit rules	12%	9%
Delivery of substandard goods or services	10%	9%
Abusing substances, such as drugs or alcohol, at work	11%	9%
Breaching employee privacy	11%	8%
Improper hiring practices	10%	7%
Sexual harassment	11%	7%
Breaching customer or consumer privacy	7%	5%

Violation of environmental regulations	7%	4%
Misuse of company's confidential information	7%	4%
Violating contract terms with customers or suppliers	6%	4%
Falsifying invoices, books, and/or records		4%
Accepting inappropriate gifts or kickbacks from suppliers or vendors	5%	4%
Offering anything of value (e.g., cash, gifts, entertainment) to influence a potential/existing client or customer	5%	4%
Falsifying expense reports	5%	4%
Falsifying and/or manipulating financial reporting information	5%	3%
Improper use of competitor's proprietary information	5%	3%
Offering anything of value (e.g., cash, gifts, entertainment) to influence a public official	4%	2%
Making improper political contributions to officials or organizations	4%	2%

REPORTING OF OBSERVED MISCONDUCT

	2011	2013
OVERALL	65%	63%
Accepting inappropriate gifts or kickbacks from suppliers or vendors	52%	36%
Violating company policies related to Internet use	43%	37%
Lying to customers, vendors, or the public	47%	38%
Improper hiring practices	47%	39%
Falsifying invoices, books, and/or records		40%
Offering anything of value (e.g., cash, gifts, entertainment) to influence a potential/existing client or customer	61%	43%
Lying to employees	47%	44%
Falsifying and/or manipulating financial reporting information	62%	45%
Making improper political contributions to officials or organizations	65%	45%
Breaching employee privacy	49%	47%
Discriminating against employees	50%	47%
Falsifying expense reports	66%	48%
Falsifying time reports or hours worked	61%	49%
A conflict of interest – that is, behavior that places an employee’s interests over the company’s interests	55%	49%
Violation of environmental regulations	61%	49%
Violating employee wage, overtime, or benefit rules	54%	50%
Sexual harassment	55%	51%
Abusing substances, such as drugs or alcohol, at work	58%	52%
Retaliation against someone who has reported misconduct		53%

Offering anything of value (e.g., cash, gifts, entertainment) to influence a public official	68%	53%
Improper use of competitor's proprietary information	66%	53%
Misuse of company's confidential information	54%	54%
Breaching customer or consumer privacy	59%	54%
Violations of health or safety regulations	59%	56%
Delivery of substandard goods or services	63%	57%
Violating contract terms with customers or suppliers	58%	59%
Abusive behavior or behavior that creates a hostile work environment	62%	60%
Stealing or theft	69%	64%

RETALIATION AGAINST WHISTLEBLOWERS

	2011	2013
OVERALL	22%	21%
Supervisor intentionally ignored or began treating differently		69%
Other employees intentionally ignored or began treating differently	62%	59%
Supervisor or management excluded from decisions and work activity	64%	54%
Verbally abused by supervisor or someone else in management	62%	49%
Not given promotions or raises	55%	47%
Verbally abused by other employees	51%	43%
Almost lost job	56%	38%
Hours or pay were cut	46%	29%
Relocated or reassigned	44%	28%
Demoted	32%	21%
Harassed at home	29%	18%
Experienced physical harm to person or property	31%	16%
Experienced online harassment	31%	15%

NBES ADVISORY GROUP

The 2013 NBES Advisory Group includes leading ethics and compliance practitioners, academics in organizational ethics and business, attorneys specializing in ethics-related issues, and consultants who apply our findings in the field. ERC's 2013 NBES research team thanks the following individuals for their insight and collaborative support, which have been invaluable.

Maryann Clifford

Group Ethics & Compliance Officer
BP, plc.

Barbara Kipp

Partner
PricewaterhouseCoopers LLP

Michael R. Levin

Director, Ethics and Business Conduct
The Boeing Company

Cindy Moehring

Senior Vice President & Global Chief Ethics Officer
Walmart Stores, Inc.

Ann Tenbrunsel

Professor, Mendoza College of Business
University of Notre Dame

Jordan A. Thomas

Chair, Whistleblower Representation Practice
Labaton Sucharow LLP

Linda K. Treviño

Distinguished Professor of Organizational Behavior and Ethics, Smeal College of Business
The Pennsylvania State University

THE NBES TEAM

The National Business Ethics Survey 2013 is the result of a collaborative effort by the staff of the ERC:

Patricia J. Harned, Ph.D.
ERC President

Paula Bongino
Senior Director of Interactive Media

Nichole Brooks
Data Analyst

Anthony Damond
Data Analyst

Katie Lang
Senior Researcher

Mara Lindokken
Project Manager / Researcher

Skip Lowney
Senior Director of Benchmarking Services

Jenny Smolinsky
Communications Coordinator

CONTRIBUTORS

ERC contracted with the following organizations to provide support to this project:

Caliber Corporate Advisors

Gelb Strategies

Survey Sampling International

PAST NBES RESEARCH

To download, visit www.ethics.org/nbes

2012

- National Business Ethics Survey® of the U.S. Construction Industry
- National Business Ethics Survey® of Social Networkers (NBES-SN): Risks and Opportunities at Work

2011

- National Business Ethics Survey: Workplace Ethics in Transition
- Supplemental Reports:
 - Generational Differences in Workplace Ethics
 - Inside the Mind of a Whistleblower
 - Retaliation: When Whistleblowers Become Victims

2009

- National Business Ethics Survey: Ethics in the Recession
- Supplemental Reports:
 - Reporting: Who's Telling You What You Need to Know, Who Isn't, and What You Can Do About It
 - Retaliation: The Cost to Your Company and Its Employees
 - Ethics and Employee Engagement
 - The Importance of Ethical Culture: Increasing Trust and Driving Down Risks
 - Millennials, Gen X and Baby Boomers: Who's Working at Your Company and What Do They Think About Ethics
 - Saving the Company Comes at a Cost: The Relationship Between Belt-Tightening Tactics and Increased Employee Misconduct

2007

- Ethics Resource Center's National Business Ethics Survey: An Inside View of Private Sector Ethics
- Ethics Resource Center's National Government Ethics Survey: An Inside View of Public Sector Ethics
- Ethics Resource Center's National Nonprofit Ethics Survey: An Inside View of Nonprofit Sector Ethics

2005

- Ethics Resource Center's National Business Ethics Survey: How Employees View Ethics in Their Organizations 1994-2005

2003

- Ethics Resource Center's National Business Ethics Survey 2003: How Employees View Ethics in Their Organizations

2000

- Ethics Resource Center's 2000 National Business Ethics Survey

1994

- Ethics in American Business Survey



RESEARCH. DEVELOPMENT. ADVOCACY.

**ADVANCING HIGH ETHICAL
STANDARDS & PRACTICES.**

Why ERC?

**We're here for you. And we hope
you'll want to get to know us.**

We are the nation's oldest nonprofit dedicated to independent research on workplace ethics. ERC's employee surveys and metrics help identify areas of vulnerability and measure progress – showing you what works. Our forum nurtures professional relationships and new ideas.

Give us a look.

**To learn more visit
www.ethics.org or
email Moira@ethics.org**

Join the ERC's Fellows Program

ERC's signature Fellows Program brings together senior ethics professionals from the worlds of business, government, nonprofits and academia to share insights and advance the cause of ethical leadership. Fellows meet twice a year, in January and July, and feature sought-after speakers and panelists, many of whom – thanks to ERC's location in the nation's capital – are high-level federal officials and members of Congress.

The goal of the Program is to provide a nonprofit forum that fosters professional friendships and blends academic research with practical experience in the field and timely comments from policy makers.

Measure Your Company's Ethics Program

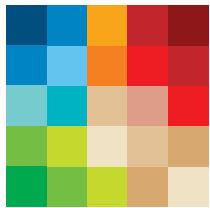
ERC's researchers use employee questionnaires to gather pertinent information, then analyze the data to reveal trouble spots such as misconduct, retaliation and reluctance to report wrongdoing. ERC helps companies, cities, and federal agencies build healthier, more ethical work forces. Increasingly, results also can be benchmarked by industry.

Help Support ERC's National Business Ethics Survey®

Since the mid-1990s, ERC has conducted its business ethics survey with financial support from companies who recognize its value. NBES is disseminated free of charge online to users in the United States and abroad. Over the years, it has become a highly effective research instrument, relied upon by ethics professionals, executives, academics and policy makers as the U.S. benchmark for ethics in the workplace. Our supporters receive well-deserved recognition and gratitude, as well as a wealth of useful information and analysis.

National Business Ethics Survey *of the U.S. Workforce*

The report was made possible in part by generous contributions from two principal sponsors:



Altria



Ethics Resource Center

2345 Crystal Drive, Suite 201 | Arlington, VA 22202

Telephone: 703.647.2185 | FAX: 703.647.2180

Website: www.ethics.org | Email: ethics@ethics.org

