



INSIGHTS FROM OUR CULTURE QUOTIENT DATA SET: VOLUME TWO

Focusing on the Role of the Manager in Influencing Ethical Culture

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THE IMPORTANCE OF CULTURE

As we noted in the first volume of our series featuring insights from our culture quotient data set, culture is a current focus for many corporate stakeholders—and with good reason. Ethical culture can be self-perpetuating, with effects far beyond employees' individual conduct and perceptions. Employees at organizations with strong cultures feel less pressure to compromise company standards to achieve business goals. And if they do observe misconduct, they are more likely to feel comfortable reporting it. The result? An organization can address issues early and save time (from the distraction of a substantial issue) and money (in the form of legal fees, fines, and penalties).

A company is better protected from the risks of misconduct when its culture is ethically strong. That is why investors are asking more questions about culture; the data repeatedly shows that businesses with strong ethical cultures outperform those without.

Regulators around the globe are calling on organizations to examine their culture, as well. In response, companies are doing more to understand the kind of culture they have in place at their organization and examining one of the key levers available to them to influence it: their managers.

In this report, we provide an overview of measuring culture and highlight the importance of managers. Why managers? Our data shows that 62 percent of employees who made a report say they took their concern to their manager. These front-line employees are critical to ensuring that an ethical culture is embedded across an organization and that reports are effectively addressed.



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Leadership Alliance (BELA)

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:



500,000
employees
around the globe



30
languages



4 million
employees'
views

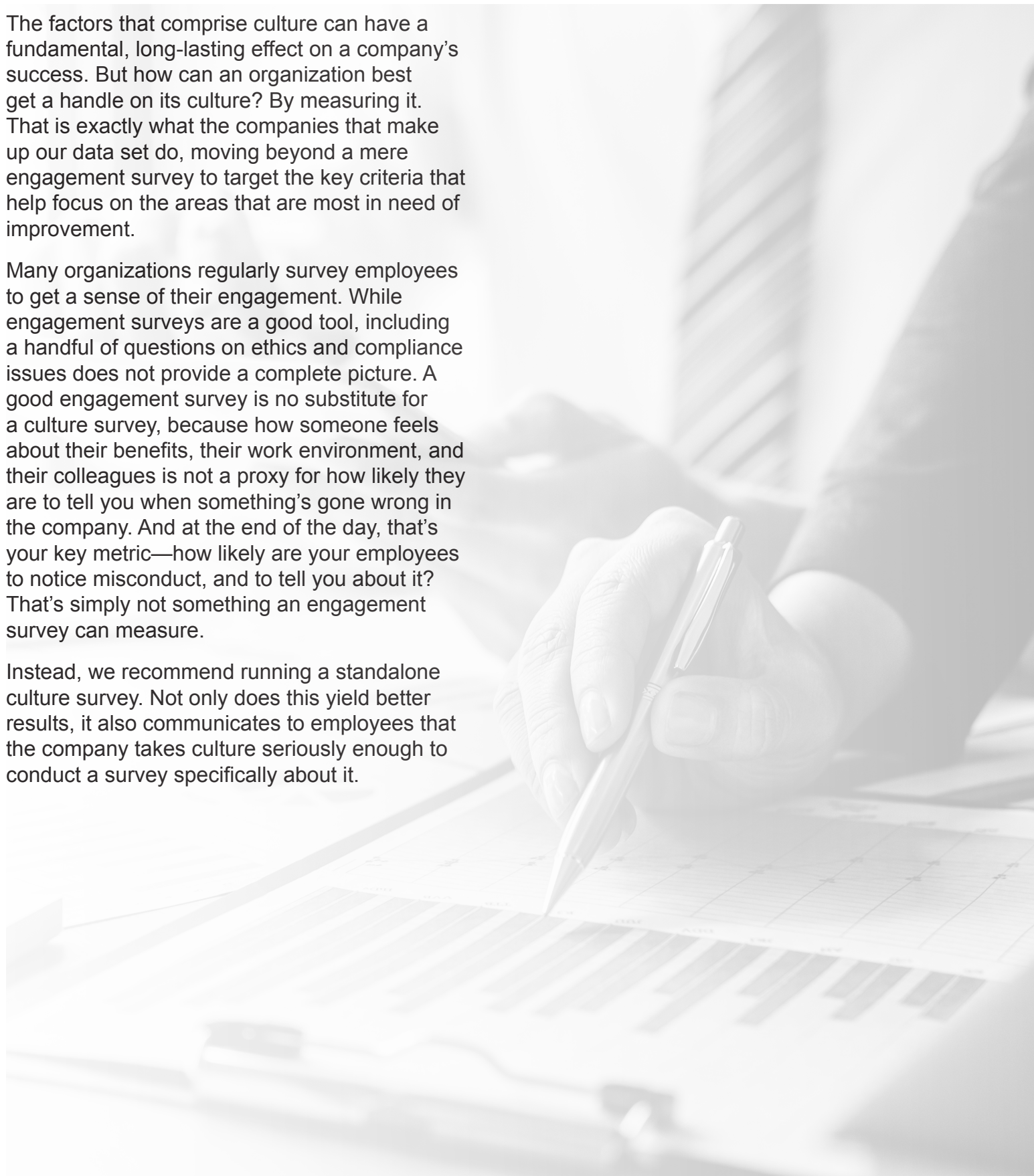
From this category-leading compilation of current employee responses, we have pulled insights we will be sharing over the course of three reports.

MEASURING CULTURE

The factors that comprise culture can have a fundamental, long-lasting effect on a company's success. But how can an organization best get a handle on its culture? By measuring it. That is exactly what the companies that make up our data set do, moving beyond a mere engagement survey to target the key criteria that help focus on the areas that are most in need of improvement.

Many organizations regularly survey employees to get a sense of their engagement. While engagement surveys are a good tool, including a handful of questions on ethics and compliance issues does not provide a complete picture. A good engagement survey is no substitute for a culture survey, because 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. And at the end of the day, that's your key metric—how likely are your employees to notice misconduct, and to tell you about it? That's simply not something an engagement survey can measure.

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.



WHAT TO MEASURE: THE EIGHT PILLARS OF CULTURE

Ethisphere's Culture Quotient survey focuses on eight "pillars" of culture.

1 PILLAR 1: AWARENESS OF PROGRAM & RESOURCES

Employees' reported level of familiarity with the assets and efforts of the compliance and ethics function.

2 PILLAR 2: PERCEPTIONS OF THE FUNCTION

How employees perceive the quality and effectiveness of the ethics function's efforts in providing communications, training, and support.

3 PILLAR 3: OBSERVING & REPORTING MISCONDUCT

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

4 PILLAR 4: PRESSURE

The extent and source of pressure employees may be experiencing to compromise standards in order to achieve business goals.

5 PILLAR 5: ORGANIZATIONAL JUSTICE

Perceptions of whether the company holds wrongdoers accountable and the awareness of disciplinary actions taken.

6 PILLAR 6: MANAGER PERCEPTIONS

Employees' perceptions about their supervisor's conduct, and comfort in approaching their managers with concerns.

7 PILLAR 7: PERCEPTIONS OF LEADERSHIP

Employees' perceptions of the conduct, values, and communications of senior leaders, as it relates to ethics and compliance—also known as "tone at the top."

8 PILLAR 8: PERCEPTIONS OF PEERS & ENVIRONMENT

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

WHAT OUR DATA TELLS US ABOUT REPORTING

THE OUTSIZED INFLUENCE OF MANAGERS

As noted in our first report, when asked whether they would raise a concern if they witnessed misconduct, the vast majority of employees—92 percent—respond in the affirmative. The leading reason cited for that strong willingness to hypothetically report is that “it is the right thing to do,” followed by “corrective action is necessary” and “my manager would support me.” Conversely, for those employees who said they would not hypothetically report observed misconduct, a fear of retaliation was the most commonly cited reason.

However, there is a stark difference between hypothetical willingness to report misconduct and actual reporting numbers. Only 55 percent of those who actually witnessed misconduct did in fact raise their hand to report it. And when they did, the vast majority went to a person—their manager, their manager’s manager, or a HR or compliance and ethics professional—rather than the hotline.

In spite of all the efforts made by companies to promote alternative methods of reporting, direct managers remain by far the most common reporting channel. Of those employees who raised a concern,

64% did so with their manager

VS.

23% who utilized the hotline

REPORTING MODALITIES AND LEVELS OF SATISFACTION

The Culture Quotient survey asks respondents who used more than one reporting modality to report their perceived satisfaction with how the process was handled for each modality. Satisfaction levels with manager reporting tend to vary significantly across an organization, with more people reporting either a satisfactory or unsatisfactory experience than a neutral experience. This seems to indicate that the issue is not trepidation about speaking to a manager per se, but rather each individual manager’s way of handling reports.

Employees who were not satisfied with the process of reporting to a manager were three times more likely to cite “anonymity was not respected” as a reason for dissatisfaction.

Hence, preparing managers to navigate these situations and respond appropriately to reports is key to building faith in the reporting process.



KEY TAKEAWAYS

- ▶ The one-to-one experience with a manager can make or break employee perceptions and levels of satisfaction.
- ▶ Managers who are equipped to deal with the reporting process can be more effective and transform perceptions.

REPORTING MODALITIES AND LEVELS OF SATISFACTION CONT.

What really highlights the impact of a manager though is our favorite data pivot, which sorts employee responses based on the answers to a question about how often their manager discusses ethics and compliance related topics with them, with answer options ranging from “frequently” to “never.” The impact on a wide array of culture-related perceptions is dramatic.

In addition, those employees whose managers discuss ethics and compliance topics with them frequently were more likely to report observed misconduct, with 66 percent of that group indicating they had reported what they saw (compared to the overall benchmarking of 55 percent).

Employees whose managers **frequently** discuss ethics and compliance topics with them:



Are **2X** more likely to be comfortable approaching their manager with concerns or questions



Are **90 percent** more likely to have faith in their manager’s commitment to non-retaliation



Are **54 percent** more likely to believe their co-workers act ethically at all times, and **24 percent** more likely to believe they have a personal responsibility for making sure the company does the right thing

Employees whose managers **never** discuss ethics and compliance topics with them:



Are **2X** less likely to believe senior leadership acts ethically at all times



Are **89 percent** less likely to have faith in their company’s commitment to its non-retaliation policy



Are **82 percent** less likely to believe the company will fully investigate a concern if you raise your hand



KEY TAKEAWAY

Training managers to disseminate the message of the importance of ethics is not just about preparing the managers themselves. It’s also about equipping them to instill comfort and confidence in their direct reports so they can internalize the message of ethics and support the program in their own work.

HOW TO EFFECTIVELY EQUIP MANAGERS

Given the critical role that managers play in supporting a speak-up culture, how can companies effectively engage them to make sure they have the tools and resources they need? One logical starting point is manager-specific training that goes beyond statutorily required training on identifying and preventing sexual harassment to address larger issues about communicating the importance of ethics. That is why many of the companies in our data set are providing broad manager-specific training, as we discussed in detail in our [2019 World's Most Ethical Companies Insights](#) report about manager training.

Much of this effort is focused on new managers, which is understandable, especially considering how many employees wind up in management for the first time. They're often promoted because they are solid individual contributors, not because they know how to manage effectively. Accordingly, it is incumbent on their organizations to provide them with the skills they need to succeed in all dimensions of management. In addition to initial training upon promotion to a managerial role, many companies also provide refresher training to managers on a periodic basis.

Manager training typically covers a wide variety of content, from the “why” component that sets the table about a manager’s role in promoting a strong speak up culture to how to handle employee reports. In particular, emphasizing the partners available to support managers in those circumstances as well as how important it is for managers to avoid investigating potential issues themselves are critical pieces of good manager training.

Many companies are also moving beyond manager training and developing leave-behind resources that support managers’ ongoing responsibilities in this area. Members of the [Business Ethics Leadership Alliance \(BELA\)](#) have shared examples of manager training and communication materials on our Member Hub.

Those examples show a few common themes:



Include real company examples in communications for managers to use in conversations with their teams—and then track whether or not they actually use them



Discuss how to have conversations about ethics and integrity, including how managers can share their own dilemmas and decision-making process with their direct reports



Emphasize active listening skills to make sure employees are comfortable coming to managers for advice (in other words, an “attitude of gratitude for the information”—especially if it’s bad news)



Encourage managers to consider their failure response—in other words, how they react when things go wrong—which will influence how comfortable employees are coming to them to discuss challenges

If you are thinking about expanding your manager training program in 2020, consider beginning with some of the data on why managers matter so much in creating the right kind of culture. Beginning with the profound influence a manager has on their direct reports can capture the attention of managers who often feel like they are simply being asked to do more and more without the support they need.

Additionally, be sure to cover how to continue to work with a direct report who has raised a concern; an employee who reports something to a manager and is not satisfied with the response is twice as likely to cite isolation after the process as one of the reasons for their dissatisfaction. The employee experience does not stop with the act of making the report.

This report is second in a series. To download our first report, visit ethisphere.com/culturereport/.

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](https://ethisphere.com/ethical-culture).



WEBINAR

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



[Watch Now](#)



SPOTLIGHT

Sony: Insights and Outcomes from Benchmarking Ethical Culture



[Read Now](#)



INSIGHTS

Ethisphere's Eight Pillars of an Ethical Culture



[Read Now](#)



INSIGHTS

The Business Case for a Standalone Ethical Culture Survey



[View Now](#)



INSIGHTS

Infographic: Measuring Ethical Culture & What Our Data Tell Us

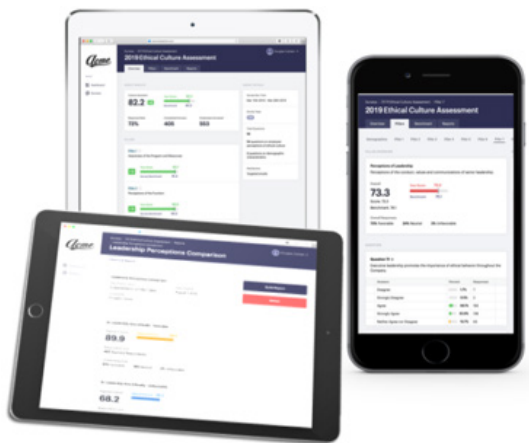


[View Now](#)

THE ETHISPHERE ETHICAL CULTURE ASSESSMENT

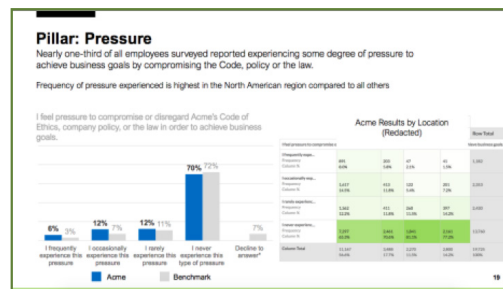
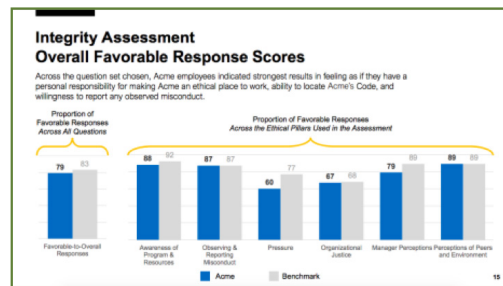
EASY TO IMPLEMENT

- ▶ Guidance by expert analysts to help design the survey to meet your requirements
- ▶ A full data base 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 dataset 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

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>.