

# INSIDE THE MIND OF A WHISTLEBLOWER

*A Supplemental Report of the 2011 National Business Ethics Survey®*



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# About the 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 the ethical cultures of their businesses.

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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 ethical 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.

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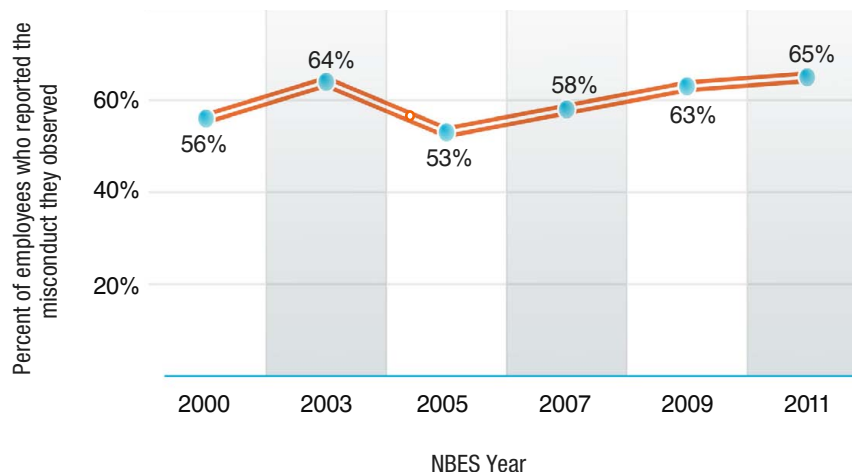
# INSIDE THE MIND OF A WHISTLEBLOWER

*In 2011, 45 percent of U.S. employees said they had observed misconduct in the previous 12 months. Roughly two-thirds of those who observed wrongdoing reported it. While this is the highest reporting rate we have seen, that still leaves over 20 million members of the U.S. workforce who said nothing. How confident are you that none of those 20 million work at your company? What can—what should—you do to ensure that you will know about problems before hearing about them in the paper or online? How can you improve reporting rates at your company and drive down your reputational risk? What goes through employees' minds when deciding whether and where to report? What happens inside the mind of a whistleblower?*

Since 1994, the Ethics Resource Center (ERC) has been conducting the National Business Ethics Survey® (NBES). NBES surveys employees about their workplace ethics experiences and the environments in which they work. In 2000, ERC began asking specifically

about observations of misconduct and whether those observations were reported to an appropriate person who could help address the situation. The most recent NBES shows reporting misconduct to be at an all-time high of 65 percent.

## PERCENTAGE WHO REPORTED MISCONDUCT THEY OBSERVED: 2000-2011





As part of the 2011 NBES, we asked several questions to help us uncover what compels employees to speak up, how they decide who they will tell, and what factors push them to go to an outside source. In this in-depth report, we will look “Inside the Mind of a Whistleblower” and discover what leaders can do to empower employees to report and encourage reporters to address an issue internally first.

At ERC, we often use the terms “reporter” and “whistleblower” interchangeably to refer to employees who report observed misconduct, either internally or externally. Some argue that they are distinct groups of people. As the thinking goes, reporters bring their concerns to an internal source, which allows the company to address problems quickly and without outside interference. Whistleblowers, on the other hand, are thought to go outside the company because they do not trust their company to handle the issue appropriately or because they are angry or frustrated after their attempts at internal reporting proved to be futile.

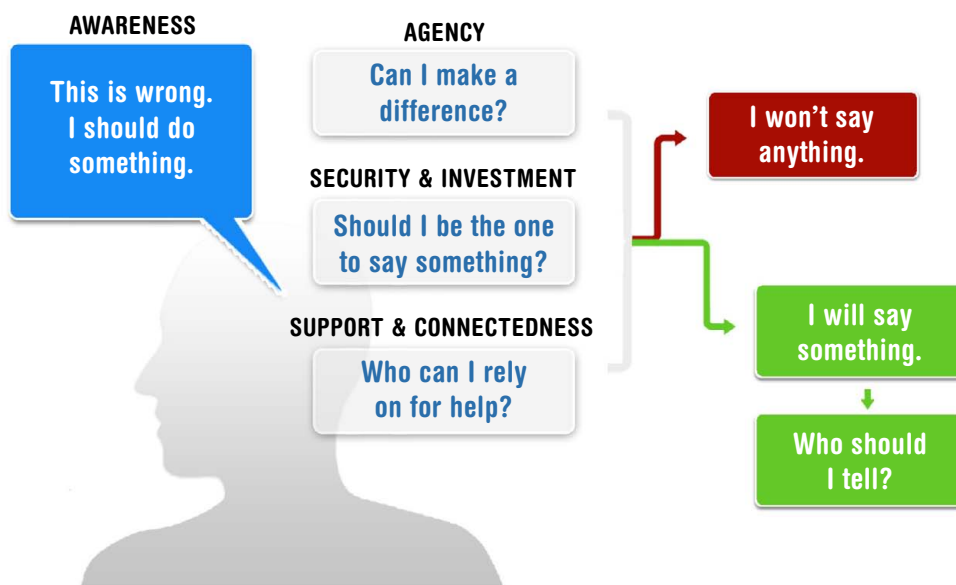
Yet our data reveal that “reporters” and “whistleblowers” are essentially the same people. The current stigma

assigned to a “whistleblower” as a rogue and disloyal employee is inaccurate. Only one in six reporters (18 percent) ever chooses to report externally. Of those who do go outside their company at some point, 84 percent do so only after trying to report internally first. Furthermore, many of those who are “whistleblowers” in the narrowest sense of the word still try to address the problem within their own company; half of those who choose to report to an outside source initially later report internally as well. Only two percent of employees solely go outside the company and never report the wrongdoing they have observed to their employer.

Furthermore, although the outcome of the report may be very different depending on whether it is reported internally or externally, we have found that most of the motivating factors for “reporters” and “whistleblowers” are remarkably similar:

- Awareness;
- Agency;
- Security and investment; and
- Support and connectedness.

### INSIDE THE MIND OF A WHISTLEBLOWER





## Awareness:

### The First Step in the Reporting Process

Before an employee even starts thinking about whether (and where) to report, he or she has to recognize that there is a wrong that needs to be righted, that what was witnessed was misconduct and that there is an obligation to do something about it.

In many cases, employees observe misconduct, but do not report because they are not attuned to the ethical dimension of workplace conduct. They fail to see how particular behaviors violate workplace standards and values. In fact, the percentage of employees who say they have observed misconduct is less than half of the percentage that actually have witnessed one or more specific kinds of wrongdoing. This failure to see how particular behaviors violate workplace standards and values has been consistent and is apparent in both sexes, in different employee groups, and in different kinds of companies. Many employees never report because it never occurs to them that there is a need.

To demonstrate this point, we can compare two distinct ways of measuring reporting. The first involves asking respondents outright whether they had observed behavior that they thought constituted misconduct, and whether or not they reported their observations, labeled “Personal Identification” below. We provided respondents with a list of several specific behaviors (which we characterize as forms of misconduct) and asked whether they reported each behavior they observed (labeled “ERC List” below). When we compare the rates of those who said that they reported something *they* identified as misconduct (“Personal Identification”) to the percentage that reported

particular kinds of misconduct *we* identified (“ERC List”), we see that in every case except one (Union employees), the “Personal Identification” number is higher than the “ERC List” number. In essence, many more people say they report the misconduct they observe (and believe to be wrong) than report all of the actual wrongdoing they have observed.<sup>1</sup>

### EMPLOYEES REPORT WHEN THEY RECOGNIZE AN ACT AS MISCONDUCT<sup>2</sup>

	Personal Identification	ERC List	PPT Diff*
Overall	65%	52%	13 ppts
Women	67%	50%	17 ppts
Men	63%	54%	9 ppts
Nonunion	65%	47%	18 ppts
Union	65%	65%	0 ppts
Publicly-traded	66%	58%	8 ppts
Privately-held	69%	48%	21 ppts

\* PPT = percentage points, or the difference between the two results. In these cases regarding reporting of personally identified misconduct and ERC listed misconduct, the 13 ppt difference Overall is arrived at by subtracting 52 from 65.

1. We recognize that respondents may also answer the first question based on their recollection of more serious forms of misconduct (which are reported at higher rates) and that this, in addition to not properly identifying certain behaviors as misconduct, explains some of the discrepancy between the two reporting rates.
2. We began collecting data on reporting of specific behaviors in 2007. The trend of “Personal Identification” reporting rates being higher is evident in data from 2007, 2009, and 2011.

### What Separates Those Who Choose to Report from Those Who Look the Other Way?

Sadly, awareness does not always equate to action. More than one in three people who said they observed misconduct also decided not to report it to someone who could take appropriate action to address it. What separates reporters from those who do nothing? We uncovered several factors that drive reporters: a sense that their report will make a difference (agency); a feeling of safety and personal commitment (security and investment); and connections to people and resources that provide support (support and connectedness).

### Agency: Can I Make a Difference?

Employees want to know that their act of courage will make a difference. Previous NBES studies have shown that the second most common reason for reporting was “I felt that corrective action would be taken.” And the most common reason for not reporting was the belief

that no corrective action would take place (see table on p. 5). Also supporting the notion that the company’s commitment to ethics makes a difference is the fact that, in 2011, 72 percent of employees who agreed their companies reward ethical conduct did report; but far fewer employees (57 percent) who do not see ethics rewarded choose to report.

## LEADING REASONS EMPLOYEES DO/DO NOT REPORT ARE PARALLEL

SOURCE: 2005 NBES

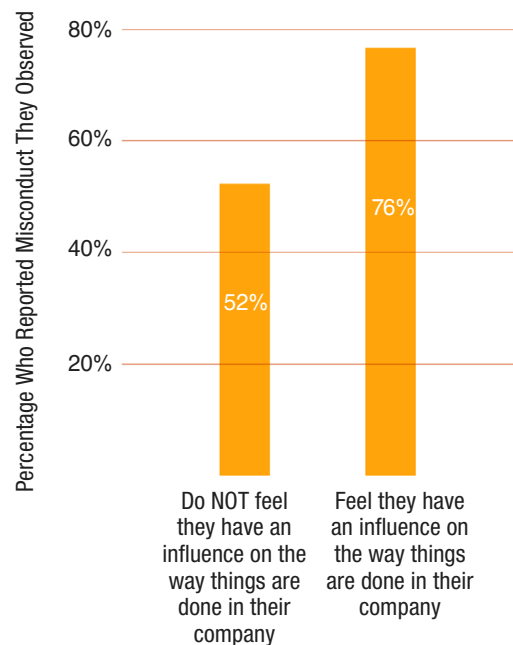
Reasons for Reporting*		Reasons for Not Reporting**	
Believed correction action would take place	79%	No corrective action would take place	59%
Support of management	75%	Feared retaliation	46%
Support of coworkers	72%	Feared no anonymity	39%
Could report anonymously	63%	Someone else would	24%
Felt that no one else would	49%		

\* 99.5% of employees said they reported because it was the right thing to do

\*\* 18% of employees said they did not report because they did not know who to contact

In addition to an employee's sense of the company's willingness to address the situation, personal agency – the idea that “I can have an impact” – motivates reporting. Some employees are more confident than others that their word matters. Employees who consider themselves influential report at a rate of 76 percent, significantly higher than those who feel their voice is unlikely to be heard (52 percent).

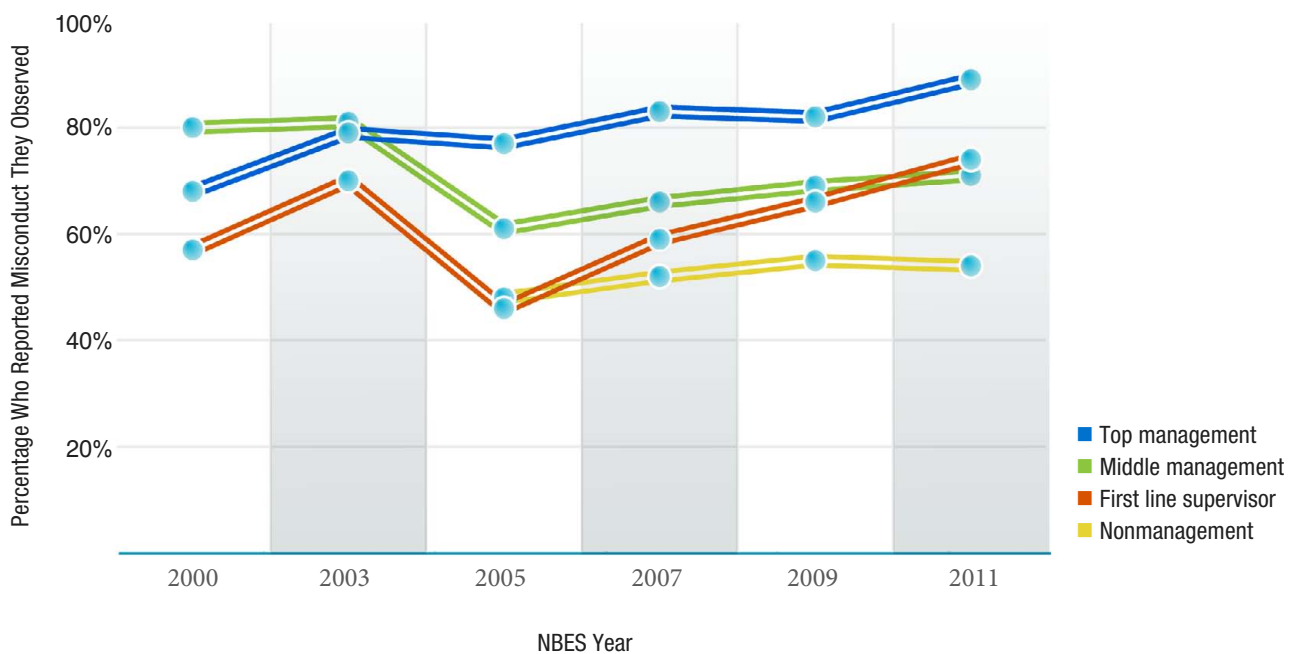
## THOSE WHO FEEL MORE INFLUENTIAL ARE MORE LIKELY TO REPORT



The importance of agency also helps to explain a long-term truism about reporting: managers report at a higher rate (80 percent) than nonmanagers (54 percent).<sup>3</sup> Those who are higher in the

company, and have more power and influence, report at a higher rate. In fact, reporting rates generally rise along with management level.

### GENERALLY, REPORTING OF OBSERVED MISCONDUCT INCREASES WITH MANAGEMENT LEVEL



3. Managers were also more likely than nonmanagement employees to report 30 of the 33 specific forms of misconduct asked about in the 2011 NBES.

## Security & Investment: Should I Be the One to Do Something?

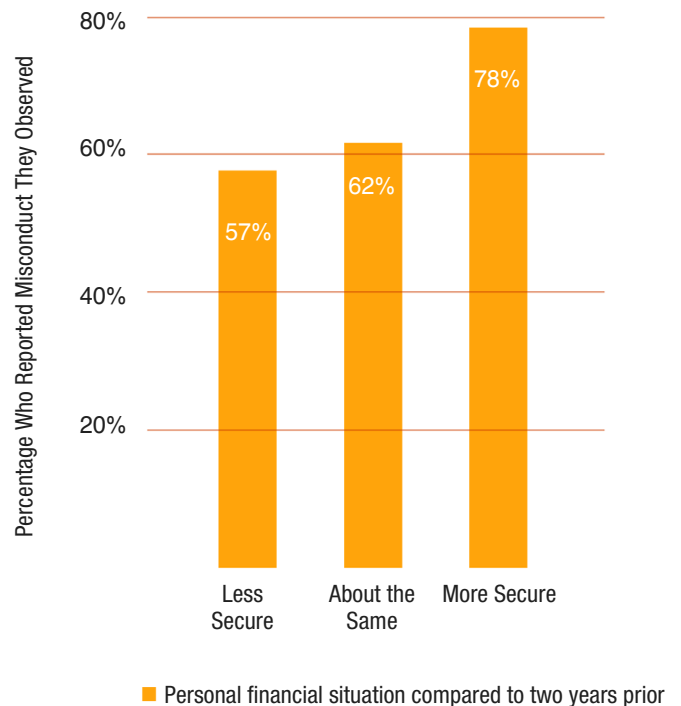
Security and investment also make a difference in employees' decisions to report. Many employees choose not to report because they feel they are not in the position to do so and, instead, someone else will take care of it. Reporters feel a sense of safety and personal obligation because they are secure financially, confident in the company's finances, and/or believe that the company will act and protect them from retaliation.

Confirming earlier findings, the 2011 NBES demonstrates that employees are more likely to report when they feel confident in their job security and are not worried about retaliation. Seventy-four percent of employees who felt that they could question the decisions of management without fear of retaliation reported, but only 51 percent of those who feared retaliation reported. And, union employees, who are often provided certain contractual protections, had much higher rates of reporting of specific misconduct than nonunion employees (65 percent vs. 47 percent).

Employees' personal financial situations also matter. When asked about compensation compared with two years prior, only 55 percent of those who earn less reported, compared to 62 percent with no change in their earnings. The highest reporting rate (76 percent) was among those whose earnings increased.

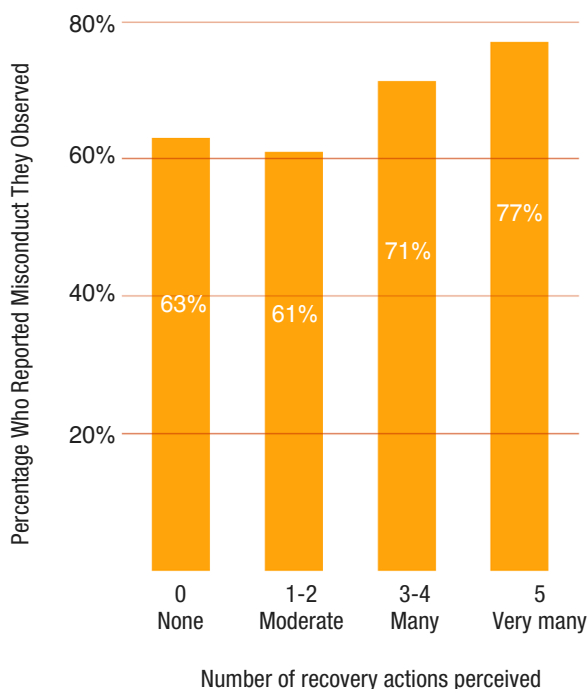
Similarly, only 57 percent of those whose financial situation was less secure than two years ago reported, compared to 62 percent of those in the same situation as the past and 78 percent of those whose situation had improved.

### EMPLOYEES WHO FEEL MORE FINANCIALLY SECURE ARE MORE LIKELY TO REPORT



When employees feel confident in their company's financial situation, they are more likely to report. The 2011 NBES found higher reporting rates at companies that had begun to recover from the recession. When companies demonstrated more financial security by hiring new employees, contractors, and/or freelancers; expanding the business; restoring compensation or benefits; and/or reinstating hours or overtime, reporting rates increased.

### HIGHER REPORTING AT COMPANIES RECOVERING FROM RECESSION



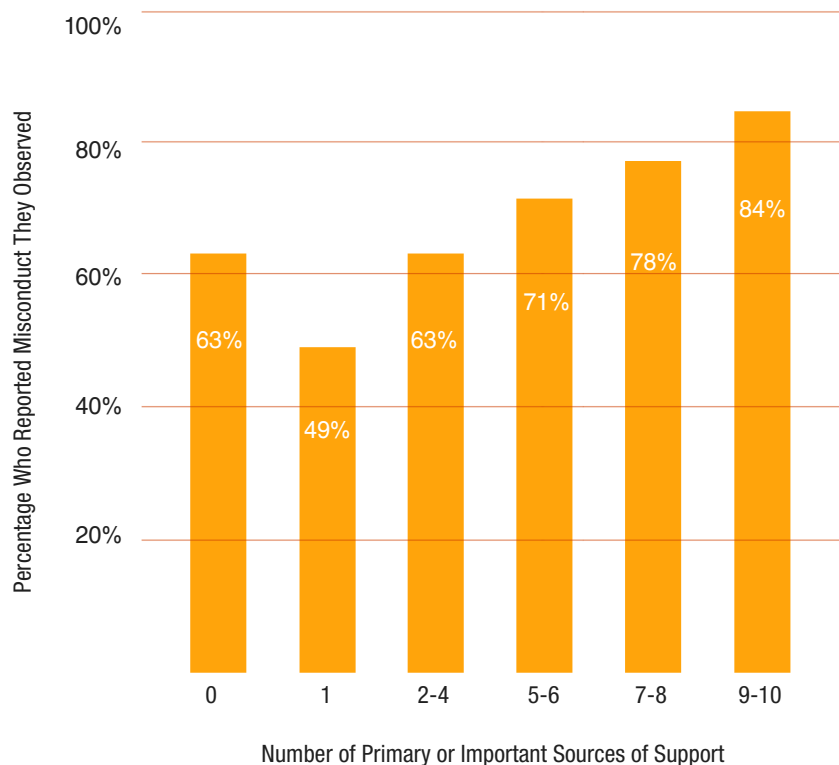
In addition to a sense of security, reporters also tend to be more personally invested in their companies. Seventy-two percent of employees whose personal values align with their companies report, but only 41 percent who lack values-alignment report. Similarly, both employee engagement and intent to stay are linked to significant increases in reporting rates. Only 57 percent of employees who intend to stay for two years or less report, but 70 percent of those planning to stay three years or more report. Seventy-two percent of those who are engaged or strongly engaged reported, but only 55 percent of those who are weakly engaged or not engaged reported.

## Support & Connectedness: Who Can I Rely on for Help?

In previous years of NBES, we found most reporters were influenced by the feeling that they could count on the support of management and their coworkers. In the 2011 NBES, we investigated the concept of support in greater depth and learned that employees who are more connected; i.e., who have personal and/or work

support systems, are more likely to report. We asked respondents to what extent each of several factors (family, religious community, people at work, professional colleagues, classmates, online friends, social clubs, neighbors, company resources, and publicly-available resources) were sources of support. In general, the more primary sources of support an individual had, the more likely he or she was to report.

### LIKELIHOOD OF REPORTING INCREASES WITH NUMBER OF SUPPORTS



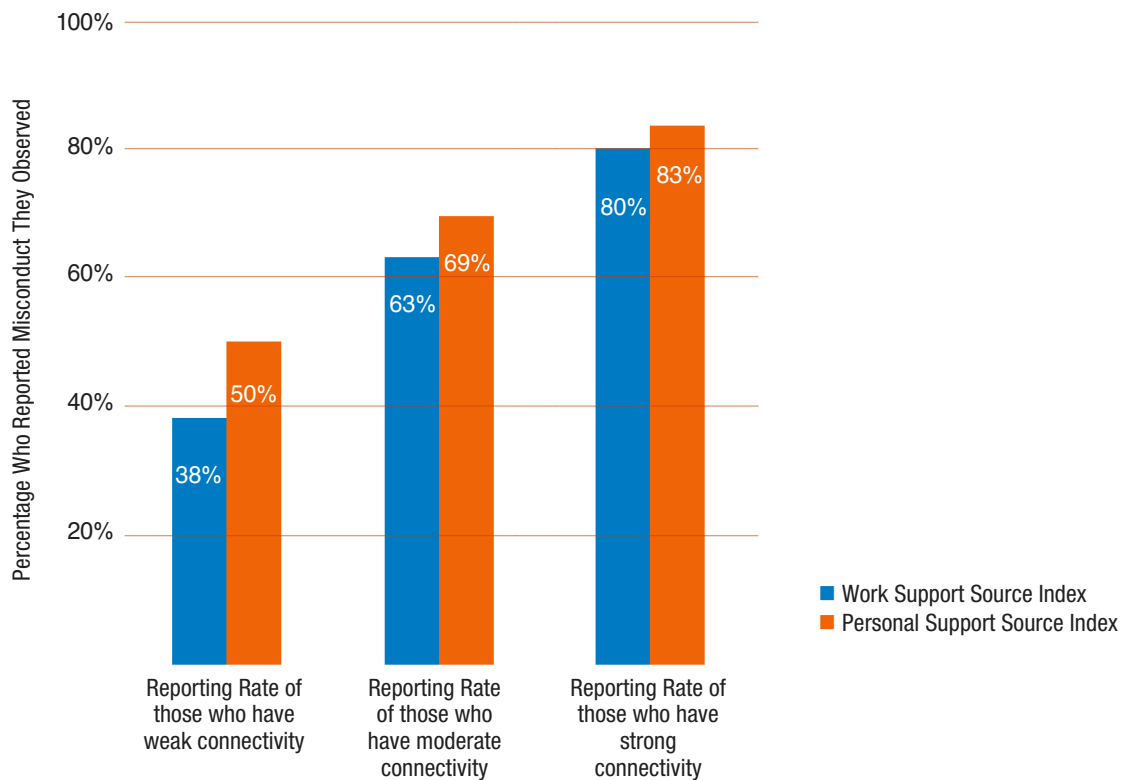


When we look at personal support systems (family, religious community, neighbors, classmates, online friends, social clubs, and public resources) and work supports, both positively impact reporting rates.

When an employee is supported at work (by co-workers, professional colleagues, company resources, and public resources<sup>4</sup>) this increases the likelihood that they will report, more so than if their support comes from personal sources. There is a 42 percentage point increase from those who feel weakly connected to work support sources

to those who feel strongly connected. Compare that figure to the 33 percentage point increase from those who feel weakly connected to personal support sources to those who feel strongly connected to them. It is worth noting the lowest reporting levels (38 percent) are in unsupportive working environments, i.e., where work support systems are weak. The importance of workplace support is reinforced by the fact that 72 percent of those who agreed that “my workplace is a close community” reported, but only 58 percent of those who disagreed chose to report.

### SUPPORT SYSTEMS INCREASE REPORTING



4. Public resources appears in both support systems based on factor analysis results of all support types.

## I've Decided to Report. Who Should I Tell? Where Do Most Employees Report?

When it comes to deciding where to report, personal connections are important, yet again. NBES has consistently shown that the majority of employees choose to report to someone they already know and with whom they have a relationship: their supervisor. The data show that employees would rather sacrifice anonymity and report to someone they know and trust (see chart on page 12).

And this year, when we also asked about the secondary places people report, the point is still true: relationships matter. In 2011, 56 percent of first reports were made to the employee's direct supervisor (see chart page 12). An additional 22 percent of the subsequent reports, of those who had not already reported to their supervisor, were made to the employee's supervisor.

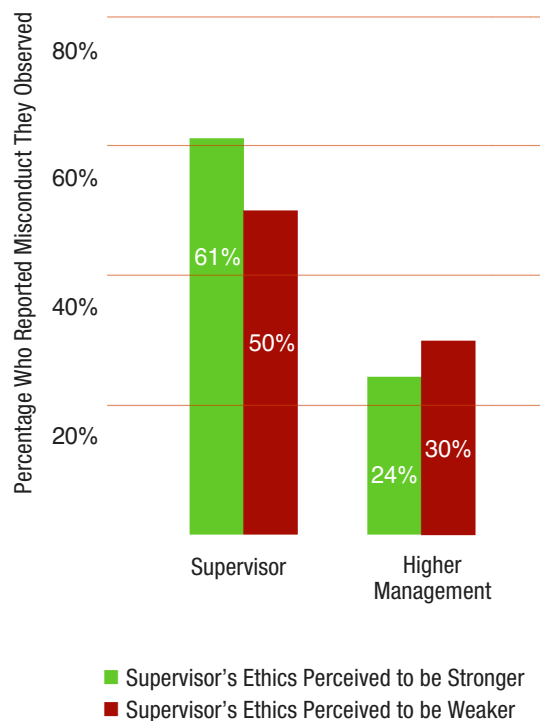
Higher management received more than one in four (26 percent) of all first reports. Of those who had not already reported to higher management, an additional 30 percent of subsequent reports went to them, resulting in the highest percentage of subsequent reports. When we take into account both initial and subsequent reports, 83 percent of all reporters tell their supervisor about observed misconduct at some point, and 65 percent tell someone in higher management.<sup>5</sup>

In other words, when employees make the decision to report misconduct, the majority will sacrifice anonymity (provided by the helpline) to report their observation of

wrongdoing to their immediate supervisor and/or reach out to higher management. Interestingly, far fewer employees (16 percent) use the hotline to report at some point.

As further confirmation of the power of relationships, we found that reporting to supervisors decreases, and reporting to higher management increases, when employers have weaker perceptions of their supervisors' ethics. When employees have less positive views of their immediate supervisor's ethical commitment, they are more likely to go over his or her head to report misconduct.

### WHEN PERCEPTIONS OF SUPERVISOR'S ETHICS ARE WEAKER, REPORTING TO SUPERVISOR DECREASES AND REPORTING TO HIGHER MANAGEMENT INCREASES\*



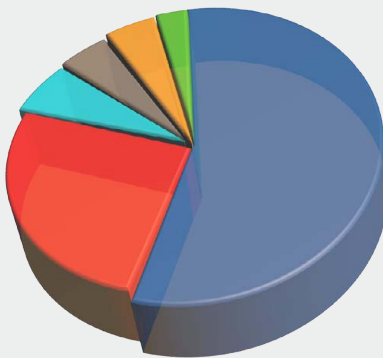
\* Percentage shown are the first reports only.

5. In the course of reporting, eventually 83 percent report to their supervisor, 65 percent to higher management, 16 percent to the hotline, and (as will be seen) 18 percent outside their company. The primary and secondary percentages shown here reflect incremental rates of reporting as captured in the series of survey questions.

## SUPERVISORS MOST LIKELY TO RECEIVE FIRST REPORTS

Year	Percent of Reports Made First to Supervisors
2007	43%
2009	46%
2011	56%

### SUPERVISORS RECEIVE MAJORITY OF 1<sup>ST</sup> REPORTS



- 56% Your Supervisor
- 26% Higher Management
- 6% Other
- 5% Hotline/Help Line
- 5% Other Responsible Person Including Ethics Officer
- 3% Someone Outside Your Company

### MORE SECONDARY REPORTS MADE TO HIGHER MANAGEMENT



- 22% Your Supervisor
- 30% Higher Management
- 6% Other
- 9% Hotline/Help Line
- 23% Other Responsible Person Including Ethics Officer
- 11% Someone Outside Your Company

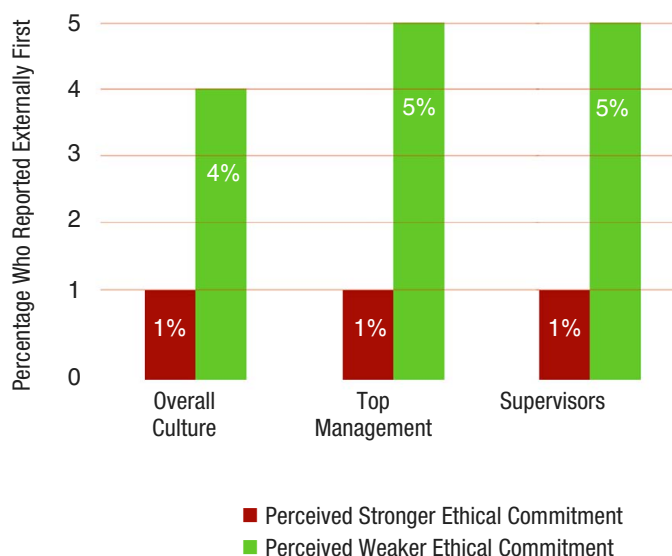
## I Can't Trust Them: Why Do Some Employees Go Outside Their Organization?

There have always been external places where employees could report (government, media, etc.), some offering financial reward for substantiated reports (i.e., whistleblower bounties).<sup>6</sup> But with the passage of the Dodd-Frank Act, the increased possibility of financial rewards has made business leaders worry that it is more enticing to report outside the company, hindering a company's opportunity to address their problems internally. But the data show that they need not worry so much.

Employees do consider reporting misconduct outside the company, but it is rarely their first preference. In 2011, fewer than one in five reporters (18 percent) chose to tell someone outside their company, either initially or in a secondary report. Only three percent of reports were made externally at first, but of the secondary reports almost four times as many were made to someone outside (11 percent).

Managers are an important factor determining whether or not an employee will go outside the company to resolve an issue. As with the decision to report to one's immediate supervisor or someone else, employees with less positive views of their managers choose to report to external parties. Employees are more likely to go outside the company to report if the overall culture or the ethics of their top managers or supervisors is perceived to be weak.

### EXTERNAL REPORTING FAR MORE COMMON IF CULTURAL OR ETHICAL COMMITMENT IS WEAK



6. For example, the False Claims Act provides a bounty for whistleblowers, as does the Internal Revenue Service's Informant-Whistleblower Award Program.

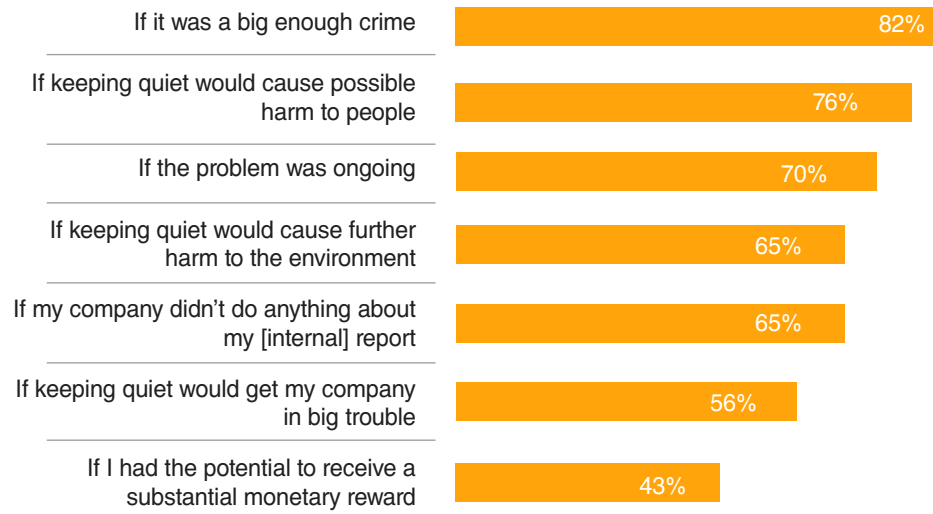
Another important factor which drives employees to report externally is the seriousness of the issue. Employees weigh the severity of the problem when deciding whether or not a problem should be reported externally. Regardless of current reporting behaviors, serious issues will drive most people to report externally.

It appears that motivation for reporting externally rests in large part with the companies. In companies without ethics advice lines and/or anonymous reporting mechanisms, the likelihood an employee will not report internally and will *only* report to an external location is three times as great. In companies without discipline systems, the likelihood is eight times greater. Ethical behavior also influences reporters to go outside. In companies where

employees trust senior management, 86 percent make only internal reports, while in companies where senior management is not trusted, 70 percent make only internal reports and 30 percent report internally and externally or externally only. Companies that extol the importance of working together see 85 percent of reporters talk only to internal sources, 13 percent tell someone inside as well as outside and only 1 percent go exclusively to an outside location. Where advice seeking and cooperation is not encouraged, 62 percent of reporters keep their reports internal, 19 percent tell someone inside and outside the company and 20 percent talk only to an outside source.

### MONETARY REWARDS LEAST LIKELY TO MOTIVATE REPORTING

Reason for Reporting Outside Company:



When asked if they would go outside to report, nonreporters, people who saw misconduct but did not report, and reporters are equally motivated to report externally if:<sup>7</sup>

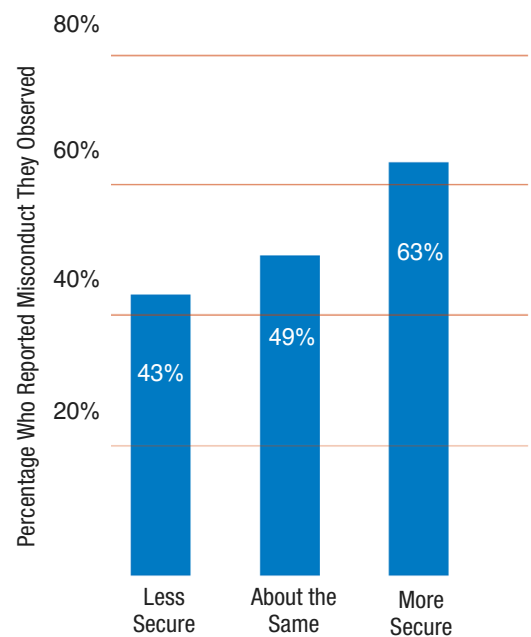
- It was a very serious crime (83 percent of reporters would vs. 84 percent of nonreporters)
- There was the potential harm to people (78 percent reporters would vs. 81 percent of nonreporters)
- There was the potential harm to the environment (68 percent reporters would vs. 63 percent of nonreporters)
- There was the potential for company to get in big trouble (59 reporters would vs. 55 percent of nonreporters)

### This Is Bigger Than Me. Who Would Consider Reporting to a Federal Agency and Why?

As with reporting in general, employees with greater personal and/or professional security were more likely to say that they would go to the government. Among

those better compensated than two years ago, a significantly larger portion (61 percent) were willing to go to the government than those earning about the same (48 percent) or less (40 percent) than in the past. Similarly, 63 percent of those in a more secure financial situation would report to the government, but only 49 percent of those whose financial circumstances had not changed and 43 percent in a less secure position would.

### EMPLOYEES WHO FEEL MORE FINANCIALLY SECURE ARE MORE LIKELY TO GO TO GOVERNMENT



Personal Financial Situation Compared to Two Years Prior

7. Different 'n sizes' account for seeming incongruity between percentages presented in the bullet points and in the chart on page 14

The same held true for different employee groups and demographics: greater security meant an increased willingness to report to the federal government. Fifty-nine percent of union employees would go to the federal government, compared to 45 percent of employees not in unions. And 54 percent of managers would, but fewer than half (43 percent) of nonmanagers would. Consistent with overall reporting trends, the likelihood of reporting to the government rises with management level; 56 percent of top managers, 55 percent of middle managers, 52 percent of first line supervisors, and only 41 percent of nonmanagement employees would report to the government. As with reporting in general, willingness to report to the federal government is also higher among more engaged employees (53 percent) than those who are less engaged (40 percent).

for someone who is less likely to report to management, money may motivate them.

Using the “[I’d report] only if there were a chance for a substantial financial reward” response, we were able to look more deeply into the decision to report to the federal government specifically. We found that, across almost all demographic groups, only about one in 20 individuals would be motivated by a monetary reward. One notable exception was those who are earning less than two years ago; more than twice as many (13 percent) of these individuals would report to the government only if there were a chance for a substantial financial reward. This suggests that financial constraints could make bounties a stronger motivating factor for this group of employees.

### The Impact of Whistleblower Bounties: Does Money (Get Employees to) Talk?

Although reporters and nonreporters are about as likely to go outside their company in many cases, the issue of bounty reveals a sharp contrast in the mentality of these two groups. Nonreporters can be motivated by money, but reporters want results. Nonreporters are significantly more likely than reporters to go outside if there is a potential for a significant reward (55 percent vs. 42 percent). And reporters are significantly more likely than nonreporters to say they would go outside if their company ignores their initial reports (71 percent vs. 63 percent). In essence, bounties do not really matter to the people who are most likely to report. However,



## Conclusion:

### What Can Companies Do to Encourage Internal Reporting?

Overall, the findings of the NBES research offer some comfort to business leaders:

- *Employees want to report wrongdoing when they see it.* A sizeable majority of employees report misconduct when they observe it.
- *In most cases, employees take their concerns to someone they already know: their supervisor.* They are willing to forego anonymity because they can rely on an existing relationship. This open communication provides an opportunity to get a more complete picture of what happened and to clarify if needed later.
- *If their report is not addressed, many employees will make the extra effort to report again.* And, again, the majority of second reports are made within the company, often to someone that the employee already knows.
- *Employees do not want to harm the company.* External reporting is usually a last resort; willingness to go outside increases as the severity of the issue increases.
- *When employees go to authorities, it is because they want to help.* Business leaders should rethink their conceptions of “whistleblowers.”

So what can your company do to encourage employees to report internally?

#### 1) *Increase AWARENESS...*

- *of the resources available to help employees who have questions or reports.* Ethics and compliance programs greatly increase the likelihood that employees will report<sup>8</sup>. If you do not already have an ethics and compliance program in place, make its development a priority.
- *of the behaviors your company considers to be wrongdoing.* Even if your program is already up and running, evaluate the resources and training you provide. Make sure that employees can easily recognize the ethical dimension of their work and easily identify misconduct when it occurs.
- *(for managers) of the situations that constitute reports of misconduct.* Managers need to be attentive to reports from employees which may happen during less formal conversations. Being aware of when a report has been made is critical for ensuring that it is addressed appropriately and that the reporter does not feel his/her effort was in vain.

8. For more information on how programs improve reporting rates, see Appendix, p. 21.

## 2 ) *Promote a sense of AGENCY:*

- *Show employees that they make a difference when they report.* Develop summary reports describing the types of reports received by management and the actions that were taken.
- *Develop a communications campaign* reinforcing the idea that reporting suspected wrongdoing helps the company, and that reporters are valued.
- *Acknowledge and reward the reporter's courage.* Depending on what is most appropriate given the company and reporting situation, rewards can take the form of a handwritten note from the manager and/or a senior leader or recognition of the report as part of employee performance evaluations.

## 3 ) *Help employees feel SECURE:*

- *Communicate the well-being of the company* financially, strategically, and in terms of commitment to integrity.
- *Provide resources* for employees to seek advice for their personal situations.
- *In high-risk situations* (for the company and individual employees) *provide increased support.*
- *Tell stories* about the people who responded to reports of misconduct and the ways they supported employees. Also, tell stories of

the people who supported employees in the reporting process.

## 4 ) *Help employees develop a sense of CONNECTEDNESS:*

- *Provide opportunities for employees to connect* around common interests in ethics (e.g., social network-based discussion, serialized videos extending training cases, service projects, mentoring).
- *Support employee involvement* in their communities.

## 5 ) *Provide SUPPORT to employees who come forward to report misconduct:*

- *Train managers* to respond to reports.
- *Develop ombuds programs* to help employees through the process.
- *Provide rewards* to employees who report.
- *Offer support* to the families of employees who report misconduct.

## 6 ) *Finally, make it clear—by your words, actions, and decision-making—that ethics is priority.* One of the consistent findings of NBES is that reporting rates rise with the strength of a company's ethical culture.<sup>9</sup> When your employees perceive that doing the right thing matters to you, they are more likely to do the right thing, too.

9. For more information on how strength of ethical culture links to reporting rates, see Appendix, p. 21.

# APPENDIX: OTHER FINDINGS & TRENDS

The following charts and tables further illustrate employee reporting trends.

## LONGITUDINAL REPORTING OF SPECIFIC MISCONDUCT

Reported Specific Types of Misconduct	2007	2009	2011
Reported Sexual harassment	49%	51%	55%
Reported Abusive behavior or behavior that creates a hostile work environment	55%	61%	62%
Reported Accepting inappropriate gifts or kickbacks from suppliers or vendors	36%	27%	52%
Reported Offering improper payments or bribes to public officials	n/a	n/a	68%
Reported Offering improper payments or bribes to potential/existing clients	n/a	n/a	61%
Reported COMBINED inappropriate gifts, kickbacks from suppliers or vendors, improper payments, bribes to public officials, or improper payments to potential or existing clients	n/a	n/a	51%
Reported Discriminating against employees	35%	44%	50%
Reported Violations of health or safety regulations	63%	59%	59%
Reported Behavior that places employee's interests over company's interests, a conflict of interest	53%	53%	55%
Reported Delivery of goods or services that fail to meet specifications	59%	60%	63%
Reported Improper use of competitors' inside information	54%	44%	66%
Reported Misuse of your company's confidential information	53%	50%	54%
Reported Improper hiring practices	33%	37%	47%
Reported Lying to customers, vendors, or the public	41%	38%	47%
Reported Lying to employees	42%	45%	47%
Reported COMBINED lying to customers, vendors, or the public OR to employees	n/a	n/a	48%
Reported Stealing or theft	64%	62%	69%
Reported Violating company policies related to Internet use	n/a	n/a	43%

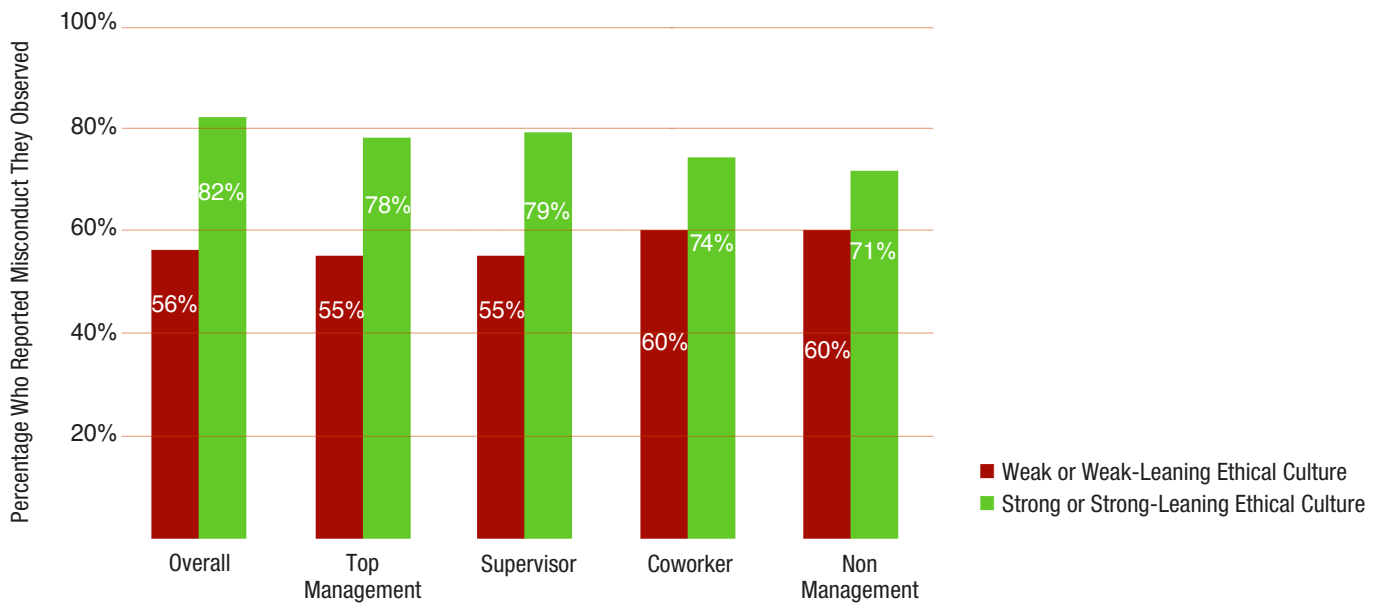
Reported Specific Types of Misconduct	2007	2009	2011
Reported Violation of environmental regulations	55%	53%	61%
Reported Falsifying and/or manipulating financial reporting information	57%	38%	62%
Reported Falsifying time and/or expense reports	n/a	50%	n/a
Reported Falsifying time reports or hours worked	54%	n/a	61%
Reported Falsifying expense reports	n/a	n/a	66%
Reported Violating employee wage, overtime, or benefit rules	n/a	57%	54%
Reported Engaging in anti-competitive practices, e.g., market rigging	n/a	43%	57%
Reported Breaching customer or consumer privacy	n/a	42%	59%
Reported Breaching employee privacy	n/a	44%	49%
Reported Trading securities based on inside information	n/a	16%	65%
Reported Making improper political contributions to officials	n/a	38%	65%
Reported Wasting, mismanaging, or abusing the company's resources	n/a	44%	47%
Reported Abusing substances, such as drugs or alcohol, at work.	n/a	52%	58%
Reported Entering into contracts that lack proper terms, conditions, or approvals	n/a	72%	62%
Reported Violating contract terms with customers or suppliers	n/a	79%	58%
Reported Conducting personal business/affairs on company time	n/a	n/a	34%
Reported Software piracy	n/a	n/a	52%
Reported Inappropriate use of social networking	n/a	n/a	49%

### IMPACT OF ETHICS AND COMPLIANCE PROGRAMS ON REPORTING RATES

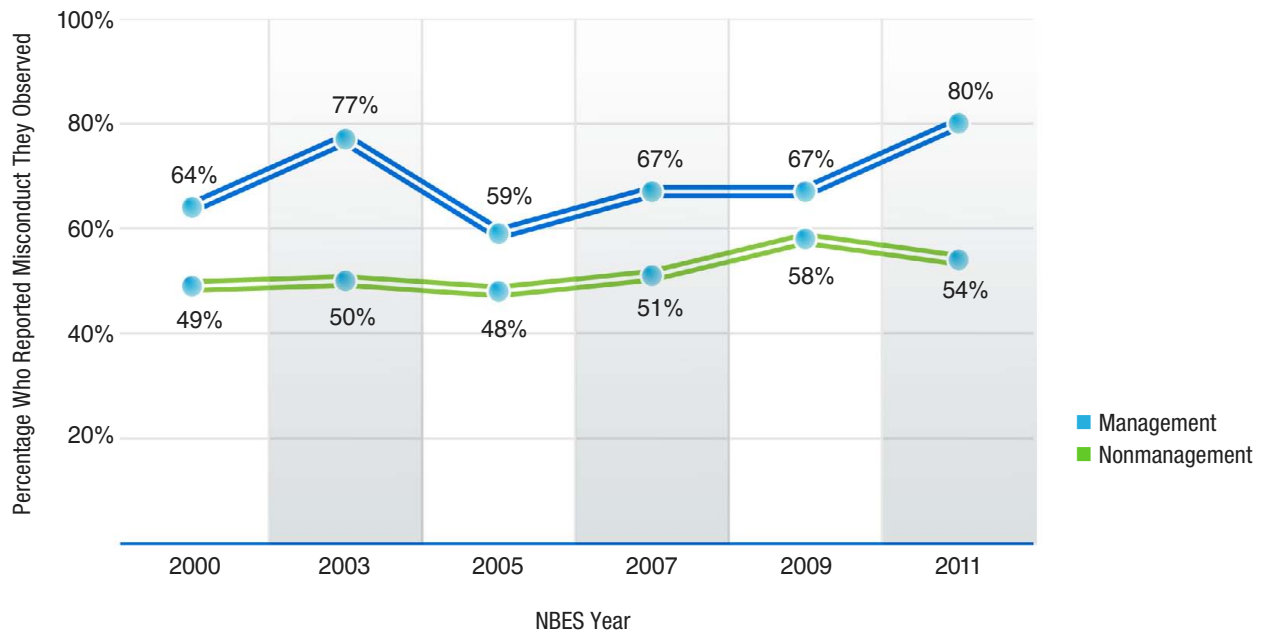
	Reporting Rate of those whose company does NOT have the following	Reporting Rate of those whose company DOES have the following	PPT Diff
Hotline	57%	69%	12 pts
Appraisal	57%	70%	12 pts
Training	59%	67%	8 pts
Discipline	59%	67%	8 pts
Stated Values	59%	67%	7 pts
Standards*	61%	67%	6 pts
Advice Line	61%	67%	6 pts

\* The difference does not test as statistically different.

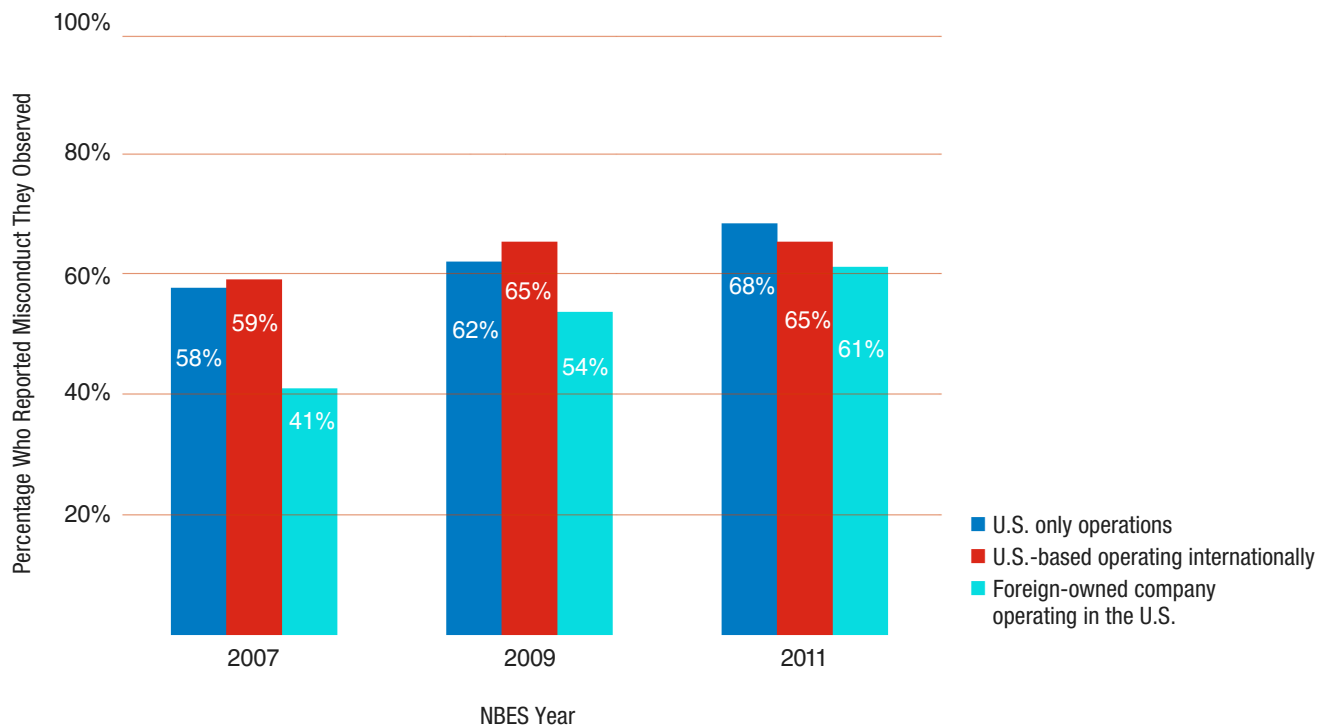
### REPORTING RATES RISE WHEN ETHICAL COMMITMENT IS PERCEIVED TO BE STRONGER



### MANAGERS CONSISTENTLY MORE LIKELY THAN NONMANAGEMENT EMPLOYEES TO REPORT OBSERVED MISCONDUCT



## REPORTING OF OBSERVED MISCONDUCT IS LOWER IN FOREIGN-OWNED COMPANIES





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# OVERVIEW OF UPCOMING SUPPLEMENTAL REPORTS

## Employee Retaliation

NBES 2011 has identified the rise in retaliation as a critical warning sign of a possible ethical decline in American business. This update on research conducted in 2009 will use additional data collected in 2011 to answer several key questions:

- Which employees are more or less likely to experience retaliation?
- Are certain forms more prevalent among particular groups of employees?

## Generational Differences

In this update to the popular 2009 report, ERC will investigate how age, generational cohort, and time in the workforce impact ethics experiences at work. Key questions include:

- Do different generations observe different kinds of misconduct? Are different generations equally likely to report misconduct when observed?
- What factors drive reporting decisions in each age group, and what sorts of targeted efforts can management take to maximize reporting?

## Social Networkers in the Workplace

One of the key findings of NBES 2011 was the unique—and often troubling—experiences of active social networkers. This report will investigate key questions related to this important movement in the workplace:

- Who are active social networkers, and how do their beliefs about their companies compare to non-networkers?
- What kinds of misconduct do active social networkers observe and how do they differ from the rest of the employee population?

Finally, this report will look at ways to support active social networkers and the challenges they face and leveraging opportunities to make social networking a positive force for creating stronger ethical cultures.

## Software Piracy

As far back as 2007, ERC identified misuse of technology as being one of the most widespread and least reported forms of misconduct. In the intervening years, technology has become an even bigger force in American companies. In 2011, ERC gathered additional data about employees' views and behavior related to their companies' technology resources. This report will explore:

- Employee attitudes about use (and misuse) of company software and technology
- Who actually observes software piracy and how often it is properly reported to management

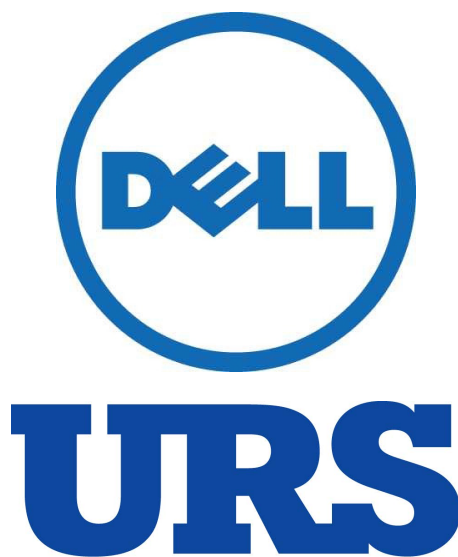
## Ethics in Fortune 500 Companies

In 2011, ERC gathered data on the largest and most profitable companies in the nation. This report will address the unique experiences of Fortune 500 companies:

- Do more employees in Fortune 500 companies observe misconduct? Which kinds are most common-place?
- Do reporting rates vary from the national average? Is retaliation more widespread?
- What is the state of ethics and compliance programs and ethical cultures among Fortune 500 companies?



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



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