



Creating an Ethical Culture... Looking Beyond Sarbanes-Oxley Compliance

Research conducted by the Kenexa® Research Institute (KRI), evaluated how workers view their organizations with regard to ethical practices and conduct.

After the code of conduct is agreed upon and distributed, can a company stop worrying about the effects of not being ethical? According to the latest research, having an ethical culture has a positive influence on almost all aspects of how employees view their organization. Employees who work in strong ethical cultures are almost twice as likely to say they intend to stay with their organization as are those working in weak ethical cultures.

The impact of working within a strong ethical culture can be seen in how employees rate their level of pride in the organization, confidence in its future and overall satisfaction. Organizations with strong ethical cultures outsourced those with weak ethical cultures by more than 50 percentage points on each of these key employee relation indicators.

The results indicate that among U.S. workers, just over half rated their organizations favorably overall in providing an ethical culture. Workers rated their organizations most positively on serving the needs of multiple stakeholders and on senior management's support for ethics.

Views of ethics in the workplace vary widely between the different levels and types of employees and across the different types of industries. Executives and senior managers are much more likely to rate their organizations favorably than laborers, operators and those who work in the skilled trades. Workers in the financial services, health care products and banking industries rated their organizations as more ethical than those in the manufacturing and food industries.

“Establishing an ethical culture has more influence on an organization than just adopting the Sarbanes-Oxley requirements. Employee’s feelings about ethics are closely related to their beliefs or perceptions about how an organization is performing, their overall satisfaction and their intent to stay or leave,” said Jack W. Wiley, Ph.D., executive director, Kenexa Research Institute.

Database Overview

The Kenexa WorkTrends™ database is a comprehensive normative database of employee survey results with comparisons on topics including leadership, employee engagement and customer orientation.

Study Details

The report is based on the analysis of data drawn from a representative sample of 10,000 U.S. workers who were surveyed through WorkTrends, KRI’s annual survey of worker opinions.

The survey questions were designed specifically to evaluate how workers view their organizations with regard to ethical practices and conduct. The questions asked were:

- Where I work, ethical issues and concerns can be discussed without negative consequences.
- My company’s senior management supports and practices high standards of ethical conduct.
- My company strives to serve the interests of multiple stakeholders (e.g., customers, employees, suppliers and community), not just the shareholders.
- The behavior of the people I work with is consistent with my company’s mission, vision and values.
- Where I work, people do not “get ahead” unless their behavior clearly demonstrates my company’s values.

Survey Results

The results were rated using a 5-point Likert-type scale. The values in the following tables and graphs represent the percent of employees who answered, “Strongly agree” or “Agree” (% favorable). The Ethics Index is calculated by averaging the percentage of favorable responses across these five items. This results in a single score that reflects the overall strength of an organization’s ethical culture as perceived by its employees.

Ethics Index Component

Among U.S. workers, on average, just over half rated their organizations favorably on the Ethics Index.

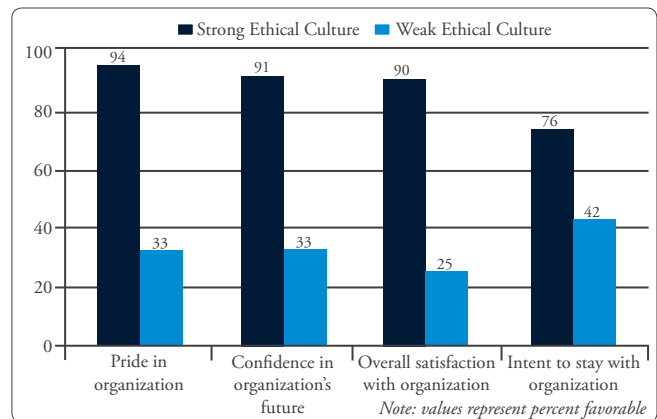
Ethics Index Component	% Favorable
Serving multiple stakeholders	61
Senior management support for ethics	60
Co-workers “live” the company’s values	53
Ethical concerns can be freely discussed	52
Must “live” company values to get ahead	37
Overall Ethics Index Score	53

Employee Relations

Kenexa calculated an average score for each individual respondent across all five ethics items.

- Those with an average rating corresponding to at least the “agree” mark on the original 5-point rating scale were categorized as working within a strong ethical culture. By this criterion, 29% of all U.S. workers currently rate the ethical culture of their organization as strong.
- Those with an average rating corresponding to “neither agree nor disagree” or lower on the 5-point scale were categorized as working in a weak ethical culture. By this criterion, 32% of all U.S. workers currently rate the ethical culture of their organization as weak.
- The differences between these two groups on other important measures were then calculated.

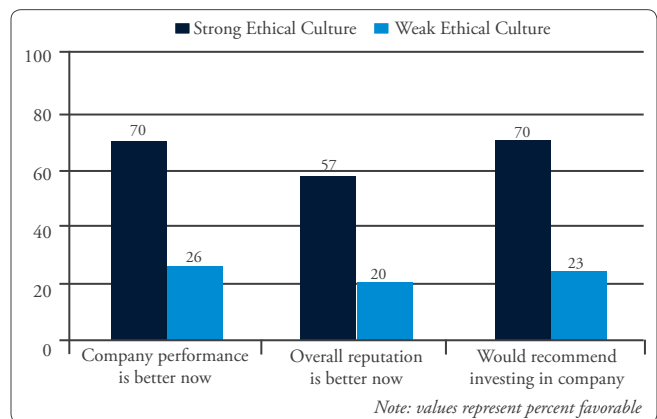
People who feel they work within a strong ethical culture rate their organizations far more favorably in a number of important areas than do people who feel they work within a relatively weak ethical culture.



- Organizations with strong ethical cultures outscore those with weak ethical cultures by more than 50 percentage points on each of these key employee relations indicators.
- Employees who work in strong ethical cultures are almost twice as likely to say they intend to stay with their organization compared to those working in weak ethical cultures.

Company Performance

The impact of working in a strong versus a weak ethical culture is evident in how favorably employees view the recent performance of their organizations, their views of the organization’s reputation, and whether they would recommend purchasing the company’s stock to family and friends.



Employee Type

There are striking differences among different levels and types of employees in their views on ethics in the workplace.

Employee Type	Ethics Index Score
Executive/senior manager	71
Manager	63
Supervisor	55
Professional	54
Technical	52
Clerical	50
Sales	48
Service	45
Laborers	42
Operators	38
Skilled trades	37

Industry Type

Views of ethics in the workplace vary a great deal across different industries.

Industry Type	Ethics Index Score
Financial services	62
Health care products	61
Banking	61
Business services	57
Health care services	56
Electronics and computer manufacturing	56
Construction/engineering	55
Retail/wholesale trade	54
Education	54
Restaurants	51
Communication services/utilities	49
Government/public administration	48
Light manufacturing	47
Heavy manufacturing	47
Food industry retail/wholesale	46

Government/Public administration ranks quite low on ethics as perceived by the people who work in such organizations, whereas those who work in education rate their organizations just about at the overall national average for ratings of ethics in the workplace.

About Kenexa

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

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