



## **Productivity**

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### **Ethics Impact Employment and Productivity**

Whether a company acts ethically is a significant factor in the average employee's willingness to work for an employer, according to independent research released August 2008 by LRN, a leading provider of governance, ethics and compliance management applications and services. In fact, more than one in three employees has actually left a job because they disagreed with a company's business ethics.

The latest LRN Ethics Study provides new evidence that links a company's ability to foster an ethical corporate culture with an increased ability to attract, retain and ensure productivity among employees. Results are based on telephone interviews conducted among a sample of full-time US workers as part of an omnibus survey from Opinion Research Corporation. Findings include:

- 94% of survey respondents said it is "critical" or "important" that the company they work for is ethical.
- 82% said they would prefer to be paid less but work for a company with ethical business practices than receive higher pay at a company with questionable ethics.
- 80% cited disagreement with the ethics of fellow employees, a supervisor or management as the most important ethical reason for leaving a job. Twenty-one percent cite pressure to engage in illegal activity.
- 56% defined their current company as having an ethical culture. Yet one in four said that in the past six months, they witnessed unethical and even illegal behavior where they work. Among those, only 11 percent said they were not affected by it.

"Our findings confirm that companies with a commitment to ethical conduct enjoy distinct advantages in the marketplace, including attracting and retaining talent," said LRN CEO and chairman Dov Seidman. "Companies that inspire principled conduct throughout their workforce also experience fewer ethical distractions. The LRN Ethics Study brings greater clarity to the nexus between ethical behavior and business success."

### ***Importance of Working for an Ethical Company***

Virtually all US employees want to work for a company that they believe is ethical, with 57 percent saying it is critical, the LRN Ethics Study found. However, there is a distinction in importance by sex, geography and occupation. Working for an ethical company is slightly more critical to women, 63 percent, than men, 53 percent. Two-thirds of those in professional and managerial occupations, 68 percent, say this is critical to them, compared with 53 percent of sales and clerical employees and 45 percent of blue-collar workers.

### ***The Link Between Ethics and Pay***

Eighty-six percent of individuals employed full-time in professional or managerial positions would prefer to work for an ethical company rather than be paid more, compared with 76 percent of those working in blue-collar occupations. Those 35 and older are slightly more likely than younger workers to choose working for an ethical company over more pay, 85 percent versus 76 percent, although clearly both groups prefer working for an ethical business.

### ***Disagreement with Ethics Leads to Employee Turnover***

Not only do employees want to work for ethical companies, but the LRN Ethics Study found that employees are willing to leave when they are dissatisfied with their employer's ethics. More than one-in-three respondents or 36 percent said they have left a job because they disagreed with a company's ethical standards for doing business. This is true of workers regardless of gender, age or socioeconomic factors. The most common ethical reason for leaving a company is disagreement with the ethics of fellow employees, a supervisor or management, according to 80 percent of those surveyed. Moreover, one in five, or 21 percent, of those surveyed felt pressure to engage in illegal activity.

### ***Workers Define Their Cultures***

A majority of respondents or 56 percent said their current employer embraces ethics and corporate values in everything they do. Despite the positive overall findings, about half as many, or 30 percent, said their company merely tows the line by following the law and company policies. The remaining nine percent said they either work at a company where they do what they are told and are not encouraged to ask questions about what is right or wrong, or they often see management and peers acting in questionable ways.

### ***Impact of Unethical Behavior***

Besides affecting a company's ability to recruit and retain employees and increasing the legal, regulatory and compliance risks a company faces, unethical behavior has an impact on an employee's productivity. Very few of those who experienced unethical behavior on the job – only 11 percent – say they were not affected by it, the LRN Ethics Study found. Half of those surveyed admitted that unethical behavior is a distraction on the job. Further, 63 percent spent time talking about unethical behavior with colleagues, and 32 percent went so far as to speak with management or make a formal complaint.

### ***Impact of Unethical E-Mail***

About 35 percent of surveyed employees had experienced unethical emails in the workplace. Of those, 75 percent said they ignored the emails. Among those who took some action: 22 percent said they spoke personally to the colleague who sent the email; 13 percent asked a supervisor or management to get involved; 11 percent shared the e-mail with another colleague; and 6 percent forwarded the email to someone outside the company.

"Although the survey results confirm employees care deeply about the ethics of their employers, they also suggest companies have an opportunity to do a better job of making ethics paramount to their culture and business," said Seidman. "An ethical culture where employees and management use values and not rules to self-govern can only take root when executives, managers, supervisors and employees understand and embrace the company's principles and values and incorporate them into their daily conduct."

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