



2010 Organizational Ethics Survey

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BUSINESS ETHICS ALLIANCE

The Greater Omaha Alliance for Business Ethics (Business Ethics Alliance) is an initiative of Creighton University's College of Business in partnership with the Better Business Bureau, the Greater Omaha Chamber of Commerce, and area organizations. The Business Ethics Alliance is a not-for-profit organization that leads in building a climate of ethical excellence throughout our business community.

The vision of the Business Ethics Alliance is to be the beacon of business ethics excellence for business communities around the world. We serve as a model for business communities seeking the self-awareness and means necessary for creating ethically prosperous places to live, work and play.

The core values of the Business Ethics Alliance are integrity, inclusivity, collegiality, practicality and community.

For more information about the Business Ethics Alliance, please visit our website at <http://businessethicsalliance.org>.

ABOUT THE 2010 ORGANIZATIONAL ETHICS SURVEY

The 2010 Greater Omaha Organizational Ethics Survey is the second survey about organizational ethics in the Greater Omaha business community. The purpose of the surveys is to understand the way that Omaha organizations manage ethics. It is not a measure of whether or not Omaha organizations are ethical.

The goal of the surveys is to serve as the benchmark on organizational ethics in Greater Omaha and as a template for other business communities to follow. The Business Ethics Alliance intends to regularly conduct the survey in order to measure changes in organizations' treatment of ethics.

CONTRIBUTIONS

The 2010 Greater Omaha Organizational Ethics Survey was conducted by the Business Ethics Alliance with support from

College of Business, Creighton University
Greater Omaha Chamber of Commerce
Better Business Bureau.

The Business Ethics Alliance also thanks the following individuals for their contributions to the research effort.

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The findings and conclusions of this report are those of the Business Ethics Alliance alone and do not represent the views of the contributors of this research project.

METHODOLOGY

Survey questions and methodology were established by the Business Ethics Alliance. Targeted populations were presidents, CEOs, chairs, executive directors, and owners of Greater Omaha businesses. The targeted list was compiled by the Business Ethics Alliance, the Greater Omaha Chamber of Commerce, and the Better Business Bureau. Electronic invitations to participate in the survey were sent through the Greater Omaha Chamber of Commerce online newsletter and evite systems, the Better Business Bureau newsletter, as well as from the Business Ethics Alliance Board Chair. The online survey, posted at surveymonkey.com was open from January 22 through February 29, 2010. Participants were told that their individual responses to the survey would be confidential and all reporting would be in aggregate. The participant base was an unscientific sample of self-selected respondents. 215 business people participated in the survey with 132 reporting that they are presidents, CEOs, chairs, executives, directors, and owners. Analysis by the Business Ethics Alliance was based on the Federal Sentencing Guidelines for Organizations, Sarbanes Oxley, the Ethics Resource Center's 2009 National Business Ethic Survey, the Gallup Ethics Survey, the Institute for Business Ethics, and data compiled by the Ethics and Compliance Officer Association.

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Introductory Remarks

In 2008, our Organizational Ethics Survey Report described the strengths, issues, and opportunities for managing business ethics in Greater Omaha organizations.

According to 2008 respondents, Greater Omaha business leaders strive to drive their organizations by core values like honesty, integrity, and hard work. Yet, essential communication about these core values is often weak or nonexistent. National studies show that significant and meaningful messaging and role modeling is the basis of a formal ethics and compliance program. Since employee reporting of unethical and illegal actions double when organizations install comprehensive formal ethics and compliance programs, it was recommended that Greater Omaha leaders drive home their organizations' core values by implementing ethics programs.

In this current 2010 Organizational Ethics Survey Report, we again explore the way Greater Omaha organizations manage business ethics. Since only some organizations that responded to the survey during both years are the same, we cannot present a longitudinal study. Instead, we seek to report our current ethical climate and compare results for small, medium and large organizations.

This 2010 study is important for three reasons. First, business leaders can use the report to inform their strategic planning process. When intentional about their organization's values, leaders have a powerful tool for developing strong business partners, motivating great engagement in employees, and providing extreme satisfaction to customers.

Second, anyone who manages ethics can use it to measure their organization's ethics initiatives. They can benchmark and thus evaluate the costs and returns of their particular focus on ethics.

Third, by stimulating a community wide discussion about business ethics excellence, this report can enhance Greater Omaha organizations' reputations, drive their long-term stability, and positively affect the overall climate for doing good business.

Beverly Kracker

President and Executive Director

Executive Summary

2008, 2010 Consistencies

- Omaha organizations that responded to the surveys
 - Drive business practices with values.
 - Combine both ethics and compliance in their cultures.
 - Manage employee ethics with informal and formal approaches.

2010 Greater Omaha Strengths

■ Strength One

Values drive the creation of formal organizational ethics programs.

■ Strength Two

More organizations are learning about formal organizational ethics programs and implementing them.

2010 Greater Omaha Issues

■ Issue One

The 2010 survey finds that, across organizational size, business leaders say that formal ethics policies matter. But then they primarily talk about ethics policies only when employees are hired or on an as needed basis.

■ Issue Two

The 2010 survey finds that, across organizational size, business leaders say that they do not need formal ethics programs in their organizations. However, while organizations across size do not see the need for formal ethics programs, they also say that they do need the things that programs help instill, namely, better role modeling, better supervising, better communication, clearer policies and codes.

■ Issue Three

We must strive to be intentional in the way we manage ethics in our organizations. This requires effort at every level of the organization. The 2010 survey finds that essential ethics management techniques are missing in many Omaha organizations.

2010 Greater Omaha Opportunities

■ Opportunity One

Infusing ethics into your organization does not cost a lot. More than half of respondent organizations that have formal ethics/compliance programs spend less than \$10,000 per year on their programs – and half of them spend less than \$2500.

■ **Opportunity Two**

Demonstrating the value of an ethics program (above and beyond a compliance program) is not easy, and not everyone wants to do it. However, there are valid ways to show that formal ethics programs are good for business.

■ **Opportunity Three**

Omaha organizations can find resources and support through involvement with the Business Ethics Alliance.

2010 Greater Omaha Recommendations

- The Ethics Resource Center's 2009 *National Business Ethics Survey* shows that ethical culture is "the single biggest factor determining the amount of misconduct that will take place in business." It is vital that Omaha organizations develop formal and/or informal mechanisms for infusing ethics across their businesses.
- Tone at the top is set by Boards of Directors. Most Omaha Directors do not see reports about their organizations ethics. Directors should seek regular information about the health of their organization's ethical culture.
- Shine a light on your organization's ethics policy. Make sure that all stakeholders regularly see it and make use of it in their everyday business dealings.
- Measurement matters. Use tried and true measures or develop innovative ways to demonstrate the value of a focus on ethics in your organization.
- Contact the Business Ethics Alliance to see how to create low cost organizational ethics and compliance programs or to learn informal tools for creating ethical organizational cultures.

2008, 2010 Consistencies

- **Consistency One:** *Omaha organizations that responded to the 2008, 2010 surveys drive business practices with values.*

What type of messages do you send your employees regarding ethics?

Top four responses, in order:

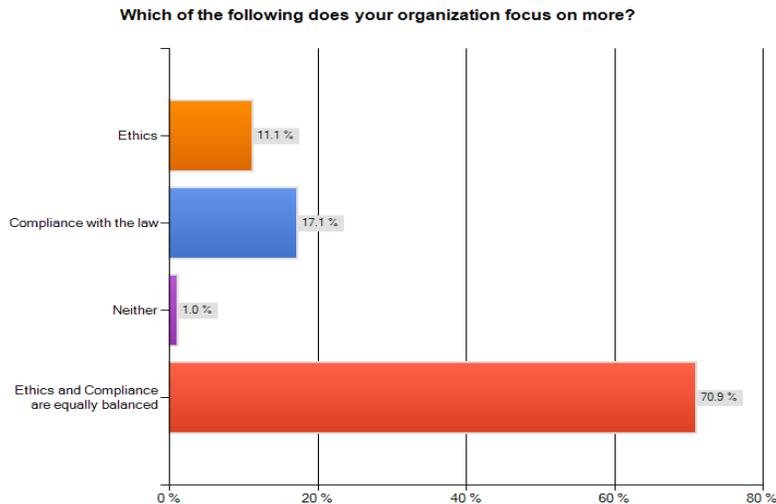
Have integrity. Being ethical is the right thing to do.

We have a responsibility to maintain ethical standards in our industry

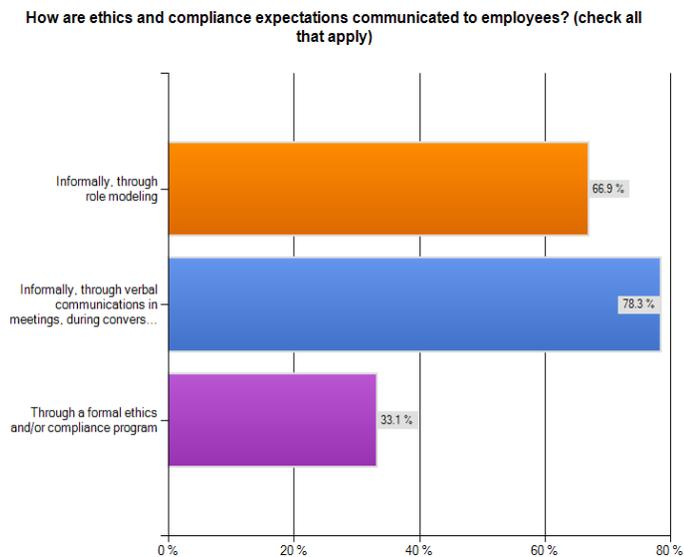
Our organizational values should drive our business practices

Do not harm our or your reputation by being unethical

- **Consistency Two:** *Omaha organizations that responded to the 2008, 2010 surveys combine both ethics and compliance in their cultures.*



■ **Consistency Three:** *Omaha organizations that responded to the 2008, 2010 surveys manage employee ethics with informal and formal approaches.*



- Informal mechanisms include role modeling, verbal communication during meetings, etc. Formal ethics and compliance programs create organizational policies, programs, and systems that communicate ethics.

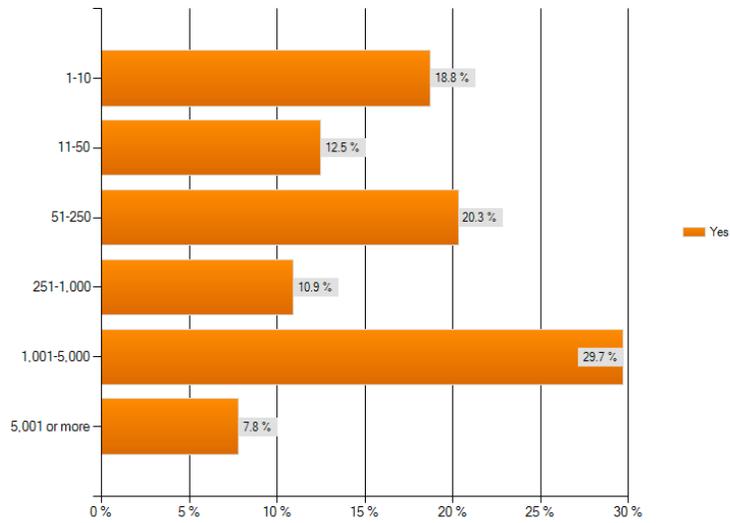
Informal communication strategies predominate across every size organization except those with more than 5000 employees where formal mechanisms prevail. One respondent of a midsize company wrote, “At EVERY staff meeting throughout the organization, the first agenda item is "Values." One assigned individual chooses one of the values and then reports on an example of an employee who exemplified that particular value.”

Indeed, informal mechanisms continue to be the management style of ethics infusion for organizations of all sizes and styles. Consistent with 2008 findings, approximately 37% of all organizations that responded to the 2010 survey reported having a formal ethics/compliance program.

Does your organization have a formal ethics/compliance program?	
Answer Options	
Yes	37.4%
No	62.6%

However, the answers from small, medium and large businesses are significantly different.

Does your organization have a formal ethics and/or compliance program? (by employee size)



Bottom line: Whether organizations use formal or informal means to promote ethics, it has to be intentional. If intentional, good business will surely follow.

2010 Greater Omaha Strengths

■ Strength One

Values drive the creation of formal organizational ethics programs.

While 45% of responding organizations have had a formal organizational ethics program for ten years or more, 12% started their programs in the last three years. Regardless of when, the reasons for implementing a program remain the same. Across all sizes of organizations, a primary influencer is that “it was the right thing to do.”

What influenced the starting of your organization's ethics and/or compliance program? (check all that apply)

	Response Percent
It was the right thing to do	84.8%
Other legal or regulatory requirements	51.5%
Sarbanes Oxley Law	19.7%
Others are doing it	12.1%
Lawsuit or serious business conduct incident	6.1%
Unknown	6.1%

■ Strength Two

More organizations are learning about formal organizational ethics programs and implementing them.

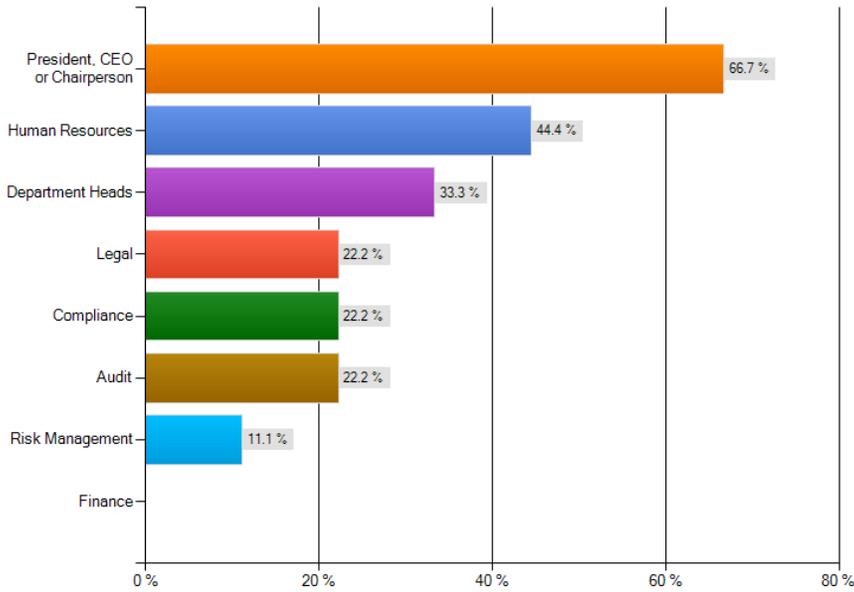
Of the organizations that started their formal ethics programs in the last three years we find remarkable similarities.

Who is implementing ethics/compliance programs? (0-3 years old)
Small, medium, and large organizations are creating ethics/compliance programs at the same rate.
Industries with growth: financial services, health care, insurance, technology, nonprofit

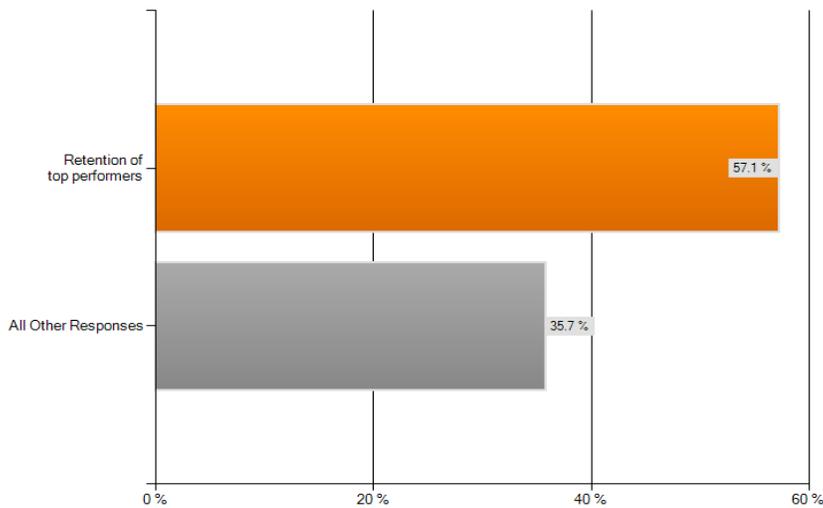
What are organizations implementing? (0-3 years old)	
	Response Percent
Values statements	88.9%
Mission statements	88.9%
Codes of ethics	66.7%
Topical policies about ethics	66.7%

How many full-time equivalent people are assigned to manage your ethics and/or compliance program? (0-3 years old)	
	Response Percent
None	11.1%
Part-time, less than 1	55.6%
1 to 2	22.2%
3 to 5	0.0%
6 or more	11.1%

Which area(s) of your organization are primarily responsible for your ethics and/or compliance program? (check all that apply - for organizations with programs 0-3 years)



How does your organization demonstrate a return on investment for the monies spent on an ethics program, which is above and beyond your compliance program? (check all that apply - 0-3 years old)



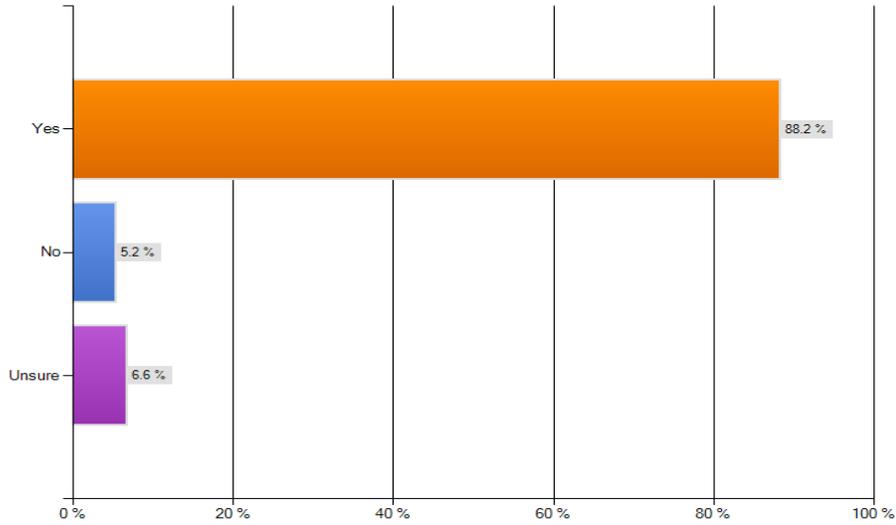
Retention of top performers is by far, the most typical way that organizations that are newly implementing ethics programs demonstrate that ethics matters.

2010 Greater Omaha Issues

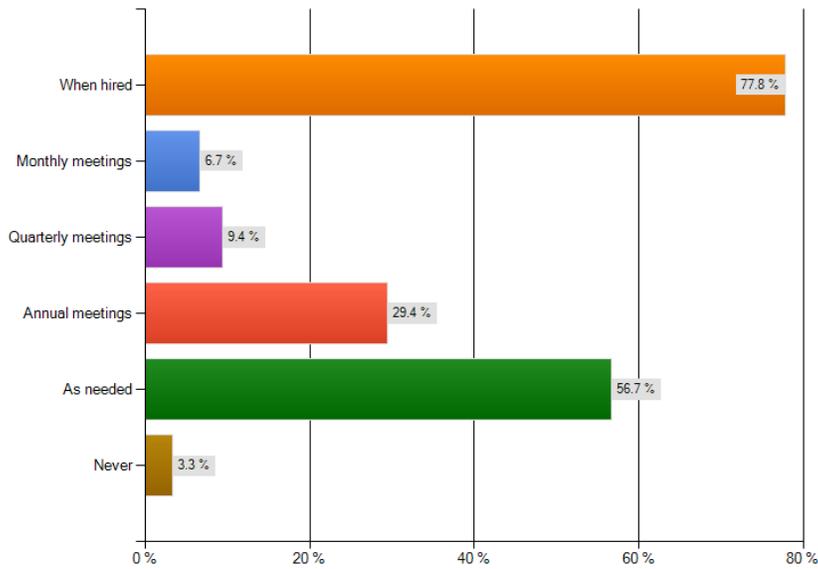
■ Issue One

The 2010 survey finds that, across organizational size, business leaders say that ethics policies matter. But then they primarily talk about ethics policies only when employees are hired or on an as needed basis.

Do you feel that having some form of formal ethics policy is important to the company?

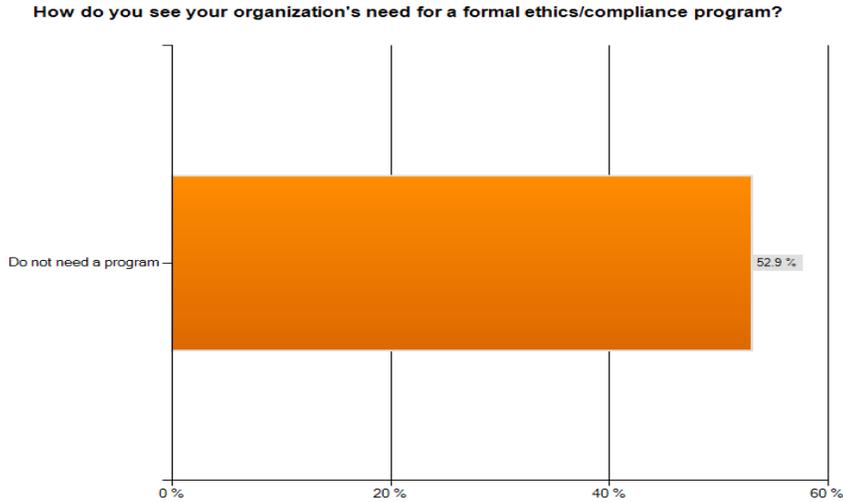


If you have some form of organizational ethics policy are employees informed of it? If so, how often? (check all that apply)



■ **Issue Two**

The 2010 survey finds that, across organizational size, business leaders say that they do not need formal ethics programs in their organizations. While organizations across the board do not see the need for formal ethics programs, they also say that they need the things that programs help instill, namely, better role modeling, better supervising, better communication, clearer policies and codes.

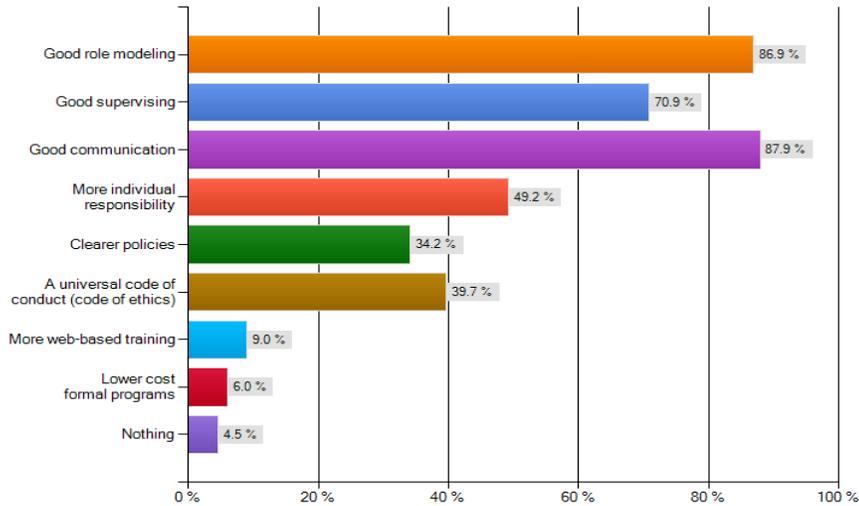


This response is primarily driven by small business. 60% of small business; 30% of medium size business; 33% of large business answered that they do not see a need for a formal ethics program.

How do you see your organization's need for a formal ethics/compliance program?		Response Percent
Small	1-50 employees	60.0%
Medium	51- 1000 employees	30.0%
Large	1001 and above	33.0%

However, small, private companies face federal prosecution as much, or more, than large companies. "Of the companies convicted in federal courts, 55.9 percent had fewer than 200 employees -- and none of them had a suitable ethics and compliance program in place" (Paula Desio, Deputy General Counsel, Federal Sentencing Commission). Companies of every size can mitigate their fines if they have ethics and compliance programs in place.

**What do you think is needed to maintain or improve your organization's ethical culture?
(check all that apply)**

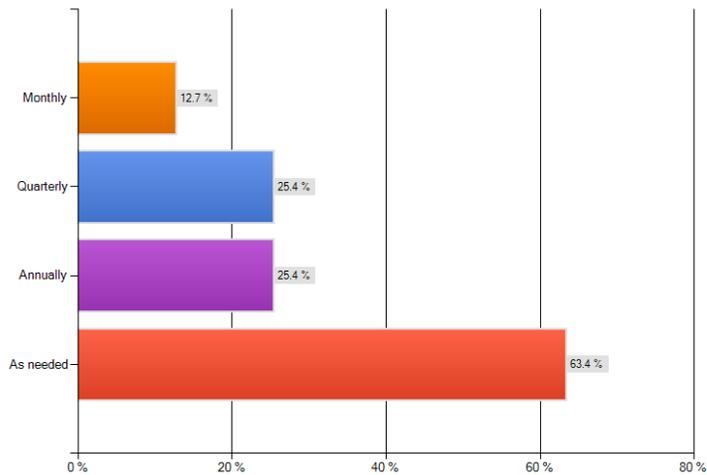


■ Issue Three

We must strive to be intentional in the way we manage ethics in our organizations. This requires effort at every level of the organization. The 2010 survey finds that essential ethics management techniques are missing in many Omaha organizations.

- Board level – there is low intentionality if there is little board involvement in ethics.
 - ✓ Boards of Directors typically only receive reports about their organization’s ethics on an as needed basis.

**How often is management and/or Board of Directors advised of ethics program results?
(check all that apply)**

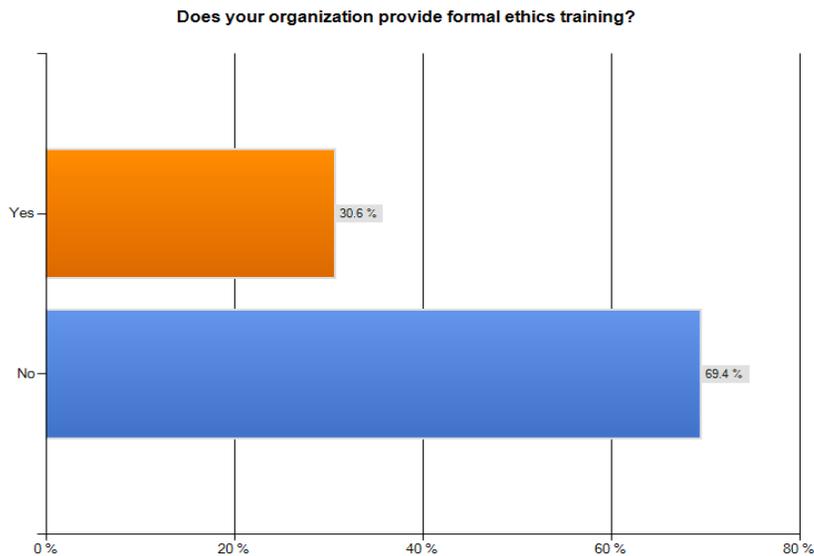


- ✓ Of the 30% of respondent organizations, Boards of Directors only receive formal ethics training 20% of the time.

Who receives formal ethics training? (check all that apply)	
Answer Options	Response Percent
New employees	40.0%
Supervisors/Managers	27.3%
Department heads	23.6%
Executives	25.5%
Board	20.0%

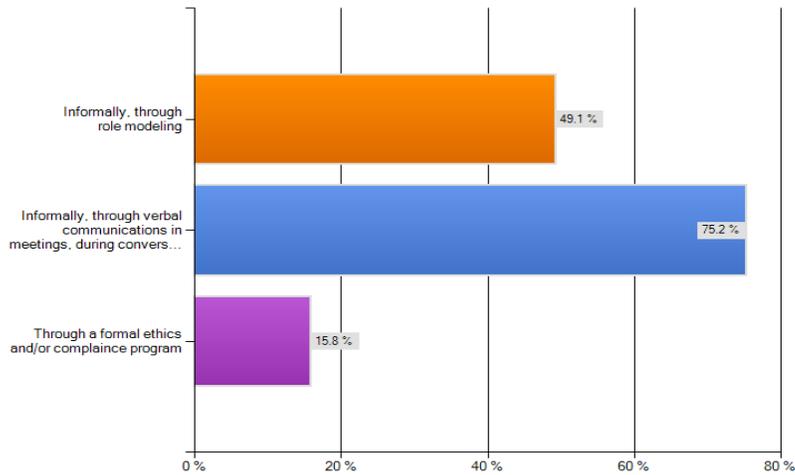
➤ Employees – There is low intentionality if there is low formal ethics training.

- ✓ Only 31% of organizations with formal programs provide formal ethics training.



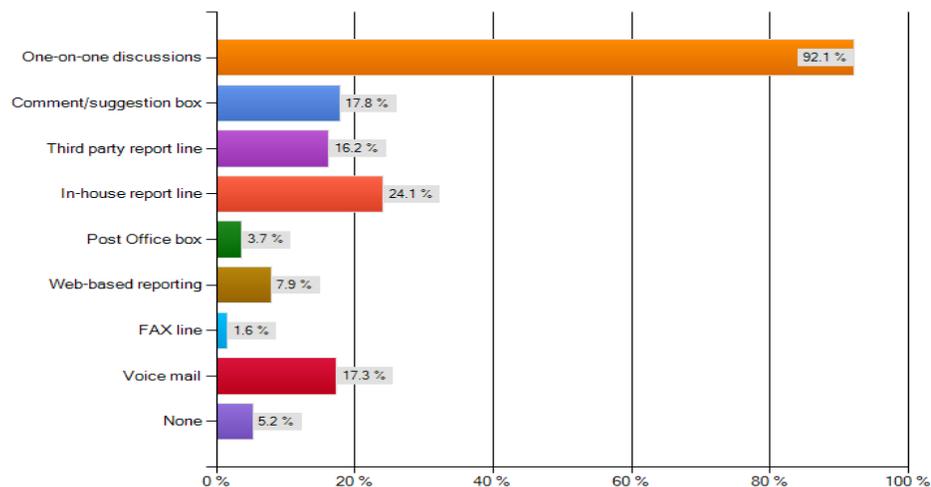
- Vendors – There is low intentionality if there is little formal communication to vendors.
 - ✓ Only 16% of organizations with formal programs formally communicate their ethics expectations to vendors.

How are ethics and compliance expectations communicated to vendors? (check all that apply)



- Reporting – Ethical intentionality requires systems that allow employees to report ethics violations.
 - ✓ Most organizations still depend on one-on-one reporting. While it is important for supervisors to be available, organizations need mechanisms that set employees at ease and make reporting easy.

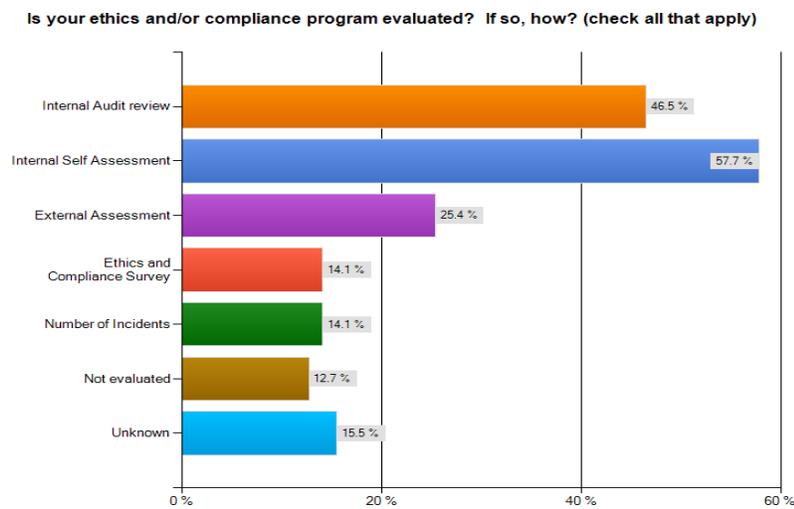
Which of the following does your organization use for reporting ethics violations? (check all that apply)



- ✓ Significantly fewer medium (approx. 26%) to small (approx. 12%) organizations utilize objective formal helplines or hotlines compared to large organizations (72%).

- Finally, there is low intentionality if processes and programs are not objectively evaluated and refined.

- ✓ While external assessment is up, most organizations depend on internal mechanisms to evaluate their formal ethics/compliance programs.

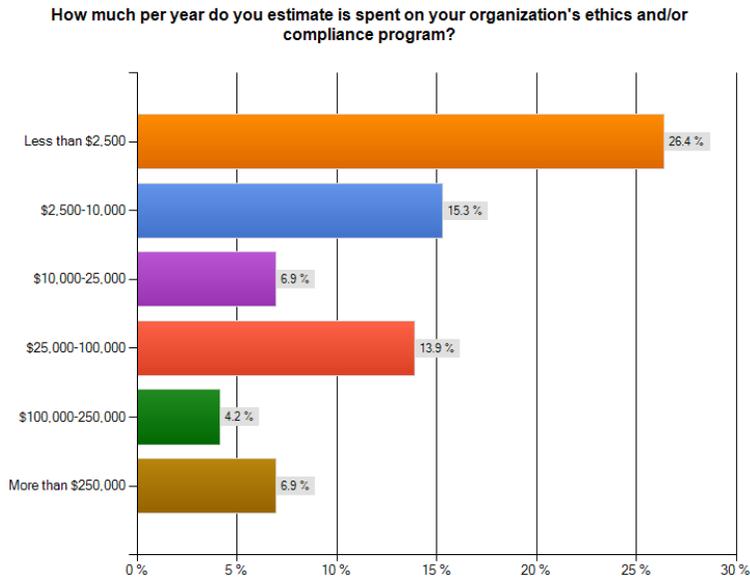


When reporting mechanisms are in place, who receives reports of ethical violations? Lots of people, in order of ranking: Presidents/ CEOs/ Chairs, Human Resource Officers, Department Heads, Boards of Directors, General Counsels, and finally, an ethics committee.

2010 Greater Omaha Opportunities

■ Opportunity One

Infusing ethics into your organization does not cost a lot. More than half of respondent organizations that have formal ethics/compliance programs spend less than \$10,000 per year on their programs – and half of them spend less than \$2500.



■ Opportunity Two

Demonstrating the value of an ethics program (above and beyond a compliance program) is not easy, and not everyone wants to do it. However, there are valid ways to show that formal ethics programs are good for business.

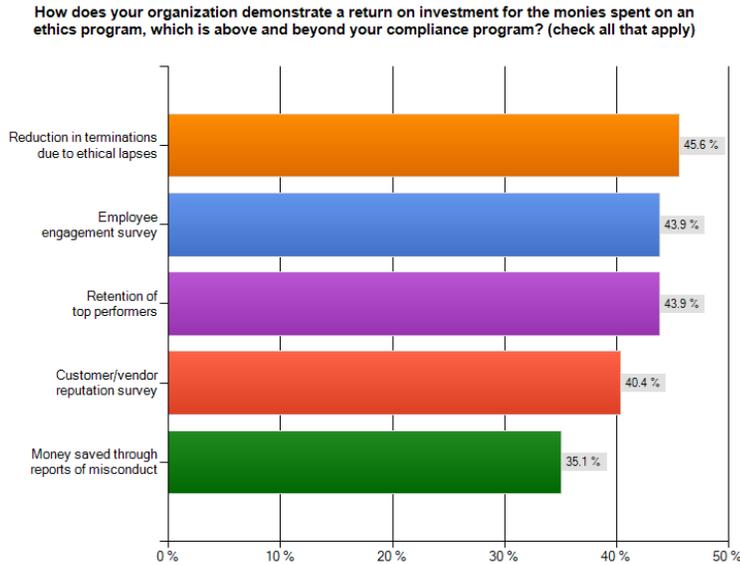
- Comments from survey respondents show that there is a wide range of thought about measuring ethics in business.

"Return on investment is not a factor when considering ethics. The ethical system is a necessary and desirable part of the fabric of our organization."

"Cost saved and revenue retained by maintaining reputation is difficult to measure, but very substantial."

"We measure these types of things, but have not tied them to ROI."

- Measuring “reduction in terminations due to ethical lapses” heads the list of the ways organizations demonstrate the value of their ethics programs.



■ Opportunity Three

Omaha organizations can find resources and support through involvement with the Greater Omaha Alliance for Business Ethics – a unique program in their own back yard.

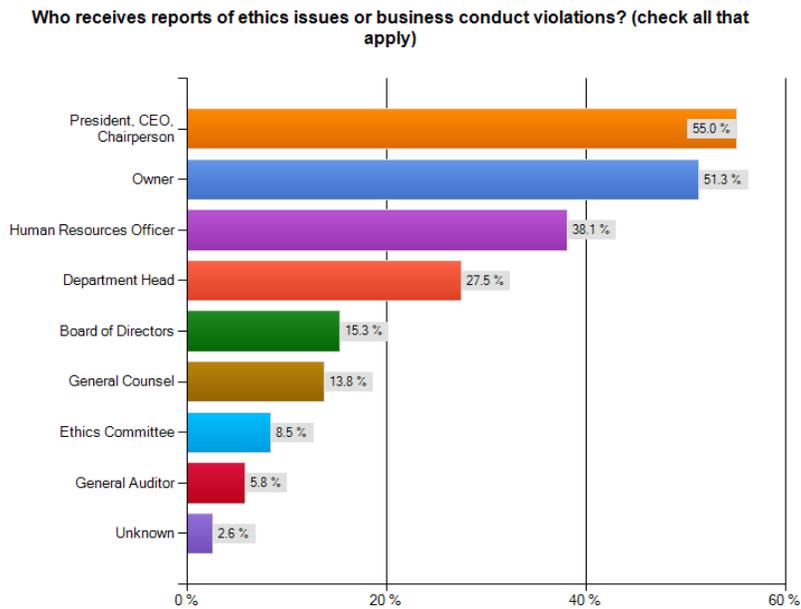
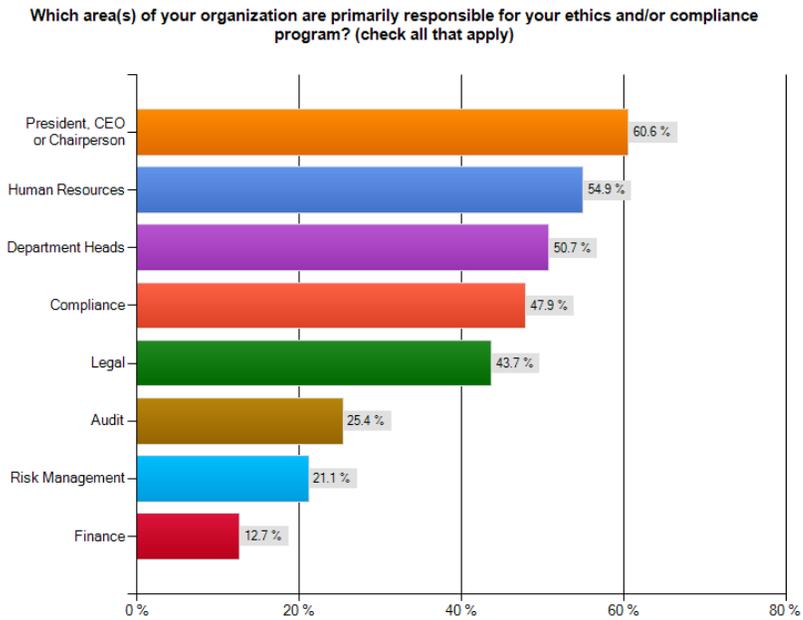
Business ethics is a collaborative process. The Omaha community is populated with dedicated professionals interested in growing Omaha and being part of its success. The Greater Omaha Alliance for Business Ethics wants to reinforce the culture of integrity in the Omaha business community by helping companies develop their special approaches to ethics and business conduct. It stands ready to work with small, medium, and large organizations to formalize their ethics initiatives. The Business Ethics Alliance will serve as a conduit for national resources, a repository of organizational ethics materials, and host programs that enlighten and engage the business community on the structures, benefits, and measures of comprehensive formal ethics and compliance programs.

2010 Greater Omaha Recommendations

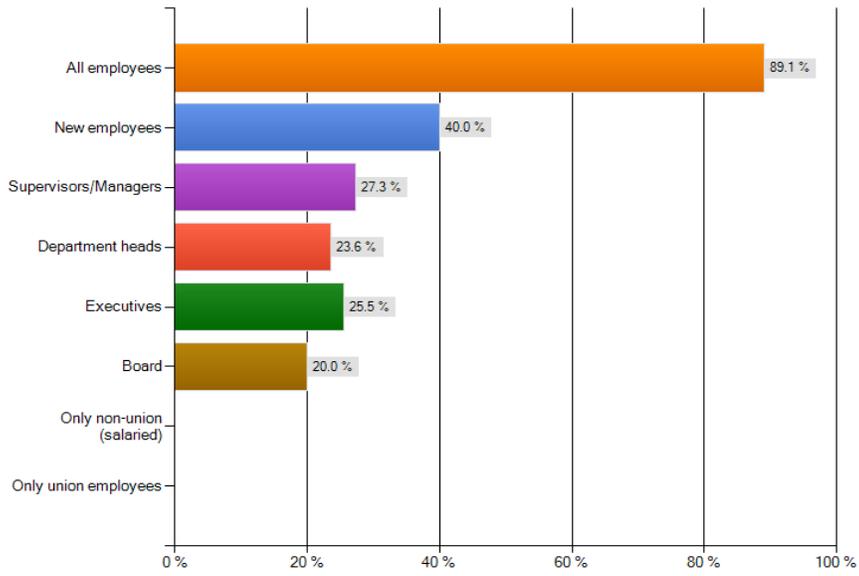
- The Ethics Resource Center's 2009 *National Business Ethics Survey* shows that ethical culture is "the single biggest factor determining the amount of misconduct that will take place in business." It is vital that Omaha organizations develop formal and/or informal mechanisms for infusing ethics across their businesses.
- Tone at the top is set by Boards of Directors. Most Omaha Directors do not see reports about their organizations ethics. Directors should seek regular information about the health of their organization's ethical culture.
- Shine a light on your organization's ethics policy. Make sure that all stakeholders regularly see it and make use of it in their everyday business dealings.
- Measurement matters. Use tried and true measures or develop innovative ways to demonstrate the value of a focus on ethics in your organization.
- Contact the Business Ethics Alliance to see how to create low cost organizational ethics and compliance programs or to learn informal tools for creating ethical organizational cultures.

Additional Findings

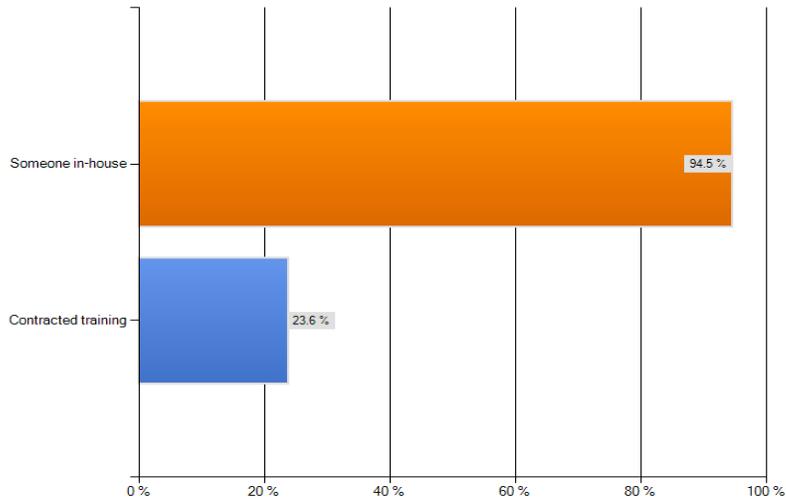
Organizations that have ethics and compliance programs need to compare their approaches to others. The following provides information for comparison and contrast. Results are reported for all organizations together – small, medium, large.



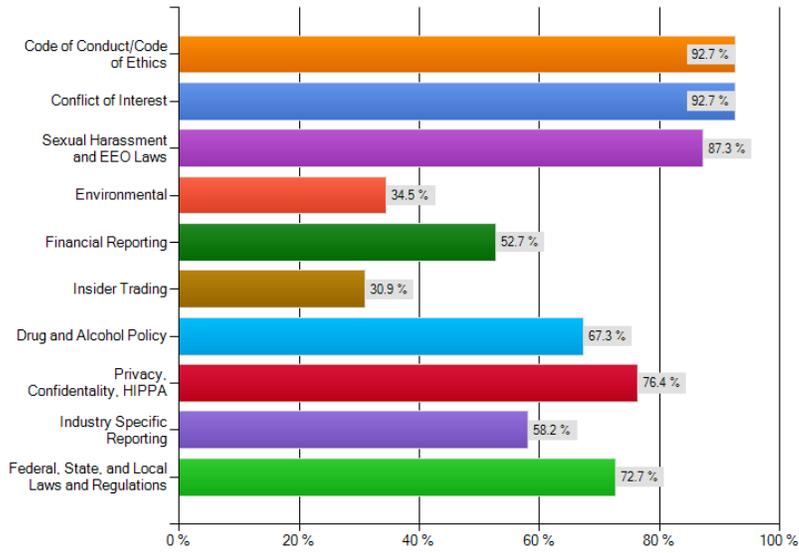
Who receives formal ethics training? (check all that apply)



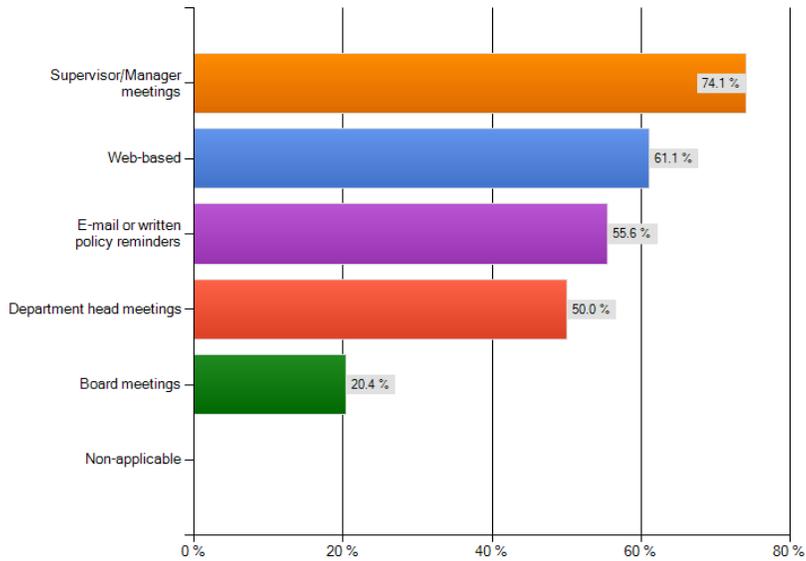
Who delivers your organization's formal ethics training? (check all that apply)



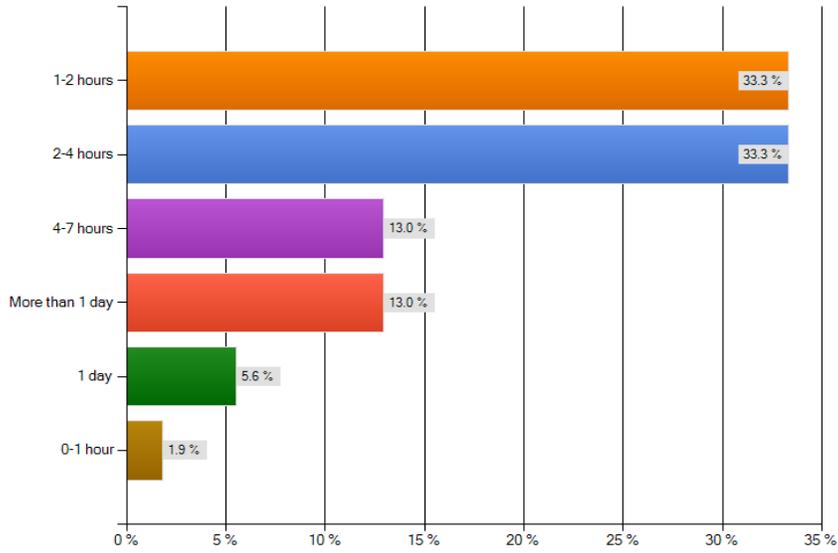
Which of the following business ethics topics do employees get trained on at your organization? (check all that apply)



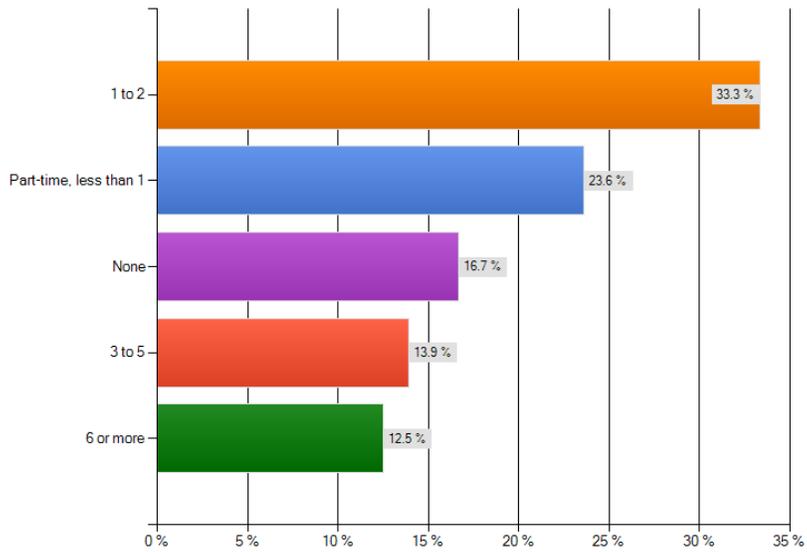
How is formal ethics training conducted in your organization? (check all that apply)



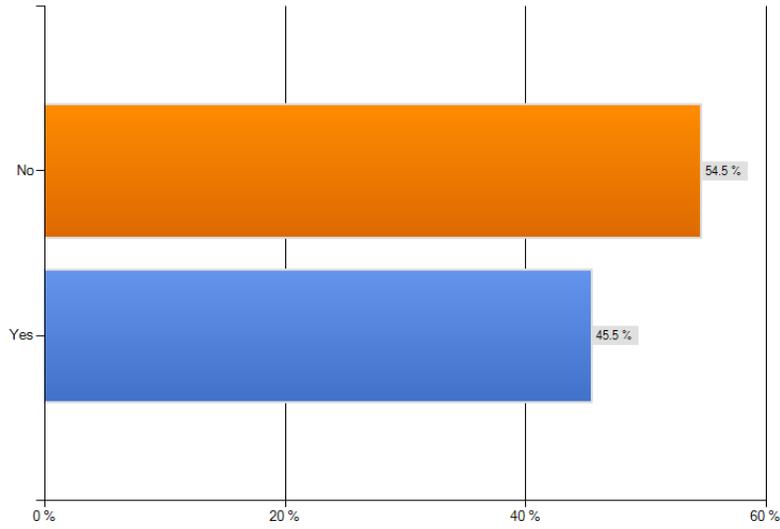
How much time do employees spend in ethics and/or compliance training each year?



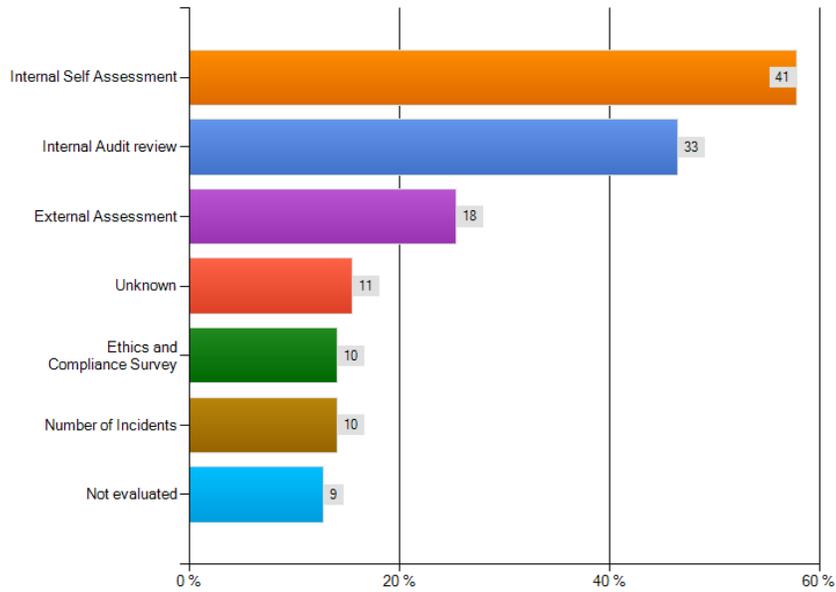
How many full-time equivalent people are assigned to manage your ethics and/or compliance program?



Do employees have to sign a code of conduct (also called a code of ethics) at your organization?



Is your ethics and/or compliance program evaluated? If so, how? (check all that apply)



Appendix I

2008 Executive Summary

Omaha Strengths identified through the 2008 Organizational Ethics Survey

■ **Strength One**

Omaha organizations strive to drive business practices by their company values.

■ **Strength Two**

Omaha organizations benefit by combining both ethics and compliance in their cultures.

■ **Strength Three**

Omaha organizations manage ethics with formal and informal approaches that fit their size and style.

Omaha Issues identified through the 2008 Organizational Ethics Survey

■ **Issue One**

There is a perceived need for greater individual responsibility and better communication in order to maintain and improve organizational ethics.

But

■ **Issue Two**

The perceived need for formal ethics and compliance programs, which improve individual responsibility and open communication channels, is low.

And

■ **Issue Three**

Essential components of formal ethics and compliance programs are missing in many organizations.

Omaha Opportunities identified as a result of the 2008 Organizational Ethics Survey

■ **Opportunity One**

There exist clear standards that Omaha organizations can use to develop comprehensive ethics and compliance program.

■ **Opportunity Two**

Omaha organizations will open communication channels and increase employee reporting of misconducts by implementing comprehensive organizational ethics and compliance programs.

■ **Opportunity Three**

Omaha organizations can find resources and support through involvement in the Greater Omaha Alliance for Business Ethics.

2008 Recommendations

- Awareness is the first step in any worthwhile endeavor. Greater Omaha organizations can use the results of the 2008 Greater Omaha Organizational Ethics Survey to benchmark and incorporate best practices in ethics and compliance.
- Greater Omaha organizations should celebrate their ethical strengths. Organizations believe that values matter. Organizations believe that following the law matters. Ethics is incorporated into organizations in ways that speak to organizational size constraints.
- Omaha organizations should focus on communicating their ethical beliefs to their employees and all other stakeholders. Though communication is a recognized need, there is a lack of understanding of the power of formal communication systems. Omaha organizations need to develop written ethics statements, provide ethics training for their employees, and provide the mechanisms that allow employees to ask ethical questions and report illegal and unethical business practices. These communication systems are not “one size fits all” and should be suited to the size of each specific organization.
- By embracing a community wide commitment to business ethics excellence and corporate citizenship, Omaha organizations can enhance their reputations and drive their long-term stability.

Appendix II

Standards for developing comprehensive ethics and compliance programs.

According to the Federal Sentencing Guidelines for Organizations 1991 and revised in 2004, there are seven minimum requirements for a comprehensive formal ethics and compliance program:

1. Written ethics standards
2. High level person is in charge of the program, resources to implement it, responsibility for ethics throughout the organization
3. Due diligence in hiring and promoting personnel to positions with authority
4. Ethics training programs
5. Mechanisms for monitoring, auditing, and reporting misconduct, including periodic measurement of program effectiveness
6. Consistent enforcement of ethics standards, including appropriate discipline
7. Reasonable steps to avoid further misconduct upon recognition of ethics violations

The ERC 2007 Survey notes that employees include the following two elements for a comprehensive formal ethics and compliance program:

8. Mechanism for seeking ethics advice
9. Assessment of ethical conduct is a part of employee performance evaluations

The Federal Sentencing Guidelines for Organizations in 1991 and revised in 2004 *encourages* companies to have formal programs. The Sarbanes-Oxley Act of 2002 *mandates* public companies to disclose whether they have a code of ethics for their principal executive, financial, and accounting officers; to have a mechanism for reporting misconduct anonymously; and discipline employees who violate the law.