The number of public and private sector organizations with ethics programs is increasing rapidly. Yours may already be one of them, or it may be considering the pros and cons of creating a formal ethics program. This article provides lessons learned about how to measure the ethical climate in your organization, based on experience at Human Resources Development Canada (HRDC).

Why have an ethics program?

There are many reasons why organizations choose to put such programs in place. In a survey of companies in 22 countries, Ronald E. Berenbeim concluded that there are four types of justification:
- **Instrumental**: programs lead to bottom-line success.
- **Compliance**: programs proscribe certain specific behaviours.
- **Stakeholder commitment**: programs lead to better relationships with clients.
- **Values**: programs lead to a broad range of better behaviours and decisions.

There is evidence those organizations viewed as being ethical have greater loyalty among both clients and employees. This can pay off in increased profits for private sector corporations and in improved public trust for public sector organizations. Chart A illustrates the relationship between employee loyalty and ethics found in a series of recent surveys by Walker Information Inc. As can be seen readily, loyalty is more likely to flourish in organizations with a strong perceived ethical climate.

It is not surprising, therefore, that organizations are paying increasing attention to ethics – good ethics just makes good business sense.

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2. Jeff Marr and James Martin, Presentation to the conference on Integrity in the Workplace, Conference Board of Canada, Toronto, May 1999.
**Why assess the ethical climate?**

For organizations with an ethics program, it is important to know the answers to questions such as:

- Do employees understand the organization’s values; the dos and don’ts; the consequences of their actions?
- Are employees aware of and understand the ethics program, in particular how it can support them?
- Do they understand how day-to-day decisions align with organizational values?
- What implementation problems are there for the ethics program?
- Are there early warning signs that things are going off track?

For organizations with no formal ethics program, it is still important to have assurance management is creating an atmosphere that will:

- encourage employees to exhibit ethical behaviour;
- ensure staff understand the organization’s values and operating principles; and
- minimize the risk the organization can get in trouble because of employee behaviour.

Your organization may be one that can benefit from assessing its ethics climate.

**Developing measures**

To develop appropriate measures of the ethical climate, a simple six-step process is suggested.

1. What do you hope to achieve? Make sure you know why you want to assess the ethics climate:
   - to identify problems;
   - to determine how you stack up to other organizations; or
   - to measure progress.

2. Review your context. Do you want to evaluate an established ethics program? Or are you concerned about the “tone” of the organization?

3. What do you want to focus on and why? Possibilities include:
   - employee understanding of current issues and challenges, existing support mechanisms, stated organizational values, ethics codes, or learning tools;
   - prevalence of leadership practices such as ensuring regular and open communications or empowering staff;
   - perceived incidence of particular (un)ethical behaviours; or
   - employees’ judgement of the adequacy of mechanisms designed to support them.

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4. What instruments do you want to use? Measuring aspects of the ethical climate often involves use of employee or client surveys. Alternatives include focus groups, personal interviews or administrative data (e.g. on incidence of employee theft, client complaints, or the organization’s legal problems). If you already have tools to diagnose your organizational health, measures of the ethical climate can be embedded in or at least linked to them.

5. Determine precisely what survey, focus group, or interview questions are best? An example from HRDC is given below, but there are many sources of good ideas. One which is easily accessible is the Ethics Resource Center’s Ethics Effectiveness Quick Test, available free of charge on the web at www.ethics.org.

6. Finally, test and retest as often as necessary any instrument or set of questions you use. Make sure that staff or clients understand them.

Some advice -- get professional help either from inside or outside your organization. They can save you a lot of time, money and effort. Further, they can help assure staff and clients of anonymity if you decide to use survey techniques.

**HRDC’s experience with and benefits from measurement**

It should not be surprising that Internal Audit focuses on the ethical climate. Ensuring a clear and shared understanding of an organization’s ethical values – and management’s demonstration of its commitment to them – is well recognized as the single most important aspect of management control.

In HRDC, we have been assessing the department’s ethical climate for the past three years. Our main tool is an ethics module in a much larger 100-question survey (managed for us by Decima Research Inc.) focused on organizational health.

This survey serves two primary purposes: providing insight into our department’s operating environment; and measuring trends regarding what is working well and what isn’t. Senior managers have benefited from this information on department-wide issues of management control and leadership.

In 1996 HRDC issued a statement of organizational values. Now we are developing a formal ethics program. Previously, therefore, the focus of our questions on ethics was not on program effectiveness but rather on general management practices that would affect ethical behaviour. Box A lists the specific questions in the ethics module of the Decima Survey.

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Box A: Current Ethics Module

1. Management in my office consistently demonstrates a commitment to the importance of ethical behaviour.
2. Employees in my office can report unethical behaviour in the workplace without fear of repercussions to themselves.
3. If an employee raised a concern about unethical behaviour, I believe there would be an open discussion of that concern in my office.
4. Employees in my office make sure that taxpayer money is spent wisely.
5. Employees in my office would not hesitate to report unethical behaviour if it were to occur.
6. There have been occasions in the past when I could have benefited from independent advice on how to deal with unethical behaviour in the workplace.

Responses are rated on a five-point scale, ranging from strongly disagree to strongly agree.

In each of the three years surveys were conducted, more than eleven hundred responses were received. From this massive data source, we statistically validated the relationship between good communication processes (open and regular communication in particular) and leadership index scores.

In turn, there is a significant relationship between leadership variables (such as perceived fairness, good decision-making, openness to staff suggestions) and positive scores on both ethical questions and more traditional indicators of organizational health, such as employee morale and job satisfaction. Chart C illustrates these relationships.

Internal Audit has also used other approaches to assess the ethical climate. In one study, focused on practices that would promote good ethical behaviour, we benchmarked ourselves against the framework proposed by the Organisation for Economic Cooperation and Development for national public services (see their web site www.oecd.fr). It was clear from this exercise that work was needed to create the right support mechanisms for employees.

Results and Future Steps

There has been a positive senior management response to these assessments of the ethical climate. While not the sole driving force for taking action, senior management has put greater effort into establishing a formal ethics program, taken a number of specific
actions to improve communication processes, and improved training opportunities for both staff and managers. Results have been seen in the positive trend in many of the organizational health indicators in our survey.

As the ethics program moves forward, we anticipate re-focusing our measurement efforts on the effectiveness of this new program, and new questions have already been focus group tested but not tried out in practice.

Senior management recognizes culture change takes considerable time. It will be a while before we can be fully satisfied. Nevertheless, there is confidence the effort the department is making will lead to a better organization, which will ultimately lead to improved services to Canadians and ensure that we maintain the public’s trust.