ETHICALSYSTEMS.ORG
Business Integrity Through Research

Corporate Culture Report For

Brown Cat Construction

Building, Renovating, Construction Site Preparation

Brown Cat Construction, Inc.

Executive Summary

Total Survey Responses: 273
Staff Levels: 214 employees, 43 managers, 13 executives. Three people did not indicate their level.
Offices: NYC: 201; San Francisco: 28; Prague: 27; Paris: 12; and Hong Kong: 4. There were no responses from Melbourne. One person did not indicate their location.

The survey results suggest that Brown Cat Construction ("Brown") has a strong ethical culture. On all of the positive traits we measured, the means were quite high. On the negative traits, the means were low, including – crucially – reports of having observed improper or unethical behaviors.

We found the highest agreement among employees on these items: the firm is committed to ethics, people trust the firm and each other, and individuals are aware of ethics in everyday decision-making.

The most impressive evidence of a strong ethical culture is that there were essentially no differences in reports from executives and managers (analyzed together as one group) and other employees. We also found an absence of group differences when we compared responses across the different functional areas (Client Advisory, Technology, or Internal Services) of the

company, and across the different offices. Regardless of how we sliced the data, Brown employees share the view that Brown has a strong ethical culture.

Full Analysis

1. *Components of an ethical culture*

Organizational culture, defined as the shared values, beliefs, and assumptions that energize and motivate employees, exerts a strong influence on organizational outcomes. One important component of organizational culture is ethical culture, which can be viewed as emerging from the interplay between formal (e.g., codes of ethics, training efforts) and informal (e.g., peer behavior, norms concerning ethics) systems that potentially enhance ethical behavior among employees.[1]

A culture that supports ethical and trustworthy behavior enhances a variety of employee and organizational outcomes. Empirical studies have shown that ethical culture enhances job satisfaction and organizational commitment, and that it decreases employee turnover intentions.[2]

The goal of the Ethical Systems Culture Survey is to help executives and managers understand employee perceptions of the firm's culture with respect to various behaviors that researchers believe constitute an ethical organizational culture.

Appendix 1 provides a list all of the questions we asked employees at Brown, grouped by component. The table below provides definitions for each component of an ethical culture, providing context for the research rationale:

Positive Components of an Ethical Culture	
1. Organizational Commitment	The strength of an individual's identification with and involvement in a particular organization, including their likelihood to remain working for that organization (Porter et al., 1974, p. 604)
2. Speak-up Culture	Whether employees feel empowered to share their ideas, opinions, and concerns (Morrison & Milliken, 2003)
3. Ethical leadership (Supervisor & Executive)	The demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making (e.g., Brown, Treviño, & Harrison, 2005)
4. Trust in the company	Willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other part (e.g., Mayer, Davis, & Schoorman, 1995)
5. Empathy	Being able to understand what others feel, be it an emotion or a sensory state (Singer et al., 2010)

6. Benevolent Ethical climate	The reasoning process by which ethical decisions are made and the focus of the ethical reasoning that identifies the scope of ethical issues under consideration (Victor & Cullen, 1988)
7. Efficacy	The capacity for producing a desired result or effect (e.g., Schwartz, 1973)
8. Ethical decision making	The process of evaluating and choosing among alternatives in a manner consistent with ethical principles (e.g., Bazerman & Moore, 2012)
9. Ethical awareness	The willingness and ability to identify ethical contexts and dilemmas; critically examine, assess, and/or change one's own ethical values; and examine the implications of one's own behavior for the lives of others (Williams Institute for Ethics & Management, 2008)
10. Fairness	Whether resources are allocated fairly, decisions are made in fair ways, and employees are treated fairly in the organization (e.g, Folger & Konovsky, 1989)
Negative Components of an Ethical Culture	
1. Abusive supervisor climate	The extent to which their supervisors engage in the sustained display of hostile verbal and nonverbal behaviors, excluding physical contact. (Tepper, 2000: 178)
2. Self-interested ethical climate	The prevailing perceptions of self-interested organizational practices and procedures that have ethical content
3. Observed misconduct*	The survey question asked "over the past year, how often have you observed violations of organizational policies and codes?"
4. Overall misconduct*	Respondents are asked to rate the frequency with which they observed specific types of misbehaviors in the workplace (Appendix 1 lists all the misbehavior types we surveyed). Figures 1, 2 and 3 provide a *composite* score mean for all the misconduct types.

All responses were made on a Likert Scale from 1 to 7:
   1=Strongly Disagree;
   2=Disagree;
   3=Slightly Disagree;
   4=Neither Agree nor Disagree;
   5=Slightly Agree;
   6=Agree;
   7=Strongly Agree

*The misconduct questions ask about *frequency* of observed misconduct, the scale is from 1 to 7:
   1=Never;
   2=Very Rarely;
   3=Rarely;
   4=Occasionally;
   5=A Moderate Amount;
   6=Frequently;
   7=Very Frequently

Based on the survey responses, Figure 1 presents the mean for all the Culture Components. Figure 1 shows that for the positive components of an ethical culture **all surveyed**

means are consistently high, indicating that a strong ethical culture exists at Brown. The lowest mean was 5.00, for Speak-up Culture, indicating that employees "slightly agree" with the questions asked. This could indicate an area where Brown has room for improvement. But it could also result from the general perception that people don't speak up that much because there is not that much to speak up about. We cannot say; we merely note that "speak-up culture" was the lowest rated aspect among highly rated aspects of Brown's ethical culture.

On the negative culture components (the four components at the bottom of Figure 1) we hope to see low values because the questions ask for employee perceptions of behaviors generally considered to be unethical (e.g., self-interested behaviors and observations of misconduct). All four means are indeed low, further suggesting a strong ethical culture at Brown. The highest of these four means was for "self interested ethical climate" component. This mean was 3.37, which corresponds to "slightly disagree". This mean was pulled up near the midpoint by response to the item that asked: "People in my department are very concerned about what is best for them personally." Employees "slightly agreed" with that statement. But it would take a company full of saints to elicit strong disagreement with that item. The other two items that went into the component elicited lower scores, especially "People around here are mostly out for themselves" which elicited a mean score of 2.38 (closest to "disagree").
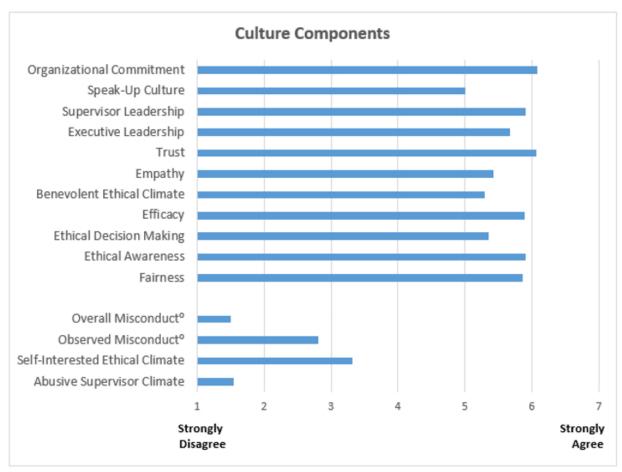

Figure 1
Ns range from 144 to 263
º on these two items, the response scale was 1= Never to 7= Very Frequently

2. *Perceptions of ethical culture <u>by company status (seniority)</u>*

Status, (respect, admiration, and esteem in the eyes of others) and power (asymmetric control over valued resources in social relationships) have important organizational implications.[3] When not managed well, they breed resentment and unethical behavior.

Both power and status can create formal (e.g. job titles) and informal hierarchies (e.g., respect) in the workplace. An employee's experience of status can facilitate pro-social behaviors, including helping, cooperation, giving advice, and interpersonal justice. The experience of power (rather than status) tends to be associated with more negative ethical outcomes; "all power corrupts," said Lord Acton. That may be an exaggeration, but power can liberate action, enabling power holders to act on their own goals and interests.[4] In such cases, we would expect to find big discrepancies in perceptions of ethical culture when we contrast those high and low in power.

To analyze this dynamic at Brown, we asked survey respondents to indicate whether they are an "employee", "manager", or "executive." The following is the breakdown by seniority of the total of 273 respondents: 214 employees, 43 managers, 13 executives, and 3 who did not indicate their seniority. Because of the low number of executives (13 is not enough to give us reliable statistical comparisons) we merged managers and executives together into one category ("Manager/Executive") for all subsequent analyses.

Figure 2 (Means, by Seniority) and the corresponding table in Appendix 2 present the perceptions of company culture based on the respondent's seniority within the company. Analyzing the difference in means between employees and managers/executives for each construct shows whether Brown's managers/executives experience and perceive Brown's culture differently than its non-managerial employees. Our findings indicate that they do not.
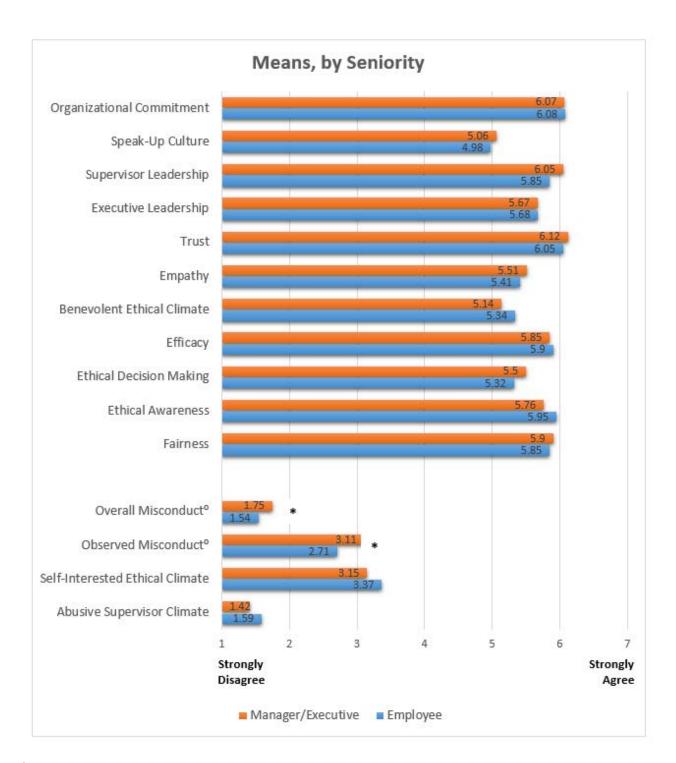
Figure 2
Notes: Ns for employees range from 109 to 206
Ns for managers/executives range from 35 to 57
*indicates statistically significant difference, p ≤.05
[o] on these two items, the response scale was 1- Never to 7- Very Frequently

Among the components of an ethical culture, in only one area did the responses of managers/executives differ significantly from employee responses, and that was with respect to perceptions of overall and observed misconduct.   As Figures 2 and 3 indicate,[5] both groups perceived very low levels of misconduct -- a rating of 3 indicates that they "rarely observed" the

misconduct in question – although there was a statistically significant difference in observations of misconduct based on seniority, which we address below. (We note that when using the simple statistical tests we use here – multiple t tests – we expect to find a significant difference once out of twenty times, just by chance. So we do not place much importance on the very few findings of statistical significance that we report in our tables. Rather, we use these simple statistical tests to draw our attention to the largest differences. The size of the differences is often so small that even if it is "statistically significant" that does not mean that it is a "significant" issue or problem for the organization.)

The survey asked respondents to indicate their perceptions of misconduct at the firm both at a general level (defined as "observed misconduct" in the graph), and also in response to a specific list of types of misconduct they may have observed in the business ("overall misconduct" in Figure 2 provides a composite score). Figure 3 (and corresponding Appendix 3) provides the list of misbehavior types, and the frequency of respondent's observations of each item.

Managers/executives perceived a (statistically significant) higher level of observed misconduct than the employees (3.11 compared to 2.71) and overall misconduct (1.75 compared to 1.54) – despite the significant difference, the managers/executives still perceive that misconduct rarely occurs. Please keep in mind that the respondents are likely indicating their perception of misbehavior *at the firm overall*, not necessarily among their own rank.

We conducted further analysis on which misbehavior types managers stated they observed more frequently.[6] There were three circumstances in which the differences between employees and managers/executives were statistically significant (see Appendix 4 for the complete data table):

- Calling in sick just to take the day off
- Misuse of on-the-job-time
- Claiming credit for someone else's work

These variations based on the respondent's seniority could be due to the fact that managers/executives are generally in a position to observe more behaviors at the firm because their role enables them to be involved in more projects and issues. They are also more likely to be the recipient of reports about observed misbehaviors, given their seniority.

Inversely, it could mean that managers have a biased perception of misbehavior among more junior employees and are overestimating the frequency of misconduct at that level. Correspondingly, it could mean that non-management employees are underestimating their perception of misbehavior at the firm. Brown could consider further inquiry to determine why this variation in perception exists, keeping in mind that the observations of misbehavior are very rare. For example, it could be helpful to determine whether respondents are observing misbehavior among their own rank, or among those who are more senior or junior to them.

The alignment and consistency of perceptions of culture across the firm's hierarchical structures further suggests that Brown has an ethical culture.
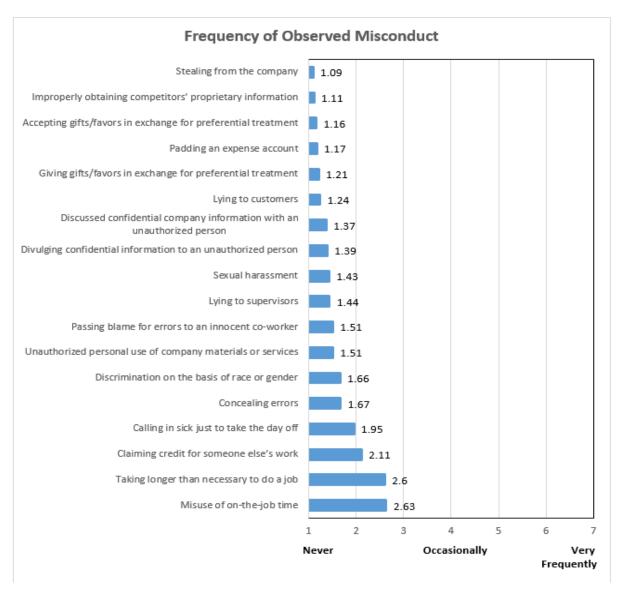
Frequency of Observed Misconduct

Misconduct	Mean
Stealing from the company	1.09
Improperly obtaining competitors' proprietary information	1.11
Accepting gifts/favors in exchange for preferential treatment	1.16
Padding an expense account	1.17
Giving gifts/favors in exchange for preferential treatment	1.21
Lying to customers	1.24
Discussed confidential company information with an unauthorized person	1.37
Divulging confidential information to an unauthorized person	1.39
Sexual harassment	1.43
Lying to supervisors	1.44
Passing blame for errors to an innocent co-worker	1.51
Unauthorized personal use of company materials or services	1.51
Discrimination on the basis of race or gender	1.66
Concealing errors	1.67
Calling in sick just to take the day off	1.95
Claiming credit for someone else's work	2.11
Taking longer than necessary to do a job	2.6
Misuse of on-the-job time	2.63

Scale: 1 = Never, 4 = Occasionally, 7 = Very Frequently

Figure 3
Ns range from 240 to 245

3. Perceptions of Ethical Culture <u>by Functional Area</u>

We conducted additional analysis on the variation in perceptions of ethical culture across functional areas. Of the 273 respondents, 145 worked in client advisory, 66 worked in technology, and 60 worked in internal services. Two respondents left this answer blank.

A series of one-way ANOVAs[7] were conducted to determine if there were any significant differences in perceptions of ethical culture between the different functional areas. Overall, the findings disaggregated by functional area demonstrate consistency and alignment of perceptions of ethical culture across Brown's three business functions. Figure 4 (Means, by Functional Area, and corresponding Appendices 5 and 6) represents the average perceptions of each component by functional area, and the differences across functions):
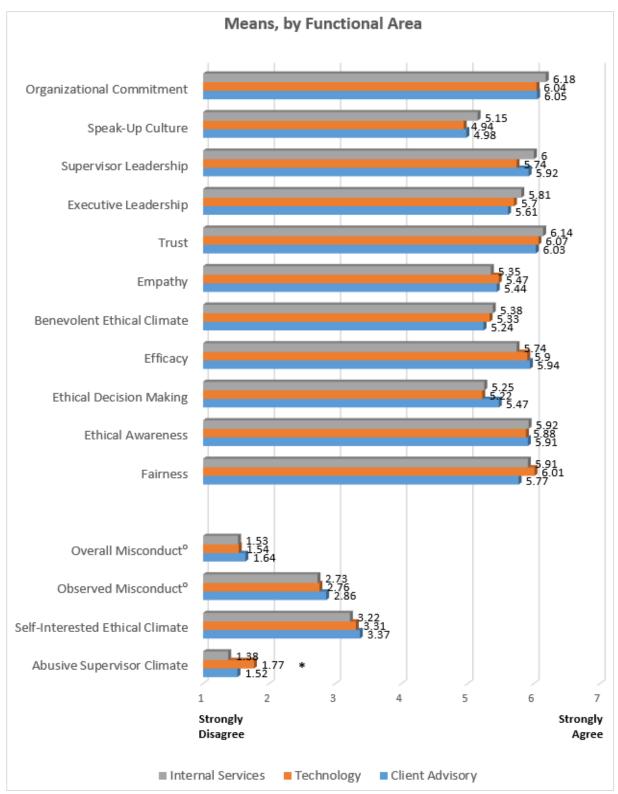
Means, by Functional Area

Functional Area	Internal Services	Technology	Client Advisory
Organizational Commitment	6.18	6.04	6.05
Speak-Up Culture	5.15	4.94	4.98
Supervisor Leadership	6	5.74	5.92
Executive Leadership	5.81	5.7	5.61
Trust	6.14	6.07	6.03
Empathy	5.35	5.47	5.44
Benevolent Ethical Climate	5.38	5.33	5.24
Efficacy	5.74	5.9	5.94
Ethical Decision Making	5.25	5.22	5.47
Ethical Awareness	5.92	5.88	5.91
Fairness	5.91	6.01	5.77
Overall Misconduct°	1.53	1.54	1.64
Observed Misconduct°	2.73	2.76	2.86
Self-Interested Ethical Climate	3.22	3.31	3.37
Abusive Supervisor Climate	1.38	1.77 *	1.52

Scale: 1 = Strongly Disagree to 7 = Strongly Agree

Figure 4
Ns for client advisory range from 79 to 139
Ns for technology range from 34 to 65
Ns for internal services range from 30 to 58
*indicates statistically significant difference, $p \leq .05$
° on these two items, the response scale was 1- Never to 7- Very Frequently

The data shows only one statistically significant difference based on the respondent's functional area. Specifically, Technology staff perceived a greater abusive supervisor climate (1.77) compared to internal services staff (1.38). Overall the supervisor climate within the Technology division is positive (a score of 1 indicates that the respondent *strongly disagrees* that their supervisor is abusive), although given the noted statistical difference in Technology compared to Internal Services, we further explored how the scores within each division were distributed.

There were a total of 66 respondents from Technology. Of those 66 respondents we were able to compute mean scores for abusive supervisor climate for 59 of them. Of these 59 respondents, 29 indicated that they strongly disagree that their supervisor is abusive (a mean score of 1.00). For 24 respondents, the mean ranged from 1.00 to 3.00, still low. The remaining six respondents had higher scores--above the scale midpoint of 4.00 -- and of these, two were above 5.00 (*slightly agree*). Five of these six respondents were from the NYC office. (See Appendix 7 for charts representing these distributions). In contrast, only 1 respondent from the Client Advisory function had a mean above 4.00. No respondents from the Internal Services division reported a mean above 4.00.

As background on this topic, the research defines abusive supervisory behavior as the extent to which employees view their supervisors engage in the sustained display of hostile verbal and nonverbal behaviors, *excluding* physical contact.[8]   Some typical abusive behaviors include: ridiculing subordinates, giving subordinates "the silent treatment," invading subordinates' privacy, making negative comments about the subordinates to others (see Appendix 1).

Abusive supervisory behavior can be a critical source of injustice for some companies, having serious implications for the organization and employees. Researchers have found that abusive supervision behavior is associated with lower job satisfaction, lower organizational commitment, lower organizational citizenship behavior, higher interpersonal conflict, and greater psychological distress.[9]

Overall, there is little evidence that Brown's employees perceive an abusive supervisory climate. Of the total respondents, 251 answered the questions addressing abusive supervisory behavior and a majority (129, 51.39%) indicated that they *strongly disagree* that their supervisor is abusive (a mean of 1.00). In total, 83.66% of respondents reported little to no experience with abusive supervisor behavior (indicating they *slightly disagree* that their supervisor is abusive, a mean of 3, or below). These findings suggest that there may be one localized problem – perhaps caused by one or two problematic supervisors--concentrated within the Technology function at NYC, as described above. (We cannot say whether the problem was caused by an abusive supervisor; we can only say that some employees in that one part of the company perceive there to be a problem.) There is no evidence of any systematic abusive supervisor behavior in the Technology function, or at the firm.

We also analyzed whether there were any significant differences across the company's functional areas relating to observations of specific types of misconduct.[10]   The data shows that there are very few differences, and even when there were some relevant differences (described

in the table below), in all cases observed misconduct was still below 3, indicating it was *rarely observed* (see Appendix 6 for complete results):

Observed Misconduct	Perceived Difference Across Functional Areas
Discussed confidential company information with an unauthorized person	• Technology > Internal Services and Client Advisory • Client Advisory > Internal Services
Misuse of on-the-job time	• Client Advisory > Internal Services
Taking longer than necessary to do a job	• Client Advisory > Internal Services • Internal Services > Technology

We removed responses relating to observed use of illegal drugs or alcohol on the job from the reported data because we consistently received feedback from respondents (in the survey comment boxes) that this question was irrelevant, confusing, or misleading because Brown sponsors company events and social gatherings on-site, often involving alcohol, and sometimes during traditional work hours.

4. Perceptions of Ethical Culture by Office Location

We also analyzed whether there is a difference in respondent's views of Brown's culture across the various offices. Of the 273 total respondents, 201 were from the company's main offices in NYC, 8 from the office in San Francisco, 27 from Prague, 12 from Paris and 4 from Hong Kong. One person did not indicate their location.

Because the majority of respondents were from the NYC office, we first compared views of Brown's culture at NYC with all of the other offices combined. There were no statistically significant differences in perceptions of culture based on employee location. Next, we compared the NYC office with the San Francisco office and the Prague office. We performed this narrower comparison because over 90% of the respondents to the survey were from these offices. We again found no statistically significant differences in perceptions of culture based on employee location. This alignment and consistency of culture across Brown's offices is further evidence of a strong ethical culture.

5. Conclusion

The Ethical Systems Culture Survey responses suggest that Brown has a strong ethical culture. The employee responses indicated consistently strong perceptions of an ethical culture across all levels, functions, and offices. In the few areas where the data revealed potential divergence from this perspective, the results indicate that such views are not widespread, and that any problems are localized, not systemic.

Brown should feel pleased and satisfied with these results. They indicate that a commitment to ethics exists at the organization and that employees and managers have internalized this culture, trust each other, and therefore can reap the efficiencies and pleasures

of an ethical workplace. This highly ethical culture is likely to be a great boon to Brown's productivity, and to its efforts to recruit and retain talented employees

Of course, an ethical culture does not necessarily maintain itself, and problems can arise at any time, within any of Brown's subdivisions. We suggest that Brown repeat this survey, perhaps once a year, to track its progress and to detect any early warning signs that might arise. And we suggest that Brown's leadership continue to talk about the importance of ethics – and use the results of this survey – to continually signal the importance of ethics to Brown's identity and its success. We invite Brown's leadership to explore our website for ideas about how to maintain and strengthen an ethical culture. In particular, this page has advice on ethical leadership: http://www.ethicalsystems.org/content/leadership

Please contact us if you have any questions relating to the results above, or have areas of further inquiry.

Report prepared by:

Azish Filabi, CEO, (212) 992-6844, afilabi@ethicalsystems.org

Sean Stevens, Ph.D., Research Associate, sstevens@stern.nyu.edu

Endnotes

[1] Chatman & Cha, 2003; Schein, 1992; Mulki et al. 2008; Trevino et al., 1998

[2] Pettijohn et al. 2008; Valentine et al. 2011; Hunt et al. 1989; Sharma et al. 2009; Valentine et al. 2002.

[3] Magee & Galinsky, 2008

[4] Fiske, 2010; Blader & Chen, 2012; Cheng, Tracy, Henrich, 2010; Willer, 2009; Hirsh, Galinsky, & Zhong, 2011; Keltner, Gruenfeld, & Anderson, 2003

[5] For Figure 2, a series of independent t-tests were conducted to determine if there were any significant differences in perceptions of ethical culture between employees and managers/executives. A t-test is a statistical analysis of two sample means when the population mean and variance of are not known; it tests for a significant difference between the two means.

[6] We conducted a series of independent t-tests on the observed misconduct items. Company status (employee; manager/executive) was entered as the independent variable.

[7] Analysis of variance (ANOVA) is statistical analysis that tests for significant differences between more than two sample means when the population mean and variances of the distributions are not known. ANOVAs and t-tests are related, with ANOVA employed when one is comparing more than two sample means when the population mean and variances of the distributions are not known.

[8] Tepper, 2000

[9] Bies & Tripp, 1998; Ashforth, 1997; Tepper, 2000; Zellars, Tepper, & Duffy, 2002; Duffy et al., 2002; Zellars, Tepper, & Duffy, 2002

[10] We conducted a series of one-way ANOVAs to determine these differences.