

GENERATIONAL DIFFERENCES IN WORKPLACE ETHICS



Library of Congress Cataloging-in-Publication Data

ISBN 978-0-916152-23-9

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GENERATIONAL DIFFERENCES

This report was made possible in part by Raytheon Company.



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About the National Business Ethics Survey® (NBES®)

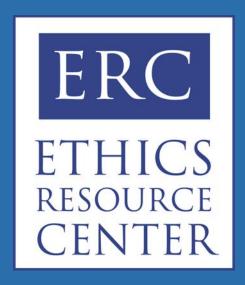
The National Business Ethics Survey® (NBES®) generates the U.S. benchmark on ethical behavior in corporations. Findings represent the views of the American workforce in the private sector.

Since 1994, the NBES and its supplemental reports have provided business leaders a snapshot of trends in workplace ethics and an identification of the drivers that improve ethical workforce behavior. With every report, ERC researchers identify the strategies that business leaders can adopt to strengthen the ethical cultures of their businesses.

For a detailed explanation of methodology and the methodological limitations of this report and demographic information on survey participants, visit http://www.ethics.org/nbes/methodology.html

To view the full report and past issues of the NBES, please visit our website at www.ethics.org/nbes.

To support the NBES or other ERC research projects, please visit our website www.ethics.org.



The Ethics Resource Center (ERC) is America's oldest nonprofit organization devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. Since 1922, ERC has been a resource for public and private institutions committed to a strong ethical culture. ERC's expertise informs the public dialogue on ethics and ethical behavior. ERC researchers analyze current and emerging issues and produce new ideas and benchmarks that matter — for the public trust.

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GENERATIONAL DIFFERENCES IN WORKPLACE ETHICS

"He's a nice kid," Jennifer told George, "but Josh doesn't understand that you work at the office and you play at home."

Jen's complaint is that Josh spends too much time online. She often sees him pulling up Facebook or Twitter on his computer, or reading a blog on The Huffington Post. Sometimes, when Jen approaches Josh's desk, he quickly minimizes the window on his computer screen, leaving Jen to wonder just what else he could be doing that he would feel he'd need to cover it up. Is he even doing work? Jen feels like she needs to teach Josh what should be done. She's made many sacrifices in a decade of work to get where she is and she's determined to bring Josh down the same path – whatever it takes.

George smiles as he listens to Jennifer vent her frustrations about Josh. He hired Jen and has watched her grow. Back then, she was irritating – always questioning, challenging all the rules, while saying she wanted to "have a life." She wasn't interested in putting in extra hours, and he wouldn't dare call her at home with a question about work. When he was coming up, he would do just about anything he could to impress the boss, but he never thought that Jennifer would do the same. Maybe, it was just that his generation, The Baby Boomers, was so competitive. He'd since discovered that Jen was okay; she just had a different way of looking at things. He wondered what Jen and Josh would think of each other (and younger colleagues) in another 10 years – if they were still working here.

Meanwhile, what Jen considers boundaries, Josh sees as stumbling blocks. He feels his contributions to the office – including screening Twitter traffic for opportunities and networking with potential business partners – are ignored and even frowned upon. He sometimes sees colleagues' posts online that make him wonder about how many people really observe the rules. Josh keeps careful notes when he sees inappropriate posts by his coworkers. He has everything on his computer. But he usually hesitates in doing something about it – after all it's a "risk" to go to someone inside the company with his concerns. He has other options, he realizes...his friends outside the company are always glad to listen, and he certainly knows of bloggers who cover his company and its competitors. So far, he hasn't determined what he should do with the information he has.



Age-based differences in perspective and complaints about other generations are certainly not a new phenomenon. Every generation has a moment (or several) when they throw up their hands and ask, "What's wrong with them? Why don't they just get it? Why are they so slow to learn?" The differences become even more important when it comes to workplace conduct, e.g., everything from appropriate use of the company credit card to gathering information on competitors to sexual harassment.

Businesses committed to high ethics standards know how important it is to create a shared sense of values and a cohesive culture rooted in integrity, where organizational values and personal values align. Strong ethics cultures rely, in part, on a clear, shared understanding of "right" and "wrong," so employees understand their responsibilities and clearly know what it means to "do the right thing." Generational differences in perspective and in work style can make the difficult task of culture-building even more challenging. When communication goes awry and cues are misread, it is easy for shared values to manifest themselves in different and even contradictory ways.

Shaped by significant events, societal trends, and the cultures of their organizations, each generation develops its own unique perspective of what constitutes right and wrong behavior on the job. Over the past few years, employees from different generational groups have participated in the Ethics Resource Center's (ERC's) National Business Ethics Survey® (NBES®) research. In this report, we revisit the data collected in the 2011 update to the NBES; examining generational groups and length of experience in the workplace in order to identify the most effective ways company leaders can encourage and support the highest standards of integrity from each generation.

How are they Distinct?

The pages that follow show very distinct differences between the generations when it comes to ethics:

- Millennials appear to observe fewer boundaries than previous generations and are more flexible about when and how to apply them. In being more open and transparent, they become more likely to discuss work activity with a wider range of people both in public and in private. Their flexibility might make Millennials more likely to engage in or tolerate behavior that many consider unacceptable. Additionally, they are the most at-risk group of the four generations, as they are more likely to observe misconduct and experience retaliation after reporting it. However, there is some encouraging news about the youngest generation. Millennials entering the workforce have shined the light more readily on misconduct than the youngest entrants in previous years. In fact, Millennials were more likely than their older cohorts to utilize the resources of ethics and compliance offices. Finally, Millennials are more likely to respond to the elements of ethics and compliance programs that include social interaction and provision of support (e.g., helplines, mechanisms for seeking advice, training).
- Generation X (or Gen X'ers) are the "bridge" cohort. They resemble the older Baby Boomers when it comes to observing misconduct and the likelihood of experiencing retaliation for reporting. But the Gen X'ers act more like Millennials in terms of reporting and feeling pressure. Overall, Gen X'ers look more

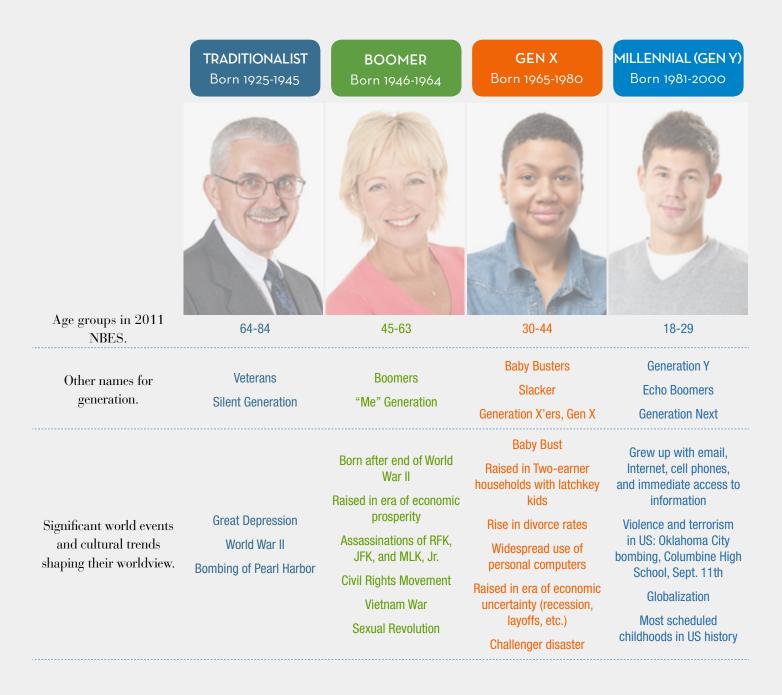
like Millennials than Boomers, most notably in the sense that they are more likely to respond to the elements of ethics and compliance programs that include social interaction and provision of support (e.g., helplines, mechanisms for seeking advice, training). They are less likely to turn to formal systems and corporate standards to help with their ethics questions, but still do so more than Boomers and Traditionalists.

Boomers and Traditionalists came of age professionally in a time before ethics and compliance offices were commonplace and/or well established. They are not as prepared to work with ethics and compliance offices to deal with a dilemma in the office as Millennials. They are not as likely to utilize the resources of the ethics and compliance office. However, Boomers are more likely to listen to management and take cues from company leaders on ethics matters. While the more experienced generations seemingly pose less risk based on their characteristics, they are more likely to make employers vulnerable to unethical conduct because of their attitudes and experiences regarding ethics and compliance programs. Boomers are most responsive to ethics and compliance program elements that involve formal systems; they are more attuned to the messages coming from people in formal positions of power, and more likely to be aware of corporate standards and systems of accountability.

Each generation perceives ethics and culture differently from the others. While companies do not have to redesign their programs to these cohorts, they would be wise to tailor their messaging so that company commitment to integrity is heard by all employees.

A Look at the Generations

Each generation comes to work with a characteristic set of skills and challenges that impact employing companies and have the potential to help or hinder relationships with managers and coworkers. The table below draws from prominent research studies and profiles of the generations, offering a portrait of each cohort, including its attributes and beliefs.



^{*} See endnotes.

	TRADITIONALIST Born 1925-1945	BOOMER Born 1946-1964	GEN X Born 1965-1980	MILLENNIAL (GEN Y) Born 1981-2000
Positive traits ascribed to this generation.	Hard work Respect authority Value loyalty	Hard-working Idealistic Committed to harmony	Entrepreneurial Flexible and self-reliant Comfortable with technology	Tech-savvy Attuned to and appreciative of diversity Skilled multitaskers
Negative traits ascribed to this generation.	Conformers Resist change	Sense of entitlement Workaholics Self-centered	Skeptical and cynical Lazy, slackers Question authority figures	Lacking basic literacy fundamentals Very short attention spans—distracted and distractible Not loyal to employing organization
Workplace attributes.	Work and family life will never meet Disciplined, pragmatic Look for stability Assume people will stay in their jobs for a long time	Belief that hard work=long hours Long-term commitment to employing organization Self-motivated Do not appreciate feedback	Desire for work-life balance, demand for flexible work schedules Less hierarchical, prefer more flexible structures Expect to have multiple employers, perhaps even multiple careers For the first time, women in workplace educated as much as men	Excellent at integrating technology into workplace Demand immediate feedback and recognition Expect to have many employers, multiple careers Accustomed to rules and regulations; prepared for them to be enforced
Attire.	Formal	Business casual (high end)	Business casual (low end)	Whatever feels comfortable
Work Environment.	Office only	Office only - Long hours	Office, home, desires flexible schedule	Office, home, desires flexible schedule
Motivators.	Self-worth	Salary	Security	Maintain personal life
Mentoring.	Not necessary	Do not handle negative feedback well	Not necessary to receive feedback	Constant feedback needed
Retention.	Loyalty	Salary	Security/salary	Personal relationship
Career Goals.	Build a legacy, a life-time career w/ one company	Build a perfect career, excel	Build a transferable career, variety of skills and experiences	Build several parallel careers, have several jobs simultaneously

Ethics and the Generations

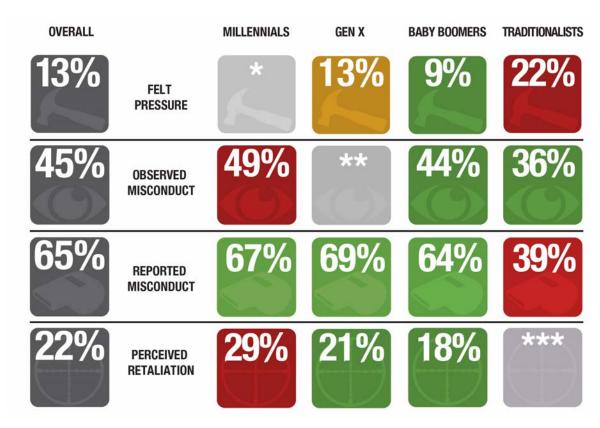
Over time the NBES research has shown that when companies establish effective ethics and compliance programs and build strong cultures, four key metrics change for the better. As a result, these "outcome measures" are key indicators for practitioners who wish to gauge the well-being of their organizations from an ethics perspective. They are also useful in identifying at-risk groups within an organization.

Overall in 2011, shifts took place from 2009, resulting in the highest highs and the lowest lows across all indicators.³ Across the country, pressure to compromise standards reached its historic high, misconduct its historic low, reporting rose to new heights, as did retaliation for having reported.

In 2011 it is also clear that certain age groups are more "at risk" than others when it comes to these metrics. The following sections detail each measure specifically, but it appears that the younger the worker, the more likely they are to feel pressure, observe misconduct, and experience retaliation for having done so.

The remainder of this section provides more detail about these outcomes and the generations.

HOW DO THE GENERATIONS COMPARE TO EACH OTHER?



Note on reading table: Colors indicate statistically significant differences between age groups for each outcome. Green indicates most favorable result;

Red is the least favorable result, and yellow is between the most and least favorable results.

^{*} Not statistically different from Gen X & Traditionalists (Millennials, 15 percent)

^{**} Not statistically different from other generations (Gen X, 45 percent)

^{***} Not statistically different from other generations (Traditionalists, 16 percent)

Pressure to Compromise Standards

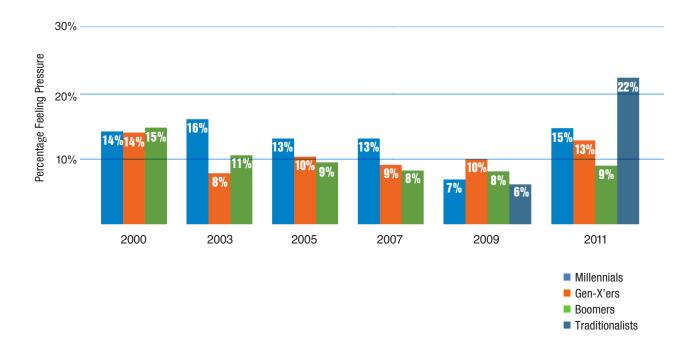
One of the most important indicators of the workplace culture is whether workers feel pressure to compromise standards. Invariably, the more pressure workers feel, the more misconduct takes place. In 2011, 13 percent of all respondents across the U.S. said they felt pressure — one of the highest numbers that we've seen since we began asking the question in the 2000 NBES. More than nine in 10 of these individuals (93 percent) who felt such pressure also observed misconduct.

When viewed through the lens of age, youngest workers were more likely than their older colleagues to feel pressured by others to break the rules in 2011.

In 2011, 15 percent of Millennials reported pressure to compromise standards, company policies, or the law; compared to 13 percent of X'ers, and nine percent of Boomers. Since 2003, in all but one year (2009), the youngest employees (18 to 29 year-olds) were more likely to feel pressure to compromise standards. Therefore, while there was variation between the cohorts, it is not clear that this year's numbers are a change or an anomaly. Given the general consistency of the data over time, we believe that the feeling of pressure eases as workers spend more time in the workforce and learn ways of coping with their work environment.

Note for this and other tables: For a detailed explanation on the actual make-up of each cohort, please see the explanation and chart on page 4, and the Note on Reading the Charts on page 34 of the Appendix.

PRESSURE SIGNIFICANTLY HIGHER FOR MILLENNIALS AND THE YOUNG (IN GENERAL)

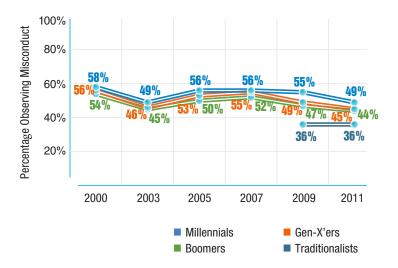


Observed Misconduct

In 2011, observed misconduct decreased to its lowest level in the history of the NBES. The biggest drop from 2009 in any group was seen amongst Millennials, with a six percentage point improvement versus four percentage points among Gen X'ers, three percentage points within Boomers, and no change for Traditionalists...

When comparing the different age groups, the differences are not great. However, more of the youngest workers historically have observed misconduct compared to their older colleagues. That pattern held true in 2011. Almost half of Millennials (49 percent) said they observed workplace misconduct or rules violations in 2011, compared to 45 percent of Gen X'ers, 44 percent of Baby Boomers, and 36 percent of Traditionalists.

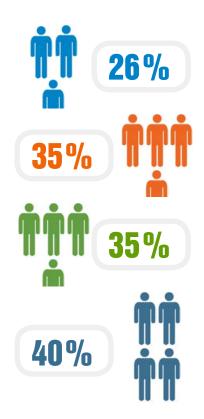
OBSERVED MISCONDUCT IS HIGHER AMONG YOUNGER EMPLOYEES



Millennials' higher rate of observation was also true for almost every specific category listed in the 2011 NBES (see Appendix, p. 32, for a list of specific forms of misconduct and the rate of observation and reporting of each). The only area where the Millennials observed significantly fewer violations was conducting personal business on company time.

Perhaps this reflects their tendency to integrate work and personal life, making them less likely than other cohorts to draw boundaries between the two.

PERCENTAGE OBSERVED CONDUCTING PERSONAL **BUSINESS ON COMPANY TIME**

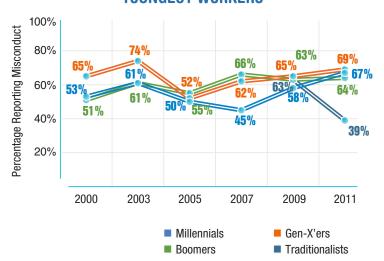


Reporting

Perhaps the most encouraging sign in the 2011 update to the NBES research was the increase in those who reported the misconduct they observed. The overall percentage of those who reported the bad behaviors they witnessed edged up to a record high of 65 percent.

More encouraging news came when we looked at who was reporting. Since 2000, the youngest workers reported at the lowest or among the lowest percentages. However, in 2011, the youngest entrants' reporting rates have risen to where they are now on par with their older cohorts, except for Traditionalists. Two-thirds of Millennials (67 percent) reported the misconduct they witnessed in 2011, up sharply from 58 percent in 2009 and a historic low of 45 percent in 2007 for the 18 to 29 age group. In other words, the data no longer show any age-related differences in this key measure. This break with the historic pattern would indicate that the substantial change in the overall reporting rate in 2011 was largely driven by Millennials. For information about what types of misconduct each generation reported, please see page 32.

REPORTING RATES RISE AMONG YOUNGEST WORKERS



There were great similarities in terms of where reporters take their concern. *At every age, employees usually report to those they know well and can trust: their supervisors.* In 2011, more than half of employees in every age group said they went to their supervisor first. Among the youngest workers, 58 percent of Millennials reported to their immediate boss. Fifty-four percent of Gen X'ers, 56 percent of Baby Boomers, and 52 percent of Traditionalists also turned to their supervisor first. The second choice for an initial report was "higher management" (ranging from 24 to 31 percent for the various age groups). Few went outside their organization with their initial complaint – four percent or fewer for every age group turned to an outside agency such as the government.

It is also noteworthy that, in comparison to other cohorts, the youngest were most likely to report to a hotline. Eight percent of Millennials chose the hotline option for their initial report of misconduct, compared to four percent of Gen X'ers and three percent of Boomers.

While the changes in the observation and reporting numbers are obvious changes for the better, with Millennials and Gen X'ers playing a large role in improving reporting numbers, there may also be unfortunate consequences. With increased reporting, there is often an increase in retaliation.

Retaliation

One of the most troubling revelations of the 2011 NBES was the surge in those who said they experienced retaliation as a result of reporting misconduct to an all-time high of 22 percent. This increase raises concerns about the general ethics climate in U.S. businesses as retaliation may dissuade some workers from reporting misconduct. A failure to report can expose businesses to greater risk because it reduces the odds that a company can identify widespread problems and address them.

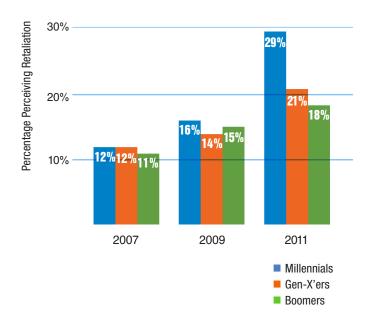
When we explored the incidence of retaliation among age groups, the finding became more troubling still. For the first time, younger workers were significantly more likely than members of other generations to feel some form of retribution. Almost three of 10 Millennials (29 percent) said they experienced retaliation in 2011, compared to 21 percent of Gen X'ers and 18 percent of Baby Boomers.

In part this increase in retaliation among Millennials may be a reflection of their increased reporting – in an earlier report,⁴ ERC found that the risk of retaliation rose in tandem with

an increase in employee efforts to report. When looking at reporting patterns by generations, Millennials are more likely to observe misconduct, and they are also more likely to report. Therefore, they are more likely to experience retaliation as well.

The higher rate of retaliation reported by 18 to 29 year-olds could also be a generational trait in line with researchers' conclusion that Millennials are more conscious of feedback than Gen X'ers or Baby Boomers. It is also possible that the difference reflects the sensitivity of new labor force entrants and relatively inexperienced workers who are nervous about job security in a weak economy and perceive retaliation where more experienced workers might not. The more this group experiences negative consequences for reporting misconduct, the less likely they are to come forward in the future. Either way, the overall and specific increases are clear signals to business organizations that they need to focus on protecting and reassuring reporters, especially younger ones.

MILLENNIAL WHISTLEBLOWERS SIGNIFICANTLY MORE LIKELY TO FEEL RETALIATED AGAINST



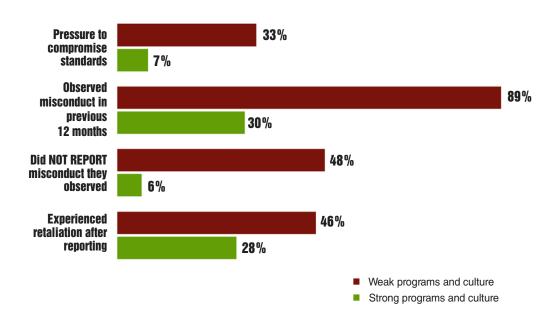
Improving the Ethical Conduct of Generations

Businesses are not powerless against the forces of generational change and the challenges faced by less-experienced workers. Companies committed to integrity can and do make concerted efforts to meet the ethics challenges they face — by putting in place robust ethics and compliance programs

and building strong ethics cultures. Past ERC research has demonstrated that strong ethics and compliance programs and strong ethics cultures mean less pressure to compromise standards, fewer observations of misconduct, higher rates of reporting, and decreased levels of retaliation against reporters.⁵

But as it turns out, ethics and compliance programs and ethics cultures influence the generations differently.

PROGRAMS AND CULTURE CAN IMPROVE WORKPLACE ETHICS



How Important Are the Rules?

Most companies center their ethics and compliance programs around a code of conduct. The purpose of the code is to identify the activities that are strictly prohibited (i.e. what employees should not do). Additionally, businesses identify values or principles to guide employees in the "grey" areas where the rules are not clear (i.e. what employees should do).

How much do these standards and principles matter to the generations? At least when it comes to the "grey" areas – the types of issues where the rules are not clear – Boomers were the least tolerant of deviations from standards and Millennials the most open to questionable behavior.

Acceptable Behaviors	Millennials	Gen X'ers	Boomers	Traditionalists
Acceptable to blog/tweet negatively about company	14%	9%	5%	1%
Acceptable to buy personal items with company credit card	15%	9%	8%	5%
Acceptable to keep copies of confidential documents	22%	18%	13%	8%
Acceptable to work less to compensate for cuts in benefits or pay	18%	13%	8%	2%
Acceptable to "Friend" a client/customer on a social network	36%	32%	24%	15%
Acceptable to use social networking to find out about company's competitors	37%	34%	27%	9%
Acceptable to upload personal photos on company network	26%	19%	15%	10%
Acceptable to take a copy of work software home for personal use	13%	11%	5%	8%

Note on reading table: Colors indicate statistically significant differences. Green indicates most favorable result; Yellow is more favorable than Red, and Less favorable than Green; and Red is the least favorable result. Light gray indicates the result is equal to all other Groups, or the groups as indicated by the subscript; M: Millennial, X: Gen X-er, and/or B: Baby Boomer.

Social networks are a particularly powerful vehicle for employees, raising a new set of situations that require interpretation of company standards. This is a new area for many companies, yet the matter of social networking further highlights the differences in generations when it comes to interpretation of the rules in "grey areas." Older workers are more likely to keep information about their work experiences to themselves. Younger workers are more likely to share information about their work experiences (both positive and negative) with others in their social networks, even though doing so is questionable when it comes to company standards. For example,

about half of Millennials said they would post positive comments about their coworkers and/or their company on their personal social networking site, whereas about one-third to less than half of Baby Boomers would make such postings.

When comparing the potential postings, it is a positive finding that all four generations are more likely to post positive events than negative events. For example, a promotion to a new job is one of the three most cited events an employee would post, while an annoying habit of a coworker is one of the three least cited events.

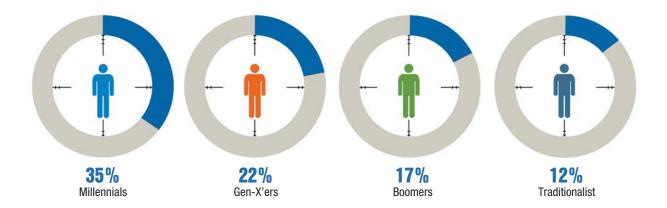
Would post the following on their personal social networking site:	Millennials	Gen X'er	Baby Boomers	Traditionalists
Promotion to new job	62%	54%	47%	35%
Annoying habit of coworker	20%	14%	4%	3% X,B
Bad joke told by the boss	26%	17%	9%	3% X,B
Work on a project	26%	19%	11%	15%
Feelings about job	40%	27%	18%	17% X,B
Positive comments about coworkers	47%	41%	35%	37%
Positive comments about company	54%	49%	45%	53%
Picture of coworker drinking	22%	15%	4%	3% X,B
Information about company's competitors	19%	12%	6%	7%
Opinion about coworker's politics	16%	11%	4%	3%

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Finally, consistent with this varying degree of tolerance for ambiguous behaviors, younger workers are significantly more willing to close their eyes to misconduct if they think debatable behavior will help save jobs. Willingness to "let the ends justify the means" seems to have a strong inverse correlation with age.

MILLENNIALS SIGNIFICANTLY MORE LIKELY TO LET THE ENDS JUSTIFY THE MEANS

Percentage of Workers Who Strongly Agree/Agree to Look the Other Way if Company did Something Questionable

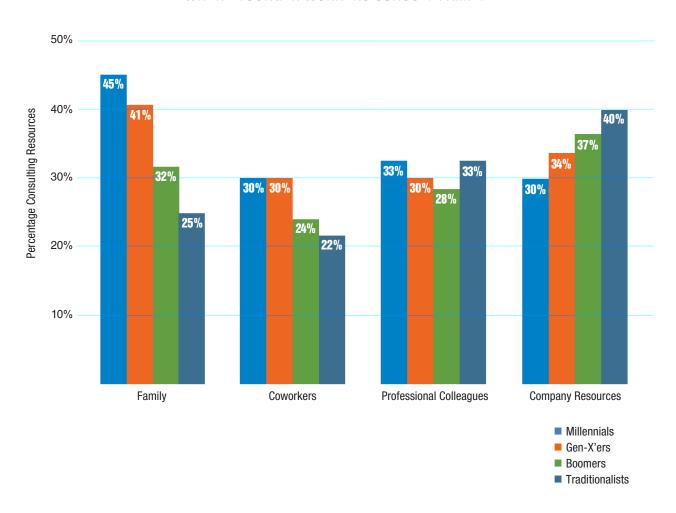


Trusted Resources

While employees' tolerance of questionable behavior is a concern for many companies, what matters even more is the extent to which employees will consult reliable resources for guidance if they don't know how to respond to these and other issues. Once again, each generation shows a different pattern

with regard to the resources they consult for guidance when they are not sure what the right thing is to do. Traditionalists and Boomers first choice is to consult more formal company channels. Gen X'ers and Millennials first choice when seeking support is to turn to their family. Traditionalists and Boomers are least willing to approach their coworkers, and much less so than Millennials' and Gen X'ers.

MORE EXPERIENCED WORKERS CONSULT COMPANY RESOURCES FOR HELP WITH WORK RELATED ISSUES, WHERE YOUNGER WORKERS CONSULT FAMILY



Similar patterns emerge with regard to the people to whom each generation considers reporting misconduct. While all generations turn to their friends and families, the extent to which

they do so varies. Additionally, Millennials and Gen X'ers are far more willing to turn to many sources beyond their ethics and compliance office. Older generations are less likely to do so.

AFTER OBSERVING MISCONDUCT, WHO DID YOU CONSIDER TELLING?

Consider Telling:	Millennials	Gen X'ers	Boomers	Traditionalists
Friends	65%	52%	41%	40% X,B
Family	65%	59%	51%	49%
Government	28%	24% M,T	14%	11% X,B
Social Networking site	21%	13%	4%	2% X,B
Traditional Media	17%	11% M,T	3%	2% X,B
Religious Leader	22%	16% M,T	9%	5% X,B
Legal Counsel	20%	21%	9%	8%
Other	6%	4%	8%	9%

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The Influence of Programs

The tendency of the generations to trust different resources further influences the role that an ethics and compliance program takes. Companies rely on programs to raise employees' awareness of:

- the standards of the organization;
- mechanisms to report misconduct;
- resources for additional help; and
- consequences for violating the code.

Perhaps because they are more likely to turn to different resources for help, different generations are more likely to acknowledge the ethics and compliance program differently as well.

All the cohorts are equally aware of program systems that provide standards, structure, and accountability, i.e., provision of standards of conduct, a system to discipline those who commit violations, and the company's stated values. However, compared to the older cohorts, the younger generations are more likely to recall the company ethics/compliance resources that offer them opportunities to receive social interaction, guidance, and support. These elements include ethics training, advice channels, reporting resources, and their management's evaluation of their ethical conduct.

Program Elements	Millennials	Gen X'ers	Boomers	Traditionalists
Standards	83%	83%	80%	84%
Training	80%	76%	74%	77%
Advice	74%	69%	63%	71%
Hotline	81%	78%	75%	72%
Appraisal	73%	69%	62%	64%
Discipline	86%	85%	83%	82%
Stated values	84%	84%	82%	87%

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When all the elements of an ethics and compliance program are combined, the most comprehensive and well-implemented programs⁶ have their largest effect on the conduct of Millennials, X'ers and Boomers. The following chart plots the trend lines⁷ for these cohorts and demonstrates the predicted impact of ethics and compliance programs on employee reporting. It is the case that the more comprehensive the corporate ethics and compliance program (containing all the elements of an effective program described in Federal Sentencing Guidelines for Organizations), and the better its implementation (the program is used in daily activities) the more likely employees in all of the generations are to report. Employees in the Boomer and Gen X generations demonstrate the expected, straightforward impact of an ethics and compliance program. Where no program elements are in place, the

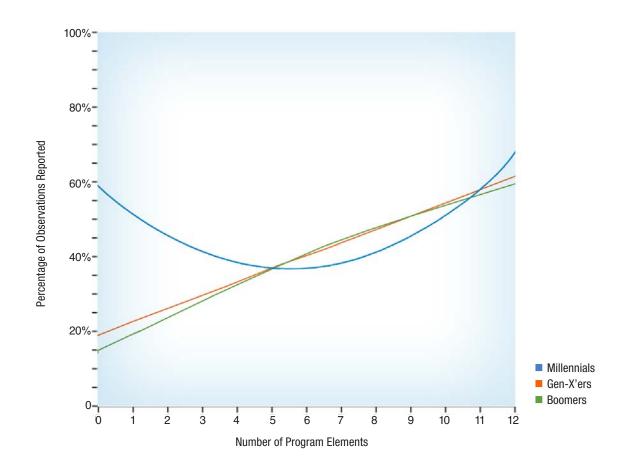
equation predicts that Gen X'ers would report only 20 percent of their observations of misconduct, and Boomers would report only 15 percent of their observations of misconduct. However, when these employees work in organizations with all 12 measures of a program present, Boomers and Gen X'ers would be predicted to report nearly 60 percent of their observations of misconduct (59 percent for Gen X'ers, 58 percent for Boomers).

Millennials possess one notable difference from the other generations when it comes to the influence of an ethics and compliance program. The model shows them to be dramatically impacted by the comprehensiveness of a program at the extremes. When this group is aware of all 12 elements of a well-implemented program, Millennials would be predicted

to report 67 percent of their observations of misconduct, compared to 59 percent when they were unaware of a program in place. Perhaps just as interesting, the lowest reporting rate for Millennials' is when they are aware of just a few (five or six) company resources regarding ethics and compliance. The model points to Millennials' heightened responsiveness to the environment around them – that is, they are more sensitive to the presence and absence of programs.

Overall, it appears that a strong ethics and compliance program drives all generations – particularly Millennials – to be more proactive in their conduct. Additionally, a weak ethics and compliance program has a chilling effect on reporting for the older cohorts.

ALL GENERATIONS RESPOND TO PROGRAMS; MILLENNIALS EXHIBIT THE GREATEST SENSITIVITY

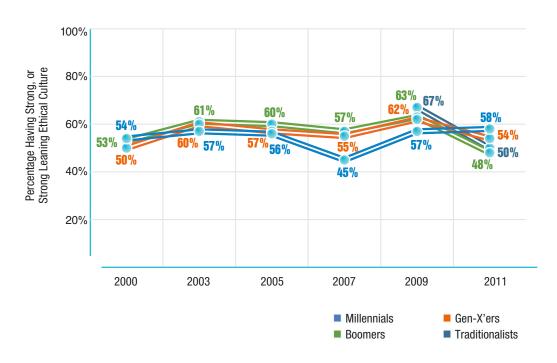


The Influence of Culture

We know from previous NBES reports that ethics cultures often shift based upon the external environment.⁸ In 2011, employees across the U.S. indicated that the strengths of the cultures in their organizations were beginning to decline.

It appears that this perception was largely driven by the generations of older workers. While Gen X'ers, Boomers and Traditionalists all indicated that cultures were weaker, Millennials indicated that their organizational cultures remained about the same.

MILLENNIALS CONTINUE TO HAVE POSITIVE VIEW OF ETHICS CULTURE, BUT OTHER GENERATIONS' VIEWS OF CULTURE DECLINED SIGNIFICANTLY



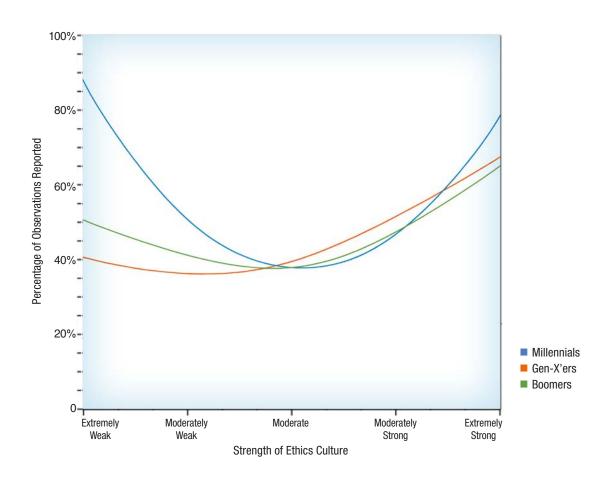
Employees in each generation seem to be different in the ways the cultures of their organizations shape their conduct. Culture is the underlying attitudes and beliefs that shape conduct in an organization. It is 'the way we really do things around here.'

The following chart plots the trend lines⁷ for the cohorts and demonstrates the predicted impact of culture on employee reporting. Consistent with the influence of programs, for the older generations, culture has the expected effect. The stron-

ger the culture, the more likely these employees are to report misconduct. In the strongest cultures, Boomers are predicted to report 64 percent of their observations of misconduct, and Gen X'ers 66 percent.

Millennials are distinct when it comes to the influence of culture. As shown in the chart below, they are most likely to report misconduct when they perceive that they work in either an extremely weak or an extremely strong culture.

REPORTING BY GEN X'ERS AND BOOMERS INCREASES AS CULTURE STRENGTHENS; WHILE MILLENNIALS MORE LIKELY TO REPORT IN BOTH STRONG AND WEAK CULTURES



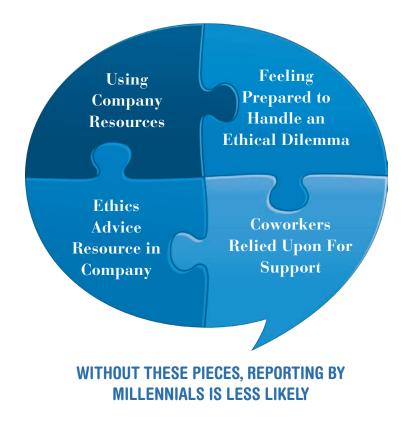
Factors that Trigger Problems for the Generations

Why are Millennials most influenced by the presence of a program, and more likely to report in strong and weak cultures? And why are Gen X'ers and Boomers more likely to demonstrate the expected patterns — reporting less when programs are absent or poorly implemented and more when a comprehensive program is in place? Some clues can be found in the factors that are present among employees who *don't* report.

Reporting is a good basis for analysis because it is behavior that an employee initiates. The act of reporting requires an employee's awareness of misconduct, recognition of company interest in receiving reports, and individual action in stepping forward. In this section, regression analysis was used to identify factors that detract from reporting. The objective was to

learn where there might be ethics vulnerabilities for each generation.

Among the youngest workers, the strongest influences in deterring reporting are both social and local in nature. When Millennials don't feel they are prepared to handle a situation calling for an ethical decision – generally the result of ineffective training – they are less likely to report misconduct. We know from past ERC studies that training is most effective when employees can interact with one another to discuss ethics matters. It is reasonable to expect that when Millennials aren't provided this opportunity for interaction, they feel less prepared and are less likely to report. Furthermore, Millennials are less likely to report when they are not aware of resources where they can seek advice on ethics issues, and they cannot turn to their colleagues around them for guidance and support.



Gen X'ers, by contrast, are less likely to report when they lack opportunities to seek advice in more formal ways or fail to connect with resources. The employees in this generation who do not report express uncertainty that there are professional colleagues from whom they would seek advice; they are also unlikely to feel encouraged by their company to seek advice from others in their company or to rely upon externally available resources. For this generation, the absence of more formal resources within their company and weak support for consulting with others contributes to their hesitation in reporting.

Using **Publicly Available** Encouraged To **Seek Advice In** Resources Uncertain For Support* Situations **Professional Colleagues** Not Relied Feeling **Upon For** Pressure Support

WITHOUT THESE PIECES, REPORTING BY GENERATION X IS LESS LIKELY

* E.G., City Government, Free Legal Aid, Online Search Results

Finally, Baby Boomers who do not report their observations of misconduct are most influenced by the signs that a program has been implemented well. Not using standards of conduct when confronting questionable activity, a lack of formal systems for incentivizing ethical conduct, not being encouraged to use formal company channels that provide guidance, and not feeling prepared seem to make the most difference. There is an additional factor that actually contributes to reporting when it is absent - tone at the top. Without messaging from senior management that doing the right thing is important, this generation will be more likely to tell someone about misconduct. It would seem that if senior management does not want to take responsibility for seeing things done right, these older, experienced workers will step in and shoulder that responsibility. Altogether it appears this group is in search of ethical leadership by management and by the company and its systems.



WITHOUT THESE PIECES, REPORTING BY BABY BOOMERS IS LESS LIKELY

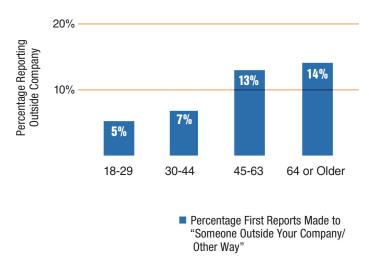
Taken together, it appears that Boomers are most influenced by the formal provision of standards and resources of an ethics and compliance program and their successful integration into their work arena as well as signs the company *is* doing the right thing, Gen X'ers are most influenced by failures in connecting with others. Millennials are most influenced by the interactions, support and guidance they get from certain elements of a program and from their coworkers. These are the same interac-

tions that are closely linked to culture. As a result, Gen X'ers and Baby Boomers are more likely to follow traditional expectations of the influence of an ethics and compliance program and ethics culture. The more comprehensive the program and the stronger the culture, the more likely these generations are to report. Millennials, however, are more likely to modify their behavior based on the presence or absence of people and resources that provide them support.

When the Different Cohorts Look Elsewhere to Report

As ERC research showed in the 2011 NBES, *Reporting: Inside the Mind of a Whistleblower*,¹¹ three percent of employees go outside of their companies and six percent go to an "other" location with their first report. A relatively small group of employees go either outside or to an "other" source with their first report. That said, there are some striking differences between the cohorts and when they decide not to report internally.

INITIAL REPORTS THAT ARE MADE OUTSIDE COMPANY OR TO "OTHERS" RISE WITH AGE

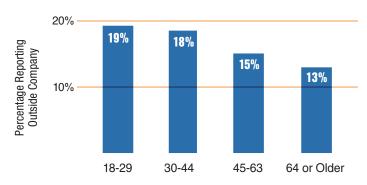


Millennials are much more likely, while older cohorts are less likely, to keep their initial reports inside the company. Among Millennials, only five percent in total initially report outside the company or to "others," but this rises steadily with age (and workplace experience) to 13 percent among Boomers and 14 percent for Traditionalists. It should also be noted that the rise

in the likelihood of reporting outside the company or to some unspecified "other" location among the older cohorts is another indicator that skepticism about programs rises with age.

However, notice what happens with Millennials and Gen X'ers when they feel they need to report for a second time. While the youngest workers were less likely to report outside the company or to "others" initially, the chances of them making a second report outside the company or to "others" jumps. Millennials went from five percent reporting outside or to "others" initially to 19 percent for their second report. This is a 14 percentage point increase in reporting outside the company or to "others" compared to the Gen X'ers (11 percentage point increase), Boomers (a three percentage point increase) and Traditionalists (a single percentage point decrease).

YOUNGEST WORKERS INCREASINGLY LIKELY TO REPORT OUTSIDE AGENCY OR TO "OTHER" WITH AN ADDITIONAL REPORT



 Percentage Second Reports Made to "Someone Outside Your Company/ Other Way" Asked what would make them take their concerns outside the company, employees in all age groups said they would be most motivated to do so if the crime were big enough. The second top motivator was a belief that people would be hurt if violations continued. The chance of financial reward was a much less powerful motivator for all age groups, though it was far more appealing to Millennials (54 percent) than to Gen X'ers (45 percent) and Baby Boomers (33 percent). This could be the result of greater financial need among younger workers (e.g., student loans, supporting a family) or a reflection of older workers being more invested in and loyal to their companies. When asked if they would consider reporting a violation to federal authorities even if it put their job at risk, all age groups were about equally likely to do so. *Approximately 50 percent of*

each age group said they would be willing to put their jobs in jeopardy in order to do what is right.

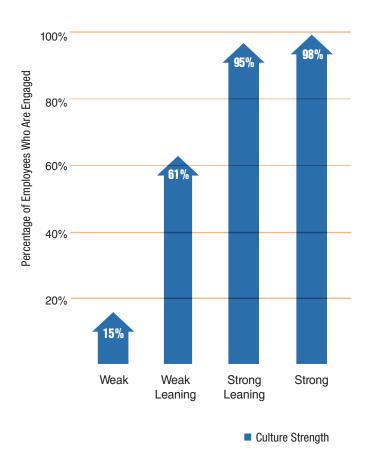
While Millennials are inclined to be more cognizant of and utilize ethics and compliance programs, financial incentives could sway them to go in a much different direction with their concerns.

However, in previous reports, NBES research showed greater connectedness, security, and investment all made employees more likely to report misconduct they observed.¹² These traits are all characteristics that are expected among older employees.

Engagement & Loyalty

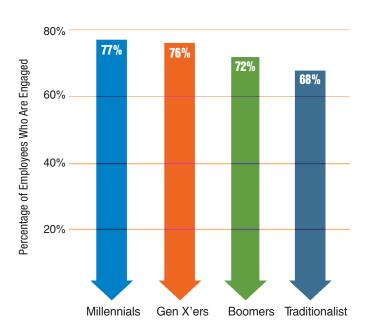
As seen in 2009 and again in 2011, the NBES reveals that employee engagement is linked to perceptions of ethics culture. When employees feel they work in an organization where ethical conduct matters, they are more likely to be engaged in their jobs.

PERCENTAGE OF ENGAGED EMPLOYEES RISES WITH STRENGTH OF ETHICS CULTURE



When it comes to generational differences, the same is true. Each generation's perception of culture influences their engagement. Millennials, who expressed the strongest perception of ethics culture, were most likely to indicate a strong level of engagement. By contrast, Boomers and Traditionalists who were more negative about their ethics cultures were also less likely to be engaged.

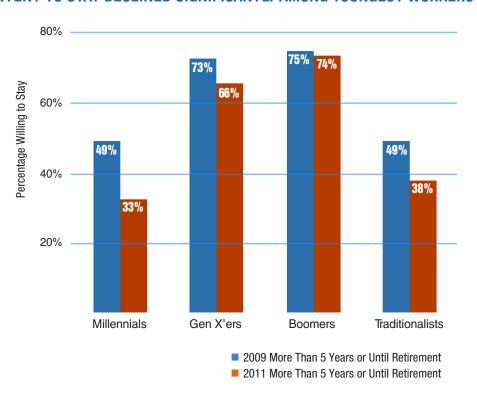
ENGAGEMENT WEAKENS WITH AGE



Bureau of Labor Statistics data show that two-thirds of workers who started a job between the ages of 18 to 24 left within a year. ¹⁰ Consequently, they are far less likely than older workers to plan a long stay in their current job — and the gap appears

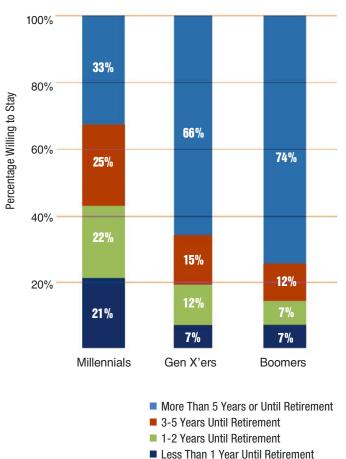
to be widening. In 2009, almost half of Millennials (49 percent) intended to stay with their company for five years or more, but in 2011 only one in three Millennials expressed a desire to commit for the long haul.

INTENT TO STAY DECLINED SIGNIFICANTLY AMONG YOUNGEST WORKERS



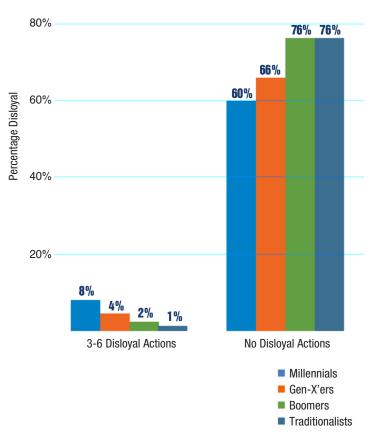
A great deal of research has also shown that younger generations of workers are less likely to be loyal to their organizations. This appeared to be the case in NBES as well. Millennials do not expect to remain in their current workplace for very long.

MILLENNIALS MORE LIKELY TO LEAVE THE COMPANY WITHIN TWO YEARS



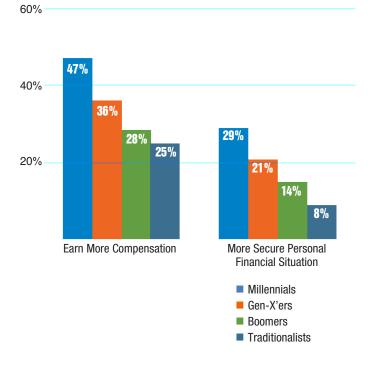
In another sign of their lack of loyalty, which is seen to build over time, Millennials are more likely to exhibit disloyal behavior. Disloyal behavior would include reporting misconduct to someone outside the company in order to collect a reward, and/or blogging negatively about their company or colleagues.

SIGNS OF LOYALTY BUILD OVER TIME

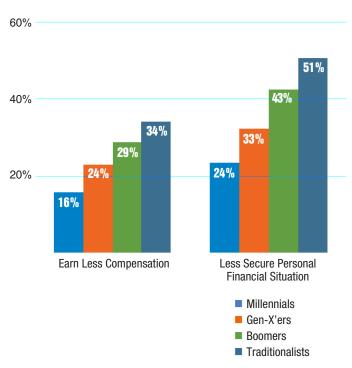


It begs the question — are Millennials not loyal to their organizations because they don't feel their organizations are loyal to them? At least in the NBES data, this doesn't appear to be the case. Compared to two years ago, of all the generations, Millennials expressed the most positive outlook with their company's provision of salaries and their personal financial security.

SUNNIER OUTLOOK FOR YOUNGER WORKERS...



...MORE CHALLENGES FOR OTHERS



It remains an area for further exploration, as this decreasing commitment is a potential concern for companies that have made significant investments in recruiting talent, cultivating job skills, and educating employees about ethics standards.

When asked how long one has been with their company, Millennials have been on the job the shortest amount of time (12 percent have been there less than one year and 53% have been there no more than two years). These quick escapes cost companies time and money. Four percent of Gen X'ers, and even lesser percentages of Boomers and Traditionalists have been with the company less than a year; and less than 21 percent of Gen X'ers, Boomers (17 percent) and Traditionalists (14 percent) have been with their company less than two years.

Recommendations

The best way to address the challenges of a workforce spanning multiple generations is to implement an effective ethics and compliance program, and build a strong ethics culture that encourages every employee to do the right thing. The challenge is to do it in a way that *reaches* and *influences* each generation.

The NBES data reveal several important insights about the generations:

- The younger the worker, the more social interaction influences their perceptions about ethics;
- The older the employee, the more hierarchy, structure and visible company commitment matter;
- Culture makes a difference for all generations, but for younger workers, culture is the sum of their interactions with other individuals, much of which interaction is with coworkers. Older workers get their cues about culture from the company's stated values, messages from the top, and their beliefs about the organization as a whole.

Business leaders do not need to redesign their ethics and compliance programs. Rather, they should tailor their messages about their program resources and *communicate* their commitment to ethics differently for different generations. Specifically, companies should emphasize ethics to the generations in the following ways.

For Millennials:

- Communicate the company's commitment to ethics in terms of people, relationships and integrity in the way people treat each other.
- Focus on messaging from colleagues and immediate supervisors – those individuals who are more local to Millennials and therefore more likely to be influential to them.
- Emphasize the resources of the ethics/compliance program as opportunities to interact with knowledgeable people who can provide guidance and support.
- Build opportunities for discussion and interaction into ethics and compliance training programs.
- Provide ways for Millennials to give input into company standards and systems.
- Communicate that when employees report misconduct, they can check back and interact with the ethics office throughout the investigations process.

For Gen X'ers:

Make advice and standards easily accessible; when facing an ethical dilemma, Gen X'ers ability to review codes of conduct and standards will make a big difference in how they handle the situation in front of them.

- For those who supervise Gen X'ers, make sure they are aware that this group needs advice. Gen X'ers need to know that counsel is available when it is needed.
- While similar to both cohorts in some ways, Gen X'ers should still be thought of as distinct from Millennials and Boomers. Continued observation of Gen X'ers could offer some indication as to whether Millennials age to become more like Boomers or continue to cut a different path from older cohorts.

For Boomers & Traditionalists:

- Communicate the company's commitment to ethics in terms of principles and the provision of formal systems.
- Focus on messaging from the hierarchy above this generation (i.e. business executives).
- Emphasize the resources of the ethics/compliance program as established systems and trusted leaders.
- Provide ways for Boomers and Traditionalists to share their experiences using the company standards and systems with other employees. One place they could do this would be during training programs.
- Emphasize accountability and discipline in ethics standards and systems.
- Communicate that when employees report misconduct, they will be protected and informed throughout the investigations process.

Importantly, it continues to be the case that employees want to operate with high standards of integrity, and ethics and compliance programs and strong ethics cultures do make a difference in improving the conduct of all employees in a business organization. It is also true that as employees gain experience in their jobs, their perspectives of ethics change. Each generation is unique, hearing messages about the importance of ethics differently than other cohorts. Creating advisory groups comprised of employees from each generation could be useful in helping ethics and compliance practitioners modify their messaging.

Appendix

	MISCONDUCT BY AGE GROUPS							
	Observed			Reported				
	18-29	30-44	45-63	64+	18-29	30-44	45-63	64+
Observed at Least One Specific Type of Misconduct	49%	45%	44%	36%	67%	69%	64%	39%
Sexual Harassment	15%	11%	8%	7%	49%	59%	60%	40%
Abusive Behavior	21%	20%	22%	12%	61%	63%	60%	70%
Accepting Gifts/Kickbacks	9%	6%	3%	1%	56%	49%	50%	67%
Making Improper Payments/Bribes	-	-	-	-	-	-	-	-
Offering Improper Payments/Bribes to Public Officials	6%	4%	2%	1%	67%	65%	74%	>99%
Offering Improper Payments/Bribes to Existing/ Potential Clients	8%	5%	3%	3%	63%	55%	59%	>99%
Discrimination	18%	14%	13%	10%	47%	59%	46.49%	38%
Health/Safety Violations	13%	13%	12%	10%	62%	51%	66%	50%
Conflict of Interest	18%	15%	15%	7%	51%	52%	58%	86%
Goods/Services Fail to Meet Specifications	12%	11%	8%	7%	69%	62%	59%	75%
Improper Use of Competitors Inside Information	7%	5%	3%	3%	66%	71%	56%	75%
Misuse of Company's Confidential Information	9%	7%	5%	2%	52%	68%	42%	50%
Improper Hiring Practices	12%	10%	9%	2%	57%	43%	41%	75%
Lying to Customers, Vendors or the Public	14%	13%	10%	10%	53%	45%	40%	83%
Lying to Employees	22%	20%	20%	13%	52%	49%	39%	75%
Stealing or Theft	16%	12%	9%	9%	74%	62%	70%	79%

Name	Repo	orted		
Internet Abuse 17% 17% 14% 11% 41% Environmental Violations 9% 8% 6% 4% 65% Misreporting Financial Records 7% 6% 4% 4% 67% Falsifying Time Sheets or Hours Worked 13% 12% 11% 7% 68% Falsifying Expense Reports 7% 6% 4% 1% 71% Falsifying Time/Expense Sheets -		Reported		
Environmental Violations 9% 8% 6% 4% 65% Misreporting Financial Records 7% 6% 4% 4% 67% Falsifying Time Sheets or Hours Worked 13% 12% 11% 7% 68% Falsifying Expense Reports 7% 6% 4% 1% 71% Falsifying Time/Expense Sheets -	30-44	45-63	64+	
Misreporting Financial Records 7% 6% 4% 4% 67% Falsifying Time Sheets or Hours Worked 13% 12% 11% 7% 68% Falsifying Expense Reports 7% 6% 4% 1% 71% Falsifying Time/Expense Sheets -	47%	41%	42%	
Falsifying Time Sheets or Hours Worked 13% 12% 11% 7% 68% Falsifying Expense Reports 7% 6% 4% 1% 71% Falsifying Time/Expense Sheets - - - - - - - Employee Benefits Violations 17% 12% 10% 7% 53% Engaging in Anti-Competitive Practices 6% 4% 2% 0.5% 60% Customer Privacy Breach 9% 6% 5% 5% 66%	61%	61%	25%	
Falsifying Expense Reports 7% 6% 4% 1% 71% Falsifying Time/Expense Sheets -	60%	54%	87.5%	
Falsifying Time/Expense Sheets Employee Benefits Violations 17% 12% 10% 7% 53% Engaging in Anti-Competitive Practices 6% 4% 2% 0.5% 60% Customer Privacy Breach 9% 6% 5% 5% 66%	56%	58%	80%	
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Customer Privacy Breach 9% 6% 5% 5% 66%	55%	53%	60%	
	61%	46%	>99%	
Employee Privacy Breach 13% 11% 11% 5% 51%	58%	55%	36%	
	54%	43%	30%	
Insider Trading 7% 4% 2% 1% 58%	67%	78%	>99%	
Making Improper Political Contributions 7% 4% 3% 0.5% 62%	62%	75%	>99%	
Company Resource Abuse 21% 21% 20% 13% 44%	47%	47%	61%	
Substance Abuse 15% 11% 9% 3% 57%	55%	65%	60%	
Improper Contracts 10% 6% 4% 3% 62.5%	65.48%	60%	33%	
Contract Violations 7% 7% 4% 3% 61%	59%	57%	29%	
Personal Business on Company Time 26% 35% 35% 40% 38%	35%	32%	33%	
Software Piracy 7% 5% 3% 1% 52%	56%	47%	33%	
Social Networking 16% 15% 11% 7% 53%	46%	47%	64%	

Age vs. Generations – A Note on Reading the Charts

In this report and over the years, ERC has defined and analyzed data by age groups based upon U.S. Census groupings: 18 to 29 years-old, 30 to 44, 45 to 63, and 64+. ERC continues to do so. However, the way we refer to these age groups has shifted over the years. In our reports in 2009 we began referring to these age groups by Generational names. In 2011, for graphical simplicity, we exclusively use the Generational name to refer to the age groups.

Generations (also sometimes referred to as cohorts) are not defined by constant ages, but by their birth years. For example, Boomers are generally defined as those born in the years 1946 through 1964 (see 'A Look at the Generations' on pages 4 and 5, and the references cited in endnote 1). Thus, Boomers were 45 to 63 years-old in 2009, but were 47 to 65 years-old in 2011.

The implication is that in any given survey year, an age group will be comprised of differing percentages of Generations. This year (2011), 100 percent of the employees in the 18 to 29 year-old age group are Millennials (born 1981 and after). Gen X'ers (born between 1965 and 1980) are 31 to 46 years-old, so the majority (87 percent) of the 30 to 44 year-old age group are Gen X'ers with a small percentage (13 percent) of Millennials who are 30 years-old. Eighty-nine percent of the individuals in the 45 to 63 year-old age group are Boomers, and 11 percent are Gen X'ers. Finally, in 2011, the 64+ age group is 90 percent Traditionalists and 10 percent Baby Boomers.

When reading charts, for each of the survey years that we provide results, the age bands remain constant, but the Generational compositions shift. The following chart breaks down each age group, showing the percentage representation of each Generation in a particular survey year.

	AGE GROUPS						
Year of Survey	18-29	30-44	45-63	64+			
2000	M17% / X83%	X40% / BB60%	BB53% / Trad47%	Traditionalists & Other			
2003	M42% / X58%	X60% / BB40%	BB68% / Trad32%	Traditionalists & Other			
2005	M58% / X42%	X73% / BB27%	BB79% / Trad21%	Traditionalists & Other			
2007	M75% / X25%	X87% / BB13%	BB89% / Trad11%	Trad100%			
2009	M92% / X8%	X100%	BB100%	Trad100%			
2011	M100%	M13% / X87%	X11% / BB89%	BB10% / Trad90%			

Endnotes

1. Information in this table has been drawn from several sources:

Hammill, G. (Winter/Spring 2005). Mixing and managing four generations of employees. *FDU Magazine Online*. Retrieved from http://www.fdu.edu/newspubs/magazine/05ws/generations.htm.

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Morgan, C.N. & Ribbens, B.A. (2006). *Generational differences in the workplace*. Retrieved from http://www.midwestacademy.org/ Proceedings/2006/papers/paper14.pdf.

Notter, J. (Fall 2007). Moving beyond the hype about generational diversity. *Journal of Association Leadership*. Retrieved from http://www.asaecenter.org/PublicationsResources/JALArticleDetail.cfm?ItemNumber=30439.

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Staff writer. (2007, April 18). Dueling age groups in today's workforce: From Baby Boomers to Generations X and Y. *Knowledge at Wharton*. Retrieved from http://www.wharton.universia.net/index.cfm?fa=viewfeature&id=13 30&language=english.

- 2. These data do not include anyone under the age of 18 during the time of the survey, September 15-29, 2011 (i.e. no one born after 1993).
- 3. Ethics Resource Center. (2012). National Business Ethics Survey: Workplace Ethics in Transition. Arlington, VA.
- 4. Ethics Resource Center. (2012). *RETALIATION: When Whistleblowers Become Victims: A Supplemental Report of the 2011 National Business Ethics Survey*
- 5. Ethics Resource Center. (2008). PowerPoint presentation at the Ethics and Compliance Officers Association (ECOA) Sponsoring Partners Forum. *Proving the Power of Programs.* Washington, DC: Ethics Resource Center.
- 6. ERC identified 12 measures that provide evidence of a well-implemented ethics and compliance program. Six are program elements: written standards, ethics training, advice resource, anonymous reporting, discipline systems, evaluation of ethical

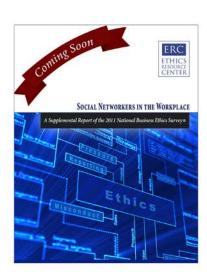
conduct; and six are conditions or behaviors: seeks advice, receives positive feedback, feels prepared, can raise concerns, ethics are rewarded, and questionable behaviors not rewarded.

- 7. A trend line is also known as a regression line. The lines are derived from a scatterplot of the dependent (y-axis) and independent (x-axis) variables for each of the cohorts. Each line is a graphical representation of a quadratic equation that mathematically fits a line to all the points of the plot such that the line is simultaneously as close to each point as possible. The equation provides a prediction of the values of the dependent variable based on the values of the independent variable. E.g. in the Program Elements graph on page 18. For Millennials who indicate that their company has six program elements, the equation predicts that they would report 37 percent of their observations of misconduct; and for Millennials who indicate that their company has seven program elements, the equation predicts that they would report 38 percent of their observations of misconduct.
- 8. Ethics Resource Center. (2012). National Business Ethics Survey: Workplace Ethics in Transition. Arlington, VA.
- 10. Casselman, B. (2012, July 25). Why Kids Today Have it Worse Than Their Parents. *The Wall Street Journal*. Retrieved from http://blogs.wsj.com/economics/2012/07/25/why-kids-today-have-it-worse-than-their-parents/
- 11. Ethics Resource Center. (2012). *Inside the Mind of a Whistleblower: A Supplemental Report of the 2011 National Business Ethics Survey.* Arlington, VA.
- 12. Ethics Resource Center. (2012). *Inside the Mind of a Whistleblower: A Supplemental Report of the 2011 National Business Ethics Survey.* Arlington, VA.
- FN. Ethics Resource Center. (2012). National Business Ethics Survey: Workplace Ethics in Transition. Arlington, VA.

ADDITIONAL RESOURCES

Since 1994, ERC has conducted the National Business Ethics Survey® (NBES). Over the years, it has become a highly effective research instrument, relied upon by ethics professionals, executives, academics and policy makers as the US benchmark for ethics in the workplace. Over the past few months, ERC has released several reports as a part of the NBES Series.





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