ethikos Volume 34, Number 5. May 01, 2020

Measure for Measure: The effects of ethics training

By Carl R. Oliver, PhD

Carl R. Oliver (oliveca@earthlink.net) is a retired Corporate Ethics Officer, now Senior Lecturer at Loyola Marymount University in Los Angeles, CA. He is a coauthor of the book *Business Ethics: The Path to Certainty*.

Observation indicates that many companies could measure the effects of business ethics training better. Perspective comes from the U.S. Federal Sentencing Guidelines for Organizations (USSG),[1] which set the de facto minimum standards for US business ethics, and the widely used Kirkpatrick Model for evaluating training programs.[2] Two specific underused measures are qualitative content analysis of ethics intake reports and annual employee interviews to audit the ethics element of corporate culture. Part of the solution is switching measurement from return on investment (ROI) to return on expectations (ROE).

Measure for Measure

The difference between organizational climate and culture is well recognized. Shakespeare captured it as early as 1604 in *Measure for Measure*, when he had Isabella say, "'Tis set down so in heaven [climate], but not in earth [culture]."[3] The paper ethics program is organizational climate—what a company says employees should do. What employees actually do is organizational culture. When trying to measure the effects of ethics training, it is easy to end up measuring corporate climate—the book answers employees have learned. What should be measured is the corporate culture reality—what employees' ethics really are.

For management oversight, four fundamental questions are:

- What do we do?
- Why do we do it?
- Do we have to do it?
- Can we do it better?

What do we do?

For business ethics training, companies often list employees who attend ethics training by name, collect end-of-course reaction surveys from attendees, and score attendees' end-of-course knowledge exams.

Why do we do it?

Business ethics are a key element of corporations' fiduciary duties,[4] so effective business ethics training can be viewed as vital. From an ROI perspective, the expectation—at least a hope—is that effective training will prevent ethics violations and thereby eliminate time-wasting and expensive investigation, litigation, and penalties.

However, the ROI perspective is limited by a measurement problem: No one can truly know how many ethics violations training prevents. They can't be counted, much less quantified in dollars. Traditional ROI evaluation of the effects of ethics training is an estimate at best. More likely, it's a wild guess.

Do we have to do it?

No law requires measuring the effects of business ethics training. However, some contracts may, and the USSG, which set de facto minimum standards for US business ethics, expect companies to be able to *prove* they achieved them.

In 1991, the USSG published—and amended in 2004—a carrot-and-stick incentive for organizations to self-regulate their ethics. As the stick, the USSG instructed federal judges to severely punish organizations found guilty of ethics violations. As the carrot, the USSG instructed judges to markedly reduce punishment if the guilty organizations could prove they already had an effective ethics program in place.

In briefest form, the USSG set this highest-level business ethics expectation: "an organizational culture that encourages ethical conduct and a commitment to compliance with the law."[5] This stands as the organization mission statement for ethics and the fundamental expectation the effects of business ethics training should measure.

Can we do it better?

Listing attendees may be useful to prove an employee was present at a training, but it is essentially just an inventory record, because sometimes people who are present in body are elsewhere mentally. More sophisticated measures are needed. The widely used Kirkpatrick Model for evaluating training programs identifies four levels of measurement:

1. Reaction,
2. Learning,
3. Behavior, and
4. Results.

End-of-course reaction surveys,often called smile sheets, are level one evaluations. They measure how favorably participants react to the course and the instructor.

This can be valuable. For example, one course was taught by a doctor of philosophy, using a script from a major commercial training company. While evaluating the response, it was noticed that the participants' reactions were terrible. Many said, "Worst course I've ever had." So, before the same instructor taught the course again, one small change was made to the script. Instead of asking participants, "What problems are you experiencing?" the question was changed to, "What solutions have you found to problems you are experiencing?" Thereafter, participants rated the same course great. Many said it was the best course they had ever taken.

But these reactions do not measure or quantify the business effects of ethics training.

End-of-course knowledge exams or their more sophisticated cousins, paired pre- and post-course exams, are level two evaluations that aim to measure the knowledge, skills, and attitudes participants gained during training. These usually are a standard feature of computer-based training courses.

They can be valuable. At the end of one course, exams showed most participants were unable to accurately draw an ethics decision-making model. The instructor then made changes to the course, adding homework and an in-class pop quiz specifically addressing the model. Thereafter, most participants accurately drew the model on the final exam.

End-of-course knowledge exams yield a snapshot of each participant's level of knowledge at that moment. For business ethics, no knowledge norms have been established. What knowledge is measured is more arbitrary than comprehensive. Such exams more likely reflect the test-maker's ideas of what is important. The content tested may sample knowledge of standards and procedures of the organization's ethics program and may include ethics scenarios to resolve.

But these are momentary, onetime measures of what students know now. Momentary knowledge can be affected by forgetting and decay of learning. Moreover, good practice is to build ethics training around a year-round campaign model. Constantly pepper employees with ethics messages to engage and refresh their active interest and achieve real behavior changes. This approach takes lessons from successful political campaigns: stay on message, be repeated, and be delivered by multiple vehicles.[6] End-of-course tests do not measure or quantify the business effects of ethics training accumulated over the long term.

Return on expectations

The Kirkpatrick Model shows an improved measure of training effects emerges if the inquiry is framed as ROE.[7] Although ROE is not expressed in dollars, comparing statistically significant percentages year after year can quantify how well business ethics training achieves desired expectations.

Behaviors: Kirkpatrick level three

Theoretically, employees can be observed to see to what degree they apply what they learned when they get back on the job. But reality is that such observations usually are not practical in the corporate setting. Ethics officers estimate that only 1%–20% of employees even become suspected ethics violators each year.[8] So, it is hard to imagine how a statistically valid and meaningful random sample of the trained participants could be identified for observation or what study of their behavior would entail. Review of recent ethics literature did not locate any real-life, on-the-job level three evaluations.

Results: Kirkpatrick level four

Measuring "to what degree targeted outcomes occur"[9] essentially requires measuring the ethics element of corporate culture.

One approach that proved viable in practice is measuring using two tools—qualitative content analysis of ethics intake reports and annual employee interviews—to audit the ethics element of corporate culture. These tools are available, but observation over the past 30 years indicates they are underused. They can measure the degree to which trained employees achieve USSG's highest expectation: "an organizational culture that encourages ethical conduct and a commitment to compliance with the law."

Intake reports, for example, are often analyzed quantitatively, but qualitative content analysis is underused. Quantitative analysis is characteristic of computerized ethics report systems. It documents the volume and frequency of ethics reports, often grouping them by categories such as conflict of interest and time mischarging.

Such quantitative data can be useful. Experimentation in a Fortune 100 company showed the minimum time period to establish useful quantitative patterns and trends was one week. If the volume of calls per week is less than a mean of about 10, then a longer time period might be useful. A line chart using a different color for each year's data can compare annual trends. Experience shows the normal pattern oscillates and looks similar each year. It is not unusual for the chart to show low numbers of reports just before annual pay raises are announced (perhaps when employees choose not to rock their boat) and high numbers just after annual performance reviews (reason unclear).

Quantitative charting can provide early warning of trouble by flagging irregularities like high numbers of intake reports sustained for more than two weeks. But qualitative content analysis of intake report content is then required to identify the specific problem and location.

Routine qualitative content analysis of every intake report can show real-life, on-the-job behavior that reflects the corporate culture: What ethics issues are employees aware of, concerned about, or ready to ask advice about or report as violations? Is the company detecting ethics issues early? Is the corporate culture successfully encouraging ethical conduct and commitment to compliance with the law? Intake reports can reveal regularities, patterns, trends, and issues that need root cause analysis to eliminate them or that call for specific training to equip employees with the skills to recognize and handle them.

For content analysis, flexibility is required to choose thematic categories that group data in meaningful ways. This cannot be a mechanical task. It requires taking the data apart and reassembling them to form a comprehensive picture. Colin Robson highlights that "the central requirement in qualitative analysis is clear thinking on the part of the analyst."[10] For example, a site was flagged for sustained high numbers of ethics issues. Qualitative analysis determined an underlying issue was management requiring touch-labor employees to work 12-hour days seven days a week, which caused the bins containing parts that needed to be reworked to overflow. With this insight, the root cause could be addressed.

Annual audits of corporate culture

Another underused tool is annual audits of corporate culture using the time-tested method of statistically reliable, structured interviews. Such data can measure the degree to which trained employees collectively achieve USSG's ethics culture expectations. Interviews conducted routinely each year by disinterested internal auditors—or by other trusted persons—yield quantifiable results that can be compared year by year to reveal achievement levels and trends toward improvement or decline.

The interview procedure calls for selecting a large enough random sample of the employee population for results to be statistically significant. The interviews themselves focus on asking each employee in the sample to answer five questions (listed below) that measure campaign training and the corporate culture's safe, open communication, which is vital to high ethics.[11] This can be done by written survey and, ideally, should be supplemented with face-to-face discussion with an interviewer.

1. How could you contact the organization's ethics officer?
2. How could you report an ethics issue confidentially or anonymously?
3. Would you feel safe from reprisal if you reported an ethics issue?
4. What ethics training have you received in the past 12 months?
5. What are the organization's values?

This is qualitative research because the interviewer can interpret, explore, and refine employees' answers by using supplemental questions during the interview. For example, it is not unusual for employees to initially report receiving no ethics training during the past year, but if the interviewer explores a menu of training events the company conducted, employees often recall specific training. Or, employees may say they would fear reprisal if they spoke to their manager but amend that statement to say they would feel safe if they spoke to a company ethics officer anonymously by telephone.

These interviews measure organizational culture—what employees collectively know, feel, and do. Organizational culture always trumps organizational climate. Audit interviews can measure the degree to which today's culture achieves the USSG's expectations. Statistically significant data supply quantitative annual benchmarks that show achievement levels and trends toward improvement, decline, or stasis.

A goal of ethics training is to prepare employees to detect ethics problems and to intervene effectively to prevent or minimize them. Sometimes, all an employee needs to say is, "That's not the way we do things here." Or, if the problem is more urgent, an employee needs to safely alert corporate authorities so the total resources of the company can be brought to bear on resolving the problem and finding an ethical solution.

For example, an urgent alert happened when a new corporate vice president began setting up an off-the-books account like he'd had at his previous company. The corporate ethics office received calls from several employees one morning. The same day, a senior manager met with the new vice president to mentor him on how his new company does business—no off-the-books accounts! Problem solved. No ethics violation.

Conclusion

Tools to measure whether ethics training has achieved the level four expectation—an organizational culture that encourages ethical conduct and a commitment to compliance with the law—are known. They are within capabilities of organizations' existing staff. Using those tools is important. Ethics are a key element of corporations' fiduciary duties.[12] A key expectation is that effective ethics training will create and maintain a high ethics corporate culture to eliminate the anguish, distraction, disruption, expense, and embarrassment of investigating ethics catastrophes.

1 U.S. Sentencing Guidelines Manual § 8 (U.S. Sentencing Comm'n 2004).
2 Donald L. Kirkpatrick and James D. Kirkpatrick, *Evaluating Training Programs: The Four Levels* (San Francisco: Berrett-Koehler Publishers, January 15, 2016).
3 William Shakespeare, *Measure for Measure* (Folio, 1623), 9-10.
4 Miriam Schulman, "Navigating a Central Tension of Corporate Governance," Markkula Center for Applied Ethics, December 1, 2011, https://bit.ly/2wDdFY7.
5 U.S. Sentencing Guidelines Manual § 8B2.1 (U.S. Sentencing Comm'n 2004).
6 Frank Daly and Carl Oliver, *Business Ethics: The Path to Certainty* (Prahran, Victoria: Tilde University Press, 2013), 83.
7 James D. Kirkpatrick and Wendy Kayser Kirkpatrick, "Creating ROE: The End Is the Beginning," *TD*, November 2011, 60-64.
8 Frank Daly, *Business Ethics*, 41.
9 James D. Kirkpatrick, "Creating ROE," 64.
10 Colin Robson, *Real World Research* (Malden, MA: Blackwell, 1993), 374.
11 Michael Metzger, Dan R. Dalton, and John W. Hill, "The Organization of Ethics and the Ethics of Organizations: The Case for Expanded Organizational Ethics Audits," *Business Ethics Quarterly* 3, no. 1 (1993): 31.
12 Miriam Schulman, "Navigating a Central Tension."