

The Integrity Thermometer:  
A diagnostic instrument for  
measuring and developing an  
organization's ethics and in-  
tegrity

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# 1 Introduction

Corruption, fraud, bullying, incorrect use of working hours, misuse of company resources and the leaking of confidential information are explicitly forbidden by most companies. By means of company code of conduct or specific rules and procedures, staff are reminded of such examples of unethical conduct. Numerous unethical issues also crop up in relationships with external stakeholders, such as aggressive and discourteous treatment, raising too high expectations, violating regulations, breaking the law and ignoring critical noises. That these issues demand attention is clearly shown by surveys in different countries, which reveal that unethical conduct within and by organizations is a common phenomenon. And the consequences do not lie about this. Erosion of the company's reputation, higher absenteeism, damage to corporate assets, inefficiency, higher purchasing costs, higher staff and client turnover and, ultimately, lower profits. The question is no longer whether a company should develop a policy in the field of integrity, but to what extent and how. For this purpose, it is essential that the board and management of an organization have a clear picture of the ethical issues occurring at all levels of the organization.

- Which forms of unethical conduct occur in our organization and to what extent are we aware of them?
- Are the statistics on unethical conduct that are known to management only the tip of the iceberg, or do they represent the full picture?
- What is the nature and seriousness of these forms of behavior and what are the attitudes of employees towards such behavior?
- Can any trends be determined in the behavior of employees?
- What should we do to address the situation?

Board and management should have answers to these questions in order to enable them to develop a supplementary or new policy, or to qualify the current policy as adequate.

The KPMG Integrity Thermometer can provide answers to the above questions.

The Integrity Thermometer is a confidential hardcopy or Internet-based questionnaire that measures the extent to which unethical conduct occurs within an organization and what employee attitudes are towards such behavior. It comprises generic and customized questions.

It was developed by KPMG International and has been used in many organizations worldwide.

This document looks at the KPMG Integrity Thermometer as a tool for answering the above questions. Before discussing the Integrity Thermometer and the way it can be used to work on the ethics and integrity of the organization, we will first look into the need for conducting a survey among staff to assess the integrity of an organization.

## 2 Why assess?

There are a number of reasons why it is desirable to assess the integrity of an organization.

- *From review to overview.* Board and management are not omniscient. Research shows that a manager is aware of about half the incidents in the department. By performing a review, board and management obtain an overview of the extent to which the picture is a true reflection of the organization. If that is the case, then it is good and reassuring to know. If it is not a true reflection, so much more reason for doing something about the integrity of the organization.
- *From overview to insight.* In order to implement an effective policy and take adequate measures against unethical conduct, it is obviously important to have insight into the nature, scope and seriousness of the problems. Looking into the causes (causalities) of and coherence (interdependencies) between different forms of unethical conduct enables an organization to consider the extent to which similar unethical conduct can be avoided in the future (and thus fathom incidents that are sometimes inexplicable).
- *From insight to policy and action.* Apart from insight into the subject matter, a review also offers grips for future policy. A good review offers possibilities for customization (both for the entire organization and possibly for each of the units separately). Which priorities should be set? How should resources be allocated? What is the ideal speed for implementation per individual unit?
- *From action to effectiveness.* A review can also be used to assess the effectiveness of the implemented policy. Are the policy measures implemented so far sufficiently publicized? What effect does our code of conduct have? Are the ethics officers well known? Moreover, a review casts its shadow and in itself promotes the effectiveness of the integrity activities: “What you inspect, is what you get.”
- *From effectiveness to maintenance.* Based on the insight into the effectiveness of the pursued policy, departments or units can be called to account, or the organization as a whole can account externally for the pursued policy.

## 3 Why among staff?

There are different reasons for conducting a review of the integrity of an organization explicitly among staff.

- *Signal effect.* By consulting the staff, the organization not only shows that integrity receives management attention, but also that staff opinion counts. “Interest in the integrity of the organization is clearly a matter for us all,” is a natural and desired reaction from staff.
- *Raises awareness.* What they ask is clearly important, according to the interpretation of staff. And by contemplating the extent to which the organization lives up to the stated questions while answering the questions, staff increase their awareness of the integrity of their own conduct and that of their environment.
- *Creates momentum.* A review conducted among staff ensures support, even enthusiasm, for tackling integrity. “Good that they ask us about it. I have personally raised this issue on a number of occasions. This is an ideal moment to once and for all put the issue into a broader perspective,” is a common opinion.
- *Irreversible.* Consulting staff raises expectations among staff because, if the findings point in that direction, it will lead to improvements in the organization. If nothing is subsequently done with the results of a review, it will, in turn, have a negative effect on staff motivation. That is why a review is often a good tool for setting the process of integrity management in motion, especially in a department not running too smoothly.
- *Valuable information.* An important argument for consulting staff is that the integrity of an organization is found precisely in the way staff perceive the organization. These perceptions are important for two reasons. Firstly, employees are so close to the organization that their perceptions determine, to a large extent, the “reality” within the company. Secondly, perceptions of employees about what is or is not acceptable within the company will guide their daily behavior. Clearly, insight into these perceptions will provide management with useful information.

## 4 Why a questionnaire?

Conducting interviews with staff is more flexible than distributing questionnaires. The interviewer can respond better to the moods and answers of the interviewee. Interactive questionnaires via the web or on CD-ROMS are more flexible than *hard-copy* questionnaires. However, distributing questionnaires also has advantages:

- *Efficiency.* A questionnaire is a cost-effective and quick method for gaining people's opinions. This also makes it easier to involve larger groups.
- *Confidentiality.* A questionnaire can guarantee 100% anonymity of the respondent.
- *Statistical analyses.* Questionnaires are better suited for statistical extrapolations, which means more adequately motivated conclusions on the scope, coherence and causes of problems.
- *Comparability.* Quantitative outcomes from a questionnaire can be more easily compared with those from different units, with the passage of time and with those of other organization where the same questions were used (benchmarking).

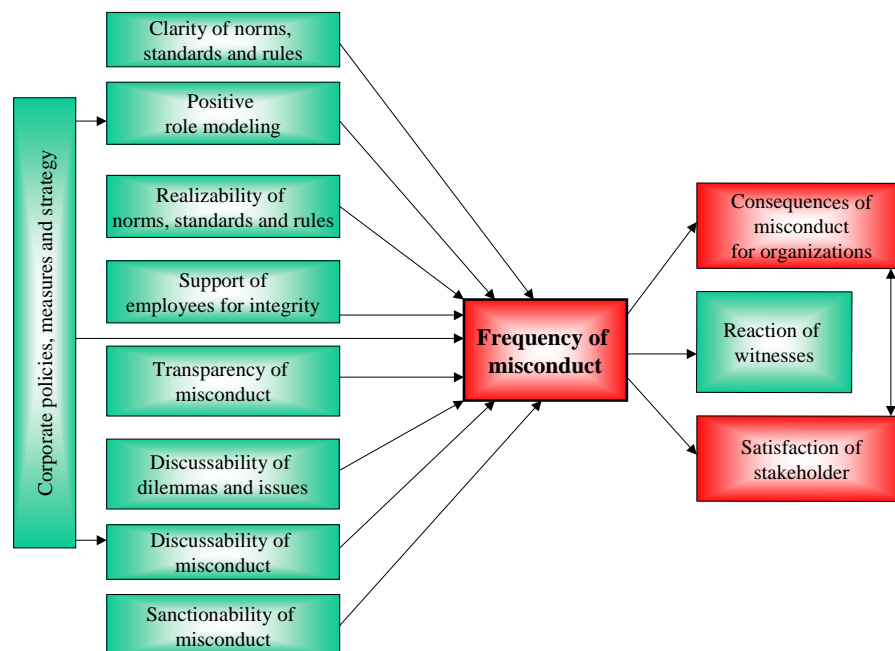
## 5 The model behind the questionnaire

The Integrity Thermometer is based on a model about the organizational causes of unethical conduct. This model has been developed by collecting and analyzing 150 different real-life situations of unethical conduct regarding their organizational causes. A total of seven core organizational factors were defined. These factors are:

- *Clarity* refers to how accurate, concrete and complete the organization's expectations are of the moral conduct of its employees. Is it clear for employees how they should act and what the standards are? The more employees have to act at their own discretion and moral intuition without a guiding frame of reference, the higher the risk of unethical conduct.
- *Consistency* refers to the degree to which management sets a good example (role modeling). Employees tend to emulate the behavior of superiors and it is important therefore that the conduct of such referents is in line with the organizational expectations expressed in policies, codes, procedures or otherwise. The U.S. Federal Sentencing Guidelines and the more recently introduced Sarbanes-Oxley Act both underscore the importance of the 'tone at the top' because of the assumed influence board and management have on the conduct of employees. Management behavior consistent with the organization's standards of conduct reduces the occurrence of unethical conduct of employees.
- *Supportability* pertains to whether employees endorse the proper use of corporate assets and the active realization of the interests of stakeholders. If employees feel that they are not taken seriously or are not treated fairly, this may be at the cost of their loyalty along with their intentions to act ethically. A low moral is conducive to unethical conduct. Demotivated staff is less likely to act with ethics and may cut corners.
- *Achievability* concerns the degree to which the organization enables employees to meet the expectations regarding ethical behavior. Do employees have enough time, means, authorities and information to realize their responsibilities? If employees have little room to realize their responsibilities, then the risk that they will behave irresponsibly increases.
- *Transparency* concerns the extent to which employee conduct and the effects thereof are manifest within the organization. Employees who perceive that they are unlikely to be caught if they act unethically are more likely than others to engage in unethical behavior. In contexts with a high visibility or transparency, employees generally succeed in modifying or correcting their own behavior or that of their co-workers, supervisors or subordinates. Conversely, a low visibility or transparency makes that the control aspect of the environment is limited which may offer room for unethical conduct.

- *Discussability* refers to the degree to which employees can talk about (1) ethical dilemmas and (2) unethical behavior. Failing discussability is typical for closed organizational contexts marked by the facts that criticism is neither encouraged nor accepted, that people are never called to account for their actions and that people are encouraged to keep their mouths and ears shut. Such cultures are characterized by negative attitudes towards ‘the bearers of bad tidings’, screening bad news, paying lip service, and blocking out negative information. Opposed to these negative observations, the room to address ethical dilemmas is an element of anti-misconduct strategy.
- *Sanctionability* refers to the degree to which people can be punished for irresponsible conduct and rewarded for responsible behavior. Sanctions constitute important behavioral stimuli and are, thus, a relevant aspect of the organizational context. People are more inclined to do what is rewarded and to avoid what is punished. Discipline for rule violators serves an important symbolic role in organizations: it reinforces standards, upholds the value of conformity to shared norms and maintains the perception that the organization is a just place where wrongdoers are held accountable for their actions. When norms are not enforced, the deterrent effect that they have will be reduced.

**Figure 1: The model behind the Integrity Thermometer**



These seven organizational factors stimulate ethical conduct and prevent unethical conduct. This conduct may have diverse consequences for the organization itself, employees as well as external stakeholders.

## 6 The questionnaire

Each factor from the model in Figure 1 is translated in various complementary questions. These questions have been extensively tested empirically (regarding for example their clarity, distinction, validity, etc).

The Integrity Thermometer usually consists of a set of standardized questions in view of the organizational context. Depending on the specific situation, different conduct and impact questions are added (for which KPMG has a list of possibilities). The time required to complete a questionnaire obviously depends on its scope (with a maximum of 30 minutes).

The Thermometer was first used in 1994 by the Dutch National Airport to ascertain which elements should be included in the code and which measures should be taken in advance to accelerate a proper embedment of the code. The Thermometer was repeated there two years later to determine which improvements had been made. The questionnaire has been used in many organizations since then. These varied from multinationals to small and medium-sized businesses, and government ministries, municipal councils and police organizations.

KPMG has used the survey to create a benchmark of the working population in some countries. For example, the US benchmark consists of 2.390 respondents, which is representative for the US working population.

## 7 Some advantages of the KPMG Integrity Thermometer

The advantages the Integrity Thermometer has over others include:

- *Experience.* The questions and scales have been tested and improved over a period of time. Especially when it comes to sensitive issues, such as integrity, it is not only important that questions are stated unambiguously (i.e. not open to different interpretations), but also that questions are not seen as threatening and that there is no room for ‘politically correct’ answers.
- *Benchmarking and customization.* The questionnaire can be applied to every organization, which enables benchmarking against the results of other organizations. However, there is also the opportunity for organizations to include customized questions in the questionnaire that will probe issues that are specifically relevant to the organization or a particular industry.
- *Action oriented.* The integrity profile that will be developed for the organization will be based on sound statistical methodology, and can be used by organizations to develop practical interventions that will address specific areas of concern.
- *Confidential.* Because an independent third party facilitates the Thermometer, employees feel comfortable to share confidential information. In all cases, the way in which the results will be presented, the response of individual respondents will never be visible.

## 8 Principles for a survey

A number of principles need to be taken in account to get the best out of the Thermometer:

- *Management commitment.* The management needs to stand behind the chosen approach and to make its commitment clear to the organization.
- *Confidentiality.* It is crucial that staff are convinced that anonymity is fully guaranteed. Staff will only give a genuine response if they are certain that their contribution will not later turn against them personally.
- *Learning.* The suggested approach only works if the learning aspect is paramount. The integrity survey is not about scapegoats or a joint exercise in snitching and grassing. It is also not about the integrity of individuals, but about the integrity of the organization as such.
- *Speediness.* As observed above, the questionnaire raises certain expectations among the respondents. To sustain support, it is crucial not to lose any time in making it clear what will be done with the results.

## 9 Some choices regarding a survey

In addition to the above principles, it is advisable to tailor the content of the Integrity Thermometer and the way it will be used to the situation in which the organization finds itself. The checklist below could be used for achieving customization.

- *Broad or limited?* Which elements and dimensions should be included in the questionnaire and how exhaustively should each topic be surveyed? Is it a quick scan or a comprehensive and in-depth investigation?
- *Each member of staff or a random sample?* The advantage of sending the questionnaire to all employees is that, when they fill in the questionnaire, they will become more aware of the issue and message will be transmitted that integrity concerns everyone. Apart from the completion time and associated costs, there is the risk that if feedback to the staff is delayed for too long, support among staff to do something about the organizational integrity may diminish.
- *Simultaneously or in batches?* Where one organization may decide to distribute the questionnaires at the same time, another may choose to allow each unit the freedom to decide, within a period of six months, for instance, when to distribute the questionnaires among staff.
- *At home or at work?* Sending the questionnaire to the home address may increase the confidentiality; however, it may also lead to some resistance if staff see that as a breach of their privacy.
- *Electronically or by post?* It is possible to send the questionnaire by email. The advantage of this is that the processing is simplified significantly. However, the disadvantage here is that not all employees have a computer, and that they would actually have to go and sit down to do it (while they would generally fill in a paper questionnaire at home on the couch or while on the train).
- *External agency or in-house?* Some organizations carry out similar surveys themselves. A major disadvantage of doing this yourself, apart from missing the expertise of an external agency, is that staff will easily doubt the confidentiality of their feedback.
- *External publication or exclusive internal use?* Some organizations do not communicate the results externally. Other organizations use the results in for example their social report.
- *Feedback at organizational and/or departmental level?* To what level are results broken down without affecting the anonymity of the respondents? Is it only about getting a broad picture of the organization or an as detailed as possible insight into the functioning of each department?

- *Report oriented or action oriented?* Should the outcomes be recorded in a detailed report and/or is it more about being able to do something to improve the integrity of the organization on the basis of a very brief summary?
- *Follow-up interviews or not?* You can never be sure that a study is truly representative, because the reasons for non-response are unknown. For this reason, a few supplementary interviews are often desirable to rule out the fact that the non-responders do not have a completely different perception of the organization.

## 10 Example of the Thermometer used by a Police department

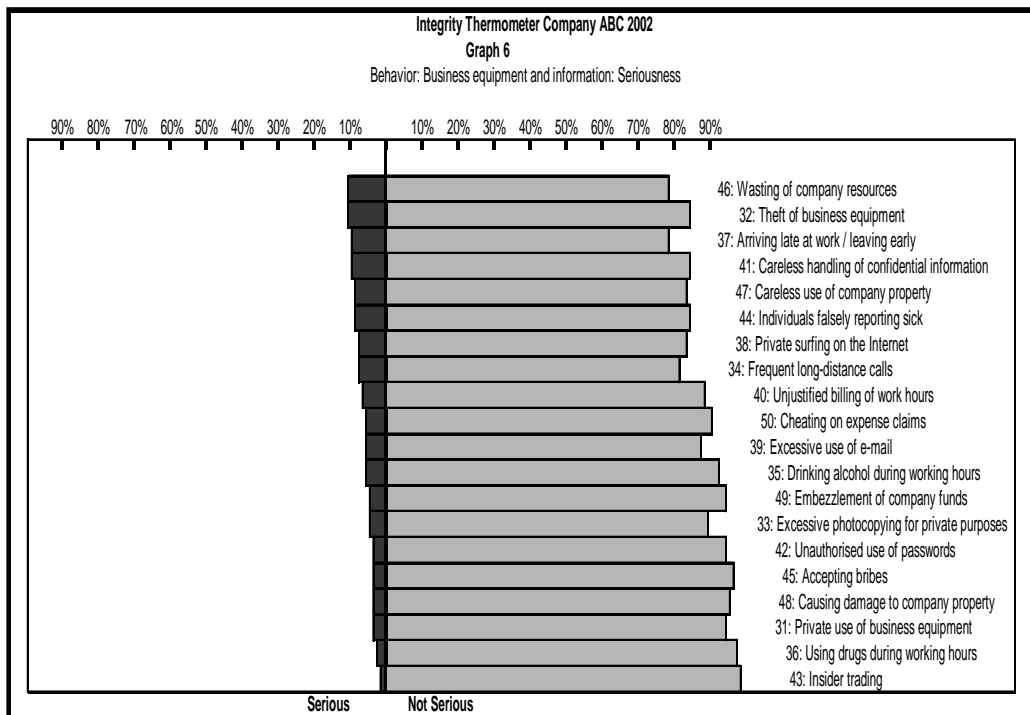
In this section we will give one example of the thermometer which was used by a Police department which distributed the Integrity Thermometer to all its staff. The process followed there is a good illustration of the way in which the Thermometer can be used. The following steps were taken at the time:

- *Compiling a draft questionnaire.* In consultation with the Integrity Working Group, a draft questionnaire was compiled and the decision-making points above considered. It was decided to design the questionnaire on the basis of the EFQM model frequently used by the police.
- *Management discussion.* The draft questionnaire was submitted to the corps management team and decisions were made in respect of the above points.
- *Distribution.* Each member of staff received a questionnaire at home with the request to complete and return this to KPMG. The questionnaire was sent out with an accompanying letter. The importance of the questionnaire was also emphasized by means of supporting communications (e.g. posters and an article in the staff magazine). All managers were informed in writing of the survey and the most frequently asked questions they could expect from staff.
- *Reminder.* Two weeks after distribution of the questionnaire, all members of staff received a reminder.
- *Results in the Working Group.* After the data had been entered and analyzed, a draft report was submitted to the Integrity Working Group. A final design for the report was chosen on the basis of the draft. The report also compared the corps average with other police organizations where the Integrity Thermometer had been used.
- *Presentation to management.* The results were presented verbally during a meeting of the corps management team, after which each unit received its specific results.
- *Working conference.* A working conference was convened with the broader management to discuss the interpretation of the results into an action plan for each district.
- *Activities.* Each district drew up an action plan, after which the results were communicated to staff in the district and measures for improvement introduced.

# 11 Examples of results from the survey

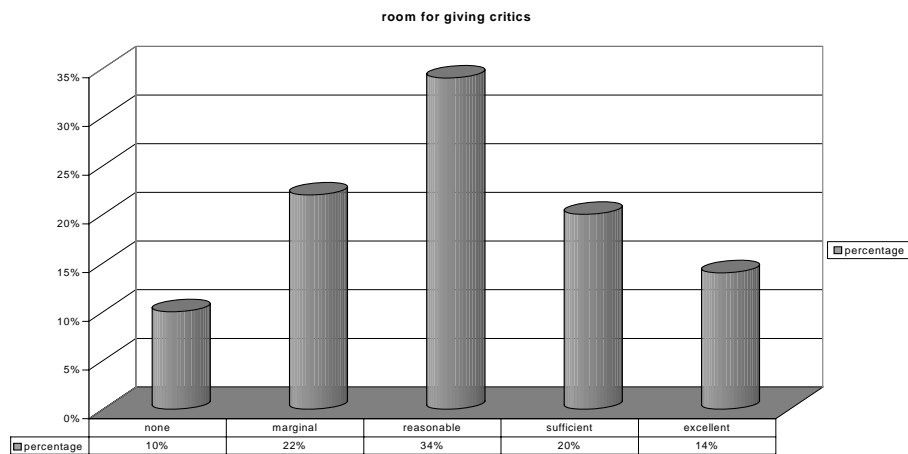
The report of an integrity survey offers different possibilities. For example, it can be used to indicate the most common forms of unethical behavior (see Figure 2).

**Figure 2: Example of reported conduct**



The results can also be shown per question. Figure 3 shows that there is a normal distribution.

**Figure 3: Example of the range of answers to one question**



The results of the survey can be used to display:

- The strengths and weaknesses in the organizational context.
- A priority of violations and risks.
- The differences with the average of other organizations.
- The differences between the background questions.

## 12 Frequently asked questions by respondents

Some of the most frequently asked questions of respondents about the survey are listed below followed by a possible answer.

■ *Why do I get the survey (in the case there is a sample)?*

The survey has been distributed among a random sample of employees. Respondents do not receive the questionnaire based on their function or personal characteristics. The selection is purely accidental.

■ *Does KPMG possess my personal information?*

In the case of a hard-copy survey, the labels which are used for the addressing are only used for this survey. In the case of a web based questionnaire, after the respondent sends its survey back to KPMG, the code of the respondent is removed so that is impossible to reconstruct who the respondent is.

■ *Why are there any questions about my personal situation?*

Based on the personal information, KPMG is able to find out whether there are difference between some groups and departments. This information can be used to improve the conclusions and the recommendations.

■ *Why do I get a reminder when I already sent the questionnaire back?*

In some cases (when a hard-copy questionnaire is used) every respondent gets a reminder.

## 13 Follow-up

Board and management can use the results to evaluate the actual situation and, if necessary, to determine in which direction the integrity of the organization could/should be improved. For understanding the results, it is usually necessary to read it very carefully.

Some questions are:

- Can I explain the results?
- What did the respondent have in mind when they gave this answer?
- What could be the reason for the score on this question when I compare it with the scores for other questions?
- What could be the reason for the score on this question in this department when I compare it with the average of the organization?
- What could be the risks for this score on this question?
- When would I be satisfied with the score on each question? What is the target?
- In what extent does this score need to be improved? And if so, in what time-frame?
- What priority of targets do I set? And are the different targets related to each other (do they moderate and reinforce each other)?
- With whom do I need to speak about my analysis?
- How should I go on with it? Who is responsible for what to do?

## 14 Contact

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