Chapter 4

The Nonprofit Ethics Survey: Assessing Organizational Culture and Climate

Audrey Barrett  
University of San Diego, USA

Fred Galloway  
University of San Diego, USA

ABSTRACT

The Nonprofit Ethics Survey serves as the only empirically supported survey instrument specifically designed for nonprofit organizations to assess their ethical culture. Development of the instrument occurred through the use of principal components analysis conducted on a sample of 530 nonprofit affiliates. The results of the analysis yielded six parsimonious scales integral to assessing nonprofit ethics. To evaluate the internal reliability of each scale a measure of Cronbach’s Alpha was also calculated. The alpha coefficients ranged from 0.86 - 0.94, indicating the survey provides a reliable means of measuring the constructs integral to assessing organizational ethics in nonprofit agencies. The creation of a statistically sound instrument designed for use with nonprofit organizations ensures that nonprofit leaders have the needed tools to accurately self-assess.

BACKGROUND

Introduction

The Nonprofit Ethics Survey serves as the only empirically supported survey instrument developed exclusively for nonprofit organizations to conduct an assessment of their ethical culture. The survey provides an organizational-level evaluation yielding a three-hundred sixty degree view capable of identifying disparities between the ethical practices of members at different levels of the organization (e.g., between board members and line staff). The benefit of the Nonprofit Ethics Survey to nonprofit leaders cannot be overemphasized as ethics and the perception of having an
The Nonprofit Ethics Survey

ethical organization are intricately linked to the viability of nonprofit agencies (Gregorian, 2004). This linkage has long been intuitively known; however, the recent sector-wide meltdown in donor giving precipitated by the ethical lapses of a few large nonprofits provides a potent reminder (Light, 2006).

The significance of having a valid and reliable instrument designed specifically for use with nonprofit organizations serves as an additional point needing to be underscored. For example, while the majority of existing work on nonprofit ethics focuses on compliance and resides in the practitioner literature, the introduction of the Nonprofit Ethics Survey will help solve a number of important contemporary assessment problems, including the alignment problem that exists when instruments from the for-profit or governmental sectors are inappropriately used in assessing the ethical health of non-profits (Hansmann, 1980 as cited in Steinberg, 2006; and Steinberg, 2006). While this practice has become increasingly common, a growing body of evidence suggests that the tools and best practices effective in other sectors do not directly translate to the third sector (Lohmann, 2007; Mulligan, 2007; Prewitt, 2006), and more importantly, may cause real harm to the nonprofit and its ability to fulfill its mission. For these varied reasons the presence of an empirically supported instrument in the nonprofit literature serves to fill a long unmet need.

The design of the Nonprofit Ethics Survey as an organizational-level assessment tool facilitates the instruments ability to provide users with a comprehensive picture of ethical health. This serves as critical given that research clearly demonstrates that culture wields a stronger effect over peoples’ actions than policy (Brown & Trevino, 2006; Milgram, 1963, 1974; Hemmelgarn, Glissen, and James, 2006; Seligson & Choi, 2006; Trevino et al., 1998; Zimbardo, 2007), and that the culture of an organization starts with its leadership (Ethics Resource Center, 2008). Thus by making the entire organization the unit of analysis, not solely the senior management or board of directors, a measure of intended culture (the tone the board and senior management intends to set) can be compared to actual culture (the perceptions of ethics at all levels of the organization), illuminating the strengths and weaknesses in ethical culture and current practices.

Overview of the Instrument

The Nonprofit Ethics Survey employs mostly five-point, Likert-style, questions rated from “strongly agree” to “strongly disagree” to assess six empirically supported constructs relevant to assessing nonprofit ethics. A neutral point of “neither agree nor disagree” in addition to options to select “don’t know” and “decline to answer” serve to clarify responses to the survey. The five points from “strongly agree” to “strongly disagree” have corresponding numerical values assigned of five, four, three, two, and one. The two additional response options of “don’t know” and “decline to answer” each receive a numerical weight of zero.

Five of the constructs assessed by the Nonprofit Ethics Survey are assessed at each level of the organization: line staff; middle management; senior management; and board members. These five empirically supported constructs are: Daily-Ethics Behaviors; Accountability; Organizational Transparency; Open Communication; and Decision Making. Governance serves as the sixth construct and it is only assessed at one level of the organization. The questions about governance are asked solely of survey respondents who identify as voting members of the organizations board of directors as they are the only affiliates expected to have complete knowledge of governance issues.

In addition to eighty-seven Likert-style questions, the survey employs two demographic questions, three dichotomous variables to facilitate the skip logic, and three overall rating questions. The demographic questions inquire regarding the participant’s position within the organization and length of time with the organization.
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