



# The High Cost of Low Integrity

## Assessing for Workplace Ethics to Identify Top Performers

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### Executive Summary

Theft, lying, chronic absenteeism, drug use, workplace disruptions — these are just a few consequences of hiring unethical employees. Employees who behave badly take a significant toll on today's organizations in terms of turnover costs, workplace efficiencies, profitability, and more.

Integrity plays a crucial role in the makeup of a good employee. However, low-integrity candidates are difficult to identify in the hiring process. To minimize the risk of hiring unethical individuals, it is essential to take a scientific approach to understanding candidates' attitudes and tendencies. Using research-based integrity assessments, an organization can identify unethical characteristics in a candidate prior to selection.

Combining decades of research and analytics on how attitudes impact performance, **Assess Systems™** conducted an objective, scientific study to determine the effectiveness of integrity assessments. The study revealed four distinct integrity profiles that were confirmed by major performance differences among specific groups based on supervisory ratings.

*“...53 percent of resumes and job applications contain falsifications, and 70 percent of college students would lie on a resume to get a job they want.”*

The study determined that integrity assessments can empower organizations to successfully avoid losses associated with counterproductive behaviors while identifying candidates who are likely to be top performers. Assessing for integrity is a critical element in the solution to screening out risky hires.

### Introduction

Hiring even just a few unprincipled or undependable employees can be extremely damaging for an organization in critical areas such as employee morale, hiring costs, productivity, and profitability.<sup>1</sup> Interviews often fail to identify problematic characteristics in a candidate. Using a scientific, research-based approach, organizations can successfully address this issue by understanding a candidate's integrity-related attitudes and tendencies early in the hiring process.



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## Low Employee Integrity and its Consequences

When it comes to honesty and integrity, hiring managers and human resource decision-makers must keep in mind that avoiding a bad hire is just as critical as making a good hire. Picking the right employee is important. However, the consequences of selecting the wrong employee can be devastating.

The problem of low employee integrity is evident even before an individual enters an organization. Unfortunately, integrity issues are extremely widespread. A 2012 survey conducted by the Society for Human Resource Management (SHRM) revealed that 53 percent of resumes and job applications contain falsifications, and 70 percent of college students would lie on a resume to get a job they want.

Once an employee is hired, unethical behaviors can run the gamut:

- Stealing
- Lying or hedging on the truth
- Resisting direction and supervision
- Significantly underperforming
- Failing to arrive at work on time
- Missing work repeatedly
- Ignoring safety precautions
- Using illegal drugs prior to work, on the job or after work
- Mistreating other employees or having difficulty working with others
- Abusing company property

*“...retail shrink (theft) cost businesses \$34.5 billion in 2011, and employee theft was responsible for 43.9 percent of all retail shrinkage in 2012.”*

Employee theft is a particular concern for the restaurant, hospitality, and retail industries. The continuous proximity to customers' money and the employer's money can be a temptation for those with low integrity. In fact, in a presentation at the National Retail Federation<sup>SM</sup> Loss Prevention Conference and Expo, Dr. Richard Hollinger indicated that retail shrink (theft) cost businesses \$34.5 billion in 2011, and employee theft was responsible for 43.9 percent of all retail shrinkage in 2012.<sup>ii</sup>

High-risk employees are counterproductive, often affecting a company as a whole. One result is negativity in the work environment. Mistrust can emerge among team members when it is critical to work together as a cohesive, harmonious unit. Working side-by-side with coworkers who have low integrity frustrates high performers, causing them to leave prematurely and amplifying the negative effects of bad hiring decisions. Furthermore, poor hires are often responsible for driving customers away and damaging a company's hard-won reputation, ultimately causing financial losses.

Many organizations pay strict attention to establishing best practices for recruitment, screening, and hiring. However, traits involving low integrity are difficult to pinpoint.<sup>iii</sup>

Undesirable candidates find their way into the workplace because problematic tendencies can escape notice until it's too late. An ability to predict a candidate's behaviors around integrity-related issues early in the hiring process would certainly give a company a powerful competitive advantage in selecting and retaining top talent.

*“...organizations spend approximately 20 percent of an employee's salary when forced to replace that individual.”*

In addition to the time and effort involved in addressing a violation and letting go of the high-risk employee, the cost of turnover itself is extremely high. In fact, an analysis conducted by the Center for American Progress® revealed that organizations spend approximately 20 percent of an employee's salary when forced to replace that individual.<sup>iv</sup>

## Scientific Foundation for Analyzing Candidate Integrity

The elusive nature of undesirable traits, combined with the dramatic impact of integrity on the business environment and profitability, makes it critical to approach the problem using a scientific foundation. Fortunately, research has determined that integrity can be assessed and predicted through scientific analysis.

One of the many integrity-related factors affecting the bottom line is workers' compensation claims. A large study out of Pacific University indicated that using integrity testing during candidate selection has a positive effect. Compared to those who were not tested, candidates who were prescreened for integrity had fewer workers' compensation claims and a lower dollar amount for claims made. The study spanned four industries and more than 33,000 employees.<sup>v</sup>

A *Personnel Psychology* article reviewing integrity test research indicated that integrity assessments are frequently used to evaluate the character or likely behavior of job applicants and employees. These assessments touch on issues related to honesty, drug use, reliability, and human interactions.<sup>vi</sup> Research shows that applicants do respond honestly to integrity assessments. Specifically, individuals who tend to have more lenient attitudes towards integrity-related violations such as stealing, attendance, drug-use and so on also tend to endorse these activities more frequently on pre-employment assessments.<sup>vii</sup>

Paul Sackett and other professors from the University of Minnesota<sup>SM</sup> wrote a number of landmark papers on integrity assessments. They distinguished between three traditional types of integrity measures: overt attitude-based, overt admission-based, and personality-oriented integrity measures.<sup>viii</sup> Overt attitude-based measures ask applicants to describe their feelings towards theft, drug use, and so on, while overt admission-based measures ask applicants to admit to the frequency at which they participated in such things. However, applicants are less likely to respond honestly to overt admissions-based questions due to the items' clear intention.<sup>ix</sup> Additionally, such questions cannot be administered in a pre-employment setting in some states. As a result, the researchers for this paper did not utilize overt admissions-based measures of integrity.

Finally, personality-oriented measures of integrity address generalized character traits related to integrity, such as Emotional Stability and Conscientiousness. These integrity-related traits significantly predict unethical behaviors due to their association with controlled (as opposed to impulsive) behavior.

Most research-based integrity tests address only one type of integrity, evaluating either an overt measure of integrity or a personality-oriented measure. However, empirical evidence has yet to demonstrate the importance of combining these two measures in a single evaluation.<sup>x</sup> As a result, a scientific study was conducted by **Assess Systems** that assessed the significance of integrating both overt and personality-oriented measures within a single integrity evaluation and how the combined measures related to overall job performance.

## Ability of Integrity Assessments to Predict Behavior

**Assess Systems** surveyed 1,819 front-line storefront managers across the United States who were employed by a large national retail organization. Each answered specific assessment questions related to integrity. These questions included both overt measures and personality-oriented measures.

Of the seven dimensions of integrity assessed in the survey, four were overt-integrity scales and three were personality-oriented scales. The following table describes these dimensions.

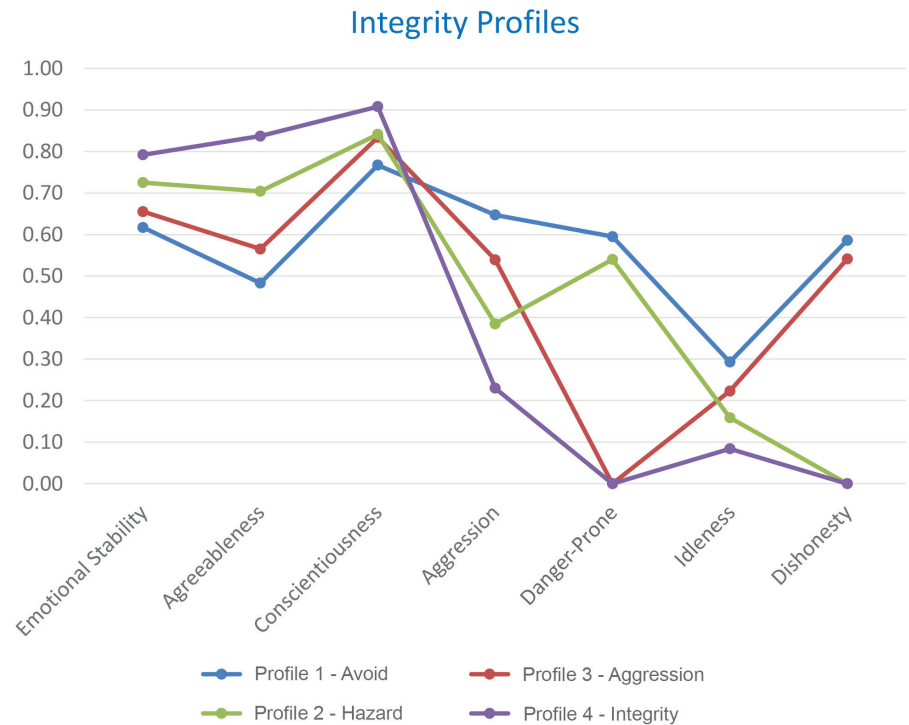
Table 1: The Seven Dimensions of Integrity in Assess Systems' Survey

Integrity Measure	Type of Scale	Details
Overt	Aggression	Attitude toward aggressive acts
	Danger-Prone	Attitude toward failing to follow safety procedures
	Idleness	Attitude toward exerting maximal effort at work
	Dishonesty	Attitude toward telling the truth in a variety of work contexts
Personality-Oriented	Emotional Stability	Consistency and lack of extremity in emotional responses
	Agreeableness	Need to be liked and accepted by others
	Conscientiousness	Inherent need for orderliness, structure and reliability

**Assess Systems** analyzed the assessment results using Latent Profile Analysis (LPA), a clustering analysis that applies state-of-the-art statistics to group like-minded people based on similar traits (see Figure 1). The LPA results revealed four major categories of integrity:

- **Low-Integrity Profile:** These individuals had low scores on all the personality-oriented integrity scales (Emotional Stability, Agreeableness and Conscientiousness) and high scores on the overt-integrity scales (Aggression, Danger-Prone, Idleness, and Dishonesty).
- **Hazard Profile:** These individuals scored high on safety-related issues but had moderately high personality-oriented scores.
- **Aggression Profile:** Those with this profile had moderate scores on the personality-oriented measures but high scores on the aggression-based overt-integrity scale.
- **High-Integrity Profile:** Individuals with this profile had high scores on all personality-oriented scales and low scores on all overt-integrity scales, indicating that they were likely to be the most honest and reliable employees.

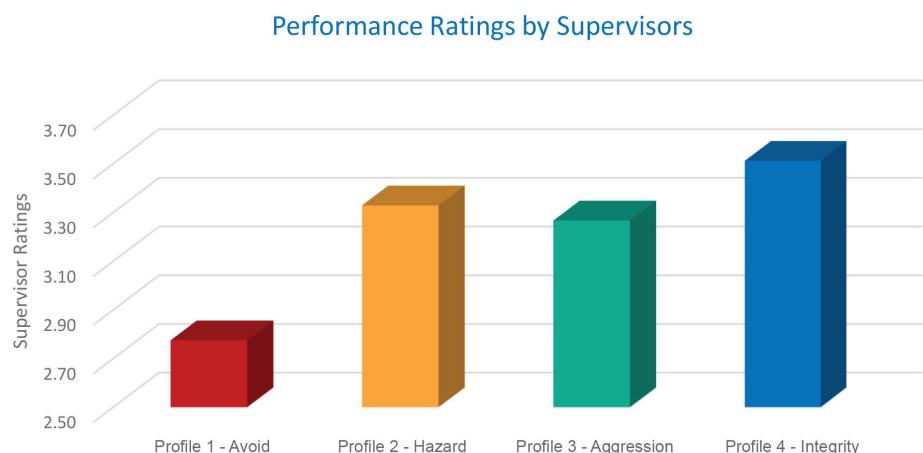
Figure 1: The statistical analysis revealed four distinct categories: Low Integrity, Hazard, Aggression, and High Integrity.



To provide a comparative outcome across all these individuals, **Assess Systems** had the employees' supervisors rate their performance. Performance ratings were structured on a scale of 1 to 5. A rating of 1 identified a struggling employee who was in the bottom 10 percent of his or her peers. A rating of 5 meant the employee was a role model ranking in the top 5 to 10 percent.

The **Assess Systems** team compared the assessment results with the supervisory ratings (Figure 2) to determine if there were meaningful performance differences among the groups of employees. The Low-Integrity Profile, which had the lowest scores on all types of integrity, also had the worst supervisory ratings. The High-Integrity Profile, which characterized those scoring highest on all types of integrity, coincided with the highest performance ratings from supervisors. Both the Hazard and Aggression Profiles had lower scores than the High-Integrity Profile, indicating the value of discriminating between these types of employees. The Hazard and Aggression Profiles scored moderately higher than the Low-Integrity Profile, though all three had lower performance ratings than the High Integrity Profile as expected. All these group differences were found to be statistically significant, indicating that the differences across the groups were not merely due to chance.

Figure 2: Integrity profiles demonstrated significant differences in overall performance outcomes rated by supervisors.



The emergence of the four profiles with meaningful on-the-job performance differences among various groups demonstrates that the **Assess Systems** study backs up prior scientific research. In fact, the study even refines that research by underscoring the importance of accounting for both types of integrity when selecting employees. Both overt measures and personality-oriented measures impact employee behavior, so a comprehensive assessment is ideal.

## Application of Findings

Assessing integrity is the answer to screening out high-risk candidates and finding truly stellar employees. Identifying employees who might be more likely than others to be problematic has a two-fold advantage:

- **Mitigating risk:** From poor performance, tardiness, and absenteeism to theft, drug use, and workplace abuse, unethical employees are risky. Avoiding bad hires is critical due to the potential damage to the company as well as the high cost of turnover.
- **Increasing the bottom line:** Because integrity assessments are powerful indicators of an employee's actual on-the-job performance, organizations can leverage this information to select top performers. The likelihood of increased engagement, improved teamwork, and the efficient execution of strategy can potentially impact profitability.

The results suggest that integrity assessments that address multiple facets of integrity — such as aggression, the tendency to be danger-prone, idleness, and so on — are highly relevant to performance, as demonstrated in both the profile analyses and the managerial rating comparisons. This may be particularly significant for professions where safety and/or aggression are serious issues. For example, hiring managers seeking a front-line manufacturing employee are more likely to be concerned if an individual is flagged for having a hazard profile, while the aggression profile may be critical for military or police officer positions. Therefore, hiring managers should seek out an integrity assessment that evaluates multiple aspects of integrity.

Clearly, individuals with high levels of integrity are viewed as more reliable employees, harder workers, and higher performers. They are more likely to show up on time, exert greater effort, and get the job done. As confirmed by the supervisory evaluations in the study, those with a High-Integrity Profile are, in fact, proven to be the best performers. For organizations leveraging integrity assessments, the ability to identify candidates with such potential can translate into a return on investment (ROI) of significant magnitude.

## Assess Systems and Integrity Assessments

Integrity is an essential characteristic for every employee. Integrity assessments empower organizations to address the problem of unethical, counterproductive workplace behavior by screening out candidates with undesirable characteristics before hiring occurs.

**Assess Systems** used its research study to hone an assessment that captures applicants' attitudes towards integrity-related issues as well as personality traits impacting integrity.

For more information about **Assess Systems** products, please call 800-803-4303 or visit [www.successperformancesolutions.com](http://www.successperformancesolutions.com).



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<sup>i</sup> Bell, S. T. (2007). "Deep-Level Composition Variables as Predictors of Team Performance: A Meta-Analysis." *Journal of Applied Psychology*, 92, 595-615.

<sup>ii</sup> Grannis, Kathy. "National Retail Security Survey: Retail Shrinkage Totaled \$34.5 Billion in 2011," National Retail Federation, June 22, 2012. [<https://nrf.com/news/loss-prevention/national-retail-security-survey-retail-shrinkage-totaled-345-billion-2011>]

<sup>iii</sup> Sackett, P.R., Burris, L.R., and Callahan, C. (1989). "Integrity testing for personnel selection: An update." *Personnel Psychology*, 42: 491-529.

<sup>iv</sup> This material was created by the Center for American Progress ([www.americanprogress.org](http://www.americanprogress.org)): Boushey, Heather, and Glynn, Sarah Jane (2012). *There Are Significant Business Costs to Replacing Employees*, 1. According to page 2 of the study, the cost ranges from 16.1 percent to 21.4 percent depending on the employee's salary.

<sup>v</sup> Oliver, Celina; Shafiro, Maggie; Bullard, Peter; and Thomas, Jay C., "Use of Integrity Tests May Reduce Workers' Compensation Losses" (2011). Faculty Scholarship (SPP). Paper 8. [<http://commons.pacificu.edu/sppfac/8>]

<sup>vi</sup> Berry, C.M., Sackett, P.R., and Wiemann S. (2007). "A review of recent developments in integrity test research." *Personnel Psychology*, 60: 271-301.

<sup>vii</sup> Whitney, D.J., Tekonen, H. (2012). "The impact of item type on faking overt integrity items." Paper Presented at the 27th Annual Conference of the Society for Industrial and Organizational Psychology, San Diego, California.

<sup>viii</sup> Sackett, et al. (1989).

<sup>ix</sup> Whitney, et al. (2012).

<sup>x</sup> Ones, D.S., Viswesvaran, C., and Schmidt, F.L. (1993). "Comprehensive meta-analysis of integrity test validities: Findings and implications for personnel selection and theories of job performance." *Journal of Applied Psychology*, 78: 679-703.

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