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MORE COMPANIES HAVE ETHICS CODES: YET MALPRACTICE CONTINUES. WHY?

London, October 26: The Institute of Business Ethics today publishes a new report which shows that codes of business ethics do not work on their own, and that business leaders need to make sure that their ethical values are properly embedded within their companies.

The Institute is marking its 20th anniversary today with a symposium on the challenges facing ethics in business over the coming two decades. Key to that is the need to ensure that ethical values are embedded in the way organisations do business.

Over the past 20 years, the IBE has worked successfully with UK companies to develop codes of ethics: in 1988 only 18 per cent of larger companies had such codes; now more than 90 per cent of FTSE100 companies and 60 per cent of FTSE350 companies have ethics policies in place.

But in today's report "*Making Business Ethics Work: the foundations of effective embedding*" the IBE's Research Director, Simon Webley, provides the evidence to show that these codes are not enough on their own. As he says: "*One outstanding feature of the former Enron Corporation was that, not only did it have a code of ethics, it also purported to base its operations on core ethical values. The 2006 trial of the principal officers of the company revealed how far the company had deviated from its core values to the detriment of employees and shareholders.*"

The report recommends that an effective policy is one that is supported by a strong ethical culture characterised by sustained trust between the company and its key stakeholders, and, most importantly, by leadership example.

The author concludes that some of the basic ingredients of a policy for embedding and sustaining ethical values include:

- Agreement by the board on explicit core values
- Integration of those values into business strategy
- A relevant and 'user friendly' code of ethics
- Continuous training and awareness raising programmes
- Means for employees to raise issues without fear of retaliation
- Staff feedback (from appraisals and surveys) on the effectiveness of the policies
- Regular surveys of stakeholder opinion
- Public reports of achievements, room for improvement and action taken.



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Notes:

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Making Business Ethics Work: the foundations of effective embedding by Simon Webley

Publication date: 26th October 2006 Price £25 ISBN 0 9549288 2 2

Sponsored by: Nomura

Available from www.ibe.org.uk

The Institute of Business Ethics was established by business in 1986 to encourage high standards of business behaviour based on ethical values. The IBE aims to lead the dissemination of knowledge and good practice in business ethics. It is a registered charity.

- We raise public awareness of the importance of doing business ethically.
- We help organisations to strengthen their ethics culture and encourage high standards of business behaviour based on ethical values. We assist in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes. We help organisations to provide guidance to staff and build relationships of trust with their principal stakeholders.
- We collaborate with other UK and international organisations with interests and expertise in business ethics.

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