

Ethical Concerns and Lapses 2014

This Briefing provides an overview of the major ethical concerns and lapses from 2014 which were recorded in the IBE's 'media monitoring' during the course of the year. In 2014, 478 stories related to different ethical concerns and lapses were reported, all can be viewed on the IBE website.¹

The Briefing gives an overview of these concerns and lapses and provides details of concerns by sector. Attention is also paid to some of the most prominently reported issues from the year. For the purpose of this Briefing each issue raised is only counted once, regardless of the size or scope of the allegation, or the number of news channels on which it was reported.

Lapses by Sector

Graph 1 shows that in 2014, the **Finance** sector received the most news coverage concerning ethical behaviour. This accounted for almost 2 in 5 (38%) business ethics news stories. This is consistent with previous years – in 2012 and 2013 the finance sector also accounted for over 37% of all business ethics stories.²

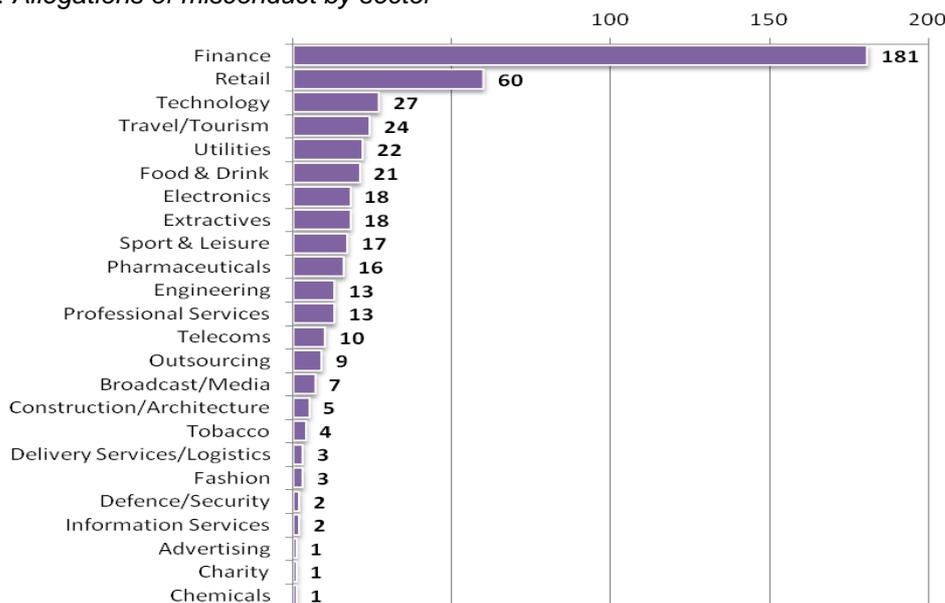
Again, **Retail** is the second most covered industry with 60 reported ethical lapses and concerns.

Advertising, Charity, Chemicals and **Education** were the sectors which received the least mentions over the last year, with 1 each. **Defence/Security** and **Information Services** received 2 mentions each. These low numbers should not be a cause for complacency. No industry is immune from potential ethical lapses, and seeing your organisation's name in the headlines is just one bad decision away.

FINANCE

Reporting on ethical lapses and concerns in the finance sector in 2014 remained constant with 181 separate stories recognised by the IBE – the equivalent of a new news story every other day. In addition, the Financial Conduct Authority (the regulator for the financial sector) saw a dramatic increase in the number of fines issued throughout the year. In 2014 fines of over £1.4 billion were issued, compared to £424 million in 2013.

Graph 1: Allegations of misconduct by sector



1. The IBE monitors the daily news in the UK for stories with some aspect of business ethics. The main stories are posted on the IBE website under 'Business Ethics News' – see <http://www.ibe.org.uk/business-ethics-news/117>
 2. See IBE Briefing 37: [Ethical Concerns and Lapses 2012-13](#) (January 2013).

Price fixing was the most commonly reported issue for the finance sector in 2014, with 28 separate stories recorded. Predominantly, these stories related to fines for LIBOR rigging, as well as fresh allegations of rate rigging of other benchmarks such as EURIBOR and FX.

Mistreatment of customers was the second most reported topic of ethical lapses/concerns for the finance sector. There were 19 separate incidents reported, with allegations of mistreatment of both business customers/clients as well as high street consumers. For example, stories concerning excessive charges imposed by payday lenders were especially prominent in 2014.

Allegations of **mis-selling** closely followed, with 18 stories reported. Many of these continue to be related to fines for mis-selling PPI.

Perhaps surprisingly, **executive remuneration** dropped to become the fourth most prominent issue for this sector with 17 stories reported throughout the year. In 2012/2013 this was the most reported on ethical lapse/concern in the finance sector with 71 stories reported over the two years.

Allegations of **fraud/theft** was another prominent issue of concern for the sector with 15 stories reported in 2014.

RETAIL

As in 2012/2013, retail was the second most reported on sector in terms of ethical lapses/concerns, accounting for 1 in every 8 stories. In total, 60 media reports were recorded.

For this sector, ethical lapses/concerns were reported regarding a variety of business ethics issues - 18 in total, with no specific issues especially dominant.

Of the 60 stories, 8 (13%) concerned **mistreatment of employees**, making it the most reported on issue. These were commonly related to concerns over working conditions or pay, with the issue of paying a living wage to employees prominent.

Supply chain issues followed with 7 stories, and **marketing and advertising practices** and **misleading information** provided 6 stories each.

TECHNOLOGY

There were 27 stories published in 2014 alleging ethical lapses/concerns amongst technology companies. For 2014 it was the third most reported on sector, a slight increase on 2012/2013 when it was the fifth.

Stories relating to **data protection/privacy** made up almost 30% of the stories for this sector. Security of information, especially information collected online, is becoming an increasingly prominent issue for organisations. This is reflected by the growing number of concerns and lapses in this area which made news headlines in 2014.

TRAVEL/TOURISM

Proportionally, travel/tourism is one sector which saw the number of ethical concerns and lapses reported in 2014 increase substantially. In 2014, there were 24 stories reported related to the travel/tourism sector, making it the fourth most reported on sector. In 2012/2013 it was the tenth most reported on sector.

Similar to retail, there were no specific business ethics issues on which stories were concentrated. 14 separate issues were reported on with no issue coming up more than three times - **executive remuneration**, **fair competition** and **mistreatment of customers** all accounted for three stories each.

UTILITIES

In 2014, 22 stories were captured by the IBE relating to utility companies.

Of these stories almost 60% (13) related to the **mistreatment of customers**. During 2014, complaints to the Energy Ombudsman "soared".³ Data from the Ombudsman Service's website revealed that in 2014 there were a total of 52,308 complaints, compared with 17,948 in the whole of 2013, an increase of 191%.⁴

OTHER SECTORS

Bribery and corruption was an issue of specific concern in a number of sectors. Stories relating to allegations of bribery and corruption, or those concerning fines related to previous misconduct in this area, accounted for 54% (7 of the 13 stories) regarding **Engineering** firms; 50% of the stories related to **Pharmaceutical** companies; and a third (6 of 18) of the stories related to the **Extractives** sector.

3. See BBC News: [Energy complaints soar, Energy Ombudsman says](#) (14/07/14). Accessed 16/01/15.

4. See Ombudsman Services: [Energy Complaints up 191% on last year](#). Accessed 26/01/15.

Issues related to **tax** were prominent in the **Telecoms** sector, accounting for 40% of the reports of ethical concerns/lapses in the sector. **Fraud/theft** was the prominent issue for **Outsourcing** companies, accounting for 4 of the 9 reported ethical concerns/lapses for this sector.

Issues of Concern

In 2014, ethical concerns/lapses relating to 29 different business ethics issues were reported. Across all industries, the most common issue was **mistreatment of customers** which accounted for 45 of the 478 stories captured.⁵ Graph 2 shows the 15 issues which were reported on more than 10 occasions.

Price fixing and **bribery and corruption** were reported at similarly high levels, with 42 and 41 articles respectively.

Executive remuneration and corporate **tax** policies made news headlines 37 times each over the course of 2014.⁶ In the equivalent analysis of 2012/2013, both of these issues were found to be written about more consistently, with 118 and 91 occurrences over the two years respectively. However, additional research by the IBE revealed that in 2014 corporate tax avoidance and executive remuneration remained the top two ethical issues which the British Public thought that businesses need to address.⁷

The issues least frequently reported on were **mistreatment of suppliers**, **lobbying** and **illicit trade** which were reported on once each.

Concentration of issues within sectors

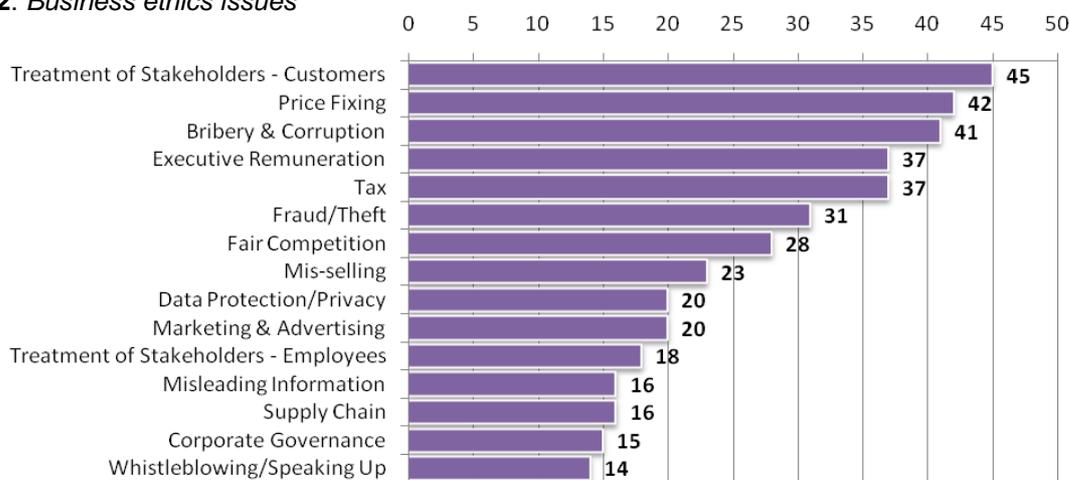
Unsurprisingly, looking at the sectors where certain lapses were concentrated, the **Finance** sector was the prominent source of stories for a number of issues.

82% of stories on **price fixing**, 80% of those on **money laundering** and also **behaviour/culture**, and 78% of those about **mis-selling**, were all found to relate to organisations in the **Finance** sector. In addition approximately half of the stories concerning **conflicts of interest**, breaches of international **sanctions**, **openness with information**, **fraud/theft** and **executive remuneration** also involved organisations from this sector.

44% of stories related to both the **mistreatment of employees** and issues in the **supply chain** were found in the **Retail** sector.

When looking at these two sectors combined, finance and retail organisations accounted for 88% of stories about **misleading information** (50% from the finance sector and 38% from retail), 77% of stories related to the **mistreatment of customers** (42% finance and 29% retail), 66% of **corporate governance** stories (with both sectors accounting for 1/3 of the stories in this category) and 60% of stories alleging ethical misconduct in **marketing and advertising** practices (30% for each sector).

Graph 2: Business ethics issues



- The IBE has written a separate Business Ethics Briefing which considers aspects of unethical treatment of customers, consequences, regulatory responses and steps taken by some organisations to address this issue. See IBE Briefing 39: [Misleading Customers](#).
- See IBE Briefing 42: [Fairness in the Workplace – Pay](#) for more information on the ethical aspects of executive remuneration. See IBE Briefing 31: [Tax Avoidance as an Ethical Issue for Business](#) for more information about tax avoidance as an ethical issue.
- See IBE Survey Infographic: [Attitudes of the British Public to Business Ethics 2014](#).

Stories related to **data protection/privacy** were the only issue with a concentration of stories that was not related to the finance or retail sectors. 40% of ethical concerns/lapses in this area were accounted for by **Technology** organisations, and a further 10% related to **Electronics** organisations.

Box 1: Differences: 2014 compared to 2012/2013

Sector Rises

Stories related to the **Technology**, **Travel/Tourism** and **Utilities** sectors were all found to be more prominent in 2014 than they were in 2012/2013.

For technology companies and utilities this increase in prominence was driven by a concentration of stories related to a single business ethics issue – data protection/privacy and mistreatment of customers respectively.

For travel/tourism companies the increase can be correlated with an increase in the number of different ethical concerns/lapses seen rather than an increase in one specific area.

Sector Falls

Both **Extractives** and **Pharmaceutical** companies received comparatively less news coverage in 2014 than in preceding years.

Issue Rises

For 2012/2013 ethical issues related to all **stakeholder groups** were combined, making this the second most reported on business ethics issue.

Over these two years 49% of these stories were related to the **mistreatment of customers**. For 2014, these issues have been listed separately, and there is an increased concentration on the number of stories relating to the **mistreatment of customers**, making it the most reported on issue in 2014. However, in 2012/2013 stories related to the **mistreatment of employees** accounted for 45% of the 130 stories related to the mistreatment of stakeholders. In 2014, this dropped to only 18 incidents.

In 2012/2013 stories related to **price fixing**, including those related to LIBOR were subsumed in the Fraud/theft category, which was the fourth most reported business ethics issue. In 2014 stories related to this topic were found to be far more frequent, meriting it being drawn out separately, and consequently being the second most reported on issue.

Issue Falls

In 2014, there appears to have been a fall in the number of stories relating to **bribery and corruption**. In 2012/2013 this was the most reported on business ethics issue.

Reporting on ethical issues in the **supply chain** also seems to have fallen substantially in the course of 2014. In 2012/2013 52 separate incidences were reported on, making it the 6th most prominent business ethics issue. In 2014, there were only 16 issues reported, making it the 13th most reported on issue.



This and other Business Ethics Briefings are available to download free of charge from the IBE website:
<http://www.ibe.org.uk/list-of-publications/67/47/>