Institute of Business Ethics

Business Ethics Briefing

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Surveys on Business Ethics, 2009

This briefing looks at the findings of selected surveys on business ethics issues published in 2009/10.

Edelman Trust Barometer 2009 (Global)

'Trust in business down; business is more trusted in emerging economies than Europe and the U.S.'

The 10th edition of the Edelman Trust Barometer interviewed 4,475 university educated adults aged between 25 and 64 years in 20 countries.

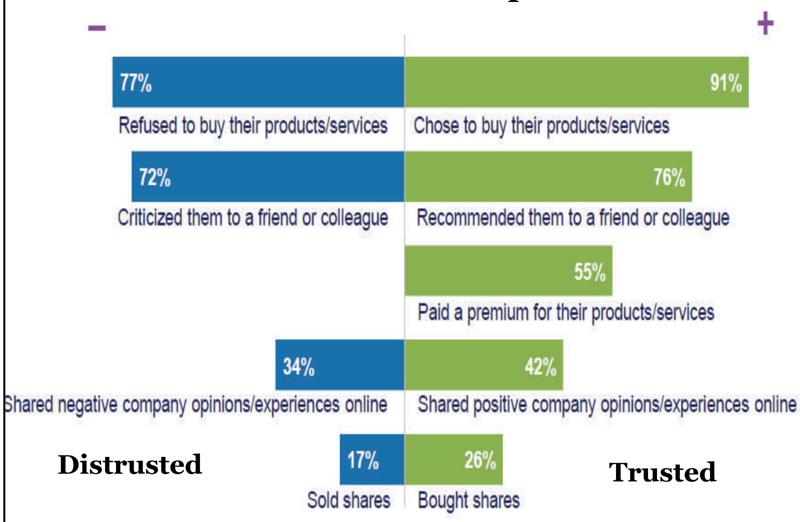
The survey found that nearly two thirds – 62% - of the sample trusted corporations less now than they did a year ago. Whilst the lack of trust in business is not surprising, the difference in the level of trust across countries and economies is of note.

Trust in **U.S. business** fell from 58% last year to 38%. This is the lowest score in the Barometer's tracking history amongst informed publics – below that seen in the post-Enron period. Trust in business in the **U.K.**, **France**, and **Germany** was already at a low level last year (36%) and stayed there this year. The sectors driving the decline are those that sought government bailout in 2008 – banking and automotive industries.

However, **emerging economies** such as **China**, **Indonesia** and **Brazil**, had a higher level of trust in business than Europe and the U.S. In China it rose from 54% in 2008 to 71% in 2009 and in Brazil trust rose to 69% from 61%.

The importance of trust to business is highlighted in the fact that globally, 77% of 25-64 year olds indicated that they had refused **to buy a product from a company they did not trust**, as shown in Figure 1 below. This shows that trust is one of the most important factors in determining a company's reputation.

Figure 1: Personal actions taken with trusted and distrusted companies



Source: Edelman

Worldwide, business remained marginally more trusted than **government**, although there were some discrepancies; in **China**, **Germany** and **France** the reverse was the case. Overall **NGOs** were the most trusted bodies with 54% trusting them to do what is right.

Trust in statements from **company CEOs** were down: 29% view information coming from a CEO as credible – a decline from 36% last year.

Full report available at: http://www.edelman.com/trust/2009/

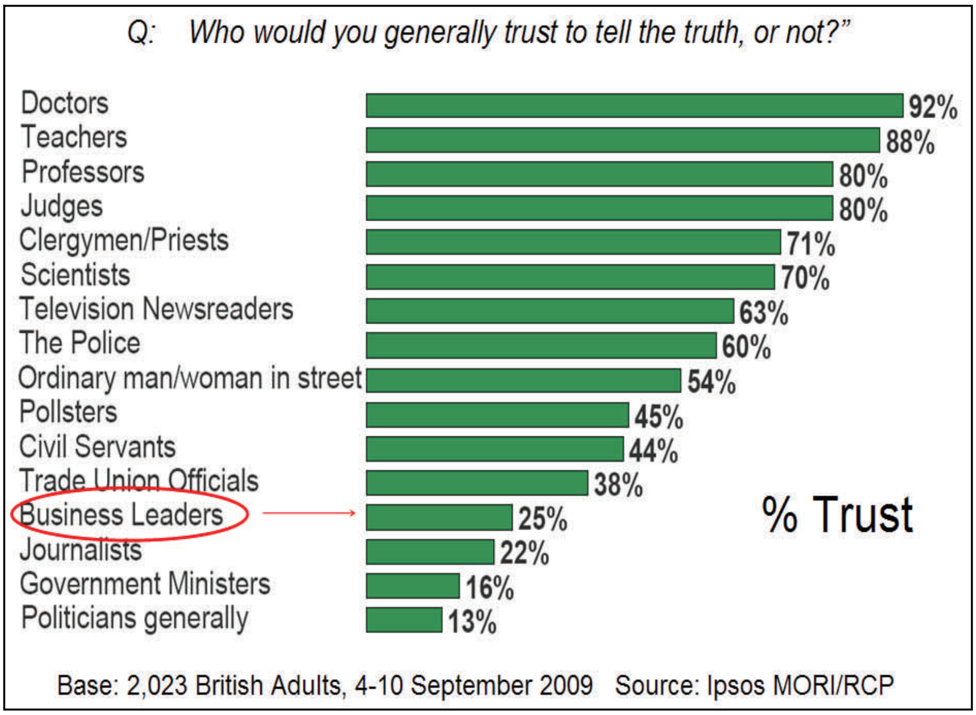
Ipsos Mori Trust in Professions (Britain)

'Only 25% trust business leaders'

For this survey of the British public, and in a year marked by scandal regarding political expenses, **government ministers** and **politicians** generally have sunk to the bottom of the trust table, recording a fall of 8% for politicians since last year. **Doctors** retained their position at the top of the trusted professionals league, with more than 9 in 10 British adults trusting them to tell the truth.

Business leaders also suffered a loss in trust from 2008, declining from 30% to 25% and keeping their 13th rank. Fewer people said they trusted the **ordinary man or woman in the street** than in 2008, with a fall from 60% to 54%.

Full report available at: http://tinyurl.com/y5n95e6



Ethics Resource Center National Business Ethics Survey 2009 (U.S.)

'Growing number of respondents say their employer has a strong ethical culture'

2,852 employees in the U.S. for-profit sector were interviewed for this survey. 62% of respondents said that their employer had a strong ethical culture; a figure that has risen from 53% in 2007. 71% felt that their leaders were open and transparent about business decisions and the organisation's financial health. **There was a strong correlation between a strong ethical culture and appropriate CEO remuneration**; 62% believed that their CEO was appropriately compensated, a figure which rose to 91% in organisations with a strong ethical culture, and fell to 20% in those with a weak ethical culture. 51% of employees in companies with a weak ethical culture felt that there was too little governmental oversight of business activities, against 30% of employees in organisations with a strong ethical culture.

The survey found that the **occurrence of misconduct had decreased**, with 49% of employees having witnessed it at work in 2009, a fall of 7% from 2007. Also, of those employees who witnessed misconduct, a growing number were willing to report it; this figure rose from 58% in 2007 to 63% in 2009. However, a growing number of respondents said that **they had experienced negative treatment as a result of speaking up about unethical practices**. This rose from 9% to 14% between 2007 and 2009. The majority of those who suffered from retaliation reported that they were affected by different treatment by colleagues rather than changes in their jobs and responsibilities.

Full report available at: http://tinyurl.com/2anwoqb

Kroll Global Fraud Report 2009-2010 (Global)

'Fraud does not necessarily increase during lean times'

This survey polled 729 senior executives, a third of whom were U.S.-based, with 25% each in Europe and Asia-Pacific. The remainder were drawn from the Middle East and Africa. **The survey found that the conventional view that fraud escalates in a recession is flawed; it is rather that fraud comes to light as elaborate mechanisms such as Ponzi schemes unravel**. 30% of respondents said that the financial crisis and recession has made their organisation more vulnerable to fraud.

Finance was the worst-hit sector, with 90% of respondents saying their company had fallen victim to fraud in the past three years. Average company losses to fraud were $8.8 million, a rise of $0.6 million on last year's figure. However, a leaner economic climate helped reduce fraud in some industries; the value of fraud in construction fell by 50%. Fraud risks differ by sector; the financial sector is most exposed to financial fraud, whilst professional services firms are most at risk of information theft. The extractive and construction sectors are most at risk of bribery and corruption, particularly in emerging markets.

Full report available at: http://www.kroll.com/about/library/fraud/oct2009/

Ernst & Young European Fraud Survey 2009 (Europe)

'Workers view management as the greatest fraud risk'

2,200 employees across Europe were interviewed, with jobs ranging from the factory floor to the boardroom. The survey found that whilst workers look to management to take the lead in tackling fraud and corruption, management is seen as part of the problem, with **29% of employees believing that management is untrustworthy**. 55% believe that fraud and corruption are likely to increase in the future. Despite this, 40% felt that their company's anti-fraud efforts had not been stepped up the past few years, and 21% said that their company had a speak-up/whistleblowing helpline.

Views as to the future incidence of fraud varied significantly across Europe: in Greece 76% thought it would increase, a view shared by 63% of U.K. respondents. This contrasts with 31% in the Netherlands. There was little difference between Western and Central/Eastern Europe, with respective scores of 54 and 55%. 33% thought that cost and job cuts would lead to greater fraud. **47% of respondents thought unethical behaviour was acceptable if it helped a company survive**. 25% thought that making cash payments to win new business was tolerable and 13% of senior managers thought it permissible to misrepresent financial performance in the lean economic climate. **Two-thirds of workers thought government should do more to combat fraud**, with 70% of the opinion that directors should be held personally liable for fraud that takes place on their watch.

Full report available at: http://tinyurl.com/poxkhe

KPMG Overseas Bribery Survey 2009 (U.K.)

'Two-thirds believe that business is impossible without bribery'

This survey was carried out amongst those responsible for complying with anti-bribery legislation at 109 FTSE All-Share companies. **67% of respondents believe that there are places in the world where it is not possible to conduct business without engaging in bribery and corruption.** 47% of these believe that the way to manage bribery and corruption risks in these countries is not to conduct business there. However, only 35% said that their organisation had ever chosen not to conduct business in a country because of bribery and corruption. **Only 52% of respondents with an anti-bribery and corruption compliance programme stated that they were actively conducting anti-bribery and corruption training and obtaining related certifications**.

Full report available at: http://tiny.cc/o8ra5

Ernst & Young Business Risk Report 2009 (Global)

'Ethical lapses seen as eroding the already damaged reputation of many organisations'

After consultation with business leaders, a list of global risks to business in 2009 was drawn up. The top 3 were the **credit crunch**, **regulatory** and **compliance issues** and the **onset of worldwide recession**. Reputational risk was placed 10th, a rise of 22 places since 2008. The report found that the credit crunch had greatly increased the importance of **corporate credibility**, **transparency** and **honest communication**. Ethical lapses eroded the already damaged reputation of many companies.

Reputation risk was seen as related to corporate governance and business ethics. A crucial question for companies to address was the strengthening of ethical business conduct and dealing effectively with any lapses.

Full report available at: http://tiny.cc/cai8s

The Badenoch and Clark Employment Study 2009 (U.K.)

'Employees demand commitment to CSR'

The survey was carried out amongst 1,000 office workers in the U.K. in October and November 2009. The survey found that:

- 47% of employees list CSR as an important criterion when assessing potential employers.
- **83% of these employees said that their employers were not genuinely committed to CSR**; 11% of employers were said to ignore CSR, and a further 28% employed a tick-box approach.
- The demand for a serious commitment to CSR was strongest amongst **workers aged 25-34,** 55% of whom said their views of an employer were influenced by its CSR strategy.

Full report available at: http://tinyurl.com/y6q2exe

Deloitte Ethics and Workplace Survey 2009 (U.S.)

'Almost one third of employees do not consider the ethical consequences of their online postings'

This survey interviewed 2,008 U.S.-based workers on the risks of employee social networking. The survey found that most respondents were aware of the risks posed by social media, with **74% agreeing that it is easy to damage a company's reputation through online activities**.

72% of executives said that their company had no policy to guide employee use of social networking tools, and 76% said they had no programme to monitor associated risks. **27% of employees do not consider the ethical consequences of their online activities**.

Full report available at: http://tinyurl.com/mlgtqh

Resources Governance Index 2009 (U.K.)

'Mixed picture of corporate governance across FTSE 100'

This survey found that companies tend to stick to a policy of compliance in corporate governance without going any further. Areas that were highlighted as requiring attention included **corporate social responsibility, the independence of non-executive directors**, **sustainability** and **ethics**. While no sector was singled out for particular praise or criticism, **companies in the extractive industries** were viewed as providing fuller reports and being more aware of the central issues. **Corporate culture** was identified as the most important factor in determining the success of corporate governance.

For further information and to obtain a copy of this report see: http://www.resourcesglobal.com/

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