

This Briefing looks at the findings of selected surveys on business ethics issues published and carried out in 2011.

IBE & Ipsos MORI 'Attitudes of the British public - Ethics in Business Survey' 2011 (UK)

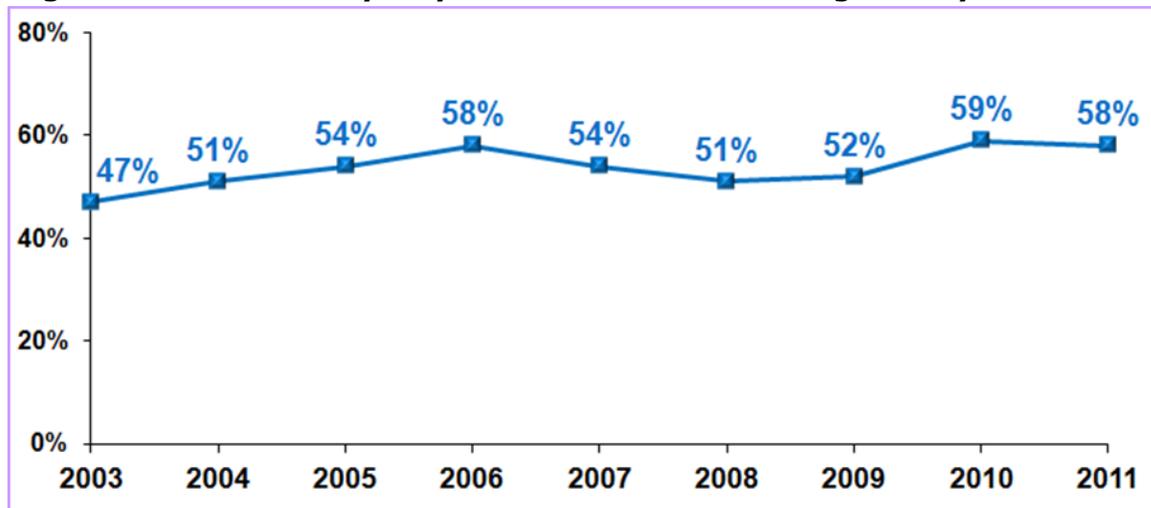
"Nearly two thirds of people believe business behaves ethically; a third do not"

Every year the IBE commissions Ipsos MORI to survey the British public on their attitudes to ethics in business. The latest survey of three questions was conducted through face-to-face interviews in August 2011 among a representative sample of 1,001 British adults (aged 16 years and above).¹

Q1. "How ethically do you think British business generally behaves?"

Nearly six in ten, 58%, of the British public believe business behaves very (4%) or fairly (54%) ethically, a similar proportion to 2010 (59%) and one of the highest figures on record since the survey began in 2003 (see Figure 1). More 35-54 year olds say they think business is behaving ethically (66%) whilst those aged 55+ years are less likely to say so (52%). Similar to the 35-54 age group, high proportions of people with children (63%), and those in employment (62%) also thought business behaves ethically.

Figure 1. "How ethically do you think British business generally behaves?"



Q2. "How do you think British business is behaving now compared with ten years ago?"

The IBE & Ipsos MORI survey also examines attitudes towards ethics in business over time. The most common view is that British business behaves less ethically now than ten years ago (29% selected this option, a rise of nine percentage points this year compared to the 2010 figure). A similar proportion (28%) of people think British business is behaving more ethically than ten years ago. This is a decline of ten percentage points from 2010. The proportion thinking that British business is behaving the same now as ten years ago, stands at 30%, similar to the 27% seen in 2010. The results for subgroups of the population follow a similar trend to question one. Those with children (36%), 35-54 year olds (35%), and people in employment (32%) are most likely to think business is behaving more ethically now than ten years ago. Those aged 55+ are more likely to think business is behaving less ethically now than ten years ago (39%) compared to other subgroups.

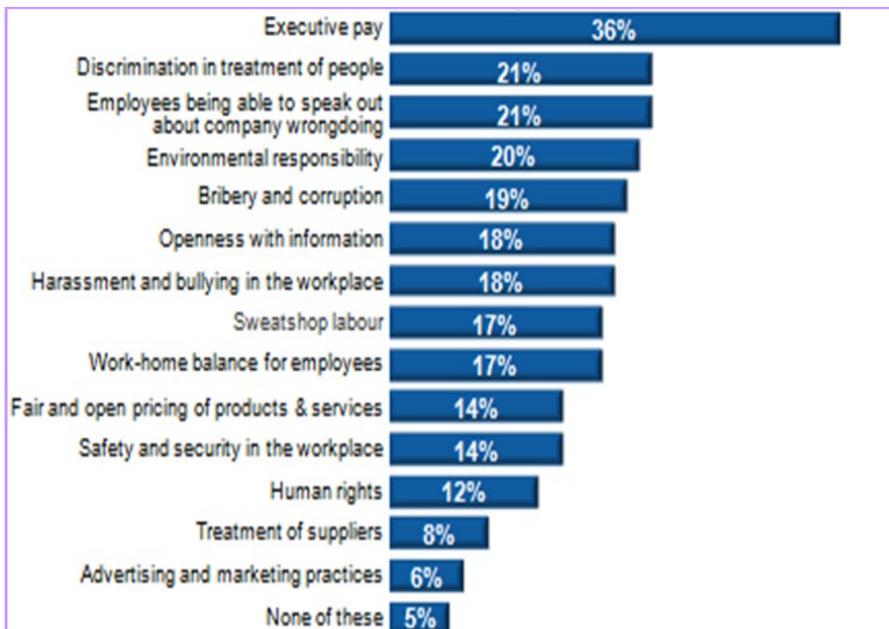
¹ A nationally representative quota sample of 1,001 British adults aged 16+ were interviewed throughout Great Britain using the Ipsos MORI Capibus across 156 sampling points. Interviewing was conducted by CAPI (Computer Assisted Personal Interviewing), face-to-face in respondents' homes between 19 and 25 August 2011. Complete findings at <http://www.ibe.org.uk/index.asp?upid=68&msid=12>

Q3. "In your view of company behaviour, which two or three of these issues most need addressing?"

As with previous years, the survey asked people to identify from a list, the two or three issues they think most need addressing by business (see Figure 2). **'Executive pay'** was most commonly identified as an issue that needs addressing by the British public (36%), as has been the case since 2008. **'Discrimination in treatment of people'** and **'Employees being able to speak out about company wrongdoing'** were jointly the next most mentioned issues, each selected by 21% of respondents. These were closely followed by **'Environmental responsibility'** and **'Bribery**

and corruption', selected by 20% and 19% of respondents respectively. This contrasts to 2010 when 'Bribery and corruption' was the second *least* mentioned issue with only 11% of respondents considering it an issue that needs to be addressed. **'Openness with information'** rose by four percentage points from 14% to 18% making it the sixth issue most in need of addressing (in 2010 it was the tenth). **'Sweatshop labour'** fell from being the third most mentioned issue (by 23% of the public) in 2010 to the eighth most mentioned (by 17%) in 2011.

Figure 2. "In your view of company behaviour, which two or three of these issues most need addressing?"



There are some significant differences between subgroups of the population over which issues are most in need of addressing. For the issue 'Discrimination in treatment of people' there was a significant variation of 13 percentage points between the 16-34 (28%) and 55+ (15%) age groups. 'Harassment and bullying in the workplace' was identified as an important issue by 21% of women but only 15% of men. Similar disparity arose over 'Executive pay' - 39% of men and 33% of women thought it was an issue that needs addressing by business.

Full report available at: <http://www.ibe.org.uk/index.asp?>

Edelman 'Trust Barometer' 2012 (Global)

"Trust in NGOs, business and government declines globally"

The 12th edition of the Edelman Trust Barometer interviewed online 25,000 general public respondents aged 18+ and 5,600 university educated public respondents aged 25-64, across 25 countries.

Overall trust in business continued to fall, with less than half (47%) of respondents globally saying they would trust business "to do what is right". In the UK the figure was significantly lower (38%). Globally, trust in CEOs fell by 12%, the greatest decline to date with only 38% of people considering CEOs to be a credible source of information. In the UK less than a third of people trust CEOs (30%), a decline of 9% from 2011.

The 'Eurozone' countries experienced some of

the greatest declines of trust in business. Notably, trust in France fell from 48% to 28%; in Germany from 52% to 34% and in Spain from 53% to 32%. In the BRIC countries, trust in business remained steady in Russia (41%) and India (69%). In China, trust in business rose by ten percentage points to 71% whilst in Brazil trust significantly declined - from 81% to 63%.

Globally, technology continues to be the most trusted sector for the third year (79%), followed by the automotive and food and beverage industries (66% and 64% respectively). As in 2011 the media (51%), banks (47%) and financial services (45%) are the least trusted sectors. Trust in both the

energy and telecommunications sector has fallen by 7%.

To build trust, companies need to go beyond core operational business activities. Listening to customer needs, offering quality goods and services, treating employees well, and putting customers before profits were some of the expectations of business identified globally (67%; 67%; 64% and 62% respectively). In reality however, business is failing to meet these expectations. Only 36% of the public think business listens to customer needs; 48% think business offers high quality products or services; 27% think that employees are treated well; and only 26% think that business places customers ahead of profits. A gap in expectations and business practice was found for all sixteen activities.

Globally, NGOs remain more trusted than business and government (50%). China experienced the greatest increase, with a rise of 16 percentage points to 79%, followed by India, where trust in NGOs rose by 6 percentage points to 67%. Significantly, in Japan trust in NGOs dropped from 51% to 30%; in Brazil from 80% to 49%; and in Russia from 42% to 28%.

Trust in government declined by 11%, to a record global low. The greatest declines in trust in government were in Brazil (85% to 32%); Japan (51% to 25%) and Spain (43% to 20%). Of the BRIC countries, India was the only country where trust in government rose, by 9 percentage points to 53%.

Full report available at: <http://edelmaneditions.com/>

Institute of Leadership and Management (ILM) 'Index of Leadership Trust' 2011 (UK)

"Employees trust their CEOs more now than in 2009"

The third Index of Leadership Trust surveyed a representative sample of 2,516 UK employees in the public and private sectors. The Index measures trust in leadership according to six aspects (see Box 1), on a ten point scale. Respondents rate their CEO and line managers against each aspect.

Overall CEO's scored an average of 66 and line managers an average of 70 on the Index. In particular CEOs have improved in the 'Understanding' aspect of trust. In 2009 and 2010 male CEOs were given lower trust scores than female CEOs but in 2011 this gender gap has closed.

On average employees rated their organisation, CEO and line manager as 'reasonably ethical'. 36% of private and 34% of public sector employees believe their organisation has improved its ethical operations in the last three years. In the financial services, banking and insurance sectors the proportion was 46%.

However a large proportion of employees believe

their organisation, CEO and line manager prioritise financial goals over behaving ethically; 50%, 48% and 44% respectively.

Full report available at: http://www.i-l-m.com/downloads/report_index_landtrust_2011_sept.pdf

Box 1: The six aspects of trust in leadership, ILM

1. Ability of the leader to do their job
2. Understanding – displaying knowledge and understanding of their employees' roles and responsibilities
3. Fairness – behaving fairly and showing concern for the welfare of employees
4. Openness – being accessible and receptive to ideas and opinions
5. Integrity – striving to be honest and fair in decision making
6. Consistency – behaving in a reliable and predictable manner.

PwC 'Striking a Balance: Whistleblowing arrangements as part of a speak up strategy' 2011 (UK)

"55% of organisations provide whistleblowing facilities to external stakeholders and 35% to the general public"

This report presents the findings of an online survey completed by PwC Fraud Academy members. Responses were received from individuals based in the UK, representing 111 organisations. The survey found a significant majority (98%) of respondents' organisations have one or more whistleblowing reporting

mechanisms. 87% of organisations provide some form of whistleblowing service in every region that they do business, and 73% provide this service 24 hours a day, 7 days a week. Only 78% of organisations provide feedback to those that raise concerns.

Organisations are trying to ensure their whistleblowing services are effective. But only 53% monitor the performance of their services. Nearly a fifth of respondents' organisations use local 'champions' to provide guidance on whistleblowing.

The survey also indicates that organisations are not doing enough to raise awareness of their whistleblowing facilities. Nearly half (46%)

believe employee awareness could be improved, in particular through more regular communication and training. A similar proportion (41%) of organisations said more support from senior management would be beneficial for promoting an open speak up culture.

Full report available at: <http://tinyurl.com/7nerqgZ>

Ernst & Young 'European Fraud Survey: Recovery, regulation and integrity' 2011 (Europe)

"Only 56% are aware that their company has an anti-bribery policy"

This biennial survey interviewed 2,365 employees of all levels in 25 European countries. Respondents came from companies that were either listed, multinational or had more than 1,000 employees, and were from a range of sectors.

The survey found that almost 1 in 5 employees believe it is acceptable to pay bribes to attain or retain business; little change from the 2009 survey finding. A significant proportion also felt it is reasonable to accept personal gifts to win or maintain a business contract – 18% of employees and 24% of those at board/senior level. Perhaps unsurprisingly then, more than a quarter of respondents said bribes are commonly used to win contracts in their sector.

Paradoxically however, nearly half (45%) would be unwilling to work for a company that has been involved in a major bribery or corruption scandal and 53% would not hire a third party involved previously in a bribery or corruption incident. In addition, the majority of respondents (2/3) recognise that a strong reputation for ethical behaviour provides

commercial advantages for a company. Therefore the survey highlights a disconnect between what respondent's believe is acceptable behaviour for themselves and their perceptions of acceptable behaviour for others.

Employees' justification of paying and accepting bribes for business contracts may be linked to companies' failure to fully embed anti-bribery and corruption (ABC) policies and mechanisms. Half of respondents said employees do not comply with their company's code on ABC, and a third agreed the code has little impact on actual behaviour. There is a visible lack of training in companies with less than a quarter of employees and less than a third of board directors having received any ABC training. Tone from the top is also poor with a quarter of respondents not trusting their managers to behave ethically and 59% expecting management to cut corners to meet business objectives. Significantly, half of management level respondents agree with this.

Full report available at: <http://tinyurl.com/6dgn6cq>

KPMG 'Global Anti-Bribery and Corruption Survey' 2011 (UK & US)

"29% of UK companies have 'just a little' knowledge about the Bribery Act"

This survey considers the anti-bribery and corruption (ABC) practices of UK and US companies with 200 or more employees. 214 executives identified as the most senior employee in charge of ABC in their organisation were surveyed; 106 from US-based companies and 108 from UK-based companies. The findings described here refer to the UK companies unless indicated otherwise.

Overall the survey results indicate companies are taking ABC seriously. 86% now have formal written ABC policies that are distributed to all employees, compared with 57% in 2009. Of these, 64% also distribute policies to third parties. 93% of companies require employees to periodically certify they will comply with ABC

policies, and 61% also require third parties to do so. 80% of respondents said their companies have ongoing ABC monitoring and internal audit processes; 72% conduct ABC training on an annual basis and 69% conduct ABC risk assessments at least once a year. In nearly half (47%) of companies a board-level committee is responsible for overseeing the organisation is compliant with ABC regulations, and 41% of companies have a full time employee to deal explicitly with anti-bribery and corruption issues.

The focus on anti-bribery and corruption policies and mechanisms in a high proportion of UK company respondents may be related to the 2010 UK Bribery Act which came into force on 1st July 2011. The impact that this is having on

the way in which companies conduct their business is yet to be seen, however. The survey found 27% have chosen not to do business in a country due to bribery and corruption. Worryingly, the 73% which did not turn down

business believe there are places in the world where business cannot be done without bribery and corruption.

Full report available at: <http://tinyurl.com/7yato3e>

Chartered Institute of Internal Auditors (IIA) 'Ethics Reporting: A review of FTSE 100 annual reports' 2011 (UK)

"92% of FTSE 100 companies provide no metrics on ethics in their annual report"

This report reviews FTSE 100 companies' disclosure of ethical performance in their 2010-2011 annual reports.

The review highlights that 91% of the FTSE 100 refer to ethics and integrity in their annual report in some way, but few provide substantial information. Thirteen companies go no further than providing an unsupported statement on their ethical performance. Practices in communicating ethical standards to employees were disclosed by 15% of the FTSE 100. Disclosing data on measured ethical performance was less common. Eight companies made some sort of disclosure, typically relating

to employees' understanding of the code of ethics; seven companies included data on employees' awareness of ethics in the organisation; and four companies disclosed the number of employees who have received ethics training in the past year. One company provided statistics on their supplier assessments.

Full report available at: <http://tinyurl.com/72oqv55>

KPMG's '*International Survey of Corporate Responsibility Reporting 2011*' considers similar issues in corporate responsibility reports (see below).

Other Surveys of Interest

St Paul's Institute 'Value and Values: Perceptions of ethics in the City today' 2011 (UK)

This report presents the findings of an online survey of 515 London-based professionals working in the financial services sector. The survey is the first commissioned by the St Paul's Institute and explores professionals' views on remuneration, corporate social responsibility, and corporate ethics.

Full report available at: <http://tinyurl.com/cfftmzh>

Ethics Resource Center 'National Business Ethics Survey' 2011 (US)

The seventh NBES interviewed a nationally representative sample of 4,683 employees at all levels. The survey has been conducted biennially since 1994 and tracks employee's views of ethics and compliance in their workplace over time. The survey covers topics such as speaking up, ethics cultures and pressures to act unethically. In 2011 it also focused on trends influenced by the economic recession and social media.

Full report available at: <http://www.ethics.org/nbes/>

KPMG 'International Survey of Corporate Responsibility Reporting' 2011 (Global)

This survey analysed corporate responsibility reports issued between mid-2010 and mid-2011 by 3,400 companies in 34 countries. Companies in the sample included the top 250 largest companies globally, taken from the 2010 Fortune Global 500 list and the top 100 largest companies by revenue in each of the 34 countries.

Full report available at: <http://tinyurl.com/c22m46o>

Grant Thornton 'Corporate Governance Review: A changing climate fresh challenges ahead' 2011 (UK)

The 10th corporate governance review considers the annual reports of 298 UK-listed FTSE 350 companies issued from May 2010 to April 2011. The report benchmarks companies against the provisions set out in the 2010 UK Corporate Governance Code, using information from their annual reports.

Full report available at: http://www.grant-thornton.co.uk/pdf/corporate_governance.pdf

THE INSTITUTE OF BUSINESS ETHICS

The IBE was established in 1986 by business to encourage high standards of business behaviour based on ethical values.

Today it leads the dissemination of knowledge and good practice in business ethics globally.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We help organisations to strengthen their ethics culture to 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 facilitate the sharing of good practice in business ethics.

We achieve this by:

- Offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics;
- Delivering training in business ethics for board members, staff and employees;
- Undertaking research and surveys into good practice and ethical business conduct;
- Publishing practical reports to help identify solutions to business dilemmas;
- Providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice;
- Supporting business education in the delivery of business ethics in the curriculum;
- Offering the media and others informed opinion on current issues and good practice.

Please contact us if you would like assistance.

Our team apply their practical business experience of the issues that organisations face to fulfil the Institute's vision and mission.

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Through their donations, IBE subscribers help to promote ethical business practice. They also contribute to the work of the IBE by sharing good practice and experiences of ethical issues.

At L'ORÉAL, we have been working with the IBE for many years. We have always found their advice pragmatic and practical as well as, in many instances, inspiring. They help us and challenge us at the same time. **Emmanuel Lulin, Group Director of Ethics, L'ORÉAL**

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