

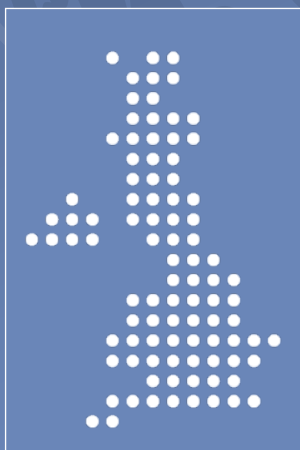


# Ethics at Work

2018 survey of employees

## Australia, New Zealand and United Kingdom

By Guendalina Dondé



Published by

# What we do

The Institute of Business Ethics, whose purpose is to promote high standards of business behaviour based on ethical values, is an important partner to any business wanting to preserve its long-term reputation by doing business in the right way.

All organisations need to demonstrate they are trustworthy in order to operate effectively and sustainably. Reputations are not based solely on the delivery of products and services, but on how an organisation values its stakeholders. Having a reputation for acting with honesty and ethics will not only differentiate an organisation, it will make it more successful.

For over 30 years, the IBE has advised organisations on how to strengthen their ethical culture by sharing knowledge and good practice, resulting in relationships with employees and stakeholders that are based on trust.

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- Advising senior business leaders and those with responsibility for developing and embedding corporate ethics policies
- Supporting the development of these policies through networking events, regular publications, research and benchmarking as well as training
- Providing guidance to staff through bespoke training and decision-making tools
- Educating the next generation of business leaders in schools and universities.

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## Australia, New Zealand and United Kingdom

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Australia, New Zealand and United Kingdom

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## Author

**Guendalina Dondé** is Senior Researcher at the Institute of Business Ethics. She writes and researches on a range of business ethics topics for the IBE. She is the author of the IBE *Corporate Ethics Policies and Programmes: 2016 UK and Continental Europe survey* and co-author of the 2017 IBE *Setting the Tone: a New Zealand perspective on ethical business leadership*; the 2017 TEI & IBE *Ethics and Compliance Handbook*; the 2016 IBE *Codes of Business Ethics: examples of good practice* and of the French and Italian editions of the 2015 IBE *Ethics at Work: 2015 survey of employees*. Before joining the IBE, she collaborated with the inter-university centre for business ethics and corporate social responsibility EconomEtica in developing the code of ethics for the Italian Association of Management Consultants and worked for CSR Europe, a European CSR Business Network based in Brussels. She holds a master's degree in Business Ethics and CSR from the University of Trento in Italy.

## Acknowledgements

The IBE would like to thank the following organisations for their generous financial support of this survey:

<b>Gold Supporter</b>	
	
<b>Silver Supporters</b>	
	L'ORÉAL <i>centrica</i> Morgan Stanley
<b>Bronze Supporter</b>	
	
<b>National Partners</b>	
	 Brian Picot Chair in Ethical Leadership
	

Many people and organisations have made this survey report possible. In addition to the financial support provided by the organisations listed above, we would like to thank our National Partners for this survey report. We are grateful to ComRes for their help and support in producing the data for the report. We are also thankful for the input of all IBE staff, and especially Sophie Hooper Lea who edited the text and oversaw production. Thanks also to Neil Pafford who designed the publication.

## IBE Foreword

This publication marks a milestone for the IBE's triennial survey of the attitudes of employees to ethics in the workplace. It is the first time Australia and New Zealand have been included in the survey, which was first run in Britain in 2005. Today it encompasses 12 countries in all.

What also makes this time different is the involvement of our National Partners, who have full access to the survey data so that it can be used by them to provide further insights.

At the IBE, the results of these surveys are always keenly awaited. Set against the backdrop of the current business environment, it is interesting to take the temperature of a nation's culture as seen through the eyes of those in work. This can be seen in more detail in the country-specific data published separately, but the Key Findings and Country Snapshots give a highlight of this.

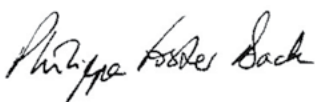
The publication itself lays out a series of correlations across the three countries in specific areas, including respondents who have been aware of misconduct or who have felt pressured to behave unethically, and those who recognise their organisation's support of doing business ethically (through having the building blocks of an ethics programme). It also shows employees' views of whether honesty is practised at work and whether they have felt able to speak up when a problem has arisen.

These correlations reflect the culture within an organisation, which has been recognised as an important factor in organisational health, whether commercial or in the public or third sectors. Much public discourse in the UK is focused on culture at a time when the corporate governance code is being refreshed and a code introduced for large unlisted companies.

We are grateful to all those who have provided financial support for this survey, in particular our overall Gold Supporter Rolls-Royce and our National Partners, The Ethics Centre in Australia and the Brian Picot Chair in Ethical Leadership at the Victoria University of Wellington in New Zealand.

I would like to thank ComRes for undertaking the survey for us and I am very grateful to Guendalina Dondé, the IBE's Senior Researcher, for her analysis and authorship.

We look forward to receiving your feedback and insight on these survey findings.



**Philippa Foster Back** CBE  
Director  
Institute of Business Ethics



## Statement from the Gold Supporter of the Survey

### Rolls-Royce



At Rolls-Royce we are rightly proud of the extraordinary technology that we create, but we place equal importance on the way we behave, the way we do business and the way we pioneer the power that matters for our customers, shareholders and each other.

In this ever changing world, companies must be sustainable and resilient in order to be a success in the long term and at the heart of this must be the desire to do things the right way. To support our employees with this we have our *Code of Conduct: At our best* which sets out our values of Operate Safely, Trusted to Deliver Excellence, and Act with Integrity and our behaviours of collaboration, simplicity, boldness, and agility.

Our ethics are not just words on a page though. We support our people when they have to make a tough business choice which results in walking away from business which does not meet our standards of conduct. We also ensure that our reward and discipline mechanisms support our behaviours and we provide annual training to our employees on our *Code of Conduct* and how to speak up if they have a concern. In addition we measure the effectiveness of our programme through a variety of mechanisms, for example our annual Employee Opinion Survey, and external benchmarking. This is where the IBE *Ethics at Work* study supports us in understanding wider views and opinions from other companies so we can share these insights within our business to further improve our programme. Rolls-Royce is proud to sponsor this invaluable work.

#### Jo Morgan

Head of Ethics and Compliance, Rolls-Royce

#### Pioneering the power that matters.

Rolls-Royce pioneers cutting-edge technologies that deliver the cleanest, safest and most competitive solutions to meet our planet's vital power needs. It has customers in more than 150 countries, comprising of more than 400 airlines and leasing customers, 160 armed forces, 4,000 marine customers including 70 navies, and more than 5,000 power and nuclear customers.

Rolls-Royce employs almost 50,000 people in 50 countries. More than 16,500 of these are engineers. Collectively they strive to create a working environment where everyone is able to be at their best every day.





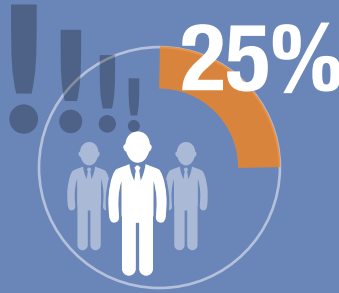
# Key Findings

A total of 2,268 employees in Australia, New Zealand and the United Kingdom were surveyed for the *Ethics at Work: 2018 survey of employees*.

## The majority of employees say their organisation acts with honesty

84% of respondents think that honesty is practised always or frequently within their organisation (**86%** of respondents in **New Zealand**, **84%** in **Australia** and **81%** in the **UK**).

**84%**



## A quarter of employees have been aware of misconduct at work

25% of employees have been aware of

misconduct during the past year at work. **People treated inappropriately/unethically (44%)** is the most frequent type of misconduct mentioned, followed by **bullying/harassment (40%)** and **safety violations (34%)**.



**65%**

## Employees are likely to speak up about misconduct

Two thirds of employees (65%) who have been aware

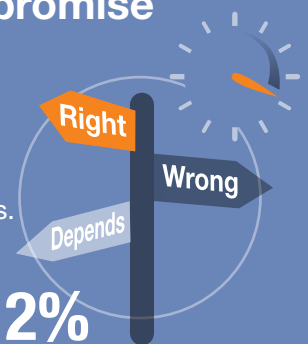
of misconduct spoke up. Employees in the **UK** are the most likely to have reported misconduct (**67%**), followed by those in **New Zealand (65%)** and **Australia (63%)**.

## One in 10 employees have felt pressured to compromise ethical standards

12% of respondents say that they have felt some form of pressure to compromise their organisation's ethical standards.

**Time pressure** is the most common form of pressure mentioned.

**12%**



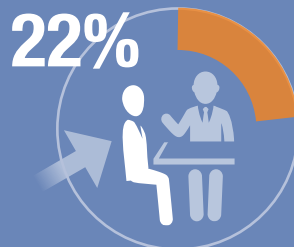
## A third of managers think petty fiddling is inevitable

34% of managers think petty fiddling is inevitable in a modern organisation.

**34%**



**13% of managers even say it is acceptable to artificially increase profits in the books** as long as no money is stolen.



## Less than a quarter of employees are incentivised to behave ethically

22% of respondents say their organisation provides incentives to encourage employees to live up to ethical standards. The **most common incentive** is **including ethics in annual appraisals or performance reviews**.

# Why Supporting Ethics Matters

The *Ethics at Work: 2018 survey of employees* highlights the positive impact on employees of having a comprehensive ethics programme. The IBE has identified four key building blocks needed for a comprehensive ethics programme:



Having written standards of ethical business conduct

Providing a means of reporting misconduct confidentially



Offering advice or an information helpline about behaving ethically

Providing training on ethical conduct.



## Organisations with an ethics programme act more responsibly

**85%** of employees in organisations with a comprehensive ethics programme say their organisation acts responsibly in all its business dealings, in comparison with **54%** in organisations without an ethics programme.



## Employees in organisations with an ethics programme are more likely to speak up about misconduct

**79%** of employees in organisations with a comprehensive ethics programme who have been aware of misconduct spoke up, as opposed to **32%** of those in a similar position in organisations without an ethics programme.



## Line managers in organisations with an ethics programme set a better example

**83%** of employees in organisations with a comprehensive ethics programme say their line manager sets a good example of ethical business behaviour, in comparison with **38%** in organisations without an ethics programme.



# Introduction to the Research

**What are employees' attitudes to and perceptions of ethics in their place of work? Do they feel able to speak up if they have been aware of misconduct? Are formal ethics programmes effective in embedding ethical values into organisational culture and influencing behaviour? What are the challenges for organisations and what should be the focus going forward?**

The IBE has asked similar questions of the British workforce every three years since 2005.<sup>1</sup> In 2012, we extended the survey to four additional major European markets: France, Germany, Italy and Spain.

The *Ethics at Work: 2018 survey of employees* illustrates the latest evolution and trends in employees' perceptions of ethics in the workplace. Given that organisations are increasingly taking an integrated approach to business ethics at the international level, we have expanded the number of countries included in the research to cover France, Germany, Ireland, Italy, Portugal, Spain, Switzerland and the UK within Europe, as well as Australia, Canada, Singapore and New Zealand.

This report presents results from the IBE's 2018 research into ethics at work in Australia, New Zealand and the United Kingdom (UK).

*Ethics at Work* reports for all of the countries surveyed will be available to download free of charge from the IBE website, including separate country reports for Australia, New Zealand and the UK.<sup>2</sup>

## Setting the scene

Context is crucial to understanding how these results are relevant to organisations. This survey took place in February 2018 against a backdrop of deep economic uncertainty and political turmoil. Speaking at a conference in 2017, the former Secretary-General of the United Nations (UN) Kofi Annan described the world as a "messy place", where people's disaffection with their governments had influenced recent elections and could now lead to divisions in the UN.<sup>3</sup>

Over the past three years, since the last IBE survey was conducted in 2015, significant and largely unexpected events have produced the widespread feeling that the current political and economic situation is at a decisive moment in history. Divisive elections, an increasingly divided society and a growth of extremism in politics and society have fuelled uncertainty about the future. There is a fear that many will be excluded from the benefits of a fast-paced globalised and increasingly digitalised economy.

“ .....

*Context is crucial to understanding how these results are relevant to organisations*

.....”

<sup>1</sup> The 2005, 2008, 2012 and 2015 *Employee Views of Ethics at Work: British survey reports* are each available, free to download, from the IBE website.

<sup>2</sup> [www.ibe.org.uk/research-and-publications](http://www.ibe.org.uk/research-and-publications)

<sup>3</sup> New York Times (20 September 2017) *A warning for world leaders from Kofi Annan*

Current debate on sovereignty might reflect people's desire to take back control of their lives and a feeling that they are unrepresented by politicians and business leaders. Migration and immigration are major sources of public concern. The economic impact of migration has been extensively studied, but public opinion is still often driven by ill-informed perceptions that stress the risks related to greater competition for jobs and public services, which would result in lower salaries and fewer benefits.<sup>4</sup> Trust in business and, particularly, in the banking sector has been undermined again following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry review in Australia, which has had ramifications across the region.<sup>5</sup>

New perspectives through developments in Artificial Intelligence (AI) and machine learning are raising further concerns about the future of the workplace. The rhetoric of a competition between humanity and machines has become commonplace. It suggests that humans are in a race against intelligent machines to save their jobs as AI develops and people are replaced by robots in an increasing number of roles. Furthermore, questions have been raised on the ethical implications that the use of AI can have on business and society.<sup>6</sup>

The sense of insecurity that these issues are producing has been intensified by the changing nature of employment – such as the agile workforce or gig economy. Data shows that the number of people working on a project or contract basis, or as a freelancer, is on the rise, particularly in some sectors.<sup>7</sup> Whilst this provides more flexible ways of working, it significantly affects job security; employment rights and benefits as well as inclusion in the workplace.

## The background to ethics in the workplace

The uncertainty that characterises the current economic and political situation suggests that the balance of power is changing, producing turbulent and – particularly for some – difficult times.

Organisations that were once held accountable by the rule of law within their country of origin have now shifted in increasing measure onto the global stage, where they are much more difficult to control. The globalisation of economic systems has introduced new power dynamics: the internet, financial institutions and multinational corporations all operate above and beyond national borders. This global space is less regulated by the rule of law, and there is too often the impression that organisations may act free of constraint.

Undeniably, this might have some advantages for business. Being able to operate with fewer limitations can boost international trade, incentivise productivity and maximise profits. However, it generally doesn't take long before the knock-on effects coming from corruption, ethically questionable business practices and unfair competition take their toll on business success and sustainability.

“ .....

*The balance of power is changing, producing turbulent and – particularly for some – difficult times*

.....”

<sup>4</sup> The Economist (29 September 2016) *Migration: needed but not wanted*

<sup>5</sup> <https://financialservices.royalcommission.gov.au>

<sup>6</sup> IBE (2018) *Business Ethics and Artificial Intelligence*

<sup>7</sup> New Economics Foundation (9 December 2016) *Massive surge in gig economy*

Furthermore, public perception that business is not being held accountable for its actions has a significant negative impact on how much people trust organisations to contribute to the development of society.<sup>8</sup> Businesses need trust in order to maintain their social licence to operate.

In this context, a key challenge that the international community faces is to develop governance systems that apply effectively to globalised markets. It is paramount that organisations of all sizes step up their commitment to be a positive driver of change, adopting governance frameworks that go beyond what is required by law. Supporting an ethical culture in the workplace is a necessary first step for organisations.

These survey findings identify what organisations are doing on the front line. As such, the results provide valuable insights and guidance on how to create and sustain a culture of integrity at work. Individual organisations can use the data provided to benchmark their culture and performance against all 12 countries surveyed as well as their respective national averages.

“ .....  
*Businesses need  
trust in order to  
maintain their social  
licence to operate*  
.....

## The survey

The aims of the *IBE Ethics at Work: 2018 survey of employees – Australia, New Zealand and United Kingdom* were as follows:

- To **develop** an understanding of employees' attitudes to and perceptions of ethics in the workplace in 2018
- To **compare** how business ethics is viewed and understood by employees in different countries.

Data for this research was collected online by the research consultancy ComRes on behalf of the IBE in February 2018. The research methodology and respondent profile are presented in Appendix 1. The interview questionnaire (see Appendix 2) consists of 14 questions.

## The Australia, New Zealand and United Kingdom report

This report details survey findings from a nationally representative sample of 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK) surveyed by ComRes in February 2018.

It is structured in three chapters.

**Chapter 1** highlights three key themes that emerged from the research and that define employees' views on ethics at work in 2018. These relate to assessing the ethical culture of an organisation, identifying ethical risks and supporting ethics standards.

<sup>8</sup> Edelman (2018) *2018 Trust Barometer*





**Chapter 2** focuses on two specific issues that have a major impact on the culture of an organisation: the ability of employees to voice their ethics-related concerns and the role of line managers in promoting ethics in the workplace.

**Chapter 3** provides infographics for each of the countries surveyed, highlighting specific characteristics, strengths and ethical risks.

Four different subgroups of the employee population were analysed to see if there were any differences in their experience of ethics in the workplace.

These were:

---

<b>Gender</b> (male/female)	
<b>Age</b> (younger employees aged 18-34/ mid-career employees aged 35-54/ older employees aged 55+)	
<b>Sector</b> (public and third sector/ private)	
<b>Size of organisation</b> (small and medium-sized enterprises – SMEs/ large organisations with more than 250 employees)	

---

In addition, the seniority of respondents has been used to analyse how attitudes to ethics at work change between managers and non-managers, as illustrated in Chapter 2.

The averages throughout the report reflect the percentage of the 2,268 Australian, New Zealand and UK employees after each country's data was weighted to reflect the workforce by gender, age and region.



# Survey Themes

**Taking the ‘ethical temperature’ of an organisation is not an easy task. ‘One-size-fits-all’ approaches rarely work when it comes to understanding people’s behaviour, and it is difficult to represent concepts such as honesty, integrity and fairness with numbers.**

The IBE’s survey approaches this task by looking at three critical dimensions that responsible organisations need to take into account to ensure that their ethical values are effectively embedded in practice.

- Theme 1: **Assessing the ethical culture** is essential to understanding the role that ethics plays in the organisation and how deeply the core values are rooted in the day-to-day decision-making process.
- Theme 2: **Identifying ethical risks** is important in order to understand which issues should be the focus of an organisation’s ethics programme, the aim of which is to ensure that employees do not feel pressured to compromise ethical standards.
- Theme 3: **Supporting ethics standards** at work by providing the fundamental components of an effective ethics programme minimises ethical risks and shapes organisational culture around core ethical values.

## Theme 1: Assessing the ethical culture

*“I used to believe that culture was ‘soft’, and had little bearing on our bottom line. What I believe today is that our culture has everything to do with our bottom line, now and into the future,”*<sup>9</sup> wrote Vern Dosch, President and Chief Executive Officer (CEO) of the 50-year-old information technology (IT) company National Information Solutions Cooperative, based in the US.

Dosch is not the only one who has recognised the importance of a strong corporate culture for the long-term sustainability of an organisation. A poor or weak corporate culture has been a root cause of some of the major corporate scandals that have tarnished business reputation in recent years. These scandals provoked the media and the general public alike to call for organisations to put in place more robust procedures to assess and improve their corporate culture.<sup>10</sup> The internal investigation that Uber undertook to look into its corporate culture is one example of how the business community has begun to address this.<sup>11</sup>

“.....  
*A poor or weak corporate culture has been a root cause of some of the major corporate scandals that have tarnished business reputation in recent years*  
.....

<sup>9</sup> Vern Dosch (2015) *Wired Differently*

<sup>10</sup> The IBE monitors the media and provides business ethics news and stories via email and online at [www.ibe.org.uk](http://www.ibe.org.uk). Over the years, the IBE has highlighted many news stories that link corporate scandals to organisational culture.

<sup>11</sup> Financial Times (5 June 2017) *Uber hires Harvard Business School professor to overhaul culture*

There has been much debate on how organisations can understand what defines their culture, how to shape it and how to measure it. One way of doing this is to ask the employees themselves by including questions on ethics in employee surveys.<sup>12</sup>

The results presented below illustrate the views of employees across Australia, New Zealand and the UK on some of the indicators of a corporate culture.

### Did you know?

#### Corporate culture

Corporate culture refers to the beliefs, values and behaviours that determine how an organisation's employees and management conduct their business and manage relationships with individuals and groups with whom they have dealings in and outside the organisation (stakeholders). Often, corporate culture is implied, not expressly defined, and develops organically over time from the example set at the top and from the traits of the people the organisation employs.

A healthy corporate culture is vital to protect and generate value for the organisation and it is therefore important to have a continuous focus on culture. Sir Winfried Bischoff, Chairman of the Financial Reporting Council (FRC), has identified three important issues for organisations to consider in taking action on culture:<sup>13</sup>

- **Connect purpose and strategy to culture.** Establishing an organisation's overall purpose and a strategy that reflects its desired culture is key in supporting values and encouraging the correct behaviours
- **Align values and incentives.** Financial and non-financial incentives should be appropriately balanced and linked to behavioural objectives
- **Assess and measure culture.** Organisations need to identify the indicators of culture that are most relevant to their business and analyse them in a meaningful way.

### What is acceptable?

Are employees able to identify ethical issues relating to everyday choices that they might have to face in the workplace? To what extent do they apply ethical values to their decision-making?

To answer these questions, respondents to this survey were presented with nine common work-related scenarios and were asked to pass judgement on whether or not they consider them acceptable. Although some of these issues may seem trivial, these answers are important indicators of what kinds of behaviour are considered acceptable in the workplace, and where employees' ethical boundaries lie.

“ .....

*There has been much debate on how organisations can understand what defines their culture, how to shape it and how to measure it*

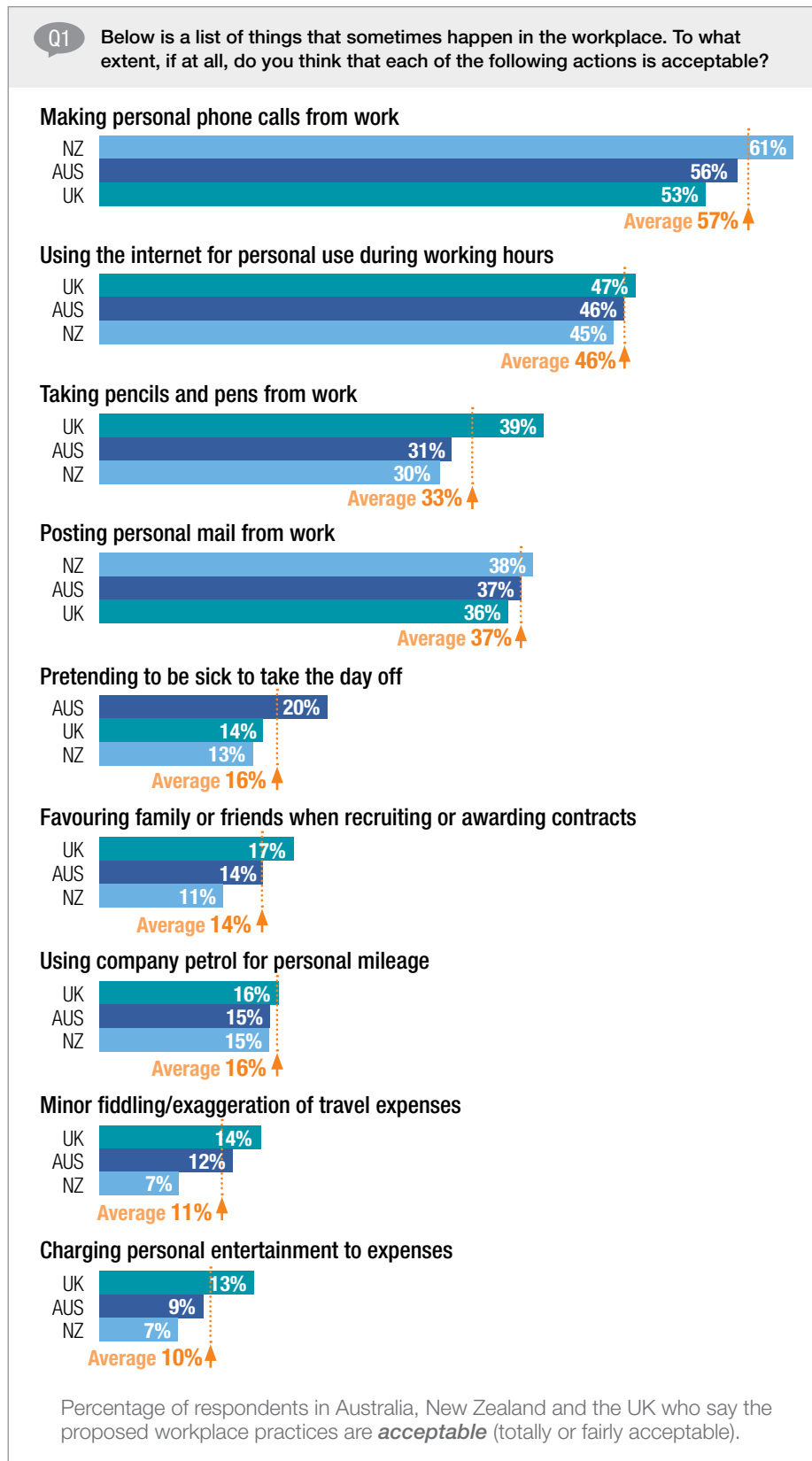
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<sup>12</sup> IBE (2018) *Culture Indicators: understanding corporate behaviour*

<sup>13</sup> FRC (2016) *Corporate Culture and the Role of Boards: report of observations*



**Figure 1 Acceptability of common workplace practices**



**Men** are more likely than women to consider seven of the nine questionable workplace practices acceptable (men and women are about as likely as one another to find the other two practices acceptable). For instance, 12% of men say that charging personal entertainment to expenses is acceptable, compared to 6% of women.



**Younger employees** aged 18-34 are the most likely to find eight of the nine questionable practices acceptable. **Older employees** aged 55+ are the least likely to do so. For instance, 20% of younger employees say that favouring family or friends when recruiting or awarding contracts is acceptable, compared to 12% of mid-career employees aged 35-54 and 7% of older employees.

Figure 1 shows that charging personal entertainment to expenses and minor fiddling/exaggeration of travel expenses are considered the least acceptable practices in all three countries.

At the other end of the spectrum, making personal phone calls from work is considered acceptable by more than half of respondents in each of the countries covered in this report, including 61% of New Zealand employees. New Zealanders are, however, potentially less likely than Australian and UK employees to find that favouring family or friends when recruiting or awarding contracts is acceptable (11% vs 14% and 17% respectively). This might reflect a particular attention to this aspect in a country that is characterised by a small business environment where ‘everyone knows everybody’ and therefore employees may be more conscious of issues relating to nepotism and favouritism.

Respondents in Australia are more likely to say that pretending to be sick to take a day off is acceptable, compared to respondents in the other two countries.

### Ethics in practice

#### What do organisations say in their current codes of ethics?

*“Computer equipment, phones, email and internet access are provided for business purposes and monitored regularly to help BP defend against cyber-attacks and malicious activity. Limited personal use will usually be acceptable.”*

BP (as available in April 2018) *Our code: our responsibility*

*‘A conflict of interest arises when an employee’s position within the Company or their financial or other personal considerations or interests affect, have the potential to affect, or could have the appearance of affecting, their judgement, objectivity or independence.*

*Common examples of potential or perceived conflicts of interest include:*

- *Pursuing, awarding or maintaining BHP Billiton business opportunities for personal gain or the benefit of close family or friends; offering jobs or affiliations to close relatives [...]*

*You should avoid business dealings and personal relationships that cause or may cause conflicts of interest, or create the appearance of a conflict or potential conflict, with your relationship to BHP Billiton.”*

BHP Billiton (2014) *Working with Integrity: code of business conduct*

“ .....  
Being perceived as honest in all dealings is an essential part of creating a consistent bond of trust with the public, employees and other stakeholders  
.....

### Is honesty applied in practice?

Another important issue to understand in order to assess workplace culture is how employees perceive their organisation’s commitment to ethical values, and the degree to which this is effectively embedded in practice. This can be seen through employees’ views of the actions of their colleagues and managers.

Whilst the ethical values that organisations adopt are varied, honesty is one of the most frequently mentioned value-words in business – it is easily recognisable by everybody and often used in everyday language. This is also true in the negative, where examples easily come to mind as to what dishonest behaviour might look like in the workplace as well as outside.

This is particularly relevant in today's digital environment, where so-called 'fake news' can spread quickly through social media and it can be difficult to tell what is true and what is not. This situation places an important responsibility on organisations: being perceived as honest in all dealings is an essential part of creating a consistent bond of trust with the public, employees and other stakeholders.

### Did you know?

#### Honesty

Honesty is mentioned in one of the values of ASB Bank in New Zealand. The company explains one of its values – integrity – as: *“Doing the right thing. We are trustworthy. We build strong relationships based on fairness and honesty.”*

ASB (as available in July 2018) *Our Vision and Values*

Figure 2 shows how employees view honesty within their organisation's daily operations. Overall, employees have a positive outlook on their organisations, with more than four in five respondents in each of the three countries saying that honesty is practised always or frequently. Employees in New Zealand (86%) and Australia (84%) appear to have a more positive view than those in the UK (81%).

However, it is important to read this data in parallel with that of Figure 1, which shows that many employees in all three countries take a somewhat lenient approach to some questionable workplace practices. This might highlight a potential inability amongst employees to see the ethical dimension of a decision they are making. Research shows that often unethical decisions are not deliberate acts by 'bad' people. Rather, they occur where a well-intentioned person has become 'ethically blind' – or at least challenged – as a result of any number of individual, organisational or societal pressures. Recognising different contributory influences and averting ethical blindness is crucial to preventing unethical behaviour.<sup>14</sup>

On the other hand, a small minority of respondents do not trust their organisation to practice honesty (on average, 3% of employees say that honesty is practised rarely or never in their organisation). This type of situation might be the result of a morally disengaged workforce, where individuals are aware of the ethical aspects of a decision but actively choose to disengage and behave unethically.<sup>15</sup>

Both ethical blindness and moral disengagement will impair the effectiveness of an organisation's ethics programme and thus increase ethical risks.

“.....  
Ethical blindness  
and moral  
disengagement  
will impair the  
effectiveness of an  
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ethical risks  
.....”

<sup>14</sup> See A. E. Tenbrunsel and D. M. Messick (Social Justice Research, Volume 17, 2004) *Ethical Fading: the role of self-deception in unethical behavior* and M. E. Drumwright and P. E. Murphy (Journal of Advertising, Volume 33, 2004) *How Advertising Practitioners View Ethics: moral muteness, moral myopia, and moral imagination*. See also IBE (2018) *How Behavioural Ethics can Improve your Ethics Programme*.

<sup>15</sup> Celia Moore (Current Opinion in Psychology, Volume 6, 2015) *Moral Disengagement*

**Figure 2 Employee views of how frequently honesty is practised**



**Older employees** aged 55+ are more likely to say that honesty is practised always or frequently in their organisation (90%) than their mid-career colleagues aged 35-54 (84%) and younger employees aged 18-34 (80%).

### How are stakeholders treated?

Professor Edward Freeman, generally recognised as the father of the stakeholder approach to business ethics, defines stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives”.<sup>16</sup> It follows that the way an organisation shapes and manages its relationships with key stakeholder groups is an important indicator of its corporate culture.

To understand employees’ perceptions of this, respondents were asked to comment on whether they believe that their organisation acts responsibly in all its business dealings with key stakeholder groups such as customers, clients, suppliers, etc. Respondents were also asked more specific questions relating to internal and external stakeholders: whether their organisation lives up to its stated policy of social responsibility and whether ethical issues are discussed in staff meetings.

The majority of employees in each of the three countries have positive views on the ability of their organisation to engage with its stakeholders: the majority of employees agree with each of the statements proposed. The survey shows that employees in the UK are less confident about each aspect of their organisation’s stakeholder engagement than their Australian and New Zealand counterparts.

“.....  
The way an organisation shapes and manages its relationships with key stakeholder groups is an important indicator of its corporate culture  
.....”

<sup>16</sup> R. Edward Freeman (1984) *Strategic Management: a stakeholder approach*

**Figure 3 Perceptions of engagement with internal and external stakeholders**



**Women** are more likely than men to agree with each of the statements about engagement with stakeholders. For example, 76% of women agree that their organisation acts responsibly in all its business dealings compared to 69% of men.



**Older employees** aged 55+ are more likely to agree with the statements about engagement with external stakeholders than mid-career employees aged 35-54. **Younger employees** aged 18-34 are most likely to say that issues of right and wrong are discussed in staff meetings (58% vs 51% of mid-career employees and 50% of older employees).



Employees in the **public/third sector** are more likely than those in the private sector to agree that their organisation lives up to its stated policy of social responsibility (69% vs 65%) and that issues of right and wrong are discussed in team meetings (58% vs 50%).

## Theme 2: Identifying ethical risks

The consequences that unethical behaviour can have on a business are well known. Hardly a week goes by without some reference to a major illegal act or unethical lapse in business practice. Organisations are encouraged to be constantly vigilant to protect themselves against this risk.

How can an organisation insure itself against the risk of losing its reputation and the trust of its customers and suppliers? There are no quick or easy answers to this question. But there are practical, preventative measures that any organisation can take to minimise the risk of corporate irresponsibility and its consequences.

### Did you know?

#### Ethical risk

The concept of ethical risk refers to the negative consequences of unexpected ethical lapses within an organisation. Leon van Vuuren, Executive Director of The Ethics Institute (TEI), South Africa and author of the *Ethics Risk Handbook*, explains that “ethics risk is a dimension of risk in the same way that legal, operational, IT, finance and HR risks are. As the non-management of ethics risks could give rise to as many, if not more, reputational and financial costs for an organisation as any other type of risk, it warrants equal attention. As such, ethics risk is a component of the broader organisational risk framework. The risk management processes of an organisation are also highly dependent on the ethical culture of the organisation to enable effective risk management.”<sup>17</sup>

<sup>17</sup> TEI (2016) *Ethics Risk Handbook*

This survey focuses on two ‘red flags’ that indicate an increased risk of ethical lapses: employees’ awareness of misconduct in the workplace and potential pressure on employees to compromise their organisation’s ethical standards.

### How common is unethical behaviour?

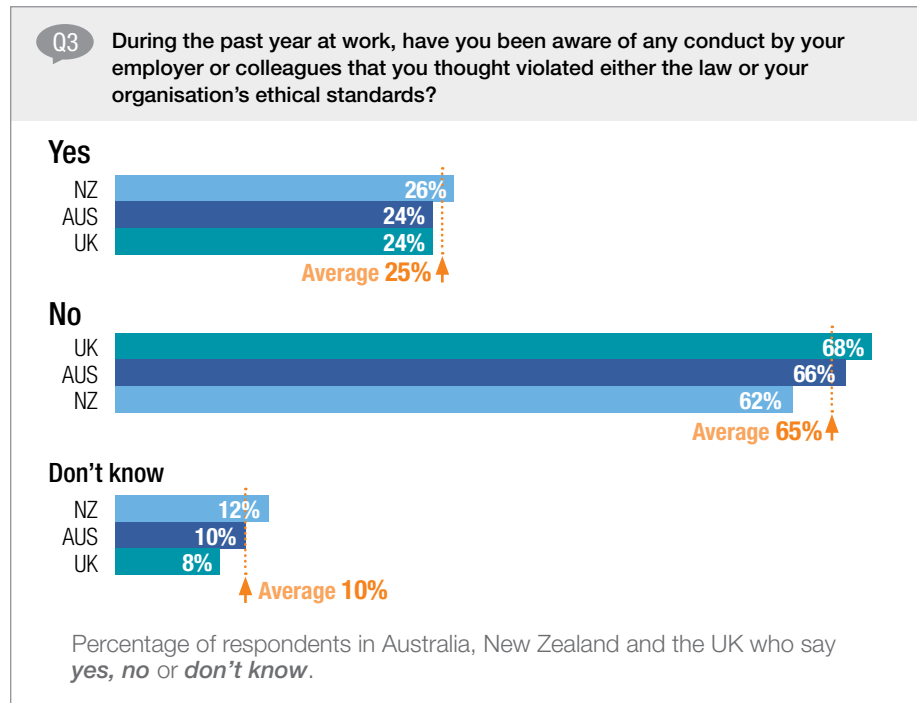
The effects of widespread misconduct in the workplace can be very serious. There is a direct negative impact that follows from the unethical act itself, affecting the people involved and, potentially, the performance of the organisation. However, there is also a second type of effect that shouldn’t be underestimated: people learn by example and tend to replicate their peers’ and managers’ behaviour. If employees observe that unethical behaviour is commonplace in their organisation, they will think that it is acceptable as part of their organisational culture.

Respondents were asked to state whether, during the past year at work, they have been aware of any misconduct – i.e. any conduct by their employer or colleagues that violated either the law or their organisation’s ethical standards. Figure 4 illustrates the results.

On average, a quarter of employees (25%) in Australia, New Zealand and the UK have been aware of unethical behaviour at work. The UK has the highest percentage of employees who have not been aware of misconduct (68%).

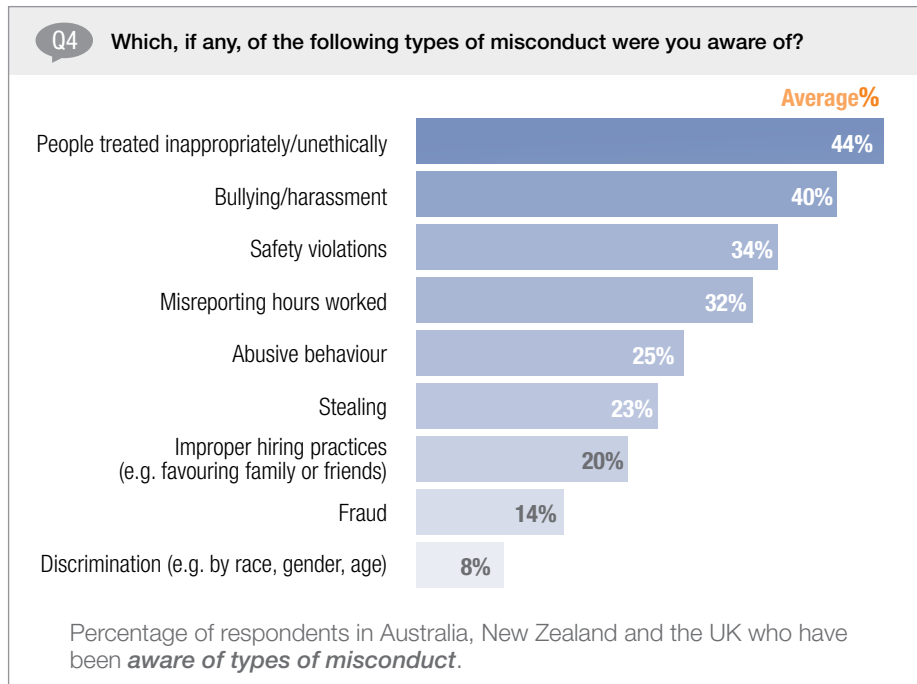
“.....  
There are practical, preventative measures that any organisation can take to minimise the risk of corporate irresponsibility and its consequences  
.....”

**Figure 4 Awareness of ethical violations**



Respondents who were aware of instances of misconduct were then asked to specify further details, as illustrated in Figure 5. People treated inappropriately/unethically (44%) is the most common type of misconduct mentioned, followed by bullying/harassment (40%). Both of these issues relate to how employees interact with their colleagues.

**Figure 5 Types of misconduct of which employees were aware**



*Treating people inappropriately or unethically is the most common type of ethical misconduct reported, followed by bullying and harassment*

**Focus on...**

**Implications of being aware of misconduct**

This survey shows that employees across Australia, New Zealand and the UK who have been aware of legal or ethical violations during the past year at work are more likely to have:

- ! Lenient attitudes to some questionable workplace practices.** Employees who have been aware of unethical conduct during the past year at work are more likely to say that certain ethically questionable workplace practices identified in Figure 1 are acceptable. For instance, 16% of employees who have been aware of misconduct say that charging personal entertainment to expenses is acceptable, compared to 8% of those who have not been aware of misconduct.
- ! A negative perception of how frequently honesty is practised at work.** 77% of employees who have been aware of misconduct say that honesty is practised always or frequently at work, compared to 89% of who have not been aware of misconduct.
- ! A negative outlook on how the organisation engages with its stakeholders.** Employees who have been aware of misconduct are significantly more likely to disagree with each of the statements on stakeholder engagement than those who were not aware of misconduct. For example, 27% say that issues of right and wrong are not discussed in team meetings (compared to 15% of those who have not been aware of misconduct).

*continues >*



**Women** who have been aware of misconduct are more likely than men in the same position to have been aware of bullying/harassment (46% vs 35%). In contrast, more men who have been aware of misconduct say they have been aware of abusive behaviour (29% vs 21%).



**Older employees** aged 55+ are the most likely to say that they have not been aware of misconduct (70% compared to 64% of mid-career employees aged 35-54 and 63% of younger employees aged 18-34).

Focus on... *continued*



**! Felt pressured to compromise ethics.** One third of employees who have been aware of misconduct say that they have felt pressured to compromise their organisation's ethical standards (33%), compared to 4% of those who have not been aware of misconduct.

**! A negative perception of the ability of managers to promote ethics.** Employees who have been aware of misconduct are more likely to say that their line manager rewards employees who get good results, even if they use practices that are ethically questionable (34% compared to 29% of those who have not been aware of misconduct). They are also more likely than those who have not been aware of misconduct to disagree that their line manager explains the importance of honesty and ethics at work (26% vs 12%); sets a good example of ethical business behaviour (22% vs 6%) and supports employees in following the organisation's ethical standards (19% vs 5%).

### Are employees pressured to compromise ethics?

Another important red flag that organisations need to consider is whether employees feel pressured to compromise their organisation's ethical standards. An organisation's formal commitment to ethical values can be easily undermined by a manager suggesting, explicitly or implicitly, that 'it doesn't matter how it gets done as long as it gets done' or convincing employees that 'everybody does it and it is part of the culture'.

One in 10 (12%) respondents across Australia, New Zealand and the UK say that they have felt some form of pressure to compromise their current organisation's standards of ethical conduct.

Figure 6 illustrates the sources of pressure to compromise ethical standards that have been experienced by the 12% of employees who have felt pressured. Time pressure is the most common pressure (36%). This is followed by lack of resources (31%) and pressure to follow their boss's orders (29%), which highlights the important role of managers in promoting and supporting an ethical culture.

It is worth noting that only a small proportion of employees say that they felt pressured to act unethically because they wanted to help the organisation perform better (11%). This might suggest that the majority of employees do not see cutting corners as a way of improving performance. Similarly, only a small percentage of respondents say their organisation has an unethical culture (12%).



Employees in the **private sector** who have been aware of misconduct are more likely to have been aware of safety violations (39% compared to 27% of those in the public/third sector).



Employees in **large organisations** who have been aware of misconduct are more likely than those in the same position in SMEs to have been aware of people treated inappropriately/unethically (55% compared to 35%) and bullying/harassment (48% compared to 32%).

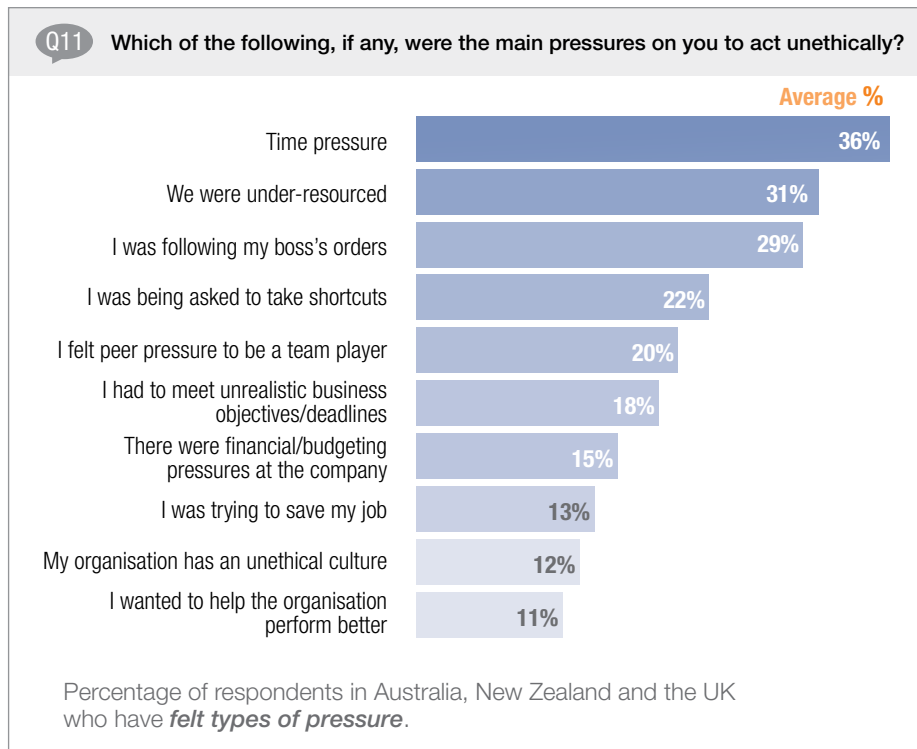


*12% of respondents say that they have felt some form of pressure to compromise their current organisation's standards of ethical conduct*





**Figure 6 Types of pressure to compromise ethical standards**



**Men** are more likely than women to have felt pressured to compromise their organisation's ethical standards (13% vs 10%).



**Younger employees aged 18-34** are more likely to have felt pressured to compromise ethics (16%) than mid-career employees aged 35-54 and older employees aged 55+ (both 9%). **Younger employees** are more likely than mid-career employees to have felt pressured because they were trying to save their job (18% vs 8%). **Older employees** are more likely than younger employees to have felt pressured because they had to meet unrealistic objectives/deadlines (29% vs 14%).

### Focus on...

#### Implications of pressures to compromise ethical standards

This survey shows that employees across Australia, New Zealand and the UK who have felt pressured to compromise their current organisation's standards of ethical conduct are more likely to have:

- ! Lenient attitudes to some questionable workplace practices.** Employees who have felt pressured to compromise ethics are more likely to say that seven of the nine ethically questionable workplace practices identified in Figure 1 are acceptable. For instance, 29% of employees who have felt pressured to compromise ethics say that favouring family or friends when recruiting or awarding contracts is acceptable, compared to 12% of those who have not felt pressured.
- ! A negative perception of how frequently honesty is practised at work.** 73% of employees who have felt pressured to compromise ethics say that honesty is practised always or frequently at work, compared to 87% of those who have not felt pressured.
- ! A negative outlook on how the organisation engages with its stakeholders.** Employees who have felt pressured to compromise ethics are significantly more likely to disagree with each of the statements on stakeholder engagement than those who have not felt pressured. For example, 29% say that their organisation does not live up to its stated policy of social responsibility (compared with 6% of those who have not felt pressured).

*continues >*

**Focus on...** *continued*

**! Been aware of misconduct at work.** 70% of employees who have felt pressured to compromise ethics also report that they were aware of instances of misconduct during the past year at work, in comparison with just 18% of those who have not felt pressured.

**! A negative perception of the ability of managers to promote ethics.** 44% of employees who have felt pressured to compromise ethics agree that their line manager rewards employees who get good results, even if they are achieved through ethically questionable practices, compared to 28% of those who have not felt pressured. They are also more likely than those who have not felt pressured to disagree that their line manager explains the importance of honesty and ethics at work (29% vs 14%); sets a good example of ethics (25% vs 8%) and supports employees in following the organisation's ethical standards (23% vs 7%).

### Theme 3: Supporting ethics at work

The third theme covered in this chapter focuses on the tools that organisations can put in place to promote and support ethics at work. The IBE describes the process of building an ethical culture in business as a journey that starts with an organisation's ethical values (see Figure 7). Values can be seen as the compass that guides behaviour. They are usually expressed through a code of ethics (or similar document) that provides guidance to employees on how the core values of the organisation are applied in practice. If values are the compass, a code is the map that guides employees in their daily decision-making.

A comprehensive ethics programme provides the additional tools that organisations are advised to develop to make sure their core values are effectively embedded and implemented. These tools include appropriate communication campaigns; regular training; resources that encourage an open and supportive environment – including frameworks for making decisions and speaking up – and monitoring processes.

#### What percentage of organisations provide an ethics programme?

Respondents were asked whether their organisation offers the following building blocks of a formal ethics programme:

- A code of ethics or similar document (written standards of ethical business conduct that provide guidelines for my job)
- A 'Speak Up line' to report misconduct (a means of reporting misconduct confidentially, without giving my name or other information that could easily identify me)
- An 'Advice line' to ask for advice or information (advice or an information helpline where I can get advice about behaving ethically at work)
- Ethics training (training on standards of ethical conduct).



Employees in the **public/third sector** are more likely to have felt pressured to compromise ethics (13% compared to 11% in the private sector).

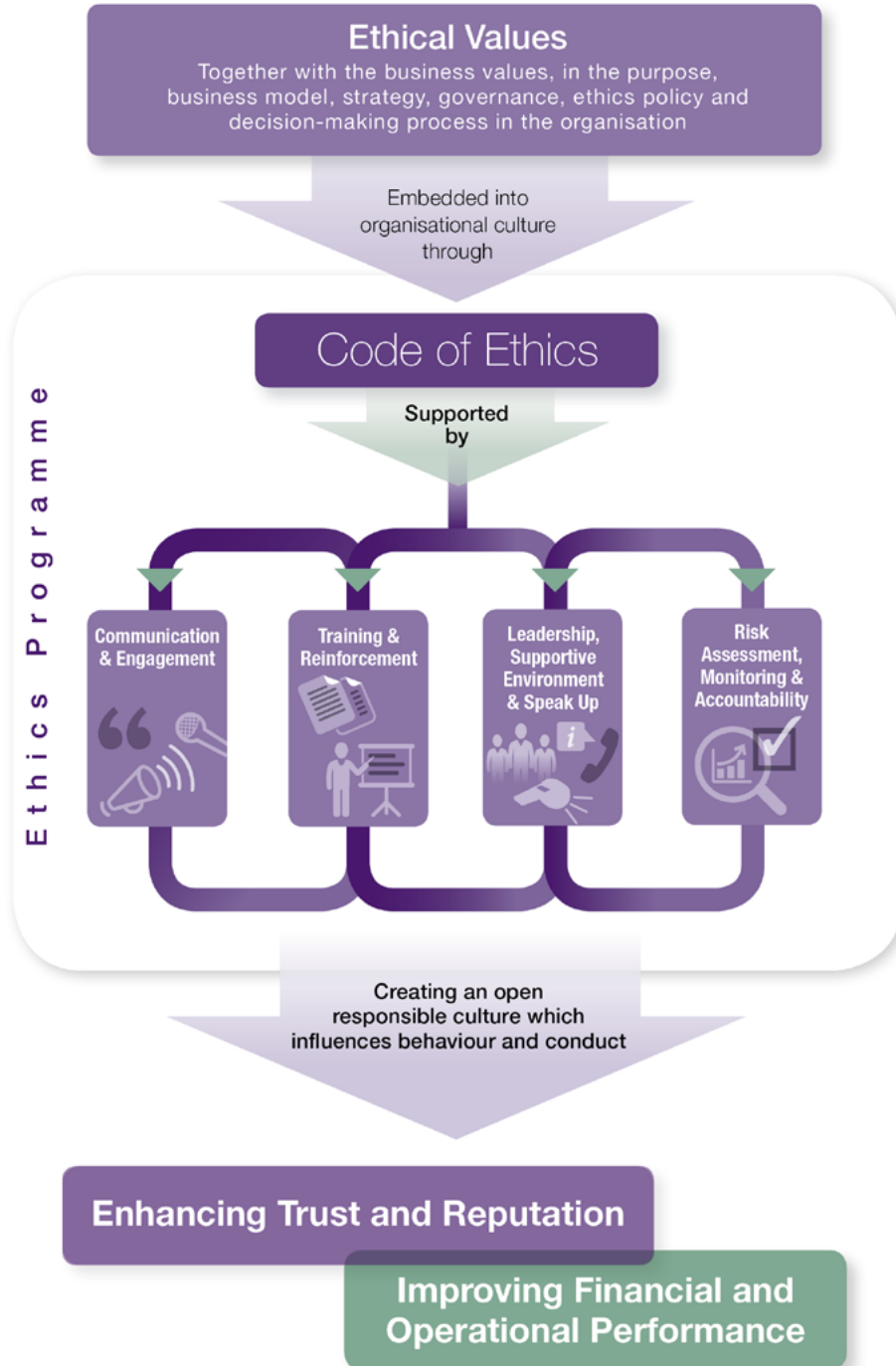
Employees in the **private sector** who have felt pressured to compromise ethics at work are more likely to mention time pressures as a major pressure to act unethically (41% compared to 29% of those in the public/third sector who have felt pressured).



*Values can be seen as the compass that guides behaviour*

One in 10 (11%) of respondents think that their organisation offers none of the building blocks of an ethics programme, whilst 35% are aware of their organisation offering all of them.

**Figure 7 The IBE Business Ethics Framework**



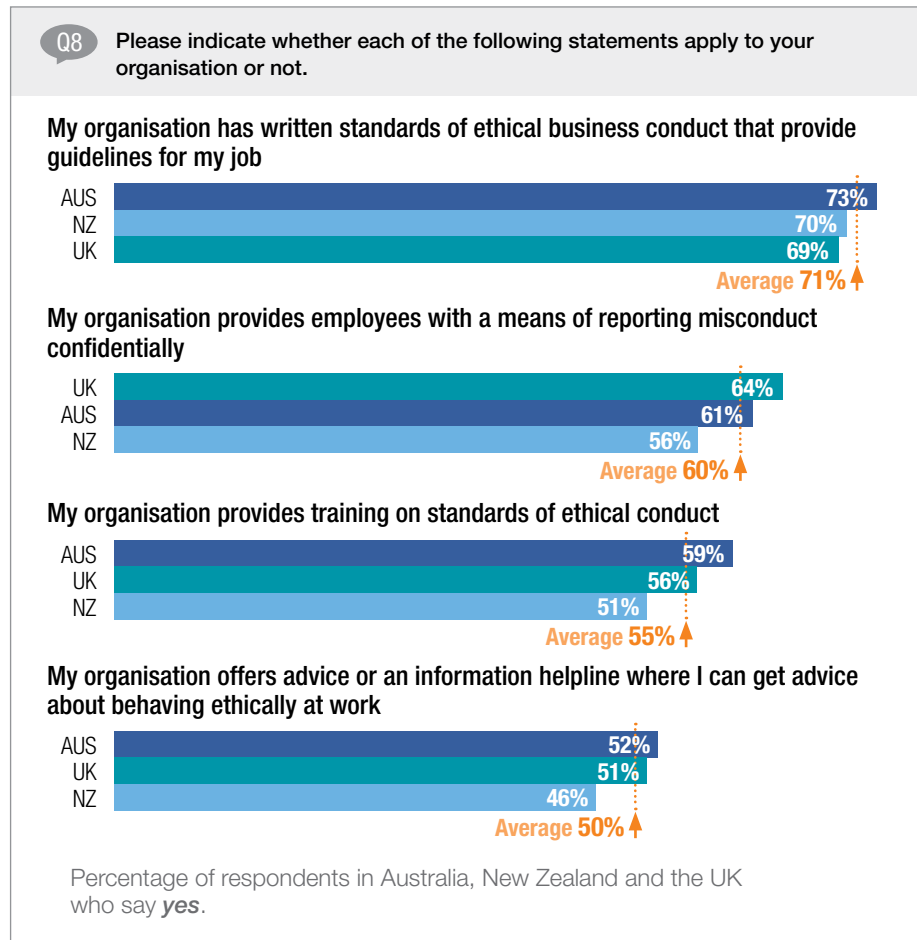
“ .....

*11% of respondents think that their organisation offers none of the building blocks of an ethics programme, whilst 35% are aware of their organisation offering all of them*

.....”

Results show that the majority of employees work in organisations that have each of the building blocks of an ethics programme and are aware that this is the case. The only exception is that only 46% of employees in New Zealand are aware of their organisation offering advice or an information helpline where they can get advice about behaving ethically. Employees in all three countries are most likely to be aware of their organisation having written standards of ethical business conduct (see Figure 8).

**Figure 8 Employee awareness of the buildings blocks of a formal ethics programme**



**Women** are more likely than men to be aware that their organisation provides written standards of ethical business conduct (73% vs 69%) and ethics training (58% vs 53%).



**Older employees** aged 55+ are less likely to be aware of each of the four building blocks of an ethics programme than younger (aged 18-34) and mid-career (aged 35-54) employees.



Employees in the **public/third sector** are more likely to be aware of each of the four building blocks of an ethics programme than employees in the private sector.



Employees in **large organisations** tend to be more likely to be aware of each of the four building blocks of an ethics programme than those in SMEs.

### Focus on...

#### The impact of providing formal support for ethics in the workplace

This survey shows that employees across Australia, New Zealand and the UK whose organisations have a comprehensive ethics programme (all four building blocks) are more likely than those whose employers do not have an ethics programme (none of the building blocks) to have:

✔ **A positive perception of how frequently honesty is practised at work.** 89% of employees in organisations with a comprehensive ethics programme say that honesty is practised always or frequently at work, in comparison with 77% of those in organisations with no ethics programme.

✔ **A positive outlook on how the organisation engages with its stakeholders.** Employees in organisations with a comprehensive ethics programme are significantly more likely to agree with each of the statements on stakeholder engagement than those who do not have an ethics programme. For example, 85% agree that their organisation acts responsibly in all its business dealings with stakeholders, compared to 54% of those in organisations without an ethics programme.

continues >

Focus on... *continued*



**✓ Spoken up about misconduct at work.** Employees in organisations with a comprehensive ethics programme who have been aware of misconduct are more likely to have spoken up (79%), than those in a similar position in organisations that do not provide an ethics programme (32%).

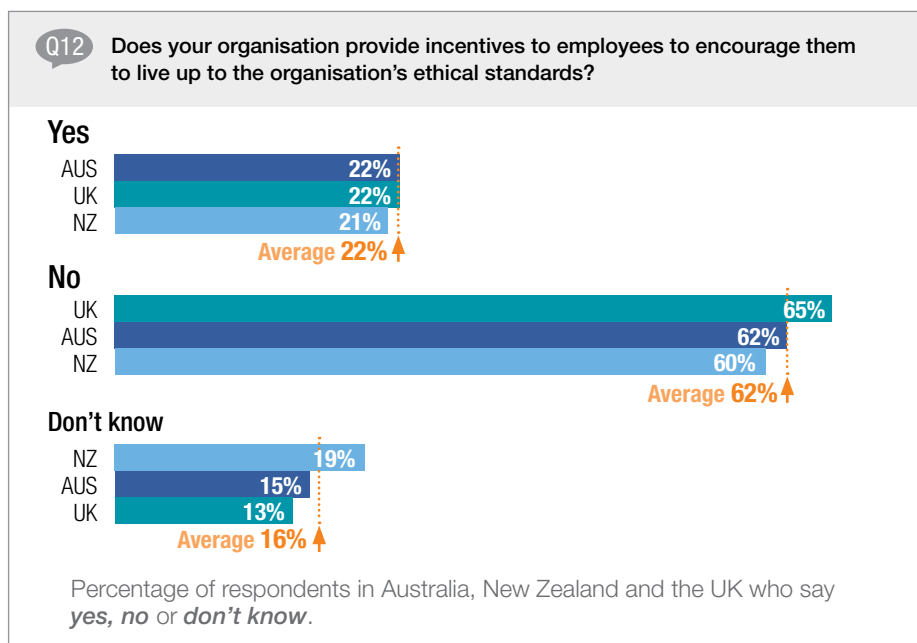
**🟡 A positive perception of the ability of managers to promote ethics but also to think that managers reward employees for good results, even if they use questionable practices.** Employees in organisations with a comprehensive ethics programme are more likely than those in organisations without an ethics programme to agree that their line manager explains the importance of honesty and ethics at work (79% vs 17%); sets a good example of ethical business behaviour (83% vs 38%) and supports employees in following the organisation’s standards of ethical behaviour (83% vs 31%). However, 42% of employees in organisations with a comprehensive ethics programme agree that their line manager rewards employees who get good results, even if they are achieved through ethically questionable practices, compared to only 13% of those in organisations that do not have an ethics programme.

“ .....  
 Just 22% of employees say that their organisation provides incentives to encourage employees to act ethically  
 ..... ”

How do employers incentivise ethical behaviour?

In order to enhance the effectiveness of an ethics programme, it is important that organisations support the building blocks presented in the section above with other types of incentive aimed at ensuring that ethics is embedded in every aspect of an employee’s daily work. Respondents were asked whether their organisation provides incentives to employees to encourage them to live up to its ethical standards. Less than a quarter (22%) of employees in Australia, New Zealand and the UK say that their organisation provides these incentives (see Figure 9).

Figure 9 Employee awareness of incentives to live up to ethical standards



Respondents who indicated that their organisation offers incentives to encourage ethical behaviour were also asked about the type of incentives offered (see Figure 10). The most common incentive tested is including ethics in annual appraisals/reviews. This is the case in all three countries surveyed.

**Figure 10 Prominence of types of incentives**



### Focus on...

#### The impact of providing incentives to encourage ethical behaviour

This survey shows that although incentives to encourage ethical behaviour can potentially have a positive impact on employees' perceptions of ethics at work, in some cases there may be a gap between the objective that an organisation is trying to achieve through its incentive scheme and the practical impact of the incentives offered to employees. Employees across Australia, New Zealand and the UK who are aware of their organisation providing incentives are more likely to have:

✓ **A positive outlook on how the organisation engages with its stakeholders.** Employees in organisations with incentives are significantly more likely to agree with each of the statements on stakeholder engagement than those without such incentives. For example, 76% say that issues of right and wrong are discussed in team meetings, compared to 46% of employees in organisations without incentives.

✓ **Spoken up about misconduct at work.** Employees who have been aware of misconduct during the past year at work and who work in organisations that provide incentives are more likely to have spoken up about their concerns (83%) than those in a similar position in organisations that do not provide incentives (57%).

Of those who have been aware of misconduct at work and spoke up, 82% of employees in organisations with incentives are satisfied with the outcome of raising their concerns, while just 48% of those in a similar position in organisations without incentives say they are satisfied.

*continues >*



**Men** are more likely to say that their organisation does not offer incentives than women (65% vs 60%).



**Younger employees** aged 18-34 are more likely to say that their organisation provides incentives (29%) than mid-career employees aged 35-54 (18%) and older colleagues age 55+ (15%).



Those in the **public/ third sector** are more likely to say that their organisation provides incentives than those in the private sector (24% vs 20%).



Employees in **SMEs** are more likely to say their organisation offers ethical incentives than those in large organisations (24% vs 21%).



Focus on... *continued*

**?** **A positive perception of the ability of managers to promote ethics but also to think that managers reward employees for good results, even if they use questionable practices.** Employees in organisations that provide incentives are more likely than those in organisations that do not provide incentives to agree that their line manager explains the importance of honesty and ethics in the work that they do (81% vs 48%); sets a good example of ethical behaviour (84% vs 63%) and supports employees in following the organisation's standards of ethical behaviour (80% vs 60%).

However, 52% of employees in organisations that provide incentives agree that their line manager rewards employees who get good results, even if they are achieved through ethically questionable practices, compared to only 23% of those in organisations without incentives.

**!** **Lenient attitudes to some questionable workplace practices.** Employees in organisations that provide incentives are more likely to think that seven of the nine ethically questionable workplace practices identified in Figure 1 are acceptable. For example, 21% of employees in organisations that provide incentives find charging personal entertainment to expenses acceptable, compared to 7% of employees in organisations without incentives.

**!** **Felt pressured to compromise ethics.** Employees in organisations that provide incentives are more likely than those in organisations that do not provide incentives to have felt pressured to compromise their ethical standards (21% vs 10%).

These rather counterintuitive findings might indicate that organisations need to design their incentive schemes with special care. Focussing primarily on specific Key Performance Indicators (KPIs) might detract an employee's attention from wider ethical dilemmas. It is important that employees are encouraged to think about and make ethical decisions for themselves and not just comply with a list of organisational requirements.



*Employees in organisations that provide incentives are more likely than those in organisations without incentives to have felt pressured to compromise their ethical standards*



# Spotlight Issues

## Issue 1: Speaking up

The freedom to raise concerns is a core component of an open and supportive ethical business culture, where employees are confident that they will be supported to do the right thing. IBE research shows that most global organisations provide mechanisms to support those who wish to speak up, raise concerns or ask questions when unsure about what course of action to take.<sup>18</sup> Speak Up arrangements are an element of good governance and can act as an early warning system for potential risks.

### Did you know?

#### Speaking Up or Whistleblowing?

*The terms ‘whistleblowing’ or ‘Speak Up’ are often used interchangeably and can cover disclosure of a wide range of legal and ethical issues.*

*The term whistleblowing originates from when a pit whistle was blown at times of an accident in a mine. [...] It implies letting everyone know there is a problem by creating a noise or disturbance because something bad has happened. [...] In recent years, the connotation of whistleblowing has come to mean disclosing concerns outside an organisation, usually by informing the media or a regulator.*

*The IBE differentiates between whistleblowing and speaking up. ‘Blowing the whistle’ externally may be considered a last resort, occurring when concerns have not been listened to or acted upon internally. Speaking up implies raising a concern internally so that it can be remedied, hopefully before it becomes a bigger problem.*

*The IBE prefers the term Speak Up as it has more positive and constructive connotations for organisations wishing to encourage employees to raise concerns.<sup>19</sup>*

The 25% of respondents across Australia, New Zealand and the UK who have been aware of misconduct in the workplace (see Figure 4) were asked whether they raised – or decided to speak up about – any of their concerns directly to management, to another appropriate person or through any other mechanism. On average, 65% spoke up, while 34% did not.

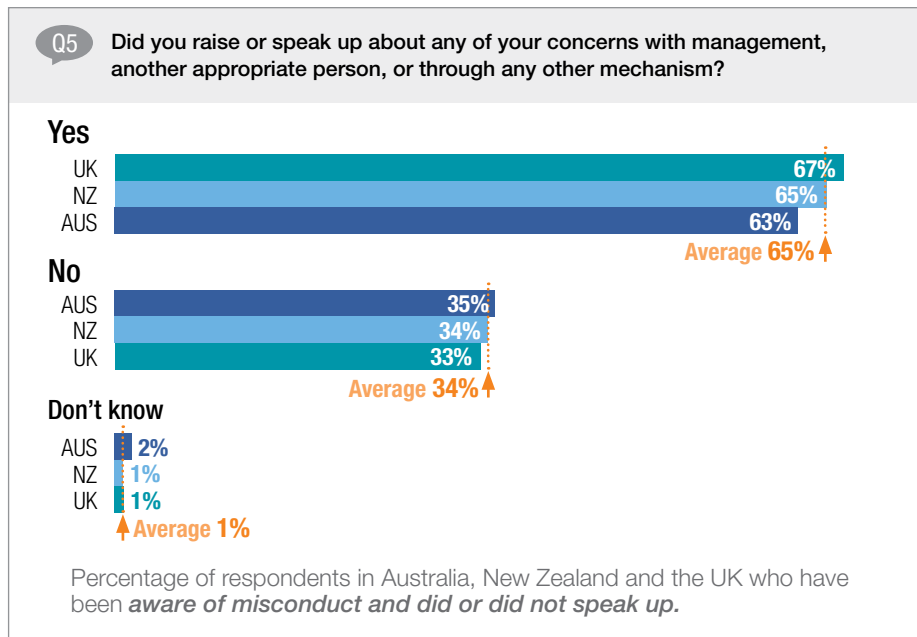
“ .....  
34% of respondents who have been aware of misconduct in the workplace did not speak up or raise their concerns  
.....”

<sup>18</sup> IBE (2017) *Corporate Ethics Policies and Programmes: 2016 UK and Continental Europe survey*

<sup>19</sup> IBE (2017) *Encouraging a Speak Up Culture*



**Figure 11 Employees raising concerns about misconduct**



“ .....

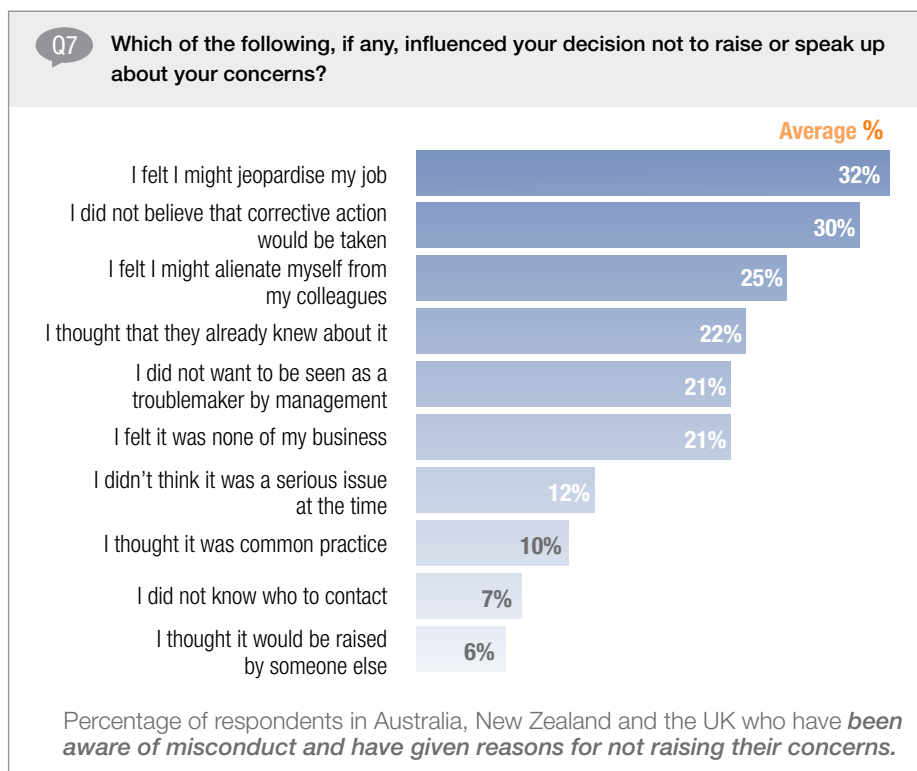
The most common reasons given by employees for not raising their concerns were that they felt they might jeopardise their job and they did not believe that corrective action would be taken

.....”

Those respondents who say they did not raise their concerns about misconduct were asked an additional question to assess what they considered to have influenced their decision not to speak up.

The most common reasons given by employees who have been aware of misconduct for not raising their concerns are that they felt they might jeopardise their job (32%), closely followed by the option that they did not believe that corrective action would be taken (30%).

**Figure 12 Reasons why employees did not raise concerns about misconduct**



It is clear that employees are concerned about the impact of speaking up and, in particular, whether their situation would improve as a result of doing so. Reporting concerns can require courage, particularly in an unsupportive environment. Employees won't take the risk if they believe that nothing will be done about it.

To understand whether employees' concerns are justified, respondents who have been aware of misconduct and raised their concerns were asked whether they were satisfied with the outcome of doing so. The majority of respondents who raised concerns (59%) report that they are satisfied with their organisation's response to them speaking up.

**Figure 13 Employee satisfaction with the outcome of speaking up**



“.....  
59% of employees who have been aware of misconduct and spoke up are satisfied with their organisation's response to them raising their concerns  
.....”

Another important indicator of whether employees think that their organisation is taking ethical misconduct seriously is the action taken against employees who violate their organisation's ethical standards.

### Ethics in practice

#### What do organisations say?

*“In the year to 31 December 2017, 183 instances of suspected improper conduct contrary to the SoBC [Standards of Business Conduct] were reported to the committee (2016: 174) (excluding RAI [Reynolds American Incorporated] companies).*

*Of the instances reported (excluding RAI companies), 78 were established as breaches and appropriate action taken (2016: 77). In 75 cases, an investigation found no wrongdoing (2016: 65). In 30 cases, the investigation continued at the year-end (2016: 32), including investigation, through external legal advisers, of allegations of misconduct.”*

British American Tobacco (2017) Annual Report

*“No material breaches of our business conduct/code of ethics policy were recorded in 2017. However, some minor incidents relating to employee conduct, such as theft or misuse of the Group's property, did occur and were dealt with during the normal course of business using Group HR policies and procedures. In the reporting year 13 (2016: 16) calls/letters were received through our confidential whistleblowing process, ‘Speak Up’, none of which related to any issues of material concern.”*

Bunzl (2017) Annual Report

Many organisations highlight the consequences of violations of ethical standards in their code of ethics. However, far fewer organisations publish data externally on ethical breaches and disciplinary actions including dismissals. Separate research conducted in the UK by the IBE in 2017 shows that only 16 FTSE 100 companies include this type of information in their sustainability or corporate responsibility report. Three of these 16 companies reported that no material breaches of the code of conduct were reported during the previous year, which might raise questions on the ability of the organisation to recognise breaches and act on them.

The IBE survey shows that only 57% of employees across Australia, New Zealand and the UK believe that their organisation disciplines employees who violate ethical standards. Figure 14 illustrates the breakdown by country.

**Figure 14 Perceptions of enforcement of ethical standards**



## Issue 2: Ethical management

The attitudes and behaviours of managers in the workplace is a topic of significant focus and concern. The term 'manager' applies to different groups and encompasses diverse roles in different organisations. However, the role that managers play in promoting ethics and embedding the organisation's core values in the corporate culture is a crucial one. Their role is particularly critical because managers are generally positioned between those on the front line and senior leadership. While this means they can help bridge the gap between the top and the bottom of the organisation, this position is not without its risks.

Managers are often under pressure from both those above and below them, and this can encourage them to 'cut ethical corners' to achieve results. The nature of their role is such that they are often looked at as role models by their team, which means they can significantly influence perceptions and behaviour in their organisation.

This survey report analyses the attitudes of managers to business ethics through two different lenses: managers' first-hand views and the perceptions that employees have of their managers.



Among those who have been aware of misconduct and raised their concerns, **younger employees** aged 18-34 (63%) and **mid-career employees** aged 35-54 (60%) are more likely to say that they were dissatisfied with the outcome of speaking up than older colleagues aged 55+ (44%).



**Older employees** aged 55+ (61%) and **younger employees** aged 18-34 (59%) are more likely to think that their organisation disciplines employees who violate their organisation's ethical standards than their mid-career colleagues aged 35-54 (54%).



*Managers are often under pressure from both those above and below them, and this can encourage them to 'cut ethical corners' to achieve results*



This survey uses four indicators to gauge employee perception of managers' attitudes towards ethics. These are whether managers are seen to set a good example of ethical business behaviour; support employees in following their organisation's standards of ethical behaviour; explain the importance of honesty and ethics at work and, conversely, reward employees who get good results, even if they use practices that are ethically questionable.

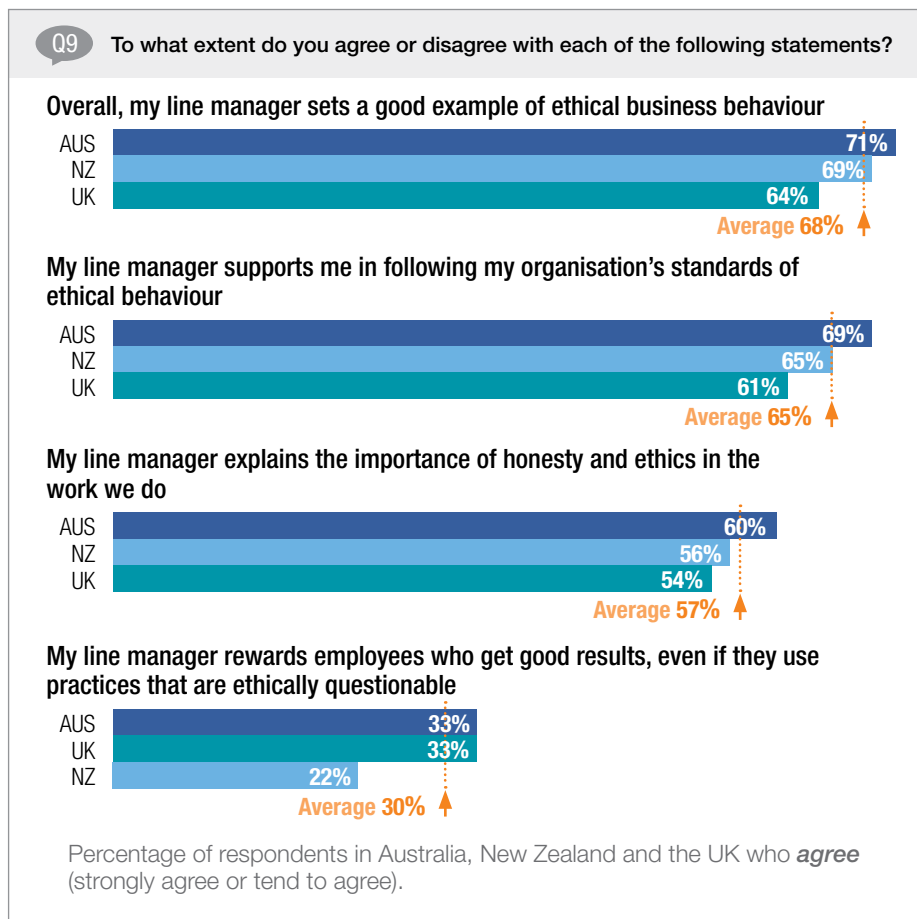
Most respondents are positive about the behaviour of their line manager, particularly concerning their ability to set a good example of ethical behaviour (68% on average). However, 22% of employees in New Zealand and 33% in both Australia and the UK believe that their line manager rewards employees who get good results, even if they use practices that are ethically questionable (see Figure 15). In other words, they prioritise 'what' is achieved over 'how' it is done.

“ .....

*Most respondents are positive about the behaviour of their line manager, particularly concerning their ability to set a good example of ethical behaviour*

.....”

**Figure 15 Perceptions of management behaviour**



## Focus on...

### The impact of providing a work environment that is regarded as supportive to ethics<sup>20</sup>

This survey shows that employees across Australia, New Zealand and the UK who work in organisations with an environment that is perceived as supportive to ethics are more likely to have:

- ✓ **A positive perception of how frequently honesty is practised at work.** Employees in the most supportive organisations are more likely to say that honesty is practised always or frequently (94%) in their organisation's daily operations than those in unsupportive organisations (63%).
- ✓ **Not been aware of misconduct at work.** Employees in the most supportive organisations are significantly less likely to say that they have been aware of misconduct during the past year at work (20%) than employees in unsupportive organisations (52%).
- ✓ **Spoken up about misconduct at work.** Employees in the most supportive organisations who have been aware of misconduct during the past year at work are more likely to have spoken up about their concerns (80%) than those in a similar position in unsupportive organisations (53%). 93% of those in the most supportive organisations who have been aware of misconduct and spoke up are satisfied with the outcome of raising their concerns, compared with 23% of those in a similar position in unsupportive organisations.
- ✓ **Not felt pressured to compromise ethics.** Employees in the most supportive organisations are more likely to say that they have not felt pressured to compromise their organisation's ethical standards (88% compared to 59% of employees in unsupportive organisations).

## Did you know?

### Supportive environment for ethics

Creating a supportive environment for ethical behaviour is essential to applying business ethics in practice and closing the 'say-do gap' between an organisation's formal commitments and what happens on the front line.

In this survey, the following elements are considered as indicators of a supportive environment for ethics in an organisation:

- **Tone from the top** includes the ability of managers to set a good example of ethical business behaviour; explain the importance of honesty and ethics at work and support employees in following the organisation's standards of behaviour

*continues >*



**Women** are more likely than men to have a positive view of their line manager. For example, 68% of women say that their line manager supports them in following their organisation's standards of ethics, compared to 62% of men.



**Younger employees** aged 18-34 are the most likely to say that their line manager rewards employees who get good results, even if they use practices that are ethically questionable (38% compared to 26% of mid-career employees aged 35-54 and 20% of older employees aged 55+).



Employees in the **public/third sector** are more likely to say that their line manager sets a good example of ethical business behaviour (71%) than those in the private sector (66%).

<sup>20</sup> The supportiveness of the organisation is defined by how many statements employees agree or tend to agree with at Q9 (see Appendix 2). This excludes the statement on the line manager rewarding employees who get good results despite using ethically questionable practices, as this is framed in the negative. The most supportive organisations agree or tend to agree with all of the statements and unsupportive organisations are those in which respondents disagree or tend to disagree with three or more of the statements.

### Did you know? *continued*

- **Stakeholder engagement** refers to whether an organisation discusses issues of right and wrong at staff meetings, lives up to its stated policy of social responsibility and acts responsibly in all its business dealings
- **Addressing misconduct** captures the ability of an organisation to discipline employees who violate its ethical standards.

## What are managers' views of ethics at work?

In order to set a good example of ethical behaviour and support employees in living up to their organisation's ethical standards, it is important that people in a managerial position understand their responsibilities in leading by example on the application of ethical values to the day-to-day tasks in the workplace.

To understand this, respondents who identified themselves as managers were asked to give their opinion on a series of statements that describe examples of 'petty fiddling' that can occur in an organisation (see Figure 16). An example of petty fiddling is an employee charging their company for small items such as a taxi ride when they used public transport instead. Overall, 37% of respondents identified themselves as managers (36% in Australia, 34% in New Zealand and 41% in the UK).

### Ethics in practice

#### What do organisations say?

Managers are responsible for:

- Ensuring employees complete regular training on this policy in order to educate and ensure that their employees are aware of and adhere to Auckland Airport's policies and procedures*
- Leading by example to uphold the policy*
- Effectively and confidentially managing complaints regarding unacceptable behaviour and misconduct*
- Ensuring that all work and employment practices comply with relevant legislation and policies, and*
- Taking all reasonable and practicable steps to ensure the protection, safety and security of Auckland Airport's employees, premises, property and resources and to ensure that Auckland Airport's assets and resources are used only for the purposes of Auckland Airport and in accordance with appropriate authorisations.*

Auckland Airport (2017) *Ethics and Code of Conduct*

“ .....  
34% of managers think that some degree of 'petty fiddling' is inevitable in a modern organisation  
.....”

A third of managers (34%) across Australia, New Zealand and the UK think that some degree of 'petty fiddling' is inevitable in a modern organisation. At least a quarter say that if they cracked down on every little fiddle they would soon find that they had no staff (28%) or no suppliers (25%). A fifth of managers (22%) think that petty fiddling is not something they should worry about as long as projects come in on time and within budget.

More than one in ten (13%) employees say that it is acceptable to manipulate the accounting figures as long as no money is stolen (see Figure 16).

## Ethics in practice

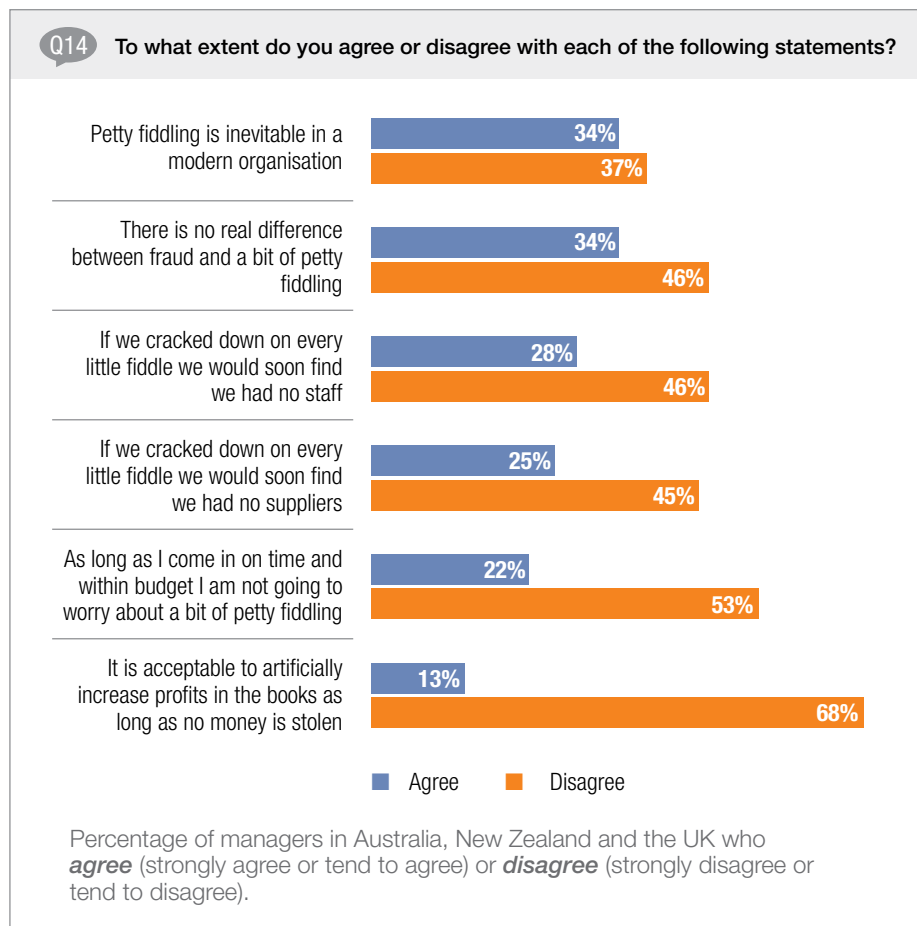
### What do organisations do?

Three former Tesco executives will face a re-trial related to a £250m accounting scandal at the retailer, the UK's Serious Fraud Office said. [...]

The prosecution of the three men was brought after Tesco told the stock market in September 2014 that its profit forecast had been overstated by £250m, mainly due to booking commercial income early.

The statement sent Tesco's shares sliding and plunged the grocer, one of Britain's greatest corporate success stories of recent years, into one of the worst periods of its 100-year history."<sup>21</sup>

**Figure 16 Managers' attitudes to petty fiddling**



### Younger managers

aged 18-34 are more likely to agree with most of the statements on petty fiddling than managers in the other age groups. For example, 24% of younger managers think that it is acceptable to artificially increase profits in the books as long as no money is stolen compared to 9% of mid-career managers aged 35-54 and 4% of older managers aged 55+.



Managers in the **public/third sector** are more likely than those in the private sector to say that if they cracked down on every little fiddle they would soon find they had no staff (32% vs 26%) and it is acceptable to artificially increase profits in the books as long as no money is stolen (18% vs 10%).

<sup>21</sup> Financial Times (2 March 2018) *Former Tesco executives face retrial over accounting scandal*

## Focus on...

### Attitudes of managers towards ethics at work

This survey provides a picture of how managers across Australia, New Zealand and the UK approach ethics at work. In comparison with non-managers, they are more likely to have:

✔ **A positive outlook on how the organisation engages with stakeholders.** Managers are more likely than non-managers to agree with each of the statements on stakeholder engagement (see Figure 3). For example, 77% of managers agree that their organisation acts responsibly in all its business dealings, compared to 70% of non-managers.

✔ **Awareness of a means of reporting misconduct.** Managers are more likely to be aware that their organisation provides a means of reporting misconduct confidentially than non-managers (63% vs 53%).

✔ **Spoken up about misconduct at work.** Managers who have been aware of misconduct during the past year at work are more likely to have spoken up (80%) than non-managers who have been aware of misconduct (54%).

Managers who have been aware of misconduct and spoke up are more likely to be satisfied with the outcome than non-managers in a similar position (71% vs 45%).

❗ **Lenient attitudes to some questionable workplace practices.** Managers are more likely to have a lenient attitude than non-managers towards four of the nine ethically questionable workplace practices presented in Figure 1. For instance, managers are more likely than non-managers to say that charging personal entertainment to expenses (14% vs 7%) and minor fiddling/exaggeration of travel expenses (16% vs 8%) are acceptable practices.

❗ **Been aware of misconduct at work.** Managers are more likely to have been aware of misconduct during the past year at work (29%) than non-managers (22%).

❗ **Felt pressured to compromise ethics.** Managers are more likely to say that they have felt pressured to compromise their organisation's ethical standards (17%) than non-managers (9%).

“ .....

*Managers who have been aware of misconduct are more likely to be satisfied with the outcome of raising their concerns than non-managers*

.....”



## Country Snapshots

**This chapter provides infographics for Australia, New Zealand and the UK.**

Each country snapshot contains a general overview of the country's economic background, which draws on analysis conducted by the Organisation for Economic Co-operation and Development (OECD). This helps to explain the specific context in which the survey took place, as well as potential sources of external pressure that might have influenced employees' attitudes and perceptions.

In addition, highlights from the survey results illustrate specific characteristics, strengths and ethical risks linked to how employees perceive the culture of their organisations.



**Australia**



**New Zealand**



**United  
Kingdom**



## Australia



According to the OECD, the Australian economy is likely to continue to grow at a robust pace, with the strengthening labour market and household incomes sustaining private consumption. Wages are also projected to pick up gradually. *“Improved terms of trade, strong global economic growth and additional resource exports are supporting the economy. [...] Rising employment is boosting incomes and consumption. Employment has risen quickly, with many jobs filled by rising participation in the labour market, in particular among women and older workers.”*

The OECD analysis suggests that *“strong global commodity markets remain an important source of income gains and growth, but also of uncertainty and risk. The slowdown and rebalancing in China could be a larger drag on growth than expected. High indebtedness of households remains a risk.”* However, it is also noted that *“the combination of strong employment growth and rising labour market participation raises questions about how much slack there is left in the economy and creates uncertainty surrounding when economic growth will translate into stronger increases in wages and incomes.”*<sup>22</sup>

**Figure 17 How's life in Australia?**<sup>23</sup>

Indicators	Description	Australia	OECD Average
Employment	Employed aged 15-64, as a percentage of the population aged 15-64	<b>72.4%</b>	67.1%
Earnings	Average annual gross earnings per full-time employee (US dollars at the purchasing power parities for the latest available year)	<b>\$52,063</b>	\$44,290
Long-term unemployment	Percentage of the labour force unemployed for one year or more	<b>1.4%</b>	2%
Working hours	Percentage of employees who usually work 50 hours or more per week	<b>13.2%</b>	12.6%
Household income	Household net adjusted disposable income (US dollars at the purchasing power parities, average per capita)	<b>\$33,417</b>	\$30,620
Education	Upper secondary educational attainment among working-age adults (percentage of people aged 25-64 with at least an upper secondary education)	<b>79.9%</b>	74.5%
Life satisfaction	Mean values on an 11 point scale, with responses ranging from zero (not at all satisfied) to 10 (completely satisfied)	<b>7.6</b>	7.3

<sup>22</sup> OECD (Volume 2017 Issue 2) *Economic Outlook: Australia*

<sup>23</sup> OECD (2017) *How's Life? measuring wellbeing – data tables*

# Australia

## Culture

In your organisation's daily operations, how often would you say honesty is practised?



<b>Always/frequently</b>	<b>84%</b>
<b>Occasionally</b>	<b>12%</b>
<b>Rarely/never</b>	<b>2%</b>
<b>Don't know</b>	<b>2%</b>

## Speaking up

**35%** of Australian employees who have been aware of misconduct at work decided not to speak up. The main reasons are...

1. I felt I might jeopardise my job **32%**
2. I did not believe that corrective action would be taken **27%**
3. I thought that they already knew **25%**



## Behaviour

**24%** of Australian employees have been aware of misconduct during the past year at work. The most common types of misconduct they noticed are...



<b>Bullying and harassment</b>	<b>41%</b>
<b>People treated inappropriately/unethically</b>	<b>39%</b>
<b>Misreporting hours worked</b>	<b>32%</b>

**13%** of Australian employees have felt pressured to compromise ethics. The main pressures are...

1. Time pressure **34%**
2. I was following my boss's orders **31%**
3. We were under-resourced; I felt peer pressure to be a team player **23%**

## Ethics programme

The majority of respondents in Australia are aware of their organisation having each of the building blocks of an ethics programme.



My organisation...

- Has written standards of ethical business conduct that provide guidelines for my job **73%**
- Provides employees with a means of reporting misconduct confidentially **61%**
- Offers advice or an information helpline where I can get advice about behaving ethically at work **52%**
- Provides training on standards of ethical conduct **59%**

## New Zealand



According to the OECD, economic growth in New Zealand is projected to increase in 2018-19, as a result of stronger investments and exports. *“Economic growth was solid in 2017, underpinned by consumption and international tourism. Private consumption has been supported by population growth, income gains from record terms of trade, wealth effects from house price increases, a strong labour market and accommodative monetary policy. Net immigration, which has been the major driver of population growth, has begun to moderate, with a small fall in arrivals (in part reflecting tighter eligibility for work visas) and an increase in departures as temporary immigrants return home.”*

*“Business investment intentions have recovered somewhat following resolution of uncertainty around the general election result. The unemployment rate is at a nine-year low, and participation has increased, but labour market tightness has not translated into strong wage growth.”<sup>24</sup>*

**Figure 18 How's life in New Zealand?**<sup>25</sup>

Indicators	Description	New Zealand	OECD Average
Employment	Employed aged 15-64, as a percentage of the population aged 15-64	75.6%	67.1%
Earnings	Average annual gross earnings per full-time employee (US dollars at the purchasing power parities for the latest available year)	\$39,397	\$44,290
Long-term unemployment	Percentage of the labour force unemployed for one year or more	0.7%	2%
Working hours	Percentage of employees who usually work 50 hours or more per week	15%	12.6%
Household income	Household net adjusted disposable income (US dollars at the purchasing power parities, average per capita)	Not available	\$30,620
Education	Upper secondary educational attainment among working-age adults (percentage of people aged 25-64 with at least an upper secondary education)	76.6%	74.5%
Life satisfaction	Mean values on an 11 point scale, with responses ranging from zero (not at all satisfied) to 10 (completely satisfied)	7.8	7.3

<sup>24</sup> OECD (Volume 2017 Issue 2) *Economic Outlook: New Zealand*

<sup>25</sup> OECD (2017) *How's Life? measuring wellbeing – data tables*

# New Zealand

## Culture

In your organisation's daily operations, how often would you say honesty is practised?



<b>Always/frequently</b>	<b>86%</b>
<b>Occasionally</b>	<b>10%</b>
<b>Rarely/never</b>	<b>2%</b>
<b>Don't know</b>	<b>2%</b>

## Speaking up

**34%** of employees in New Zealand who have been aware of misconduct at work decided not to speak up. The main reasons are...

1. I did not believe that corrective action would be taken **35%**
2. I felt I might jeopardise my job **33%**
3. I felt I might alienate myself from my colleagues **27%**



## Behaviour

**26%** of employees in New Zealand have been aware of misconduct during the past year at work. The most common types of misconduct they noticed are...



<b>People treated inappropriately/unethically</b>	<b>46%</b>
<b>Bullying and harassment</b>	<b>38%</b>
<b>Safety violations</b>	<b>37%</b>

**10%** of employees in New Zealand have felt pressured to compromise ethics. The main pressures they felt are...

1. Time pressure **39%**
2. We were under-resourced **36%**
3. I was following my boss's orders **29%**

## Ethics programme

Fewer than half of respondents in New Zealand say that their organisation offers an advice or information helpline where they can get advice about behaving ethically at work.



My organisation...

- Has written standards of ethical business conduct that provide guidelines for my job **70%**
- Provides employees with a means of reporting misconduct confidentially **56%**
- Offers advice or an information helpline where I can get advice about behaving ethically at work **46%**
- Provides training on standards of ethical conduct **51%**

## United Kingdom



The OECD comments that the current economic situation in the UK has been deeply affected by the outcome of the Brexit referendum, which took place in June 2016 and resulted in a slight majority of people voting in favour of leaving the European Union. A first visible sign of this is the significant currency depreciation of the sterling, which has mitigated the immediate impact of the shock by stabilising financial markets and supporting consumer confidence.

The British government, led by Theresa May, is negotiating the terms and conditions of the UK exit from the European Union. It can be assumed that some deal will be reached regarding its status after 2020. However, at the time this survey was conducted (February 2018) there was considerable uncertainty about this. Private investment, including foreign direct investment, might be seriously hindered by this uncertainty. The OECD suggests that economic growth will continue to weaken in 2018 and 2019. As growth slows, the unemployment rate is projected to rise.<sup>26</sup>

**Figure 19 How's life in the UK?**<sup>27</sup>

Indicators	Description	United Kingdom	OECD Average
Employment	Employed aged 15-64, as a percentage of the population aged 15-64	<b>74.3%</b>	67.1%
Earnings	Average annual gross earnings per full-time employee (US dollars at the purchasing power parities for the latest available year)	<b>\$42,835</b>	\$44,290
Long-term unemployment	Percentage of the labour force unemployed for one year or more	<b>1.3%</b>	2%
Working hours	Percentage of employees who usually work 50 hours or more per week	<b>12.7%</b>	12.6%
Household income	Household net adjusted disposable income (US dollars at the purchasing power parities, average per capita)	<b>\$28,408</b>	\$30,620
Education	Upper secondary educational attainment among working-age adults (percentage of people aged 25-64 with at least an upper secondary education)	<b>80.7%</b>	74.5%
Life satisfaction	Mean values on an 11 point scale, with responses ranging from zero (not at all satisfied) to 10 (completely satisfied)	<b>7.7</b>	7.3

<sup>26</sup> OECD (Volume 2017 Issue 2) *Economic Outlook: United Kingdom*

<sup>27</sup> OECD (2017) *How's Life? measuring wellbeing – data tables*

# United Kingdom

## Culture

In your organisation's daily operations, how often would you say honesty is practised?



<b>Always/frequently</b>	<b>81%</b>
<b>Occasionally</b>	<b>13%</b>
<b>Rarely/never</b>	<b>3%</b>
<b>Don't know</b>	<b>3%</b>

## Speaking up

**33%** of employees in the UK who have been aware of misconduct at work decided not to speak up. The main reasons are...

1. I felt I might jeopardise my job **33%**
2. I did not believe that corrective action would be taken; I felt I might alienate myself from my colleagues **26%**
3. I felt it was none of my business **22%**



## Behaviour

**24%** of UK employees have been aware of misconduct at work. The most common types of misconduct they noticed are...



<b>People treated inappropriately/unethically</b>	<b>48%</b>
<b>Bullying and harassment</b>	<b>40%</b>
<b>Safety violations</b>	<b>35%</b>

**12%** of UK employees have felt pressured to compromise ethical standards. The main pressures are...

1. We were under-resourced **35%**
2. Time pressure **34%**
3. I was following my boss's orders **28%**

## Ethics programme

The majority of respondents in the UK are aware of each of the building blocks of an ethics programme in their organisation.



My organisation...

- Has written standards of ethical business conduct that provide guidelines for my job **69%**
- Provides employees with a means of reporting misconduct confidentially **64%**
- Offers advice or an information helpline where I can get advice about behaving ethically at work **51%**
- Provides training on standards of ethical conduct **56%**



# Summary and Conclusion

The data presented in this report highlights important issues about current attitudes to ethics in the workplace and raises crucial questions for organisations. It is important to stress that, in order to paint a meaningful picture, the results related to each indicator need to be read in the wider context, in parallel with other elements. For instance, higher awareness of misconduct could show that employees are failing to live up to the organisation's values. However, it could also be a positive sign of increased 'ethical literacy' among employees who have learned to identify and act upon ethical dilemmas in their workplace.

With this in mind, the survey sheds light on several challenges that organisations in Australia, New Zealand and the UK might want to consider going forward.

## **Are organisations focusing on how to build a working environment that is supportive to ethics?**

Creating a supportive environment for ethical behaviour is essential to applying business ethics in practice and closing the 'say-do-gap' between an organisation's formal commitments and what happens on the front line. In particular, three elements are considered to define a supportive environment for ethics: a supportive tone from the top, positive engagement with stakeholders and the ability to address misconduct effectively.

This survey highlights that the presence of these three factors has a range of positive impacts in the workplace. For example, employees in supportive organisations are more likely to think that honesty is practised always or frequently in their organisation's daily operations (94%) in comparison to those in unsupportive organisations (63%). Far fewer people in supportive organisations say they have been aware of legal or ethical violations in the past year at work (20% compared to 52% in unsupportive organisations). In addition, employees in supportive organisations who have been aware of misconduct are also more likely to have raised their concerns (80%) than employees in a similar position in unsupportive organisations (53%).

## **Do organisations understand the different needs of a multigenerational workforce?**

Both ageing populations and the new generation entering the workplace are creating new opportunities and challenges for employers, especially in relation to embedding business ethics. For this reason, understanding the different characteristics of the various generations of employees in the workplace is fundamental to building a culture founded on ethical values.

The survey shows that millennials (younger employees aged 18-34) appear to have mixed attitudes towards ethics in the workplace. They seem to pay more attention to how ethics is promoted at work: they are the most likely age group to be aware of each of the building blocks of an ethics programme and of incentives to encourage employees to live up to the organisation's standards. It might be because of this increased awareness that they are the most likely age group to have been aware of misconduct. They are also the least likely age group to say that honesty is always or frequently practised at work.



*Creating a supportive environment for ethical behaviour is essential to applying business ethics in practice*





However, they are the most likely age group to say that good results are rewarded even when they are achieved through ethically questionable practices. They also seem to have a somewhat more lenient attitude towards some ethically questionable workplace practices than mid-career and older colleagues. This suggests that millennials need to be supported and rewarded for doing the right thing, in particular by their managers who have the responsibility to lead by example.<sup>28</sup>

### **How are the schemes to incentivise ethical behaviour designed? Are they achieving their intended purpose?**

Practical incentives that motivate and encourage people to behave ethically are an important tool that organisations can use to embed their values in practice. For example, providing incentives is correlated with employees' positive perception of how their organisation engages with stakeholders. In addition, employees who have been aware of misconduct in organisations with incentives are more likely to have spoken up than those in a similar position in organisations without incentives.

However, the survey shows that the presence of incentive schemes is also correlated to some less ethical attitudes or behaviours. This suggests that incentive schemes are not universally successful in shifting attitudes and behaviours, or perhaps even accidentally reinforce some less ethical organisational cultures.

For example, employees in organisations that incentivise ethical behaviour are more likely to be lenient towards some ethically questionable workplace practices. Employees in organisations with incentives are also significantly more likely to say that managers reward employees who get good results, even if they use practices that are ethically questionable, compared to those in organisations that do not offer incentives (52% vs 23%). It is vital that organisations design and test their incentive schemes to ensure that they are effective.



*It is vital that organisations design and test their incentive schemes to ensure that they are effective*



<sup>28</sup> IBE (2015) *Business Ethics Across Generations*

## Appendix 1

# Methodology and Respondent Profile

This report presents the findings of public research undertaken by ComRes on behalf of the IBE, the Brian Picot Chair in Ethical Leadership at Victoria University of Wellington in New Zealand and The Ethics Centre in Sydney, Australia. ComRes is a member of the British Polling Council and abides by its rules.

The IBE has asked similar questions of the British workforce every three years since 2005. In 2012, the IBE extended part of the survey to four additional major European markets: France, Germany, Italy and Spain.

The Ethics at Work: 2018 survey of employees illustrates the latest evolution and trends in employees' perceptions of ethics in the workplace. Given that organisations are increasingly taking an integrated approach to business ethics at the international level, the number of countries included in the research has been expanded to cover France, Germany, Ireland, Italy, Portugal, Spain, Switzerland and the UK within Europe, as well as Australia, Canada, Singapore and New Zealand.

This report describes findings from Australia, New Zealand and the UK and provides comparisons with averages for the three countries. The averages reflect the percentage of the 2,268 Australian, New Zealand and UK employees after each country's data was weighted to reflect the workforce by gender, age and region.

The survey was completed by a total of 2,268 respondents across Australia, New Zealand and the United Kingdom. It was comprised of a representative sample of about 750 working adults in each country aged 18+. The survey was undertaken between 5th and 25th February 2018.

COUNTRY	Total number of respondents	GENDER			AGE				SECTOR		MANAGERS		SIZE <sup>29</sup>	
		Male	Female	Prefer not to say	18-34	35-54	55+	Prefer not to say	Public/Third	Private	Manager	Non-manager	SME	Large
<b>Total</b>	<b>2,268</b>	<b>1,179</b>	<b>1,087</b>	<b>2</b>	<b>824</b>	<b>964</b>	<b>478</b>	<b>2</b>	<b>946</b>	<b>1,322</b>	<b>838</b>	<b>1,430</b>	<b>1,171</b>	<b>926</b>
<b>Australia</b>	752	384	368	-	294	311	147	-	308	444	271	481	379	313
<b>New Zealand</b>	752	395	355	2	264	307	179	2	323	429	255	497	432	268
<b>UK</b>	764	400	364	-	266	346	152	-	315	449	312	452	360	345

Please note that the data above is unweighted. For the purposes of analysis and reporting, the data was weighted to make the sample representative of the working populations (age 18+) in each of the countries surveyed by gender, age and region.

The survey was conducted online, in the native language of the country being surveyed, and questions were 'randomised' to avoid any undue bias there may have been when answering potentially sensitive questions. In some cases, percentages do not add up exactly to 100%. This is due to a number of reasons including rounding, participants being able to select more than one response to the question or additional options (e.g. don't know or other).

<sup>29</sup> Please note that a small number of sole traders also participated in the survey.



## Appendix 2

# Survey Questionnaire

The survey questionnaire consisted of 14 questions, although not all questions were answered by all respondents. Eligibility for certain questions was dependent on responses to previous questions.

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### **Q1. Below is a list of things that sometimes happen in the workplace. To what extent, if at all, do you think that each of the following actions is acceptable?**

*Please select one answer per row.*

*Totally acceptable    Fairly acceptable    Not very acceptable    Totally unacceptable    Don't know*

- Taking pencils and pens from work
- Posting personal mail from work (e.g. letters or parcels)
- Making personal phone calls from work
- Using the internet for personal use during working hours
- Using company petrol for personal mileage
- Charging personal entertainment to expenses
- Pretending to be sick to take the day off
- Minor fiddling of travel expenses
- Favouring family or friends when recruiting or awarding contracts

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

---

### **Q2. In your organisation's daily operations, would you say that honesty is practised...?**

*Please select one response only.*

*Always    Frequently    Occasionally    Rarely    Never    Don't know*

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

---

### **Q3. During the past year at work, have you been aware of any conduct by your employer or colleagues that you thought violated either the law or your organisation's ethical standards?** *Please select one response only.*

*Yes    No    Don't know*

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

---

**Q4.** Asked to respondents who answered yes to Q3.

**Which, if any, of the following types of misconduct were you aware of?**

Please select all that apply.

- **Abusive behaviour**
- **Misreporting hours worked**
- **Safety violations**
- **Discrimination (e.g. by race, gender, age)**
- **Stealing**
- **Improper hiring practices (e.g. favouring family or friends)**
- **Fraud**
- **Bullying/harassment**
- **People treated inappropriately/unethically**
- **Other**

Base 2018 = 563 employees (181 in Australia, 198 in New Zealand and 184 in the UK) who were aware of illegal or unethical violations at work.

---

**Q5.** Asked to respondents who answered yes to Q3.

**Did you raise any of your concerns with management, another appropriate person, or through any other mechanism?** Please select one response only.

Yes    No    Don't know

Base 2018 = 563 employees (181 in Australia, 198 in New Zealand and 184 in the UK) who were aware of illegal or unethical violations at work.

---

**Q6.** Asked to respondents who answered yes to Q5.

**After raising or speaking up about your concerns, how satisfied or dissatisfied were you with the outcome?** Please select one response only.

Very satisfied    Fairly satisfied    Fairly dissatisfied    Very dissatisfied    Don't know

Base 2018 = 364 employees (114 in Australia, 128 in New Zealand and 122 in the UK) who were aware of legal or ethical violations at work and raised their concerns.

---

**Q7.** Asked to respondents who answered no to Q5.

**Which of the following, if any, influenced your decision not to raise or speak up about your concerns?** Please select all that apply.

- **I felt it was none of my business**
- **I felt I might jeopardise my job**
- **I did not believe that corrective action would be taken**
- **I felt I might alienate myself from my colleagues**
- **I did not want to be seen as a troublemaker by management**
- **I did not know who to contact**
- **I thought that it was common practice**
- **I thought it would be raised by someone else**
- **I thought that they already knew about it**
- **I didn't think it was a serious issue at the time**
- **Other (Please specify)**
- **Don't know**

Base 2018 = 192 employees (63 in Australia, 68 in New Zealand and 61 in the UK) who were aware of legal or ethical violations at work but did not raise their concerns.

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**Q8. Please indicate whether each of the following statements apply to your organisation or not.** *Please select one response only.*

Yes    No    Don't know

- **My organisation has written standards of ethical business conduct that provide guidelines for my job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct)**
- **My organisation provides employees with a means of reporting misconduct confidentially, without giving their name or other information that could easily identify them**
- **My organisation offers advice or an information helpline where I can get advice about behaving ethically at work**
- **My organisation provides training on standards of ethical conduct**

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

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**Q9. To what extent do you agree or disagree with each of the following statements?**

*Please select one answer per row.*

Strongly agree    Tend to agree    Neither agree nor disagree    Tend to disagree    Strongly disagree  
Don't know

- **Overall, my line manager sets a good example of ethical business behaviour**
- **My line manager explains the importance of honesty and ethics in the work we do**
- **My line manager rewards employees who get good results, even if they use practices that are ethically questionable**
- **My line manager supports me in following my organisation's standards of ethical behaviour**
- **My organisation disciplines employees who violate my organisation's ethical standards**
- **My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)**
- **My organisation lives up to its stated policy of social responsibility**
- **Issues of right and wrong are discussed in staff meetings**

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

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**Q10. Have you felt pressured to compromise your current organisation's standards of ethical conduct?** *Please select one response only.*

Yes    No    Don't know

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

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**Q11.** *Asked to respondents who answered yes to Q10.*

**Which of the following, if any, were the main pressures on you to act unethically?**

*Please select a maximum of three responses.*

- **I had to meet unrealistic business objectives/deadlines**
- **I was following my boss's orders**
- **I felt peer pressure to be a team player**
- **I wanted to help the organisation perform better (e.g. against competitors or spending cutbacks)**
- **I was trying to save my job**
- **My organisation has an unethical culture**
- **I was being asked to take shortcuts**
- **There were financial/budgeting pressures at the company**
- **We were under-resourced**
- **Time pressure**
- **Other (Please specify)**
- **Don't know**

*Base 2018 = 267 employees (100 in Australia, 76 in New Zealand and 91 in the UK) who have felt pressured to compromise their organisation's standards of ethical conduct.*

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**Q12.** **Does your organisation provide incentives to employees to encourage them to live up to the organisation's ethical standards?** *Please select one response only.*

*Yes No Don't know*

*Base 2018 = 2,268 employees (752 in Australia, 752 in New Zealand and 764 in the UK).*

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**Q13.** *Asked to respondents who answered yes to Q12.*

**Which of the following incentives, if any, does your organisation provide to encourage employees to live up to its ethical standards?** *Please select all that apply.*

- **It is part of our annual appraisal/review**
- **It is taken into account in assessing bonus payments**
- **Salary increases**
- **Public commendation (e.g. employee awards)**
- **Other (Please specify)**
- **Don't know**

*Base 2018 = 492 employees (167 in Australia, 156 in New Zealand and 169 in the UK) who say their organisation provides incentives to encourage employees to live up to its ethical standards.*

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**Q14.** *Asked to respondents who identified themselves as managers.*

**To what extent do you agree or disagree with each of the following statements?**

*Please select one answer per row.*

*Strongly agree Tend to agree Neither agree nor disagree Tend to disagree Strongly disagree  
Don't know*

- **Petty fiddling is inevitable in a modern organisation**
- **If we cracked down on every little fiddle we would soon find we had no staff**
- **If we cracked down on every little fiddle we would soon find we had no suppliers**
- **As long as I come in on time and within budget I am not going to worry about a bit of petty fiddling**
- **There is no real difference between fraud and a bit of petty fiddling**
- **It is acceptable to artificially increase profits in the books as long as no money is stolen**

*Base 2018 = 838 managers (271 in Australia, 255 in New Zealand and 312 in the UK).*

## Statements from Silver Supporters of the Survey



### Aviva

Our purpose is to help customers *Defy Uncertainty* – to face the future with confidence. We want to help customers protect what matters to them – their family, home and savings for retirement, for example. We cannot do this without earning and maintaining customer trust.

A strong culture, supported by good governance and a clear ethical framework, provide the strong foundations required to operate as a responsible and transparent business.

Our *Business Ethics Code* outlines our high ethical standards. In 2017, we reviewed and improved our business ethics training to reinforce its importance and what it means for our people.

Our malpractice helpline, *Speak Up*, makes it easy to report any concerns in confidence, with all reports referred to an independent investigation team. Our helpline is open not only to employees but also third parties. We encourage the reporting of concerns covering a wide range of issues such as: bribery and corruption, harassment, and human rights (including modern slavery).

We have risk-based training to ensure employees and others acting on Aviva's behalf make business decisions that align to our values and contribute to growing our business in a sustainable way.

Aviva provides around 31 million customers worldwide with insurance, savings and investment products. We are the UK's largest insurer and one of Europe's leading providers of life and general insurance. We combine strong life insurance, general insurance and asset management businesses under one powerful brand. We are committed to serving our customers well in order to build a stronger, sustainable business, which makes a positive contribution to society, and for which our people are proud to work.



### Centrica

Centrica provides energy and services that are at the heart of our customers' lives. To continue doing this and generate greater value in society, we focus on being a responsible business.

Core to this is ensuring we have a clear set of expectations for how we go about our business and a sound guide for making good decisions. That is why earlier this year, we launched *Our Code* which replaces our *Business Principles* and other codes of conduct across the company. From operating safely and securely to working responsibly with communities and governments, *Our Code* gives us a clear, unified statement on the most important principles and standards that apply to everyone who works for us, with us or alongside us. *Our Code* supports our Values and embodies what we stand for, and clearly states that we will conduct our business with integrity.

We are helping our people embrace the spirit and values that underpin *Our Code* by using interactive training modules and ethical dilemma challenges, while strengthening working groups focused on addressing key issues including modern slavery.

Centrica plc is an international energy and services company. Everything we do is focused on satisfying the changing needs of our customers.

Centrica supplies energy and services to over 25 million customer accounts mainly in the UK, Ireland and North America through strong brands such as British Gas, Direct Energy and Bord Gáis Energy, all supported by around 15,000 engineers and technicians.

These chosen businesses and distinctive capabilities are underpinned by an investment in technology to develop innovative products, offers and solutions, which ensures Centrica is well placed to deliver for its customers, shareholders and society.

## Statements from Silver Supporters of the Survey

### L'ORÉAL

#### L'ORÉAL

At L'ORÉAL, we believe that a company's behaviour is as important as its economic performance or the quality of its products.

L'Oréal was built on strong ethical principles that continue to guide its development and contribute to building its reputation: Integrity, Respect, Courage and Transparency. These principles are namely the foundation of the Group's policies in terms of compliance, responsible innovation, environmental stewardship, social and societal responsibility, and philanthropy.

In addition to the ambitious ethics programme we have already put in place, we have recently published our *Human Rights Policy* and set up a Group Human Rights Committee as we believe human rights will be one of the major ethical subjects in future years.

L'Oréal has devoted itself to beauty for over 100 years and is the world's leading beauty company, employing 82,600 people worldwide. Research and innovation are at the core of L'Oréal's strategy, working to meet beauty aspirations all over the world. L'Oréal's sustainability commitment for 2020 *Sharing Beauty With All* sets out ambitious sustainable development objectives across the Group's value chain.

### Morgan Stanley

#### Morgan Stanley

We believe a strong culture starts with our 58,000 employees. The Firm's core values drive a shared set of behaviours and attributes that help employees make decisions consistent with the expectations of our clients, shareholders, regulators, Board of Directors and the public. Since Morgan Stanley's founding in 1935, our pledge – to do first-class business in a first-class way – has been at the heart of everything we do, differentiating us in the industry and serving as a foundation for success. Our culture is a competitive advantage at Morgan Stanley that we do not take for granted.

At Morgan Stanley, we advise, originate, trade, manage and distribute capital for governments, institutions and individuals, and always do so with a standard of excellence. We operate globally across five key business areas: Wealth Management, Investment Banking & Capital Markets, Sales & Trading, Research, and Investment Management. We believe capital can work to benefit all of society. We make this belief a reality by putting clients first, leading with exceptional ideas, doing the right thing, and giving back.



## Related IBE Publications

IBE publications provide thought leadership and practical guidance to those involved in developing and promoting business ethics, including senior business people, corporate governance professionals and ethics and compliance practitioners. Some recent publications related to this topic which you might be interested in include:



### Ethics at Work: 2018 survey of employees

**Guendalina Dondé and Katja Somasundaram**

Employees' views are a key indicator of the ethical temperature in today's organisations. *Ethics at Work: 2018 survey of employees* is the only survey of its kind that provides real insight into employees' views on ethics across all sectors and job roles. It covers Europe, Australia, Canada, New Zealand and Singapore.

The survey, first introduced in 2005, asks employees how they experience ethical dilemmas in their day-to-day working lives. It looks at whether they have witnessed misconduct; whether they have reported it; the pressures they are under and what stops them speaking up. The *Ethics at Work* reports examine employees' experiences and the impact of formal ethics programmes on embedding ethical values into organisational culture and influencing behaviour.



### Culture Indicators: understanding corporate behaviour

**Peter Montagnon**

Boards are increasingly focused on corporate culture, yet they often struggle to understand the forces that drive behaviour in their business. Culture cannot easily be measured, but boards can and do have access to a range of information that will shed light on the culture of their organisations.

*Culture Indicators: understanding corporate behaviour* analyses survey data and draws on interviews with directors and those that advise them to provide practical and tangible assistance for boards in how to understand the corporate culture of their organisations. It examines a wide range of relevant indicators and how to interpret them in order to produce a useful and authentic picture of the culture of a business.



### Setting the Tone: a New Zealand perspective

**By Jane Arnott and Guendalina Dondé**

Why is it important to set the right tone from the top? What leadership traits promote trust? And how can these qualities be applied to business and effectively engage stakeholders?

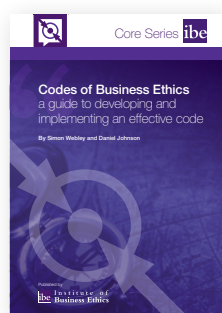
This report explores the importance of ethical leadership in setting the tone of a business from a New Zealand perspective. It provides an overview of thought leadership and highlights some of its practical applications in New Zealand by drawing on a series of interviews with prominent business leaders.



## Good Practice Guide: Encouraging a Speak Up Culture

**Katherine Bradshaw**

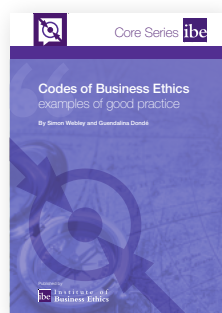
The freedom to raise concerns without fear of retaliation is a core component of a supportive ethical business culture – one where employees are confident they will be supported to ‘do the right thing’. *Encouraging a Speak Up Culture* is the latest IBE Good Practice Guide. It examines practical ways that organisations can encourage a Speak Up culture by establishing a procedure to give employees the confidence to raise concerns about anything they find unsafe, unethical or unlawful without fear of retaliation. If companies do not support their employees in this way, they risk a concern becoming a crisis.



## Codes of Business Ethics: a guide to developing and implementing an effective code

**Simon Webley and Daniel Johnson**

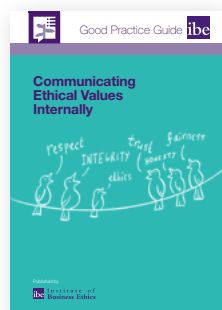
Updated guidance from the IBE on how to develop and implement an effective code of ethics. This Core IBE Report addresses many of the questions that arise when organisations wish to provide support and guidance to staff in ethical decision-making. It is intended to apply to organisations of any size, regardless of the sector in which they operate and will assist those charged with implementing or updating their organisation’s code of ethics. *Codes of Business Ethics* follows the IBE 9–Step Model and shares examples of good practice.



## Codes of Business Ethics: examples of good practice

**Simon Webley and Guendalina Dondé**

This companion publication to *Codes of Business Ethics: a guide to developing and implementing an effective code* draws on the wording of a number of current corporate codes which address the most common concerns encountered in doing business today. There are potentially 108 issues which codes of ethics can cover. These include new issues, such as personal relationships at work; treating customers fairly; social media; protection of the company’s brand; risk management and prioritising ethics over profits which did not exist when the guidance was last updated in 2003.



## Good Practice Guide: Communicating Ethical Values Internally

**Katherine Bradshaw**

An organisation which operates to high ethical standards is one where ethics is just ‘the way we do things around here’. But how do you communicate something as nebulous as ‘integrity’? How can you communicate the ethical standards of an organisation effectively, so that they are not only understood, but are embedded in decision-making and behaviour? This guide shares examples of some ways of communicating messages about ethical values to employees so that they are empowered to ‘do the right thing’. It examines the role of internal communications in establishing a corporate culture.

## Other IBE Resources



### E-learning

**The IBE's e-learning package** *Understanding Business Ethics* is available in English, French, German and Spanish.

This short introductory online training course is designed to raise awareness of business ethics and provide an understanding of why ethical standards in the workplace matter.

The course is designed to support employees at all levels, in organisations of any size and in any sector to 'do the right thing'. The programme takes approximately 35 minutes to complete.

The IBE's e-learning package is used by professional bodies to develop ethical sensitivity in their members and for CPD (Continuing Professional Development) accreditation.

If you would like to offer this to multiple users, please contact us.



### Say No Toolkit

The IBE *Say No Toolkit* is a decision-making tool to help organisations encourage employees to make the right decision in difficult situations. The *Say No Toolkit* delivers immediate guidance to employees on a wide range of common business issues, especially those that could lead to accusations of bribery.

Employees tap through a series of questions about the situation they face and the tool will provide the right decision to take: Say No, Say Yes or Ask. The answer also makes it clear why it is important to make that decision so your employees can have the confidence and the knowledge to respond correctly.

Organisations can use both the IBE *Say No Toolkit* app and website for free. The app can be downloaded on to any smartphone or tablet.

Simply go to [www.saynotoolkit.net](http://www.saynotoolkit.net)

The *Say No Toolkit* can be customised and branded to suit your organisation's needs and detailed procedures. For more information email [info@ibe.org.uk](mailto:info@ibe.org.uk) or call the IBE office on +44 20 7798 6040.

**For details of all IBE publications and resources visit our website [www.ibe.org.uk](http://www.ibe.org.uk)**

## **Ethics at Work**

### 2018 survey of employees – Australia, New Zealand and United Kingdom

**Employees' views are a key indicator of the ethical temperature in today's organisations.**

What do employees think about the ethical business practices of their employer? Are formal ethics programmes effective in embedding ethical values into organisational culture and influencing behaviour? What are the challenges for the organisation and what should be the focus going forward?

The Institute of Business Ethics has conducted a regular survey into employees' views of ethics at work in Britain since 2005. The survey has since been expanded to include France, Germany, Ireland, Italy, Portugal, Spain and Switzerland in Europe, as well as Australia, Canada, New Zealand and Singapore.

This report presents the survey findings from Australia, New Zealand and the United Kingdom. It focuses on three key themes. These relate to assessing the ethical culture of an organisation; identifying ethical risks and supporting ethics standards. Two specific issues that have a major impact on the culture of an organisation are also addressed: the ability of employees to voice their ethics-related concerns and the role of line managers in promoting ethics in the workplace.

These findings will help to explain the business ethics landscape in Australia, New Zealand and the United Kingdom from the perspective of employees in 2018.