



The Institute of Business Ethics: **The next 30 years**

What we do

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

- We raise public awareness of the importance of doing business ethically.
- We help organisations strengthen their ethical culture through the sharing of knowledge and good practice.

The IBE works at an international level both with our multinational subscribers and in close affiliation with other business ethics organisations overseas.

The IBE is a registered charity, funded by corporate and individual subscriptions.

Subscriber support, both financial and intellectual, helps us research, publish and provide training and tools to assist in the development of ethical business practice.

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“ Doing business ethically ...
... makes for better business ”



The Institute of Business Ethics: **The next 30 years**

By Peter Montagnon

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The Institute of Business Ethics: **The next 30 years**

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Foreword



Thirty years after its foundation, the challenges facing the Institute of Business Ethics are perhaps greater than ever. The financial crisis, corporate scandals and levels of public distrust have lowered the standing of business. It is no longer acceptable to

say business is simply about generating profits for shareholders. Business needs to show how it contributes to social well-being wherever it operates.

In reaching our 30th Anniversary, we decided to reflect on the business ethics challenges in today's environment through gathering the views of others; at the same time, we asked what their expectations were of us. The clear message is that the IBE needs to be more vocal, cutting edge and pro-active in its response to these challenges, building on its world-class expertise in the practical application of ethical standards to business.

We are most grateful for these contributions. In response, I have outlined below some key issues that we will develop over the coming months and years.

The IBE's credibility and influence rests on its ability, knowledge and experience of how to help companies and organisations apply their values practically and pragmatically in the way they behave and in developing their business culture and relationships.

From this base, the IBE will seek to play a leading role in the wider debate.

This will include emphasising examples of good business practice as well as identifying the underlying issues where companies have failed to meet expected standards. We will contribute to the policy debate on governance, values and ethics and assist business in clarifying its role in society.



The IBE acts as a convener and facilitator in bringing board members, ethics and compliance practitioners, their colleagues in other functions, professional bodies and others together in groups to discuss ethical issues of the day. It will expand these networks to sector groups, academics and civil society organisations to widen the dialogue and build mutual trust. We will also increase our efforts in reaching out to mid-sized and unlisted companies and to engage more proactively with 18 to 35 year olds on ethical matters.

Thought leadership and its wider dissemination is an important priority for the IBE. We have led on a number of issues and will continue to do so as new topics of concern for companies arise, including those around new technologies and the changing workplace. In recent research, we identified 108 applied business ethics issues that concern organisations. We will work with others to ensure the widest and relevant distribution of our reports to interested audiences.

The tenet of those who founded the IBE 30 years ago was to raise awareness of the importance of doing business ethically and to encourage change for good. This is just as relevant today. Our audience is global and spans business, government, civil society, academia and the public. We are exploring ways of furthering support for our international subscriber base and widening contacts with overseas organisations.

The agenda we have set ourselves is purposefully ambitious and implies enhancing our capabilities. We thank you not only for your financial but also intellectual support which helps us supply practical solutions to business ethics issues for the benefit of all.



Philippa Foster Back CBE

Director, Institute of Business Ethics

Executive Summary

The 30th anniversary of the Institute of Business Ethics falls at a time of great strain in global capitalism. The financial crisis of 2007/8, a series of corporate scandals, public rejection of the remuneration and tax practices of many large companies have led to a crisis of trust and confidence. The challenge facing the IBE in its mission to deliver high standards of business behaviour based on ethical values is broader than ever. This is therefore a good time to take stock, refresh our approach and apply ourselves to the task with new vigour.

To help us in our task, we sought the views of stakeholders, both senior board directors and ethics practitioners as well as some of those who advise them. This paper represents the sum of those conclusions together with the thoughts of our own top executives and trustees.

An important conclusion which runs through almost all the responses is that companies must learn to define their purpose in a social as well as a financial context if they are to earn their licence to operate in the long-term. As before, ethical values play a critical role in building the right sustainable relationship between business and society.

Over the past three decades, the IBE has helped many companies with this. In the process, it has acquired a wealth of practical knowledge about what is important and what works. This makes it well-placed to take a leading role in the debate about corporate purpose and long-termism.

This is not just a matter of finding practical solutions to issues of concern, whether they be high profile ones like remuneration or taxation or practical ones like the design of corporate codes of behaviour and establishment of effective speak-up or whistleblowing arrangements. Our

stakeholders are telling us that, in the light of current developments, we now need to engage more actively in the debates about corporate culture, about the development of the right corporate mind-set, and about the development of purpose and consistent application of values that engender trust and secure a company's long-term future.

Business leaders and policy makers are all facing new challenges because of pressure for more regulation. It may be that the style of business leadership will evolve into one that is more consensual and less iconic. Our stakeholders tell us that we should be cutting edge in identifying new issues as they arise, promoting debate both in public and within the business community, in being ahead of the curve and in providing a safe space for companies to exchange views at every level and learn from each other.

This should be our direction of travel. Our stakeholders have given us a clear indication of what they think has gone wrong between business and society as well as of what we can do to help rebuild a relationship of trust.

Defining **the challenge**

The Institute of Business Ethics celebrates its 30th anniversary this year. It does so at a time of deep global, political and economic uncertainty. Voters in the UK have turned their back on the European Union. In the US, the ability of Donald Trump to command the support of a large swathe of the voting public has come as a big shock and surprise to incumbent politicians. In both cases, ordinary voters appear to have turned against the establishment. There is a sense that much of what has driven social and economic policy in the past decades has been the interests of the narrow few. For many on both sides of the Atlantic, living standards have stagnated and many feel globalisation has brought few benefits to them. They struggle to obtain security for themselves and their families in key areas like housing, health and education.

All this comes at a time of rapid change with the development of artificial intelligence and the rise of Asian economies. Outsourcing has changed the nature of the workplace and made employment more temporary. Many individuals have more than one employment relationship or work as sub-contractors, making them distant from their employer. The corporate sector has a large stake in the challenge of helping society address these issues, partly because it is itself bound up with the forces that are driving change, but also because social and political stability holds the key to its own long-term success. This requires it to engage with society and counter the growing sense of alienation.



The IBE's anniversary is therefore a good time to take stock of the new environment and ensure it remains fit for purpose by being focused on the right issues.

The IBE was founded in the wake of the Big Bang of 1986 which freed the City to competition and did away with the traditional separation of wholesale market-making from distribution to end users. With the strong support of business and the City, including the Bank of England, a few wise heads saw the need for a body which would help to keep the ethical dimension alive in a much harsher and legally driven new world. That purpose is still valid today, but the challenge has become broader and more urgent as the sense of alienation has grown. The waning ability of governments to address the problems facing their citizens has led them to push more responsibility onto business. This is coupled with increasing public expectations of companies which in turn impels business to consider their own contribution to social and economic development as part of the effort to rebuild trust.

This is not to say that business should abandon its key roles in entrepreneurial wealth creation and innovation. Rather, business must become better aligned with the interests of society from which it derives its licence to operate. IBE surveys show that the way larger businesses handle remuneration and their tax affairs are a major source of public disenchantment. ¹ There is little doubt that this is one reason why the public was so unreceptive to the arguments put forward by business in the UK referendum campaign.

¹ IBE Survey (2015) *Attitudes of the British Public to Business Ethics*

Trusted or trustworthy?

One lesson the IBE has learned in its first 30 years is that companies cannot force the public to trust them. They can, however, work at making themselves trustworthy.

There are four key qualities on which to focus:

1

Reliability

People will never trust a company which does not consistently deliver what it promises, including value to its customers.

2

Honesty

Companies which deceive or lie to their customers, other stakeholders and governments cannot expect trust in return.

3

Openness

Secretiveness implies a lack of trust in others which will be reciprocated.

4

Respect

Stakeholders, including employees and suppliers, will not trust a company that fails to treat them with respect.



At the other end of the spectrum, authors like Lord Browne have argued that business is most successful when it engages actively with society and seeks to identify ways in which the objectives and needs of both can be aligned, for example by giving local people a direct stake in the benefits that flow from an oil exploration programme.² His thoughts were echoed by the remarks on inclusivity and elitism from the new Prime Minister Theresa May on taking office.

The challenge for business now is to develop a new relationship with society from which both will benefit. The financial crisis of 2007/8 toppled the old notion that business exists simply to provide short-term returns to shareholders. To earn its licence to operate, business must also provide something of value to society on which it depends for its franchise. Furthermore, boards must develop a more coherent sense of what their duties as set out in Section 172 of the UK Companies Act 2006 actually are. Profit becomes legitimate when it is earned through the delivery of real value and the genuine assumption of real risk. It is not legitimate when it is achieved by extracting value from the very customers it purports to serve.

Three conclusions follow from this: First, business must consider its purpose in a social context, not just a financial one. Second, ethical values play a critical role in building the right, sustainable relationship between business and society. Putting the customer first while recognising the interests of all stakeholders, operating reliably and honestly, being

To earn its licence to operate, business must also provide something of value to society on which it depends for its franchise.

² J. Browne, R. Nuttal, T. Stadlen (2015) *Connect: how companies succeed by engaging radically with society*

open both in explaining a company's own position and its willingness to listen to others are all part of the response. The IBE has never sought to lay down rules about how ethical values are developed and delivered or to criticise those that struggle to do so. None of these challenges are simple; all require judgement. The IBE's role was, and is, to help companies develop values that make for better exercise of judgement each time a company, or one of its employees, faces a difficult choice.

That role must surely continue – indeed it should be intensified in the coming decades. There is a third issue to address: surveys show that, while most people generally trust business, that trust is stronger when directed to small businesses and a very substantial minority do not trust business much, or at all. Business needs to overturn this stubborn resistance. Yet trust is never likely to grow, unless there is a basic consensus about the purpose of business. This is not just about fixing the problems which give immediate rise to the lack of trust like remuneration and taxation. Business and society need a clear understanding about what each should expect from the other. Ethical values come into this because they are the key to a positive relationship between business and society. The IBE cannot make this new relationship happen but stands ready to support the process. This is perhaps its largest challenge over the next 30 years, but how can the IBE help in practice?

This paper records the responses to a survey of senior opinion leaders as to how the IBE might support business in meeting these new and difficult times.

Business and society need a clear understanding about what each should expect from the other.

Now for some good news!



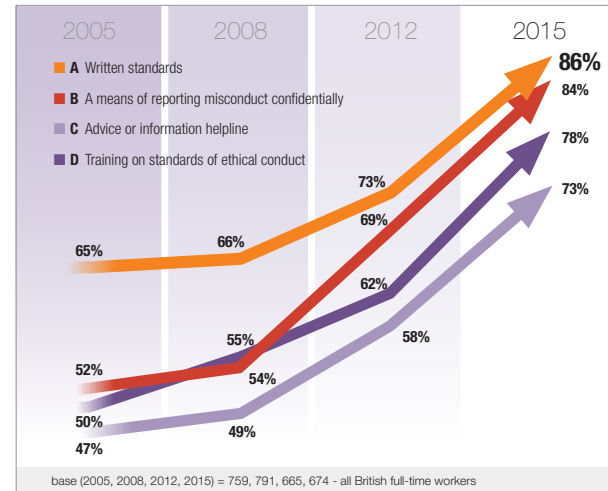
The media focus on crisis and scandal can easily lead to the impression that business continuously fails to deliver on ethical and social responsibility.

While it is true that business needs to do more, there is plenty of good news, as well as bad, and the IBE has been closely involved in what, for many companies, has been a radical change of approach over the past three decades. One of its strengths has been its ability to bring people together from different sectors to network and learn from each other.

IBE research shows that in the past decade there has been a rise in awareness of support provided by organisations to encourage ethics at work, as shown in Figure 1.

IBE research shows 57 companies in the FTSE 350 now have board oversight committees on corporate responsibility and ethics. There are separate sectoral initiatives in the extraction industries, defence, banknote production and banking.

Figure 1 Changes in employee awareness of elements of a formal ethics programme - Britain (2005-2015 comparison)



Life at the coal-face – **what the IBE has done so far**

In its first three decades, the IBE has focused on helping companies with the practicalities of taking an ethical approach. It has built-up a list of 160 subscribers, including 32% of FTSE 100 companies, plus around 40 large multinationals headquartered outside the UK, many of which it knows intimately through the help it has given them.

Such help might include the design and embedding of codes of ethical conduct, organising effective speak-up or whistleblowing arrangements, ensuring high standards in the supply chain and helping them address the challenges of new legislation, such as the Bribery Act and Modern Slavery Act. An important part of its contribution has been the development of a network in which companies can come together and discuss with each other what works and what does not.

Through all of this, and through the rest of our advisory work, we have developed a deep understanding of best practice and produced a full compendium of guidance which is recognised to be world class and which has the advantage of independence. Much of this is cutting edge, including advice on how to deal with a crisis. Additional value comes from the fact that the IBE is an educational charity - not a commercial entity - and can thus bring objective standards to bear.



With the Chartered Institute for Securities and Investment, we have collaborated on a specific product: *Investing in Integrity*, a tool which enables boards and management to test the extent to which their company's values are shared throughout the workforce, as well as the extent to which the workforce believes that top management actually lives the values it purports to espouse. Another product is the *Say No Toolkit*, a mobile phone based app which helps employees respond in the right way when confronting an ethical challenge, such as corruption, in the field.



More recently, the IBE has sought to develop more discussion on ethics and values in the boardroom through a series of reports, including on executive remuneration. ³

Over the years, therefore, the IBE has looked successively at what law and regulation mean for business ethics and what business itself does. Its strong base of practical knowledge is a firm foundation for its active role as a leader in applied business ethics. It is well placed to help business confront the challenge it now faces.



The question is: **what does this mean in practice, and how should it now develop to make the most effective contribution?**

³ IBE Board Briefing (2016) *Fair or Unfair: getting to grips with executive pay*



Celebrating
30 years
1986 - 2016

Institute of
Business Ethics
is launched
1986

Launch of first guide
to *Developing a
Code of Business
Ethics* - first regular
survey and analysis
of the use of codes
of ethics by major
UK companies
1988

Publication of
*Corporate Ethics
Policies and
Programmes* report
on international
companies
1997

Study of the role of
business ethics in
education - launch of
related survey report
1999



**Building
the Network**

.....*Developing practical knowledge and expertise of business ethics*.....

Focusing on the Foundations



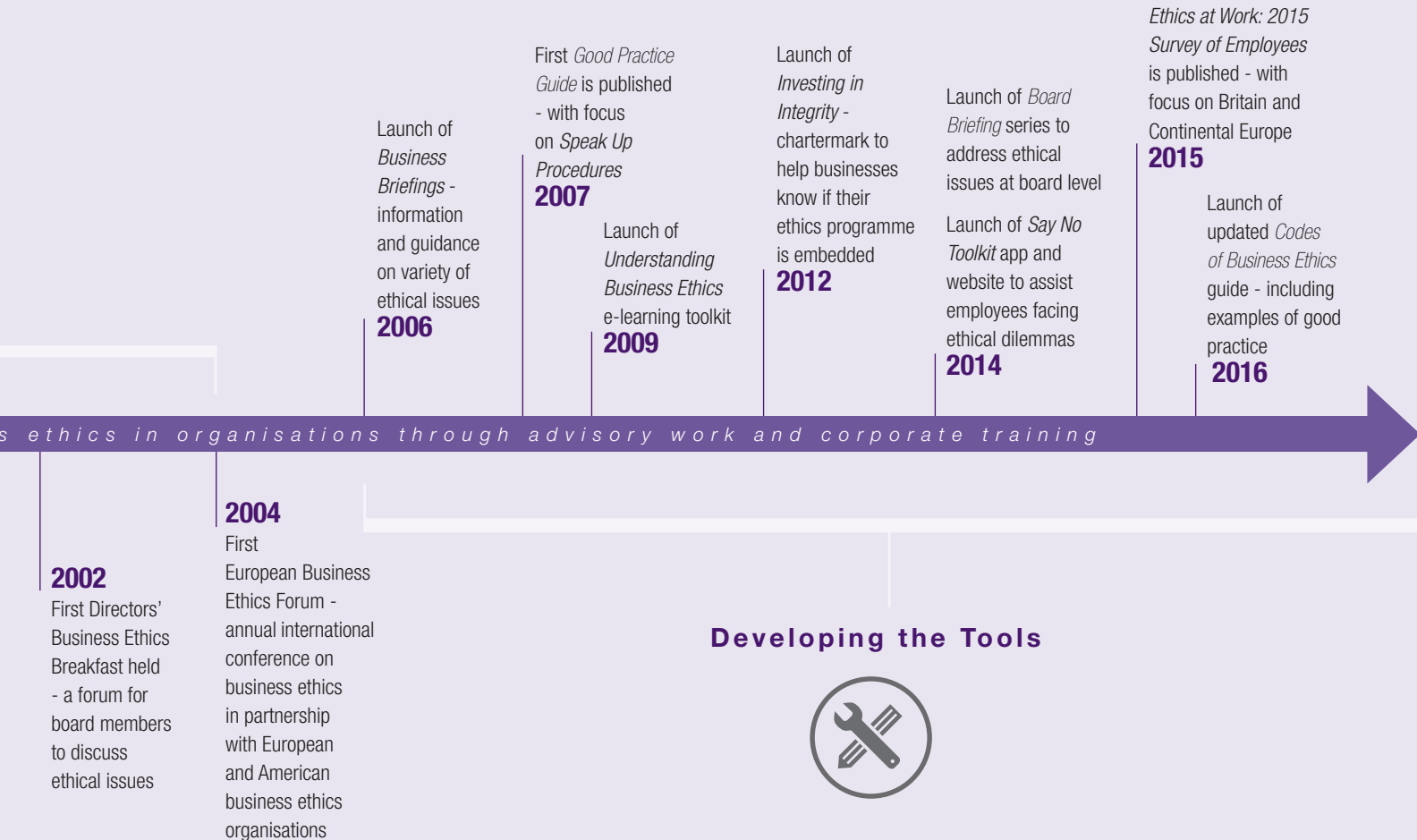
2000

Business Ethics
Network for
large corporate
subscribers
established -
provides confidential
forum for those
responsible for
business ethics

2001

Subscriptions
open to
individuals

First training
course launched



Survey of opinion leaders – **root causes and priorities**

To help identify its priorities for the coming period, the IBE sought the views of opinion leaders from various walks of life, including company chairmen and directors, the media and others involved in the business world, accountants and lawyers as well as its trustees and senior advisers. We did not seek the opinions of politicians or of the general public who are already subject to regular surveys.

Each respondent was asked to answer three questions:

- **Why can business not rebuild trust with the public?**
- **What are the three biggest ethical challenges facing business?**
- **In light of the above, what should the IBE do over the next few years?**

The survey was conducted during the referendum campaign but before the result was known. It is possible that the answers might have been different after the referendum but the underlying situation which may have influenced the result was present before. It has not changed since, although the issues facing business may have become more urgent. So while this paper is not a response to the referendum and the new government interest in governance and business ethics, it is at least in part a response to some of the issues which gave rise to the result.



Not all respondents agreed but some common themes emerged. The lack of trust in business was frequently ascribed to the public perception that it was too focused on profit, the recurrence of scandals and controversy over executive pay and taxation policies of multinationals.

The question about the three biggest ethical challenges threw up a multitude of answers. While some homed in on specific issues like remuneration, taxation, the supply chain, diversity and cyber issues, others offered a more overarching view, choosing to focus on the need to build consensus within the organisation, to embed values that support positive choices, to be more open and to develop a track record of sticking to principles.

As to future priorities for the IBE, some of the specific issues appeared again but there was also a view that the IBE should do more to get ahead of the trend, to steer the public debate, to help business engage with civil society and to take a more international view. It needs to stand out from the competition by emphasising its accumulated wealth of expertise and by teasing out and exposing the looming issues facing business. It should seek to include the views of younger generations in thinking around ethics. It should push for greater openness by companies, helping them to develop principles on which to base their activities and providing them with a safe harbour where companies can come together and learn from each other.

“

CEOs need to speak out more clearly and simply about the role and responsibilities of business in society.

.....
FTSE 100 Non-Executive Director

Why business is not trusted: **the end of the age of deference**

A clear theme ran through the answers to this question. Business finds it difficult to enjoy public trust because there has been a succession of scandals which has tended to tarnish all of business even though, with the exception of the banks, most of them are not even sector-wide. The public has become more suspicious of business, as its concern about the inequality attributed to globalisation has grown. Many people think business has to compromise constantly between respect for stakeholders and the need for profit. Too often, it is the latter that seems to win out. So business is seen as uncaring and self-interested. As this feeling has grown, politicians have tended to build a distance between themselves and business leaders.

However, many respondents were keen to explore the background to these sentiments. While it was easy to point to a number of specific reasons – executive remuneration, tax avoidance and poor governance – as to why business was not trusted, it was more difficult to explain why these reasons had combined to produce the observed result.

One respondent said that he felt business had been trusted more when society was more deferential. Lack of deference in today's world affects not just business people but a whole range of professions from politicians to journalists and even, in the wake of abuse scandals, churches. It has come about partly because social media, investigative journalism and other information channels have exposed the behaviour of businesses and their leaders in a way that used not to be the case. Their weaknesses are on

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A growing (and generally healthy) scepticism about not only the motives, but also the competence of all those who assume the right to lead.

.....

FTSE 100 Chairman

show for all to see. As a result, they are less admired and, incidentally, the less general affirmation they receive for their efforts, the more it pushes them to rely more exclusively on the level of their pay as a measure of their achievement. Less tangible forms of satisfaction are no longer on offer.

In parallel to this, respondents identified an apparently contradictory force, namely the tendency of the media to personalise business leaders so that their qualities are exaggerated and they are wrongly either idolised as total heroes or excoriated as total villains. The truth is somewhat more prosaic. This is not, however, inconsistent with the end to deference. When a business with a high profile chief executive gets into trouble, the media echoes to the sound of the mighty fallen which serves to exacerbate public disillusion further.

Thus business struggles to shed its reputation for only being interested in profit. Nor does the public understand companies that generate a large absolute profit simply because they are big and have a very large turnover. This does not mean that they are gouging the market but the misunderstanding does serve to fuel antipathy towards high levels of remuneration.

In essence, these respondents are saying that public trust in business is stuck at a low point because business struggles to communicate its purpose, even when it is 'doing the right thing.' There is a perception that whatever companies say about ethical issues, their actions often fail to match up.

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Quite a lot of this damage is self-inflicted....We come across as wanting no regulation.

.....

FTSE 100 Chairman

Most companies still have to improve on transparency, one respondent said. Recognizing mistakes or challenges is difficult. To build trust, sharing the good news is not enough. Yet there is a reputation risk in speaking up because the media seeks out bad news stories. Social media changes the way in which companies relate to individuals and the public. This is a challenge that companies need to address.

However, lack of trust is not just the result of a communications problem. Many respondents point to occasions where companies were overly focused on short-term profit and failing to deliver value to their customers. Scandals around remuneration, taxation and cheating in the money markets or, as with Volkswagen on diesel emissions, reveal practices that are genuinely unacceptable. The point is that these scandals are not the cause of the problem but often symptoms of deeper cultural issues within the business.

Thus companies failed to focus on value as well as price, said one respondent. Perhaps because they are under pressure from the financial markets to achieve returns that objective analysts would regard as unsustainable, some businesses have models that exploit customers, for example by exploiting their difficulty in understanding complex products. Ultimately, such models destroy a company's reputation - as do exploitative labour practices which undermine an equitable sharing of effort, risk and reward.

Business has also failed to communicate an understanding that responsible business is good business and that it is therefore in support of a regulatory framework which guides

“

There is little understanding on the part of offenders that perception is as important as actual conflict.

.....

Advisory Council Member

the market in socially acceptable directions, said another. Often business appears to want to limit regulation in order to be able to maximise its ability to generate profits. Once again, making this case too strongly can undermine its standing with the public.

Yet the relationship between business and regulators is complicated. Faced with a clampdown after a series of scandals, particularly in the banking sector, compliance measures are growing. This is unhealthy when it leads to a false sense that risk has reduced when in fact it has not. This can also make executives less keen to take informed risk, which is not good for business. Meanwhile, regulators have got tougher and played more of a consumer champion role which, in turn, has increased public awareness of unethical behaviour such as Libor rigging.

The responses were not all doom and gloom. Some respondents felt that trust in business had not deteriorated. Indeed, the American firm Edelman that regularly monitors the levels of trust in business internationally suggests it has increased somewhat over the long-term. ⁴ The IBE's regular surveys show that trust in business is stuck, with around two thirds of respondents continuing to believe that business behaves ethically. ⁵ In both cases, however, that still leaves a large number of people with negative views, and business is clearly more vulnerable now that it is at greater risk of exposure by social media and other internet-based forces.

⁴ Edelman (2016) *Trust Barometer*

⁵ IBE Survey (2015) *Attitudes of the British Public to Business Ethics*: 59% of respondents said they believe business is behaving ethically.

“

Compliance measures are growing and creating an atmosphere that feels as if risk is reducing when maybe these measures are not really making all that much difference.

.....

University Provost

Perhaps because of this, some respondents said they felt that business leaders were starting to address the issues around trust more closely. There is a growing recognition, said one, of the difference between transparency which may be imposed for regulatory purposes, and openness. This is about organisations explaining how they do business and fulfil their social purpose. More business leaders are taking the openness route, if only because they understand that it will help them achieve their strategic goals.

The three biggest ethical challenges: **a question of mind-set**

Unsurprisingly, answers to the question as to what were the three biggest ethical challenges facing business threw up many more than three different answers. Broadly, they fell into two separate categories: on the one hand were those who focused on the way in which business needed to develop a new mind-set with greater focus on leadership, values and statesmanship. On the other were those who preferred to list a number of more specific issues, such as developing ethics in the supply chain, diversity, cyber and (once again) remuneration and taxation.

The mind-set priorities are more fundamental however, because they set the context in which the specific issues may or may not be successfully addressed.

A common theme was the need for everybody to be clear that a company earns sustainable profits only by providing products and services with real value for the customer.

“.....

*For all companies,
the ethical
dilemmas around
the collecting,
safekeeping and use
of big data will be a
major concern*

.....

Ethics Officer, Multinational

Companies will face continued pressure to contribute to society, said one respondent. Everyone in the business needs to take a medium to long-term view to help shape sustainable ways of doing business. This means engaging with diverse and increasingly demanding stakeholders to rebuild and sustain trust through business cycles and being open about mistakes. Business needs to address the changes which come about as a result of automation, for example its impact on the business model, which might add to the disaffection of those who have lost out through globalisation.

Another respondent made a similar point. Maintaining an alignment of interest and support among all employees and broader society was the most critical task. It follows that companies should conduct their affairs openly and in line with agreed principles. This may raise questions about top level remuneration and taxation, although this respondent argued that remuneration and taxation are not of themselves ethical issues. Rather, it is the values that underlie the approach to them which are important. Poor remuneration and taxation policies are a symptom not a cause of an unethical culture.

Many focused on the need to embed a culture of doing the right thing throughout the business. Leaders need to think about how closely their organisation's everyday behaviours align with the purpose and values of the business. Then they should apply a blend of empowerment, infrastructure and authenticity to embed a culture where doing the right thing is part of the DNA, said one. Moreover, business leaders need to ensure the penetration of these values throughout the company which is a significant challenge for large multinationals.

“

It is clear that customer relationships and recognition of the need to serve the customer will be a central consideration in the way companies do business.

.....

Trade Association Leader

The beginning and end of regulation

While regulation is needed to prevent abuse and ensure orderly behaviour, it will not on its own deliver trust. Indeed, the need for regulation implies a lack of trust because it suggests that organisations will not do the right thing, unless they are forced to.

More regulation and an ever greater focus on compliance is not the answer. By contrast, if companies can be trusted to behave well, there may be a case for reducing the regulatory burden on them.

The key imperative for policy makers concerned with culture and ethics should be to ensure they have a framework in place which encourages companies to make good decisions for themselves.

This is sometimes hard for politicians and regulators to accept because their own constituents look for firm answers. Companies can make it easier for them to promote the case by recognising their responsibilities early.

An example of how companies have shot themselves in the foot is remuneration. Their failure to keep executive remuneration within reasonable bounds has led to successive waves of regulation which have not solved the problem but constrained their freedom of action.

ibe

A particular challenge is the need to persuade middle management about the need to do business based on sound values when faced with testing targets.

Among other things, this means working hard to ensure that speak up arrangements are effective. Top executives would not have tolerated the behaviour underlying some of the largest corporate scandals had they known about it, said one respondent.

When it came to specifics, others felt that taxation was in fact a key challenge made more difficult because of the failure of governments to modernise their international agreements on tax. One respondent asked whether companies are prepared to defend their policies publicly and whether they have tested their approach with civil society.

A related issue is doing business in countries where accepted norms are much lower. The corruption agenda will be topped by the human rights agenda, said another.

Others singled out data protection, noting the substantial ethical issues around cybercrime and data loss. One further challenge was to find a way for companies to share data and understanding in ways that help them combat fraud and issues like bribery. There needs to be some incentive towards this, some form of safe harbour for example. Yet this is difficult because the data is valuable and there are privacy issues.

A particular area where a common approach, albeit of a different sort, was needed was the environment. The energy industry has to face serious practical issues in the transformation of its business while maintaining essential supplies of reasonably priced

“

Media and political cynicism and scepticism mean business leaders are reluctant to be outspoken about their personal and corporate commitment.

.....

Senior NGO Executive

energy. A regulatory framework is needed, suggested one respondent. Government is reluctant to put it in place, he said, because of fears of criticism from business on the basis of costs, competitiveness and employment. Business probably needs to support a shared global approach.

Some respondents talked of the need to combat monopolies or near monopolies, as these can undermine positive values around delivering customer value and treating suppliers fairly. Utilities were cited as being at the risk of failure in their treatment of customers. Large retailers, which could put pressure on suppliers, were cited as an example of the second type of risk.

Through all this, two themes stood out: customer focus and the need for statesmanship. It is critical for companies to identify with the customer, said one respondent. Business needs customer champions within the leadership team so that leaders can see their business actions more through the eyes of those who actually use their products.

As to statesmanship, it was critical for business leaders to be able to work with others to build the basis of trust. They need to be comfortable talking about ethics, even though media and political cynicism and scepticism make many reluctant to be outspoken about their personal commitment.

That will require courage and, occasionally, a thick skin. Noting that Antony Jenkins, the former CEO of Barclays, was dubbed St. Antony in the press because of his determined

“

*Regulatory
transparency
doesn't always
increase openness.
Regaining
trust requires
clear and open
communication.*

.....

Senior Accountant

efforts to reform that bank's culture, one respondent asked whether this was in fact derisory or affectionate. Leaders need the strength of character to ensure that when the question is asked in future, there is no doubt about a positive answer.

The task for the IBE: **cutting edge thinking, lead and facilitate**

Three general priorities came out of this question for the IBE: First, given the rapid pace of change, it needs to be ever more forward-looking and cutting edge in its thinking, especially given the competition it faces from commercial organisations. It should make a virtue out of its impartiality and its wealth of accumulated experience.

Second, it needs to be higher profile in the debate both within the business community, with policy makers and with the broader public. Its contribution should focus on excellence in identifying looming problems and offering practical solutions. Finally, it should continue to act as a convener and facilitator, both providing a safe place where businesses can learn from each other and also bringing business and civil society together to improve the quality of dialogue and understanding.

This requires continuing thought leadership, but with a greater emphasis on communication and a more public role. The IBE should be public in articulating its purpose clearly and consistently, crystallising its role and values as an important institution in the business conduct and trust arena, said one respondent. It should clearly identify the principles which should apply to business conduct in today's society, and it should make practical suggestions and observations, said another.

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We have to be able to hold organisations to account where ethical breaches occur, but also promote good practice to counteract the natural influence of the media and politicians.

.....
IBE Trustee

The IBE should be cutting edge in terms of anticipating and addressing new topics and technological developments, said another. The IBE needs an international dimension because these are global issues which need to be addressed in a multicultural environment. It needs the range, expertise and confidence to comment with neutrality on important issues. It should look beyond Europe and the US to Asia-Pacific, South America and the Middle East.

It should encourage both business and the public in the debate about the role of business and its contribution to society, and lead the way in sharing and championing best practice and the celebration of success, said one respondent. One part of this is to help define the characteristics of good business leadership in today's world, which may mean moving away from the iconic leadership style of the past, said another.

Respondents also said the IBE should be louder in the debate about embracing and living values, and the role of business in society. The IBE should get more business leaders to talk publicly about the issues and bring them together with civil society.

This requires it to get closer to its subscriber companies so that it can deliver on the key task of maintaining a safe environment for them to share knowledge and experience, said one. It should act as a convener and coordinator of debate on key issues, said another. It should help businesses to speak with a collective voice, while also challenging them about good practice. To help build the necessary relationships, staff should spend time as interns in subscriber companies.

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*I see the IBE as
needing to be
firstly a recognised,
visible and influential
thought leader.*

.....

Corporate Head of Ethics

Part of the IBE's focus should be on decision-making and how people make decisions under pressure; part should be to build understanding of corporate culture with less emphasis on compliance, respondents said. This should not be just a top-down activity, said one. It requires greater awareness of the expectations of millennials as well as the impact on ethical values of a changing, dispersed, diverse, multicultural world which is driven by social media.

As far as the detail is concerned, it should pick up specific issues such as tax, remuneration, genetics and the mis-selling of financial products and analyse these from an ethical point of view. It should not become a campaigning organisation, but it should take a leading role in helping resolve difficult problems such as remuneration. Where more transparency is needed on a given subject like tax and supply chain ethics, it should support business in encouraging governments to deliver. It should keep in touch with government and politicians because these are aware of the expectations of the public.

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The IBE should continue to provide thought leadership, to engage both business and the public in the debate about the role of business and its contribution to society, to share and champion best practice, and to celebrate success.

.....

FTSE 100 Chairman

Conclusions

The views of our stakeholders summarised in this paper contain some clear messages. Above all, there is a general acknowledgement that business needs to do more to rebuild trust and secure its place in society. This is not just a question of addressing specific problems like remuneration and taxation, important though these are, but of instilling the right mind-set throughout business organisations. Companies need to deliver value not just in financial terms to their shareholders, but also to society from which they derive their licence to operate.

The challenge for business leaders is to develop a culture which takes their organisation beyond mere compliance with regulation. Companies wishing to thrive in the longer-term need a sense of purpose and a set of values that are aligned with society and the more demanding expectations of the public.

Their culture needs to be an open one, based on principles of positive behaviour which are consistently applied. While the tone from the top is critical, companies and boards need to devote time and effort in ensuring that the values they have espoused are properly embedded throughout the organisation. Scandals do not necessarily originate at the top of the business, but business leaders are always responsible for the framework that allows them to occur.

Business needs to do more to rebuild trust and secure its place in society.

All this creates a challenge around the need to redefine successful leadership. The IBE can help in a number of ways. It has a wealth of accumulated experience in addressing issues of corporate ethics and behaviour. As an educational charity, it has no commercial interests; it has convening power and provides a safe harbour in which companies can exchange views and benefit from the lessons learned by others. With its new initiatives at board level both at the sectoral level in banking and defence and involving chairs of sustainability and ethics committees, it is already extending this convening power to directors. This will be a continuing focus.

To meet the new challenges, the IBE will also raise its profile in the public debate with business and policy-makers. This involves not only promoting high standards of behaviour and challenging business to raise these standards but also, where appropriate, defending business from unfair criticism. Many IBE subscribers are already conscientiously engaged in the task of building an ethical approach. It does not help when their efforts are undermined in the public eye by the scandalous actions of a few.

Perhaps one of the most important tasks for the IBE is to stay ahead of the curve in a rapidly changing world. It can help the business world identify and address new issues at an early stage. Our plans to address the attitude of entrenched middle managers where the dilemma of doing business ethically is at risk, due to the time and business pressures they face, is a case in point. There is much more to come.

The IBE can help in a number of ways. There is much more to come.

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, Risk and Governance

Peter Montagnon

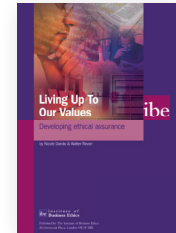
Setting the right values and culture is integral to a company's success and its ability to generate value over the longer term. The challenge for business is how to develop and embed real values. This requires leadership and is a core task for boards. Many boards acknowledge the importance of a healthy corporate culture, both because of the role this plays in mitigating risk and because of the value to their franchise of a sound reputation. This IBE Board Briefing sets out why directors need to be actively involved in setting and maintaining a company's ethical values and suggests some ways to approach it. It aims to help directors define their contribution to the maintenance of sound values and culture.



Living Up To Our Values: developing ethical assurance

Nicole Dando & Walter Raven

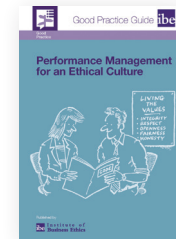
How can boards be confident that their organisation is living up to its ethical values and commitments? This report provides a practical framework for approaching the assurance of ethical performance against an organisation's own code of ethics. It is addressed to those at board level overseeing assurance that ethical values are embedded, that commitments are being met and management processes are effective. It will assist assurance professionals seeking to broaden their understanding of non-financial issues and is intended as an aid to the development of good practice.



Good Practice Guide: Performance Management for an Ethical Culture

Edited by Ruth N. Steinholtz with Nicole Dando

This Good Practice Guide outlines how organisations can use their performance management process to encourage an ethical culture. Drawing on interviews and surveys with IBE subscriber companies and other organisations, this guide will help organisations assess, incentivise and reward employees based on how results are achieved, and offers examples of how values-driven behaviours have been integrated into performance management. It will be useful to anyone involved in changing the culture of their organisation; from professionals in the human resources and ethics and compliance functions to senior management.



Other IBE Resources

Investing in Integrity Charter Mark

Is there a way to prove a company's integrity? The IBE has developed a charter mark in association with the Chartered Institute of Securities and Investment (CISI) to help businesses and organisations know if their ethics programme is embedded throughout their organisation.



The Investing in Integrity (IiI) charter mark gives an assurance of trustworthiness to clients, customers, investors and other stakeholders doing business with the organisation. The real strength of the IiI framework is that it tests an organisation's ethical conduct against its statements of values to ensure those values are properly embedded. It can help them identify whether or not the company is truly living up to its values, from the boardroom to the shop floor.

The testing uses a self assessment management questionnaire and third party audit by IiI partner GoodCorporation whose methodology has been adapted for the IiI chartermark.

To find out more visit www.investinginintegrity.org.uk

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/tablet.

You can start using it for free now. Simply go to www.saynotoolkit.net

The Say No Toolkit can be customised and branded to suit your organisations needs and detailed procedures. For more information email info@ibe.org.uk or call the IBE office on +44 20 7798 6040.

The Institute of Business Ethics: **The next 30 years**

Business and society need a clear understanding of what each should expect from the other. Ethical values are key to a positive relationship between business and society. The IBE on its own cannot make this new relationship happen but stands ready to support the process. This is perhaps its biggest challenge over the next 30 years.

This publication includes a survey of senior opinion leaders on how the IBE might support business in meeting these new and difficult times. Thought leadership and its wider dissemination is an important priority for the IBE which will continue leading on new ethical concerns for companies as they arise.

The tenet of those who founded the IBE 30 years ago was to raise awareness of the importance of doing business ethically and encourage change for good. This remains just as relevant today.