

## Business Ethics in the News 2019

This briefing provides an overview of the ethical concerns and lapses that were recorded by the IBE in its monitoring of media coverage in 2019.<sup>1</sup> It gives an overview of which sectors and issues related to business ethics were most covered in the news. For 2019, we have recorded a total of 361 different stories involving lapses of companies with a UK presence.

While this briefing does not give detailed information about the severity of ethical lapses in the business community, it does provide an indication about the sectors which were most cited, and the nature and frequency of the ethical issues concerned. Figures 1 and 2 summarise the main findings. The vast majority of the news stories recorded focus on negative corporate behaviour, and these stories form the basis of this briefing. However, as some good news stories about businesses' handling of ethical issues do occur, a short section at the end of the briefing will offer more information about the positive stories that were recorded.

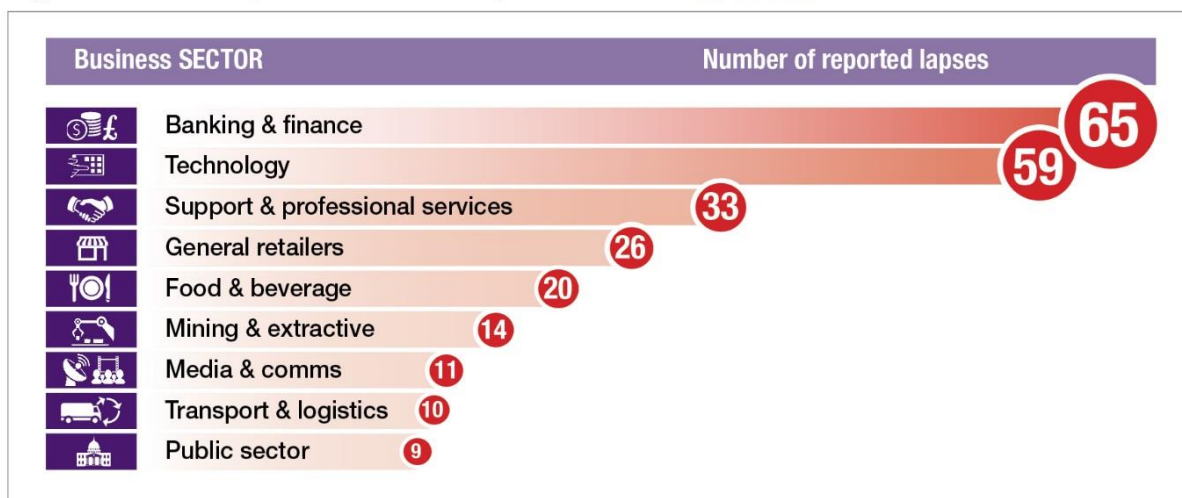
### Lapses by Sector

In 2019, the highest number of ethical lapses was recorded in the banking and finance sector (65 stories), followed by the technology sector (59

stories), and the support & professional services sector (33 stories). Collectively, these three sectors account for 43.4% of the total number of headlines.

The main 'growth' sector for reported misconduct was general retailers, where there was a marked increase in the number of lapses recorded (26 stories, up from 15 stories in 2018). This reverses a marked decrease in the lapses recorded in the sector from 2017 (when 43 stories were recorded) to 2018's 15 stories. However, the general retail sector also received a significant number of positive mentions this year, particularly relating to the reduction of single-use plastics and measures to combat modern slavery. Figure 1 below shows the number of ethical lapses recorded by sector. The chart includes 9 sectors rather than the usual 10, because the next 3 sectors were all in 'equal 10th' place with 8 stories each.

Figure 1 **Most reported ethical lapses in 2019 by sector**



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<sup>1</sup> The IBE monitor the daily news for stories of a business ethics nature relevant to the UK. An explanation of our methodology and categorisation can be found in Box 2 on page 7.

## BANKING AND FINANCE

This year, the **banking and finance** sector maintains its position at the top of the list for most ethical lapses recorded, with a total of 65 for 2019. These 65 stories were not overwhelmingly dominated by a particular issue category. However, a few issue categories did appear often, such as **behaviour and culture** (11 stories), **money laundering** (9 stories) and **diversity and discrimination** (8 stories).

In 2018, **bribery and corruption** was the second most common issue category in the sector, but this year we recorded just 2 stories of this nature. This could indicate an improvement in the control of bribery and corruption across the sector, or it could be that the media are taking less notice. Stories about **executive remuneration** in the sector stayed at their 2018 level with 4 stories recorded, even though other IBE research shows that the British public are becoming more concerned about excessive executive pay.<sup>2</sup>

## TECHNOLOGY

In second place on this year's list is the **technology** sector, maintaining its 2018 position. The most common issue area in this sector was **data protection and privacy**, which accounted for 27% (16 out of 59) of the stories recorded about the sector. This mirrors the 2018 results, in which data issues also represented 27% of **technology** stories. Data protection has seen a boost in media coverage following the advent of the European Union's General Data Protection Regulation (GDPR) and its implementation at member state level.

Aside from this most common issue, lapses in the sector related to a wide variety of topics. We recorded 6 stories on **treatment of employees**, while **bribery and corruption**, **advertising and marketing practices**, **artificial intelligence**, and **diversity and discrimination** all saw 5 stories each. Consistent with

the findings of previous years, a small number of tech firms appeared repeatedly in our research, featuring in stories across multiple areas of ethical concern.

## SUPPORT AND PROFESSIONAL SERVICES

**Support and professional services** was our third most featured sector in terms of media coverage of ethical lapses this year, which is consistent with 2018's rankings. Almost a third (10 out of 33) of the stories recorded in the sector, related to **behaviour and culture**. This is a similar proportion to last year's results, in which 9 out of 36 stories in the sector related to that category.

The remaining 23 stories recorded about the sector this year are distributed widely, with **diversity and discrimination** and **product quality and safety** appearing 6 times each, **conflict of interest** 4 times, and several other issues being the subject of 1 or 2 stories. Much like the technology sector, several well-known, large firms appeared multiple times and were implicated across a spectrum of different ethical issues.

## GENERAL RETAILERS

The **general retail** category has moved from eighth place in 2018 to fourth place this year. The sector was not characterised by a preponderance of stories about a particular issue. Instead, a very broad spectrum of issue areas appeared in the findings just once, twice or three times. The most common issue of concern in the sector this year was **treatment of employees**, which was the topic of 5 out of 26 stories. In 2018, **behaviour and culture** and **treatment of employees** (8 stories each) were in equal first place as the most common issues across the two categories which have been merged to make up the reformed 2019 **general retailers** category.<sup>3</sup>

<sup>2</sup> [Attitudes of the British Public to Business Ethics 2019, IBE](#)

<sup>3</sup> Our categorisation system has changed this year, which may have artificially inflated this category. See Box 2 for more info.

## FOOD AND BEVERAGE

The **food and beverage** sector takes fifth place in this year's research, with a total of 20 ethical lapses recorded. There was not one predominant issue that affected the sector this year, as no issue categories appeared more than 3 times. **Fraud/theft, human rights and modern slavery, sustainability, and treatment of employees** each appeared 3 times, with the remaining 8 stories dealing with a variety of other issues.

In 2018, the sector occupied seventh place, with **treatment of employees** being the most common issue. The stories we recorded encompassed ethical lapses at various stages in supply chains, from producers, through the various stages of logistics and supply, to retailers selling food directly to consumers.

## OTHER SECTORS

Media coverage of ethical lapses in business this year most frequently addressed issues in the sectors discussed above. The combined figure for these five sectors was 203 stories out of a total of 361, equivalent to 56% of the total. However, we observed that a wide range of other sectors were affected by instances of reported ethical misconduct throughout the year. The **mining and extractive** sector in sixth place was tarnished by reports related to **bribery and corruption**, which accounted for over a third of stories recorded about the sector. **Bribery and corruption** also accounted for 40% of stories in the **transport and logistics** sector, which occupies eighth place. The **media and comms** sector experienced lapses in a variety of issue areas, most commonly **behaviour and culture** and **diversity and discrimination**, with 3 stories each. In the **public sector**, the most common issue area was **treatment of employees**, with 3 stories recorded.

We also recorded 45 stories which we categorised as affecting **various sectors** because their scope was not confined to one sector, let alone an individual company. Of these, 17 were on the topic of **diversity and discrimination**. Among the sectors least mentioned in reporting on ethical lapses were **NGOs**,

with just one story recorded, and **sport**, with three stories recorded.

## Issues of Concern

Irrespective of sector, the biggest issues of concern in 2019 were those relating to **behaviour and culture** (47 stories), **diversity and discrimination** (46 stories) and **treatment of employees** (39 stories). Collectively, more than a third (36.5%) of the total number of ethical lapses recorded were related to these issues. See Figure 2 for more data on the number of lapses categorised by issue area.

Within the **behaviour and culture** category, the most affected sectors were **banking and finance** and **support and professional services** (11 and 10 stories respectively), although we recorded at least one story in this category for nearly all sectors. Stories logged in this category involved a number of issues, such as sexual harassment, bullying, excessive professional pressure, misuse of social media, and widespread cheating on training or exams.

### Box 1 – Behaviour and culture

Corporate culture is a term that is used to describe the way people behave toward those with whom they have dealings inside or outside an organisation. The term refers to the type of behaviours which a company will promote and encourage and those that it will not tolerate. The determination of such behaviour depends to a great extent on the values set and practised by the Board and senior management, which are subsequently cascaded down through the organisation. It is in effect the way ethical values of the organisation are applied in all internal and external relations.

A weak or unethical corporate culture, as indicated by stories about lapses in the behaviour and culture category, is likely to feed into other ethical problems such as fraud, money laundering, and mistreatment of employees or customers. By committing to ensure a strong culture of ethical values and behaviour, organisations may also insulate themselves from other ethical lapses and the associated reputational damage.

The second largest category this year was **diversity and discrimination**, which was placed fourth in last year’s analysis. The category has seen an increase of almost 50% in the number of stories recorded compared to 2018. The sectors most affected were **banking and finance** and **support and professional services**, with 8 and 6 stories respectively. A large proportion of these stories covered gender equality issues, most notably pay discrepancies. Other issues covered included unfair treatment of disabled people and discrimination on the grounds of race or sexual orientation.

The third largest category in 2019, **treatment of employees**, was the largest category by a significant margin in 2018’s analysis. The total number of stories recorded in the category this year is less than half the 2018 figure. The most affected sectors were **technology** with 6 stories logged and **general retailers** with 5 stories. Common themes included retaliation against employees for expressing political stances, disputes over rates of pay, and unfair dismissal cases.

**Bribery and corruption** was this year’s fourth most common issue category. With incidents recorded nearly doubling from 14 stories in 2018 to 26 in 2019, the issue moved from ninth place in last year’s analysis to fourth this year. Incidents of this issue were recorded across a wide variety of sectors.

The highest concentrations of **bribery and corruption** stories were in the **mining and extractive, technology** and **transport and logistics** sectors. A significant proportion of these stories involved violations or enforcements of the US federal legislative provision, the Foreign Corrupt Practices Act (FCPA).

The number of lapses recorded in this year’s fifth largest category, **data protection and privacy**, fell significantly, from 41 in 2018 to 24 in 2019. With this, the category has fallen from third to fifth. In 2017, however, this issue category did not make the top 9. It is likely that its significance as an issue category spiked in 2018 because of the EU’s General Data Protection Regulation (GDPR), the UK’s implementation of it, and the resulting focus on data protection issues. The **technology** sector was the sector by far the most affected by this issue, accounting for 67% (16 out of 24) **data protection and privacy** stories. This is unsurprising, given technology and social media companies’ tendency to be involved in the handling of large quantities of consumer data.

Figure 2 below shows the most reported ethical lapses sorted by issue category. The chart includes 12 categories rather than the usual 10 because **executive remuneration** and **product quality** are tied in ‘joint 9<sup>th</sup>’, while **sustainability** and **treatment of customers** are also tied in ‘joint 10<sup>th</sup>’.

Figure 2 **Most reported ethical lapses in 2019 by issue**



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## Positive Stories

While conducting media monitoring for business ethics news and lapses, the IBE also notes mentions of positive progress on ethical issues in business. In 2019, a total of 70 stories featuring positive action by businesses to address ethical issues were captured. A total of 34 of these 70, or just under half, were in the **sustainability** category. These stories mostly involved companies making changes to their supply chain to reduce greenhouse gas emissions, plastic waste, or otherwise improve their environmental footprint. Others featured green investment initiatives or steps taken by stakeholders to factor environmental performance (as well as financial) into annual reporting and make it a consideration in executive remuneration decisions. **Sustainability** was also the only issue category in this analysis in which there were more positive stories than negative stories recorded.

A further 11 of these positive stories were in the **treatment of employees** category. These included stories on schemes to retrain workers whose job security was threatened by technology, improvements in job security and maternity/paternity pay, and workers being compensated for cancelled shifts. Combining the two largest issue categories accounts for well over half of the positive stories we recorded.

In terms of positive stories analysed by sector, the **food and beverage** and **general retailers** sectors had the highest numbers, with 14 and 13 stories logged respectively, while single-digit numbers of positive stories were recorded for a variety of other sectors. Some sectors, such as the **electric, gas and utilities, tobacco** and **insurance** sectors, did not feature at all in the positive stories section of our research.

## Conclusions

In 2019, as in previous years, the **banking and finance** sector continues to register the highest number of ethical lapses. It is followed in 2<sup>nd</sup> and 3<sup>rd</sup> this year by

**technology and support and professional services**. Lapses in other sectors appear in the media much less frequently. The top issue categories were **behaviour and culture, diversity and discrimination** and **treatment of employees**.

Organisations were much more frequently criticised and condemned for unethical conduct than praised for ethical choices. While this is the nature of news reporting, it may also be an indicator that organisations are struggling to implement and manage their business ethics programmes effectively, though the year did see positive coverage of sustainability initiatives. Recent IBE research indicates that levels of trust in business among the British public have fallen over the last year, from 62% of respondents believing business behaves ethically in 2018, down to 57% in 2019.<sup>4</sup>

Media reports raise awareness and put greater scrutiny on how organisations are carrying out business. However, it is not only the frequency of reporting on these issues that matters, but also the speed with which topics pick up momentum. For example, the #MeToo campaign which gained traction in 2017 led to a sustained spike in coverage of sexual harassment stories, while the advent of GDPR led to an increase in focus on data protection issues in 2018. In 2019, the Fridays for Future climate strike movement and Extinction Rebellion, among other environmental campaigners, have succeeded in bringing sustainability issues to the forefront of the public consciousness, which may have led to the large number of positive sustainability stories recorded this year, as businesses seek to adapt to the changing demands of an increasingly environmentally-conscious consumer base. This aligns with the latest IBE research on the attitudes of the British public on business ethics, which ranked environmental responsibility in the top 3 issues of concern amongst the public for the 2<sup>nd</sup> consecutive year.<sup>5</sup>

<sup>4</sup> [Attitudes of the British Public to Business Ethics 2019, IBE](#)

<sup>5</sup> Ibid

### Box 2 – Methodology

We track a restricted sample of media outlets, focusing on the main UK and international newspapers and other sources that are likely to carry business ethics stories. It is possible that some stories are missed if they are only covered in other media outlets. Further, media outlets tend to have biases and priorities of their own, which in turn affects the stories they choose to investigate and report. Our report is based on qualitative analysis of the stories that we have identified during 2019.

The methodology has evolved over the years as debate about business ethics has developed. This year we have included an explicit discussion of positive stories for the first time. It should also be noted that our categorisation system this year is subject to some changes compared to that used in 2018. **Technology** and **social media** were treated as separate categories in 2018 but they have been amalgamated into one category (**technology**) for 2019. Some small categories which logged a low number of stories in 2018 – such as **telecommunications** and **healthcare equipment** – have been abolished and subsumed into the most suitable remaining category for this year's analysis. The 2018 sector categories **consumer goods** and **general retailers** have been combined into one this year, keeping the name of the latter.



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