

## Surveys on Business Ethics 2014

This Briefing highlights the findings of a number of Global, UK and US surveys on a business ethics theme which were published in 2014.<sup>1</sup> The findings from IBE research into the views of the British public regarding business ethics are also included.

The headline findings reveal that, firstly, globally the levels of trust in business fell in 2014 and, secondly, most companies have taken steps to combat bribery and corruption. However, it appears that whistleblowing is not being given a high priority. In the UK, the number of companies experiencing economic crime has fallen, although the profile of the 'typical' fraudster has changed. And in the US, observed misconduct within organisations is at the lowest level ever recorded, and the relationship between the ethics and compliance department and the Board of Directors is strong.

### Global Surveys

#### 1. EDELMAN: TRUST BAROMETER, 2015

In 2014, the 15<sup>th</sup> annual global Edelman Trust Barometer surveyed 33,000 respondents from 27 different countries online. It tracked trust in business, government, media and non-governmental organisations (NGOs).

Overall, the survey registered an "evaporation of trust" across three of the four institutions. Only government experienced a small increase in trust (from 45% in 2014 to 48% in 2015). Trust in business faltered, falling to 57% (from 59%).

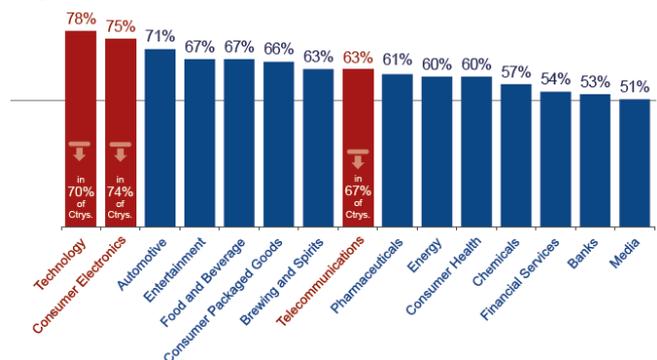
The number of "trusting countries"<sup>2</sup> fell to the lowest recorded levels, with respondents in only six of 27 countries surveyed expressing trust levels in institutions above 60%. The UK slid from a 'neutral' status (52% in 2014) to 'distrusting' (46% in 2015).

The survey listed four key factors which affect trust in business. These were **industry sector**, **enterprise type**, **leadership** and **country of origin**.

Technology remains the most trusted *industry sector* at 78%. However, Technology, Consumer Electronics and Telecommunications all experienced significant

decreases in trust globally. Levels of trust in Technology companies have decreased in 70% of countries. Consumer Electronics experienced falling levels of trust in 74% of countries and Telecommunications in 67%. Media (51%) and Banks (53%) remain the least trusted industry sectors globally in 2015.

Figure 1: Trust levels in industry sectors



With regards to *country of origin*, companies headquartered in BRIC<sup>3</sup> countries remain distrusted. Companies of Swedish origin are the most trusted (76%), UK companies are fifth most trusted (70%) and those based in the US are eighth (65%).

There is an interesting distinction between 'developed' and 'developing' countries concerning *enterprise type*. In developed countries, family owned enterprises are the most trusted (72%). Trust in big business (45%) and state-owned enterprises (44%) are significantly lower. However, in developing countries, on the whole, levels of trust in business are much higher. Big business is the most trusted type of enterprise (75%), followed by family-owned (69%) then state-owned (64%).

The full report is available from:

[www.edelman.com/insights/intellectual-property/2015-edelman-trust-barometer/](http://www.edelman.com/insights/intellectual-property/2015-edelman-trust-barometer/)

1. For the National Business Ethics Survey in the US (Survey 7 in this Briefing), research was conducted in Q4 2013, but results were published in 2014.  
 2. In this survey, countries with an average level of trust across the four institutions lower than 50% are considered to be 'distrusting'.  
 3. Brazil, Russia, India, China.

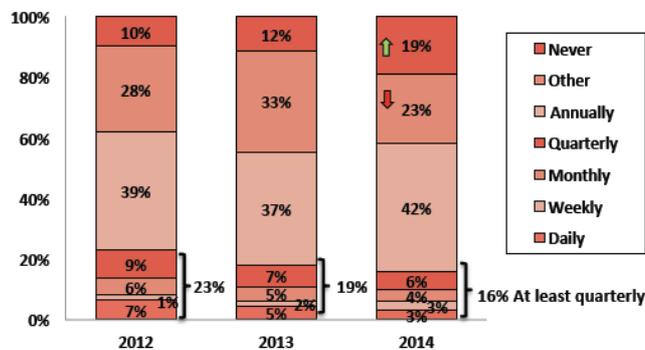
## 2. DOW JONES: STATE OF ANTI-CORRUPTION COMPLIANCE SURVEY, 2014

For the 6<sup>th</sup> year, Dow Jones monitored the global anti-corruption marketplace to analyse the state of anti-corruption programmes and the impact they have on business. Compliance professionals from 383 companies worldwide were surveyed.

Results show that most companies have taken steps to tackle bribery and corruption. 82% of companies have specific anti-corruption programmes in place and 47% of companies without programmes believe they have other policies which cover this.

There were variations from the 2013 survey. These were most apparent in managing relationships with business partners. There was a **decrease of 9 percentage points in companies performing due diligence on new business partners, partner risk ranking and partner training**. Similarly, the **proportion of organisations who had never conducted monitoring on business partners had increased** by 7 percentage points. Reputation issues and government sanctions are the events most likely to trigger relationship reviews.

**Figure 2: Frequency of monitoring business partners**



While most respondents agree that a robust anti-corruption programme plays a central role in boosting reputation, only two-thirds say that bribery should always be reported to authorities and only 13% report ever having taken action against corrupt competitors. Moreover, **fewer companies feel it is realistic to ban facilitation payments completely compared to 2013**, falling to 28% (from 38%).

## 3. FRESHFIELDS: GLOBAL WHISTLEBLOWING SURVEY, 2014

This report details the findings of a Freshfields survey of more than 2,500 middle and senior-level managers globally. **It reveals that many organisations appear to have no internal procedures to handle employee concerns**. Also, slightly worryingly, whistleblowing does not seem to be a priority for organisations globally. Only 6.5% of respondents said that it was a current priority for their organisation, whereas 7.1% said it was a priority 12 months ago.

Although almost half of those polled (46.9%) suggested that their organisation encouraged whistleblowing, almost a quarter (24.1%) said their company had no formal whistleblowing procedure, 8.6% said whistleblowing was never mentioned in the workplace because it was not something their company wanted to encourage and almost 3 in 10 (29.4%) said their company actively discouraged whistleblowing.

Of those with a policy in place, a number of respondents felt that more could be done to communicate about it and ensure that it was up to date. Almost one in five (19.9%) said their company's whistleblowing procedure wasn't well publicised, and more than one in 10 (11.3%) said that the procedures had never been reviewed.

Globally, more than one in 10 (11.8%) respondents said they had been involved in whistleblowing, and 13.1% said they had experience of a colleague blowing the whistle. There are, however, notable differences between countries. For example, in Hong Kong 27.9% of respondents said they had been involved in whistleblowing. In the UK, this was only 6.2%.

With regards to reporting concerns, globally 52% said they would go to their direct boss first. 4% of respondents said they would go directly to the media, 14% to a regulator and 7% to an external organisation. However, more than a quarter (26%) said they would go straight to a regulator if the wrongdoing wasn't handled properly by their company.

The report also suggested that retaliation was a problem. More than one in five (21.5%) said that they thought the average employee would expect managers to treat whistleblowers less favourably after raising their concern.

The full report is available from:  
<http://images.dowjones.com/company/wp-content/uploads/sites/15/2014/04/Anti-Corruption-Survey-Results-2014.pdf>

The full report is available from:  
[www.freshfields.com/uploadedFiles/SiteWide/News\\_Room/News\\_/02268\\_MBD\\_MBD\\_Whistleblower\\_Interactive%20PDF\\_AW2.pdf](http://www.freshfields.com/uploadedFiles/SiteWide/News_Room/News_/02268_MBD_MBD_Whistleblower_Interactive%20PDF_AW2.pdf)

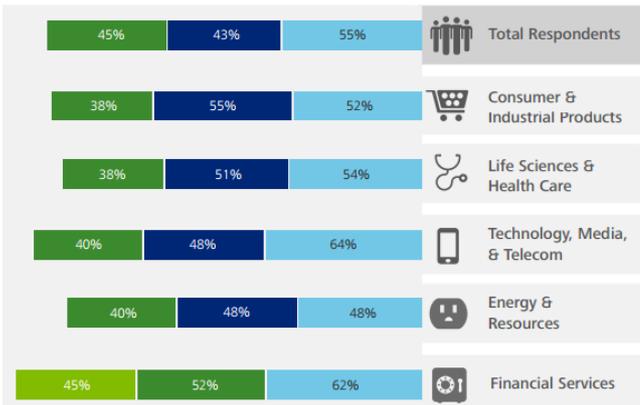
#### 4. DELOITTE: 2014 GLOBAL SURVEY ON REPUTATION RISK

More than 300 C-level executives from around the world responded to this survey. It followed Deloitte's one previous survey from 2013 which showed reputation risk to be the number one risk concern for business executives around the world.

The findings reveal that **reputation risk is still an important strategic issue with 87% of respondents saying that it was 'more' or 'much more' important than in 2013**. 88% said they were explicitly focusing on reputation risk as a key business challenge.

Whilst reputation risk is driven by a wide range of other business risks, **risks related to ethics and integrity were considered to be the top concern**, selected by 55% globally.

**Figure 3: Top three reputation risk drivers of concern<sup>4</sup>**



The survey also revealed that companies are most confident about managing reputation risk drivers for which they have direct control, such as employee and executive misconduct (68% and 66% respectively). Whereas they are least confident about drivers over which they do not have direct control, such as third-party ethics (47%).

More than three-quarters (76%) believe their reputation is better than average – a statistical impossibility! Yet, 39% rate the maturity of their reputation risk programmes as 'average' or 'below average', and only 19% give themselves an 'A grade' for their capabilities in managing reputation risk.

**The full report is available from:**  
[www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl\\_Reputation\\_Risk\\_survey\\_EN.pdf](http://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl_Reputation_Risk_survey_EN.pdf)

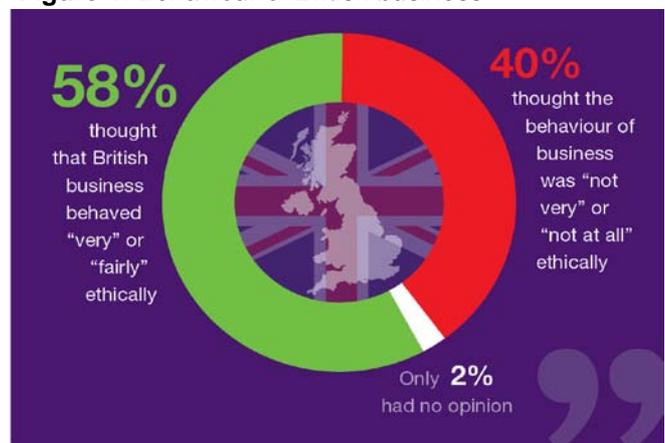
#### UK Surveys

##### 5. IBE: ATTITUDES OF THE BRITISH PUBLIC TO BUSINESS ETHICS, 2014

For each of the last 11 years the Institute of Business Ethics has asked the British public its view on business ethics. In 2014, 997 interviews were conducted amongst a representative sample of British adults (aged 16+).<sup>5</sup>

Overall, views of ethical business behaviour were in line with 2013, with the majority of respondents (58%) in 2014 considering the general behaviour of British business to be fairly/very ethical.

**Figure 4: Behaviour of British business**



However, when asked to compare the behaviour of British businesses to 10 years ago views were mixed, but leaning towards 'less ethical' (36%). An additional 36% of respondents considered business behaviour to be the 'same' as 10 years ago, whereas only 25% thought it was 'more ethical'.

Respondents were also asked to choose which ethical issues regarding company behaviour needed addressing most. Results showed that the British public still think companies need to address the same issues as last year as **the top three issues have not changed: corporate tax avoidance, executive pay and employees being able to speak out about company wrongdoing** are still firmly on the agenda. Compared to 2013, 'exploitative labour'<sup>6</sup> has joined the top five in place of discrimination. Advertising and marketing practices and environmental responsibility were two issues which decreased significantly in salience, falling by 3 and 5 percentage points respectively.

**The full report is available from:**  
[www.ibe.org.uk/userassets/surveys/attitudes2014.pdf](http://www.ibe.org.uk/userassets/surveys/attitudes2014.pdf)

4. Chart Legend: Sky Blue = Ethics/Integrity; Navy Blue = Product/Services; Dark Green = Security; Light Green = Financial.  
 5. Research was conducted on behalf of the IBE by Ipsos MORI. Interviews were conducted face-to-face and took place between 1-10 August 2014. Data was weighted to reflect the adult population (16+) in the UK in terms of age, gender, region, social grade, ethnicity, housing tenure and working status.  
 6. 'Exploitative labour' changed in 2014 from 'sweatshop labour', which might explain this shift in position in 2014.

## 6. PWC: GLOBAL ECONOMIC CRIME SURVEY 2014 - A UK PERSPECTIVE

The 7<sup>th</sup> Global Economic Crime Survey provides an overview of the way in which illegal and unethical practices related to economic crime affect doing business in the UK, and the risks such practices create for UK businesses operating overseas. From over 5,000 worldwide responses, 372 professionals were surveyed in the UK. 61% were senior executives.

**The percentage of organisations experiencing economic crime in the UK has fallen** from 51% to 44%. This, however, is still higher than the global average of 37%. UK companies are also observed to dismiss fraudsters from employment at a higher rate (88%) than the global average (79%).

In addition, **the profile of the typical fraudster has changed since 2011**. In 2014, most UK fraudsters still come from outside an organisation, but there has been a significant rise in the number of frauds committed by employees (an increase of 7 percentage points). Furthermore, in the past, the most likely fraudsters were relatively senior, having lengthy employment with the same organisation, now however, 45% of fraudsters are junior employees that have been with the organisation less than 5 years.

**Figure 5: Perpetrators of fraud**



## US Surveys

### 7. ERC: NATIONAL BUSINESS ETHICS SURVEY, 2013

The National Business Ethics Survey of the US workforce is now in its 8<sup>th</sup> edition and is a valuable source of information about workplace conduct and ethics through the eyes of employees themselves. The results are based on responses from 6,420 individuals in the for-profit sector.

Findings reveal that the amount of misconduct that respondents experienced declined substantially for the third straight survey. It is now at the lowest point since the Ethics Research Centre (ERC) began investigating it (41%). Pressure to compromise standards, often a leading indicator of future misconduct, also was down, falling to 9% from 13% in 2011.

**Figure 6: Observed misconduct and pressure to compromise standards**



As a result of these findings, the report draws the conclusion that ethics and compliance programmes have been effective over the two years since the survey was last conducted.

While misconduct overall is on the decline, the nature of recorded misconduct is of concern. A strong majority of this is attributable to individuals who hold some level of management responsibility. **Workers reported that 60% of misconduct involved someone with managerial authority** from the supervisory level up to top management. **Nearly a quarter (24%) of observed misdeeds involved senior managers**. This is of particular concern because of the impact that senior managers have on the culture of an organisation through the example they set.

The full report is available from:  
[www.pwc.com/gx/en/economic-crime-survey/downloads.jhtml](http://www.pwc.com/gx/en/economic-crime-survey/downloads.jhtml)

The full report is available from:  
[www.ethics.org/downloads/2013NBESFinalWeb.pdf](http://www.ethics.org/downloads/2013NBESFinalWeb.pdf)

**8. SCCE: COMPLIANCE AND ETHICS PROGRAM ENVIRONMENT REPORT, 2014**

This survey, jointly administered by the Society of Corporate Compliance and Ethics (SCCE) and NYSE Governance Services, surveyed 249 professionals from US organisations with responsibility for the day-to-day operation of the ethics and compliance department in order to draw a picture of how companies structure their ethics and compliance programmes and procedures.

The most common job title for the person with overall responsibility for ethics is (Chief) Ethics and Compliance Officer (56% of cases). Two-thirds of the companies surveyed maintain an internal committee dedicated to ethics and compliance, which is chaired by the Chief Ethics and Compliance Officer in 41% of the organisations and commonly reports its findings and recommendations to the Audit Committee.

With regard to standards and documentation, **93% of surveyed organisations have an employee Code of Conduct**. However, less than half of companies meet the best practice standard of rewriting or updating it at least every two or three years. The most commonly cited tools to measure the effectiveness of the code are shown in Figure 7 below.

**Figure 7: Measuring the effectiveness of the Code**



96% of companies offer ethics and compliance training to staff. Of these organisations, 81% invest the time and resources to measure its effectiveness. The top four methods reported are tracking misconduct trends (50%), administering comprehension tests directly after training (47%), obtaining feedback from managers (43%), and performing culture of ethics assessments (39%).

**9. SCCE: THE RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND THE COMPLIANCE AND ETHICS OFFICER, 2014**

This report, by SCCE, analyses the relationship between the Board of Directors and Ethics and Compliance Officers in the USA. It follows a first study from 2010 which revealed that Boards and CEOs have less contact with Chief Ethics and Compliance Officers than would be expected. A total of 626 responses were collected from ethics and compliance professionals.

On this iteration of the survey, ethics and compliance departments most commonly report to the Board or the CEO, and it appears that this trend is growing. **More than half of the survey respondents stated that they reported directly to the Board**. For approximately one-quarter, it was the CEO.

On the whole, the relationship with the Board seems to be a strong one, with at least four regularly scheduled meetings per annum the norm (62%). Four meetings per year were reported by 34% of respondents, and 28% reported five or more meetings per year.

Approximately two-thirds (64%) of ethics and compliance professionals are satisfied with the regularity of board contact and most felt that the Board values the ethics and compliance programme a great deal (55%).

**Figure 8: Satisfaction levels of frequency of contact with the Board**



The full report is available from: [www.ibe.org.uk/userassets/surveys/board&ecorelations\\_hipsccce.pdf](http://www.ibe.org.uk/userassets/surveys/board&ecorelations_hipsccce.pdf)

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

**Our vision is to lead the dissemination of knowledge and good practice in business ethics.**

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

**We help organisations to strengthen their ethics culture through effective and relevant ethics programmes.**

The IBE is a registered charity, supported by subscriptions from businesses and other organisations, as well as individuals. Charity no. 1084014



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<http://www.ibe.org.uk/list-of-publications/67/47/>