Surveys on Business Ethics 2015

This Briefing highlights the findings of a number of pieces of research conducted into business ethics in 2015.¹ It is an update on the analyses carried out annually by the IBE, and covers 10 different pieces of research. IBE comment on three common themes that emerged from the surveys is also provided.

The first four surveys are about business ethics in general, the next four take a deeper look at specific ethical issues facing business and the final two present the views of the British public to business ethics.

1. CORPORATE GOVERNANCE AND BUSINESS INTEGRITY, OECD

Global Survey, General Business Ethics

This report presents the results of a stocktaking exercise conducted by the OECD under the OECD Trust and Business Project. It highlights the extent to which companies are organising themselves in order to integrate considerations of business integrity into their corporate governance frameworks, strategy and operations. Findings are based on 88 responses from companies, or company representatives, with a high level of awareness of business integrity, to the OECD survey on business integrity and corporate governance, and almost 40 interviews with predominantly private sector representatives.

The findings in this report suggest corporate leadership is taking business integrity more seriously after the financial crisis. 80% of survey respondents indicated that their board was strongly involved in the design and implementation of the company’s integrity policy, with almost half indicating that the policy was established following a voluntary decision by the board. 86% indicated that the board and senior management were ‘concerned’ or ‘very concerned’ about the liability of the company for their failure to adequately implement a business integrity policy.

The increased prioritisation of integrity appears to have led to an increase in investment in integrity, with almost 20% of respondents saying that integrity budgets have increased by at least 25% over the last 5 years. However, less than half of the respondents to the survey indicated that their board had received in-person training on the company’s business integrity policy, and only 39% had received on-line training.

In terms of governance structures, almost two-thirds of respondents to the survey said that their board had mandated a specialised sub-committee to oversee these issues. Most commonly this role was assumed by the pre-existing audit committee (57%), although some companies had created a dedicated committee (22%). In some cases, oversight was shared between various sub-committees of the board.

A number of respondents also reported on actions taken by their company as a result of business integrity issues. Approximately two-thirds of respondents indicated that the board or senior management had either severed a relationship with a business partner or decided to substantially revise a business project because of the risks of serious corporate misconduct involved (see Figure 1). In these cases, the risk of reputational damage (47%) was the main driver of decision making. This vastly outweighed the risk of potential corporate misconduct (19%) and the risk of enforcement action (17%).

Figure 1 Board decisions taken in light of business integrity risks

¹ For two of the reports in this Briefing, the research was not conducted in 2015. Instead, this is when the data was reported. The State of Ethics in Large Companies (ECI) is a supplementary report of the ERC’s 2013 National Business Ethics Survey, for which the data was collected in 2013. The Whistleblowing Report (PCAW) presents analysis of contacts to PCAW’s whistleblowing line in 2014.
The research also reported that in a number of cases, the ‘business integrity’ function felt under-supported by the board and senior management. The main causes of concern were identified as:

- a lack of awareness of the importance of business integrity in some jurisdictions or sectors
- a perception that the risk of enforcement was lower than other business risks faced by the company, and/or
- the prioritisation of short-term profits over longer-term investment in integrity measures.

Over half of the respondents indicated that middle-management was responsible for communicating the business integrity policy at the local/regional/business unit level. However, fewer than one in five (18%) said that middle-management regularly reported information about the implementation of the business integrity policy to senior management.

The research also reported that in companies which do have a dedicated business integrity function (e.g. a compliance, ethics or sustainability department), there tends to be good, independent access to the top of the organisation, with 50% saying that the function reports to the General Counsel, CEO or directly to the board sub-committee charged with oversight.

The research also revealed that the most relevant ethical issues facing management accountants in 2015 were:

- security of information (94%),
- safety and security in the workplace (91%),
- discrimination (81%),
- conflicts of interest (81%),
- and bribery (80%).

Relevance of the supply chain and fairness of remuneration also both increased, across all markets, when compared with 2012.

However, human rights appears to be lower on the agenda, with awareness of the UN Guiding Principles on human rights still low amongst management accountants. Over 86% of respondents said that they were not aware of the Guiding Principles (see Figure 2), and only 13% of all respondents said that they had conducted due diligence on human rights when entering new contracts.

**Figure 2** Awareness of UN Guiding Principles on Business and Human Rights

The findings in this section of the report show that organisations are still not routinely collecting or using ethical information or data. It also found a disconnect in terms of the amount of ethical management data being collected, and what is being reported.

Over a third (36%, the same as in 2012) of respondents said that they were aware that their organisation gathered ethical information. However, a higher proportion (41%) said that their organisation reported publicly on ethical information (this was also the case in 2012).
The main means of collecting this information were identified as:

- part of regular management information gathering (50%)
- performance reviews (45%)
- surveys (41%)
- analysis of hotline/speak up data (33%), and
- external assurance providers (18%).

In terms of the users of this information, senior management were the most frequently identified (by 81% of respondents). The Board (64%) and the Audit Committee (50%) were less frequently mentioned.

ii. iii. Corporate culture

According to respondents, 82% of all organisations provide a code of ethics to their employees. This rises to 93% in organisations with more than 5,000 employees. The provision of speak up lines has risen significantly – from 49% in 2012, to 59% in 2015. In larger corporate, 83% provide such a service.

There are also a rising number of organisations that provide incentives for staff to uphold the organisation’s standards, up from 25% in 2012 to 46% in 2015. In addition, 40% of smaller organisations (those with fewer than 250 employees) have such incentives, and in companies employing more than 5,000, this rises to 54%. Based on this evidence, the report concludes that “there does seem to be a positive effort underway to both encourage and monitor individuals’ ethical behaviour”.

In the last three years there has also been a five point increase in training on ethical issues, to 62%. While this is positive, it remains that over a third of organisations may not be providing training on ethics.

To download the full report from the CGMA website, click here >>.

3. ETHICS AT WORK 2015, MAIN FINDINGS AND THEMES, IBE

European Survey, General Business Ethics

The Institute of Business Ethics (IBE) has asked questions of British employees regarding their perceptions of ethics in their workplace since 2005. In 2012, part of the survey was extended to cover employees in four additional major European markets – France, Germany, Italy and Spain. In 2015, the research was further extended to continue the harmonisation with the understanding of employee views of business ethics in their workplace in Britain,3

This report outlines the main findings of the British and continental Europe surveys and presents five indicative trends which are observed to be consistent between countries.4

The survey revealed that, in Britain, the experience of business ethics in the workplace has remained relatively consistent over the last three years. However, over the longer history of the survey, employer support for ethics at work has grown positively, which suggests that ethics programmes have become more established in British organisations over the last 10 years (see Figure 3). However, whilst employee awareness of speak up (whistleblowing) arrangements has increased, satisfaction with the outcome of raising a concern has fallen by almost half since 2012, with less than two-fifths (39%) now satisfied with the way in which their concern was dealt with.

Figure 3 Changes in employee awareness of elements of a formal ethics programme, Britain

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3 This report presents the main findings and themes from the research. The national survey results from each of the countries are published as separate reports, all available to download for free from the IBE website.

4 Due to differences in the research methodologies and respondent profiles of the two surveys, direct comparisons are not possible.
4. THE STATE OF ETHICS IN LARGE COMPANIES, ECI

US Survey, General Business Ethics

This supplementary report from the 2013 National Business Ethics Survey (NBES), published in 2015, captures the views of private sector workers in the United States. It shows the impact of effective ethics and compliance programmes for the largest companies (those with 90,000 employees or more).

The survey results show the impact of effective E&C programmes in large companies is remarkable, with more positive results reported on each of the four key measures of ethical performance (pressure to compromise ethical standards, observed misconduct, speak up usage, experience of retaliation) in companies with effective ethics programmes.

Pressure to compromise ethical standards is far lower in companies with effective programs (3%) versus large companies with ineffective programs (23%). The rate of observed misconduct is much lower (33% vs 62%); the rate of reporting misconduct is far higher (87% vs 32%); and, the rate of retaliation for reporting misconduct is much lower (4% vs 59%) (see Figure 4).

Across continental Europe, in general, employees were found to be less positive in 2015 about their experiences of ethics in the workplace than they were in 2012. Some significant variations in experiences were also observed in each of the four continental European countries. Most notably: Germany is the only country where levels of awareness of ethics programmes did not fall; honesty is said to be practised more frequently in Spanish organisations; in France, fear of retaliation is less of a barrier to speaking up; and, Italian employees are most aware of speak up lines and ethics training.

When the data for each of the countries was considered collectively, five key themes emerged. Three are observed to be consistent in both Britain and continental Europe, the final two relate only to continental Europe. These were:

**Theme 1** – the survey provides evidence of how investing in corporate ethics programmes can benefit an organisation, through the impact on employee perceptions of the ethical culture of their organisation.

**Theme 2** – in terms of responsible business conduct, younger employees (those aged 16-34) expect more from the organisations for which they work than older employees (55+).

**Theme 3** – attitudes to certain workplace practices are generally observed to be similar across the countries surveyed. In general, attitudes of employees tend to be more lenient towards conducting personal activities during work hours, than other practices.

**Theme 4** – evidence suggests that employees in continental Europe are more sensitive to ethical issues in the workplace than they were three years ago.

**Theme 5** – managers in continental Europe are found to have a greater knowledge and awareness of corporate ethics programmes than non-managers, suggesting that there is still work to be done in embedding such programmes across all employee levels.

To download the full report from the IBE website, click here >>.

The research suggests that company culture also makes a difference in the way employees behave. Strong “ethics cultures”, characterised by ethical leadership, supervisors who emphasise ethical behaviour and employees who value ethical conduct and accountability, lead to better conduct in the workplace.
In companies with strong ethics cultures, only 42% of employees said that they had observed misconduct, this rises to nearly nine in ten (89%) in companies in which the ethics culture is weak. In addition, nearly three quarters (73%) report misconduct when they see it, compared to only 55% with a weak ethical culture, and both pressure to compromise standards and experiences of retaliation are much less common than in companies with weak ethics cultures (by 36 and 50 percentage points respectively).

The research also reveals that, when they have observed misconduct, employee reporting patterns are very consistent, regardless of company size. Reporting rates and ‘locations’ (channels used) do not vary based on company size. **Employees most frequently raise their concerns with a supervisor** (36% in the largest companies, 35% in those with up to 89,999 employees) or ‘higher management’ (24% and 22% respectively).

Overall, retaliation against whistleblowers was less common in large companies. However, the types of retaliation experienced do not differ and the five most common types of retaliation were the same in smaller and larger companies:

- supervisor intentionally ignored or began treating employee differently
- verbally abused by supervisor or someone else in management
- other employees intentionally ignored or began treating differently
- supervisor or management excluded employee from decisions and work activity
- not given promotions or raises.

This year, trust in all four institutions (business, government, the media and NGOs) climbed to its highest level since the financial crisis, and of the four institutions, business registered the largest increase. Historically, NGOs have always been the most trusted institution, but now (amongst the general population) the difference between NGOs and business is only 2 percentage points (55% trust NGOs, 53% trust business).

**Trust in business varies significantly around the world**, with Mexican respondents the most trusting of business. In the **UK, trust in business is more elusive**, with less than half of the general population (46%) saying that they trust business.

In **25 of 28 countries**, trust in business increased or remained steady when compared with the results from the last survey. Respondents in France reported the largest rise in trust in business, increasing by 16 percentage points. Other large increases in trust were also recorded in Mexico, China and Spain (+12 percentage points) (see Figure 5).

The gain in trust in business among the general population seems to have been aided in part by a **gradual recovery of the financial services sector**. Over the last five years, the financial services sector has registered an eight percentage point rise in public trust (up to 51% in 2015). It does, however, remain as the least trusted industry sector. Technology continues to be the industry sector leader.

**5. GLOBAL TRUST BAROMETER, EDELMAN**

**Global Survey, Trust**
The 2016 Edelman Trust Barometer is the firm’s 16th annual trust and credibility survey. For the research, Edelman surveyed more than 33,000 respondents aged 18 and over, which represented 15% of the total population across 28 countries. This included 500 ‘informed public’ respondents in the US and China and 200 in all other countries.

The full report is available to purchase from the ECI website, click here >>.

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5 Edelman defines the ‘informed public’ as those who meet all of the following criteria: (1) aged 25-64, (2) College educated, (3) In top 25% of household income per age group in each country, (4) Report significant media consumption and engagement in business news and public policy.
UK, Italy and Hong Kong are considered to be ‘neutral’ towards their employer (levels of trust between 50-59%).

Adding to business’ new found position of strength is the recharged credibility of the CEO as a spokesperson. **Globally, CEOs experienced an eight percentage point uptick in credibility.** However, peers (“a person like yourself”) (63%) and employees (52%) are still considered to be a more credible spokesperson for the company than its leaders: CEO (49%), Board of Directors (44%).

Lastly, the report also provides insight as to the characteristics required for CEOs to build trust. Making a human connection through the story of personal experience and shared struggle is now considered to be more important than ever, and almost eight-in-ten say that hearing information about personal values is important for building trust in a leader.

To download the full report from the Edelman website, click here >>.

6. 2015 ANTI-CORRUPTION SURVEY RESULTS, DOW JONES

**Global Survey, Anti-Corruption**

This is the 7th edition of the annual Dow Jones State of Anti-Corruption Compliance survey which monitors corporate anti-corruption activities in key regions to understand the current usage of anti-corruption programmes, and the impact of anti-corruption legislation and rules on business practices. Results are based on 259 responses from compliance professionals worldwide to an online survey.

This report covers two areas.

**i. Anti-corruption programmes**

In 2015, the proportion of respondents stating that their organisation has an anti-corruption programme in place increased to 90% (from 82%).

For the few remaining companies which reported not having a programme in place, the most common reason given for not having one was the perception that other programmes and/or policies already cover anti-corruption issues (50%). The increasing maturity of programmes was also evidenced, with a sharp increase in the number of organisations reporting a programme which had been in place for six years or longer (56% in 2015).

The most prevalent elements of an anti-corruption programme were revealed to be internal codes of conduct (95%) and training (95%) (see Figure 6). In 2015, 91% of respondents also reported that their companies’ programme included due diligence on new partners.

**Figure 6 Anti-corruption programme components currently in place**

A number of other measures also recorded improvements:

- The proportion of companies saying that they monitored business partners at least quarterly increased to 33% (from 16% in 2014). This included a number of respondents saying that they monitored their business partners on a weekly, or even daily, basis.
- The proportion reporting that they never monitored business partners decreased to 7% (from 19%).
- The proportion reporting that their company had lost business to unethical competitors (28% in 2015) continued to decrease.
- The proportion who indicated that their company had halted business endeavours due to difficulties getting information to assess corruption risk increased to 39% (from 29% in 2014).

Concerns about violating anti-corruption regulations continue to impact decisions about working with business partners, and (to a lesser extent) entering/expanding in emerging markets and working in particular locations. This is most notable for companies in Western Europe where 81% report stopping or delaying working with a business partner for bribery and corruption concerns.

**ii. Due diligence**

The survey revealed that whilst confidence in due diligence information is increasing, there are still a number of barriers which continue to limit the due diligence undertaken.
The proportion of respondents who reported that they were confident about their company’s due diligence information and processes rose sharply to 69% (51% in 2014). This included a seven percentage point rise in those who were ‘extremely confident’ (12% in 2015, 5% in 2014).

The main barriers to conducting due diligence were revealed to be difficulties in accessing information (44%) and subsequently evaluating its credibility (41%) – although they are cited by fewer respondents than in previous years. Uncertainty about where to get information is a specific issue for those in Western Europe. Time, cost, access to commercial services, staff research expertise and linguistic expertise are all additional factors limiting due diligence.

To download the full report from the Dow Jones website, click here >>.

7. EU SPEAK UP BENCHMARK, CEA, FORÉTICA AND IBE
European Survey, Speak Up (Whistleblowing)

This piece of research was a collaborative effort from three European business ethics associations; Cercle d’Éthique des Affaires (CEA) of France, Forética of Spain, and the Institute of Business Ethics (IBE), UK. It was supported by national partners in Italy (Fondazione Soldalitas) and the Netherlands (the Dutch Compliance Officer Association).

The research sought to create the first benchmark of the speak up (whistleblowing) arrangements of the largest European organisations. 75 responses were received from representatives of both listed and non-listed companies.

The research found that amongst responding companies, a vast majority (93%) have speak up arrangements in place. These were predominantly found to be ‘mature’ arrangements with two-thirds of respondents saying that they have been in place for more than five years. The survey also revealed that overall, almost three-quarters of companies 72% did permit anonymous reporting, but this differed considerably between countries (for example amongst UK companies this figure rises to 93%, whereas amongst Spanish firms, it falls to 31%).

The survey also revealed that the channel which companies most frequently provide to their employees to raise their concerns is email, with 82% of companies offering this channel. Only two-thirds (66%) offered a dedicated phone line, and 58% had a web reporting channel available to their employees. Whether these systems were managed in-house or externally split respondents with 53% saying that they managed the arrangements internally and 47% outsourcing the activity.

Almost two-thirds of organisations (63%) said that they offered the arrangements to non-employees.

In terms of the most commonly reported types of misconduct most participants identified bullying/harassment as one of the frequently reported issues. Other matters which were frequently raised were: HR matters, fraud/theft, HSSE, bribery and corruption, and conflicts of interest.

Another finding revealed that although the vast majority of organisations (90%) said that they did have policies or principles to encourage non-retaliation against whistleblowers. However, less than three-in-ten (28%) admitted to having a process to monitor this (see Figure 7).

Finally, the research sought to benchmark the number of contacts to the systems on an annual basis. The findings revealed an average of 12.07 reports per 1,000 employees in 2014, up from 8.25 in 2012. The findings generally revealed that the trend between 2012 and 2014 was that more employees are now reporting their concerns, and more action was being taken, with the number of disciplinary cases (as a percentage of the total number of reports) also increasing year on year.

To view the research results on the IBE website, click here >>.
8. THE UK WHISTLEBLOWING REPORT, PCAW

British Survey, Speak Up (Whistleblowing)

The Public Concern at Work (PCAW) annual report highlights the key sectors, industries, concerns and outcomes for workers who have sought advice from PCAW. The report relates to all data gathered on cases received in 2014 where the individual was seeking advice on how to raise a concern about wrongdoing, risk or malpractice. The report is based on an analysis of 1,876 individual contacts made during 2014.

The total number of contacts is slightly fewer than was recorded in 2013, but still represented a 15% increase on the number of calls received in 2012. There was also a 6% increase in the number of calls received from the private sector in 2014 when compared with 2013, but a decrease of 11% from the public sector.

The vast majority of whistleblowers who contacted PCAW (78%) had already raised their concerns with their employer, prior to contacting PCAW.

According to the report, the top issue raised was financial malpractice (18%), followed by ethical concerns (17%) – which represented an increase of 50% from 2013. Almost a quarter of calls (22%) were from the education sector, making it the highest reporting sector in 2014. In most cases (52%), the employers response to the concern being raise was either to deny it (36%) or to ignore it (16%). Concerns were resolved in only 16% of cases.

PCAW also follows up with those who have contacted them 6-12 months after the initial contact. This follow up work revealed that half of the whistleblowers who contacted PCAW were dismissed (25%) or had resigned (24%) after raising their concern, and only 7% reported that there were no consequences of them having raised their concerns. (see Figure 8).

Figure 8 Outcome for the individual after they have raised their concerns

<table>
<thead>
<tr>
<th>Outcome for the individual</th>
<th>%</th>
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<tbody>
<tr>
<td>Dismissed after raising the concern</td>
<td>25%</td>
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<tr>
<td>Victimized and/or disciplined by my employer</td>
<td>25%</td>
</tr>
<tr>
<td>I resigned after raising the concern</td>
<td>24%</td>
</tr>
<tr>
<td>My workplace improved</td>
<td>15%</td>
</tr>
<tr>
<td>There were no consequences</td>
<td>7%</td>
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<tr>
<td>Bullied by co-workers</td>
<td>9%</td>
</tr>
<tr>
<td>Thanked and/or rewarded for raising the concern</td>
<td>1%</td>
</tr>
</tbody>
</table>

9. ATTITUDES OF THE BRITISH PUBLIC TO BUSINESS ETHICS, 2015, IBE

British Survey, Public Attitudes

For each of the last 12 years, the IBE has asked the British public its view on business ethics. The research is conducted on behalf of the IBE by Ipsos MORI. A total of 1,130 face-to-face interviews were conducted and the data was weighted to reflect the adult population (16+) in the UK.

The results showed that perceptions of the British public regarding general ethical business behaviour appear to have reached a sticking point. While 59% continue to believe business is behaving ethically, for the fourth year running, almost 40% still believe that British business is behaving unethically. This time period has also seen a reduction in the number of respondents who expressed no opinion.

The research also asked participants to select up to three ethical issues, from a pre-defined list of issues facing businesses, which they thought British businesses need to do a better job at addressing. For the third year running, corporate tax avoidance (34%) remained the number one concern. Executive pay (25%) was the second most prominent concern. The other concerns which made up the top five were exploitative labour (20%), employees being able to speak out about company wrongdoing (19%), and discrimination (18%).

Finally, trends in the change of public attitudes, since 2012, towards a number of these issues were compared. Exploitative labour, work-home balance for employees and environmental responsibility have all risen as issues of concern. Conversely, bribery and corruption, advertising and marketing practices and executive pay have all fallen.

To download the infographic from the IBE website, click here >>.
10. ETHICS SURVEY, FPB
British Survey, Public Attitudes
This was an online poll of 2,000 British adults conducted by the Forum for Private Business (FPB). Data was weighted to be representative of all adults in Great Britain aged 18+.

Results show a crisis of trust in big businesses, with the British public calling on the next Government to take action on big business ethics.

Over three quarters (78%) of adults in Britain agreed that big businesses are more likely to prioritise profits over high ethical standards.

74% of respondents agreed that the majority of big businesses have no concern for small business owners in the UK.

The majority of British adults (76%) agreed that the next government should penalise big businesses that act unfairly towards small businesses.

Only one in seven (14%) believed that the ethics of big business are broadly the same as their own personal moral standards.

To view the data tables on the ComRes website, click here.>>

IBE Comment on Common Themes
Taking an overarching view on the results of these pieces of research, the following themes emerge, all of which have a practical application for ethics and compliance practitioners.

Overall, the global business ethics landscape seems to be moving in a positive direction. There seems to be global emphasis on putting formalised structures for ethics in place, rather than relying on an ad hoc approach to such important issues. The research may suggest that this has been stimulated by an ever-improving tone at the top, as highlighted by the OECD survey which indicated that “corporate leadership is taking business integrity more seriously”. This has also resulted in a number of instances in which organisations have turned down ‘profitable’ business opportunities as they were convinced that associated risks were not worth any potential short-term financial gains. This was specifically the case when dealing with the issue of corruption (Dow Jones survey), and was also a finding of the OECD survey.

This positive direction is also seen in a general increase in the investment in the ethics function and the increasing awareness of elements of an ethics programme such as a code of ethics, speak up (whistleblowing) lines and ethics training.

There also appears to be a growing body of evidence for the business case for business ethics (specifically the IBE and ECI surveys). These pieces of research show the positive impact on employees of being a leading ethical organisation.

However, three areas requiring ongoing focus emerge: engaging middle managers, the treatment of whistleblowers and training on how to handle ethical dilemmas.

Middle management frequently was seen as a sticking point for engagement with ethics. At this level of any organisation, a number of pressures, requirements and targets may (unintentionally) conflict with the need to live up to ethics initiatives endorsed at the top.

The treatment of whistleblowers continues to be a delicate issue which needs to be addressed. Various sources of information suggest that a not insignificant number of workers who raise their concerns of misconduct continue to suffer detriment for doing so. This can range from perceptions of being viewed as a ‘troublemaker’ by management, all the way through to dismissal.

Third, whilst in some cases more organisations are found to be offering ethics training to their employees, a number of gaps remain. If an organisation expects its employees to live up to its stated ethical standards, then it must also assume some degree of responsibility for providing them with training so that they are aware of the standards that are expected of them.

Finally, while there are many positive movements in the field of business ethics, it appears that the public (certainly in the UK) is yet to be convinced. IBE research has found that in introductions to corporate codes of ethics, trust has replaced integrity as the most frequently used ethical word. However, as the Edelman, IBE and FPB surveys all show, there is still much to do to earn public trust.
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.

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