Business Ethics Briefing

SURVEYS ON BUSINESS ETHICS 2006

This IBE Briefing looks at the findings of selected ethics surveys published in 2006 and the beginning of 2007.

WHAT ARE THE CHARACTERISTICS OF AN ETHICAL CULTURE?

The Ethical Enterprise – A Global Study of Business Ethics 2005-2015 *American Management Association, New York, 2006* A comprehensive ethics survey was commissioned in 2005 by American Management Association (AMA) and conducted by the Human Resource Institute among 1,100 managers and HR experts around the world.

When asked about the reasons for running a business in an ethical manner, the respondents cited protection of brand and reputation, 'the right thing to do' and customer trust and loyalty. They also believed that globalisation will be the number one business driver for ethics in 10 years time. The survey identified factors most likely to cause people to compromise ethical standards. Pressure to meet unrealistic business objectives or deadlines came top of the list, but also the desire to further one's career, improper training and ignorance that the act was unethical, were cited.

Similar to the Ethics Resource Center's 2005 US National Business Ethics Survey (reviewed in last year's Briefing, available on the IBE website), the AMA survey findings emphasised the importance of ethical culture for ethical behaviour. Leadership processes thought to be most effective in ensuring an ethical culture were identified (see box).

Also important to sustaining an ethical culture are formal ethics programmes. These include a code of conduct, ethics training, ombudsman, ethics helpline and ethics audits. Finally, the survey identified ways of measuring the effectiveness of ethics programmes. These included conducting staff surveys, analysing customer ethics complaints and carrying out ethics audits.

Further information can be found on: http://tinyurl.com/2coytrb

Characteristics of an Ethical Culture

1. Leaders support and model ethical behaviour

2. Consistent communications come from all leaders

3. Ethics are integrated into the organisation's goals, business processes and strategies

4. Ethics are part of the performance management system

5. Ethics are part of recruitment process and selection criteria.

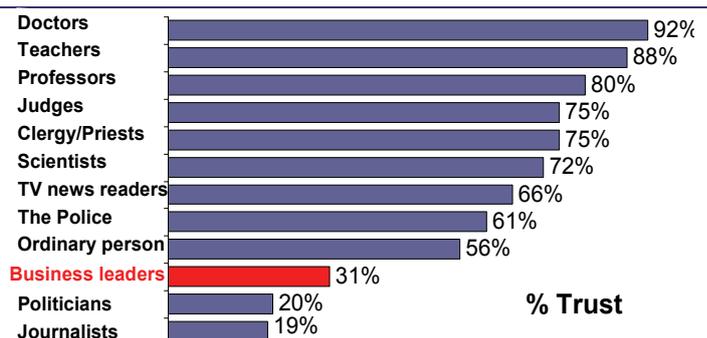## IS ETHICAL MISCONDUCT REPORTED? *KPMG 2005-2006 US Integrity Survey*

This study provides a behind-the-scenes look at corporate fraud and misconduct in the post-Sarbanes-Oxley era. It reveals the perceptions of more than 4,000 US American employees of what has changed in five years—and what has not. A key finding of the study was that nearly three out of four employees nationally—74 percent—reported that they had observed misconduct in the prior 12-month period, with half of employees reporting that what they had observed could cause "a significant loss of public trust if discovered." These results were virtually unchanged against those of 2000. In line with the findings of the AMA study, the KPMG survey found that employees who work in companies with comprehensive ethics and compliance programmes reported fewer observations of misconduct and higher levels of confidence in management's commitment to integrity. Ethics and compliance programs also had a favourable impact on employee willingness to report misconduct and on employee perceptions of the outcomes of reporting misconduct. The study can be downloaded from:

http://www.surveys.kpmg.com/aci/docs/surveys/050362_ForIntegritySurvNEW.pdf

HOW FAR ARE BUSINESS LEADERS TRUSTED BY THE PUBLIC?

Ipsos-Mori/RCP annual poll on trustworthy professions

In 2006, Ipsos-Mori asked 2,074 members of the British public which profession they trust to tell the truth. The survey found that trust in business leaders is still relatively low (31%), although there has been a significant improvement compared to last year's result (24%).

Profession	% Trust
Doctors	92%
Teachers	88%
Professors	80%
Judges	75%
Clergy/Priests	75%
Scientists	72%
TV news readers	66%
The Police	61%
Ordinary person	56%
Business leaders	31%
Politicians	20%
Journalists	19%

Base: 2,074 British adults aged 15+, November 2006, Source: MORI/RCP

... Doing business ethically

... makes for better business

Control Risks/Simmons & Simmons 'International business attitudes to corruption survey 2006'

In October 2006, Control Risks and Simmons & Simmons published the fourth International Business Attitudes to Corruption report, highlighting the prevalence and cost of corruption and the lack of awareness of anti-corruption laws. The report surveyed 350 senior business people from seven countries around the world and collated their responses.

Some key findings:

- Corruption remains a huge worldwide problem for business. Overall, 43% of respondents believed that they failed to win new business in the last five years because a competitor had paid a bribe, and one-third had lost business to bribery in the last year.

- Approximately half of the respondents admitted to being 'totally ignorant' of their country's legislation governing bribes paid abroad, with a further 18% having only a 'vague awareness'.

- Construction, defence and finance sectors were the most vulnerable to corruption.

http://www.controlrisks.com/PDF/corruption_survey_2006_V3.pdf

Annual IBE/Ipsos-Mori Survey 2006

The 2006 findings suggest that there has been a significant rise over the past three years in the percentage of people who believe British businesses behave ethically (see box).

Also, the survey found that top ethical issues that businesses should address are "employees being able to speak out about wrongdoing", "environmental responsibility" and "discrimination in treatment of people".

www.ibe.org.uk

How ethically do you think British business generally behave?
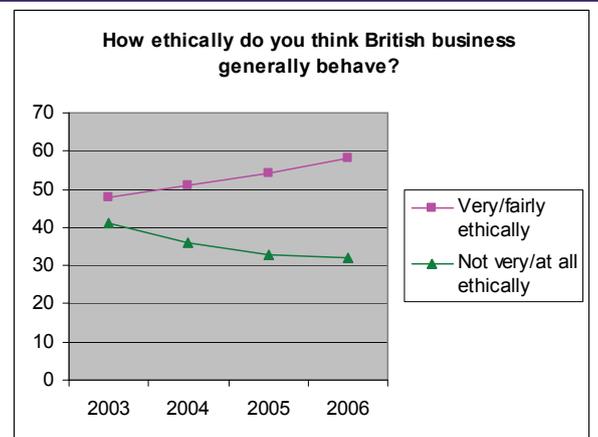
Edelman Trust Barometer 2007

In a survey of 3,100 opinion leaders in 18 countries, the Edelman Trust Barometer measured trust in societal institutions for the eighth time since 2001. It found that business is the most trusted institution in the developing world, whereas NGOs are the most trusted institutions in the developed world. Government is the least trusted institution in all regions apart from Asia.

Business enjoyed a high level of trust in Mexico, India, China, Brazil (all over 66%), whereas the trust level in business is rather low in developed countries with France at the bottom of the list (26%) and the UK with 44% also ranking in the bottom half. Likewise, over 75% of opinion leaders in Asia and Latin America believe that companies have a positive impact on society, whereas only just over half of the opinion leaders in the EU and North America think the same. Moreover, in countries such as the UK and Germany more opinion leaders think that companies have a more negative impact on society than a positive one.

Quality of products and services (36%) and socially responsible activities (20%) were seen to be the most important trust building factors for business in developed countries, whereas in the developing world socially responsible activities were not ranked so high (6%). The top two important socially responsible behaviours were meeting environmental and social standards and fair treatment of employees.

More information can be found on: http://www.edelman.com/TRUST/2007/Trust2007Release.doc

Comment

Surveys highlight the importance of leadership example and the generation of an ethical culture in the embedding of ethical standards. Public trust in business leaders continues to improve in 2006. Socially responsible activities are perceived to be an important trust building factor for business. US data give insight into the extent to which ethics policies are having an effect on corporate culture, particularly on the reporting of wrongdoing and provide an insight into how corporations measure the impact of their policies.