

Employee Views
of Ethics at Work

2012 British Survey

By Sabrina Basran and Simon Webley

 Institute of
Business Ethics

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2012 British Survey**

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Executive Summary

Executive Summary

During January and February 2012, the Institute of Business Ethics (IBE) carried out its third Ethics at Work Survey of British full-time employees. The data was collected by Ipsos MORI as part of its omnibus face-to-face survey of a structured sample of the British population.

This report sets out the responses of 665 full-time British workers (a subset of a nationally representative sample of the British population), including 305 with managerial/supervisory roles.

The analysis is presented in three chapters:

- The first explores full-time employees' and managers'/supervisors' **own attitudes to ethical issues in the workplace**.
- The second presents their perceptions regarding **ethical practices in their organisations**.
- The third reviews the **formal assistance** on ethical matters that organisations provide for their employees.

The results are compared with those of the second IBE British Ethics at Work Survey conducted in 2008¹ and reference is made to the 2005 British Ethics at Work Survey and other relevant surveys for general interest purposes.

Overall the findings from the 2012 Survey are encouraging:

- The **majority** of British full-time workers feel that **honesty is practiced** "Always" or "Frequently" in their organisation's daily operations.
- The **majority** of British employees perceive their organisation as having each of seven **indicators of an 'ethical culture'** in place.
- Compared to 2008, there has been a **significant increase** in the proportion of workers saying their organisation provides each of four aspects of a formal **ethics programme**.
- There is evidence in this Survey that the existence of formal ethics programmes and a culture that is underpinned by ethical values, are linked with employees' perceptions of **higher standards of ethical behaviour** in their workplace.
- A significantly higher proportion of employees say they have **not felt pressured** to compromise their organisation's ethical standards **than in 2008**.
- Employees are more likely to say that in the past year they have **not been aware of misconduct** that violates the law or their organisation's ethical standards, **than in 2008**.
- British **employees who report** their concerns about misconduct are generally **satisfied with the outcome**. However, **30% are not satisfied**.

¹ Webley S & Werner A (2009) *Employee Views of Ethics at Work: The 2008 national survey*, IBE. The results of the first IBE British Ethics at Work Survey, conducted in 2005, are not explored here but are in an earlier report: Webley S & Dryden P (2005) *Ethics at Work: A national survey*, IBE. Both reports are available at: www.ibe.org.uk

- A **significantly higher proportion** of employees than in 2008 said “**Issues of right and wrong are discussed in staff meetings**”.

Regarding employees likely to have higher ethical standards, the Survey data indicates that:

- **Women in full-time work** are generally **stricter** in their ethical standards than men.
- **Employees aged 16 - 34** are significantly more likely to be tolerant of unethical workplace practices.

These are similar to the 2005 and 2008 British Ethics at Work Survey findings.

The following findings raise concerns:

- A **fifth** of British employees have been **aware of misconduct** in their organisation in the last year, but of these **only half say they have reported it**.
- **Attitudes of indifference** (“It’s none of my business”) and the **belief that no corrective action** would be taken, **deter employees** who are aware of misconduct from raising their concerns.
- Employees are significantly **more likely** to experience **specific types of pressure to behave unethically** – to **meet unrealistic business objectives/targets**, to take **short cuts** and from wanting to **help the organisation survive** – than in 2008.
- “**Petty fiddling**” is still considered to be **inevitable** in British organisations by around three in ten of those in **managerial/supervisory roles**.

Introduction

Introduction

What are British employees' attitudes to the way business is done in their place of work? Have their perceptions and experiences of this changed since 2008? Are formal ethics programmes effective in embedding ethical values into organisational culture and behaviour? Do managers/supervisors have different attitudes to ethics in the workplace compared to other employees?

In 2005, the Institute of Business Ethics (IBE) commissioned the first British Ethics at Work Survey to seek answers to these and other questions on ethics in the workplace. A second Survey was conducted in 2008.²

This publication reports on the third IBE British Ethics at Work Survey carried out in 2012. As previously, the IBE commissioned Ipsos MORI to interview a representative sample of British adults in full-time work.

The results of a similar 2012 survey of workers in France, Germany, Italy and Spain are published in a separate paper.³

Purpose The aims of the third IBE British Ethics at Work Survey were as follows:

- To develop an understanding of British full-time employees' **attitudes and perceptions of ethics in the workplace** in 2012.
- To identify **trends and developments** by making comparisons with the data of the 2008 Survey.⁴
- To explore if and how an **ethical culture and the existence of formal ethics programmes influence standards of ethical behaviour** in places of work.
- To enquire if and how **employees feel supported** in maintaining ethical standards at work.

The questionnaire

The interview questionnaire (see Appendix 1) consisted of 10 questions (some with sub-questions). They explored the following areas:

- Employees' and managers'/supervisors' attitudes to ethical standards and practice in the workplace.
- Employee perception of ethical behaviour in their organisation.
- The formal support offered by organisations to encourage employee

² Ibid.

³ In March/April 2012 the IBE commissioned ComRes to survey full and part-time workers in the public and private sectors in four continental European markets: France, Germany, Italy and Spain. The results of this survey are presented in an IBE Occasional Paper *Employee Views of Ethics at Work: 2012 Continental Europe Survey*. Available at: www.ibe.org.uk

⁴ The results of the 2012 British Ethics at Work Survey are compared with those of the second IBE British Ethics at Work Survey conducted in 2008. Reference is made to the 2005 British Ethics at Work Survey (and other relevant surveys) for general interest purposes only.

adherence to standards of ethical behaviour in the workplace. The fieldwork was carried out by Ipsos MORI as part of their omnibus survey in January/February 2012 and consisted of face-to-face interviews with respondents in their homes using computer-assisted personal interviewing (CAPI). The data have been weighted to reflect the British population in terms of key demographics.

The original IBE 2005 British Ethics at Work Survey questionnaire was informed by a forensic survey by Management Today and KPMG⁵ and by the US National Business Ethics Survey (conducted biennially by the US-based Ethics Resource Center).⁶

With some minor additions and changes to the questions, the 2012 British Ethics at Work Survey largely replicates the 2005 and 2008 Surveys. Therefore, the 2012 results provide a sound basis for comparisons over time.

The 2012 Survey includes a new question for those employees who raised a concern at work. It asks whether they were satisfied with the outcome.

Respondent profile

The focus of the IBE 2012 British Ethics at Work Survey is on adults in full-time employment in the public and private sectors.

The opinions of 665 British full-time employees were canvassed (as compared to 759 in 2005 and 791 in 2008). Additional questions were asked of 305 employees in the sample who were classified as managers/supervisors. The proportions of the sub-groups were similar to those in 2008 (see Table 1).

Table 1

	2005	%	2008	%	2012	%
Total number	759	100	791	100	665	100
Male	451	67	460	64	430	62
Female	308	33	331	36	235	38
16 – 34 year olds	255	39	243	34	227	36
35 – 54 year olds	394	50	428	53	339	52
55 + year olds	110	11	120	14	99	12
Managers/supervisors	316	41	332	43	305	47

Note: All percentages are weighted to reflect the make-up of the British population. Percentages have been calculated using figures rounded to the nearest whole number, so may not total 100%.

Analysis Profile of Survey respondents

In the text of this report, reference is made to relationships found within the IBE 2012 Survey data, as well as those found by comparing the 2008 and 2012 Survey data. This includes for instance, cross-tabulations comparing the views of different sub-sets of the sample and responses to different questions. All of these relationships are statistically significant unless otherwise stated.

In the data tables shown in this report, statistically significant relationships are highlighted where relevant. The exception is Table 24 where the opposite is true (non significant data is highlighted).

More details on statistical significance are given in Appendix 2. All percentages have been rounded to the nearest whole number and subsequently may not total 100%.

⁵ Weait M (January 2001) *The Workplace Ethic*, Management Today.

⁶ Available at: www.ethics.org

This report also comments on surveys conducted in the UK, US and globally in the last four years, and which ask similar questions to the IBE 2012 British Ethics at Work Survey. Such comparisons are not statistically valid due to the different research approaches used in each case; they are purely indicative and provide 'food for thought'.

Setting the scene There have been a number of significant macro events in the business environment in the four year period since the 2008 British Ethics at Work Survey. Of these, three stand out:

Foremost is the **economic downturn**. This global phenomenon has led to financial constraints and created additional pressures for organisations and their employees. For example, businesses are having to balance demand with reduced resources and employees are increasingly concerned about their jobs. In such times it can become harder for an organisation and its employees to 'live up to' the organisations values. It can be tempting for instance, for companies to 'cut corners' or reduce the resource put into their ethics programme.⁷

Second is the general public's **distrust of business**, as reflected in recent survey findings. In 2011 the Edelman Trust Barometer which has run annually since 2000, found only 38% of the UK general public said they trusted business to 'do what is right' – a decline from 44% in 2010 and 49% in 2009.⁸ A 2011 survey of trust in professions by Ipsos MORI found business leaders were trusted by fewer than a third (29%) of British adults to tell the truth. Business leaders were ranked thirteenth out of sixteen professions as trustworthy. This is consistent with findings since the survey was first conducted in 1983.⁹

In the 24 months preceding this Survey, the IBE recorded 928 different cases of ethical lapses reported on by the media, involving UK businesses and multinational companies with a UK presence. These ranged from cases involving bribery, corruption and fraud (148 cases) to corporate governance failures (118 cases) to tax matters (36 cases).¹⁰ Such ethical lapses involved large multinational companies, such as the News International 'hacking scandal' or whole sectors, such as UK banks' mis-selling of payment protection insurance (PPI).

The third significant change is the implementation of the **UK Bribery Act** in July 2011. This legislation has caused organisations operating in the UK to reconsider how they do business due to the Act's extraterritorial reach (it applies to all the activities of any company with operations in the UK) and is based on an all-inclusive definition of bribery. The Act outlaws the giving and receiving of bribes; bribery of public officials; business-to-business bribes and facilitation payments. Other legislation in this area, notably the US Foreign Corrupt Practices Act (FCPA) does not cover the latter two. The Act also creates a new offence for companies – "*the failure to prevent persons associated with it, from bribing*". Organisations are encouraged to introduce "Adequate procedures" to help prevent bribery. They can

⁷ The following publications support this statement: Ethics Resource Center (2009) *National Business Ethics Survey: Ethics in the recession* and Society of Corporate Compliance and Ethics & the Health Care Compliance Association (2012) *The Economy, Compliance and Ethics*.

⁸ Edelman (2012) *2012 Edelman Trust Barometer*. Sample base: 1,000 UK adults aged 18 years and above. Fieldwork was conducted using online interviews from 10th October – 30th November 2011. Respondents were asked: "Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right using a 9-point scale where one means that you "do not trust them at all" and nine means that you "trust them a great deal"." Available at: <http://trust.edelman.com/>

⁹ Ipsos MORI & British Medical Association (2011) *Trust in Professions Index*. Sample base: 1,026 British adults aged 15 years and above. Fieldwork was conducted using face-to-face interviews from 10th – 16th June 2011. Respondents were asked: "Now I will read you a list of different types of people. For each would you tell me if you generally trust them to tell the truth, or not?". Available at: <http://www.ipsos-mori.com/researchpublications/researcharchive/2818/Doctors-are-most-trusted-profession-politicians-least-trusted.aspx>. For results over time see: <http://www.ipsos-mori.com/researchpublications/researcharchive/15/Trust-in-Professions.aspx?view=wide>

¹⁰ IBE Business Ethics Briefing (2012) *Concerns and Ethical Lapses, 2010 & 2011*. Available at: <http://ibe.org.uk/userfiles/ethicalapses20102011.pdf>

be used as a defence against prosecution under the new offence. “Adequate procedures” include risk assessment procedures; reporting mechanisms; transparency; and demonstrable ‘tone from the top’. Subsequently, companies have been reviewing their anti-bribery and corruption policies and practices, often extending this review to their overall ethics programme, to try to deter unethical behaviour.¹¹

This is the context in which the 2012 IBE British Ethics at Work Survey was conducted.

¹¹ True at the time of the 2012 survey fieldwork. On the 9th October 2012, the SFO reviewed its policies on corporate gifts and hospitality, self-reporting and facilitation payments. The Adequate Procedures guidance still apply save for the policy on self-reporting, which was removed. For more information see: <http://www.sfo.gov.uk/press-room/latest-press-releases/press-releases-2012/revised-policies.aspx>. The 2010 UK Bribery Act and Explanatory Notes are available at: www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1
The Ministry of Justice Guidance is available at: <http://www.justice.gov.uk/legislation/bribery>

1

Employee Attitudes to Ethical Standards and Practice at Work

Attitudes to Ethics

Highlights

- There has been little change in the attitudes of British full-time employees to ethical issues and practices since the 2008 British Ethics at Work Survey.
- When given a short scenario question on claiming travel expenses, men are significantly more likely to choose the 'least ethical' option than women (10% of men compared to 5% of women).
- Of a list of ten common workplace practices, each of the ten were considered "Unacceptable" by the majority of respondents. Two workplace practices in particular attracted a significantly higher level of criticism in 2012 than in 2008 - "Using company petrol for personal mileage" (86% considered this unacceptable in 2012 compared to 80% in 2008) and "Making personal phone calls from work" (54% considered this unacceptable in 2012 compared to 48% in 2008).
- There is little difference in attitudes towards workplace practices between those in a managerial/supervisory role and non-management employees.
- 'Artificially' increasing profits continues to be the most criticised form of "petty fiddling" by managers/supervisors (77% disagree that this is acceptable). Although, this is a lower proportion than in 2008 when 84% disagreed this is acceptable.

A. Employees' own attitudes**Attitudes towards a day-to-day ethical dilemma**

An 'ice breaker' question was asked at the start of the Survey to gauge respondents' sensitivity to ethical matters. As in the 2005 and 2008 Surveys, the question related to travel expense claims. Employees were given four options (see Table 2) in response to the dilemma below.

Jim takes a taxi to a business meeting. At the end of the cab journey – which costs £6 including tip – the cab driver offers Jim a receipt for £6 or a blank receipt. Jim accepts the blank receipt fills it in for £7.50 and claims it on expenses. Which of the following reflects your view of Jim's conduct? (Q1)

Table 2 sets out how Question 1 was answered in 2005, 2008 and 2012. Whereas there were significant differences between the 2005 and 2008 data, there has been little change in the attitudes of employees to this dilemma between 2008 and 2012. **The trend towards the 'most ethical' answer has continued in 2012**, though it is not a statistically significant change compared with the 2008 findings. Seventy eight percent of respondents selected option B in 2012, compared with 76% in 2008. A similar proportion of respondents were in favour of "saving Jim's employer the money" by taking public transport (option C) - 13% in 2012 compared to 11% in 2008 and 9% in 2005.

As with previous years, the **attitudes of managers/supervisors in 2012 on this issue were similar to those of the total sample**. It is worth noting that 10% of male full-time workers chose the ‘least ethical’ option, a significantly higher proportion than their female counterparts (of which 5% chose option A). This gender difference is consistent with the 2008 Survey finding for Question 1.

Table 2 What should Jim have done? (Q1)

	2005	2008	2012	2012 Of which managers/supervisors
Base	759 %	791 %	665 %	305 %
A It’s acceptable to take the blank receipt and fill it in for £7.50 – its only £1.50 and everyone does it	15	9	8	5
B Jim should have accepted the receipt for £6 and claimed that amount	71	76	78	79
C Jim should have taken public transport and saved his employer the money	9	11	13	15
No opinion	5	4	1	1

Acceptability of workplace practices

A second question asked employees to rate the acceptability of ten fairly common workplace practices.¹² Table 3 sets out these practices and how they were ranked by respondents in 2008 and 2012.

Table 3 The acceptability of common workplace practices (Q2)

Base	2008 791		2012 665	
	Acceptable %	Unacceptable %	Acceptable %	Unacceptable %
A Making personal phone calls from work	50	48	45	54*
B Taking pencils & pens from work	44	55	41	58
C Posting personal mail from work	31	66	30	69
D Using the internet for pleasure in work time ¹³	25	73	25	75
E Taking a ‘sicky’	18	79	20	80
F Taking software home	12	83	15	84
G Favours family or friends when awarding contracts or recruiting	11	86	14	85
H Using company petrol for personal mileage	17	80	13*	86*
I Minor fiddling of travel expenses	12	86	10	89
J Charging personal entertainment to expenses	4	93	7*	93

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

¹² Response categories were combined as follows: “Totally acceptable” & “Fairly acceptable” = Acceptable; “Not very acceptable” & “Totally unacceptable” = Unacceptable.

¹³ 2008 question wording: “Surfing the net for pleasure in work time”.

Each of the ten practices were regarded as “Unacceptable” by the majority of British full-time employees. Two in particular attracted a significantly higher level of criticism in 2012 than in 2008: “Using company petrol for personal mileage” and “Making personal phone calls from work”.

However, a significantly **higher proportion of British full-time workers said “Charging personal entertainment to expenses” was acceptable in 2012** than in 2008. It is also worth highlighting that, given the amount of external research suggesting that this is a relatively common practice in the UK and elsewhere, 75% of British employees said that they consider using the internet for pleasure in work time to be unacceptable.¹⁴ This might suggest that perhaps employees do not always act in line with their expressed principles while at work.

Managers/supervisors did not show significantly higher levels of disapproval of unethical behaviour compared to the total sample. There were some significant **differences in how male and female employees viewed the acceptability of two practices**. “Making personal phone calls from work” was considered unacceptable by only 50% of male employees compared to 60% of female employees and “Using the internet for pleasure in work time” was considered unacceptable by only 72% of male employees compared to 80% of female employees. This aligns with the gender difference found in responses to Question 1.

There were also some **differences in ethical attitudes between employees of different age groups**. Older employees (those aged 35 years and above) were significantly more likely to consider certain practices unacceptable than their younger counterparts: “Posting personal mail from work”, “Using company petrol for personal mileage” and “Taking a ‘sicky’”. Conversely, 16 - 34 year old employees were significantly more likely to say it is unacceptable to “Make personal phone calls from work” compared to those aged 35 years and above.

B. Managers’/supervisors’ own attitudes

Are managers’/supervisors’ attitudes significantly different from those they manage? For an organisation’s ethical values and standards to filter down to all levels, buy-in from all levels of management is required. Line managers have an essential role in effectively communicating the organisation’s ‘ethics message’ and acting as role models for the employees they manage. ‘Tone from the middle’ is as important as ‘tone from the top’.

As noted in the 2008 Survey report, some companies address ethical leadership in their codes of ethics by setting out explicit responsibilities for management level employees.¹⁵ This trend has continued into 2012 (see Box 1). Some organisations are going further and developing separate ethical guidance documents for managers/supervisors. Managers are required to adhere to this in addition to the organisation’s code of ethics. For example Olin, a US-based chemicals and ammunition manufacturer has produced *Leading with Integrity: A guide for managers and supervisors* (2009). The Guide identifies explicit responsibilities for ‘Ethical Leaders’ and provides guidance on a number of areas, such as how to communicate the code and ethics message to employees; how to encourage staff to speak up and support them when they do; and how to prevent retaliation. The Guide also provides a list of resources for managers and a self assessment tool for measuring their performance as Ethical Leaders.

¹⁴ See for example: <http://www.webspy.com/resources/whitepapers/InternetUseStatistics.pdf>, <http://www.acas.org.uk/CHttpHandler.ashx?id=3182&p=0> and <http://www.staffmonitoring.com/P32/stats.htm>

¹⁵ Webley S & Werner A (2009) *Employee Views of Ethics at Work: The 2008 national survey*, IBE. See Chapter 1 Section C for examples.

Similarly Diageo, a British beverage manufacturer that operates globally, has developed a *Leaders of Integrity* Line Manager's toolkit. The toolkit brochure¹⁶ is a supplement to the company Code of Business Conduct and focuses on the specific behaviours the company expects from its managers. It provides guidance for managers to manage effectively teams "*in a way that tangibly brings to life [Diageo's] purpose, values and commitment*". The toolkit, which is supported with a training module that brings difficult situations and discussions to life with examples and case studies, advises line managers on ethical decision-making, how to handle a breach of the Code, prevent retaliation and manage conflicts of interest.

Box 1 Reference to ethical leadership in codes of ethics

BAE Systems, *Being a Responsible Company: What it means to us* (2011)

Those who manage or supervise other employees have additional responsibilities under this Code. These include:

- Making sure the Code is provided to, explained to and understood by employees they manage and supervise.
- Providing guidance to those they manage or supervise on how they can meet the Code's requirements.
- Promoting the standards by setting a personal example.
- Ensuring employees receive training and guidance on ethical issues.
- Monitoring compliance with the Code by employees they manage or supervise.
- Ensuring that third parties are aware of, and comply with, the policies and standards when appropriate.
- Creating an environment where employees can speak up, without fear of retribution.

BP, *Our Code: It's what we believe in* (2011)

If you supervise others....You have additional responsibilities under our Code:

- Being a role model for ethical leadership.
- Being a role model for safety leadership and creating the right environment for people to be comfortable living our value of safety.
- Supporting ethics and compliance activities in BP.
- Making sure all your team members understand the requirements of our Code and local legal requirements and have the resources to adhere to them.
- Holding your team members accountable to behave ethically and follow our Code and legal requirements.
- Enforcing our Code consistently.
- Making sure appropriate compliance controls are implemented in your organisation.
- Supporting your people to ask questions and raise any ethical concerns by:
 - Encouraging them to speak up
 - Dealing with concerns when they are raised
 - Making sure that no one who speaks up suffers any retaliation.

A 2011 survey by the Institute of Leadership and Management found that 44% of UK employees believe their line manager puts financial goals above ethical considerations.¹⁷

In the IBE 2012 British Ethics at Work Survey, 305 managers/supervisors were interviewed. Their responses to Question 2 (on the acceptability of ten common workplace practices) indicated no significant difference in attitudes between managers/supervisors and those in the total sample.

To explore further where managers/supervisors ‘draw the line’ when it comes to unethical workplace practices, a set of sub-questions were asked of those in a managerial/supervisory role. Table 4 sets out the responses to these for both 2008 and 2012.

Table 4 Where do managers/supervisors ‘draw the line’ when it comes to certain practices? (Q9)

To what extent do you agree or disagree with the following? ¹⁸ (Q9)	Agree		Disagree	
	2008 %	2012 %	2008 %	2012 %
A Petty fiddling and pilfering is inevitable in a modern operation – you just have to make allowances in your costings	29	28	58	55
B If we cracked down on every little fiddle we’d soon find we had no staff and probably no suppliers as well	34	35	52	44*
C As long as I come in on time and within budget I’m not going to worry about a bit of petty fiddling	22	19	59	60
D There’s no real difference between fraud and a bit of expenses fiddling	35	36	56	53
E It is acceptable to artificially increase profits in the books as long as no money is stolen	7	10	84	77*

Base: British full-time managers/supervisors (332 in 2008, 305 in 2012).

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

In 2012 **artificially increasing profits attracted the highest level of criticism from managers/supervisors** (77% disagreed with option E), although this is somewhat lower than the level of criticism seen in the 2008 Survey (84%).

However, **overall, the results indicate “petty fiddling” is considered somewhat tolerable by managers/supervisors in 2012.** Only slightly more than half of respondents disagreed that options A, C and D were acceptable. Forty four percent of managers/supervisors disagreed with option B.

Roughly a third of respondents thought “petty fiddling” was inevitable or acceptable (options A – 28% and B – 35%).

Compared with 2008 managers/supervisors are significantly less likely to reject the idea that “If we cracked down on every little fiddle we’d soon find we had no staff and probably no suppliers” (option B). This might suggest that fewer managers/supervisors are taking the ‘ethical view’ of a crackdown approach to

¹⁷ Institute of Leadership and Management & Management Today (2011) *Index of Leadership Trust*. Sample base: 2,516 UK employees in the public and private sector. Fieldwork was conducted using an online survey from 24th May – 9th June 2011. Available at: <http://www.i-l-m.com/research-and-comment/10012.aspx>

¹⁸ Response categories were combined as follows: “Strongly agree” & “Tend to agree” = Agree; “Tend to disagree” & “Strongly disagree” = Disagree.

“petty fiddling”. However, there is no significant increase in the proportion of managers/supervisors actively agreeing with the statement – rather managers/supervisors are more likely to be neutral (21% neither agree nor disagree in 2012, compared to 14% in 2008).

The Survey found a number of **differences in attitudes to the listed workplace practices between managers/supervisors from different age groups**. Managers/supervisors aged 35 - 54 years were less tolerant of “petty fiddling” than the total sample of managers/supervisors. A significantly higher proportion of managers/supervisors from this age group than others disagreed that “Petty fiddling and pilfering is inevitable in a modern operation” (61% vs. 55%) and “As long as I come in on time and within budget I’m not going to worry about a bit of petty fiddling” (68% vs. 60%). This reflects the outcome of the ethical profiling exercise in Section C below – that employees aged 35 - 54 years are less likely to be tolerant of unethical practices in the workplace. Managers/supervisors aged 35 - 54 years were also significantly more likely to reject option B (“If we cracked down on every little fiddle we’d soon find we had no staff and probably no suppliers as well”) than managers/supervisors aged 16 - 34 years. This suggests these managers/supervisors are more likely to favour a ‘crackdown’ approach on fiddling than younger managers/supervisors.

There were no significant differences between male and female managers’/supervisors’ intolerance of “petty fiddling”.

C. Are some groups of workers more sensitive to ethical issues than others?

As with previous IBE British Ethics at Work Surveys, the data was used to develop a profile of Britain’s most and least ethical full-time employees.

Acceptability of the list of common workplace practices in Question 2 (set out in Table 3), was used to form two groups from the total sample of respondents:

- The ‘most ethical group’ i.e. those judging all ten items in Question 2 as “Unacceptable”. 185 of the 665 respondents (27%) fell into this category.
- The ‘least ethical’ group i.e. those selecting three or more items in Question 2 as “Acceptable”. 142 of the 665 respondents (21%) fell into this category.

The profiles of respondents in these two groups were explored according to age, gender and social class. They were then compared to the profile of the full sample (see Table 5).

As in the 2005 and 2008 Surveys, there are **clear indications that age and gender influence attitudes to ethical issues**. Younger employees (16 - 34 year olds) are significantly underrepresented in the ‘most ethical’ group. Those in the middle age range (aged 35 – 54 years) are significantly underrepresented in the ‘least ethical’ group.

There is also a significant difference between male and female employees. Women are significantly more likely to be found in the ‘most ethical’ group compared to the profile of full-time workers as a whole. Men are significantly underrepresented in the ‘most ethical’ group.

Variations among the different social classes are not statistically significant.

Table 5 Profiles of employees across different ethical stances¹⁹

<i>Unweighted base</i>		All full-time workers 665 %	Most ethically sensitive 185 %	Least ethically sensitive 142 %
Gender	Male	62	56*	65
	Female	38	44*	35
Age	16-34	36	30*	43
	35-54	52	56	44*
	55+	12	13	13

* Statistically significant differences at the 95% level of confidence compared with the profile of all full-time workers.

¹⁹ These figures have been calculated by adding together the actual numbers and dividing by the weighted base size and not by adding up the percentage figures, as this introduces errors due to rounding.

2

Employee Perceptions of Behaviour and Culture in Organisations

Behaviour & Culture

Highlights

- The majority of employees (84%) feel that honesty is practiced “Always” (39%) or “Frequently” (44%) in their organisation’s daily operations. There is no significant difference to the 2008 Survey findings.
- Nine percent of employees said they have felt pressured to compromise their organisation’s ethical standards (answering “Yes” or “Sometimes”). This is similar to the 2008 findings.
- Employees were significantly more likely to say they have not felt pressured than in 2008 (90% answered “No” in 2012, up five percentage points from 85% in 2008).
- A fifth of respondents (20%) said they have been aware of misconduct in their organisation in the past year – little change from 2008. A significantly higher proportion of employees said they had not been aware of misconduct – 80% in 2012 compared to 72% in 2008 and employees were significantly less likely to say that they “Don’t know” (1% in 2012 compared to 5% in 2008).
- Half (49%) of those respondents aware of misconduct did not report their concerns. The main reasons for not reporting were “It’s none of my business” and “I didn’t believe corrective action would be taken”.
- Of the 63 employees who did report their concerns, only seven in ten (70%) said they were satisfied with the outcome.
- Employees in 2012 were significantly more likely to agree that “Issues of right and wrong are discussed in staff meetings” than in 2008 (66%, up six percentage points from 60% in 2008).
- A higher proportion of managers/supervisors than the total sample said their line manager sets a good example of ethical business behaviour, explains the importance of honesty and ethics, and supports them in following ethical standards.

Much is written and spoken about generating an organisational ‘culture of integrity’, i.e. a culture based on ethical values. Although external stakeholders’ perceptions of an organisation are a helpful measure of this, only those who work for an organisation can truly know its culture. It is essential therefore, for organisations to take into account the views of their employees and to address their concerns.

Regular staff surveys are one effective way to ‘take the ethical temperature’ of an organisation. These can be stand-alone surveys or part of a general employee survey. Other methods such as appraisals, exit interviews, workshops and focus groups can also be used to help understand employees’ perceptions of their organisation.²⁰

This chapter looks at British employees’ perceptions of behaviour and the culture in the organisations for which they work.

First, respondents were asked if they thought **honesty** is practiced in their workplace.

Second, the nature of the **pressures** that are experienced by employees to compromise ethical standards or ‘cut corners’ and the principal causes of these pressures are explored.

Third, employees were asked whether over the past year, they had been aware of any **misconduct** in their workplace and if so, how they reacted.

Fourth, respondents were asked to rate their organisation according to eight indicators of **ethical culture**.

A. Ethics in practice

Honesty In a 2011 survey by Ipsos MORI of the British public, the honesty of an organisation was identified as a key measure of its reputation.²¹ Table 6 sets out British employees’ perceptions of the level of honesty practiced in their workplace in 2005, 2008 and 2012.

Table 6 Is honesty practiced at work? (Q3)

In your organisation’s daily operations, would you say honesty is practiced...? (Q3)	2005	2008	2012
Base	759 %	791 %	665 %
Always	43	39	39
Frequently	37	45	44
Occasionally	9	8	11
Rarely	4	3	2
Never	2	1	1
Don’t know	6	4	2

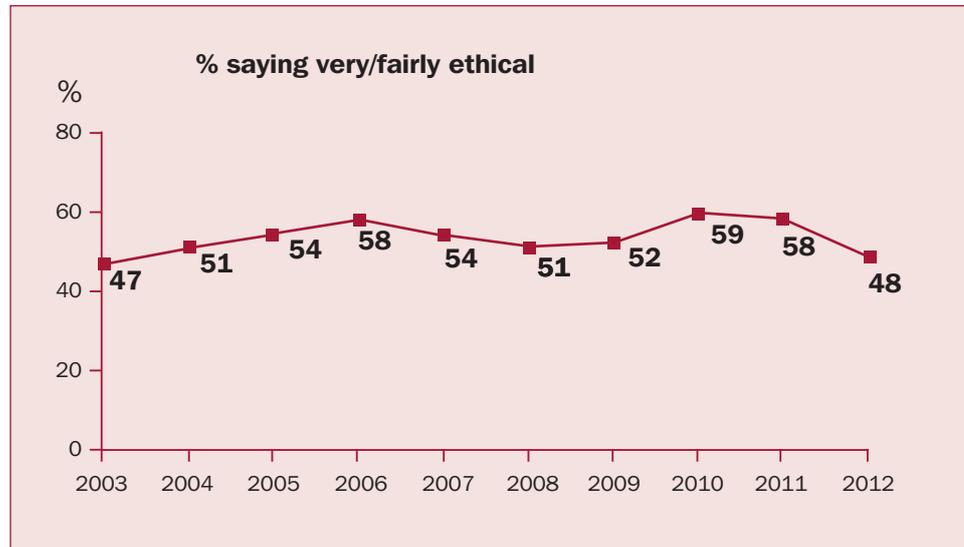
As in the 2008 Survey, in 2012 around **four out of five respondents (84%) said that they thought honesty is “Always” (39%) or “Frequently” (44%) practiced** in the daily operations of the organisation in which they work. A similar proportion (85%) of managers/supervisors share this opinion.

This leaves 14% of respondents who felt that honesty is practiced only “Occasionally” (11%), “Rarely” (2%), or “Never” (1%) in their workplace.

This majority of British employees saying honesty is practiced “Always/Frequently” in their organisation is in stark contrast with the opinion of the British general population. An IBE survey of the British public in September 2012 (carried out by Ipsos MORI) asked about how they rate the behaviour of British business. There has been a significant decline from the previous year, with 48% now thinking business behaves “Very ethically” or “Fairly ethically” (down by ten percentage points from 58% in 2011). This is similar to the all time low figure of 47% in 2003 (see Figure 1).

²¹ Ipsos MORI (2011) *Corporate Responsibility Study Among the British Public 2011*. Sample base: 1,000 British adults aged 16 years and above. Fieldwork was conducted using face-to-face interviews in August 2011. Respondents were asked “What do you think are the two or three most important things to know about a company in order to judge its reputation?” 35% of respondents said “Honesty/integrity” without prompting - the most common answer.

Figure 1 How ethically do you think British business generally behaves?²²



Pressure to act unethically

A question was asked about pressures on employees to compromise their organisation’s ethical standards.

Table 7 shows that **only 9% of employees said that they had felt pressure** of this sort (those answering “Yes” and “Sometimes”). Overall, there is little change from the 2008 proportion of 11%, although the proportion answering a definite “Yes” is significantly lower than in 2008 (5% in 2012 compared to 8% in 2008). **A significantly higher proportion of employees in 2012 said they did not feel pressured to compromise ethical standards** than four years previously (90% in 2012 compared to 85% in 2008).

In a global survey of finance professionals by the Chartered Global Management Accountants (CGMA),²³ 35% of respondents said they had felt pressure “Always/Sometimes” to compromise their organisation’s standards of ethical conduct. The proportion for UK finance professionals in the CGMA survey was 18%.

Table 7 Pressure to compromise your organisation’s standards of ethical conduct (Q7a)

Have you felt pressured to compromise your organisation’s standards of ethical conduct (Q7a)?	Base	2005 ²⁴	2008	2012
		759 %	791 %	665 %
Yes		15	8	5*
Sometimes		4	3	4
No		76	85	90*
Don’t know		5	4	<1*

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

²² IBE & Ipsos MORI (2012) *Sustainable Business Monitor 2012 Among the British Public*. Sample base: 991 British adults aged 16 years and above. Fieldwork was conducted from 14th – 26th September 2012 using face-to-face interviews. Respondents were asked: “How ethically do you think British business generally behaves?” (Very, Fairly, Not very, Not at all, No opinion). Available at: http://ibe.org.uk/userfiles/attitudes_to_be2012.pdf

²³ Chartered Global Management Accountants (2012) *Managing Responsible Business: A global survey on business ethics*. Sample base: 1,966 financial professionals globally. Fieldwork was conducted late 2011 – early 2012. Respondents were asked: “Do you ever feel under pressure from your colleagues or manager to compromise your organisation’s standards of ethical business conduct?” Available at: <http://www.cgma.org/Resources/Reports/Pages/ManagingResponsibleBusiness.aspx>

²⁴ 2005 question wording: “Do you ever feel under pressure from your colleagues or managers to compromise your organisation’s standards of ethical business conduct in order to achieve business goals?”

The 56 respondents who said they had experienced pressure to compromise their organisation’s ethical standards (i.e. those answering “Yes” or “Sometimes” to Question 7a) were also asked to identify what these pressures were. This question was asked as an open one, with the responses coded by Ipsos MORI.

Table 8 What were the pressures on you to act unethically?²⁵ (Q7b)

	2012 %	
Pressure to meet unrealistic business objectives/targets	19	
The prevalence of an unethical culture	18	
Being asked to take shortcuts	14	
Financial/budgeting pressures	11	
Pressures due to a lack of staff	9	
Wanting to help the organisation survive	7	
Time pressure	7	
Peer/colleague pressure	6	
Pressures (in general)	6	
Need to follow bosses orders	4	
Desire to save one’s job	4	
Other	8	
Don’t know	4	

Base: 56 British full-time workers who have felt pressure to compromise standards in their organisation.

All other responses were lower than 4%. See Appendix 1 for response options to Question 7b.

Multiple answers: respondents could specify more than one cause of the pressure to compromise standards.

Table 8 indicates that **“Pressure to meet unrealistic business objectives/targets”, “The prevalence of an unethical culture” and “Being asked to take short cuts”** were the most common types of pressures employees said they had faced.

Although the 2008 question was worded slightly differently to the 2012 Survey it is still possible to draw some indicative comparisons. There seems to have been a **significant increase in employees feeling pressured to meet unrealistic business objectives/targets in 2012** (19%) compared to 2008 (6%) and in the proportion saying they were **asked to take short cuts** in 2012 (14%) compared to 2008 (3%). **Pressure to behave unethically from “Wanting to help the organisation survive”** also seems **significantly more likely** to have been experienced by employees in 2012 (7% in 2012, whereas this was not mentioned by respondents as a pressure in 2008).

The significant increases in these types of pressures on employees to act unethically may reflect the economic climate at the time of the Survey. As highlighted in the Introduction to this report, the financial upheavals experienced over the last four years have been an ongoing source of pressure on organisations. As ‘survival’ becomes a more common objective, pressure to ‘cut corners’ tends to mount.

²⁵ 2008 question wording: “What are the principal causes of these pressures to compromise standards?”

Awareness of ethical misconduct

As well as their experience of pressures to compromise ethical standards, respondents were asked about their awareness of actual misconduct in their workplace.

Table 9 Awareness of misconduct (Q4a)

During the past year at work, have you been aware of any conduct that you thought either violated the law or your organisation's ethical standards? (Q4a)	Base	2008	2012
		791 %	665 %
Yes		23	20
No		72	80*
Don't know		5	1*

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

One in five British employees (20%) said they have been aware of behaviour at work which either violated the law or their organisation's ethical standards in the last year (see Table 9). This is similar to the proportion saying they had been aware of misconduct in 2008. Those in a managerial/supervisory role were no more likely to have been aware of misconduct than non-managers in 2012. **A significantly higher proportion of employees said they were not aware of misconduct in 2012** (80%) than in 2008 (72%). In 2012 employees were more likely to give a definite negative answer and less likely to say "Don't know", compared to the previous wave of British employees in 2008.

The CGMA survey of finance professionals²⁶ found that 12% of UK respondents said they had personally observed conduct that violated organisational ethics. Whereas the IBE British Ethics at Work Survey asked about awareness of misconduct, the CGMA survey asked about personal observance of misconduct. It is logical therefore, that a higher proportion of employees in the IBE Survey answered "Yes" to Question 4a.

The results for Questions 4a and 7a were compared to explore whether there is a link between awareness of unethical conduct and the perception of pressures to compromise ethical standards. The comparison found a significant relationship between these two variables; i.e. **employees who are aware of misconduct in their organisation are more likely to have felt pressure to compromise ethical standards** (24%) compared to the total sample (9%) (see Table 10).

Table 10 Awareness of misconduct & experience of pressure to compromise ethical standards (Q4a vs. Q7a)

Have you felt pressured to compromise your organisation's standards of ethical conduct? (Q7a)	Base	Total sample	Those aware of misconduct
		665 %	130 %
Yes/Sometimes		9	24*
No		90	7*
Don't know		<1	-

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

²⁶ Chartered Global Management Accountants (2012) *op. cit.* Sample base: 1,966 financial professionals globally. Fieldwork conducted late 2011 – early 2012. Respondents were asked: "In your current role, have you personally observed conduct that violated organisational ethics standards, policy or the law in the past 12 months?" Available at: <http://www.cgma.org/Resources/Reports/Pages/ManagingResponsibleBusiness.aspx>

A comparison between employees' awareness of unethical conduct (Question 4a) and the practice of honesty in their workplace (Question 3) was also made.

Those who said that honesty was practiced only “Occasionally”, “Rarely”, or “Never” in their organisation were more likely to be aware of misconduct (40%, compared to only 17% of those saying honesty is practiced “Always” or “Frequently”). In organisations where honesty is practiced infrequently, it could be expected that misconduct would be more likely to occur.

The 130 employees who had been aware of misconduct in the last year (i.e. those who answered “Yes” to Question 4a) were asked additional questions to explore this issue further. Respondents were asked to identify the type(s) of misconduct they were aware of. As with Question 7b, the question was an open one and the responses were classified by Ipsos MORI. Table 11 lists the most commonly mentioned types of misconduct.

Table 11 What type(s) of misconduct were you aware of? (Q4b)

	Base	2008 ²⁷ 178 %	2012 130 %
Stealing		16	14
Bullying/Harassment		10	9
Discrimination:		2	8*
(race)		1	6*
(gender)		-	2
(age)		1	1
Fraud/Deception		7	7
Safety violations		9	7
Misreporting hours worked		3	6
Illegal/Unethical practices		2	5
Abusive behaviour		13	5*
Improper hiring practices		3	5
People treated inappropriately/unethically/unfairly		5	5

Base: British full-time workers aware of misconduct in the past year. All other 2012 responses were lower than 5%.

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

Although the wording for this question was slightly different in the 2008 Survey it is still possible to draw indicative comparisons between the 2008 and 2012 results. **“Stealing” and “Bullying/Harassment” remain the most frequently mentioned types of misconduct** among those employees who were aware of misconduct. **“Discrimination” is significantly more likely to be mentioned in 2012** (8%) than in 2008 (2%), particularly “Racial discrimination” (6% in 2012 compared to 1% in 2008). **“Abusive behaviour” was significantly less likely to have been mentioned by respondents in 2012** (5%) than in 2008 (13%). Respondents to a 2010 survey by SAI Global and Middlesex University of a sample of FTSE250 companies identified “Bullying/Harassment” as the most common type of issue reported on by employees.²⁸ It seems this is a priority concern for British employees which their organisations need to address.

²⁷ 2008 question wording: “What type(s) of misconduct did you observe?”

²⁸ SAI Global & Middlesex University (2010) *A Survey of Whistleblowing/Confidential Reporting Procedures in the UK Top FTSE 250 Firms*. Sample base: 64 FTSE250 companies. Fieldwork was conducted using questionnaire surveys in May 2010. Respondents were asked: “What types of issue have been reported?” 78% identified “Bullying/Harassment”.

There were **some significant gender differences** in the responses to Question 4b. Men who were aware of misconduct were significantly more likely to have been aware of “Safety violations” (10%) than women (0%). Conversely, women who were aware of misconduct were significantly more likely to have been aware of “Bullying/Harassment” (21%) than men (3%). This latter finding resonates with other survey findings.

The IBE commissions Ipsos MORI annually to survey the British general public on their attitudes to ethics in business. In 2012, women were significantly more likely than men to identify “Harassment and bullying in the workplace” as an important issue which needs addressing by business; 18% of women thought so compared to 11% of men.²⁹

Reporting misconduct

Most organisations now provide some form of reporting mechanism for employees to raise concerns or ‘speak up’ about ethical issues and misconduct in the workplace. A 2010 survey by the IBE of a sample of FTSE350 companies found that 100% of respondents provided some form of reporting mechanism for employees. Seventy nine percent said this included the provision of a helpline/hotline/advice line.³⁰ The UK Bribery Act encourages organisations to have in place as part of its “Adequate procedures”, a “*secure, confidential and accessible means for internal or external parties to raise concerns.*”³¹

An increasing number of companies are providing additional mechanisms to helplines/advice lines such as email and text messaging services or access to ‘subject matter experts’. Such mechanisms are usually confidential and may allow the user to remain anonymous. They are often available for external stakeholders’ use as well as for employees. Some examples are provided in Box 2.

Box 2 Examples of alternative speak up mechanisms

Siemens – “Tell Us”

Reports can be submitted anonymously, anywhere in the world, 24 hours a day, 7 days a week, either online or by telephone, in up to 150 languages. Not only Siemens employees and managers, but also customers, suppliers and other business partners can contact the compliance help desk “Tell us”. The website and call centres are managed via an external provider.
<http://www.siemens.com/contact/en/compliance.htm>

Accenture – Code of Business Ethics website

This website, available internally for employees in 16 languages, allows concerns to be raised and discussions via email with subject matter experts. Alternatively, employees can make use of an online and phone reporting service via a third party provider. Information and practical guidance on Accenture’s Code is also provided. Excerpts from the website can be viewed externally.
<http://www.accenture.com/us-en/company/governance/ethics-code/Pages/index.aspx#&slider1=21>

continues

²⁹ IBE & Ipsos MORI (2012) *op. cit.* Respondents were asked: “In your view of company behaviour, which two or three of these issues most need addressing?”

³⁰ Webley S with Basran S, Harris D & Hayward A (2011) *Corporate Ethics Policies & Programmes: UK and continental Europe survey 2010*, IBE. Sample base: 47 FTSE350 companies. Fieldwork was conducted in summer 2010 using postal questionnaires. Respondents were asked “Is there a mechanism for employees to raise ethical concerns or ask questions about your code?” Those answering “Yes” (100%) were then asked “Does this include a helpline/hotline/advice line?” Available at: http://ibe.org.uk/userfiles/codes_survey_2010final.pdf

³¹ See footnote 11

Box 2 continued

BP – “OpenTalk”

OpenTalk offers a confidential way to answer employee’s questions in relation to ethics, compliance or any other requirements in the BP code. The helpline is operated by an independent company and is available anytime day or night, every day of the week. OpenTalk can accommodate calls in more than 75 languages.

<http://www.bp.com/sectiongenericarticle800.do?categoryId=9040289&contentId=7073462>

AstraZeneca – dedicated ethics website

Managed by an external provider, this website allows employees and external stakeholders to raise concerns on ethical matters confidentially and anonymously. Progress in addressing your concern can also be ‘tracked’.

<http://AZethics.com>

In light of this, employees who said that they had been aware of misconduct during the past year were also asked if they had reported their concerns. In 2012 the question wording was slightly different, with a wider interpretation of ‘reporting’ than in 2008 (see footnote 32) – so an increase in the proportion of employees saying they reported their concern could be expected. Table 12 in fact shows no significant change in the proportion of employees reporting misconduct in 2012 compared to 2008. **Around half of those who were aware of misconduct (51%) reported their concerns. Managers/supervisors were significantly more likely to report misconduct** in 2012 – 65% answered “Yes” compared to 51% of the total sample. This difference between management and non-management employees was also found in 2008.

Table 12 Did you report any of your concerns to management, another appropriate person or in any other way?³² (Q4c)

	2008	2012	2012 Of which managers/supervisors
<i>Base</i>	178 %	130 %	67 %
Yes	58	51	65*
No	41	49	35*
Don't know	1	-	-

Base: British full-time workers aware of misconduct in the past year.

** Statistically significant differences at the 95% level of confidence compared with the total sample.*

That **almost half (49%) of employees who were aware of misconduct in their organisation did not report their** concerns is noteworthy. Reporting misconduct requires courage. This suggests organisations have some way to go in supporting employees to speak up when they become aware of unethical practices.

For the first time, the 2012 Survey asked those who had reported their concerns, whether they had been satisfied with the outcome. Seventy percent of employees answered “Yes” (see Table 13). However, **the 30% who said they were not satisfied suggests that there is work to be done on the speak up processes organisations have in place.**

³² 2008 question wording: “Did you report any of your concerns to management or another appropriate person?”

Table 13 Were you satisfied with the outcome? (Q4d)

	Base	63 %
Yes		70
No		30

Base: 63 British full-time workers who were aware of misconduct in the last year and reported their concerns.

A question was asked to identify employees' reasons for not reporting their concerns (49% of the 130 respondents who were aware of misconduct). As found in the 2008 Survey, in 2012 **the top two principal reasons for not raising a concern were "It's none of my business" and "I didn't believe corrective action would be taken" by the organisation** (see Table 14).

Table 14 What was your main reason for not raising your concern? (Q4e)

	Base	2008 72 %	2012 67 %
It's none of my business		20	29
I didn't believe corrective action would be taken		19	24
I felt it might jeopardise my job		9	14
I felt I might alienate myself from colleagues		14	13
I felt I would be seen as a troublemaker by management		9	11
Other: Raised by someone else		-	7*
Everybody's doing it		16	5*
Other: They already knew about it		-	4
I didn't know whom to contact		-	3
Other		10	8
Don't know		16	1*

Base: British full-time workers who were aware of misconduct in the last year and did not raise their concern. Caution: Indicative findings due to small base sizes.

Multiple answers: respondents could specify more than one reason for not raising a concern.

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

That almost a third of those aware of misconduct who did not report it (29%), did not speak up because they felt it was none of their business, suggests **organisations are not yet effectively communicating to employees that 'ethics is everyone's responsibility'** and that it is important to raise any concerns they may have, no matter how insignificant or unrelated to them the misconduct may seem. Employees also require assurance that their organisation will support them if a concern is raised 'in good faith' i.e. without malicious intent, so that employees feel confident they will be protected from retaliation.

"It's none of my business" was closely followed as a reason by "I didn't believe corrective action would be taken" with 24% of those aware of misconduct who did not report it saying this was the main reason for not raising their concern. This perception may be as a result of **poor communication** in the organisation, regarding whether and what action is taken when employees do raise a concern. **Alternatively, it may indicate that organisations are actually not taking adequate action** when employees bring misconduct to their attention. Senior leaders' words and more importantly their actions, can reinforce the importance of addressing misconduct for the organisation.

Cultivating an atmosphere where employees feel comfortable to raise ethical issues without **fear of retaliation** is an aspiration that is difficult to achieve. The third most cited reason for not raising a concern reflects this fear – “I felt it might jeopardise my job”.

There was a significant decrease in the proportion of employees who did not raise concerns because “Everybody’s doing it” – from 16% in 2008 to 5% in 2012. This could suggest that actual incidences of misconduct in organisations have declined.

The US Ethics Resource Center (ERC) conducts a biennial National Business Ethics Survey (NBES)³³ of full-time employees similar to the IBE British Ethics at Work Survey. The questions are worded slightly differently and the NBES considers only private sector employees (the IBE British Ethics at Work Survey includes both public and private sector), so the findings are not directly comparable. The US findings are summarised here for general interest purposes.

The most recent US NBES surveyed 4,683 employees in 2011. The NBES found that 45% of US employees personally witnessed conduct violating company ethics standards, policy or the law. The 45% proportion is an historic low in the ERC survey. The most frequently cited types of misconduct observed by US private sector workers were: misuse of company time (33%), abusive behaviour (21%), lying to employees (20%) and company resource abuse (20%).

In contrast to the IBE British Ethics at Work Survey, the US survey found reporting of misconduct was at a record high in 2011 (65%). However, of the US employees who had reported misconduct, 22% said they had experienced some form of retaliation (an all time high) and 19% said it was “not safe” to question management without fear of retaliation. This suggests that retaliation towards those who speak up is an ongoing problem for organisations in the US also.

B. Toward an ethical culture

For employees to be able to make decisions and behave in a way that is consistent with their organisation’s ethical values, there needs to be in place a supportive atmosphere, normally referred to as ‘culture’. The role of senior leadership in setting a ‘culture of integrity’ through their words and actions is recognised. The term ‘tone from the top’ for example, is increasingly common within the business ethics and corporate responsibility field. Yet an ethical culture cannot be cultivated unless there is buy-in from all levels of management. Most employees will have little or no contact with the senior leaders of their organisation. Rather, they interact with their line manager on a daily basis. Line managers are direct role models for their employees and set the tone and example more locally in an organisation. It is therefore important to consider the behaviour of line managers when trying to understand the culture of an organisation. This is increasingly being referred to as ‘tone from the middle’.

To explore this in more detail, respondents were asked their opinion about a number of behaviours which could be regarded as ‘indicators’ of ethical culture (see Table 15).

³³ Ethics Resource Center (2011) *National Business Ethics Survey: workplace ethics in transition*. Sample base: 4,683 private sector employees aged 18 years and above. Fieldwork was conducted through an online survey (two thirds of respondents) and telephone interviews (one third of respondents) from 15th – 29th September 2011. Available at: http://www.ethics.org/nbes/?utm_source=NBES+Research+Report+-+Reporting+Release&utm_campaign=Reporting+Release&utm_medium=email

There are eight indicators which fall into the following categories:

- Perceptions of management behaviour (A, C and D)
- Perceptions of communication of ethical standards (B and H)
- Perceptions of the enforcement of ethical standards (E)
- Perceptions of responsible business conduct (F and G).

Table 15 Agreement with aspects of ethical culture (Q6)

To what extent do you agree with the following? ³⁴ (Q6)	2008 Agree	2012 Agree	2012 Disagree
<i>Base</i>	791 %	665 %	665 %
A Overall, my line manager sets a good example of ethical business behaviour	71	72	8
B My line manager explains the importance of honesty and ethics in the work we do	64	63	11
C My line manager rewards employees who get good results even if they use practices that are ethically questionable*	24	26	41
D My line manager supports me in following my organisation's standards of ethical behaviour	66	67	7
E My organisation disciplines employees who violate my organisation's ethics standards	69	72	6
F My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)	77	81	5
G My organisation lives up to its stated policy of social responsibility	76	78	6
H Issues of right and wrong are discussed in staff meetings	60	66**	11

* Note that C is a lone negative statement and so is not included in subsequent analysis.

** Statistically significant differences at the 95% level of confidence compared with 2008 findings.

In the 2012 British Ethics at Work Survey, **at least 60% of respondents agreed with each of the seven positive statements**. There is little change in employees' perceptions of ethical culture in their organisation since 2008, apart from a significant increase in the proportion of employees agreeing that "Issues of right and wrong are discussed in staff meetings" (66% in 2012 compared to 60% in 2008).

Option C is a negative statement and therefore is not included in subsequent analysis in this report. Less than half (41%) of employees disagreed that their line manager rewards performance even if ethically questionable practices are used. However, a quarter (26%) agreed that their line manager does so (option C).

³⁴ Response categories were combined as follows: "Strongly agree" & "Tend to agree" = Agree; "Tend to disagree" & "Strongly disagree" = Disagree.

A survey of UK employees by the Chartered Institute of Personnel and Development in 2011³⁵ found that:

- Sixty eight percent of employees feel their line managers are always/usually committed to the organisation.
- Sixty eight percent believe their line managers treat them fairly.
- Sixty one percent say their line manager is supportive.
- Fifty six percent believe their line manager is open and honest.

In the IBE 2012 British Ethics at Work Survey, overall **those in a managerial/supervisory role were significantly more likely to agree with the aspects of ethical culture** set out in Table 15. Specifically, managers/supervisors were more likely to agree that their own line manager:

- “Sets a good example of ethical business behaviour” (76% of managers/supervisors compared to 72% of the total sample).
- “Explains the importance of honesty and ethics” (69% of managers/supervisors compared to 63% of the total sample).
- “Supports me in following ethical standards” (74% of managers/supervisors compared to 67% of the total sample).

A greater proportion of managers/supervisors also felt that their “Organisation acts responsibly in all its dealings” (87% of managers/supervisors compared to 81% of the total sample), that their “Organisation lives up to its policy of social responsibility” (85% of managers/supervisors compared to 78% of the total sample) and that “Issues of right and wrong are discussed in staff meetings” (75% of managers/supervisors compared to 66% of the total sample).

C. Ethical culture and employee behaviour

By comparing the data for the questions on ethical culture (Question 6) and perceptions of behaviour (Questions 3, 4a & 7a), it is possible to identify whether there is a link between the two. However, the comparisons cannot determine whether there is a ‘cause and effect’ relationship between ethical culture and employee’s perception of behaviour in the workplace.

Honesty Table 16 shows that respondents **agreeing with a statement regarding ethical culture** were **significantly more likely** than those in the total sample to say that honesty is practiced **“Always”** or **“Frequently”** in their organisation’s daily operations.

³⁵ Chartered Institute of Personnel and Development (2012) *Autumn 2012 Employee Outlook*. Sample base: 2,068 UK employees. Fieldwork was conducted using online surveys from 1st – 9th October 2012. Respondents were asked: “To what extent does your immediate supervisor/manager or boss always or usually do each of the following?”

Table 16 Comparing indicators of ethical culture with perceptions of honest business conduct (Q6 vs. Q3)

Total sample agreeing that honesty is practiced (Q3)	<i>Base</i> 665	Always/Frequently % 84	
Those agreeing with the statements below and also feeling that honesty is practiced:			
A Overall, my line manager sets a good example of ethical business behaviour	474	89	
B My line manager explains the importance of honesty and ethics in the work we do	410	89	
D My line manager supports me in following my organisation's standards of ethical behaviour	444	91	
E My organisation disciplines employees who violate my organisation's ethics standards	466	88	
F My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)	531	89	
G My organisation lives up to its stated policy of social responsibility	508	89	
H Issues of right and wrong are discussed in staff meetings	431	88	

Note: Only statistically significant data is included.

Pressure to act unethically

Table 17 shows that respondents who **disagreed** with each of the positive statements in Table 15 are **significantly more likely to say that they felt pressured** to compromise ethical standards in their organisation. This suggests that in organisations with a 'weak' ethical culture, employees are more likely to feel such pressure.

Table 17 Comparing indicators of ethical culture and pressure to compromise ethical standards (Q6 vs. Q7a)

Total sample feeling pressure to compromise their organisation's ethical standards (Q7a)	<i>Base</i> 665	Yes/Sometimes % 9	
Those disagreeing with the statements below and also feeling pressure:			
A Overall, my line manager sets a good example of ethical business behaviour	55	41	
B My line manager explains the importance of honesty and ethics in the work we do	81	36	
D My line manager supports me in following my organisation's standards of ethical behaviour	46	40	
E My organisation disciplines employees who violate my organisation's ethics standards	43	31	
F My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)	34	45	
G My organisation lives up to its stated policy of social responsibility	39	47	
H Issues of right and wrong are discussed in staff meetings	75	25	

Caution: Indicative findings due to small base sizes.

Note: Only statistically significant data is included.

Awareness of ethical misconduct Table 18 shows that respondents who perceive traits of a ‘weak’ ethical culture are significantly **more likely to be aware of misconduct** in their organisation in the last year than the total sample.

Table 18 Comparing indicators of ethical culture and awareness of misconduct in the last year (Q6 vs. Q4a)

Total sample aware of misconduct? (Q4a)	Base	Yes %	
	665	20	
Those disagreeing with the statements below and also being aware of misconduct:			
A Overall, my line manager sets a good example of ethical business behaviour	55	61	
B My line manager explains the importance of honesty and ethics in the work we do	81	47	
D My line manager supports me in following my organisation’s standards of ethical behaviour	46	54	
E My organisation disciplines employees who violate my organisation’s ethics standards	43	45	
F My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)	34	65	
G My organisation lives up to its stated policy of social responsibility	39	62	
H Issues of right and wrong are discussed in staff meetings	75	45	

Caution: Indicative findings due to small base sizes.

Note: Only statistically significant data is included.

D. Comparing Supportive and Unsupportive Employer cultures

Employees were grouped into two cohorts based on their aggregated responses to Question 6 on the indicators of an ethical culture. Employees that agreed with all of the seven positive statements in Question 6³⁶ (see Table 15) were grouped as having an employer that created a culture supportive of ethical values (Supportive Employer). **Forty two percent of the sample fell into the Supportive Employer group.** Where employees disagreed with three or more statements, this group was considered as working for an employer that did not create a culture that supports ethics (Unsupportive Employer). **Five percent of the sample fell into the Unsupportive Employer group.**

Table 19 indicates that there is a link between working in a supportive ethical culture and:

- Higher perceptions of honesty in the workplace
- Lower pressure to behave unethically
- Higher levels of reporting of misconduct among those who are aware of it
- Higher levels of unacceptability of some petty workplace behaviours and higher levels of rejection of “petty fiddling” among managers/supervisors.

This is consistent with the 2008 Survey findings, suggesting **there is an ongoing link between a culture of integrity and ethical performance in organisations.**

³⁶ Apart from C which is a negative statement.

Table 19 Comparing strength of ethical culture with perceptions and attitudes

	Total (Base 665) %	Supportive Employer (Base 274) %	Unsupportive Employer* (Base 35) %
Perceptions of ethical behaviour in organisations			
Honesty practiced (always/frequently)	84	94	52
Honesty practiced (occasionally/rarely/never)	14	5	48
Felt pressured to compromise ethical standards (no)	90	96	49
Felt pressured to compromise ethical standards (yes/sometimes)	9	4	53
Awareness of misconduct (yes)	20	-	70
Among those aware: Reporting of misconduct (yes)	(Base 130) 51	(Base 51) 66	(Base 25)* 24
Ethical attitudes to workplace practices			
Unacceptable			
Taking pens and pencils from work	58	64	-
Taking software home	84	90	61
Taking a 'sicky'	80	84	-
Favouring family or friends when awarding contracts or recruiting	85	89	-
Disagree (managers/supervisors only)	(Base 305)	(Base 145)	(Base 11)*
Petty fiddling and pilfering is inevitable in a modern operation – you just have to make allowances in your costings	55	65	-
If we cracked down on every little fiddle we'd soon find we had no staff and probably no suppliers as well	44	51	-
As long as I come in on time and within budget I'm not going to worry about a bit of petty fiddling	60	68	-
It is acceptable to artificially increase profits in the books as long as no money is stolen	77	84	-

*Caution: Indicative findings due to small base sizes.

(-) Indicates comparison with total sample is not statistically significant.

Note: Only statistically significant data is included.

These findings suggest that:

- **Supportive Employer cultures are linked with higher perceptions of honest conduct** in the organisation. Unsupportive Employer cultures seem to be linked with lower perceptions of honesty in the workplace.
- In organisations with a **Supportive Employer culture**, employees experience **less pressure to compromise ethical standards**. In Unsupportive Employer cultures, employees seem to experience more pressure to act unethically.
- Employees working in an **Unsupportive Employer culture** seem more likely to be **aware of unethical conduct**.
- Employees working in a **Supportive Employer culture** who are aware of unethical conduct appear to be **more willing to report** it and are generally more ethical in their attitudes towards a range of workplace practices.
- **Managers/supervisors working in a Supportive Employer culture generally are more ethical in their attitudes** towards a range of "petty fiddling" and other workplace practices.

3

Assistance for Employees on Ethical Matters

Assistance

Highlights

- Three quarters (73%) of employees say their organisation provides written standards of ethical business conduct and two thirds (69%) say their organisation provides anonymous speak up channels.
- Over half of respondents say their organisation provides an advice or information helpline (58%) and a similar proportion say ethics training is provided (62%).
- The proportions saying their organisation provides each of written standards, speak up mechanisms, advice helplines and ethics training have significantly increased from 2008.
- There are indications that having these aspects of a formal ethics programme in place is linked to higher perceptions that honesty is practiced in the organisation “Always” or “Frequently” and to having an ethical culture.
- Employees in organisations that provide ethics training are significantly less likely to say they have felt pressured to compromise ethical standards. Employees in organisations that train their employees on ethical standards are also significantly more likely to report misconduct of which they have been aware.
- A third of managers/supervisors (32%) state that their organisation provides incentives for them to live up to the organisation’s ethical standards. Performance according to ethical standards is most commonly taken into account in annual appraisal scoring, assessing bonus payments and salary increases (although the latter two are less prominent than in 2008).

When employees are given guidance as to the application of their organisation’s core values in the day-to-day working environment, it can help to reduce its ‘integrity risk’. This is the risk of something ‘going wrong’ in an organisation and subsequently damaging its reputation for acting with integrity and potentially, its financial performance. An organisation that does little to embed ethical values and commitments into the way it works may be exposed to integrity risk.

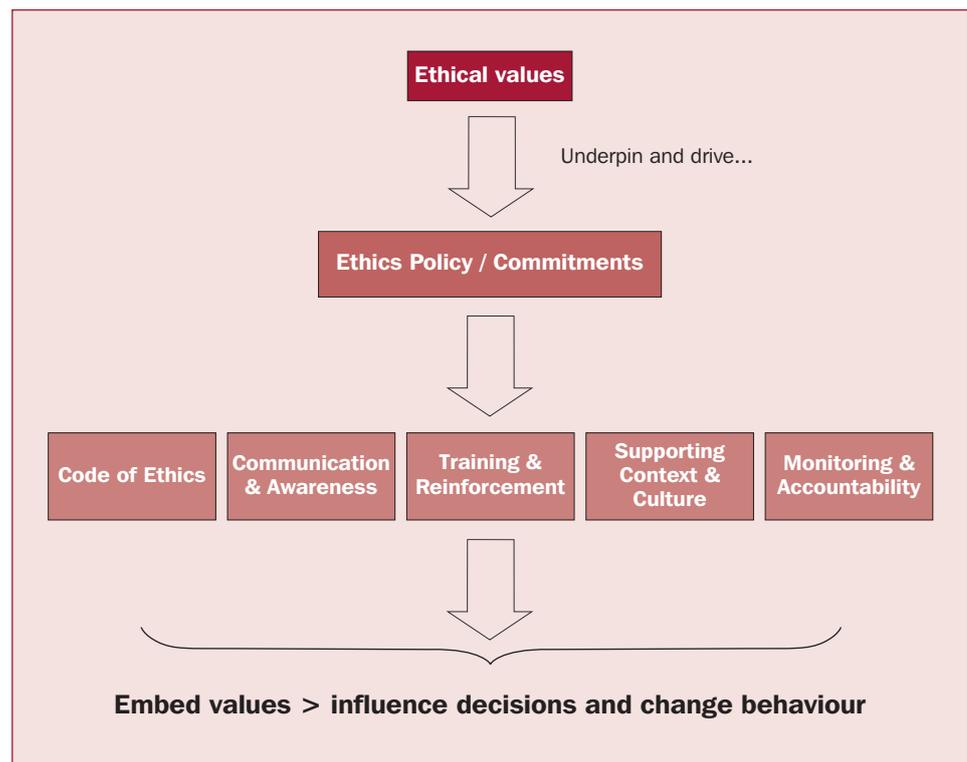
This chapter explores employees’ views as to whether they feel their organisation has such guidance in place i.e. do they feel supported by their organisation to behave ethically when at work? One question in the Survey focused on the formal aspects of an ethics programme. A second question considered the ways in which managers/supervisors are incentivised to behave ethically.

A. Formal ethics programmes

In the global CGMA survey of finance professionals,³⁷ 80% of respondents said their organisation provides guidance on ethical behaviour based on core corporate values. Often an organisation's primary means of providing guidance and support for employees is through a code of ethics (or equivalent document, such as 'Business Principles'). In the last four years, codes of ethics have become a standard feature of corporate ethics programmes. For example, informal IBE research in 2012 found that 92 of FTSE100 companies have a code of ethics (or the equivalent). Most of these codes are publically available and/or referenced on the company website and in Annual and Corporate Social Responsibility reports.

A code of ethics in itself is not sufficient to drive corporate and individual ethical behaviour. To embed ethical values into an organisation's way of working requires additional 'tools' to support the guidance set out in the code. These tools include for example, a speak up mechanism for employees to raise concerns about misconduct confidentially, an advice helpline and training on ethical issues and decision making.³⁸ Together these form the main (but by no means all) aspects of an ethics programme. The IBE's framework for an organisation to embed ethical values into its culture and way of working is set out in the diagram below.

Figure 2 IBE model of an effective ethics programme



To establish the extent to which organisations are seeking to embed ethical values, British employees were asked: "Does your organisation provide information and assistance with regard to acting ethically?"

³⁷ Chartered Global Management Accountants (2012) *op. cit.* Sample base: 1,966 financial professionals globally. Fieldwork conducted late 2011 – early 2012. Respondents were asked: "Does your organisation provide a code of ethics or similar document to guide staff about ethical standards in their work?"

³⁸ This following publications support this statement: Chartered Global Management Accountants (2012) *Managing Responsible Business: a global survey on business ethics*; Ethics Resource Center (2011) *National Business Ethics Survey: workplace ethics in transition*; Webley S & Werner A (2009) *Employee Views of Ethics at Work: The 2008 national survey*, IBE and Language & Culture Worldwide (2010) *2009-10 Global Ethics & Compliance Programmes – best practices and benchmarking*.

Table 20 shows that in 2012, **almost three quarters of full-time workers said their organisation provides written standards of ethical business conduct (73%)** and a **similar proportion said it provides anonymous speak up channels (69%)**. **Over half** said that their organisation provides an **advice or information helpline (58%)** and a similar proportion said it **provides ethics training (62%)**.

Table 20 Does your organisation provide information and assistance with regard to acting ethically? (Q5)

	Base	2005	2008	2012		
		Yes %	Yes %	Yes %	No %	Don't know %
		759 %	791 %		665 %	
A	Does your organisation have any written standards of ethical business conduct, for example a code of ethics, a policy statement on ethics or guidance on proper business conduct, that provide guidelines for your job?	65	66	73*	23	3
B	Does your organisation provide employees with a way to report misconduct anonymously, without giving their name or other information that could easily identify them?*	52	54	69*	27	5
C	Does your organisation offer advice or an information helpline where you can get advice about behaving ethically at work?	47	49	58*	37	4
D	Does your organisation provide training on standards of ethical conduct?	50	55	62*	34	4

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

**Hereafter referred to as a 'speak up' mechanism.

Compared to 2008 **there has been a significant increase in the proportion of workers reporting that their organisation provides each of these four aspects of an ethics programme**. The largest increase (by 15 percentage points) was in the level of provision of a speak up or anonymous reporting mechanism. This may reflect the response to the UK Bribery Act which advises organisations to have such a mechanism in place. Managers/supervisors (69%) were significantly more likely to say their organisation provides training on standards of ethical conduct than the total sample (62%).

Employees who said their **organisation provided one of the ethics programme aspects** identified in Table 20 were significantly **more likely to say their organisation also had in place the remaining three aspects**. For example, of those employees who said their organisation provides written standards of conduct, 84% also said a speak up mechanism is provided (compared to 69% of total sample), 72% said an advice helpline is in place (compared to 58% of total sample) and 79% said their organisation provides ethics training (compared to 62% of total sample).

The ERC NBES³⁹ also asks US employees about the provision of guidance and support mechanisms for acting ethically in their organisation (see Box 3). It is not possible to draw statistically robust comparisons between the IBE 2012 British Ethics at Work Survey and 2011 ERC NBES Survey. However there is some indication that formal ethics programmes appear more commonplace in organisations in the US than those in Britain. The Federal Sentencing Guidelines

³⁹ Ethics Resource Center (2011) *op. cit.*

for Organisations which came into effect in 1991 recommend having such mechanisms in place to deter employee misconduct and incentivise companies through sentencing guidelines to self-police and set high ethical standards.⁴⁰

Statistics on views globally on the presence of formal ethics programmes in organisations, suggest that organisations in Britain may be exceeding the global benchmark in most areas. In the CGMA research, 80% of respondents said their organisation provided a written code; 57% that it trained employees; 49% said it provided a reporting hotline and 44% said their organisation provided an advice helpline.⁴¹

Box 3 US employees' views on the prevalence of ethics and compliance programmes in their companies

The percentage of US employees saying their organisation provides:

- Written standards for ethical conduct: 82%
- Training on company standards of ethical workplace conduct: 76%
- Provision of a mechanism for seeking ethics-related advice or information: 68%
- Provision of a mechanism for reporting misconduct anonymously: 77%.

Source: Ethics Resource Center, *2011 National Business Ethics Survey*.
Available at: www.ethics.org

B. Does a formal ethics programme make a difference to employee behaviour?

Having an ethics programme in place helps embed ethical values into organisational culture. However, it cannot be guaranteed that it will influence behaviour at all levels. To shed light on this, comparisons were made to establish if there is a **relationship between the existence of a formal ethics programme** (Question 5) and **perceptions of ethical behaviour** in the organisation (Questions 3, 4a & 7a). Although cause and effect relationships cannot be identified, it is possible to suggest links.

The following three tables indicate that the presence of aspects of an ethics programme is linked with:

- Perceptions of honest business practices
- Fewer perceptions of pressure to compromise ethical standards
- Awareness of unethical conduct.

First, is there a link between having an ethics programme in place and an enhanced degree of honesty being practiced in the workplace? Table 21 shows that significantly higher proportions of those respondents who said their organisation had each of the four aspects of a **formal ethics programme in place also said that honesty is practiced “Always” or “Frequently”** in their organisation.

⁴⁰ Available at: <http://fsgo.ethics.org/FSGO>

⁴¹ Chartered Global Management Accountants (2012) *op. cit.* Sample base: 1,966 financial professionals globally. Fieldwork conducted late 2011 – early 2012. Respondents were asked: “Does your organisation provide...”

Table 21 Formal ethics programme in place and honest business conduct (Q5 vs. Q3)

Is honesty practiced? (Q3)	Base	Always/Frequently %
Total sample	665	84
Written standards	477	88
Speak up mechanism	443	88
Advice helpline	376	87
Training	403	88

Note: Only statistically significant data is included.

Table 22 shows that a significantly higher proportion of those employees who said their organisation had an **advice helpline did not feel pressure to compromise the organisation’s ethical standards**, compared to the total. The same is true for those employees whose organisations were said to provide **ethics training**. Written standards or having a speak up mechanism in place made no significant difference to employees’ perceptions of pressure in their workplace.

Table 22 Formal ethics programme in place and perception of pressure to compromise ethical standards (Q5 vs. Q7a)

Felt pressure to compromise ethical standards (Q7a)	Base	No %	Yes/Sometimes %
Total sample	665	90	9
Written standards	477	91	8
Speak up mechanism	443	92	8
Advice helpline	376	93*	6*
Training	403	93*	7*

*Statistically significant differences at the 95% level of confidence.

Table 23 considers the link between the presence of formal ethics programmes and awareness of unethical conduct. The data indicates that in organisations said to have **written standards on ethics, employees are more likely to be aware of misconduct** than the total sample. This may not mean levels of actual misconduct are higher in organisations with a code of ethics. Rather, awareness and recognition of unethical conduct may be **higher as employees have been provided with explicit guidance** that sets out the standards the organisation expects of their employees.

There was no significant relationship between the other aspects of a formal ethics programme (speak up mechanism, advice helpline and training) and awareness of misconduct.

Table 23 Formal ethics programme in place and awareness of unethical conduct (Q5 vs. Q4a)

Have you been aware of misconduct? (Q4a)	Base	Yes %
Total sample	665	20
Written standards	477	22*
Speak up mechanism	443	19
Advice helpline	376	20
Training	403	20

*Statistically significant differences at the 95% level of confidence.

Another indicator of whether an ethics programme has been effective in embedding ethical values into organisational culture is the degree to which employees feel free to raise concerns. Analysis of the responses to Questions 5 and 4c found there was a **statistically significant link only between the provision of ethics training and the level of reporting**. In organisations said to have ethics training, 62% of employees who had been aware of misconduct reported their concerns, compared with 51% of the total of those who were aware of misconduct. This finding demonstrates the benefits of ethics training for staff.

Whilst it is important for organisations to provide employees with a means to speak up, this is of little use if employees don't feel comfortable using such mechanisms. Training helps reinforce the support of the organisation, perhaps giving employees the confidence to report ethical concerns.

Lastly, the data was analysed to identify if there were any links between the presence of a formal ethics programme (Question 5) and indicators of ethical culture (Question 6). Table 24 shows that those **respondents who said their organisation has each aspect of a formal ethics programme in place consistently scored their organisation significantly higher on all eight indicators of ethical culture** (see Table 15 for the full wording of the statements in Question 6). This indicates that having a formal ethics programme in place may reinforce an ethical culture.

Table 24 Formal ethics programmes and indicators of ethical culture (Q5 vs. Q6)

	Manager sets an example [agree]	Manager explains importance [agree]	Manager rewards unethical behaviour [disagree]	Manager supports me on ethics [agree]	Org disciplines unethical behaviour [agree]	Org acts responsibly [agree]	Org lives up to social responsibility [agree]	Issues of right and wrong are discussed in meetings [agree]
Total sample (Base 665)	72 %	63 %	41 %	67 %	72 %	81 %	78 %	66 %
Written standards (Base 477)	82	73	46	79	83	90	87	76
Speak up mechanism (Base 443)	82	72	46	78	84	89	87	75
Advice helpline (Base 376)	82	77	44*	82	83	90	88	78
Training (Base 403)	84	78	46	82	87	91	90	80

* No statistically significant difference at the 95% level of confidence. See Table 15 for the full question wording.

C. Incentives for ethical behaviour

Research suggests employees who violate their organisation's ethical standards often do so as a result of organisational factors that create pressures to behave unethically, rather than themselves being unethically.⁴² An ethics programme is a key driver for an ethical culture – but to be effective in embedding ethical values, it requires an organisation as a whole to 'pull' in the same direction vis-à-vis ethics. Integrating ethical behaviour into incentive schemes is one way to embed ethics across an organisation's way of working.

⁴² Fuerst M & Schotter A (2011) "Strategic Integrity Management as a Dynamic Capability" in Wilkinson T (ed) *Management in the 21st Century*, (2013 forthcoming), Praeger Publishers. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2064981

In 2008, the IBE British Ethics at Work Survey asked managers/supervisors for the first time, whether their organisation had schemes in place to incentivise managers to behave ethically. Table 25 shows there has been little significant change in the use of incentives to encourage ethical behaviour in managers/supervisors since 2008, with **about a third of respondents in a managerial/supervisory role (32%) saying their organisation has an ethics incentive scheme in place**. Managers/supervisors who work for a Supportive Employer (see Chapter 2 Section D) were significantly more likely to say their organisation provides incentives to live up to ethical standards (39% compared to 32% of the total sample).

Table 25 Does your organisation provide incentives to managers to live up to the organisation’s ethical standards? (Q10a)

	Base	2008 332 %	2012 305 %
Yes		33	32
No		58	63
Don’t know		9	4*

Base: British full-time managers/supervisors.

* Statistically significant differences at the 95% level of confidence compared with 2008 findings.

The data was also analysed to identify if there were any links between the presence of a formal ethics programme (Question 5) and the provision of ethics incentives for managers/supervisors (Question 10a). Managers/supervisors who said their **organisation had an ethics programme** (a code of ethics, speak up mechanism, advice helpline or ethics training) were **significantly more likely in each case to say their organisation also provided ethics incentives** for managers/supervisors, compared to the total sample (see Table 26). This suggests that incentive schemes are becoming a part of organisations’ approach to embedding ethical values into their culture.

Table 26 Formal ethics programmes and incentives to managers to live up to the organisation’s ethical standards (Q5 vs. Q10a)

Provision of incentives (Q10a)	Base	Yes %
Total sample	305	32
Written standards	228	36
Speak up mechanism	201	37
Advice helpline	177	42
Training	203	40

Base: 305 British full-time employees in a managerial/supervisory role.

Note: Only statistically significant data is included.

Managers/supervisors who said their organisation provides incentives to help them to live up to its ethical standards were asked what form those incentives took (see Table 27). As in 2008, the **two most frequently cited types of incentive were the consideration of ethical behaviour in annual appraisal scoring and in assessing bonus payments**. Box 4 provides an example of how one company, Novartis, use financial incentives for ethical behaviour.

However, there was a significant **decrease in the proportion of managers/supervisors in organisations providing incentives who said their organisation uses bonus payments** as an incentive for ethical behaviour (33% in 2012 compared to 49% in 2008). In 2012, it seems that organisations are also significantly less likely to incentivise ethical conduct for managers/supervisors through salary increases than in 2008. The decline in the use of financial incentives may reflect the economic context at the time of this Survey.

Table 27

	2008 %	2012 %
Base	103	101
Part of annual appraisal scoring	39	35
Taken into account in assessing bonus payments	49	33*
Salary increases	36	24*
Public commendation	23	16
Other	3	6
Don't know	10	5

Base: British full-time managers/supervisors whose organisation provides incentives.

*Statistically significant differences at the 95% level of confidence compared with 2008 findings.

Box 4 What are the incentives? (Q10b)

Novartis is a Swiss-based multinational pharmaceutical company. It has developed an advanced incentive system to help embed ethical behaviour and to demonstrate to employees the importance the Company places on adherence to Novartis' values and on ethics. This system is a crucial part of the Novartis Integrity & Compliance Programme.

Novartis has developed an incentives system that rewards staff depending on how well they meet both company targets and company values. The system has been developed in such a way that integrates incentives for values-based and ethical behaviour into Novartis' wider business strategy, so ethics is not an 'add-on' but becomes a core part of the Company's governance processes and performance objectives.

Performance is assessed according to whether employees meet their targets and whether they behave in line with company values. Employees' performance is 'scored' out of three (1 being the lowest and 3 being the highest) in both of these areas. Employees are expected to meet company values in their behaviour when trying to achieve business objectives. This is reflected in the reward system; employees can only receive the upper limits of remuneration rewards (salary increase and annual bonus pay out) if they are judged to have met the highest expectations of ethical behaviour (a score of 3). If an employee exceeds expectations in meeting business objectives (a score of 3) but only meets the lowest level of behaviour in line with company values (a score of 1) they will have a total score of 3/1 and remuneration will be low.⁴⁴

The evaluation of an employee's performance in both dimensions also impacts career progression and development plans. This represents another incentive for values-based behaviour by integration into relevant management processes.

⁴³ For more information see Fuerst M & Schotter A (2011) *op. cit.*

⁴⁴ See also the Novartis publication: *Integrity & Compliance at Novartis* (30th August 2012). Available at: http://www.novartis.com/downloads/corporate-responsibility/resources/publications/Integrity_and_compliance.pdf

These findings suggest that:

- **A formal ethics programme is a key ingredient for developing an organisational 'culture of integrity'** and this is increasingly being recognised, with a significantly higher proportion of British workers reporting their organisation has aspects of such a programme in place compared with 2008.
- **Ethics training is an effective way for organisations to support employees and reinforce their 'ethics message'**. Employees who said their organisation provides ethics training are significantly more likely to say that they did not feel pressure to compromise ethical standards and were more likely to have reported misconduct they had been aware of.
- A third of managers/supervisors say their organisation incentivises managers to encourage ethical behaviour, most commonly through their appraisal. The **use of financial incentives is less common** in 2012 than in 2008.

Conclusions

Conclusions

This third IBE British Ethics at Work Survey explored British employees' attitudes and perceptions of ethical standards and behaviour in their workplace. The results presented in this report provide an overview of ethical practice in organisations in Britain today.

In the context of current public distrust in business (as outlined in the Introduction), this Survey conversely has found that the majority of employees have a positive view of ethics in their workplace, with 84% saying honesty is practiced "Always" or "Frequently".

- British employees are generally more likely to say that they have not been aware of misconduct in their workplace in the past year.
- Employees are less likely to have felt pressured to compromise ethical standards in their place of work.
- The findings suggest that organisations are taking ethics more seriously than four years ago. For instance, significantly higher proportions of employees said their organisation has each of four aspects of a formal ethics programme in place compared to 2008.

There are clear suggestions that a culture underpinned by ethical values, which is reflected for example in having a formal ethics programme, is linked to higher standards of ethical behaviour. In light of a number of high profile corporate scandals in 2012⁴⁵ it is more important than ever for organisations to be aware of this link and to act on it.

The following comments, based on some interesting observations from the IBE 2012 British Ethics at Work Survey findings, can be made:

- There are indications that the current economic climate in Britain (as discussed in the Introduction) is having an impact on the way organisations operate. For example:
 - The significant decrease in the proportion of managers/supervisors (in organisations providing incentives) who say that financial incentives are being offered for ethical behaviour.
 - The three most commonly experienced types of pressures for employees to compromise ethical standards are "Pressure to meet unrealistic business objectives/targets", "The prevalence of unethical practices" and "Being asked to take short cuts".

⁴⁵ For example the Libor rate-rigging scandal involving UK Banks, see: <http://www.bbc.co.uk/news/business-18677356>; the Leveson Inquiry into the News International hacking, see: <http://www.bbc.co.uk/news/uk-17811901>; and tax avoidance scandals involving British companies such as Vodafone, Barclays and Alliance Boots, see: <http://www.guardian.co.uk/business/series/tax-gap>.

- As suggested in the Introduction, one explanation of some 2012 Survey results could be the impact of the UK Bribery Act. For example, there has been a significant increase between 2008 and 2012 in the provision of each of the four aspects of an ethics programme (written standards, advice helpline, speak up mechanism and ethics training). This could reflect how some organisations operating in Britain are interpreting the Act's "Adequate procedures", which an organisation can put in place as a defence to guard against prosecution under the offence of failure to prevent bribery.
- "Stealing" remains the most frequently mentioned type of misconduct amongst employees aware of misconduct. However, there has been a significant increase in the proportion of employees saying they have been aware of "Discrimination" at work in the past year.
- Half of employees who were aware of misconduct did not speak up and report it. This indicates that organisations have some way to go in creating a supportive culture for employees to feel comfortable to raise their concerns.
- The two main reasons for not reporting misconduct were attitudes of indifference ("It's none of my business") and the belief that no corrective action would be taken. It does appear that more organisations need to demonstrate to employees that reporting of misconduct is taken seriously and, if necessary, corrective action is taken. At the same time, employees need to be made to feel comfortable about speaking up and to be assured retaliation will not be accepted. To be effective, speak up mechanisms need to be supported by a culture whereby all employees, and not only managers, see it as their responsibility to care about ethical standards.

The Survey findings can give organisations some direction when considering how to introduce and, more importantly, sustain a 'culture of integrity'. Individual organisations will be able to use the data to benchmark their ethical culture and performance against the 'national average' presented here.

The IBE British Ethics at Work Questionnaire

Appendix 1

British Ethics at Work Survey 2012
Institute of Business Ethics
January/February 2012

All questions to be asked among GB adults, in full-time work

I would now like to ask you some questions about situations that might happen at work.

ASK ALL FULL-TIME WORKERS

Q1 SHOWCARD (R) Jim takes a taxi to a business meeting. At the end of the cab journey - which costs £6 including tip – the cab driver offers Jim a receipt for £6 or a blank receipt. Jim accepts the blank receipt, fills it in for £7.50 and claims it on expenses. Which of the following reflects your view of Jim's conduct? **SINGLE CODE ONLY**

A It's acceptable to take the blank receipt and fill it in for £7.50 – its only £1.50 and everyone does it.	1
B Jim should have accepted the receipt for £6 and claimed that amount.	2
C Jim should have taken public transport and saved his employer the money.	3
No opinion	4

ASK ALL FULL-TIME WORKERS

Q2 SHOWCARD (R) I am going to read out some things which have happened in workplaces. In which category would you personally place each one...? **SINGLE CODE ONLY FOR EACH. ROTATE ORDER**

	Totally Acceptable	Fairly Acceptable	Not very Acceptable	Totally Unacceptable	Don't Know
A Taking pencils & pens from work	1	2	3	4	5
B Taking software home	1	2	3	4	5
C Posting personal mail from work	1	2	3	4	5
D Making personal phone calls from work	1	2	3	4	5
E Using the internet for pleasure in work time	1	2	3	4	5
F Using company petrol for personal mileage	1	2	3	4	5
G Charging personal entertainment to expenses	1	2	3	4	5
H Taking a 'sicky'	1	2	3	4	5
I Minor fiddling of travel expenses	1	2	3	4	5
J Favouring family or friends when awarding contracts or recruiting	1	2	3	4	5

ASK ALL FULL-TIME WORKERS

Q3 SHOWCARD (R) In your organisation's daily operations, would you say that honesty is practiced...? **SINGLE CODE ONLY**

Always	1
Frequently	2
Occasionally	3
Rarely	4
Never	5
Don't know	6

ASK ALL FULL-TIME WORKERS

Q4a During the past year at work, have you been aware of any conduct that you thought either violated the law or your organisation's ethical standards?

Yes	1	ASK Q4b
No	2	GO TO Q5
Don't know	3	

ASK ALL AWARE OF MISCONDUCT (CODE 1 AT 4a). OTHERS GO TO Q5

Q4b What type(s) of misconduct were you aware of?

PROBE AND RECORD FULLY

INTERVIEWER NOTE: IF DISCRIMINATION MENTIONED, PROBE FOR WHETHER CONCERNING RACE, COLOUR, GENDER, AGE, ETC.

Any answer (WRITE IN AND CODE '1')	1
None/no answer	X
Don't know	Y

TO BE USED FOR CODE FRAME IF APPLICABLE – DO NOT PROMPT

- | | |
|--------------------------------|---|
| Abusive behaviour | Foreign origin |
| Lying to employees | Stealing |
| Misreporting hours worked | Sexual harassment |
| Internet abuse | Provision of sub-standard goods and services |
| Safety violations | Improper hiring practices |
| Misleading customers / clients | Environmental violations |
| Discrimination, concerning: | Misuse of confidential information |
| Race | Alteration of documents |
| Colour | Giving or accepting bribes, kickbacks, or inappropriate gifts |
| Gender | Using competitors' confidential information |
| Age | |
| Sexual orientation | |
| Marital status | |
| Religion | |

ASK ALL AWARE OF MISCONDUCT (CODE 1 AT 4a).

Q4c Did you report any of your concerns to management, another appropriate person, or in any other way? SINGLE CODE ONLY

Yes	1	GO TO Q4d
No	2	ASK Q4e
Don't know	3	GO TO Q5

ASK ALL REPORTING THEIR CONCERNS (CODE 1 AT Q4c).

Q4d Were you satisfied with the outcome? SINGLE CODE ONLY

Yes	1
No	2
Don't know	3

ASK ALL WHO DID NOT REPORT THEIR CONCERNS (CODE 2 AT Q4c).
OTHERS GO TO Q5

Q4e What was your main reason for not raising your concern?
DO NOT PROMPT. MULTICODE OK

It's none of my business	1
I felt it might jeopardise my job	2
I didn't believe corrective action would be taken	3
I felt I might alienate myself from colleagues	4
I felt I would be seen as a troublemaker by management	5
I didn't know whom to contact	6
Everybody's doing it	7
Other (Write in)	8
Don't know	9

ASK ALL FULL-TIME WORKERS

Q5 The next few questions relate to the level to which your organisation provides information and assistance with regard to acting ethically. Simply answer 'yes' or 'no'. SINGLE CODE ONLY FOR EACH. ROTATE ORDER.

	Yes	No	Don't know
A Does your organisation have any written standards of ethical business conduct, for example a code of ethics, a policy statement on ethics or guidance on proper business conduct, that provide guidelines for your job?	1	2	3
B Does your organisation provide employees with a way to report misconduct anonymously, without giving their name or other information that could easily identify them?	1	2	3
C Does your organisation offer advice or an information helpline where you can get advice about behaving ethically at work?	1	2	3
D Does your organisation provide training on standards of ethical conduct?	1	2	3

ASK ALL FULL-TIME WORKERS

Q6 SHOWCARD (R) To what extent do you agree or disagree with the following? **SINGLE CODE ONLY. ROTATE STATEMENTS**

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
A Overall, my line manager sets a good example of ethical business behaviour	1	2	3	4	5
B My line manager explains the importance of honesty, and ethics in the work we do	1	2	3	4	5
C My line manager rewards employees who get good results even if they use practices that are ethically questionable	1	2	3	4	5
D My line manager supports me in following my organisation's standards of ethical behaviour	1	2	3	4	5
E My organisation disciplines employees who violate my organisation's ethics standards	1	2	3	4	5
F My organisation acts responsibly in all its business dealings (with customers, clients, suppliers, etc.)	1	2	3	4	5
G My organisation lives up to its stated policy of social responsibility	1	2	3	4	5
H Issues of right and wrong are discussed in staff meetings	1	2	3	4	5

ASK ALL FULL-TIME WORKERS

Q7a Have you felt pressured to compromise your organisation's standards of ethical conduct? **SINGLE CODE ONLY**

Yes	1
No	2
Sometimes	3
Don't know	4

ASK ALL SAYING YES OR SOMETIMES AT 7a (CODES 1 OR 3).
OTHERS GO TO Q8

Q7b What were the pressures on you to act unethically?
PROBE AND RECORD FULLY

Any answer (WRITE IN AND CODE '1')	1
None/no answer	X
Don't know	Y

TO BE USED FOR CODE FRAME IF APPLICABLE – DO NOT PROMPT

- Pressure to meet unrealistic business objectives / deadlines
- Need to follow boss' orders
- Peer pressure/desire to be a team player
- Wanting to help the organisation survive (e.g. against its competitors or spending cutbacks)
- Desire to save one's job
- Desire to save jobs of colleagues
- A sense of loyalty to my organisation
- Advancing the career interests of my manager/supervisor
- Advancing my own career
- Personal financial situation
- Other factors:**
- Lack of consequence if caught
- Lack of resources to get the job done without cutting corners
- Improper training/ignorance that the act was unethical
- Desire to steal from or harm the organisation
- Working in an environment with low morale
- My organisation rewards people based on results not how they have achieved them

ASK ALL FULL-TIME WORKERS - SUPERVISOR SCREENER QUESTION

Q8 For how many people do you have day-to-day management (T 05) responsibility? This could be in terms of supervision, line management or personnel management responsibilities.
SINGLE CODE ONLY

1 - 5	1	ASK Q8
6 - 10	2	
11 - 15	3	
16 - 20	4	
21+	5	
None	6	GO TO NEXT SECTION
Don't know	7	

ASK ALL MANAGERS/SUPERVISORS (CODES 1-5 AT Q8).
OTHERS GO TO NEXT SECTION.

Q9 SHOWCARD (R) To what extent do you agree or disagree with the (T 05) following? SINGLE CODE FOR EACH. ROTATE STATEMENTS

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
A Petty fiddling and pilfering is inevitable in a modern operation – you just have to make allowances in your costings	1	2	3	4	5
B If we cracked down on every little fiddle we'd soon find we had no staff and probably no suppliers as well	1	2	3	4	5
C As long as I come in on time and within budget I'm not going to worry about a bit of petty fiddling	1	2	3	4	5
D There's no real difference between fraud and a bit of expenses fiddling	1	2	3	4	5
E It is acceptable to artificially increase profits in the books as long as no money is stolen	1	2	3	4	5

ASK ALL MANAGERS/SUPERVISORS (CODES 1-5 AT Q8)

Q10a Does your organisation provide incentives to managers to live up to the organisation's ethical standards? SINGLE CODE ONLY

Yes	1	ASK Q10b
No	2	GO TO NEXT SECTION
Don't know	3	

ASK ALL SAYING YES AT Q10a

Q10b SHOWCARD (R) What are the incentives? MULTICODE OK

A Part of annual appraisal scoring	1
B Taken into account in assessing bonus payments	2
C Salary increases	3
D Public commendation (e.g. employee awards)	4
Other (specify)	5
Don't know	6

A Note on Statistical Method

Appendix 2

The sample tolerances that apply to the percentage results in this Survey, based on a 95% confidence level, are given below in App 1. This table shows the possible variation that might be anticipated because a sample, rather than the entire population, was interviewed. The sampling tolerances vary with the size of the sample and the size of the percentage results.

App 1 Approximate sampling tolerances applicable to percentages at or near these levels*

Size of sample on which survey results are based	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
	±	±	±	±	±
665 interviews	2	3	3	3	3
305 interviews (managers)	3	4	5	5	5

*Based on 95 chances in 100.

Source: Ipsos MORI

App 2 shows examples of differences required for significance at or near certain percentage levels.

App 2 Approximate sampling tolerances – greater differences are required for significance at or near these percentage levels*

Size of sample / sub-samples	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
	±	±	±	±	±
665 and 791 (2012 vs. 2008)	3	4	4	5	5
305 and 332 (managers/supervisors 2012 vs. 2008)	4	6	7	7	7
430 and 235 (men vs. women)	4	6	7	7	8

*Based on 95 chances in 100.

Source: Ipsos MORI

Differences at or lower than the margins given above will only allow for identification of indicative trends rather than statistically significant differences.

The data was also broken down according to key demographics of gender and age group and some Survey data were cross-tabulated (i.e. compared against other findings in this Survey). In this report, reference is made where these findings showed significant deviations from the results of the total sample and/or from the other sub-groups in the same category.

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By Katherine Bradshaw.

November 2012

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By David Barr and Christopher Campbell with Nicole Dando.

June 2011

ISBN 978 0 9562183 6 0

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Ethics Ambassadors explains the role of ethics ambassadors in contributing to the success of an ethics programme and helping to promote a consistent ethical business culture. This Guide will help organisations understand what ethics ambassadors are and how they can be recruited and supported effectively; provides guidance for creating and motivating an ethics ambassadors network and includes a set of practical tools for training and evaluating the efficiency of ethics ambassadors.

By Judith Irwin and Ruth N Steinholtz.

October 2010

ISBN 9780 9562183 4 6

Price £15

SURVEYING STAFF ON ETHICAL MATTERS

Surveying Staff looks at how organisations can use staff surveys to take their ethical temperature and assess the efficacy of their ethics programmes. This Guide outlines the different methods for surveying staff on ethical matters; considers how to organise the effectiveness of surveys and provides a list of questions that companies can use to ask their staff about ethical matters. By Katherine Bradshaw, Nicole Dando and Andrea Werner.

July 2008

ISBN 0 9549288 7 3

Price £15

SPEAK UP PROCEDURES

Drawing on the experiences of international and UK companies, this Guide outlines why organisations need to encourage and support staff to make enquiries on ethical issues, raise concerns and report misconduct; provides guidance on what to consider when establishing a speak up policy and the procedures to implement it. It suggests how to operate the policy effectively, from providing training to handling and investigating calls to speak up lines. Edited by Katherine Bradshaw.

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- Looks at the pressures employees experience and the support they are given in 'doing the right thing' at work.
- Sets out the differences found in public and private sectors and explores changes in attitudes and perceptions since the first survey in 2005.

By Simon Webley and Andrea Werner.

April 2009

ISBN 0 9562183 0 8

Price £25

IBE ILLUSTRATIVE CODE – UPDATED

The Institute of Business Ethics has updated its *Illustrative Code of Business Ethics* to reflect changes in company practice since its original publication in 2003. The IBE *Illustrative Code of Business Ethics* provides a checklist of issues to assist businesses and other organisations with the development of a code of ethics or other such document as part of a corporate ethics programme.

Available free with copies of DEVELOPING A CODE OF BUSINESS ETHICS.

By Simon Webley and Andrea Werner.

October 2008

ISBN 0 9549288 8 1

Price £10

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Do companies that actively attempt to embed their ethical values into business practice enjoy stronger financial performance as a result? This Report describes research comparing the financial performance of FTSE 350 companies which have a business ethics training programme with those simply declaring a commitment to ethical values. The findings, for the five years 2001 - 2005, are consistent with previous IBE research, *Does Business Ethics Pay?*, suggesting that conducting business with integrity and fairness is not only the right thing to do, it is also good for the bottom line.

By Kaodi Ugoji and Nicole Dando.

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By Nicole Dando and Walter Raven.

December 2006

ISBN 0 9539517 8 2

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By Simon Webley.

October 2006

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