American Management Association

THE ETHICAL ENTERPRISE

DOING THE RIGHT THINGS IN THE RIGHT WAYS, TODAY AND TOMORROW

A Global Study of Business Ethics
2005-2015

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Foreword

It is part of American Management Association's mission to serve as a forum for the exchange of ideas and discussion of critical business issues. We commissioned the Human Resource Institute as a part of our continuing research programs to conduct a global study on what is influencing ethics in today's organizations, what best-in-class ethics programs are in place and how ethics may evolve over the next ten years.

Business ethics is a hot topic these days. From insider trading to responsible treatment of the environment, businesses need to focus on the impact of their behavior. It isn't easy. In some instances, managers are forced to decide on issues where there are arguments on both sides, making decision-making a difficult task.

Laws and regulations are, and will remain, the most influential external drivers of corporate behavior, but legislation is no substitute for the presence of leaders who support and model ethical behavior. Corporate leaders need to communicate ethical values throughout the organization and must do more than issue a series of instructions in order to establish and sustain an ethical culture.

We have believed for some time, and our survey confirms, that ensuring ethical behavior of individuals and an organization as a whole, requires the management tools we use every day: creativity, quality, efficiency, etc. Goals and expectations need to be installed in a Code of Conduct, and results need to be evaluated, measured and constantly re-examined.

Building a truly ethical enterprise demands that executives work together to formulate a strategy and then build a foundation of systems to make it happen. This is where AMA can help with its range of seminars and custom onsite workshops. To find out how AMA can help you, please visit amanet.org. You can also watch our special Webcast on ethics which covers our findings in greater detail.

Edward T. Reilly
President and Chief Executive Officer
American Management Association

Introduction

Throughout human history, there have always been ideas about right and wrong. To function, any culture needs to define proper and improper behaviors. There are rules and laws in any complex society, but underlying these is always a set of moral values. These values are the roots of what we call "ethics," which has been defined as "the discipline of dealing with what is good and bad and with moral duty and obligation" (Merriam-Webster, 1996).

For centuries, ethics has been among the great, deep subjects of philosophical study and debate, but only in the 20th century did the modern idea of what we now call "business ethics" truly emerge. Private enterprises have become powerful creators of wealth in today's world, but this power has, at times, been abused. So, there's a clear social need to investigate and influence the ethical foundations of these enterprises.

It's no wonder, then, that ethics has become a critical business issue. The Human Resource Institute's 2003-2004 Major Issues Survey found that, among North American companies ranking 120 different issues, "ethics in business" was among the top three most important in terms of its impact on workforce management.

The AMA/HRI Business Ethics Survey 2005 clearly illustrates that businesses view ethics as having a big impact on their brands and reputations as well as on customer trust and investor confidence. In other words, business ethics isn't only about "doing the right thing" or even avoiding the kind of scandals that can utterly devastate a company. It's about good business.

In this paper, we take an in-depth look at the subject of business ethics, including its history, what is influencing ethics in today's organizations, what best-in-class ethics programs and practices look like, and how business ethics may evolve over the course of the next 10 years. Below is a quick review of some of our findings:

- The number one reason for running an ethical business, today and in the future, is protecting a company's reputation.
- Maintaining an ethical business environment has become more important and more challenging in today's fast-changing global marketplace.
- The pressure to meet unrealistic business deadlines or objectives is the factor most likely to cause people to compromise ethical standards in companies.

- Business scandals have had a major impact on business ethics issues in recent years but, in the future, globalization and competition will be the top business drivers of ethics.
- Laws and regulations are, and will remain, the most influential external drivers of corporate ethics, but issues related to the environment are expected to become considerably more important in the next 10 years.
- As technologies grow ever more powerful and pervasive, they will raise difficult ethical questions with which companies will have to deal.
- Globalization brings many ethical challenges, especially in developing nations where issues related to forced labor, child labor, and working conditions are top concerns.
- Corporate culture is crucial to creating and maintaining an ethical environment, but culture is notoriously difficult to shape and change. Doing so requires a systems framework approach.
- Leaders who support and model ethical behavior and communicate such values are critical to a company's ethics.
- Establishing codes of conduct and training programs are seen as the most important corporate practices for contributing toward an ethical culture. Also important are ombudsmen to provide confidential and informal guidance and helplines to officially report malfeasance.
- Having the right measurements and indicators is necessary to gauge the corporate ethics environment.
- The companies with best-in-class ethics practices will increasingly gear their strategies toward "external" stakeholders, such as customers, suppliers, business partners, investors, and communities.
- In terms of serving customers and investors, ensuring transparency is key.
- The best way of encouraging ethical conduct among suppliers is through codes of conduct and audits.
- In the near future, companies will seek ways to become more proactive in terms of dealing with problems that pose, or may soon pose, ethical challenges.

A Short History of Business Ethics

If we put the words "history of business ethics" into the Google search engine on the Internet, we come up with more than 34,000,000 hits in just 0.18 of a second. One interesting thing about those hits is that many, if not most, seem to focus on the scandals that occurred from the late 20th century to now, though there were a few that had happened earlier. But the ideas on the subject of business ethics can go back hundreds or even thousands of years, depending on which scholarly arguments are viewed as most compelling.

The Early Years of Ethics Thinking

These days, the term business ethics usually refers to the idea of applying society's ethical norms to business dealings. The origin of this concept, also known as "ethics in business," goes back a long way – some say as far back as to early philosophers such as Aristotle or to the origins of biblical doctrines, with their prohibitions against theft and other immoral actions (De George, 2005; O'Toole, 2002). Others believe business ethics is better traced to the Middle Ages and to works such as *De Contractibus Mercatorum,* published about 1468 by Johannes Nider, a Dominican friar (Wren, 2000).

The *De Contractibus Mercatorum* examined business ethics as it was derived from "attempts to reconcile biblical precepts, canon law, civil law, the teachings of the Church Fathers, and the writings of early philosophers with the realities of expanding economic activity" (Wren, 2000, p. 109). Perhaps befitting Nider's calling as a friar, the ethical principle he preached was *caveat venditor* (that is, "let the seller beware," a warning for the business person to take responsibility for the product), which is the opposite of today's more commonly used *caveat emptor* ("let the buyer beware," a warning that buyers enjoy no guarantee about the quality of goods). Nider was one of several thinkers during this time period exploring ethical issues.

It can be argued that the next great flowering of ideas about ethics occurred in the 17th and 18th centuries with the rise of philosophers such as Immanual Kant. Kant posited the categorical imperative theory, which stated that moral law is a product of reason and must be obeyed out of respect for that reason (*Catholic,* 2003). Another important figure was Adam Smith, author of *An Inquiry into the Nature and Causes of the Wealth of Nations,* who is well known for his "invisible hand" theory of economics and is seen by many as the father of modern economics. He is celebrated by those who argue that businesses should be left alone to pursue profits. But Smith was also a moral philosopher and didn't believe that the realms of economics and morality are separate (De George, 2005).

Then there was consequentialism, developed by such thinkers as Jeremy Bentham, William Godwin and John Stuart Mill. Consequentialism says that it is the results of an act—or of something related to the action—that determines whether it is morally right (Stanford, 2005). In the 1800s, philosopher Karl Marx wrote his influential and radical works critiquing capitalism. "Marx's critique in one form or another continues up to today, even when not attributed to Marx," writes Richard T. De George (2005), Co-Director of the International Center for Ethics in Business at the University of Kansas. In response to Marx's works, various thinkers have worked to show how ethical labor practices are possible under a capitalist system.

Even while the ideas and philosophy behind ethics evolved in the West, explorers were discovering new geographic territories leading to new ideas, and governments were seeking ways to capitalize on those discoveries. Businesses evolved and new ethical challenges emerged. In the 17th century, for example, England offered monopolistic charters to businesses, such as the East India Company and the Massachusetts Bay Company, to encourage settlement. The idea was that colonies would serve as sources of raw materials and markets for English exports. Some experts argue that the subsequent American Revolution was more than just a revolt against English rule; it was a struggle to be independent of royal-chartered companies (Macauley, 2004).

The Evolution of Business Ethics and Law in the United States

To understand business ethics and law in the United States today and in years to come requires that we look at the early years of the United States. Historically, business ethics and law are far from simple subjects. They are vast and complex, and need to be examined in chronological order before we can look clearly at events today and in the future.

In the early years of the United States, corporations were usually given state charters that held the organizations and officers to strict rules that included full liability, full disclosure of documents, the performance of a public purpose (building railroads, for example) and a limited life span. They were also barred from making political contributions. But as the new country struggled with England and France in the early 1800s, President Thomas Jefferson imposed embargoes on goods from those nations. Americans created companies to replace embargoed products. These new corporations were no longer simply vehicles for providing public services but were geared toward making money for the individuals who formed them (Macauley, 2004).

After the Civil War, the country expanded westward and the Industrial Revolution kicked into high gear. The "robber baron" business owners created huge enterprises—some of them monopolies – and gained much political clout. In response, the U.S. Congress began passing some of the first laws designed to regulate the behavior of corporations. Those included the National Banking Act, the Tariff Act and the Homestead Pacific Act. To evade these, some corporations formed cartels and trusts with the goal of earning large profits by charging high prices and squeezing out the competition. Public outcry resulted in the Sherman Antitrust Act of 1890. Other laws were to follow as corporations began to be run by managers rather than by individuals (Macauley, 2004).

Then-President Woodrow Wilson suggested in a 1910 speech before the American Bar Association that the government had a role to play in regulating business behavior. Some thinkers argued that true business competition and market pressures are needed to force companies into more ethical behavior, so there was a drive toward "trust-busting" (Witzel, 2002). This zeal eventually waned, however, and in 1932 one-half of all corporate wealth was held by just 200 companies, according to a study by Adolph Berle and Gardiner Means (Macauley, 2004).

In addition to laws intended to mandate more ethical business behavior, the 20th century also saw the creation of the first codes of conduct for businesses. For example, department store founder and pioneer of social responsibility Edward Filene's personal code of ethics came from two standards: "A business, in order to have the right to succeed, must be of real service to the community" and "real service in business consists in making or selling merchandise of reliable quality for the lowest possible practicable price, provided that merchandise is made and sold under just conditions" (Witzel, 2002).

In the U.S., business ethics concerns were tied to labor conditions as well as to worries about monopolies. Among the most important laws were the Fair Labor Standards Act of 1938 and subsequent amendments, the Equal Pay Act, the Civil Rights Act of 1964, and the Age Discrimination in Employment Act in 1968 (Brown, 2005).

In the 1950s and 1960s, there were once again public outcries for more oversight of corporations, and this resulted in antitrust actions. The 1960s also saw a new movement arise as large corporations began replacing mom-and-pop operations. Some groups looked at those corporations and questioned their impact on the environment, employees and society itself. Partly in self-defense, the companies developed the notion of corporate social responsibility. The post-World War II era also saw the rise of the idea that business ethics could and should be taught to students. Indeed, by the 1970s, business ethics had become a full-blown course in many business schools (De George, 2005).

Meanwhile, businesses became more interested in developing internal structures to encourage employees to act ethically even as markets became more global in nature. The concept of business ethics gained real strength, Professor De George says, in 1977 after a series of scandals involving foreign bribery. By 2002, a white paper entitled *Corporate Governance: The New Strategic Imperative* reported that the majority of international executives in surveyed organizations said their companies had a code of ethics in place.

Still, the scandals have continued over the past three decades. The 1980s saw an era of junk bonds and corporate raiders, and some of the events and policies of the 1990s set the stage for the scandals that emerged as the 21st century dawned. These notorious scandals at corporations such as Enron made many believe that companies needed greater oversight at the corporate governance level. This prompted Congress to pass tougher, new laws such as the Sarbanes-Oxley Act and to provide the Securities and Exchange Commission with more funding designed to increase oversight and toughen enforcement (Macauley, 2004).

Nonetheless, recent studies indicate that new legislation is not a silver bullet. It may do something to inhibit, but will not prevent, ethical misconduct among businesses. As for the future, the globalization of the marketplace, the emergence of new business models, and the continuing influx of new technologies will create new ethics challenges. Therefore, business people will be obliged to give much attention to the subject of business ethics in coming decades.

What's Driving Business Ethics Today?

A multitude of factors is driving corporate interest in ensuring that ethical business standards are upheld. Some of those factors arise from the business environment, while others arise from the larger social environment via new laws, politics, and so forth. To find out more about these drivers, AMA/HRI's Business Ethics Survey 2005 *asked respondents several questions about what's driving business ethics today and what they expect will be driving it 10 years from today.*

When asked about the reasons companies run businesses in an ethical manner, respondents' top choice was "protection of brand and reputation." In light of the scandals in recent years and the havoc those scandals have caused businesses and their leaders, this strikes us as an expected and reasonable response. This also seems related to the third, fourth and fifth responses, which deal with customer trust, investor confidence and public acceptance.

More interesting and perhaps even more surprising was that the second most highly-ranked reason for running a business in an ethical manner was that it is "the right thing to do." This implies that many respondents are not just seeing ethics from a pragmatic business point of view but from a perspective influenced by notions of morality and values. Another interesting finding is that, when asked to look 10 years out, the respondents arrived at the same basic rankings, suggesting that their reasons for engaging in ethical behavior are viewed as stable over time.

Top Five Reasons to Run a Business in an Ethical Manner

Factor	Rank
Protection of brand and reputation	1
The right thing to do	2
Customer trust and loyalty	3
Investor confidence	4
Public acceptance/recognition	5

When respondents were asked to look at the factors driving the *business environment* in terms of how they affect ethics, the findings were only a little more dynamic. We can see some of the same basic priorities floating to the top, including the threat of scandals and the role of investors and customers. But this time the marketplace itself is viewed as an important driver, in terms of both competition and globalization. It's quite likely that these two drivers are linked in respondents' minds.

The top five business drivers remain the same, but their positions change as respondents look into the future. Participants believe that in 10 years' time, globalization will be the most important business driver of ethics, whereas corporate scandals are expected to become less prominent.

Top Five Business Drivers in Terms of Their Impact on Business Ethics

Factor	Rank Today	Rank in 10 Years
Corporate scandals	1	4
Marketplace competition	2	2
Demands by investors	3	5
Pressure from customers	4	3
Globalization	5	1

The survey also asked participants about what factors in the *external environment* would affect business ethics. We can see that laws and regulations are viewed as the most important external driver, both today and in the future. But it's intriguing to note that "environmental issues" jump from the ninth to the second ranking when respondents were asked to look out 10 years. Meanwhile, corporate social responsibility (CSR) jumps from the eighth to the third position. It appears that many business professionals expect environmental issues to become a lot more prominent, and they might also see this trend tied up with the CSR movement. This could presage a quickening movement to "green" business practices over the coming decade.

External Drivers in Terms of Their Impact on Corporate Ethics

Rank	Rank Today	Rank in 10 Years
Legal: laws, regulations	1	1
Economic environment	2	4
Political environment	3	9
Social values	4	6
Privacy	5	8
Level of global security	6	5
Technology	7	7
Corporate social responsibility movement	8	3
Environmental issues	9	2
Societal pressures	10	10

The remainder of this section of the Report not only helps put some of these survey responses into greater context but highlights the most high-profile drivers that arose from HRI's in-depth scanning of the literature on business ethics.

Scandals and Government Responses

Enron became emblematic of the rash of scandals to afflict U.S. businesses earlier this decade, but it was hardly alone in shaking investor confidence in corporate ethics and governance. Adelphia, WorldCom, Tyco – these are just some of the most recognizable names of companies that were caught up in serious scandals and alleged illegal acts.

Since then, things have not turned out well for some of the former leaders of these organizations. Bernie Ebbers, former head of WorldCom, was convicted in March 2005 of fraud, conspiracy and filing false documents in regard to the $11-billion accounting fraud that forced the company into bankruptcy ("WorldCom," 2005). Adelphia Communications Corp. founder John J. Rigas and his three sons agreed in 2005 to forfeit $1.5 billion in assets to the SEC that they allegedly derived from fraudulent activities as officers of Adelphia (U.S. Securities and Exchange Commission, 2005).

Largely in response to these and other scandals, the Sarbanes-Oxley Act of 2002 (SOX) was enacted. It has been called the most important piece of legislation affecting corporate governance since the 1930s. The legislative goal was to protect investors by requiring publicly held companies to (1) meet higher reporting and disclosure standards, (2) hire outside auditors to help ensure there is no fiscal wrongdoing and (3) establish an independent oversight board. For leaders, the provisions of SOX legislation carry sobering accountability. While civil liability for retaliation does not apply to private corporations, criminal liability is a factor for both private and public employers. Individuals as well as corporate defendants can face very stiff penalties and fines (Scheer, 2003).

To comply, companies must do certain things, such as ensure employees are trained in ethical business practices and establish confidential processes for employees to report possible wrongdoing. Corporations are also required to protect whistleblowers and are prohibited from retaliating against them ("Sarbanes-Oxley," 2004). Corporate offenders can be fined and possibly imprisoned (Nobile, 2002).

In this new era, the U.S. government has developed a stricter set of sentencing guidelines. A news release notes that under the U.S. guidelines first promulgated in 1991, "an organization's punishment is adjusted according to several factors, one of which is whether the organization has in place an effective program to prevent and detect violations of law." In light of recent scandals, the U.S. Sentencing Commission "sent to Congress significant changes to the federal sentencing guidelines for organizations, which should lead to a new era of corporate compliance." The changes strengthen the criteria that companies are required to use when developing their compliance programs (U.S. Sentencing Commission, 2004). Amendments to the sentencing guidelines became effective in November 2004. The guidelines now require that companies' governing authorities be "knowledgeable about the content and operation of ... [their company's] compliance and ethics program" and "exercise reasonable oversight with respect to the implementation and effectiveness of the ... program" (Batchelor, 2004).

In another development, between 2000 and 2004, the Securities and Exchange Commission hired more employees and saw its budget more than double to nearly $300 million. *BusinessWeek* described Steve Cutler, head of the SEC's enforcement division, as "retooling his division into an elite police force patrolling the boardrooms and corner offices of America Inc." As a result, a variety of gatekeepers (including bankers, insurers and auditors) have become responsible for corporate actions as the SEC deals out higher penalties and devises new policies (Borrus & Dwyer, 2004).

Companies can be heavily penalized when the SEC becomes involved. Adelphia Communications Corp., for example, has agreed to pay $715 million to a victim's fund that will benefit investors who lost money as a result of the company's wrongdoings (U.S. Securities and Exchange Commission, 2005).

State governments, too, have taken action. California, for example, was quick to pass corporate reform legislation, increasing the maximum penalty for securities fraud from $10 million to $25 million. Jail sentences for corporate executives found guilty of fraud were lengthened to a maximum of 20 years ("California," 2002).

The governments of some other countries have also toughened their laws. The UK passed the Public Interest Disclosure Act of 1998, which provides protection to whistleblowers. Those who disclose problems internally have the most protection under the law, but the law also guards whistleblowers who take their complaints outside corporate walls when they feel their concerns have not been effectively addressed (Higginbottom, 2002). The South Korean government also introduced a business ethics model so it could judge companies on 36 points of performance in such areas as management culture and corporate governance (Bureau of National Affairs, 2003).

Business Pressures and Corporate Cultures

Second only to corporate scandals, marketplace competition is a major business driver of business ethics today, according to the *AMA/HRI Business Ethics Survey 2005.* What's more, respondents believe that it's going to remain a major driver 10 years into the future. This finding can be seen as a simple nod to the facts of business life: competition applies pressure on businesses to perform, and this sometimes means cutting ethical corners to gain a business edge.

The AMA/HRI survey also asked participants about the top three reasons that were most likely to cause people to compromise an organization's ethical standards. The most common response by far was "pressure to meet unrealistic business objectives/deadlines," cited by 70% of respondents. By comparison, the second-most commonly cited factor was "desire to further one's career," at 39%. Third was the "desire to protect one's livelihood," at 34%.

Factors Most Likely to Cause People to Compromise Ethical Standards

1. Pressure to meet unrealistic business objectives/deadlines
2. Desire to further one's career
3. Desire to protect one's livelihood
4. Working in environment with cyni-cism or diminished morale
5. Improper training/Ignorance that the act was unethical

Business Ethics Survey 2005

Some other surveys have had similar findings. A 2003 survey conducted jointly by the Society for Human Resource Management (SHRM) and the Ethics Resource Center (ERC) found that "meeting overly aggressive business objectives" was cited by 48% of respondents when asked about the leading causes of pressure to compromise standards. This was second only to the "need to follow boss's directive" (49%), which might also be driven by the need to boost business performance (Joseph & Esen, 2003, p. 6). In a similar vein, another survey, Watson Wyatt Worldwide's WorkUSA Study (2004) found that 31% of workers say that the demands that come from their jobs often or sometimes pressure them to compromise their personal standards for behavior and performance.

Such pressures can help create a cynical corporate culture in which ethics is not taken seriously. Unless a corporation has a "culture of dissent" that encourages workers to freely speak their minds, employees may not challenge unethical actions because of the fear of retaliation and the strong desire to preserve their own jobs (Conference Board, 2003). This idea is borne out by the Watson Wyatt (2004) survey that found almost one-fifth of the employees surveyed indicated that a worker who reported unethical behavior would be looked upon as a troublemaker.

On the other hand, corporate cultures can have the opposite effect, *reinforcing* ethical behaviors and practices. As the ERC survey indicated, corporate culture is among the most important factors affecting employees' conduct. The survey measured 18 indicators of ethical culture and found that employees of companies that have "strong ethical cultures and full formal programs are 36 percentage points less likely to observe misconduct than employees in organizations with weak culture and full formal programs" (Harned, Seligson & Baviskar, 2005).

The Role of Leaders

Leadership may be the single greatest influencer of culture and ethical behavior. The *AMA/HRI Business Ethics Survey 2005* found that the top two organizational processes for ensuring an ethical corporate culture were related to leadership. Respondents gave the top ranking to the process of having leaders support and model ethical behaviors. Related to this was the second most commonly chosen process: consistent communication from all leaders.

These findings are supported by other research. The 2005 ERC survey indicated that employees are much less likely (by a huge 50-percentage point margin) to observe misconduct if top management conducts itself ethically (Harned, Seligson & Baviskar, 2005).

In short, improvements in the ethical environment can be most effectively driven from the top of the organization. "In my opinion, any normative change in a corporation starts with the CEO," notes social trend analyst Daniel Yankelovich (Kleiner, 2005).

Most senior executives are well aware of their impact and responsibilities in regard to ethics. A 2004 Booz Allen Hamilton and Aspen Institute global survey of senior executives, for example, shows that the single most widely cited, as well as the most effective, management practice for reinforcing organizational values is to gain explicit CEO support (Van Lee, Fabish, & McGaw, 2005).

Factors Most Important for Ensuring an Ethical Culture

1. Leaders support and model ethical behavior.
2. Consistent communications come from all leaders.
3. Ethics are integrated into the organization's goals, business processes and strategies.
4. Ethics are part of the performance management system.
5. Ethics are part of recruitment process and selection criteria.

Business Ethics Survey 2005

Ethics Programs and Ethical Conduct

Has the combination of higher leadership awareness, new laws and a stronger focus on responsible behavior actually made companies more ethical? That depends on your measuring stick. In its *National Business Ethics Survey 2005* (NBES), the Ethics Resource Center discovered, on one hand, that companies have gotten better about establishing formal ethics programs. For example, the ERC's 2005 survey showed that 86% of respondents have written standards of conduct, compared with just 67%

back in 1994. There were increases in other areas as well, such as the presence of ethics training, methods by which employees can report anonymously, and resources for seeking ethics advice. Some will view this as progress.

What hasn't changed yet, according to the survey, is a consistent reduction in observed misconduct. It's true that the percentage of ERC survey respondents who observed misconduct at work is lower in 2005 (26%) than in 1994 (30%) or 2000 (31%), but there was an uptick from 2003 (22%). The ERC concluded, "Despite the rise in formal program activity, positive outcomes expected from effective programs either remain unchanged or show a decline. These include observed misconduct, reporting behaviors and pressure to compromise standards" (Harned, Seligson & Baviskar, 2005, p. iv).

Other studies also find ethical conduct in corporations leaves much to be desired. A 2003 Conference Board survey of more than 80 ethics, HR and legal officers found that almost 5% of their companies promoted good workers who fell short of the firm's ethical values, 22% "tolerated" those workers, more than a quarter said they coached them, and only 8% said they were fired ("Top," 2003).

Dishonesty, in particular, remains a concern and may be on the upswing. One 2004 survey by CCH Inc. found that the number of employees who called in sick had hit a three-year high, and 60% of those were not ill. Another 2004 survey by labor management and consulting firm Kronos Inc. found more than a third of worker respondents admitted they lied so they could take a sick day. And the Liars Index, compiled by recruiting firm Jude M. Werra & Associates, found a three-year high of applicants who claim education they did not have (Shellenbarger, 2005).

So, does all this mean that the rise in ethics programs and laws is of no consequence? The ERC reports that companies are less likely to see misconduct if they've implemented more formal ethics programs and that these programs have some effect in companies where the corporate cultures don't strongly reinforce ethics. But programs don't have much effect if a "strong culture" is already there, according to the ERC. In short, programs can help, but corporate culture is really more important.

Societal Attitudes and Actions

Business ethics is also influenced by social attitudes and behaviors. These come in many forms, ranging from consumers and investors to potential employees to social activists. In the end, it is often these attitudes that drive new legislation, affect major shifts in markets and even determine whether or not an organization is able to attract the best talent possible.

Consumers

Consumers are influenced by company reputations. In 2002, for example, 87% of respondents to an international survey by the World Bank Institute said they pay attention to the social behavior of businesses in their nations (World Bank Institute, 2002). Consumers use reputation in deciding which products to buy and which companies to patronize. A little more than half of the 1,425 respondents in the World

Bank Institute Survey indicated they use their buying power to reward an organization's social performance (World Bank Institute, 2002).

Of course, similar trends can be seen in individual nations as well. Jude Mannion, founder of the New Zealand-based Robin Hood Foundation, cited a survey showing that 89% of the British public had purchased something in the preceding year that was associated with a cause or charity they cared about. It also showed that 44% of European consumers were willing to spend more for environmentally and socially responsible products.

Mannion also cited a U.S. survey showing that 42% of U.S. consumers say they have decided not to buy a company's products as a way of punishing it for social irresponsibility. Nearly half said their perception of a company helps them decide whether to buy its products or services. A survey by ACNielsen shows that 62% of U.S. consumers have made a purchase because a company supported a particular cause (Aquino, 2005).

CEOs are taking notice. More than 60% of respondents polled by the World Economic Forum in 2003 named consumers as the stakeholder group that "create[s] the greatest pressure or incentives for [their] corporate activities" (World Economic Forum, 2003). Sometimes labor unions or other entities organize buying power in order to give it greater clout (Campbell, 2005).

Shareholders

After the first wave of scandals early in the decade, shareholders also became more of a force for change. After all, U.S. stockholders lost almost $3 trillion in stock value nationwide in 2002, according to the Wilshire 5000, an index of the most publicly traded U.S. companies ("Leaders," 2003; "Shareholders," 2003). As a result of such losses, stockholders became more active, whether through proxy resolutions aimed at curbing CEO pay (Borrus & Arndt, 2003) or by becoming more active in governance issues. In 2003, stockholders submitted at least 741 proposals to improve corporate governance. That was an increase from the 529 submitted in 2002, according to the Investor Responsibility Research Center ("Shareholders," 2003).

Yet, some experts question whether such activism can do much to influence corporate behavior over the long haul, because more and more shareholders are invested in pension or mutual funds. These funds may, according to the Economist magazine, have conflicts of interest: "banks, insurance companies and mutual funds all want a company's banking, insurance or pension business, so they will hesitate to cast the proxy votes of their investment arms against the management" ("How," 2003).

Even so, some larger investors, such as CalPERS, the retirement system for public employees in California, have been demanding ethical reforms and better corporate governance. State treasurer Phil Angelides, manager of the $300-billion fund, pulled out of tobacco stocks, installed human rights screens and emphasized companies with environmental stewardship (Rembert, 2005).

And many investors are saying they want more mechanisms through which they can reward ethical organizations. In Britain, 80% of the investors surveyed by the UK Social Investment Forum said they thought employers should include ethical investment options in their pension plans, allowing them to voice their values through their investments (Blyth, 2003).

Employees and Prospects

Job-hunters are also taking a bigger interest in company reputations. In survey after survey, respondents say that a prospective employer's ethical track record affects their desire to work for the company ("Tarnished," 2004; "Surveys," 2003). Some job-seekers say they absolutely refuse to work for a company with a poor ethical track record.

Once the job-hunter becomes an employee, corporations are discovering that values and ethics influence not only retention but also the success of business strategies. A 2004 Booz Allen Hamilton and Aspen Institute global survey of senior executives, for example, found that 61% of respondents said that employee recruitment and retention is strongly affected by organizational values and is important to business strategy (Van Lee, Fabish & McGaw, 2005).

Other sources show that giving workers the opportunity to volunteer and contribute to the larger social community in some way improves morale, recruitment, retention, and perhaps even job performance (U.S. Chamber of Commerce, 2003; "Company," 2005; "The Stat," 2005). "More and more businesses are finding that new recruits are asking us what we do for our local communities and how they can help," notes Nick Venning, marketing director of the PricewaterhouseCoopers Global Industry Programme. "It's becoming plain that the best of the new generation of employees really care about these things. So, if we want to recruit the best, we, too, have to show that we care" ("If," 2005).

Factors Most Likely to Cause People to Compromise Ethical Standards

1. Pressure to meet unrealistic business objectives/deadlines
2. Desire to further one's career
3. Desire to protect one's livelihood
4. Working in environment with cyni-cism or diminished morale
5. Improper training/Ignorance that the act was unethical

Business Ethics Survey 2005

But not every person who comes into the workforce has ethics first and foremost in his or her mind. In fact, some scholars argue that the people from whom companies will need ethical leadership the most are too often ready to disregard ethics questions. Sumantra Ghoshal, a business academic who died in 2004, claimed that the training given candidates for master's degrees in business is at fault. In a paper published posthumously, Ghoshal argued that the science of economics has intellectually hijacked management studies in recent decades. The result is an atmosphere in which degree candidates are freed "from any sense of moral responsibility" for what they do after entering business ("School," 2005).

Other experts argue that the problem may go deeper than the training that MBA students do or do not receive. After all, a number of the offenders in the recent corporate scandals didn't have MBA degrees, and many of the top business schools have increased their emphasis on business ethics in their coursework. The real problem may be that by the time some students receive ethics education in a graduate program, it's too late. They might already be accustomed to cheating. A 2002 survey by Students in Free Enterprise (SIFE) of 1,100 students on 27 college campuses found that 59% overall admitted to cheating on a test (Merritt, 2002).

Globalization

The *AMA/HRI Business Ethics Survey* 2005 indicates that globalization will be the number one driver of business ethics by the year 2015. One reason for this is that globalization tends to mean increased competition, which we've seen has a major impact on ethics practices. But globalization also means that companies are operating in many different cultures and under a large patchwork of different laws and regulations.

Among the nations where global corporations operate are those where bribery, sexual harassment, racial discrimination, and a variety of other issues are not uniformly viewed as illegal or even unethical (Kelly, 2001). The AMA/HRI survey asked respondents about the most important ethics-related global workplace issues, especially in terms of developing nations. The number one response was related to the issues of forced labor, child labor and working hours. Second were issues related to working conditions, including health and safety in the workplace. Third were issues related to discrimination and harassment.

Some experts believe that, to cope with global disparities in working conditions and other workplace issues, companies will increasingly strive to create and maintain corporate-wide ethical standards. This could be a major challenge. The Corruptions Perceptions Index created by the Transparency International (2005), an international non-governmental organization, shows that nations such as China and India are still viewed as having relatively corrupt systems, especially in comparison with most nations in Western Europe and North America. This makes it riskier to do business in these parts of the world.

Another important aspect of globalization is that, generally speaking, the reputations of global corporations are not what they should be. Less than half of individuals surveyed say they trust global corporations, according to a 2004 World Economic Forum opinion poll. Only 7% of 19,000 individuals from 20 nations say they have "a lot" of trust in global firms, and another 35% say they have "some" trust in such organizations ("Global," 2004).

There are, however, companies working to raise global ethics standards even while boosting their reputations for being socially responsible. Multinational construction and natural-resource corporations, for example, are organizing a "zero tolerance" pact against paying bribes. Called the Partnering Against Corruption Initiative, the agreement sets out a list of principles designed "to prohibit bribery in any form" and calls for signatory companies to create internal programs to educate and monitor company officials and business partners as well as ban political contributions and charitable donations made to curry favor (Simpson, 2005).

In the retail industry, Nike, Patagonia, the Gap and five other companies have joined with six anti-sweatshop groups to run a pilot project in Turkish factories to help develop the first commonly accepted global labor standards. The 30-month experiment, called the Joint Initiative on Corporate Accountability & Workers Rights, seeks to address the potential conflict that arises from multinational corporations' desire for good factories and their search for low production costs (Bernstein, 2005). Among the goals is an improvement in the working conditions in participating garment factories in Turkey.

It's likely that more business partnerships and nongovernmental organizations geared toward establishing global ethics standards will emerge in coming years. The hope is that this will enhance trust among companies, reduce corruption and generate a more stable global business environment.

The CSR Movement

The *AMA/HRI Business Ethics Survey* 2005 shows that corporate social responsibility (CSR) is expected to rise in importance over the next 10 years. Although it is related to business ethics or corporate accountability, CSR has some important differences. Corporate accountability is the legal obligation to behave in a socially acceptable way or face criminal and/or civil penalties. CSR, on the other hand, is voluntary and not mandated by any law. It refers to all company attempts to become "good corporate citizens" because of ethical and social considerations (Lubis, 2005). The idea, as one recent article on the subject puts it, is to establish "a positive company reputation and brand in the public eye through good work that yields a competitive edge while at the same time contributing to others" (Lockwood, 2004).

Some experts say that CSR has become so commonly accepted during the past 30 or so years that the debate now centers not on whether companies should embrace CSR but on how to best achieve it. The struggle is to find a balance between so-called low-engagement and high-engagement activities. Low-engagement practices consist of such activities as straight monetary donations to charity. High-engagement practices involve more time, money or other efforts and risk diverting attention from the company's core mission (Pearce & Doh, 2005).

Businesses themselves aren't always certain whether or not their CSR initiatives give them a competitive edge, making many reluctant to invest heavily in such initiatives. But the social and intellectual frameworks required to support CSR continue to grow and strengthen. Companies that want to become known as socially responsible players can join organizations such as Social Accountability International's Corporate Involvement Program or the United Nations' Global Compact (Lockwood, 2004). And the powerful International Organization for Standardization (ISO) has begun developing voluntary global guidelines for CSR (Walsh, 2005).

There are also popular ideas such as "triple-bottom-line" accounting, which looks at a company's social/ethical and environmental performance as well as its traditional financial performance. At least one expert argues that this should become a standard accounting practice, one required by the U.S. Securities and Exchange Commission (Tschopp, 2003). Others have concluded that triple-bottom-line accounting is made of "vague and literally meaningless principles" (Norman & MacDonald, 2004).

Even as such necessary debates over CSR tools and standards continue, some business thinkers are trying to shift the CSR paradigm to new territory. University of Michigan strategic thinker C.K. Prahalad wants companies to focus on certain social problems—such as those faced by poor people in developing nations—because these populations present new market opportunities rather than because it's the right thing to do (Overholt, 2005).

In coming years, the meaning of CSR as well as approaches to achieving it will continue to shift. Measurement tools and standards are likely to get better, and companies will be pressured to put more time and effort into helping to solve the social and environmental problems more common among developing nations.

The Role of Technology

New technologies have two major effects on ethics. First, they help change the business environment, thereby creating new ethical dilemmas. What happens, for example, when employers can suddenly monitor or even track employees easily and precisely via new technologies? Just because they can do so, should they? Second, new technologies often give people new tools to act in unethical or even unlawful ways. Consider, for example, the rise in fraud and identity theft. Information technology makes it easier to commit some kinds of white-collar crime (Labaton, 2002).

Technologies also allow individuals to quickly cause a great deal of damage to organizations. David De Long, author of *Lost Knowledge: Confronting the Threat of an Aging Workforce*, points out that one rogue trader in Singapore caused the 1995 collapse of Barings Bank. "We feel so much more vulnerable because we are so much more independent," notes Joseph Grenny, author of *Crucial Confrontations*. "If someone manipulates markets in one country, that can have a worldwide effect," he said (Leach, 2005).

But technology's impact on ethics reaches far beyond information technology. Biomedical technologies—such as new birth control drugs, stem cell research, genetically modified foods, cloning applications, gene-manipulation techniques—are already generating serious ethical questions that will only become more intense over time. Especially for firms doing business in the medical and pharmaceutical industries, these ethics questions could have a major impact on how they do business.

The State-of-the-Art in Ethics

Exactly what does it mean to be state-of-the-art in the field of business ethics? Unlike many other managerial areas, where success is relatively easy to measure, it's difficult to pin down exactly what best-in-class ethical practices look like. After all, no company – and especially no large corporation – can guarantee every employee will act in an ethical and legal manner in every case. Even companies with solid mission statements, employee hotlines, ombudsmen and other programs can run into trouble. Nonetheless, we believe that a systemic approach – one that incorporates a variety of factors such as culture and leadership and formal programs – is most likely to result in a truly ethical corporate environment.

One way of depicting a best-in-class organization is through the creation of an "ideal company." This fictitious company, which we'll call the Composite Perfect Company (or CPC), is based on a review of the ethics literature, on data from the *Business Ethics Survey 2005,* and on the expertise and corporate experience of the AMA/HRI research team.

The Composite Perfect Company 2005

The Composite Perfect Company has been a Fortune 1000 company for 25 years. Critical to its long-term success has been the protection of its brand and reputation. This involves not only having the right business strategy but executing that strategy in the right way. The CPC leaders know that their customers, stockholders, co-workers and the communities where they do business expect honest and ethical conduct and that such conduct is the foundation of their reputation.

Top Six Most Internal Practices/Programs for Ensuring an Ethical Culture

1. Code of conduct
2. Ethics training
3. Corporate social responsibility programs
4. Ombudsman
5. Ethics helpline
6. Ethics audits

Business Ethics Survey 2005

The Foundation: An Ethical Culture Based on Values and Principles

At CPC, top management focuses on ensuring an ethical corporate culture throughout the company. To maintain such a culture, CPC has based its system on a set of longstanding principles and values, which have been set out in a mission statement. "Our mission statement is well known throughout the company," states CPC's CEO. "It's not something that we just have socked away in a filing cabinet somewhere or just use as window dressing in my office. It clearly sets out our purpose, values and principles. Everything else we do is based on these."

CPC's culture is built on concepts such as values, trust, and transparency. "One of our mandates is to always maintain the trust of our employees, customers, investors, suppliers and communities," notes the CEO. "We're determined to deliver value through a trusting work environment."

The Code of Conduct

The company has created the CPC Code of Conduct, built around its principles and values. Its purpose is to establish a common vision of CPC's ethical standards and practices. The code must permeate all business dealings and relationships, but it is not an exhaustive guide to all the detailed laws and regulations in the various countries where CPC does business.

In conducting business and making decisions, the code recommends that employees ask themselves two questions:

1. Does this comply with the law, the CPC Code of Conduct and the company's policies?
2. How would customers, shareholders, general public and co-workers view it?

The code provides guiding principles on issues such as the treatment of employees, conflicts of interest, gifts, equal employment issues, harassment, fraud, insider information and trading, and other matters. Not only has CPC made sure the code is clear to everyone, it constantly reinforces the code through an array of behaviors, work processes and programs. The corporation recognizes that, as the *AMA/HRI Business Ethics Survey 2005* clearly shows, an excellent code of conduct that applies to all members of the organization is the single most important program or practice a company has for creating an ethical culture.

The code of conduct clearly lays out how employees are expected to behave, always with the highest standards of integrity and ethics. Employees annually sign a commitment to the code, and timely and appropriate action is taken for any violations.

Ethical Leadership

CPC has long known that leaders throughout the company set the tone in a corporate culture, but even CPC's top managers have been impressed by recent studies on the subject. These clearly show the critical nature of leadership in establishing an ethical culture. The *AMA/HRI Ethics Survey 2005* showed, for example, that the top two organizational *processes* for ensuring an ethical corporate culture were "having leaders support and model ethical behaviors" and "consistently communicating ethics messages."

At CPC, top management wanted to find out more about how the workforce felt about ethics of leadership in the organization. Management decided to amend the annual CPC survey to shed light on this, and it hired a third party to conduct some focus groups. It paid special attention to four categories, which research from the Ethics Resource Center suggests are important in reducing workplace misconduct: the degree to which leaders set examples of ethical behavior, talk about the importance of ethics, keep their promises and keep workers informed. As it turned out, CPC scored above average in most of these categories but found there was room for improvement.

In particular, the study suggested that the top leaders at CPC weren't as trusted as were managers at other levels, and top managers viewed themselves in a more ethical light than did employees. Since CPC principles emphasize trust, this was taken very seriously. The study also found that a considerable proportion of employees didn't believe that top leaders spoke about the importance of ethical behavior often enough.

As a result, top management took a number of steps. First, they listened to the feedback and reexamined their own actions and strategies in light of the concerns voiced by employees. Second, they initiated a series of gatherings throughout the organization to meet directly with employees with whom they wouldn't normally have much face-to-face communication. They spoke to employees who represented the demographics of the entire employee population. They listened to employees speak about how values play out at work, and they spoke about their own values and how these intersect with the corporation's principles. Third, managers used various corporate media – from videoconferences to newsletters to company Web portals – to more effectively communicate their message about ethics.

The fourth step was to work with HR to develop more stringent practices to ensure leaders were receiving unvarnished feedback from employees regarding possible ethical problems. They also made sure that employees knew that top management – even up to the board level – had engaged in leadership development coursework that focused on ethics.

The next step was to look again at the programs intended to provide warning signs of unethical conduct. The goal was to insure that, for every program, there was some measurable indicator of its effectiveness and processes for holding people accountable. "We are determined to make sure the programs aren't just seen as window dressing," said CPC's CEO. "Of course, trying to 'measure' ethics has its own set of challenges, and some programs you've got to initiate just because it's the right thing to do. But we want to be sure we are seen to be taking the subject seriously."

Integrated Goals and Processes

Another key factor in creating and maintaining an ethical corporate culture is ensuring that ethics are "integrated into the organization's goals, business processes and strategies," reports the AMA/HRI Business Ethics Survey 2005. CPC has set out to ensure that all employee actions reflect core values. "In essence," notes CPC's director of human resources, "we make sure that every new hire understands that these are conditions of employment." The importance of ethics is reinforced through a number of cultural supports:

- During the recruitment process, staffing professionals work hard to hire people who seem to share the company's values and passions.
- During the on-boarding process, new employees are schooled not only in the fundamental principles such as trust and transparency but also in core value issues such as integrity, accountability, mutual respect, and corporate citizenship. New employees must sign the code of conduct.
- All formal weekly or biweekly team meetings include a section during which CPC values and ethics are reinforced.
- CPC works to foster an emotional commitment with each employee: the stronger that commitment, the stronger the bond between employee and the company's culture.
- CPC has a "certification of accountability" program that all employees are required to participate in once a year.
- CPC conducts regular audits and surveys.

CPC's surveys and audits help alert the organization to ethics problems as well as identify roadblocks to ethical behavior, whether they stem from work processes or individual actions. These audits measure the degree to which employees (1) understand the company's ethical principles and its code of conduct and (2) follow those codes of conduct.

In the past, CPC has found that some operations or reward systems actually discourage ethical behavior. For example, there was the call center in which employees were rewarded on the number of calls handled rather than the degree to which customers were actually helped. "This went dead against one of our fundamental

To ensure an organization-wide awareness and understanding of the ethical values and principles and the application of the code, CPC has developed a formal Train-the-Trainer Certification of Responsibility program.

values: the need to establish a deep sense of trust with our customers," noted CPC's CEO. "So we changed the reward system to emphasize quality and customer satisfaction and engagement. At CPC, we really emphasize aligning our work processes with our business values, which we also align with our larger corporate strategies."

Communications and ethics programs are also integrated. Open, timely and unfiltered communications from employees are considered critical at CPC. This is all tied to one of the most important corporate values: transparency. Employees are encouraged to bring issues of unethical behavior to their supervisor, HR, legal, compliance, security or other formal channels. All employees have access to a confidential, neutral and independent ombudsman with whom they can have off-the-record discussions about ethical issues and seek guidance on resolution options. Additionally, employees have access to the CPC Ethics Helpline if they want to formally report malfeasance.

The Ethics Training Program

To ensure an organization-wide awareness and understanding of the ethical values and principles and the application of the code, CPC has developed a formal Train-the-Trainer Certification of Responsibility program. This program is executed throughout the organization, involving everyone from new employees to the CEO and members of the board. At the end of the training, participants are certified to train others in these areas. The goal is promote the idea that peers should be helping one another maintain an ethical work environment. The certification is good for one calendar year and the person must be recertified as a condition of continued employment and promotion.

It should be noted that while parts of the training program are standardized, others are customized for the different positions in the organization. The idea is to ensure that employees clearly understand their specific roles and responsibilities in relationship to the code of conduct.

Armed with a keen understanding of the common traits that lead to deep ethical problems for business (Jennings, 2003), CPC has strategies to reduce the chances that any employee will be (1) pressured to perform and maintain financial goals that can't be achieved without breaking CPC's code of conduct, (2) forced to work with a manager whose style is dependent on abuse, fear and silence or (3) placed in a situation where management clearly indicates that feedback about ethical issues is unwelcome.

Once a person is trained, he or she and the trainer sign a Certification of Responsibility and Core Values Statement. This reinforces the idea that each person is personally responsible for his or her own ethical behavior. This responsibility includes:

- Reinforcing CPC values and ethics to colleagues during the course of the workday;
- Holding colleagues accountable through performance evaluations, which have an impact on merit pay rates, bonuses, and promotion opportunities;
- Protecting "whistleblowers" from losing their jobs, status or benefits;
- Bringing forward/discussing perceived ethics violations through an available resource.

Ethics Committee

To ensure CPC is taking an integrated approach to ethics, it also has an Ethics Committee. This committee is made up of members who represent different employee groups throughout the company. The committee reviews the code of conduct and other practices in light of the results from the company's Business Ethics Scorecard (discussed more thoroughly below). Additionally, the committee reviews CPC's social responsibility programs.

When true ethical dilemmas emerge in the company, the Ethics Committee uses a decision-making model that is based on its ethics principles. Once an issue is decided, the committee then looks at programs and practices that can reinforce the decision. The Ethics Committee reports to CPC's CEO and provides a summary report of its activities to the board of directors.

Board of Directors

The board of directors is obligated to uphold not only CPC's overall code of conduct but also a specific Governance Code of Conduct. This code clearly states governance roles and responsibilities. Each year, all directors not only sign the code, they participate in an ethics workshop that includes the Train-the-Trainer Certification of Responsibility as well as in-depth discussions regarding the application of the board's code.

CPC also set criteria for selecting and retaining board members to ensure the board is diverse and composed of the optimal percentage of independent and non-management members. For example, the Compensation and Audit Committee is comprised of independent directors.

Directors must have timely information on ethical issues and concerns. To help ensure transparency, the organizational ombudsman has direct access to the board and provides unfiltered communications. These communications include information on unethical behavior and resolutions, early warnings, and recommendations for changes to prevent issues from recurring. The board also receives data on the malfeasances officially reported on the helpline.

Suppliers, Investors and Customers

Vendors and suppliers are an extension of the CPC business, so it's critical that they conduct business with the same ethical standards as CPC. As the *AMA/HRI Business Ethics Survey 2005* shows, different ethics practices and programs work best for different stakeholders. With this in mind, CPC developed programs targeted toward specific groups.

Top Five Ethics Practices/Programs

For Suppliers/ Vendors	For Customers	For Investors
Code of conduct	Transparency	Transparency
Ethics audits	CSR programs	CSR programs
Ethics training	Ethics surveys	Ethics surveys
Ethics surveys	Access to ombuds	Access to ombuds
Ethics helpline	Ethics helpline	Ethics helpline

Source: AMA/HRI Business Ethics Survy 2005

CPC has, for example, a Supplier Code of Conduct that outlines the suppliers' need to treat their workers with dignity and respect, adhere to applicable laws and regulations, and make their products in an environmentally sustainable manner. The code is part of the supplier's contract and CPC holds the right to audit the supplier's practices if there is suspicion of unethical behavior.

CPC provides training to the suppliers on the code of conduct and CPC's expectation of the relationship. Additionally, the suppliers have access to CPC's ombudsman to discuss any unethical behavior they have observed. They also can access the helpline to formally report malfeasance.

CPC knows that customers make purchasing decisions on the basis of the reputation of a company. CPC has a principle of transparency and provides potential and existing customers with access to clear and complete information on all products and services. CPC provides customers with processes to provide feedback or ask questions, including access to the organizational ombudsman to discuss unethical behavior or concerns. Additionally, CPC provides customers with information about their corporate social responsibility programs and how they relate to business ethics principles.

Shareholder trust is critical to CPC's success. CPC has created processes to provide timely and complete information and to obtain timely feedback from their existing and potential investors. CPC's principle of transparency is manifested in the clear, timely and complete information they provide their investors on the financials, risks, strategies and priorities. "The truth is, we've taken hits in the market for being frank at times when we might have played it a bit closer to the vest," says the CEO. "Yet, our average investors stay with us longer than your average organization. Maybe that's because they know we have a longer-term perspective. They trust us, and I think this has paid dividends when it comes to being able to nurture nascent product lines that perform poorly at first but that we think will eventually grow into blockbuster items. Trust is worth a great deal in the market, which is why we believe ethics is a bottom-line issue for us."

CPC also provides investors with comprehensive information about their corporate social responsibility programs and the principle-based decision process they used to make the investments. Additionally, shareholders have access to the organizational ombudsman.

Business Ethics Effectiveness Measures

CPC knows that just having business ethics programs and practices in place does not ensure that an ethical culture permeates the entire organization. Therefore, the CPC leadership team has developed measures and indicators that they review to determine if indeed the business ethics programs are effective. Effectiveness is measured by looking at outcomes. It is not enough just to know the results of process and activity measures such as evidence that the code of conduct has been distributed or that 100% of employees have completed a training program.

The Ethics Committee, comprised of a cross section of the CPC employee base, created an Ethics Scorecard that it uses to review effectiveness measures. Without jeopardizing individual confidentiality, this committee reports a summary of the trends as well as changes to ethics programs to the board, employees, and shareholders. The scorecard includes the performance results on the ethics goals required of the entire leadership team, and it looks at potential correlations with information on the retention of high-performing employees, customer loyalty and investor confidence.

Additionally, the scorecard includes results from the employee ethics survey and the annual audit of the ethics programs and practice. The survey includes information on comfort level of employees in the reporting of misconduct, satisfaction with organizational response to reports of misconduct, and overall satisfaction with CPC's commitment to business ethics.

CPC has set the standard in collecting and analyzing customer complaints and conducting supplier audits. CPC records and analyzes the number, types, and trends of customer ethical complaints and concerns. The company also makes available the findings of the code of conduct audits of vendors or suppliers and the actions taken as a result of those audits. It includes information on the number, types and trends of theft, fraud and financial malfeasance and the number, types, trends and costs of lawsuits.

In addition to the scorecard, the Ethics Committee reviews information on unethical behavior from the ombudsman program and case data and outcomes from the Ethics Office and CPC Helpline. Finally, the committee analyzes the socially responsible programs and funding in light of their relationship to the business ethics strategy.

Ethics Practices on a Global Level

As a global corporation, CPC has found that conducting business internationally at the same ethical standards level as the national one is necessary to safeguard its reputation. This is, however, a challenge that requires a deep commitment from and to all stakeholders. After all, it means compliance with a wide range of different laws and regulations as well as an understanding of various cultural perspectives on ethics. Therefore, CPC views ethics as a total business system commitment.

The Board of Directors is ultimately accountable for ensuring CPC complies with legal and international regulatory requirements. Much of the groundwork is, however, done by senior management teams who take on the implementation and management of the Global Ethics Strategy, carried out in conjunction with CPC's Ethics Committee.

CPC's Global Ethics Strategy goes beyond trade and commercial transactions to include social and environmental responsibilities. For example, CPC sees the need to help develop – through the building of infrastructure, contributions to schools, and the like – some of the communities where they have foreign operations. In some cases, the company has even contributed to communities where its major suppliers are based.

Among the areas of highest concern are exposures to fraud, theft and financial malfeasance in foreign operations. Also, fair and equitable global compensation is a focus. CPC ensures that employees in manufacturing facilities in other nations receive fair wages.

CPC is aware that culture, time zones, languages and organizational hierarchies all make a difference in the degree to which unethical practices are brought forward. The CPC Code of Conduct is translated into the local language, and ethics training is conducted at the local level. Employees are encouraged to discuss issues with the local line and staff management or report the issue to the Ethics Helpline in the language of their choice. In some areas, there is a genuine resistance to such practices based on a history of negative consequences resulting from reporting "suspicious" activities to authority figures. Employees may well be reluctant to seek clarification on a possible conflict of interest from a remote person in a central location. To help address these concerns, the ombudsman program is global and provides a safe resource for any employee who wants to seek completely confidential, neutral and informal advice for options in getting the issue surfaced.

To address global complexity, CPC localizes some of those programs and practices while maintaining a corporate-wide culture of ethics. It customizes its training to specific cultural perspectives so that an overseas manager understands the spirit and not just the letter of the corporation's code of conduct. "Ultimately," says CPC's CEO, "we have to make sure our ethics strategy can be customized and adapted worldwide but at the same time maintain the integrity of the core organizational values."

Business Ethics in the Future: Five Assumptions

The AMA/HRI project team arrived at five broad assumptions about the future. These assumptions contain the sort of factors that are likely to influence business ethics in coming years. The AMA/HRI research team used the underpinnings of these assumptions when considering how business ethics practices will evolve over the next decade and beyond.

Technology

Technology has had a major impact on ethics questions, a trend that we believe will grow even stronger in the future. After all, information technology grows more powerful and pervasive by the day. Some experts have even suggested that the concept of privacy will become a thing of the past as it becomes ever easier to track people, their communications, activities and purchases through Internet usage, credit cards, GPS systems in vehicles, radio frequency identification inventory, face recognition technologies, employee identification tags, and a range of other technologies. Additionally, private and confidential information such as medical records will be sitting on shared data bases.

For employers, one of the primary ethics questions to ask will be, "We have the technology to do this, but is it ethical to actually use it in this way?" Companies will increasingly be challenged in how they internally use the ever-broadening datastream on employees and potential and existing customers. Businesses must balance their perceived opportunities and interests against the needs and desires of these key stakeholders to maintain a sense of privacy and autonomy. Also, companies must use ethical judgment in deciding which data they should share with outside entities (that is, government, vendors, medical providers, etc.) when those entities seek information about customers or employees.

How companies use data also becomes an ethics concern. As data-mining techniques improve, employers might discriminate against recruits or employees who fit the "profiles" of people who are at risk for serious diseases. Or, they might create "productivity risk profiles" from people who've been unproductive or troublesome in the past. Or, as search engines improve and background checks become more sophisticated, employers could prescreen people based on who has been engaged in certain legal but, from a civil rights viewpoint, unprotected actions, such as political activism. Then there are technologies related to genetic screening, gene manipulation, new pharmaceuticals, and other biological or medical knowledge. If new but expensive drugs are developed to slow the aging process or increase cognitive abilities, will companies pay for such treatments in their medical plans? Will this be done only for the most valuable employees? Will people be discriminated against because they don't take a drug that boosts their performance?

Then there are questions about whether or not to invest in potentially profitable innovations that depend on controversial technologies, such as genetic manipulation or cloning techniques, potentially dangerous nanotechnologies, or powerful artificial intelligence systems. Such technologies are likely to create serious ethical dilemmas in coming years, dilemmas that will deeply challenge business leaders.

Global Trends

A range of global factors will have a strong influence on business ethics. Among them are global free trade initiatives, shifting demographic trends, conflicts and an increasingly integrated global labor force. There will continue to be social conflicts among different cultural and religious factions, and disparities in the wealth of different

Companies that insist on certain global ethical standards might risk being seen as culturally insensitive or arrogant in certain regions.

regions will sometimes strain civility and help breed violence. Terrorism will be just one manifestation of this strain. Boycotts, support for theocracies, and Luddite-like resistance to technology are also likely to occur. Shifts in geopolitical power (from the West to the East, for example) will exacerbate attempts to address global issues.

On one hand, companies are likely to be pressured to forge and follow more international legal and ethical standards. On the other, companies will increasingly be competing in regions that do not necessarily hold to certain "Western" value systems. In some cases, the price of doing business in certain autocratic nations means following a different set of laws (for example, laws against what would be considered free speech in many modern democracies). This would mean engaging in business practices that are ethically questionable, or even downright unethical given the company's stated values and principles.

Companies that insist on certain global ethical standards might risk being seen as culturally insensitive or arrogant in certain regions. They could wind up incurring the wrath of investors and other stakeholders. In the future, companies will increasingly be faced with these "damned-if-you-do-and-damned-if-you-don't" ethical dilemmas, and they will need effective means of addressing them.

Business organizations will also need to "manage diversity" on a scale never seen before, which will make forging a global corporate culture challenging indeed. It's possible that global companies will push for international ethics curricula in business schools around the world. Or, they may harness the expertise of anthropologists and other experts when forging ethics training programs and communications. Almost any way we look at it, the global labor force will make establishing an ethical corporate culture a more complex challenge.

Organizational Structures

Business organizations will experience a growing interdependence that's driven by an expanded flow of information, technology, capital, goods, services and human resources throughout the world. The future challenge for companies will be to develop an "agile mindset." A growing number of organizations will be characterized by an integrated and yet dispersed set of mobile, multifunctional expert teams. Businesses will require more contractors, partnerships, mergers, acquisitions, alliances and even shared investments with competitors.

What does all this mean from an ethics point of view? For one thing, companies will have to determine what they should do if they discover that their values or ethics behaviors conflict with those of their partners and allies. They might need to formulate strategies for how to monitor and influence their partners, and they'll need to hone their abilities to negotiate deals while maintaining their own principles.

Companies will need to have a robust decision-making model that helps them balance the interests of different stakeholders in an ethical way. As teams form and disband with greater frequency, organizations also must figure out ways to ensure that team members – who may be from different functions, cultures and even companies – share common values. In short, companies will need to ensure that the agile mindset doesn't result in global moral relativism or ethical chaos.

Organizations will also need to maintain a set of values as their own organizations change around them. Change is likely to increase at an accelerating pace in many areas, such as leadership, employee tenure, restructurings, acquisitions, new products and businesses. The challenge for companies will be to sustain a consistent and pervasive ethical culture amid all these changes. New leaders and employees will need to be acclimated to the culture and committed to its ethical principles. Frequently, they will be coming from establishments or environments that had different cultures. Additionally, strong ethical principles will have to be applied to restructuring initiatives and other organizational structure changes.

Socioeconomic Trends

The world's wealthier nations have enjoyed an abundance of inexpensive but high-quality goods as nations in Asia and elsewhere have developed into major manufacturing powers. In recent years, similar trends have occurred in the areas of software production and some types of services, largely thanks to factors such as fiber optic cables that span whole oceans, the Internet, lower communication costs, and new work processes such as offshoring.

As a result of these trends, businesses are tending to segment into two general types when seeking competitive advantages: becoming a low-cost producer or a value-added one. Although something of an oversimplification, this idea illustrates how some producers of goods and services, especially in regions with higher labor costs, will try to compete: that is, by creating strong brands that exude status or otherwise create strong emotional attachments. Today, even in grocery stores, there are often two tiers of products: the low-cost ones and the ones that are marketed as somehow "better," such as organically grown vegetables. This dynamic increasingly applies to shopping for everything from cars to clothes to cups of coffee. The value-added producers benefit when the buying process becomes as much about the "shopping experience" as it does about cost.

Amid intense global marketplace competition, there may be a temptation to make decisions on expediency rather than ethics. We think, however, that companies can distinguish their products and services by establishing practices and policies that the marketplace views as more ethical and socially responsible than those of its competitors. Additionally, as the global marketplace continues to expand, a variety of stakeholders (investors, customers, employees, vendors, nongovernment organizations, etc.) will exert pressure for more stringent global laws and regulations and for organizations to operate with a high ethical standard.

If the global economy were to seriously weaken for a period of years, then low-cost suppliers might gain a competitive advantage. Within businesses, the push for

Incorporating environmental awareness into strategic plans might give companies a competitive advantage in coming years.

socially responsible business practices might be weaker in this case, though it's hard to say whether this would make stronger international laws more or less likely.

Environmental Trends

Even today, it's become impossible for many businesses to avoid the subject of environmentalism, and the *AMA/HRI Business Ethics Survey 2005* shows that business people think it will become a much more important driver of ethics over the next ten years. Scientific studies and media reports about global warming, for example, seem to become more prevalent every year, keeping the subject front-and-center for policymakers. The Kyoto climate change treaty has been signed by enough nations to make it a reality, though without the participation of the U.S. and up-and-coming economies such as China and India ("Analysis," 2005).

Meanwhile, a number of other environmental issues are likely to become higher profile. Experts note, for example, that 70% of the world's fishery resources are already "exploited, overfished, depleted, or recovering," and some scholars foresee scarcities in such basic resources as fresh water (Garvey, 2005).

Then there are concerns about types of environmental and health problems such as pandemics. The possibility of an avian influenza pandemic has gained the attention of the international policymakers, and global business leaders are beginning to awaken to the situation as well. *BusinessWeek* magazine reports, "[T]he impact of a flu crisis could be comparable, at least in the short term, to the Great Depression, cautions Sherry Cooper, chief economist in investment firm BMO Nesbitt Burns."

Incorporating environmental awareness into strategic plans might well give companies a competitive advantage in coming years. Organizations that have a reputation for "being green" could enhance their reputations and protect their market shares. There's a danger, however, in claiming to have "green values" and then getting caught in actions that are viewed as "anti-environment." Charges of hypocrisy can do serious damage to a company's brand. Therefore, companies will need to carefully consider how environmentalism fits into their principles and codes of ethics and then, if they decide it does, work to integrate these values into their strategic plans and corporate cultures.

The Composite Perfect Company 2015

Just as this report used the example of an ideal company to depict the best-in-class ethics practices of today, it uses the same conceit to describe what business ethics practices may look like in the future. We revisit the fictional Composite Perfect Company, this time in the form of an interview with an executive. This interview is set in the year 2015 and incorporates ideas from the AMA/HRI team of researchers as well from the AMA/HRI Business Ethics Survey 2005.

Interview with Chris Lee, COO of CPC

Reporter: We're speaking with Chris Lee, chief operating officer at CPC. Thank you for agreeing to this interview. As you are aware, CPC is ranked as the leading U.S.-headquartered company by American Management Association. What has been your involvement in the business ethics strategy?

Lee: I came to CPC 10 years ago through an acquisition. At that time I discovered that the CPC leadership team strongly felt that establishing and sustaining an ethical culture worldwide was essential to long-term success. I have to admit that initially I was a bit skeptical of a direct link between ethics and business success. Fortunately, they asked me to join the Ethics Committee because of my operations background and practical approach to dealing with business problems. They felt that I could help identify how to execute programs so they would be effective in achieving their goals.

Reporter: So, what did you do after you joined CPC's Ethics Committee?

Lee: CPC had a strong foundation of business ethics programs and practices. I knew I had to learn about them and understand their value because most of the programs did not exist in my previous company. Probably the most important things I learned are that sustaining an ethical culture requires the involvement and commitment of all key stakeholders and that these programs need to be regularly reviewed as things change. To do it right, you have to think in terms of system, and I have a pretty good idea of how it works after having spent the past 10 years taking various jobs, including international assignments. I have learned about a lot of the cultural complexities that go into creating and implementing an ethics program. Over the years, I've also begun to understand that it's necessary to anticipate and not just react when it comes to business ethics.

The Code of Conduct

Reporter: Have there been changes in CPC's programs and practices during that time?

Lee: Absolutely! Based on the feedback from our key constituents and what was happening in the global business and social environments, CPC's programs have evolved and adapted to stay effective.

Reporter: Can you give our readers an example of a program that has evolved?

Lee: The CPC Code of Conduct is a good case in point. We've adjusted our code to include things such as environmental ethics and cultural sensitivity, factors that have become more important in today's workplace. We emphasize disaster avoidance, preparedness and security, features that our employees now consider ethical imperatives.

Another change is that 10 years ago we had a code of conduct for all employees, board members and suppliers. Each constituent group signed the code and received training. We did customize the code a little but not as much as today.

These days, we maintain an overall code but we've also tailored it to many specific jobs and locations where, we've learned over time, that dilemmas and problems are most likely to arise. Before employees are hired or transferred/promoted to a new position, they have to receive ethics training and sign a document saying they understand the code, and they also have to pass a test on it. In the past, we found too many people were just signing off on the code without actually internalizing it. This process applies to executive leadership roles as well.

Additionally, our code emphasizes how important it is for employees to surface any potential or actual unethical behavior. As we've stressed for many years, it's essential that we get unfiltered information and early warnings. For example, we encourage employees to talk with their supervisor, HR, legal, compliance, security or other formal channels, and we have an ethics helpline and an ombudsman. Whistleblower guidelines are also part of our code.

Our training process has become more of a just-in-time affair. Much of the training and ethics communication is online and in local languages. There are also online feedback processes that employees can use to ask questions, point out places where the code may be vague or confusing, or identify dilemmas they have experienced.

While the basic principles of the code are the same globally, certain practices are modified to reflect local customs. For example, the guidelines for appropriate gift-giving are different in Japan than they are in the U.S. In some countries, it is important to provide a decision model to determine what payments are acceptable to conduct business, as opposed to bribes. Our online systems are regularly reviewed by lawyers, ethicists and anthropologists to make sure we don't go astray.

Reporter: Have the codes of conduct for the board and suppliers evolved also?

Lee: Yes, significantly. Today, board members also have to pass an exam before they are appointed and annually follow the process to retain their position. The code is tailored to their specific positions on the board, e.g., Audit or Compensation Committee. The board representative on the CPC Ethics Committee and the board member committee chairs facilitate the annual ethics workshop that reviews board processes to figure out whether we need to change anything in those areas.

The code is core to the supplier relationship. In fact, CPC was instrumental in getting the corporate leaders in our industry to join us in creating a universal code for all suppliers to our industry. It sets the standard for any supplier doing business in our industry. For example, the code clearly articulates that all suppliers must adhere to applicable local laws and regulations. This code is part of the CPC supplier contract. Not only do suppliers have to sign it, but key supplier relationship managers are required to attend a training session on the code and the associated audit process. Additionally, representatives of the supplier are required to attend a business ethics conference held twice a year. Information on any cancellation of a supplier contract because of the results of a code audit is made available to the board.

The Ethics Committee and Decision-Making Models

Reporter: You mentioned an Ethics Committee. Has its role changed over the years?

Lee: I think the evolution of the Ethics Committee had been core in helping us to continue a systematic framework for our ethics strategy and to sustain our ethics structure. Ten years ago, our Ethics Committee had representatives from our employee groups. Today, in addition to employees, we have board, supplier, customer, investor and community representatives, although not all these parties have access to the most confidential of employee, customer and other proprietary information. Collectively, they review the programs and practices, the results of the business ethics goals, and the information on the CPC Business Ethics Scorecard. They receive information on trends, emerging issues and opportunities for issue prevention from the ombudsman. And they get case trends and results of investigations from the ethics office and the helpline. The committee also makes recommendations to the executive team and the board for changes and improvements.

Reporter: Are there other changes that you think have helped CPC sustain an ethical culture and business success that have led to this number-one ranking?

Lee: There are a couple of processes I would like to mention. We have worked hard to create a business ethics model for all employees to use in making decisions. When true ethical dilemmas emerge in the company, the Ethics Committee uses the decision-making model, which is based on our ethics principles. These days, we're experimenting with an expert system – that is, a piece of artificial intelligence software – that facilitates this process, keeping our internal logic fairly rigorous. Once an issue is decided, the committee then looks at programs and practices that can reinforce the decision. The Ethics Committee reports to CPC's CEO, though they're also permitted to report to the board of directors if they feel it's necessary.

Our survey process has also evolved. Not only do we have an ethics survey for our employees, we also survey the board, suppliers, customers and investors. These surveys help us understand the different perspectives and concerns. To increase transparency, we provide a summary to customers, suppliers and investors of the Business Ethics Scorecard, trends and outcomes from our ombudsman and from our helpline.

Effectiveness Measures

Reporter: CPC certainly has a comprehensive and aligned set of ethics programs and practices, but how does CPC know if these programs are achieving the desired outcomes?

Lee: Helping to identify appropriate measures has been one of my responsibilities on the Ethics Committee. We know "activity measures," like the number of employees who have had training, aren't enough. So we created an ethics scorecard that focuses on indicators that measure outcomes and results.

Reporter: What are the types of methods and indicators you review?

Lee: One of our methods is our ethics audit. This used to be a yearly event that was, in part, carried out by a third party in conjunction with our survey. Today, we still outsource the supervision of the audit but much of the audit itself is an ongoing affair that's tied to our scorecard and other measurement tools. Using computerized systems, our audit quickly identifies internal potential problems and, with the help of both internal and external analysts, the probable causes of those problems. At one time, we mostly audited internal processes, but our newer version tracks contracts, supply chain management and vendor relationships, and then it provides an ethical behavior rating scale for each. We depend on outside sources to audit CPC leadership behaviors.

As for the specific indicators, we cover a fairly wide variety, including:

- The number and types of violations to the CPC Code of Conduct;
- The number and types of financial malfeasance, including things such as fraud and theft;
- The number and kinds of customer ethical complaints;
- Trend data from our ombudsman and the outcomes once we become aware of issues;
- The number and types of issues coming to the CPC Helpline and the outcomes of those issues;
- The completion of business ethics goals and the associated business results, such as improved employee engagement;
- Data from our ethics surveys of employees, suppliers, customers and investors;
- Results of audits of vendors in accordance with the Supplier Code of Conduct;
- The analyses of outside financial experts in terms of how we perform as a socially responsible fund;
- The degree to which we meet the newest International Organization for Standardization guidance on social responsibility;
- An analysis of effectiveness of scenario-planning in foreseeing emerging ethical dilemmas and issues.

Many sets of data go to the Executive Leadership Team and the Board of Directors, and virtually everything goes to a subgroup of the Ethics Committee. To ensure transparency, a summary of non-confidential data is provided to all employees, customers, suppliers, investors and the community.

Reporter: How do the indicators link up with business goals?

Lee: All employees at CPC have business ethics goals they're asked to meet. Once a quarter, a summary of the results against those goals are presented. Using some pretty advanced statistical modeling, which has become a lot easier over the years thanks to new software, we try to determine how meeting our ethics goals correlates with the retention and engagement of high-performing employees, loyalty and business from customers, productivity and even expense control. We do the same with goals related to avoiding litigation and financial malfeasance.

Leadership

Reporter: By now, it's become conventional wisdom to say that ethics starts at the top. What is CPC's take on this?

Lee: It may be conventional but it's also true. We've been acting on this truth for well over a decade in terms of how we manage the organization.

Reporter: How has CPC's approach to ethics and leadership changed over the years?

Lee: Well, we still do a lot of the same things we've always done, but ethics seems to be an even more pervasive concern these days.

Reporter: How so?

Lee: The world is changing so fast that it's easy to find that your company is sliding into murky ethical waters before you even know it. Just as one example, consider the "smart drugs" that have started to become more popular these days. It's not only getting easier to find these drugs on the black market, it's easier to get a prescription for them. So more employees are taking them to boost their memories and maybe other cognitive abilities, thinking they help their job performance.

Well, from a leadership point of view, what do you do? What if you promote or give someone a pay raise based on performance and everybody knows the person is taking these drugs? Are you sending a signal to the rest of the workforce that says you've got to take them to get ahead? Do you start testing for them, distinguishing between legal and illegal usage? And, even if you wanted to, do you have a legal right to do so?

Reporter: Those are some interesting questions. How does CPC actually approach answering them?

Lee: For one thing, we're much more proactive than we used to be. We actually take the time to do research and then hold leadership meetings in which we discuss these issues, often with the participation of members of our Ethics Committee. We consult with futurists, sociologists, lawyers and ethicists to walk us through the potential problems and how we might address them. We use scenario-planning, simulations, and other tools to help us decide how we might cope with ethical dilemmas as they'll emerge in the near future.

Reporter: Is there some kind of philosophical foundation from which you're working?

Lee: Always. We know that the decisions we make are critical as we face increasingly complex ethical dilemmas. The foundation for our decisions are our mission statement, values and code of conduct. Sometimes, our meetings wind up sounding like some kind of grad-school-level dissertation discussion on philosophical treatises. I've got to say that as a trained engineer and person schooled in operations and logistics, it sometimes tries my patience. But I've learned to appreciate these sessions, too, because our CEO always makes sure they come back down to a level where we can put into operation what we've discussed.

Reporter: Are there ever clashes between people with different interests and backgrounds?

Lee: Yes, indeed. These days, our leaders come from a variety of backgrounds and nationalities. There are bound to be disagreements at these meetings, but we all usually walk away with a much better idea of where we stand according to our ethics principles.

Reporter: What happens if ethics standards cause you to lose business in today's hyper-competitive marketplace?

Lee: It's been known to happen, but we think that trying to do the right things will pay off for us in the long run. Also, we work hard to try to raise the bar not only at our organization but throughout our industry. Our CEO continuously explains our policies to the public, investors, customers, employees and partners. What really concerns us when the press or blogs or whatever start saying that our actions don't match up with our rhetoric. This has happened, and we've tried to address those matters as quickly as possible. We aren't saints but we do try to do the right thing.

We're also working with some of the top standards-setting organizations to develop workable yet robust international guidelines for corporate social responsibility programs. That's a challenge. Not every company wants to get involved with these standards, thinking they're red tape that's going to drive up costs and hinder autonomy. Unless investors and customers push companies to get involved, they won't. So another part of our CEO's job is to make sure such standards help rather than hurt business so everyone's playing by the same rules.

Reporter: It all sounds pretty top down.

Lee: Not really. I'd say most of the best ideas about ethics come from sources other than top management. For example, the ideas to run our operations in much more environmentally friendly (and more efficient) ways came from front-line teams. Our whole culture, including leadership, is committed to operating by high ethical standards. That's because it's the right thing to do, and employees are much more loyal and committed if we're doing the right thing. We believe it's the only way we're going to continue to succeed in the long run, with all the intense scrutiny coming from investors, customers, the public and nongovernmental organizations.

Corporate Culture

Reporter: So, leadership and practices have evolved in terms of how CPC looks at ethicse increasingly positioned ourselves as a "high-value" organization. That is, we are not the low-cost provider in most of the markets in which we operate, but we are successful because customers value our devotion to quality, design, customer service and social and ethical values. We do this both because we believe in these values and because we think that this makes us a more successful organization.

Over the years, we've worked to communicate these values in an ever more integrated way. In fact, I'd say we've extended our culture out to our business partners in ways we didn't used to. A lot of this involves building trusting relationships. For years, we've preached our core values of trust, value and transparency. Now, we have to export these values, or at least insist on them at the negotiating table.

As a culture, we're also "greener" than we used to be, partly due to government regulations in certain parts of the world. We spoke about measurement before. One of the criteria by which CPC gauges innovations these days is "impact on the environment." An engineering team, for example, is given more credit for attaining its ethics goals if its new product is environmentally friendly.

Reporter: How do your partners and suppliers feel about your trying to "extend" your culture out to them?

Lee: Well, a few have voiced reservations or made light of the training sessions we require, but most of the firms appreciate it, find it beneficial and have created similar training for their suppliers. However, all of our partners and suppliers know that we are serious and that our ethical standards are not up for negotiation. We've gotten most of them to follow the same ISO guidelines we do, which they see as having been valuable to them.

Reporter: Your ethics policy has become something of an industry benchmark. Does that make you proud?

Lee: It does. It makes the whole company proud, and as long as that pride doesn't become hubris, it's an emotion that reinforces our culture. It tells me that CPC is delivering on the trust, value, and transparency. Still, I take nothing for granted. You can never ever rest on your laurels when it comes to issues of ethics and social responsibility, and that feeling is also part of our culture. We continue to try to anticipate the emerging ethical issues.

Reporter: What advice would you give to other companies that are struggling with their ethics programs?

Lee: First, look to the values on which your company is based. Are they the right ones? Then go back and analyze and measure your ethics culture to see if it is in alignment with your business values. Does it, for example, try to protect your employees from being victims of ethical lapses? No matter what technologies you use, it all comes back to essential values.

The Global Perspective

Reporter: You stated that your leadership group has become more international. How has the increasingly global nature of your enterprise affected your ethics programs and practices?

Lee: Well, trying to establish higher standards of ethics within the domestic market was hard enough. Trying to achieve consistency globally has at times been challenging, especially in certain regions where corruption is a way of doing business. We've tried to instill the important CPC values and directives, which were originally forged in our U.S. headquarters, to our plants and divisions in other regions, but this requires a lot of cultural sensitivity and some social adaptation. That's one reason we've transformed our leadership groups and our Ethics Committee over the years to make them more globally diverse.

Reporter: If cultures are so different in values, standards, and verbal and nonverbal behaviors, why is consistent business ethics so important in globalization?

Lee: We've got to have a global ethics strategy to protect our trademark and reputation with our employees, customers, investors, suppliers, local communities and other worldwide stakeholders. If we fail, there will not only be marketplace consequences for irresponsible corporate behavior but, we believe, some global governance organization will eventually evolve to more heavily supervise international businesses via trade restrictions, export controls, laws and regulations. We've seen the world moving in this direction. If we don't police ourselves, someone else will.

Reporter: Does corporate social responsibility also apply to globalization?

Lee: Absolutely. Given the advancements in micro-video technology along with the global pervasiveness of the Internet, a corporation's irresponsible social and environmental performance can be reported overnight and be broadcast on the business networks before the stock market has even opened. More than ever, we operate in a "global village" and the lack of social and environmental integrity – even by a supplier in some far-off region – becomes newsworthy in a 24-hour, multimedia, blog-inundated world. Unethical business is just plain bad business.

Reporter: Many countries are still in the midst of transformation from one form of government to another, and their labor laws are not modernized. So what do you do as a global company?

Lee: To be fair, the global culture has continued to advance to a place where workplace issues such as child labor are viewed as almost universally unacceptable and morally wrong, even in nations that don't have strict laws. A corporation can't be identified directly or indirectly with these types of labor practices. It's easier than ever for consumer groups to create powerful online-shopper boycotts.

One thing we've gotten better at over the years is quickly responding to faulty information on the Internet that could damage our reputation. Thanks to our internal tracking and measurement systems, we can usually get the information to quickly refute false rumors. Or, if the information is true, we can quickly respond internally as well.

Reporter: How does one deal with the more subtle labor issues like discrimination and harassment?

Lee: It's not a simple matter, but we've definitely improved in this area over the years. In different cultures with different languages, where you may have a caste system, tribal histories, specific gender roles and religious differences, it's not always easy to detect these abuses. Still, we've gotten better at building reporting systems that local employees trust and at making sure we respond to ethics complaints in culturally appropriate ways. For example, we now have what we consider a top-of-the-line global ombudsman program. We've also hired outside experts, most of them specialists in specific cultures, to carefully examine our ethics programs in each nation.

We're continuously communicating the value of diversity through our communication and training programs. We've established a due process throughout all HR practices and we recognize various success stories by team leaders and individuals.

Reporter: What about issues like fraud, theft, and financial malfeasance by management personnel in your foreign operations?

Lee: In different cultures, where traditional relationships may be more important than hierarchical roles, one needs to be especially careful during the investigative process. That is why companies need to be careful to avoid real or perceived conflicts of interest. Everyone should have the opportunity to request management clarification or access to a helpline.

Reporter: How do you deal with gift-giving and bribes, especially combined with more offshore contracting and supplier relations?

Lee: In the past, when one signed a contract, we got the feeling the job was basically done. Today, we've realized that the job is actually just beginning. We not only need to ensure things will be delivered but that they'll be produced in a way that reflects our standards of ethics. A tool that we've found useful, as I mentioned before, is the Supplier Code of Conduct along with an audit process. What was unique about the development of that process is that we included a cross section of our suppliers on the project team, which helped in the implementation and overall compliance.

Reporter: So, just to be clear, have you developed different policies, programs, processes and practices for different parts of the world?

Lee: No. As I've said, we've done some customization (for example, address local regulations) and translation of the content, and we've tried to make sure we use processes that work best in given locations, but the overall policies and programs remain the same. We feel it is important for CPC to speak with "one voice" worldwide. The implementation is the real challenge, and it requires numerous group and individual meetings to make it all happen the way it should.

Conclusion

At the request of American Management Association, in late fall 2005, HRI and a team of experts in the area of business ethics reviewed mountains of literature, past and present; and conducted numerous interviews with companies that are considered the best-in-class in ethical practice. Finally, the results of a comprehensive global survey, with nearly 1,100 usable responses, were analyzed.

If there's a single lesson to be drawn from the *AMA/HRI Business Ethics Survey 2005* and the accompanying research we've conducted, it's that any approach to improving business ethics has got to view business ethics as a strategy and a system. Corporate culture is the key to creating and sustaining an ethical environment, but culture is notoriously difficult to shape and change. A culture represents years of ingrained behaviors, traditions, unwritten rules, and assumptions about what is rewarded and why. Addressing it requires a systems framework.

The best hope companies have is to begin by identifying the fundamental values and principles that *underlay* everything else in the organization. If the underlying values do not strongly speak to ethics and reward ethical behaviors, then companies are missing an opportunity and setting themselves up for future ethics problems. These may include litigation or the perpetuation of a trustless culture. Ultimately, culture is more important than programs, but espoused values are not necessarily the same as genuine values. If claimed values or a code of ethics have no power or resonance throughout the organization, they will not change behaviors.

The Ethical Systems Framework

The AMA/HRI research agrees with some other comparable studies that leadership is key to changing corporate culture. If leaders are dismissive about ethics enforcement, or if they simply talk the talk without walking the walk, then trying to establish and sustain an ethical culture is nearly hopeless. All the ethics programs in the world won't help.

If the right kind of leadership and fundamental values are in place, however, then programs and practices can help support and maintain an ethical culture. For this reason, we've developed an Ethical Systems Framework (*see figure*) that illustrates how we think a systems-oriented ethics program works. In this model, an ethical culture is at center, being the strategic focus of any ethics initiative. Principles and values

– and the code of conduct which is based on them – are the foundations for the ethics culture. The next circle represents the organization's employees, board and suppliers whose daily actions are influenced by the culture and, in turn, help shape the culture. We placed suppliers in this circle because, as business partners, their activities on behalf of the organization affect its reputation and success. Suppliers will increasingly be subject to corporate codes and audits and training. More business partners will tie their financial arrangements to the progress on mutual goals related to ethics or social responsibility.

Then there are the practices, programs and processes that need to be aligned. They both reflect and reinforce the culture's values and the code of conduct. Of these, leadership modeling and communication are the most critical, according to the AMA/HRI survey, but all play an important role. It should be remembered that this model is a simplification that doesn't show all relevant practices and processes. For example, the ways in which companies develop and deliver products and services also play an important role in establishing an ethical work environment.

Around the perimeter of the model are the external stakeholders. More and more, the ethical conduct of the organization will influence the decisions by these external stakeholders. They will enjoy increased organizational transparency. There will be additional methods for these stakeholders to provide feedback. For example, investors and consumers will likely have greater opportunities to take advantage of ombudsman programs and help-lines, providing more checks and balances on the ethics of corporations. Over the long haul, this will serve the interests of businesses, which will benefit from paying greater attention to the external business environment.

Business ethics will become more important in the next several decades. Among the most important external influences will be globalization, pressure from customers, investors and the public and environmental issues. This means, in essence, that corporate leaders are going to need to broaden the scope of their attention in order to maintain an ethical culture. To achieve this, they will have to watch and listen carefully, both within and outside of their organizations. This will help them to anticipate and address ethical problems before those problems become full-fledged scandals.

Ultimately, in a well-managed company, business ethics pays dividends aside from simply protecting the reputation and well-being of the organization. An ethical foundation gives leaders a sense of purpose and helps them forge a strategic vision. Employees will be more passionate, committed, trusting and loyal. In short, ethics is a way of engaging and even galvanizing the workforce, creating more loyalty among customers and increasing shareholder value.

One last point: the AMA/HRI survey indicates that one of the primary reasons respondents give for running a business in an ethical manner is that "it's the right thing to do." This highlights the fact that, in the end, ethics is about more than just the bottom line. There is no simple division between business ethics and human notions of morality, on which whole civilizations are based. These concepts bind us all and will continue to do so well into the future.

Epilogue

Former U.S. Senator Alan Simpson put the importance of integrity into the proper perspective when he said, "If you have integrity, nothing else matters. If you don't have integrity, nothing else matters." Certainly this sentiment is especially relevant in today's business environment. Yet how can complex, abstract qualities like integrity, ethics and responsibility be effectively taught and promoted within our organizations? We've seen in the *AMA/HRI Business Ethics Survey* that laws and regulations are, and will remain, the most influential external drivers of corporate ethics. But we've also learned that legislation is no substitute for the presence of leaders who support and model ethical behavior and communicate those values to their team members. These leaders know they must do more than talk the talk in order to establish and sustain an ethical culture.

We've also seen that the rationale for building an ethical corporate culture goes far beyond the need for protection against prosecution for unethical practices. The primary driver for running an ethical business, today and in the future, is to protect and sustain an organization's reputation. Those executives who are not up to the challenge should step aside and cede the reins to those who are truly committed to leading.

According to the AMA/HRI study, the pressure to meet unrealistic business deadlines or objectives is the factor most likely to cause business people to compromise their ethical standards. Leaders at all levels should keep this finding in mind while running their day-to-day business. It is up to them to block the entryways to unethical behavior and to, instead, encourage their employees to stick to the straight and narrow path.

Building a truly ethical enterprise demands that leaders, executives and managers work together to formulate a strategy and then build a foundation of systems to make it happen. Certainly, this is a challenge in today's complex business environment, but it is one that can and will be met. We at American Management Association view this study as a first study for businesses worldwide. We hope it will serve as a blueprint for companies to formulate their ethics programs. Should you need help in making the model described here a reality, we are ready to lend a helping hand.

The AMA/HRI Business Ethics Survey 2005 Results

Executive Summary

American Management Association (AMA) commissioned the Human Resource Institute (HRI) to conduct a global business ethics survey that received responses from 1,121 executives and managers. The core of this survey addressed the following important questions:

- Why are business ethics important to the organization?
- What drives unethical behavior?
- What are the business environment drivers impacting ethics today? In ten years?
- How do we establish and sustain an ethical business culture?
- What business practices contribute to an ethical corporate culture?
- What leadership behaviors result in an ethical corporate culture?
- How do we measure the effectiveness of programs/policies intended to support ethical business practices?
- What are the most important ethics-related global workplace issues?

Key Results

Top Five Reasons to Run a Business in an Ethical Manner

- Protection of brand and reputation
- The right thing to do
- Customer trust and loyalty
- Investor confidence
- Public acceptance/recognition

Top Five Business Drivers of Business Ethics

- Corporate scandals
- Marketplace competition
- Demands by investors

- Pressure from customers
- Globalization

Top Five External Environment Drivers of Business Ethics

- Legal: laws, regulations
- Economic environment
- Political environment
- Social values
- Privacy

Top Five Processes/Factors for Ensuring an Ethical Business Culture

- Leaders model ethical behavior
- Leaders communicate consistently
- Ethics are integrated into the fabric of the organization
- Ethics are a component of the performance management system
- Ethics are a consideration in recruiting and selection

Top Five Internal Practices for Ensuring an Ethical Corporate Culture

- Code of conduct
- Ethics training
- Corporate social responsibility programs
- Ombudsman available
- Ethics helpline

Top Five Board of Directors Practices and Programs

- Director's code of conduct
- Ethics training
- Independent directors
- Diversity among directors
- Non-management directors

Top Five Supplier Ethics Practices and Programs

- Supplier's code of conduct
- Ethics audits
- Ethics training
- Ethics surveys
- Access to organization's ethics helpline

Ethics Practices Important to an Organization's Investors

- Transparency of information
- Corporate social responsibility programs

- Ethics surveys
- Access to organization's ombudsman
- Access to organization's ethics helpline

Ethics Practices Important to an Organization's Customers

- Transparency of information
- Corporate social responsibility programs
- Ethics surveys
- Access to organization's ombudsman
- Access to organization's ethics helpline

Top Five Drivers of Unethical Behavior

- Pressure to meet unrealistic business objectives
- Desire to further one's career
- Desire to protect one's livelihood
- Working within a cynical, demoralized environment
- Ignorance that the act was unethical

Top Five Most Important Leadership Behaviors

- Keep promises
- Encourage open communication/ensure no retaliation
- Keep employees informed
- Support ethical behavior/discipline transgressors
- Both internal and external discussion of the importance of business ethics

Top Five Business Ethics Effectiveness Measures

- Ethics survey results
- Customer ethics complaints
- Ethics audit results
- Achievement of ethics goals
- Theft/fraud

Top Five Ethics-Related Global Workplace Issues

- Forced labor/child labor
- Working conditions/health/safety
- Discrimination/harassment
- Financial malfeasance
- Fraud/theft

Study Method

Target Survey Population: The target survey population consisted of the HRI e-mail list of primarily senior-level human resources professionals (mostly U.S., with some international) and the American Management Association international e-mail list of individual contributors, supervisors, managers and executives across a wide range of functions (e.g., general management, finance, operations, human resources, etc.). In total, 1,121 usable completed surveys were submitted.

Survey Instrument: The *Business Ethics Survey 2005* consists of 10 comprehensive demographic questions establishing (1) who the respondent is – functional area, level of responsibility, gender and age range and (2) the parameters of the respondent's organization – number of employees and revenue; whether global, multinational, or national; industry/sector; and geographic region.

The core survey consists of 13 questions requiring respondents to rate multiple items within each core question. Consequently, each individual responds to a total of 112 choices. The core business ethics survey addresses the questions raised in the above introduction.

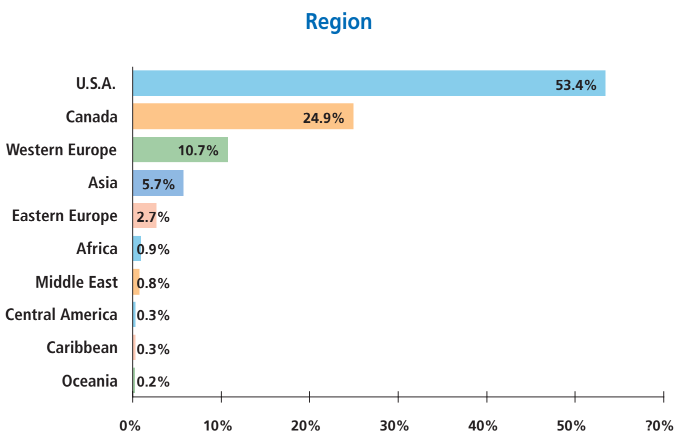
Procedure: A link to an online survey was e-mailed to the target population by region during October and November of 2005.

Demographic Results

Respondents

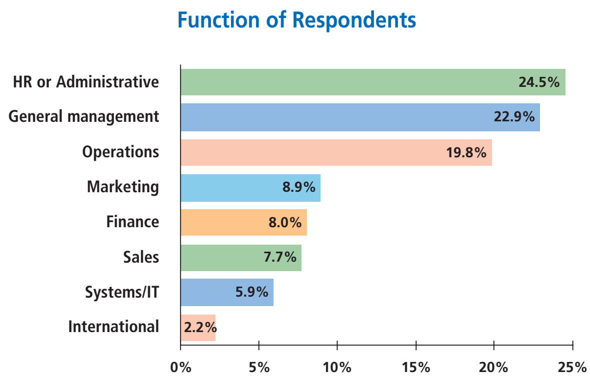
By Region

As expected, of the 1,121 respondents, the great majority, 53.4%, were from the U.S., followed by Canada (24.9%), Western Europe (10.7%), and Asia (5.7%). The other regions in total accounted for 2.6%. Realistically, the overall survey results are primarily representative of a North American population with some influence by Western European and Asian respondents.



By Function

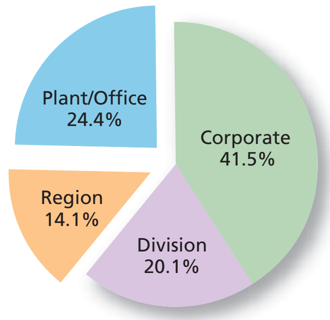
This is not simply a survey of human resources professionals; HR respondents represent less than one-quarter of the total. The major functions represented are human resources/administrative (24.5%), general management (22.9%) and operations (19.8%). The remainder of the respondents are well spread across marketing (8.9%), finance (8.0%), sales (7.7%), systems/IT (5.9%) and international (2.2%).



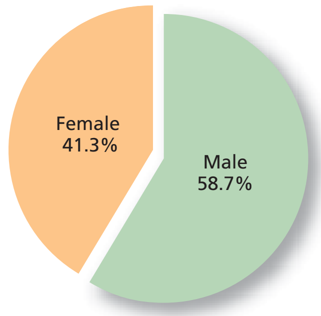
By Organizational Level of Responsibility

As expected, the great majority of the respondents (41.5%) identified themselves as located in corporate. Corporate people dominate the AMA and HRI e-mail lists used to target potential respondents; fortunately, they also provide the broad perspective relevant to assess both ethical issues and the programs/policies commonly implemented to address them. However, the 24.4% representation by plant/office respondents and the division and region representation of 20.1% and 14.1%, respectively, provide a nicely balanced perspective on ethical issues.

Level of Responsibility



Gender



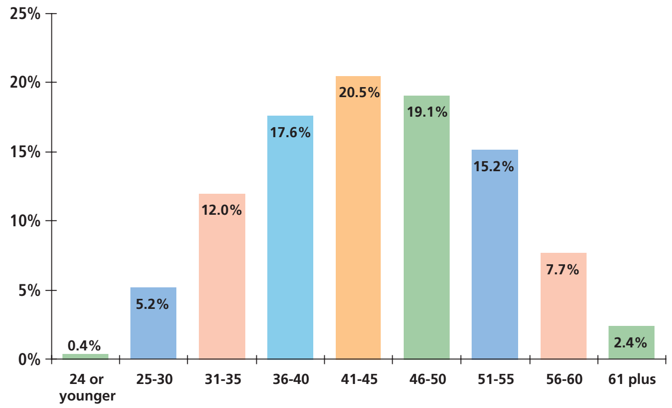
By Gender

With 58.7% male and 41.3% female respondents, the gender balance is reasonably proportionate to their representation in the professional workforce.

By Age

As expected, almost three-quarters of the respondents were in the broad age range of 36-55, with the plurality of respondents aged 41-45 (20.5%) and the rest of the survey population tapering off from there.

Age

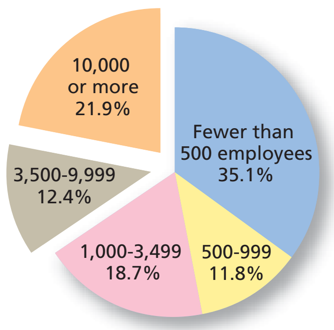


Organization

By Employee Headcount

While the HRI e-mail list is primarily constituted of very large organizations (i.e., 10,000 employees and up), the AMA e-mail list is much more diverse, with a representation of smaller companies, so the AMA list more closely mirrors the normal distribution of organizations in the marketplace. The distribution of respondents by organization headcount is mostly bimodal, with 35.1% from organizations with fewer than 500 employees and 21.9% from organizations with more than 10,000 employees.

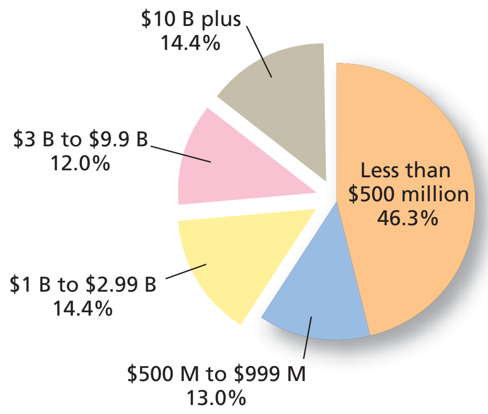
Size of Total Organization's Workforce, by Number of Employees



By Organization Revenue

Respondents were primarily from small- to medium-revenue organizations, with 46.3% having revenues of less than $500 million. At the other end of the scale, 14.4% have revenues of $10 billion or more.

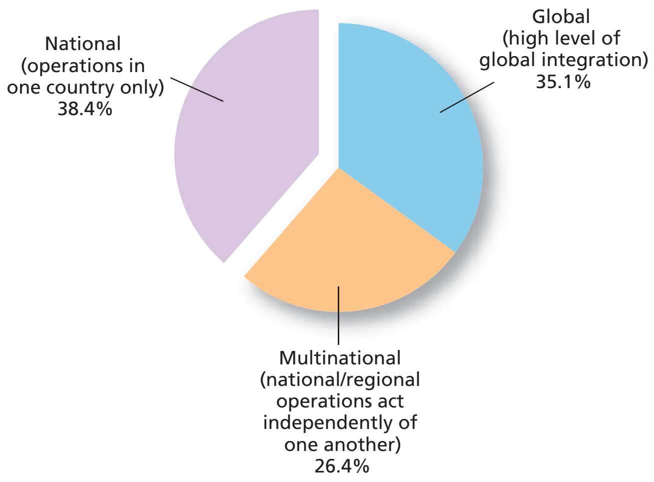
Revenue of Total Organization



By Type of Organization

In this survey, we defined a global company as one with a "high level of global integration," a multinational as one in which "national/regional operations act independently of one another," and a national as one having "operations in one country only." With 35.1% global and 26.4% multinational, almost two-thirds of the respondent organizations have operations overseas.

Type of Organization



Business Ethics Survey Results

In this core survey, we used the well-accepted 1-5 Likert-type scale, with a 1 rating designated as "Not Important" and a 5 rating as "Very Important." There are 13 questions with multiple sub-parts to each question. In total, the survey questions address:

- The importance of business ethics to the organization
- Drivers impacting business ethics
- Establishing and sustaining a business ethics culture
- Business ethics practices and programs
- Drivers of unethical behavior
- Ethical leadership behaviors
- Business ethics effectiveness measures
- Ethics-related global workplace issues

Importance of Business Ethics to the Organization

Question One

How important are the following reasons to run a business in an ethical – manner today and in 10 years?

	Today		In 10 Years	
Protection of brand and reputation	4.26	1	4.68	1
The right thing to do	4.17	2	4.53	2
Customer trust and loyalty	4.08	3	4.51	3
Investor confidence	4.01	4	4.45	4
Public acceptance/recognition	3.98	5	4.43	5
Litigation/indictment avoidance	3.88	6	4.21	8
Positive impact on financial results	3.82	7	4.26	7
Employee retention and performance	3.81	8	4.38	6
Supplier/partner trust	3.79	9	4.21	9
Potential regulatory interference	3.78	10	4.13	11
Competitive/marketplace advantage	3.69	11	4.20	10

Business Ethics Will Become More Important

There will be far more emphasis on business ethics in the future than there is today. Virtually all the survey item ratings increased dramatically with time, with item ratings ranging from a 4.13 to a 4.68. In an increasingly transparent and global business environment, transgressions are soon evident to all.

Above All Else, Protect the Reputation

Protecting the company reputation is seen as the top reason for running a business in an ethical way, something that's not going to change, according to respondents. It's even more important than "doing the right thing." Customer loyalty, investor confidence, and public opinion are also seen as key reasons, something not expected to change in the future. Worker retention and performance are expected to become more important as reasons to operate ethically, something that may interest managers who foresee a "war for talent."

Drivers Impacting Business Ethics

Question Two

How important are the following business environment drivers in terms of their impact on business ethics today and in 10 years?

	Today		In 10 Years	
Corporate scandals	3.82	1	4.06	4
Marketplace competition	3.63	2	4.18	2
Demands by investors	3.53	3	3.98	5
Pressure from customers	3.49	4	4.13	3
Globalization	3.48	5	4.19	1
Executive compensation	3.41	6	3.76	8
Change: M&A, restructuring	3.29	7	3.73	9
Diversity, including generational	3.25	8	3.85	7
Pressure from prospective and existing staff	3.24	9	3.87	6
Organizational structure, e.g., matrix, virtual	3.17	10	3.64	10
Outsourcing and offshoring	2.98	11	3.54	11

"Pain Avoidance" Is Currently the Top Business Environment Driver Impacting Ethics in Business

Not surprisingly, "corporate scandals" was identified as the top-rated business environment driver of business ethics today. With our recent history of corporate malfeasance scandals, the threat of public excoriation – and potential jail time – is understandably a powerful motivator to behave.

Globalization and the Resultant Increased Marketplace Competition Are the Most Powerful Forces Driving Business Ethics

As we rapidly and relentlessly progress toward a true global economy, the organization's business practices will become increasingly transparent and important to the development of both consumer trust and business-to-business trust. Business partners, who don't wish to share in any guilt by association, will demand ethical practices from one another. What business partner wants to be connected to child labor or kickbacks and bribes? What consumer will feel good about buying from such a company?

Investors Will Demand Ethical Corporate Practices

"Demands by investors" ranks among the top five drivers both today (#3) and for the future (#5). Scandals, indictments of senior executives and bad publicity drive down stock prices and can even force a company toward bankruptcy.

The Organization's Employees Will Demand Ethical Behavior

Our results indicate an increase in the rankings of "pressure from prospective and existing staff" from #9 today to #6 in the future. If the oft-predicted shortage of skilled and talented workers occurs, organizations cannot afford to be perceived as untrustworthy or engaging in illegal activities. People want to feel good about their employers and proud to be part of a strong team that conducts business in an ethical manner.

Question Three

How important are the following external environment drivers in terms of their impact on business ethics today and in 10 years?

	Today		**In 10 Years**	
Legal: laws and regulations	3.88	1	4.32	1
Economic environment	3.64	2	4.01	4
Political environment	3.52	3	3.79	9
Social values	3.45	4	3.93	6
Privacy	3.43	5	3.84	8
Level of security globally	3.43	6	4.00	5
Technology	3.38	7	3.93	7
Corporate social responsibility movement	3.35	8	4.07	3
Environmental issues	3.33	9	4.19	2
Societal pressures	3.27	10	3.78	10

Laws and Regulations Rule in Motivating Business Ethics

Both today and in the future, the rule of law is the primary driver in ethical business practices. As a case in point, in the U.S., the Sarbanes-Oxley accounting regulations have dramatically increased the transparency and detail of an organization's books.

The Big News Is the Increasing Influence of Corporate Social Responsibility and Environmental Issues

The survey respondents predict that both "corporate social responsibility" and "environmental issues" will become much more important over the coming decade. "Corporate social responsibility" jumped from a current ranking of #8 to #3 and "environmental issues" leaped from #9 today to #2. Organizations are apparently waking up to both "what is right" and what business partners and the consumer expect in terms of ethical behavior. However, we do note a few dramatic regional differences. U.S. respondents, who predict that environmental issues will be ranked only as #7 in 10 years, seem to attach less importance to such issues than their global colleagues. U.S. respondents put much more emphasis on the importance of technology both today and in the future (today #5, future #2) and less on privacy (today #2, future #3).

The Political Environment Will Decrease in Importance as a Driver

Today, the "political environment" is ranked #3 in importance and will drop to #9 in the future. A reasonable hypothesis for this decline in relative importance is the predicted growing influence of the rule of law and of the global business marketplace.

Establishing and Sustaining a Business Ethics Culture

Question Four

How important are the following processes for ensuring an ethical culture?

1	4.63	Leaders support and model ethical behavior
2	4.39	Consistent communications come from all leaders
3	4.27	Ethics are integrated into the organization's goals, business processes and strategies
4	4.23	Ethics are part of the performance management system
5	4.14	Ethics are part of recruitment process and selection criteria
6	4.11	Ethics are part of mission statement and espoused values
7	4.04	An ethics-based framework is used for making business decisions
8	3.99	Measures are in place to assess the effectiveness of business ethics programs and strategies
9	3.91	There are processes to enable timely, unfiltered communications regarding potential or actual malfeasance
10	3.89	Ethics programs and practices are continuously reviewed and updated

Leaders Must Do Both: "Walk the Talk" and "Talk the Talk"

The top-ranked item, "leaders support and model ethical behavior," and the number two item, "consistent communications come from all leaders," support what we all know to be true: leaders must both communicate the importance of ethics and model ethical behavior. While it is fairly safe to assume that all public companies officially advocate ethical behaviors, the real issue is whether leaders practice what they preach.

Ethics Must Be an Integral Part of the Organization's Foundational Processes

Clearly, ethics should be incorporated into an organization's mission statement and espoused values. But, in addition, organizations must integrate ethics into their goals, business processes and strategies. Ethics are further driven home by inclusion in the organization's recruitment and selection process as well as the performance management system.

The Rubber Meets the Road When Ethical Decisions Are Made

While "ethical decision making" was ranked #7 overall, with a 4.04 average rating, it isn't far behind the leading items. Ultimately, whatever the rhetoric has been, the rubber really meets the road when decisions have to be made.

What Gets Measured Gets Done

Finally, measures need to be in place to assess the effectiveness of business ethics initiatives.

Business Ethics Practices and Programs

Question Five

How important are the following internal practices and programs for ensuring an ethical corporate culture?

1	4.44	Code of conduct – for all employees, including senior executives
2	3.97	Ethics training – for all employees, including senior executives
3	3.80	Corporate social responsibility programs
4	3.67	Ombudsman – confidential, neutral and off-the-record resource to discuss ethical issues and seek guidance on resolution options
5	3.62	Ethics helpline – source to formally report potential or actual unethical behavior
6	3.55	Ethics audits
7	3.50	Whistleblower policy
8	3.39	Ethics committee
9	3.35	Ethics surveys
10	3.31	Annual testing/certification with ethics training – for all employees, including senior executives
11	3.13	Ethics office

Having a Code of Conduct Is by Far the Most Important Internal Practice

It makes sense that an organization must carefully state its position on ethics and stick to it.

The Code of Conduct Must Be Reinforced with Training

Training for all employees, including senior executives, is necessary to reinforce the code of conduct and to ensure that everyone understands what behaviors are acceptable and what behaviors are unacceptable. This training should not be undertaken just to create a paper trail of proof of training; rather, the training should be a sincere effort to instill ethical behavior as a fact of the corporate culture.

Ombudsman, Ethics Helplines and Whistleblower Policies Are Tangible Evidence of an Ethics Culture

Appointing an ombudsman and/or creating a helpline are two very tangible practices that reinforce an ethical culture. These practices encourage employees to take ethics seriously by providing access to available help on issues and remedies. The whistleblower policy ensures employees that they can report improper behavior without retribution.

Questions Six, Seven, Eight and Nine

6. How important are the following practices and programs for an organization's board of directors?

1	4.38	Directors' code of conduct
2	3.96	Ethics training
3	3.87	Independent directors
4	3.83	Diversity
5	3.65	Non-management directors
6	3.61	Direct reporting from ethics helpline, internal ethics audits and/or internal ethics survey
7	3.57	Unfiltered issue trend reporting from neutral ombudsman

7. How important are the following practices and programs for an organization's suppliers and vendors?

1	3.96	Suppliers' code of conduct
2	3.36	Ethics audits
3	3.31	Ethics training
4	3.25	Ethics surveys
5	3.23	Access to organization's ethics helpline
6	3.20	Access to organization's ombudsman
7	2.95	Ethics councils and conferences

8. How important are the following practices and programs for an organization's investors?

1	4.18	Transparency – access to clear and complete information
2	3.70	Corporate social responsibility programs
3	3.41	Ethics surveys
4	3.14	Access to organization's ombudsman
5	3.05	Access to organization's ethics helpline

9. How important are the following practices and programs for an organization's customers?

1	3.92	Transparency – access to clear and complete information
2	3.57	Corporate social responsibility programs
3	3.21	Ethics surveys
4	2.99	Access to organization's ombudsman
5	2.95	Access to organization's ethics helpline

Codes of Conduct Are Critical for Boards and Suppliers

Codes of conduct are viewed as the most important practices and programs for boards and suppliers. Increasingly, companies understand that codes need to apply to everyone that has a direct impact on the reputation of the company.

Investors and Customers Need to Be Able to Have a Clear View

Respondents ranked "transparency" as the key practice/program for customers and investors, something that these stakeholders have been increasingly demanding. Due to new regulations, the Internet, and 24-hour business news cycles, they're likely to get more of it.

It's All Good

The board of directors, suppliers/vendors, investors and customers would all benefit from the following practices and programs:

- A code of conduct for the board of directors and suppliers/vendors
- Independent board members
- Ethics training for the board of directors and suppliers/vendors
- Results of ethics audits and surveys
- Access to the organization's ethics helpline and ombudsman
- Access to clear and complete information

Drivers of Unethical Behavior

Question Ten

What are the top three factors that are most likely to cause people to compromise an organization's ethical standards?

1	69.7%	Pressure to meet unrealistic business objectives/deadlines
2	38.5%	Desire to further one's career
3	33.8%	Desire to protect one's livelihood
4	31.1%	Working in environment with cynicism or diminished morale
5	27.7%	Improper training/Ignorance that the act was unethical
6	24.3%	Lack of consequence if caught
7	23.5%	Need to follow boss's orders
8	14.9%	Peer pressure/Desire to be a team player
9	9.5%	Desire to steal from or harm the organization
10	8.7%	Wanting to help the organization survive

11	7.9%	Desire to save jobs
12	6.9%	A sense of loyalty

Pressure to Meet Unrealistic Business Objectives Is the Primary Driver of Unethical Behavior

Boards of directors can be unforgiving in their treatment of CEOs who miss key business objectives. Like professional athletes, CEOs are often seen as only as good as their last "season." So it becomes tempting for some executives to "bend the rules" to achieve the desired business results. And the pressure to perform often cascades down the corporate hierarchy, with executives pushing their subordinates to meet business objectives that they may feel can be achieved only by cutting ethical corners.

The "Ambitious" and the "Afraid" Seem More Likely to Compromise Ethical Standards

The next most important factors that may lead to unethical behavior are the "desire to further one's career" and the "desire to protect one's livelihood." That is, people may compromise ethical standards because they're ambitious or because they're afraid not to. Both of these factors relate back to achieving business goals, especially when they are unrealistically difficult goals.

The Cynical Organizational Environment Made Me Do It

"Working in an environment with cynicism or diminished morale" was the #4 ranked factor leading to unethical behavior. On the surface this seems like a trite reason for unethical behavior. After all, shouldn't we have the strength of character to be above this excuse? However, there is a large body of psychological research supporting the notion that, for better or worse, people do adapt to the values and "normal" behaviors of their environment. All the more reason to monitor the environment with tools such as employee attitude/ethics surveys, ethics helplines, etc.

Ethical Leadership Behaviors

Question Eleven

How important are the following ethical leadership behaviors?

1	4.59	Keep promises
2	4.49	Encourage open communication and ensure no retaliation
3	4.40	Keep employees informed
4	4.39	Support employees who follow standards; apply appropriate disciplinary actions for violations
5	4.21	Talk about the importance of business ethics internally and externally
6	4.20	Apply and articulate ethical criteria with decisions
7	4.03	Keep investors, customers and community informed
8	3.96	Provide required resources for achieving an ethics-centric culture
9	3.89	Participate in all ethics processes, e.g., ethics training

The Leader Should Keep Her Promises

As we said earlier, the leader must "be a model of ethical behavior," and that certainly includes keeping her promises. We called this "walking the talk," or following up on commitments.

Communicate, Communicate, Communicate

Four of the survey items deal with communication, and two were ranked highly. "Encourage open communication and ensure no retaliation" was ranked #2 and "keep employees informed" was ranked #3. Ranked #5 was "talk about the importance of business ethics internally and externally," and #7 was "keep investors, customers and community informed."

Support Ethical Behavior and Punish Unethical Behavior

This is easier said than done in some corporate cultures, but it works. Managers need to support ethical behavior and punish unethical behavior.

Business Ethics Effectiveness Measures

Question Twelve

What are the three (3) best ways to assess the effectiveness of ethics programs?

1	50.3%	Results from ethics surveys – employees, suppliers, investors, customers
2	46.0%	Customers' ethical complaints – number, types, trends
3	45.0%	Results from ethics audits – internal and supplier
4	34.3%	Completion of ethics goals and associated business results
5	31.4%	Theft, fraud, financial malfeasance – number, types, costs, trends
6	23.0%	Lawsuits – number, types, costs, trends
7	21.1%	Public recognition
8	20.5%	Issue trend data from ombudsman
9	18.5%	Case data from ethics helplines
10	9.5%	Case data from ethics offices

Ask, and Listen to, Your Constituents

The most effective method to assess the effectiveness of ethics programs is to ask, and listen to, the organization's employees, suppliers, investors and customers. This may be achieved by reviewing the results of any combination of surveys, audits, focus groups, helplines, and ombudsman input.

Complete Those Ethics Goals

This item was ranked #4 and is a refreshingly positive mode of assessing effectiveness. It is hoped that the actions achieved (for example, training) actually contribute to ethical decisions and behaviors.

Ethics Audit Results

The bad news is that, if an audit turns something up, the unethical behavior may have already occurred. The good news may be that the organization has not yet been sued or indicted and there may be time to correct things.

Theft, Fraud, Lawsuits

When these occur, the organization must often assume a defensive posture and go into damage control. These indicators can be a sign that the other ethics programs are not working effectively.

Ethics-Related Global Workplace Issues

Question Thirteen

How important are the following ethics-related global workplace issues, especially in terms of developing nations?

1	4.33	Forced labor/child labor/working hours
2	4.22	Health and safety in workplace/working conditions
3	4.15	Discrimination/harassment
4	4.04	Financial malfeasance
5	3.99	Fraud/theft
6	3.96	Gift-giving/bribes
7	3.80	Conflicts of interest
8	3.69	Privacy
9	3.51	Diversity
10	3.34	Association/union/bargaining issues

The Increasingly Global, Competitive Economy Is a Double-Edged Sword in Its Impact on Workplace Conditions

The top three ethics-related global workplace issues all have to do with workplace conditions: #1 is forced labor/child labor/working conditions; #2 is health and safety; and #3 is discrimination/harassment. There is a paradox inherent to this issue. Although there is more pressure coming to bear on countries that tolerate poor labor practices to improve work conditions, an increasingly fierce global competition to provide goods and services at the lowest price possible also leads to labor force exploitation. Therefore, it must ultimately be the global business community, with support from the consumer, that sets and enforces workforce practices and workplace conditions.

Appendix

Importance of Business Ethics to the Organization

Question 1

How important are the following reasons to run a business in an ethical manner today and in 10 years?

	Extremely Important		Highly Important		Important		Somewhat Important		Not Important	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Protection of brand and reputation	59.2%	69.9%	27.2%	20.6%	11.2%	7.1%	1.9%	1.5%	0.6%	0.9%
The right thing to do	64.3	71.1	20.0	18.9	11.5	7.1	2.6	1.8	1.6	1.1
Customer trust and loyalty	56.8	58.2	27.8	21.4	10.4	6.9	4.3	2.6	0.7	1.0
Investor confidence	44.7	55.2	29.2	26.2	16.8	11.6	4.8	3.1	4.5	3.8
Public acceptance—recognition	44.9	56.7	31.9	28.3	17.7	11.2	4.2	2.9	1.3	0.9
Litigation—indictment avoidance	40.8	53.3	33.2	29.4	21.7	13.0	3.0	3.1	1.2	1.3
Positive impact on financial results	39.9	49.7	31.5	30.6	21.7	15.1	5.6	3.2	1.2	1.4
Employee retention and performance	39.4	53.1	32.4	30.0	21.2	12.8	6.2	2.9	0.9	1.3
Supplier/partner trust	35.7	43.4	34.8	34.9	23.9	16.9	4.4	3.8	1.3	1.0
Potential regulatory interference	31.1	43.4	36.5	33.7	25.6	17.0	5.3	4.4	1.5	1.5
Competitive/marketplace advantage	33.0	46.8	34.3	30.9	22.3	15.5	8.1	4.6	2.2	2.2

How important are the following reasons to run a business in an ethical manner today and in 10 years (by rank)?

	Overall		U.S.		Canada		Europe		Asia	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Protection of brand and reputation	1	1	2	2	2	2	1	1	1	1
The right thing to do	2	2	1	1	1	1	2	2	4	5
Customer trust and loyalty	3	3	3	3	3	3	3	3	2	2
Investor confidence	4	4	8	8	7	7	4	4	6	6
Public acceptance—recognition	5	5	5	5	4	4	5	5	5	4
Litigation—indictment avoidance	6	8	4	4	9	6	6	8	3	3
Positive impact on financial results	7	7	6	7	5	8	9	9	11	10
Employee retention and performance	8	6	7	6	6	5	7	6	8	7
Supplier/partner trust	9	9	9	10	8	9	10	10	7	8
Potential regulatory interference	10	11	10	9	11	11	8	11	9	9
Competitive/marketplace advantage	11	10	11	11	10	10	11	7	10	11

Drivers Impacting Business Ethics

Question 2

How important are the following business environment drivers in terms of their impact on business ethics today and in 10 years?

	Extremely Important		Highly Important		Important		Somewhat Important		Not Important	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Corporate scandals	40.9%	43.8%	29.6%	28.5%	21.1%	18.2%	5.6%	6.3%	2.8%	3.1%
Marketplace competition	26.2	45.4	38.5	33.7	26.3	14.9	6.8	3.9	2.1	2.1
Demands by investors	21.7	33.8	37.2	37.1	27.8	19.1	7.4	5.2	5.8	4.6
Pressure from customers	25.6	42.4	34.4	33.0	28.5	17.8	8.8	5.0	2.6	1.7
Globalization	14.2	41.5	35.1	33.2	36.9	15.9	9.0	5.5	4.7	3.8
Executive compensation	21.0	28.5	31.9	34.3	33.6	25.6	8.9	7.4	4.6	4.1
Change: M&A, restructuring	13.3	24.1	34.2	37.5	37.9	27.1	10.5	7.9	3.9	3.2
Diversity, including generational	17.6	35.5	32.9	33.4	36.8	22.3	10.2	7.0	2.5	1.7
Pressure from staff	15.4	30.9	32.1	34.9	36.6	25.4	13.1	6.6	2.8	2.1
Organizational structure	13.3	24.5	32.4	35.8	38.3	27.1	11.1	8.3	4.8	4.3
Outsourcing and offshoring	10.2	27.9	30.1	30.4	36.9	23.9	15.4	11.4	7.4	6.2

How important are the following business environment drivers in terms of their impact on business ethics today and in 10 years (by rank)?

	Overall		U.S.		Canada		Europe		Asia	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Corporate scandals	1	4	1	3	1	4	1	4	2	4
Marketplace competition	2	2	2	1	2	1	2	3	1	2
Demands by investors	3	5	5	6	4	7	3	5	5	6
Pressure from customers	4	3	4	2	3	2	4	2	6	3
Globalization	5	1	10	5	6	3	5	1	3	1
Executive compensation	6	8	6	7	5	8	6	8	4	11
Change: M&A, restructuring	7	9	8	8	9	9	7	9	10	9
Diversity, including generational	8	7	7	4	8	6	8	6	7	5
Pressure from staff	9	6	3	11	7	5	9	7	8	7
Organizational structure	10	10	9	9	10	10	10	11	9	8
Outsourcing and offshoring	11	11	11	10	11	11	11	10	11	10

Question 3

How important are the following external environment drivers in terms of their impact on business ethics today and in 10 years?

	Extremely Important		Highly Important		Important		Somewhat Important		Not Important	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Legal: laws and regulations	34.0%	51.5%	38.2%	33.7%	23.9%	12.3%	3.5%	1.7%	0.4%	0.7%
Economic environment	23.1	37.9	39.4	35.9	28.8	20.2	7.0	4.5	1.6	1.5
Political environment	18.8	27.3	32.1	35.1	35.5	27.2	10.1	7.0	3.4	3.2
Social values	20.5	32.3	35.7	37.8	32.3	22.0	9.3	5.8	2.1	2.0
Privacy	26.7	43.4	34.3	29.6	26.9	17.6	9.2	7.2	2.9	2.1
Level of security globally	20.6	41.7	35.7	29.4	29.5	18.3	10.1	6.7	4.0	3.7
Technology	23.7	48.2	34.2	25.0	27.8	16.4	10.5	7.0	3.7	3.3
Corporate social responsibility movement	22.7	42.1	34.3	33.1	31.5	18.5	9.1	4.4	2.3	1.9
Environmental issues	16.9	40.9	32.1	32.3	35.5	17.7	12.5	6.7	2.9	2.3
Societal pressures	14.4	26.6	32.6	37.1	38.7	26.7	11.4	7.5	2.1	2.1

How important are the following external environment drivers in terms of their impact on business ethics today and in 10 years (by rank)?

	Overall		U.S.		Canada		Europe		Asia	
	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years	Today	In 10 years
Legal: laws and regulations	1	1	1	1	1	1	1	1	1	1
Economic environment	2	4	3	5	2	5	2	6	3	6
Political environment	3	9	8	9	7	10	3	8	10	10
Social values	4	6	7	8	6	7	4	5	4	7
Privacy	5	8	2	3	3	6	9	10	2	4
Level of security globally	6	5	6	6	8	8	6	4	5	5
Technology	7	7	5	2	5	4	7	7	6	8
Corporate social responsibility movement	8	3	4	4	4	2	8	3	7	3
Environmental issues	9	2	10	7	9	3	5	2	8	2
Societal pressures	10	10	9	10	10	9	10	9	9	9

Establishing and Sustaining a Business Ethics Culture

Question 4

How important are the following processes for ensuring an ethical culture?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Leaders support and model ethical behavior	75.7%	17.8%	4.9%	1.0%	0.4%
Consistent communications come from all leaders	60.7	29.1	8.0	1.2	0.7
Ethics are integrated into the organization's goals, business processes and strategies	51.3	33.8	11.2	2.8	0.7
Ethics are part of the performance management system	51.0	31.8	13.1	3.3	0.5
Ethics are part of recruitment process and selection criteria	46.9	34.5	14.9	2.9	0.4
Ethics are part of mission statement and espoused values	46.4	32.0	15.8	4.1	1.4
An ethics-based framework is used for making business decisions	45.4	35.9	14.5	3.3	0.7
Measures are in place to assess the effectiveness of business ethics programs and strategies	37.8	36.0	19.2	4.5	2.2
There are processes to enable timely, unfiltered communications regarding potential or actual malfeasance	36.3	40.4	18.7	4.0	0.3
Ethics programs and practices are continuously reviewed and updated	34.5	36.8	21.5	5.7	1.2

How important are the following processes for ensuring an ethical culture (by rank)?

	OVERALL	U.S.	Canada	Europe	Asia
Leaders support and model ethical behavior	1	1	1	1	1
Consistent communications come from all leaders	2	2	2	2	2
Ethics are integrated into the organization's goals, business processes and strategies	3	3	5	3	3
Ethics are part of the performance management system	4	4	3	4	5
Ethics are part of recruitment process and selection criteria	5	6	4	6	8
Ethics are part of mission statement and espoused values	6	7	7	5	6
An ethics-based framework is used for making business decisions	7	5	6	8	4
Measures are in place to assess the effectiveness of business ethics programs and strategies	8	9	8	7	9
There are processes to enable timely, unfiltered communications regarding potential or actual malfeasance	9	8	9	10	7
Ethics programs and practices are continuously reviewed and updated	10	10	10	9	10

Business Ethics Practices and Programs

Question 5

How important are the following internal practices and programs for ensuring an ethical corporate culture?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Code of conduct—for all employees, including senior executives	63.3%	25.1%	8.5%	2.3%	0.4%
Ethics training—for all employees, including senior executives	39.3	33.4	19.5	6.1	1.3
Corporate social responsibility programs	30.5	36.5	23.5	6.6	2.5
Ombudsman—confident, neutral and off-the-record resource to discuss ethical issues and seek guidance on resolution options	28.5	30.8	26.9	9.5	3.9
Ethics helpline—source to formally report potential or actual unethical behavior	28.7	29.1	26.4	10.9	4.5
Ethics audits	21.3	31.1	28.5	13.9	4.7
Whistleblower policy	31.2	30.4	24.7	9.7	3.5
Ethics committee	20.3	27.7	33.3	13.7	4.5
Ethics surveys	13.9	26.6	33.7	18.4	7.0
Annual testing/certification with ethics training—for all employees, including senior executives	18.6	24.2	32.0	17.0	7.7
Ethics office	14.0	22.9	35.8	18.6	8.2

How important are the following internal practices and programs for ensuring an ethical corporate culture (by rank)?

	OVERALL	U.S.	Canada	Europe	Asia
Code of conduct—for all employees, including senior executives	1	1	1	1	1
Ethics training—for all employees, including senior executives	2	2	3	2	3
Corporate social responsibility programs	3	4	2	3	2
Ombudsman—confident, neutral and off-the-record resource to discuss ethical issues and seek guidance on resolution options	4	6	5	5	5
Ethics helpline—source to formally report potential or actual unethical behavior	5	5	8	6	4
Ethics audits	6	7	6	4	8
Whistleblower policy	7	3	4	8	6
Ethics committee	8	8	7	9	7
Ethics surveys	9	10	10	7	10
Annual testing/certification with ethics training - for all employees, including senior executives	10	9	9	10	9
Ethics office	11	11	11	11	11

Question 6

How important are the following practices and programs for an organization's board of directors?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Directors' code of conduct	61.1%	27.6%	8.7%	2.1%	0.4%
Ethics training	40.4	33.2	19.4	5.4	1.6
Independent directors	40.4	31.2	20.2	5.9	2.2
Diversity	32.4	35.7	22.3	6.7	2.9
Non-management directors	33.0	31.2	24.3	7.9	3.6
Direct reporting from ethics helpline, internal ethics audits and/or internal ethics survey	28.7	30.2	26.9	10.3	3.9
Unfiltered issue trend reporting from neutral ombudsman	26.5	30.4	29.0	10.0	4.1

How important are the following practices and programs for an organization's board of directors (by rank)?

	Overall	U.S.	Canada	Europe	Asia
Directors' code of conduct	1	1	1	1	1
Ethics training	2	2	2	2	3
Independent directors	3	3	3	3	2
Diversity	4	5	4	4	4
Non-management directors	5	4	5	6	5
Direct reporting from ethics helpline, internal ethics audits and/or internal ethics survey	6	6	7	5	6
Unfiltered issue trend reporting from neutral ombudsman	7	7	6	7	7

Question 7

How important are the following practices and programs for an organization's suppliers and vendors?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Suppliers' code of conduct	35.9 %	37.8 %	18.8 %	6.2 %	0.9 %
Ethics audits	17.8	28.5	31.0	16.8	5.7
Ethics training	18.5	27.0	30.7	17.0	6.4
Ethics surveys	13.6	25.2	36.0	17.8	7.0
Access to organization's ethics helpline	17.5	26.9	31.4	16.0	7.9
Access to organization's ombudsman	16.1	29.2	31.0	16.1	7.2
Ethics councils and conferences	10.6	22.2	33.2	23.0	10.6

How important are the following practices and programs for an organization's suppliers and vendors (by rank)?

	OVERALL	U.S.	Canada	Europe	Asia
Suppliers' code of conduct	1	1	1	1	1
Ethics audits	2	4	2	2	2
Ethics training	3	3	3	4	5
Ethics surveys	4	6	5	3	6
Access to organization's ethics helpline	5	2	6	6	3
Access to organization's ombudsman	6	5	4	5	4
Ethics councils and conferences	7	7	7	7	7

Question 8

How important are the following practices and programs for an organization's investors?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Transparency—access to clear and complete information	44.8 %	30.5 %	16.9 %	4.5 %	3.1 %
Corporate social responsibility programs	25.8	31.7	25.5	8.5	5.7
Ethics surveys	16.6	25.3	32.6	16.0	9.4
Access to organization's ombudsman	16.1	27.5	29.9	16.1	10.3
Access to organization's helpline	15.3	23.8	32.8	16.7	11.2

How important are the following practices and programs for an organization's investors (by rank)?

	Overall	U.S.	Canada	Europe	Asia
Transparency—access to clear and complete information	1	1	1	1	1
Corporate social responsibility programs	2	2	2	2	2
Ethics surveys	3	5	3	3	4
Access to organization's ombudsman	4	3	4	4	3
Access to organization's helpline	5	4	5	5	5

Question 9

How important are the following practices and programs for an organization's customers?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Transparency—access to clear and complete information	36.8%	29.4%	22.1%	6.3%	5.1%
Corporate social responsibility programs	24.5	31.0	27.1	10.4	6.7
Ethics surveys	14.1	26.0	31.8	15.4	12.5
Access to organization's ombudsman	15.3	23.3	31.4	17.5	12.2
Access to organization's helpline	16.5	21.9	30.4	17.5	13.5

How important are the following practices and programs for an organization's customers (by rank)?

	OVERALL	U.S.	Canada	Europe	Asia
Transparency—access to clear and complete information	1	1	1	1	1
Corporate social responsibility programs	2	2	2	2	2
Ethics surveys	3	3	4	3	3
Access to organization's ombudsman	4	4	3	4	5
Access to organization's helpline	5	5	5	5	4

Drivers of Unethical Behavior

Question 10

What are the top three (3) factors that are most likely to cause people to compromise an organization's ethical standards?

	Rank	Percentage
Pressure to meet unrealistic business objectives/deadlines	1	69.7%
Desire to further one's career	2	38.5
Desire to protect one's livelihood	3	33.8
Working in environment with cynicism or diminished morale	4	31.1
Improper training/ignorance that the act was unethical	5	27.7
Lack of consequence if caught	6	24.3
Need to follow boss's orders	7	23.5
Peer pressure/desire to be a team player	8	14.9
Desire to steal from or harm the organization	9	9.5
Wanting to help the organization survive	10	8.7
Desire to save jobs	11	7.9
A sense of loyalty	12	6.9

Ethical Leadership Behaviors

Question 11

How important are the following ethical leadership behaviors?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Keep promises	67.8%	26.4%	4.8%	0.7%	0.2%
Encourage open communication and ensure no retaliation	60.9	29.7	8.1	1.1	0.2
Keep employees informed	54.3	36.1	8.2	1.3	0.0
Support employees who follow standards; apply appropriate disciplinary actions for violations	59.7	31.2	7.8	1.0	0.2
Talk about the importance of business ethics internally and externally	44.2	35.8	15.8	3.4	0.7
Apply and articulate ethical criteria with decisions	44.1	38.3	14.7	2.2	0.6
Keep investors, customers and community informed	40.1	38.5	18.2	2.9	0.3
Provide required resources for achieving an ethics-centric culture	35.6	34.1	23.5	4.7	2.0
Participate in all ethics processes, e.g., ethics training	38.6	33.2	20.8	5.4	1.9

How important are the following ethical leadership behaviors (by rank)?

	Overall	U.S.	Canada	Europe	Asia
Keep promises	1	1	1	1	1
Encourage open communication and ensure no retaliation	2	3	2	2	2
Keep employees informed	3	4	4	3	4
Support employees who follow standards; apply appropriate disciplinary actions for violations	4	2	3	4	3
Talk about the importance of business ethics internally and externally	5	6	6	6	6
Apply and articulate ethical criteria with decisions	6	5	5	5	5
Keep investors, customers and community informed	7	7	7	7	7
Provide required resources for achieving an ethics-centric culture	8	9	9	8	8
Participate in all ethics processes, e.g., ethics training	9	8	8	9	9

Business Ethics Effectiveness Measures

Question 12

What are the three (3) best ways to assess the effectiveness of ethics programs?

	Rank	Percentage
Results from ethics surveys—employees, suppliers, investors, customers	1	50.3 %
Customers' ethical complaints—number, types, trends	2	46.0
Results from ethics audits—internal and supplier	3	45.0
Completion of ethics goals and associated business results	4	34.3
Theft, fraud, financial malfeasance—number, types, costs, trends	5	31.4
Lawsuits - number, types, cost, trends	6	23.0
Public recognition	7	21.1
Issue trend data from ombudsman	8	20.5
Case data from ethics helplines	9	18.5
Case data from ethics offices	10	9.5

Ethics-Related Global Workplace Issues

Question 13

How important are the following ethics-related global workplace issues, especially in terms of developing nations?

	Extremely Important	Highly Important	Important	Somewhat Important	Not Important
Forced labor/child labor/working hours	56.9%	27.5%	11.1%	3.5%	0.9%
Health and safety in workplace/working conditions	48.5	34.2	14.4	2.0	0.8
Discrimination/harassment	46.4	33.3	15.4	3.5	1.4
Financial malfeasance	42.8	35.9	17.5	2.5	1.2
Fraud/theft	45.8	32.7	17.4	2.6	1.4
Gift giving/bribes	41.0	30.6	20.0	4.7	3.5
Conflicts of interest	30.2	35.7	27.1	5.5	1.4
Privacy	28.5	32.8	28.7	7.5	2.3
Diversity	25.1	28.5	31.6	10.3	4.5
Association/union/bargaining issues	14.8	25.9	38.0	16.3	4.9

How important are the following ethics-related global workplace issues, especially in terms of developing nations (by rank)?

	OVERALL	U.S.	Canada	Europe	Asia
Forced labor/child labor/working hours	1	1	1	1	4
Health and safety in workplace/working conditions	2	2	2	2	1
Discrimination/harassment	3	5	3	3	3
Financial malfeasance	4	3	5	5	5
Fraud/theft	5	4	4	6	2
Gift-giving/bribes	6	6	6	4	6
Conflicts of interest	7	7	7	7	7
Privacy	8	8	8	8	8
Diversity	9	9	9	9	9
Association/union/bargaining issues	10	10	10	10	10

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