

1999 KPMG Business Ethics Survey: Managing for Ethical Practice - KPMG Canada

Background

Objective

- To survey Canadian private and public executives about their assumptions and perceptions of ethics in business, initiatives in managing for ethical practice, and views to the future.

Method

- Questionnaires sent to CEOs of 1000 Canadian companies in December 1998; 154 responses received.
- Questionnaires sent to senior executives of 225 public sector organizations; 49 responses received.

Survey Results Highlights

Assumptions and Perceptions of Ethics in Business

Respondents were asked to choose one of five assumptions concerning their view of the relationship of ethics to business practice.

- 41 percent assume that ethics provides the rules within which an organization must conduct itself.
- 25 percent assume that ethics facilitates the creation of long-term business relationships.
- 19 percent assume that ethics provides a way to view the organization in its relation to society.
- 9 percent assume that a basic level of adherence to ethical standards is necessary for business activity.
- 6 percent assume that ethics is a source of competitive advantage.

Behaviors of Ethical Organizations - Criteria

- 19.9 percent - complies with applicable laws and regulations
- 19.0 percent - implements fair employment practices
- 13.8 percent - produces high-quality products/services

Characteristics of Ethical Organizations - Criteria

- 15.7 percent - honors its explicit and implicit criteria
- 14.7 percent - accepts responsibility for its actions
- 12.0 percent - is accountable for its actions

Top Estimated Influences on Ethical Behavior

- Executive leadership
- Personal commitment to ethical principles
- Organizational Culture

Top Priority Ethical Issues

Current

- Workplace safety
- Sexual harassment
- Security of information

Future

- Security of information
- Environmental issues
- Governance

Initiatives in Managing for Ethical Practice

Motivation and Average Relative Weight

- 40 percent - ensuring that the organization and its employees are in compliance with laws and regulations
- 30 percent - ensuring the ethical behavior of the organization in its relationship to its stakeholders
- 30 percent - ensuring the ethical behavior of employees in their relationship to the organization

Specific Initiatives

- 85 percent - written codes
- 40 percent - senior manager responsible for ethics function
- 31 percent - position exists with responsibility for enabling upward communication
- 37 percent - formal policy to protect whistle blowers who report violations
- 27 percent - ethics training

Top Influences on Decisions Regarding Ethics Initiatives

- Reputation protection and enhancement
- Compliance with law and regulation

A View to the Future

International Operations – Issues Most Often Reported to Board

- Bribery and corrupt practices
- Environmental impact on host country

Social Audit -

Issues Most Often Reported to Board

- Legal compliance
- Environmental protection

Strongest Reason for Performing Social Audit

- Must respond to public demand for more accountability and transparency

Conclusion

Of all the initiatives proposed, ethics training was given the highest estimate of probable effectiveness in both promoting ethical practice and preventing misconduct. However, only 27

percent of organizations surveyed provide ethics training. Although this figure increased from 21 percent in the 1997 survey, it still seems low given its importance.

For further information concerning this study, please visit <http://www.kpmg.ca>