

Navigating Today's Complex Business Risks

Europe, Middle East, India, and Africa

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OBJECTIVE

Businesses today are operating in extremely challenging conditions with instability across many markets, sluggish or minimal growth in others, and an aggressive enforcement environment around the world. This survey was conducted to understand how this pressure was being felt and its impact on business conduct.

METHODS USED

Responses were collected between November and December 2012 by a global market research agency, Ipsos. 3,459 employees of large companies in 36 countries were anonymously surveyed by telephone, online, and in person.

KEY FINDINGS

- 70% think they are under increased pressure to meet quarterly or half-yearly targets for reporting to investors/owners.
- 59% were aware of at least one type of downward pressure on remuneration (pay freezes, reduction of bonuses, pay cuts, removal of bonuses, etc.) at their business.
 - Greater pressure to deliver growth and downward pressure on reward could result in higher risk of unethical conduct.
- One in five have witnessed financial manipulation in their own companies.
 - Most commonly, overstating sales and understating costs.
- In the financial sector, 9% had seen revenues recorded before they should have been.
- 9% knew of customers being sold unnecessary products to meet short-term sales targets.
- About half of the respondents believe businesses in Spain, Australia, Greece, Russia, Nigeria, Kenya, Saudi Arabia, and India often report their financial performance as better than it is.
- 42% of directors and senior management are aware of some type of irregular financial reporting in their company.
- 52% stated an unethical practice to help a company win or retain business is not acceptable.
- 57% of respondents felt that corrupt practices were commonplace in their country.
- 17% believe if they followed their anti-corruption and bribery policy closely, it would harm the competitiveness of their market.
- 67% of directors and senior managers believe that their commitment to anti-bribery and corruption policies has been communicated strongly, compared with 44% of other employees.

- 60% of directors and senior managers believe that their company would support people who reported cases of suspected fraud, bribery, or corruption while only 34% of the other employees agree.
- 38% thought their company's compliance programs were relevant and effective.
- One in six respondents believe following their compliance policy very closely harms their competitiveness in the market.

CONCLUSION

- Results show that most compliance programs are not working as effectively as they should and employees believe that management is not serious enough about this issue. Businesses should prioritize risk and deal with issues effectively.
- Most employees believe compliance is someone else's problem. Businesses should make compliance relevant to all members.
- Communicate the risks of unethical business. Punishing unethical conduct sends a strong message to employees.
- Communicate the benefits of ethical business. Over one in six respondents think that their compliance policy harms their competitiveness. However, managing the risk of fraud, bribery and corruption also helps businesses to succeed in challenging markets.
- It is essential to ask questions and demand answers. Companies with vigorous approaches to fraud, bribery, and corruption exercise their audit rights on third parties and insist that their suppliers regularly respond to requests for information.

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