Are Corporations Institutionalizing Ethics?

Background

Objective: To discover whether corporations have been taking steps to incorporate ethical values and concerns into their daily operations

Method: A questionnaire entitled "Instilling Ethical Values in the Corporation" was sent to the 1984 Fortune 1000 industrial and service companies

Response Rate: 279 companies out of 1000

Survey Highlights

- **80% of responding companies are taking steps to institutionalize ethics**
- The top 3 reasons for doing this:
- To be a socially responsible corporation *(34%)*
- To provide guidelines for employees' behavior *(28%)*
- To improve management *(16%)*
- **How are they doing it?**
  Responding companies are taking steps that include the following:
- Code of Ethics/Business Conduct *(93%)*
- 80% of companies that have a code use dismissal as a sanction for enforcement
- Employee training in ethics *(44%)*
- 60% of these companies use an orientation session to train employees
- Social auditing and reporting *(44%*
- Although 36% of these companies have the stated aim of increasing accountability, only 27% disclose their social audit to the general public and 21% to their shareholders
- Changes in corporate structure *(21%)*
- Of these companies, 41% have appointed outside directors to their Board of Directors
- Ethics Committee *(18%)*
- 68% of companies with an ethics committee use it to oversee ethics activities in the corporation
- The same percentage of these companies develops corporate ethics policy through the ethics committee
- 60% of companies draw ethics committee membership from executive officers
- Ombudsman *(8%)*
- Judiciary Board *(1%)*

Conclusion and recommendations

Corporations are increasingly concerned with ethics and have taken some steps to incorporate ethics into their activities. However, more specific strategies need to be implemented to make these efforts effective. The Center for Business Ethics recommends more of the following:

- Ethics committees
- Ethics training for all employees
- Social reporting with more disclosure to general public
- Diverse representation on all committees
- Changes in corporate structure to provide responsiveness to ethical concerns of employees