The National Survey of CEOs on Business Ethics

conducted by

with support from

Georgia State University
J. Mack Robinson College of Business
The Center for Ethics and Corporate Responsibility

Robert J. Rutland Institute for Ethics
Clemson University

UPS
Method and Demographics
Postal questionnaire to +/- 1,900 CEOs.
- U.S. corporations; minimum annual revenue $10 million.
- Response rate: 15 percent (293 qualified responses).
- 48 states represented.
Size of Firm: Annual Sales

- Under $50 Million: 37.25%
- $50 - $250 Million: 28.52%
- More than $250 Million: 34.23%
Ethical Issues
Top Ethical Issues Facing
The General Business Community

1. Improper accounting practices
2. (tie) Lying on reports/falsifying records
   (tie) Conflicts of interest
3. Exorbitant executive compensation
4. Dishonesty with customers
5. Misleading the public or the media
6. Deceptive sales practices
7. Violating environmental regulations
8. Stealing/theft
9. Producing low quality or unsafe products
10. Bribes and kickbacks
## Top Ethical Issues Facing Your Industry

1. Conflicts of interest (2) *
2. Deceptive sales practices (6)
3. Lying on reports/falsifying records (2)
4. (tie) Dishonesty with customers (4)
   (tie) Stealing/theft (8)
5. (tie) Improper accounting practices (1)
   (tie) Violations of privacy (15)
   (tie) Drug/alcohol abuse (11)
6. (tie) Violating environmental regulations (7)
   (tie) Producing low quality or unsafe products (9)
7. Misleading the public and the media (5)
8. Unfair treatment of employees (13)
9. Lying/exaggerating on resumes and job applications (17)
10. Sex harassment (14)

* Compared to general business community rankings
Top Issues by Industry: Manufacturing

1. Violating environmental regulations (6)*
2. Deceptive sales practices (2)
3. Producing low quality or unsafe products (6)
4. Conflicts of interest (1)
5. Stealing/theft (4)
6. Lying on reports/falsifying records (3)
7. Unfair treatment of suppliers (12)
8. Drug/alcohol abuse (5)
9. Dishonesty with customers (4)
10. Improper accounting practices (5)

* Compared to your industry rankings
Top Issues by Industry:
Health Care and Social Assistance

1. Conflicts of interest (1) *
2. Violations of privacy (5)
3. Lying on reports/falsifying records (3)
4. Improper accounting practices (5)
5. Producing low quality or unsafe products (6)

* Compared to your industry rankings
Top Issues by Industry: Construction

1. Dishonesty with customers (4)
2. Stealing/theft (4)
3. Deceptive sales practices (2)
4. (tie) Violating environmental regulations (6)
   (tie) Conflicts of interest (1)
5. (tie) Drug and alcohol abuse (5)
   (tie) Bribes and kickbacks (11)

* Compared to your industry rankings
Reasons for Misconduct
What are the most important factors explaining unethical conduct in organizations?

1. Personal greed
2. Failure of organization’s leadership in establishing ethical standards and culture
3. Weakness of personal character
4. Desire to advance career
5. Pressure to meet unrealistic performance or financial goals
6. Indifference or low morale
7. Inadequate training and communication
8. Pressure to meet deadlines and schedules
9. Failure of the organization to establish an effective compliance and ethics program
10. Desire to harm the employer
11. Not understanding the company’s ethics policies
12. Not agreeing with the company’s ethics policies
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Managing Conduct
Do you have, or plan to implement in the next 12 months, . . .
... a stated ethics policy (e.g., Code of Ethical Conduct)?

- Public Companies:
  - Yes: 93
  - No: 7

- Private Companies:
  - Yes: 79
  - No: 21
... a statement of values to guide corporate conduct?

- Public Companies: 92 Yes, 8 No
- Private Companies: 81 Yes, 19 No
. . . an ethics and compliance training program?

Public Companies
- Yes: 78
- No: 22

Private Companies
- Yes: 54
- No: 46
... a board-level committee responsible for ethics and compliance?

Public Companies
- Yes: 35
- No: 65

Private Companies
- Yes: 29
- No: 71
... an ethics and compliance 'help line' where employees may report concerns or seek guidance?

Public Companies
- Yes: 82
- No: 18

Private Companies
- Yes: 45
- No: 55
... an assigned ethics and/or compliance officer?

Public Companies

- Yes: 37
- No: 63

Private Companies

- Yes: 44
- No: 56
Law and Regulation
Have the recent changes in regulations regarding ethics and governance (i.e., Sarbanes-Oxley Act, the updated Federal Sentencing Guidelines for organizations, revised listing requirements of stock exchanges, etc.) affected how your organization manages ethics and compliance?

- Public Companies: 38 Yes, 62 No
- Private Companies: 28 Yes, 72 No
Do you agree that the Sarbanes-Oxley Act and related regulatory measures have improved the standard of ethical performance of your business?

- **Agree**: 26
- **Disagree**: 74
Do you agree that the Sarbanes-Oxley Act and related regulatory measures have improved the standard of ethical performance of corporate America?
Do you agree that the Sarbanes-Oxley Act and related regulatory measures have strengthened public and investor trust in corporate America?
Do you agree that the Sarbanes-Oxley Act and related regulatory measures were an overreaction to the ethical failures of a handful of companies, and have proven to be burdensome and unnecessary for most good companies?

- Agree: 68
- Disagree: 32
Do you agree that the Sarbanes-Oxley Act and related regulatory measures were an overreaction to the ethical failures of a handful of companies, and have proven to be burdensome and unnecessary for most good companies?

- Public Companies: 90 in favor, 10 against
- Private Companies: 66 in favor, 34 against
The criminal convictions of Kenneth Lay, Jeffrey Skilling, Bernard Ebbers and other corporate leaders.....
... show that the system works. 66 %

... make corporate leaders more attentive to ethics. 88 %

... further erode public trust and confidence in business leaders. 66 %

... help restore public trust and confidence in the financial markets. 44 %

... reinforce a negative, unfair stereotype of CEOs. 65 %

... encourage even more legal scrutiny and regulation of business. 88 %
Economic and Market Pressures
Do you agree that business executives are more likely to make ethical compromises during economic downturns?
How do high ethical standards affect a company’s competitive position...

...over the long term?

- Strengthen: 94%
- Weaken: 5%

...in the short term?

- Strengthen: 70%
- Weaken: 23%
Do you agree that operating by high ethical standards is often easier for a private company than for a public company which must meet stockholders’ short-term expectations?

Public Companies

- Agree: 19
- Disagree: 81
- DK: 10

Private Companies

- Agree: 45
- Disagree: 45
- DK: 10
Do you agree that public companies’ responsibilities to society frequently conflict with their need to maximize shareholder returns?

Public Companies: 77 in favor, 23 against
Private Companies: 44 in favor, 10 against, 46 did not know
Do you agree that public companies’ responsibilities to employees frequently conflict with their need to maximize shareholder returns?

**Public Companies**
- Agree: 22
- Disagree: 78

**Private Companies**
- Agree: 43
- Disagree: 46
- DK: 11
CEOs’ Views of CEOs
CEO compensation in most large public companies is excessive.
CEO compensation in most large public companies is properly aligned with corporate performance.
“My standard of business ethics has improved over the course of my career.”
The CEO should be the moral leader of the organization.
Other Points of Significant Agreement

✔ There is a generally accepted ethical standard that most business people agree and act upon.

✔ The standard of ethics in corporate America has improved in the last five years.

✔ Backdating stock options is unethical.

✔ University business schools should require ethics instruction.
The NATIONAL SURVEY of CEOs on BUSINESS ETHICS