Corporate Ethics Practices Survey

The Conference Board
1992

Objectives:
- To answer questions raised by the 1987 Conference Board survey, Corporate Ethics, concerning efforts to formulate, disseminate and inculcate a company’s ethical principles through the enactment of corporate ethics codes and the sponsorship of ethics training programs.
- To increase the representation of non-U.S. firms surveyed from 16% in 1987.
- To include views of CEOs, senior human resource and finance executives, general counsels, and auditors.

Methods:
- Questionnaires sent to 1,900 firms during 1991. 264 firms responded, for a 14% response rate.
- 30% of respondents were international, including firms from Europe, Canada and Mexico.
- Mexican responses were not included in breakdowns due to small percentage.
- $1 billion median sales for responding firms.

Results:
Percentage of firms from each region surveyed that have a code of ethics:
- US: 84%
- Europe: 50%
- Canada: 68%

Formats utilized in ethics statements:
- Compliance code - Directive statement giving guidance and prohibiting certain kinds of conduct: 90%
  - Codes enacted since 1987 survey: 45%
- Corporate credo - Broad general statement of corporate commitments to constituencies, values and objectives: 75%
- Management philosophy - Formal enunciations of the company of CEO's way of doing business: 57%

Issues addressed by company ethics statements, Most prevalent issues among all firms surveyed:
- Fundamental guiding principles of company: 88%
- Purchasing guidelines: 56%
- Security of proprietary information: 53%

Additional issues addressed by codes identified by respondents. Write-in answers not included in questionnaire:
- Employee outside activities (e.g. consulting, political)
- Fair conduct toward competitors
- Inappropriate gifts
Subjects added to company ethics statements within the last three years. Changes to statements since previous survey:
- Fundamental guiding principles of company: 12%
- Environmental responsibility: 11%
- Safeguards for propriety information: 10%

Key participants in code drafting, by region. Senior management’s level of involvement in the process:
- US: General Counsel: 84%
- Europe: CEO: 70%
- Canada: CEO & Sr. HR Executive: 91%

Distribution of code to all employees
Increase from about two-thirds to three-fourths of all employees since previous survey:
- 1987: 65%
- 1991: 77%

New ethics programs sponsored within the last three years
Increase in programs established since previous survey, in total and by region:
- All respondents: 25%
- US: 33%
- Europe & Canada: 16%

Percentage of respondents whose boards of directors have an ethics committee:
- All respondents: 10%

**Conclusion:**

Corporate ethics codes have a broad base of support within individual companies. Heads of major departments are involved in formulating the codes. The specific subjects most often discussed in the codes are elements of the employment contract. Companies are recognizing that they need to sponsor programs to help employees develop an awareness of ethical issues. The survey results affirm that senior managers recognize that dealing with ethics issues is part of nearly every employee’s job.