OBJECTIVE:
This report was conducted in order to assess the respondents’ understanding of the meaning of “Tone from the Top” and if it is reflected in the culture of the organization.

METHODS USED:
The report is based on 144 responses from members of the PwC Fraud Academy to a survey conducted in April 2010. The PwC Fraud Academy is a community of individuals in the UK who are responsible for managing fraud, corruption, and integrity risk to their organization. The research for the survey was coordinated by PricewaterhouseCoopers’ International Survey Unit, based in Belfast.

KEY FINDINGS:
- The importance of Tone from the Top is strongly acknowledged.
  - “87% of respondents agree/strongly agree that culture contributed to the migration of risk fraud corruption and ethical behavior.”
  - 86% of respondents saw themselves as integral in setting a robust Tone from the Top.
- There is a flurry of short term actions but little evidence of long term behavioral change.
  - “77% of respondents say leadership teams have an articulated set of values and principles but only 36% regularly assess them for relevance and applicability.”
  - 51% stated they have turned business down when it did not align with their corporate strategy and values.
  - 23% of respondents said that there was recognition and reward for individuals when positive ethical values were demonstrated. This should be further promoted to drive long-term behavioral changes.
- Leaders are not always doing what they say.
  - “Less than half of the respondents say that senior leadership always act as role models in setting Tone from the Top.”
  - 43% stated that on the occasions where Tone from the Top had been undermined, it was due to the fact that leadership did not reconcile with the ethical messages being delivered.
- Tone from the Top is perceived to have more impact internally than externally.
  - “61% say that Tone from the Top enhances the quality of decision making whereas just 43% consider that it enhances the value of the business to investors.”
Poor culture at an organization often manifests itself in failures of governance or management, with damaging impact on market value and investor confidence.

- Practical implementation is not easy.
  - “80% state that consistent and frequent communications are important drivers but only 63% state this is done well by management.”
  - Respondents also indicated responding to and dealing with breaches and oversight and monitoring of decision making as key drivers for effective implementation of ethical conduct.

- Ethical risks are being identified but not measured.
  - “70% agree/strongly agree that ethical risks are identified but only 34% report they are adequately measured or evaluated.”
  - Oversight and monitoring of decision making using ethical criteria is viewed as an important element in delivering Tone from the Top, but only 25% of respondents thought leadership did it well.

- Organizations are responding to unethical behavior at some levels.
  - “27% confirm that their business has terminated a business relationship as a response to unethical behavior.”
  - Internally, the most popular responses to unethical behavior were issuing warnings or reprimands (65%) and additional communications to staff (61%).
  - 32% stated observing inadequate sanctions for those found to be in the wrong.

- Adequate training is not being provided.
  - “63% of respondents report that annual refresher training on a Code of Ethical Business Conduct (or equivalent), sponsored by leadership, is not provided.”

- There are insufficient internal help mechanisms.
  - “46% of respondents have a central point of contact and 36% of respondents have a local nominated point of contact to report issues to.”
  - A majority of respondents confirmed the existence of a process of reporting in their organization, but a smaller number of positive responses were reported.

- Businesses are not gaining assurance over the systems and processes supporting ethical conduct.
  - “22% of respondents say they have nothing in place to gain assurance over ethical tone.”
  - Top responses to the question of “how do we gain assurance?”; to have ethical business assurance via Internal Audit, staff surveys, and monitoring of press and public statements.
CONCLUSION:

- “The leader must walk the talk and lead by example. Ethical leadership permeates an organization. Conversely, unethical leadership also permeates an organization.”
- Ethical decisions drive long term value. Rejecting business that does not fit the ethical stance may be necessary.
- In order for training to be effective, it should be done regularly. Leadership should participate in trainings themselves and also support the investments needed.

Full Report