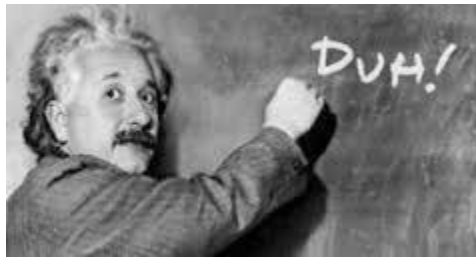


Ethics: the Corporate No brainer



Why being ethical is not only right but makes perfect business sense



STRONGER COMPETITIVE POSITIONS

- Loyalty: Enhances customer loyalty (say 84% surveyed); Attracts new customers (say 80% surveyed)
[Source: Sirota survey 2007, see also IBE, facts and figures](#)
- Buying: 30% of consumers say they always make an effort to buy products and services from businesses that behave responsibly.
[Source: Sirota survey 2007, see also IBE, facts and figures](#)
- Preference: 77% of respondents refused to buy products or services from a distrusted company, while 91% chose to buy from trusted companies
Source: Edelman's Trust Barometer, 2009 see also <http://tinyurl.com/pde75ll>



REDUCED RISKS AND COSTS

- Risk: An ethical company minimizes costs and consequences of regulatory activist pressures (say 65% surveyed)
[Source: Sirota survey 2007, see also IBE, facts and figures](#)

Impact: In the US more than 50% of the largest corporate bankruptcies have happened due to unethical business practices cost around nearly 10% of the U.S gross domestic product in 2011.

Source: Fortune's "100 Best Companies to Work For"



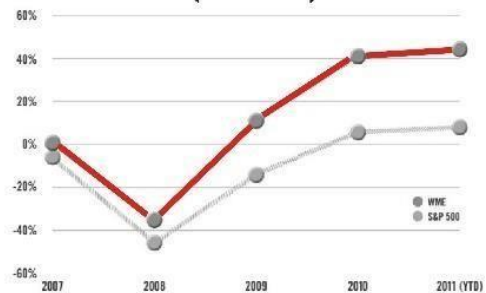
- Misconduct: The costs of misconduct can be extremely high, surfacing as fines, damaged reputation and loss of market confidence. These costs fall as a company values ethical performance and builds strong values. The 2013 National Business Ethics Survey shows how misconduct declines in relation to strength of ethics culture:



INCREASED PROFITS.

- Profits: Ethical companies tend to be more profitable
—see chart
Source: World's Most Ethical Companies
- Sales & Revenue: companies with a defined corporate commitment to ethical principles do better financially than companies that don't.

ETHICAL COMPANIES ARE MORE PROFITABLE (S&P 500)



- Top Earners: companies committed to ethics are listed among the top 100 twice as often as those without an ethics focus. Source: [DePaul University study, 1997](#)
- Culture: companies focusing on culture increased revenues by an average of 682% versus 186% for the ones that did not
Source: Kotter J.& Hekett J, Corporate Culture and Performance 1992



- Stock price: the share price growth of the 100 most ethical firms (based on the most widely used measure of ethical workplace culture) outperformed stock market and peer indices by nearly 300%.
Source Fortune's "100 Best Companies to Work For" in the United States
- Purpose: Based on the data of over 60 leading US companies, those with a clear and coherent sense of purpose and values increased shareholder returns more than 15 times the market average over a sixty-four-year period from 1926 to 1990 Source Collins and Porras (1994)



RECRUITMENT OF TALENT EASIER

- Hiring:
Most (94% of employees say it is "critical" or "important" that the company they work for is ethical.
[LRN Ethics Study: Employee Engagement, 2007](#)

42 percent of respondents said a company's ethical integrity directly influences their decision to work at the company.
[1997 Walker Information survey of employees' views](#)
- Attraction: 56% say in deciding where to work, an organization's reputation for ethical conduct is 'very important.'
[Source: Kelley Services, 2009 survey, quoted by IBE](#)

88% of respondents more likely to want to work for a company that is considered ethically and socially responsible.
[Source: Kelley Services, 2009 survey, quoted by IBE](#)
- Commitment: 26% respondents would be prepared to accept a lesser role or a lower salary to work for a firm with a strong environmental and community conscience.
[Source: Kelley Services, 2009 survey, quoted by IBE](#)

82% of employees say they would prefer to be paid less and work for a company with ethical business practices than receive higher pay at a company with questionable ethics.
[LRN Ethics Study: Employee Engagement, 2007](#)



- Reputation: Among respondents who would recommend their employer to a friend or colleague as an employment opportunity, 26% cite “company culture/reputation” as the primary influence for the recommendation.
- Culture/reputation: When evaluating a potential employer or job opportunity 51% said corporate culture was the most important factor for them

Source [Kelly Services, Employee Engagement & Retention, 2013](#)



BETTER RETENTION OF TALENT

- Commitment: 48% of baby boomers would be prepared to take a pay cut or a demotion in order to work with a socially conscientious employer, followed by Gen X at 28 percent and Gen Y at 24 percent.

[Source: Kelley Services, 2009 survey, quoted by IBE](#)

More than one-in three Americans employed full time (36%) have left a job because they disagreed with the company’s ethical standards for doing business

Nearly three in four employees who left for ethical reasons said they left because the company was not acting in accordance to its promises of corporate values.

[LRN Ethics Study: Employee Engagement, 2007](#)



INCREASED REPUTATION LINKED TO FINANCIAL PERFORMANCE

- Link: “There is a crucial link between a strong reputation and superior financial returns.” A well-defined and communicated purpose can contribute up to 17% of the financial performance economy-wide of leading European companies. Source: [The Corporate Purpose Impact 2010 study](#), Burson-Marsteller and IMD business school
- Poll: an [Ipsos UK MORI](#) poll published in 2014 showed shoppers take the issue of ethical practices seriously in their purchasing habits:
 - More than 4 in 5 (83%) say the ethical standards of retailers matter to them



2 in 5 (39%) say their shopping decisions have been influenced by this in the last year the same proportion (38%) say they are willing to spend more on a product if a company acts in an ethical way



MORE ACCESS TO CAPITAL AND RESOURCES

- **Attract:** CEO's ethical reputation enhances a company's ability to attract investment capital, recruit the best employees, and earn a company the benefit of the doubt in times of crisis
Source : [Burson-Marsteller study, 1998](#)
- **Publicity:** Published reports on unethical corporate behaviour lowers stock prices for a minimum of six months.
Source: University of Southwestern Louisiana study
- **Company reports:** Of 126 companies showing a strong commitment to ethics, 33 or 26% were in the top 100 financial performers.
Source: DePaul University, Management Accounting October 1997
- **Emphasis:** Of the 374 companies which did not emphasize ethics in reports, only 50 (13 percent) made it into the ranks of the top 100.
Source: DePaul University, Management Accounting October 1997



SUSTAINABILITY

- **Emissions:** firms taking a leading position on reduction outperformed the Bloomberg World Index by 9.6% over the four years. The comparison is based on total financial returns, including interest, capital gains, dividends and distributions.

The average internal rate of return on carbon emission reduction projects undertaken by a top tranche of companies is 57%. An example is US carmaker General Motors, which implemented carbon reduction measures resulting in emissions savings of 244,000 metric tons per year and cost savings of \$287m.

[Source: P Bach, Corporate responsibility cheat sheet, Nov 4 2014 Ethical Corporation](#)





CORRUPTION

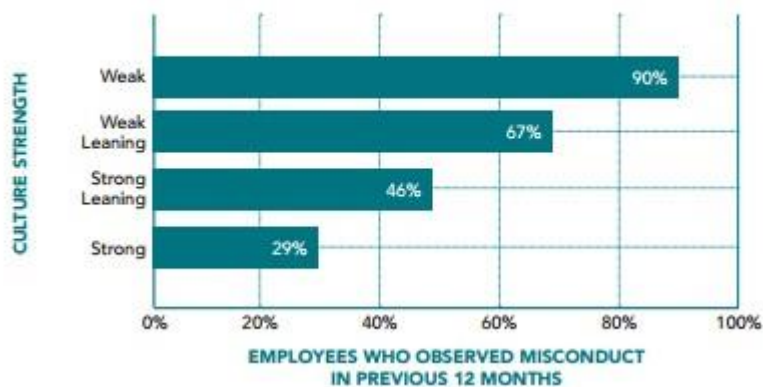
- Sound anti-corruption systems: companies with these outperform weaker companies significantly

Adequate procedures are a company's only defense should it face a corruption charge yet 60% of the procedures assessed were found to be inadequate.

Source: [Good Corporation.com](http://GoodCorporation.com), [Businesses failing to implement adequate procedures to prevent corruption](#)

- Less fraud: the stronger the culture the less fraud there tends to be:

Where Cultures are Weaker, Misconduct is More Prevalant



Source: PREVENTING FRAUD, Chubb 2010/11



IMPROVED PERFORMANCE

- Bribery: has a negative effect on company performance. The most serious damage is not to reputation or even regulatory headaches. It's on employee morale. *And employee morale directly affects a firm's performance, including stock market returns.*

According to a study by the consultancy Sirota, high morale companies—where over 75% of employees reported “overall satisfaction with their



companies"-- had significantly stronger year-over year stock performance than companies with lower morale.

High morale companies averaged 15.1 per cent improvement in their stock price from 2011 to 2012 compared with a 4.1 per cent year on year improvement among lower morale companies.

[Source: The Real Cost of Bribery, Forbes, 11/05/2013](#)



EARLY WARNINGS

- 84% of employees report misconduct in companies with an effective compliance program, compared to 33% in companies without.

Ethical companies therefore less likely to fall foul of legal constraints or to create costly reputational damage compared to companies with weaker compliance programs.

Source: Increasing Employee Reporting Free From Retaliation, National Business Ethics Survey 2013

