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The South African Business Ethics Survey
2016

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Foreword and Acknowledgements

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What is it?
A business ethics survey of South African listed and large companies.

How, when, and how many?
Telephonic interviews with 4 795 staff members, between June 2015 and April 2016.

A repeat study:

2002   **2009**   **2013**   **2016**
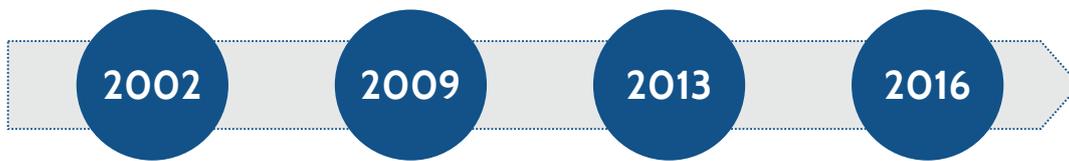
Key findings
Compared to 2013 data:

Employee awareness of:

4%
Hotline

9%
Ethics
Training

14%
Ethics
Officer

Effectiveness of:

4%
Promo-
ting
hotline

3%
Ethics
training

13%
Use-
fulness
of Code
of Ethics

Misconduct

18%
of employees observed
misconduct in 2009

14%
of employees observed
misconduct in 2013

25%
of employees observed
misconduct in 2016

66%
The percentage of employees
who reported observed
misconduct in 2009

64%
The percentage of employees
who reported observed
misconduct in 2013

48%
The percentage of employees
who reported observed
misconduct in 2016

1.   What is the South African Business Ethics Survey?

The South African Business Ethics Survey (SABES) is a national survey that generates a South African benchmark on ethical behaviour for listed and large (more than 200 employees) companies.

The study employs a unique assessment instrument, the Ethical Culture Assessment (ECA), to generate findings on the awareness and effectiveness of ethics management processes in companies, on ethical culture, misconduct and organisational pressure to act unethically.

This is the fourth research report of this kind by The Ethics Institute. In 2002 the first Business Ethics Survey South Africa (BESA) was published, followed in 2009 by the South African Corporate Ethics Indicator (SACEI) and the South African Business Ethics Survey (SABES) in 2013. BESA 2002, SACEI 2009 and SABES 2013 may be downloaded without charge from our website: www.tei.org.za.

A **word** from employees

We need a change in culture.

This is the best company I've ever work for.

Employees are not protected; they fear to disclose information.

When people don't know better, they do whatever.

This is a good company. There is no need for anyone to be unethical because we take care of our people.

Employees are not protected; they fear to disclose information.

Leaders don't lead by example. If leaders can act ethically, it would be easy for everyone to act ethically.

Ethics is an ongoing process and a lot has already been done in my company.

Ethics is a personal thing. It starts at home and with your upbringing.

We are exposed to opportunities to be unethical, like slight bribes if the amount is less than R500. People are tempted by suppliers.

There are no guidelines on ethics.

Employees can't face their superiors; that is the reason they don't report misconduct.

We are under pressure to meet the target.

Methodology

1.   How did we conduct the survey?

The Ethical Culture Assessment consists of a number of questions, put to research participants during telephone interviews. 4 795 staff members from various listed and large South African companies participated in the survey, representing all employee levels. The survey was conducted between June 2015 and April 2016.

2.   Is the data scientifically reliable?

Data reliability can be statistically expressed in terms of certain internationally accepted benchmarks for social scientific research.

Good reliability and validity are determined by ensuring an appropriate confidence and confidence interval sample design. SABES 2016 generated a confidence level of 95% and a confidence interval of 1.3. The Cronbach Alpha is 0.94. Consequently, the survey results for SABES 2016 can be considered valid and can be reliably treated as baseline data for future studies.

3.   Who participated in the survey?

Twelve listed or large companies in the industries as indicated below participated in SABES 2016.
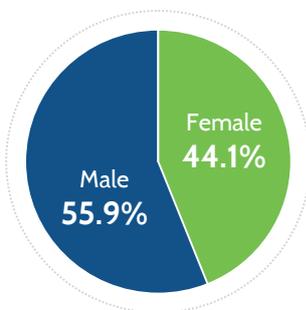
Industry	Number of participating companies
Banking	1
Retail	2
Information Technology	3
Financial Services	1
Petroleum	1
Medical Aid	1
Telecoms	1
Agriculture	1
Hotels	1
TOTAL	**12**
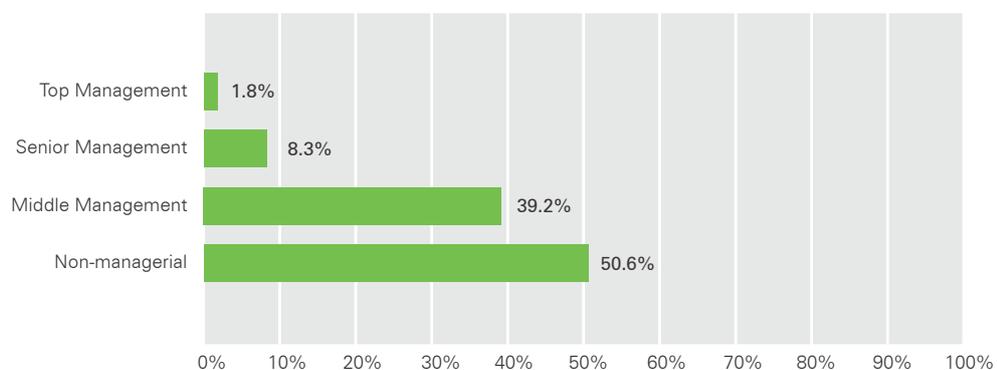
1.   Awareness of formal ethics interventions

We asked participants to indicate their awareness of formal ethics interventions, which include, inter alia, the company code of ethics, ethics training, safe-reporting mechanisms (hotline), someone responsible for ethics management and advice seeking mechanisms.

Awareness levels of some important ethics management elements have decreased since 2013:

	2016	2013	2009
Code of Ethics	96%	96%	92%
Hotline	79%	83%	69%
Ethics Officer	58%	72%	60%
Training	57%	66%	59%

It is concerning to note that the percentage of employees who are aware of ethics training (57%) is not only lower than in 2013 (66%), but that it has dropped to nearly the same level as in 2009 when it was 59%.

Awareness of a company code of ethics has remained high since 2009 at 96%, while awareness of someone who is responsible for ethics management has decreased significantly by 14%. Although awareness of safe-reporting mechanisms has decreased marginally since 2013, it has increased significantly from 2009.

Awareness of ethics communication and organisational values are reasonable, with the exception of awareness of ethics training and of someone responsible for ethics management. Awareness of formal ethics management processes in companies has remained more or less constant during the past four years.

2.   Effectiveness of formal ethics interventions

We also asked participants to express their views on the effectiveness of formal ethics interventions. Below are the most prominent findings.

	2016	2013	2009
Usefulness of Code of Ethics in guiding behaviour	79%	90%	82%
Effectiveness of promoting a hotline	77%	68%	72%
Ethics Officer making a difference	73%	Not measured	Not measured
Usefulness of ethics training	83%	78%	84%

It is interesting that employees generally find the company values useful and clear on expected behaviours, but they do not always use them or the code of ethics to guide decision-making. The reason could be that they rely instead on rules and policies that provide definitive guidelines for acceptable behaviour and decisions, rather than aspirational values, the practical application of which is open to different interpretations.

The effectiveness of ethics training has increased since 2013. Employees strongly agree that training has assisted them in making better decisions. The fact that they do not always use the company values as guidance suggests that ethics training might emphasise company policies (rules) more than it does company values.

The findings suggest that the inclusion of ethics or organisational values as a measurement of performance is not yet standard practice in South African companies. Where it is included, more than one third of employees felt that it generally does not carry enough weight to have an impact on the outcome of their performance appraisals.

The perceived effectiveness of efforts to promote safe reporting mechanisms has increased from 68% in 2013 to 77% in 2016. There was, however, a decrease from 90% of employees in 2013 to 79% in 2016 who find the code of ethics or company values useful. In the latter case the effectiveness of the code of ethics is even lower than it was in 2009, when it stood at 82%.

9%
increase in
effectiveness
promoting
a hotline

11%
decrease
in finding the
code and
values useful

The perceived effectiveness of ethics communication is marginally higher than in 2013, but promoting an ethics reporting facility is significantly higher than in 2013.

Although 79% of respondents indicated that their company values and code are useful, only two thirds consistently consider them when making decisions, and only 35% indicated that employees consistently adhere to them. They are well aware of the existence of their ethical standards as espoused in their organisational code of ethics, but it is clear that the marginal increase in the effectiveness of ethics communication training are not sufficient to embed the organisational values into the behaviour of employees.

What employees do is measured, but not how they do it.

One element of ethics management that could receive more attention is measuring employees' adherence to organisational values as part of their performance appraisal – to the extent that it plays a role in determining their remuneration. We see that what employees do is measured, but not always how they do it. This means that meeting unrealistic targets can potentially result in a performance bonus, regardless of whether those targets were achieved by transgressing organisational ethics standards.

3.   Observing and reporting of misconduct

18%
of employees observed
misconduct in 2009

14%
of employees observed
misconduct in 2013

25%
of employees observed
misconduct in 2016
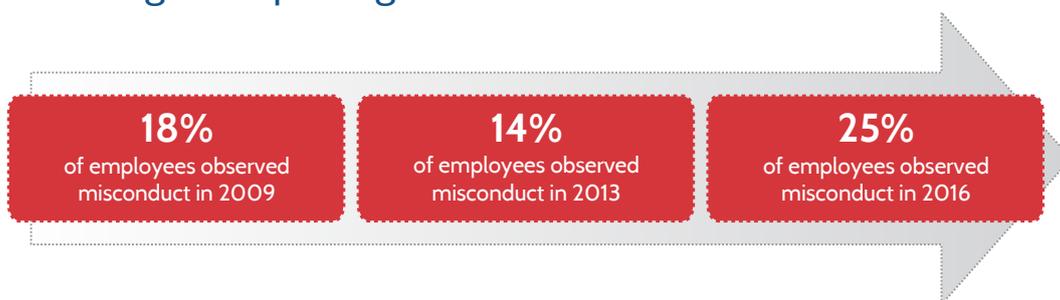
The percentage of employees who have personally observed misconduct has increased by 11% since 2013 and by 7% compared to 2009. This is disconcerting as it could mean that unethical conduct has increased. However, it could also be because of a higher awareness level of what constitutes unethical behaviour brought about through effective training and having a good understanding of the ethical standards of organisations, amongst other interventions. The significant increase in the observation of misconduct, coupled with findings related to the application of policies and how reports of misconduct are dealt with, could, if not addressed, result in the acceptance of unethical conduct as 'the way we do business'.

There has been a significant decrease in the percentage of employees who reported observed misconduct since 2009. Willingness to report misconduct is closely related to employees' perception that, and experience of their reports being taken seriously. Furthermore, it is influenced by their perception that, where the findings of investigations result in disciplinary measures, such measures are applied consistently. Findings about organisational culture (see point 5 below) suggest that reports are generally not dealt with openly, ethics policies are not consistently applied, and things are not made difficult for unethical people. This is troublesome as we would have expected a greater appreciation among organisations that unethical behaviour should not be tolerated.

66% The percentage of employees who reported observed misconduct in 2009	**64%** The percentage of employees who reported observed misconduct in 2013	**48%** The percentage of employees who reported observed misconduct in 2016
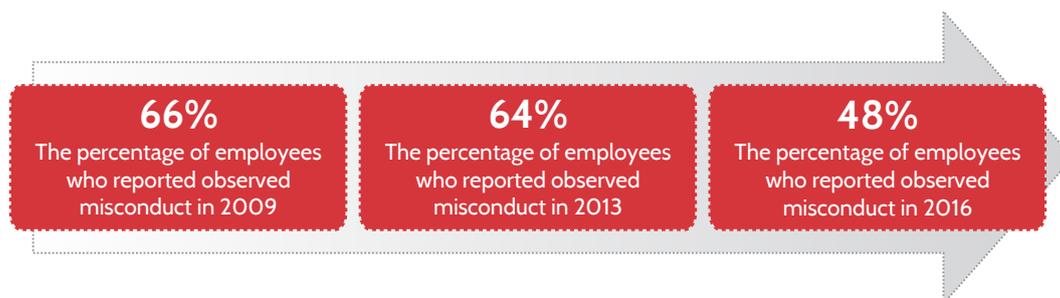
To whom did employees report misconduct?
Respondents indicated that they reported misconduct to the following persons, functions or systems:
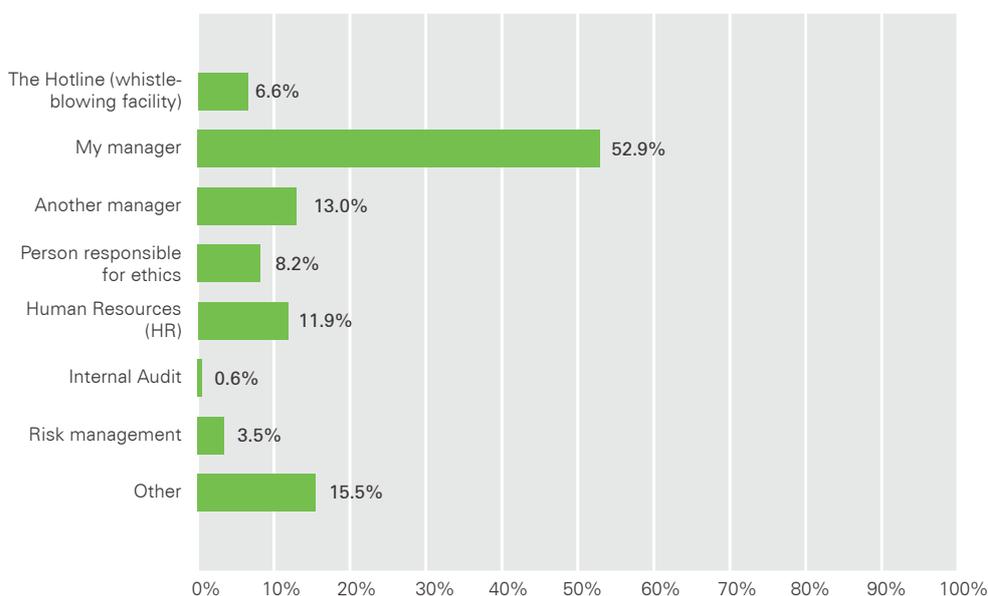
More than half of employees prefer to report misconduct to their managers. This trend is consistent with the KPMG Forensic Integrity Survey 2013[1] which had a similar finding.

In spite of a 9% increase in the effectiveness of raising awareness about safe reporting mechanisms, usage remains very low. This is surprising. Given employees' fear of victimisation in the work place, anonymous reporting, which can be done through a so-called hotline, would seem to be the natural choice. The low usage could be related to only moderate awareness of the hotline in some companies, distrust in the system, a disbelief that reports can be made anonymously or the belief that reports made through the hotline will not receive attention (see below).

Why did employees not report misconduct?
We asked respondents who indicated that they did not report observed misconduct why they had not done so.

[1] https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/Integrity-Survey-2013-O-201307.pdf

Reasons for not reporting misconduct

Reason	Percentage
The company will take no action on the report	32.2%
The court will take no action if the case went to court	3.1%
Unfamiliar with reporting machanisms	11.0%
Fear victimisation at work	36.2%
Fear for personal safety	15.4%
Anonymous reporting is not possible	11%
Unwilling to report co-worker	8.0%
The misconduct was justified	1.5%
Someone else will report it	12.3%

Fear of victimisation – cause for concern

42% of South African employees who observed misconduct did not report it because they feared victimisation

29% decrease in fear of victimisation since 2013

33% decrease in disbelief that company will investigate report since 2013

30% decrease in belief that the company will not take corrective action since 2013
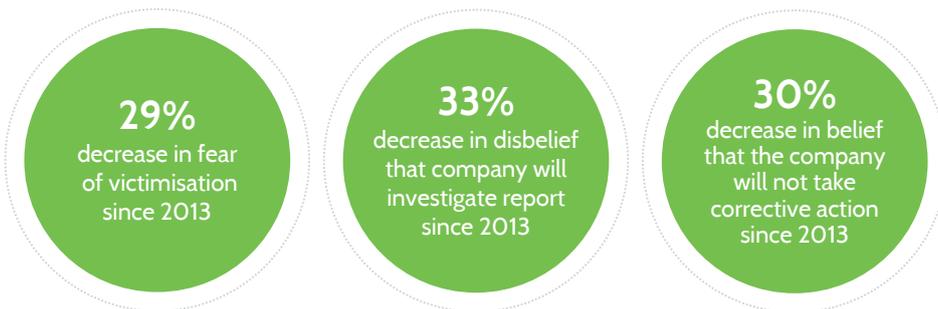
The main reason, fear of victimisation, has decreased significantly from 65% in 2013 and 58% in 2009 to 36% in 2016. The second main reason, namely disbelief that the organisation will investigate the report, has also decreased significantly from 65% in 2013 and 51% in 2009 to 32% in 2016. This is good news for the South African workforce. These two reasons for not reporting misconduct were also the main reasons in the previous two surveys. In spite of the more than substantial decrease in fearing victimisation, it remains worrisome that employees still have this fear. Many companies have implemented strict policies to protect whistle-blowers, but the fact that more than one third of employees still fears victimisation indicates that such policies are either not taken seriously, employees are unaware of them, or that they are not enforced.

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The belief that no corrective action will be taken has decreased significantly by nearly 30%. This is excellent as it demonstrates that some companies have started to realise the importance of whistle-blowing, the necessity to investigate such reports, and providing feedback to whistle-blowers on action taken. This area, however, still requires more focus from organisations to ensure that the belief that the company would not act on such reports is dispelled.

4. Pressure to compromise organisational standards

We asked participants whether they ever experience pressure to compromise their organisation's ethical standards and values. Organisational pressure comprises the direct pressure employees experience to compromise the organisation's ethical standards.

The percentage of employees who experienced pressure to compromise their organisation's ethical standards has increased since 2013 with 2%, but it is still lower that the 12% of 2009. Pressure to compromise standards is often a leading indicator of future misconduct.

Causes of pressure

Cause	Percentage
Unrealistic targets	27.9%
Top management	26.7%
Line-management	24.4%
External entities	20.90%
Shareholders	15.1%
Colleagues	11.6%
Other	9.3%
Sales division	2.3%

"Feeling pressure from superiors causes an employee to act unethical."

"It is difficult to be ethical at work because of outside pressure and the business is target driven so clients tend to put one under pressure to not act in the strictest sense of ethics."

The main source of pressure to compromise the organisation's ethics standards is unrealistic targets. This has changed since 2009 and 2013 when the main source was instructions from top management. However, reading the 2016 main source together with another primary source namely instructions from management, it is probable, given the current economic climate in South Africa, that management's focus is on reaching financial targets – whatever it takes.

Troublesome is that more than a quarter of employees who experience pressure, receive it from people outside their organisation. This emphasises the importance for organisations of strong organisational cultures achieved through visible leadership commitment to ethics, sustainable and effective ethics awareness campaigns and communication, and consistent and transparent action against transgressors of the organisation's ethical standards. Good supply chain management is also imperative, as is ensuring that suppliers and business partners are familiar with and adhere to the organisation's ethical standards.

Preparedness to handle the pressure

2009	2013	2016
75% of employees feel equipped to handle pressure to compromise ethical standards	78% of employees feel equipped to handle pressure to compromise ethical standards	62% of employees feel equipped to handle pressure to compromise ethical standards
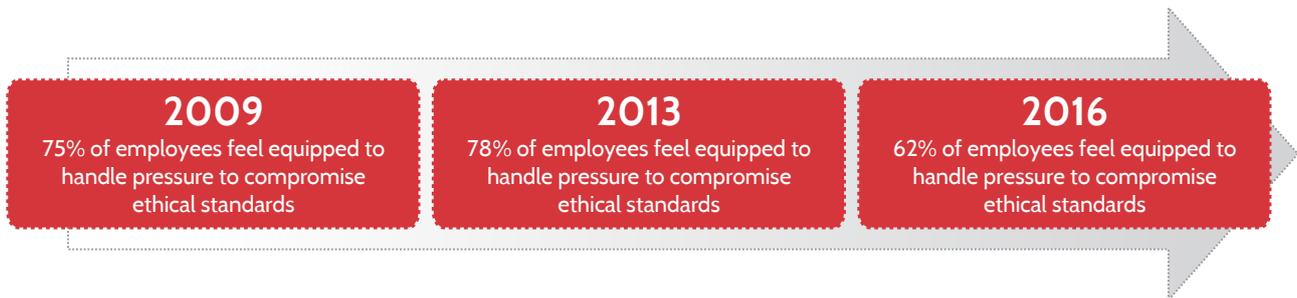
One third of the South African workforce does not feel prepared to handle pressure to compromise their organisations' ethical standards. There has been a decrease since 2009 in the percentage of employees who feel prepared to handle the afore-mentioned pressure. In 2013 78% of employees felt prepared while only 75% felt so in 2009. It is possible that the sharp decrease is caused by pressure from management to reach financial targets. Another possible cause could be that organisations' approach ethics communication in an ad hoc fashion (out of sight, out of mind?) as a result of an apparent shift in focus from embedding ethical values in the organisational culture to delivering on financial targets.

Only **50%** agree that their organisation supports them in doing the right thing.

5. Organisational culture

Organisational culture refers to the beliefs, systems and norms present in an organisation, whether formally or informally. It is the most powerful driver of likely organisational behaviour and is thus the most important dependent variable to determine the state of ethics in a company.

Organisational culture consists of the following six dimensions:

• Leadership commitment to ethics
• Ethical awareness and accountability
• External stakeholder relations
• Internal stakeholder relations
• Ethical values appropriation

Each dimension comprised a number of positive statements to which respondents were asked to indicate their level of agreement.

Leadership commitment to ethics

39% of employees are uncomfortable to question their superiors.

35% of employees are uncomfortable to share bad news with their superiors.

82% of employees are sure that business that violates ethical standards will be turned away.
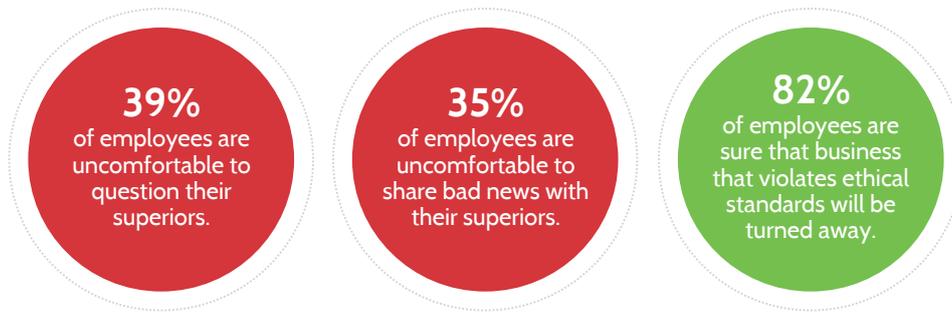
Employees display some doubt in their leaders' commitment to ethics. The main areas of concern are that 39% of employees disagree or are neutral that they feel comfortable to question the decisions of their superiors, and 35% disagree or are neutral in terms of sharing bad news with them. These percentages are significantly higher (15% and 12% respectively) than in 2013. From an operational perspective this poses a risk to the reputation and the profitability of organisations. For example, 'bad news' such as poor production figures or ineffective distribution of products due to poor maintenance can impact negatively on the bottom line if management is not pro-actively made aware of such matters.

82% of employees agreed that their company would turn away business that violates its ethical standards and 76% agreed that employees do not feel pressure to bend the rules to reach targets.

12% increase since 2013 and 2009 in employees who feel uncomfortable to share bad news with superiors.

An awareness of ethics standards and effective ethics training equip employees to identify unethical behaviour more readily. One would hope that this trend would also catch on with management, resulting in them not giving instructions that could violate the ethical standards of the company. While the majority of management abide by their company's standards, there are still those who do not and who do not open themselves up for being questioned. For some it seems to be a matter of 'do as I say or else …'. "If managers are not acting ethically, the employees will not act ethically. Leaders must lead by example.

The impact of the external environment could also play a role. The prevalence of corruption in South Africa has reached a level where many people see certain corrupt practices (for example nepotism and tender fraud) as the way business is or has to be conducted. Employees may thus opt for following instructions that may result in unethical conduct rather than 'rocking the boat'. It could be a case of accepting that 'it is how we do business here'.

If managers are not acting ethically, the employees will not act ethically. Leaders must lead by example.

Ethical awareness and accountability

• 35% of employees disagree or are neutral to the statement that organisations make it difficult for unethical people. This could mean that reports of misconduct are not consistently investigated and that disciplinary measures are inconsistently applied. This is supported by the finding that 37% of employees disagree or are neutral in respect of ethics policies, which include disciplinary policies, being applied consistently. No comparison could be made with previous data in this regard as this is a new indicator of organisational culture that was introduced to the survey.

2009 18% disagrees or are neutral that policies are consistently applied

2013 21% disagrees or are neutral that policies are consistently applied

2016 35% disagrees or are neutral that policies are consistently applied
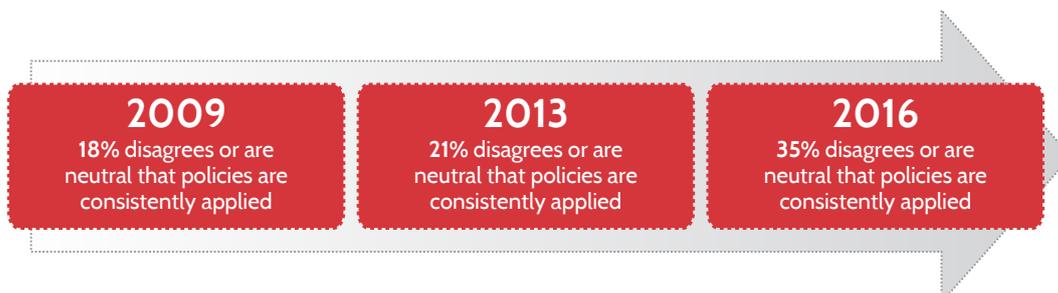
- More than a third (34%) of employees disagree or stand neutral to the statement that employees will not follow instructions from their superiors that violate the ethics standards of their company. This confirms the afore-mentioned finding that employees are uncomfortable to question the decisions of their superiors. It is notable that this percentage has increased sharply since 2009 (14%) and 2013 (12%)

- In spite of these findings nearly 70% of employees, however, agree that ethics is taken seriously in their organisations. This could be the result of organisations approaching ethics as another compliance issue – a "must have because we have to" if you like. In other words, noise is made about ethical behaviour and boxes have been ticked in terms of compliance with the Third King Report on Governance, 2009 (King III), the Companies Act 2008, the UK Bribery Act (2010) or the USA Foreign Corrupt Practices Act.

- 70% of employees agreed that they are familiar with their company's ethical standards.

70%
of employees agree that their company take ethics seriously

70%
employees are familiar with their company's ethical standards

External stakeholder relations

- The biggest concern in respect of external stakeholder relations is the 23% increase since 2013 in employees who disagree or are neutral in respect of their company's commitment to its impact on the environment. 62% agreed that employees comply with laws and regulations, which would include environmental laws, but, given the afore-mentioned increase, it seems again indicative of a compliance approach. Thus organisations comply with laws for the sake of compliance, but do not necessarily embrace the values that support the protection of the environment in decision-making.

2009
19% disagree or is neutral that their company considers its impact on the environment

2013
11% disagree or is neutral that their company considers its impact on the environment

2016
34% disagree or is neutral that their company considers its impact on the environment
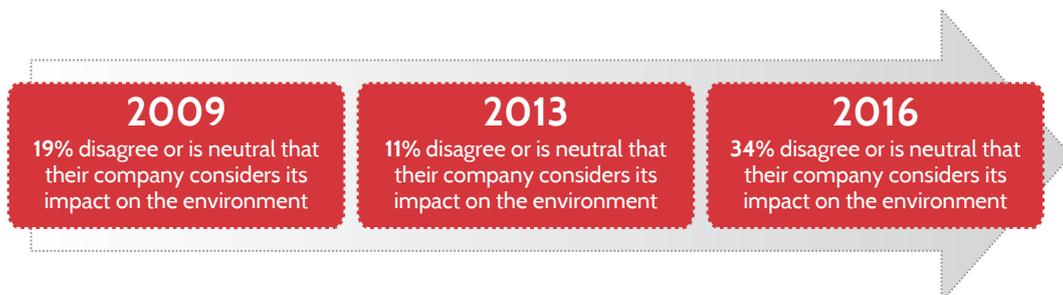
- The percentage of employees who agree that their companies expect its employees to do what is right for clients/customers has decreased significantly with 30% from 2013 and 34% from 2009. This is surprising and worrisome. Companies should be cognisant of the impact that poor service delivery and underestimation of their customers can have on their performance.

2009
98% agree that their company expects them to do right for clients

2013
94% agree that their company expects them to do right for clients

2016
94% agree that their company expects them to do right for clients

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Internal stakeholder relations

- The absence of internal power struggles solicited the least agreement among employees (49%). In 2013 42% disagreed that their companies were free of damaging politics and in 2009 it was 37%. Internal power struggles could lead to a silo mentality which results in uncoordinated efforts to fulfil the mission of an organisation. It is often accompanied by an increase in bureaucracy or duplication of work which could have a negative effect on the morale of employees.

- Nearly half of employees disagree or are neutral to the statement that cases of unethical behaviour are dealt with transparently (no comparison could be made with previous years as this is a new area that was introduced in the survey). This, together with the finding that ethics policies are applied inconsistently, could signify that a significant portion of the private sector in South Africa is not serious about enhancing their organisational culture. It raises a concern that companies are still focussed on 'do what it takes to increase the bottom line' within the ambit of applicable laws and regulations.

> *We don't see people being held accountable for unethical conduct*

- 21% fewer employees agree or are neutral in terms of their company caring about what is right for its people.

2009	**2013**	**2016**
80% of employees agreed that their company cares about its people	**79%** of employees agreed that their company cares about its people	**58%** of employees agreed that their company cares about its people

Ethical values appropriation

Integrity
Honesty
Respect
Accountability
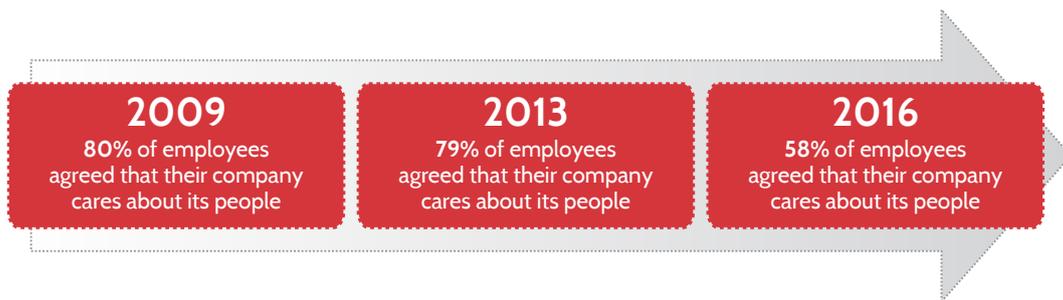
Fairness

About half of the employees surveyed agree that their organisations live up to the values of integrity, honesty, respect and accountability. The application of fairness seems to be debatable though as only 41% agree that this is the case. Agreement that organisations practise the value of fairness has decreased significantly since 2013 (75%) and 2009 (74%). Perceptions of the fair treatment of employees are usually related to remuneration, benefits, promotion, and performance bonuses. The economic downturn in South Africa since 2008 and the resultant financial pressures on employees, could have had an impact on how employees view the way they are treated by their company. Read together with the decrease in employees believing that their organisations care for them, it might be that they expect more financial support from their organisations.

Organisational culture is the most powerful driver of likely organisational behaviour. Organisations with a healthy ethical culture will experience less observed misconduct, a higher tendency to report observed misconduct, less pressure to compromise standards, and greater preparedness amongst staff to handle unethical situations. Despite increased observation of misconduct, decreased reporting and increased pressure on employees to compromise ethical standards, the overall organisational culture score has improved somewhat since 2013 and 2009. Generally it can, however, not be stated that South African companies have strong organisational ethical cultures.

2009	2013	2016
Employees have some doubt that the company culture is ethical	Employees have some doubt that the company culture is ethical	Employees believe that the company culture is ethical

In terms of individual indicators two areas displayed a significant downward trend since 2013, namely the approachability of management to deliver bad news and employees' reluctance to question the decisions of their superiors. On the positive side employees' sense of responsibility for their actions and decisions has increased significantly, as did their consideration of their organisations' impact on society. There has also been significant improvement in holding managers accountable for transgressing their organisation's ethical standards.

6.   What do the top two companies do different?

When companies invest resources in ethics management they get impressive results. We looked at the top two companies in the survey to determine what differentiate them from the other companies who participated in the survey.

Awareness of ethics management interventions:
- High awareness of a person responsible for ethics management;
- High awareness of an advice seeking mechanism; and
- High awareness of ethics related communication.

Effectiveness of ethics management interventions:
- Ethics training is effective to the extent where it helps employees to make better decisions in the work place and to identify ethical issues at work;
- Employees feel comfortable to seek advice on ethical matters;
- Employees find the organisational values useful;
- The values are clear in terms of specifying acceptable and unacceptable behaviour;
- Ethics communication makes them think about ethics in their work;
- Employees feel comfortable using their company's hotline; and
- Their managers give them feedback on their ethical behaviour during performance appraisals.

Reporting misconduct:
- In the top two companies there is a high tendency to report misconduct.

Pressure to compromise ethical standards:
- Employees in the top two companies experience low levels of pressure to compromise their company's ethical standards.

Organisational culture:
- Leadership commitment to ethics is strong (Top management sets a good example);
- Ethical awareness and accountability is high (the companies practice what they preach);
- External stakeholder relations are very good (the organisation expects that employees will do what is right for its clients);
- Internal stakeholder relations are very good (decisions affecting employees are made fairly);
- The companies live up to the values of integrity, honesty, fairness, respect and accountability; and
- The organisations' values are consistent with those of their employees.

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This research aimed to establish the way in which large companies in South Africa 'walks the talk' in terms of ethical behaviour. It also aimed at determining if there has been improvement in formal ethics management and organisational culture since 2013.

The findings mostly confirmed our expectations, but there were also some notable surprises. We would have expected a substantial improvement in creating awareness of ethics and institutionalising ethics standards in companies given the relevance of King III to these companies, as well as international anti-corruption legislation. In the same vein we also expected that the economic downturn in South Africa would have influenced the priorities of large organisations.

Surprising were the findings that there has been little change in creating ethics awareness and communication programs in the last three years. Ethics training, although effective, is back to the level of 2009. A possible reason for this could be related to companies (again) having a compliance approach to ethics management. Many companies made concerted efforts in 2009 to raise awareness of organisational ethics after the publication of King III in which the imperative for ethics management was set out in Principle 1.3 stating that: "The board should ensure that the company's ethics are managed effectively". Compliance with the UK Bribery Act 2010 and South Africa's new Companies Act, 2008, lent further impetus to the enthusiastic promotion of ethics between 2009 and 2013.

However the global (2008) and South African economic downturn which lead to budgetary constraints or revised spending patterns could have impacted negatively on the strengthening of ethics awareness creation and ethics training efforts. Thus, although formal ethics management programs and structures may exist, it seems as if spending on communication, training, and awareness campaigns about organisational values, ethics management structures and safe reporting mechanisms (hotline) has slightly diminished, possibly in favour of operational needs.

The effectiveness of some ethics interventions such as ethics training and efforts to promote safe reporting mechanisms (such as a hotline) increased over the last three years. While there are high levels of awareness of company Codes of Ethics and organisational values, the findings suggest that organisational values generally have not yet become part of organisations' DNA. Employees seem to be motivated extrinsically and not intrinsically to act ethically.

> # Worrying is the 11% increase in employees who have observed misconduct.

Worrying is the 11% increase in employees who have observed misconduct. This could be related to employees with more financial burdens and less disposable income, reacting to the weak economic situation in South Africa. It should be a clarion call for corporate South Africa that efforts to raise awareness of their ethical standards deserve to be prioritised. The fact that 16% fewer employees reported the misconduct that they have observed should furthermore ring warning bells. An organisation can only act on unethical behaviour in their midst if they know about it. Organisations should guard against a perception that unethical behaviour - especially in pursuit of organisational targets - is acceptable.

A fear of victimisation and a belief that the organisation will not act upon reports of misconduct remain the main deterrents to reporting. Concerted efforts are required to root out victimisation and to ensure that effective

structures are in place to investigate all reports received objectively and efficiently. Employees should also receive feedback about the seriousness with which their organisations view reports and how reports are dealt with. Only then will employees believe that their reports will receive attention.

Pressure to compromise the ethical standards of organisations has increased slightly. It is to be expected given the weak economic situation in the country. This finding is supported by findings related to the sources of pressure, namely unrealistic targets and management pressure. Especially troublesome is the fact that more than a quarter of employees who experience pressure, were pressured by external sources. Increased awareness and communication aimed at equipping employees with knowledge of how to handle such pressure, and assurance that the company will support them when confronted with such pressure, is imperative. It is also vital that sufficient and effective controls are in place in supply chain management in order to reduce opportunities for unethical conduct.

Measured against the indicators of strong organisational culture, South African companies generally do not measure well. Yet employees have changed their opinion since 2013 and 2009 from doubting the ethics of their companies to (just) believing that their company's cultures are ethical. This is surprising. Awareness of formal ethics interventions such as training and someone responsible for ethics management has decreased over the last three years, although the effectiveness of training has improved. The percentage of employees who use their code of ethics to guide their behaviour has decreased significantly and more employees perceive their management to be unapproachable. On the positive side, significantly more employees than in 2013 agree that reports of misconduct are investigated, albeit not transparently. And although policies are seemingly applied inconsistently, the percentage of employees who agree that their company will not take action against unethical conduct have decreased significantly.

A reason for the slight improvement in organisational culture, despite the negative findings stated in this report, could be that leadership has openly displayed more commitment to ethics, handled difficult times well, hired and fired the right people and rewarded those who deserved it. Stronger cultures are partially built during difficult times. It is evident from the SABES 2016 survey that many companies have invested fewer resources in their ethics performance over the last three years. While awareness creation was a high priority between 2009 and 2013, these efforts were not sustained, resulting largely in unchanged organisational cultures. It is hoped that the launch of the Fourth King Report on Corporate Governance in November 2016 will provide a renewed impetus to organisations to improve their efforts to invest in sustainable ethics management programs.

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About The Ethics Institute

The Ethics Institute is a non-profit, public benefit organisation that commenced operations in August 2000. The organisation is governed by a Board of Directors consisting of prominent persons committed to promoting ethical responsibility.

The Ethics Institute's vision is: "Building an ethically responsible society."

We achieve our vision by forming partnerships with the public and private sectors, and the professions. The Ethics Institute serves as a resource through our thought leadership, research, training, advisory, assessment and certification activities.

For more information on The Ethics Institute, please refer to our website www.tei.org.za.

Thought leadership

The Ethics Institute is committed to stimulate and advance awareness of ethics in South Africa and in other countries on the African continent where we are active. We participate regularly in public debates in the media and contribute to standard setting and policy formulation in respect of business ethics, corruption prevention and professional ethics.

Services offered

The Ethics Institute offers a wide array of services related to the management of ethics in organisations and professions. These include:

Training	Public and in-house training programmes on a range of ethics-related themes;
Advisory services	Consulting to public-sector and private-sector organisations and professional associations on matters related to the management of ethics;
Assessments	Assisting organisations to gauge their current state of ethics with a variety of assessment instruments;
Certification	Certifying specific ethics-related services and service providers in order to provide assurance that these services and service providers meet relevant ethics standards;
Project management	Acting as project manager for funder organisations wishing to enhance good governance, corruption prevention or professional ethics; and
Membership services	Offering subscription membership to individuals and organisations, with a variety of membership benefits.