New Ethics Index provides insight into public perceptions

By Zilla Efrat

A new survey suggests that big business and governments, and those that run them, need to clean up their acts in the eyes of the public.

They say, ‘perception is everything’. And Governance Institute of Australia’s inaugural Ethics Index reveals that Australians perceive the media, financial service organisations, big business, governments and politicians as unethical. It also found that more people see chairs of companies, CEOs and senior executives as unethical rather than ethical.

In the corporate sector, company secretaries were viewed most favourably and directors of foreign companies achieved the most unethical score.

Overall, the education sector had the highest perceived level of ethical behaviour of all the sectors while health and charities or not-for-profit organisations were also highly respected and trusted.

Jillian Segal, a non-executive director of NAB, described the Index as an insightful snapshot of society’s perceptions. ‘We have to understand the sentiments behind the perception and we have to deal with the facts that give rise to the perceptions,’ she said at the Index’s launch at Governance Institute’s offices in Sydney in July.

‘Sometimes we may need to change behaviour, and sometimes we need to communicate more information so that people can have an accurate or different perception. But it is clear that across the board there is a perception that as a whole, business, politicians and government and all the institutions that make up society, are not doing enough to give confidence to Australians in general that they are acting ethically.’

Ms Segal found it reassuring that 97 per cent of respondents felt they understood the concept of ethics and 84 per cent considered it most important to a well-functioning society. However, she was concerned that so many pillars of society were viewed negatively. ‘There are lots of points of concern for people about the economy, their jobs and society. The uncertainty that is everywhere may be reflected in this Index.’

Ms Segal believed perceptions can be swayed by the media and those on the fringes or outliers. She added, ‘The NAB board is very focused on ethics. It has as its stated ambition to be the most respected bank in Australia and New Zealand. But I think that everyone, and the board in particular, recognises that constant vigilance is required on ethics, culture and conduct and it cannot be thought of as a set-and-forget matter. It’s a matter of constant work.’

The survey of more than 1000 people, conducted online by Ipsos between 16 May and 5 June 2016, found that while Australian society overall was seen as ‘somewhat ethical’ with an index rating of 39, large corporations, the banking, finance and insurance sector, every level of government and political representatives all had significantly negative ratings on ethics.

The top five ethical issues in business were perceived to be corruption, followed by company tax avoidance, misleading and deceptive advertising, bullying in the workplace, discrimination and executive pay. Accountability (68 per cent) and transparency (63 per cent) were seen by most respondents as the most important elements to ensure ethical conduct in society, followed by highly ethical leaders, whistleblower protection and a strong legal framework. Almost one in three felt that oversight by regulators was key.

From a regulator’s point of view, Greg Medcraft, chairman of the Australian Securities and Investments Commission (ASIC), told those gathered at the launch that ethical conduct was not about a tick-the-box approach and having armies of compliance people. ‘It’s really about changing the way people think,’ he said.

‘From my perspective, culture matters more today than ever before because there is nowhere to hide. It’s at the heart of how an organisation and its staff think and behave. It’s an issue companies themselves must address. It is unique to every company. ‘You need to have a culture that your customers and stakeholders can believe in. It’s not what you say, but what you do. If your culture generally reflects doing the right thing, I believe
...we know that we have more work to do to build better relationships with our customers and to improve the public perception.

this will be rewarded with longevity, customer loyalty and most importantly, a sustainable business.'

Mr Medcraft had plenty of advice for boards and executives wanting to improve their corporate culture. Some of his tips included:

• the leadership team must set the tone of company — values start at the top
• ensure your values are implemented in real practice and cascade through the organisation
• values must be understood by all employees and lived as part of their day-to-day lives
• look at how you respond to customer complaints, as these can highlight potential problems
• review how problems and mistakes are identified internally, elevated and fixed
• provide plenty of support to whistleblowers
• consider how values and behaviour are incorporated into staff remuneration
• examine how you treat breaches of internal policies and procedures
• encourage transparency and accountability.

QBE CEO John Neal was not surprised that the Ethics Index identified the CEO as the most significant individual in shaping organisational ethics.

He described how QBE had been working hard to foster a consistent culture across its business, which had come together through 135 acquisitions and was spread across 37 countries.

But he added that being regarded as ethical in the modern company world was not only about treating people fairly or avoiding ethical trouble spots. ‘It’s about understanding our responsibility in the community and showing leadership more broadly.’

That was confirmed in the Index with 40 per cent of respondents believing environmental responsibility, and 35 per cent listing human rights, as top issues relating to unethical behaviour.

QBE’s research suggested that its sophisticated corporate customers understood the role it played in helping them manage risk and the logic that underpins its insurance policies, terms and pricing. ‘The same can’t be said for the consumer market, where there is scepticism regarding the insurance industry’s proposition and ethics.’

He noted that every time an insurer didn’t pay a claim for legitimate reasons, some members of the public would judge it to be operating unethically. ‘I think we also have a propensity towards documents that are too complex and use language that consumers don’t necessarily understand... As an industry we know that we have more work to do to build better relationships with our customers and to improve the public perception.’
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