ETHICS SURVEY – 2001
Ethics in Practice

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Messages from the project partners

KPMG

KPMG is proud to have been associated with the first South African ethics survey. Given our existing knowledge about the high levels of fraud and corruption in our country, it was important to also measure the pro-active steps that have been taken by companies, government institutions and civil society organisations to encourage ethical behaviour. We believe that the results are encouraging, but have highlighted the need for an increased focus on formal ethics programmes and appropriate ethics management tools.

Good ethics form a critical part of sound corporate governance – this is also expected to be emphasised by the second King Report on Corporate Governance. We trust that the information contained in this report will assist companies to meet their ethical challenges.

Tom Grieve
KPMG senior partner

Public Service Commission

The importance of ethical practice within organisations has been brought into focus by the growing scourge of corruption. This has brought the issue of, inter alia, good governance to the fore. Efforts to address this challenge have been bolstered by the work of agencies such as the Public Service Commission.

The Public Service Commission, as a body established in terms of Sections 195 and 196 of the Constitution of the Republic of South Africa, investigates, monitors and evaluates the organisation, administration and personnel practices of the public service and promotes a high standard of professional ethics. For these reasons, the PSC has, in collaboration with KPMG and Transparency South Africa, conducted an ethics survey to assess levels of ethical practice in organisations. Furthermore, the April 1999 National Anti-Corruption Summit resolved, inter alia, to:

- promote and implement sound ethical, financial and related management practices in all sectors;

- do social analysis, research and policy advocacy to gauge the causes, effects and growth of corruption and measure the effectiveness of anti-corruption strategies; and

- promote training and education in occupational ethics at all levels of South African society.

The PSC therefore commends this study in the hope that it will prove to be a useful instrument in helping to promote good governance in all organisations in South Africa.

Prof Stan Sangweni
Public Service Commission chairperson

Transparency South Africa

Transparency South Africa is proud to be a partner in this exercise. This joint exercise signals an important step to ensure that civil society is recognised as a full partner in dealing with management issues in all sectors of society. It is hoped that the recognition of this sector will be a permanent feature of all future endeavours. The role and contribution of civil society organisations in the promotion of ethics and ethics management is a matter that has to and will receive more attention in the immediate future. It will be the responsibility of civil society organisations to ensure that it is a true partner and role player in this field. It will have to start in dealing with these matters in the sector as a matter of priority.

The complexity of civil society makes it difficult to gather responses from organisations. However, we are grateful for the extent of the response provided by organisations of civil society and wish to thank all those who responded to this survey. We also wish to thank the secretariat of Transparency South Africa for the efforts made to ensure the extent of response that was eventually reached.

Moss Nthla
Transparency South Africa chairperson

Executive summary

The objective of the ethics practice survey was to measure the extent to which South African organisations (public service, private corporations and civil society organisations) succeeded in establishing certain basic ethics management practices. The sample comprised 166 respondents, representing the public sector (30 respondents), private sector (76 respondents) as well as civil society (60 respondents).

The main findings can be summarised as follows:

■ A basic ethics infrastructure (such as codes of conduct and whistleblower protection) seems to be in place in most of the surveyed organisations. The existence of written documents that outline the organisation's values and principles was reported by 84% of respondents.

■ 54% of respondents indicated that their organisation has a confidential reporting mechanism.

■ It seems that many organisations do not acknowledge the importance of assigning a senior level manager with ethics responsibilities.

More broad-ranging ethics management strategies and procedures are lacking:

■ Ethics training is too brief to be effective and also not focused on important groups of employees, such as new entrants and managers:

– 27% of the respondents indicated that new employees are trained in the application of the organisation's code of ethics;

– 13% said that new employees are taught ethical decision-making skills; and

– 12% indicated that new employees are assisted in integrating ethics into their everyday activities.

■ In most cases, ethics criteria do not form part of performance, reward or promotion criteria.

■ Ethics related evaluations are present in around half of the surveyed organisations. One can expect that this will increase when the full implications of both King II (private sector), the Public Finance Management Act (public service) and the civil society codes of ethics such as the code of ethics of the South African Non-Governmental Organisation Coalition (SANGOCO) become more apparent.

■ Ethics was reported to be part of organisational risk assessment in just more than half (56%) of the participating organisations.

■ Approximately 50% of the respondents indicated that their organisations have an explicit strategy focused on promoting ethical values and practice in its day-to-day activities. This indicates that a lot of work remains to be done in convincing organisations of the importance of integrating ethics management practices as an integral part of all processes within the organisation.

Introduction

The objective of the ethics practice survey was to measure the extent to which South African organisations (public service, private corporations and civil society organisations) have succeeded in establishing certain basic ethics management practices. It was not the intention of the survey to conduct a comprehensive measurement of either the quality or success of these practices, and no judgment can therefore be made about the general "state of ethics" in South Africa.

There were 166 respondents to the survey, representing a diverse range of industries, civil society initiatives and government departments. It is acknowledged that this is a relatively small sample. This survey was the first of its kind in South Africa and there is – without a doubt – much room for improvement in future surveys. The organisers of this survey have already commenced planning for the second survey, and the intention is to work with more role players to improve the scope and the quality of future reports. However, the organisers believe that the results of this first survey are extremely valuable and will be able to inform ethics interventions in all sectors in the near future.

The fact that the three partner organisations, representing three different sectors in society, worked together on this survey stems from the levels of cross-sectoral cooperation reached between them in what has now become the National Anti-Corruption Forum. It is hoped that the results of the survey will enhance the future work of the forum.

The survey focused on assessing:

- initiatives in managing for ethical practice such as ethics documents, ethics related evaluations, responsibility for the ethics function in the organisation, resolution of ethics problems, reporting mechanisms, conducting ethics training, performance evaluation, and risk assessments;

- future ethics management; and

- specific public sector issues.

The detailed results are available upon request. More information is available on:

- http://www.kpmg.co.za (private sector)

- http://www.tisa.org.za (civil society)

- http://www.gcis.gov.za/gov/psc/home/psc.htm (public service)

Codes of conduct

The existence of written documents that outline the organisation's values and principles were reported by 84% of respondents.

Total: 84 (YES), 16 (NO)

Private sector: 80 (YES), 20 (NO)
Civil society: 8 (YES), 12 (NO)
Public sector: 8 (YES), 12 (NO)
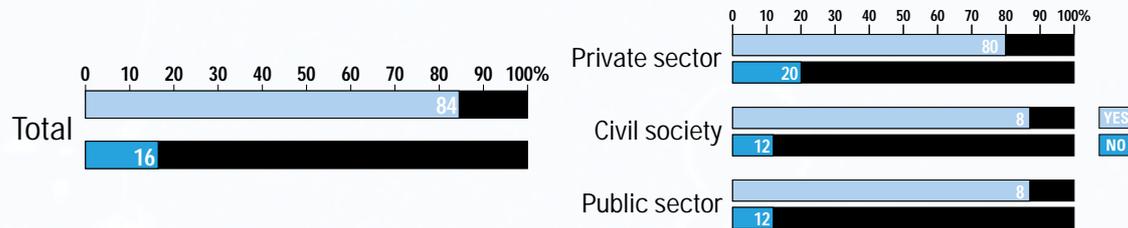
Question: Does your organisation have a written document that outlines its values and principles?
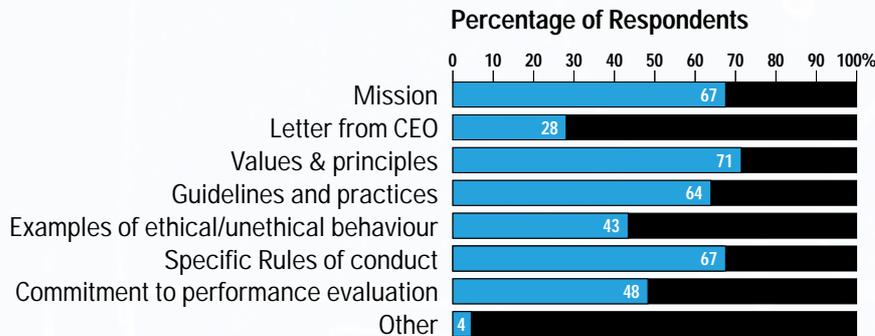
In most organisations this document was called a "code of conduct". Included in these documents were:

Percentage of Respondents

Category	Percentage
Mission	67
Letter from CEO	28
Values & principles	71
Guidelines and practices	64
Examples of ethical/unethical behaviour	43
Specific Rules of conduct	67
Commitment to performance evaluation	48
Other	4

Question: What is included in this document? (Note that respondents could tick more than one option)

It is significant to note that these figures compare well with the figures reflected in the Canadian KPMG ethics survey 2000, which reported that 86% of their respondents have a document that outlines their values and principles.

The document was mostly distributed internally to all levels (79%), but only 21% reported that it was distributed externally. Especially in the private sector a very low percentage of respondents (11%) reported that the document was distributed externally. In the public sector 43% reported that it was distributed externally and 23% of civil society respondents reported external distribution.

The greatest percentage of the codes (46%) were created between 1996-1999, 19% in 2000 and 17 % in 2001. The greater majority of codes were updated in 2001, but only 2% indicated that their code is updated annually.

These results indicate that the greater majority of organisations only recently saw the need for codes and that codes of conduct are a relatively new management tool in this country. This may explain the fact that codes are not yet distributed externally. However, the lack of external awareness-raising with regard to the existence of organisational codes of conduct is problematic. Raising awareness will enable pressure from external stakeholders of the organisation to encourage it to "walk the talk".

Interestingly, in the case of the public sector, a 100% awareness of the existence of the code of conduct for public servants was reported. This is indeed a most encouraging trend in comparison with other sectors. One has to keep in mind though, that the respondents to this survey were mostly senior officials and most of them would have been involved in, if not responsible for the code of conduct process. These figures therefore provide no indication of awareness (or buy-in) of the code of conduct amongst lower level-employees. The same applies to other sectors as well.

Ethics-related evaluations

In terms of ethics related evaluations, approximately 50% of the respondents (between 46% and 51%) reported that their organisations undertake formal evaluations of:

	0 10 20 30 40 50 60 70 80 90 100%
Organisational culture related to ethics	YES 46 / NO
	YES 55 / NO
Ethics-related performance of individuals	YES 46 / NO
	YES 54 / NO
Ethics-related performance of organisations	YES 50 / NO
	YES 50 / NO
Ethics-related documents and policies	YES 51 / NO
	YES 49 / NO

YES / NO

Question: Has your organisation ever undertaken a formal evaluation of the following?

Although the fact that there are some organisations that view ethics as a priority in terms of evaluation is encouraging, more than 50% of respondents' organisations still need to be convinced.

Responsibility for the ethics function

The appointment of a senior level manager whose role specifically includes the implementation, monitoring and assurance of ethics initiatives was reported in 59% of the cases.

Total
- 59
- 41

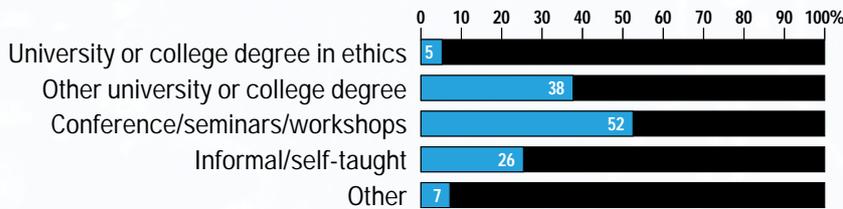|	0 10 20 30 40 50 60 70 80 90 100%
Private sector	54 / 46
Civil society	57 / 42
Public sector	7 / 28

YES / NO

Question: Does your organisation have a senior-level manager whose role specifically includes the implementation, monitoring, or assurance of ethics initiatives?

In 78% of the cases, this responsibility was part of another position. In most cases, it was an additional responsibility of the human resource manager. On average, close to a third (29%) of this person's time was spent on ethics responsibilities.

When comparing the various sectors' responses, 54% of private sector respondents reported the existence of a senior level manager responsible for ethics initiatives, compared to 73% in the public service and 57% in civil society organisations.

Once again, South Africa compares favourably with Canada. In Canada, the KPMG ethics survey 2000 reported that 42% of respondents had a senior level manager whose responsibility specifically includes implementation, monitoring, or assurance of ethics initiatives.

It causes some concern that only 5% of the respondents reported that the individual with ethics responsibilities had any tertiary education in ethics. Most of the individuals responsible for ethics had other tertiary training (38%). The greater majority (52%) received their ethics knowledge and skills through attendance of conferences/seminars or workshops. This emphasises the need to do quality assurance (for example, via the South African Qualifications Authority) on workshops and seminars that are available in the ethics management field. Approximately 25% of respondents indicated that they were self-taught, which emphasises the need for developing quality textbooks, casebooks and other material that can be made available to individuals with ethics responsibilities.

University or college degree in ethics	5
Other university or college degree	38
Conference/seminars/workshops	52
Informal/self-taught	26
Other	7

Question: What ethics-related education/training has the designated individual undertaken?

Reporting mechanism

It is encouraging to note that 74% of the respondents indicate that their organisations have a formal policy to protect employees who report ethical or legal violations. Comparative statistics indicate that the private sector was below average (73%) and the public sector above average (80%) when it comes to having a formal policy to protect employees who report ethical or legal violations.

Total	74 / 26

Private sector	71 / 29
Civil society	72 / 28
Public sector	8 / 20
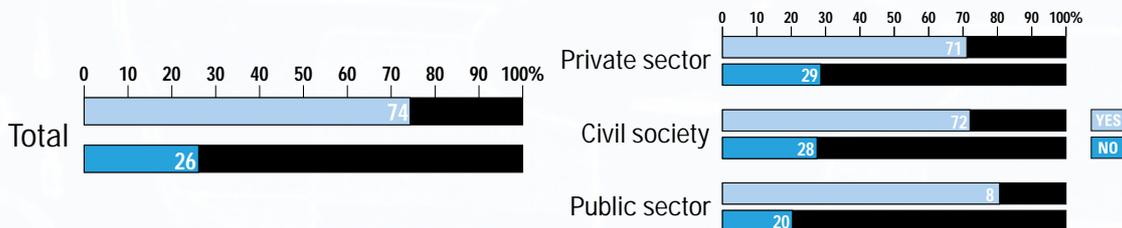
Question: Does your organisation have a formal policy to protect employees who report ethical or legal violations?

Comparing the existence of confidential reporting lines in the various sectors, the public service and civil society organisations' situation seems to be most disconcerting. Sixty six percent of respondents from private organisations indicated that they have confidential reporting lines, compared to 47% of respondents in the public service and 43% of respondents working in civil society organisations.

One has to note however, that in terms of providing for a confidential reporting mechanism, South Africa compares well in terms of similar research done in Canada. The Canadian KPMG ethics survey 2000 reported only 21% of respondents have a confidential reporting mechanism. Interestingly however, 86% of the Canadian respondents believed that their corporate cultures allowed for open communications without fear of reprisals.

Another disconcerting finding is that 68% of all organisations' respondents indicated that their organisations did not inform their employees of the Protected Disclosures Act and its implications.

Ethics training

In terms of training provided, 58% of respondents indicated that their organisations do not provide training on the application of the code of ethics/code of conduct (codes). Seventy two percent do not provide training on ethical decision-making and 65% provide no training on how to integrate ethics into everyday activities. Only 3% of the surveyed organisations provide any other form of ethics training. These figures indicate that very little is done to assist employees in developing the necessary ethical decision-making skills to enable them to exercise discretion in a responsible manner.
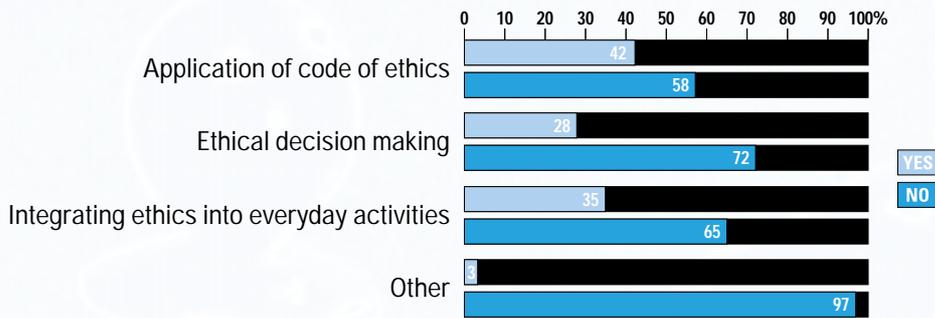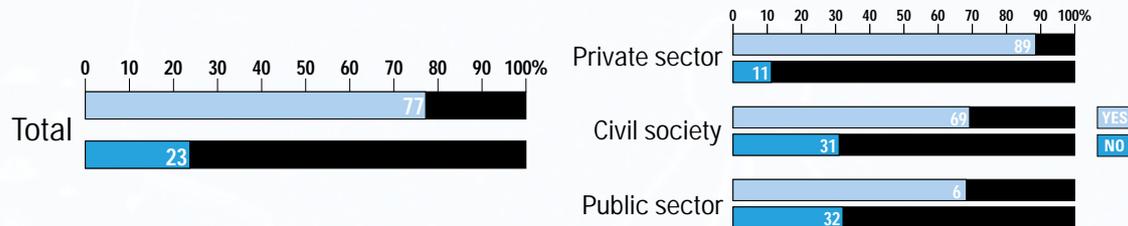

Question: What type of ethics training does your organisation provide?

Comparative statistics indicate that the most serious problems regarding a lack of ethics training exist in the private sector and civil society. While 72% of public sector respondents indicated that they train their employees on the application of the codes, only 37% of private sector respondents and 33% of respondents from civil society reported that training is done on their respective codes. As little as 25% of private sector respondents and 12% of civil society respondents reported that training is provided on ethical decision-making, compared to 69% of respondents in the public service.

The fact that only 42% of the South African respondents (all three sectors included) indicate that their organisations train employees on their ethics policies, severely restricts the positive value of the adoption of codes of conduct or codes of ethics in many organisations. This leads one to suspect that – for many organisations - a code is more of a reputation management exercise and not seen as part of the core business activities in which employees should be trained. Neither is it part of bottom line reporting as yet.

Pre-employment screening

Seventy seven percent of all respondents indicate that when their organisation hires a new employee, or promotes an employee to a sensitive management position, pre-employment screening will be done. The responses indicated that generally this takes the form of a general integrity analysis (70%), and that a specific integrity analysis based on the risks the person may encounter in the new position is very seldom done (34%).

Total

77	(YES)	
23	(NO)	

Private sector — 89 / 11
Civil society — 69 / 31
Public sector — / 32

YES
NO

Question: When your organisation hires a new employee, or promotes an employee to a sensitive or a management position, will pre-employment screening be done?

Performance evaluation

When asked whether their organisations' performance criteria include a specific item related to ethical behaviour, approximately 50% of respondents gave a negative response:

For directors — 45 / 55
For senior management — 49 / 51
For other members of staff — 48 / 52

YES
NO
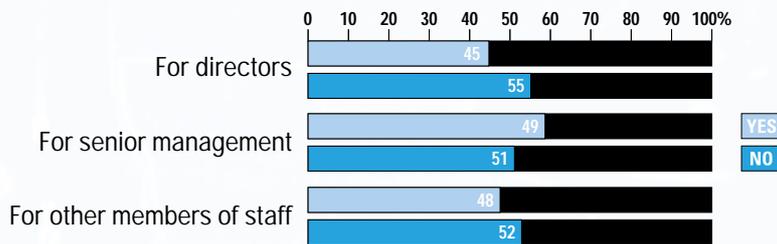
Question: Do your performance evaluation criteria include a specific item related to ethical behaviour?

These figures indicate that even though the need for an ethics management process is acknowledged as important in terms of formal programme characteristics (such as the development of codes of conduct), ethics is not yet an integral part of organisations' general, everyday management practices.

Risk assessment

The majority of respondents (64%) indicated that their organisations conduct risk assessments regularly. However, when asked to rate to what extent the organisation includes certain elements in their organisational risk assessment, ethics scored lowest of all. Respondents indicated the following elements (listed in descending order of priority) as integral parts of their assessment:

1   human resources;

2   legal/ compliance;

3   technological issues;

4   environmental issues; and

5   ethics.

The ethical issues that have featured strongest in terms of negative media publicity are (listed in descending order of priority):

1   fraud and theft;

2   downsizing;

3   environmental issues;

4   discrimination on race;

5   financial management procedures;

6   conflicts of interest; and

7   gifts and entertainments.

A view to the future

With regard to the future of the ethics management field, some progress has been made. Half of the respondents (52%) indicated that they have an explicit strategy focused on promoting ethical values and practice in its day-to-day activities. The following issues were identified as top priority for management attention:

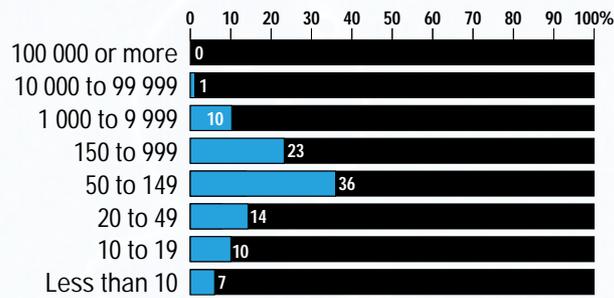| Issue	Index Score
Fraud and theft	97
Security of information	93
Financial management procedures	91
Discrimination based on race	89
Workplace safety	87
Corporate governance	86
Employee and client privacy	86
Competitive practices	85
Discrimination based on HIV/Aids	84
Sexual harassment	83
Discrimination based on gender	82
Discrimination based on physical disability	82
Product safety (products developed)	80
Executive salaries and perks	79
Conflicts of interest	78
Discrimination based on age	77
Environmental issues	76
International operations	72
Gifts and entertainment	71
Downsizing	63

Index Scores

Interestingly, some of the issues that were indicated as those for which organisations are receiving bad press appear quite low on the list of future management priorities. Examples of these issues are conflicts of interest, environmental issues, gifts and entertainments and downsizing.

Respondents to this study

Respondents to this survey included 76 respondents from the private sector, 30 from the public sector and 60 from civil society organisations. Most of the respondents were HR managers/ officers (75). The sample also included (amongst others) seven CEOs, seven programme officers or managers, six directors, four coordinators, three company secretaries, two department director generals, two administrators and two general managers.

The respondents represented a diverse range of industries, civil society initiatives and government departments.

The size of the organisations that the respondents represented:

Organisation size	0	10	20	30	40	50	60	70	80	90	100%
100 000 or more	0										
10 000 to 99 999	1										
1 000 to 9 999	10										
150 to 999			23								
50 to 149					36						
20 to 49		14									
10 to 19	10										
Less than 10	7										

Conclusion

It was stated at the outset that it was not the intention of the survey to judge the overall "state of ethics" in South Africa. Although there are some encouraging signs about the management of ethical practices within South Africa, clearly there are still many challenges ahead. The survey partners realise that – in many cases – the reality experienced by individuals or organisations might be different from some of the trends that were identified in this survey.

Clearly more detailed research needs to be conducted to address the quality and effectiveness of existing practices, to examine the reasons for the absence of practices within some organisations. Careful attention should also be given to differences between organisations, for example, in terms of type and size. In the public sector, for instance, the survey shows a need for an increase in the number of confidential reporting lines.

The low response rate is in itself significant, indicating that explicit ethics management strategies and management processes are still new areas in South Africa and that extensive awareness raising and/or training activities are still required within all the sectors. There are a few events scheduled for 2002 that will undoubtedly make important contributions in this regard: the World Summit on Sustainable Development, the publication of the revised King Report on Corporate Governance, activities of the National Anti-Corruption Forum, the Moral Re-generation Summit as well as the Civil Society Summit on Corruption, Governance and Ethics.

In terms of the challenges that lie ahead, the survey partners believe that there is a need for a widespread internal clean-up of the ethics function within organisations. This belief is based on the interpretation of the information provided by the respondents, as well as on the assumption that conditions within the majority of those organisations that did not participate in the survey are probably less promising than within the participating organisations. This process will involve a range of activities that will demonstrate the organisation's commitment to ethics and ethical behaviour, and should include:

■ developing comprehensive ethics programmes;

■ effective measurement of ethical performance, and integration of this measurement and reporting with existing focus areas such as finance and the environment;

■ ensuring the effective design and implementation of ethics policies;

■ developing appropriate ethics training programmes at all levels within the organisation;

■ developing effective whistle blowing mechanisms, and ensuring that employees understand the need for – as well as the consequences of – whistle blowing; and

■ appointing – and supporting – senior level staff to coordinate and implement ethics programmes

In conclusion, there is a need for further research in this area to develop a more detailed understanding of ethics practices within South Africa. This research should also be enhanced to incorporate new angles (such as a focus on the quality of such practices) and new dimensions (such as employee perceptions). To do this effectively, there is a need for more cooperation, for organisations to be willing to share information and learn from each other, and more support is needed for specialised or umbrella bodies (such as the National Anti-Corruption Forum) to develop more capacity to assist this process.

Survey partners

Public Service Commission

The new Public Service Commission was inaugurated in 1999. It is a body established in terms of Sections 195 and 196 of the Constitution of South Africa. According to its constitutional mandate, it is responsible for the promotion of the following values in the Public Service:

- a high standard of professional ethics;

- efficient, economic and effective use of resources;

- a development–oriented public administration;

- impartial service delivery;

- responsive to people's needs;

- accountable public administration;

- transparency;

- good human-resource practices; and

- representavity based on ability, objectivity, fairness and the need to redress the imbalances of the past.

The PSC reports its findings and recommendations at least once a year to the National Assembly or provincial legislature as applicable. It is comprised of 14 commissioners, supported by an office under the leadership of a director-general.

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KPMG

KPMG is one of the world's largest global professional services organisations. More than 100 000 KPMG professionals in member firms worldwide collaborate across industry, service and national boundaries to deliver professional services in 155 countries.

Within South Africa, the firm's sustainability services approach combines dedicated experience in the fields of business ethics, social accountability and environment, health and safety (EHS). Its emphasis is on embedding sustainability criteria into organisations' existing strategic processes, management systems, performance measurement and reporting practices. The benefits of this approach are a reduction in organisational risks and potential liabilities, enhancement of management effectiveness and business performance, and improvement in stakeholder relations and public reputation.

KPMG's Sustainability Services Unit offers a diverse team of professionals, with combined experience in public and private sector ethics, environmental, health and safety management, strategy consulting, financial accounting and social development. They are supported by KPMG's Global Sustainability network in 30 countries, which ensures that the team is up-to-date with all the latest sustainability trends and best practice methodologies.

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Transparency South Africa

Transparency South Africa is an autonomous South African non-governmental organisation, committed to fight corruption and to promote good governance and organisational ethics in all sectors of society in South Africa. At the moment, it places a particular emphasis on mobilising and empowering civil society organisations in addressing these issues.

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