



Conduct to  
culture in a  
changing  
world



2023

# South African Business Ethics Survey

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# EXECUTIVE SUMMARY

- Private sector organisations in South Africa have improved their overall ethical culture maturity compared to 2019, with a 7-point ranking improvement.
- The most significant improvement was observed in ethical treatment, indicating a greater focus on fairness, respect, dignity, and consistency in the everyday work of employees.
- The pandemic and shift to remote work may have contributed to the improvement in ethical treatment by providing employees with more flexibility and control over their work.
- Excessive control and regulation by organisations may undermine employees' perceptions of fair, dignified, and consistent treatment.
- The research discovered that there is a connection between the ethical culture maturity of organisations and how often unethical behaviour occurs. Specifically, the study found that when an organisation treats their employees ethically, has committed middle management, and strong top leadership commitment to ethics, there tends to be less unethical behaviour. Ethics awareness and employee commitment to ethics had the weakest relationships with decreased unethical behaviour, suggesting that non-managerial employees have limited agency to correct conduct alone. Additionally, ethics awareness initiatives may provide little return on investment to improve conduct if used in isolation.
- Ethical treatment of employees, middle management commitment to ethics, and leadership commitment to ethics were found to be the most important influencers of ethical conduct in organisations.
- Middle management commitment to ethics was identified as the most important driver of ethical conduct in organisations, as they are often more influential in day-to-day engagements with employees than senior leadership.
- Ethics awareness becomes a much more substantial driver of ethical conduct if paired with management commitment, and fair and ethical treatment of employees.

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# What is the South African Business Ethics Survey?

The South African Business Ethics Survey 2023 is the sixth national business ethics survey that The Ethics Institute has conducted in the private sector in South Africa. In 2002, the first Business Ethics Survey South Africa was published, followed in 2009 by the South African Corporate Ethics Indicator and the South African Business Ethics Survey in 2013, 2016, and 2019.

The South African Business Ethics Survey has been acting as a baseline measure of business ethics (i.e., ethical culture maturity) for listed or large private companies in South Africa and provides insight into the overall culture and conduct trends for these organisations. With the advent of the COVID-19 pandemic in 2020, shortly after the release of the 2019 South African Business Ethics Survey results, the 2023 results provide interesting insights into how the business ethics landscape may have evolved due to the advent of remote work or work-from-home policies.

The effect of the change in the world of work is not well understood yet, but the results of the 2023 iteration of the survey provides some interesting insights.

This year, we not only generate findings on overall ethical culture maturity and its seven most prominent dimensions, but we also investigated the relationship between culture and conduct in organisations. Additionally, we evaluate some of the results through the lens of the pandemic landscape. We also present additional contextual findings from the Institute of Business Ethics (IBE) Ethics at Work Survey 2021 which included South Africa for the first-time. This allows for comparing South African private businesses and their ethics with those operating in developed economies worldwide.

We hope that this iteration of the South African Business Ethics Survey proves insightful and helps organisations operating in the South African private sector to compare themselves to their peers and improve their ethical culture.

# How did we conduct The research?

The research was conducted by pooling data from 28 ethics risk assessments conducted with organisations in the private sector in South Africa from 2020 to 2023. Only large private and listed companies were included. A total of 14, 674 employees across these 28 organisations were surveyed from numerous industries including (1) banking; (2) finance, insurance, and business services; (3) information and communications technology; (4) medical services; (5) mining; (6) tourism and hospitality; and (7) wholesale and retail. We present the sample characteristics in the appendix of this report.

Each organisation conducted both measures of ethical culture maturity (i.e., measured through a validated instrument called the Ethical Culture Maturity Indicator or ECMI) as well as conduct risk (i.e., the frequency that unethical conduct as measured through another validated instrument, the Ethics Behaviour Risk Indicator or EBRI). These two primary data sources (i.e., perceptions of ethical culture and unethical behaviour frequency) allowed us to evaluate the relationship between culture and conduct for the first time since the inception of the South African Business Ethics Survey.

## Ethical Culture

We measured the seven building blocks that are indicative of whether an organisation has a fragile or mature ethical culture. These dimensions are listed below with their operational definitions, and are measured by asking employees various questions about their perception of each.

<b>Ethics Accountability and Responsibility</b>	The degree to which employees are held consistently, fairly, and transparently accountable for their behaviours and decisions in the organisation (i.e., are people reprimanded for unethical conduct and is this done fairly and consistently?)
<b>Employee (non-managerial) Commitment to Ethics</b>	The degree to which non-managerial employees are committed to doing the right thing and buy-in to the ethical values and direction of the organisation (i.e., do non-managerial employees understand the ethical stance of the organisation and are they committed to this stance?)
<b>Middle Management Commitment to Ethics</b>	The degree to which mid-level management (including first line supervisors to senior middle managers) are committed to doing the right thing, hold employees accountable for their behaviour, visibly role-model ethical behaviour, and buy-in to the ethical values and direction of the organisation.

<b>Leadership Commitment to Ethics</b>	<p>The degree to which senior/executive management are committed to doing the right thing, hold employees accountable for their behaviour, visibly role-model ethical behaviour, buy-in to the ethical values and direction of the organisation, communicate the ethical values and vision of the organisation, and consider ethics when making business decisions.</p>
<b>Ethics Talk</b>	<p>The degree to which employees openly discuss ethical challenges, concerns, or dilemmas both formally and informally (i.e., is there ethics dialogue in the organisation?), and the degree to which ethics is brought into formal meetings and discussions about organisational strategic, financial, and operational concerns.</p>
<b>Ethical Treatment of People</b>	<p>The degree to which employees are treated ethically with fairness, dignity, and respect (i.e., are employees treated fairly and well within the organisation and do they have a sense of loyalty and engagement with their work?)</p>
<b>Ethics Awareness</b>	<p>The degree to which employees are aware that ethics is important for business, aware of ethics initiatives in the organisation, and familiar with the ethical standards (i.e., values, codes, policies, procedures, and rules) of the organisation.</p>

*Building blocks of an ethical culture*

## Conduct

Conduct was measured by asking employees to rate the frequency with which they observe unethical conduct in their organisation on a day-to-day basis. Unlike ethical culture, which asks questions about perceptions of behaviour, conduct was measured using a frequency scale (i.e., how frequently do employees observe unethical conduct in their organisation on a day-to-day basis).

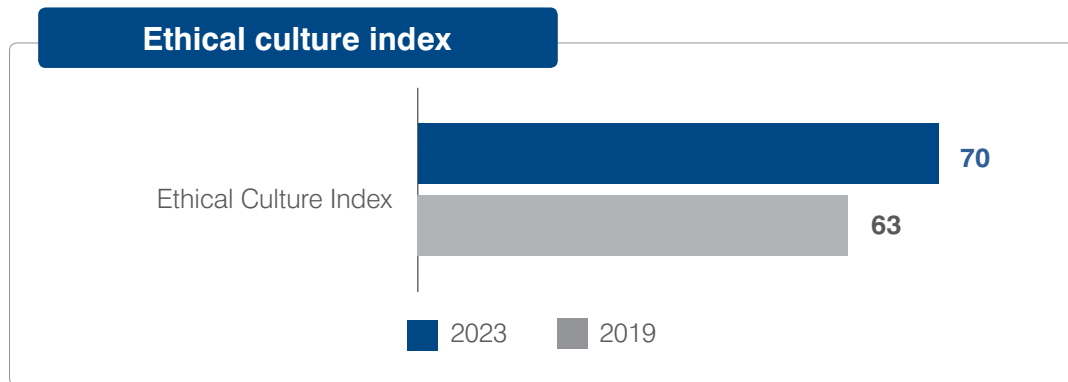
### ***Measuring unethical conduct***

Unethical conduct was measured against seven broad ethics behaviour risk dimensions. We list these dimensions below with their associated operational definitions. Although we do not report on these and only look at the relationship between the ethical culture dimensions and ethical conduct overall, we thought it important to provide readers with the components of unethical conduct frequency measured in this survey.

<b>Abuse of organisational resources</b>	The degree to which employees misuse organisational property, resources, assets, and time (i.e., inflating expense claims, abusing sick leave, doing private work during office hours for example)
<b>Bypassing rules</b>	The degree to which employees purposefully break rules, disregard policies, engage in illegal activities, and bypass organisational procedures (i.e., any activity that bypasses, bends or breaks organisational rules and standards)
<b>Client relations</b>	The degree to which employees treat clients with disrespect, purposefully delay services to clients, deceive clients, or unfairly discriminate against clients (i.e., any behaviour that results in treating clients unfairly or poorly)
<b>Conflicts of interest</b>	The degree to which employees are offered/accept gifts or remuneration of inappropriate value or hold undeclared interests that unduly influence their decision-making towards their current organisation (i.e., any behaviour that may unduly conflict with the operations, mission, or vision of the organisation)
<b>Employee relations</b>	The degree to which employees and supervisors/managers engage in acts of unfair discrimination, intimidation, sexual harassment, and unfair favouritism (i.e., any behaviour that marginalise or harm social cohesion in the organisation)
<b>Supplier relations</b>	The degree to which employees treat suppliers with disrespect, purposefully delay payment to suppliers, discriminate against suppliers, accept/offer inappropriate gifts from/to suppliers, or engage in unfair favouritism towards suppliers (i.e., any untoward behaviour that marginalises suppliers or unduly benefit suppliers at the expense of the organisation)
<b>Unfair people practices</b>	The degree to which the organisation and its management are perceived to engage in favouritism, make appointments that are unwarranted, remunerate employees unfairly, or act unfairly regarding employee performance appraisals (i.e., any behaviour, decision-making, or policies that may be unfair or marginalise employees)

*Ethics behaviour risk dimensions*

## The ethical culture maturity of South African private sector organisations



*Ethical culture index comparisons 2019 and 2023*

In comparison to 2019, there has been a statistically significant improvement in the overall ethical culture maturity of private sector organisations operating in South Africa. Ethical culture maturity is broken down in the below table and indicates the description of each score threshold out of 100.

Ethical Culture Risk Descriptor	Score
Advanced/Mature	75 – 100
Developing	50 – 74
Underdeveloped	25 – 49
Fragile	0 – 24

*Ethical culture maturity descriptors and thresholds*

According to the scores obtained, South African private sector organisations fall within the ‘developing’ category, indicating that most private sector organisations in South Africa have well-developed ethical cultures. However, these cultures are not yet completely self-sustaining (i.e., mature) suggesting that more needs to be done to ensure that these organisations truly entrench ethics across all operations, divisions, job-levels, regions, and employee levels.

A developing culture heavily depends on leadership and is not yet self-sustaining. Typically, a self-sustaining ethical culture is observed when the score is above 75, where the employees provide the critical mass for the ethical culture beyond constant leadership guidance. This indicates that in a mature ethical culture, most employees are aligned with the ethical convictions and values of the organisation.

In summary, private sector organisations in South Africa have well-developed ethical cultures but need to work on aligning ethics across all functions to become self-sustaining. Achieving a self-sustaining ethical culture requires the critical mass of employees to align with the ethics message beyond constant leadership guidance and enforcement.



The results are promising, as there was a 7-point ranking improvement from 2019. This difference is statistically significant, indicating that the improvement was not due to chance or error. The upward trajectory of South African private sector organisations regarding ethical culture maturity is most promising. This is even more impressive considering that many organisations were financially stressed during the pandemic, with employees working from home or losing their jobs. This may indicate that ethics and business ethics may be gaining traction in South African private sector organisations.

In the following sections, we will examine the scores obtained across the private sector in South Africa on the building blocks of ethical culture maturity. These building blocks offer a more detailed picture of the state of ethical culture across organisations in the private sector.

### The building blocks of ethical culture



*Building blocks of ethical culture comparisons 2019 and 2023*

Improvements were seen across all building blocks of ethical culture, except for ethics talk. The greatest improvement was observed in *ethical treatment*, which refers to the degree to which employees feel they are treated with fairness, respect, dignity, and consistency in their everyday work. *Ethical treatment* is closely related to perceptions of organisational justice, and research has shown that fair and dignified treatment of employees can reduce unethical conduct (Fox et al., 2001; Wu et al., 2016).

It is possible that these improvements reflect real changes in ethical treatment, but it is more likely that they are related to the COVID-19 pandemic and the shift to remote work. The reduced level of face-to-face interaction and communication among employees has likely led to less reliance on ethics talk and more focus on fair treatment. Additionally, remote work has given employees more flexibility and control over their work, which may have contributed to a feeling of greater fairness and ethical treatment.

During the pandemic, the employee/employer relationship changed substantially. Employees had more power in their relationship with employers, which may have led to a redefinition of work roles and power dynamics (cf. Belzengui-Eraso & Erro-Garcés, 2021; Fonner & Roloff, 2020). This raises important questions about the impact of compliance-based rules and regulations on the perceptions of ethical culture and suggests that building a relationship based on trust (forced during the pandemic) may be more effective in promoting not only a more ethical culture but also increased ethical behaviour.

Overall, these findings suggest that South African private sector organisations are making progress in developing a mature ethical culture. However, more needs to be done to ensure that ethical values are aligned across all functions of the organisation. The building blocks of ethical culture provide a detailed picture of the state of ethical culture across organisations and can be used to guide efforts to strengthen ethical values and practices.

This observation suggests that excessive control and regulation by an organisation may undermine employees' perceptions of fair, dignified, and consistent treatment. In essence, the pandemic forced organisations to trust their employees, which may have had a positive impact on *ethical treatment* but a negative impact on *ethics talk*.

In the following sections, we will examine each of the building blocks in more detail and highlight the significant changes that were observed.

### Ethics accountability

68<sup>th</sup>  
↑  
64<sup>th</sup>

Ethics Accountability  
Improvement



*Ethics accountability* refers to whether employees are held consistently accountable and responsible for their behaviour across job-levels. This dimension involves perceptions around accountability measures and their transparency and perceived fairness in the organisation. A statistically significant improvement was noted (a four-point increase) from the previous reporting period. This is very encouraging and indicates that virtual work and work-from-home policies had very little impact (or perhaps a positive impact) on perceptions of ethics accountability of employees.

It is possible that because virtual work is more outcomes based, performance related issues could be addressed far better. On the other hand, it might be that organisations simply instill better, more objective sanctions for unethical conduct and poor performance during the reporting period. Overall, this is encouraging and indicates that fair and equitable sanctions for unacceptable behaviour have improved substantially in private sector organisations with an increased perception of fairness around accountability concerns.

### Non-managerial employee commitment to ethics

74<sup>th</sup>  
↑  
71<sup>th</sup>



*Non-managerial commitment to ethics refers to the degree to which employees at lower levels in the organisation (non-managerial) buy-in to the ethics message and ethical culture of the organisation, whether they take ethics seriously and are morally engaged as opposed to morally disengaged. A three-point improvement was noted indicating a slightly higher level of ethics buy-in from non-managerial employees. This is an encouraging finding and indicates that non-managerial employees (usually the largest employee cohort in most organisations) are starting to see ethics, ethics management, and ethical leadership as legitimately making a difference in the organisations where they operate.*

It is important to note that non-managerial commitment to ethics is heavily dependent on middle/supervisory management commitment to ethics and may indicate that employees buy-in more to the ethical legitimacy of their direct leaders and managers. If a more cynical perspective is taken, however, it could also be argued that less contact between non-managerial employees and their direct supervisors during the pandemic may have improved social relations which is independently backed up in the literature (cf. Fonner & Roloff, 2020). It would be interesting to see how this variable may change post-pandemic.

### Middle management commitment to ethics

74<sup>th</sup>  
↑  
71<sup>th</sup>



*Middle management commitment to ethics is the extent to which middle managers, including supervisors, junior and middle managers, are perceived as ethical role models, hold both themselves and their employees accountable for unethical behaviour, and take ethics seriously in their day-to-day operations by empowering and enabling their subordinates to make ethical decisions.*

It is encouraging to note a three-point increase in middle management commitment to ethics. Employees now perceive their middle managers as more dedicated to ethics, serving as greater role models for ethical conduct, and empowering their subordinates to report unethical behaviour and make ethical decisions.

Given that non-managerial commitment to ethics is heavily influenced by middle management commitment, it is not surprising that both dimensions have improved simultaneously. This is mainly because non-managerial employees typically look to their direct supervisors and managers to gauge the level of the organisation's commitment to ethics. Non-managerial employees usually have limited interactions with senior leadership within the organisation; thus, their perception of the organisational ethical culture is frequently shaped by their direct supervisors' attitude and approach to ethics and ethical conduct.



*Leadership commitment* to ethics is always viewed as an essential component influencing the overall ethical culture of the organisation. It can be defined as the degree to which senior leadership in the organisation (i.e., senior and executive managers) role-model ethical behaviour, empower and enable employees to make ethical decisions, act ethically, and the degree to which they hold employees fairly and consistently accountable, including themselves, for unethical conduct and decision-making.

A three-point increase was noted from the previous measurement in 2019 indicating that employees (non-managerial and middle managers) perceive their senior leadership as more committed to ethics overall.

This is again a very encouraging sign and indicates that there is more visibility regarding the ethics message and observable behaviour senior leadership impart in the organisation. It may also indicate greater communication from senior leadership regarding the ethical values and culture of the organisation or might be a product of virtual work where senior leadership were *forced* to communicate more often with employees in the organisation directly.

As with *middle management commitment to ethics* and *non-managerial employee commitment to ethics*, senior leadership commitment to ethics is heavily related to employee commitment down the organisational hierarchy. Consequently, improvements in senior leadership commitment to ethics is often accompanied by greater middle management commitment. In turn, greater middle management commitment to ethics is more strongly related (a domino effect) to non-managerial employee commitment to ethics. In some instances, uncooperative middle managers can subvert this process by not sending the right message as received from their senior leadership. However, it appears that for most organisations the ethics message appears to be cascading seamlessly through middle managers to non-managerial employees.

**Ethical treatment of employees**

73<sup>th</sup>  
↑  
62<sup>th</sup>



The *ethical treatment* of employees is considered one of the most important variables for ethical culture maturity. A strong relationship exists between ethical treatment of employees and unethical conduct frequency in organisations (we refer to this in later sections of the report). This means that employees who feel they are treated with fairness, consistency, dignity, and respect often do not engage in unethical conduct or counterproductive work behaviour. Consequently, this is probably the most important variable to reduce unethical conduct in an organisation. Treat your people better and they will exhibit more organisational citizenship behaviour and engage in less unethical conduct.

It is therefore very encouraging to see that this dimension has improved substantially by eleven points since the previous measurement was conducted in 2019. This could indicate a substantial reduction (indirectly) in unethical conduct frequency for many organisations in the private sector. Although this variable may have improved due to better treatment of employees, it may also be as a result of the pandemic and virtual work environments being perceived as more desirable by employees.

Organisations had to put more trust in the hands of their employees during the pandemic which in turn also gave more power to them. It may consequently indicate that employees feel more in control of their work environment and are not under the organisation’s thumb in their day-to-day activities (i.e., greater job control). In essence organisations could not force compliance as much during the pandemic and needed to trust employees to meet their targets and complete their work. This trust dynamic may have resulted in many employees feeling less subjugated to compliance within the organisational environment, which may have boosted perceptions of fair and equitable treatment. It is important that this pandemic related hypothesis is tested in the future iterations of this survey to confirm whether this variable remains the same or improves in the return to office landscape. However, for now, this is a very encouraging development.

**Ethics talk**

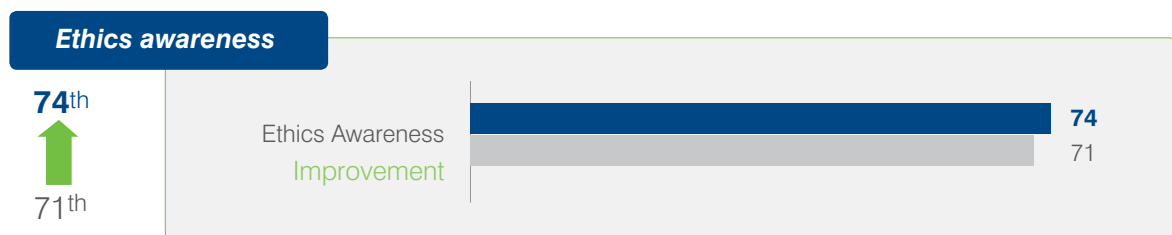
68<sup>th</sup>  
↓  
72<sup>th</sup>



*Ethics talk* is the degree to which employees feel comfortable to discuss ethical issues with other employees and their managers/supervisors, talk about ethics and the ethical implications of business decisions, and bring ethics into both formal and informal engagements in day-to-day work (i.e., discuss ethics). It is interesting that this dimension was the only ethical culture dimension to regress since 2019 (a reduction of four points). It is evident that less formal and informal discussions about ethics were taking place in organisations during the move to virtual work during the pandemic period.

This outcome is somewhat worrying as *ethics talk* is an essential component of cascading ethics through the organisation and building ethical intelligence (i.e., sharing ethical dilemmas and challenges and jointly discussing how to overcome them, thus building ethical readiness in the organisation).

Organisations should therefore not forget to make time to discuss ethical issues, reinforce ethical stances and translate the ethical values of the organisation to employees. Additionally, ensuring that an environment exists where employees can discuss ethics comfortably should also not be neglected. It may be essential that organisations focus on ethics talk in the post-pandemic period and ensure that employees do not become morally mute.



*Ethics awareness* is the degree to which employees are familiar with the organisation’s ethics stance, values, codes, rules, regulations, policies and procedures, and know what is expected of them in terms of ethical conduct. Many organisations focus on this subdimension to the exclusion of others. We will discuss the overall impact of ethics awareness later in this report.

It is encouraging to note that *ethics awareness* has improved by three points since the last iteration of the South African Business Ethics Survey in 2019. This was a marginally statistically significant change.

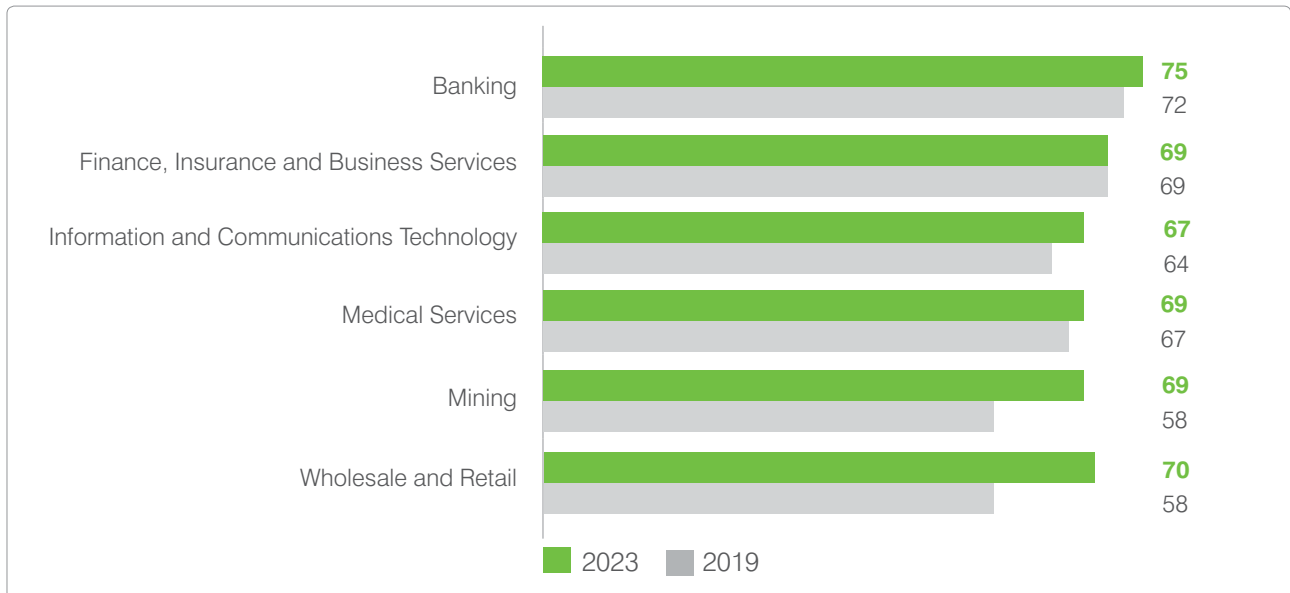
It is interesting that although ethics talk decreased *ethics awareness* increased over the same reporting period. This may indicate the inclusion of more formal ethics awareness initiatives in organisations with the advent of the pandemic and virtual work.

Although this is encouraging, *ethics awareness* alone has much less impact on ethical conduct and culture when compared to the other ethical culture dimensions. It is therefore important for organisations to ensure that they also create awareness informally through ethics conversations (i.e., discussing ethics and the ethical values of the organisation) initiated by leadership and management. It is not good enough to know what is ethical and unethical, employees should also buy in to why ethics is important. However, this is an encouraging result, nonetheless.

## Industry, job-level and generational differences in ethical culture perceptions

We also investigated and compared the scores by industry, job-level and generational differences. These add interesting insights into how certain subsets of the working population may perceive the working environment and the maturity of the ethical culture of their organisations. We present these comparisons below and hypothesise about the changes experienced during the pandemic period.

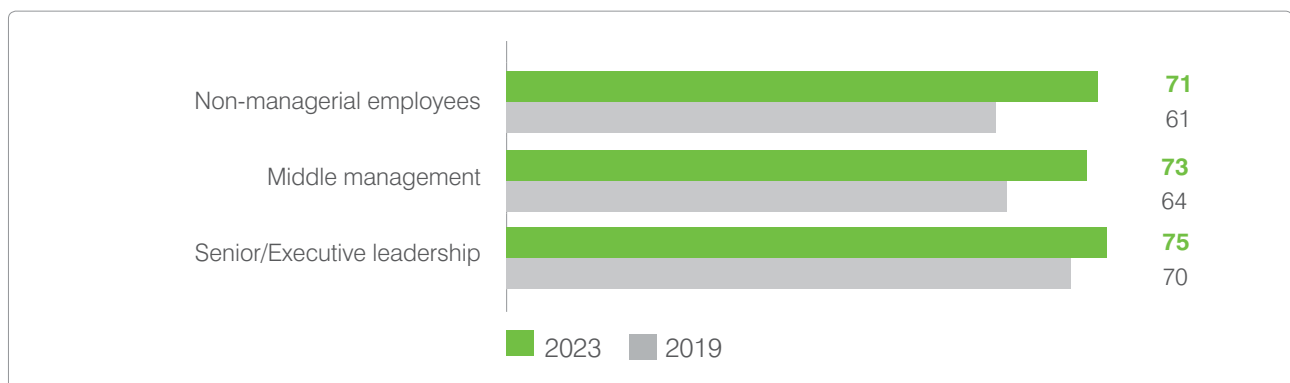
### Ethical culture changes by industry



Industry comparisons of ethical culture 2019 and 2023

The results by industry indicate general improvement in overall ethical culture perceptions of employees. This is encouraging. However, the Finance, Insurance and Business Services industry appears to have experienced no major improvement during the pandemic period. The greatest improvements were seen in the wholesale and retail as well as the mining sectors.

### Ethical culture perceptions by job-level

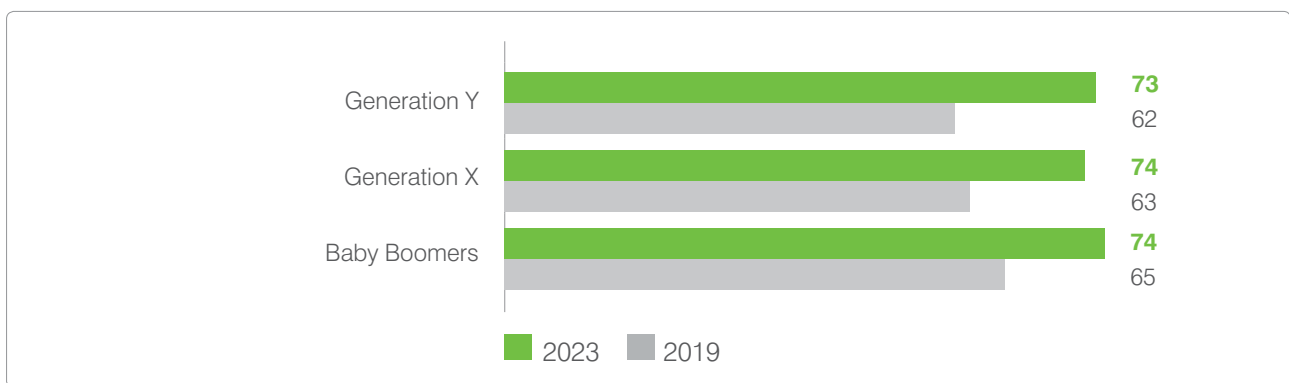


Ethical culture index comparisons by job-level

The survey results showed that the perception of organisational ethical culture improved for all job levels, with the greatest improvement noted for non-managerial employees followed by middle managers. Senior/executive leadership also showed improvement, but not as significantly. The trend remained similar to 2019, with higher-level employees perceiving a more positive ethical culture.

However, the pandemic seemed to close the gap between job levels regarding perceptions of ethical culture maturity. A more positive perception of the ethical culture of the organisation across different job-levels may be due to the increased job-control experienced during the pandemic. Non-managerial employees would be the most significantly affected by increased job-control due to virtualisation which may have increased this cohort's perceptions of a more supportive ethical culture. These findings suggest that job control may play a more significant role in the perception of organisational ethical culture than previously thought. More research may be needed to evaluate these findings.

### **Ethical culture perceptions by generation**



*Ethical culture index comparisons by generation*

Overall, the results show that all three generational groups demonstrated substantial improvements in their perceptions of their organisational ethical culture. In the previous survey, it was hypothesised that Generation Y would be the most critical of ethical culture (i.e., score lower) due to their idealistic and values-driven nature, and less senior position in the workforce. However, the pandemic and increased job control seem to have played a more significant role in driving generational differences than expected. However, only marginal differences in perceptions between the different groups were observed. This may indicate a level of invariance across generational groups regarding perceptions of ethical culture (i.e., different generational groups do not view the ethical culture of their organisations differently).



# Comparison with pre-COVID-19 results

It has become evident that organisations in the private sector have improved substantially in terms of ethical culture maturity from the previous iteration of the survey completed in 2019. One interesting factor to consider is that the 2019 results of the survey included data for the previous four years prior to 2019 and before the advent of the COVID pandemic. It is therefore an interesting opportunity to hypothesise about the impact of the pandemic and virtual work on ethical culture. Two areas of substantial interest include (i) that organisations and their employees are talking less about ethics; and (ii) the pandemic environment has increased perceptions of fair treatment of employees. We discuss these developments in the below sections.

## ***We are talking less about ethics in organisations***

It has become evident from the results that *ethics talk* has decreased substantially although *ethics awareness* has improved over the same period. This may indicate that organisations are communicating more formally about ethics and ethical expectations to compensate for fewer face-to-face discussions about ethics and ethics related concerns. Although improving ethics awareness is important, organisations should be careful to obtain two-way feedback from employees regarding ethics. Formal ethics awareness programmes, although useful, often tell employees what they should know or pay attention to regarding ethical conduct, but do not provide opportunities to understand the employee perspective regarding organisational ethics.

Formal ethics awareness programmes may therefore be a monologue where the organisation and its leadership tell employees what is and is not ethical and how they should or should not behave. This circumvents the capacity of employees to provide their own insights regarding ethics in the organisation. *Ethics talk* on the other hand is a dialogue where employees and the organisation engage in two-way communication regarding ethics and the organisation's ethical values and context.

It is therefore possible that the pandemic may have reduced the amount of two-way communication between employees and the organisation on ethical issues.



This is a worrying development and may result in less buy-in regarding the ethical values and ethical stance of the organisation over time. Additionally, the organisation and its management may be less aware of real and practical ethical challenges and dilemmas faced in employees' day-to-day work.

### **Employees feel that they are treated better with dignity, consistency and respect**

A substantial improvement was noticed regarding the perceptions of ethical treatment of employees. As discussed earlier this dimension is vital to reduce unethical conduct frequency in most organisations. However, this improvement in perceptions of ethical treatment may be due to extraneous factors such as being able to work from home, having fewer interactions with supervisors and managers (reduction in negative interactions), and increasing the job-control and autonomy of employees. Increased job-control has been empirically linked to many positive outcomes for employees (cf. Demerouti et al., 2001; Fonner & Roloff, 2020).

Job-control has often been associated with a more positive perception of the organisation and greater job-satisfaction.



However, not all organisations benefit from providing employees with too much job-control nor are all employees well equipped to deal with it. It is therefore imperative to further study this relationship in future iterations of the South African Business Ethics Survey with the return to office currently in progress.

## **Culture predicts conduct**

In this iteration of the South African Business Ethics Survey, we wanted to evaluate whether a relationship existed between perceptions of mature or immature ethical culture and the frequency of observed unethical conduct. Consequently, this will be the first edition of the South African Business Ethics Survey that uses inferential techniques to evaluate relationships between ethical culture and conduct.

This is a very important step as measures of ethical culture have not been well linked to measures of unethical conduct in the research literature. If ethical culture perceptions can effectively predict the frequency of unethical conduct, then ethical culture measurement becomes infinitely more useful for organisational diagnostics, targeted ethical culture interventions, and the certainty that developing an organisation's ethical culture reduces counter-productive or unethical behaviours. Culture could thus be used to improve conduct.

The data was thus subjected to statistical techniques that evaluate the relationship between ethical culture and conduct scores. These techniques included the Pearson's correlation (to evaluate the simple bivariate relationship between dimensions of ethical culture and conduct frequency) as well as the use of linear and multiple hierarchical regression (to evaluate whether ethical culture scores could predict the frequency of unethical conduct) (Pearson, 1895; Cohen et al., 2013; Howell, 2021; Kutner et al., 2014; Gromping, 2006).

## ***The relationship between ethical culture and unethical behaviour***

The first analysis conducted was a simple Pearson's correlation between the dimensions of ethical culture and the overall unethical conduct frequency observed in organisations.

Moderate to strong negative correlations were observed between the ethical culture dimensions (building blocks of an ethical culture) and unethical conduct frequency. *This means that as ethical culture scores increase, unethical conduct frequency decreases substantially.*

The strongest relationships were observed for *ethical treatment of employees, middle management commitment to ethics and leadership commitment to ethics*. This indicates that *strong leadership and middle management commitment to ethics, and ensuring employees are treated with dignity, fairness, and consistency, have the most direct impact on unethical conduct frequency in organisations in the private sector.*

Interestingly *ethics awareness and employee commitment to ethics* had the weakest relationships. This may indicate that non-managerial employees do not have much agency to correct culture alone, whereas ethics awareness, which has a moderate impact, is not as effective at reducing unethical conduct as the other dimensions. One could argue that ethics awareness initiatives, where most organisational ethics management processes are focused, provide very little return on investment.



However, it is important to note that most of the ethical culture variables have moderate to strong relationships with unethical conduct frequency (including ethics awareness).

## ***Ethical culture predicts unethical behaviour frequency***

To evaluate the degree to which each of the ethical culture dimensions predicts unethical conduct we evaluated numerous linear, multiple and hierarchical regression models.

We found that *Ethical Treatment of Employees, Middle Management Commitment to Ethics, and Leadership Commitment* were the most important influencers and predictors of unethical conduct frequency.

Consequently, if organisations want to reduce unethical conduct and counterproductive work behaviour, they should focus on ensuring that employees are treated with dignity, fairness and respect and are included in decisions that may affect them. Put another way, the organisation should have empathy for, and include their employees in decisions that may affect them to reduce unethical conduct.

Also of substantial importance is middle management and leadership commitment to ethics. Although senior and executive leadership commitment is key to any change in unethical conduct frequency and the development of a more mature ethical culture, the greatest practical impact on unethical behaviour frequency rests with middle management commitment to ethics.

This makes sense as middle managers are often more influential in day-to-day engagements with employees than senior/executive leadership. We may need to change the moniker of leadership commitment to ethics being the most important driver of ethical conduct in organisations, to middle management commitment being the most important driver of ethical conduct in organisations.



Interestingly *Ethics Awareness* and *Non-managerial Commitment to Ethics* had the least impact on unethical conduct frequency if used alone. Further analysis indicates that *Ethics Awareness* becomes a much more substantial driver of ethical conduct if paired with management commitment and fair and ethical treatment of employees. There is thus a dire warning that if ethics awareness initiatives are instituted without management commitment (middle and top leadership commitment to ethics) and the ethical treatment of people, ethics awareness initiatives may have very little to no impact on ethical conduct.

## Interesting comparisons with the IBE Ethics at Work Survey results

In 2021, the Institute of Business Ethics (IBE) partnered with The Ethics Institute (TEI) to expand their Ethics at Work survey to include South Africa. The survey aimed to understand employees' attitudes towards ethics and business ethics in their respective organisations, identify trends and comparisons across national boundaries, and evaluate employees' understanding of ethics and business ethics.

The survey included 10,000 employees from thirteen countries (Switzerland, France, the USA, Germany, New Zealand, the UK, Ireland, Australia, Italy, Spain, Portugal, South Africa and the Netherlands). With the exception of South Africa (a developing country) all the other countries are viewed as developed. Overall, the survey found that most organisations improved in several metrics during the pandemic period. These findings align with the results from the South African Business Ethics Survey 2023.

According to the IBE survey, 37% of employees reported an improvement in ethical standards within their organisations during the pandemic period. Additionally, 86% of employees reported frequent honesty practices within their organisations, and 53% of employees reported the presence of a mechanism to report unethical conduct. Moreover, 57% of employees who were aware of unethical conduct raised ethical concerns. However, 43% of employees reported retaliation when they raised ethical concerns, and 48% of employees reported that their line managers incentivise good performance even if it was achieved in an ethically questionable manner.

In comparison to other countries, South Africa did not perform well in several business ethics metrics. South African employees ranked 12th out of 13 countries in honesty practices at work. They were the second most pressured to compromise their organisation's standards of behaviour, and time pressure and unrealistic deadlines were the most prominent sources of pressure to compromise ethical standards. South Africa also ranked 1st out of 13 countries in observing illegal or unethical activities within their organisations, and they ranked 2nd in raising ethical concerns. Unfortunately, South Africa ranked only 5th out of 13 countries in their satisfaction with the outcome of reporting unethical behaviour.



Reasons for not reporting unethical behaviour in South Africa included job security concerns (48%) and the perception that no corrective action would be taken (33%).

On the positive side, South Africa ranked 1st out of 13 countries in providing mechanisms to report unethical conduct confidentially or anonymously, and 2nd out of 13 countries in providing training on standards and ethical conduct, offering ethics advisory services to employees, and having line managers set a good example of ethical business behaviour. Additionally, South Africa ranked 2nd out of 13 countries in having senior management take ethics seriously, and line managers supporting employees in adhering to organisational standards and ethical behaviour. Finally, South Africa ranked 1st out of 13 countries in how line managers communicate the importance of ethics for business.

In this report we present the findings of the South African Business Ethics Survey 2023. The study examines the ethical culture of private sector organisations in South Africa and investigates the relationship between perceptions of ethical culture and the frequency of observed unethical conduct in these organisations. The key findings of the study were as follows:

- Private sector organisations in South Africa have improved their overall ethical culture maturity compared to 2019, with a 7-point ranking improvement.
- The most significant improvement was observed in ethical treatment, indicating a greater focus on fairness, respect, dignity, and consistency in the everyday work of employees.
- The pandemic and shift to remote work may have contributed to the improvement in ethical treatment by providing employees with more flexibility and control over their work.
- Excessive control and regulation by organisations may undermine employees' perceptions of fair, dignified, and consistent treatment.
- The research discovered that there is a connection between the ethical culture maturity of organisations and how often unethical behaviour occurs. Specifically, the study found that when an organisation treats their employees ethically, has committed middle management, and strong leadership commitment to ethics, there tends to be less unethical behaviour. Ethics awareness and employee commitment to ethics had the weakest relationships with decreased unethical behaviour, suggesting that non-managerial employees have limited agency to correct conduct alone. Additionally, ethics awareness initiatives may provide little return on investment to improve conduct if used in isolation.
- Ethical treatment of employees, middle management commitment to ethics, and leadership commitment to ethics were found to be the most important influencers of ethical conduct in organisations.
- Middle management commitment to ethics was identified as the most important driver of ethical conduct in organisations, as they are often more influential in day-to-day engagements with employees than senior/executive leadership.
- Ethics awareness becomes a much more substantial driver of ethical conduct if paired with management commitment and fair and ethical treatment of employees.

The findings of the 2023 survey highlight the need for private sector organisations in South Africa to continue their efforts to strengthen ethical culture maturity and align ethics across all functions. The findings suggest that focusing on ethical treatment of employees, middle management commitment to ethics, and leadership commitment to ethics can significantly reduce the frequency of unethical conduct in organisations. The findings also underscore the importance of middle management commitment to ethics and fair and ethical treatment of employees in driving ethical conduct. Organisations should consider pairing ethics awareness initiatives with management commitment and fair and ethical treatment of employees to strengthen ethical values and practices.

Furthermore, the Ethics at Work Survey conducted by the IBE in partnership with TEI provide valuable comparative insights into the state of ethical culture and business ethics in South Africa. While the South African Business Ethics Survey shows an improvement in the ethical culture of private sector organisations in South Africa, the IBE survey reveals that there is still room for improvement in several business ethics metrics.

## Recommendations

Based on the findings of the South African Business Ethics Survey and the Ethics at Work Survey conducted by the IBE in partnership with TEI, the following integrated recommendations can be made to improve ethical culture and conduct in organisations:

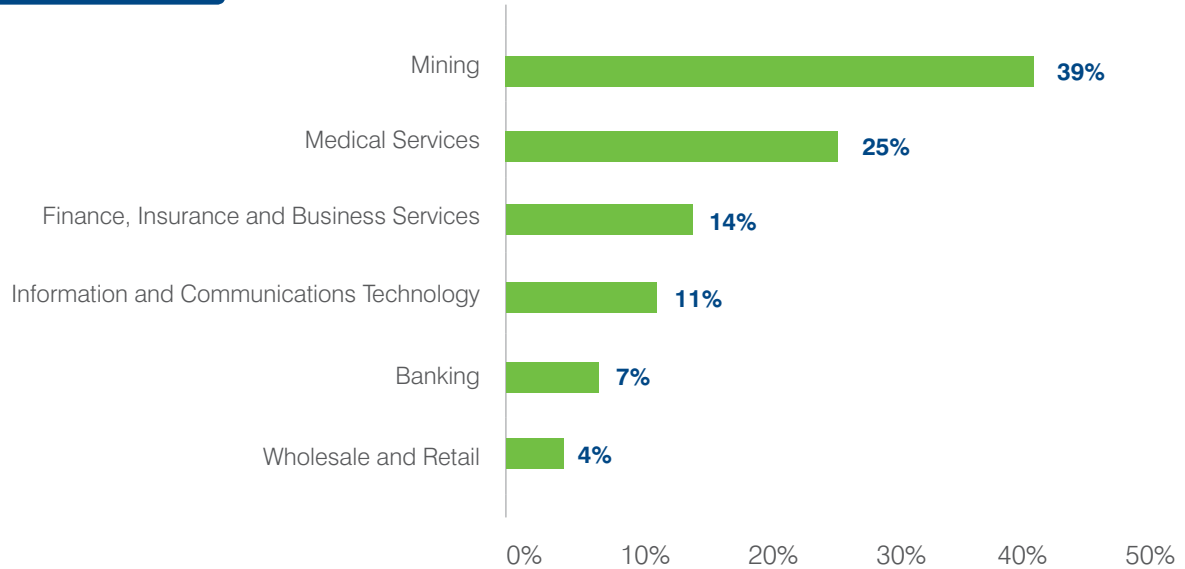
1. Ensure fair, consistent, and dignified treatment of employees to reduce the occurrence of unethical behaviour. Provide flexibility and control to employees where possible.
2. Provide mechanisms for employees to report unethical conduct confidentially and anonymously without fear of retaliation, and take corrective action when such reports are made.
3. Senior management should lead by example in taking ethics seriously and set the tone for ethical behaviour across the organisation. They should ensure that middle management is committed to ethics, and fair and ethical treatment of employees is emphasised.
4. Provide training on ethical conduct and standards, offer ethics advisory services to employees, and communicate the importance of ethics for business through line managers.
5. Pair ethics awareness initiatives with management commitment and fair and ethical treatment of employees to strengthen ethical values and practices. It may be disadvantageous to implement ethics awareness initiatives without good management commitment and fair and ethical treatment of employees.
6. Engage with internal stakeholders (employees) regarding their perceptions of the organisational ethical culture through ethics risk assessments, organisational culture assessments or staff engagement surveys on a regular basis. Understanding what may be hampering fair and consistent treatment or increasing employee cynicism in the organisation should be prioritised.
7. Organisations should not over-rely on compliance and systems approaches to ethics management in organisations, but should pair values-based ethics initiatives with compliance-based systems. Too much compliance in organisations can reduce the ethical culture of organisations and increase unethical conduct.

By focusing on these recommendations, organisations can improve their ethical culture and reduce the frequency of unethical behaviour, ultimately leading to a better workplace for employees and a stronger organisation.

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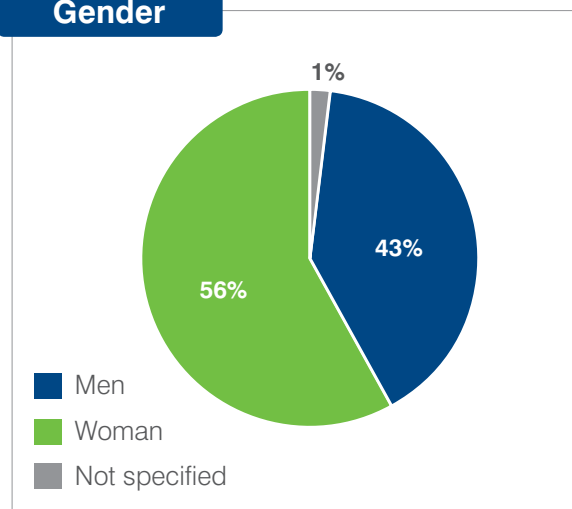
## Industry



*Organisations by industry/sector*

It can be noted that most organisations sampled were from the mining sector (39%) followed by the medical services industry (25%) and finance, insurance and business services (14%) sectors. Wholesale and retail (4%) was the sector with the lowest representation.

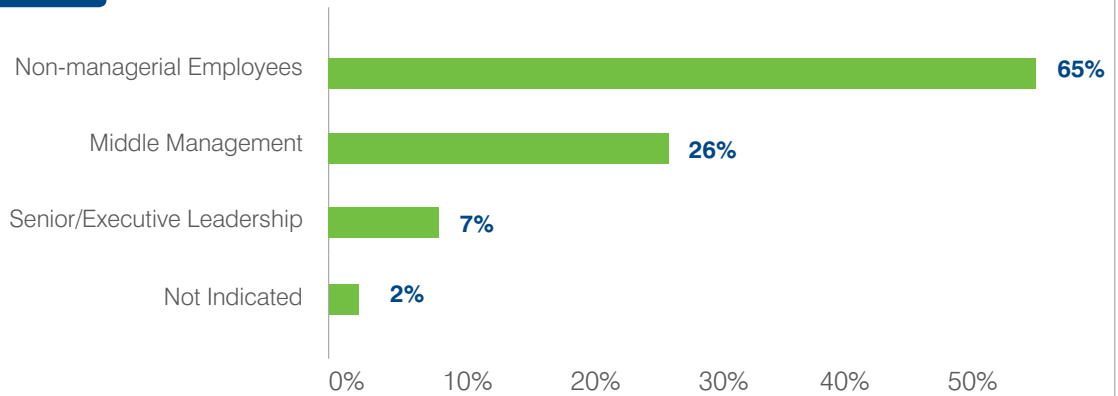
## Gender



*Gender characteristics*

Women were well represented in this iteration of the South African Business Ethics Survey making up 56% of the sample.

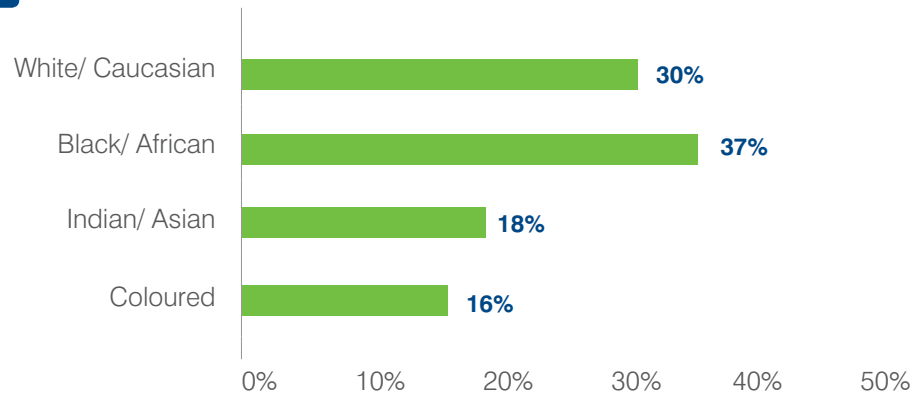
### Job-level



*Job-level distribution*

The sample was well represented across job-levels in the organisation. The standard pyramid structure is to be expected as most employees operate at lower levels in the organisation with fewer middle and senior managers operating at higher hierarchical levels.

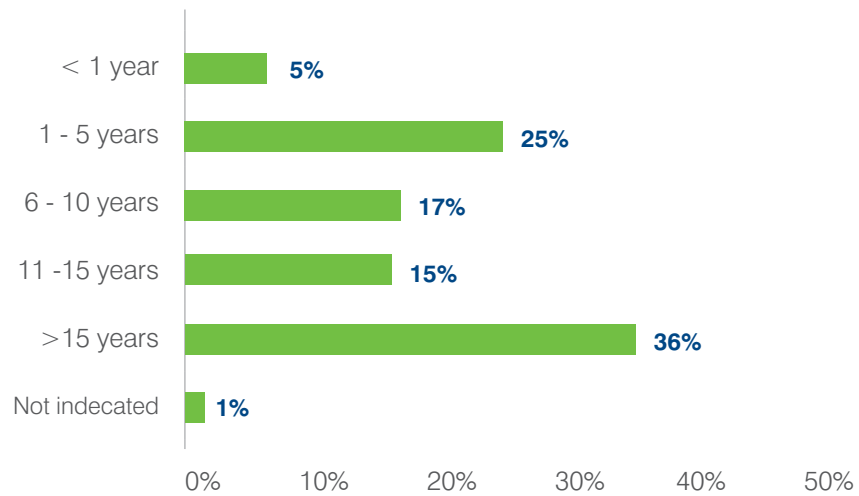
### Ethnicity



*Ethnic distribution*

Ethnic groups were well represented in this iteration of the South African Business Ethics Survey. White/Caucasian ethnicity are substantially over-represented in comparison to the 2016/17 census characteristics (StatsSA, 2016) with people of Black/African ethnicity underrepresented when compared to the same demographic statistics. However, a wide spread of ethnicities was included in the survey.

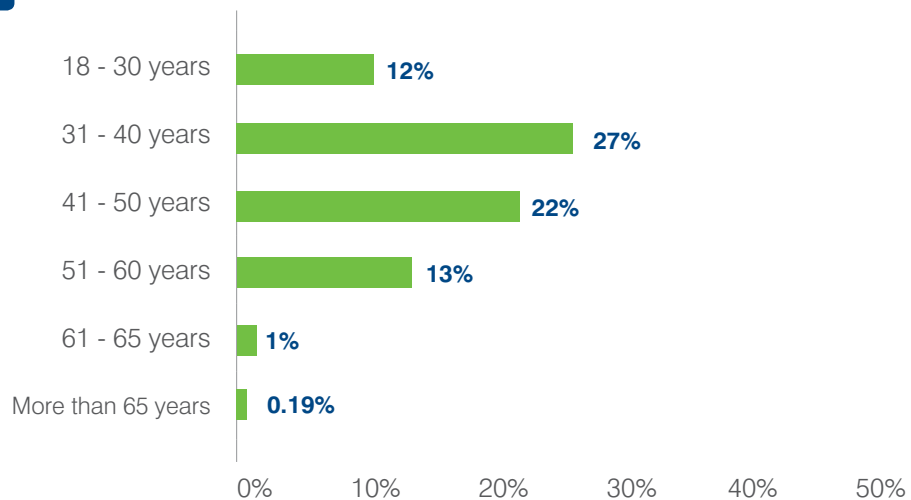
## Tenure



*Tenure distribution*

To evaluate whether we obtained enough information from employees with experience in their current organisation we obtained basic tenure of each employee. The sample was composed of a good spread of employees. Employees with substantial experience in their current organisation made up 51% of the sample (indicating a tenure of greater than 10 years) with only 5% indicating less than a year's experience in their current organisation.

## Age



*Age distribution*

The relative ages of employees operating in organisations was also sampled. This was primarily to compare ethical culture perception of different generations in the report. Employees between the ages of 30 and 50 years made up most of the sample (49%) with employees aged 18 – 30 years making up 12% and employees between the ages of 51 – 65 years making up 14% of the sample.



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