



Knights of Columbus

Business Ethics in a Time
of Economic Crisis

Introduction

The tumult of the American economy has reverberated in homes, workplaces, and boardrooms and has left few untouched. *Business Ethics in a Time of Economic Crisis* surveys Americans and top level business executives to understand their opinions and reactions to the events which have shaken Corporate America.

What is the public's level of confidence in business, and how much trust do they now place in its leadership? Are questions of ethical improprieties perceived as circumstantial, or have they undermined business credibility? Who is responsible? Who can move things forward?

Undertaken by the Knights of Columbus in partnership with the Marist College Institute for Public Opinion, the study looks beyond the headlines. The research has two components. Separate surveys were conducted of the American public and top business executives. The same questions were asked of both groups to understand each perspective.

This report presents the findings from the two quantitative surveys: one which spoke with 2,071 Americans, and a second which interviewed 110 high-level business leaders.



As Americans painstakingly feel the effects of the current economic crisis, they believe the moral compass of Corporate America is pointing in the wrong direction. A majority of business executives agree.

Trust has waned. A majority of Americans assign Corporate America a grade of D or F for its honesty and ethical conduct. Although, not surprisingly, confidence is lowest for the financial industry, other industries fare better. The public's faith in small business is highest.

But, the public sees a crisis in leadership. A majority of Americans rate the quality of leadership displayed by top business executives during this time as poor.

Americans believe personal and corporate gain drives the business decisions of executives, and few think concern for employees or the public good factor into corporate decisions. Executives themselves admit that personal financial gain is as important as Americans believe. They do, however, say their shareholders and employees are considered more than Americans give them credit.

Americans say employees and a company's top executives should share the responsibility of upholding high ethical standards in Corporate America. And, although the public believes people *should not* have a different set of ethical standards in business than they do in their personal lives, most report there is, in fact, a double standard.

The public and executives alike think salaries for high level business leaders are excessive. Many Americans, however, also think dishonesty to employees, improper accounting practices, and falsifying records are common business practices.

Although the majority of Americans and executives say Bernard Madoff's alleged financial scam reflects the unscrupulous conduct of just a few business professionals, a large proportion also thinks such practice is pervasive.

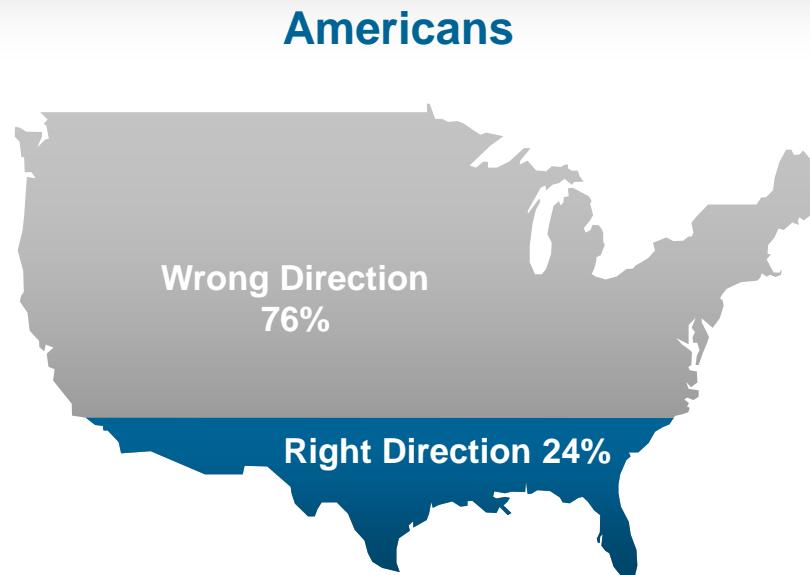
The majority of workers report they would confront a person doing something unethical directly and others would report the behavior to their supervisor. Most employees believe their supervisor would not overlook unethical conduct . However, about one in four of both workers and executives would be worried about retaliation if they reported unethical behavior.

Both Americans and executives believe their religious beliefs and values should be an integral guide to business decision-making.

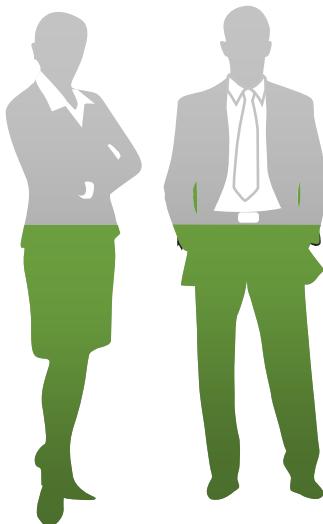
Corporate America's Moral Compass

More than three-quarters of Americans report the moral compass of Corporate America is pointing in the wrong direction.

Although a majority of business executives agree, there is less consensus. 42% believe the moral compass of America's businesses is pointing in the right direction.



Executives

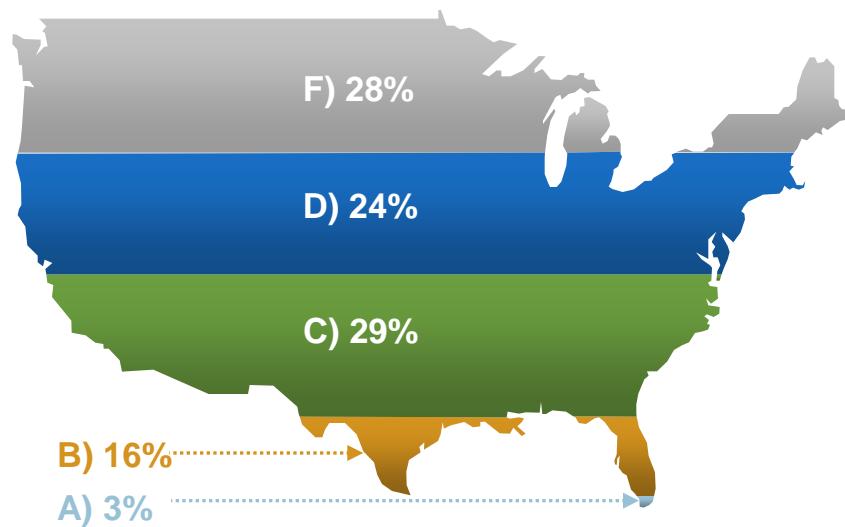


Do you believe the moral compass of Corporate America is pointing in the right direction or the wrong direction?

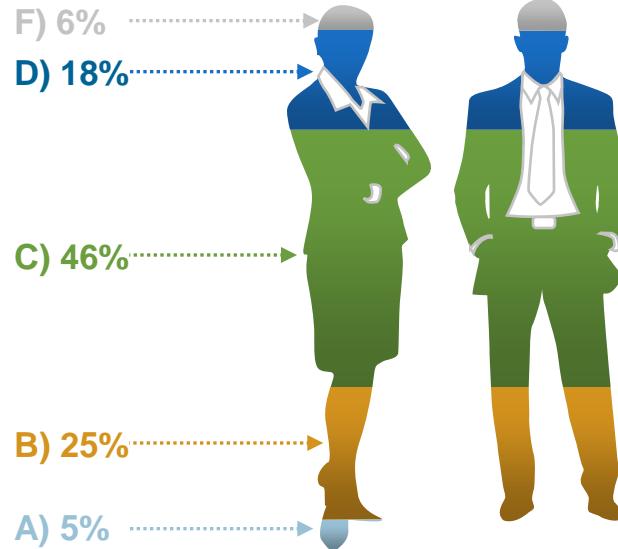
A majority of Americans assign Corporate America a grade of D or F for its honesty and ethical conduct. Moreover, the plurality of executives themselves rate Corporate America as average on honesty and ethics.

Who are people thinking about when reporting on Corporate America? A plurality of **Americans (40%)** and the vast majority of **executives (74%)** identify the banking or finance industry.

Americans



Executives



In general, what grade would you give Corporate America for its honesty and ethical conduct: would you give it an A, B, C, D, or an F for a failing grade?



- More than half of Americans and two-thirds of executives give failing grades for the honesty and ethics of the financial and investment sector. Other industries are viewed better - especially small business.

	Americans			Executives		
	A/B	C	D/F	A/B	C	D/F
Financial and investment industry	20%	27%	53%	10%	24%	66%
Insurance industry	24%	37%	39%	24%	39%	37%
Media and entertainment industry	30%	30%	40%	19%	36%	45%
Health care industry	34%	31%	35%	41%	35%	24%
Small business	77%	18%	5%	77%	18%	5%

In general, what grade would you give each of the following for its honesty and ethical conduct:
would you give it an A, B, C, D, or an F for a failing grade?

- Politicians and Wall Street executives fall short in meeting expectations for honesty and ethical practice. Perceptions of the ethics of leaders in the financial and investment industry and corporate executives generally do not rate much higher.

	Americans			Executives		
	Excellent/ Good	Fair	Poor	Excellent/ Good	Fair	Poor
Politicians	10%	34%	56%	7%	29%	64%
Wall Street executives	10%	29%	61%	7%	34%	59%
Top executives in the financial and investment industry	13%	28%	59%	13%	35%	52%
Corporate executives	14%	37%	49%	35%	35%	30%
Lawyers	23%	44%	33%	24%	45%	31%
Accountants	47%	43%	10%	65%	29%	6%
Doctors	68%	27%	5%	84%	15%	1%

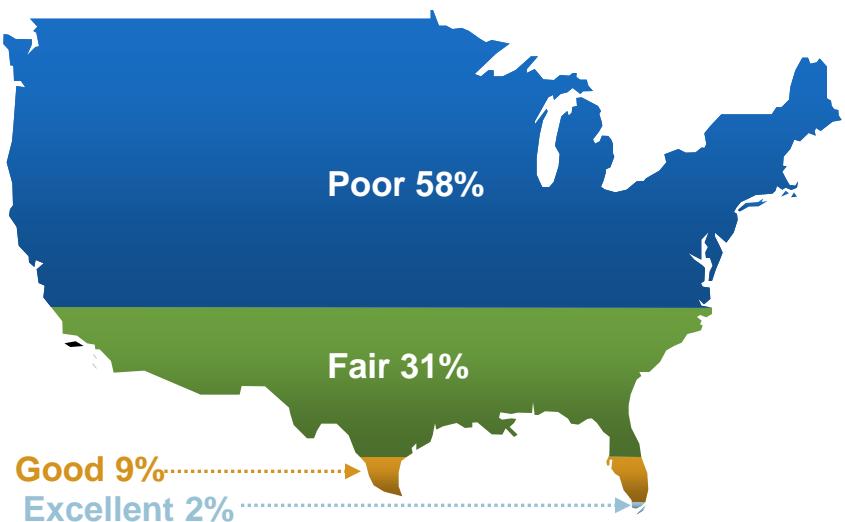
Now, what about each of the following professions, please tell me if you'd rate their overall level of honesty and ethical conduct as excellent, good, fair, or poor?

Leading in a Time of Economic Crisis

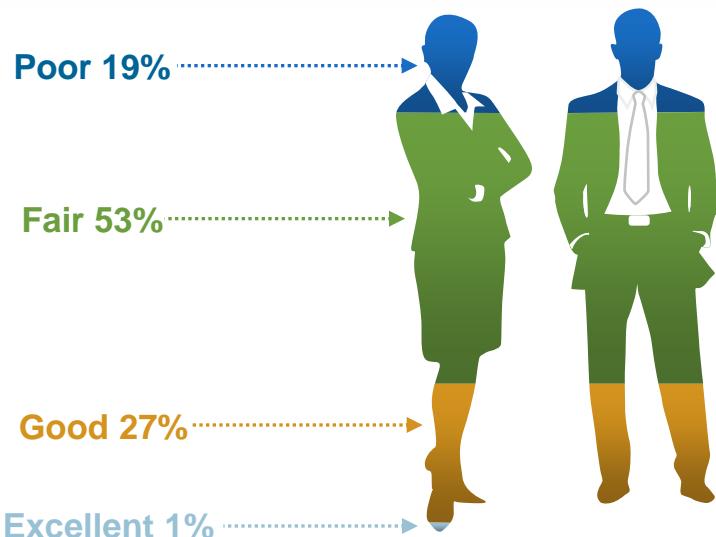
A majority of Americans, 58%, rate the quality of leadership displayed by top business executives during this time of economic crisis as poor. In addition, nearly one-third of the public gives them a lukewarm assessment.

While **business executives** are more tepid in their rating than the public, nearly one in five admit, as a group, they have shown poor leadership.

Americans



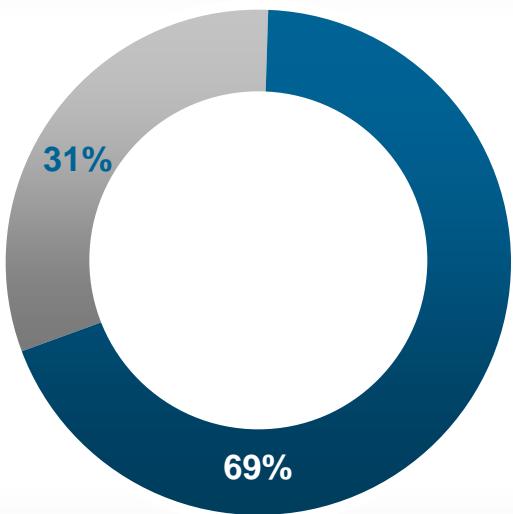
Executives



Would you rate the quality of leadership top executives of Corporate America are providing during this economic crisis as excellent, good, fair, or poor?

Less than one-third of Americans blame outside forces such as the economy or market conditions for the success or failure of a business. Rather, most view the decisions and leadership of top executives as predictors of how a business will fare. An even greater proportion of executives believe their decisions are crucial.

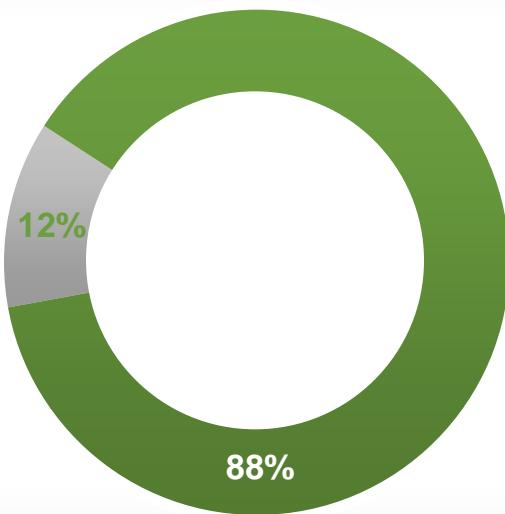
Americans



A company succeeds or fails mostly because of outside forces like the health of the economy or market conditions

A company succeeds or fails mostly because of the decisions and leadership of a company's top executives

Executives



A company succeeds or fails mostly because of the decisions and leadership of a company's top executives

Which comes closer to your view: [statements above]

There is consensus among Americans that personal and corporate gain is driving the business decisions of executives. Comparatively, few Americans believe concern for employees and the public good factor into the choices of corporate leaders.

Executives themselves admit that personal financial gain is as important as Americans believe. They do, however, say their shareholders and employees are considered more than Americans give them credit.

	Americans		Executives	
	Great deal/ Good amount	Not very much/Not at all	Great deal/ Good amount	Not very much/Not at all
Advancing their own careers	94%	6%	93%	7%
Personal financial gain	92%	8%	91%	9%
Increasing profits	91%	9%	96%	4%
Gaining advantage over competitors	91%	9%	96%	4%
Their shareholders	68%	32%	85%	15%
Their employees	38%	62%	51%	49%
The public good	31%	69%	32%	68%

When making business decisions, do you think corporate executives take each of the following factors into account: a great deal, a good amount, not very much, or not at all?

Most Americans and executives agree that the salaries for high level business leaders are excessive.

Executives divide over the prevalence of dishonesty to employees and improper accounting practices. Many business leaders report falsifying records happens rarely although a notable proportion admits this is common practice.

	Americans		Executives	
	Common practice	Happens rarely	Common practice	Happens rarely
Excessive salaries for high level executives	92%	8%	85%	15%
Exaggerated claims about products or services	83%	17%	77%	23%
Dishonesty to employees	71%	29%	54%	46%
Improper accounting practices	65%	35%	48%	52%
Falsifying of records	61%	39%	37%	63%

Do you think each of the following is common practice in Corporate America or only happens rarely?

Reflects widespread practice

46%

Reflects just the few

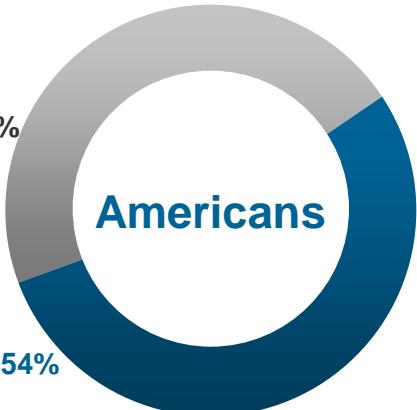
54%

Reflects widespread practice

41%

Reflects just the few

59%



- Although the majority of Americans and executives say Bernard Madoff's alleged financial scam reflects the unscrupulous conduct of just a few business professionals, a significant proportion believes such practice is pervasive.

- Do you think the illegal investment scheme financial advisor Bernard Madoff has been accused of running reflects a widespread practice of unethical conduct in the financial and investment industry, or does it just reflect the unethical conduct of a few individuals in an industry that is mostly honest and ethical?

A Pay-off for Ethics in Business?



- Nearly all executives feel that it's possible to be successful in business without compromising ethics. Although the public generally agrees, a notable percentage of Americans feels differently – people need to sacrifice their ethics for success.

Need to compromise ethics to be successful in business  6%

Executives

Can be successful and ethical  94%

Need to compromise ethics to be successful in business  25%

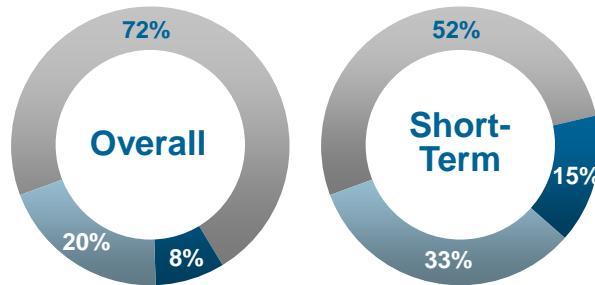
Americans

Can be successful and ethical  75%

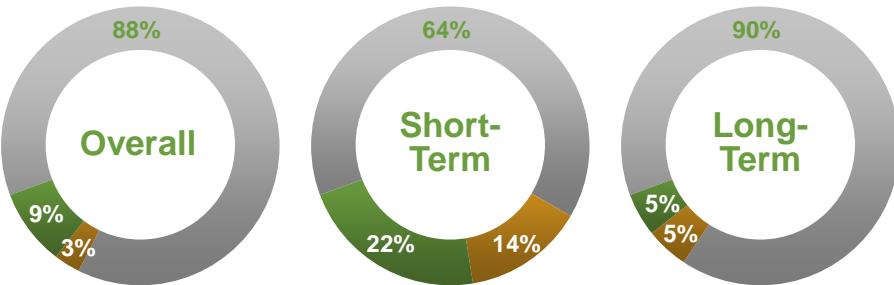
Overall, do you think it's possible to be successful and ethical in business, or do you think you need to compromise some ethics in order to be successful in business?

- Executives, more than the public, report that high ethical standards strengthen a company's advantage over its competitors – especially in the long-term.
- Some, however, do distinguish between short and long-term benefits.

Americans



Executives



Strengthens

Weakens

No Difference

Strengthens

Weakens

No Difference

[Overall/In the short-term/In the long-term] do you think high ethical standards strengthen a company's advantage over its competitors, weaken it, or make no difference?



When deciding whether or not to invest in a company, Americans and executives alike strongly consider the company's reputation for honesty and ethical conduct among other attributes.

	Americans		Executives	
	Great deal/ Good amount	Not very much/Not at all	Great deal/ Good amount	Not very much/Not at all
Company's reputation for honesty and ethical conduct	93%	7%	96%	4%
Business and financial structure	87%	13%	99%	1%
Number of years a company has been in business	81%	19%	82%	18%
A company's size	47%	53%	56%	44%

If you were to invest money in a company, would each of the following influence your decision to invest a great deal, a good amount, not very much, or not at all?

Upholding Business Ethics

Americans say employees and a company's top executives should share the responsibility of upholding high ethical standards in Corporate America.



For **executives**, they identify themselves as being primarily accountable for business ethics.

	Americans			Executives			No role
	Major role	Minor role	No role	Major role	Minor role		
Company's employees	75%	22%	3%	71%	25%	4%	
Company's top executives	74%	20%	6%	91%	9%	<1%	
Shareholders and investors	62%	32%	6%	57%	37%	6%	
Investment managers	55%	35%	10%	36%	56%	8%	
College and university business schools	49%	37%	14%	31%	50%	19%	
Government	43%	41%	16%	34%	55%	11%	
Religious leaders	23%	38%	39%	14%	36%	50%	

Please tell me if each of the following should have a major role, a minor role, or no role at all in making sure Corporate America upholds high ethical standards.



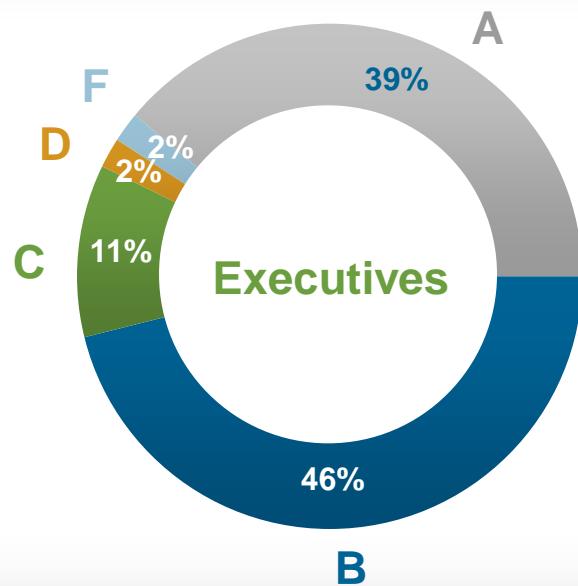
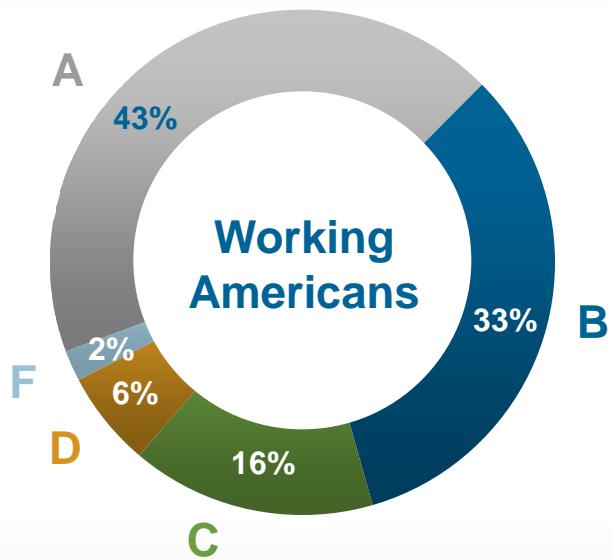
Despite the vast majority of Americans who believe that people *should not* have a different set of ethical standards in business as they do in their personal lives, most report there is, in fact, a double standard.



Interestingly, most executives also believe that people should not have a different set of ethics in business than in their personal lives. However, they are more likely than the public to divide over whether such a disparity exists.

	Americans		Executives	
	Yes	No	Yes	No
Do you think people should have a different set of ethical standards in business than they do in their personal lives?	26%	74%	14%	86%
Do you think people have a different set of ethical standards in business than they do in their personal lives?	72%	28%	56%	44%

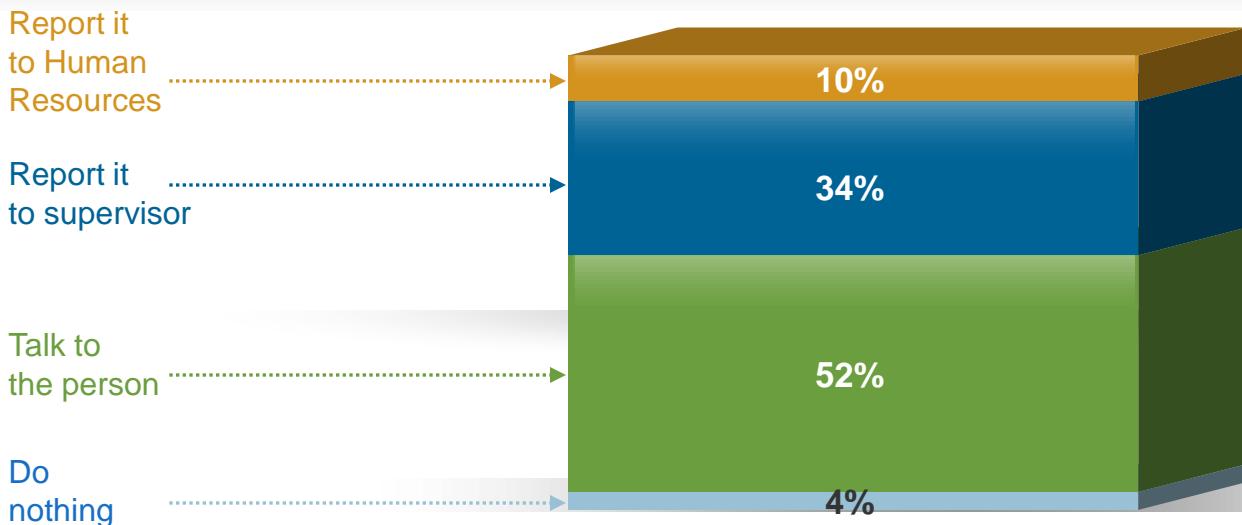
Despite overwhelmingly negative ratings for the ethics of Corporate America, the vast majority of both working Americans and executives give their own company positive grades.



In general, what grade would you give the company where you work for its honesty and ethical conduct?

The majority of workers report they would confront a person doing something unethical directly, and others would report the behavior to their supervisor. Only a handful would do nothing.

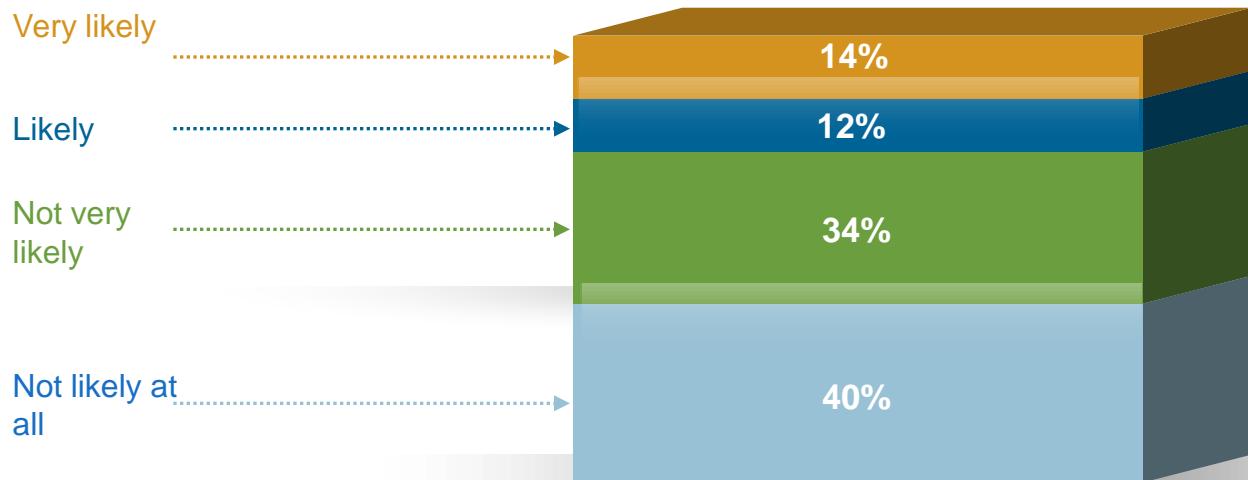
Working Americans



If you saw a co-worker doing something you considered unethical at work, how would you handle it: are you likely to do nothing, talk directly to the person, report it to your supervisor, or report it to Human Resources?

Although many workers, 74%, believe their supervisor would not overlook unethical conduct even if it meant getting the job done quicker or cheaper, 26% express concern.

Working Americans



Do you think your supervisor would be very likely, likely, not very likely, or not likely at all to overlook unethical conduct if it meant getting the job done quicker or cheaper?

About one in four of both workers and executives would be worried about retaliation if they reported unethical behavior.

How worried would you be about retaliation or negative consequences if you were to report unethical behavior or be a whistle-blower at your job?

Not very worried/Not at all worried

73%

Executives

Very worried/Worried

27%

Not very worried/Not at all worried

74%

**Working
Americans**

Very worried/Worried

26%

Nearly two-thirds of Americans believe that corporate leaders should rely on their religious beliefs and values for business guidance. Executives agree.

Do you think the religious beliefs and values of a corporate executive should influence their business decisions a great deal, somewhat, not very much, or not at all?

Not very much/Not at all

30%

Executives

A great deal/Somewhat

70%

Not very much/Not at all

37%

Americans

A great deal/Somewhat

63%

Study Methodology

- A representative sample of 2,071 adult Americans was surveyed by phone from January 25th through February 3rd, 2009.
- For the 110 business executives, a multi-mode design utilized both phone and online data collection tools. The sample was comprised of high level corporate leaders (C-level, Senior Presidents, and Senior Vice-Presidents) of the Fortune 1000 and companies with annual sales revenue of \$500 million or more. This component was fielded from January 26th through February 5th, 2009.
- The survey results for Americans are statistically significant at $\pm 2.5\%$. The margin of error increases for analysis of subpopulations.