
The National Survey of CEOs *on Business Ethics*

Because you are a member of a **select group of CEOs** asked to participate in this national study, your input is vital to its success.

Our survey staff will adhere strictly to federal and university guidelines to ensure the **confidentiality** of your responses. Moreover, the results will be reported in broad categories to preclude the identification of any specific respondent.

Please return the survey in the enclosed envelope. No postage is necessary.

James Witte, Professor & Survey Director
Center for the Advancement of Marketing & Social Science
124 Brackett Hall
Clemson University
Clemson, SC 29634-0528

THE
SOUTHERN
INSTITUTE
FOR BUSINESS
AND PROFESSIONAL
ETHICS

ROBERT J. RUTLAND
INSTITUTE FOR ETHICS



The National Survey of CEOs on Business Ethics

Respondent Demographics:

(1) Primary industry or type of firm (select one):

- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Utilities
- Agriculture, Forestry and Fishing
- Transportation and Warehousing
- Information Services and Technology
- Banking, Finance and Insurance
- Real Estate, Rental and Leasing
- Professional and Technical Services
- Healthcare and Social Assistance
- Hotel, Entertainment and Food Services
- Other Services
- Other, please specify _____

(2a) Size of firm: (Annual Sales)

- \$0 – 10 million
- 10 million – 50 million
- 50 million – 250 million
- 250 million – 1 billion
- 1 billion – 5 billion
- Over 5 billion

(2b) Size of firm: (Number of employees)

- 0 - 50
- 51 - 100
- 101 – 1,000
- 1001 – 10,000
- 10,001 – 50,000
- Over 50,000

(3) What percentage of the stock of your firm is publicly held? _____ %

(4) Position of person filling out this questionnaire:

- a. CEO
- b. Other (please describe) _____

(5) Is your firm a subsidiary or division of another firm? Yes No

If so, in what country does your parent firm have its headquarters?

- a. USA
- b. Other (please specify) _____

(6) In what state is your CEO's office located? _____

Ethics Management: Policies, Practices, Procedures, etc.

(7) Do you have, or plan to implement in the next 12 months, the following?

- | | | | |
|---|---|-----|----|
| A | A board-level committee responsible for ethics and compliance? | YES | NO |
| B | An ethics and compliance training program? | YES | NO |
| C | A company ethics "help line" (e.g., where employees may report ethical concerns or seek guidance on ethical questions)? | YES | NO |
| D | A stated ethics policy (e.g., Code of Ethical Conduct)? | YES | NO |
| E | A statement of values to guide corporate conduct? | YES | NO |
| F | An assigned ethics and/or compliance officer? | YES | NO |
| G | A department that is primarily responsible for ethics and compliance (i.e., education, investigations and monitoring)? | YES | NO |

(8) If you answered yes to any item in question 7. . . What is the single most important motivation for implementing an ethics initiative within your firm (check one)?

- a. Improve profits/shareholder value
- b. Ensure legal compliance
- c. Provide positive guidance for employee conduct
- d. Improve/protect public reputation
- e. Be socially responsible
- f. Motivate employees
- g. Retain employees

(9) Have the recent changes in regulations regarding ethics and governance (i.e., the Sarbanes-Oxley Act, the updated Federal Sentencing Guidelines, revised listing requirements of stock exchanges, etc.) affected how your organization manages ethics and compliance?

Yes (IF YES CONTINUE DIRECTLY BELOW) No (IF NO, GO TO QUESTION 10)

If yes, have you done (or are you in the process of doing) the following since 2002:

- | | | | |
|---|---|-----|----|
| A | Hired new staff or restructured organization responsible for ethics and compliance? | YES | NO |
| B | Updated ethics or compliance policies? | YES | NO |
| C | Revised mission, vision or values statements? | YES | NO |
| D | Created new ethics/compliance committees? | YES | NO |
| E | Developed new communication strategies for managing conduct? | YES | NO |
| F | Increased budget for ethics and compliance management? | YES | NO |
| G | Created or strengthened ethics and compliance training? | YES | NO |
| H | Other (please specify) _____ | | |

Thinking specifically about Sarbanes-Oxley approximately how much (in dollars) has compliance cost your firm to date? _____

The State of Ethics in Business:

(10) In your judgment, how do high ethical standards affect a company's competitive position

- . . . in the short term? Strengthen Weaken No effect
- . . . in the long term? Strengthen Weaken No effect

(11) To what extent do you agree or disagree with each of the following statements?

| | Strongly agree | Agree | Disagree | Strongly disagree | Don't know |
|--|----------------|-------|----------|-------------------|------------|
| The CEO should be the moral leader of the organization. | 1 | 2 | 3 | 4 | 5 |
| Public companies' responsibilities to employees frequently conflict with their need to maximize shareholder returns. | 1 | 2 | 3 | 4 | 5 |
| Public companies' responsibilities to society frequently conflict with their need to maximize shareholder returns. | 1 | 2 | 3 | 4 | 5 |
| When I do business with other companies, I expect them to operate by the same standard of ethics as my firm. | 1 | 2 | 3 | 4 | 5 |
| My standard of business ethics has improved over the course of my career. | 1 | 2 | 3 | 4 | 5 |
| It can be appropriate for CEOs' religious beliefs to influence their business decisions. | 1 | 2 | 3 | 4 | 5 |
| There is a generally accepted ethical standard that most businesspeople agree and act upon. | 1 | 2 | 3 | 4 | 5 |
| CEO compensation in most large public companies is excessive. | 1 | 2 | 3 | 4 | 5 |
| CEO compensation in most large public companies is properly aligned with corporate performance. | 1 | 2 | 3 | 4 | 5 |
| The Sarbanes-Oxley Act and related regulatory measures have improved the standard of ethical performance of corporate America. | 1 | 2 | 3 | 4 | 5 |
| The Sarbanes-Oxley Act and related regulatory measures have improved the standard of ethical performance of <u>my</u> business. | 1 | 2 | 3 | 4 | 5 |
| The Sarbanes-Oxley Act and related regulatory measures have strengthened public and investor trust in corporate America. | 1 | 2 | 3 | 4 | 5 |
| The Sarbanes-Oxley Act and related regulatory measures were an overreaction to the ethical failures of a handful of companies, and have proven to be burdensome and unnecessary for most good companies. | 1 | 2 | 3 | 4 | 5 |
| In general the ethical performance of corporate America has improved over the last four years. | 1 | 2 | 3 | 4 | 5 |
| Operating by high ethical standards is often easier for a private company than a public company which must meet stockholders' short-term expectations. | 1 | 2 | 3 | 4 | 5 |
| Business executives are more likely to make ethical compromises during economic downturns. | 1 | 2 | 3 | 4 | 5 |
| The practice of backdating executives' stock options is unethical. | 1 | 2 | 3 | 4 | 5 |
| University business schools should require courses in business ethics and/or ethics components in other business courses. | 1 | 2 | 3 | 4 | 5 |
| Compared to five years ago, my company is more likely today to discipline or dismiss employees for misconduct. | 1 | 2 | 3 | 4 | 5 |

(12) On a scale of 1 – 5, where 1 is very important and 5 is not important, how would you rate the following in explaining unethical conduct among employees at most organizations?

| | Very Important cause | | | | | Not a cause | Don't know |
|--|----------------------|---|---|---|---|-------------|------------|
| | 1 | 2 | 3 | 4 | 5 | | |
| Pressure to meet deadlines and schedules | 1 | 2 | 3 | 4 | 5 | | DK |
| Indifference or low morale | 1 | 2 | 3 | 4 | 5 | | DK |
| Failure of the organization's leadership in establishing ethical standards and culture | 1 | 2 | 3 | 4 | 5 | | DK |
| Pressure to meet unrealistic performance or financial goals | 1 | 2 | 3 | 4 | 5 | | DK |
| Inadequate training and communication | 1 | 2 | 3 | 4 | 5 | | DK |
| Personal greed | 1 | 2 | 3 | 4 | 5 | | DK |
| Desire to advance career | 1 | 2 | 3 | 4 | 5 | | DK |
| Desire to harm the employer | 1 | 2 | 3 | 4 | 5 | | DK |
| Weakness of personal character | 1 | 2 | 3 | 4 | 5 | | DK |
| Not understanding the company's ethics policies | 1 | 2 | 3 | 4 | 5 | | DK |
| Failure of the organization to establish an effective compliance program | 1 | 2 | 3 | 4 | 5 | | DK |
| Not agreeing with the company's ethics policies | 1 | 2 | 3 | 4 | 5 | | DK |
| Other _____ | 1 | 2 | 3 | 4 | 5 | | DK |

Ethical Issues:

(13) Based on your experience, how do you think businesses in your geographic region of the United States compare with businesses in other regions in the level of ethical standards by which they operate?

__Generally Higher __Generally Lower __About the same

(14) Please indicate if you agree or disagree with each of the following endings to this sentence:

U.S. companies with global operations should . . .

- | | | | |
|---|---|-------|----------|
| A | ... adhere to the ethical norms of each country where they do business. | Agree | Disagree |
| B | ... operate according to uniform, corporate standards of ethical conduct, regardless of culture or locality. | Agree | Disagree |
| C | .. require suppliers and agents to adhere to prescribed standards of ethical conduct, regardless of culture or locality. | Agree | Disagree |
| D | ...rely on local law to define the appropriate standards of ethical conduct, provided no U.S. laws would be violated in doing so. | Agree | Disagree |

(15) Please review the following list of ethical issues and in column 1 indicate with an X the FIVE concerns that are the most important ones facing *your industry*. In column 2 please indicate with an X the five most important concerns facing the *general business community*
 (Please mark only five in each column with an X, it is not necessary to rank the five):

| <i>Your Industry</i> | <i>General Business Community</i> | |
|--------------------------|---|---|
| (1) | (2) | |
| ___ | ___ | Unfair treatment of employees |
| ___ | ___ | Lying on reports/falsifying records |
| ___ | ___ | Violating environmental regulations |
| ___ | ___ | Predatory employment practices |
| ___ | ___ | Sex harassment |
| ___ | ___ | Discrimination |
| ___ | ___ | Stealing/theft |
| ___ | ___ | Conflicts of interest |
| ___ | ___ | Dishonesty with customers |
| ___ | ___ | Drug/alcohol abuse |
| ___ | ___ | Exorbitant executive compensation |
| ___ | ___ | Bribes and kickbacks |
| ___ | ___ | Economic espionage/divulging trade secrets |
| ___ | ___ | Improper accounting practices |
| ___ | ___ | Violations of privacy |
| ___ | ___ | Producing low quality or unsafe products |
| ___ | ___ | Misleading the public or the media |
| ___ | ___ | Deceptive sales practices |
| ___ | ___ | Unfair treatment of suppliers |
| ___ | ___ | Lying/exaggerating on resumes or job applications |
| ___ | ___ | Workplace violence |
| ___ | ___ | Other _____ |

Issues Involving Leaders and Institutions:

(16) Please indicate if you agree or disagree with each of the following endings to this sentence: The criminal convictions of Kenneth Lay, Jeffrey Skilling, Bernard Ebbers and other corporate leaders ...

| | | |
|--|-------|----------|
| A ... show that the system works. | Agree | Disagree |
| B ... make corporate leaders more attentive to ethics. | Agree | Disagree |
| C ... further erode public trust and confidence in business leaders. | Agree | Disagree |
| D ... help restore public trust and confidence in the financial markets. | Agree | Disagree |
| E ... reinforce a negative and unfair stereotype of CEOs. | Agree | Disagree |
| F ... encourage even more legal scrutiny and regulation of business. | Agree | Disagree |

The National Survey of CEOs on Business Ethics

is a project of The Southern Institute for Business and Professional Ethics and the Robert J. Rutland Institute for Ethics at Clemson University undertaken with support from UPS.

The Southern Institute for Business and Professional Ethics
www.southerninstitute.org

Robert J. Rutland Institute for Ethics at Clemson University
<http://www.clemson.edu/caah/rutland/>



ROBERT J. RUTLAND
INSTITUTE FOR ETHICS



Control number below will be detached upon receipt of completed survey to protect confidentiality

Results of ethics survey of CEOs

CLEMSON, S.C. — The results of the ethics survey by the Robert J. Rutland Institute for Ethics at Clemson University indicate CEOs disagree to strongly disagree with the statement that CEO compensation in most large public companies is aligned with performance. Two-thirds of the CEOs agree there is a generally accepted ethical standard that most business people agree and act upon.

The survey reveals several things about how respondents see the issue of CEO compensation.

For example, exorbitant executive compensation is among the top five ethical issues (33.8 percent) when CEOs are thinking about the general business community, but it is last in a list of 22 issues when they are thinking about their own industry (2.6 percent).

Of the respondents, 62.9 percent agree or strongly agree that CEO compensation in most large public companies is excessive, and 70.5 percent disagree or strongly disagree with the statement that compensation in most large public companies is properly aligned with corporate performance.

Their responses were different depending on the size of their organization and whether it is public or private.

- Those in private organizations are more likely to agree that CEO compensation in most large public companies is excessive.
- CEOs in privately held organizations are more likely to disagree with the statement that CEO compensation in most large public companies is properly aligned with corporate performance.
- CEOs of smaller companies are more likely to agree that CEO compensation in most large public companies is excessive.

There were differences in the responses to other questions as well:

- CEOs in privately held organizations are more likely to agree that "my standard of business ethics has improved over the course of my career."
- CEOs in small- and medium-sized organizations (by revenues and by number of employees) are more likely to agree with that statement.

CEOs also were asked about the criminal convictions of Kenneth Lay, Jeffrey Skilling, Bernard Ebbers and other corporate leaders. They were asked if they agree with these statements.

The convictions:

- show that the system works (65.6 percent);
- make corporate leaders more attentive to ethics (88 percent);
- further erode public trust and confidence in business leaders (66 percent);
- help restore public trust and confidence in the financial markets (44.5 percent);

- reinforce a negative and unfair stereotype of CEOs (65.1); and
- encourage even more legal scrutiny and regulation of business (88.6).

There are no statistically significant differences in those responses by organization size or whether they are public or private. However, there are differences by industry:

- 76.8 percent of manufacturing CEOs agreed that the convictions “show that the system works”;
- 82.1 percent of health-care and non-profit CEOs agreed that the convictions “further erode public trust and confidence in business leaders”;
- 76.9 percent of banking, finance and insurance CEOs agreed that they “make corporate leaders more attentive to ethics”;
- 34.5 percent of health-care and non-profit CEOs agreed that they “help restore public trust and confidence in the financial markets”;
- 76.5 percent of information-technology CEOs agreed that they “reinforce a negative and unfair stereotype of CEOs”; and
- 72.7 percent of professional- and technical-service CEOs agreed that they “encourage even more legal scrutiny and regulation of business.”

Of the CEOs who indicated that recent changes in regulations regarding ethics and governance have affected how their organizations manage ethics and compliance, 38.3 percent have or are in the process of creating new ethics compliance committees. This is the case with a larger number of public companies (45.7 percent) than private companies (33.9 percent).

Equal numbers (50 percent) have or have not increased their budgets for ethics and compliance management; the number reporting that they have increased this budget line is somewhat larger among CEOs of public companies (68.6 percent) than CEOs of private companies (40 percent).

*DATE: May 29, 2008 CONTACT: Daniel E. Wueste, (864) 656-6147;
ernest@clemsn.edu WRITER: Teresa C. Hopkins, (864) 656-1222;
hopkin1@clemsn.edu*