

The Moral Compass Power of integrity in business

While EY's report mirrors the issues, the solution is in the hands of organisations, writes Reji Varghese



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In looking for people to hire, you look for three qualities - integrity, intelligence, and energy. And if you don't have the first, the other two will kill you.

- Warren Buffett

We live in a world where integrity isn't given the importance it should. A world where "the end justifies the means" has become acceptable. We hear about companies buying electoral bonds to win favours and contracts; public exam papers are leaked for a price; CEOs overstating their projected earnings; marketing professionals overpromising and under-delivering; and so on.

The EY Global Integrity Report 2024 offers valuable insights for organisations to foster a culture of integrity and navigate the complex ethical landscape. The report's key findings have many takeaways for the corporate world.

Ethical challenges on the rise: One of the report's alarming findings is that unethical behaviour is on the rise. 38% of global respondents admit they would be prepared to behave unethically in one or more ways to improve their careers or remuneration—an increase of more than one and a half times from the findings in the EY Global Integrity Report 2022.

An analysis of corporate violations in the US and the UK from 2010 to 2023 shows that USD 1 trillion in penalties have been levied on companies since 2010. A more worrying statistic is that the number of violations and companies involved in violations has grown by 40% since 2010.

Leaders sans integrity: Leaders who talk about integrity but don't reflect it in their behaviour are the biggest offenders of integrity within an organisation. About 25% of workers polled say they would behave unethically for their benefit. The percentage rises to 51% among senior management and 67% among board members.

Pressure to ignore misconduct: The report found that 65% of board members and 57% of senior management feel pressured not to report misconduct. Among employees polled, 50% say they are pressured not to report misconduct and unethical behaviour. The report states that in the last two years, 43% of board members have had concerns about misconduct within their organisation that they chose not to report.

Communication and awareness: About 54% of global respondents say that employees' lack of understanding of policies and the lack of internal resources to manage compliance activities create opportunities for employees to violate integrity standards.

Benefits of integrity

While the report mirrors the issues, the solution is in the hands of organisations. Practising integrity provides many benefits to organisations.

Long-term financial benefits: A commitment to integrity is an investment in a business's future. Customers today are drawn to businesses they can trust to be transparent and ethical. *Ethical Consumer*, which has been tracking consumer spending in the UK since 1999, reports that spending through companies considered "ethical" has nearly doubled over the past seven years.

Attracting talent, stronger brand: Integrity and branding have almost become synonymous. A positive brand image attracts clients and top talent who seek more than just a paycheck. As a result, employee turnover is far less in companies with a reputation for integrity.

Better quality: Happier employees are also more productive, and a company that acts consistently with integrity is more likely to produce higher-quality products and services.

Fostering integrity

Fostering a culture of principles, ethics, and integrity goes beyond merely complying with laws and regulations. It requires organisations to create an environment where ethical behaviour is not only expected but also incentivised.

Lead by example: Leaders must embody integrity in their actions and decisions. Their behaviour sets the standard for others to follow. Organisations need to do more to hold leadership accountable and establish trust in responses to reported misconduct.

Transparent communication: Encourage open dialogue about ethical dilemmas and concerns. Create channels for employees to express their views without fear of retaliation.

Ethical decision-making training: Organisations should invest in comprehensive ethical training programs to educate employees about the importance of ethical behaviour and the potential consequences of unethical actions. These programs can cover topics such as conflict of interest, confidentiality, and proper handling of sensitive information.

Clear policies and values: Communicate company values and expectations. Ensure alignment between stated values and actual practices.

Ensuring accountability and encouraging whistleblowing: Hold individuals accountable for unethical behaviour. Ensure that those charged with investigating and resolving reports of misconduct are truly independent, and in cases involving senior leadership, this may require forming a special committee. Strong whistleblowing policies and reporting mechanisms empower employees to speak up when they witness misconduct, ensuring that ethical violations are addressed promptly. Consistently enforce consequences for violations regardless of who the violator is.

Rewarding ethical behaviour: Acknowledging and rewarding employees who consistently demonstrate ethical behaviour reinforces the importance of integrity within the organisation. Recognition programs, incentives, and performance evaluations can be used to highlight and appreciate ethical conduct.

In a world where most people aspire to material success, the focus should be on developing one's character and integrity first. Without a strong foundation of integrity, all one's other achievements are like building a house without a foundation—sooner or later, it is bound to collapse.

Entrepreneur, author and angel investor Amy Rees Anderson says, "If I could teach only one value to live by, it would be this - success will come and go, but integrity is forever."

