Business

Company boards urged to put ethical culture at the top of their agenda

It comes as a result of a consultation that the Institute of Business Ethics (IBE) held with businesses across the country this year.

Rebecca Speare-Cole • Monday 02 October 2023 00:01 BST

The new guidance comes from the Institute of Business Ethics (IBE), which advises businesses on good practice (Victoria Jones/PA) *(PA Archive)*

Sign up to our free breaking news emails

| Email | SIGN UP | ✕ |

Company boards are being urged to promote an ethical culture across the business as a matter of priority.

New guidance published by the Institute of Business Ethics (IBE), which advises businesses on good practice, outlines the importance of embedding an ethical culture in recruitment, training and pay policies.

It comes as a result of a consultation that IBE held with businesses across the country this year after a poll found that just one in three Britons believe firms operate ethically.

The consultation advisory group included business leaders from Abrdn, Travis Perkins, the Co-op Group, Schroders company secretary and Serco.

> *A positive ethical culture supports good decision-making and allows a business to show it is committed to doing the right thing for the right reasons*
>
> *IBE director Ian Peters*

The new guidance encourages boards to consider ethical behaviour in appointments and promotions as well as provide board members, senior leadership and the workforce with training to embed the company's purpose and values.

It also calls for boards to lead by example and ensure that ethical risks are taken into consideration in major operational and strategic decisions.

Ian Peters, IBE director, said: "A positive ethical culture supports good decision-making and allows a business to show it is committed to doing the right thing for the right reasons.

"That's fundamental if you're going to retain staff, maintain a positive workplace environment, and ensure customer loyalty.

"Research we conducted earlier this year shows the public is unconvinced that many companies operate ethically.

"The guidance we've published, working with some of the country's most experienced business leaders, is intended to help boards with one of their most challenging responsibilities – how to set and embed an ethical culture."

Simon Thompson, chairman of the advisory group, said: "An ethical culture is a source of competitive advantage, promoting high standards of business conduct and integrity and building trust and loyalty with customers, staff and other stakeholders.

"Companies face increasingly complex and varied ethical challenges as expectations about the role of business in society continue to evolve.

"All the contributors to this guidance have had to manage a significant ethical issue at some point in their board careers.

"The guidance is based on that experience and intended to support other board members as they seek to promote an ethical business culture within their own companies."

Mark Babington, executive director of regulatory standards at the Financial Reporting Council, said: "Boards can show real leadership in embedding a positive ethical culture across their company.

"This is welcome guidance that underlines the importance of culture being at the top of every boardroom agenda."

In May, the IBE found that only one in two FTSE 100 and FTSE 250 companies have publicly accessible codes of ethics, of which two-thirds were judged to be of good quality.

Half of the FTSE 100 codes of ethics were also found not to include written assurances of protection for staff raising concerns about ethical behaviour.