

Measuring Ethical Culture

As high-profile corporate scandals from recent years illustrate, unethical conduct can bring about material corporate damage putting businesses at risk. To minimise such risks, businesses need to establish an ethical corporate culture that underpins the way in which their organisation operates.

As the Financial Reporting Council specifies, boards should be establishing the culture, values and ethics of the company as well as devoting sufficient resources to evaluating and reporting on it.

To do this effectively, culture needs to be measured, taking both a quantitative and qualitative approach, to provide a real indication of the ethics and cultural 'health' of the organisation.

How GoodCorporation can help

GoodCorporation has devised an ethical culture measurement system that provides an informed assessment of an organisation's ethical culture alongside quantifiable data that can be used to produce a Net Ethical Culture (NEC) score. NEC scores can be used in annual reports or viability statements as a non-financial key performance indicator. They can also be used for benchmarking purposes.

GoodCorporation

GoodCorporation was set up in 2000 with a mission to drive up standards of business behaviour and an assessment methodology that enables us to be "the measure of a good company". Since our launch we have conducted over 600 assessments of ethical culture, behaviour and management practices in over 70 countries. We have over 100 clients, including 17 FTSE100 and 9 CAC40 companies, as well as smaller, private businesses and not-for-profit organisations.



GoodCorporation's ethical culture measurement system is based on the **ten key drivers** which determine ethical behaviour and underpin sustainable success. These drivers have been identified from our experience of measuring ethical conduct in organisations around the globe over the past 18 years.

The ten key drivers



DRIVER 1
Strong ethical tone from the top



DRIVER 2
Employees treated fairly



DRIVER 3
Personal development taken seriously



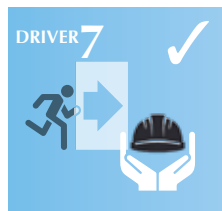
DRIVER 4
Management trusted to do the right thing



DRIVER 5
Employees supported to do the right thing



DRIVER 6
Confidence in raising concerns



DRIVER 7
Health and safety taken seriously



DRIVER 8
Customers treated fairly



DRIVER 9
Suppliers treated fairly



DRIVER 10
Environment and local community respected

From these we have identified **25 key culture statements** or indicators which can be used to undertake an **ethical culture 'Healthcheck'**. This provides tangible, measurable results which allow an organisation to see how well they are doing and how they compare to our benchmark*.

The Ethical Culture Healthcheck

GoodCorporation's Ethical Culture Healthcheck gathers quantifiable data and qualitative feedback. A random stratified sample of 100 employees** is interviewed beginning with a short questionnaire, completed on the spot, based on the 25 culture statements. This provides the quantifiable data. Skilled interviewers then explore the answers in depth to obtain a more detailed understanding of the employee's perspective, providing the qualitative analysis of the organisation's ethical culture.

The quantitative data set is analysed to provide scores for each driver and statement, and an overall Net Ethical Culture (NEC) score which can be benchmarked against our UK average. Alongside scores for each of the ten drivers, this is used to create an ethical culture 'dashboard' as part of the management report.

A text report is developed for the client to accompany the quantified findings of the healthcheck and to give depth to the responses from the interview programme.

Two advantages of the GoodCorporation approach:

- » **Key metrics, supported by strong insight:** quantifiable and benchmarkable data for reporting purposes, plus a management report with recommended actions containing an experienced analysis of every answer
- » **Speed and cost-effectiveness:** can be conducted in a very short time-frame, producing rapid results. It can be cheaper than an on-line survey and provide more accurate information from survey-weary staff

**Sample size will depend on size and complexity of company to be checked.

The Output

The organisation's results are reported by each driver. The overall results are then collated and benchmarked.



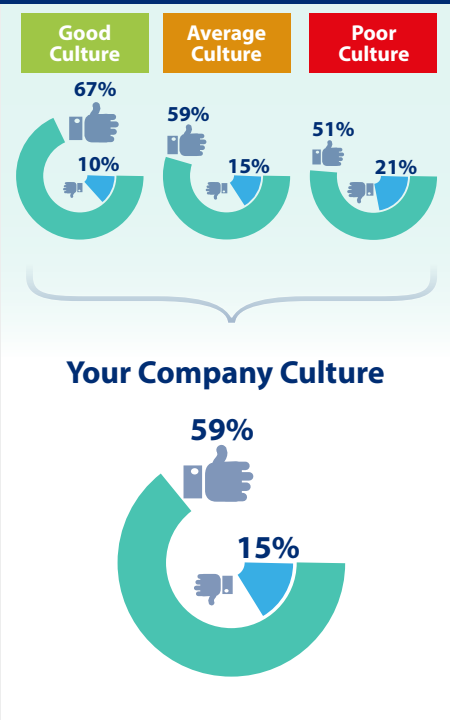
Driver 1: Tone from the top



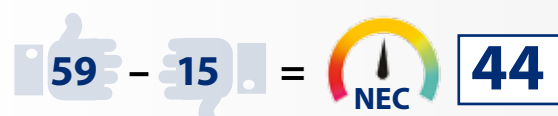
The results are then analysed to create a Net Ethical Culture (NEC) score.



Benchmarking



Net Ethical Culture (NEC) score



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