

Leaders grapple with tone from the top - PwC

Setting the right tone from the top is viewed as an increasingly important leadership skill that can make or break relationships with shareholders, employees, customers and business partners.



A new report published by PricewaterhouseCoopers LLP recently shows that, while leaders are articulating the ethical values and principles they want others to work by, these are not regularly measured or evaluated and are often undermined by their own leadership teams' behaviours.

More than 40% of the 145 respondents from PwC Fraud Academy said that, on occasions where tone from the top had been undermined, it was due to leadership actions not matching the ethical message being delivered.

Tracey Groves, director, PricewaterhouseCoopers LLP, said: "Today, almost all companies articulate sets of ethical values and principles, though many are still struggling to walk the proverbial walk at senior levels.

Paying lip service?

"More stringent regulation and new UK legislation with a wider net are two reasons this issue is moving up the corporate agenda. A further motivating factor is that organisations will gain competitive advantage by strengthening the organisation's value and goodwill with investors and customers through the building of integrity and trust."

The report questions whether organisations are paying only lip service to ethical behaviours or whether they are effectively measuring and reporting on the ability of the organisation and employees to act with integrity.

The issue is all the more relevant with the Ministry of Justice soon to publish the 'adequate procedures' companies will need to demonstrate, if they are not to be caught by the new Bribery Act. The Act has powers to hold management liable for abuses within their own businesses, sales channels or supply chains.

CEO is seen as the primary custodian of culture

Elsewhere, the report finds that the CEO is seen as the primary custodian of culture in a business, followed by heads of finance, chairmen and heads of human resources. It also ranks the relative importance of elements that make for and ethical business culture. 'Consistent and frequent messaging' and 'oversight and monitoring of decision making' are seen as two of the most important areas, yet both these see the biggest perceived shortfall in management performance.

Companies are responding to ethical breaches on different levels though performance here is still uneven. Some 65% of respondents said their organisations had issued warnings or reprimands when unethical behaviour had come to light; 57% had dismissed individuals and 27% had terminated a business relationship.

The report covers ten key areas including measurement of ethical risk, availability and effectiveness of training and development and internal help mechanisms.

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