

## Business Ethics in the News 2020

This briefing provides an overview of the ethical concerns and lapses that were recorded by the IBE in its monitoring of media coverage in 2020.<sup>1</sup> It shows which sectors and issues related to business ethics were most covered in the news. For 2020, we have recorded a total of 351 different stories involving lapses of companies with a UK presence. The box below contains some of the key findings from this year.

- The number of lapses recorded in the 'Treatment of Customers' category has doubled compared to 2019.
- For the first time in the history of this annual briefing, Banking and Finance is not the most cited sector, losing the top spot to Technology.
- The same 3 categories (Behaviour and Culture, Treatment of Employees and Diversity and Discrimination) make up the top 3 this year as in 2019.
- Just like in 2019, Sustainability was the only category in which more positive than negative stories were recorded.
- The Health and Pharmaceuticals sector featured heavily, with more than four times as many lapses as 2019 recorded.

While this briefing does not give detailed information about the severity of ethical lapses in the business community, it does provide an indication about the sectors which were most cited, and the nature and frequency of the ethical issues concerned. Figures 1 and 2 summarise the main findings. The vast majority of the news stories recorded focus on negative corporate behaviour, and these stories form the basis of this briefing. However, as some good news stories about businesses' handling of ethical issues do occur, a short section at the end of the briefing offers more information about the positive stories we recorded. 64 positive stories were recorded this year.

### Lapses by Sector

In 2020, the highest number of ethical lapses was recorded in the **technology** sector (56 stories),

followed by the **banking and finance** sector (53 stories), and the **general retailers and consumer goods** sector (43 stories). Collectively, these three sectors account for 43.3% of the total number of lapses recorded.

The main 'growth' sector for reported misconduct was **general retailers and consumer goods**, where there was a marked increase in the number of lapses recorded (43 stories, up from 26 stories in 2019). Many of the stories in this sector involved businesses attempting to pass the costs of the pandemic on to their employees and/or customers. The sector ousted **support and professional services** from the top 3 this year. Figure 1 below shows the number of ethical lapses recorded by sector. The chart includes the top 9 sectors.

Figure 1 **Most reported ethical lapses in 2020 by sector**



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<sup>1</sup> An explanation of our methodology and categorisation can be found in Box 2 on page 6.

## TECHNOLOGY

In first place on this year's list is the **technology** sector, knocking **banking and finance** down to second place. The most common issue area in this sector was **data protection and privacy**, which accounted for 23% (13 out of 56) of the stories recorded about the sector. This is a slightly lower proportion than in 2019, when data protection and privacy stories accounted for 27% of the lapses recorded in the technology sector.

Aside from this most common issue, lapses in the sector related to a wide variety of topics. We recorded 9 stories on **treatment of employees**, while **behaviour and culture**, **advertising and marketing practices**, and **diversity and discrimination** all saw 5 stories each. Stories relating to **tax** appeared 4 times. Consistent with the findings of previous years, a small number of tech firms appeared repeatedly in our research, featuring in stories across multiple areas of ethical concern.

## BANKING AND FINANCE

This year, the **banking and finance** sector loses its position at the top of the list for most ethical lapses recorded, logging a total of 53 stories, down from 65 in 2019. This is the first time in the history of this briefing that the sector has not topped the list. These 53 stories were distributed quite widely across issue categories, rather than dominated by one in particular. However, a few of the most common issue categories in the sector included **behaviour and culture** (10 stories), **money laundering** (9 stories) and **diversity and discrimination** (7 stories).

These were also the three most common issues in the sector in 2019's analysis. The sector covers a wide range of businesses from major international commercial banks to small investment management firms. This year we recorded just two stories about **executive remuneration** in the sector, down from 4 in 2019.

## GENERAL RETAILERS AND CONSUMER GOODS

The **general retail and consumer goods** category has risen to third place in 2020, after sitting in fourth

place in 2019. This follows a jump from eighth place in 2018 to fourth in 2019. It should be noted that although the sector only moved up one place in the rankings this year, the actual number of stories grew significantly, from 26 in 2019 to 43 this year.

The sector was not characterised by an overwhelming abundance of stories about a particular issue, although **treatment of employees** tops the list with 12 stories, closely followed by **behaviour and culture** (10 stories). After these two issues, **product quality and safety** and **diversity and discrimination** came next, both appearing 5 times. Many issue areas appeared in the findings just once, twice or three times.

The retail sector has been particularly heavily affected by the COVID-19 pandemic. Many of the stories we recorded involving businesses in this sector related to cost cutting through worsening working conditions, abuse of public money designed to support firms through the pandemic, and attempts to pass on costs to customers and employees. Other stories involve misguided attempts to comply with restrictions which led to backlash, for example designating period products as 'non-essential', making them off limits to customers who need them.

## FOOD AND BEVERAGE

The **food and beverage** sector occupies fourth place in this year's research, with a total of 27 ethical concerns and lapses recorded. In 2019, the sector sat in fifth place with 20 stories in total. The issue that affected the sector most of all this year was **product quality and safety**. We recorded 7 stories of this nature. **Treatment of employees** featured on 4 occasions, followed by **treatment of customers**, **diversity and discrimination** and **executive remuneration** (3 stories each). Many issues appeared just once in our log of stories in the food and beverage sector, including **sustainability** and **fraud/theft**.

The stories we recorded encompassed ethical lapses at various stages in food and beverage supply chains, from raw ingredient producers all the way through to consumers.

## OTHER SECTORS

This year, fifth place was shared by two categories (**health and pharmaceuticals** and **leisure, sport, and travel**), with 23 stories each. In **health and pharmaceuticals**, the most common issue category was **treatment of employees** (5 stories), followed by **whistleblowing/speak up, bribery and corruption**, and **behaviour and culture**, all of which appeared in 3 stories. In 2019, the closest comparable category, 'pharmaceuticals and biotech' (we made some changes to our sector categories this year) featured in just 5 stories. Given the COVID-19 pandemic and the associated media attention, it is unsurprising that the number of stories we recorded relating to healthcare and pharmaceuticals has more than quadrupled.

The other sector in joint fifth place with 23 stories, **leisure, sport and travel**, featured 9 stories on **treatment of customers**, 5 stories on **treatment of employees**, and 4 stories on **data protection and privacy**. A majority of the stories on **treatment of customers** involved refusal by businesses to disburse refunds for flights, concert tickets and other events, sometimes until forced to do so by regulators or the courts.

The **support and professional services** sector was the next most-cited sector with a total of 22 stories. This is a significant decrease from the 33 stories we recorded last year, which placed the sector third in 2019. Within the sector, **behaviour and culture** was the most prevalent lapse category, appearing 7 times, followed by **product quality and safety** (4 stories). The remainder of the stories were made up of many different issue categories appearing just once or twice.

We also recorded 12 stories which we categorised as affecting **various sectors** because their scope was not confined to one sector or company. 3 of these 12 were on the topic of **treatment of employees**, while **diversity and discrimination** and **fraud/theft** appeared twice each. Among the sectors least mentioned in reporting on ethical lapses were **NGOs and charities**, with just one story recorded, **media and communications** (2 stories) and **transport and logistics** (2 stories).

## Issues of Concern

Irrespective of sector, the biggest issues of concern in 2020 were those relating to **behaviour and culture** (55 stories), **treatment of employees** (50 stories) and **diversity and discrimination** (35 stories). These three categories also made up the top 3 last year, but 2<sup>nd</sup> and 3<sup>rd</sup> place have switched. Collectively, well over a third (39.9%) of the total number of lapses recorded were related to these issues. See Figure 2 for more data on the number of lapses categorised by issue area.

Within the **behaviour and culture** category, the most affected sectors were **banking and finance** and **general retailers and consumer goods** (10 stories each), followed by **support and professional services** (7 stories), although almost all sectors appeared at least once. Stories logged in this category involved a range of issues, such as sexual harassment, bullying, misuse of public money, brand association with controversial or offensive figures, and the promotion of socially harmful business activities behind closed doors.

### Box 1 – Behaviour and culture

Corporate culture is a term that is used to describe the way people behave toward those with whom they have dealings inside or outside an organisation. The term refers to the type of behaviours which a company will promote and encourage and those that it will not tolerate. The determination of such behaviour depends to a great extent on the values set and practised by the Board and senior management, which are subsequently cascaded down through the organisation. It is in effect the way ethical values of the organisation are applied in all internal and external relations.

A weak or unethical corporate culture, as indicated by stories about lapses in the behaviour and culture category, is likely to feed into other ethical problems such as fraud, money laundering, and mistreatment of employees or customers. By committing to ensure a strong culture of ethical values and behaviour, organisations may also insulate themselves from other ethical lapses and the associated reputational damage.

The second largest category this year was **treatment of employees**, which placed third in last year’s analysis. The category logged 50 stories this year and 39 in 2019. The sector most affected was **general retailers and consumer goods** (12 stories), followed by **technology**, (9 stories). Technology was first in 2019 with 6 stories, while general retailers were second with 5 stories. Issues covered by stories in this category included spying on employees, forcing massive pay cuts, and lack of protection against COVID-19.

The third largest category in 2020 was **diversity and discrimination**. The total number of stories recorded in the category this year is 35, down from 46 last year. The most affected sector was **banking and finance** with 7 stories logged, followed by **technology** and **general retailers and consumer goods** (5 stories each). Stories in this category covered instances of discrimination or mistreatment according to race, gender, sexual orientation, age, religion, or other demographic categories.

This year, **product quality and safety** and **treatment of customers** share fourth place. We recorded 28 stories in both categories. The number of stories in the **treatment of customers** category doubled from 14 in 2019, taking it from joint tenth to joint fourth. Incidents in this area were recorded across a

variety of sectors, but **leisure, sport and travel** (9 stories) was most affected, followed by **banking and finance** (6 stories). Typically, stories in this category involved businesses trying to offload their pandemic-related costs onto customers, particularly through withholding refunds, often until forced by courts or regulators to pay out.

In **product safety and quality**, the sectors with the most stories were **food and beverage** (7), **general retailers and consumer goods** (5) and **support and professional services** (4). Stories in this sector typically involved firms issuing recalls for unsafe products, as well as cases of negligence or incompetence leading to harm to individuals and large-scale waste of public money.

The next largest category, **data protection and privacy**, featured 26 stories, slightly higher than 24 stories in 2019. Perhaps unsurprisingly, this category was dominated by the **technology** sector, which with 13 lapses recorded accounts for exactly half the stories logged. **Leisure, sport and travel** appeared 4 times in this category.

Figure 2 below shows the most reported ethical lapses sorted by issue category. The chart includes the top 10 categories.

Figure 2 **Most reported ethical lapses in 2020 by issue**



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## Positive Stories

While monitoring the media for stories on unethical business practices, the IBE also notes mentions of positive progress on ethical issues in business. In 2020, a total of 64 stories featuring positive action by businesses to address ethical issues were captured. A total of 30 of these 64, or just under half, were in the **sustainability** category. These stories mostly involved companies making changes to their supply chain to reduce waste, divesting from fossil fuels, or setting hard targets to achieve carbon neutrality. Others featured initiatives to buy back used products for recycling, or investing heavily in developing sustainable alternatives to existing products, notably in the **food and beverage** sector. **Sustainability** was also the only issue category in which there were more positive stories than negative stories recorded. This was also the case in 2019.

Another 16 of the positive stories we recorded were in the **behaviour and culture** category. Many of these stories involved Corporate Social Responsibility (CSR) initiatives to help the communities in which businesses operate, particularly in regard to the COVID-19 pandemic. Examples included donating to local schools, food drives and other charitable causes. Combining the two largest issue categories accounts for almost three quarters of the positive stories we recorded.

Breaking down the positive stories by sector, we found that the **food and beverage** sector featured most often with 15 stories. The sector also topped the positive stories in 2019. Next are the **general industrials and utilities** and **general retailers and consumer goods** sectors, which both logged 10 stories. The former enjoys a much better ratio of positive to negative stories, with just 11 lapses captured in our monitoring, while the latter logged 43 lapses along with its 10 positive stories.

Some sectors, such as the **aerospace and defence** and **casinos and gambling** sectors, did not feature at all in the positive stories we recorded in our media monitoring.

## Conclusions

In 2020, the **banking and finance** sector fell off the top of the list for most lapses by sector for the first time since we began publishing these annual briefings in 2016. **Technology** took the top spot this year in its place, with **general retailers and consumer goods** ranking 3<sup>rd</sup>. The top 3 issue categories this year were **behaviour and culture, treatment of employees, and diversity and discrimination**.

Much like in 2019, the number of lapses we recorded vastly outstrips the number of positive stories (with the exception of the sustainability category, again mirroring 2019's results). This gap can be attributed partly to the nature of news reporting, but it also tells us that many businesses are struggling to maintain high ethical standards.

2020 has been an unusual year in many regards. Two of the biggest changes in our findings this year have been in the categories **treatment of customers** (doubled from 14 stories in 2019 to 28 this year) and **treatment of employees** (27 stories in 2019, 43 this year). In both instances, the bulk of these large increases can be attributed to businesses attempting to pass on the costs of the pandemic and the associated economic downturn to their employees and customers.

**Health and pharmaceuticals** also featured heavily, with 23 lapses recorded this year. This is more than four times the number we recorded for a similarly named category in 2019.

Forthcoming IBE research indicates that levels of trust in business among the British public have risen slightly over the past year. In 2019, 57% of respondents believed business generally behaves ethically. In 2020, the figure is 59%. The full findings of the IBE's annual Attitudes Survey for 2020 will be available on the IBE website from the end of December.

### Box 2 – Methodology

We track a restricted sample of media outlets, focusing primarily on the main UK and international newspapers and other sources that are likely to carry business ethics stories. It is possible that some stories are missed if they are only covered in other media outlets. Further, media outlets tend to have biases and priorities of their own, which in turn affects the stories they choose to investigate and report. Our report is based on qualitative analysis of the stories that we have identified during 2020.

The methodology has evolved over the years as debate about business ethics has developed. Last year we included an explicit discussion of positive stories for the first time. We have retained this section for 2020. It should also be noted that our categorisation system this year is subject to some changes compared to that used in 2019. Some less common issues or sectors which did not feature heavily have been absorbed into larger, related categories. For example, **mis-selling** has been subsumed into **advertising and marketing practices**, while the **textiles** sector, which previously had a separate category, is treated as part of **general retailers and consumer goods** this year.



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