



**SAICA**  
THE SOUTH AFRICAN INSTITUTE  
OF CHARTERED ACCOUNTANTS

**Ethics**  
Monitor

**Does being ethical make  
good business sense?**

**Cynthia Schoeman**  
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- WHAT: Exploring the key facets of the topic
- SO WHAT: The relevance and impact
- NOW WHAT: Learnings, insights and actions

Does being  
ethical make good  
business sense?

# Recognising the context

context  
matters.

just  
saying.

TRANSNET



OAKBAY  
INVESTMENTS (PTY) LTD.

STEINHOFF  
INTERNATIONAL HOLDINGS N.V.



FREE STATE PROVINCE



vbs  
mutual bank



## QUESTIONS FOR REFLECTION

**What is the dominant approach to ethics in South Africa among the private sector?**

- If it's not illegal, it's okay
- If you can get away with it, it's okay
- A minimalist tick-box approach
- An inclusive approach that strives to be ethical to all stakeholders

Doing 'good' for regulatory  
reasons  $\neq$  being ethical

Being ethical  $>$  compliance



# Ethical maturity

I LIKE  
CARROTS!

I PREFER  
STICKS!



VALUES

RULES



# Does ethics make good 'business' sense beyond private sector organisations?



- Public sector
- NPOs and NGOs
- Individuals, Leaders and Professionals



# Being ethical enhances or erodes **Ethics Monitor** one's personal brand and reputation



**“No matter what the odds, never gamble  
on something you can’t afford to lose.”**

Sean Peche quoted in BizNews, 15.10.2021

What's the value or  
benefit of ethics  
for business?

## QUESTIONS FOR REFLECTION

### What's the primary value of ethics?

- Minimizes the risk of ethical failure
- Builds an ethical culture
- Strengthens client loyalty and retention
- Enhances the company's reputation
- Reduces the risk of damaged stakeholder relationships

# Ethics minimizes the risk of ethical failure and the negative costs and consequences

Damaged stakeholder relationships
Reputational damage
Fines   Financial loss
Directors' legal liability   Leaders jailed
Positions lost   Employment terminated
Business closure

# The benefits of being ethical

Sounds levels of individual accountability

Attracting & retaining top staff & board members

Improved employee engagement & commitment

Enhanced customer loyalty & stakeholder support

Less need for policing & avoidance of excessive regulation

Improved risk management

Reduced cost of capital & easier access to capital

Enhanced brand equity & reputation

Greater trust

# Complementary factor

Internal and external stakeholders increasingly expect (demand?) that organisations act ethically



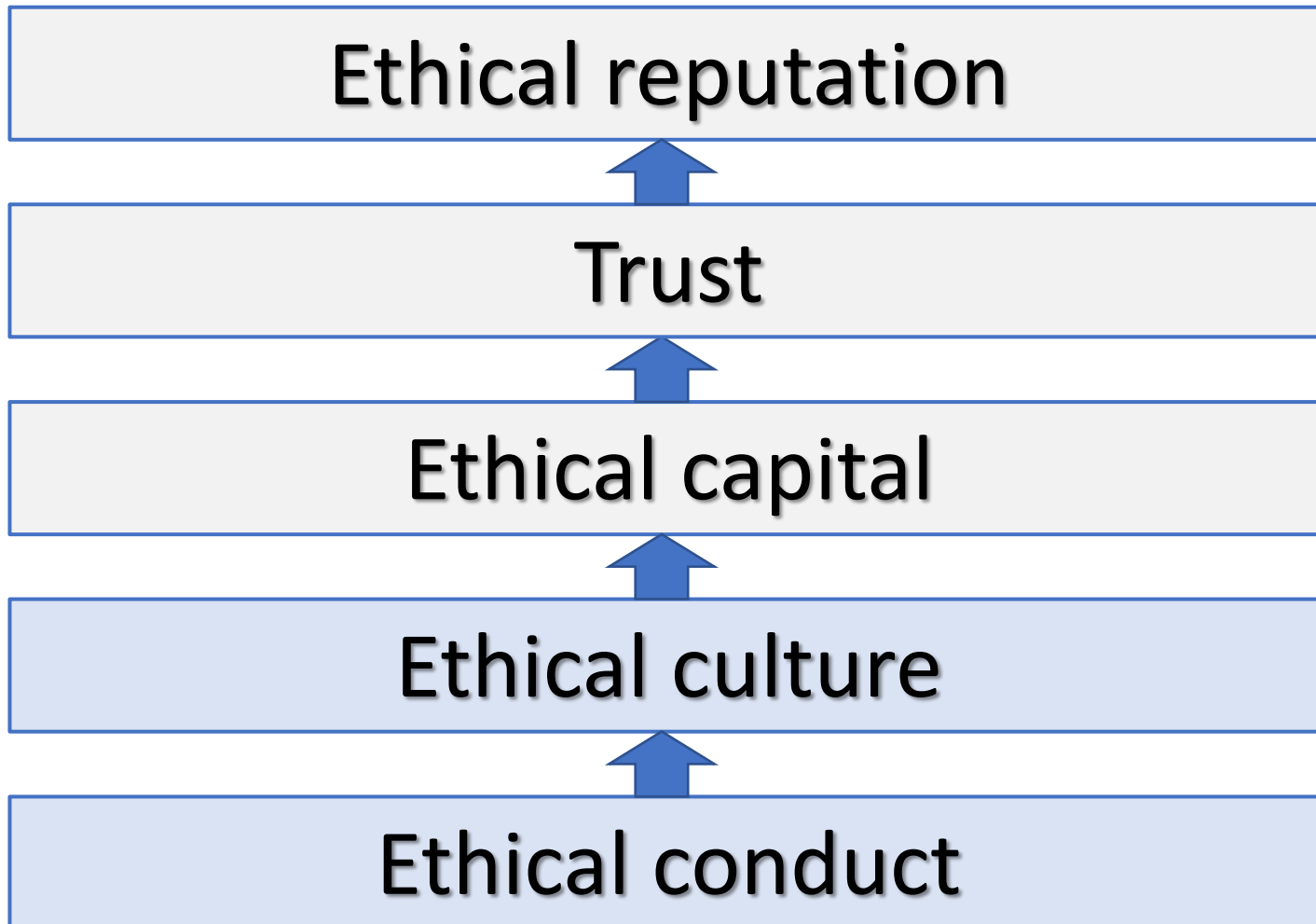
# ROI and the value of ethics

Return on integrity = Ethical capital





# Ethical capital: action to results



# Ethical capital

A valuable long-term asset.

An asset that cannot be bought,  
sold, traded or delegated.  
It must be lived to be earned.

An intangible asset that increases  
in value over time.

# Integrated reporting and the

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## 6 Capitals model

1. Financial capital
2. Human capital
3. Manufactured capital
4. Intellectual capital
5. Social and relationship capital
6. Natural capital

## 7 Capitals model

7. Ethical capital

# Trust is core to success in a trust-based profession



## QUESTIONS FOR REFLECTION

What are the primary factors acting against being ethical?

- Corruption: “Everyone is doing it”
- Corruption: “If you can’t beat them, join them”
- Minimal consequences
- Low levels of accountability
- Lack of ethical role models

# Factors working against the view that ethics make good sense



High incidence  
of high profile  
misconduct

Low risk of  
consequences

Low levels of  
accountability

# What's the impact?

**Corruption has increased  
the value of ethics**



But ....  
Important issues  
for considerations

❑ If ethics is so valuable, what value is placed on it internally?



"Hold these. I have to go back for my wife"

# ❑ How far would your company go to uphold ethics?

Rustenburg Platinum Mine vs Meyer Bester  
April 2013 to May 2018



❑ What constitutes “good” in  
“making good business sense”?  
Profitable or ethical?



“Doing good is good for business” depends  
on what the company defines as “success”



# ❑ When does ethics matter enough to act against misconduct?

Jeremy Clarkson  
BBC Top Gear  
Oct 2002 - March 2015  
350m viewers per week  
£150m annual revenue

But, does money  
speak louder than  
ethics?



# ❑ How far does ethics extend?

How inclusive is the company's ethical boundary?

## **Supply chain ethics:**

Customers increasingly expect the working conditions where their products are made or sourced to be ethical.

❑ What if being ethical does not add value or deliver a benefit?

What if it incurs  
a cost?










Ethics as an end in itself or as a means to an end can give rise to very different outcomes

Ethical dilemmas will be shaped by whether ethics is non-negotiable or conditional

# Learnings, insights and actions



# Consider the following as imperatives to give effect to being ethical:

-  Ethics as a primary organisational goal with a supporting ethics strategy
-  Ethical leadership
-  Effective ethics management
-  Regular awareness and learning interventions
-  Regular ethics assessment and reporting

## Key question:

What's your company's ethical status and how is it perceived?

If your company's ethical status is not clear to your stakeholders, it becomes more vulnerable to the ripple effects of other ethical breaches, such as industry ethical failures.

# Managing ethical conduct and ethical perceptions

Being ethical  $\neq$  seen as being ethical

Ethical ..... Neutral ..... Unethical

What do you do that makes your ethics visible to your stakeholders?

# CONCLUSION



# Ethics makes great business sense, but ...

Name just three organisations ...



**Ethics matters a lot and it can  
make a huge difference**



**What difference do you and  
your organisation make?**

# Thank you

Cynthia Schoeman