CIMA

Chartered Institute of
Management Accountants

Acting under pressure

How management accountants manage ethical issues

In this focus report we highlight the different areas where management accountants may experience pressure in the workplace set against the wider ethical environment, as well as exploring in more detail the context of five CIMA markets. Our findings affirm that a transparent operating culture, support from management and compliance with both local and international regulations and norms, are necessary for effective business operations.

Focus report – August 2012

About CIMA

CIMA, the Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of management accountants, with 195,000 members and students operating in 176 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers, and sponsors leading edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders.

CIMA is committed to upholding the highest ethical and professional standards of members and students, and to maintaining public confidence in management accountancy. Details of CIMA's activities on standards and ethics can be found at **www.cimaglobal.com/ethics**

High ethical and professional standards are an integral part of the CIMA qualification.

Contents

Introduction

In this focus report we highlight the different areas where management accountants might experience pressure in the workplace, set against the wider ethical environment, as well as exploring in more detail the context of five CIMA markets.

It draws from the survey used for a recent CGMA report[1] and is also a follow up to a CIMA report from 2008, based on methodology from the Institute of Business Ethics[2].

In the 2012 CGMA survey and report, we found that despite

- an increase in codes of ethics and related initiatives setting an ethical tone within an organisation;
- the belief that the senior management team acts ethically and line managers encourage honesty and ethical behaviour; and
- the majority of management accountants recognising they have a role to uphold ethical standards

there was also a reported increase in pressures to compromise standards of ethical business conduct.

The CGMA survey explored not only the importance placed on business ethics, ethical performance and ethical management within organisations around the world, but also looked at the specific role played and challenges faced by those in the finance function.

This supplementary CIMA report draws on the CGMA survey responses of the 1,760 CIMA members[3] and students. They represented over 80 markets and worked in a range of finance functions from analyst to chief financial officer. Findings from nine markets that had the highest response rates are highlighted.

In addition, focus groups, involving members and students, were held in several CIMA markets - the United Kingdom, Malaysia, Pakistan, Sri Lanka and South Africa. Each group explored a common ethical scenario, with the findings identifying the potential challenges that could be faced locally and how those in the finance function can respond.

The CGMA report looked at the ethical culture of organisations, as well as the ways that management accountants are contributing to create an ethical environment, not only in upholding their code but in collecting, analysing and reporting on ethical information. With the rise of integrated reporting, management accountants have very specific roles to play in this development. The findings from our focus groups affirm that the overall operating culture, support from management, and transparent operations complying with both local and international regulations and norms, are essential to support responsible business.

Definitions

Responsible business:

- Is about an organisation's commitment to operating in a way that is economically, socially and environmentally sustainable.
- Is about ensuring this prevails while still upholding the interests of its various stakeholder groups.

Business ethics, in the context of this report:

- The application of values, such as integrity, fairness, respect and openness, to organisational behaviour.
- Apply to all strategic and operational aspects of business conduct, including sales and marketing techniques, accounting practices and the treatment of suppliers, employees and customers.
- May also be referred to as business principles and are usually set out in a code of ethics or similar policy document.

Ethical performance:

- The extent to which an organisation's behaviour aligns with its stated ethical values and commitments

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1   Managing Responsible Business – A global survey on business ethics, CGMA, 2012

2   Managing Responsible Business, CIMA, 2008

3   The CGMA report additionally included 228 responses from AICPA members

Ethical management information:

- Allows an assessment of the organisation's ethical performance, such as efficacy of relevant policies and procedures, occurrence of breaches of relevant policies or codes, stakeholder opinion and other metrics.

- May include specific ethics information, such as the number of employees attending ethics training or calls to an ethics helpline, as well as routine management and risk information

- Will often originate from multiple sources within the business, and can be either quantitative or qualitative.
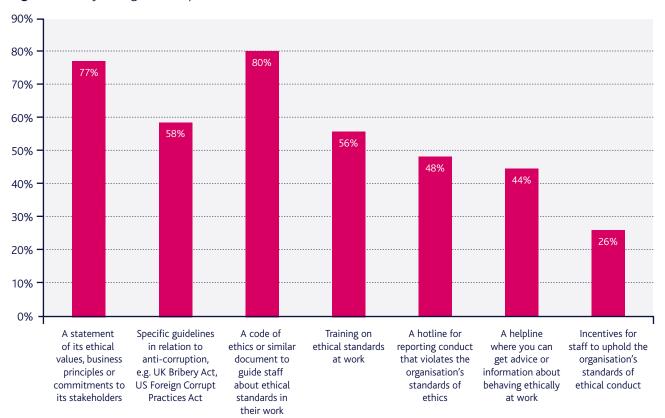
Integrated reporting:

- A developing approach to corporate reporting, based on both financial and non-financial information, which demonstrates the linkages between an organisation's strategy, governance and financial performance and the social, environmental and economic context within which it operates.

See **www.theiirc.org**

Codes, conduct and commitment

Our survey research showed that the majority of respondents perceive their organisations as ethical. In all markets there seems to be both an increase and a greater emphasis on statements and messaging around ethics as well as supporting activities (see Figure 1).

Figure 1: Does your organisation provide…?

Base: 1,760 respondents

Globally we found that 80% of organisations have codes of ethics – with a high in India of 84.4% – showing the growing importance of guidelines and policies to encourage ethical behaviour (see Figure 2).

Figure 2: Does your organisation provide a code of ethics or similar document to guide staff about ethical standards in their work?

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Yes	80%	75%	84%	82%	79%	74%	74%	77%	79%	84%

Base: 1,760

A majority of respondents (73%) also feel that their senior management sets a good example for ethical business behaviour, as well as two in three agreeing that their line manager emphasises the importance of honesty and ethics. Globally, 70% stated that their organisation disciplines those who violate ethical standards (see Figure 3).

Figure 3: My organisation disciplines employees who violate the organisation's ethical standards

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Yes	70%	56.%	78%	59%	71%	70%	71%	74%	57%	84%

Base: 1,760

Over half, 58%, of respondents indicated that their organisations have specific guidelines in relation to anti-corruption. This was highest in the United Kingdom at 69%, reflecting the impact of the recently introduced UK Bribery Act[4] (see Figure 4).

There were significant disparities between markets in terms of the provision of hotlines for reporting unethical conduct. Just under half (48%) knew that their organisation had a hotline and nearly one in ten were unsure if their organisation had one. This could indicate inadequate promotion of hotlines and a lack of internal awareness on how to access or use them (see Figure 5).

Figure 4: Does your organisation provide specific guidelines in relation to anti-corruption, e.g. UK Bribery Act, US Foreign Corrupt Practices Act?

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,021	36	39	81	37	13	88	39	200	27
Yes	58%	51%	51%	61%	42%	30%	60%	43%	69%	49%
No	31%	38%	25%	30%	49%	51%	28%	39%	23%	42%
Don't know	11%	11%	25%	9%	9%	19%	12%	18%	7%	9%

Base: 1,021

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4   See UK Bribery Act, seminar, survey and guidance **www.cimaglobal.com/bribery**

Figure 5: Does your organisation provide a hotline for reporting conduct that violates the organisation's standards of ethics?
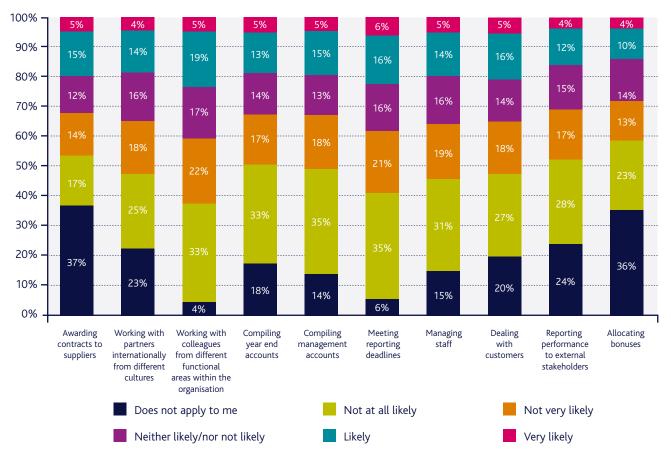
	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Yes	48%	44%	53%	48%	46%	19%	55%	34%	51%	22%
No	43%	47%	36%	46%	47%	70%	39%	57%	36%	76%
Don't know	9%	10%	10%	7%	7%	12%	5%	9%	13%	2%

Base: 1,760

Pressure points

Despite these positive signs of ethical support and guidance within organisations there are still, for a minority, recognised pressures within the business to act unethically. The survey explored specific situations at work that created pressures on finance professionals to act unethically, how they personally felt pressured by management and colleagues, as well as any influence exerted by the overall economic climate. Figure 6 below outlines a range of situations that management accountants are likely to be involved in and rates the likelihood of pressure to compromise ethical business standards.

Figure 6: How likely are the following situations to result in pressure on you to compromise your organisation's standards of ethical business conduct?

Base: 1,760 respondents

Pressures to compromise an organisation's standards of ethical conduct range across markets and are most likely in some emerging economies (see Figure 7 below). It is also in these markets that we saw an increase in the provision of codes and policies which we believe over time will encourage improved ethical practice.

Working with colleagues from different functional areas is highlighted as a situation where most pressure is likely to occur, with nearly one in four respondents acknowledging potential for this challenge. CIMA's "Fact or Fiction" series on independence and business partnering[5] highlights how important the role of the management accountant is in this regard and how specific skills in challenging and upholding integrity are highly valued in the finance function. This in turn may impact on pressures to compromise standards on end of year accounts and on management accounts. There are many demands within business, to make deadlines, to ensure targets are achieved and to ensure that forecasts are met. It is in these situations that professional management accountants should turn to their Code of Ethics to guide them in doing the right thing and not to feel pressured to undermine the integrity of the numbers. These issues were explored further in the focus group feedback featured later in this report, as well as suggestions for safeguards.

Figure 7: How likely are the following situations to result in pressure on you to compromise your organisation's standards of ethical business conduct?

a) Working with colleagues from different functional areas within the organisation

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Likely and very likely	24%	14%	42%	13%	45%	33%	22%	41%	10%	35%

Base: 1,760

b) Compiling year end accounts

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Likely and very likely	18%	13%	36%	5%	35%	40%	13%	38%	8%	24%

Base: 1,760

c) Compiling management accounts

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Likely and very likely	20%	16%	40%	6%	33%	33%	14%	39%	12%	24%

Base: 1,760

d) Meeting reporting deadlines

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Likely and very likely	22%	17%	46%	9%	44%	30%	18%	34%	10%	31%

Base: 1,760

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5   Fact or Fiction? The independent business partner, CIMA, 2011 (Europe, Asia)

e) Allocating bonuses

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Likely and very likely	14%	13%	26%	5%	20%	26%	11%	30%	6%	20%

Base: 1,760

Role of the management accountant

CIMA members and students (those at strategic level and close to qualifying) clearly recognise their role in encouraging ethical conduct, with a significant majority, 83%, contributing to the management of their organisation's ethical performance. Of these, over one in four (26%) see it as a major part of their role (see Figure 8). For the students it was a slightly higher percentage than members, at 27% vs 24%, who viewed it that way. It might be that these individuals have a personal commitment to the agenda.
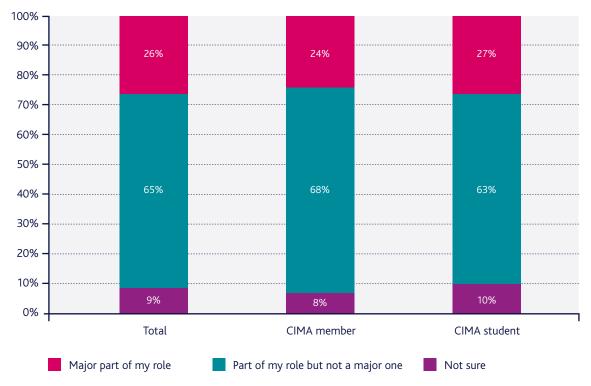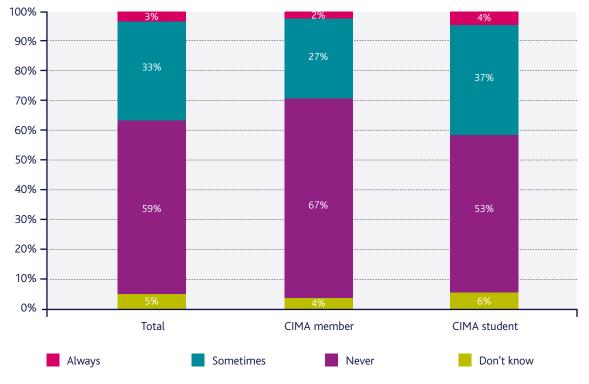
Figure 8: To what extent is managing your organisation's performance a part of your role now?

Base: 1,463 respondents

Yet it is also CIMA students who are more likely to feel under pressure from colleagues or managers to compromise their organisation's standards of ethical business conduct (see Figure 9), with over one in three regularly feeling pressured in this way. It may be that their position in the company, and the dominance of other executives above them, puts them at a disadvantage. This is why it is critical that management accountants, at any level, develop the confidence and strength to push back, to offer alternative solutions and to refer to guiding codes, policies and regulations in order to mitigate risk and steer the business to long-term success. Support to those developing their careers in this regard is key.

Figure 9: Do you ever feel under pressure from your colleagues or manager to compromise your organisation's standards of ethical business conduct?

Always   Sometimes   Never   Don't know

Base: 1,760 respondents

Of more concern is that nearly twice the number of students, against members, have observed conduct that violated their organisational ethical standards.[6] This might suggest that such action is more hidden from senior members of staff, or more pressure is exerted on middle management who need to develop the confidence and interpersonal skills to resist (see Figure 10). In the CIMA report "Fact or Fiction"[7] we highlight the importance of developing both influencing and leadership skills in this regard. Having a trusted mentor as well as being able to report up the finance function, if they are working with other functional colleagues, is an example of support for individuals developing their career and skills. Experienced members should always look to support and develop those within their team. An open and transparent working environment that encourages "speaking up" and business improvement is also key.

Figure 10: In your current role, have you personally observed conduct that violated organisational ethical standards, policy, or the law in the last 12 months?

Yes

Base: 1,760 respondents

The results showed it was more likely to be members that reported, at 79% against 66% of students. Despite the majority of respondents reporting an ethical violation, the student population seemed to feel more at risk of reporting.

6   Organisational ethical standards could cover a range of internal policies and range from formal regulation and legal issues, to employee handbooks or corporate responsibility principles
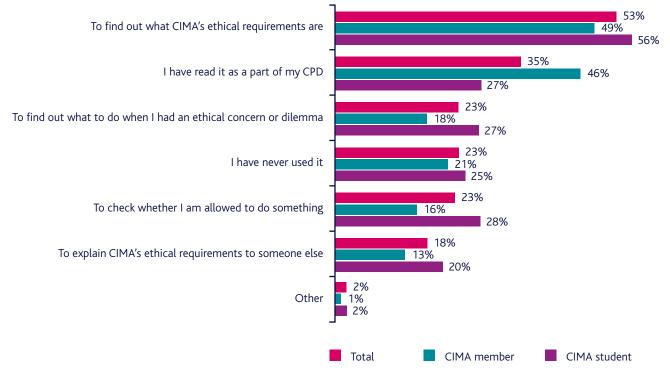
7   Fact or Fiction: the independent business partner, CIMA, 2011

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For the minority who didn't report a violation the main reason was thinking that reporting would not make a difference – highlighting the importance to have "tone from the top" and for companies to "walk the talk". It also highlights that the ethical statements, codes and policies that the majority of companies have in place may in some situations be out of step with practice. Respondents from South Asia had a particular fear of repercussions, such as threats to job security, with 20% in India, Pakistan and Sri Lanka being wary of speaking up.

This may reflect less embedded or actionable labour laws projecting employee rights, as well as the wider regulatory and legal frameworks that are operable. The external constraints and pressures within the wider operating environment should also be taken into account. A number of markets reviewed are ranked on Transparency International's Corruption Perceptions Index[8] as low. Of markets we have highlighted, where a very clean market score is 10, Sri Lanka, Zambia, India and Pakistan all rank 3.3 and under. This ranking, based on perceived levels of public sector corruption around the world, is often used to evaluate business operating environments and assist with country risk assessments. For companies operating in markets that are perceived as highly corrupt there are inevitably many more threats to ethical performance, despite all good intention at corporate level. An increase in collective action – companies joining together to take a joint stand against unethical practices – has been seen to make a difference in some cases. This is an approach that the United Nations Global Compact[9], among others, advocates.

The CIMA Code of Ethics is the basis for a management accountant's professional behaviour and is a resource which can be used in a number of ways. It serves to help guide students and members in relation to an ethical dilemma. Nearly a quarter have used it in this way, and furthermore nearly one in five have used it to explain CIMA's ethical requirements to someone else (see Figure 11). This illustrates how respondents are contributing directly to creating a more ethical environment by sharing learning and best practice.

Figure 11: CIMA has its own Code of Ethics that applies to all members/students. Have you used the Code of Ethics in any of the following ways?

Base: 1,760 respondents

We found that globally over 80% of respondents agreed that business has an obligation to help address global issues such as climate change and poverty (see Figure 12). Students' responses to this were higher with nearly 40% agreeing strongly. Not surprisingly, in many of the emerging markets agreement with the statement was highest – given that many of the issues related to inequality are more evident in these countries. Companies are increasingly expected to act in the interests of the wider community – not only in relation to reputation, but, importantly, in the long-term interests of the business, its investors, employees and customer expectations.[10]

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8 Corruption Perceptions Index 2011, Transparency International, 2011, **www.transparency.org**
9 See various initiatives on United Nations Global Compact site, **www.ungc.org**
10 See Rebooting Business: Valuing the Human Dimension, CGMA, 2012

It is no surprise that globally there has been increased focus on the strategic importance of ethics[11] and sustainability[12] in business planning and delivery. Issues such as fighting corruption and addressing resource scarcity are now recognised in many industries as priorities. Business is also having to consider and address issues such as violations of human rights, either in relation to their labour force or by their operation's impact on local communities. By ensuring they act responsibly and addressing key stakeholders' needs it will help to ensure that they have a licence to operate in the eyes of wider society.

Figure 12: I believe business has a moral obligation to help address global issues such as climate change and poverty

Divided by CIMA members and students

	Total	CIMA member	CIMA student
Strongly agree	33%	26%	38%
Agree	49%	51%	47%

Global spread

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,760	71	77	132	89	43	148	90	288	55
Agree	82%	71%	85%	71%	88%	81%	87%	80%	75%	100%

Base: 1,760

CIMA members and students recognise the value in collecting and analysing ethical information, with 66% agreeing that their organisation would benefit (see Figure 13). In some markets there was a sizeable proportion who were not sure. This underlines that further understanding of non-financials is important for management accountants.

Reporting on ethics information would include an assessment of the organisation's ethical performance, such as efficacy of relevant policies and procedures, occurrence of breaches of relevant policies or codes, stakeholder opinion, risk assessments and other metrics. It may also include specific ethics information, such as the number of employees attending ethics training or calls to an ethics helpline, as well as routine management and risk information. Such information will often originate from multiple sources within the business (e.g. human resources, corporate responsibility departments, logistics, compliance), and can be either quantitative or qualitative.

The rise and gradual "norming" of integrated reporting and use of non-financials to measure value means that addressing such issues will become tomorrow's business as usual, rather than the current exception. It appears that most management accountants recognise this, with just a minority, 14%, thinking their organisation would not benefit. Developing relevant skills and helping implement such procedures could also help.

Figure 13: Do you think your organisation would benefit from collecting ethical management information?

	Total	Australia	India	Ireland	Malaysia	Pakistan	South Africa	Sri Lanka	UK	Zambia
Replies	1,107	52	40	101	50	29	92	55	197	38
Yes	66%	62%	78%	47%	78%	79%	73%	87%	44%	97%
No	15%	10%	5%	21%	8%	10%	17%	6%	26%	-
Don't know	20%	29%	16%	33%	14%	10%	10%	7%	30%	3%

Base: 1,107

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11 Ethics into strategy, CIMA, 2010

12 Evolution of Corporate Sustainability Practices, CIMA/AICPA/CICA, 2010

Conclusion

There is a growing recognition of behavioural issues in ethics and governance as an essential complement to codes, policies and legislation.

Increasingly companies worldwide realise they need to take risks to their reputation very seriously if potential crises are not to turn into catastrophes. Negative media coverage and both the rise and power of social media emphasise this – with a direct link to corporate value.

 The challenge of achieving this is not underestimated; it is much harder to bring about genuine behavioural change than it is to establish policies and processes. Despite the increase in pressures to compromise ethical standards and shortcomings in ethical performance management, more organisations are implementing ethical codes and other policies. This is a first step to embedding ethical business practice – both assessing and reporting on ethical information helps highlight what is working, and where there are shortcomings. Organisations need to continually strive towards building ethical businesses, while not losing sight of the very real demands this makes on them.

By strengthening the capacity of organisations to both gather and use non-financial information, by upholding their code of ethics, in addition to regulation and policies, professional management accountants are well placed to contribute to the embedding of an ethical culture.

The survey included a significant response from CIMA students working in business. It is this group whose careers will be framed by the challenges that face us and the urgency of solutions sought. And it is today's leaders who can put emphasis on creating the right ethical environment and culture to facilitate sustainable success.

Technical information on survey

A quantitative survey was undertaken in late 2011 to investigate attitudes to ethical standards among CIMA members and students. Of 1,760 responses, over 60% were CIMA students at strategic level and above. Over 70% worked in private and listed companies; a third (34%) worked in organisations employing over 10,000 staff.

Global focus group findings[13]

Between October 2011 and March 2012 focus groups were held in CIMA offices in five different markets. The focus groups were based on a "dilemma" scenario, to explore the types of pressures management accountants might face and what responses could be put in place in the local environment. Groups ranged in size from four to eight members and students from across a range of industry sectors.

Abbreviated scenario[14]: A CIMA qualified accountant, Sara, has accepted a post in the "focus country" and is moving there to work for a multinational construction and property management company, BZCS (a fictional company). Her role will be as a finance business partner to the project team for the Community Projects Division. Projects include construction of hospitals and smaller healthcare facilities as well as schools and university facilities. She knows the company has a stated code of conduct and is committed to safety and quality. It is also known for getting projects finished on time, and this is often factored into the contracts, with high penalties due. She is also aware of the wide range of stakeholders involved in such high capital projects, from the supply chain to government and community involvement. As she is unfamiliar with the country, she is seeking candid and confidential advice from fellow CIMA members locally on what are the likely threats to ethical conduct, and to the CIMA Code of Ethics, as well as appropriate responses and support available. **Full scenario and focus group outline in Appendix.**

Summary findings

While findings across markets in recognition of pressure points shared much in common, an emphasis on certain aspects of pressure reflected the findings from the overall survey – particularly pressures from both other executives within the business and clients in emerging economies. Participants in each market recognised potential threats to the five principles of CIMA's Code of Ethics - namely integrity, objectivity and professional behaviour as well as confidentiality – not only in how to keep it but when to consider breaking confidentiality in the public interest. The principle of professional competence was also raised and each group made suggestions of when to call on other experts (legal, engineers, risk auditors) and when to escalate (CFO, CEO, board, speak-up lines). Due diligence, ongoing risk assessments and having in place realistic timelines were stated as important, as was building trusted relationships with colleagues, while retaining professional scepticism. All participants saw the operating culture and management support as critical, as well as the careful selection of both suppliers and clients. Each group outlined how the guidance of the code, together with internal policies and wider regulation and legislation, helped to support ethical practice – while ultimately it would be the organisation driving values, and senior management support, that made the difference. This reinforces the need, globally, of the operating culture to reflect ethical practice.

CIMA Code of Ethics

Key principles:

- Integrity
- Objectivity
- Professional Competence and Due Care
- Confidentiality
- Professional Behaviour

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13 These summaries of country discussions represent the personal views of individuals involved in the focus groups and are not the views of companies or countries as a whole. The discussions are intended to equip the reader with increased knowledge of current ethical issues locally faced in business, and as such do not provide a quantitative evaluation of opinion

14 Read the full scenario in Appendix 1

United Kingdom

Organisation has a code of ethics: 79% / global average 80%
Felt pressure to compromise ethical conduct: 18% / global average 36%
I contribute to management of ethical performance: 78% / global average 83%
Managing ethical performance is a major part of my role: 19% / global average 26%
Organisation would benefit from collecting ethical management information: 44% / global average 66%

The group recognised that there would be pressures around limited funding, given that it was public money, and potentially high penalties if a project failed to be delivered on time. With an increasingly competitive environment in light of the economic downturn, pressure to win the contract would be intense, particularly in a tendering situation.

As a newcomer, Sara would need to gain the trust of the team. It would be essential for her to ensure that there were no conflicts of interest from the outset and that governance and checks for the awarding of contracts were in place. With the introduction of the UK Bribery Act, extra vigilance would be required over how contracts were awarded. Offers and acceptance of hospitality and overall relationships with contractors should be regularly reviewed, and practices and policies clearly framed. With limited funding Sara would need to consider how this was being allocated. There may be risks around using cheap or illegal labour, for example. Additionally, with tight timelines, safety and quality issues would need to be kept in check as well as working hours. There could also be a threat to year end reporting and matching progress to the budget. These are potential areas of compromise to ensure that stated objectives agreed with the client were met.

Sara should use not only her organisation's governance and ethical guidelines and policies but also be guided by the CIMA Code of Ethics and seek, as necessary, support from her reporting line and senior management. Creating relationships with her team members as well as line managers is important to enable her to influence colleagues, as well as becoming familiar with the key contacts in the audit or ethics committee to escalate issues if required. Using professional scepticism and reviewing the project objectively as it progresses, asking insightful and probing questions, as well as encouraging discussions and resolving issues in a timely way, will help Sara influence and ensure she can uphold both her professional code and the organisation's ethical standards.

Sri Lanka

Organisation has a code of ethics: 77% / global average 80%
Felt pressure to compromise ethical conduct: 52% / global average 36%
I contribute to management of ethical performance: 91% / global average 83%
Managing ethical performance is a major part of my role: 28% / global average 26%
Organisation would benefit from collecting ethical management information: 87% / global average 66%

With strict deadlines and fixed budgets, there may be issues related to the quality of supplies and raw materials. There may be inadequate transparency in the supplier screening process and incentives used to keep things to time. Both management reporting and performance analysis should be regularly monitored to ensure that there are no irregularities.

Referring to the organisation's quality and ethical standards from the outset would be important and she should ensure her team is familiar with them and their responsibility to uphold them, as well as seeking support from her line management. Documenting negotiations and steps in project implementation and agreeing on workable timelines will aid transparency, as well as having an internal protocol for supplier screening.

Regular quality checks will help Sara to draw up a policy framework with expected issues/problems and work them through with the team, escalating as necessary and considering alternative time plans for projects. A confidential whistleblowing line that management will act on, or that they can escalate to necessary government bodies – such as the Sri Lankan Bribery Commission – should be in place. Having support within BZCS based on its value system was seen as critical, particularly in creating staff awareness and developing attitudes on good practice. If Sara's position is not seen as senior she may be undermined, so she needs to have a clear remit and acknowledged support from the leadership team.

South Africa

Organisation has a code of ethics: 74% / global average 80%
Felt pressure to compromise ethical conduct: 37% / global average 36%
I contribute to management of ethical performance: 86% / global average 83%
Managing ethical performance is a major part of my role: 36% / global average 26%
Organisation would benefit from collecting ethical management information: 73% / global average 66%

The competitive landscape will put pressure on the company not least in relation to the tender process, but also in regard to its relationships with suppliers and sub-contractors. Deadlines may also create risks to health, safety and labour laws, as well as the manipulation of accounts, and potential for bribes. There is the possibility for collusion between staff and sub-contractors, as well as internal pressure to sign off high capital projects without adequate due diligence. There was a recognition of additional challenges for those working within the public sector. Operating across a large geographic area with diverse community needs and different levels of understanding can also create threats to safeguarding practice. Being an outsider, and in some situations a woman, may also create tensions in engaging and influencing others.

An understanding of the working context and building strong relationships with the key contacts and wider team are important. Having regular team meetings, raising best practice, and sharing knowledge, will strengthen commitment. This could include active involvement with union and communication forums, which would add to the non-financial measures of projects. She would need to both understand and use the policies and procedures of the company and wider regulations and codes (e.g. King III[15]) and local laws, as well as reviewing how adequate they have been in the past. This would include reviewing existing tenders for irregularities. Reviewing and testing targets and goals to ensure they are realistic, and establishing and updating a risk register in this regard would be advisable.

Support would come from immediate team and line management, as well as building relationships with legal and technical departments, referring to policies and guidance, and escalating as necessary. There should be regular contact and involvement with the auditor, and a line to the audit committee internally, and a whistleblowing system should be in place. Any specific training on local regulation, labour laws, or other areas that may impact on delivery of the project, would be recommended, if possible together with key members of the wider team or supply chain.

Pakistan

Organisation has a code of ethics: 74% / global average 80%
Felt pressure to compromise ethical conduct: 51% / global average 36%
I contribute to management of ethical performance: 88% / global average 83%
Managing ethical performance is a major part of my role: 13% / global average 26%
Organisation would benefit from collecting ethical management information: 79% / global average 66%

Working to demanding deadlines and strict budgets may impact on the quality of materials and delivery, and pressures on open selection of sub-contractors, so this should be carefully considered. There also may be health and safety risks, and negative effects on labour force. Incentives may be used for meeting deadlines, leading to falsifying of reports or unreliable valuations of work to be done, so they should be risk assessed. Incentives could also include targets for safety, security and transparency to highlight ethical conduct.

The overall operating culture of BZCS is important and Sara should familiarise herself with the code of conduct as well as any related internal policies and local regulation and safeguards. It is important to document and ensure that all requirements are met on the different aspects of the project, such as: safety measures for workers; materials being properly checked; appropriate contractors and workers have been appointed, as this will help mitigate risk. Communication is key, not only internally but also by mapping external stakeholders and engaging them appropriately. It is also important to be open about timelines and the longer-term gains of the project. There should be regular checks on work in progress and updates to wider stakeholders. It is essential to document all progress as well as issues as they arise, and communicate up the line, finding resolutions jointly.

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15 The Third King Report on Governance for South Africa is a ground-breaking code of corporate governance. No other governance code emphasises ethics and citizenship so explicitly and there is a requirement to integrate sustainability with financial reporting. It has influenced reporting globally

Support primarily should come from within the organisation itself and the need for an overall ethical operating environment, clearly supported not only from the headquarters but local leadership. Holding ethical workshops not only for staff but wider stakeholders will help raise issues as well as resolutions. Finally, recruiting staff and contractors on the basis of their professionalism will help embed an ethical operating culture across the project.

Malaysia

Organisation has a code of ethics; 79% / global average 80%
Felt pressure to compromise ethical conduct; 54% / global average 36%
I contribute to management of ethical performance: 81% / global average 83%
Managing ethical performance is a major part of my role: 36% / global average 26%
Organisation would benefit from collecting ethical management information: 78% / global average 66%

During the tender process there may be threats in relation to breaches of confidentiality, insider information and conflicts of interest. Additionally, having to keep to strict deadlines could impact on labour rights, safety and quality issues. There may also be unforeseen issues such as the weather which may impact on schedules. Keeping customers' expectations met around safety, quality and timeliness needs balancing in this regard and regular communication becomes key.

Sara would need to consider what risks there are internally such as pressures from her own peers, or demands from other departments. She would also need to assess her position to influence as well as who else could assist. There should be regular monitoring of the management accounting in regard to hidden expenses, asset valuation and profit recognition. Audit has a key role in relation to the accounts, both ongoing input of internal audit and a post-event audit – using individuals with strong knowledge of the sector.

Incentives and reward for staff can also cause risks and should be carefully assessed when they are being set. BZCS internal codes as well as more general regulation and law should be followed, and it can help to encourage whistle-blowing and a speak-up culture. Training and communication to all staff at all levels on the ethical values of the organisation, with back up by management and a no compromise stand on breaches, will enhance practice. Sara should encourage clear expectations and understanding on key success factors between company and sub-contractors. This can be done by documenting meetings, factoring in compliance to laws and regulations, regular checks, monitoring and jointly setting milestones. Such action can enhance the customer relationship.

Support from within the organisation and the leadership, as well as open and trusted relationship with customers and sub-contractors, will need to be in place to enable Sara to act ethically in these matters.

Conclusion

From both the survey and related focus groups, CIMA recognises that there are challenges and pressures that members and students face globally. However, we also recognise that, with the support of their organisations and leadership, they have the insights and resources to address them. What is key is the operating culture of the organisation, its overall corporate governance, and how policies and codes are implemented in practice.

Management accountants have a central role to play, drawing on both their professional training and understanding of professional ethics. By managing performance, ensuring risk assessment and supporting and driving decision making, they can create, report and preserve value. This is reinforced by offering constructive challenge and having an objective view of the organisation as a whole. Developing the influencing and communication skills, both within and outside the organisation, to adopt this role is critical.

CIMA members have the knowledge to obtain, analyse and act upon management information in order to not only guide their organisations to ongoing success, but to also play a key role in being the organisation's ethical conscience by influencing practice.

References

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- Rebooting Business: Valuing the Human Dimension, CGMA, 2012
- Ethics into Strategy, CIMA, 2010
- Evolution of corporate sustainability practices, CIMA/AICPA/CICA, 2010
- Corruption Perceptions Index 2011, Transparency International, 2011

For further resources regarding ethics, see:

www.cimaglobal.com/ethics
www.cgma.org/ethics

Appendix 1

Case Study: BeeZed

BeeZed is a multinational construction and property management company valued at ($US1.5BN), and it is listed on a major stock exchange.

BeeZed has three wholly-owned subsidiary companies which are:

- BeeZed Construction Services (BZCS) – concerned with a wide range of construction projects
- BeeZed Professional Services (BZPS) – concerned with offering consultancy services
- BeeZed Building Support Services (BZBSS) – concerned with property management and maintenance services

BZCS – BeeZed Construction Services (BZCS)

BZCS has a formal presence in many major cities and construction projects around the world, ranging from road building, construction of public sector buildings, including hospitals, schools and university buildings to commercial contracts for office buildings. Some of the construction projects that BeeZed is involved with are financed by private finance initiative (PFI). BZCS has a good reputation in this industry for quality and safety as well as its ability to deliver projects on time. These are all critical success factors for keeping its existing customers content and for providing a basis for winning future business. On its global HQ website it has its publicly stated code of ethics and corporate values, which reflect best practice, as well as publicising its CSR activities which include support in youth education, and in affected countries HIV/Aids outreach.

BZCS has a presence in your country and has three active divisions, which are:

1. **Office Buildings Division** – includes building bespoke office buildings for specific company orders, as well as speculative construction of office buildings in city centres or on business park complexes.

2. **Infrastructure Projects Division** – includes road building and airport construction.

3. **Community Projects Division** – includes the construction of hospitals and smaller healthcare facilities as well as schools and university facilities.

A CIMA qualified colleague Sara (who worked with you when you were on secondment earlier in your career in Australia), has just been hired by BZCS to work in the Community Projects Division as a finance business partner to the project team. Sara has contacted you to discuss her relocation to your country and she wants to understand any potential challenges that may be faced locally with regard to ethical practice. She knows that BZCS has a stated code of conduct and is committed to safety and quality. She also knows that BZCS is known for getting projects finished on time, and this is often factored into the contracts, with high penalties due. She is also aware of the wide range of stakeholders involved in such high capital projects, from the supply chain to government and community involvement.

THREATS: What are the possible ethical pressures locally on Sara, in upholding the CIMA principles?

RESPONSES: What safeguards would you recommend in day-to-day activity?

- What other support is needed?
- Where is it likely to come from?

SUPPORT: What protection might there be?

- Best routes

Issues to consider

Is there potential for pressure in:
- Awarding contracts to suppliers
- Compiling year end accounts
- Compiling management accounts
- Meeting deadlines
- Working with colleagues from other functional areas
- Stakeholder expectations
- Awarding bonuses/incentives

Other issues to consider:
- Customer expectations
- Any fear of repercussions
- Channels for reporting
- Legal/regulatory support
- Level of management support
- Extra support/who else needed to action