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Challenges in business ethics

September 2012



Insight reports from the Sri Lankan launch of the latest CGMA ethics survey, 'Managing responsible business'.

Corruption, scandals, deceit; the corporate world has been marred by such occurrences in recent times.

Ethics and finance have been at the centre of many scandals. Sri Lanka especially has seen the fall of companies which failed to operate in line with the ethical codes that govern it.

The [CGMA survey report](#), which was launched in Sri Lanka on 23 May 2012, draws on methodology used by the Institute of Business Ethics, exploring key ethical questions by focusing on prevalent business challenges.

Recognising the importance of facing the business challenges in the contemporary Sri Lankan business environment effectively, CIMA Sri Lanka presented an overview of the key findings of the report. Andrew Harding, CIMA's Managing Director, highlighted the findings, which were categorised as ethical culture, accounting for ethics, ethical dilemmas and pressures, and business issues.

It was revealed that there has been an increase of 10%-15% in the number of organisations providing both statements of ethical values and a code of ethics and Sri Lanka boasts a rate of 77% in the field. The report also revealed an increase of almost 20% in organisations collecting and reporting on ethical information.

However, in the interim, the findings indicated that the number of firms collecting and reporting information is still a minority. Andrew Harding pointed out that 61% of management accountants feel it is important to collect and analyse ethical information. But one in five do not believe their organisation will do so in the near future.

A panel discussion revealed that employees in Sri Lanka rarely raise their voices on matters concerning unethical behaviour. The consensus was that the cultural setting in the country is the reason for this.

The hierarchy's role in upholding ethics is also diminishing. Andrew Harding stressed that it is of utmost importance that the management continues to uphold the moral code which governs the corporate world.

Despite an increase in ethical codes and training, there is greater pressure within organisations to act unethically and this trend can be widely seen in emerging economies. Sri Lanka has a solid framework pertaining to ethics but 52% of its employees are under pressure to break the set codes. A governance framework must be put in place to ensure that this situation is rectified immediately. The CGMA report illustrates that bribery has risen from sixth to third in the rankings of issues of concern, and the current events reported in the news are evidence of the fact.

Data in the report cites that South Africa, which had an appalling corporate code 15 years ago, has now made considerable improvements. Therefore, despite the slightly alarming findings of the CGMA reports, it is hoped that the Sri Lankan corporate sector which has progressed rapidly over the past few years will reach its potential. In the words of Andrew Harding: 'always remember that an unethical business will lose business.'



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