

**Business Ethics: Perceptions, Knowledge and Attitudes.
A Study of Prospecton Brewery Suppliers**

**By
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Confidential

DECLARATION

I, John Arthur Browne, submit this thesis in partial fulfilment of the requirements for the degree of Master of Business Administration.

This research has not been previously accepted for any degree at any University and is not being currently submitted in candidature for any other degree.

A handwritten signature in black ink, appearing to read 'J A Browne', is centered on the page. The signature is written in a cursive style with a horizontal line above the first part of the name.

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ABSTRACT

The ethical behaviour of companies in their business dealings has been receiving increasing attention throughout the world in the last decade and is becoming very important to modern day businesses.

This research investigated the state of business ethics existing between Prospecton Brewery and its suppliers. In particular the work sought to obtain accurate information regarding the following:

- The knowledge and attitudes of Prospecton Brewery Suppliers towards business ethics.
- The perceptions that suppliers have of the level of business ethics practiced by Prospecton brewery.
- The degree to which poor ethical practices are occurring in interactions between Prospecton brewery and suppliers.

This research was largely a descriptive study. Data was obtained using a self-administered questionnaire that was posted to suppliers and returned anonymously.

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1 INTRODUCTION

1.1 Background

In the last decade, corporate governance and the ethical behaviour of companies have been receiving increasing attention throughout much of the world. This has become an even greater imperative in the last few years following a variety of corporate scandals and business failures. In South Africa, the King II report was published in March 2002 and compliance with its provisions is compulsory for all affected companies whose financial years began on or after 1 March 2002. This requirement further escalated the profile of corporate governance and ethical issues in South African companies.

During 1999, in response to the need for higher levels of corporate governance and business ethics as well as the London Stock Exchange (LSE) listing requirements, S A Breweries Ltd. (the South African operation of SABMiller plc) published its first Employee and Business Ethics Policy document. Since then management had endeavoured to implement the policy throughout the business and to instil appropriate ethical behaviour into the employees of the company.

Since implementing the Employee and Business Ethics Policy, in-depth, formal assessment of the state of business ethics at Prospecton Brewery had not been performed.

1.2 Problem Statement

In depth and accurate information regarding the knowledge and attitudes of Prospecton Brewery suppliers towards business ethics was not available.

The perceptions that suppliers to Prospecton Brewery had of the level of business ethics practiced by the brewery was not known.

The degree to which poor ethical practices were occurring in supplier's interactions with the brewery was not clear. Shortcomings in compliance with the ethics policy needed to be identified and the underlying reasons for any non-compliance understood in order to effectively manage improvements in the ethical performance of Prospecton Brewery.

1.3 Research Objectives

The objectives of the research were:

- To measure the knowledge and attitudes towards business ethics of suppliers serving Prospecton Brewery.
- To determine what perceptions suppliers to Prospecton Brewery had of the level of business ethics practiced by the brewery.
- To assess the degree to which poor ethical practices were occurring in supplier's interactions with Prospecton Brewery and identify the reasons/factors affecting any ethical shortcomings indicated.

1.4 Importance And Benefits Of The Research

The study was important to obtain relevant and accurate information about the ethical performance of a valuable set of brewery stakeholders i.e. the suppliers. This information provided useful decision-making information for management.

In particular, the research provided:

- Information for management to take confidently the decisions necessary to manage business ethics issues affecting the brewery and its suppliers.
- An indication of the degree to which interventions with suppliers were needed to establish acceptable business ethics knowledge and attitudes.
- An appreciation of supplier's thoughts about the ethical performance of the brewery, thereby indirectly giving an indication of the ethical health of the brewery.

- A better understanding of the factors influencing ethical performance at the brewery and the issues that required attention.

The implementation of this study, with the support of Prospecton brewery management, was in itself an indication of commitment and due diligence towards sound business ethics. In addition to the decision-making information obtained, the survey lent credibility to Prospecton breweries' efforts towards managing their business dealings in an ethical manner.

2 LITERATURE REVIEW

2.1 What Is Business Ethics And Why Is It Important?

Numerous definitions of business ethics exist in the literature. Robbins (1998, p. 57) defines ethics as "the rules or principles that define right and wrong conduct" while Hisrich and Peters (1998, p.23) defines business ethics as "the study of behaviour and morals in business situations". O'Flaherty (1983) has extensively reviewed the variety of definitions of business ethics expounded by various authors and concluded the optimum definition to be: *"Business ethics are the practices, procedures, actions and norms considered by business to be appropriate in carrying out their profit responsibilities and which are acceptable to a given society at a particular point in time"*.

Although O'Flaherty (1986) reported a lack of conformity in the literature with regard to the definition of business ethics and despite the obvious variations in what different authors believe is meant by business ethics, common threads are clearly evident. Behaving ethically is about going beyond mere compliance with laws. It is about acting responsibly in those "grey areas" where right and wrong are not clearly defined. Obeying the law is mandatory, but being legally right does not make something ethically right (Robbins, 1998).

Many authors have highlighted the importance of conducting business ethically. Among them, Thompson and Strickland (2001) note that all

companies need to care about how they conduct business, otherwise their reputation and ultimately their performance will be at risk. An unethical culture can undermine the companies' long-term strategic success. They further suggest that companies who behave ethically in accordance with a voluntary code may:

- Avoid additional government regulation
- Enable moderate elements in affected groups to reach reasonable solutions before radical elements impose unreasonable ones
- Create a positive public reputation and establish credibility.

The King II report on corporate governance in South Africa (2002), has comprehensively researched and documented the best practices of corporate governance for firms in South Africa. The report cautions that there are "few places where a company can hide its activities from sceptical consumers, shareholders or protestors" and that "in the age of electronic information and activism, no company can escape the adverse consequences of poor governance".

These authors leave no doubt that sound ethical behaviour is of paramount importance for the long-term survival and prosperity of modern companies.

2.2 Illustrative Ethical Cases

The following two cases demonstrate the importance of ethical conduct in business.

Mattel Inc. (a major toy manufacturer under the brand names, Fischer Price[®], Matchbox[®], Barbie[®] and others) was the first multinational corporation to submit voluntarily to outside, independent monitoring of its ethical practices and to the public release of the results of the monitoring (Sethi, 1999). Mattel Inc. has established MIMCO (Mattel Independent Monitoring Council) to monitor the compliance of its various operations and their suppliers to their Global Manufacturing Principles (GMP) (available online at www.mattel.com). MIMCO measures compliance to Mattel's GMP using measuring instruments

developed specifically for that purpose and used repetitively for initial and follow up surveys. Mattel believes the independent monitoring to be critical to the external credibility of GMP, without which the code and monitoring does not generate economic or goodwill benefits for Mattel Inc. In addition, Mattel has identified that GMP and its monitoring cannot be successful unless applied to all parts of its business, including its supplier partners. Supplier compliance to GMP has therefore been made a non-negotiable condition of doing business with Mattel Inc. The above case illustrates the importance of monitoring and demonstrates that monitoring of suppliers ethical compliance can be achieved if there is sufficient resolve and commitment.

In contrast to Mattel's proactive approach to ethics is the well-known case involving Nestlé and their breast milk substitute products. In the 1970's, Nestlé came under severe external criticism for its use of controversial marketing and promotional methods for breast milk substitutes in developing countries. Various public and professional bodies saw the promotions as highly unethical and detrimental to the interests of babies. In response to these concerns the World Health Organisation took up the issue, recommending regulations on the sale and promotion of breast milk substitutes. The matter was not resolved until the World Health Organisation published the International Code of Marketing of Breast Milk Substitutes that was approved and adopted in 1981 (Nestlé, 2001). Arising from its initial inattention to some of the ethical considerations, Nestlé was forced by public protest and subsequent external regulation to change its marketing and promotional approach. This case demonstrates how failure to act ethically may lead to external intervention, regulation and damage to a companies' image and reputation.

2.3 The Main Ethical Theories

Ethical theories can be divided into two main groups that have been named teleological and deontological. **Teleological** is from the Greek word "telos" that refers to **an end** while **Deontological** is from the Greek word "deon" that refers to **duty** (Boatright, 2003).

2.3.1 Teleological Theories (Utilitarianism)

In teleological theories, the rightness of actions is determined solely by consideration of the amount of good consequences that the actions produce. Actions are justified by virtue of the end that they achieve and the concept of goodness i.e. what is regarded as good and what is regarded as evil, is fundamental to the theory. In general, whatever makes human beings better off is regarded as good and whatever makes them worse off is regarded as evil. Teleological reasoning is **based on consequences**.

The strengths of teleological theories are that:

- They accord with ordinary moral reasoning related to benefit and harm i.e. the fact that benefit or harm will result from an action is usually seen as a morally relevant reason for or against performing the action.
- If the goodness of the consequences can be measured, they provide a relatively precise and objective basis for decisions. To make a decision one needs only to determine the possible courses of action and the consequences of each and then select the one with the best set of consequences. This is a common methodology followed in business.

The weaknesses of teleological theories are that:

- Some ordinary moral reasoning is in conflict with the teleological principle of the rightness of actions being judged solely by the goodness of the consequence. Consider the case of keeping a promise when more good might occur from breaking it. Ordinary moral reasoning would hold that promises should be kept, however teleological theory would suggest that they should be broken, if that would result in more good being generated.

- Role obligations placed on persons in business are often non-teleological in nature. Actions are often required to be taken that may not result in the greatest general good however failure to take those actions would be regarded as a failure to fulfil their duties. An example would be providing essential specialised training of an individual when greater overall good might result from using the money to provide basic training for the majority of unskilled employees.
- Rights often challenge teleological theories in that ordinarily society expects rights to be protected, even when restricting the right would lead to better consequences.
- The notion of justice may conflict with teleological theories in that society ordinarily expects justice to be done regardless of the consequences. For example, consider the case of a mother of a newborn baby who is convicted of murder. Justice demands that the mother be incarcerated even though the consequence of this is that the dependant and innocent child spends its first years in prison with its mother.

Utilitarianism as an ethical theory takes on several forms. Boatright (2003, p36) described these as act utilitarianism and rule utilitarianism, which he defined as follows:

Act Utilitarianism – “An action is right if, and only if, it produces the greatest balance of pleasure over pain for everyone.

Rule Utilitarianism - “An action is right if, and only if, it conforms to a set of rules, the general acceptance of which would produce the greatest balance of pleasure over pain for everyone”.

Rule utilitarianism has emerged as a result of the apparent shortcoming of the act utilitarianism doctrine that considers an action that is contrary to accepted norms and rules of society right if it results in better consequences. Rule utilitarianism attempts to ensure that actions are first confined to those actions that conform to relevant rules of society and

thereafter evaluated for acceptability based on the consequences that result from those actions. While act utilitarianism is the simpler doctrine and is more easily understood and applied, rule utilitarianism enables more satisfactory handling of the issues of role obligations and moral rules that are problematic for teleological theories.

In order to assess actions on a utilitarian basis, measurement of the amount of pleasure and pain (i.e. utility) caused to everyone by the actions is required. In practice this may be difficult to do because of problems such as identifying all of the parties affected, acquiring and processing the relevant information concerning the consequences, knowing what different affected parties consider to be better or worse for them and quantifying the utility in a meaningful way.

Despite the difficulties and shortcomings of utilitarianism, it fits easily with economic theory of maximising utility and the commonly used business decision-making approach of cost benefit analysis. It provides a rational basis for business ethics and is widely accepted.

2.3.2 Deontological Theories (Kantian Ethics)

Deontological theories hold that actions are right because of the nature of the actions and the rules from which they follow rather than being right or wrong because of some benefit or harm caused by the action. Deontological reasoning is **based on principles** and not on consequences. Obligation and duty are the fundamental morals behind it. Thus as an example, deontological theories would consider bribery as wrong regardless of the consequences. In contrast, teleological theories might find bribery acceptable if it resulted in the greatest balance of good over harm.

The strengths of deontological theories are that:

- They allow sense to be made of cases in which consequences seem to be irrelevant such as may occur for example in servicing obligations arising out of contracts and roles. Contractual obligations may need to be followed even though the consequences may be unfavourable or not cost effective.
- They account for the role of motives in evaluating actions since deontologists hold that the rightness of actions depends on the underlying motives driving them rather than the consequences of the actions.

The weaknesses of deontological theories are that:

- They do not provide guidance of how moral obligations are determined or known i.e. which rules are accepted and why?
- They provide no basis on which to resolve conflicts in moral obligations i.e. when two rules conflict, which one has precedence?

Immanuel Kant (1724 – 1804) attempted to answer the weaknesses of deontological theories by defining what he called hypothetical and categorical imperatives. To do this he considered the moral and non-moral senses of the word ought in the question; what action ought a person take when faced with a certain decision? (Boatright, 2003)

Hypothetical imperatives arise when ought is used in the non-moral sense i.e. the action ought to be taken if the person has a desire for the outcome that results. For example, “to make a good first impression on a customer, a salesperson ought to wear a tie”. If the salesperson does not care to make a good first impression then there is nothing that he ought to wear. Ought is used in a non-moral sense.

Categorical imperatives arise when ought is used in a moral sense. i.e. the action ought categorically to be taken regardless of any personal desire. For example, “human beings ought not kill other human beings”.

The force of the moral rule ought not kill applies regardless of any personal desire regarding the outcome. Categorical imperatives are such that everyone must accept them.

Kant's principle therefore was that actions should only be taken on those rules that society would be willing to see everyone follow. If any particular "rule" considered would result in a chaotic or unsatisfactory situation if it were to become universal law and everyone were to follow it, then that "rule" should not be followed.

2.4 Evaluating Business Decisions for Ethical Acceptability

Having accepted that in the modern world business decisions/practices need to be ethically sound, the question arises as to how, in simple practical terms, should a decision/practice be evaluated for ethical acceptability? Numerous methods and approaches have been suggested to do this.

Peale and Blanchard (2000) propose that all decisions should be checked against three ethics check questions. These are:

- *is it **legal**?*
- *is it **balanced**?*
- ***how will it make me feel** about myself?*

They suggest that if the answer to any of these questions is negative, the decision is ethically unsatisfactory and should be reviewed. This technique, while unsophisticated, provides a simple, easy to use and quick way of assessing a decision for ethical correctness.

Other approaches include assessing how harm and benefits will be distributed among stakeholders.

- ***Who will be harmed** the most and the least?*
- ***Who will benefit** the most and the least?*
- *Does the decision/practice **generate the least harm and the most good** for the most number of stakeholders?*

The Ethics Resource Centre offers another ethical decision-making aid represented by the acronym PLUS: (available on line at www.ethics.org)

Policy – is it consistent with the organisations policies, procedures and guidelines?

Legal – is it acceptable under relevant laws and regulations?

Universal – does it conform to the universal principles/values of the organisation?

Self – does it satisfy my personal definition of right and wrong?

Rotary International promote the following 4-Way test for ethical acceptability:

- *Is it the **TRUTH**?*
- *Is it **FAIR** to all concerned?*
- *Will it **BUILD GOODWILL** and **BETTER FRIENDSHIPS**?*
- *Will it be **BENEFICIAL** to all concerned?*

While every author has a variance on the detail of their approach to assessing decisions for sound ethics, the common threads are evident, namely:

- Minimisation of harm.
- Responsible decision-making.
- Going beyond legal compliance.
- Conforming to corporate values.
- Feeling right.

While these ethical tests have merit in their ease of use and lack of complexity, ethical dilemmas facing international companies can extend across country borders and involve different societies, cultures, laws, morals, customs and norms. Techniques to evaluate such dilemmas require a more sophisticated approach.

In international business situations, companies are often faced with accusations regarding the disparity of conditions and standards between the home and host country operations. Donaldson (1989) contends that a rights based approach recommends itself as one way of interpreting conflicts in

international norms. In such an approach, it is considered irrelevant as to whether or not the standards of the host country comply or not with the standards of the home country. The only relevant issue is whether they meet a universal, objective minimum. This approach has the advantage of setting firm limits to the appeals made in the name of host (or home) country laws and morals. However, where there is no objective minimum, no clear harm and issues depend on interpretation of social practices, the rights based approach becomes less useful.

In order to better evaluate a practice in international circumstances, Donaldson (1989) has developed an ethical algorithm. In this approach the context surrounding the practice is first considered. The problem is classified into either a type one or a type two context based on whether moral and legal acceptance of the practice in the host country is related to, or independent of, the host countries relative level of economic development.

If the former applies (i.e. type one context, acceptance of the practice is related to relative economic development) then the practice is only permissible if members of the home country would, under conditions of economic development relevantly similar to the host country, consider the practice to be acceptable.

If the latter applies (i.e. type two context, acceptance of the practice is independent of relative economic development) then the practice is not permissible if either of the following are true:

- It is possible to conduct business successfully in the host country without undertaking the practice.
- The practice is a direct violation of a fundamental international right.

Should a multi-national company undertake a practice found to be acceptable in a type two context, a further criterion is that the company speak out against the practice and make its disapproval known.

The algorithm has considerable merit in that it recognises that the stage of economic development of a country is a key factor in the evaluation of a practice. It seeks to ensure that basic international rights are not violated but is pragmatic in realising that business in some countries cannot be done, unless certain practices that may be considered unacceptable in the home country are practiced. Countering this is the possibility that objectivity in regard to the decisions/determinations required by the algorithm may be difficult to achieve.

Donaldson's ethical algorithm has been reduced by the author to a flow chart for ease of use and this can be found in appendix A.

Kallman, Ernest and Grillo (1996) have proposed that the following four-step process is appropriate to solve an ethical dilemma:

Step 1 – understand the situation

Step 2 – isolate the major ethical dilemma

Step 3 – analyse the consequences of action to solve the dilemma

Step 4 – make a defensible ethical decision

Their four-step process can be found in the form of a detailed flow chart in appendix B.

2.5 Why Does Illegal and Unethical Conduct Occur in Companies?

Manley (1992) suggests that the following four rationalisations lead to much illegal and unethical conduct in organisations:

- *"I want to take this action and so it can't really be unethical or illegal" (everybody does it).*
- *"The action is in my or the companies self interest"*
- *"No-one will ever know"*
- *"The organisation will protect me" (because the action benefits the company)*

He proposes that when faced with an ethical dilemma, the following questions should be answered before taking a decision:

- *Is the action being justified by resorting to the above or similar rationalisations?*
- *Have all the facts been gathered and has the problem been considered from every affected parties viewpoint?*
- *What are the critical assumptions and values for all parties including self?*
- *What is the best action for maximising benefits and minimising cost/detriment to those affected?*
- *Whose rights would my decision protect or injure?*
- *What course of action best reflects honesty, integrity and consistency?*
- *Will the decision be valid beyond the immediate time frame and could the action be disclosed to a manager, organisation head, family and society?*

If any answers to the above are not satisfactory, the decision should be reviewed.

2.6 King II Report on Corporate Governance in South Africa

The Institute of Directors of Southern Africa (IODSA) established the King Committee on Corporate Governance in July 1993. This committee under the chairmanship of Judge Mervin King published its first report on corporate governance in South Africa in 1994. The committee's second report, (King II) was released in March 2002 and applies to affected companies whose financial years begin on or after 1 March 2002. (IODSA, available online at www.iodsa.co.za)

Of particular relevance to the subject of this thesis, King has suggested that every company should engage its stakeholders in determining the companies' standards of ethical behaviour. Further, companies should strongly consider their dealings with individuals or entities not demonstrating its same level of commitment to organisational integrity. They should reconsider the nature and extent of their relationship with any stakeholder that does not show an appropriate commitment to ethical principles and standards.

King further stipulates that the CEO should maintain a positive ethical work climate and foster a corporate culture that promotes ethical practices and encourages individual integrity. King expects well-managed companies to place a high priority on ethical standards and to report, at least annually, on their ethical management policies and practices.

The reader is referred to the report for a comprehensive discourse on governance issues affecting South African companies.

2.7 South African Breweries' Ethical Codes

At the corporate level, SABMiller plc has a Code of Conduct, Guiding Principles and Corporate Governance documents which are available for public scrutiny on its website www.sabplc.com The Corporate Accountability and Risk Assurance Committee (CARAC) of the SABMiller plc board is tasked with providing assurance to the companies stakeholders regarding the levels of corporate governance and other related matters in the group. This it does via publication of its Corporate Accountability Report available online at www.sabplc.com

At local brewery level, S A Breweries Ltd. has two main internal documents concerned with business ethics. These are the Employee and Business Ethics Policy and the Guide for Suppliers, Contractors and Consultants.

The S A Breweries Ltd. Employee and Business Ethics Policy of 1999 is a comprehensive document that covers a wide gambit of typical business ethical issues. The document does not stop at merely stating the companies' policy in regard to business ethics but attempts to provide explanation and guidance to the user in the form of narratives, overviews, guidelines, practical examples and a suggested decision process.

S A Breweries Guide for Suppliers, Contractors and Consultants of 1999 contains extracts relevant to suppliers taken from the full SAB ethics policy document. This much less comprehensive document has not been cluttered with narratives, examples and decision process suggestions. The document is not available electronically and is distributed only as hard copy on an ad-hoc basis.

An abridged summary of the essence of the SAB ethics policy guidelines can be found in Appendix C.

2.8 Other Research Done On Ethical Attitudes and Perceptions

Baumhart (1968) was one of the first researchers to conduct a comprehensive attitudinal survey on American businessmen. This classic piece of research made numerous findings of particular interest to managing ethics in business. These included:

- Businessmen ranked "personal code of behaviour" as the most important reason for their ethical decisions. Conscience was the concept mentioned most frequently as the most important motive for acting ethically.
- Impossible demands on employees, especially when coupled with a "produce or get out" attitude quickly lead to unethical behaviour.
- Jobs involving competitive relationships (e.g. salesmen) have more ethical temptations than those involving fiduciary relationships (e.g. accountants/engineers). i.e. evidence was found that it was easier to be ethical in some jobs than others.
- Secrecy promotes unethical behaviour.

Baumhart (1968, pg 91) also found that the three most important moral problems encountered by middle managers in their jobs were:

- Complying with supervisors requirements when they conflict with the corporate code of ethics.
- Job demands infringing upon home obligations.
- Methods employed in competition for advancement.

Baumhart's findings indicate the existence of links between the ethical behaviour (or otherwise) of employees and their personal values, the type of job that they have and the circumstances/pressures that they are subjected to at work. These contributory factors should therefore be taken into account and mitigated when managing ethics. Management behaviour of subjecting employees to undue pressure is commonly justified with the defence that the stockholders keep management under the same pressure that management

subject employees to. However, given that stockholders are generally widely disparate and anonymous, this defence is of doubtful validity.

Baumhart's finding regarding the significance of personal codes of behaviour is very interesting and in the authors opinion bears closer attention by companies. If an employee's personal code of behaviour were the most important reason for ethical behaviour, it would seem logical that managing ethical performance should start with the selection and recruitment of employees who have appropriate ethical attitudes and not with a corporate ethics code after employing the wrong type of employee. Simply put, upfront employment of the right "ethical type" of person should reduce the reliance on/need for later interventions (such as ethics codes) to manage ethical performance. Unfortunately many companies seem to only start managing ethics at the code of ethics stage.

Baumhart (1968, pg 89) investigated differences in ethical views between line and staff functions and between top, middle and senior managers. No significant differences were found. His research also found no statistically significant difference between the ethical behaviour of large and small companies although his view was that small companies are more prone to poor ethics because of greater financial pressures, the prevalence of owner managers accountable only to themselves as well as fewer checks and audits.

Baumhart (1968, pg 102) investigated the effect of top management behaviour on the ethics of employees and found evidence that top management is prominent in determining the standards of behaviour. In his view, ethical standards differ from company to company because the top management teams differ. Companies exhibit an organisational ethic that influences employee behaviour positively or negatively and employees learn the comfortable threshold of ethical behaviour by trial and error. Companies therefore have a responsibility towards employees to provide them with a policy and climate conducive to ethical decision-making.

Baumhart (1968, pg 114-126) investigated the effects of industry climate on business ethics and found that different industries develop their own ways of doing things over time and that practices become accepted even though they are unethical. Reasons found for some industries being more ethical than others included, level of dependence on repeat sales, stability of demand for industries main product, size of capital investment to enter the industry, ease by which the buyer can determine the quality of the product, industry age and existence of government regulatory agencies. As regards competition, Baumhart found that business ethics is injured by too little and too much competition and suggested that for business ethics to improve, competition must be moderated to an ethical optimum.

Baumhart's work was done with companies in the United States of America and therefore caution must be exercised in transferring his findings to other situations. Size and type of economy, prevailing national culture and stage of country development are all factors that might influence the validity of his results in another country.

Nel (1986) conducted a South African research survey to determine the attitudes of three selected managerial groups (top, marketing and procurement) towards potential corrupt business practices. The research measured, among other things, how wrongful these groups perceived a set of potentially corrupt situations to be and the perceived degree of peer group participation in these corrupt situations.

In this study, 1500 self-administered questionnaires were sent to 500 companies throughout South Africa. Questions were scenario based and used a four point Likert type scale. A combination of judgement and stratified random sampling was used.

Nel's work found no difference between the three groups of managers selected with regard to their overall approval or disapproval of the 15 ethical scenarios presented. This finding is significant for conducting future surveys of attitudes towards ethics in companies, as it indicates that the job function of

the manager in the target company that completes the questionnaire will likely not be of particular importance to the result.

Nel found highest disapproval among managers for bribery, disclosing information on competitor tenders and theft of company property. Lowest disapproval was found for giving/receiving rugby tickets, lunches and nominal Christmas gifts. These findings are unsurprising in South Africa where business lunches, corporate suites at sports stadiums and supplier gift giving at Christmas are commonplace.

Nel's most important recommendations for businesses were that:

- Top management should be giving more attention to ascertaining the state of ethical behaviour in their organisations.
- Written codes of ethics must be developed to communicate to employees what the organisation expects of them.
- Policies should be enforced and appropriate action taken to prevent unethical conduct. Top management must lead by example.

These recommendations suggest strongly that top management are key to the ethical performance of a company and should be actively driving good ethical practices.

O'Flaherty (1983) conducted a pilot study on ethics and South African businessmen using a questionnaire based on his own original questions as well as questions from Buamhart's pioneering research.

Similarly to the study by Baumhart, O'Flaherty (1983) found the following ranking in the factors most affecting ethical behaviour:

1. Own personal code of ethics
2. Behaviour of superiors
3. Formal company policy

When considering unethical behaviour, he found the first two factors the same however the third factor was replaced by industry climate. Industry climate

was therefore seen as not having a positive effect in stimulating ethical behaviour but provided a negative influence in stimulating unethical behaviour.

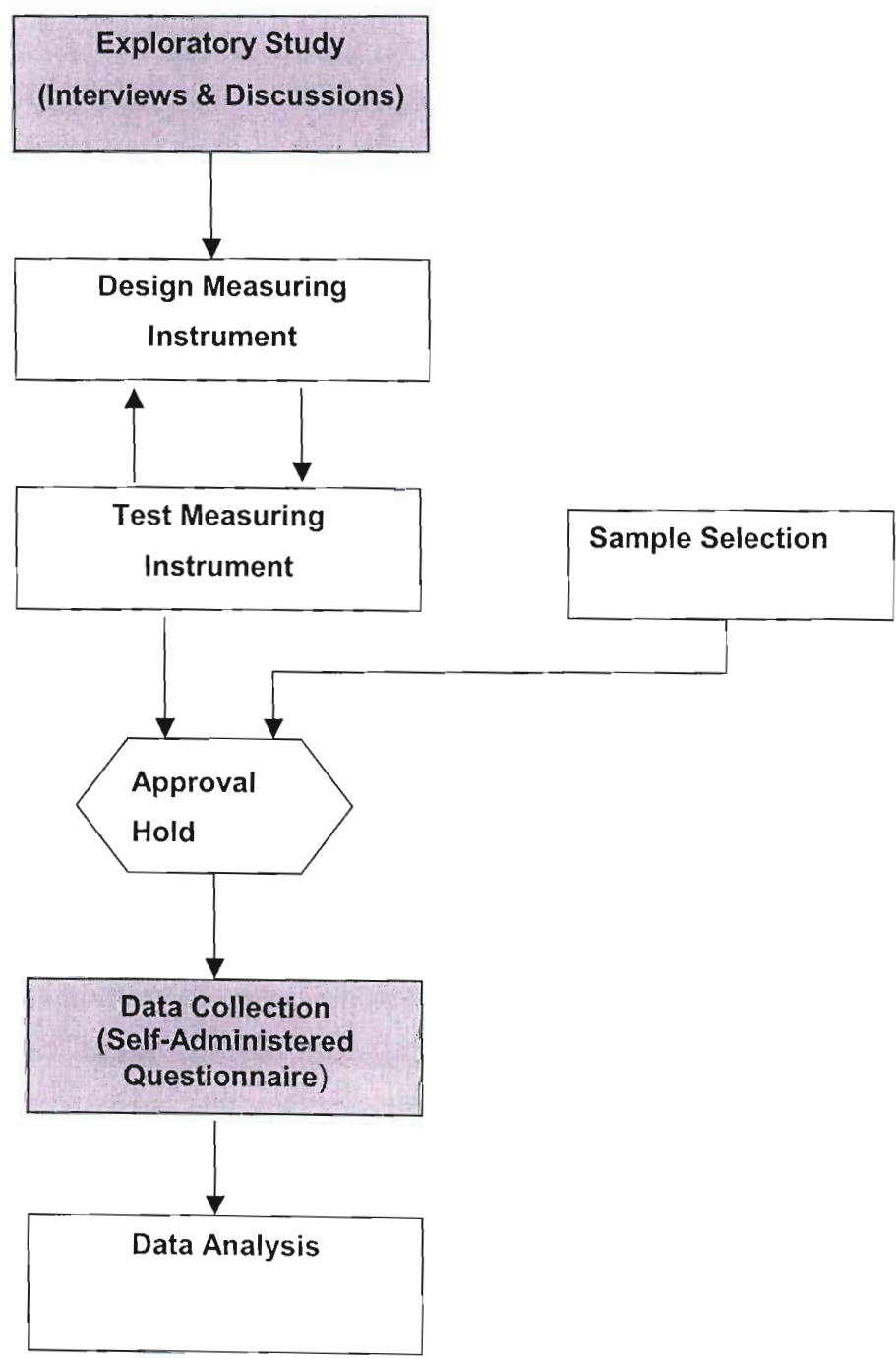
In regard to codes of ethics, O'Flaherty found that South African businessmen are not opposed to the institution of ethical codes in their industries but perceive ethical codes as being problematic to enforce and have serious doubts as to the effectiveness of such codes as a way to raise ethical standards.

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Overview Of The Methodology

The overall research methodology that was employed in this study is shown in Figure 1 below:

Figure 1: Flow Diagram of Research Methodology



3.2 Exploratory Study

An exploratory study consisting of confidential one-on-one interviews and discussions with selected managers and employees at Prospecton brewery as well as with appropriate suppliers was conducted in order to:

- Gain insight into the context relating to the subject matter of the research.
- Identify problem areas for inclusion into the research questionnaire.
- Sound out alternative viewpoints on the likely problems that might be encountered in conducting the research.

SAB managers and employees interviewed for the exploratory study were selected to ensure that a suitably wide cross section of input and viewpoints was obtained. The following criteria were used in the selection of SAB staff for participation in the exploratory study:

- Direct procurement responsibility.
- Job function required interaction with suppliers.
- Recently employed by Prospecton brewery.
- Not involved directly in supplier interaction but well positioned on the periphery to make relevant observations.

Suppliers representatives interviewed for the exploratory study were selected using the following criteria:

- Expected level of co-operation.
- Known existing high level of trust towards the researcher (considered essential to get them to talk openly).
- Known victims of past ethical problems.

Five interviews were conducted with Prospecton brewery staff and three interviews were conducted with suppliers' representatives (two owner/managers and one branch manager).

Interviews were done personally by the researcher and were typically of 90 minutes duration. The format was open discussion utilising a pre-prepared question list to stimulate discussion where required. Participation was voluntary and no coercion of any sort was used to get participation. In some cases follow up meetings were held for clarification of issues and to extend the enquiry further. All persons requested to participate did so gladly. There were no refusals.

Notes of the relevant points were made during the meetings. On completion of the eight interviews, the interview notes were scrutinised and relevant points/issues relating to the subject of the research were highlighted. These issues were then summarised and collated into three lists under the following headings:

- Ethical concerns
- Views on how to improve ethics
- Key success factors for the survey questionnaire

The information was then taken into account in designing the measuring instrument and the arrangements for administering it.

3.3 Design And Pilot Testing Of The Measurement Instrument

The design of the research questionnaire commenced with the review of the questionnaires used by previous researchers, namely Baumhart (1968), Nel (1986) and O' Flaherty (1983).

Although certain questions used by the above mentioned researchers in their work were considered useful in original or adapted form, none of the questionnaires were completely suitable for this research and a new one was needed.

Accordingly the management – research question hierarchy (Cooper and Schindler, 2001) was utilised to translate the management dilemma that the research desired to answer into suitable measurement questions. The

management – research question hierarchy developed can be seen in appendix E.

From the hierarchy of questions derived from the management dilemma, a customised questionnaire to obtain the data necessary to answer the management questions was developed. A limited number of selected questions from other author's questionnaires were utilised in modified and/or extended form with a majority of original questions.

The draft measurement questionnaire and covering letter was administered to six selected suppliers for pilot testing. Pilot test respondents were requested to complete the questionnaire as if they were participating in the final survey and to provide written feedback to the researcher on any ambiguities, errors, lapses of sensitivity, incomprehensible or offensive aspects. Test respondents were asked to be as critical as possible and to focus on subjecting the instrument to their best attempts to misinterpret questions, take exception, not understand instructions etc. rather than to supplying their accurate answers to the questions.

Good feedback was received from the pilot test respondents who identified numerous shortcomings in the draft instrument. Using this feedback the final draft of the questionnaire was produced for which the approval of SAB management and the Graduate School of Business research supervisor was obtained. Appendix F and G show the final research questionnaire and the covering letter respectively.

The questionnaire was composed with four sections, as follows:

- Biographical and Administrative Questions
- Suppliers Ethical Knowledge and Attitudes
- Suppliers Perceptions of Ethical Behaviour at Prospecton Brewery
- Prospecton Brewery – Supplier Interaction.

Each section and the questions contained in them are discussed in detail below.

3.3.1 Biographical and Administrative Questions

Question 1: The size of the respondents company assessed in terms of number of full time employees presented in three ranges that could be considered to correspond with the descriptions of small, medium and large.

Question 2: The legal form of the firm (i.e. close corporation, listed company etc.)

Question 3: A selection of the main categories of different employees at Prospecton brewery who deal with suppliers.

Question 4: The number of years that the suppliers company has been in business presented in four ranges that could be considered to correspond with the descriptions of emergent/newly-formed, established, long-established and seasoned.

Question 5: This question sought to determine if the respondent was registered on the Prospecton brewery supplier-partnering programme that endeavours to actively manage the relationship between SAB and the supplier concerned to mutual benefit.

Question 6: This question sought to determine if the respondent was classified as a "commercial equity" i.e. affirmative action vendor by SAB

Question 7: The age and gender of the respondent (may have a bearing on their attitudes and knowledge of ethics).

A question related to the educational level of respondents was not included in the final questionnaire as some pilot test respondents expressed concern that they did not see the relevance of their educational level to the study. In addition, the wide range of possible educational levels was found to be difficult to cover comprehensively on the questionnaire.

Difficulty was foreseen in obtaining from the respondent an accurate response indicating the supplier category to which the respondents firm belonged. This was expected because of the supplier's obvious inability to know the researchers criteria for membership of each category. This posed a dilemma in that assigning the respondents to the correct supplier

category after receiving the completed questionnaires back would require the researcher to know whom the respondent was thereby compromising anonymity. Including a categorisation question and pre-answering it for the respondent before the questionnaire was sent out might cause concern to the respondent who would then receive a questionnaire that was already partly answered/obviously marked. The only way to avoid pre-completing a part of the questionnaire or compromising anonymity was to use different questionnaires for each category of supplier. Five different questionnaires were thus used for each of the five supplier categories of brewing raw materials, packaging raw materials, engineering contractor, general spend or consultant/professional firm. The questionnaires were identical except for the revision number on the document that indicated the supplier category i.e. each supplier in a category was sent the same questionnaire. Only the revision number changed for each supplier category.

3.3.2 Suppliers Ethical Knowledge and Attitudes

This section of questions all related to the suppliers own company and industry, circumstances and ethical views.

Questions 8 - 13: A series of statements about the business scene that respondents were requested to indicate their feelings about on a four point Likert scale as agree, partly agree, partly disagree and disagree. This series of questions was founded on question one in Baumhart's project two questionnaire (Baumhart, 1964). Buamhart's original question used a five-point scale with the option of a neutral response. A four-point scale with no option of a neutral (fence-sitting) response was used instead to force respondents to take a position on the issue concerned. In addition Buamhart's statement "let the buyer beware" was found in pilot testing not to be understood by respondents and was therefore dropped from the question series. Baumhart's statements were long-winded and many focussed on the participation of the clergy in the business scene (not relevant for this research). Thus, a number of the researchers own

statements were devised and where Baumhart's statements were incorporated, the wording was modernised and shortened.

Questions 14 – 20: A series of descriptions of potentially unethical business practices that the respondents were asked to rate on a four point Likert type scale as, ethical, sometimes ethical, sometimes unethical and unethical. This series of questions was founded on question eight in Baumhart's project two questionnaire (Baumhart, 1964). Buamhart's original question used a three-point scale however for this research it was expanded to a four-point scale to match the prior series of questions and thereby enable straightforward combining/averaging of the responses. Baumhart's question on call girls was dropped as this was felt to no longer be a prominent issue in modern business and new questions were devised from issues arising out of the exploratory study.

Question 21: A general question to explore the degree to which suppliers see ethical behaviour as key to success in their business.

Question 22: This question was included to determine the degree to which suppliers took past ethical behaviour into account in the recruitment of employees. If (as found by the research of Baumhart and others) personal codes of behaviour are the most important factor in ethical behaviour at work, the degree to which ethics is considered in the recruitment of employees becomes an indirect indicator of a company's propensity towards ethical or non-ethical behaviour.

Question 22: This question explored the respondent's opinion on the need for ethical improvements in the suppliers industry. Industries that need ethical improvements contain companies that likely do not behave entirely ethically.

Questions 24 - 27: These questions of a factual nature were included to explore the extent to which suppliers had their own codes of ethics, had

and used the SAB ethics policy supplier guideline and had heard of the King II report on corporate governance.

3.3.3 Suppliers Perceptions of Ethical Behaviour at Prospecton Brewery

This section of questions all related to the suppliers perceptions and beliefs about Prospecton brewery.

Questions 32 - 38: A series of questions about the ethical behaviour of Prospecton brewery employees and the overall ethical performance of the brewery derived from the management – research question hierarchy. For consistency with previous questions a four point Likert type scale was used. A “don’t know” option was added after the pilot testing indicated that some suppliers would not be in a position to answer some of the questions depending on how closely or otherwise they had interacted with the brewery.

Question 39: This question was taken from question eleven of Baumhart’s project two questionnaire (Baumhart, 1964). The question was used unmodified from its original form and was included to gauge whether there are any practices occurring that are considered unethical but that have become generally accepted through on-going use or other reasons. The question includes an open-ended component to draw out details of what the respondent considers the most serious of these practices to be.

Question 40: A multiple choice multiple response scale question to explore factors that contribute to poor ethical behaviour at Prospecton Brewery. Contributing factors offered were devised from the exploratory study information and the author’s own insight. Provision for an “other” response from respondents was provided to cater for the possibility that different factors from those listed in the question existed.

3.3.4 Prospecton Brewery – Supplier Interaction

This section of questions all related to interactions between Prospecton Brewery and suppliers.

Questions 41 - 54: This series of questions comprised statements relating to interactions between Prospecton Brewery and suppliers that the respondents were required to describe their feelings about on a four point Likert type scale. The interactions described in the statements were devised by the author from the issues that came out of the exploratory study. Respondents indicated their feelings regarding the frequency of occurrence of the issues as hardly ever, occasionally, frequently and nearly always. A don't know option was provided based on feedback from the pilot testing that some suppliers would not be able to answer the questions due to lack of knowledge about the issue.

Question 55: A multiple choice, single answer question in which the respondents are required to indicate from a list of options (some ethical and some unethical) the most important thing that they believe the supplier has to do to get and keep doing business with SAB. An "other" option was provided to cater for unforeseen possibilities not included in the multiple-choice list.

Question 56: An open ended question requesting the respondent to supply any other information regarding the ethical relationship between Prospecton brewery and suppliers that the supplier considered relevant. This question was included to enable respondents to reveal issues not covered by the structured questions.

3.4 Sampling

The population of interest to the research were all South African based suppliers with whom Prospecton Brewery was conducting business at the time of the research. More specifically, all local vendors listed on the SAB electronic vendor list that were flagged as “open” for Prospecton Brewery on 7 February 2003 (which was the date on which the vendor data was extracted from the Prospecton brewery procurement system). Vendors flagged as “closed” for Prospecton brewery (i.e. purchase orders to these vendors were barred) or flagged for “deletion” from the electronic vendor list were not included in the population on the basis that SAB was not conducting business with those suppliers at the time. Foreign vendors were not included as they were outside the scope of the study.

Limitations in the capabilities of the SAB procurement to payment system resulted in a number of shortcomings in the vendor information extracted from it. In particular, out of date and missing contact details were a problem, as was the inability of the system to classify and sort the vendors into the categories required for the research. Numerous vendors appeared more than once on the list, usually because of them having more than one branch office. To overcome these problems the vendors had to be manually sorted into the required categories and the missing contact details obtained.

Each supplier was individually reviewed and categorised into one of the following five categories:

- Brewing raw materials
- Packaging raw materials
- Engineering contractors and equipment suppliers
- General and office supplies
- Professional and consulting services

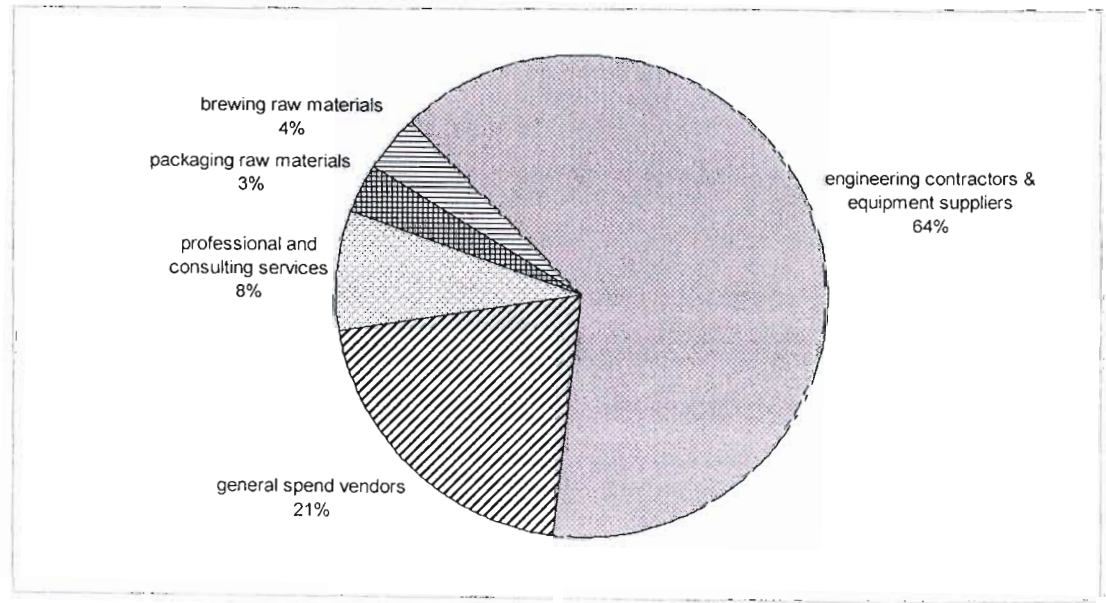
These categories were chosen since suppliers in each of these categories were thought to conduct business in significantly different ways and in general, interact with different sections of the brewery.

During this process it became apparent that, there were numerous suppliers on the vendor list who were not relevant to the research. These vendors included local authorities, professional institutions, and a small number of commercial shops, all of which existed on the vendor list only for administrative reasons related to making payments for services such as water, electricity and professional registration fees through SAB procurement systems. Since contact and interaction with these vendors was clearly minimal and involved only the payment of bills rendered, such vendors were of little interest to the study. Accordingly, they were classified as low contact vendors and excluded from the study population. Duplicate entries of vendors were deleted from the list.

After screening and maintenance of the vendor list as described above, a total of 467 vendors out of the 628 originally extracted from the SAB procurement system database remained as the supplier population of interest to the study. Of the 161 vendors excluded from the survey, eight were local authorities, 22 were duplicate entries and 131 were low contact vendors.

After categorising the vendors into the five categories chosen the following population breakdown was obtained.

Figure 2: Pie Chart of Prospecton Brewery Suppliers by Category



From the above it was apparent that the engineering contractors were by far the majority of Prospecton brewery suppliers with brewing and packaging raw material suppliers very small in number.

Systematic random sampling within each stratum was chosen as a convenient and acceptable method to obtain a random selection of suppliers within each stratum. However due to the large variation in the sizes of the categories and the small number of suppliers in some of them it was clear that sampling rates and techniques to improve response rates needed to be different for the various categories otherwise insufficient responses for the small categories would result. Sampling rules in accordance with Table 1 were therefore used.

Table 1: Summary Sampling Rules

Number of suppliers in category	Sampling rate	Pre – contact	Follow up on non-response
< 40	Census	Yes	Yes
41 – 100	1 in 2	No	Yes
101 - 200	1 in 2	No	No Unless response rate <30%
> 200	1 in 4	No	No Unless response rate <30%

In order to randomly select the vendors within each category the following procedure was used.

Packaging And Brewing Raw Materials Suppliers: Census - all vendors in the category were selected as these categories contained less than 40 vendors.

Consultants And General Spend Suppliers: The vendors in these categories were first listed by SAB vendor number in ascending order. Then starting from the lowest vendor number, each vendor was assigned alternately an index of numeral one or two. A dice was rolled. Numeral one came up first and thus all vendors in the categories that had been assigned the index of one were selected for sampling.

Engineering Contractors: The vendors in this category were first listed by SAB vendor number in ascending order. Then starting from the lowest vendor number, each vendor was assigned alternately an index of numeral one, two, three or four. A dice was rolled. Numeral four came up first and thus all vendors in the category that had been assigned the index of four were selected for sampling.

The above methodology was used as it enabled the sample to be selected quickly using the filtering and sorting capabilities of the spreadsheet programme on which the vendor list had been set up. Using random number tables or similar would have resulted in a laborious and time-consuming selection process.

Appendix H shows details of the vendor categories including number of vendors in each category, sample size, expected number of responses at 30% and 50% response rates as well as description of the type of vendor included in each category.

3.5 Data Collection

Data was gathered by means of the self-administered questionnaire that was mailed to respondents from the selected sample. Self-addressed and stamped envelopes were supplied with the questionnaire for the convenience of respondents to return the completed questionnaires. Telephonic follow up and pre-contact was done in accordance with the summary sampling rules in Table 1.

Questionnaires were dispatched to respondents in the last two weeks of May 2003 and the first responses were received approximately 10 days later.

3.6 Ethical Considerations

No major ethical dilemma's existed with the research conducted. However, the following measures and procedures were followed to ensure that no ethical concerns materialised:

- The anonymity of participants in the exploratory study as well as questionnaire respondents was strictly maintained at all times, to ensure that there was no possibility of victimisation/stigmatisation of any supplier as a result of the study and to facilitate obtaining honest responses from respondents.
- Sensitive information received was held in strict confidence. Exploratory interview hardcopy notes were kept secure and electronic versions were password protected to ensure that unauthorised access to them could not be gained.
- Raw data was held inaccessible to everyone except the researcher and research supervisor. Specifics of particular respondents answers were not revealed.
- No adverse follow up action was taken against any SAB employee or supplier as a result of any information gained by the researcher during the course of the study.
- The measuring instrument was reviewed and approved by both SAB management and the research supervisor prior to use. No ethical concerns in the questionnaire were identified.

3.7 Obtaining Supplier Co-operation

Supplier co-operation was encouraged by a combination of:

- Anonymity in the data gathering process and a promise that no action would be taken against any individual or supplier because of any information supplied to the researcher.
- A covering letter that explained the research and appealed for assistance and co-operation.
- Self addressed and stamped envelopes were supplied for respondents to return the completed questionnaires.

- Appropriate telephonic pre and post contact of respondents.

3.8 Limitations

- Although the methodology may be transferable for use in other breweries in the group and possibly even other companies, the findings of the study related only to Prospecton Brewery suppliers and no conclusions at all concerning supplier business ethics for any other brewery or firm was possible.
- Due to sensitivities relating to the subject matter, respondents may not have answered the questions completely honestly and may not have been prepared to admit shortcomings. Results may therefore have a positive bias.
- Serious and deliberate dishonesty or fraud was unlikely to be have been revealed by the survey. Persons who might have been conducting such behaviour would have been unlikely to reveal it in the survey.
- Ensuring that the suppliers' employee who completed the questionnaire was suitably positioned to provide reliable and accurate information was difficult due to the requirements for anonymity and the resource constraints that made it impossible to contact each supplier in advance to determine the most suitable respondent.
- Suppliers who were motivated to respond to the survey would most likely have been those who had good ethical performance. Those with poor ethical performance may have been inclined to not participate. Non-response bias may therefore be significantly positive.

4 DATA ANALYSIS AND DISCUSSION

4.1 Data Coding And Validation

Analysis of the research data was done using version 9.0.1 of the computer programme SPSS (Statistical Package for the Social Sciences)

The research questionnaire was coded in accordance with the codebook shown in Appendix I. To facilitate accurate coding, transparent overlays for the questionnaire were made. These overlays were placed in alignment over the completed questionnaires such that the answer marked and its associated code could be easily and consistently read from the overlay.

The data was captured manually into a Microsoft Excel spreadsheet from where it was imported into SPSS and analysed.

Each completed questionnaire was examined prior to data capture and anomalies dealt with as described in the codebook. Each questionnaire was marked with a unique tracking number that was captured into the database along with the data from the questionnaire. This was to enable the database information to be traced back to its source questionnaire for verification if necessary. After capturing of the data each questionnaire was re-examined in one sweep for consistent handling of anomalies. Inconsistencies that were found were corrected in the database before analysis started.

4.2 Survey Response Rate Evaluation

The response rate from the questionnaire was low with 42 responses being received from the 175 questionnaires distributed. This was an overall return of 24 percent. Particularly low response rates were achieved from engineering/equipment suppliers (20.0%) and from consultants/ professional firms (16.7%). Table 2 shows a summary of the responses received.

Table 2: Summary of Questionnaire Response Rate

Supplier Category			No. Questionnaires		% Returned	
Code	Description	Population size	Sent Out	Returned by 27/06/03	Sent out	Population
P	Packaging raw materials	15	15	5	33.3	33.3
B	Brewing raw materials	19	19	6	31.6	31.6
E	Engineering & equipment	300	75	15	20.0	5.0
G	General office & admin	96	48	13	27.1	13.5
C	Consultants & professional	37	18	3	16.7	8.1
Total		467	175	42	24.0	9.0

The low response rate was disappointing considering that the questionnaires were targeted at “well-known” respondents closely associated with Prospecton brewery and from whom a response rate above the normal 30% was expected.

Reasons for the low response rate were attributed by the researcher to the following factors:

- Incorrect postal addresses for suppliers. This occurred despite a considerable amount of effort to confirm the contact name and addresses of the suppliers from the main users of the supplier at Prospecton brewery. It appears that many users of the suppliers did not give the correct supplier contact information to the researcher. To overcome this problem for any future surveys, actual verification with the suppliers themselves before dispatch of questionnaires is clearly essential.
- Telephonic follow up with suppliers before and after the questionnaires were sent out, as contemplated in the research design, was not effectively achieved within the time available for the project due to resource constraints.

Overall, responses from nine percent of the supplier population were received and included in the analysis. While this overall polling rate is considered

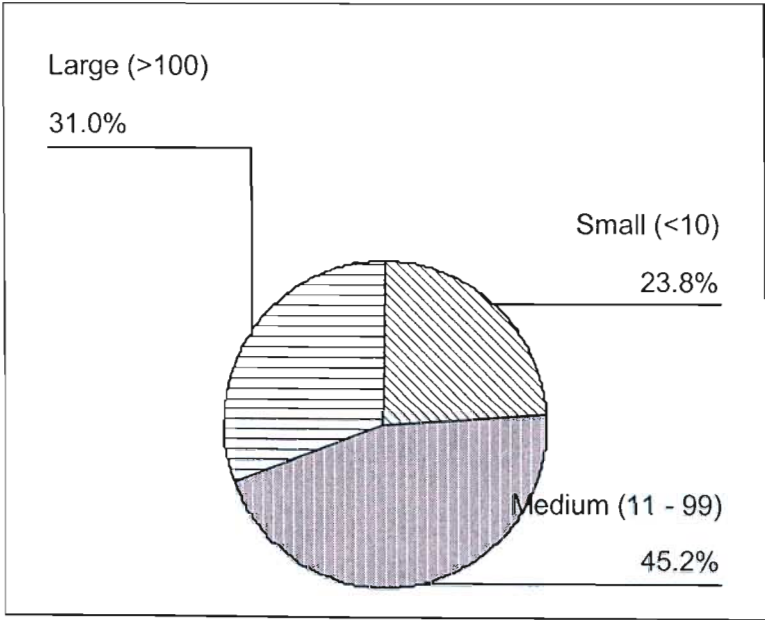
acceptable for the purposes of this study, the results can be expected to be biased towards brewing and packaging raw materials suppliers due to their overall higher inclusion rate (+ 32%) and the much low overall inclusion rate of engineering /equipment suppliers (5.0%), consultants/professionals (8.1%) and general office suppliers (13. 5%). Due to the low response rate achieved, non-response error was a concern.

4.3 Biographical Overview

4.3.1 Company Size

Nearly half of the respondents were medium sized enterprises that employed between 11 and 99 full time employees. Large companies with more than 100 employees comprised nearly one third of the suppliers with the remainder small businesses employing less than 10 people.

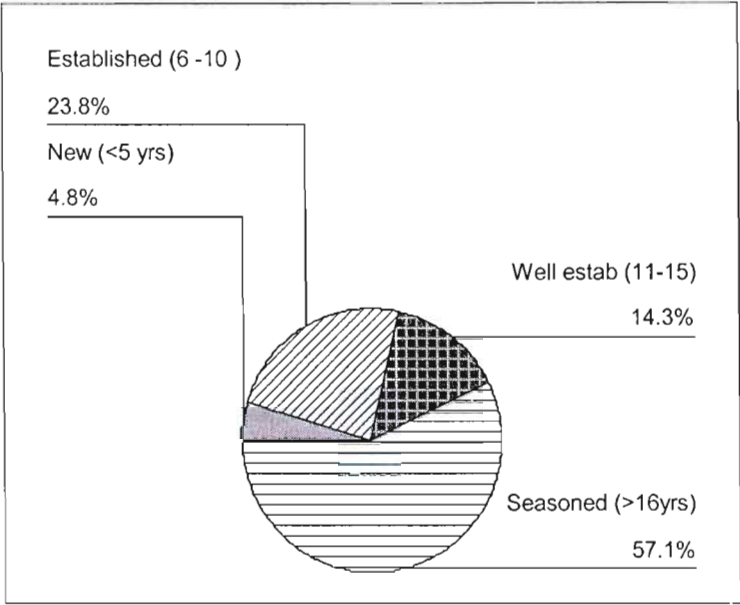
Figure 3: Supplier Company Size by Number of Full-time Employees



4.3.2 Company Age

Most suppliers to Prospecton brewery (57.1%) were seasoned businesses that had been in operation for sixteen years or more. New businesses with less than five years experience were less than five percent of the suppliers. The remaining 38.1% were established and well established businesses.

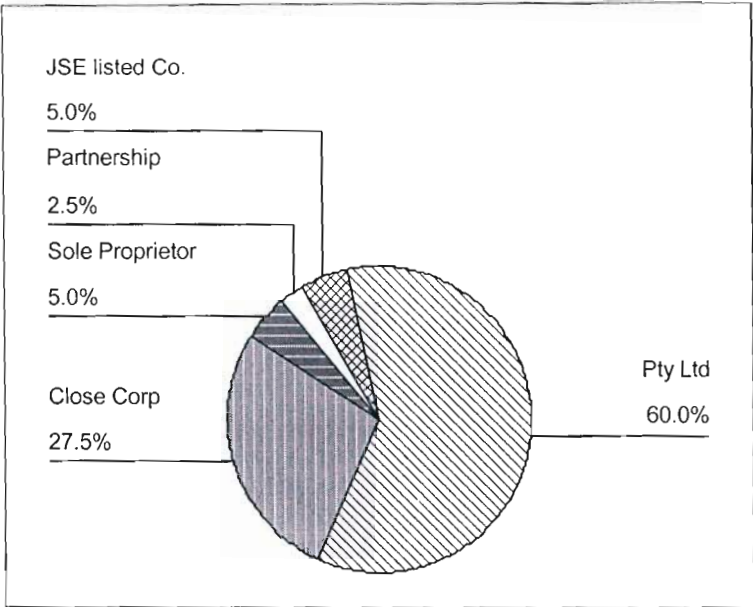
Figure 4: Supplier Company Age



4.3.3 Supplier Company Type

Privately owned limited liability companies and close corporations comprised the overwhelming majority of the suppliers to Prospecton brewery (87.5 %). JSE listed companies formed a low percentage of the suppliers (5.0%).

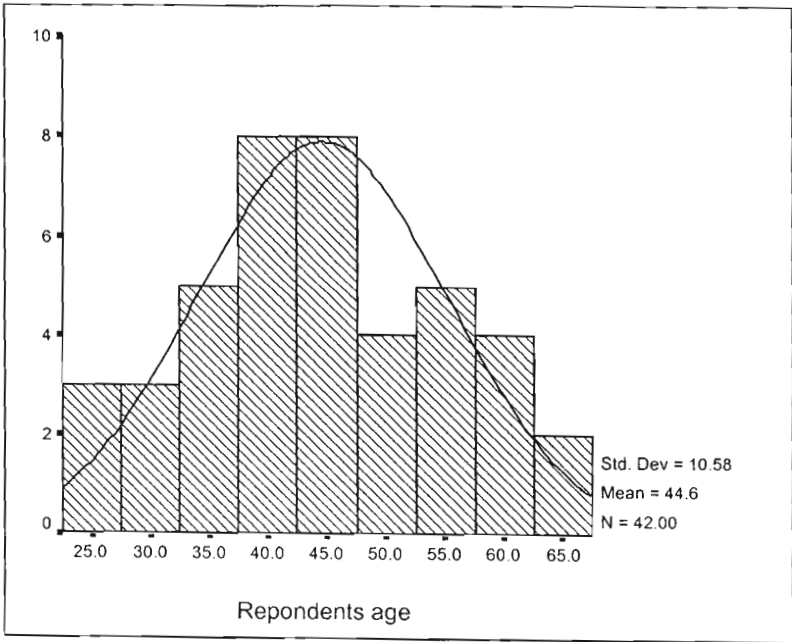
Figure 5: Supplier Company Type



4.3.4 Respondents Age and Gender

The age of respondents was approximately a normal distribution, with the average age being 44.6 years. The minimum and maximum ages were 23 years and 63 years respectively.

Figure 6: Respondents Age



Three quarters of the respondents were male.

Figure 7: Respondents Gender

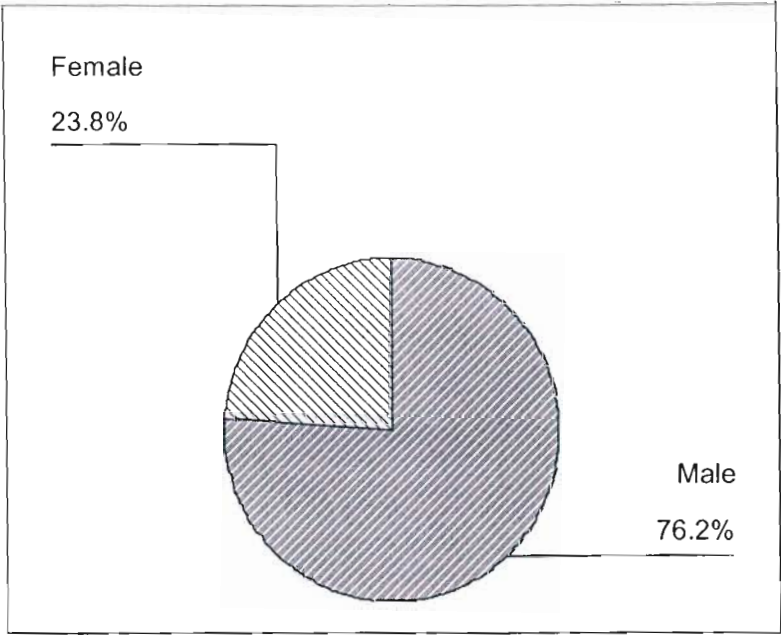


Table 3: Cross Tabulation Of Respondents Age Category vs Gender

Respondents age category * Respondents gender			Respondents Gender		Total
			Male	Female	
Respondents age category	Young (<30)	% Within respondents age category	20.0%	80.0%	100.0%
		% Within respondents gender	3.1%	40.0%	11.9%
		% of Total	2.4%	9.5%	11.9%
	Middle aged (31 - 49)	% Within respondents age category	73.9%	26.1%	100.0%
		% Within respondents gender	53.1%	60.0%	54.8%
		% of Total	40.5%	14.3%	54.8%
	Senior (>50)	% Within respondents age category	100.0%	0.0%	100.0%
		% Within respondents gender	43.8%	0.0%	33.3%
		% of Total	33.3%	0.0%	33.3%
Total		% Within respondents age category	76.2%	23.8%	100.0%
		% Within respondents gender	100.0%	100.0%	100.0%
		% Of total	76.2%	23.8%	100.0%

Examination of Table 3 shows a number of distortions in the distribution of age and gender. Within the young age category, 80% of respondents were female. A mere 3.1% of the male respondents fell into the young category. Within the senior age category 100% of respondents were male i.e. there were no senior female respondents.

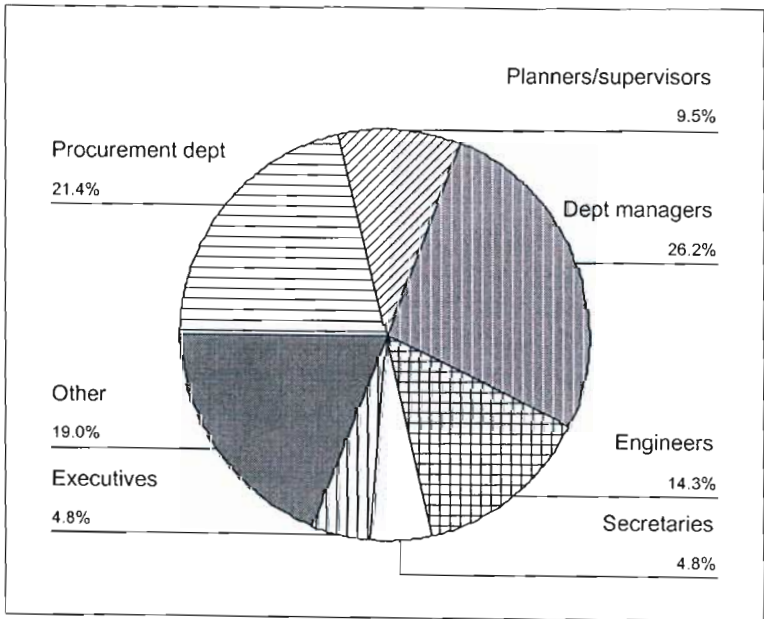
The respondents can thus be described in general terms as follows:

- Just over one tenth of the total are young and predominantly female.
- Slightly more than one half of the total are middle aged and three quarters of the total are male.
- One third of the total are senior and exclusively male.

4.3.5 Suppliers Main Contact with SAB

The main employee groups within Prospecton brewery that suppliers deal with were found to be as shown in Figure 8.

Figure 8: Suppliers Main Contact Groups at Prospecton Brewery



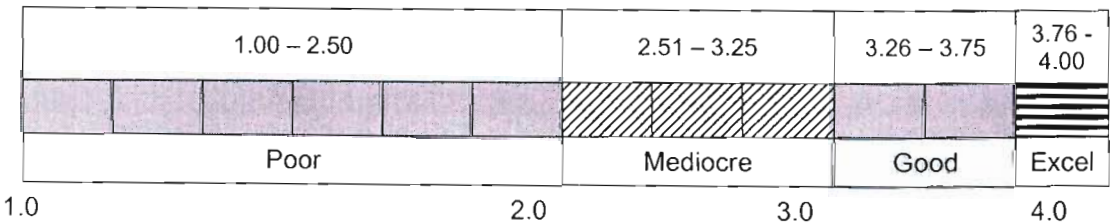
4.4 Evaluation of Suppliers Ethical Knowledge and Attitudes

4.4.1 Knowledge and Attitudes

Suppliers overall knowledge and attitudes towards business ethics was assessed using the series of questions 8 –13 and 14 –20 (as found in the questionnaire in Appendix F). The former set of questions consisted of general statements related to business ethics, while the latter series described specific behaviours and practices commonly encountered in the South African business situation. Respondents were requested to indicate their feelings about each statement/practice on a four point Likert scale. The scale was coded one to four with four being the most ethically aware response and one the least ethically aware response. By calculating the means of each series of questions, an assessment of the supplier's knowledge and attitude to ethics was obtained. Scores closer to the maximum of four indicated good ethical knowledge and attitude. Scores closer to the minimum of one indicated poor ethical knowledge and attitude. Table 4 below shows the score ranges applied in assessing whether scores were excellent, good, mediocre or poor.

Table 4: Score Ranges Used To Assess Likert Scale Means

Score	Assessment Description
1.00 – 2.50	Poor
2.51 - 3.25	Mediocre
3.26 - 3.75	Good
3.76 – 4.00	Excellent



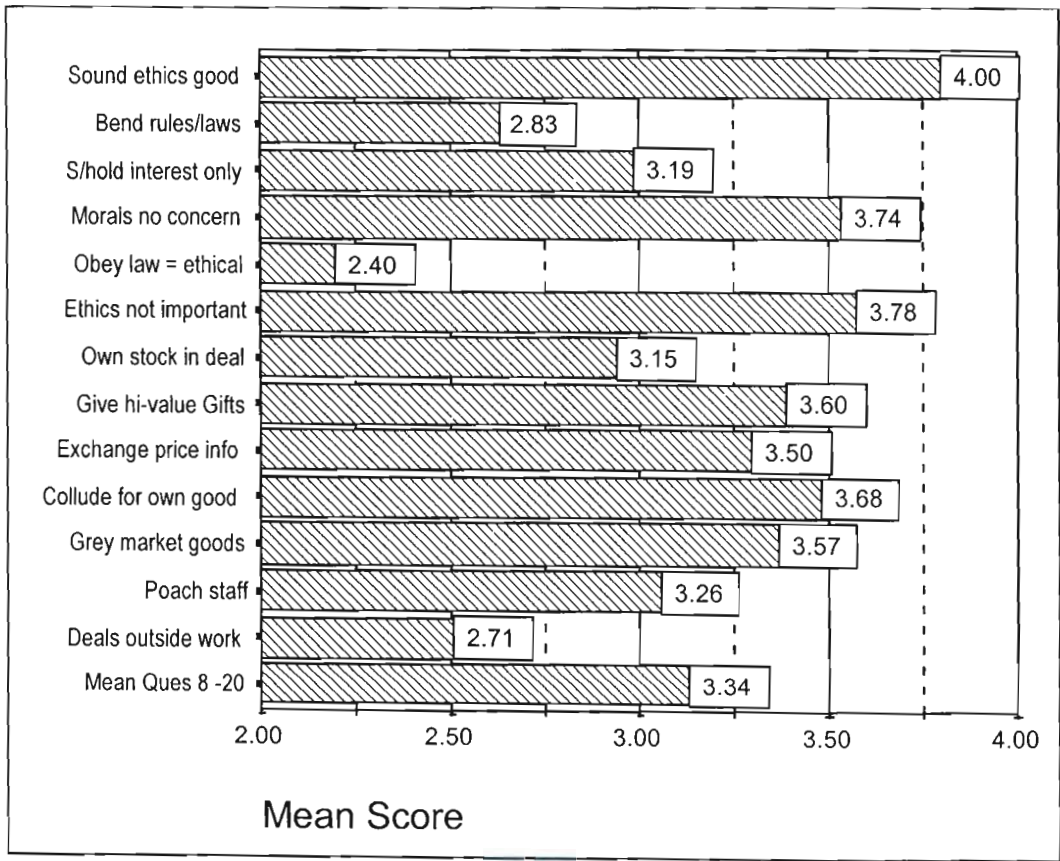
An overall mean score of 3.34 was calculated for all suppliers together over the whole bank of questions in the series 8 – 20. This relatively high

score indicated that respondents had a good overall knowledge and attitude towards business ethics.

Internal consistency of the questions was assessed using Cronbach's coefficient alpha, which was calculated as 6.290 for the series of questions 8 – 20. This was considered acceptable for the type of study undertaken.

In addition to evaluating the series of questions together, the mean scores for each individual question in the bank was calculated to seek out specific areas/issues where poor attitudes existed. Figure 9 shows the mean scores for each question.

Figure 9: Suppliers Knowledge and Attitudes to Business Ethics



Considering the three areas where the highest scores were obtained showed that respondents had an excellent attitude in regard to sound ethics being good for business in the long term (4.00) as well as towards ethics being important in business these days (3.78). Furthermore,

suppliers showed excellent awareness that businessmen should indeed be concerned with the moral implications of their actions in business (3.74).

A consideration of the three areas where the lowest scores were obtained suggested that respondents have a poor appreciation of the concept that being ethical involves more than just obeying the law (2.40). Suppliers had only a mediocre attitude rating in regard to bending rules/laws in the course of business (2.83) as well as to conducting business deals outside of the work environment (2.71). These were perhaps not surprising scores in the South African context, where doing business on the golf course, at lunch and on other getaways have been long standing practices that have become generally accepted. In addition, the complex legal situation in South Africa combined with relatively poor policing of wrong doing in the past has made rule/law bending a low risk, "easy option" for many firms and individuals.

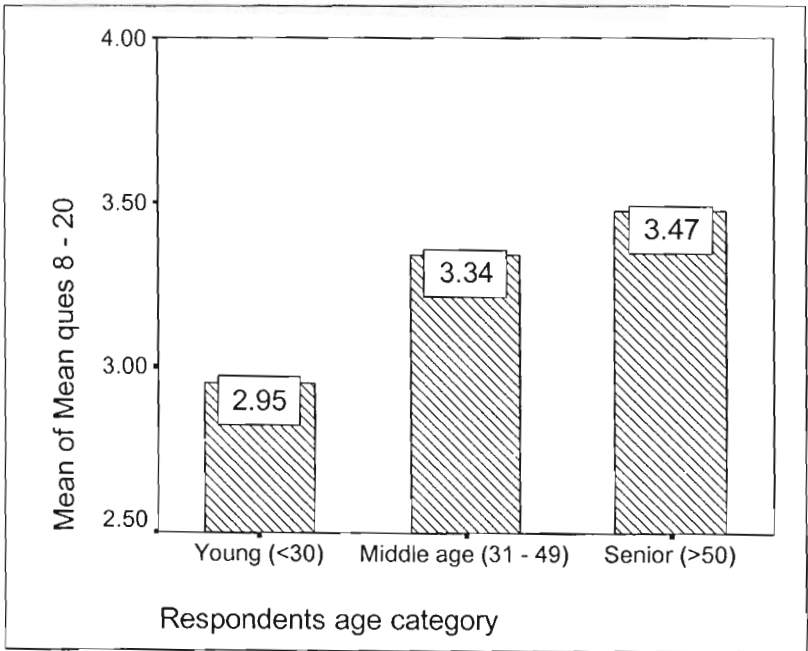
In addition to considering the mean scores obtained for questions 8 –20 for all responses together, one way Analysis of Variance (ANOVA) and the Scheffe multiple comparison procedure were used to assess differences between the mean scores across respondent/supplier biographic categories such as gender, age, company size and type etc.

ANOVA was chosen as it was a common statistical test utilised for ex post facto comparison of more than two independent sample means. The condition of randomly selected samples required for ANOVA was met by the sampling procedure. However, because of the low response rate there was concern that the normality and homogeneity requirements of ANOVA may have been compromised. Statistically significant differences indicated by ANOVA were therefore checked and confirmed with the Kruskal-Wallis test.

No statistically significant differences between the grand mean scores of supplier's responses to questions 8-20 were found for any of the biographical categories/factors except for respondent age category:

A statistically significant difference (at the 0.05 level) was found between the mean scores for the young (<30 years) age category and the senior (>50 years) age categories. As shown in Figure 10, a grand mean score of 3.47 (good) was found for the senior category and 2.95 (mediocre) was found for the young category. Young supplier respondents had poorer attitudes and knowledge regarding business ethics than senior supplier respondents.

Figure 10: Respondents Age vs Grand Mean of Questions 8 -20



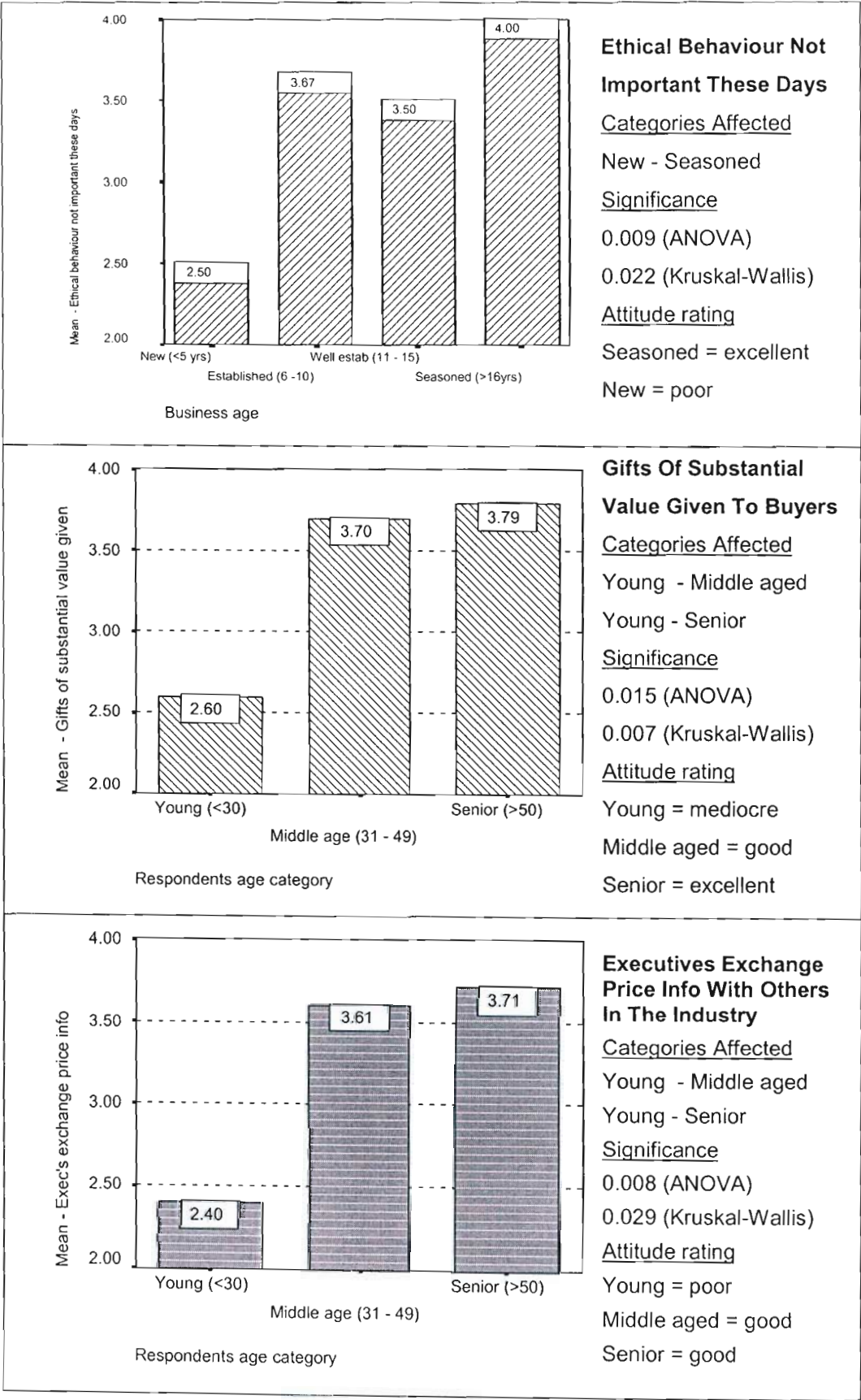
ANOVA was also used to assess differences between the mean scores of the individual questions numbered 8 - 20 across the same respondent/supplier biographic categories.

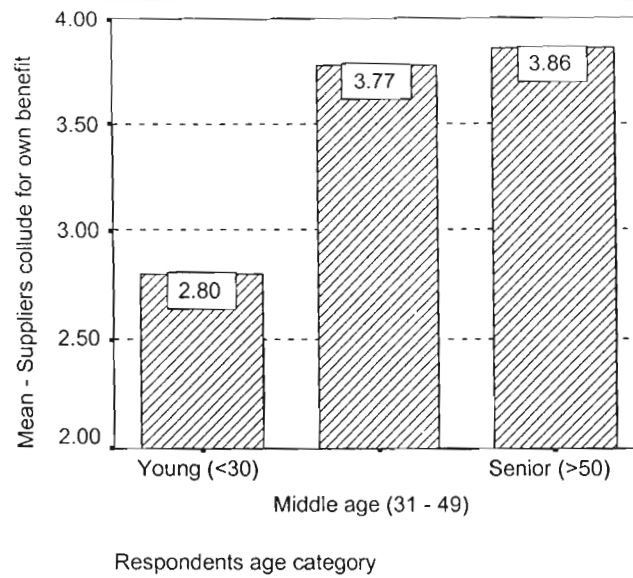
No statistically significant differences were found for the following biographical categories:

- Company size
- Company type
- SAB employee group supplier mostly interacts with
- Participation on SAB supplier partnering programme
- Affirmative action classification

Statistically significant variations between the mean scores of the questions were found as shown in Figure 11.

Figure 11: Significant Differences in Supplier Mean Attitude Scores





Suppliers Collude For Their Own Benefit

Categories Affected

Young - Middle aged

Young - Senior

Significance

0.002 (ANOVA)

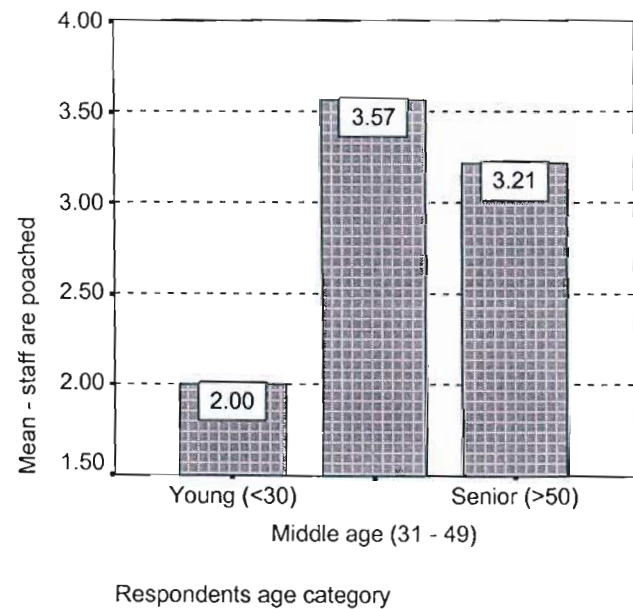
0.005 (Kruskal-Wallis)

Attitude rating

Young = mediocre

Middle aged = excellent

Senior = excellent



Customers/competitors Staff Are Poached

Categories Affected

Young - Middle aged

Young - Senior

Significance

0.025 (ANOVA)

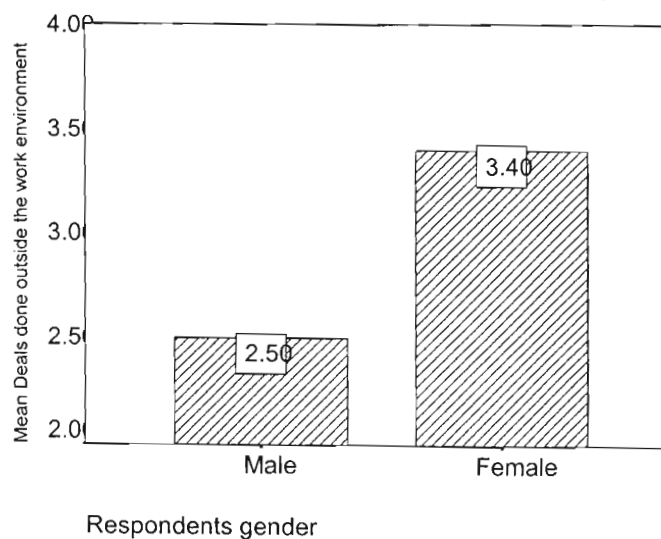
0.014 (Kruskal-Wallis)

Attitude rating

Young = poor

Middle aged = good

Senior = mediocre



Deals Done Outside Of The Work Environment

Categories Affected

Male - Female

Significance

0.039 (ANOVA)

0.040 (Kruskal- Wallis)

Attitude rating

Female = good

Male = poor

4.4.2 Use of Business Ethics Codes

Possession of the SAB ethics policy supplier guideline was found to be low amongst Prospecton brewery suppliers, with only one third of respondents confirming that their companies had the guideline. Forty six percent of suppliers did not have the SAB ethics guideline and a further 21% did not know if their company had the guideline. This suggested that distribution of the guideline to suppliers was not being effectively maintained or that the suppliers may not have been disseminating the guideline among their employees.

Figure 12: Supplier has SAB Ethics Policy Guideline

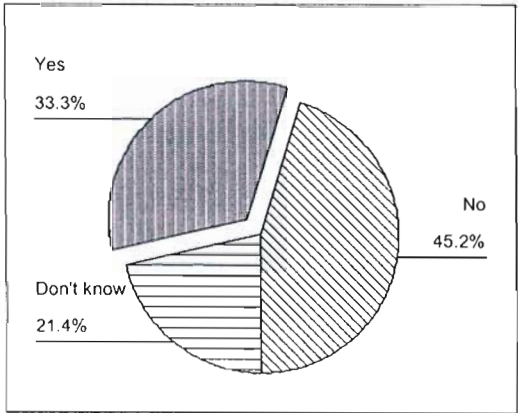
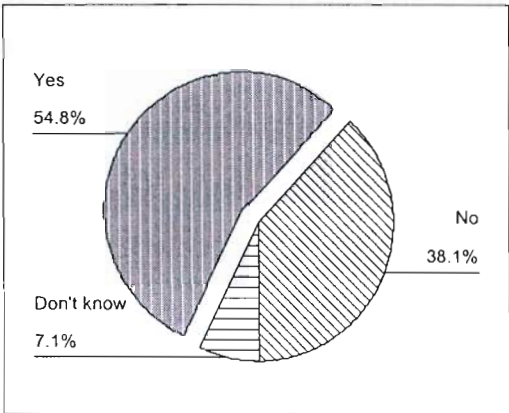


Figure 13: Supplier has Own Ethics Policy



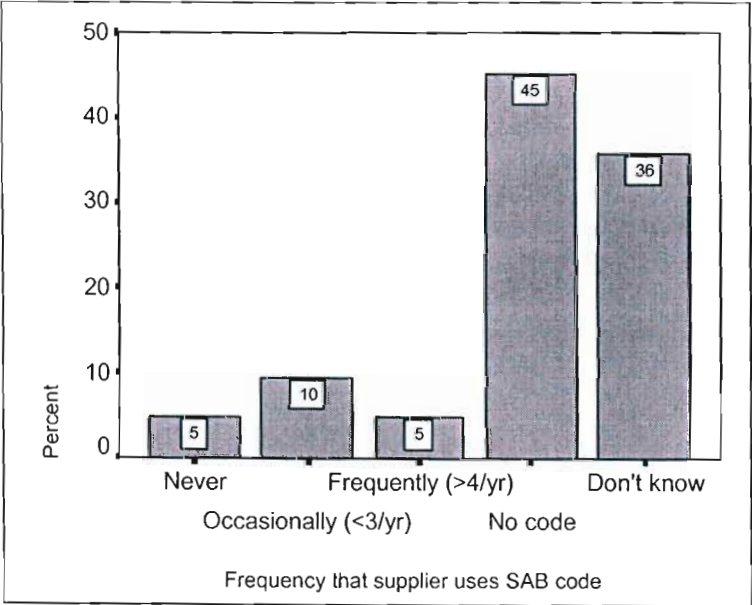
However, the existence of supplier's own ethical codes was found to be much higher at 54,8%. Many of these suppliers were unfortunately the same ones who had the SAB guideline and from the cross tabulation shown in Table 5, it was calculated that 35.7 % of suppliers had neither their own code nor the SAB guideline. A high percentage of Prospecton brewery suppliers therefore operated with no written ethical guidelines/policy to refer to.

Table 5: Cross Tabulation - Supplier Has Own Code vs Has SAB Code

Count		Supplier has copy of SAB code			Total
		Don't know	Yes	No	
Supplier has own code	Don't know	1	2	0	3
	Yes	6	10	7	23
	No	2	2	12	16
Total		9	14	19	42

Use of the SAB ethics policy guideline by suppliers for guidance when dealing with SAB was found to be very low. A mere five percent of respondents indicated frequent (i.e. more than four times a year) use of the guideline. Ten percent indicated occasional use of the code (less than three times a year), while the remainder indicated that they either, did not have the code, did not know if it is used or never use the code. If a “don’t know” response meant that the code was not being used, a massive 85% of suppliers did not use the SAB ethics policy guideline.

Figure 14: Frequency of Use of SAB Ethics Policy Supplier Guideline



4.4.3 Familiarity with King II Report

The familiarity of suppliers with the 2002 King Report on Corporate Governance was low at 33.3 %. Reassuringly however, all of the JSE listed companies who participated in the survey indicated familiarity with the report. Figure 16 indicates rising familiarity with the report as the company form becomes more formal i.e. from sole proprietor through close corporation, private limited liability company to JSE listed company. This trend was unsurprising and followed what common sense suggested to be the case.

Figure 15: Suppliers Familiarity with King II Report on Corporate Governance

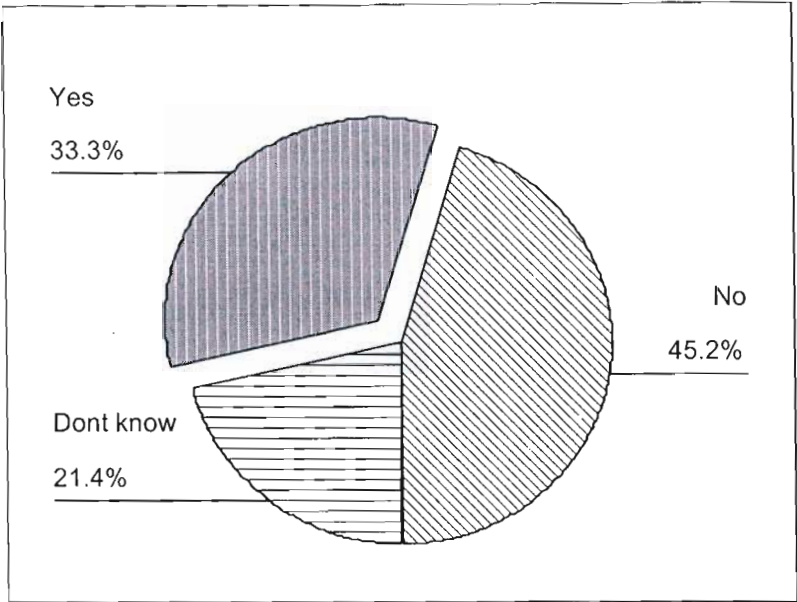
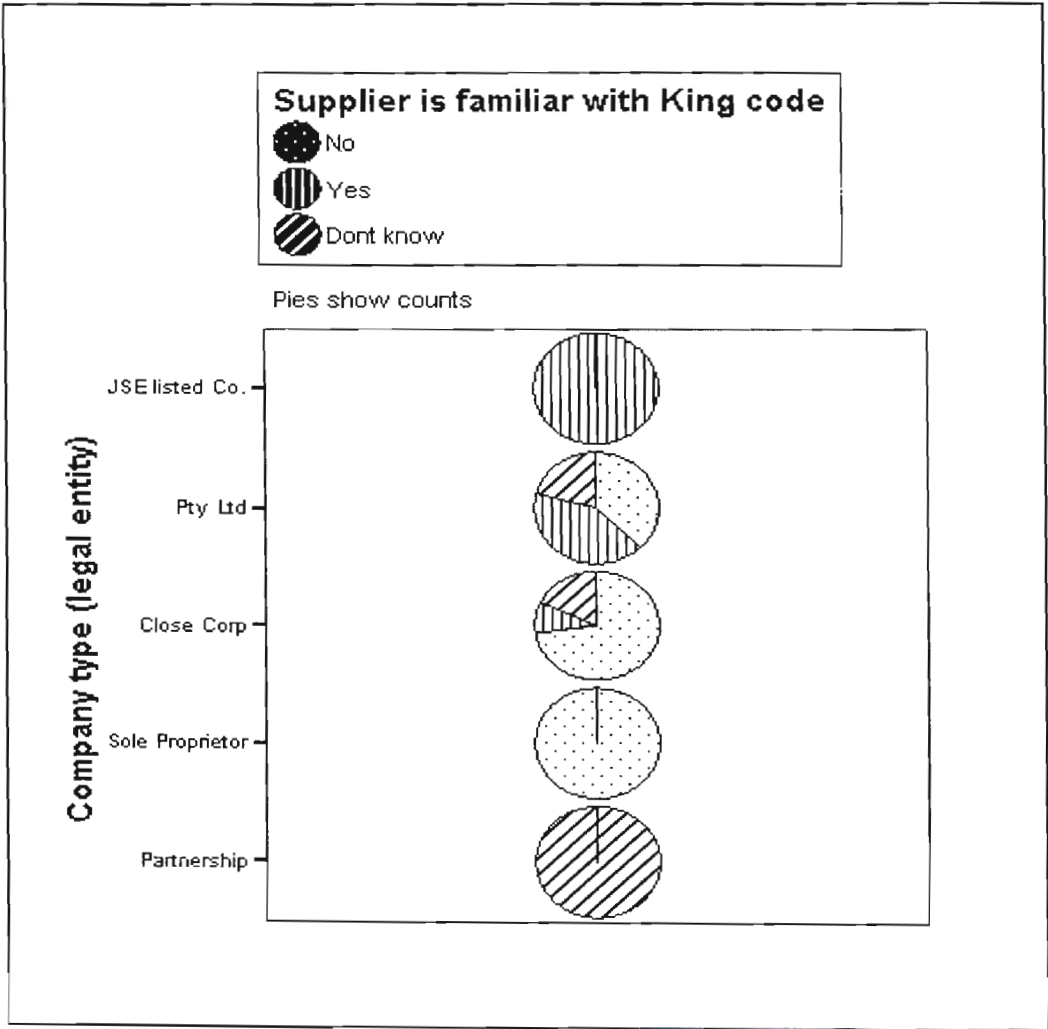


Figure 16: Familiarity with King Code Compared to Company Type



Questions 8 - 20 were further individually analysed (using one-way ANOVA and Scheffe multiple comparisons) for differences in the mean scores obtained for these questions across the following factors:

- Supplier has own code of ethics for employees.
- Supplier has SAB ethics policy supplier guideline.
- Supplier familiar with the King II report on corporate governance.

No statistically significant differences were found, which indicated that the above-mentioned three factors do not seem to have influenced Prospecton supplier knowledge and attitudes towards business ethics. From the available information it was not possible to determine whether the apparent ineffectiveness of ethical codes in influencing the ethical knowledge and attitudes was due to poor implementation of the ethical codes within supplier organisations, poor content of the ethical codes or an inherent lack of efficacy of ethical codes to change attitudes. Further research on this matter would be useful.

4.4.4 Suppliers Evaluation of Own Industry

Table 6 summarises the responses obtained from respondents in regard to the three issues shown in the first column of the table.

Suppliers overwhelmingly felt that good ethics was a key factor in their business. Ninety percent were in full agreement with this, with the balance of ten percent in partial agreement.

Table 6: Frequency Table - Suppliers Evaluation of Own Industry

Issue	Disagree	Partly disagree	Partly agree	Agree
	(%)	(%)	(%)	(%)
Good Ethics Is Key To Suppliers Business			9.52	90.48
Past Ethical Performance Is Considered In Recruitment & Promotion			19.05	80.95
Improvements To Business Ethics in Suppliers Industry Are Needed	4.76	4.76	16.67	73.81

Eighty one percent of suppliers indicated full agreement that they consider past ethical performance when recruiting and promoting staff. Given that personal codes of conduct have been found by other researchers to be the most important contributing factor to good ethical behaviour, this result is a favourable indication of the ethical aptitude/potential of suppliers.

However, using ANOVA, no statistically significant differences in the grand mean score of the supplier ethical knowledge and attitude questions 8 – 20 could be found with respect to suppliers taking past ethical performance into consideration when recruiting and promoting.

Disturbingly only approximately ten percent of suppliers believed that their industry was in sound ethical shape. Ninety percent indicated that improvements to business ethics in their industry were needed. Given that most suppliers had elsewhere strongly indicated that ethics was a key

success factor for them, their perceptions that their industries were not in satisfactory ethical shape indicated that a gap existed between what their businesses needed and what their industry was achieving. Possible explanations were that suppliers had understood that ethics was a key success factor for their businesses but had not managed (or perhaps had not even tried) to inculcate acceptable levels of ethics into their industry. Alternatively, suppliers may have believed that their own ethics were acceptable and that others around them in the industry were the problem.

Using ANOVA, No statistically significant differences in the grand mean score of the supplier ethical knowledge and attitude questions 8 – 20 could be found with respect to suppliers views regarding the need for improvements in ethical behaviour within the suppliers industry.

4.5 Suppliers Perceptions of Ethical Behaviour at Prospecton Brewery

4.5.1 Perceptions of Prospecton Brewery Employees

Questions 28 – 31 (as found in the questionnaire in Appendix F) were used to evaluate the perceptions that suppliers had of Prospecton brewery employees in regard to ethical performance. The responses to each question were coded one to four in similar fashion to questions 8 – 20. A value of four was assigned to the most ethically positive response and a value of one to the most ethically negative response. Don't know responses and unanswered cases were excluded and mean scores were then calculated for each question. As was done previously, the score ranges shown in Table 4 were applied in assessing whether the scores obtained were excellent, good, mediocre or poor.

Figure 17: Mean Scores of Supplier Perceptions of Brewery Employees

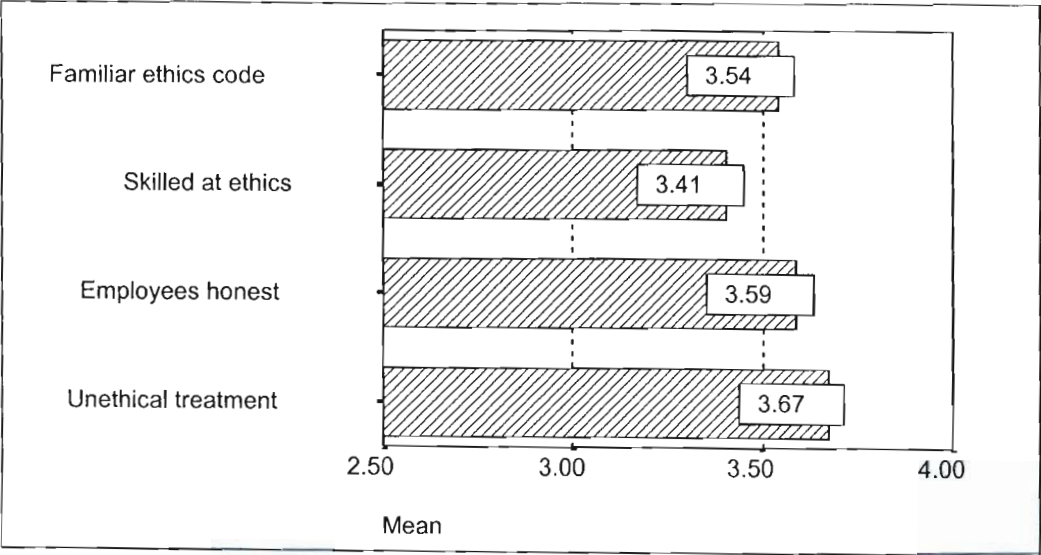


Figure 17 shows the mean scores calculated for questions 28 – 31. These questions covered the following issues regarding Prospecton brewery employees:

- Familiarity with the SAB ethics policy.
- Skilled at managing ethical dilemmas.
- Honesty.
- Unethical treatment of suppliers.

All mean scores on the above issues were found to be good when assessed against the rating scale in Table 4. One-way ANOVA indicated that there were no statistically significant differences (at the 0.05 level) in the mean scores among any of the biographical categories considered by the research.

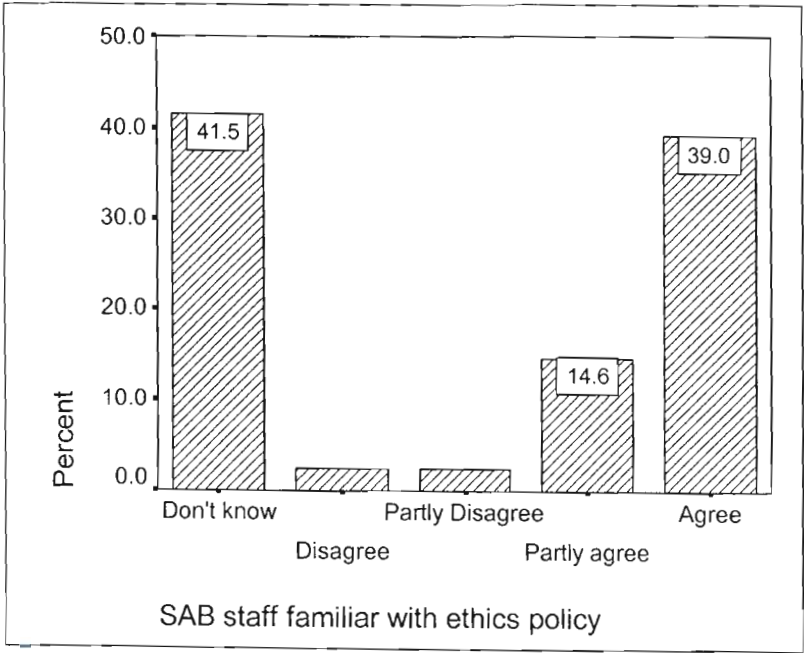
The overall mean score for this set of questions was 3.56 and this was rated as good in terms of the rating scale established in Table 4. Cronback's coefficient alpha was calculated as 0.9000 for this series of questions.

Each of the questions is considered individually in more detail below.

4.5.1.1 Familiarity with the SAB Ethics Policy

Figure 18 shows that a high proportion of respondents (41.5%) did not know if the Prospecton staff that they dealt with, were sufficiently familiar with the ethics policy. Of the remaining respondents who felt that they had knowledge on this issue, a majority agreed or at least partially agreed that Prospecton staff had sufficient familiarity with the ethics policy.

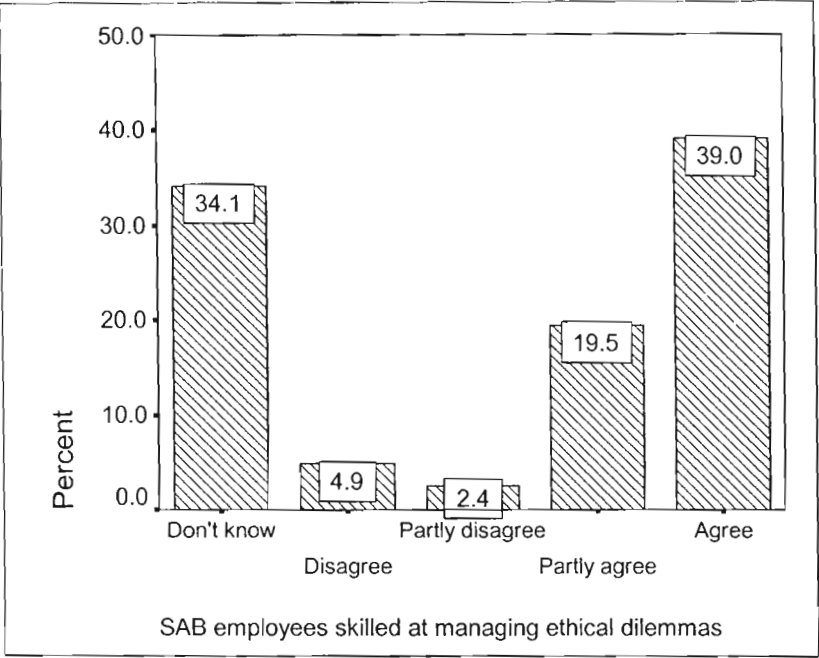
Figure 18: Familiarity of Employees with the SAB Ethics Policy



4.5.1.2 Skill at Managing Ethical Dilemmas

In regard to the skill of Prospecton employees at managing ethical dilemmas, Figure 19 shows that once again a high percentage of respondents (34.1%) did not know if Prospecton Brewery employees were skilled at this. Of the respondents that did have an opinion on this issue, approximately 90% of them either agreed or partly agreed that Prospecton employees were skilled at managing ethical dilemmas. While this may seem to be good, if all responses other than full agreement are considered to be indications of some degree of inadequacy in skill level, it can be seen that a high 40% of respondents who believed that they had knowledge on this issue, felt that there were some shortcomings in the skills of employees at managing ethical dilemmas.

Figure 19: Skill at Managing Ethical Dilemmas



The high percentage of “don’t know” responses on both the issues of employee familiarity with the ethics policy and employee skill at managing ethical dilemmas was concerning as it suggested to the researcher that the SAB ethics policy was likely not being used by many Prospecton staff in their interactions with suppliers. If it were, a much greater percentage of

suppliers would have had a definite opinion to offer on questions 28 and 29.

4.5.1.3 Honesty of Employees

In regard to the honesty of Prospecton employees, Figure 20 shows that a small percentage of respondents had negative opinions on this matter or did not know. The majority (87.9%) either agreed or partly agreed that Prospecton employees were honest. While suppliers evidently considered most Prospecton employees to be honest, there were clearly a minor number of employees, who were considered not to be honest in the eyes of suppliers.

Figure 20: Honesty of Brewery Employees

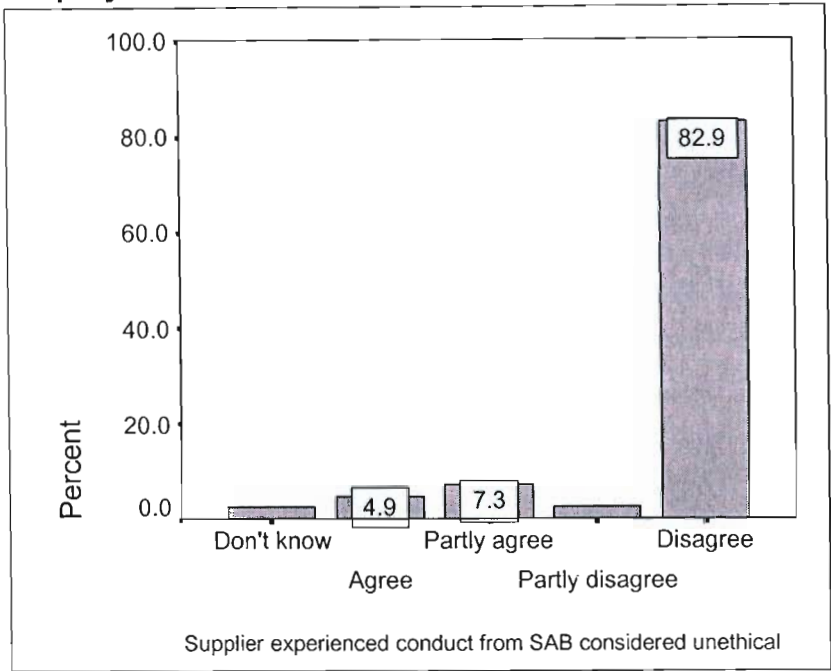


4.5.1.4 Suppliers Experienced Unethical Conduct from Employees

Figure 21 shows that 82.9% of respondents disagreed that they had experienced conduct from Prospecton employees that they considered unethical. While this high percentage was excellent and a very positive indication that Prospecton brewery employees are not generally subjecting suppliers to unethical treatment, due cognisance must be taken of the

12.2% of respondents who felt that they have experienced some unethical treatment. Clearly, some instances of unethical treatment of suppliers have occurred.

Figure 21: Supplier Has Experienced Conduct from Prospecton Employees Considered to be Unethical



4.5.2 Supplier Perceptions about Prospecton Brewery Overall

Questions 32 – 34 & 37 (as found in the questionnaire in Appendix F) were used to evaluate the perceptions that suppliers had of Prospecton brewery overall in regard to ethical performance.

The questions were coded and mean scores calculated for each question as described previously.

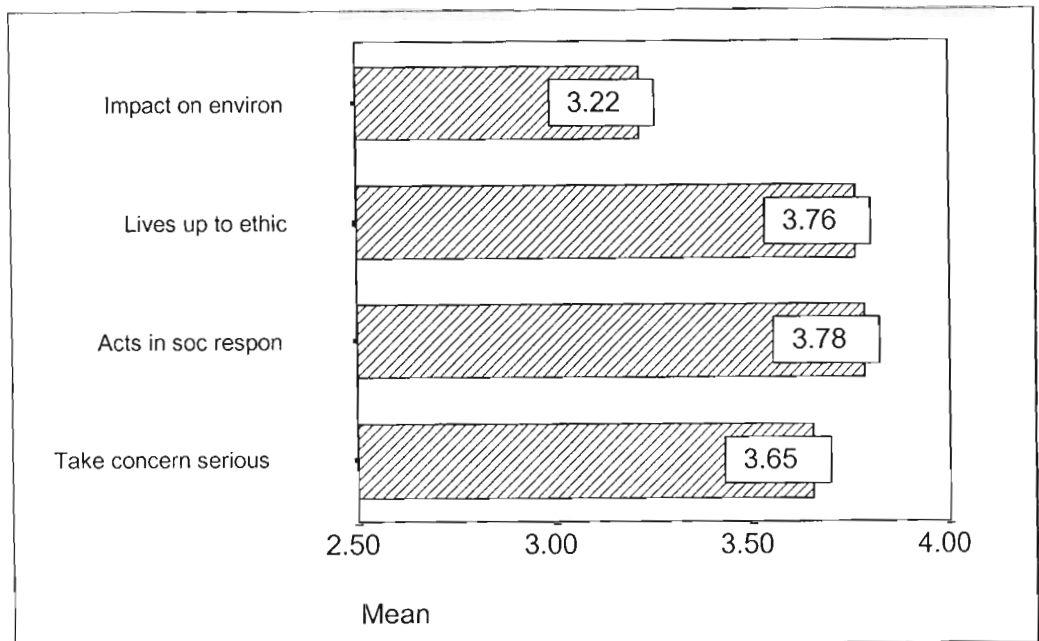
An overall mean score of 3,63 was calculated for this set of questions. This score was good in terms of the rating scale established in Table 4.

Figure 22 shows the mean scores obtained for the issues covered by each question. Applying the ratings from Table 4, the perceptions of respondents in regard to Prospecton breweries' overall ethical performance can be rated as good in the areas of:

- Living up to SAB's own ethical policies.
- Behaving in a socially responsible manner.
- Management taking ethical concerns raised by suppliers seriously.

Suppliers perceptions in regard to the impact that Prospecton brewery has on the environment can however be seen to be only mediocre in terms of the rating scale.

Figure 22: Mean Scores of Supplier Perceptions of Prospecton Brewery Overall



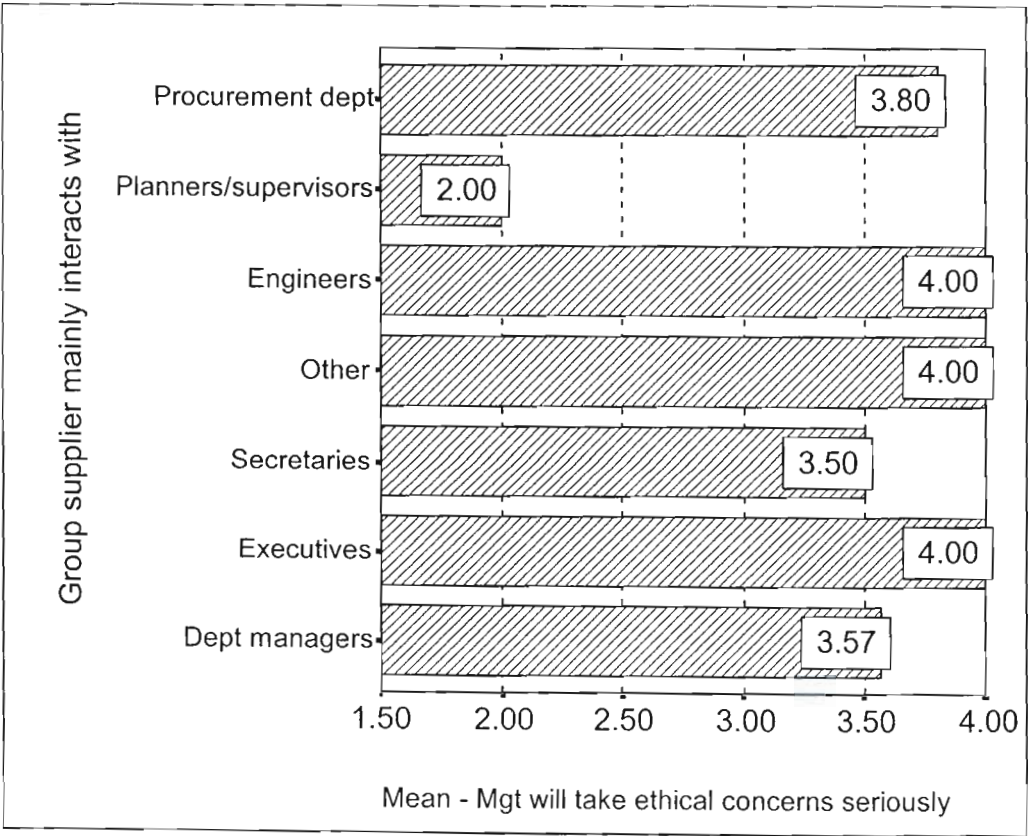
Cronback's coefficient alpha was calculated as 0.4261 for the above questions, which was low. Elimination of question 32 (i.e. Prospecton does not impact on the natural environment excessively) would have raised the alpha coefficient to a more acceptable 0.6070.

One-way ANOVA indicated that, except in regard to SAB management taking ethical concerns seriously and the SAB employee group that the supplier usually deals with, there were no statistically significant differences (at the 0.05 level) in the mean scores among any of the biographical categories considered by the research.

ANOVA and Scheffe multiple comparisons indicated that the differences between the mean scores for the planner/supervisor group compared with procurement department, engineers and the other employee groups were significant at the 0.05 level.

Figure 23 shows the mean scores for each SAB group. The mean score of respondents interacting mainly with the procurement department, engineers, executives and other employees was excellent while that of suppliers interacting mainly with planners/supervisors was poor. The perception that, SAB management will not take ethical concerns seriously, that many suppliers who dealt mainly with planners/supervisors had, may in the researchers view, be an indication that insufficient management attention has been seen to be given towards dealing with poor ethical practices at the planner/supervisor level.

Figure 23: Mean Scores - SAB Management Will Take Ethical Concerns Seriously vs SAB Employee Group



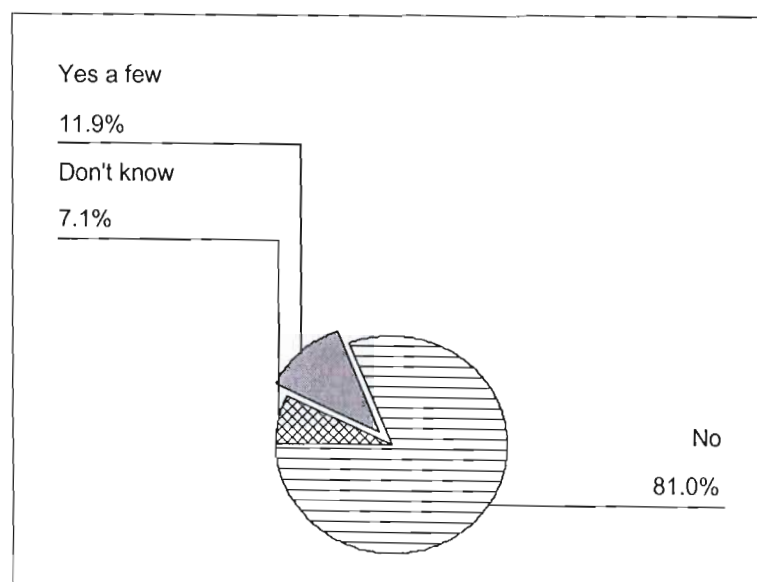
4.5.2.1 Existence of Unethical Practices at Prospecton Brewery

Question 39 investigated the views of suppliers in regard to the existence of practices at Prospecton brewery that they considered unethical. As shown in Figure 24, a large majority (81%) felt that there were no unethical practices. However, approximately 12% of respondents felt that a few unethical practices existed while the balance of 7% did not know. The 11.9% of respondents who felt that a few unethical practices existed (Figure 24), corresponded closely with the 12.2 % of respondents who agreed or partly agreed that they had experienced conduct from SAB that they considered to be unethical (Figure 21). This suggested that there was some consistency in the way respondents answered the questions.

Respondents, who indicated that they considered a few unethical practices to exist, stated the following practices as the ones that they would have most liked to see eliminated.

- SAB seeking only the lowest price and not quality.
- SAB commercial equity policy.
- SAB staff having vested interests in some of the competitors of the suppliers concerned.

Figure 24: Suppliers View on Prevalence of Unethical Practices



4.5.2.2 Prospecton Pays More Than or Less than Market Rates For Goods and Services

Cross tabulation of question 35 and 36 was used to evaluate suppliers perceptions regarding whether Prospecton brewery paid more than, or less than, the going market rate for goods and services.

Table 7: Cross Tabulation - Prospecton Pays Less Than Market Rates vs Pays More Than Market Rates

% Of total		Prospecton Pays Suppliers More Than Market Rates				Total
		Agree	Partly agree	Partly disagree	Disagree	
Prospecton Pays Suppliers Less Than Market Rates	Agree				17.2%	17.2%
	Partly agree		3.4%	3.4%	13.8%	20.7%
	Partly disagree		3.4%		6.9%	10.3%
	Disagree	3.4%			48.3%	51.7%
Total		3.4%	6.9%	3.4%	86.2%	100.0%

Examination of Table 7 shows that 86.2 % of suppliers disagreed that Prospecton brewery pays more than the going market rate for goods and services while only 51.7% of the suppliers disagreed that Prospecton pays less than the going rate. This indicates that supplier opinion was inclined towards Prospecton paying less than market rates. This can be further seen since only 10.1% of suppliers agreed or partly agreed that Prospecton pays more than the going rate while a much higher 37.9% of suppliers agreed or partly agreed that Prospecton pays less than the going rate. Further the cross tabulation shows that only 48.3 % of suppliers disagree that Prospecton pays more than the going rate and also disagree that Prospecton pays less i.e. they believed that Prospecton pays the going market rates. The indication that supplier opinion was inclined towards Prospecton paying less than market rates suggests good performance from a cost management point of view. However, from an ethical point of view this could be considered a slightly negative finding if it arises from Prospecton abusing its size and influence to force below market rates onto its suppliers. Ethically, Prospecton should pay the going market rate for all goods and services.

4.5.2.3 Factors Contributing To Poor Ethical Behaviour

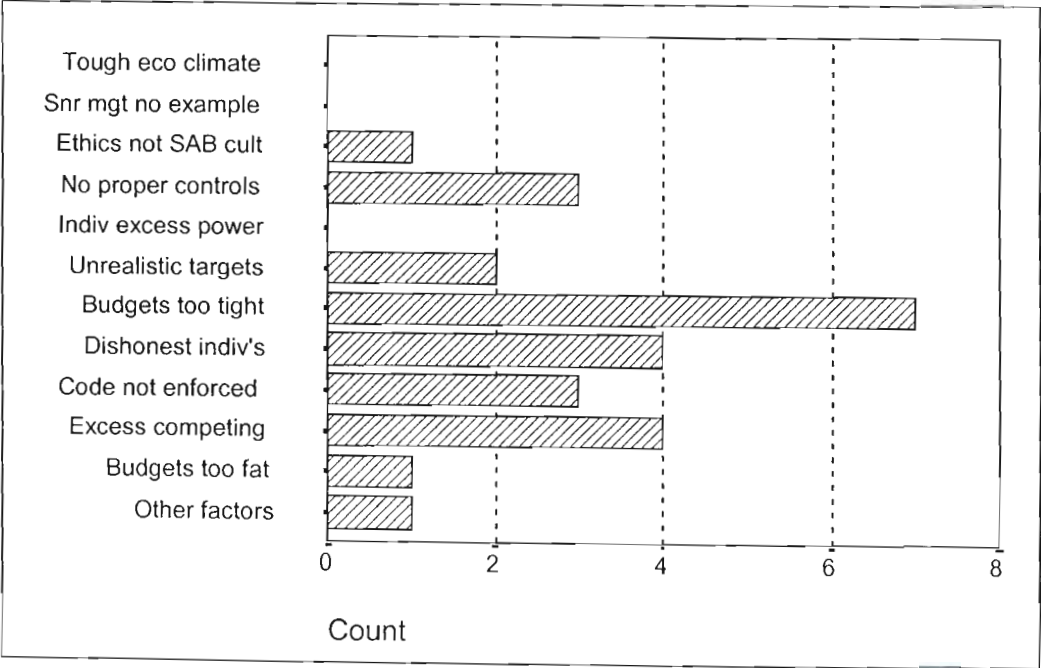
Figure 25 shows the factors that respondents believed contributed to poor ethical behaviour at Prospecton brewery. The bar chart maps the number of times that respondents selected the factors indicated in question 40. Although the number of responses received to this question was low with the majority of answers being “don’t know” (excluded from the analysis), the graph gives a clear indication of the factors that respondents believed contributed to poor ethics at Prospecton. These were:

- Budgets too tight
- Dishonest individuals
- Excessive internal competition amongst staff

Three factors were not indicated at all as contributing to poor ethical behaviour in the opinion of respondents. These were:

- Tough economic climate
- Senior management not setting the right example
- Individuals having excessive power

Figure 25: Factors Suppliers Believe Contribute to Poor Ethical Behaviour at Prospecton



4.6 Prospecton Brewery – Supplier Interactions

4.6.1 Overall Evaluation of Interactions

The health of interactions between Prospecton brewery and its suppliers was investigated using the series of questions 41 – 54 found in the questionnaire shown in appendix F. These questions consisted of a series of statements about a variety of interactions and respondents were required to indicate their recent feelings about each statement on a four point Likert type scale. The scale was graduated with descriptions of the frequency of occurrence as hardly ever, occasionally, frequently and nearly always. A “don’t know” option was provided for those respondents who had no knowledge/experience of the issue and the scale was coded for analysis from one to four. Four was assigned to the most ethical response and one was assigned to the least ethical response. After elimination of “don’t know” responses, means were calculated for each question. The means obtained were evaluated as excellent, good, mediocre or poor using the score ranges shown in Table 4.

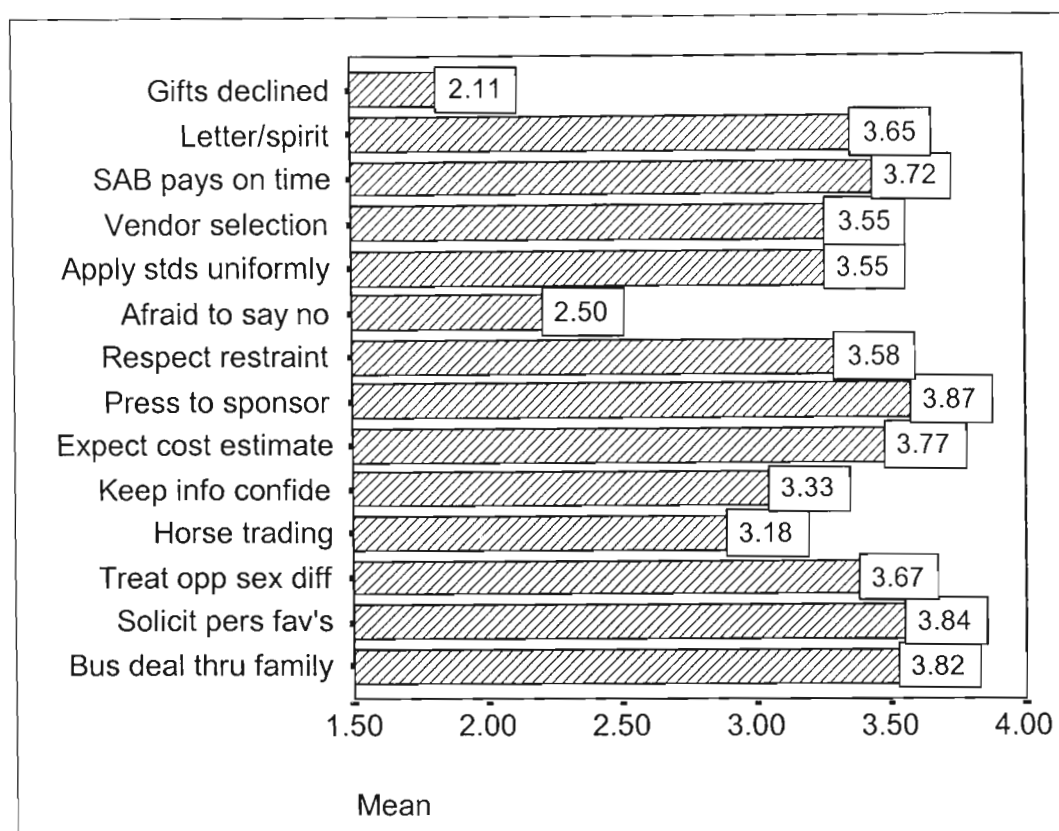
Figure 26 shows the mean scores calculated for each of the fourteen interactions in the series. An overall mean score of 3.51 was calculated for all the interactions. This was considered good in terms of the assessment criteria established for the research.

Considering individual interactions the three, interaction issues with the lowest and unacceptable scores were:

- Not declining gifts of substantial value (mean score 2.11 = poor).
- Suppliers afraid to say no to SAB due to its strong buying power (mean score 2.50 = poor).
- “Horse trading” i.e. playing one tenderer off against another (mean score 3.18 = mediocre)

These results suggest that improvements to eliminate or reduce the prevalence of the above practices may be required.

Figure 26: Bar Graph - Mean Scores of Prospector/Supplier Interactions



4.6.2 Evaluation of Specific Interactions

One-way ANOVA and Scheffe multiple comparisons were used to assess differences between the mean scores across respondent/supplier biographic categories such as age, gender, company size and type etc. The Kruskal-Wallis test was used to confirm the ANOVA results and the statistically significant differences (at the 0.05 level) shown in Table 8 were found:

Table 8: Significant Differences in Mean Scores for SAB / Supplier Interactions

Interaction/behaviour	Biographic categories	Significance
SAB/Supplier keep each others information confidential	Company size	0.038 (ANOVA)
	Small – Large	0.022 (Kruskal-Wallis)
Suppliers afraid to say no to SAB	Respondent gender	0.006 (ANOVA)
	Male - Female	0.012 (Kruskal-Wallis)

Figure 27: Bar Graph - Mean Scores of Info Kept Confidential vs Company Size

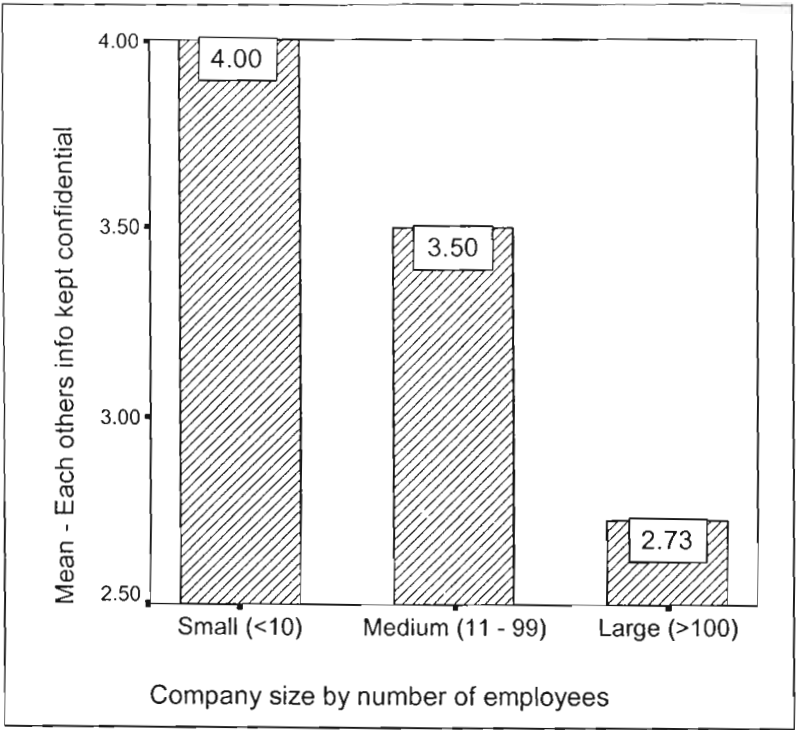
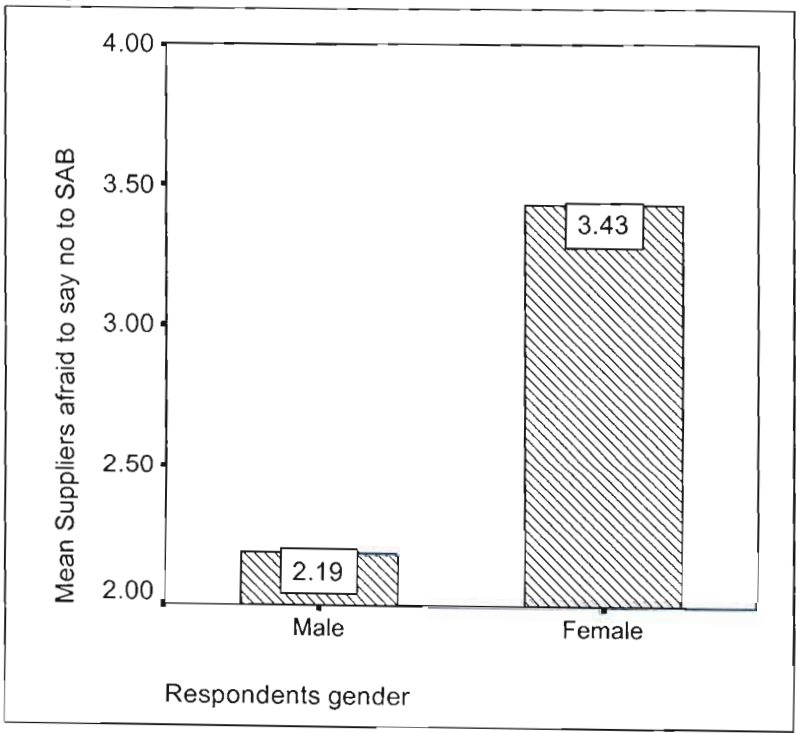


Figure 28: Bar Graph - Mean Score of Suppliers Afraid to Say No vs Respondent Gender



From Figure 27 it can be seen that large companies perceive performance in regard to the keeping of supplier and SAB information confidential as mediocre (2.73) while small companies perceive excellent performance on

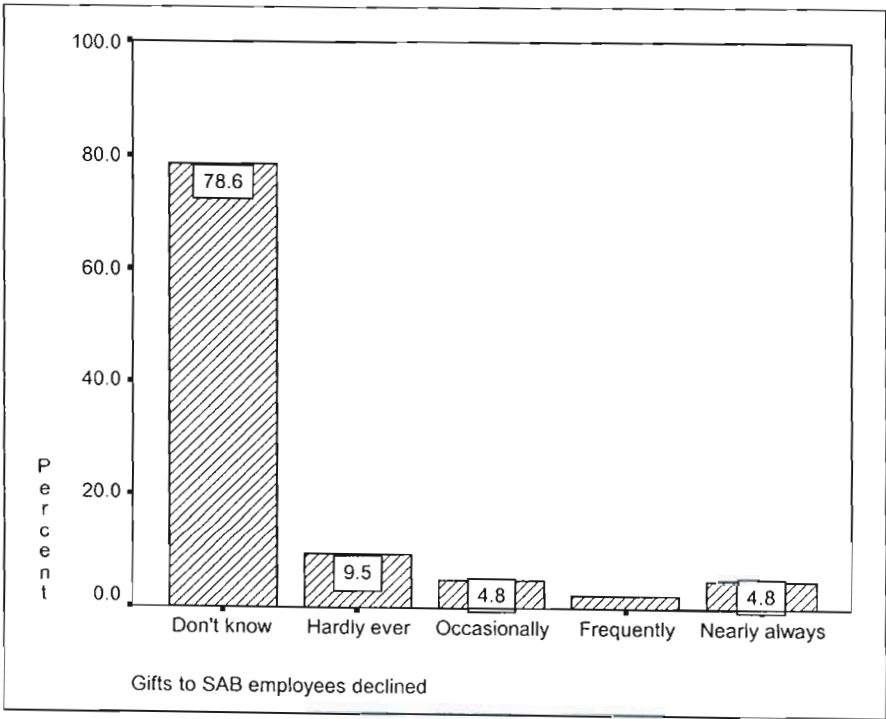
this parameter (4.00). This is contrary to what common logic might have predicted i.e. that problems of confidentiality exist with small companies rather than large companies.

From Figure 28 it can be seen that female respondents feared saying no to SAB far less than male respondents did. No information was available to determine the reasons for this difference.

4.6.2.1 Declining Of Gifts

Although the mean score obtained for declining of gifts (after exclusion of “don’t know” answers) was low, Figure 29 shows that nearly 79% of respondents did not know whether SAB employees declined gifts of significant value.

Figure 29: Frequency Bar Graph - Gifts to SAB Staff Are Declined



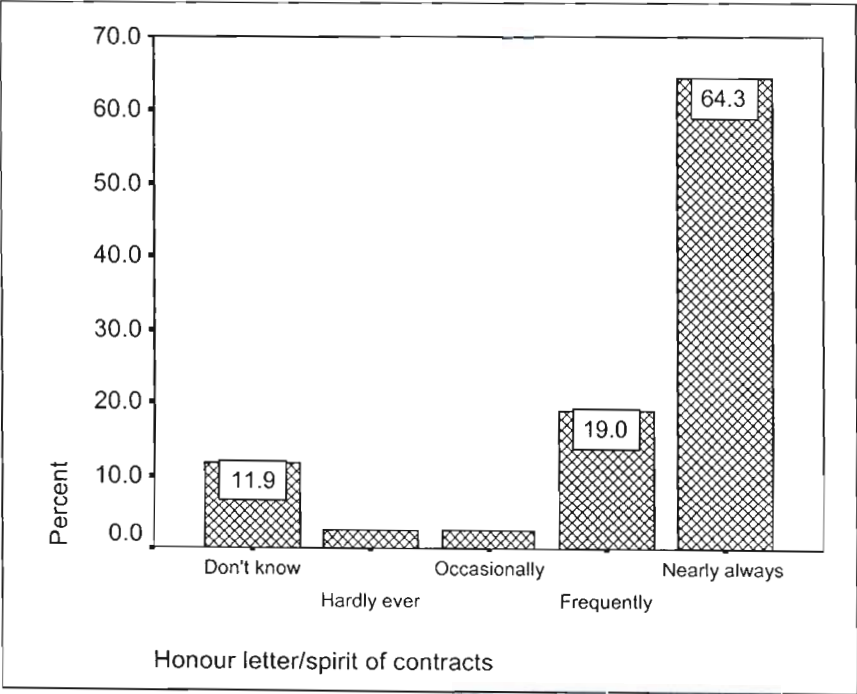
The respondents lack of knowledge on this issue was interpreted by the researcher to mean that those respondents had never offered gifts to SAB employees. This would therefore suggest that for a large majority (+- 80%) of suppliers, offering gifts of substantial value to SAB employees was not

something that they did. However, among the approximately 20% of suppliers who probably offered gifts, approximately one half believed that SAB employees hardly ever declined the gifts and a further one quarter believed that SAB employees only occasionally declined the gifts. It seems that offering of gifts was limited to a small proportion of the suppliers but when offered, recipients generally did not decline them.

4.6.2.2 Honouring the Letter and Spirit of Contracts

Figure 30 shows that only a small percentage of respondents felt that the letter and spirit of contractual agreements were hardly ever or only occasionally honoured. The overwhelming majority of respondents indicated that contractual agreements were honoured. No problems appear to exist in regard to this issue.

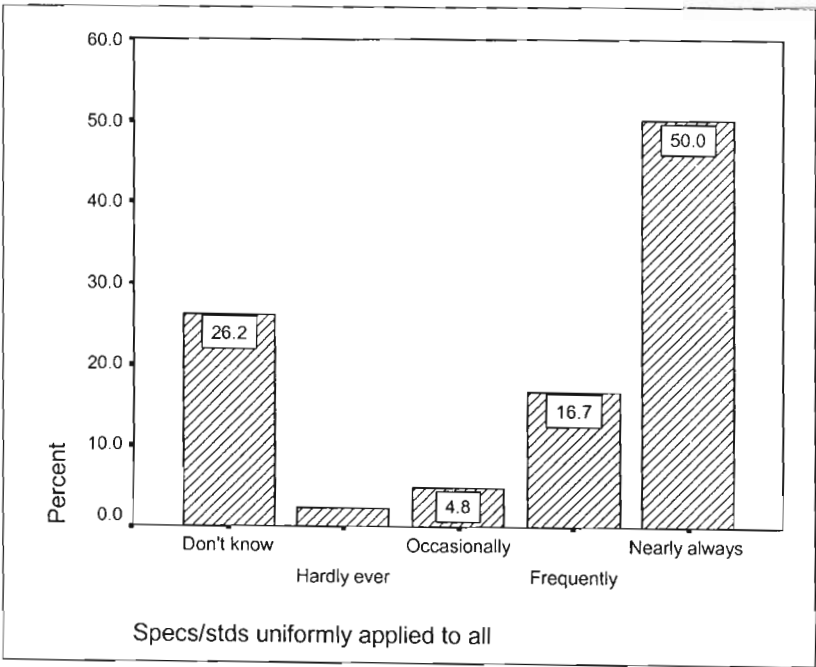
Figure 30: Frequency Bar Graph - Letter and Spirit of Contracts Honoured



4.6.2.3 Specifications and Standards Uniformly Applied to All Suppliers

In regard to the uniform application of specifications and standards to suppliers, Figure 31 shows that one quarter of respondents did not know whether this was done, while 50% believed that it was nearly always done and a further 16.7 % believed that it was frequently done. Disregarding those who did not know, 90% of the remaining suppliers believed that specifications and standards were “nearly always” or “frequently” applied uniformly to suppliers by SAB. Although the results indicated some non-uniform application of specifications and standards, the results did not indicate it to be a widespread problem.

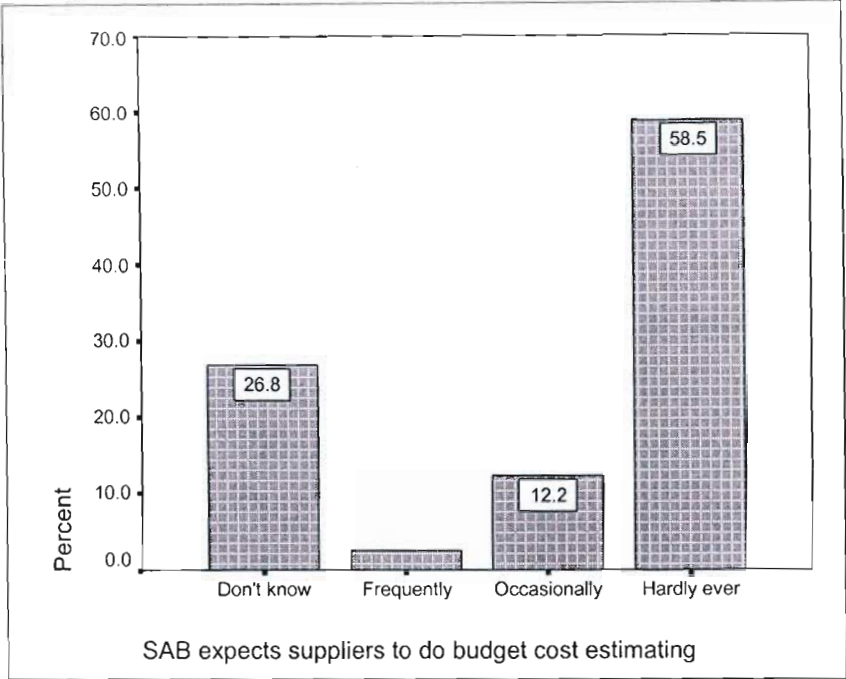
Figure 31: Frequency Bar Graph - Specs/Stds Uniformly Applied to All Suppliers



4.6.2.4 Suppliers Expected To Do SAB’s Budget Cost Estimating

As shown in Figure 32, approximately 15% of respondents reported occasional or frequent expectation from SAB for them to do SAB’s budget estimates. However, 58% of respondents felt that this hardly ever happened and another 26% did not know if it was happening.

Figure 32: Frequency Bar Graph – Suppliers Expected to Do SAB Budget Estimating

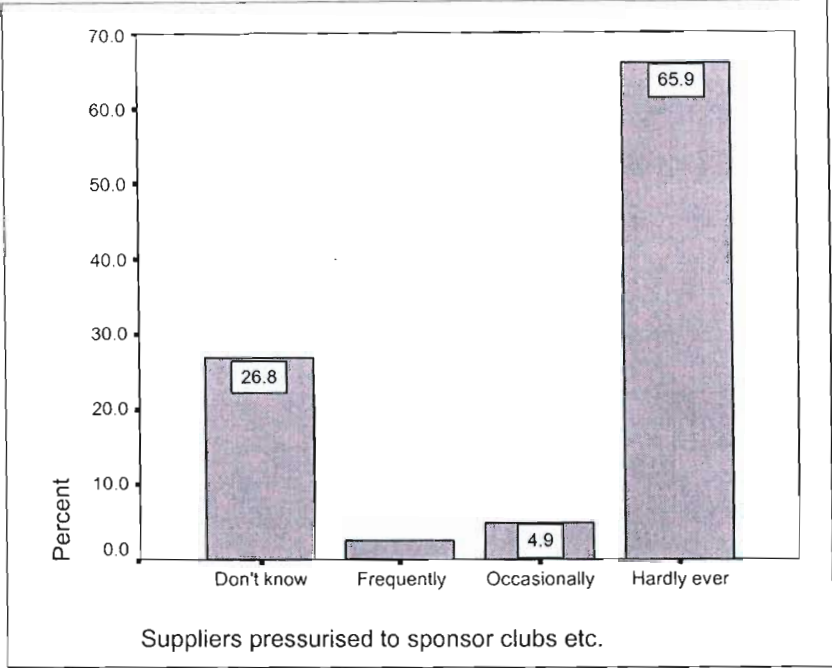


4.6.2.5 Suppliers Pressurised into Sponsorships by SAB Employees

Figure 33 shows that only approximately seven percent of respondents felt that SAB employees pressurised suppliers into sponsorship of clubs and similar. A large majority felt that this practice hardly ever occurs.

If the 26% of respondents who did not know were in that position because they had never been subjected to the issue in their dealings with SAB, it can be concluded that there is only low occurrence of this practice at Prospecton.

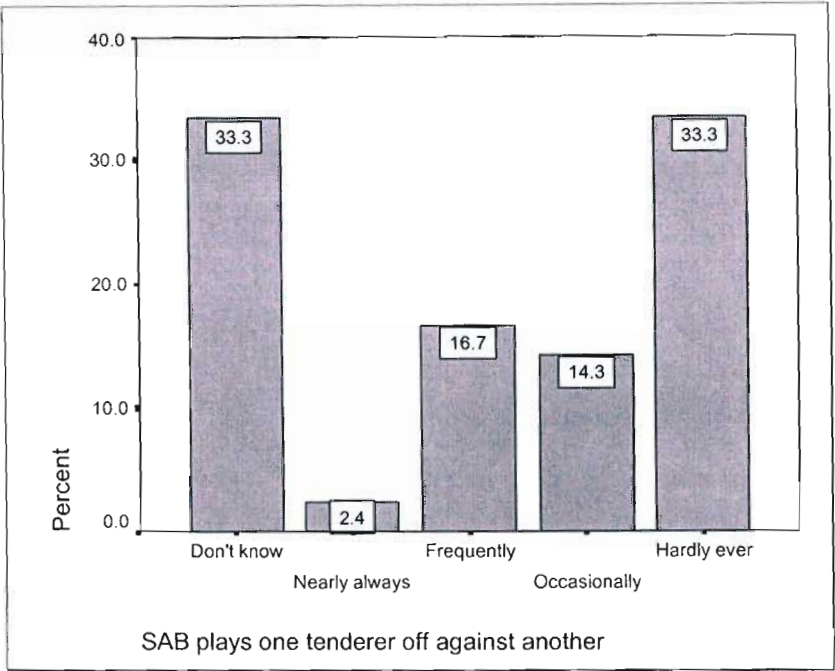
Figure 33: Frequency Bar Graph - Suppliers Pressurised into Sponsorships



4.6.2.6 “Horse Trading” i.e. Playing One Tenderer off Against Another

Figure 34 shows that in regard to the ethically questionable practice of “horse trading”, approximately one third of respondents did not know if this was occurring, one third felt that it hardly ever occurred and the remaining one third felt that it occurred either occasionally, frequently or nearly always. If the “don’t know” responses are eliminated, one half of the remaining respondents with knowledge on the issue believed that “horse trading” was practiced by Prospector to various degrees.

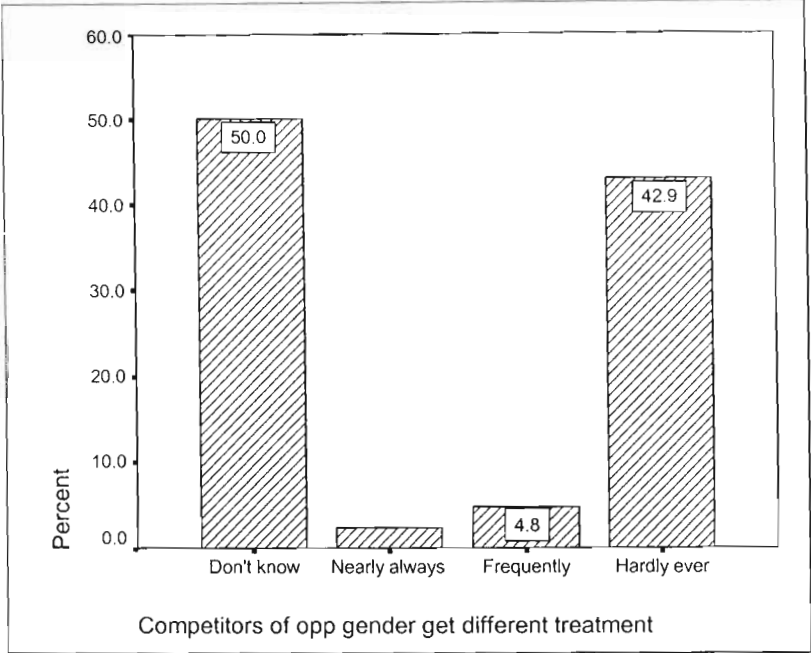
Figure 34: Frequency Bar Graph - SAB Plays One Tenderer off Against Another



4.6.2.7 Different Treatment Given To Different Genders

Figure 35 shows that only a small percentage of respondents, (approximately six percent) believed that Prospecton employees gave different treatment to suppliers of different gender. No significant correlation of the occurrence of gender bias by SAB employees with supplier gender was found.

Figure 35: Frequency Bar Graph - Opposite Gender Get Different Treatment



4.6.2.8 SAB Employees Solicit Personal Favours From Suppliers

Figure 36 shows that approximately 10% of respondents felt that Prospecton employees occasionally solicited personal favours from them. However, the majority of respondents felt that this practice hardly ever occurred.

Figure 36: Frequency Bar Graph - Employees Solicit Personal Favours

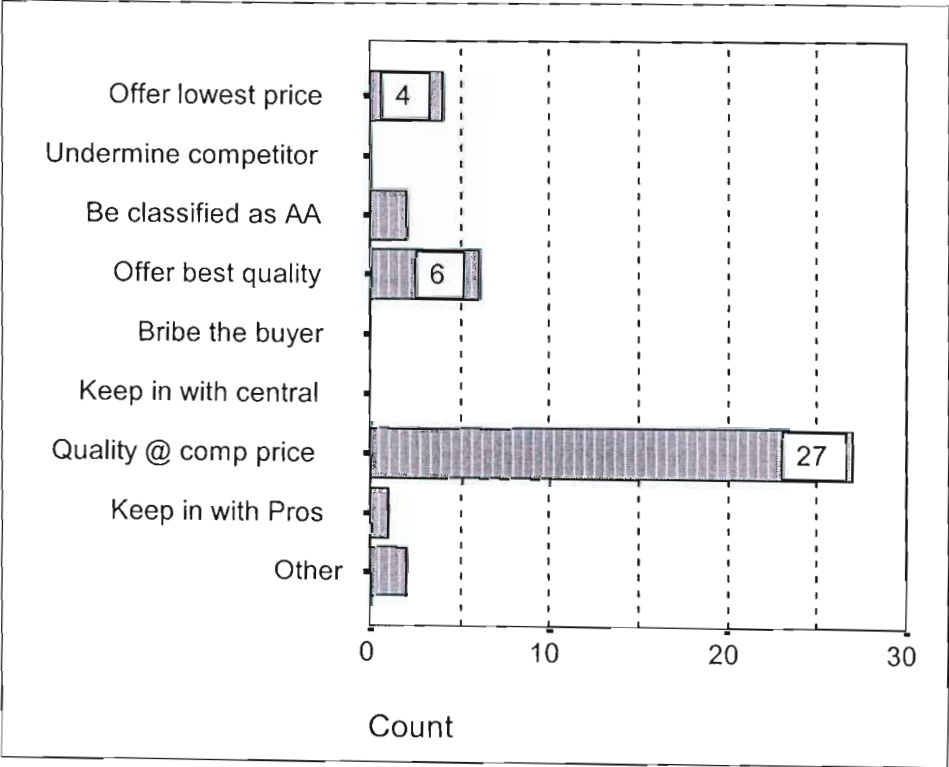


4.6.3 Supplier Views on The Most Important Thing Required To Get and Keep Prospecton Brewery Business

Question 55 required respondents to indicate, from a list of actions provided, the one most important thing that they felt they had to do to get and keep doing business with Prospecton Brewery. Figure 37 shows the number of times each choice was indicated by respondents.

“Consistently supplying quality goods and services at a competitive price” was selected most often (by a large margin) as the one most important thing that suppliers felt they had to do to get and keep Prospecton brewery business. “Offering the best quality” and “offering the lowest price” were the second and third most selected choices.

Figure 37: Frequency Bar Graph – One Most Important Thing to Get and Keep Prospecton Business



The poor ethical practices of “bribing the buyer or some other individual,” “undermining the competition” and “keeping in with senior executives from SAB central office” were not indicated by any respondent as important in getting and keeping Prospecton brewery business.

Under other, respondents mentioned the following as the most important:

- Deliver quality goods at the most cost effective usage.
- Supplier's professional ability to provide the correct equipment to meet requirements.

4.6.4 Supplier Views on What to Do To Improve Ethics at Prospecton

As shown in Figure 38, approximately 62% of respondents felt that improvements to ethics in supplier/brewery interactions were required. The remainder were equally spilt between those who felt that nothing needed to be done in regard to improving ethics and those who did not know.

Figure 38: Frequency Pie - Improvement to Ethics Required

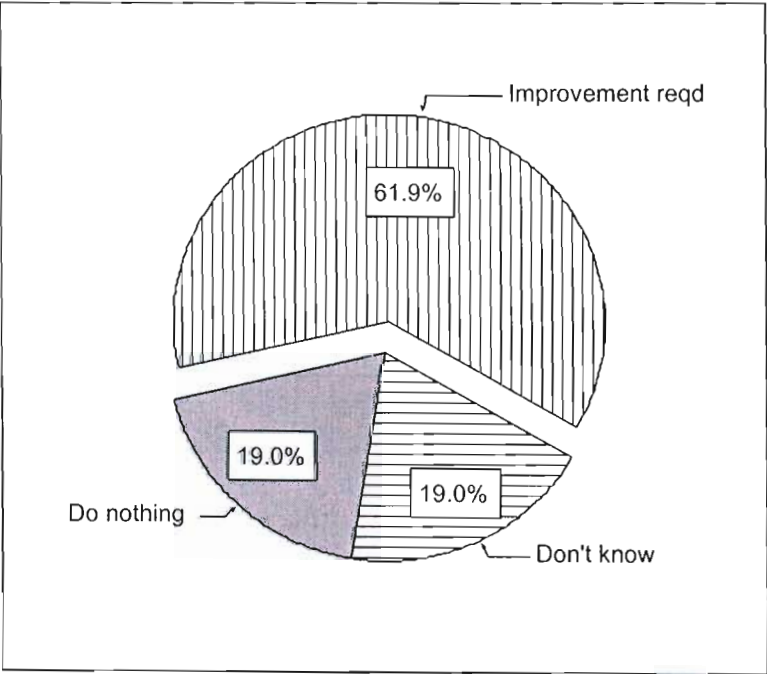
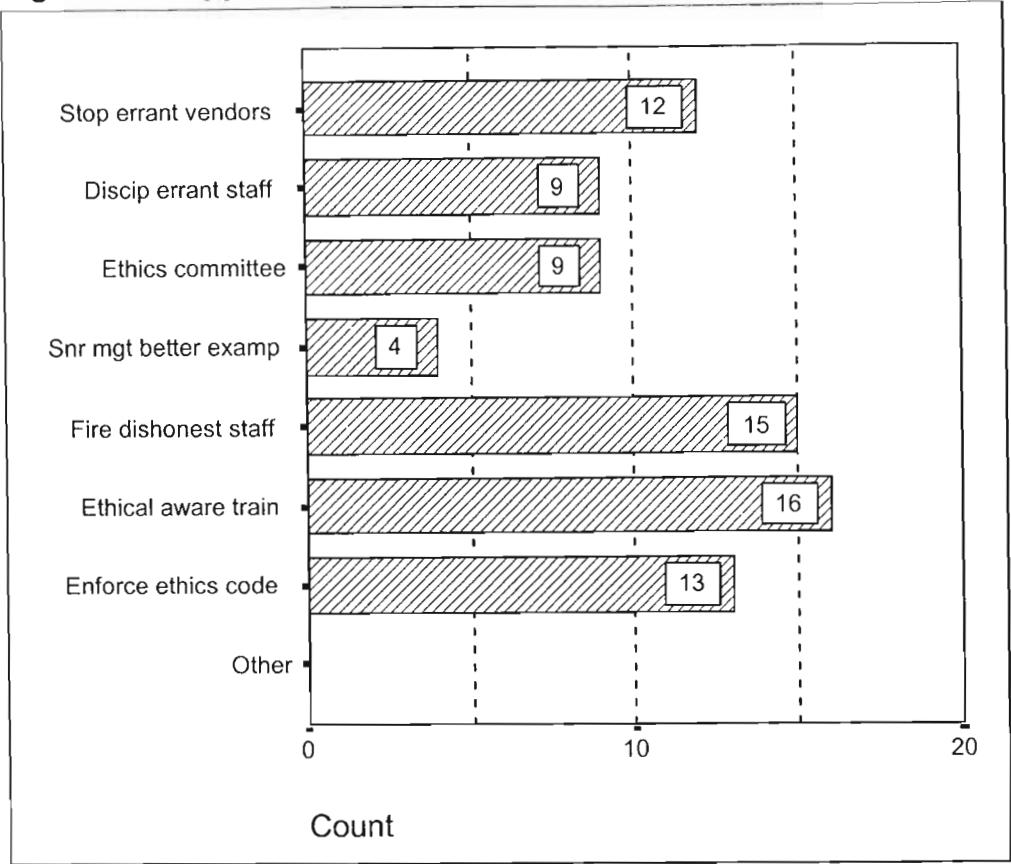


Figure 39 shows a selection of possible actions to improve ethical performance at Prospecton Brewery and the number of respondents (amongst those who felt that improvements were required) who believed that each action should be taken. (Respondents were permitted to mark more than one action).

Figure 39: Suppliers Opinions on What to Do to Improve Ethics



The top four actions selected were:

- Conduct ethical awareness training.
- Get rid of dishonest employees.
- Enforce the SAB ethics policy.
- Cease doing business with suppliers who do not comply with the ethics policy.

Considering what the above actions mean in terms of a sporting analogy, it could be argued that in essence they amount to, familiarising the teams with the rules (awareness training), refereeing the game (enforcing the code) and removing unbecoming players from the field.

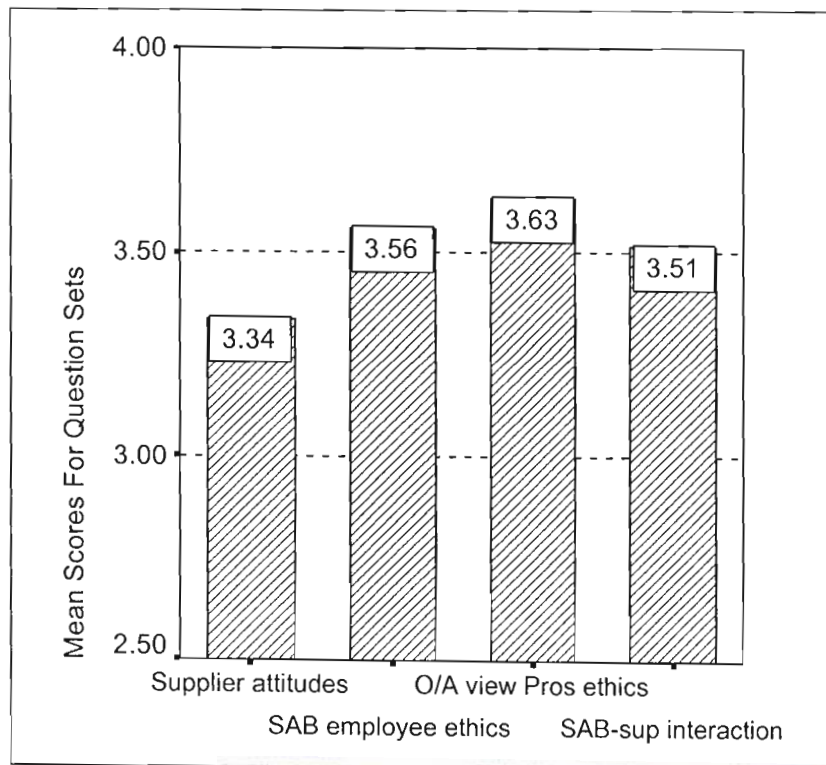
4.7 Correlations Between Supplier Attitudes and Their Perceptions of Prospecton Brewery

As has been described in the preceding sections, the research questionnaire had four main sets of questions measuring attitudes and perceptions, namely:

Questions 8 – 20	Supplier attitudes towards business ethics
Questions 28 -31	Supplier perception of the ethical performance of SAB employees
Questions 32-34 + 37	Supplier perceptions of Prospecton brewery overall ethical performance
Questions 41 - 54	Supplier perceptions of Prospecton brewery - supplier interactions

The mean scores for each of the above sets of questions are shown in Figure 40 below.

Figure 40: Mean Scores of Supplier Attitudes and Supplier Perceptions of SAB Employees, Prospecton Brewery Overall and SAB/Supplier Interaction



Using Spearman's rho the correlations shown in Table 9 were found.

Table 9: Correlations of Supplier Attitudes and Supplier Perceptions of Prospecton Brewery

Spearman's rho Correlations		Mean questions 8 - 20	Mean questions 32-34 + 37	Mean questions 41 - 54
		Supplier Attitudes	Supplier view on Prospecton Ethics O/A	SAB - Supplier Interactions
Mean questions 28 – 31 (Supplier Views of SAB Employees)	Correlation Coefficient	.041	.342 *	.501 **
	Sig. (2-tailed)	.797	.031	.001
	N	41	40	40
* Correlation is significant at the .05 level (2-tailed)				
** Correlation is significant at the .01 level (2-tailed)				

There was no significant correlation between supplier attitudes to ethics and supplier perceptions of Prospecton employees, brewery overall ethical performance or supplier perceptions about SAB-supplier interactions.

As can be seen in Table 9, there were significant correlations (albeit with fairly low correlation coefficients) between supplier perceptions of Prospecton employees and supplier perceptions of the overall ethical performance of Prospecton brewery as well as with supplier perceptions about Prospecton brewery - supplier interactions.

This was not surprising given that overall brewery ethical performance and the behaviour that occurs in Prospecton brewery - supplier interactions are really products of the performance of employees working at the brewery.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Suppliers Knowledge and Attitudes Towards Business Ethics

When considered together as one group, suppliers were found on average to have good overall knowledge and attitude towards business ethics, although young respondents (aged <30) were found to have lower overall ethical knowledge and attitudes than senior respondents (aged >50). Young respondents attitudes scored as mediocre on the assessment scale while senior respondents scored as good on the scale.

Overall, excellent attitudes were found in regard to suppliers believing ethics to be important in business these days and to the belief that sound ethics was good for business in the long term. Overall, suppliers indicated excellent awareness that businessmen must be concerned with the moral implications of their actions in business.

Respondents were found to have a poor appreciation of the concept that being ethical involves more than just obeying the law. Many suppliers seemed to believe that to simply obey the law was to be ethical. These suppliers did not see the difference between “being legal” and “being ethical”. Suppliers were also found not to have good ethical attitudes in regard to bending rules/laws in the course of business and to conducting business deals outside of the workplace.

It was found that young respondents had significantly poorer ethical attitudes than did both the middle aged and senior respondents in respect of the following issues:

- Giving **gifts** of substantial value
- Executives **exchanging price information** with counterparts in their industry
- Suppliers **colluding** among themselves for their own benefit
- **Poaching** of customers and competitors staff

New companies (in business for <5 years) were found to have poor attitudes toward ethical behaviour being important in business. This was significantly different from seasoned companies (in business for > 16 years) who had excellent attitudes on this parameter.

Female respondents were found to have good ethical attitudes regarding conducting business deals outside of the work environment compared with males who had poor attitudes in this regard.

From the above, young supplier representatives and suppliers with new businesses would seem to require more guidance from SAB managers and watchfulness in regard to their ethical behaviour, than other supplier groups need. Similarly, when managing the occurrence of business deals outside of the workplace, more vigilance would seem to be required of male supplier representatives than of females. Some attention towards correcting the prevalent notion among suppliers that being legal is being ethical and increased vigilance in regard to possible supplier rule/law bending is recommended.

5.2 Supplier Use of Business Ethics Codes

Possession of the SAB ethics policy supplier guideline by Prospector suppliers was found to be very low indicating that distribution of the guideline to suppliers was not being effectively maintained. More suppliers had their own ethics code than had the SAB guideline, but those suppliers who had their own code were in the main the same ones who had the SAB guideline. Thus, approximately one third of all suppliers had neither their own ethics code nor the SAB guideline.

Usage of the SAB ethics guideline was found to be very low with a mere 10% of suppliers indicating occasional use only (less than 3 times a year).

It is recommended that improved dissemination of the SAB ethics policy guideline to suppliers be implemented to increase supplier possession of the

guideline to acceptable levels i.e. every supplier should have at least the SAB ethics guideline or their own ethics policy. Simply sending out copies of the guideline to suppliers at their registered addresses will be unlikely to result in any meaningful improvements to possession and use of the guideline. Close, on-going engagement with the suppliers, at the level at which the day to day business between Prospecton brewery and its suppliers is conducted, is essential to ensure that the SAB ethics guideline gets to the right people in the suppliers firm and is used.

Overall, familiarity of Prospecton suppliers with the King II report on corporate governance was found to be very low. However, all respondent JSE listed companies (to whom compliance with the requirements of the report are compulsory) indicated familiarity.

No significant differences in the attitudes of suppliers towards business ethics were found between suppliers who had their own ethics codes and those that did not. Similarly, there was no significant difference in attitude between suppliers possessing the SAB ethics policy supplier guideline and those without it. Familiarity with the King II report also did not seem to have influenced supplier attitudes towards business ethics significantly.

It was not possible from the study to determine the cause of the apparent ineffectiveness of ethical codes to influence the ethical knowledge and attitudes of Prospecton suppliers. Further research on this matter is recommended.

5.3 Suppliers Evaluation of Their Own Industry

Most Prospecton brewery suppliers (90%) indicated that good ethics was key to their business and most respondents also felt that improvements to ethics within their own industry was required. Despite knowing good ethics was key to their business, it seemed that suppliers had been unable to achieve levels of ethical behaviour within their industries that they deemed acceptable. No

information was available from the survey to determine why this situation existed and further research on this aspect may be useful.

Most respondents indicated that they took past ethical performance into consideration in recruitment and promotion decisions. This was considered a favourable finding in the light of the importance of personal codes of behaviour in good ethical conduct.

No statistically significant differences in supplier ethical knowledge and attitudes could be found with respect to suppliers views regarding the need for improvements in ethical behaviour within the suppliers industry nor with regard to taking past ethical performance into account when making recruitment decisions.

5.4 Supplier Perceptions Of Ethical Performance At Prospecton Brewery

Suppliers to Prospecton brewery were found, in general, to have good overall perceptions of the ethical behaviour and skills of brewery employees.

Suppliers generally considered Prospecton employees to have sufficient familiarity with the SAB ethics policy. However, approximately 40% of suppliers with an opinion on the matter, perceived some degree of inadequacy in the skills of SAB employees in handling ethical dilemmas.

Most suppliers considered Prospecton employees to be honest but there are evidently a minor numbers of employees, who are not seen as honest in the eyes of suppliers.

Approximately 12% of suppliers had experienced some treatment from Prospecton brewery employees that they considered unethical.

Based on the above, the following interventions are indicated:

- On-the-job ethical skills development training for employees who deal with suppliers.

- Increased vigilance to identify dishonest employees and appropriate follow up measures to remove such employees from positions where they interact with suppliers.

In general, suppliers to Prospecton brewery were found to have good perceptions in regard to Prospecton breweries' overall ethical performance.

Suppliers who dealt mainly with planners and supervisors at Prospecton had poor perceptions in regard to SAB management taking ethical concerns seriously. This was in significant contrast to suppliers who dealt mainly with engineers, executives, department managers, secretaries and others who had excellent and good perceptions in regard to management taking ethical concerns seriously. The poor perceptions of suppliers dealing with planners and supervisors may be an indication that management has given insufficient attention to ethical issues at this level in the organisation. Increased management interest and involvement with this group of employees in regard to ethical matters is suggested.

Supplier perceptions regarding the impact that the brewery has on the natural environment was only mediocre. However, suppliers had excellent perceptions in regard to Prospecton living up to its own ethical policies and acting in a socially responsible manner.

Supplier opinion was inclined towards the belief that Prospecton brewery pays less than the going market rates for goods and services. While this may be a good finding from a cost management point of view, it could be a slightly negative one from an ethics point of view, if it arises from Prospecton abusing its size and influence to force below market prices onto suppliers. An ethical viewpoint might argue that Prospecton should pay the going market prices for goods and services. No information was available from the study to investigate why suppliers felt they received less than market rates for their good and services. Further research into this issue is suggested.

In the opinion of suppliers, the factors that most contributed to poor ethical behaviour at Prospecton brewery were budgets too tight, dishonest individuals and excessive internal competition among Prospecton staff.

5.5 Prospecton Brewery - Supplier Interactions

In overall terms, the ethical health of interactions between Prospecton brewery and suppliers was found to be good.

While most suppliers seemingly did not engage in gift giving, the approximately 20% who probably did, rated Prospecton poorly in regard to employees accepting gifts of substantial value from suppliers. Although not usually offered gifts, it seemed that Prospecton employees accepted them when they were.

Poor scores were found in regard to suppliers being afraid to say no to SAB due to its strong buying power. Male respondents in particular were affected by this issue.

In regard to the practice of "horse-trading" (i.e. playing one tenderer off against another), suppliers felt that Prospecton performance was mediocre.

Initiatives from management to reduce the prevalence of staff accepting high value gifts and engaging in "horse trading" behaviour are recommended. In addition, Prospecton staff who deal with suppliers need to take better cognisance of and show greater sensitivity to the fear that many suppliers, particularly males, have of saying no to SAB.

Suppliers indicated overwhelmingly that "consistently supplying quality goods and services at competitive prices" was the most important thing that suppliers had to do to get and keep doing business with Prospecton. "Offering the lowest price" and "offering the best quality" were indicated by a small number of suppliers. Unethical practices such as bribing employees and

undermining competitors were not indicated by any respondents as being important for them in securing and keeping Prospecton business.

In regard to actions to improve ethical performance, suppliers indicated, ethical awareness training as the most important, followed by getting rid of dishonest employees, enforcing the ethics policy and then ceasing business with suppliers who do not comply with the ethics policy. It is recommended that Prospecton management follow this logical approach in improving ethical performance at Prospecton.

6 SUGGESTIONS FOR FUTURE RESEARCH

The following suggestions for future research are made:

- Investigate the reasons why the various ethical codes (SAB ethics policy supplier guideline, suppliers own codes, King II report) do not seem to have influenced supplier knowledge and attitudes regarding ethics
- Investigate in more detail the question of whether Prospecton pays below or above going market rates for goods and services and establish whether there are unethical reasons for any deviation from payment at the going market rates.

7 STUDY CRITIQUE

In the authors opinion the following aspects of this study were not entirely satisfactory.

7.1 The Questionnaire:

The questionnaire was too long and involved. It generated more data than could be reasonably handled expeditiously. The questionnaire should be shortened and simplified if used again.

Many questions in the series 28 - 38 and 41 – 54 generated excessive “don't know” responses. This was probably because they enquired into issues about which suppliers did not necessarily have direct information. This may have been because either they had not experienced the problem or because the question required an opinion about other parties e.g. SAB employees or other suppliers, that respondents were unable or unwilling to give. Improvement of the questions in the above mentioned series is required to reduce the occurrence of “don't know” responses.

Questions 40 and 56 relating to factors contributing to poor ethical behaviour and actions to improve ethical performance were poorly responded to and a review of the design of these questions is required.

7.2 Administration of the Questionnaire

Poor response rates were achieved by the survey. The difficulty in obtaining responses to self-administered questionnaires was under estimated and more resource and attention must be devoted to stimulating responses. Greater attention to verifying respondent contact information is required to reduce the incidence of questionnaires not being received.

7.3 Analysis

The work produced mainly descriptive statistics with limited in-depth statistical analysis. Useful information was therefore probably left behind in the survey data.

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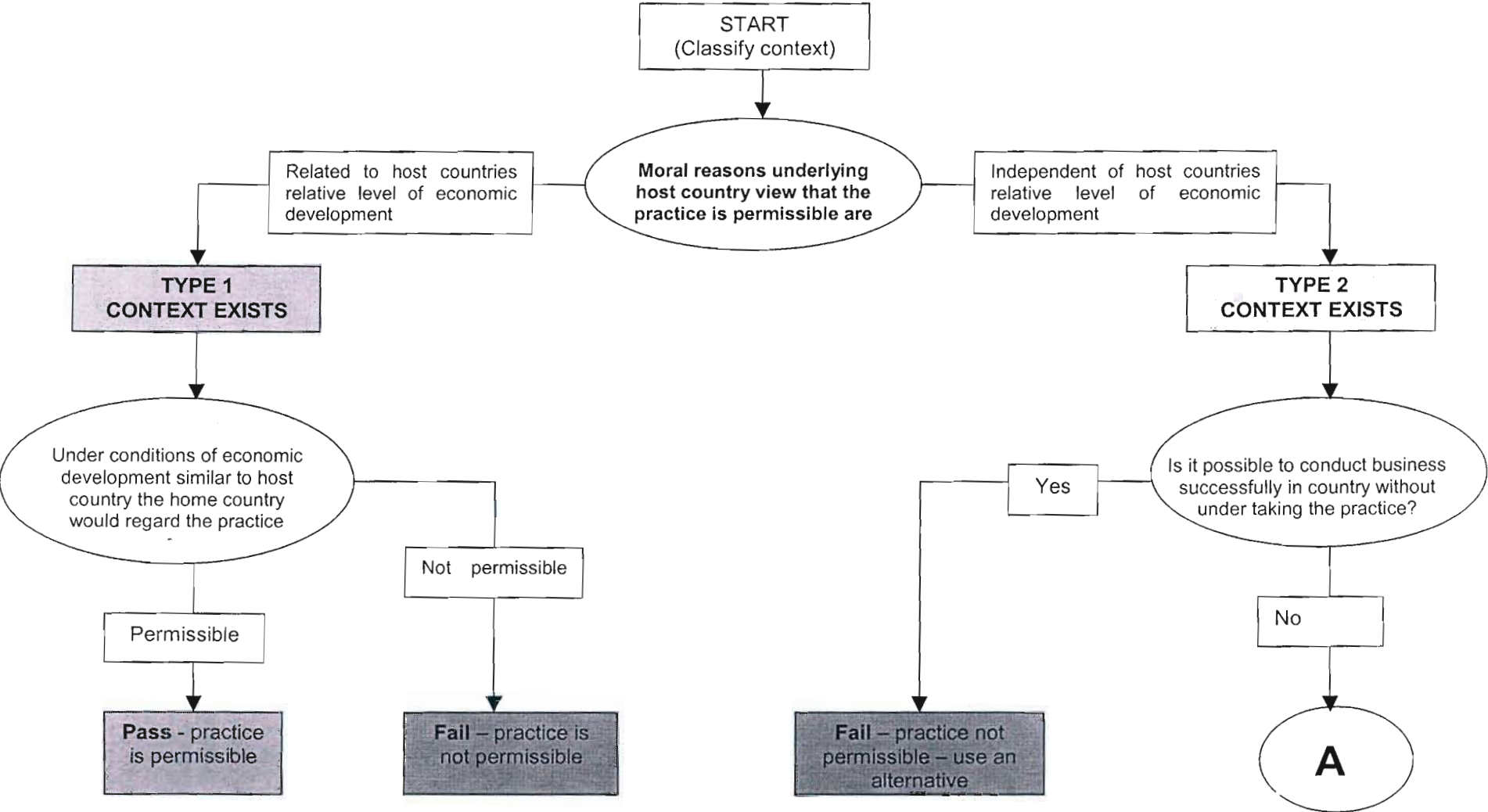
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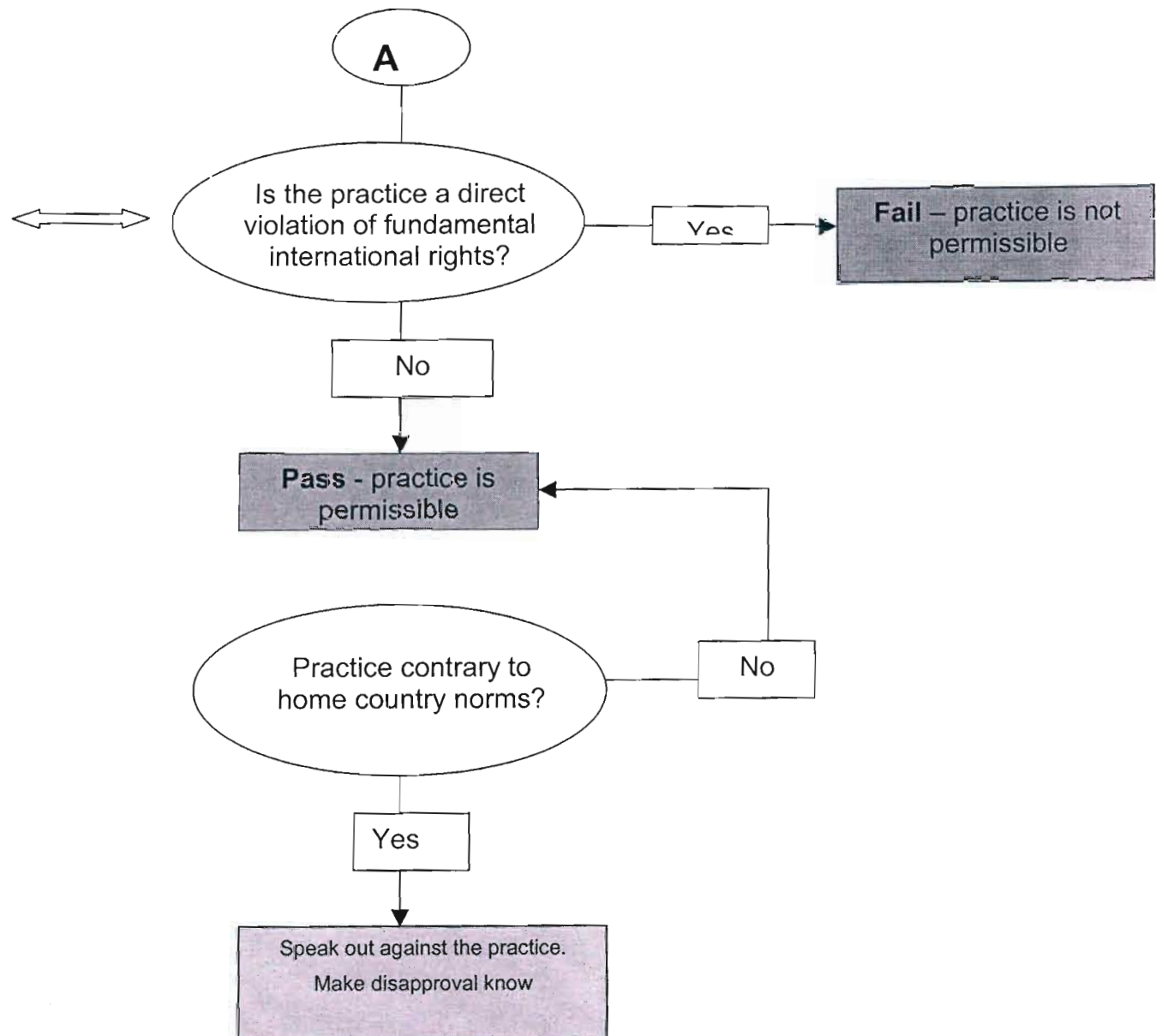
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10 APPENDICES

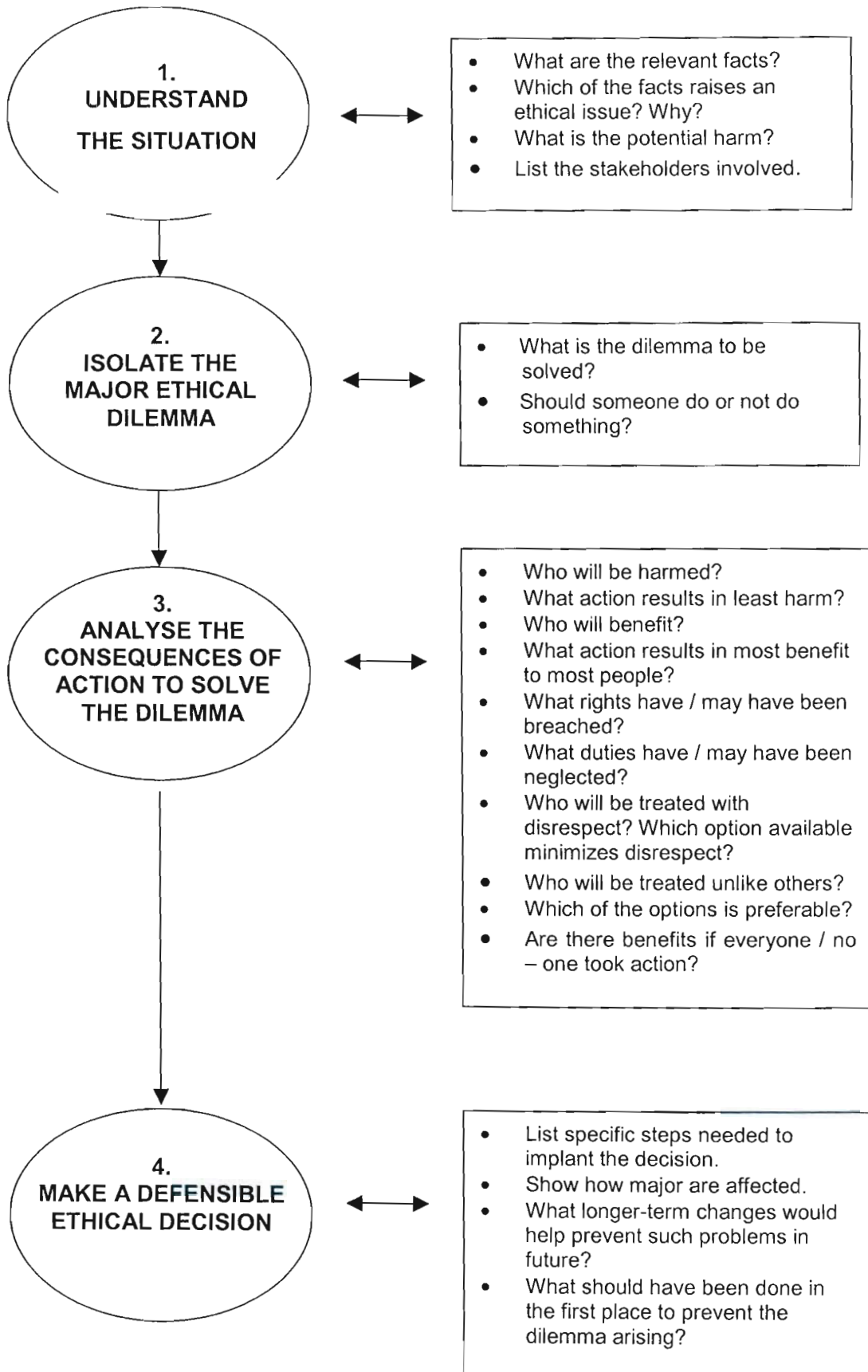
- A** Decision Making Flow Chart For Evaluating International Practices (Based On Donaldson's Ethical Algorithm)
- B** Four Step Process To Solve An Ethical Dilemma (Kallman, Ernest & Grillo)
- C** Abridged SAB Ethics Policy Guidelines
- D** Exploratory Study – List of Points/Issues Arising
- E** Management – Research Question Hierarchy
- F** Research Questionnaire
- G** Research Questionnaire Covering Letter
- H** Sampling Frame Details
- I** Research Questionnaire Code Book

Appendix A: Decision Making Flow Chart for Evaluating International Practices (Based On Donaldson's Ethical Algorithm)





Appendix B: Four-Step Process to Solve an Ethical Dilemma
(Kallman, Ernest & Grillo)



Appendix C: Abridged SAB Ethics Policy Guidelines

Preamble

Ethics is an attitude towards doing business in the best possible way, living company values, sound corporate governance, respect for diversity & human rights, acting with honesty & integrity.

Ethics involves a clear & conscious commitment to do the right thing at all times.

Principles

- Not simply doing what is legal. Also doing what is ethically right.
- Employees not to engage in any activity that could raise questions about the companies' integrity, impartiality, reputation.
- All employees to act within the company code of conduct.
- Transparent and frank in all dealings and disclosures.
- Non-sectional and non-political.
- Socially and environmentally responsible.
- Beyond reproach in quality of products and services.
- Consistent in honouring legal and moral obligations.
- Best practices in corporate governance.
- Cannot and will not condone involvement in any form of unlawful or criminal behaviour.

Mandatory Ethical Practices for Employees

- Accepting accountability for actions and decisions.
- Treating everyone fairly, consistently, sensitively, honestly with respect for individual rights.
- Acting with honesty, openness and integrity.
- Acting at all times in a manner that is beyond reproach.
- Complying with the law as well as with company policies and procedures.
- Speaking up about wrongdoings and unethical behaviour.
- Using information only for the purpose that it was intended.

- Avoiding conflicts of interest.
- Being accountable for the care and safe custody of company assets.
- Duty to behave and act ethically.

Ethics in the Organisation

- All employees have not only the right but also the personal responsibility to question possible misconduct and bring it to the attention of senior management.
- No such thing as an acceptable level of unethical behaviour.
- The only acceptable level is total compliance with the highest possible standards of ethical conduct.

Conflicts of Interest

Real or perceived conflicts of interest should be avoided. These include:

- Part time employment in areas similar to company operations.
- External work for customers, suppliers, vendors etc.
- Holding a financial interest in an outside business trading with the company.
- Financial or personal involvement with an employee of an outside business trading with the company.
- Accepting exclusive or preferential discounts from a supplier or customer.
- Participating in any activity that may lead to the disclosure of company proprietary info.
- Dealing directly with or through a spouse or family member who is a supplier, customer or competitor.
- Appointing family members to positions in the company.
- Soliciting loans from suppliers or customers.
- Purchasing shares from a supplier on a preferential basis.

Business Transactions

The following apply particularly to employees who have direct contact with outside suppliers or who are indirectly involved with source selection, evaluation and procurement:

- Purchase contracts and award of tenders to be made on the basis of quality, service, price and availability.
- Concessions or benefits of a personal nature may not be sought from suppliers.
- Improper influence, inducements or bribes by suppliers or customers not tolerated.
- Employees involved in purchasing decisions may not on the behalf of charitable organisations solicit gifts, money or time from suppliers or customers.
- Payments to only be made with official order and an invoice.
- The making of facilitation payments is not permitted or condoned.
- No payments may be made to employees of customers or prospective customers to influence that employee to take an improper action/decision.
- Payments of fees to consultants, distributors or agents to be at market rates consistent with the value of the services expected or performed.

Accountability and Control

- Sound corporate governance requires effective financial controls in place at all times.
- Risks to be identified and managed.
- No payments and receipts to be approved where the intention is to use the payment or receipt for any purpose other than that stated on the supporting documentation.
- Payments to 'slush' funds prohibited.
- The falsification of records, misrepresentation of facts or submission of incorrect fact or reports is totally unacceptable.
- No bribes or kickbacks to be paid or accepted.
- Solicitation of any form of favour, payment, gift or loan from suppliers or stakeholders is prohibited.

- Unauthorised copying of software or programmes prohibited and not condoned.
- Staff members who have significant and relevant knowledge that would materially affect the share price prohibited from dealing in company shares.

Gifts and Entertainment

- Giving or exchanging of gifts between suppliers and customers is only acceptable when based on a clear business purpose, in good taste and not of excessive value or frequency.
- Excessive entertainment of any sort is unacceptable. Entertainment received should be reciprocated over a reasonable period of time.
- Employees should not be in any ones "debt" for favours or gifts received.
- Employees and family members should not accept any discounts on personal purchases unless the same discount is offered to all employees.
- Should a courtesy involve travel outside an employees geographical area or overnight accommodation, the costs should, with management approval, be borne by the company and not the supplier or customer.
- Novelty or advertising items may be accepted when they have no appreciable value and are also widely distributed by the donor to other companies. E.g. calendars, ties, pens carrying the donor companies' logo or name.
- Meals provided by a supplier or customer may be accepted on an infrequent basis.
- Where a substantial courtesy has been offered, prior approval of management must be obtained.
- Courtesies of value greater than R 200 to be declared in the courtesies register.

What to do about Unacceptable Business Courtesies/gifts

- Try to anticipate and avoid situations that might lead to an offer of an unacceptable gift or courtesy.
- Decline the gift or courtesy at the time that it is offered and explain that company policy prohibits its acceptance.
- Accept the gift initially on behalf of the company and then return it to the donor with a polite written explanation that company policy prohibits its retention.



Ethical Concerns Arising From The Exploratory Study

1. Abuse of suppliers:

- SAB abuses contractors for budget quotes / prelim work and then give the work to others.
- Bullying suppliers.
- Expecting supplier to do work without an order number. Pressurising suppliers. Supplier helps out in an emergency and then doesn't get paid because an order has not been put through.
- Suppliers are afraid to say no to SAB and accept unreasonable demands from SAB to keep the business.
- SAB force vendors to fix prices.
- SAB does not treat suppliers with dignity.
- SAB staff abuse the services offered by suppliers.

2. Cheating SAB:

- Over invoicing / under delivering.
- Undue price creep on small items.

3. Procurement Practices:

- "Golf course deals".
- Suppliers making promises they can't deliver i.e. Quote low to get the work and then cut corners or down grade specs etc. to try and make a profit.
- Access onto vendor list – problem for a new entrant.
- Some SAB departments are too cosy with their suppliers / too familiar and have contact outside work.
- Grey goods via "buddies companies"
- Buying direct from overseas and bypassing local agent.
- Ethics of the commodity managers? Good local suppliers are forced out by national contracts.

4. Bias:

- Vendor selection – SAB staff give work without PO to companies who are not on the vendor list.
- Different race groups are reluctant to bring in vendors of a different race group. (Not a white thing). Muslims tend to stick together and favour each other.
- Vendor selection is ad-hoc and subjective to individuals.
- Suppliers of the year awards are not transparent in regard to how winners are determined.
- Policy of 3 quotes not applied / no tender committee / formal procedure lacking.
- Specifications and standards are not applied uniformly by SAB staff.
- Secretaries flout national agreements and order from their favourite representative.

5. Affirmative action:

- SAB makes arbitrary vendor selection decisions around affirmative action quota's that go against sound selection criteria.
- Companies "front" as non-white owned to get business.
- Commercial equity policy is not ethical – one wrong has been replaced with another.

6. Late Payments:

- When their budgets run into trouble, some SAB staff deliberately delay payments by holding back invoices to the following month/year.
- Payments not on time. Paperwork mishandled. Shared Services Centre does not care.

7. Gifts and Courtesies:

- Vendors are paying influential persons private bills.
- Secretaries are given "freebies" by suppliers.
- Gifts, Game tickets, lunch invites offered when there is trouble or a contract up for renewal.

- Undue influences are directed at SAB staff by suppliers. Not bribery but “soft” issues.

8. Conducting Business With Relatives:

- Moonlighting – some employees owned companies who have provided services to SAB.
- Relatives of SAB employee’s work for some SAB vendors.

9. Other:

- SAB approach to ethics entirely reactive and not pro-active. Action only taken after there is a problem. Only want to spend money after something adverse happens.
- SAB trusts vendors too much and do not check that the delivery is to the required standard.
- Budgets are being screwed down to unrealistic levels.
- Restraint of trade agreements often violated.
- People running the plant are arrogant / tyrants in charge.
- SAB people controlling work aren’t the right people in many cases.

Views On How To Improve Ethics

- Give consistent year round input to suppliers regarding adhering to the policies / procedures – not just when an initiative/audit is on.
- Get suppliers to understand the SAB ethics code and use it / enforce it.
- Get suppliers to sign the SAB ethics code.
- Stop contact by SAB staff with suppliers outside of the business / work environment.
- Change SAB culture.

Key Success Factors For Survey Questionnaire:

- Anonymity.
- Trust – respondents must know from whom the survey is coming from.
- Prior contact with selected respondents to prime them to expect the survey questionnaire.
- Offer summary results to respondents – it will make them feel involved.
- Allowed time to return of not more than 2 weeks – if longer the questionnaire will get put aside and forgotten.
- Ask probing questions.
- Poll a proper cross section of suppliers.
- Poll vendors who have been taken off the vendor list for a different angle on the issues.
- Return surveys to the researcher direct (trust issue)

Appendix E: Management – Research Question Hierarchy.

Management Dilemma/Problem:

Business ethics is becoming an increasingly important and high profile issue in the modern world.

Prospecton Brewery does business with a large number of suppliers and this is an area where there is high potential for poor ethical practices to exist.

Accurate and reliable information relating to the state of ethical behaviour between Prospecton Brewery and its suppliers is not known.

Management Questions:

- Q 1. What knowledge and attitudes towards business ethics do Prospecton Brewery suppliers have?
- Q 2. What perceptions do suppliers to Prospecton Brewery have of the ethical behaviour of the brewery?
- Q 3. How ethical are Prospecton Breweries' interactions with suppliers and what are the problem areas?

Research Questions:

- Q 1. ***What knowledge and attitudes towards business ethics do Prospecton Brewery suppliers have?***
 - Q 1.1. What are our supplier's attitudes towards business ethics?
 - Q 1.2. How important is ethics to our suppliers?
 - Q 1.3. To what extent do our suppliers have formal ethics policies in place?
 - Q 1.4. Do our suppliers know what SAB's business ethics policies are?
- Q 2. ***What perceptions do suppliers to Prospecton Brewery have of the ethical behaviour of the brewery?***
 - Q 2.1. What do suppliers think of Prospecton Brewery employees in regard to their ethical behaviour?
 - Q 2.2. What do our suppliers think overall about Prospecton Brewery's attitudes/approach to business ethics?
 - Q 2.3. What do our suppliers perceive SAB's actual ethical performance to be?
- Q 3. ***How ethical are Prospecton Breweries' interactions with suppliers and what are the problem areas?***
 - Q 3.1. Are poor ethical practices occurring in Prospecton Brewery – supplier interactions?

- Q 3.1. In which areas of the business are poor practices occurring?
- Q 3.2. What are the underlying reasons/drivers behind these poor practices?

Investigative Questions:

Q 1.

Q 1.1. **What are our supplier's attitudes towards business ethics?**

- Q 1.1.1. Are suppliers aware of ethics as an issue in business?
- Q 1.1.2. Do suppliers have a clear idea of what "business ethics" means?
- Q 1.1.3. Do suppliers have adequate insight into the sorts of issues arising in business ethics?
- Q 1.1.4. Can suppliers recognise ethical dilemmas when they see them?
- Q 1.1.5. Do suppliers know how to deal with ethical dilemmas that arise?
- Q 1.1.6. Are suppliers aware of initiatives such as the King Commission?

Q 1.2. ***How important is ethical behaviour to our suppliers?***

- Q 1.2.1. Do suppliers consider ethics to be an important issue in running their businesses?
- Q 1.2.2. Do suppliers take a person's ethical behaviour/performance into account when deciding employment or promotion?
- Q 1.2.3. Do suppliers think that improvements to ethical practice are required?

Q 1.3. **To what extent do our suppliers' have proper ethics policies in place?**

- Q 1.3.1. How many suppliers have formal ethics policies?
- Q 1.3.2. Which categories of suppliers generally have/have not got ethics policies?
- Q 1.3.3. Do those suppliers who have ethics policies live by them/enforce them?

Q 1.4. **Do our suppliers know what SAB's business ethics policies are?**

- Q 1.4.1. How many suppliers have received SAB's business ethics policy?
- Q 1.4.2. To what extent have suppliers read, understood and internalised SAB's ethics policy?

Q 2.

Q 2.1. **What do suppliers think of Prospecton Brewery employees in regard to their ethical behaviour?**

- Q 2.1.1. Do suppliers think that SAB is an ethical company or not?
- Q 2.1.2. Do suppliers perceive SAB employees to be knowledgeable about business ethics?
- Q 2.1.3. Do suppliers believe SAB employees can recognise ethical dilemmas and have the skill to deal with them?

Q 2.1.4. Do suppliers think SAB employees are honest and behave ethically?

Q 2.2. What do our suppliers think overall about Prospecton Brewery's attitudes/approach to business ethics?

Q 2.2.1. Do suppliers perceive SAB to be leading the way or following in regard to ethical behaviour?

Q 2.2.2. Do suppliers believe that SAB takes ethical behaviour/performance into account in recruitment and promotion of staff?

Q 2.2.3. Do suppliers feel that SAB manage ethics properly and consistently take ethical decisions?

How do suppliers feel about the way SAB treats them?

Q 2.3. What do our suppliers perceive SAB's actual ethical performance to be?

Q 2.3.1. Do suppliers feel that unethical practices are occurring at Prospecton Brewery?

Q 2.3.2. What practices are a problem?

Q 3.

Q 3.1. Are poor ethical practices occurring in Prospecton Brewery – supplier interactions?

Q 3.1.1. To what degree is the SAB ethics policy being adhered to?

Q 3.1.2. What poor ethical practices have occurred in the recent past?

Q 3.1.3. In what areas have they occurred?

Q 3.1.4. How widespread was/is the problem?

Q 3.1.5. What should be done about them?

Q 3.1.6. What are the priorities for corrective action?

Q 3.2. In which areas of the business are poor ethical practices occurring?

Q 3.2.1. What type of business is involved where poor ethical practices are occurring?

Q 3.2.2. What categories of supplier are involved where poor ethical practices are occurring?

Q 3.2.3. Which SAB departments are involved in the poor ethical practices?


Q 3.3. What are the underlying reasons/drivers behind these poor practices?

Q 3.3.1. What specific factors in SAB are driving poor ethical practices?

Q 3.3.2. What specific factors in suppliers companies are driving poor ethical practices?

Q 3.3.3. What should be done about them?

Appendix F: Research Questionnaire

	Business Ethics Research Questionnaire <u>STRICTLY CONFIDENTIAL</u>	Prospecton Brewery P O Box 833 Durban 4000
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Important Information for Respondents:

Please answer all of the questions. Omissions detract from the quality and usefulness of the data and may hamper analysis. Please answer as truthfully as possible.

Please post completed questionnaires to J A Browne, S A Breweries Ltd., Prospecton Brewery, PO Box 833, Durban, 4000 or drop them off at Prospecton Brewery, gate 2 reception.

Section 1: Biographical and Administrative Questions

Please answer the questions below by placing a cross in the one box per question that is most applicable to your firm:

1. Please indicate the size of your company in terms of the number of full time employees:

10 or less	11 - 99	100 or more
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2. Please indicate what form of legal entity your firm is registered as /trades as:

JSE listed Company (Ltd.)	Private Limited Liability Company (Pty Ltd)	Close corporation (CC)	Sole proprietor	Partnership
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3. Please indicate who your firm mainly interacts with at Prospecton Brewery: (**mark one only**)

Procurement department	Planners & supervisors	Department managers	Engineers	Secretaries	Executives	Other
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If other please specify

4. Please indicate the number of years that your firm has been in business:

5 or less	6 – 10	11- 15	16 or more
-----------	--------	--------	------------

5. Is your firm on the Prospecton Brewery supplier-partnering programme (SPP)?

Yes	No	Don't Know
-----	----	---------------

6. Is your firm classified by SAB as a "commercial equity" (affirmative action) supplier?

Yes	No	Don't Know
-----	----	---------------

7. Please indicate your age and gender:

.....Years

Male	Female
------	--------

Section 2: Suppliers Ethical Knowledge and Attitudes

Listed below are a number of statements that have been made by observers of the business scene. Please place a cross in the one box for each statement that best corresponds to your feeling about that statement.

	Agree	Partly Agree	Partly Disagree	Disagree
8. "Sound ethics is good business in the long term."				
9. "There are times in business when rules and laws have to be bent."				
10. "It is entirely ethical for company executives to act in the interest of share holders alone".				
11. "Businessmen should not concern themselves with the moral implications of their actions in business".				
12. "If you obey the law you are being ethical".				
13. "Ethical behaviour in business is not important these days".				

Listed below are a number of business practices that occur from time to time. Please place a cross in the **one** box for each practice that best approximates your opinion about each of these practices.

	Ethical	Sometimes ethical	Sometimes unethical	Unethical
14. An executive owns stock in a company with which his own company does business regularly.				
15. Businessmen give gifts of substantial value to buyers, managers, or others with whom they do business.				
16. An executive exchanges price information with his counterpart in other companies in his industry.				
17. Competing suppliers in an industry collude together for the good of themselves.				
18. Price or cost reductions are achieved by utilizing "grey market" goods.				
19. Competitors or customers staff are "poached" to join the employ of a supplier.				
20. Deals are struck outside the work environment. e.g. on the golf course, during social trips away from work.				

Listed below are a number of statements. Please place a cross in the **one** box for each statement that best corresponds to your feeling about that statement in relation to your **own company and industry**.

	Agree	Partly Agree	Partly Disagree	Disagree
21. Ethical business practice is a key success factor for my company.				
22. In all recruitment and promotion, the individual's past ethical behaviour/performance is taken into account.				
23. Improvements to ethical business practice in our industry are required.				

Please answer the questions below by placing a cross in **one** box per question:

24.	Does your firm have its own formal/written code of ethics for employees?	Yes	No	Don't Know		
25.	Does your firm have a copy of the SAB business ethics policy supplier guideline?	Yes	No	Don't Know		
26.	Is your firm familiar with the 2002 King commission report on corporate governance in SA?	Yes	No	Don't Know		
27.	How frequently does your company use the SAB business ethics supplier guideline for guidance in dealing with SAB?	Don't Know	No code	Frequently >4 times/year	Occasionally < 3 times/ year	Never

Section 3: Suppliers Perceptions of Ethical Behaviour at Prospecton Brewery

Consider the following statements in relation to the **Prospecton Brewery employees that your firm usually deals** with. Please place a cross in the **one** box for each statement that best corresponds to your feeling about that statement.

	Agree	Partly Agree	Partly Disagree	Disagree	Don't know
28. The SAB employees are sufficiently familiar with the SAB ethics policy.					
29. SAB employees are skilled at managing ethical dilemmas.					
30. SAB employees are honest.					
31. I have experienced treatment from SAB employees that I consider to be unethical.					

Consider the following statements in relation to **Prospecton Brewery** overall. Please place a cross in the **one** box for each statement that best corresponds to your feeling about that statement.

	Agree	Partly Agree	Partly Disagree	Disagree	Don't know
32. Prospecton brewery does not impact on the natural environment excessively.					
33. Prospecton Brewery lives up to its own ethical policies.					
34. Prospecton Brewery behaves in a socially responsible manner.					
35. Prospecton Brewery pays <u>less than</u> the going market rates for goods & services bought.					
36. Prospecton Brewery pays <u>more than</u> the going market rates for goods & services bought.					
37. Ethical concerns I raise with SAB management will be taken seriously.					
38. Prospecton brewery commercial equity policy is unethical – one wrong has been replaced with another.					
39. In your firms dealings with Prospecton Brewery, are there any practices that you would regard as unethical?	No	Yes a few	Yes many	Don't know	

If your answer to the above was yes, what is the one practice you would most like to see eliminated?

.....

.....

40. What factors do you believe contribute to poor ethical behaviour at **Prospecton Brewery**? **Place a cross in as many boxes as you like:**

Don't Know	<input type="checkbox"/>	(Proceed to section 4 if you "don't know")	
Tough economic climate – must do anything to survive	<input type="checkbox"/>	Budgets too tight	<input type="checkbox"/>
Senior management do not set the right example	<input type="checkbox"/>	Dishonest individuals	<input type="checkbox"/>
Ethics is not in the SAB corporate culture	<input type="checkbox"/>	Ethics policy not enforced	<input type="checkbox"/>
Lack of proper controls and procedures	<input type="checkbox"/>	Excessive internal competitiveness	<input type="checkbox"/>
Individuals have excessive decision making power	<input type="checkbox"/>	Budgets too fat	<input type="checkbox"/>
Unrealistic performance expectations and targets	<input type="checkbox"/>	Other	<input type="checkbox"/>

If other, please elaborate:.....

Section 4: Prospecton Brewery – Supplier Interaction

Listed below are a number of statements regarding interactions between Prospecton Brewery and suppliers. Please place a cross in the **one** box for each statement that best corresponds to your recent feelings about that statement.

	Hardly ever	Occasionally	Frequently	Nearly always	Don't know
41. Gifts and courtesies of value greater than R 200 that are offered by suppliers to SAB employees are declined.					
42. Both SAB and the supplier honour the letter and spirit of contractual agreements.					
43. SAB pays on time for goods/work correctly supplied.					
44. Vendors are selected on proper business criteria.					
45. SAB specifications and standards are applied uniformly and consistently to all suppliers.					
46. Suppliers are afraid to say no to SAB due to its strong buying power.					

	Hardly ever	Occasionally	Frequently	Nearly always	Don't know
47. Restraint of trade agreements are strictly respected.					
48. Suppliers are pressurised by SAB employees to provide sponsorships for charities, schools, clubs etc.					
49. SAB abuses suppliers by expecting them to do their budget cost estimating for them.					
50. SAB and suppliers properly keep confidential, all information that they learn about each other's business.					
51. SAB "horse trades" i.e. plays one tenderer off against the other.					
52. Competitors of the opposite sex are treated differently to me in business dealings.					
53. Some SAB employees solicit personal favours from suppliers in the course of business.					
54. Business deals with or through family members are taking place.					

55. Place a cross in the **one** box below that represents the most important thing that you feel suppliers have to do to get and keep doing business with Prospecton Brewery:

Offer the lowest price

Undermine the competition

Be classified as a "commercial equity" supplier

Offer the very best quality available

☐
☐
☐
☐

Bribe the buyer or some other employee

Keep " in " with senior executives from SAB central office

Consistently deliver quality goods & services at a competitive price

Keep " in " with influential individuals at the brewery

Other

☐
☐
☐
☐
☐

If other, please elaborate:.....

56. In your opinion, what should be done to improve the level of ethical behaviour in supplier-SAB interactions? **Place a cross in as many boxes as you like:**

Don't Know

Do nothing – no improvement is necessary

☐
☐

(Proceed to next question if you answer either of these two choices)

SAB should cease doing business with suppliers who do not comply with SAB ethics policy.

Discipline employees who behave unethically more severely.

Establish an ethics committee to review major decisions

Senior management should set a better example to all.

☐
☐
☐
☐

Get rid of dishonest employees.

Conduct ethical awareness training

Enforce SAB's ethics policy

Other

☐
☐
☐
☐

If other, please elaborate:.....

57. Please write below any other information that you feel is important regarding the business ethical relationship between Prospecton Brewery and its suppliers:

.....

.....

Thank you for completing this questionnaire.
Please return it to J A Browne, Prospecton Brewery, PO Box 833, Durban 4000

Appendix G: Research Questionnaire Covering Letter



The South African Breweries Limited

Reg. No. 1998/006375/06

9-25 Jeffels Road

Prospecton 4110

Prospecton Region:

P O Box 833

Durban 4000

Tel : (031) 910 1230

Fax: (031) 910 1395

Dear Sir/Madam,

BUSINESS ETHICS RESEARCH SURVEY

Business ethics is becoming an increasingly important issue in the business world and S A Breweries management is committed to achieving the highest possible ethical standards in our dealings with suppliers.

I am conducting a research project to measure the business ethics attitudes of suppliers to Prospecton brewery as well as their perceptions of the level of business ethics practiced by the brewery staff. As a valued supplier to Prospecton brewery, I would like to request you to complete and return the attached research questionnaire. Your participation will be an important and valued contribution to the research, however participation is voluntary.

The survey is anonymous and respondents will not be able to be identified. Information supplied will be treated with the strictest confidence and will be reported in summarised statistical form only. No action will be taken against any individual or company based on answers given in this survey. The results of the research may however be used for planning future general initiatives to improve ethical performance.

Queries regarding the questionnaire or the research project may be directed to John Browne, telephone 031 9101 354; cell 082 921 7406; e-mail john.browne@sabreweries.com

The research is under the academic supervision of the University of Natal and will be submitted by the researcher to the Graduate School of Business for degree purposes.

The questionnaire should take approximately 30 minutes to complete. Thank you for your co-operation and participation in this research project.

Yours sincerely,

J A Browne, Pr. Eng.
Project Manager Prospecton Brewery

Appendix H: Sampling Frame Details

Code	Sample Rule	Sample size	No. returns @30% response	No. returns @50% response	Category Sub totals			Category Name	Description
					No.	% vendor population	% sample frame		
P	census - pre contact - post follow up on non response	15	4	7	15	2.4%	3.2%	packaging raw materials	suppliers of primarily packaging raw materials
B	census - pre contact - post follow up on non response	19	5	9	19	3.0%	4.1%	brewing raw materials	suppliers of primarily brewing raw materials
E	select 1 in 4 - no precontact . Follow up on non resonse only if 30% return not achieved	75	22	37	300	47.8%	64.2%	engineering contractors & equipment suppliers	contractors, machinery and manufacturing equipment suppliers, process equipment suppliers, utilities raw materials suppliers, labour brokers.
G	select 1 in 2 - no precontact . Follow up on non resonse only if 30% return not achieved	48	14	24	96	15.3%	20.6%	general spend vendors	office furniture, stationery, lab equipment and consumables, safety equipment suppliers, cleaning services, medical supplies, forwarding & clearing agents, phone co's, publishers, ed institutions, travel agents, removal firms, car rental, airlines, couriers, security co's, catering,
C	select 1 in 2 - precontact . Follow up on non response.	18	5	9	37	5.9%	7.9%	professional and consulting services	prof persons, accountants, engineering consultants, personnel consultants, 3rd party inspection authorities, insurance co's, banks, business consultants
A					8	1.3%	-	Local authorities	municipal depts
Z					22	3.5%	-	Duplicate	Vendors who appear more than once on the vendor list due to a variety of admin reasons (each alternative branches)
L					131	20.9%	-	low/no contact vendors of little significance to ethics survey	universities, supermarkets, path lab, prof institutions (fee payments only), appliance stores, taxi's , vehicle panel beaters (insurance claims) and vendors who see only minor infrequent purchases or who have who have not been used yet.
D					-	-	-	Deleted vendors	Past Vendors no longer used
Totals		175	50	86	467	100.0%	100.0%		
percentage sample frame		37.5%	10.71%	18.42%	628				

Appendix I: Business Ethics Research Questionnaire Codebook

Section 1: Biographical And Administrative Questions

Ques No.	Variable			Coding	Notes/comments
	No.	Name.	Description		
-	0	track	Sequential tracking number	Enter the unique sequential tracking no.	Mark each response form with a unique sequential no. to enable electronic record to be matched with the original hardcopy form
-	1	supcat	Supplier category	P = Packaging raw materials B = Brewing raw materials E = Engineering & equip suppliers G = General office supplies C = Consultants & professionals	Obtain from the form revision number on the foot of each page
1	2	cosize	Size of company i.t.o. no. of employees	1 = Small (< 10) 2 = Medium (11-99) 3 = Large (>100)	
2	3	cotype	Type of company/entity that the supplier trades as	1 = JSE listed company 2 = Pty Ltd 3 = Close corporation 4 = Sole proprietor 5 = Partnership 6 = Other 99 = missing	
3	4	actwith	The SAB employee group that the supplier interacts with most	1 – procurement department 2 = planners & supervisors 3 = department managers 4 = engineers 5 = secretaries 6 = executives 7 = other	If not answered, code as 7 = Don't know
4	5	yrsbus	The no. of years that the supplier has been in business	1 = newly formed/emerging (< 5) 2 = established (6 – 10) 3 = well established (11 – 15) 4 = mature (>16)	
5	6	SPP	Supplier is on SAB supplier partnering programme	1 = yes 2 = no	If not answered, code as 0 = Don't know
6	7	AA	Supplier is an affirmative action vendor	0 = don't know	
7	8	age	Age of respondent in years	Enter age in years	
	9	agecat	Age category of the respondent	1 = young (<30) 2 = middle aged (31 – 49) 3 = senior (>50) 99 = not given	
	10	gender	Respondents gender	1 = male 2 = female 99 = not given	

Section 2: Suppliers Ethical Knowledge and Attitudes

Ques No.	Variable			Coding	Notes/comments
	No.	Name.	Description		
8	11	longterm	Sound ethics good in the long-term	1 = disagree 2 = partly disagree 3 = partly agree 4 = agree 99 = missing	higher score indicates the more ethically aware attitude
9	12	bendrule	Rules & laws sometimes have to be bent	1 = agree	
10	13	actshare	Okay for exec's to act only in the interests of shareholders	2 = partly agree 3 = partly disagree	
11	14	notcon	Moral implications of actions in business should not concern businessmen	4 = disagree	
12	15	obeylaw	Obeying the law is being ethical	99 = missing	
13	16	notkey	Ethical behaviour not important these days		
14	17	stockown	Ownership of stock in a company that own company deals with	4 = unethical 3 = sometimes unethical 2= sometimes ethical 1 = ethical 99 = missing	
15	18	giftgive	Gifts of substantial value are given to buyers and managers		
16	19	exprice	Price info is exchanged with counterparts in other companies in the industry		
17	20	collude	Competing suppliers collude for their own good		
18	21	greymkt	Grey market goods are used achieve price/cost reductions		
19	22	poach	Competitors and customers staff are poached		
20	23	golfdeal	Deals struck outside the work environment		
21	24	ethickey	Ethics is a key success factor for the suppliers company	1 = disagree 2 = partly disagree	
22	25	recruit	Past ethical behaviour is taken into account in recruitment and promotion	3 = partly agree 4 = agree	
23	26	improve	Improvements are needed to suppliers industry	99 = missing	
24	27	owncode	Supplier has own code of ethics	1 = yes 2 = no 0 = don't know	
25	28	sabcode	Supplier has SAB's ethics policy supplier guideline		
26	29	knowking	Suppliers firm is familiar with King II report on corporate governance		
27	30	usecode	Frequency with which supplier uses SAB ethics policy guideline	1 = never 2 = occasionally (<3 times/year) 3 = frequently (> 4 times /year) 4 = no code 0 = don't know	Code to be consistent with answer to question 25 where required i.e. when no code or respondent doesn't know.

Section 3: Suppliers Perceptions Of Ethical Behaviour At Prospecton Brewery

Ques No.	Variable			Coding	Notes/comments
	No.	Name.	Description		
28	31	familiar	SAB employees sufficiently familiar with ethics policy	0 = don't know 1 = disagree 2 = partly disagree 3 = partly agree 4 = agree	Higher score indicates the perception of more ethical behaviour.
29	32	skill	SAB employees skilled at managing ethical dilemmas		
30	33	honest	SAB employees are honest		
31	34	conduct	Supplier has experienced treatment from SAB employees that he considers unethical	0 = don't know 1 = agree 2 = partly agree 3 = partly disagree 4 = disagree	
32	35	enviro	Prospecton brewery does not impact on the natural environment excessively	0 = don't know 1 = disagree 2 = partly disagree 3 = partly agree 4 = agree	Higher score indicates the perception of more ethical behaviour. If not answered code as 0 = don't know.
33	36	livesup	Prospecton brewery lives up to its own ethical standards		
34	37	socresp	Prospecton brewery acts in a socially responsible manner		
35	38	paylow	Prospecton brewery pays lower than market rates for goods & services	0 = don't know 1 = agree 2 = partly agree 3 = partly disagree 4 = disagree	
36	39	payhigh	Prospecton brewery pays higher than market rates for goods & services		
37	40	serious	Ethical concerns raised will be taken seriously by SAB management		
38	41	cepolicy	SAB's commercial equity policy is unethical	0 = don't know 1 = disagree 2 = partly disagree 3 = partly agree 4 = agree	
39	42	practice	Practices regarded as unethical are taking place	0 = don't know 1 = yes many 2 = yes a few 3 = no	
40	43	ecoclim	Tough economic climate	0 = don't know 1 = contributes 2 = does not contribute	Factors that suppliers consider contribute to poor ethical performance at Prospecton brewery
	44	setexam	Exec's do not set good example		
	45	culture	Not in SAB corporate culture		
	46	controls	Inadequate controls/procedures		
	47	power	Individuals have excessive decision making power		
	48	targets	Unrealistic performance targets/ expectations		
	49	tight	Budgets too tight		
	50	crooked	Dishonest individuals		
	51	policy	Ethics policy not enforced		
	52	compete	Excessive internal competitiveness		
	53	fat	Budgets too fat		
	54	other1	Other factors		

Section 4: Prospecton Brewery – Supplier Interaction

Ques No.	Variable			Coding	Notes/comments
	No.	Name.	Description		
41	55	gifts	Gifts given to SAB employees that are > R 200 in value are declined	0 = don't know 4 = nearly always 3 = frequently 2 = occasionally 1 = hardly ever	Higher score denotes more ethical interaction. If not answered code as 0 = don't know
42	56	spirit	Letter and spirit of contractual agreements are honoured		
43	57	paytime	SAB pays on time for work/goods		
44	58	select	Vendors are selected on proper business criteria		
45	59	stds	SAB specs and stds are uniformly and consistently applied to all suppliers		
46	60	afraid	Suppliers feel afraid to say no to SAB due to its buying power	0 = don't know 1 = nearly always 2 = frequently 3 = occasionally 4 = hardly ever	
47	61	restrain	Restrain of trade agreements are strictly respected	0 = don't know 4 = nearly always 3 = frequently 2 = occasionally 1 = hardly ever	
48	62	sponsor	Suppliers are pressurised by SAB employees to sponsor clubs, charities etc.	0 = don't know 1 = nearly always 2 = frequently 3 = occasionally 4 = hardly ever	
49	63	freecost	SAB expects suppliers to do their budget cost estimating for them		
50	64	confide	SAB and suppliers keep each others information confidential	0 = don't know 4 = nearly always 3 = frequently 2 = occasionally 1 = hardly ever	
51	65	horse	SAB plays one tender off against another	0 = don't know 1 = nearly always 2 = frequently 3 = occasionally 4 = hardly ever	
52	66	diffsex	Competitors of different gender reps get different treatment		
53	67	persfav	SAB employees solicit personal favours from suppliers		
54	68	family	Business deals through family members are taking place		

Ques No.	Variable			Coding	Notes/comments
	No.	Name.	Description		
55	69	lowprice	Offer the lowest price	0 = not the most important 1 = most important If more than one selection marked, code the first one marked.	Factors that suppliers consider the most important thing to do to get and keep doing business with Prospecton brewery
	70	Unmine	Undermine competition		
	71	affirm	Be classed as affirmative action		
	72	bestqual	Offer the best quality		
	73	bribe	Pay a bribe to buyer or a.n.o.		
	74	incof	Keep in with central office exec's		
	75	qualcom	Supply quality goods at competitive prices		
	76	inpros	Keep in with Prospecton brewery individuals		
	77	other2	Do other things not listed		
56	78	raisestd	Suppliers view on whether improvement to ethical behaviour in SAB supplier interactions is required	0 = don't know 1 = no improvement required 2 = improvement required	If not answered, code as 0 = don't know
	79	cease	SAB should cease doing business with suppliers who do not comply with ethics code	0 = not indicated 1 = should do	Actions that suppliers feel should be done to improve ethical performance
	80	discip	Discipline employees who behave unethically more severely		
	81	ethicom	Establish an ethics committee to review major decisions		
	82	betexam	Senior management should set a better example		
	83	firedis	Get rid of dishonest employees		
	84	train	Conduct ethical awareness training		
	85	enforce	Enforce SAB ethics policy		
	86	other3	Do other things no listed		