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Comment



Bribery: Corrupt individuals seek out markets where compliance and enforcement of regulations are weak

Fraud, bribery, exploitation, and corruption are all, regrettably, still a feature of doing business in 2020. While there is no doubt that effective enforcement has a central role to play in stamping out corruption, a key question for governments is how we also develop and maintain a culture of integrity in business. This is a culture which will encourage and reward positive behaviour, as well as preventing and punishing misconduct.

It is exactly fifty years ago that Milton Friedman declared in his famous New York Times article that those businessmen (sic) who promote desirable social ends are "preaching pure and unadulterated socialism". What is less known is that, a little further down in that same article, Friedman continues: "It may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government."

Friedman here only focuses on the business case for responsible corporate behaviour, and it is entirely compatible with the more recent approach to create shared value.

The carrot of a business case coaxes businesses into embracing - or at least adopting - sustainability and corporate social responsibility practices. By employing the business case, business executives who are not persuaded by moral arguments can be convinced to "do the right thing".

Integrity and enforcement must be what counteracts a business case for corruption

In the case of corruption, it is usually the legal argument that is mentioned first. Corruption is illegal, therefore it is not even necessary to build a moral case. Attempts to justify corruption from an ethical perspective usually employ relativism - "everybody else is doing it" or "it is part of the culture here" - and unravel fairly quickly when it is subjected to moral scrutiny.

But what about the business case? It seems fair to say that those who are actively involved in corrupt practices usually do it for

the money.

This leads to what at first glance seems like a discrepancy, because those who fight corruption claim that corruption costs money. In fact, according to the United Nations the global economy loses \$3.6trn (€3.05trn) annually to corruption.

If it were as straightforward as "if I steal from you, I gain and you lose", it would mean that the money lost by some

simply ends up in the pockets of others. Quite attractive then, if it ends up in your pocket.

Fortunately, this is not a zero-sum game. Of course, we deal with the different impacts on individuals as opposed to the economy in general. But there are at least two additional considerations for the corrupt themselves. Firstly, if I steal and get caught and go to jail, my initial gains suddenly seem much less attractive. Ask David Drumm, former CEO of Anglo Irish Bank in Ireland, who is currently serving a six-year prison sentence for fraud, and he will probably agree.

Secondly, if the collective action of the corrupt drags the system down to such an extent that there is nothing left to steal, even the corrupt will suffer in an ironic twist of fate.

It is no coincidence that many of the most corrupt countries in the world are also some of the poorest. Somalia has the dubious honour of featuring at the bottom of both lists, according to Transparency International and the World Bank.

This is not new information.

Corrupt individuals also have risk management skills, and therefore choose their locations carefully, looking for markets where compliance and enforcement are weak, very often in developing countries. And if there is nothing left to steal in one location, there are always new markets to explore, at least for now.

The systemic issue can be compared to the current demands by many responsible leaders for more regulation in the field of sustainability. There was a time when companies at the vanguard relied on voluntary behaviour alone to give them a competitive edge (the business case). However, this advantage is increasingly being eroded by the long-term effects of unsustainable behaviour.

Similarly, the business case for voluntary responsible and ethical corporate behaviour relies on the benefits that would accrue from increased reputation as well as customer loyalty and employee produc-

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tivity, but is undermined when the whole economy suffers as a result of endemic corruption.

Whether we talk about sustainability or corruption, the message is clear. Regulation and compliance are critical, but not sufficient. Much of the damage that has been done to the global economy over the last few decades was caused by unethical behaviour, not only by illegal behaviour.

That is why the B20 task force on Integrity and Compliance, which I have the honour to co-chair, is recommending to the G20 that a culture of high integrity should be pursued in the public and private sectors. This is complemented by recommendations to leverage emerging technologies and enhance integrity and transparency in public procurement. A culture of integrity implies support for, and commitment to, fundamental ethical values such as honesty, accountability and transparency, and these principles apply across all markets and industry sectors.

All the numbers in the world that illustrate the devastating global cost of corruption will not deter a single corrupt person if they think they can get away with it. The fight against corruption has to be multi-faceted. Combining a culture of integrity with effective enforcement can help to extinguish the business case for corruption, even at the individual level.

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