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Blomkvist, Marita; Arvidsson, Susanne

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LUND UNIVERSITY

PO Box 117
221 00 Lund
+46 46-222 00 00

Anti-Corruption

THEME IV

MARITA BLOMKVIST
SUSANNE ARVIDSSON

Speakers and moderator in the theme

INVITED SPEAKERS:

STEVEN SAMPSON, Professor in Social Anthropology at Lund University. As an anthropologist, his research focuses on corporate culture from an ethics and compliance perspective. He will present ongoing research on anti-corruption.

LIN LERPOLD, Associate Professor at Stockholm School of Economics and Executive Director of MISUM. She will talk about a new report: 'Walking the Talk'. This report focuses on anti-corruption policies as they are presented in corporate sustainability reports.

LENA JOHANSSON, Secretary General of ICC-Sweden, the Swedish branch of the International Chamber of Commerce. Lena will discuss how anti-corruption has developed within corporate policies.

KATI MATTILA, Chief Ethics & Compliance Officer at Telia Company. Her presentation will focus on challenges with the implementation of policies for anti-corruption in a global economy.

MATS LARSSON, Compliance Officer at Siemens. He will share his experiences from working with a compliance system for the past ten years.

INVITED MODERATOR:

THOMAS LENNERFORS, Associate Professor in Industrial Engineering and Management at Uppsala University.

Summary of the presentations

STEVEN SAMPSON: (Keynote address) Anti-corruption: Who cares?

Sampson started his presentation writing on the board: 'Trust is good, Control is better. Will standards save us?'. He claimed that both are magical thinking and explained that reports are like fetishes. People wave them around, like magic wands; however, nobody reads them. Sampson argued that sustainability standards are barriers, and that people always find ways to get around, above or under them. We can call this flexibility, or we can call it corruption. He put forward that these kinds of behaviours, i.e. not complying with norms or standards, are not only found in business but also within other kinds organisations, including academia.

Sampson emphasized that people are against corruption. There are no pro-corruption forces. Corruption has existed since ancient times. He highlighted that modern corruption fighting began around 1996, with the famous 'cancer of corruption' speech by World Bank president James Wolfensohn (who began to call attention to the problem of corruption in the area of development financing). Before that, corruption was considered an internal political issue for each country. Today, at anti-corruption conferences, and with so many anti-corruption campaigns, one wonders why corruption still is around. Sampson meant that we must think about the rhetoric and about who is really committed to fight corruption. We must ask the 'Who cares?' question. Here he included the so-called moral entrepreneurs, the NGOs organisations such as Transparency International, and the academics who research how corruption operates. He stressed that a challenge with fighting corruption is that we need to reflect both on *who is the enemy* and *what are we fighting*.

As an anthropologist, Sampson studies cultures in organisation from an ethics and compliance perspective. He argued that people are not evil or bad guys. The self-understanding of the ethics and compliance community is that illicit behaviour and corruption are viewed as a case of 'good people doing bad things'. The logic is then: Why did they engage in corruption? Sampson claimed that these individuals often do not know. Therefore, the ethics and compliance officers promote the need to train people in anti-corruption. Sampson highlighted that there are two views on corruption today in research. The *optimistic* view claims that the anti-corruption movement has made such a deep impact that corruption is being reduced and will be eradicated. The *dark side*, on the other hand, claims that there will always be corruption and that anti-corruptionism is more rhetoric than action. According to Sampson, there does not appear to be anything indicating that the more the anti-corruption industry increases the less corruption we will have.

Finally, Sampson discussed challenges related to companies adopting anti-corruption platforms and zero-tolerance rhetoric. He called this 'anti-corruption washing'. The first challenge is that of defining corruption. There is no specific practice here, he argued, Corruption is everywhere all the time. In routine practices, inside firms and elsewhere in society. Second, what does 'corruption fighting' actually mean? Does it include investigating why people engage in corruption? Here he need to distinguish three general explanations for why individuals might act in a corrupt manner. First, because they want to, i.e., they act out certain values; second, because they have to, i.e. there are structures and conditions that compel them to act corrupt; or third, because other people do it and they want to fit in with the group, community or 'culture'. Sampson closed his presentation by emphasizing that to fight corruption efficiently a new theory of human behaviour is required. Auditing and control of human behaviour attempts to neutralize the kinds of choices people make. We call these choices 'judgement'. We need to balance control over corruption with the existence of judgement, risk, context and individual decision-making. This is a real challenge.

LIN LERPOLD: To implement ant-corruption policies in organisations

Lerpold started her presentation by presenting the new report *Walking the Talk* (Misum, 2017). The report is based on a content analysis of large-cap companies' sustainability reports. The results show that 90 per cent of these companies have anti-corruption policies and that 80 per cent reported on how they followed up on their policies. The result indicates a positive trend compared to a few years ago. However, there are still scandals among companies that have otherwise high ratings in various sustainability surveys. Here Lerpold highlighted Volkswagen as an example.

Lerpold continued to discuss that the various tactics used to justify corrupt behaviour. She highlighted the *rationalization-tactics* and explained that corrupt individuals tend to think of themselves as not being corrupt or bad people. For example, individuals often *deny responsibility* saying, 'What can I do?'. Two other examples she presented are *denial of injury*, 'No one is really hurt' and *denial of victim*, where individuals believe 'They deserved it' or 'What others did was much worse'. Often, we explain the corruption problem in terms of a 'bad apple' in the organisation, but it often turns out to be an industry-related problem, she said. According to Lerpold, there is also a *socialization process* behind corruption. Another process is 'incrementalism': individuals believe that they did something bad yesterday, but in the next two weeks they consider the incident to be less bad, which is why they repeat this behaviour. Lerpold also put forward the 'euphemistic language' in which illicit acts are given a new, softer terminology. For example, bribes might be called 'facilitation payments'.

One challenge in the task of fighting corruption are 'cocooning factors', meaning that people want to be part of a group and feel included. If corrupt behaviour is manifested in the corporate culture, then this urge for inclusion complicates the

process of fighting corruption. Lerpold closed her presentation with a recommendation: 'Bring your worst critics into the company: what are they going to find?'

LENA JOHANSSON: Placing anti-corruption high upon the agenda

In her presentation, Johansson asserted that companies really do care about corruption today. There is a now different attitude towards corruption, not only from within the organisation, also due to outside pressure. According to Johansson, it pays off to be a responsible business. Thus, it is a good idea to put anti-corruption high on the agenda. Corruption is costly and bad for a firm's reputation. At the International Chamber of Commerce (ICC), anti-corruption has been a prioritised area for a long time. A challenge for companies is to work efficiently with anti-corruption through a changing business climate.

According to Johansson, anti-corruption is now becoming a core activity within the business community. When you analyze your company from a new angle, you actually uncover both new possibilities and risks. This is a challenge for companies. It is increasingly dangerous to do business in a non-sustainable way. If companies do not realize the risk, then they are increasingly *at risk*. Today, production is international and inputs originate from many, often distant, countries. There is a huge risk that corruption occurs in these global supply chains. A company can easily be involved in corruption without even having foreseen it.

Johansson argued that anti-corruption is a pre-condition for other sustainable behaviour. If you have corruption in your company, you will lose trust. Predictability and trust are extremely important for companies, but achieving them is also a challenge. Therefore, Johansson urged that management teams place anti-corruption high up on the agenda.

Johansson also highlighted the importance of internationally accepted rules and guidelines related to anti-corruption. Using these signal trustworthiness to your business partners and investors. At the ICC the following anti-corruption tools are used:

- Rules for combatting corruption (1977);
- Inserting standard anti-corruption clauses to be included in contracts;
- Guidelines and guides (for example, a newly developed due diligence guideline for SMEs);
- Anti-corruption training;
- ICC Business Integrity Compendium (2017).

Finally, Johansson emphasized that ICC wants to help businesses act responsibly through self-regulation. Working for free trade, i.e. free and fair competition, will also contribute to increasing societal wealth.

KATI MATTILA: Challenges with implementing policies for anti-corruption in a global company

Mattila started her presentation by arguing that problems with corruption are pretty much the same across industries. This is due to the main underlying elements being similar. This means that an effective compliance programme can often be applied in different industries.

In order to have an effective compliance programme, Mattila put forward certain well-designed elements that need to be in place. First, she stressed *relevance*. The values and relevance present in a Scandinavian context cannot directly be translated into other contexts, for example Indonesia. Mattila exemplified the reality between the Anti-Bribery and Corruption (ABC) programme in Sweden with wining and dining customs in different countries. The second element, *local buy-in*, involves how ABC programmes are viewed at local levels. She highlighted that ABC programmes are developed at the corporate head office, but it is at the local level that the most relevant business decisions are made, for example hiring, firing and promotion.

Mattila claims that people will do what the Telia Company's policies tell them to do, not what is stipulated by a more academic, 'ivory tower' programme. You cannot achieve buy-in without a locally relevant programme. According to Mattila, a third element is *enforcement*, which relates to the importance of clearly demonstrating the consequences of breaches in anti-corruption policy. In addition, *legal enforcement* must ensure that enforcement of the ABC programme is feasible as well as legal. The final element is *the local expertise*. Most global companies cannot have compliance officers in all areas of the organisation. Even if they have, employees do not turn to corporate compliance for advice in their day-to-day work. As a compliance officer, the challenge is to be someone who is able to answer questions, who can ensure local relevance and can clarify/translate the ambiguous ABC programme.

At the end of her presentation, Mattila raised the following challenge for companies: 'If you do not pay enough attention to local resources and capabilities, you will never see a positive effect from your compliance programme'.

MATS LARSSON: Our experiences from working with a compliance system

Larsson shared his long experiences of having worked with the compliance system at Siemens. Siemens is a global company with businesses in most countries of the world. This constitutes the first challenge for effective anti-corruption, namely, reaching *all* the employees.

In 2006, Siemens endured a major scandal that resulted massive negative impact on the corporate reputation. Larsson highlighted that this resulted in a total purging of the management team. He also emphasized that the scandal made them realize that a strong tone from the top is crucial, as well as a lot of training initiatives and anti-corruption tools. In addition, Siemens realized that corruption can happen anywhere, and that every company might find itself in a corruption scandal. Larsson then underscored that after a scandal, you learn that will cost you a lot of time, energy and money to clean up the mess. This is an incentive for developing an effective compliance system. Over the years, a challenge for Siemens has been to integrate anti-money laundering, export controls and human rights into these systems.

Today, safety and compliance are the foundation of Siemens's policies, and these is non-negotiable. This means that management around the world must be supported so that they can manage risk and ensure effective processes. A challenge for Siemens is the need for a strong worldwide compliance team. Larsson stressed the importance of risk management programmes in the task of avoiding misconduct. This can be achieved through policies, procedures, training initiatives and communications. Also control systems, such as whistle-blower systems, play an important role in detecting misconduct. According to Larsson, training is the basic element of any compliance programme. Not only once but in a continuing manner, with small groups, e.g. divisions and teams. The focus must be on understanding that the risk of corruption is always present.

Siemens participates in many collective actions, such as associations and initiatives related to anti-corruption. According to Larsson, it is important to engage in these activities as a means of increasing visibility and in order to influence other parties. However, even with a good track record and effective compliance systems, corruption incidents occur. Larsson admitted that compliance incidents are increasing. 'We ask ourselves why? I don't know. However, compared to size, it might not be so bad. Nevertheless, the work continues. Even if you are good, you can always be better, Larsson concluded. He also stressed that compliance has top priority at Siemens. A challenge for them, and for most other companies, is to receive high ratings by organisations such as the Dow Jones Sustainability Index (DJSI). Larsson emphasized that the challenge is not only to receive a high ranking but also to *maintain* this rating.

Panel discussion and dialogue with the audience

Invited moderator Thomas Lennerfors, Associate Professor at Uppsala University, raised the first question to Steven Sampson: *'It sounds like things are going in the right direction. Are you convinced of this optimistic track?'*

Although things are happening, Sampson pointed out that further research is needed to conclude if this is a real trend. Sampson underscored that social science is the studies of purposeful actions with unintended consequences. Management is pretty much the same. More and more compliance officers are forced to think and reflect, which is certainly a good thing. Sampson stressed that we need to collect not only success stories but also the failure stories. Every company has these, and it is vital that they are not just viewed as glitches but are analyzed in detail. Sampson agreed that there are core groups who really care about fighting corruption. However, there are also groups who care a lot less. According to Sampson, sales people often care a lot less and regard the compliance officer as an inexperienced person, unfamiliar with the real world of business, who makes unrealistic demands. On the positive side, we obtain an opportunity to study these failure cases. However, this requires time to reflect. The quality time for the reflection on deep issues is missing. There is too much pressure for results in the here and now. This need for reflection is a challenge for future research.

Larsson supported Sampson's viewpoint and said that from his experience, the launch of a compliance system is not exactly met with 'Hurrah!' in the organisation. It is time-consuming and regarded as a pain, especially for the sales organisation. Nevertheless, he stressed that you must be persistent, and along the way, it seems like attitudes are changing, however slowly.

In addition, Johansson replied to Sampson and asked him if he cannot see the new awareness? Sampson answered that it will be interesting to see the documentation on this – beyond the many signed codes of conduct. He questioned whether we can actually document that people are really buying into anti-corruption and not just playing along. Johansson added that although she has no statistics on this, she notices this awareness in the tone when she talks to their members. Although, the Corruption Perceptions Index (CPI) gives the impression that there is little Nordic corruption. Here, Sampson stressed that it could be interesting to develop a theory of Nordic corruption. For example, many municipalities state that they 'want to purchase services from the local guy'. Is this nepotism/corruption or just local patriotism? Lerpold joined the conversation and stressed that we must remember that the

CPI is a perception index related to public-sector corruption. It is actually just saying, that we *think* we are less corrupt, not that we actually are. In addition, she had objection to calling it "compliance". She stressed how we build the culture to prevent corruption. Not how we tick the box. Lerpold pointed out that there is definitely a lot more awareness, but she is not certain whether this will result in decreased corruption activity. At the end, Mattila added to the conversation that compliance can play a major role, but it will get a lot of push-back if it is not contextualized and if there is not sufficient effort to achieve genuine buy-in.

The next part in the panel discussion focused on a general need for more knowledge about how much people actually are buying into the concept of anti-corruption. Lennerfors raised the question, '*Can compliance systems be effective?*' Lerpold took up the issue, saying that we know from research that it often takes a big scandal in order to push the company to learn. What is amazing to see is that sectors and industries do not learn from each other. The concern is that too many firms do not work proactively to fight corruption. Mattila agreed on this point, adding that scandals have an impact on other companies. However, the lesson learned could of course be more structured.

Further, on in the discussion, Lennerfors asked the panel: 'How can we turn the scandals into something positive? What are the effects of a scandal for the compliance officer? How can you use the scandals pro-actively?' Mattila was first to address these questions, arguing that there are both pros and cons when there is a crisis. Of course, you get the resources to tackle this. On the other hand, you lack time to really think about the system you are developing and putting in place. This means that you often do not know if the system is really fit for the purpose. She also pointed out that it depends on the context. Sampson added that that major conferences on ethics and compliance always have a person from Enron to give the almost religious 'we saw the light'-speech. Now someone from Volkswagen is replacing the ex-Enron speaker. Also, at these conferences are the compliance software-vendors, who try to market the same software to anywhere and everyone. This means that the important contextualization element is lost. Other compliance firms even give you the opportunity to outsource ethics. Mattila found Sampson's examples great for highlighting how these of-the-shelf compliance systems really relate to a firm's actual corruption and ethics risks. This is a major challenge.

Lerpold continued the discussion, noting that the field of sustainability is a norm-field, beyond rules and regulations, and is constantly changing. It becomes incredibly important that codes of conduct and ethics policies are living documents that can constantly evolve. Again, there is an interaction between rules, regulations and compliance, on the one hand, and the norm-field that is constantly changing on the other. There was now a general agreement among the panel that anti-corruption is a constantly changing field.

Johansson pointed out that she also can detect an increased awareness of risk. The combination of external pressure and risk-awareness are changing attitudes towards anti-corruption. In addition, Larsson stressed that compliance systems begin locally. Training and information have to take place in the local arena if we wish to change behaviour, he said.

The next question raised by the moderator was, *'Can we trust self-regulation?'* Larsson was first to reply and said, 'No'. Self-regulation is not enough in itself, although it has some advantages. One part of the self-regulation is interpretation of the laws and regulations. However, the win is, that you reflect on the 'why'. Why is there a rule? Therefore, this makes self-regulation a tool apt for internalizing rules. He stressed that we need to be cautious about legislation and leave room to expect things from the businesses themselves. Self-regulation comes from businesses, and that has its value. Sampson replied by asking, 'So law is good, self-regulation is better'? Lerpold emphasized that she totally disagrees with Larsson's viewpoint. This neo-liberal idea that companies can self-regulate is not convincing. She stressed that we can move much faster if we regulate more. We live in a zeitgeist that self-regulation is the only good thing, but we have many examples of the opposite.

From the audience, one person commented on the lessons from the Siemens recovery, indicating that if you do good after a crisis, you will be forgiven. Hence, many young people now know Siemens as a "good" company. Therefore, Telia Company can learn a lot from Siemens. The audience member suggested that we should take an initiative and create a foundation around this. Mattila replied that what Telia has been doing since their crisis is precisely that of being very active in the community. Not only focusing on compliance, but also including a broader focus on ethics. By having enough focus on ethics, we might be able to foresee what could go wrong next time, she said.

The next question, also raised from the audience, was *'How can we measure the value and effect of anti-corruption programmes?'* Both Mattila and Larsson replied, with experiences from Telia Company and Siemens, that they struggle with this, and that it is hard to measure. Johansson agreed with both Mattila and Larsson. Lerpold stressed that she thinks it is possible to measure and that the increasing numbers of compliance cases is a good indication of awareness. Nevertheless, it would also be possible to put together other measures and correlate them. Mattila and Larsson both pointed out that the number of cases can be positive if the programme is new, but not necessarily if you have a mature programme. Therefore, you need to do deep-dives into the data. Sampson stressed that a challenge for future research is that we still do not have a good definition of corruption, and a precise definition is necessary in order for us to measure.

The next question from the audience imagined anti-corruption as a bit like communism: it can only work in small groups/small countries/small companies. Lerpold replied that this is exactly why she believes in more regulations so as to ensure a level playing field for both bigger and smaller players. It is a matter of lifting the 'hygiene level'. Mattila agreed. If there is no level playing field, the 'clean' companies will keep losing business to those using unclean methods.

Lennerfors ended the discussion and asked the panel to give their views on the most pressing knowledge need and/or your top priority. The replies from the panel were:

- *Sampson*: Get to know your enemy!
- *Larsson*: That the exposure to internationalization should not scare companies from investing abroad.
- *Lerpold*: Leadership and tone from the top. The right incentives need to be built into the organisations.
- *Mattila*: Business understanding among compliance officers. Make them understand the business so they can really succeed with their programme.
- *Larsson*: Training and awareness locally. All employees are the face to the outside and the ones who can influence the markets and fight corruption.

Summing up: Challenges and future knowledge needs

The key challenges and future knowledge-needs covered in this session include:

- Establishing an agreed-upon definition of what corruption is. This is needed in order to understand what corruption fighting anti-corruption means;
- Developing a new theory of human behaviour to provides better insights into understanding the origins of corrupt behaviour;
- Making anti-corruption a top-management priority;
- Increasing awareness of corruption among **all** employees;
- Establishing an understanding of contextual differences related to the views on corruption, something vital in today's global organisations;
- Understanding the interplay between self-regulation and regulation;
- Developing customized compliance systems (as opposed to off-the-shelf compliance systems);
- Developing better measures for assessing the effectiveness of compliance systems;
- Engaging in in-depth studies of compliance incidents in order to better understand the factors that can enhance corruption fighting;
- Determining which training initiatives are most efficient in changing behaviours in the process of fighting corruption;
- Developing systems for cross-industry learning;
- Determining the cost and value of various anti-corruption initiatives.

Suggestions for interdisciplinary projects

Corruption has been around for centuries; however, fighting corruption has progressed during recent decades. Although the consensus appears to be that corruption awareness has increased and although more focus and resources are directed towards anti-corruption, there still is a lack of empirical evidence that can identify factors underlying compliance incidents. There is a need not only to focus on the aggregate number of compliance incidents but also on the *distribution* of these incidents across industries and countries. Once the landscape of compliance incidents is outlined, we can direct research towards scrutinizing the features of these incidents. This is best accomplished through in-depth studies. Corruption is a multi-dimensional problem related to organisational structures, culture and individual behaviour. Therefore, these studies need to adopt interdisciplinary and multi-dimensional approaches.

Furthermore, conceptual studies are required to sort out the conceptual ambiguity related to corruption. Due to globalization and the increase in companies business and investments abroad, there is also a need to examine *contextual* factors that stimulate or prevent corrupt behaviour at both local and global levels. Thus, a challenge for future research is to develop a contextual understanding of similarities and differences related to views of corruption. This is vital not least in the process of developing effective anti-corruption and compliance programmes. Research resources also need to be directed towards filling our knowledge-gaps regarding the factors that determine the effectiveness of various anti-corruption and compliance activities.

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