

## Seven steps to integrity

This briefing note, based on materials explained much more fully in “Corporate Social Opportunity – Seven Steps to make Corporate Social Responsibility work for your business”<sup>1</sup>, is intended to provide you with the basic building blocks to introduce and implement effectively a commitment to integrity as outlined by the Convention on Business Integrity.

Figure 1: The seven steps



Source: Grayson & Hodges

<sup>1</sup> Grayson, D.R & A. Hodges, “Corporate Social Opportunity – Seven Steps to make Corporate Social Responsibility work for your business”, Greenleaf Publishing, 2005

## Step 1 – Identifying the triggers

An organisation may decide to subscribe to the Convention as a public manifestation of an existing commitment to integrity and responsible business. Conversely, the organisation may have had a “wake-up call” from a corruption incident; and it has decided to commit to CBI as part of its response. Alternatively, an organisation may have had individual elements in place to tackle corruption, but this has not hitherto represented a conscious, coherent commitment against corruption – and CBI presents an opportunity to convert this vague policy into something more meaningful and real. Some other applicants may previously have had a low-level, passive acquiescence in a corruption culture – but now want to “break out” – perhaps stimulated by the arrival of a new CEO or a new country chairman for their organisation – or because of pressure from customers or investors. The trigger might also have been because the applicant is planning to start trading internationally and believes that signing up for CBI will help it to overcome Nigeria’s negative international reputation for corruption and bribery. A different trigger may be where a new business is starting up and the founders want to run a values-driven organisation – or is a foreign direct investment to the Nigerian market and wants robust anti-corruption processes, which it has not previously felt it needed elsewhere.

## Step 2 – Scoping what matters

An applicant needs to scope where it is most at risk from corruption and to understand the most critical issues for it. This might include identifying the key vulnerabilities, for example, by industry, by transaction and by individuals, focusing on “politically exposed persons”. This may involve drawing up a “Corruption Risk” Matrix:

Corruption risk matrix		Likelihood of happening		
		High	Medium	Low
Consequences for business if happens	High			
	Medium			
	Low			

A business needs to consult its employees and other stakeholders on where they see the major risks for the company in relation to corruption. It will also be useful to see how other CBI signatories have scoped what are the major concerns for them. This scoping will show the consequences of a commitment to CBI and will help your board to understand the seriousness of that commitment. At this stage, you may decide not to proceed – in the longer-term, that is better for you and for CBI than a half-hearted or trivial commitment.

### Step 3 – Making the business case

The report, 'Business against corruption',<sup>2</sup> makes the point: "Corruption is inherently wrong. It is a misuse of power and position and has a disproportionate impact on the poor and disadvantaged. It undermines the integrity of all involved and damages the fabric of the organisations to which they belong. The reality that laws making corrupt practices criminal may not always be enforced is no justification for accepting corrupt practices. To fight corruption in all its forms is simply the right thing to do."

There is a powerful moral case against corruption. There are also compelling business-case arguments, which you can use to help win internal support for signing CBI. The World Bank has shown that sales growth and investment are twice as fast in firms that avoid corruption as in firms that engage in corrupt practices.

For a good, quick summary of the ethical and business case for companies to be proactive in fighting corruption: see pages 4-6 of 'Business against corruption', the section headed: "*The Case for fighting corruption*". The document argues that some of the key reasons for avoiding involvement in corrupt practices include:

- Legal risks
- Reputational risks
- Financial costs
- Being known as ethical
- Blackmail, no recourse and security risks
- 'The one who cheats will be cheated against'
- Companies have a vested interest in sustainable social, economic and environmental development

There is inevitably a short term cost involved – you may lose some business. You have to recognise this. On the other hand, businesses around the world are understandably suspicious of all businesses based in Nigeria and often think twice before even discussing trading opportunities. Demonstrating that businesses are really committed to working ethically is almost certain to increase opportunities for Nigerian businesses to trade with the UK and other Western markets.

Corruption is also increasingly seen as a fundamental part of the broader responsible business ("Corporate Social Responsibility" – CSR – agenda) – an agenda which is itself becoming more centre-stage for business and its stakeholders.

Corporate social responsibility or responsible business can be defined thus: "A responsible business seeks to minimise negative environmental and social impacts and to maximise positive impacts" – Grayson and Hodges: "Everybody's Business: Managing Risks and Opportunities in to-day's Global Society" – Dorling Kindersley and The Financial Times (2001)

For an overview of CSR – see the websites and resources of some of the leading business-led coalitions promoting responsible business such as Business in the Community in the UK CSR Europe, Business for Social Responsibility based in California and the International Business Leaders Forum.

For a summary of the business case for overall corporate responsibility - see Resources: "Corporate Social Opportunity – Seven Steps to make Corporate Social Responsibility work for your business" by David Grayson and Adrian Hodges – Step 3: made available thanks to the book's publisher: Greenleaf Publishing

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<sup>2</sup> Source: "Business against corruption: A Framework for Action" – Transparency International, UN Global Compact and International Business Leaders' Forum (IBLF)

## Step 4: Committing to action

As with an overall commitment to Responsible Business / Corporate Responsibility, the challenge is to ensure that a company's commitment against corruption is not just a *bolt-on* to business operations but is *built-in* to business purpose and strategy.

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### Box 1: Example of mission statement

#### Our Mission Statement

##### To our customers

We shall consistently deliver value added products and services

##### To our people

We shall develop a highly skilled, empowered and motivated team

##### To our shareholders

We shall consistently deliver competitive returns to shareholders

##### To our society

We shall uphold ethical standards in all facets of our business and be a good corporate citizen.

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Express Discount

Globally now, businesses that genuinely seek to be sustainable, responsible businesses are *integrating* these commitments with their core values.

Similarly, your company's commitment *against* corruption and *for* Nigeria's Convention on Business Integrity is likely to be far more effective and successful, if it is made integral to the core values and purpose of the business.

If your business already has a statement of values and purpose, you need to work through how the commitment to CBI will fit into these – and be able to show how corruption undermines these values.

Of course, this is not simply about a list of words drafted by the board, with which the rest of the organisation has no connection – and which are simply displayed on office walls etc. The company's values must be lived, they must be part of the corporate culture and shape corporate behaviour.

Sometimes, a statement of values can be just a jumble of platitudinous phrases, more honoured in the breach than the observance. Read the values statement in the box...

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### Box 2: Example of values statement

#### Our Values

##### Communication

We have an obligation to communicate. Here, we take the time to talk with one another... and to listen. We believe that information is meant to move and that information moves people.

##### Respect

We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment.

##### Integrity

We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

##### Excellence

We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be."

...Sounds good doesn't it? That's a direct quote from Enron's Annual Report 2000!

Values on their own are pretty meaningless, they need values-based leaders to give them life. They have to walk the talk: Values talk. Behaviours walk. One critical test a company can use is to ask its internal and external stakeholders how far their experience of the business is consistent with the professed values of the business. That is why CBI suggests that signatories survey their stakeholders periodically. It is worth noting, for example, the 2003 Fast Forward Research from Business in the Community in the UK which found that there is a significant gap between employees' expectations of a responsible organisation and their own employer experience:

"A key barrier is leadership. Less than 40 per cent regularly hear senior management speak on this issue. Even fewer hear (16%) senior managers speak externally."

The former CEO of Johnson and Johnson: Ralph Larsen says: "The only way to keep values alive is to continue to talk about them; to study them; to live them."

A key part of the commitment to action, therefore, is leadership from the CEO and board / senior management team. For there to be a real commitment, the CEO has to champion the values at every opportunity. This includes referring to CBI in their speeches and articles; speaking to new employees about CBI as part of their induction; emphasising importance of CBI when meet / speak on company's training courses for "high-flyers" etc.

There needs to be evidence of regular board discussions of corruption. CBI assessors will want to see evidence that boards and management have discussed ethical dilemmas and related their decisions to membership of CBI. *{DI – cross-ref to Assessor's handbook needed}* They will also look for evidence from board minutes etc that where the company has had a corruption incident, the board has discussed the learning from the incident and the remedial measures taken.

The board must commit to a Code of Conduct – perhaps as part of a broader Statement of Business Principles.

A commitment to action also includes the appointment of an Ethics Counsellor. The Ethics Counsellor is there to counsel with those wishing to resolve ethical dilemmas, and those seeking clarification of ethical values, or core values of the organization. He or she will counsel in confidence with those wishing to report unethical and corrupt practices taking place within their organization and take appropriate action. An Ethics Counsellor must be a member of senior management that enjoys the trust and confidence of both management and employees. He or she must have a good knowledge of organizational processes and the core values of the organization. He or she will also monitor their organization's compliance with the Code of Business Integrity.

Smaller organisations wishing to join CBI may find it onerous to appoint an experienced Ethics Counsellor from within their own ranks. CBI are organising a "big brother-little brother buddying" scheme whereby Ethics Counsellors from larger CBI signatory organisations volunteer to buddy with a small organisation – perhaps serving as the latter's Ethics Counsellor whilst they mentor the development of someone internally to take over later.

Good practice will be to use any existing, relevant internal processes eg if the board already has a process for producing and regularly updating a Risk Register for the company, this can be used also to identify where the organisation is most at risk of breaking its commitments under CBI.

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**Box 3: Novo Nordisk**

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Novo Nordisk is a multinational healthcare business and a world leader in diabetes care, headquartered in Denmark (see [www.novonordisk.com](http://www.novonordisk.com))

Bribery and corruption are key local concerns today, detrimental to the wealth, stability and economic growth of societies as well as to the environment, and Novo Nordisk believes that these problems must be tackled by all levels of society. Our role as a private company is to act responsibly in all aspects of how we conduct our business as well as actively supporting relevant initiatives to combat corruption.

In 2005 Novo Nordisk therefore decided on a Business Ethics Policy. The policy is supported by detailed instructions implemented through the Novo Nordisk quality system, as well as through business ethics audits by our internal auditors and facilitators. In our Business Ethics Policy we make a direct commitment to the UN Convention against Corruption.

Furthermore, all Novo Nordisk policies have been reviewed in order to ensure that business ethics is explicitly addressed wherever relevant.

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Source: Novo Nordisk Annual Report 2005

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Publicly supporting CBI both helps CBI but also you. Effectively, by making the public commitment, you are “co-opting” others to help you keep your promise. It is like if I tell my family and friends that I want to lose weight and get fit, you are “co-opting” them to help you keep your promise. Other public commitments that the board might make that will reinforce internal / external understanding of the importance of CBI includes the UN Global Compact – which was expanded in 2004 to include a tenth principle against corruption: “Businesses should work against corruption in all its forms, including extortion and bribery” and Business Action against Corruption

“Business Action Against Corruption (BAAC) was launched in Johannesburg in October 2005 with the support of the Southern African Forum Against Corruption (SAFAC), which includes the region’s anticorruption commissions, and the African Corporate Sustainability Forum (ACSF). Implementation is led by the Commonwealth Business Council and the Human Rights Trust of Southern African (SAHRIT), CBI leads implementation for Nigeria.

For more information on business-led coalitions around the world to fight corruption, see The World Bank Institute’s : Business, Competitiveness and Development (BCD) Web Portal on Business-Led Partnerships Against Corruption, launched at the September 2006 meeting of the IMF and World Bank in Singapore: <http://info.worldbank.org/etools/bcdwebportal/index.htm>

### **Step 5: Integrating across the business**

Commitment to CBI is a serious endeavour. It requires integration across the business. Every part of the business needs to understand the implications of the Convention for their operations. For example, staff recruitment should take into account the Convention commitment that a signatory will ensure “it employs only individuals with records of trust, truthfulness and integrity”. Guaranty Trust Bank, for example, aims to recruit new employees largely from school and university direct so it can “mould” attitudes against corruption etc. Apparently, background and reference checks and follow ups are seldom undertaken in the recruitment process in Nigeria. These should be done rigorously in order to establish the bona fides of the candidate. Companies can also sponsor anti-corruption talks / training modules etc in Nigerian schools and universities; and/ or in the media to foster more anti-corruption societal attitudes.

Employees’ appraisals should include evidence that employees have contributed to fulfilment of the CBI commitment. For this to be real, there must then be a transparent link to an employee’s compensation package and promotion prospects.

The commitment to CBI needs to be reflected in employee recruitment criteria, the choice of suppliers and purchasing criteria, staff induction and the continuing professional development of staff.

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#### **Box 4: Hewlett Packard**

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HP has historically emphasised ethics and uncompromising integrity, keeping these integral to the way we conduct business.

We believe it is essential to promote an open culture in which employees feel free to raise concerns without fear of retaliation. This open culture is vital to ensuring that employees understand that no one acting on HP's behalf may use bribes, kickbacks or other corrupt practices in conducting HP's business – even if the practice is assumed to be culturally appropriate.

It can be difficult to achieve consistency while conducting business in over 170 countries that have diverse cultural norms, customs and local regulations. We use SBC Liaisons and Regional SBC networks (see Monitoring) to seek local input on training and provide communications to help address this challenge.

HP's ethics program has focused on a main theme each year in training and communications, such as awareness of the SBC, specific ethical practices and ethics decision-making tools. Starting in 2005, we focused on ethical leadership, emphasizing that every person at HP can be an ethical leader regardless of title or job responsibilities.

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Source:hp Global Corporate Citizenship Report 2006

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Note: The recent boardroom scandals at hp in which the former chairman and other senior company officials have been charged with a number of crimes, relating to impersonation of board members in order to obtain information about the leaking to the media of confidential board discussions, shows how unethical behaviour can occur, even in companies with well-established values and ethics.

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### **Step 6: Engaging stakeholders**

Engaging stakeholders is about listening to and learning from a company's employees, customers, suppliers, neighbours, investors and others who can affect, or are affected by, the business. It involves a willingness to make changes to business strategy and operations, if stakeholders' views make sense to the business. It is not stakeholder-*management* – which implies a one-way communication of information to persuade stakeholders to do what the business wants. *Engagement* is a two-way process.

Every business has multiple contacts with stakeholders. Stakeholder-engagement makes full use of existing mechanisms such as employee satisfaction surveys; overviews of annual employee appraisals; employee exit interviews; customer research; managers' meetings with suppliers and business partners. Issues associated with membership of CBI can be added to these existing mechanisms. Additionally, managers will want to seek feedback – for example, when attending meetings of organisations like chambers of commerce and trade associations. By regularly explaining CBI and what the business is doing to integrate its commitment to CBI, to stakeholders and ensuring that stakeholders understand what the commitment means for their behaviour, the goal is to ensure that there are more supporters actively pushing the CBI "ball" in the right direction

### **Step 7: Measuring & reporting**

To satisfy CBI's requirements, it is important to assess your progress and adherence to the standard, to report on this internally and to take action to improve what you are doing. This requires that you put in place appropriate systems and procedures which reflect your business principles and that you ensure that you are doing what you say that will so. One important way, though not the sole way, of ensuring that your business is behaving as you would like it to behave is to undertake peer group review, that is, to ask your various stakeholders to tell you, in a structured way, what they think about you. You may also find it helpful to use CBI's Five Star Rating as an indicator of whether you are meeting the requirements of each of the five principles. You will, in addition, need to commission an external audit to assess whether you are complying with your principles and procedures.

Many businesses want to go much further than this – they want to be very public about their progress and achievements. Increasingly, businesses are producing regular reports on their social

and environmental impacts, alongside their regular annual reports on their financial performance. Many of these Sustainability or Corporate Citizenship Reports use the Global Reporting Initiative: GRI.

Some 91 of the FTSE 100 largest companies on the London Stock Exchange, 69 of Fortune magazine's global top 100 companies and 38 of the Fortune top 50 European companies now regularly produce Sustainability or Corporate Social Responsibility Reports alongside their Annual Report and Accounts<sup>3</sup>. Increasingly these Sustainability/ Responsibility Reports include references to the business's commitment against corruption – especially where the business has signed up for the UN Global Compact or is reporting against the Global Reporting Indicators.

If reporting against the Global Reporting Initiative, the relevant GRI Indicator relating to corruption is: "SO2: Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption".

NB A new version of GRI, G3, will be launched at the GRI Conference in Amsterdam in early October 2006.

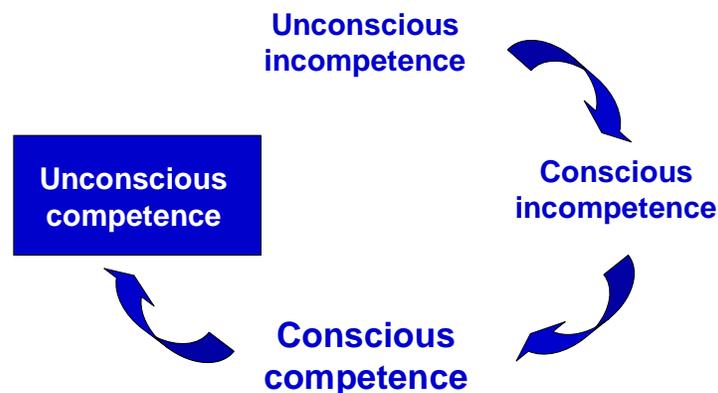
Measuring and reporting on performance against CBI is important for accountability and enables the organisation to see where remedial action may be required This can also be the trigger to prompt further action.

It also helps to encourage other organisations – especially those considering whether to join CBI.

## Conclusion

The goal is that CBI and your processes and drills for ensuring conformity and commitment to integrity becomes "second nature" – that is, "the way that we do things around here". The intention is to help an organisation to move from unconscious incompetence, through conscious incompetence, to conscious competence, to unconscious competence – because the techniques have now become totally embedded in the business as illustrated in figure 2.

Figure 2: Why process matters



Source: Harvey Dodgson quoted in Grayson & Hodges, "Everybody's Business", Dorling Kindersley & Financial Times, 2001

<sup>3</sup> Source: The Corporate Citizenship Company, London, 2005