Collective Action: great idea, but how well is it working?

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COLLECTIVE ACTION INITIATIVES BY REGION

The Americas: 39
Europe: 63
Africa: 62
Asia: 59

Total: 223 Initiatives
COLLECTIVE ACTIONS BY TYPE (ACTIVE)
<table>
<thead>
<tr>
<th>TYPES</th>
<th>ACTIVE 101 (46%)</th>
<th>NON ACTIVE 45 (20%)</th>
<th>UNCLEAR 77 (34%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-corruption declaration</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Declaration and joint activities</td>
<td>14</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Integrity Pacts</td>
<td>33</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Principle based initiatives</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Certifying business coalitions</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard setting initiatives</td>
<td>22</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Education and training</td>
<td>26</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Double typology</td>
<td>4</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Not clear Typology</td>
<td>2</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>223</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INITIATIVES BY SECTOR

Total Initiatives 223

- Multiple sectors: 128
- Solid waste management: 1
- Medical Sector: 2
- Legal sector: 1
- Animal nutrition: 1
- Education: 1
- Energy sector: 4
- Energy: 2
- Customs sector: 1
- Sports industries: 1
- Telecommunications: 18
- Mining, Oil and Gas: 1
- Construction: 25
- Public Transport: 1
- Consulting firms: 1
- Consulting and advisory services: 2
- Business Associations: 2
- Business - Civilian aerospace: 2
- Heavy & Light manufacturing: 2
- Green sector: 2
- District Council: 1
- Academia: 1
- Public Works: 5
- Banking & Finance: 2
- Banking & Various sectors: 2
- Others: 2

28 SECTORS
COLLECTIVE ACTION: GOOD IDEA

• But
• Is it working as intended?
• Is it as effective as desired?
• Is it addressing the current challenges?
• How can we tell?
• What can we do better?
Troubling Signs

- Dropping scores
- Discriminatory - Taking care of the opposition
- Impunity of top officials – focus on minor offenses and low-level officials
- Bureaucracy
- Legal and regulatory complexity
- Compliance, practice and ethical norms not aligned
- Tick the box approaches
The impact of UNCAC ratification

The impact of ACAs

The inner, thicker blue line shows the selected country's percentile rank on each of the six aggregate governance indicators. The outer, thinner red lines show the indicate margins of error.
Trust in Mass Media, by Age

% Great deal/Fair amount of trust

- 18 to 49 years old
- 50 and older

GALLUP
Institutional legitimacy decline

QA10. I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.

- Tend to trust - %EU

- The European Union
- The (NATIONALITY) Parliament
- The (NATIONALITY) Government

| Year  | EB62 | EB63 | EB64 | EB65 | EB66 | EB67 | EB68 | EB69 | EB70 | EB71 | EB71.1 | EB72 | EB73 | EB74 | EB75 | EB76 | EB77 | EB78 | EB79 | EB80 |
|-------|------|------|------|------|------|------|------|------|------|------|--------|------|------|------|------|------|------|------|------|------|------|
| 2004  | 34%  | 35%  | 35%  | 38%  | 33%  | 35%  | 34%  | 34%  | 32%  | 36%  | 32%    | 30%  | 31%  | 31%  | 33%  | 33%  | 27%  | 28%  | 27%  | 25%  | 23%  |
| 2005  | 35%  | 38%  | 35%  | 44%  | 48%  | 48%  | 50%  | 47%  | 47%  | 47%  | 48%    | 42%  | 43%  | 43%  | 41%  | 34%  | 31%  | 31%  | 31%  | 31%  | 31%  |
| 2006  | 33%  | 30%  | 30%  | 43%  | 57%  | 43%  | 48%  | 48%  | 50%  | 47%  | 47%    | 47%  | 48%  | 41%  | 34%  | 34%  | 31%  | 31%  | 31%  | 31%  | 31%  |
| 2007  | 32%  | 32%  | 31%  | 33%  | 35%  | 34%  | 43%  | 43%  | 43%  | 36%  | 32%    | 30%  | 31%  | 31%  | 33%  | 27%  | 28%  | 27%  | 25%  | 23%  | 23%  |
| 2008  | 31%  | 32%  | 31%  | 34%  | 34%  | 34%  | 34%  | 34%  | 36%  | 32%  | 30%    | 29%  | 29%  | 28%  | 28%  | 32%  | 32%  | 32%  | 28%  | 27%  | 25%  |
| 2009  | 29%  | 28%  | 29%  | 30%  | 31%  | 32%  | 31%  | 31%  | 31%  | 31%  | 28%    | 27%  | 28%  | 27%  | 25%  | 27%  | 25%  | 25%  | 25%  | 23%  | 23%  |
| 2010  | 27%  | 28%  | 27%  | 28%  | 28%  | 28%  | 28%  | 28%  | 28%  | 28%  | 28%    | 27%  | 27%  | 25%  | 25%  | 25%  | 25%  | 25%  | 23%  | 23%  | 23%  |
| 2011  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%    | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 25%  | 23%  | 23%  | 23%  |
| 2012  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%    | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  | 23%  |
| 2013  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%    | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  | 21%  |
Why?

- Lack of political will
- No diagnosis and recognition of system problems
- Lack of multi-stakeholder involvement
- One size fits all ‘solutions’
- Too much reliance on law and **formalism and emphasis on process** – lawful but awful practices
- Lack of strategy
- Fragmentation of anti-corruption work
- Insufficient educational programs towards a culture of integrity
COLLECTIVE ACTION OPEN QUESTIONS

• Conceptual confusion – lots of terms
• Unclear or generic objectives – some examples
• Imperfect knowledge – some graphs
Conceptual unclarity: Pick your terms

SPONSORSHIP OF THE INITIATIVES

- Governments: 223 Initiatives
- Academia: 1
- International Organizations: 3
- NGOs: 1
- Business: 74
- Siemens: 34
- Others: 1
- Multiple: 1

Total Initiatives: 224
UNCLEAR OR GENERIC OBJECTIVES

- **No Information/No Clear Information Available**: 125 initiatives
- **Objective Stated**: 98 initiatives
MONITORING MECHANISMS

- No Information Available: 126
- Does Exist: 223

Total: 352
• Private sector – shaky assumptions, is problem addressed? What is the problem? Too much economic thinking – Anomie theory in brief
• Can CAs address this?
Processes leading to individual and organizational deviance
Mainly Domestic Level

Competitive forces, consumerism, Egalitarian discourse

(Socially distant) comparative and normative reference groups

Ends-legal means discrepancy (power/economic asymmetries)

Perception of injustice; Relative deprivation; Strain

Anomie: neutralizations, deviant solution (over-emphasis on goals)

Anomie: deviant subculture (normative referents)

Deviance without strain

Figure 1. Social Processes Leading to Anomie and Deviance. The horizontal lines point to policy implications: this is where interventions can be attempted in order to block this process and prevent misbehavior (Passas, 2000).
Processes leading to individual and organizational deviance
Mainly Cross-Border Level

Neo-liberal policies ("passe-partout" measures and forced regulatory asymmetries)

Competitive forces and disadvantages (global north still subsidizes its industries)

Ends-legal means discrepancy (power/economic asymmetries), race to the bottom

Budget deficits, drop in welfare standards, social unrest, dependence on expatriates’ remittances

Anomie: rationalisations, deviant solutions (e.g., blind eye to illegal immigration or dirty money)

Anomie: deviant normative referents – institutionalization of extreme practices

Deviance without strain [adoption of similar practices by countries not yet in dire straits]
Overcoming compliance fatigue
Reinforcing the commitment to ethical growth
13th Global Fraud Survey
6% of respondents – including C-suite executives – are willing to justify misstating company financial performance.

46% of chief financial officer (CFO) respondents stated that one or more options from a list of questionable actions are justifiable – higher than the 42% across all respondents.

**Figure 1: Unethical behavior persists**

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offering entertainment to win/retain business</td>
<td>29%</td>
</tr>
<tr>
<td>Personal gifts to win/retain business</td>
<td>14%</td>
</tr>
<tr>
<td>Cash payments to win/retain business</td>
<td>13%</td>
</tr>
<tr>
<td>Misstating company's financial performance</td>
<td>6%</td>
</tr>
<tr>
<td>At least one of these</td>
<td>42%</td>
</tr>
</tbody>
</table>

Q: Which, if any, of the following do you feel can be justified if they help a business survive an economic downturn?

Base: All respondents (2,719)
The survey results show a correlation between executive roles and willingness to justify certain activity when under pressure to meet financial targets:

► CFOs are more likely than other executives to justify changes to assumptions relating to valuations and reserves in order to meet financial targets.

► General counsel are more likely than other executives to justify backdating contracts in order to meet financial targets.

► Sales and marketing executives are more likely than other executives to justify introducing flexible return policies in order to meet financial targets.
Q: Has your organization experienced a significant fraud in the last two years?

Base: All respondents (2,719)

GDP per capita figures are 2012 GDP per capita (current US$) from World Bank World Development Indicators, as updated on May 6, 2014.
Corporate misconduct – individual consequences

Global enforcement focuses the spotlight on executive integrity

14th Global Fraud Survey
42% could justify unethical behavior to meet financial targets

While not consistent with the people with whom we work - our survey found that an alarming number of CFOs and finance team members would be willing to engage in unethical behaviors:

16% of finance team members below the CFO would make a cash payment to win or retain business - higher than 13% of all respondents

7% of finance team members below the CFO would misstate financial performance - nearly double the proportion of all respondents which stood at 4%
EITI example

“the performance in governance and economic development metrics of EITI countries is almost never better during EITI candidacy and compliance than Pre-EITI, it can make one wonder if the EITI has impacted governance and development outcomes in resource-rich countries.”


Confirmed by interviewed compliance officers and EITI-member cgovernment officials
Effects

- Drilling holes in the water
- Wasting resources despite good intentions
- Unsustainable/reversible: disconnected efforts even when successful for a while
- Loss of momentum, credibility and legitimacy
LOOKING FORWARD

1. Make sure context respected, reflected, leveraged
2. Local and context change – local government initiatives in E. SE. Europe
3. Continuing process, clear and specific goals, monitoring and assessment for regular updates and adjustments
4. More knowledge and analysis about good news and results – this is what refuels and instills hope to counter demoralization ad brain drain
PROPOSED TYPE OF COLLECTIVE ACTION

- Continuous FORUM

- regular brainstorming and elaboration of legal, regulatory and procedural reforms
- build genuine consensus, buy-in, business sense (as in Wolfsberg)
- deep democratization,
- adequate answers to local priorities and concerns
- Culture of integrity and values-driven compliance
- sustainable efforts
Master in Anti-Corruption Compliance and Collective Action

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Module two. Business Ethics and Corporate Culture: The Importance of Values-based Compliance

Module three. Compliance Normative Framework: Practical Implications for the Private Sector

Module four. Compliance Strategy Design: Risk Mapping and Internal Organizational Structure

Module five. Compliance Programme Implementation and Evaluation

Module six. Investigations, Crisis Management, Individual and Corporate Liability

Module seven. Collective Action and the Value of Joining Forces
Thank you for your attention!
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