



HUMBOLDT-VIADRINA
School of Governance



Motivating Business to Counter Corruption

A Global Survey on
Anti-Corruption Incentives and Sanctions

About the HUMBOLDT-VIADRINA School of Governance

The HUMBOLDT-VIADRINA School of Governance in Berlin/Germany was founded in 2009 by the Humboldt-Universität zu Berlin and the European University Viadrina in Frankfurt (Oder) to bring together the public and private sectors, civil society, academia, and the media. Its aim is to find practical solutions for social challenges and to contribute to sustainable democratic politics by building political consensus through multi-stakeholder cooperation. The School has a special character: it seeks to be an academically respected institution, as well as an active civil society organization that encourages public debates and long-term policy projects.

www.humboldt-viadrina.org

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Every effort has been made to verify the accuracy of the information contained in this document. All information was believed to be correct as of February 2012. Nevertheless HUMBOLDT-VIADRINA School of Governance cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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Introduction to the Survey

Corruption is considered to be one of the most pressing concerns of our time, both because of its negative impact on sustainable economic growth and distortion of fair competition, but also due to its contributing effects on poverty and political instability.

The importance of businesses in the global fight against corruption is now widely accepted and established (e.g. in the corporate offense clauses of the UK Bribery Act 2010). As a consequence recent years have seen an increasing debate about useful mechanisms to motivate businesses to counter corruption and how different societal actors can use and target these motivations.

The HUMBOLDT-VIADRINA School of Governance is based on the vision that in order to solve global and local questions and problems in today's society, politics, business and civil society need to collaborate. The initiative '**Best Practice on Anti-Corruption Incentives and Sanctions for Business**'¹ analyzes and tests in real world situations existing and potential anti-corruption incentives and sanctions to achieve a sustainable impact on the behavior of business. The initiative seeks to provide anti-corruption practitioners and policy makers from the Public Sector, Business Sector and Civil Society with guidance on existing and potential mechanisms to encourage companies to engage against corruption.

As part of this initiative, a global expert survey was conducted between October 2011 and January 2012 to provide information regarding:

- The assessment of anti-corruption incentives and sanctions in motivating businesses to counter corruption
- The importance of different stakeholders in setting anti-corruption incentives and sanctions for businesses
- The impact of different commercial & operational, legal and reputational incentives and sanctions on businesses

223 international anti-corruption experts responded to the survey. Their views are reflected in this publication, including detailed results according to their stakeholder affiliation (Business Sector, Public Sector, Civil Society) and regional affiliation (Americas, Asia & the Pacific, Europe, Middle East & Africa).

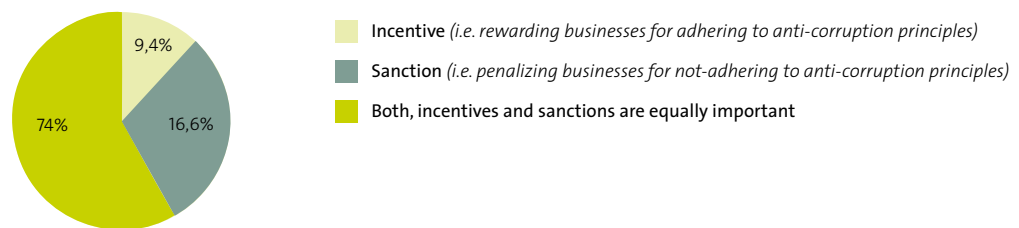
Key findings

- > **Restricting business opportunities and operations** is considered to be among the most effective mechanisms to motivate businesses to counter corruption.
- > **Imprisonment** of business representatives is considered to be one of the most effective mechanisms to penalize business representatives for not adhering to anti-corruption principles.
- > **Governmental Institutions** are considered the most important stakeholder in setting incentives and sanctions to businesses, followed by Media and Business (financial services).
- > 94% of respondents agreed that corruption is a significant factor when **assessing the risk** of a business relationship.
- > 92% of respondents agreed that **preferential treatment** should be applied to companies that demonstrate adherence to anti-corruption principles.
- > 88% of respondents said that business representatives with a history of corruption should be ineligible for **public contracts**.
- > 77% of respondents agreed that a public **corruption ranking of businesses** should be established, a view shared by a clear majority of respondents from the Business Sector (63%).
- > 77% of respondents agreed that an independent, **third-party assurance** of a business' anti-corruption program is needed to grant incentives.
- > 73% of respondents agreed that citizens should be enabled to claim compensations from businesses for **damages to their society** caused by corruption. Support was lower in North America (54%) and higher in Asia & the Pacific (86%) and the Middle East & Africa (85%).
- > 72% of respondents agreed that **Civil Society Organizations** do not focus on businesses enough when fighting corruption.
- > 61% of respondents agreed that irrespective of the occurrence of an act of corruption, the absence of an **adequate anti-corruption program** should constitute a legal offense.

The role of incentives and sanctions

74% of respondents considered incentives and sanctions to be equally important in motivating businesses to counter corruption

Which of the following is the most effective in motivating businesses to counter corruption?



Deviations from average² according to:

- Stakeholder affiliation:
 - Respondents from the Public Sector found incentives most effective more often (16%) than average.
- Regional affiliation:
 - Respondents from North America rated sanctions more important (33%) than average and incentives less important (4%).
 - Respondents from Latin America & the Caribbean (12%), Asia & the Pacific (12%) and the Middle East & Africa (7%) rated sanctions less important than average.
 - Respondents from the Middle East & Africa also named incentives less often (4%) than average. (Above average numbers from this region (89%) considered both incentives and sanctions to be of equal importance).

“Incentives and sanctions should be combined in order that businesses start to be accountable and use transparent procedures.”³

² Results from stakeholder groups or regions that are not specifically mentioned coincide with the average (What is considered average and other methodological questions are covered in the chapter “Methodology”).

³ All direct citations in this publication are gathered from open questions of the survey.

32% of respondents said reputational considerations are the most important factor in motivating business to counter corruption

What is the most important factor in motivating businesses to counter corruption?



Deviations from average according to:

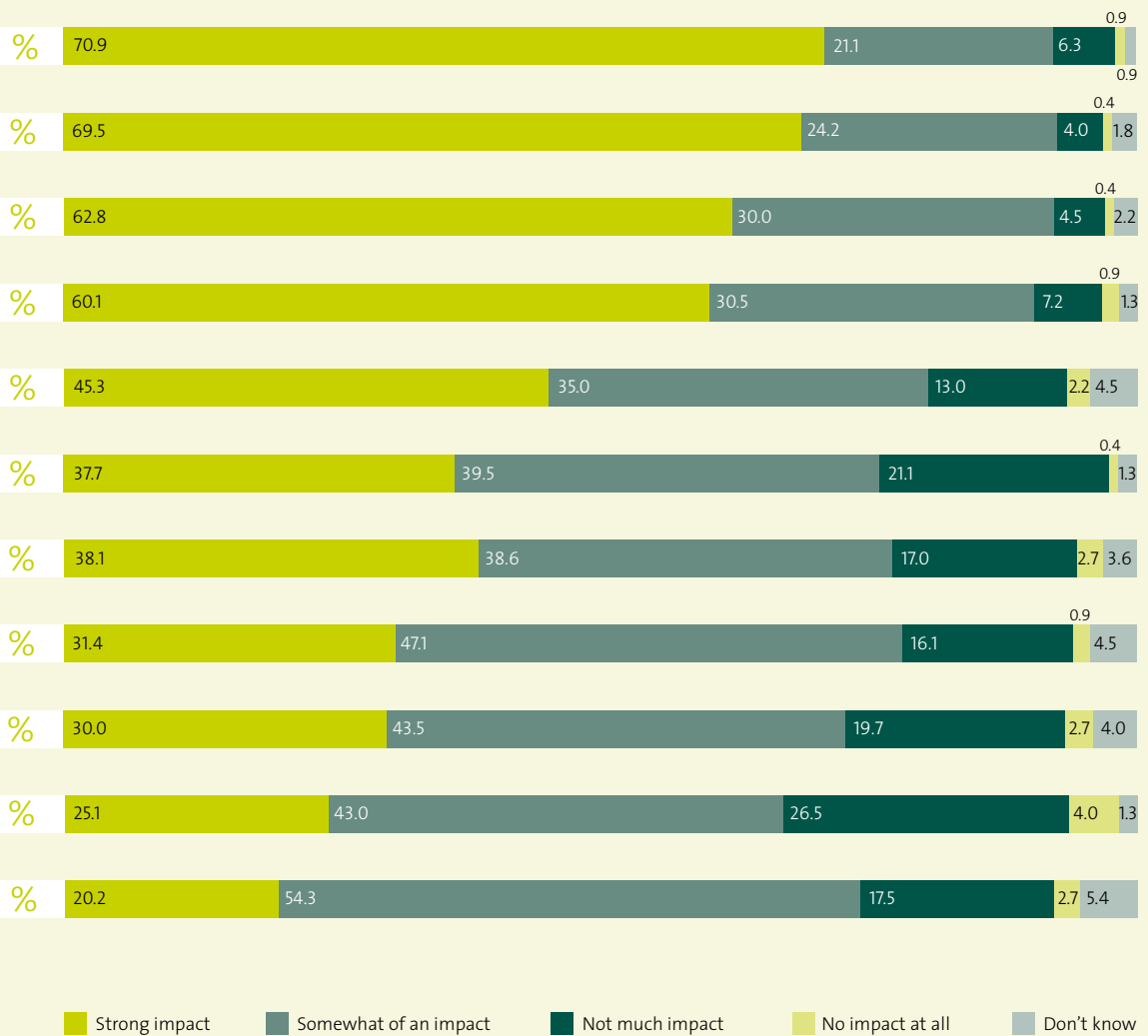
- Stakeholder affiliation:
 - The Business Sector ranked commercial & operational conditions lower (26%) than average.
 - Respondents from the Public Sector named legal regulations more often (47%) than average and reputational considerations less often (25%).
 - Respondents from Civil Society named commercial & operational conditions more often (37%) than average and legal regulations less often (32%).
- Regional affiliation:
 - Respondents from the Americas rated legal regulations higher (42%) than average and commercial conditions lower (26%). However, there were considerable deviations within the region. Respondents from North America rated legal regulations considerably higher than average (54%), respondents from Latin America & the Caribbean rated them lower (31%). Respondents from North America rated commercial & operational conditions (21%) as well as reputational considerations (25%) lower than average. Respondents from Latin America & the Caribbean however rated reputational considerations higher (38%) than average.
 - Respondents from the Middle East & Africa rated commercial & operational conditions more (41%) and reputational considerations less (22%) important than average.

Ranking of selected incentives and sanctions⁴

Incentive	Sanction
	1. █ IMPRISONMENT OF BUSINESS REPRESENTATIVES
1. █	RESTRICTION OF BUSINESS OPPORTUNITIES (e.g. debarment)
3. █	RESTRICTION OF OPERATIONS (e.g. revocation of business licenses)
4. █	NEGATIVE PUBLICITY (e.g. naming & shaming campaign)
5. █	CONFISCATION OF PROCEEDS OF CORRUPTION
6. █	ONE-TIME FINANCIAL LOSS (e.g. criminal fines, compensation)
7. █	OCCUPATIONAL BAN FOR BUSINESS REPRESENTATIVES
8. █	PREFERRED ACCESS TO BUSINESS OPPORTUNITIES (e.g. preferred supplier status)
9. █	FAVORABLE COMMERCIAL CONDITIONS (e.g. lower interest rates, tax breaks)
10. █	POSITIVE PUBLICITY (e.g. award)
11. █	UNFAVORABLE COMMERCIAL CONDITIONS (e.g. higher risk premium)

⁴ For methodology of ranking please refer to page 31

How do you rate the impact of the following incentives and sanctions in motivating businesses to counter corruption?



Motivating Business to Counter Corruption

The role of incentives and sanctions

Ranking of incentives and sanctions according to stakeholder affiliation:

Incentives/Sanctions	Ranking, average	Business Sector	Public Sector	Civil Society
Imprisonment of business representatives	1	2	5	1
Restriction of business opportunities	1	1	4	2
Restriction of operations	3	3	1	3
Negative publicity	4	4	3	4
Confiscation of proceeds of corruption	5	6	1	5
One-time financial loss	6	5	8	6
Occupational ban for business representatives	7	7	10	6
Preferred access to business opportunities	8	8	6	9
Favorable commercial conditions	9	10	7	8
Positive publicity	10	11	9	10
Unfavorable commercial conditions	11	9	11	11

Ranking of incentives and sanctions according to regional affiliation:

Incentives/Sanctions	Ranking, average	Americas	Asia & the Pacific	Europe	Middle East & Africa
Imprisonment of business representatives	1	1	2	1	2
Restriction of business opportunities	1	2	2	2	1
Restriction of operations	3	3	1	4	4
Negative publicity	4	4	5	3	3
Confiscation of proceeds of corruption	5	7	4	7	5
One-time financial loss	6	5	11	5	7
Occupational ban for business representatives	7	5	6	8	6
Preferred access to business opportunities	8	9	8	6	10
Favorable commercial conditions	9	8	9	9	9
Positive publicity	10	11	9	11	8
Unfavorable commercial conditions	11	10	7	10	11

69% of respondents agreed⁵ that peer pressure is the most important factor in motivating businesses to counter corruption

To what extent to you agree with the following statement?

Peer pressure is the most important factor to motivate businesses to counter corruption.



Deviations from average according to:

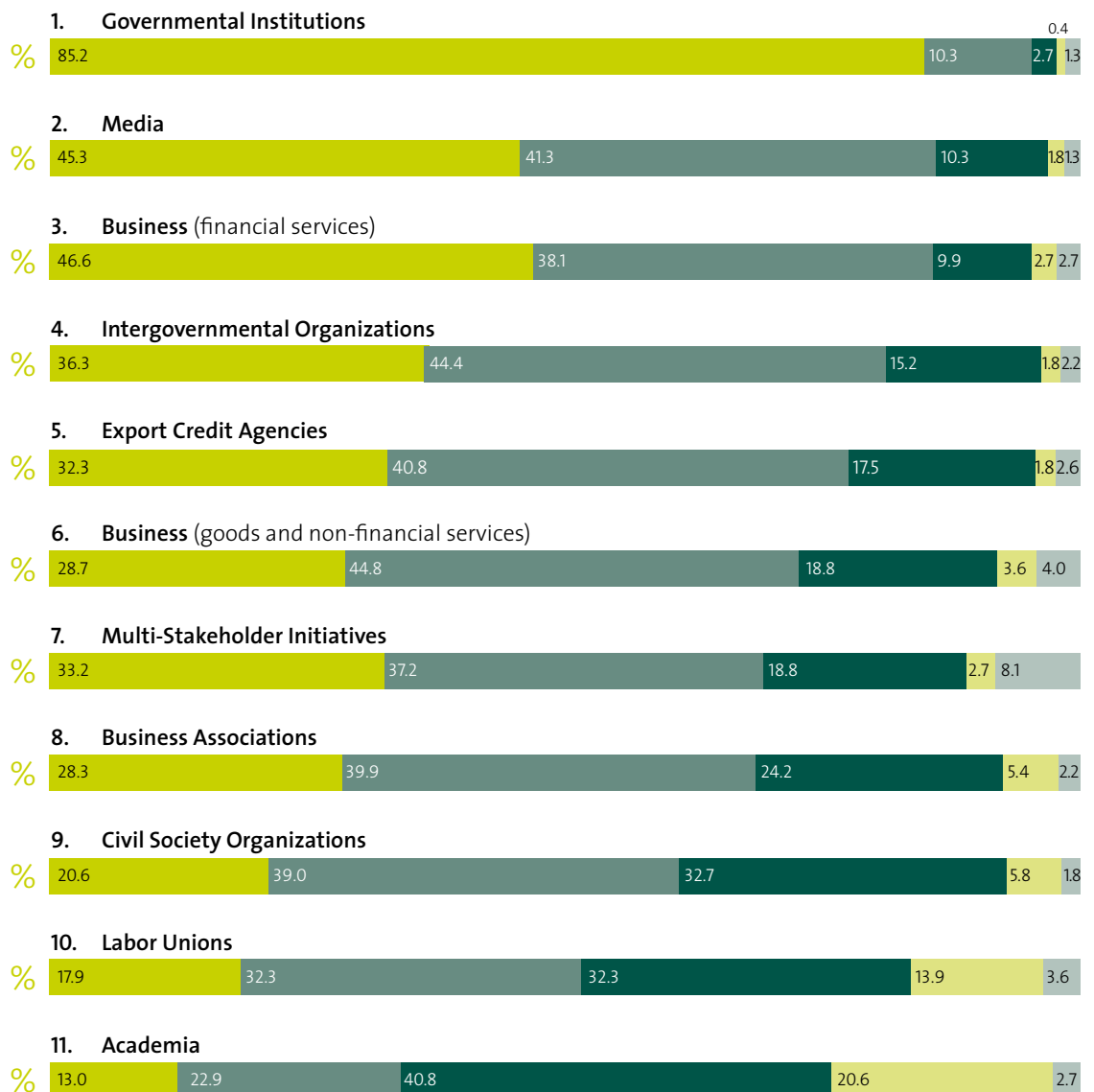
- Stakeholder affiliation:
 - Respondents from the Public Sector agreed with the statement more often (78%) than average.
- Regional affiliation:
 - Responses from the Americas coincided with the average. However, there were considerable deviations within the region. A majority of respondents from North America disagreed (54%), while a majority of respondents from Latin America & the Caribbean agreed (85%).
 - Respondents from the Middle East & Africa agreed with the statement more often (85%) than average.

Strongly agree Somewhat agree Somewhat disagree Strongly disagree Don't know

⁵ "Agreement" refers to the sum of respondents that either 'strongly agreed' or 'somewhat agreed' with a statement.

The role of stakeholders

How important do you consider the following stakeholders in setting incentives and sanctions for businesses?



■ Very important
 ■ Somewhat important
 ■ Not very important
 ■ Not at all important
 ■ Don't know

Ranking of stakeholders according to stakeholder affiliation:

Stakeholder	Ranking, average	Business Sector	Public Sector	Civil Society
Governmental Institutions	1	1	1	1
Media	2	4	2	2
Business (financial services)	3	2	5	3
Intergovernmental Organizations	4	3	4	4
Export Credit Agencies	5	7	7	5
Business (goods and non-financial services)	6	5	6	7
Multi-Stakeholder Initiatives	7	6	10	6
Business Associations	8	8	3	8
Civil Society Organizations	9	9	8	9
Labor Unions	10	10	9	10
Academia	11	11	11	11

Ranking of stakeholders according to regional affiliation:

Stakeholder	Ranking, average	Americas	Asia & the Pacific	Europe	Middle East & Africa
Governmental Institutions	1	1	1	1	1
Media	2	3	2	4	2
Business (financial services)	3	2	3	2	3
Intergovernmental Organizations	4	4	6	3	4
Export Credit Agencies	5	6	4	6	8
Business (goods and non-financial services)	6	5	5	7	8
Multi-Stakeholder Initiatives	7	7	9	5	6
Business Associations	8	8	7	8	5
Civil Society Organizations	9	9	7	9	7
Labor Unions	10	10	10	10	8
Academia	11	11	11	11	11

Commercial & operational incentives and sanctions

Commercial & operational considerations are core elements in a business' decision-making process, influencing day-to-day decisions as well as long-term strategic directions. Commercial refers to the creation of economic value, whereas operational refers to the execution of business operations, such as buying, selling, hiring and investing. These two elements are usually highly-interrelated, as an operational decision (e.g. investing in a product) also impacts the commercial 'bottom-line' of a business.

Commercial & operational sanctions for businesses can comprise the termination of relationships (e.g. cancellation of supply contract), exclusion from business opportunities (e.g. debarment from public contracting) or the assignment of unfavorable conditions (e.g. higher financing costs due to an increased risk premium). On the other hand, commercial & operational incentives for businesses that adhere to anti-corruption principles include access to business opportunities (e.g. preferred supplier status) and assignment of favorable conditions (e.g. tax breaks).

Primarily stakeholders from the Public Sector as well as the Business Sector – acting among others as customers, suppliers, investors, creditors – can apply commercial & operational incentives and sanctions to businesses.

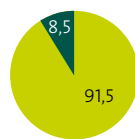
The World Bank Group Debars Macmillan Limited for Corruption in World Bank-supported Education Project in Southern Sudan

The World Bank Group has debarred Macmillan Limited, a U.K. company, declaring the company ineligible to be awarded Bank-financed contracts for a period of six years. This occurred in the wake of the company's admission of bribery payments relating to a Trust Fund-supported education project in Southern Sudan. The debarment can be reduced to three years subject to continued cooperation.

Taken from: The World Bank Group, Press Release No: 2010/370/INT

“An important factor to motivate businesses to counter corruption is to set incentives for compliant organizations, raising their chances to make Value Added Businesses (profitability of clean business)”

92% of respondents agreed that preferential treatment should be applied to companies that demonstrate adherence to anti-corruption principles



■ Yes
■ No

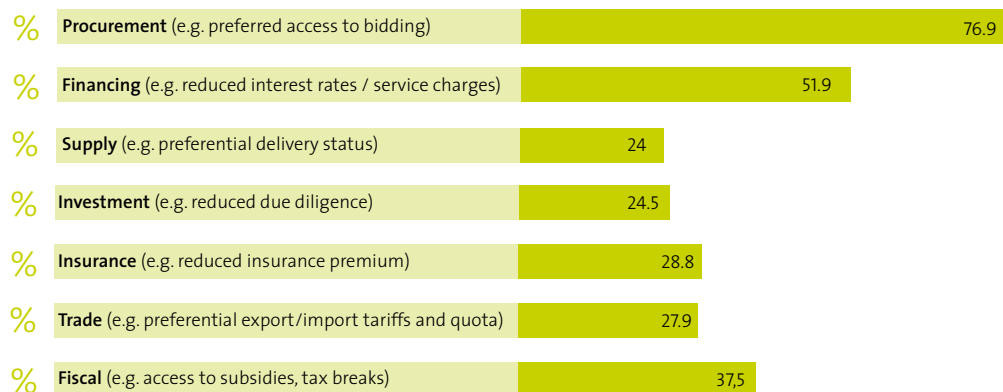
Should customers, suppliers, investors etc. apply preferential treatment to companies that demonstrate adherence to anti-corruption principles (e.g. grant preferred supplier status)?

Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Public Sector agreed (81%) than average.
- Regional affiliation:
 - Fewer respondents from Asia & the Pacific agreed (84%) than average.

Procurement, Financing and Fiscal are most important for preferential treatment

If yes, please specify where favorable conditions could best be applied



Deviations from average according to:

- Regional affiliation:
 - *Trade* ranked higher than average in Asia & the Pacific (tied in 3rd place with *Fiscal*).
 - *Insurance* ranked higher than average in the Americas (coming in 3rd, after *Procurement* and *Financing*).
 - In Europe *Investment* ranked higher than average (coming in 3rd, tied with *Fiscal*).

94% of respondents agreed that corruption is a significant factor when assessing the risk of a business relationship

To what extent do you agree with the following statement?
 Corruption is a significant factor when assessing the risk of a business relationship.



77% of respondents agreed that an independent, third-party assurance of a business' anti-corruption program is needed to grant incentives

To what extent do you agree with the following statement?
 An independent, third-party assurance of a business' anti-corruption program is needed to grant incentives.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Public Sector agreed (56%) than average.
 - More respondents from Civil Society agreed (86%) than average.
- Regional affiliation:
 - More respondents from Asia & the Pacific agreed (84%) than average.

Strongly agree
 Somewhat agree
 Somewhat disagree
 Strongly disagree
 Don't know

88% of respondents agreed that business representatives with a history of corruption should be ineligible for public contracts

To what extent do you agree with the following statement?

Business representatives with a history of corruption should be ineligible for public contracts (e.g. employment in governmental institutions or intergovernmental organizations).



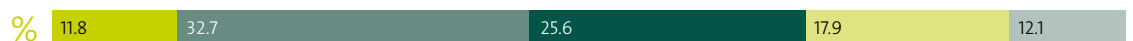
Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (81%) than average.
 - More respondents from the Public Sector (97%) agreed than average.
- Regional affiliation:
 - Fewer respondents from the Americas agreed (82%) than average.
 - More respondents from Asia & the Pacific (95%) and the Middle East & Africa (96%) agreed than average.

Disagreement with regards to the administrative effort of due diligence programs

To what extent do you agree with the following statement?

The administrative effort of due diligence is too high to grant favorable conditions to businesses.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Public Sector agreed (34%) than average, while 41% disagreed.
- Regional affiliation:
 - 44% of respondents from the Americas agreed and 48% disagreed. However, there were considerable deviations within the region. A majority of respondents from North America (58%) disagreed, while a majority of respondents from Latin America & the Caribbean (58%) agreed.
 - A majority of respondents from Asia & the Pacific (56%) and the Middle East & Africa (56%) agreed.
 - A majority of respondents from Europe (51%) disagreed.

Legal incentives and sanctions

Legal incentives and sanctions represent a range of monetary and non-monetary measures that are implemented usually by means of law-based and/or administrative regulations.

Legal sanctions are typically fines, compensatory damages, confiscation of proceeds of corruption and imprisonment of business representatives. Legal incentives can be implemented through leniency programs which offer business a reduction of a sanction due to adherence to anti-corruption principles. Actions which can lead to reduced sanctions include: self-reporting, cooperation with law enforcement, or implementation of a sound internal compliance program.

Stakeholders can use prevailing laws and regulations to apply legal incentives and sanctions. As Governments are usually the highest jurisdictional authority, they are an important stakeholder in applying legal incentives and sanctions to businesses. But also other stakeholders, such as business partners, can use legal incentives and sanctions. For instance, a customer can impose a fine as a contractual penalty on a supplier due to an infringement of an anti-corruption contract clause. Likewise, the same customer can claim compensatory damages.

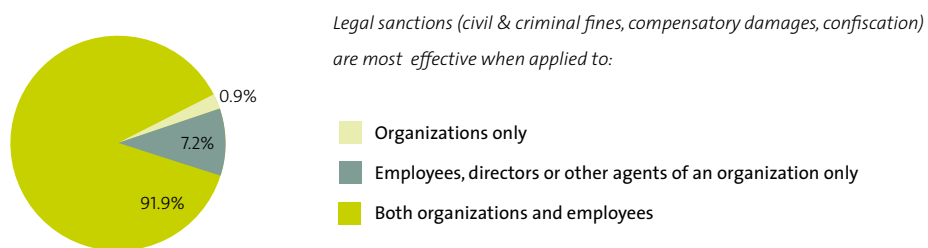
KBR pays criminal fine to U.S. authorities

Kellogg Brown & Root LLC (KBR), a global engineering, construction and services company from the U.S., pleaded guilty to charges related to the Foreign Corrupt Practices Act (FCPA) for its participation in a decade-long scheme to bribe Nigerian government officials to obtain engineering, procurement and construction contracts between 1995 and 2004. The contracts to build liquefied natural gas facilities on Bonny Island, Nigeria, were valued at more than USD 6 billion. KBR pleaded guilty to conspiring with its joint-venture partners and others to violate the FCPA by authorizing, promising and paying bribes to a range of Nigerian government officials to obtain the contracts. They also pleaded guilty to violating the FCPA, related to the joint venture's payment of tens of millions of dollars in 'consulting fees' to two agents for use in bribing Nigerian government officials. The company agreed to pay a USD 402 million criminal fine.

Taken from: U.S. Department of Justice, Press Release 09-112

“Legal sanctions are most effective – however, key is the actual implementation / enforcement of the legal mechanism. In too many countries, good legal instruments exist, but they are poorly enforced.”

92% of respondents agreed that legal sanctions are most effective when targeted at a business as an entity as well as at its representatives



73% of respondents agreed that companies should be liable for incorporated, transformed or merged entities

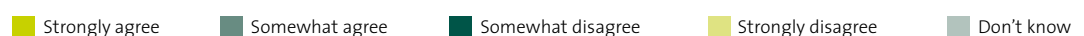
To what extent do you agree with the following statement?

Companies should be liable for incorporated, transformed or merged entities (successor liability).



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (63%) than average.
 - More respondents from Civil Society agreed (81%) than average.
- Regional affiliation:
 - More respondents from the Americas (82%) and Asia & the Pacific (81%) agreed than average.
 - Fewer respondents from Europe agreed (65%) than average.



87% of respondents agreed that companies should be liable for corrupt acts of employees and agents

To what extent do you agree with the following statement?

Companies should be liable for corrupt acts of employees and agents (employer liability).



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (78%) than average.
 - More respondents from Civil Society agreed (94%) than average.
- Regional affiliation:
 - Fewer respondents from the Americas agreed (80%) than average (which is due to a lower agreement in Latin America & the Caribbean (73%); agreement in North America coincides with the average).
 - More respondents from Asia & the Pacific agreed (93%) than average.

69% of respondents agreed that parent companies should be liable only for controlled entities

To what extent do you agree with the following statement?

Parent companies should be liable only for controlled entities.



Deviations from average according to:

- Regional affiliation:
 - Fewer respondents from Latin America & the Caribbean agreed (54%) than average.
 - More respondents from Europe agreed (75%) than average.

82% of respondents agreed that parent companies should be liable for all subsidiaries and affiliated entities

To what extent do you agree with the following statement?

Parent companies should be liable for all subsidiaries and affiliated entities.



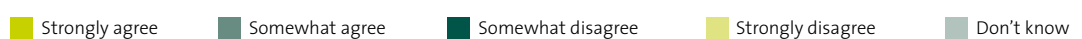
Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (71%) than average.
 - More respondents from the Public Sector (94%) and Civil Society (87%) agreed than average.
- Regional affiliation:
 - More respondents from Asia & the Pacific agreed (93%) than average.
 - Fewer respondents from the Middle East & Africa agreed (74%) than average.

83% of respondents agreed that parent companies should be liable for joint ventures

To what extent do you agree with the following statement?

Parent companies should be liable for joint ventures.



88% of respondents agreed that a criminal conviction should lead to mandatory temporary disqualification from public funds

To what extent do you agree with the following statement?

Following a criminal conviction, the temporary denial of access to public funds for businesses should be mandatory (e.g. public tenders, subsidies).



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (80%) than average.
 - More respondents from Civil Society agreed (94%) than average.
- Regional affiliation:
 - More respondents from Asia & the Pacific agreed (95%) than average.

82% of respondents agreed that settlements with governmental bodies should include the temporary disqualification from public funds

To what extent do you agree with the following statement?

Settlements with governmental bodies should include the temporary disqualification from public funds (e.g. public tenders, subsidies).



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (67%) than average.
 - More respondents from the Public Sector (91%) and Civil Society (93%) agreed than average.
- Regional affiliation:
 - Fewer respondents from the Americas (74%) and Europe (77%) agreed than average.
 - More respondents from Asia & the Pacific (98%) and the Middle East & Africa (93%) agreed than average.

73% of respondents agreed that citizens should be enabled to claim compensation from businesses for damages to their society caused by corruption

To what extent do you agree with the following statement?

Citizens should be enabled to claim compensation from businesses for damages to their society caused by corruption.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (58%) than average.
 - More respondents from the Public Sector (88%) and Civil Society (81%) agreed than average.
- Regional affiliation:
 - Fewer respondents from North America (54%) and Europe (67%) agreed than average.
 - More respondents from Asia & the Pacific (86%) and the Middle East & Africa (85%) agreed than average.

61% of respondents agreed that the absence of an adequate anti-corruption program should constitute a legal offense

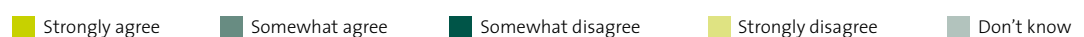
To what extent do you agree with the following statement?

Irrespective of the occurrence of an act of corruption, the absence of an adequate anti-corruption program should constitute a legal offense.



Deviations from average according to:

- Regional affiliation:
 - Fewer respondents from the Americas (50%) agreed than average.
 - More respondents from Asia & the Pacific (77%) agreed than average.



70% of respondents agreed that the increased use of approaches for streamlining prosecutions encourages self-reporting

To what extent do you agree with the following statement?

The increased use of approaches for streamlining prosecutions (such as settlements, non-prosecution and deferred prosecution agreements) encourages self-reporting.



Deviations from average according to:

- Stakeholder affiliation:
 - More respondents from the Business Sector agreed (77%) than average.
 - Fewer respondents from Civil Society agreed (65%) than average.
- Regional affiliation:
 - Fewer respondents from the Middle East & Africa agreed (56%) than average.

58% of respondents agreed that mitigation factors should be used less frequently as they reduce the initial deterrent effect of a sanction

To what extent do you agree with the following statement?

Mitigation factors (reducing sanctions due to compliant behavior) should be used less frequently as they reduce the initial deterrent effect of a sanction.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (49%) than average.
 - More respondents from Civil Society (64%) and the Public Sector (66%) agreed than average.
- Regional affiliation:
 - Fewer respondents from North America (29%) and Europe (52%) agreed than average.
 - More respondents from Latin America & the Caribbean (69%), Asia & the Pacific (77%) and Middle East & Africa (67%) agreed than average.

Reputational incentives and sanctions

In an increasingly globalized economy, businesses compete for markets and resources in a complex socioeconomic setting. At the same time, standards regarding the environment, labor, human rights and anti-corruption have become more important, manifesting themselves in laws, regulations and voluntary initiatives. Under these conditions not only the end-product a business is trying to sell becomes relevant, but also the circumstances under which it was produced and the reputation the business itself obtained along the way. Reputation, in this context, refers to the standing a business enjoys among the public or a specific target group. Depending on ethical behavior, appropriate economic operation or other factors that are valued by the relevant parties, a business can obtain a positive or negative reputation.

Reputational incentives and sanctions refer to either the case-specific publication of a corruption-related event (e.g. in the form of a campaign or article) or the analysis of comparative business performance (e.g. an anti-corruption ranking).

As reputational measures do not require a contractual or jurisdictional relationship with the targeted business, they can be set by all stakeholders. Most often they are set by Civil Society but may likewise be set by the Public or Business Sector, especially in those cases, where the publication of a previously applied legal or commercial incentive or sanction is used as a further reward or punishment. They can further trigger follow-up incentives or sanctions, e.g. the opportunity to attract employees, the termination of partnerships or customer boycotts.

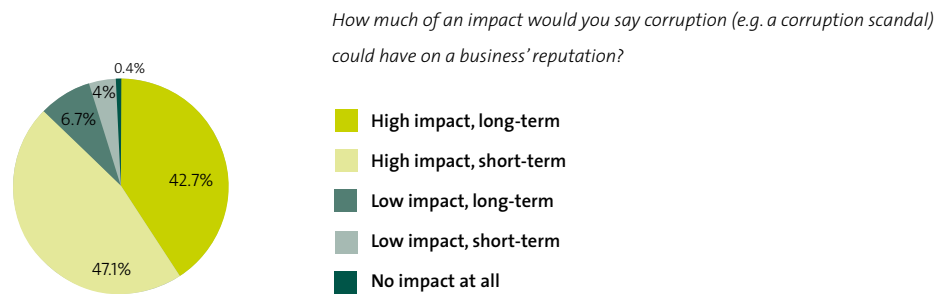
Revenue Watch Institute and Transparency International rank best and worst performing Oil and Gas Companies

In 2011 the Revenue Watch Institute and Transparency International published the report “Promoting Revenue Transparency – 2011 Report on oil and gas companies” as part of the Promoting Revenue Transparency (PRT) project. In the report 44 global oil and gas companies were evaluated with regard to their reporting on anti-corruption programs, organizational disclosure and country-level disclosure / international operations. In the category “Reporting on Anti-Corruption Programmes”, the best performing companies were BG, BHP, BP and Statoil, whereas the worst performing were Gazprom, GEPetrol, NIOC, NNPC, SNPC, Sonangol, Sonatrach and SOCAR. The report mentions that some of the lower ranking companies provided information on internal anti-corruption measures on request, but criticizes that none of this information was publically available.

Not only is the report designed to raise awareness of the issue, but also to be used as “the basis for recommendations aimed at companies [...] legislators, regulators and investors” and “as a tool for advocacy by international and local civil society organisations”.

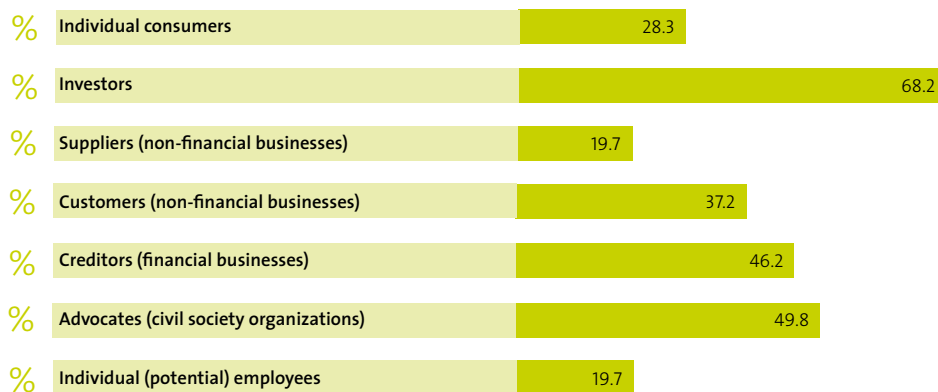
Source: Revenue Watch Institute / Transparency International (2011), Promoting Revenue Transparency – 2011 Report on oil and gas companies

89% of respondents said that corruption has a high impact on a business' reputation



Investors are believed to react most sensitively to a business' reputation with regards to corruption

Which stakeholders react most sensitively to a business' reputation with regards to corruption?



Deviations from average according to:

- Stakeholder affiliation:
 - Among respondents from the Business Sector *Customers (non-financial business)* ranked higher than average (coming in 2nd) while *Advocates* ranked lower (coming in 4th).
- Regional affiliation:
 - Among respondents from the Americas *Customers (non-financial businesses)* ranked higher than average (coming in 2nd).

72% of respondents agreed that Civil Society Organizations do not focus on businesses enough when fighting corruption

To what extent do you agree with the following statement?

When fighting against corruption, Civil Society Organizations do not focus on businesses enough.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (66%) than average.
 - More respondents from Civil Society agreed (77%) than average.
- Regional affiliation:
 - Fewer respondents from North America agreed (50%) than average.
 - More respondents from Latin America & the Caribbean (85%) and Asia & the Pacific agreed (79%) than average.

73% of respondents agreed that public campaigns and press articles should target business representatives rather than businesses

To what extent do you agree with the following statement?

Public campaigns and press articles against corruption should target high-ranking business representatives (directors and top management) rather than businesses as a whole.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (64%) than average.
 - More respondents from Civil Society agreed (80%) than average.
- Regional affiliation:
 - Fewer respondents from North America agreed (50%) than average.
 - More respondents from Latin America & the Caribbean (81%) and the Middle East & Africa agreed (89%) than average.

90% of respondents agreed that the publication of previously applied sanctions significantly increases their deterrent effect

To what extent do you agree with the following statement?

Making previously applied legal or commercial sanctions public will significantly increase their deterrent effect.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Public Sector agreed (78%) than average.

64% of respondents believe that consumer behavior is too unpredictable and short-term to have a lasting impact on business behavior

To what extent do you agree with the following statement?

Consumer behavior is too unpredictable and short-term to have a lasting impact on business behavior.



Deviations from average according to:

- Regional affiliation:
 - Fewer respondents from North America (54%) and Europe (58%) agreed than average.
 - More respondents from Latin America & the Caribbean (82%) and the Middle East & Africa (78%) agreed than average.

86% of respondents agree that new information technology will increase the impact of reputational incentives and sanctions

To what extent do you agree with the following statement?

The increased use of new information technology (e.g. mobile technology, social media) will increase the impact of reputational incentives & sanctions.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (80%) than average.
 - More respondents from the Public Sector agreed (94%) than average.
- Regional affiliation:
 - Fewer respondents from Europe (81%) agreed than average.
 - More respondents from Asia & the Pacific (91%) and the Middle East & Africa (96%) agreed than average.

77% of respondents agreed that a public corruption ranking of businesses should be established

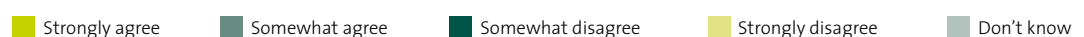
To what extent do you agree with the following statement?

A public corruption ranking of businesses should be established.



Deviations from average according to:

- Stakeholder affiliation:
 - Fewer respondents from the Business Sector agreed (63%) than average.
 - More respondents from the Public Sector (88%) and Civil Society (85%) agreed than average.
- Regional affiliation:
 - Fewer respondents from North America (58%) and Europe (69%) agreed than average.
 - More respondents from Latin America & the Caribbean (92%), Asia & the Pacific (86%) and the Middle East & Africa (93%) agreed than average.



“The threat of imprisonment has been one of the most powerful messages that has influenced UK businesses response to the Bribery Act”

“Bad press is the worst sanction”

“Anti-corruption compliance standard[s] can be used as a very important determining factor for bonuses of top management”

“Anti-corruption doesn’t seem to have appeared on investors’ or consumers’ radars. Until it does, C[orporate] R[esponsibility] requirements will be largely used for internal/compliance purposes. It will take prosecutions and debarment for both business and investors to pay attention.”

“The cost of corruption must be very high to serve as a deterrent to corruption. This would require a combination of sanctions, including prosecution and imprisonment and incentives, including public ranking of best performers”

Methodology

The anonymized, web-based survey was sent to approximately 1000 anti-corruption experts from Public Sector, Business Sector and Civil Society. Respondents were asked to participate in the survey in their professional role.

The survey was available in English only and was further distributed within the networks of the following organizations, to whom we are very grateful for their support:

- Anti-Corruption Research Network
- Caux Round Table
- The Convention on Business Integrity
- UNCAC Coalition
- United Nations Global Compact 10th Principle Working Group

The detailed distribution of respondents was as follows:

Stakeholder group of respondents:

To obtain sufficient data for break-downs of results, respondents were grouped according to stakeholder group:

		Counts	Percent %
Business Sector	Business (financial services)	90	40.36
	Business (goods and non-financial services)		
	Business Associations		
	Export Credit Agencies		
Public Sector	Governmental Institutions	32	14.35
	Intergovernmental Organizations		
Civil Society	Civil Society Organizations	101	45.29
	Media		
	Labor Unions		
	Academia		

Location of respondents:

To obtain sufficient data for break-downs of results, respondents were grouped according to regions:

		Counts	Percent %
Americas	North America	50	22.42
	Latin America & the Caribbean		
Asia & the Pacific	Central and Eastern Asia	43	19.28
	South- and Southeast Asia		
	Australia & Pacific		
Europe	European Union and Western Europe	103	46.19
	Eastern Europe (non-EU) and Southeastern Europe		
Middle East & Africa	Middle East & Northern Africa	27	12.11
	Sub-Saharan Africa		

Only where considerable discrepancies occurred within regions and sufficient data was available, are results displayed according to sub-region.

Rankings:

To conduct the rankings of selected incentives and sanctions and of stakeholders 3 points were assigned to each mention of 'very important'/'strong impact', 2 points were assigned to each mention of 'somewhat important'/'somewhat of an impact', 1 point was assigned to each mention of 'not very important'/'not much impact' and 0 points were assigned to 'not at all important'/'no impact at all' and 'Don't know'.

Level of significance:

In the context of this evaluation 'average' refers to all values that differed less than 5% (or two rankings) from the average score. Deviations of less than 5% or less than 2 ranks were considered not significant. To determine deviations scores were adjusted upward (when .5% or above) and downward (when below .5%).

Motivating Business to Counter Corruption

For questions about the survey or to receive break-downs of all results, please contact anti-corruption@humboldt-viadrina.org

For more information about HUMBOLDT-VIADRINA School of Governance's Anti-Corruption initiatives, please visit:
www.humboldt-viadrina.org/anti-corruption



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