Public perception of Anti-Bribery and Corruption Compliance efforts
Deloitte Forensic (India) survey
“Corruption is troubling us. People are angry. I assure that we will fight corruption and work with all those against graft. Corruption has ruined the country.

I promise that we will fight against corruption with full might”

– Prime Minister Narendra Modi
Addressing a rally at the Leh polo ground, 12 August 2014
Corruption needs no introduction in India, where it is perceived to be deeply entrenched in the lives of the general public as well as the corporate world, as is visible from the varied cases of corruption that appear almost every day in the media. This perception is also corroborated through several studies that have been carried out by Transparency International\(^1\) where India has been ranked low (in the levels of corruption) in contrast to other countries globally.

Unfortunately, for some organizations, entering the murky world of paying bribes has become a necessary cultural evil and the price of doing business where corrupt behavior is considered the ‘norm’. The landscape, however, is changing. Globally, several incidents of corruption have shaken the collective conscience of organizations in the last decade, prompting organizations to proactively manage this risk. Back home, combating corruption is high on the new government’s agenda including the approval of key anti-corruption and pro-governance bills that hope to set the foundation for an ethical environment.

Regulators across the world are penalizing organizations for non-compliance with anti-bribery regulations such as the US Foreign Corrupt Practices Act (FCPA) and UK Bribery Act (UKBA). In India as well, we have recently witnessed strict enforcement of the Prevention of Corruption Act (PCA) with several corporates facing prosecution under the PCA. With further proposed changes in the PCA, the anti-corruption law hopes to catch up to current international regulations.

Ignorance and inactivity therefore, cannot be a defense for corporates as regulators are coming down heavily on non-compliant organizations. Consequently, awareness of the risks of corruption, and how to control them, has become more important than ever before. However, despite the regulatory push on anti-corruption measures in India and globally, it is surprising to note that several organizations continue to struggle with instances of corruption despite the presence of what they believe to be a ‘robust compliance program’. The key question thus remains - what better can an organization do? The answer lies in perhaps the need for organizations (to manage the risk of bribery and corruption) to expand their horizons than just being restricted to a traditional approach driven solely by regulatory requirements.

Keeping these sentiments in mind, Deloitte India has conducted a survey (“Deloitte Forensic (India) survey”) to understand the public perception of anti-bribery and corruption compliance efforts and to explore the other side of the issue i.e. whether an approach led by employee activism on the issue of bribery and corruption compliance can provide some ‘food for thought’ to organizations. Deloitte Forensic (India) survey attempts to understand what employees, in their individual capacity, feel about their organization’s anti-bribery and corruption compliance efforts as well as seeks their views on how they can support their organization’s efforts towards managing this risk.

\(^1\) Source: Transparency International’s Corruption Perception Index measures the perceived levels of public sector corruption in countries worldwide, scoring them from 0 (highly corrupt) to 100 (very clean), covering 177 countries in 2013 and 176 countries in 2012
Changing sentiments towards bribery and corruption

Expectations from organizations are rising and stakeholders are demanding a commitment towards ethical business dealings across the spectrum. Several Indian organizations in the last few years have slowly started amending their position and credo to incorporate provisions to mitigate the risks of anti-bribery and corruption.

Additionally, the large number of corporate scams reported in the media appears to have impacted the conscience of employees. This is reflected in the results of our survey with 88 percent of the respondents having said that they would not feel comfortable working for a company perceived to be indulging in corrupt practices. Further, close to 80 percent said they would refuse to pay a bribe in the official capacity, as it would be against their personal ethics or would violate their company’s policies.

These statistics reveal a changing sentiment towards the issue of bribery and corruption among private sector employees. Several research reports in the past have painted India (and Indians) as corrupt. A survey by Janaagraha Centre for Citizenship and Democracy in 2013 revealed that one out of every two Indians paid a bribe when dealing with a public office whereas globally the statistic was one out of every four. In 2014, Forbes published a list of the world’s most ethical companies with the scoring methodology placing the greatest emphasis on a company’s compliance program and the culture of ethics within the organization. Out of a total of 144 companies mentioned on the list, only two out of those were Indian companies.

While these statistics may not be laudable, they do indicate a change for a better future for Indian organizations.
State of compliance

Historically, it is believed that corruption is the cost of doing business and usually impossible to eradicate, particularly so in India. The attitude towards accepting corruption as a standard practice, however, appears to be changing since a majority of the survey respondents (71 percent) felt that organizations in India can eradicate bribery and corruption from their business, believing that this can be done when employees personally imbibe a policy of anti-bribery and corruption and consider it their responsibility; as well as if the senior management lead, by following ethical practices.

Fig 3. Based on your experience, do you feel that organizations in India can eradicate bribery/corruption from their business?

- 36% Yes, provided that employees imbibe the concept and consider it their responsibility
- 35% Yes, provided that the senior management follow the ethical principles propagated by them, both in letter and in spirit
- 11% No, corruption is the cost of doing business and an acceptable business practice
- 07% No, working against the ‘system’ can isolate the organization from the business environment
- 11% Not sure

Majority of the respondents felt that their current organization follows a transparent and ethical system of functioning. However, a third of the respondents either disagreed or weren’t sure, which is not a number that can be easily ignored. Therefore, in order for organizations to successfully implement an environment that propagates ethics and integrity at the work place, they need to necessarily focus on the perception amongst employees as well.

Fig 4. Do you feel your current organization has a transparent and ethical system of functioning?

- 67% Yes
- 12% No
- 21% Not sure

In our experience, anti-bribery and corruption compliance programs tend to generally be the responsibility of a handful of people at the senior management level, with minimal involvement from the mid-level or junior employees. This can, at times, cause a hindrance, forcing employees to distance themselves from imbibing compliance in totality.
Facing the roadblocks

Even as it is heartening to see that employees are changing their perception about bribery and corruption, it appears that they are unaware of their employers’ policies on this issue. About 55 percent of the respondents said that they were unaware or unsure of an organizational policy pertaining to anti-bribery and corruption at their workplace. Further, 61 percent said they received no information/guidance on bribery and corruption-related issues.

With respect to an organization’s stance on bribery and corruption, only 35 percent said they received emails from the senior management explaining the company’s position while 46 percent stated that they do not read or understand these emails. These responses indicate that perhaps organizations are not spending as much time as they should on communicating the company’s stand on bribery and corruption.

If employees get the impression that the issue of bribery and corruption does not take precedence on the senior management’s agenda, and/or corruption or corrupt behavior is acceptable for certain favorable business circumstances, it can negate any effort taken by the company to move towards a zero tolerance policy. This was also reflected in the responses when 57 percent of the respondents revealed that they do not believe that their senior management is doing enough to address risks arising from bribery and corruption; making this issue extremely real and vital to address. Clear communication from the top and middle management to stress the importance of complying with anti-bribery laws is essential. It is also vital that the senior management visibly supports and endorses anti-bribery measures not only in theory, but in action as well.

Fig 5. Are you aware if your organization has a policy pertaining to anti-bribery and corruption?

- 45% > Yes, they have a comprehensive and well documented policy
- 21% > Yes, they have a policy, but I am not sure what it is
- 14% > Unsure, they have several policies. This may be one of those.
- 15% > No, I am unaware of any such policy
- 05% > No such policy exists in the organization

Fig 6. Has your organization ever discussed any cases/issues pertaining to bribery and corruption (within or outside the company) with employees?

- No, we don’t receive any information – internal or external 61%
- Yes, we receive information on internal cases and how they were resolved 21%
- Yes, we get newsletters with media articles on B&C in the external world 18%

Fig 7. Do you receive emails from your senior management explaining the organization’s position on B&C and expected action(s) from employees? If yes, do you read and understand such emails?

- 54% - YES
- 46% - NO
Culture is key
An ethical culture can help support and at times, mitigate the risk of a regulatory breach.

Ethics cannot be considered as merely a factor for organizations to incorporate as a ‘tick in the box’ approach in order to comply with regulations; rather, today an ethical culture followed in both letter and spirit, is used by many organizations to position themselves and ultimately reap the benefits of their moral conduct by an enhanced shareholder value.

It is vital that employees are regularly reminded of both their moral and legal duty to behave in an ethical manner and report any suspected behavior. The senior management needs to lead by example to set the culture of the organization in order for it to percolate to the employees. They need to create a culture that emphasizes a ‘clean’ way of conducting business. This can eventually also have a positive domino effect on the ease of doing business in India, which hitherto has been ranked quite poorly (by an index created) by the World Bank. For all organizations, culture is a critical preventive measure. However, at times the culture of an organization can get diluted based on its geographical expanse/span of control. Some geographically dispersed parts of operations can become disconnected from where the tone is set, and this can be a very real challenge for organizations.

Managing the risk of bribery and corruption needs to take into account various legislative exposures, particularly those in the US (Foreign Corrupt Practices Act, 1977) and UK (Bribery Act, 2010), since they are currently the most unforgiving.

It is perhaps unrealistic (and unreasonable) to expect employees to have an intimate knowledge of all legislation that apply to their organization. However, it is the organization’s responsibility as a fundamental governance imperative to provide adequate guidance and training so that employees understand that the legislation exists, the obligations under that legislation, and what the organization is doing to manage it.

It is important to note that authorities may grant significant credit to, or even decide not to prosecute companies with comprehensive and dynamic compliance programs that proactively seek to deter, detect, and investigate potential violations, and take meaningful action in response to discovered issues.

2 Source: The ease of doing business index is an index created by the World Bank Group. Economies are ranked on their ease of doing business, from 1–189. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. India’s current 2015 rank is 142, 2014 rank was 140.
While organizations face several challenges in combating the risk of bribery and corruption, such as lack of resources, cultural diversities, business and geographical environment etc., an employee’s sentiments somewhat vary. The business mindset towards bribery, unrealistic targets, lack of senior management commitment, limited communication are some of the key challenges that have been reflected through our survey.

**Fig 8. In your opinion, what is the biggest challenge for your organization in adopting an anti-bribery and corruption compliance programme?**

- **63%** Business mindset that without bribery work cannot be done
- **55%** My organization may adopt this policy, but our business partners, and vendors may not, resulting in low levels of overall compliance
- **52%** Limited communication to employees on why such a policy is necessary
- **51%** Employees may not adopt this practice due to their own personal beliefs and habits
- **47%** Unrealistic and aggressive performance targets set by the senior leadership that can create a threat for the job (in case of non-performance
- **45%** No proper team to drive such an initiative
- **42%** Inadequate senior management involvement in propagating such a policy, thereby reducing the seriousness of intent
- **41%** Unwillingness to discuss cases of bribery and corruption with employees to help them understand the repercussions of noncompliance
- **39%** Lack of simplicity in communication and informal channels used to communicate this policy such as events/ peer group meetings etc.
- **28%** Instilling confidence in employees to report instances of bribery and corruption, without fearing retaliation or violence
“All successful companies are built on a solid foundation of values and culture. The leadership highlights the importance of a strong and robust governance structure, not only from a reputational and risk management perspective, but also from a shareholder value perspective.

The ‘tone from the top’ is instrumental in building this foundation, and if management does not promote a sound corporate governance culture in respect of bribery and corruption, this will permeate through the organization.

The question organizations should be asking is whether they can afford to ignore this.”
Staying one step ahead

We believe there are certain steps that organizations can take to implement an employee-friendly anti-bribery and corruption policy and thereby stay one step ahead.

1 Define clear and simple policies: Anti-bribery (and related) policies should be simple and easy to understand. The policies should have hypothetical real-life business scenarios in order to clearly explain the requirements and expectations from employees. Being clear about what can and cannot be accepted is a good business practice and can reduce the risk of corruption. In addition, a company should ensure that its compliance policy can successfully function to guide employees in their day-to-day activities and conduct, in order to incorporate the program into all facets of the organizational culture.

2 Focus on culture: Be committed to a policy that propagates ‘zero tolerance of bribery’ (compliance to be viewed as a strategic business risk) in any form, so that employees understand that they should not engage in bribery or any form of unethical behavior. Emphasizing a culture of ethical behavior can help ensure that it is engrained into the employee’s character when he/she exercises his/her judgment.

3 Reinforce the company’s stance: It is essential that a company vigorously reinforces its stance on anti-bribery regularly. Employees should be informed that their company’s policy stands firm irrespective of what its competitors are doing in the industry.

4 Meaningful effective compliance trainings using a variety of media: Several organizations require certain mandatory trainings to be fulfilled when new employees join. However, having employees merely read and acknowledge the ‘terms and conditions’ of a compliance program is barely effective. These mandatory trainings could be made more interactive through the use of case studies, videos etc. as well as to perhaps include role-play scenarios to provide live examples of what types of corruption they may face in their new role.

5 Make reporting friendly: It is essential that the process of reporting an incident be hassle free and convenient irrespective of the method the company chooses to adopt. It should function seamlessly and instill confidence without the fear of retaliation.
6 Ethical behavior linked to performance evaluations: Employee performance evaluations should cover ethical behavior as one of the key differentiators to help imbibe the culture of honesty within the ‘DNA’ of an employee.

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India is undergoing a remarkable socio economic transformation, one that presents tremendous opportunities. In the midst of such wealth creation, there is temptation – and pressure – to proceed up the economic ladder faster. Seeing others profiting from common, albeit illegal, practices can foster a “Why not me?” attitude. In many cases when people are put in a situation where integrity is tested, employees may believe that improper payments are necessary to “make their numbers” or achieve organizational goals. Companies should therefore have the tolerance to be able to say, ‘We know you are not playing on a level playing field, so we understand that you may lose some business opportunities to remain compliant’. The respondents emulated such a perception as well, with 81 percent believing that practicing ethical behavior should be considered as an important parameter in an employee performance evaluation.

7 Encourage employee participation: Senior management should provoke employee participation while designing, modifying and updating their anti-bribery compliance efforts. This can help in improving employee confidence in the management and instill a sense of ownership with respect to the organization’s anti-bribery efforts.

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Key recommendations received from respondents for organizations to successfully establish a culture of zero tolerance

• Ethical behavior needs to be recognized, celebrated and perhaps incentivized. This would help develop self-awareness among employees and make them voluntary contributors to the cause of anti-bribery and corruption.

• Important to demonstrate zero tolerance by taking suitable corrective action against the perpetrator, such as withholding variable pay/bonus or dismissing the employee in question.

• Create formal and informal platforms wherein senior management meet the general workforce in order to encourage an ‘open discussion’ on the importance of ethical business.

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Upholding ethical practices should form a mandatory component of an employee’s performance evaluation.

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Anti-corruption compliance
A crucial dimension of business
Corruption-related issues can arise from and potentially involve all parts of an organization, from employees to affiliates to suppliers. With recent trends suggesting that global and Indian enforcement has increased; an effectively designed, implemented and managed compliance program tailored to a company’s specific risk areas is paramount.

Apart from just a regulatory perspective, compliance has also become important in order to retain and attract employees. The statistics received through our survey questionnaire corroborate these sentiments with an overwhelming majority stating that they would not feel comfortable working for a company that is perceived as indulging in corrupt practices. This is a clear indication that despite public perception, a majority of today’s executives care about the reputation of the organization they work for.

While companies may consider anti-corruption requirements a secondary consideration as they rush to capitalize on emerging business/market opportunities; however, as recent and continuing developments show, regulators/governmental authorities view compliance as a top priority. Failing to actively and thoroughly address corruption issues can derail a company’s plans, and may lead to fines and criminal prosecutions.

On the other hand, companies can build ethics and integrity into their brand, propagating it not only from a regulatory perspective, but also from a business angle. This can in turn, help attract investors from across the globe who tend to generally provide a premium to ethical organizations. Today’s enforcement climate heightens the need to identify, manage and respond proactively to bribery and corruption exposure. Implementing an effective compliance program, supported and vetted by employees can help organizations manage their potential risks and comply in spirit rather than only in words.

Conclusion
Methodology and respondent profile

The survey was conducted over a month in November 2014, to gather the views of working professionals, in their individual capacity, across varied sectors situated in India. It is worthy to note that this survey is our first attempt at reaching out to our social media followers and responses were strictly received/publicized only via the social media route i.e. through communities and groups on Facebook, Twitter, LinkedIn and the likes.

Unless otherwise specified, all percentages referred to in this report relate to the responses to the Deloitte Forensic (India) survey. All responses are confidential, and only aggregate responses have been reported. The graphs and certain conclusions included, are based on the answers we received in the survey and the weightage given to those responses.

Gender

Location

Age

Job profile

Educational Qualifications

Industry of experience

Acknowledgement

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