

## **“The Challenge for Business Leaders”**

Presentation from the Prince of Wales International Business Leaders Forum  
– Peter Brew, Acting Director – Operational Policy

### **The Pressure on business**

to embrace good governance and transparency is coming from a wide range of stakeholders:

#### Shareholders

- are concerned that hidden costs and the risks inherent in poor corporate behaviour will impact on the long-term value of their holdings.
- are increasingly driven in their stock selection by issues of ethics.

#### Employees

- want to work for companies in which they can have pride, so retention and recruitment can be directly affected by poor behaviour.
- are usually aware of bad practice in their part of any business and of their opportunity and responsibility to “whistle-blow” within the protection of law.
- will not easily tolerate colleagues indulging in improper practice.

#### Customers

- expect to be able to trust the company with whom they do business to treat them fairly.
- experience confirms that customers who lose trust stop buying even when they have not been directly involved in the bad practice.

#### Suppliers

- procurement procedures have to be seen to be fair and open if companies are to have access to reliable suppliers at the right price.
- increased outsourcing and sub-contracting makes companies ever more dependent on their suppliers.

#### Regulators

- more companies in more industries in more countries are subject to regulation demanding evidence of good practice.
- international accounting standards demand specific reporting designed to make corruption more difficult to hide.
- money-laundering regulations make illicit transactions more difficult to hide.

### Instant communications

- malpractice can be quickly brought into the public demesne.
- the Internet has made anyone's business anyone's business.
- pressure groups use communication systems to publicise bad corporate behaviour

### **The Business Case**

for adopting and implementing good practice includes:

#### Protection of Assets

- international businesses own substantial assets which need to be protected and enhanced.
- an environment of external and internal corruption puts assets at risk.

#### Business Costs

- corruption inevitably means higher business costs.
- corrupt relationships usually are continued beyond their commercial usefulness to protect the individuals involved.
- the cost of repairing the damage to a business and its reputation following the publication of corrupt practices is usually very high.
- a culture of corruption usually leads to further internal and external demands to participate.

#### Internal Integrity

- a culture of integrity makes it easier to ensure that employees hold the highest standards of behaviour in their dealings with the company and its assets, their colleagues, customers, suppliers and other stakeholders.

## Reputation

- recognised to be one of the key assets of any company.
- determines the “licence” to do business.
- takes years to build.
- takes moments to lose.
- costs heavily to restore.

## Directors' Liability

- in many countries, company directors are now being held to personal account for the company's behaviour and shortcomings.
- the consequences can include fines and imprisonment.
- attracting talented people to serve on Boards of Directors requires evidence of good governance and transparency.

## Legal Compliance

- company law and licences to operate increasingly demand commitment and evidence of good governance.

## International Reporting

- standards of company reporting are being increasingly harmonised internationally, through the European Community and other international agreements.
- accounting standards for publicly quoted companies are detailed and demanding.
- local company legislation is being amended and extended to allow prosecution at home for overseas misdemeanours.

## **Partnerships in setting governance standards**

- business to close one source of funds and help manage projects and implement standards.
- multilateral agencies to set standards, manage aid, control funds.
- civil society to monitor, enable, facilitate, publicise, lobby.

- government to lead on local standards, legislate, administer law, control public systems.

### **The Role for Business**

- to identify, define and clarify corruption.
- to codify standards, practice and procedures.
- to implement, manage, monitor, audit and report practice.
- to support business and public initiatives on corruption and governance.
- to lobby for appropriate law and regulation.
- to set standards for supplier/user chains, provide training and monitoring.
- to report fully and openly - even mistakes.
- to control practice where-ever possible.
- to show leadership to other business, to government.