

## **BUSINESS SCHOOLS AGAINST CORRUPTION:**

### **A Guideline to Implement the Curriculum Change for Transparency and Governance**

#### **PRME Working Group on anti-Corruption**

##### **Introduction**

Corruption “the misuse of entrusted power for private gain” as defined by Transparency International is recognised to be one of the world’s greatest challenges. It is a major obstacle to sustainable development as it diverts resources from their proper use. It has considerable impact on the private sector thwarting the promotion of necessary competition between major and minor brands leading to the formation of monopolies, which, not only hurt the consumer but represent serious legal and reputational risks, undermining the integrity of all involved and damaging the fabric of organisations and society on the whole.

Transparency can be defined as a principle that allows those affected by administrative decisions or business transactions to know not only the basic facts and figures but also the mechanisms and processes involved. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably (TI).

Many initiatives were created worldwide to fight against corruption and to advance transparency. Among them, the UN Global Compact (GC) was launched in July 2000, as a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. The initiative seeks to align companies’ business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. GC is also open to other participants like civil society, business associations, and academic institutions. The participation of the latter is critical to the initiative since academia plays an important role in shaping future business leaders and in educating them on the importance of responsible citizenship. Through research, educational resources, learning know-how and educational infrastructure, this sector can increase knowledge and understanding of corporate citizenship.

In this direction the GC and leading academic institutions jointly developed in 2007 the PRME- “Principles of Responsible Management Education”, a set of six principles which lay the foundation for the global platform for responsible management education. The PRME are inspired by internationally accepted values such as the principles of the United Nations Global Compact. The PRME seeks to establish a process of continuous improvement amongst institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21<sup>st</sup> Century.

In the current academic environment, corporate responsibility and sustainability have entered but not yet become embedded in the mainstream of business-related education. The PRME therefore emphasise a timely global call for business schools and universities world-wide to gradually adapt

their curricula, research, teaching methodologies and institutional strategies to the new business challenges and opportunities. In December 2008, inspired by the importance of bringing the Anti-Corruption GC 10th principle into the academic debate, a group of business schools decided to form a working group on this issue. The group proposed to develop this guideline to implement the curriculum change for transparency and governance.

## **Fundamentals**

Beyond cultural diversity all societies agree of some fundamental values such as human dignity, common good, justice, truth and honesty as necessary conditions for the foundation of an environment that allows every constituent to flourish and succeed. Societies would agree also in rejecting certain behaviours such as extortion, robbery or deception as obstacles in the construction of a better environment for all people.

In order to encourage managers to fight against corruption it is important to propose clearly the foundations of a positive behaviour. It is not just to meet some ethical standards considering them as external constraints, but to realise that the construction of a better society is expected from managers and firms. With regard to the values that support every effort to fight against corruption we propose the following:

### *Human Dignity*

Human dignity is a right recognised and owed to every single person. The universal declaration of human rights states that “all human beings are born free and equal in dignity and rights”. (UDHR: art. 1). We should all respect human dignity recognising and effectively disregarding any difference of “race, sex, language, religion, political affiliation, national or social origin, property, birth or other status”. In this regard actions such as coercion, oppression or discrimination only ever underestimate and violate the free character of a human being and as such should not under any circumstances be acceptable as a means to gain an end.

### *Common Good*

As members of a society all human beings have an inherent responsibility to be concerned about the wellbeing of their fellow man. The concept of common good, like the Japanese Kyosei, proposes that all people work together to benefit the collective. Thus the common good refers to the necessary conditions required to cultivate a society in which equal opportunity is afforded to everyone, allowing them to thrive individually which consequently promotes growth for the society on the whole. How societies decide to organise themselves in terms of their economics, politics and laws, is related to the pursuit of the common good. It is a mutualistic relationship in that no one part of a community can prosper without contributing to the welfare of the rest. The development of a particular sector is positively reciprocal on the development of the other sectors.

### *Justice*

The Oxford English Dictionary defines justice as “the quality of being just, of being morally just or righteous; the principle of just dealing; the exhibition of this quality or principle in action; just

conduct; integrity; rectitude; conformity (of an action or thing) to moral right, or to reason, truth, or fact; rightfulness; fairness; correctness; propriety". In short justice means giving each person his or her due, what he or she deserves. Every human relationship entails an underlying dimension of justice that must be recognized and respected. Within the business domain, the recognition of stakeholders' existence means that there are certain liabilities and obligations that organizations must honor.

### *Truth*

Endowed with reason, every person not only has the potential to know reality, but also he or she needs to know truth in order to develop his or her life in accordance with nature. Therefore, to every person it must be owed the right to know reality. On the contrary, deception violates that right and harms the relationships between people effectively destroying trust. In a certain way, to communicate truly is a matter of justice.

### *Honesty*

By honest we mean that trait of a person which compels them to act sincerely and candidly. To not be given to lying, cheating or stealing but to act genuinely, justly and fairly. In essence to proffer respect for another's dignity. Honesty is a value to be developed along life. Firms are organized groups of persons that contribute to society through their production of goods and services. The first purpose of all organizations is not to educate people or to create a better society. However, it should be noted, that whilst accomplishing their mission, they undoubtedly influence their constituents providing goals, tasks, roles and incentives that in the end, constrain and drive an important part of peoples' lives.

## **Managerial approach to fight corruption**

Briefly, in the business domain, there are two complementary ways to address corruption: an inspirational leadership and a compliance system. Both paths integrally address the individual as the centre of their concerns. Moreover they both rely on the ability of each individual to act in accordance with the established standards. A person could be inspired by good leadership identifying and conforming to the leader's values. Inspiration focuses on affective motivation that in the end, if effective, will drive their own enthusiasm to seek out more efficient and better practices. Within a compliance system the individual faces rules, processes, and roles that restrain him from certain actions. Both systems focus on either eliminating the opportunity or strengthening the enforcement.

It is imperative that organisations use these two tools simultaneously. They should propose goals, roles and incentive systems that allow a person to proliferate in conformation with human dignity, justice, and truth. In this way the development and nourishment of honesty overall contributes to the common good. Compliance systems should help to diminish opportunities of corruptive behavior, while enforcing rules and norms.

The human being can only thrive by living freely all the positive values. Society should contribute with systems, norms and rules that unite people's actions under a global umbrella of driving the

common good. Firms accomplish their mission of providing goods and services efficiently when their constituents can work respecting human dignity, collaborating with the common good, developing justice, and ultimately being true and honest in their daily decision-making.

## **Steps for curriculum changes**

### **1. Teaching**

First and foremost, we encourage the Faculty's adherence to a school statement that, for all intents and purposes, could count as an ethical oath: every member of the Faculty, as an educator, cannot avoid his responsibility to society. An ethical oath constitutes a strong commitment to pursue a sustaining effort in introducing business ethics issues in all aspects of academic life.

Curriculum change is to be primarily effected through the incorporation of Business Ethics with a praxis oriented approach. Therefore, compliance and all compliance tools including integrity pacts should be one of its key components, encompassing an array of previously neglected aspects and offering a more complex view with a real impact on good business practices. Thus, the purely legalistic compliance view should be replaced by a primarily integrity-based view that seeks to emphasize a proactive, value-driven approach, which necessarily incorporates issues beyond fighting corruption, such as tax evasion, environmental protection, labor, and social rights.

In alignment with this perspective, we intend to systematically incorporate Business Ethics topics into all open executive education programs curricula (MBAs, EMBA's, AMDs etc.) through two strategies:

#### *a) Vertical strategy:*

- Self-contained, independent Business Ethics modules in all open programs comprising lectures and experienced practitioners as on-campus speakers, case sessions and discussion sessions on dilemma situations with Compliance Officers.
- Short programs, in particular on "Good Practices in Business and Compliance" to offer the most recent academic and business trends concerning good corporate governance, ERM and compliance, and to provide the indispensable tools to understand new approaches and different ways of implementing these trends. Among the aspects to be discussed in this program are included general aspects of good corporate governance and the role of good business practices; the scope, architecture (prevent, detect, respond, improve), impact and limitations of compliance programs in companies and key success factors of Good Practices- and Compliance Programs such as transparency and climates favoring open internal discussion and support and well tailored incentive programs.

#### *b) Horizontal strategy:*

- Introduction of Business Ethics aspects/dimensions into existing academic courses. In particular, attention is to be paid to the incorporation of governance and strategy issues (including here

stakeholder and trust theories) within the Business Policy courses and compliance risk as a block in ERM risk management in Finance courses as well as issues like Leadership responsibility in creating transparency, climate of open discussion, trust and support in the company, the pitfalls of incentive systems and educational issues in the HR courses.

## **2. Research**

To promote research and dissemination of knowledge with a practical emphasis in the field of Business Ethics and transparency, seeking to contextualize the discussion of these issues within each specific geographical region with their different complexities, offering concrete tools to practitioners to help them create, enhance and follow-up effective compliance programs.

To undertake comprehensive quantitative and qualitative surveys about good practices and compliance programs in companies. These surveys provide an in-depth insight into the current status of business ethics practices and show the path to possible improvements in the field through awareness creation about these problems within companies, their respective sectors, and the business community in general.

These surveys offer a detailed account of the main existing compliance elements in local business firms as well as the degree and speed to which they have been developed and formalized in the last years.

Extension of quantitative and qualitative surveys on specific aspects of business ethics practices to as many countries as possible to allow comparing different environments and achievements, making an assessment about the current status of business ethics and transparency programs and their levels of development.

It is also important to offer incentives for faculty to publish both scholarly papers and press articles dealing with issues of Business Ethics and Compliance.

## **3. Partnerships and cooperation with companies**

To pursue lines of actions aiming at increasing business ethics in the private sector through:

- Membership in leading business ethics institutes that pursue similar goals (such as the European Corporate Governance Institute, EABIS, SCCE, ERC or Ethisphere Council) with the aim of exchanging experiences and participating in their activities through attendance of their conferences and annual meetings, including the possibility of holding joint events.
- Creation of a website to disseminate research and with timely updated relevant information through specific channels such as newsletters, blogs and webcasts; to keep an updated database with information about the field in the form of glossaries, academic papers, press articles, events calendar, code of conduct manuals and links of interest to relevant centers, associations, publications and initiatives.

- Constitution of an exchange and networking platform for CEOs, CFOs, and COs on compliance through their participation in workshops, webinars, on campus meetings and presentations coordinated by the group.
- Launch of a Compliance Officers network having as members scholars, practitioners, and all organizations that are devoted to the study, implementation and follow-up of compliance and integrity programs
- Design and implementation of Good practices/Compliance programs for companies.
- Fostering of integrity pacts amongst leading companies from different sectors following the guidelines of successful initiatives through individual and sector projects in cooperation with business chambers representing both local and multinational companies.