

The dangers of bribery in small business



A global survey of accountants shows that 75% of respondents in Central and Eastern Europe believe that bribery and corruption have a negative impact on the SME business environment.

Bribery and corruption are not unique to our modern age, nor do they occur in only one kind of society, business sector or walk of life. The risk of bribery can arise whenever and wherever the human desire to secure a particular personal or collective outcome is so strong that the perpetrator is prepared to resort to underhand methods to achieve it.

In the business world, bribery affects all societies and business sectors (though some more than others) and in common with other forms of financial crime such as money laundering and fraud, it is widely considered to have been exacerbated by the pressures caused by the global financial crisis.

The particular incidence and impact of bribery in the SME sector has, however, received relatively little attention. This is despite the fact that SMEs represent a highly significant element of the global economy, making up around 99% of all businesses worldwide.

A global survey of accountants conducted in 2013 by ACCA illustrates their concerns about the impact of bribery and corruption on SMEs. The report "Combating Bribery in the SME Sector" was conducted among 1000 of its global members. The findings reveal a concern that many SMEs are not taking the right steps to mitigate the risks of exposure to bribery and corruption.

When asked if bribery and corruption were a concern for SMEs, 42% of Central and Eastern European respondents said yes,

compared to just 22% in the UK. However, 68% of respondents in the CEE region say that SMEs had a general understanding of the legal definitions of bribery and corruption in their jurisdictions. This is more favorable than in the UK, where there is the greatest level of skepticism, with only 24% of respondents saying that there is an understanding of the legal definitions of bribery and corruption.

The research also asked whether SMEs should operate under a modified anti-bribery and corruption regime, so that they are subject to more relaxed compliance obligations than big business and public bodies. Respondents in Central and Eastern Europe expressed opposition to this at 59%.

In the foreword, Professor Mark Pieth, chairman of the OECD's Working Group on Bribery in International Business Transactions, says that more can be done to tackle bribery and corruption. He comments: "To date, 306 companies and individuals have been sanctioned under criminal proceedings for foreign bribery since 1999. At least 83 of the sanctioned individuals were sentenced to prison. One company faced combined sanctions of €1.24bn for foreign bribery. However, sanctions have only been handed down in 13 of the 40 Convention countries. More can be done."

A strong message emerging from the research is that SMEs need more guidance to help them address bribery and corruption risks; 53% in Central and Eastern

Europe believe this is the case. This report has a clear message for accountants, SMEs and governments, and not only those in CEE countries. The full restoration of trust and confidence in the business sector can only be achieved when people believe that business is being conducted fairly and transparently.

When businesses cannot or will not compete with those paying bribes, their shareholders and employees will suffer too, because they will have forgone the income and profits that they otherwise

might have earned. Finance professionals play a key role in preventing such behavior in business.

Values, ethics and governance are essential skills for finance professionals. It is important to finance professional bodies to ensure that all students – irrespective of which qualification they are studying for, and to which level they wish to take their career – understand what it means to work and act professionally and ethically in the workplace.



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Business Principles for Countering Bribery

In 2008 Transparency International issued a special edition of its long-standing publication 'Business Principles for Countering Bribery', which was framed specifically for an SME audience. This document set out a number of fundamental principles, which should be capable of adoption and application by even the smallest of firms.

1. We will carry out our business fairly, honestly, and openly (example: we will keep clear records and be transparent in payment terms).
2. We will not pay bribes, nor we will condone the offering of bribes on our behalf, so as to gain a business advantage (example: no bribes will be paid by our agents).
3. We will not accept bribes, nor will we agree to their being accepted on our behalf in order to influence business (example: we will exercise careful management of commission payments).
4. We will avoid doing business with others who do not accept our values and who may harm our reputation (example: we will choose our business partners carefully).
5. We will set our processes for avoiding direct or indirect bribery, and keeping to and supporting our values (example: we will institute a process for dealing with gifts and entertainment).
6. We will keep clear and updated records (example: we will keep records of decisions about giving donations or how a demand for a bribe or a conflict of interest will be handled).
7. We will make sure that everyone in our business and our business partners know our principles (example: we will ensure that there is no excuse for not knowing by ensuring good internal communications and training).
8. We will regularly review and update our program and processes as needed (example: we will learn from experience and from networking with others).
9. We will keep to these principles even when it becomes difficult (example: we will not make facilitation payments)