Corruption risk management in the corporate environment

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Contents

Introduction

Risks are imposed on all features and facets of the business world, and human error is an overarching cause that can be a pitfall at any time. Systems are built upon the predilection of administrators and authorized users being the only ones able to access them. This poses a significant risk to the business if there is an information leak that would cause reputational damage to the employee or the company.

Human risk is considered one of the leading causes of the downfall of companies big and small. Supply chain risks can become more prevalent when poor decision-making processes at the start of the candidate screening process impede either sales, production, or profits due to bad interpersonal relationships between staff members. Corruption, human resource risk, and human error all is motivated by the rise in technological platforms, resulting in criminals being able to target the human element in the business to a greater degree than ever before, without ever coming into direct contact with the business or its employees.

When risk mitigation strategies are planned, human resource leaders must be aware of global risk and demonstrate action that proves their capacity to try and control this evolving business environment. Relocate Magazine reports that risks can be found internally within organisations affected by leadership priorities and actions as risk do not only operate at a firm level but on the industry level in which the firm is located and in the global sphere where all businesses function. Artumo Bris, Professor of Finance at the IMD World Competitive Center, has stated that humans are risk-averse, human biases can make persons over-confident, which is considered a detrimental leadership flaw. If inaction is taken against the possibility of extreme events, it can have extreme impacts on the business.

What is Corruption Risk Management or CRM?

Within the Transparency International's Gateway Corruption Assessment Toolbox, corruption risk is defined as the set of institutional vulnerabilities within a system or process which might favour or facilitate corrupt practices. The 4U Anti-Corruption webpage describes corruption risk management as a specific set of procedures and requirements to detect, assess, and mitigate corruption risks within the business and, as a framework for decision-making that must always consider two main dimensions of an act of corruption: probability and expected impact.

Although corruption and risk seem closely related in terms of being able to cause harm to the business, there is a noticeable lack of risk management literature that specifically treats corruption risks. Corruption risks are often treated as unique entities because they contain a certain moral element to corruption and reputational risks that emerge when these risks are not addressed.

Corruption Risk Management is further complicated by being related to several inherent risks within the activities of a company. The 4U Anti-corruption webpage states that these risks can include the fiduciary risks that funds are being used for purposes other than intended, or that products or services will not be able to achieve the desired value for money, or that these funds are not properly accounted for. If legal boundaries are overstepped by a company, not only will it cause a potential reputational risk but will be able to implicate the company in terms of financial legal obligations and marketing reparations to mitigate any damage to the company and the reputation of the company. Supply Chain risks can emerge as productivity slows down, or more resources must be allocated to the problematic department. These supply chain issues can include safety and operational risks alike as there is a definite correlation between corrupt practices and the viability to achieve set objectives for the company. Employees will sometimes try to hide the evidence of their corrupt activities, leading to double work to find the mistake, or that information is withheld that results in management mistakes, communication errors, and logistical implications. The only way that a company can prepare for these scenarios is to apply strict policies and internal controls that all employees must follow, forcing management to lead by example thus setting the tone at the top for the rest of the company to adhere to. For example, nepotism within recruitment is a corruption risk that the Human Resource Risk Mitigation controls must address as it could be a potential reputational and operational risk for the company and its activities.

Deloitte suggests that empowering employees to know and understand fraud and corruption will help companies to have more effective proactive measures in place to prevent and detect commercial crime and corruption. To mitigate the damage caused by commercial crime and corruption there must be internal controls, policies, and procedures in place that are designed to prevent and detect any sign of nefarious activities from within the company itself. Most companies feel

the natural need to safeguard against external threats but do not always manage to implement the necessary protocols and procedures to prevent threats that can arise from poorly executed internal controls.

Companies who apply zero-trust policies across the board of the workforce will fare better as the tone at the top sets the transparency needed to lead by example. Getting to the point where a sustainable risk management model is applicable can sometimes require trial and error to see what works, but this is the nature of business itself. There can be no reward without some modicum of risk. However, those risks can be mitigated by implementing an integrated commercial crime risk management process that has literary policies in place to directly address internal corruption and other human-impacted risk scenarios.

Deloitte further states that the company must always be aware of arising threats and new strategies that could be deployed against them. Current threats are always being strengthened by criminal elements to improve upon previous failed attempts. As such, internal controls utilised by a company should be improved continuously over time. These controls can range from various methods that can be adjusted to suit any budget, as even in a small company it is necessary to push employees towards ethical behavior. Many problems that are directly faced are the lack of knowledge on the part of the employee. Control that can be implemented on an annual basis is ethics and corruption training sessions with employees where scenarios and case studies can be stated to the workforce. Providing awareness to employees empowers them within their position to identify and report potential commercial crime risks or instances.

Knowledge is power and knowing how to apply that knowledge is a far greater force. Empowering employees will encourage the workforce to adopt the values of their place of employment, as employees who have high levels of honesty and integrity will return such favours as training seminars with loyalty and transparency. The aim of this investment into the workforce is to overall improve the company culture and to reduce the total amount of risk experienced by a company.

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Unfortunately, Corruption Risk Management is not a cost/benefit analysis, but rather an investment to avoid the identified corruption risks from being able to harm the organisation and its activities. Mitigation benefits are measured in terms of the likely gains when leakages in projects are reduced, as well as indirect benefits in terms of strengthened control mechanisms and a lower level of corruption.

The impact of corruption

Most of the literature focusing on corruption tends to focus on public sector corruption, but there is a definite lack of systematic analysis of private sector corruption. This makes it very difficult to gauge the exact cost of private sector corruption, although the United Nations Office on Drugs and Crime (UNODC) has stated that there is a serious and lasting impact on the economy and wider society. A survey conducted by PricewaterhouseCoopers stated that 28% of companies involved reported internal corruption that they had suffered from business misconduct and a further 45% stated that they had suffered from asset misappropriation. The World Banks Enterprise Survey, which had measured bribery incidents in companies, stated that in some countries up to 51% of all firms experience at least 1 bribery payment request per year.

Private sector corruption affects the entire supply chain of the industry in which it finds itself, as it can distort markets, undermine fair competition, and increase reparative costs to the companies that it can affect. Apart from the ethical dilemmas that are brought about by private sector corruption it prevents companies from experiencing a fair and efficient private sector and endangers the quality of products and services. Because many opportunities are missed due to private sector and internal corruption many business ideas fail before they are properly launched into their market environment.

If the primary goal of the company is to increase profits, using corruption to achieve this will generate a negative overall outcome for the company. These effects can be experienced through decreased employee morale, reduced productivity, loss of stakeholder and investor confidence and trust, and can damage the reputation of the company resulting in strained business relationships. There is reported to be a growing understanding that companies must view the “big picture” and not only concern themselves with short-term profits as the winds of change can bring ill fortune at any given moment.

The impact of corruption is strongly felt in terms of unfair competition, where corruption can undermine fair competition because companies that do not wish to pay bribes or cut corners will likely be excluded from the market. Corruption incorporates bribery, which is commonly referred to in layman’s terms, although bribery is not considered a legal term within South African legislation. Bribery in the business world is not always a monetary object as lavish gifts and gestures towards an individual can be seen to bribe someone without involving monetary statements or creating a paper trail.

Exclusion from the market or industry can have far more devastating and far-reaching effects than most would think, not only does it mean that some businesses are excluded from partaking in the bounty of the fiscal harvest, but that the larger corporations hold a monopoly over the market prices. This can lead to inflated costs of those items if the criminal elements manage to choke out the small businessman. Or in extreme cases, companies who pay bribes to have their product have favorable distribution will likely not require a strong need to invest in innovations and upgrades to their existing

Chron. states that business resources can become very limited to corrupt individuals and not only would this have an impact on the company internally but would contribute to pressing socio-economic issues due to the bottom line being impacted by corruption. If there are funds stolen or mismanaged, or an undue benefit is received within a corrupt relationship, the business must allocate new funding or staff to alleviate this issue or in extreme cases relieve staff of duty. The movement of these elements can have an impact that spreads to the consumer as the company would require to increase its prices on products and services to make up for the damage that it had experienced under the rule of corruption.

This trickle-down effect that can be observed with corruption will not only lead to a decrease in investors willing to invest in an economy that is rife with corruption but in the general crime of the area. The black market of goods will usually play a very big role in how corrupt individuals distribute contraband items. This cycle is usually how corrupt individuals in power tend to support organised crime to continue their illegal activities.

As noted, before, Chron. has stated that investors are more likely to invest in places where there is little corruption reported. This means that businessmen and investors alike agree that corruption is in and of itself a crime. When a chance is taken on a business opportunity in a country where corruption is seen as a major issue and a scandal ensues, it will usually lead to existing investors withdrawing their support as the reputational damage that the corrupt brand will suffer may be able to cause the closure of the company.

Within South Africa, there exists legislation that aims to reduce corruption and improve ethical practice across sectors and amongst citizens in South Africa by providing a robust conceptual framework and strategic pillars to guide anti-corruption approaches across relevant sectors in the country. This is known as the National Anti-Corruption Strategy (NACS). This legislation supports the coordination between government and other efforts to reduce corruption and to promote ethical practice by providing a tool for monitoring progress to achieve a less corrupt society.

This legislation began work in September 2015 when the government initiated the process to consider all existing institutional structures and efforts to fight corruption. The vision of the National Anti-Corruption Strategy is to have the citizens respect the rule of law and that they are empowered to hold those in power responsible and to achieve a country with zero tolerance of corruption where the level of corruption is reduced significantly. The legislation will aim to force those in power to act ethically and with integrity.

There are currently 9 proposed pillars of this legislation, and they can be defined as follows:

1. To support citizen empowerment in the fight against corruption, including increased support for whistle-blowers.

2. To develop sustainable partnerships with stakeholders to reduce corruption and improve integrity management.

3. Improve transparency by government, business, and civil society sectors.

4. Improve the integrity of the public procurement system to ensure fair, effective, and efficient use of public resources.

5. Support the employees. Which leads to workplace success, a strong professional reputation, and a high level of work ethic and excellence.

6. Improve adherence to integrity management and anti-corruption mechanisms and improve consequence management for non-compliance of these across government, business, and civil society sectors.

7. Strengthen oversight and governance mechanisms in the government sector.

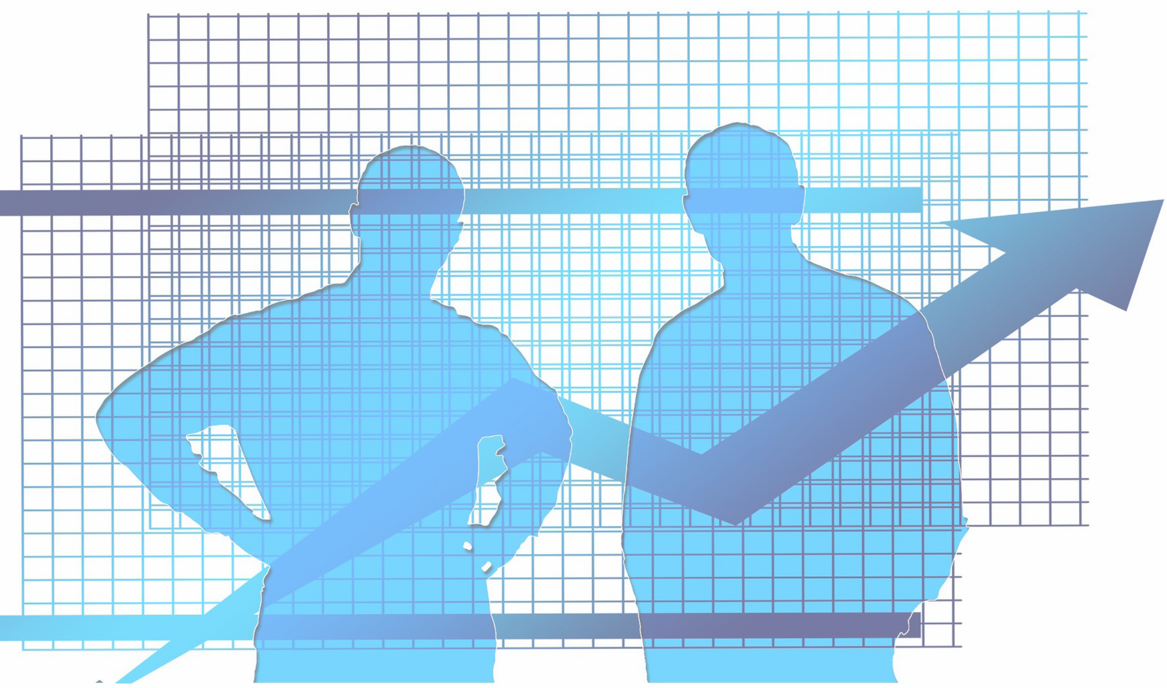
8. Strengthen the resourcing, cooperation, and independence of dedicated anti-corruption agencies.

9. Build specific programs to reduce corruption and improve integrity in sectors particularly vulnerable to corruption (vulnerable sector management), with an initial focus on the Justice, Crime Prevention, and Security Cluster.

Many people understand that corruption pertains to some form of abuse of position or authority, but a business must understand that the term corruption encapsulates many different actions. The Whistleblower's webpage reports that the occurrence of corruption can be categorised in three ways. Firstly, when corruption takes place sporadically in a generally non-corrupt system or part of a systemic condition in which all players accept and follow accepted business practices. Secondly, sanctioned corruption by the organisation's decision-makers or the doings of a rogue authority figure in the company. And finally in simple terms of big and small, determinative of the impact on the viability of the business.

Because corruption can occur at several levels of a business at any given time, there is a misconception that corruption is only the taking of bribes to facilitate a nepotistic decision that has negative implications on fair and competitive trade. The definition of corruption that rings "the abuse of entrusted power for personal gain", is especially misleading. Power is any asset or information that is entrusted to an employee, resulting in that any person whose position offers them access to or control over company resources can cause a deviation from standard operating procedures and policies promoted by the company.

Furthermore, simply eliminating bribery from the system will not mitigate corruption with full efficiency. Apart from bribery, some methods are a staple for corruption to build, an ingredient in the stew that makes it easier to work through rather than a necessary component. Companies must always be on the lookout for blackmail and extortion which usually go hand in hand. Lower rung employees who do not necessarily hold positions of power can use blackmail as a tool to influence employees higher up on the corporate ladder that would result in a direction of decision-making that may be detrimental to several essential business processes. As noted, before, companies usually begin fighting back against corruption by implementing a zero-tolerance policy for bribery and kickbacks to ensure that business protocols are followed.



Corruption Risk Management Strategies and Mitigation Controls

Within the risk mitigation playing field, many different aspects must be considered. As it is within human nature to attempt to safeguard against external forces, internal conflicts and blights can become just as dangerous as any other. Businesses need to understand how corruption works to mitigate risk efficiently. The aim of Anti-Bribery and Corruption Compliance policies are powerful tools that emphasize a company's zero-tolerance approach to bribery and corruption. The compliance that aims to mitigate corruption risk must be able to act as a guide to ensure professional conduct, fairness, and integrity. An effective ABC Compliance policy provides information and guidance on how to recognise and deal with bribery and corruption.

Society is constantly changing and restructuring its approaches to what is deemed acceptable behaviour, as cancel culture approaches more and more subjects' companies must be wary to be involved in any taboo actions. It is advised by Michalsons.com that businesses must implement an ABC Compliance policy for their safety, and if there is an existing one to update and refine it. There are laws and standards all over the world that handle this specific risk management function. Some of the better-known legislations are as follows:

- OECD's Code on Anti-Bribery & Corruption
- ISO 37001 standard for Anti-Bribery and Corruption compliance
- The Prevention and Combating of Corrupt Activities Act 21 of 2004 (PRECCA)
- ISO 9001 Quality Management for Internal Audit Guidelines
- The UK Bribery Act
- The US Foreign Corrupt Practices Act (FCPA)

The ABC Compliance policy must be able to facilitate a range of uses for the company that employs its use. It must be able to send a powerful message to employees, competitors, suppliers, auditors, and authorities. Amongst other things Michalsons.com recommends that the ABC Compliance policy must set out:

- What is corruption and what are the different forms it can take on?

- What is the determinate of bribery, are tips and bonuses allowed from clients to show work appreciation?

- The various anti-bribery and corruption laws that the company must comply with.

- The consequences and protocols which will be enacted if there is a failing of compliance with either legislation or company policy.

- How the company will raise awareness and implement compliance training for employees.

- The whistle-blower policies set out against the different levels of management, the processes that employees will be taking to enact the whistle-blower policy, and how the investigation process will be undertaken.

The Corporate Counsel Business Journal states that though ABC Compliance policies are vital for most companies, one size does not fit all. The stakeholders in a business can define risk differently, based upon their role in the internal workings of the company. This ignorance of other departments tends to breed the assumption that other departments' ABC Compliance policies are adequately covered by other internal controls and processes such as Enterprise, Compliance, Commercial Crime, Corporate Governance, and IT. All parties must be aware that an Anti-Bribery and Corruption Risk assessment is a separate approach to identifying risks posed by the definitions of risks defined under the banner of Corruption Risk Management. To be completely thorough all decision-makers and stakeholders must fall under the jurisdiction of the ABC Compliance Policy, as usually only executives would be closely scrutinised.

To be effective, responsibility needs to be assigned to specific parties responsible for mitigating the identified risks. The risks can be separated into three categories based on the level of ownership:

- The corporate level (e.g., policies and procedures or monitoring)

- A regional level (e.g., specific items, including gifts and entertainment)

- The local level (e.g., procedures related to individual enterprise resource planning systems)

The ABC risk assessment process is designed to be repeated, but the frequency depends on the company's specific ABC risk profile and the requirements that are unique to all enterprises. Because the first assessment will be the most robust and comprehensive, future assessments can focus on any changes to the initially identified commercial crime risks, or emerging risks and strategies that must be addressed. No matter the frequency, the completion of the initial ABC risk assessment marks the start of the planning process for the next iteration of the ABC risk assessment. To facilitate that future process, a company should centrally store documentation related to the risk assessment, including any information regarding events that take place between risk assessments that could impact the next version of the ABC risk assessment. The storage of this information makes it easier to trace where there was a lapse in protocol and how to find the responsible party.

Controls that can be used against the influence of corruption can include simple good Corporate Governance, Employment Screening, and Background Checks, Employee Survey and Observation, and simple Checks and Balances that can be performed regularly. There exists the ISO 37002 Whistleblowing Management System which provides the proper guidelines for a company to create, implement, manage, evaluate, and maintain an efficient whistleblowing management system. A canary whistleblowing system adds yet another dimension by having the business function extradited to a third party to add anonymity and to avoid bias.

Thus, by utilising proper and accepted business practices that breed a culturally appropriate and sustainable business model it is a proven tool to discourage those with ulterior motives and hidden agendas from enacting their visions.

The Importance of Ethical Decision making

A company does well to prepare itself for as many scenarios as possible, to anticipate actions, and to have guidelines in place that will lead to fair and ethical decision-making. Integrity-Indonesia reports that an effective Code of Ethics, which is applied correctly, can amount to an astonishing 81% of anti-fraud and commercial crime controls. The importance of a Code of Ethics does not only lie in the fact that it provides internal guidelines for actions and decisions, the Code of Ethics for a company will act as an external statement of the values of the company.

The Code of Ethics can act as a risk management tool for management as it predicts the mission, values, and principles of the company, then links those elements to the expected standards of professional behavior that the company will require from employees. The Code of Ethics is an essential yardstick to measure the performance of both individuals and the company.

Avoiding unethical practices reduces risk exposure and directly mitigates reputational risk. In the digital age transparency is the key to building trust with stakeholders, suppliers, and buyers, the company must have a good image in the public eye in terms of ethical practice and positive company culture.

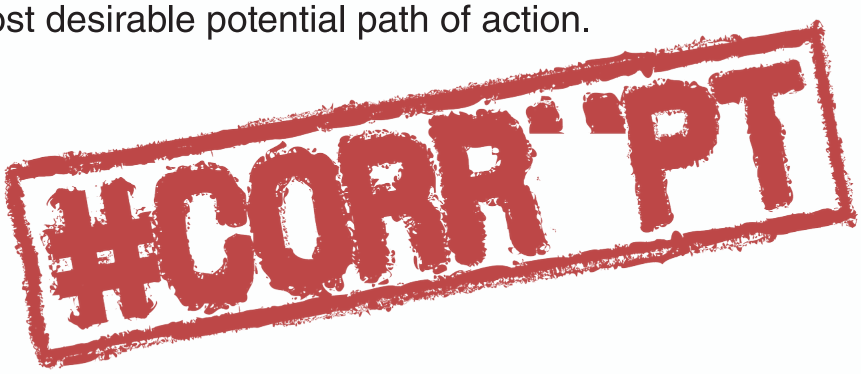
What defines ethical decision-making?

Ethical decision-making frameworks need to work towards a certain set of principles that have been around since before the fall of the Roman Empire. The principles used to design a Code of Ethics can be used in combinations of each other to generate the desired structure that supports the vision of the company.

Moral dilemmas can pose a great problem for a company if there is no framework to guide the decision-making process. By utilising generally accepted principles of ethical decision making a company can prepare protocols in the event of transgressions to the Code of Ethics. The values of Ethical-Decision making however cannot be changed or altered. To achieve the purpose that the Code of Ethics was designed for it must always strive towards trustworthiness, morality, respect, responsibility, fairness, and integrity. Ethical decision-making can be used effectively to generate a better company culture and to provide a foundation for good business practice.

Investopedia states that the utilitarianism principle holds that an action is morally right if it produces the greatest good for the greatest number of people, that the result justifies the means used. This approach is best considered to be used after a thorough investigation to generate multiple positions of response and the implications of each to have an outcome of a moral dilemma that would benefit the company. The utilitarianism principle has drawbacks in terms that it often does not consider individuals, and that the term “greater good” has a debatable definition as there is usually no clear agreement by all parties involved. The cost/benefit of each probable decision plan can be difficult to determine in cases where there are multiple levels of legal and moral implications and can require professional third-party help to mitigate as much risk exposure as possible. Because of these considerations, it is widely used by large corporations, individuals, and even nations given the limitations that accompany it. This principle is generally applied when resources are scarce, or when there is a conflict in priorities or no clear choice that can meet everyone’s needs. It is used when a zero-sum decision cannot be avoided.

Universalism is a principle that will consider the welfare and risks of all parties when considering policy decisions and outcomes as reported by Openstax.org. Under this principle of ethical decision-making, the needs of individuals are identified. This principle is not only a method to make a decision, but additionally a way of incorporating a humane mindset that considers both individuals and groups when taking a course of action. The universalism principle usually manifests by being fair, having compassion, and is based on respect for all parties involved. The tone at the top is very important to facilitate the universalism principle in ethical decision-making. However, this approach to decision-making is limited by not always proving to have realistic expectations or is not always practical in all situations. Not everyone can be kept happy all the time, but sometimes to deal with complex decisions every viable piece of information is a tool to unlock the most desirable potential path of action.



Cengage.com outlines the legal rights principle of ethical decision-making. This approach to business ethics expects the minimum degree of ethical behaviour, which is usually defined as being compliant with the laws that the company is being governed under. The Legal Rights principle does however hold that humans have certain fundamental rights such as the right to life, liberty, and the pursuit of happiness as eloquently stated by the US constitution. This approach in ethical decision-making evaluates behavior and protocol considering the consequences of that behavior for those who will be affected by it rather than based on any moral or ethical values. The Legal Rights principle is quite utilitarian in its execution as it would force a course of action that would result in the outcome of the greatest good for the greatest number of individuals. As with any approach to a dynamic and ever-changing subject to moral values, some limitations can be used to influence the commercial crime risks that companies face. This approach can be used to disguise and manipulate selfish and unjust political and/or other self-interests and it can be difficult to determine which course of action is “right” without factoring in morality and humane action. The Legal Rights principal ties in directly with other less effective and widely used principles such as the Justice principle in ethical decision making in which it holds that all subjects are to be treated equally.

There are other less accepted principles of Ethical Decision-making approaches and principles, and they exist in many forms to facilitate the broad range of issues that are faced by businesses. As more and more threats emerge the business world must react accordingly to maintain security and to focus on sustainable growth.

Blink.edu states that the generally accepted course of action for a business to have an ethical decision-making process is to create a protocol for decision making. This protocol will explain the processes and actions used to gather information and where this information was obtained, the process of evaluation, and how the different alternative strategies will be weighed against each other. The ethical decision-making protocol can include how the final course of action should be implemented if there are any reputational risks, legal implications or if there are possible risk controls affected by this decision.

Benefits of Ethical Decision-Making

The ACFE reports that having a strong ethical corporate culture can lead to increased profitability as consumer and stakeholder satisfaction would be fulfilled. It reduces commercial crime risks and risk exposure. There are many benefits that the trickle-down effect of a good ethical climate can produce for a company. By breeding a culture of honesty, integrity, and transparency the overall performance of the company will increase. The company culture directly affects the controls that management can put in place to mitigate risk. Using the standards of behaviour that are expected from employees a screening process can act as a crucial control to ensure that only employees who are ethically aligned with the vision of the company will be hired or retained.

In addition to aiding the mitigation of commercial crime, a strong and effective Code of Ethics will be able to avoid human resource complications if the Code is enforced successfully. A business with a healthy corporate culture tends to have less human resource risk as employees are expected to act in a certain way.

Supply chain issues are mitigated by utilising suppliers and dealing with companies who practice positive company culture and who focus on sustainability. To mitigate problems arising from suppliers, Due Diligence must be an integral part of any evaluation process, and the results must be ethically interpreted. Companies that supply goods tend to keep their workers satisfied as there have been clear correlations between the wellbeing and health of the worker and the productivity of the company.

If all persons in the company are subject to the Code of Ethics, the tone at the top sets the example for the rest of the workforce. But constant maintenance, inspection, and evaluation are what make a Code of Ethics effective. Constant consideration and moderation must be maintained for a company to be culturally aware. This awareness of itself will allow the company to identify risk, and to be critical of its processes.

Reputational Risk

When a company is exposed to reputational risk, there is usually a cause from scandals caused by a breach in ethics, or bribery and corruption. Deloitte reports that reputations can be tarnished if executives are forced to resign after employee misconduct was discovered, cyber-attacks that can result in data leaks and loss of consumer base information, fake news that isn't addressed as being fake news. Without having the point set straight using social media a company that is in the public eye will have many assumptions from both competitors and consumers on its activities and processes.

Reputational risk, being a top strategic business risk, when mismanaged can quickly escalate into a major strategic crisis as it could affect the supply chain, distribution, marketing, and even worker morale. The effect of a reputational risk event would result in the eventual loss of revenue and loss of brand value. This is usually when performance does not meet the expected expectations of a certain project or venture. If something has been promised on a public platform and it cannot be delivered it could result in major disasters, something companies who take high risks such as film studios and security services. These companies invest a large amount of capital into a project that does not always return investment as the consumer's expectations were not satisfied.

To manage Reputational Risk the company must take steps to facilitate a framework to manage the risk exposure and the actions that must be taken in the event of specific scenarios that includes protocols and policies that uphold the vision of the company. The company must make reputational risk, social media presence, and the public profile a high priority that is regularly addressed and evaluated for effectiveness. A change in the structure of the workforce, new software, or developments in the market can affect the reputational risk strategy that the company has put in place, and if consideration is not given to these changes a risk strategy will become obsolete.

In business, reported by clear risk, there must be standards. Good corporate governance controls tend to facilitate total compliance, this compliance will lead to transparency which will benefit the public perception of the company. If control processes to mitigate basic commercial crime risks such as asset misappropriation or financial statement fraud are sustainable and effective the reputation of the company is directly linked to the moral nature of the company and its activities. Using policies that regulate behaviour, activities, and reactions to events a business will be able to execute controls that safeguard not only its internal investments but be able to shield its reputation from any unwanted publicity.

Within a Reputational Risk Strategy, the company must be specific. If a commercial crime risk has come to pass, there must be relevant and precise responses laid out by management to act as guidelines. These guidelines must include contingency plans that aim to cause the least disruption to business activities. Consistent monitoring of the commercial crime risk controls in the company by higher-level management can facilitate the identification of reputational risks by eliminating unwanted and unethical actions, unethical suppliers, or malicious employees.

To have a proper goal, the company must never overestimate itself on trying to fulfil impossible expectations. By being realistic in terms of what is deliverable the company will be able to build up a reputation that is based on trust, integrity, and reliability. All key things that consumers and prospective buyers require in business relations, this is relevant as all business partnerships, relationships, and networks rely on a certain degree of trust. Prevent reports that conducting regular risk assessments, employee training, candidate screening, and consistent monitoring and survey helps reduce the exposure to reputational risks. Having a continuous stream of information that regulates not only productivity, but worker satisfaction and consumer responses will be a vital tool that allows a company to change and adapt certain factors that could cause a commercial crime incident.

How does company culture affect risks directly?

With the rise of social media, employers are in the public eye more than ever before. High-ranking executives may be in the news and the employees of those companies tend to take notice. If the top brass is not ethically inclined, the workers will be able to rationalise their actions to commit commercial crimes. Within

this lies the inherent risks that come from not conforming to a Code of Ethics, namely reputational risks and supply chain disruptions resulting from these actions.

If the reputation of the company promotes a healthy company culture, it will attract more talented and motivated candidates who will be able to perform better. By doing regular training seminars, team-building exercises, and having open communication channels the company will not only be able to build upon its existing company culture but be able to observe any employees who may pose a risk to the company.

Reporting is a useful tool that can boost the overall company culture. By doing regular surveys and evaluating the information that is gathered possible risks can be identified by doing continuous employee screening and supplier Due Diligence. This will aim to teach employees how to act ethically and to act in the best interest of the company. Sidekicker states that a healthy company culture provides all the employees of a company with the space to develop their skills which can be retained and refined by the company in time. This can be reported upon using empirical data such as production output and employee morale surveys with s scoring. By knowing why employees are not satisfied management can implement strategies, driven by the need for financial performance, that addresses the needs of the employee.

Employers who offer benefits to hard-working employees tend to see a return on their investments if the correct screening protocols are implemented. These benefits do not always have to be a direct monetary form as improvements to the comfort of the workplace can be considered.

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As stated before, whistle-blower policies that are in line with the Protected Disclosures Act 26 of 2000 are essential for the running of modern business. This can be seen in companies that have a sterling reputation and an appearance of healthy company culture. Human Capital Risks can surface through, among others, blackmail and harassment. Employees who do not wish to disrupt the pleasant company culture, or who wish to remain anonymous to either protect themselves or to keep themselves in their "comfort zone" can make use of whistle-blower policies to report the crime. Many victims of these crimes do not "wish to make a fuss" and would try to avoid conflict, thus would never have reported it directly to an HR manager.

Conclusion

Commercial crime risk is affected by various abstract entities that are difficult to define and prepare for. Each company will face unique risks in areas of ethics, corruption, and commercial crime risk exposure but there are principles available that guide emerging companies not only towards compliance but towards ethically inclined practices. To have a successful impact on the market and industry the company must be able to ensure that its reputation is not tarnished, this means facing external and internal threats that may arise from the poor implementation of internal controls. In business there are rarely situations where all parties are satisfied, these situations will always call on ethical actions that need to be performed to guide the decision-making processes. Without ethics, businesses would fall into chaos and anarchy.

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