

# Managing a corruption crisis



## **Business taking the lead on Ethical Behavior**

This e-manual has been developed as part of Make Trade's aid for trade work to promote business to take the lead on ethical behavior. The project draws on experience and expertise from Zambia, South Africa and Sweden to develop and implement a Business Code of Conduct on Ethics together with Zambia's Chamber of Commerce and Industry, ZACCI. The Swedish Foreign Ministry and Swedish International Aid Agency have supported the project financially.

This e-manual has been produced for Make Trade by Prolog Consulting, South Africa, which specializes in handling ethics and anti-corruption crises. The content of and views expressed in this e-manual belong to Prolog Consulting. If you would like to use or share this content, please acknowledge Prolog Consulting as the source of the material.

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**Contents**

Introduction..... 3

You know you’re in a crisis when:..... 4

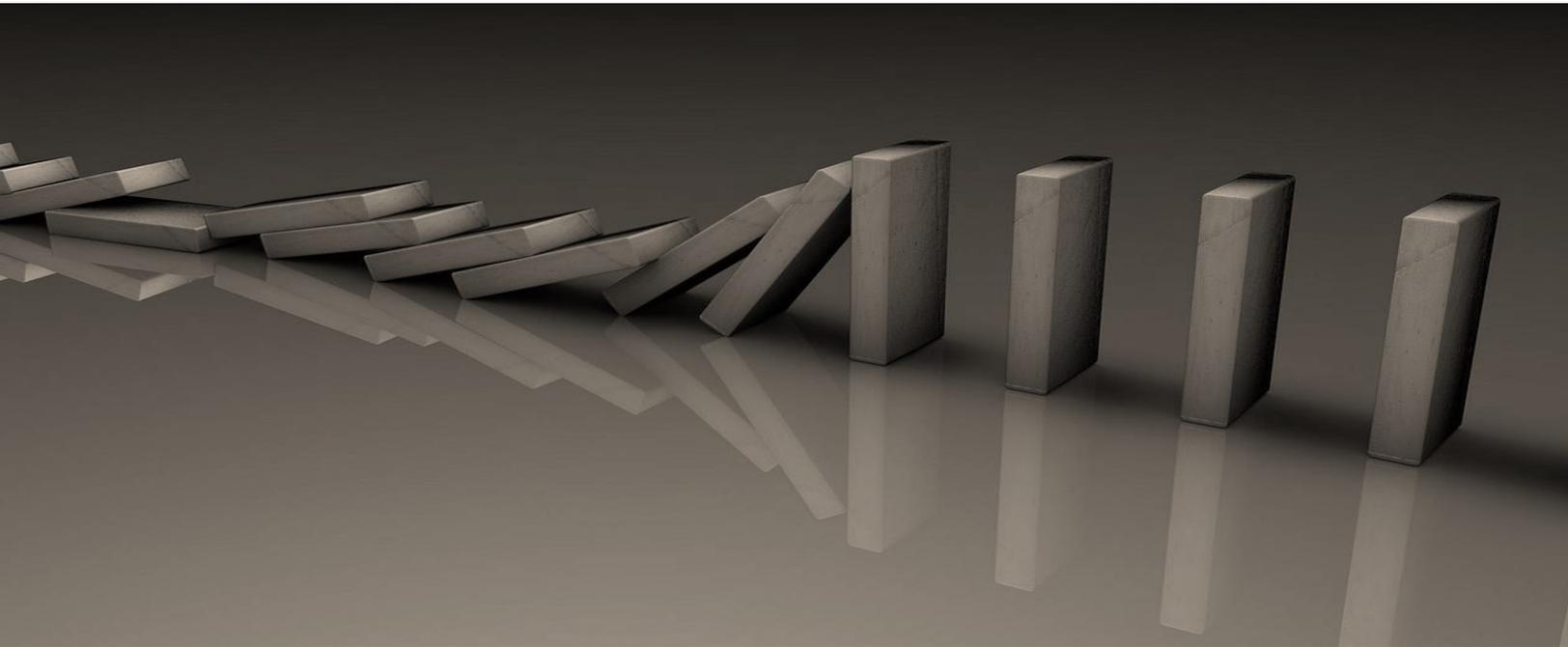
Getting the basics right..... 4

Pre-Crisis..... 4

What your stakeholders expect from you ..... 7

After the dust has settled ..... 7

Tactical Approach in summary..... 8



# MANAGING A CORRUPTION CRISIS

## Introduction

There are few corporate crises which can threaten the continued existence of a company as significantly as the discovery of corruption. Big or small, an individual or group, private sector or bribery of government officials, any of these can escalate into media headlines which will send customers, employees, shareholders and other stakeholders running for the hills.



The risk of falling foul of a corruption crisis is increased for companies operating in countries outside their home base, where the business environment, customs and politics may force a company to engage in corrupt or unethical business practices in order to compete. A corruption scandal not only affects your reputation in the country where it has been perpetrated, but it can also significantly damage your global reputation and erode trust.

The cost of being drawn into corruption, either inadvertently, through extortion, pressure, or willingly, through the actions of some executives or employees, is significant. In addition to fines by local and global regulators and law enforcement, which can run into billions of US dollars, a company also needs to take into account the cost of restitution and remediation, the loss of exceptional employees, and rebuilding a reputation.

In a world where shareholders, employees and customers are demanding greater accountability, and where corrupt actions are easily exposed through social media, data leaks, and global investigative journalism, it is imperative that a crisis is managed quickly, appropriately and responsibly.

The following manual provides a blueprint for managing such a crisis. Bear in mind, however, that every crisis is different, not only in terms of the nature of the corrupt act, but also the environment in which it takes place.

## You know you're in a crisis when:

1. You get a call from a journalist, asking questions
2. Your customer alerts you
3. Your employees alert you, either as a whistleblower or direct communication with leadership
4. Your own compliance processes identify an issue
5. Law enforcement agency in a country / region conducts a dawn raid
6. Law enforcement arrests current or former employees or business partners
7. Competition authorities alert you to an investigation, complaint or allegation
8. Social media rumours begin circulating.



## Getting the basics right

### Pre-Crisis

Some of the biggest global corruption crises were made worse because companies and teams were not prepared, trained or ready. To be prepared, it's recommended that once a year management and senior staff undergo crisis training, which should include simulations of the worst disasters and scandals that could occur and how to respond to them. This is over and above the regular training on understanding and implementing a company's internal crisis strategy and protocols.

Being prepared could very well mean the difference between a company's survival or its demise.

### How to prepare for a crisis

1. Anticipate potential corruption and governance issues, are they preventable?
2. Constantly evaluate your governance and compliance processes, including internal and third-party audits, enabling whistleblowing mechanisms, understanding where risks are in relation to specific markets and red flags
3. Anticipate what crises can occur – plan a response around each scenario
4. Identify, track and monitor internal and external triggers for crisis / scenarios

5. Identify and train an internal crisis team and provide them with regular training, scenario planning and simulations
6. Identify and train spokespersons
7. Identify external parties to support the team during crisis (forensic investigators, legal, financial, crisis communications consultants) and ensure you have their contacts
8. Develop buy-time / holding statements / fact sheets / key messages in anticipation of a crisis (these will need to be adjusted as the crisis unfolds)
9. Initiate a quick response group (e.g. WhatsApp group) which is only active once a crisis is in play.

## During a Corruption Crisis

Your stakeholders are going to judge you on how you respond to a corruption crisis. Although 'doing the right thing' may seem the obvious course of action, it is necessary to interrogate what 'the right thing' is against the backdrop of the company's sustainability, but also against the current local political and socio-economic environment.



1. Gather the facts and assemble the crisis team (on a conference call if needed, but do this immediately). Then institute a daily update call to discuss developments, media coverage and responses for customer/stakeholder/ employee/ media
2. Determine the level at which the crisis should be managed - CEO / Board / Global
3. Activate external teams, where needed (forensic and accounting investigators, legal counsel, crisis communications team, local expert)
4. Determine if the kernel issue can be resolved quickly. What mechanisms are required in order to demonstrate your commitment to resolving the matter responsibly (e.g. launch internal investigation, contact and commit to cooperating with authorities)
5. What corporate values will guide your response to the corruption crisis? Let this determine your position and tone
6. Map stakeholders - who is affected, how you will defuse detractors / opponents, identify risk level, develop solution and approach for each stakeholder
7. Map the external environment - attach your approach to the good guys
8. Who can support and endorse your position (activate credible third parties, where appropriate)

9. Constantly evaluate the legal vs reputational considerations and risks (there is often a conflict between what the legal team recommends a company communicates, and what is required to save a company's reputation)
10. Determine which stakeholders should be engaged proactively and which should be managed reactively
11. Determine how you will restore confidence, and make restitution - communicate these where appropriate
12. Don't deepen the crisis or turn it into a financial or sustainability issue by allowing it to overwhelm your business continuity. Make sure it's business as usual.

### Managing the media in a crisis

1. The first 24 hours are critical: on becoming aware of issue, communicate this and promise to update once next steps or new facts become clear. Allow time to gather crisis team, establish facts and define way forward
2. Always provide media with a response, even if it is to ask for time to gather the facts. No comment = guilt
3. Facts only, don't lie, don't speculate
4. Own the news (traditional and social), don't let speculation or unfriendly external comment lead the story
5. Be transparent - provide media with frequent updates (where appropriate)
6. Monitor media coverage and challenge or correct them when they get it wrong
7. Direct media towards third party supporters for endorsement, where appropriate
8. Ensure you are managing the crisis across media channels, including broadcast TV and radio, print, online and social media.

### Collateral required

1. Key messaging template for all stakeholders
2. Holding statement for media
3. Customer letter
4. Employee letter
5. Fact sheet
6. Q&A



## What your stakeholders expect from you

Questions you will be asked	Actions that will demonstrate your commitment to doing the right thing
<b><i>What happened? Did your actions reflect an appropriate response?</i></b>	Internal / external Investigation Self-reporting to authorities Cooperating with authorities (connect the dots) Suspensions, disciplinary hearings & dismissals (without compensation) Civil and criminal charges Terminate relationships with corrupt parties
<b><i>How will you ensure this never happens again?</i></b>	Strengthening internal compliance processes Audits Anti-corruption pledges, training, declarations Whistleblowing mechanisms
<b><i>How will you make it right?</i></b>	Apologise (this may be the first thing you do) Pay back the money? Invest in community education / anti-corruption / etc (ensure this is evaluated by a local content team / expert for appropriateness) Deploy a 'grand gesture' – e.g. an action that goes above and beyond what is expected to demonstrate the true scale of a company's commitment to doing the right thing.

## After the dust has settled

1. Debrief team and executives
2. Evaluate crisis protocol, update where necessary
3. Save all final documents
4. Update database of external support (legal, law enforcement, crisis communications, etc)
5. Update media and stakeholder database, flag any issues that occurred during crisis
6. Contract an external reputation management company to survey stakeholders (where appropriate) in respect of their current perceptions – and then address and manage the outcomes
7. Thank employees for their resilience and loyalty, reaffirm your plan for ensuring this does not happen again
8. Thank customers, where appropriate, for their loyalty, reaffirm your plan for ensuring this does not happen again
9. Thank external third parties / experts / supporters / public



10. Develop a plan for mending relationships that might have broken down (government relations, stakeholder relations, employee engagement, etc)
11. During the crisis you may have shared a vision or promise. Develop a plan where you consistently communicate delivery against that promise. This rebuilds trust.

## Tactical Approach in summary

### 1. Buy time: the first hour / 24 hours

- a. On becoming aware of issue, communicate this and promise to update once next steps or new facts become clear
- b. Allows time to gather crisis team, establish facts and define way forward

### 2. Define way forward

- a. Are you going to initiate an internal investigation, disciplinary process, press charges, cooperate with or alert authorities, terminate contracts, etc?

### 3. Communicate regularly

- a. Outline the process
- b. Share facts, where appropriate
- c. Define and frame messaging for key stakeholders i.e. employees, customers, media, etc.

### 4. Restore confidence

- a. Apologise, where appropriate
- b. Share mitigation strategy to ensure it can't happen again
- c. Demonstrate how the company will rectify the matter (restitution, strengthening governance procedures, integrity pledge, whistleblower mechanism etc.)
- d. Grand gesture?



## About Prolog Consulting

Prolog Consulting is a South African issues, risk and crisis management consulting firm. The company has over 40 years combined experience in helping companies navigate the most difficult issues and crises. Our experience spans a vast number of industries and organisations across both private and public sectors, as well as civil society. We have advised clients facing complex and often existential challenges, including corruption, anti-competitive behaviour, regulatory and policy issues, collapsing infrastructure and industrial action. We provide counsel based on our understanding of the commercial, political and socio-economic landscape in which our clients operate. Find out more about us – [www.prologconsulting.co.za](http://www.prologconsulting.co.za)



## About Make Trade

Make Trade is a Swedish non for profit organisation which provides leadership on trade and development. Since 2011 we have enabled sustainable trade and investment, capacitated more women in international business, promoted trade not aid by strengthening the private sector in developing countries, and much more. Find out more about us - [www.maketrade.se](http://www.maketrade.se)



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“It can take 20 years to build  
a reputation and only five  
minutes to ruin it.”

*Warren Buffett*

