

# Being clear on transparency

31 October 2018

**How and why does corruption occur in our industry? What can we do to prevent it? Kathryn Higgs, Director of Business Integrity at Transparency International, offers some insights**

---

In its absolute worst form, corruption in the construction industry can lead to death. You only have to look at the 1999 Izmit earthquake in Turkey, in which more than 17,000 people lost their lives, for an example. Many of the buildings that were damaged in the earthquake – causing these fatalities and catastrophic injuries among the survivors – were not up to code, and bribes had in fact been paid to get them signed off as compliant.

The [2011 edition of Transparency International's Bribe Payers Index](#) found public works contracts and construction comprised the area most likely to experience all three types of bribery – grand, petty and political (Table 1). In the absence of an updated report, we can't point to specific data to say this is still the case; but the industry is certainly still at an extremely high risk of corruption.

Whatever form corruption takes, people suffer. In developing countries, if a company wins a contract through bribery there's a good chance that money that could have been spent on the project itself or the community where it's being built is being funnelled to corrupt individuals.

This results in communities losing out leaving them hungry, poorly educated and with limited access to healthcare, education and basic entitlements. In countries such as the UK, corruption is perhaps more subtle. There are, of course, cases of cash payments or preferential treatment, but on the whole corruption means an unlevel playing field in the industry. Small and medium-sized enterprises (SMEs) that are trying to earn an honest living as contractors or suppliers can often miss out on jobs and income due to unethical practices, for instance.

Type of corruption	Definition
<b>Grand</b>	Acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good
<b>Petty</b>	Everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who are often trying to access basic goods or services in places such as hospitals, schools, police departments and other agencies
<b>Political</b>	A manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision-makers, who abuse their position to sustain their power, status and wealth

Source: Transparency International

**Table 1: How do you define corruption?**

From the most basic level of looking for a contractor to work on your home up to bigger construction projects, including international ones, trust is incredibly important. One stumbling block is often the fact that there are countries around the world where relationships are valued more highly than others. For example, in certain African cultures, helping family and friends to get employment or to win a contract is seen as a positive. In these areas, it can be challenging to explain that you also need to impose a framework of business ethics on such relationships. International construction and infrastructure projects are also influenced by the fact that different countries and companies have different tolerances for engaging in practices that others would consider to be bribery or unethical conduct. This can make operating on a level playing field difficult. Sometimes, a firm can find itself competing for a contract with one from another country that is willing to cut corners, cross lines and do things unethically. This puts pressure on businesses to compete in a market where the standards differ.

*Whatever form corruption takes, people suffer*

The regular interaction between the construction industry and government officials also increases corruption risk, and so does the fact that the industry often works with related industries in high-risk environments such as mining or resources including oil and gas.

## Transparency International

As a global movement, Transparency International's mission is to achieve a world in which politics, business, civil society and the daily lives of people are free of corruption. We have chapters in more than 100 countries, and in each of these we engage in activity to improve corruption standards.

In 1995 we launched the Corruption Perceptions Index, and each year we use this to score countries on how corrupt their public sectors are seen to be, capturing the views of analysts, business people and experts around the world. The index has widely been credited with putting the issue of corruption on the international policy agenda. The latest report, [Corruption Perceptions Index 2017](#), highlighted that the majority of countries are making little or no progress in ending corruption.

Of the 180 countries ranked, more than two-thirds of countries scored below 50, with an average score of 43. The scale runs from 0 to 100, where 0 is highly corrupt and 100 is very clean.

*Construction companies have 2 main duties when it comes to opposing corruption: sharing experiences and being courageous*

In terms of the construction industry, we focus on changing the environment in which firms operate so they're less likely to be put in the uncomfortable position of being asked to participate in corrupt activity. We seek organisations with the right cultural attitude and the will to tackle corruption so we can work with them. For example, in the UK we run a [Business Integrity Forum](#), through which we engage with member companies to help them better understand the risks they face and how their programme benchmarks against others. We provide them with guidance, and an opportunity to talk to peers and other companies operating in the global economy about how to manage risk.

We also offer country risk seminars focusing on countries of concern, and invite members to discuss these at round-tables. For example, if you want to know about the risks in South East Asia, member companies will share their experiences at the relevant forum alongside experts from Transparency International and other risk advisors. Much of our work focuses on general campaigning to change the public's view of what is expected of companies, so investors and clients will have higher expectations and ultimately drive change.

## **What can companies do?**

Construction companies have two main duties when it comes to opposing corruption: sharing experiences and being courageous.

Sharing experiences means collaborating to develop a common understanding of risks. This involves talking about scams that professionals have experienced and how these have operated, and looking at corruption from the point of view of the industry as a whole rather than just the interests of your own business.

There are cases in which an individual will be employed in one organisation and be identified as doing the wrong thing. While they will be moved on from the organisation, details of their behaviour won't be shared, which puts them in a position to do the same at their next workplace. This can continue, and even though they may eventually not be hired by a top-tier organisation they'll still be active in the industry and causing trouble at another level.

*Larger companies need to set an example that supports the smaller, less well-resourced construction players, initiating a trickle-down effect*

Being courageous often means taking what seems at the time to be the more difficult route, but this will ultimately result in better outcomes. If someone in your organisation does the wrong thing and you want them to leave, the easy way is often just to let them quit or compromise them out, usually by giving them a severance payment in return for which they agree not to go to a tribunal. In fact, the best action to take is to terminate them: this provides more transparency and allows you as a company to have control over the narrative.

It also means that you will conduct a disciplinary. A firm that conducts a disciplinary for every employee who leaves – whether they resign or have their contract terminated – sets a great example, because it means there is always a record, whether it finds in favour of or against the behaviour of the individual in question.

This kind of bravery is incredibly important. It may be tempting to take the easier, quicker option, but there's a good risk then that someone you let go will find a job with one of your suppliers, someone with whom they've built a relationship, and end up working with you again. In effect, you could then be the victim, so you're not helping others or yourself by letting this employee out into the wider construction community.

Larger, more established companies must take the lead on this, as it's harder for SMEs to do so given that they suffer from the tight margins in the sector. Larger companies need to set an example that supports the smaller, less well-resourced construction players, initiating a trickle-down effect.

## **What can individuals do?**

Individuals at a leadership level need to talk about what matters. You can't lead by example silently, you have to bring issues out into the light. Individuals at any level should be vigilant and pay attention to risks. Construction is an industry that is very good at thinking about risk – a lot of attention is paid to health and safety risks, and the same should be the case when it comes to corruption and integrity.

Assume nothing – if something doesn't look right then speak up, be thorough, conduct risk assessments, and think through the dangers and how they can be mitigated. Carry out risk assessments at the earliest stage when entering into a project, and then decide how to proceed with the project in light of your findings. Once the project is in progress, maintain constant vigilance.

*It's up to us, as a dedicated, ethical majority, to effect change in the industry*

If you see something, don't assume someone else is going to speak up. If you put your head in the sand, the problem doesn't go away, it gets worse. If you see things that aren't right, raise them with someone in your organisation you trust who can help you to address them.

In situations where you may have concerns about speaking up – for example if money laundering is involved – the best option is to raise your concerns elsewhere in your organisation rather than with the individual you believe is involved. Escalate it to someone senior in a legal, financial or risk role – depending on the size of your organisation, this could be the chief compliance officer, head of risk, head of legal, chief financial officer or chief executive officer. Also, where a company has a

whistleblowing channel, you can raise it through that.

## **Passionate and professional**

My experience of working in the construction industry as the former Head of Ethics and Compliance at Balfour Beatty is that the stereotypes of the sector being corrupt aren't fair. There are a huge number of professional individuals who are expected to conduct their work to a certain standard, and who care very passionately about the fact that they are building important infrastructure, providing services that communities need and creating legacies.

These individuals would be incredibly disappointed if their hard work were undermined by corrupt conduct that led to harm. I have conducted a lot of training and given a lot of advice in the industry, and construction professionals have been easier to convince about the merits of doing business ethically than other industries with which I've worked.

Unfortunately, it's the minority of corrupt individuals who are letting us down. It's up to us, as a dedicated, ethical majority, to effect change in the industry. Whatever your role, you can speak out. Don't assume; be vigilant, anticipate and evaluate risk, and contact us if you have any concerns. Let's work together to help ourselves and the industry as a whole to eliminate corruption.

**Kathryn Higgs is Director of Business Integrity, [Transparency International](#)**

## **Further information**

- Related competencies include [Ethics, Rules of Conduct and professionalism](#) [previously Conduct rules, ethics and professional practice]
- This feature is taken from the [RICS Construction journal](#) (November/December 2018)
- Related categories: [Ethics and professional conduct](#)