TRANSPARENCY INTERNATIONAL SVERIGE

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Business Integrity across the Baltic Sea: A needs assessment for effective business integrity in Lithuania and Sweden

This assessment is part of the project ”Together towards integrity: Building partnerships for sustainable future in the Baltic Sea region” and has been conducted by financial support from the Swedish Institute.

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Transparency International Sweden (TI Sweden) conducts broad awareness raising efforts to inform decision-makers and the public about the harmful effects of corruption. TI Sweden works for greater transparency, integrity and accountability in both public and private sectors.

”The abuse of entrusted power for private gain”.

Transparency International Sweden (TI Sweden) is an independent non-for-profit organisation that, together with a hundred national chapters worldwide, is part of the global coalition Transparency International.

Transparency International (TI), founded in 1993 and based in Berlin, has come to be acknowledged in the international arena as the leading organisation combating corruption in all its forms.

TABLE OF CONTENT

INTRODUCTION 6

- Background 6
- What is corruption? 6
- The role of business integrity 6
- What is effective business integrity? 7
- How was the needs assessment conducted? 8
- Corruption and business integrity in Lithuania and Sweden 9

FINDINGS 12

- Private sector efforts 13
- Smaller companies have a long(er) way to go 14
- Tone from the top still matters 15
- Lithuania: a new generation 17
- Engagement and networking with peers 20
- Public sector efforts 21
- Civil society efforts 24
- About the resource persons 25

CONCLUSIONS 28

TRENDS AND FUTURE NEEDS 30

RECOMMENDATIONS 34

- A three-pronged approach 34

RESOURCE PERSONS 36

USEFUL RESOURCES 37

FOREWORD

Corruption knows no boundaries. In an interconnected world and economy tackling corruption and its negative effects cannot be successful without concerted and sustained engagement together by the public sector, the business community, civil society and, of course, by citizens, within and between countries. Business integrity is important in this regard, as companies interact with all sectors of society locally and internationally. Recent examples in the region show that both the private and public sector need to improve and focus more on prevention in a systematic way.

We hope that this needs assessment will be a constructive contribution to the work being done by stakeholders in the Baltic Sea region. We thank the Swedish Institute for its support, and for the assistance from our partners in this project, Transparency International Lithuania and Transparency International Russia.

Stockholm in September 2020

Ulrik Åshuvud
Chair
Transparency International Sweden

INTRODUCTION

BACKGROUND

Transparency International Sweden has, together with Transparency International Lithuania and Transparency International Russia[1], during the autumn of 2018 – mid-2020 implemented a project on how to promote sustainable integrity practices and increase transparency of businesses in Sweden, Lithuania and Russia by strengthening regional networks and knowledge-sharing, through the project ”Together Towards Integrity: Building Partnerships for Sustainable Future in the Baltic Sea Region”. The project has been funded by the Swedish Institute as part of its Baltic Sea cooperation programme.

The main objective for TI Sweden has been to contribute to an effective business integrity in the Baltic Sea region, by undertaking a needs assessment that maps the current business integrity climate in the Baltic Sea Region but also identify potential challenges in achieving an effective business integrity.

Moreover, the needs assessment has contributed to strengthened existing networks and the creation of new valuable relationships for TI Sweden with counterparts in the private and public sector as well as civil society– in Sweden, Lithuania and Russia.

WHAT IS CORRUPTION?

There is not one globally recognised definition of corruption, however Transparency International’s definition has gained international acknowledgement and is frequently used:

”The abuse of entrusted power for private gain”.

The definition comprises not only monetary transaction, such as bribes, embezzlement or fraud, but also non-monetary irregularities such as what is considered by many as ”friendship corruption” – when decision-making processes in recruitment, procurement or obtaining licenses are based on subjective preferences rather than objective and transparent procedures.

THE ROLE OF BUSINESS INTEGRITY

Companies are often seen as suppliers of corrupt behaviour, in order to gain undue advantages. However, companies can also suffer from weak governance and lack of integrity by corrupt public officials or other businesses.

[1] The three organisations are the national chapters of the globally recognised and acknowledged anti-corruption network Transparency International (TI). Transparency International aims at reducing corruption at all levels in all sectors in society.

Thus, preventing corruption in and from the private sector requires that both perspectives are accounted for: the demand side (the public sector) but also the supply side (the businesses).

In other words, the environment that is set by the public sector for companies to do business and the public sector's interactions with the business sector as well as businesses' own responsibility to act with integrity.

Despite some progress in the anti-corruption legislation, further work is needed. Lack of resources in the relevant public institutions, a legislation that is reactive rather than proactive, and limited corporate liability together contribute to enforcement that is lagging behind.

Many private companies are however increasingly understanding that they - in order to achieve longevity - must undertake continuous efforts to ensure effective corruption risk management.

Moreover, there is clear evidence [2] that a healthy business climate contributes to commercial success. Not only does corruption negatively affect a country's institutional quality, but it also undermines competitiveness and entrepreneurship, decreases foreign investments and hampers trade opportunities.

This in turn leads to lower company performance, less productivity and – in the end – less profit.

WHAT IS EFFECTIVE BUSINESS INTEGRITY?

In the context of this project, the following definition of ”business integrity” has been used:

”Conducting business in a manner that avoids bribery and other corrupt acts that undermine the operation of and public confidence in the marketplace.”

(Transparency International, Conceptual Framework for a BICA, 2016)

”Effective business integrity” has been defined as:

”Existing policies, laws or regulations as well as practices in preventing, reducing and responding to corruption.”

(Transparency International, Conceptual Framework for a BICA: Indicators, 2016)

Transparency International states in its Business Principles for Countering Bribery that ”companies should develop and implement an anti-bribery programme as an expression of broader ethical values and corporate responsibility”.

Such a programme must focus on effective risk management by being aware of the specific context the company operates in. Not only does an effective business integrity programme help mitigate the corruption risk, but it also strengthens reputation, builds the respect of employees, raises credibility with key stakeholders and supports an enterprise's commitment to honest and responsible behaviour.'

2 By for example the U4 Anti-Corruption Research Institute and OSCE – Organisation for Security and Co-operation in Europe

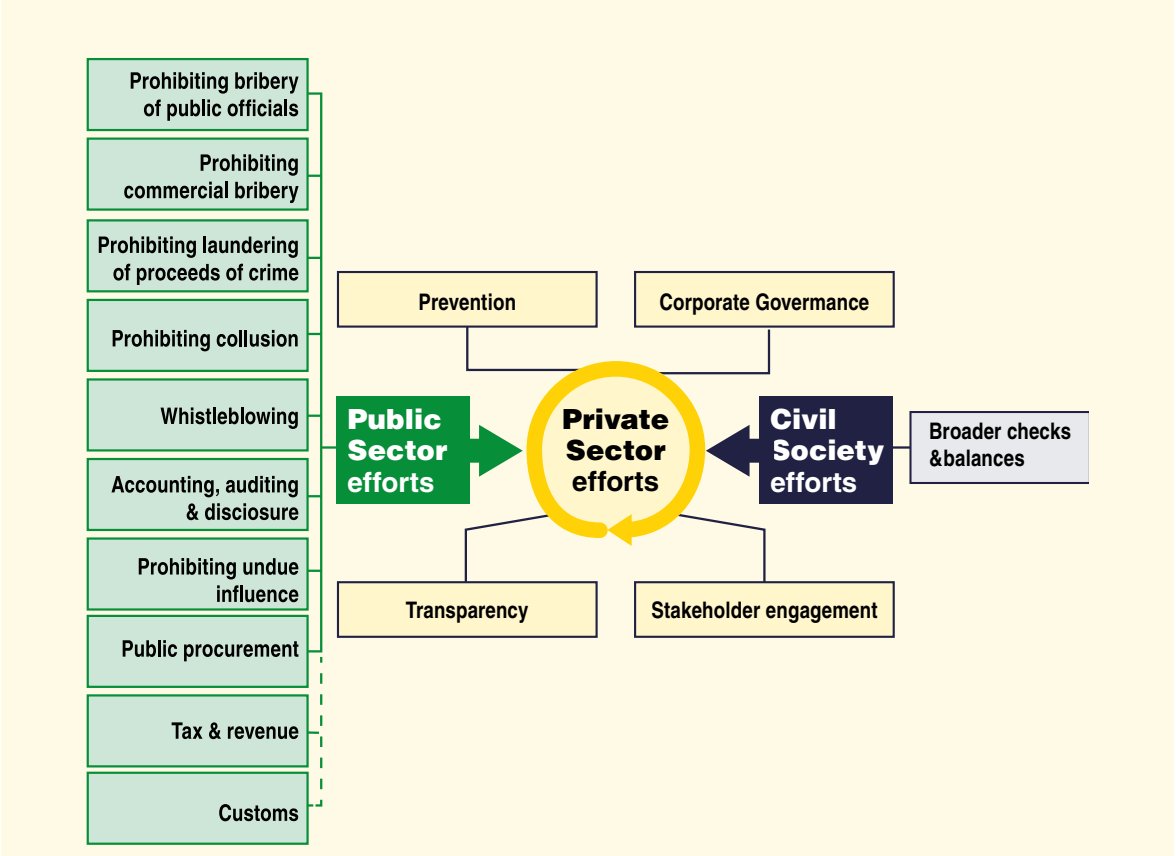


Figure 1: BICA Assessment Framework (Source: Transparency International)

HOW WAS THE NEEDS ASSESSMENT CONDUCTED?

The needs assessment has primarily focused on identifying challenges, but also highlighting good examples, in achieving effective business integrity.

Based on Transparency International's Business Integrity Country Assessment (BICA) approach, developed in 2016, this assessment follows the framework pictured above.

Prevention and detection of corruption in the private sector require participation of not only businesses themselves, but also government and civil society organisations (Transparency International, Collective Action on Business Integrity, 2018).

As the basis for the assessment, TI Sweden conducted an online-based survey in the autumn of 2019, that was supplemented by in-depth interviews and desk research on the subject matter. The survey was composed of quantitative and qualitative questions with the aim to capture weak areas in business integrity. The survey was circulated to representatives of companies, business associations and academic institutions in Sweden and Lithuania. In-depth interviews were held both in Sweden and Lithuania with representatives from all three target groups.

Reservations and limitations: The resource persons in the needs assessment (respondents in the survey as well as the interviewees) were all asked to express their personal opinion or perception of a certain issue, rather than explicit experience from their respective companies. Secondly, the Baltic Sea Region comprises a number of diverse countries with different business climates. Generalising to the whole region is a difficult task and this survey only gives a snapshot of perception of the state of affairs – with emphasis on Sweden and Lithuania.

CORRUPTION AND BUSINESS INTEGRITY IN LITHUANIA AND SWEDEN

Lithuania

Lithuania is considered [3] to be a country that offers good conditions for doing responsible business and is ranked as 39th, out of 140 countries, in World Economic Forum's Global Competitiveness Index (2019) that assess the ability of countries to provide high levels of prosperity.

Although Estonia is perceived as the best place to do business in the Baltics, Lithuania is the country that shows the strongest improvement and a third of Lithuanian businesses themselves believe that corruption is decreasing. However, corruption in the public sector is perceived by Transparency International's Corruptions Index to be rather stable with little improvement the past years. In addition, forty percent still say they have encountered corruption while doing business in Lithuania. (Business Sweden, Business Climate Survey, 2018)

The OECD Working Group on Bribery has 2017 commended Lithuania for taking significant steps to strengthen its legislative framework to combat foreign bribery and to raise awareness of the foreign bribery offences. Transparency International's report Exporting Corruption from 2018 echoes that Lithuania's anti-bribery laws have been strengthened.

However, political corruption is considered to hamper development of the country and, despite some efforts (Transparency International Lithuania, Transparency in Corporate Reporting, 2019), increased transparency in both the public and private sector is needed. Close to forty percent of respondents in a foreign investors study have highlighted the need for increased transparency (Investors' Forum. Investor Confidence Index for Lithuania, 2018).

Although a comprehensive anti-corruption legislation is in place, enforcement is still lagging behind. The OECD Working Group on Bribery (2017) found that further efforts are needed to ensure effective enforcement of the anti-bribery laws. The European Commission has in its EU Anti-Corruption Report from 2014 recommended Lithuania to prioritise prosecution of larger corruption cases and to develop prevention tools to detect corruption in procurement, focusing on the local level and the healthcare sector.

Lithuania adopted a whistleblower protection legislation early 2019, but its effectiveness remains to be seen as many [4] are not yet aware of the law.

Despite the fact that only 15 percent of business people see corruption as a

[3] By for example Business Sweden's Climate Survey.

[4] A significant number of Lithuanian resource persons in this assessment were not aware of the whistleblower legislation.

problem while doing business in Lithuania, 37 percent think corruption is widespread. The most common form of corruption is favouring friends or family members in public institutions. One in five says that corruption has prevented them from winning a tender in public procurement. (European Commission, Flash Eurobarometer 482, 2019)

A national e-procurement system has been implemented, and an overwhelming majority of the public bids are now conducted electronically (US Department of State: Investment Climate Statement: Lithuania, 2019). However, more resources are needed as the Public Procurement Office, only has the capacity to thoroughly evaluate 3.4 percent of high-value public procurement (Transparency International, Clean contracting at work: an example from Vilnius, 2017).

Further efforts are also, according to the OECD Working Group on Bribery (2017), needed to raise awareness among government agencies working with state owned enterprises (SOEs) and small and medium-sized enterprises (SMEs). Especially SMEs can be vulnerable to corruption and have reported the need to make facilitation payments in order to obtain permits (US Department of State: Investment Climate Statement: Lithuania, 2019).

Sweden

Corruption is not considered a significant obstacle to doing business in Sweden and the country is ranked as one of the top ten countries in the latest Global Competiveness Report by the World Economic Forum (2019), although recent developments show that Swedish businesses in complex markets need to strengthen their business integrity and corruption risk awareness.

Businesses express confidence in the judiciary that is considered to be independent and impartial (World Economic Forum, Global Competiveness Report, 2019).

However, anti-bribery legislation and its enforcement has been lagging behind. This has resulted in frequent criticism from among others the OECD Working Group on Bribery (2017) and the European Commission (European Commission, EU Anti-Corruption Report, 2014). Little progress has been made until recently when corporate liability was strengthened by increasing the maximum related fine for companies engaged in international bribery from 10 MSEK[5] to 500 MSEK. Recent improvements have also been made in the protection of whistleblowers in the private sector[6] and negligent financing of corruption.

Municipal-level procurement is by businesses and Transparency International Sweden identified as one of the country's main corruption risks. One-third of surveyed Swedish managers believe that corruption, favouritism (conflict of interest) and weak auditing hamper competition (Europe-

5 The OECD Working Group on Bribery considered this to be "inadequate, given the size of the Swedish economy, sectors of business activity, and trade and investment partners".

6 A law which came into effect in 2017 prohibits companies from retaliating against whistleblowers in any way, and requires employers to set up internal mechanisms for whistleblowing.

an Commission, EU Anti-Corruption Report, 2014). On the other hand, less than one in ten citizens expressed full confidence in the businesses' executive management in a survey carried out by Transparency International Sweden (Transparency International Sweden, Hur ser svenskar på corruption?, 2016)[7].

In late 2019, the Swedish Government announced that a national action plan against corruption will be developed. The intention from the government is that it will, at least initially, focus on the public sector. Transparency International Sweden has recommended that the strategy should also include businesses and the private sector in order to ensure a comprehensive approach for countering corruption[8].

7 Fifteen percent of the respondents believed that almost all or all of business executives are corrupt.

8 TI Sweden's press release (in Swedish): https://transparency-se.s3.amazonaws.com/uploads/attachment/media/432/TI_Sverige_Pressmeddelande_Nationell_handlingsplan_mot_korruption_9_dec_2019.pdf

FINDINGS

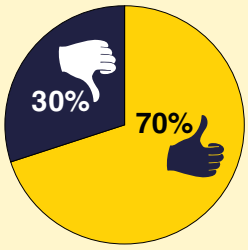
The findings are derived from the collections of replies from respondents in the survey and resource persons in the in-depth interviews and meetings. The percentages showed in this section pertain quantitative data from the survey and does not include the qualitative responses from resource persons in the depth-interviews or meetings. Nevertheless, the quantitative data is accentuated by findings from in-depth interviews and meetings.

The findings are presented to follow the aforementioned BICA framework, pictured on page 8, described below in Table 1.

Private sector efforts	Public sector efforts	Civil society efforts
Assessment of the private sector efforts in preventing, reducing and responding to corruption in the private sector	*Assessment of a country's laws and practices in preventing, reducing and responding to corruption in the private sector*	*Assessment of the civil society efforts in preventing, reducing and responding to corruption in the private sector*
• Prevention and corporate governance: Adherences of applicable legislation, regulations and standards • Transparency: Public disclosure of information • Stakeholder engagement: Partnerships/Relations and interactions	• Laws and regulations • Capacity for compliance (enforcement and deterrence)	• Broader checks and balances – Independent media – Civil society engagement in and monitoring of business integrity

Table 1: The sectorial cornerstones in the BICA framework.

PRIVATE SECTOR EFFORTS



Prevention and corporate governance

Seventy percent of the respondents in the survey stated that they believe that companies in the Baltic Sea region have effective integrity programmes in place. However, the consensus, echoed by the in-depth interviews, was that this is restricted to large, mainly international companies.

Resource persons from Lithuania almost unanimously stated that effective business integrity programmes are solely a priority among international or foreign capital companies or company groups – with a predominance of Nordic companies.

Nevertheless, some development is visible. Local capital companies with foreign ownership are required or requested to follow general policies of the international group. Practices from international businesses are influencing local counterparts, thus expectations from customers, clients and employees on local companies to also act with integrity and responsibility are raised.

> *"Pressure from international companies pushed us to change our attitude!"*

In addition to international pressure, one could also add international corruption scandals to the contributing factors.

> *"Honestly, big mistakes abroad influenced our behaviour and action."*

As for what sectors that face the most difficulties, the resource persons - from Sweden and Lithuania alike - highlighted the construction sector. The healthcare and pharmaceutical sector was also brought up by Lithuanian resource persons.

SMALLER COMPANIES HAVE A LONG(ER) WAY TO GO

Respondents and interviewees alike, regardless of country context, expressed a concern about the maturity of business integrity among small and medium-sized companies (SMEs). Not only did many perceive that SMEs are to a large extent lacking any kind of business integrity programmes, they also highlighted the lack of interest and incentives among SMEs for working with business integrity. This derives, according to the resource persons, most probably from lack of resources or a higher risk appetite, indicating a low degree of interest for business integrity from the management.

Knowledge-transfer with larger companies as educators, coupled with support from relevant public sector authorities was suggested as ways for SMEs to reach a higher level of business integrity maturity.

This is supported by OSCE's Best-Practice Guide for a Positive Business and Investment Climate (2004), in which corruption, together with lack of SME support infrastructure, is ranked as one of the key barriers to SME development.

> *"Many SMEs simply copy large companies´ business integrity programmes, not taking into account their own local context or applicable legislation."*

Many expressed a concern that integrity programmes – still - are a paper product and evidence of the impact is lacking. Despite the fact that ninety percent replied that the Board of Directors generally are actively engaged in the oversight of the companies' business integrity programme it was highlighted that they, and the executive management, need to fully grasp the consequences of the lack of business integrity – not only in direct costs, but also loss of productivity and loss of qualified personnel.

The impact depends, according to the resource persons, whether the management pays enough attention to the issue not only "on paper" but also "in practice" - by visible commitment to a systematic and comprehensive programme coupled with allocated adequate resources.

TONE FROM THE TOP STILL MATTERS

> *There are two kinds of companies. Those that are aware of their problems and those who not yet are aware of them. Companies that don't have a problem don't exist.*

A noticeable number of comments in the survey and many interviewees who repeatedly came back to the same issue highlighted the importance of the "tone from the top".

> *The public sector is responsible for enforcement, but companies are responsible for compliance. The pressure is equal.*

However, many indicated that the executive management and the Board of Directors do not fully comprehend the importance of an organisational culture based on ethical values and responsible business.

Many managers or board members lack, according to the resource persons, knowledge of the corruption risks that might occur in the daily operations. A need for "management by walking the floor" and local presence was desired.

> *The managers or the Board need to be given information about the risks for corruption and to understand that the risks not only pertain to bribes. Don't take it for granted that they know this. But, when they do understand, the resources will come.*

Moreover, concern was raised on the ethical behaviour of the management itself. If the management are infected by corrupt behaviour, what are the incentives from lower-level staff to not join in?

This is confirmed by a survey on business ethics in the Nordics in which 88,9% of the respondents agreed that it is very important or important to them that leaders and other employees play by the same rules. The same study concluded that 79% of top management think that leaders and employees always play by the same rules, while only 38-48% of employees agree. (Nordic Business Ethics, Nordic Business Ethics Survey, 2019)

Some situations might challenge companies to conduct their operations with integrity. When faced with winning an important contract, obtaining permission to open a new business or renewing an operating license external factors might influence decision-making and actions. (Transparency International, Collective action on business integrity, 2018)

A majority, 95%, of the respondents in the survey said that policies and guidelines (such as Code of Conduct for Board/Management/Employees and Policy for Conflict of Interest) are in place. However only 15% believe that such policies are the most important for effective business integrity.

> *"The policies are there, but the human element is lacking."*

> *"The guidelines are not guiding to the ability to understand and proaction – but rather re-action."*

> *"It's not about rules and theories, it's about behavioural science. We need psychologists with an audit degree."*

Instead, training, information and communication (such as e-learning and internal reporting on investigations and its results/consequences) were considered as the most important tools for effective business integrity.

Many requested a greater focus on continuous and recurring training and dialogue, while training in many companies is seen as a "one-off" occurrence.

Though 3 out of 4 respondents in the survey believe that routines for prevention and detection, such as risk management, internal control and audit, are in place, only one fourth see them as the most important tool for effective business integrity.

Transparency International states in Transparency in Corporate Reporting (2014) that global companies have not only legal but also ethical obligations to conduct responsible business. One vital aspect in this is ongoing management of corruption risks.

Furthermore, many raised the importance of an ethical organisational culture coupled with behavioural change. This is in line with EY's Global Fraud Survey from 2018 that raise the importance of improving the effectiveness of business integrity programs by increased awareness and a culture of integrity.

> *"We should be focusing on ethics, rather than compliance."*

The Lithuanian resource persons noted that there is nevertheless a growing change in the Lithuanian business context when it comes to behaviour to and perception of ethics.

However, the changes might be related to a general transition in the Lithuanian society and is initially more visible in large, mainly international, companies.

LITHUANIA: A NEW GENERATION

Many of the Lithuanian resource persons in the assessment voiced the need to include young people in decision-making processes in the private as well as the public sector.

It was perceived that younger people have a higher level of integrity and increased awareness of responsible actions, thus putting pressure on both elected decision-makers and business executives to behave ethically and act with responsibility. In addition, many noted the history and proximity with Russia as an additional deterrent for further development, and concluded that due to this it is even more important to bring in a new generation of Lithuanians. By doing so, it would force a positive change in the market.

> *Society, especially the young, is getting more conscious of companies' footprints, whether it is environmental or ethical. You can't afford to lose the trust in this segment.*

> *Young people want to change the world, but they need to be let in to the world of decision-making.*

> *We need to combine the young generation with integrity and the older generation with experience.*

However, a global study finds that young people are more likely to justify fraud or corruption to meet financial targets or help a business to survive an economic downturn (EY, Global Fraud Survey, 2018). This could perhaps be explained by the fact that the fraud study included replies from young employees, i.e. people who already are active in a business context.

Only 5 percent in the survey believed that routines for reporting misconduct was the most important tool for business integrity. In addition, only 65% believed that companies in general have reporting channels in place.

Although more than half of the respondents in the survey believed that a majority of large or international companies have reporting channels in place, they were cautious as to the effectiveness of such mechanisms. Many noted the lack of anonymity (or lack of trust that the channel will be safe and ensure protection), the use of mainly internal reporting channels and the low level of proof of actual investigation as challenges to building a system that would be used by employees.

> *If there is no reporting back or proof of investigation no one will use the system.*

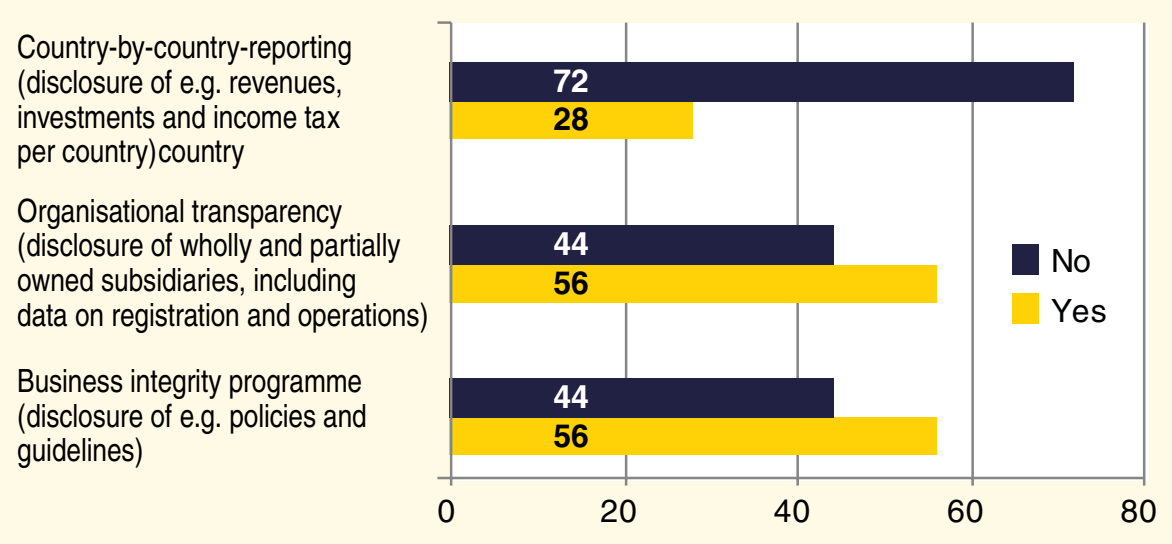


Figure 2: Companies' public reporting perceived by respondents

Further, a survey adds that one third of respondents from Sweden are afraid of reprisals if reporting on corruption (Transparency International Sweden, Hur ser svenskar på korruption?. 2016). Another Nordic business survey highlights the issue that more than one in three have little faith that their reporting would make any difference (Nordic Business Ethics, Nordic Business Ethics Survey, 2019).

Transparency

Transparency International believes that public reporting by companies on their anti-corruption programmes allows for increased monitoring by stakeholders and the public at large, thereby making companies more accountable (Transparency International, Transparency in Corporate Reporting, 2014). U4 Anti-Corruption Resource Center echoes this and points out that companies with business programmes and strong ethical guidelines are found to suffer up to 50% fewer incidents of corruption than those without such programmes, indicating integrity programmes are an effective means of minimising losses (U4 Helpdesk, The relationship between business integrity and commercial success, 2018).

This is also increasingly acknowledged and understood by companies themselves, transforming the disclosure of information from a burden to a management tool.

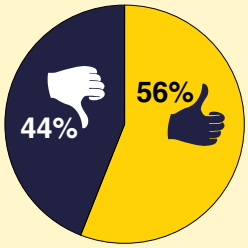
Swedish companies have improved, according to a study on sustainable communication (Stockholm School of Economics, Walking the Talk, 2019), in their disclosure of information (from 90% in 2017 to 95% in 2019), however they still lag behind in re-

porting on their follow-up activities (80% in 2017 compared to 87% in 2019).

This can be compared to the results from this assessment's survey that states that 56% of the companies are perceived to present information on their business integrity programmes. Country-by-country reporting is less common, mainly due to lack of applicable legislation.

Although public reporting by companies on their anticorruption programmes cannot be equated with actual performance, reporting does focus the attention of companies on their practices and drives improvement.

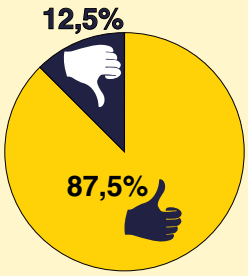
Stakeholder engagement

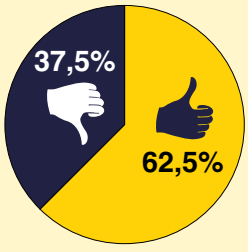


Q: Do companies in the region apply, as far as you know, their business integrity programme to relevant business partners?

More than half of the respondents in the survey believed that companies apply their integrity programmes to partners, however concerns were raised on challenges with follow-up and control.

Q: Do companies in the region undertake, as far as you know, due diligence of business entities when entering into a relationship, including mergers, acquisitions and significant investments?





Q: Do companies in the region perform, as far as you know, reasonable and proportionate monitoring of their significant business relationships, including the right of inspection of books and records?

Even though almost two out of three respondents in the survey replied that monitoring of business relationship is done, it should be noted that it is not common among smaller companies lacking resources or system support.

ENGAGEMENT AND NETWORKING WITH PEERS

There are many forms of formal networking opportunities in the private sector, but few have the spotlight on business integrity or anti-corruption. Ways of better utilising the capacity of existing and well-established networks and forums, rather than establishing new ones was suggested by several of the resource persons.

Besides for example Transparency International Sweden's Corporate Supporters Forum, which is a business integrity forum for large Swedish companies operating in complex markets, business associations (such as Chambers of Commerce) were used as examples for platforms that could be used for sharing practices on effective business integrity.

It was also suggested to find ways to involve small and medium-sized companies in such associations, in order to strengthen capacity-building on how to do responsible business among SMEs.

Transparency International emphasise the need to create conditions for trust among businesses and between businesses and government through initiatives in order to level the playing field for competing actors, particularly where corruption offers greater advantages to some than to others. (Transparency International, Collective action for business integrity, 2018)

PUBLIC SECTOR EFFORTS

Laws and regulations

A majority of all resource persons in the assessment believed that applicable legislation is in place, although there were clear differences in the perception of effectiveness among the various applicable legislative frameworks.

Almost seven out of ten respondents in the survey believed that legislation prohibiting bribery of national and foreign public officials as well as commercial bribery is effective. Nevertheless, major discrepancies in the legislation itself and its enforcement were highlighted by many and 85 percent saw the need to further strengthen this legislation.

> *"The legislation is driven by scandals. We [the Baltic Sea region] are lagging behind the rest of the world."*

69% wished for strengthened protective legislation of whistleblowers, although less than forty percent perceived the legislation to be ineffective.

Too few convictions, too little resources among law enforcement institutions and not enough noticeable consequences were brought up as challenges in order to achieve a fully effective legislative framework.

> *"A vast amount of resources was invested into implementing GDPR. Why can't similar resources be used for the anti-bribery legislation?"*

85 percent indicated that the requirement of public information on beneficial ownership in their respective context is effective, followed by 79 percent who perceived legislation on prohibiting collusion is effective.

However, more than half of the respondents lacked effectiveness in the area of undue influence in the form of political contributions and/or lobbying from the private sector to political parties and/or individual candidates.

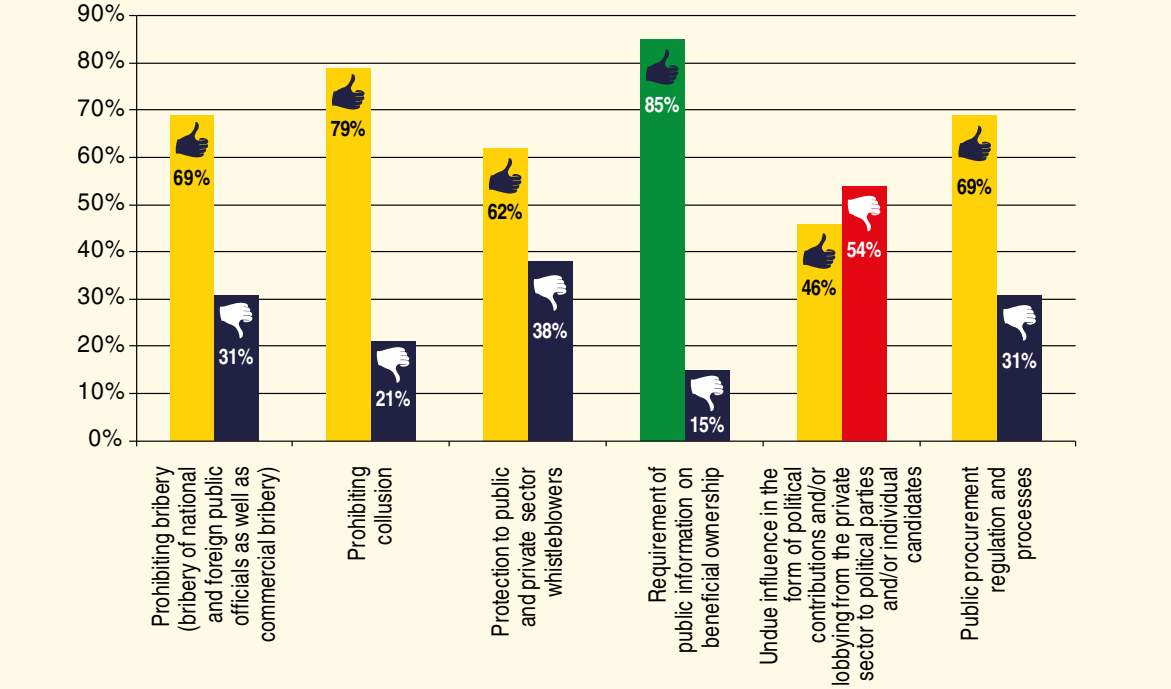


Table 2: Perception of effective legislation, regulations or framework.

Q: Please choose three of the following legislation/frameworks that you think are the most important to further strengthen effective business integrity?

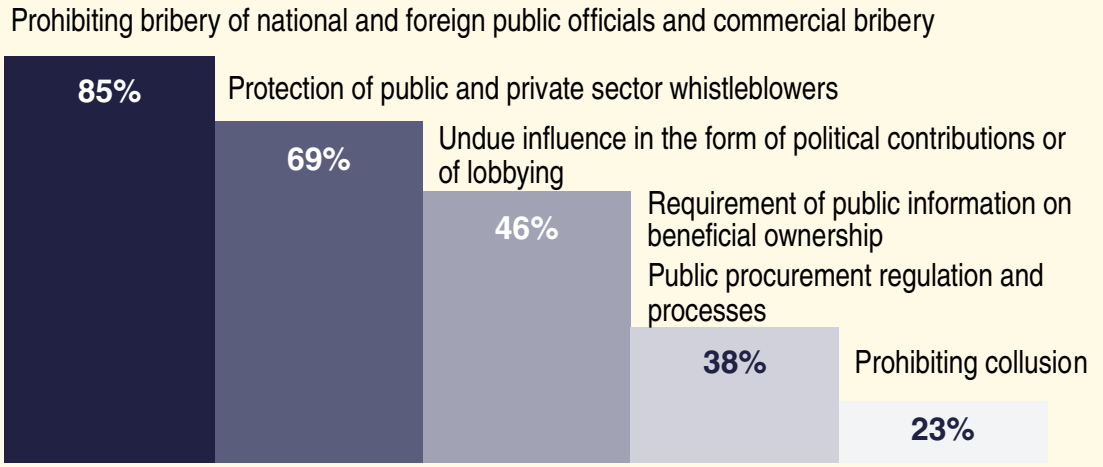


Figure 3: Most important legislation/frameworks to further strengthen effective business integrity

Public sector capacity for compliance

Almost 70% of the survey respondents believe that public authorities possess adequate capacities for enforcing applicable legislation, concerns were nonetheless raised on capacity for enforcement and the low number of convicted cases of bribery.

> *"Some public institutions are pro-active, supporting and working in cooperation with businesses. Some institutions have room for improvement. Upon questioning them, they blame lack of resources. But I believe it to be unwillingness."*

Transparency International: "Strong anti-bribery laws and necessary resources to enforce them can raise the bar and change the game on company practices."

The Organisation for Security and Co-operation in Europe (OSCE): "Merely adopting a policy or enacting a law is entirely ineffective if there is no adequate follow-through or enforcement."

EY Global Fraud Survey: "Unfortunately, for some companies, regulation is not enough; it is not until governments start enforcing laws and publicizing fines and penalties that management takes legislation seriously and introduces real change."

Regardless if it is lack of resources or lack of political will – or a combination of both – the businesses highlight the need for mechanisms and systems for support and advice from relevant public institutions.

Additionally, strengthened capacity to control the public sector itself was requested – ”if there is no demand, there will be no supply”.

> *”The public should be the good example for us to look up to. But trust in the public sector is minimal.”*

> *”If the public sector acts with integrity it’s less likely the private sector will act corrupt.”*

CIVIL SOCIETY EFFORTS

The assessment's resource persons unanimously emphasised the importance of independent media with close to nine out of ten assessing media to be effective in promoting business integrity. Media coverage on corruption cases is a vital contributor in awareness raising of corruption and its risks and consequences. Many raised the need for more investigative journalists on a local level.

> *"Who else besides media could raise these things?"*

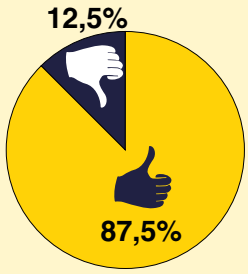
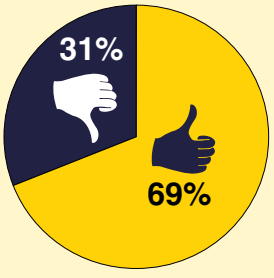
However, the risk of "click baits", lack of understanding of the context businesses operate in and the risk of contaminating a whole sector by "one bad apple" was also brought up as challenges with increased media attention.

> *"If one [company] behaves badly, the perception is that everyone is bad. We speak too little about the good things. We need to solve the bad things, not only talk about them. Media are opinion formers and play an important role. They should be more accountable."*

The contribution from civil society organisations, such as Transparency International and its local national chapters, in effective business integrity was welcomed, although many questioned the "name and shame" approach that was said to be used by some organisations. Others noted that many civil society organisations suffer from lack of resources, resulting in superficial involvement of reduced value.

> *"We need objective support. Not an angry watchdog that barks at everything and everyone."*

Civil society was encouraged to offer practical guidance, develop guidelines, pursue strengthened relevant legislation, be in the forefront of national debate as well as to facilitate knowledge exchange among relevant actors.

Q: Is the region's media, in your opinion, effective in promoting business integrity (e.g. free to openly investigate and report on misconduct)?	
Q: Are civil society organisations, in your opinion, effective in engaging with companies in order to strengthen their commitment towards business integrity, accountability and transparency?	

ABOUT THE RESOURCE PERSONS

The survey

Replies to the online survey were collected during August – October 2019. We received valuable assistance from The Swedish Association for Sustainable Business and The Swedish Chamber of Commerce in Vilnius that circulated the survey in their respective networks. The survey collected 23 responses.

Who responded?

The most common company role among the respondents in the survey was Vice President, Ethics and Compliance Officer, Chief Compliance Officer and Head of Legal. Head of Sustainability and Sustainability officers were also represented in the survey.

A majority of the survey respondents (77%) work for a company with its headquarter in Sweden. 5% from Lithuania and additional 18% from countries such as Estonia, Germany and Finland.

This does not correspond to citizenship, nationality or country of work.

In-depth interviews and meetings

In addition to the survey, thirteen in-depth interviews, in Sweden and Lithuania, were conducted. The in-

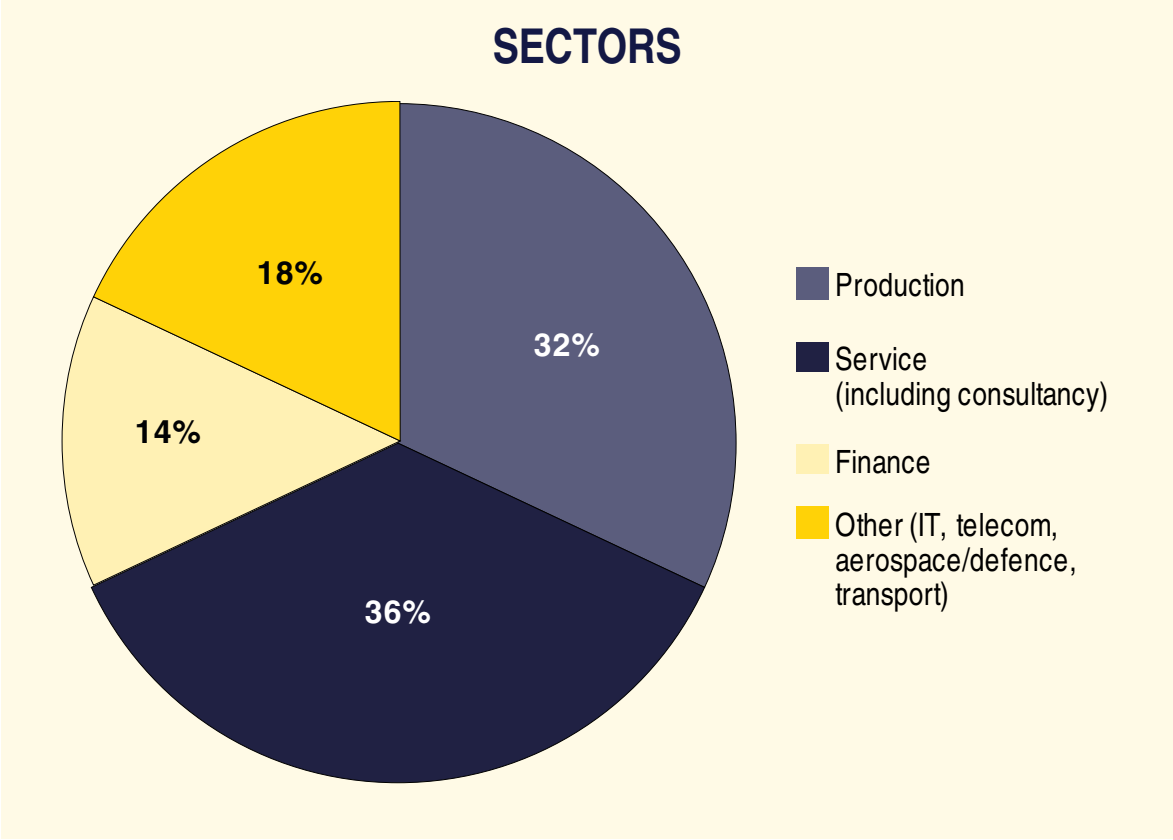


Figure 4: Respondents in the survey.

depth interviews were run in parallel with the survey and followed a similar structure of the survey, based on the BICA assessment structure focusing on efforts by the private sector, the public sector as well as the civil society.

In addition to this, twelve meetings with representatives from corporate, business association and public sector supplemented the findings from the survey and in-depth interviews.

All quotes in this report are actual quotes provided by the resource persons.

A full list of resource persons to the survey is presented on page 36. It should be noted that the resource persons, from the survey, in-depth interviews and meetings, have expressed their personal experience and perception of effective business integrity rather than the view of their respective company or organisation.

CONCLUSIONS

This assessment bears some limitations due to the challenges conducting a limited survey in a multi-country setting. The use of perceptions as indicators for mapping challenges should also be taken into account.

Based on the information, a number of conclusions can be drawn:

1	Despite that seventy percent stated that they believe that companies have effective integrity programmes in place, the consensus was that this is restricted to large, mainly international, companies.
2	Small and medium-sized companies (SMEs) are perceived to be less mature in their business integrity development. Many are not only lacking business integrity programmes, but also interest and incentives for working with business integrity.
3	Integrity programmes are - still - to a large extent seen from the executive management and board of directors as a paper product. The top-level decision-makers need to, according to the resource persons, fully grasp the consequences of the lack of business integrity.
4	The impact of a company's integrity programme is dependent on visible commitment from the leadership coupled with adequate resources.
5	Many indicated that the leadership do not fully comprehend the importance of an ethical organisational culture.
6	Moreover, concern was raised on the ethical behaviour of the management itself. If the management are infected by corrupt behaviour, what is the incentive from lower-level staff to not join in?
7	Recurring training, information and communication were considered as the most effective way to achieve business integrity. Only 15% believed that integrity policies are the most important tools for effective business integrity.

8	Young employees can bring with them a higher level of integrity and increased awareness of responsible actions.
9	Although more than half of the respondents in the survey believed that whistleblowing mechanisms are in place, they were cautious as to the efficiency of the tools.
10	Despite an array of formal business networking opportunities, few focus on business integrity or anti-corruption. Ways of better utilising the capacity of existing and well-established networks and forums, rather than establishing new ones, are needed.
11	Relevant legislation seems to be in place, although its effectiveness is questioned. A majority of resource persons saw the need to strengthen the enforcement.
12	Although it was perceived that relevant public authorities possess adequate capacities for enforcing applicable legislation, concerns were raised on the capacity for enforcement and the low number of convicted cases of bribery.
13	Media coverage on corruption cases is a vital contributor to awareness raising of risks and consequences of corruption.
14	Civil society was encouraged to offer practical guidance, develop guidelines, pursue strengthened relevant legislation, be in the forefront of national debate as well as to facilitate knowledge exchange among relevant actors.

TRENDS AND FUTURE NEEDS

Although there is today limited need to explain why corruption is bad there is still a need to push for initiatives that will have a long-term effect on the prevention and detection of corruption. From the assessment it is evident that despite the ”tone from the top” and comprehensive integrity programmes in place, the most crucial factors are change of behaviour and an organisational culture based on ethics and responsibility.

Sustainability is growing

Sustainability is today on the agenda for almost all companies, however anti-corruption has for quite some time been treated as a separate isolated issue and not fully incorporated into a company’s sustainability efforts. ”Sustainability” has, for many companies, been confined to initiatives in relation to the environment, climate change, labour rights or human rights.

However, increased awareness of how corruption negatively affects the impact of sustainability efforts has contributed to a more wide-spread recognition of anti-corruption, or business integrity, as a key driver to achieve sustainability – both in general terms but also in particular thematic areas.

There is a need for companies to not only fully incorporate anti-corruption and business integrity into their sustainability efforts but also to improve reporting on their integrity work as part of their sustainability reporting.

Corruption has no borders

Corruption scandals involving Nordic companies or banks prove that the ”top performers” in Transparency International’s annual corruption index, Corruption Perceptions Index, are responsible for or complicit in enabling corruption in countries that are perceived as corrupt in the index (Transparency International, Trouble at the top, 2020). Corruption is not confined behind national borders and will continue to cross borders.

Political development, regardless of national, regional or international context, will influence institutional capacity to prevent, detect and act against corruption. Many countries, especially in Europe, have encountered a backslide in anti-corruption development.

Economic shifts, such as the rise of power of emerging markets, and increased global inequalities might also contribute to a change of priorities of anti-corruption strategies.

There is a growing need to understand the complexity of corruption and how actors in countries perceived to be less corruption prone might affect or contribute to the level of corruption in complex markets or countries with a low score in Transparency International’s Corruption Perceptions Index.

Transparency is on the increase

A growing number of companies have understood the positive and profitable effects of not only actively working with business integrity but also the importance of disclosure of information, anti-corruption programmes, organisational transparency as well as country-by-country-reporting.

Increased pressure from strengthened legislation, as well as pressure collectively from customers, suppliers and employees push for improved disclosure of information.

Nevertheless, there is room for further development as many companies still lack information on follow-up and compliance of applicable legislation and integrity frameworks.

Trust, integrity and accountability

As the demand for transparency is increasing, so is the demand for integrity and accountability. Publicly elected decision-makers and business executives are all expected to act with integrity and should be accountable for their decisions and actions. Although many still believe that the society, especially in Sweden, is based on trust, a growing number of citizens perceive public institutions as less trust-worthy than a few years back. Especially today's youth are increasingly demanding change – from public decision-makers and business executives alike.

In addition, there is a decline of trust in the global leadership to fight corruption. Countries that used to be driven by democratic processes are failing citizens' rights to participation in decision-making, decreasing the possibility for media to openly and independently report on corruption and shrinking the space for civil society to operate in. Although this is not the case of the countries part of this assessment, it will influence trust in national public institutions and society at large.

Nevertheless, the trust in individuals remains the same and indications show that it might even increase – we tend to seek trust in our near surroundings, whether it is our family, friends or colleagues.

Although there is development in the area of anti-corruption and business integrity, there is a need to openly communicate the efforts being made. In addition, there ought to be an increased understanding by decision-makers and business executives that one's actions will influence the trust in an institution or a whole sector.

Media has transformed to an open arena

Many corruption scandals come into the spotlight due to investigative journalists and media. Although whistleblowers might feel that media is the last resort when all other options are exhausted, they also know that it might be the only way to gain attention.

Media has an important role to play when highlighting corrupt acts but focus tend to be on the scandals that create the highest amounts of clicks, readers or likes. The local or municipality sector is identified as one of the most corruption-prone sectors – but resources for local investigate journalists are lacking. Hence, many issues might escape media attention.

However, anyone with a smartphone can nowadays spread information through various social media platforms. Whether or not the information is reliable and accurate seems to be of less concern and falsified information can spread rapidly.

There is a need to support journalists and media outlets present in local settings in order to highlight corruption risks or occurrences in the environment close to the citizens. But, there is also a need for media to not only focus on the negative consequences of corruption, but also highlight preventive measures with a positive impact.

Technology – friend or foe?

The corruption landscape is envisaged by Transparency International to be more complex with not only more sophisticated schemes for covering up corrupt acts but also new ways and digital tools to fight corruption.

As technology continues to develop and become an integrated part of daily life, the amount of data is rapidly increasing. More and more public services are digital and automatic, creating vast amounts of data that can be used for purposes originally not intended. Although technology such as AI and block-chain might simplify lengthy processes and promote objective and transparent decision-making it might also concentrate the power of technology to a few international actors.

On the other hand, technologies, such as social media and open data, can be used to mobilise people in anti-corruption efforts and to increase transparency.

It is evident that the new technology is both an opportunity for and challenge to the way we work with integrity and anti-corruption. Anti-corruption actors need to better utilise applicable technology in their work for increased transparency, integrity and accountability.

Civic space is challenged

Many civil society organisations, such as Transparency International, will experience challenges in the ability to operate effectively. The rise of populism is reducing CSOs' access to governments and is polarising the political debate. The decline of the rule of law both nationally and multilaterally will hamper the ability of CSOs to work freely and safely.

Although this might not be the case for civil society in Sweden or Lithuania, it will affect the global civic space, and hence affect our work as well. There is a need to protect and support civil society organisations contributing to enhanced checks and balances, in order for a decrease in the level of corruption in society – regardless of sector.

RECOMMENDATIONS

A THREE-PRONGED APPROACH

As explained in the Introduction, the study has used Transparency International's definition of effective business integrity: "Existing policies, laws or regulations as well as practices in preventing, reducing and responding to corruption". Increasing the effectiveness necessarily involves working on all these aspects in a coherent manner, within businesses as well as in the broader business environment. It requires sustained effort over long time involving a multitude of stakeholders.

Based on the results of the study, TI Sweden recommends focus on three areas that address key elements. Together they have the potential to make a difference over time, yet can be implemented by stakeholders in a decentralised manner, and need only limited extra resources.

1. ENHANCE BUSINESS INTEGRITY CAPACITY

Not surprisingly, training, information and communication[9] are considered as the most effective tool to strengthen business integrity. However, continuous and recurring training and dialogue seem to be lacking as many companies see training modules as a "one-off" occurrence with little follow-up or dialogue.

Despite an array of formal business networking opportunities, few[10] focus exclusively on business integrity. Instead, the topic is generally introduced in a more theoretical approach with less emphasise on practical guidance and experience-based sharing, resulting in the fact that Integrity programmes are - still - to a large extent seen as a paper product.

Business networks that span over different sectors will further strengthen knowledge-sharing and contribute to development of common ethical standards, a healthier business climate and an even playing field for all actors. Additionally, it is vital to include and engage small and medium-sized companies in similar forums, with larger companies as educators, in order for SMEs to reach a higher level of business integrity maturity.

As support to businesses' capacity-building activities and networking opportunities, civil society can contribute with impartial and practical guidance, development of guidelines and facilitation of knowledge exchange among actors in both the public and the private sector.

9 Such as e-learning programmes, introductory trainings and internal reporting on investigations and its results/consequences

10 Besides for example Transparency International Sweden's Corporate Supporters Forum, which is a business integrity forum for large Swedish companies operating in complex markets. Similar forums are facilitated by other Chapters in the Transparency International network.

2. BUILD INCENTIVES FOR ETHICAL BUSINESS CULTURE

Although the Board or top managers seem to be in general actively engaged in the oversight of the companies' business integrity programme, they need to explicitly confront the risks of not working pro-actively with ethics and compliance. Not knowing or fully understanding the consequences of corruption in the business operations might result not only in direct costs, but also loss of productivity and loss of qualified personnel – and subsequently loss in profit and trademark value.

Moreover, concern was raised on the ethical behaviour of the management itself. If the management are infected by corrupt behaviour, what is the incentive from lower-level staff to not join in?

The consequences of unethical behaviour might affect a small company with less margins worse than for a larger company with greater resources – although the latter might suffer more if the corrupt case becomes public.

Many SMEs are not only lacking business integrity programmes, but also interest and incentives for working with business integrity. This derives, according to the resource persons, most probably from lack of resources or a higher risk appetite, indicating a low degree of interest for business integrity from the management.

New or strengthened legislation and sector-wide standards, practices from large international players coupled with raised expectations from customers, clients and employees on companies to act with integrity and responsibility are also influencing (smaller) companies to advance their work with anti-corruption.

3. STRENGTHEN EFFECTIVE ENFORCEMENT

Despite some progress in the anti-corruption and anti-bribery legislation, further work is needed. Lack of resources in the relevant public institutions, a legislation that is driven by re-action instead of pro-action, low number of convicted cases of bribery and limited corporate liability together contribute to enforcement that is lagging behind. In addition to enhanced enforcement, there is also an evident need for support and advice from relevant public institutions.

Furthermore, strengthened capacity to control the public sector itself was requested – "if there is no demand, there will be no supply".

Civil society can contribute by continuously monitoring developments and constructively advocating for improvements in enforcement.

RESOURCE PERSONS

Resource persons from the below companies, organisations or institutions have in various ways contributed to the assessment. However, kindly note that the resource persons have expressed their own personal view on effective business integrity and not the official view of the company or organisation she/he represents.

- 15min.lt
- Advokatfirman Vinge
- Anchor Integrity Oy
- Astra Zeneca
- Business Sweden
- Clearwave
- CSR Sweden
- Essity AB
- Governance Coordination Center in Lithuania
- H&M
- Husqvarna AB
- If P&C Insurance AS
- Intrum
- Leinonen Sweden AB
- Lantmännen
- National Board of Trade Sweden
- NCC
- Saab
- SAS
- SEB
- Securitas AB
- Sergel
- Siemens AB
- Skandia
- SKF
- Special Investigation Service in Lithuania
- Stockholm Institute of Transition Economics at Stockholm School of Economics
- Stora Enso
- Svensk Byggtjänst
- Sweco AB
- The Swedish Association for Sustainable Business
- The Swedish Chamber of Commerce in Vilnius
- The Swedish Export Credit Cooperation
- Tele2
- Telia Lietuva AB
- Transparency International Estonia
- Transparency International Latvia
- Transparency International Lithuania
- Transparency International Russia
- Trelleborg AB
- Vattenfall AB
- Volvo Trucks Lithuania

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