EXECUTIVE SUMMARY (Taken Directly from Article):

Corruption is not a peripheral social concern that corporations can ignore or passively address — it is a bottom-line business issue that directly affects companies’ ability to compete. Widespread in emerging markets, corruption is becoming an increasingly important issue for business to address. Furthermore, it cheats disadvantaged populations by diverting resources for critical services like education, clean water, and health care into the pockets of dishonest government officials.

For decades, donors and nonprofits have targeted corruption, but with limited evidence of progress. Corporations have largely focused on — getting their own house in order through ethics and compliance programs, as well as recently established collective action initiatives. With few exceptions, however, corporations have not committed to more proactive efforts aimed at comprehensive solutions to the problem.

This paper is a call to action for business to embrace anti-corruption as strategic corporate social responsibility (CSR) — moving beyond risk mitigation toward proactively solving social problems critical to the business. With a particular focus on the developing world, it suggests that corporations can build on existing models for compliance and collective action and take a greater leadership role in the broader anti-corruption effort. Just as top corporations have staked out proactive positions on other social issues, such as child labor and the environment, it’s time for anti-corruption to become part of companies’ CSR missions. Sponsored by The Merck Company Foundation, a long-time supporter of ethics and anti-corruption work in emerging markets, this paper has also benefited from close collaboration with the Ethics Resource Center (ERC), a nonprofit that has served as Merck’s implementation partner in establishing and managing ethics centers around the world.

To conduct this research, FSG Social Impact Advisors interviewed leading global experts, stakeholders, and corporate representatives who are active in ethics and anti-corruption activities. We supplemented these interviews with research and analysis, so as to highlight effective global initiatives and offer recommendations for CSR professionals, compliance officers, and business-unit leaders.

Despite limited corporate activity overall, our research uncovered several examples of proactive, external efforts. Google is working with African governments to increase communications and transparency through online tools, GE is influencing Chinese antibribery governance regulations, and Merck has a long-standing program to fund anti-corruption NGOs in several markets. Much more is needed to achieve greater coordination, effectiveness, and scale, but these and other case studies provide a useful starting point for consideration and signal a radically different approach to anti-corruption efforts from the status quo.

We envision a world in which corporations become leaders in fighting corruption. To reach that goal, we recommend four complementary approaches:
1. Ensure compliance. Corporations should continue to invest significantly in ethics and compliance programs to maintain or increase their level of integrity throughout all divisions and countries.

2. Strengthen collective action. Efforts need to shift from broad-based, diffuse declarations to more outcome-oriented pacts that can create effective incentives for members to change behavior.

3. Engage demand-side forces. While the typical focus of corporate anti-corruption work is on the —supply side— of corruption (the private sector), corporations should expand their efforts to influence the —demand side— (the public sector).

4. Leverage corporate assets. Corporations possess unique and powerful strengths in the fight against corruption, including communications power from the corporate brand, economic leverage, technical expertise, and cash resources for grant-making.

Corporations are currently not organized to execute swiftly on the recommendations in this paper. A proactive, external-facing approach to fighting corruption has no natural home within a typical corporate structure, as ethics departments are usually staffed with compliance-focused lawyers and most CSR departments do not include anti-corruption work as a priority. To achieve success in the fight against corruption, corporations need to adjust their mindset to include a broader anti-corruption agenda and align and integrate resources and staff for effective execution.

Corporations are not a panacea for all the problems the world faces from corruption. However, companies have a business imperative to reduce corruption in critical growth markets and can play an integral role in developing meaningful solutions to this challenge.

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