Avoid rather than ignore risk of corruption scandals

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Corporate corruption scandals are an organisation's worst nightmare, as the ensuing consequences are difficult to detach from once they have been uncovered.

Incidents that are classified as ‘corporate scandals’ include acts such as bribery, money laundering, terrorist financing and fraud. When uncovered, such actions should be dealt with swiftly and decisively, but never ignored, says Rudi Kruger, General Manager of LexisNexis Data Services as the potential consequences are tough to recover from. These include:

- Damage to company’s brand, reputation and overall market value.
- Local and international legal liabilities such as hefty fines, penalties and jail time.
- Loss of revenue and operational downtime.
- Legal expenses from exposure investigations.
- Loss of investor and shareholder trust as well as loss of their financial support.
- Loss of customers/clients.
- Weakening of employee morale, resulting in a decline in performance and productivity.
- Lawsuits from various parties, who may have been negatively impacted by the scandal.
- And as a last resort, closure of the company.

“With these risks in mind, it is in every organisation’s best interests to mitigate risk and avoid opportunities for scandal with the support of comprehensive due diligence policies and procedures,” said Kruger. “Scandal aside, companies have ethical and legal responsibilities to ensure that their due diligence efforts pertaining to business associates are effective enough to detect and prevent unethical and criminal links/associations.”

Risk prevention begins with vetting and due diligence in line with anti-money laundering (AML) and Know Your customer (KYC) regulations, as well as the UK Bribery Act 2010, which should be conducted on all parties associated with the business including leaders, suppliers, partners, investors, acquisition targets, contractors, resellers and grant applicants.”

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