



# THE REAL COST OF bribery and corruption

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EMPHASISES THE  
CONSEQUENCES OF  
UNETHICAL BEHAVIOUR  
FOR BOTH INDIVIDUALS  
AND ORGANISATIONS

Bribery and corruption continue to occupy a dominant position in our society and our press, ranging from so-called petty bribes to traffic officials, to significant amounts paid as “commissions” for securing tenders. While the amounts may differ, whether R100 or R1 million, the actions are the same, and in the end, it all amounts to bribery and corruption.

It may seem naïve to question why this is happening, but since those involved know right from wrong, in most cases, and they are hardly in the grip of poverty, the question does go begging. At the level of the bribe to a traffic official, the motivation is clearly an avoidance strategy, irrespective of whether it is to avoid a fine, or worse, to avoid being jailed. For tenders, however, the motivation is simply greed.

So, someone avoids paying a fine and someone gets rich. Is that really so bad?

The costs and consequences of bribery and corruption answer that question best.

Accusations of bribery and corruption can negatively impact a company’s share price, as MTN experienced in March last year, when Turkcell filed a \$4.2 billion suit against them for allegedly bribing officials to win an Iranian licence. Since the share price bounced back quite quickly though, it could be argued that this may not matter so much. But that argument doesn’t hold when the incident also affects perceptions of the company’s reputation. Reputational damage can last much longer than the mere few days that it takes the share price to recover, and it can be very destructive for both individuals and organisations.

Individuals found guilty of corruption have in some cases not only lost their jobs, but also their freedom, fol-



lowing jail sentences. After being convicted of corruption, Jackie Selebi, the now former National Police Commissioner, was sentenced to 15 years in prison, in December 2011. Although, this may be a poor example, as he was released after serving only 229 days of his sentence!

A significant consequence of bribery and corruption is that it adds to the cost of doing business but, perhaps more crucially, without adding corresponding value. Instead of the full contract amount being put towards the delivery of the product or service, only a portion is productively employed, which in turn, has consequences for quality, such as when inferior building materials are used in the construction of houses.

Corruption can also compromise access to work and subvert the business principle of “the best person for the job”. Instead of the tender being awarded on merit, to the contractor or supplier who has the necessary competence and experience, it is given to those who pay the bribe. The adverse results are evident in the non- or partial delivery of the project outcomes and in poor workmanship. The additional expenses incurred to, for example, repair the inferior road, or to provide all of the necessary supplies to the school, are not the only costs. It also impacts on those for whom the product or service was intended, whether road users, school children or hospital patients, who are forced to “share” the negative cost.

A further cost relates to leadership. When high profile leaders are involved in bribery and corruption, their influence as a positive role model quickly turns into a negative one. The message

is then that, not only is unethical and illegal behaviour acceptable, but also that the pursuit of personal gain takes precedence over service delivery, thereby creating an unethical culture among employees (or citizens), where such “lowest common denominator” behaviour predominates.

At a national level, this also risks tainting the country’s reputation, as South Africa has previously experienced. An annual survey conducted by Transparency International, the Corruption Perception Index, measures the perceived level of public sector corruption on a scale of 0 to 10, where 0 is highly corrupt and 10 is highly clean. In 2010 South Africa only scored 4.5, and in 2011, our score was even lower, at 4.1. Though the damage is not irreparable, it will require serious commitment to avoid the costs and consequences, such as reduced foreign investment, decreased tourism and the loss of top talent to other countries, that come with an unethical national reputation.

All of these costs contribute cumulatively to a legacy cost, which can linger, casting a shadow over an individual or an organisation long after the event has taken place. A serious ethical offence on the part of the individual or organisation tends to overshadow other achievements, with the result that the guilty party becomes synonymous with its ethical failure rather than its successes.

These costs and consequences reflect some of the obvious reasons why ethics is important. They also clearly confirm that bribery and corruption are bad, and that the cost is far higher than the country or organisation should ever consider being able to afford. ✓

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