

## Evaluating Anti-Corruption Solutions and Corporate Governance in Business: A South African Case Study

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### Abstract

The purpose of this study is to evaluate the international professional services firm Sizwe Ntsaluba Gobodo (SNG) Forensic Services' business sector anti-corruption solutions. The results of the study found that SNG follows a systemic agency approach in providing corporate governance and anti-corruption solutions to client organisations overlooking the opportunity to manage corruption as a collective action problem. It is concluded that this oversight has an effect on the efficiency of this firm's anti-corruption and corporate governance solutions provided to its client organisations. This study recommends that SNG should address corporate governance failures and corruption in unison as a collective action problem, as opposed to an agency problem, to enhance SNG anti-corruption solutions. South Africa is no less corrupt after several strategic anti-corruption interventions of a systemic nature. The practical significance of incorporating collective action methods promises enhanced SNG anti-corruption solutions and value to SNG client organisations that could be implemented in similar contexts by other organisations in the professional services industry who provide corporate governance and anti-corruption solutions.

**Keywords:** Anti-corruption solutions, business sector, corporate governance, King IV Report on Corporate Governance, South Africa.

### 1. Introduction

The ever-growing threat of corruption and the significance of efficient corporate governance in the South African (SA) business sector is evident. The growth of business sector corruption and poor corporate governance in the SA business sector is illustratively exemplified in highly publicised media reports. For example, irregular payment of bonuses to senior executives of the Petroleum Oil and Gas Corporation of South Africa (PetroSA) in the sum of 17,3 million rand were made. Moreover, PetroSA lost revenue prospects to the amount of 14,5 billion rand during the 2014/15 financial year (Presence, 2017). This rewarding of executives in an organisation that is not profitable raises questions about the corporate governance in the organisation and its corporate citizenship. Amid numerous allegations of corruption and maladministration at the South African Broadcasting Corporation (SABC), the former Chief Executive Officer (CEO) of the SABC was given a 'golden handshake' and compensated 16 million rand (Mtwesi, 2016). Furthermore, the

Passenger Railway Agency of South Africa (PRASA) board expelled its former CEO in the midst of corrupt activities, allegations, and counter-allegations.

In addition, a myriad of corruption investigations involving the improper and potential corrupt award of SA state contracts and other benefits to organisations in the Gupta family business empire operated in multiple industries, spanning a wide section of the business sector that included manufacturing, mining, and information technology (IT), drew widespread attention. These corruption allegations have been termed as “state capture” by SA citizens and are currently under investigation by the Zondo Judicial Commission of Enquiry into state capture (Davis, 2020). This matter is still under consideration and the subject of on-going media and political scrutiny. Moreover, collusive cartels, fake bids, price fixing, and market division related to secret currency manipulation by 14 SA banking organisations were uncovered. One of these banks, was fined 69,5 million rand as part of a settlement arrangement with the Competition Commission. Part of the settlement arrangement was for this bank, effectively the whistle-blower organisation, to co-operate by exposing the alleged secretive and illicit activities of a cartel of banks (Grootes, 2017).

Morrell and Bettcher (2013) submit that corruption impairs a productive business environment. These authors present corruption as a symptom of corporate governance problems, such as opaqueness in transparency, abuse of discretionary powers, lack of accountability, and public confidence challenges that derail the corporate citizenship credentials of an organisation. Sullivan (2009) proposes that the average organisation can de-rive as much as a 300% improvement in income if it makes improvements to its corporate governance regime as part of the fight against corruption. It is therefore no surprise that as many as 19 countries around the world have issued new corporate governance codes or updated their corporate governance regimes in 2015 and 2016. This re-examination of corporate governance regimes has been in response to the major corporate governance failure(s) experienced by the business sector since the global financial crisis of 2008 (Organisation for Economic Co-operation and Development, 2017). Transparency International presented a poignant report in 2009, in which it blames the failings in corporate governance on the unchecked conduct of organisations in the business sector, exemplified by an absence of transparency and accountability, and various failings in business integrity that allow corruption to go unchecked (Transparency International, 2009).

There is substantial similarity between the King IV corporate governance regime and international best practices in corporate governance, including the world-leading G20/OECD Principles. It is thus not surprising when one considers the highly acclaimed status of the quality of the corporate governance regime in South Africa in the international arena. The exclamation point is that all the best practice instruments, including King IV, encourage and promote anti-corruption solutions integrated with best practices in corporate governance. In conjunction with these systemic solutions, the specific anchor points that present grounds for incorporating collective action all establish an umbilical link between a corporate governance regime and effective anti-corruption solutions and present the opportunity to treat corruption as a collective action problem requiring collective action.

Research on anti-corruption solutions has given more attention to a systemic agency

approach in providing corporate governance and anti-corruption solutions thus neglecting corruption and corporate governance as a collective action problem. Because of this void in research, it is important to explore best practices in terms of corporate governance and anti-corruption solutions for the SA business sector. This study evaluates the South African based international professional services firm SNG's anti-corruption solutions and considers revision thereof in view of the evolution of the King IV Report on Corporate Governance (King IV) and other best practices in anti-corruption solutions and corporate governance. The practical relevance of this research addresses the elements of a corporate governance regime as the foundation to enhance SNG anti-corruption solutions comprising systemic interventions complemented by collective action methods and initiatives. This ideology has received scant attention; therefore, the recommended approach represents a synthesis that is novel and creative in thought and adds value to the knowledge of anti-corruption solutions.

## 2. Literature Review

### 2.1 Corporate Governance

Good corporate governance balances the economic outputs, financial objectives, and social objectives of an organisation through the promotion of good corporate citizenship. The nexus between anti-corruption solutions and corporate governance lies in the concept of corporate citizenship – which is voluntarily supported in 130 countries by over 6,500 signatories (United Nations Global Compact, 2011). The dynamics that affect corporate governance extend to: the diversity of stakeholders, like the population and local communities; associated group, inter-group, and individual interests affecting stakeholders' perceptions about the organisation; and how these parties go on to exercise influence over the control of an organisation, its structures, management, and decision-making. These diverse factors call for an organisation's corporate governance regime to meet diverse international expectations, such as corporate citizenship and long-term stakeholder value creation (Ungureanu, 2012; Wei, 2003; Organisation for Economic Co-operation and Development, 2015; Institute of Directors, 2016).

Besides ensuring financial benefits, such as positive growth in income, good corporate governance is also credited with preventing corruption, raising efficiency, improving access to capital, and ensuring sustainable stakeholder value creation (Sullivan, Wilson, and Nadgrodkiewicz, 2013). While financial and other business prospects and regressions are the more common impacts of corruption and poor corporate governance, Ambraseys and Bilham (2011) paint a uniquely morbid context, indicating that corruption actually kills people. These authors present evidence that 83% of deaths resulting from building collapses arising from earthquakes over a 30-year period between 1980 and 2010 have taken place in countries that have a negative reputation of being corrupt. Furthermore, these authors report that the mortality rate is higher in countries with higher levels of corruption.

Corporate governance failures are typically infused with corruption. In systemically corrupt environments, corruption is less of an agency problem, and more a collective

action problem connected to a dearth in trust amongst parties. Major international business sector anti-corruption solutions illustrate that these solutions are stereotypical systemic interventions, based on addressing corruption as an agency problem by means of tactics to prevent, detect, and respond to corruption (International Chamber of Commerce, 2011; Organisation for Economic Co-operation and Development, 2011; United Nations Office on Drugs and Crime, 2003; Transparency International, 2009; United Nations Global Compact, 2011; World Economic Forum, 2013; Wong and Fernandes, 2012). This necessitates drawing lessons from Collective Action Theory (Clarke, 2017; Marquette and Peiffer, 2015) and elevates the need to consider each of these anti-corruption solutions collectively using a much more collaborative approach. The aforesaid elevates the opportunity to consider corporate governance failures and corruption together as a collective action problem (Marquette and Peiffer, 2015). Collective Action Theory reflects on the immensity of a problem and the diverse obstacles and perspectives that must be interrogated and navigated to solve it, while factoring in the various inter- and intra-group levels of distrust to be addressed amongst the various stakeholders, including society at large (Persson, Rothstein and Teorell, 2013). Lessons from the application of Collective Action Theory can complement corporate governance regimes, with particular reference to anti-corruption solutions. "Collective Action" is a partnership-based, on-going process that entails various stakeholders working together to complement and enhance systemically weak anti-corruption compliance practices, regulations, and statutes. Through collective action, the actions, credibility, and impact of participating individuals' increase, while those formerly isolated individual role players who are more exposed to corruption are able to form collaborative partnerships with like-minded organisations to overcome or innovate against common challenges. This makes business sector competition less insular, placing all organisations participating in collective action on a fair, equitable, and more transparent playing field (Gauri, Woolcock and Desai, 2011).

## **2.2 Business Sector Anti-Corruption Solutions**

Corruption and corporate governance are subjects of debate amongst a wide selection of business sector, civil society, and public sector leaders (Institute of Directors, 2016). Evidence recorded in estimates illustrates that corruption and related corporate governance challenges have a negative macro-economic impact globally (Sullivan, 2009). The indicative financial loss to the world economy as a result of corruption is estimated at 2,5 trillion US dollars based on estimates that consider a world gross domestic product (GDP) of 78 trillion US dollars (Central Intelligence Agency, 2017). The United Nations Global Compact (United Nations Global Compact, 2011) reports that corruption adds 10% to the cost of doing business. What is more, corruption in the business sector erodes the corporate reputation of an organisation and diminishes the prospects of legal compliance, increasing the risk of reputational harm. Further complications stemming from a business environment fraught with corruption is the reduction in the prospects of accessing capital and financial support (Organisation for Economic Co-operation and Development, 2017; Sullivan, 2009; Sherman, 2012). The leading international business sector anti-corruption solutions are the ICC Rules

of Conduct as well as the OECD ABC. The ICC Rules of Conduct gave rise to several other international anti-corruption best practices and accounts for the interconnected approaches visible in the world's leading anti-corruption solutions (Heimann, 2008; Pieth, 2012). Anti-corruption solutions and corporate governance are the subject of on-going debates and engagement in the business sector, as well as in the research and writings of corporate governance experts. This provides a sound basis from which to conclude that there is a need for on-going investigation of anti-corruption solutions in the context of corporate governance (Naidoo, 2016).

South Africa's corporate governance regime has evolved drastically over the course of the last 25 years, culminating in King IV. This is the fourth version (after King I, King II, and King III) of the corporate governance regime since 1994. These "King" reports have played a profound role, institutionalising corporate governance and bringing it into international prominence (Institute of Directors, 2009; Institute of Directors, 2016; Wixley, Everingham and Louw, 2019). King IV explicitly calls for organisations to take steps to prevent, detect, and respond to corruption. Corporate citizenship and maintaining a good corporate reputation are synonymous with anti-corruption solutions. These are the proactive and reactive resiliency efforts implemented by an organisation to prevent, detect, and investigate corruption, as well as to remediate incidents. Examples of the latter include recovering losses and acting against governing board members and managers who are corrupt (Institute of Directors, 2016; Bray, 2016; Button and Gee, 2013).

### **2.3 The corporate governance regime in South Africa**

The corporate governance regime in SA, namely, King IV, recognises that a multi-faceted approach in harmony with local circumstances, social norms, local national laws, and socio-economic development objectives is required. A 'pluralist' corporate governance regime exists in SA. The term "pluralist" refers to corporate governance that attempts to balance the rights and interests of both stakeholders and shareholders (Wixley et al., 2019). Stakeholder inclusivity improves good corporate governance because it reduces the risk of corruption that may manifest from underhandedly influential market players, collusive behaviours, state capture agents, and wealth being vested in underhanded political elites that collude with business leaders (State of Capture, 2016; Institute of Directors, 2016; Bishop and Hydoski, 2009; Johnston, 2006). Unlike other international regimes, a sole focus on shareholder value creation is not the predominant perspective of the SA regime. Instead "...an inclusive, stakeholder-centric approach..." is promoted suggesting that shareholder rights, interests, and obligations are integrated and acknowledged (South Africa, 2008; Institute of Directors, 2016; Gyapong, 2015; Wixley et al., 2019). Substantial similarities between King IV and international best practices in corporate governance, including the world-leading G20/OECD Corporate Governance Principles (Organisation for Economic Co-operation and Development, 2015), is not surprising when one considers the highly acclaimed status of the quality of the King IV corporate governance regime in SA and in the international arena.

Anti-corruption solutions offered by SNG do not specifically address the corporate

governance best practices recorded in King IV. For example, they do not consider stakeholder interests and corporate citizenship as the framework within which anti-corruption solutions should be developed as recommended in King IV (Institute of Directors, 2016). This, in turn, illustrates the relevance of evaluating SNG's corporate governance and anti-corruption solutions for the business sector.

### 3. Methodology

#### 3.1 Research Approach and Design

This study followed a qualitative research approach. A single instrumental qualitative case study research design was used and focussed on SNG as a provider of anti-corruption solutions and related corporate governance assistance to organisations within the business sector. This study was conducted within a bounded system. Creswell (2013) states a case study is a choice of what is to be studied (i.e. a case within a bounded system, bounded by time and place). The identified case (SNG's anti-corruption solutions) investigated in this study was bounded to the following time and place parameters:

- In terms of time, the parameter for this case study includes the implementation of the King III Report on Corporate Governance (King III) and King IV, which came into effect in April 2017 and continues to be a corporate governance best practice in 2021. In addition, the implementation of SNG's business sector anti-corruption solutions and corporate governance was included as time perimeter, from the firm's establishment in 2011 up to its activities in 2019.
- In terms of place, this case study was bounded to the international professional services firm SNG in Johannesburg, SA.

A human perspective of the phenomena of anti-corruption solutions and corporate governance were secured from the participants.

#### 3.2 Target Population and Sample Selection

In case study research, one is trying to understand the uniqueness and idiosyncrasy of a particular case, its characteristics, and its complexity. The focus is therefore on the intense study of a limited number of units of analysis (Welman, Kruger and Mitchell, 2005). The units of analysis were the SNG subject matter specialists (SNG top management team). These subject matter specialists are the 15 managers who develop, design, project manage and lead SNG's anti-corruption solutions for client organisations. They enabled intense study because they offer this particular solution. They consequently also had the appropriate awareness disposition, they were exposed to business sector organisations about which conclusions were drawn, and they had combined professional reactive and proactive forensic services knowledge, skills, experience, and characteristics about both this field and the problem under research.

While the ideal population for this research may have been all anti-corruption experts in the anti-corruption solutions and corporate governance industry, a target population was selected from within SNG's 40-person forensic services team. Not all

40 members of this team are directly involved in day-to-day anti-corruption solutions and corporate governance development, design, and project management. This target population was selected in alignment with the approach propagated by Creswell (2013), who advises the consideration of non-probability purposive sampling in case study research. Purposive sampling is the process of selecting participants on the basis that they will be able to provide fertile and lush data for future analysis (Braun and Clarke, 2013). This formed the basis of selecting the SNG top management team. The authors were mindful that qualitative research has the main aim of providing a very deep understanding of the phenomena under investigation. The authors chose a sample of participants that carried most of the skills, knowledge, experience, and characteristics associated with the phenomena under investigation.

Non-probability sampling was used by applying qualitative purposive sampling including 15 SNG subject matter specialists (SNG top management team) as the sample in the study. This purposeful approach considered the fact that the participants had the essential knowledge and expertise, and had experienced the phenomena being studied in order to provide in-depth insights. These subject matter specialists develop, design, manage and lead SNG's corporate governance and anti-corruption solutions for client organisations.

### **3.3 Data Collection**

In-depth interviews were conducted with the sampled subject matter specialists. The views, thoughts, and opinions gathered from participants during the interviews conducted for this study were recorded electronically, in order to enable transcription to facilitate the data analysis process. Data was collected until saturation point was reached. Approval for the research was granted by SNG and the Ethics Committee of the University of South Africa granted ethics approval.

### **3.4 Data Analysis**

Data collected from the audio recorded in-depth interviews were independently transcribed verbatim and thereafter analysed by means of the qualitative data analysis method as guided by Leedy and Ormrod's (2010) data analysis spiral. Themes were generated and organised into categories. The final themes were presented to some participants a second time to validate the findings. No new data emerged from this interaction where after the raw data in the form of transcriptions was presented to an experienced, independent co-coder for data analysis and verification. After a consensus discussion between the primary author and the co-coder, the analysed data were validated to ensure trustworthiness.

## **4. Results and Discussion**

### **4.1 Composition of Business Sector Anti-Corruption Solutions**

In order to understand the composition of business sector anti-corruption solutions, it is important to first consider the problem of corruption. The results of the qualitative

data analysis notably indicate that participants do not have a comprehensive grasp of the best practices in anti-corruption solutions. Collectively, participants consider corruption as a threat that is out of control in the business sector. Participants indicated that corruption has a negative impact because it diverts resources to non-essential activities, which reduces the capacity of organisations to provide services to their clients and causes serious financial losses. The majority of participants (67%) maintained that corruption was being perpetrated by people, from both the business sector and public sector, in positions of power contributing to corporate governance failures, such as the collapse of business sector organisations.

Eighty percent of participants indicated that corruption encourages anti-competitive corporate governance practices, such as colluding with business sector cartels acting in violation of competition and other laws that promote good corporate governance. However, 13% of participants do not consider corruption and corporate governance as inter-connected, while all the participants placed the responsibility for the problem of corruption at the forefront of the business sector.

It notably emerged that participants do not have a comprehensive grasp of the best practices in anti-corruption solutions. In addition, participants illustrated an evident shortcoming in the conceptual insights provided of the elements of business sector anti-corruption solutions indicating that their views are not edified by having read basic sources of relevant literature.

Ninety three percent (93%) of the participants indicated that anti-corruption solutions were not adequate and therefore not effective. One reason for this inadequacy lies in the fact that anti-corruption solutions are applied as a reactive measure, predominantly via forensic investigations, as opposed to being integrated as part of an organisation's corporate governance regime. The predominant reason tabled for anti-corruption solutions being considered as ineffective is a lack of commitment to implementation by leaders of business sector organisations. For example, there are few anti-corruption compliance measures in place to audit how and what measures organisations have developed and implemented, added to an absence of efforts to validate their effectiveness.

According to literature, best practices in anti-corruption solutions (International Chamber of Commerce, 2011; Organisation for Economic Co-operation and Development, 2011) are predominantly systemic, however, those presented by the participants tend to apply a "one size fits all" approach. The diagnosis of the problem of corruption as purely a systemic agency problem seems to be incomplete (Marquette and Peiffer, 2015). Despite the high-value growth of an international anti-corruption solutions industry, there have been few success stories. Traditional systemic interventions leave countries no less corrupt. South Africa is one such an example where a myriad of systemic anti-corruption solutions in the business sector have failed between 1999 and 2011. The country's fall in rankings in the TI CPI over the last 20 years shows this (NACF Special Task Team, 2012; Marquette and Peiffer, 2015; Johnsen, Taxell and Zaum, 2012). Keefer (2012) and Roll (2014) emphasise the point is not simply to overlook and frown upon corruption as ignoble, but to consider the realities of illicit patron/client networks when assessing both the problem of corruption and anti-corruption solutions.

## 4.2 Synergy between Corporate Governance Best Practices and Anti-Corruption Solutions

The participants indicated that strong oversight and accountability structures, measures for risk management, internal controls, as well corrective and enforcement actions against delinquent managers were weak in corporate governance regimes. This shows that prevention, detection, and response alone are not enough to combat corruption. This could partially be ascribed to the fact that, after family-owned businesses stopped monopolising corporate governance, the structure of ownership dispersed into investor- and shareholder-owned organisations. Major systemic structural changes in corporate governance saw organisations controlled by professional managers becoming commonplace. Before this structural shift, the challenge was the unchecked discretionary authority of managers over business information, reckless risk taking, and other decision-making.

The participants highlighted the need for collaboration in corporate governance between management and the governing board. To mitigate against management self-interest, a governing board, appointed by the shareholders, must work with management in exercising effective leadership, with the governing board (albeit also appointed as agents of the shareholders) looking after the best interests of the organisation first by applying Stakeholder Theory to protect the interests of other stakeholders like employees, suppliers, and citizens. This means that a governing board must treat the organisation as an entity with many interests and rights to protect beyond just shareholder rights. The governing board has a fiduciary duty of care, skill, and diligence to many stakeholders. The application of collective action will help this cause.

The resounding majority of participants stressed the importance of governing board members having the appropriate level of knowledge, expertise, and overall competency to conduct their fiduciary duties. Failing this, the prospects of corruption would increase. This necessitates that anti-corruption solutions and corporate governance be addressed simultaneously. The governing board must hold management responsible and accountable, respectively, for the day-to-day running of the business and for failing to mitigate corruption risks. The participants all agree that corporate governance and anti-corruption solutions are no panacea to the problem of corruption.

The participants promoted the need to work together to overcome corruption and corporate governance failures. Diverse control obstacles have to be overcome to defeat corruption, and inter-relational trust amongst stakeholders is needed even though it is often not in place. These matters make it necessary to address and confront corruption and corporate governance failures as collective action problems. The responses, however, show that good corporate governance with anti-corruption solutions, leveraging corporate governance theories, including collective action, strengthen business sector organisations. The participants' responses suggested that they prized transparency and accountability in corporate governance, particularly because these were integral aspects of anti-corruption solutions. These two principles,

respectively, encouraged the reporting of corrupt activities and corrective action against offenders. Participants particularly stressed the importance of the proper and transparent selection of competent, objective, and independent governing board members who have no conflicts of interest.

The interpretation of findings viewed collectively indicate little digression in the views of the participants from the previously mentioned list of corporate governance best practices. Overall, the responses expressed the viewpoint that business sector organisations have a large number of corporate governance best practices in place. These were integrated with anti-corruption solutions. The problem identified, however, was that the business sector did not show the necessary commitment and follow-up investigation, enforcement, and other corrective actions against offenders in the face of corporate governance failures and corruption. The participants viewed that the abuse of remuneration policies as one of the main precedents for corporate governance failures and corruption. While management and governing members deserve financial consideration, this must be implemented subject to transparent remuneration and compensation policies, good risk management, con-fronting conflicts of interest, avoiding related-party transactions, and approval by their principals (the shareholders).

The literature emphasise that organisations in the business sector are expected to display an irreproachable level of trust and an unassailable corporate reputation. These features of corporate citizenship are derailed by corruption, yet they are integral to good corporate governance. Corporate governance balances an organisation's ethical culture and effective leadership with its commercial ambitions, alongside meeting societal expectations that business leaders will be responsible, transparent, and unimpeachable corporate citizens (United Nations Global Compact, 2009). The majority of the participants submit that corporate behaviour must consider corporate reputation and stakeholders' rights and interests in decision-making. Governing board members are expected to be objective, independent, and free of conflicts of interest, and adopt governance structures and functions that promote an ethical culture. The literature furthermore signifies in order to illustrate an organisation's commitment to "radical transparency" and adherence to legitimate prescripts that give the organisation the necessary corporate citizenship standing it must empower stakeholders to assess the organisation's actions, impact, and progressiveness (South Africa, 2008; Institute of Directors, 2016; Wixley et al., 2019). In addition, Naidoo (2016) views the pursuit of corrupt self-interest, conflicts of interest, and corrupt manager remuneration and governing board compensation schemes in the face of poorly performing organisations and to the detriment of diverse stakeholders (including shareholders) is at the core of many business sector corruption cases and corporate governance failures. Various authors agree that lessons from *Collective Action Theory* can complement anti-corruption solutions and corporate governance regimes (Marquette and Peiffer, 2015; Persson et al., 2013; Van Vuuren, 2005; Dubbelman, 2011; National Planning Commission, 2011). However, no single theory, or model, or best practice, or even the G20/OECD Principles (the world's leading benchmark for good corporate governance) alone will suffice to win the battle against corruption (Wixley and Everingham, 2015; Mallin, 2013; Clarke, 2017; Clarke, 2000; Clarke, 2004;

West, 2009; Ungureanu, 2012; Wei, 2003; Organisation for Economic Co-operation and Development, 2015). The findings and literature illustrate that the treatment of corruption and corporate governance failures should be integrated with lessons from *collective action*. *Collective Action Theory* requires collaborative solutions that involve multiple stakeholders, whether they stand to gain or to lose, in stakeholder value creation.

### **4.3 Value and Importance of Integrating Anti-Corruption Solutions and Corporate Governance**

Viewed collectively, the participants report the following as specific and unique aspects relating to the value and importance of anti-corruption solutions: (a) improving corporate governance as a whole; (b) attaining business objectives through improved business sector efficiency and effectiveness without diverting the use of resources from their primary purpose of value creation; (c) improving image and corporate reputation; (d) setting an organisational leadership 'tone at the top' that corruption is not tolerated; (e) limiting financial losses from corruption; (f) making employees feel valued and included and thereby improving morale; (g) increasing investor and shareholder confidence, with a corresponding increase in stakeholders' trust contributing to business growth; (h) creating awareness which promotes the prospects of deterring, preventing, and detecting corruption; and (i) promoting national economic prosperity through an improved economy with added prospects for tax collection contributing to the fiscus. The majority of the participants consider anti-corruption solutions and corporate governance as mutually inclusive. Anti-corruption solutions and corporate governance encompass good corruption risk mitigation measures. Understanding organisational risk, opportunities, and control is important to a good business model. Resilient anti-corruption solutions will affect the prospects of business success.

This research proffered that anti-corruption solutions and corporate governance are the subject of on-going debate and discourse in the business sector and in the research and writings of corporate governance experts. This made the case that there was a need for on-going investigation of anti-corruption solutions within the context of corporate governance (Naidoo, 2016). The literature points to anti-corruption solutions and corporate governance challenges emphasising the value and importance of integrating anti-corruption solutions and corporate governance. According to Bray (2016) at least one out of every two organisations has to reconsider business deals because of exposure to requests for corrupt bribes. Notwithstanding this, the vast majority of organisations are confident that their corporate governance measures, such as transparency and corporate citizenship, deter corruption. Corruption and corporate governance problems, such as opaqueness in transparency and the abuse of discretionary powers, impair a productive business environment. These business sector problems go so far as to effect living standards, contributing to unemployment and poverty (Morrell and Bettcher, 2013). Viewed on a global scale, corruption and related corporate governance challenges have a negative macro-economic impact (Sullivan, 2009).

The participants viewed anti-corruption solutions as a vital tool in protecting good corporate governance from crippling financial and reputational effects. Anti-corruption solutions transfer to corporate governance in the following ways: (a) ensuring enhanced controls; (b) alerting employees to areas of corruption risk and potential non-compliance; (c) creating, as one participant indicated, *“a culture... of awareness... that the organisation is run from a corporate governance point of view”*; and (d) creating a sense of common purpose between management and the governing board to keep the organisation untainted by corruption. The benefits of integrating anti-corruption solutions and corporate governance are further acknowledged by Sullivan et al., (2013); Sullivan (2009); and Morrell and Bettcher (2013) echoing anti-corruption solutions complement other governance structures, thus providing specific specialist knowledge, skills, and experience to enhance the prospects of these structures more competently dealing with the prevention and investigation of corruption.

#### 4.4 Adequacy of the SNG Anti-Corruption Solutions

Seventy-three (73%) of participants submitted that anti-corruption solutions assist organisations to focus on the application of good corporate governance activities in order to achieve their business strategies and objectives. These participants considered anti-corruption solutions and corporate governance as mutually inclusive. A good corporate governance regime includes strong measures to manage business risks and the promotion of a sustainable organisation, while mitigating against the risk of corrupt activities. Failure to implement resilient anti-corruption solutions will affect the prospects of good corporate governance.

It emerged that SNG's anti-corruption solutions are inadequate, requiring improvements in relation to both best practices in anti-corruption and corporate governance. SNG anti-corruption solutions do not deliberately incorporate the provisions of best practices for corporate governance regimes, including those in King IV or in its previous iteration, King III. This means that the approach to anti-corruption solutions does not consider corporate citizenship imperatives integrated within corporate governance. Corporate citizenship incorporates corporate reputation for competitive advantage. King IV specifically puts this forward as part of, amongst other issues, proactive and reactive preventative, detection, and investigation-based anti-corruption solutions. The persistent message of this study is also echoed in King IV, namely that anti-corruption solutions are positioned in best practice as going hand-in-hand and even bearing similarities to corporate governance best practices.

This study further found that the SNG approach is geared toward reactive forensic investigations of corruption, fraud, and other corporate crimes, as well as litigation support as expert witnesses. This study has also shown that the majority of the participants do not understand corporate governance best practices, best practices in anti-corruption solutions, or the anti-corruption solutions in King IV. They also did not understand those in King III, because corporate governance has not been integral to SNG's approach to anti-corruption solutions. The participants all find this to be inadequate in meeting the anti-corruption solution needs of the client organisations that SNG supports.

While the participants express a desire to make sure that governing boards take on more pronounced corporate governance responsibilities for anti-corruption compliance, there is no indication that there is a deliberate and concerted effort by SNG to drive this desired state. In corporate governance best practices, ethical leadership by a governing board that applies their fiduciary duties of care, skill, diligence, and sound business judgement is a valuable anti-corruption prerequisite. Added to this are the specific characteristics of ethical leadership for an ethical culture, namely: integrity, competence of the governing board, responsibility, accountability by being answerable for entrusted responsibilities, fairness to stakeholders, and transparency that benefits all stakeholders. According to the participants and the SNG anti-corruption solutions, some attention is given to the characteristic of competency. SNG conducts background probity and due diligence into competency, qualifications, and previous experience before governing board members are appointed. This is not as in-depth as taking the opportunity to provide induction and education to governing board members about all the ethical leadership characteristics outlined above.

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Consequently, this study advocates for the need for an alternative approach to the problem of corruption. Incorporating the characteristics of Collective Action Theory into the anti-corruption discourse alongside anti-corruption compliance measures contained in best practices is essential. Collective action within anti-corruption solutions has a proven record of adding value to corporate governance, serving as a preventative deterrent in the business sector against the pursuit of illicit self-interest. Collective action allows for better quantitative assessment and understanding of the effectiveness of anti-corruption solutions, because it considers corruption holistically from the perspective of offenders, victims and bystanders. Intra-group trust is an essential ingredient to overcome systemic corruption. Business sector leaders should apply specific characteristics to strive for ethical leadership for an ethical culture by means of: integrity; competence of the governing board; responsibility; accountability, by being answerable to stakeholders for entrusted responsibilities; fairness to stakeholders; and transparency that benefits all stakeholders.

The findings show that the treatment of corruption and corporate governance failures should be integrated with lessons from collective action. Collective Action

Theory requires collaborative solutions that involve multiple stakeholders, whether they stand to gain or to lose, in stakeholder value creation. True integration of anti-corruption solutions and corporate governance will ensure a literal 'anti-corruption approach' in corporate governance. This will empower and place management in a more informed position to make more appropriate and complete business decisions in relation to corruption. For example, most cases of corruption in the business sector go unreported. This reduces the risk of punitive repercussions for offenders. If management signs up to true 'zero tolerance' as a culture, laying criminal charges in all cases of corruption – even those involving management itself and governing board members – as opposed to settling secret agreements with some individuals, this will send a clear message to others that corruption is truly not condoned.

King IV drives "radical transparency". While transparency is advocated by SNG anti-corruption solutions, it is not clearly set out what the firm offer is to achieve this state for business sector organisations. First and foremost, transparency requires governing boards to accurately report and disclose all the organisation's business performance results, particularly accounting records and financial statements, remuneration and compensation, conflicts of interest and related-party transactions, and non-financial matters, such as the reporting of corruption for law enforcement action and to stakeholders. Additionally, all of these disclosures must be audited for integrity. Developing governance structures that address the oversight and monitoring of governing board member activities, board committees for supervision, oversight and monitoring of remuneration, auditing and risk assessments, and social (stakeholder interest) and ethics imperatives are advocated in King IV and best practices for corporate governance. These governance structures are not pronounced in the SNG anti-corruption solutions.

In addition, on the score of knowledge, participants in this study have shown limited insight into literature on anti-corruption solutions and corporate governance best practices. This extends to a lack of understanding of the theories applicable to these disciplines. Furthermore, they do not have a basic understanding of corporate governance specifics, like the makeup of related models and regimes, nor the very pertinent SA corporate governance regime, King IV.

## 5. Conclusion and Recommendations

1. The results of the research revealed that SNG anti-corruption solutions were found to apply a systemic approach to anti-corruption solutions and considered corruption more of an agency problem and not a collective action problem.

2. Furthermore, SNG anti-corruption solutions were found to be inadequate in that they did not draw from international anti-corruption solutions and corporate governance best practices. More importantly, SNG did not incorporate the provisions of the SA corporate governance regime, King IV, which is also an internationally recognised best practice in itself. For example, the absence and awareness of collective action methods and initiatives was found to be profound in relation to the SNG anti-corruption solutions.

The findings from this study are therefore of particular significance since it provides

a unique understanding of anti-corruption solutions and corporate governance in order to promote a corruption-averse business sector and thereby contribute to new knowledge with regard to corruption in the business sector through collective action methods by integrating best practices in anti-corruption solutions and corporate governance. The practical significance of incorporating collective action methods promises enhanced anti-corruption solutions and value to SNG client organisations that could be implemented in similar contexts by other organisations in the professional services industry who provide corporate governance and anti-corruption solutions. Accordingly, these findings bridge the research gaps by providing new insights in terms of corporate governance and anti-corruption solutions for the SA business sector.

Based on the result of the analysis, it is recommended that SNG's anti-corruption solutions are integrated with corporate governance best practices, rather more so by incorporating the King IV Corporate Governance Regime that is applicable in South Africa as foundation. King IV should be used as the basis to guide SNG towards supporting organisations to achieve anti-corruption resiliency, good corporate reputation, corporate citizenship and, ultimately, good corporate governance (ethical culture, good performance, effective control, and legitimacy). In addition, it is recommended that corruption should be viewed as both an agency problem and a collective action problem. This requires a focus on stakeholder inclusivity, targeted at long-term sustainable stakeholder value creation.

Collective action methods and initiatives should be developed and implemented to complement systemic measures. For collective action to take root, SNG's experts should enhance their understanding of the problem of corruption as a collective action problem, which is more complex than a traditional agency problem. The current SNG anti-corruption solutions (mostly focussed on reactive investigation) should form the basis to build further, structure better, capacitate and, particularly, add substantial collective action methods and interventions. Comprehensive guidance for these methods and interventions is divided into two categories, namely, principle-based initiatives and commitment and certification- and affiliation-based collaboration and integrity pacts. SNG should leverage from the core of principle-based collective action and ensure that its anti-corruption solutions are dynamically developed to incorporate corporate governance best practices, drawing from King IV. SNG anti-corruption solutions should be enhanced to position the organisation at industry and intra-organisational level as a "go to" advisor and initiator of business sector collaboration against corruption. This could include serving as an anti-corruption capability accreditation and certification agency for business sector organisations. Added to this, SNG could develop and encourage business sector organisations to sign up to collective action integrity pacts.

This research has furthermore shown that the SNG anti-corruption solutions should be enhanced and recommend that this professional services firm address corruption in the business sector through collective action methods by integrating best practices in anti-corruption solutions and corporate governance. Collective action methods promises enhanced SNG anti-corruption solutions, value to SNG client organisations, and presents the prospect of wider, increased market-penetrating spin-offs for SNG

and the business sector in general. The incorporation of collective action methods in anti-corruption solutions and corporate governance could be implemented in similar contexts by other organisations in the professional services industry who provide corporate governance and anti-corruption solutions.

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