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 **NORTON ROSE FULBRIGHT**

# **CRSA Forum: Incentives Corruption and Mission Command**

Norton Rose Fulbright LLP  
29 March 2016



# Mission Command

“Lessons from the military for the effective management of risk”

- *balancing centralised control with a decentralised operating model*

John Deverell CBE  
[www.deverellassociates.com](http://www.deverellassociates.com)

**crsaforum.com**

*for governance, culture, behaviour, uncertainty and risk management*

# Mission Command

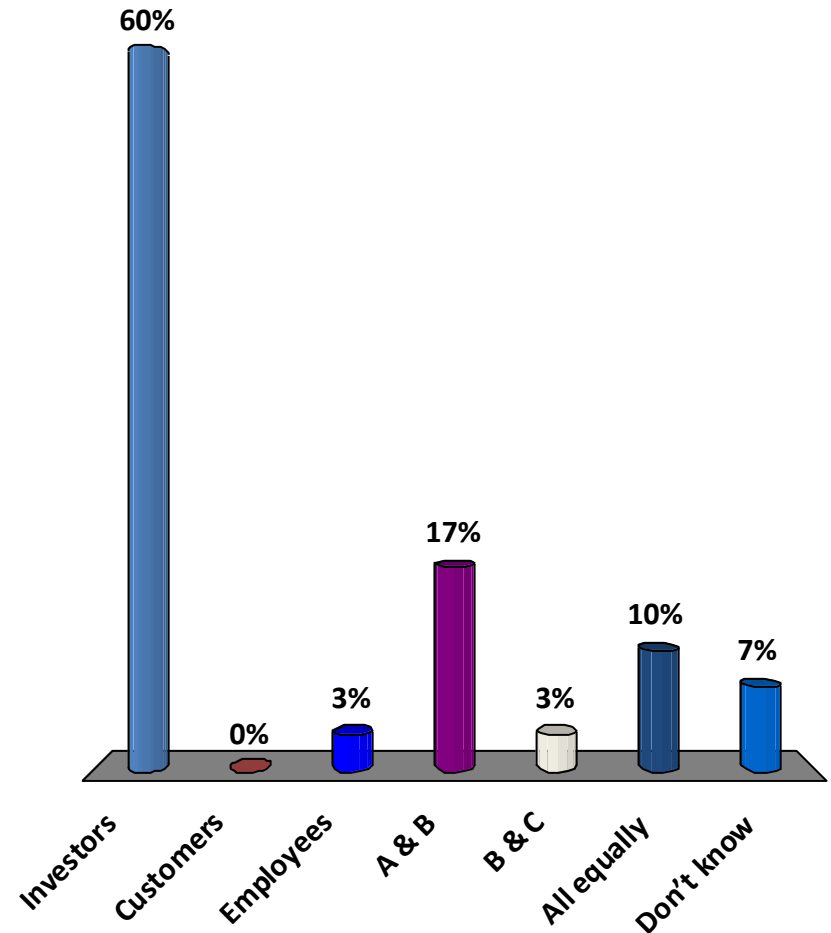
- Credentials
- A story
- Interactive scenario
- Points to remember

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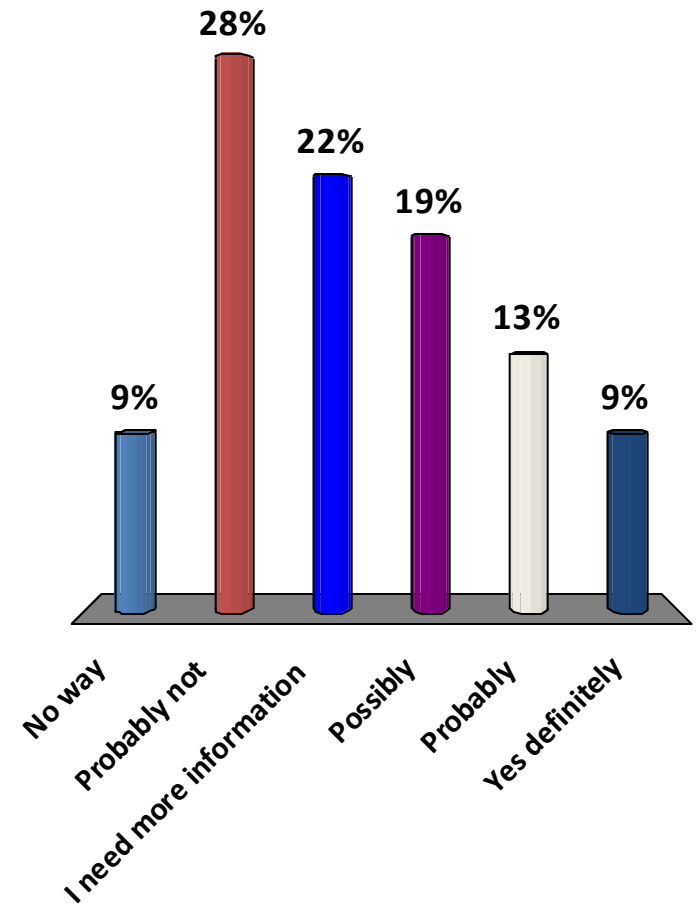
# Sir John Morton's priorities

- A. Investors
- B. Customers
- C. Employees
- D. A & B
- E. B & C
- F. All equally
- G. Don't know



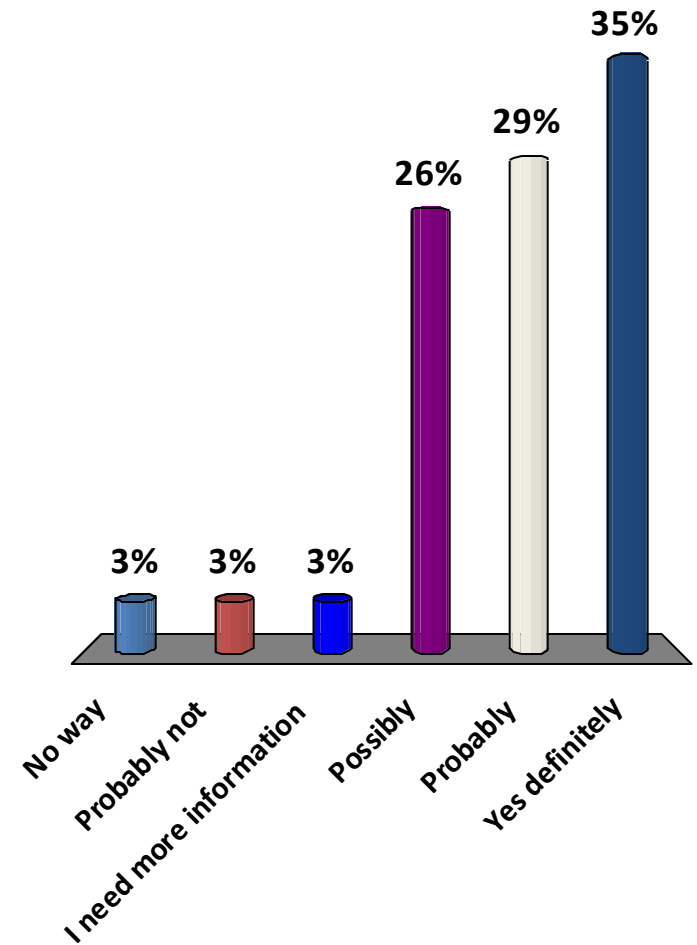
# Does the company management structure lend itself to Mission Command?

- A. No way
- B. Probably not
- C. I need more information
- D. Possibly
- E. Probably
- F. Yes definitely



# Does Mission Command lend itself to commercial life?

- A. No way
- B. Probably not
- C. I need more information
- D. Possibly
- E. Probably
- F. Yes definitely



# PIELLE Consulting

...since 1980

REFLECTIONS...

RISK  
#  
INCENTIVES  
#  
CORRUPTION  
#  
MISSION  
(CONTROL)

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**KNOWLEDGE**

**COMMUNICATION**

**INTELLECTUAL CAPITAL**

**COMMUNICATION**  
Behavioural Economics

and

**RISK SELF ASSESMENT**

**‘Communication is a practical academic discipline....’**

**Robert Craig**





## INCENTIVES...

rewards and fines to harness self interest  
in the common good'...

.... undermine Adam Smith's moral sentiments...

*'paying to donate blood reduces supply'*

*'fines for collecting children late from school increased late collection'*

*'tax on plastic bags eliminates use'*

*PPI*

....GO WRONG WHEN THEY DIMINSH ETHICAL SENSIBILITIES



CRSA ....

## Communication and Risk Self Assessment

### CORRUPTION

**“the abuse of entrusted power for private gain”.**

**Grand Corruption** - acts committed at a high level of government  
enabling leaders to benefit at the expense of the public good.

**Political Corruption** – manipulation by political decision makers of policies,  
institutions and rules of procedure in the allocation of  
resources and financing -  
- the abuse of position to sustain their power, status and wealth.

**Petty Corruption** - everyday abuse of entrusted power by public officials

**“The more corrupt the state,  
the more numerous the laws  
(and definitions of corruption?).”**

**— Tacitus, The Annals of Imperial Rome**



**CRSA ....**

**Communication and Risk Self Assessment**

**CORRUPTION – Risk and Self Assessment**

*BOC international plc*

*PITNEY BOWES*

*ICI*

*OMAN LNG*

*KANO State*



CRSA Forum....

RISK...

.....MANAGEMENT

***ETHOS***

***‘COMMUNICATION LEAD – ERSHIP’***

***BOARD COMMITTEE***

***CULTURAL CONSIDERATION***

***EMPLOYEE INVOLVEMENT***

***ZERO TOLERANCE***



“What’s your involvement in corruption?”

**Prof Paul Moxey 2016**



## MISSION

**Fighting Corruption:  
beyond Technocratic Solutions**

***‘A Daidaita Sahu’***  
***‘close the ranks’***

**Communicate - empowering those impoverished by the effects  
of corruption to tackle issue at source.**



# PIELLE Consulting ...since 1980

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**KNOWLEDGE**

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# CRSA Forum

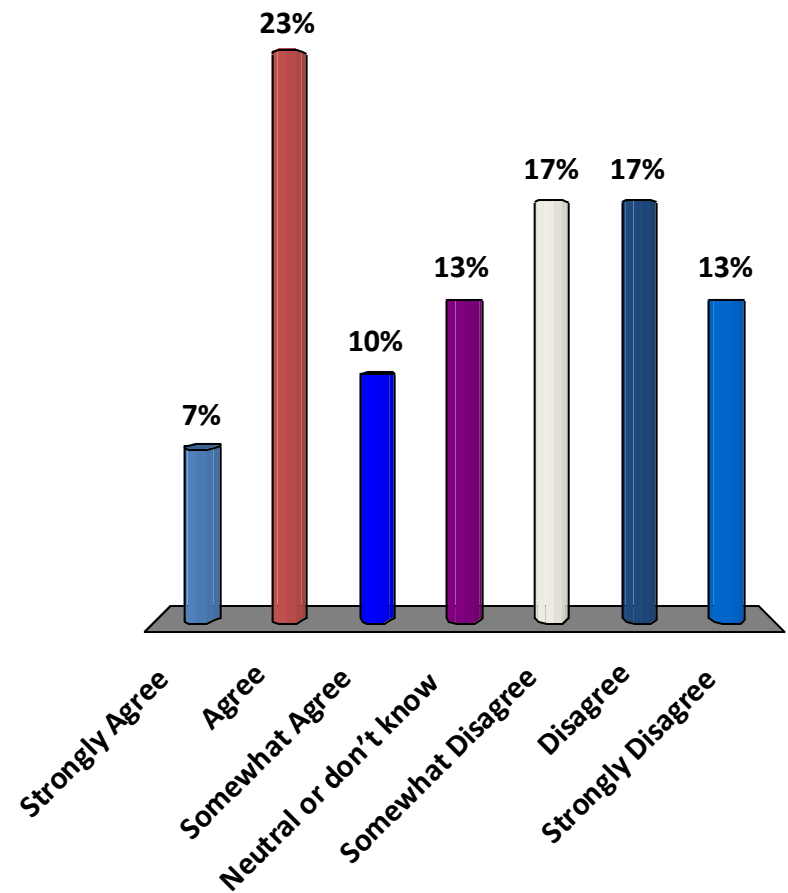




# Incentives and Corruption

There is nothing going on in the company which might cause embarrassment if it became publicly known

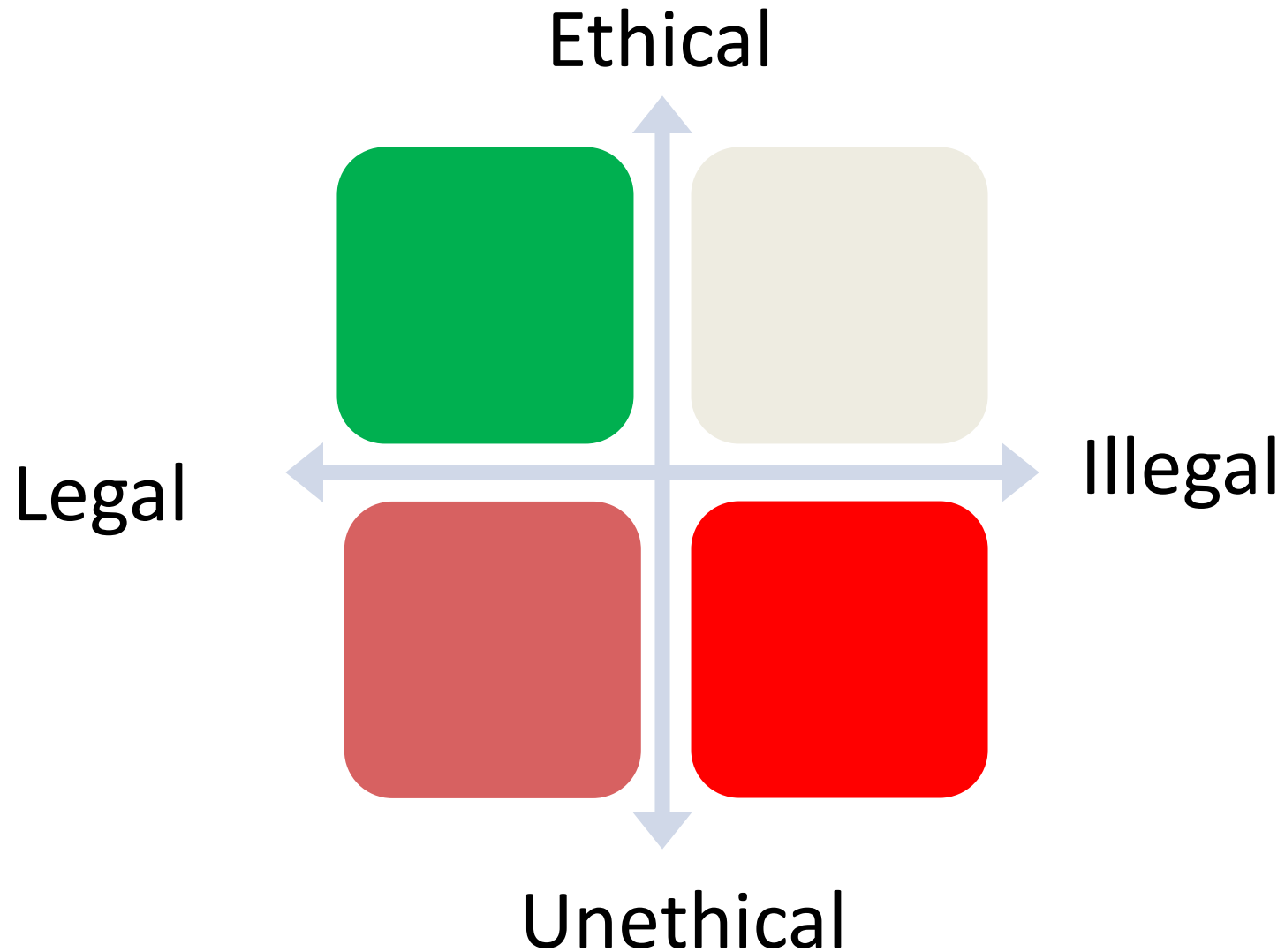
- 1) Strongly Agree
- 2) Agree
- 3) Somewhat Agree
- 4) Neutral or don't know
- 5) Somewhat Disagree
- 6) Disagree
- 7) Strongly Disagree



Where are most big organisations today?

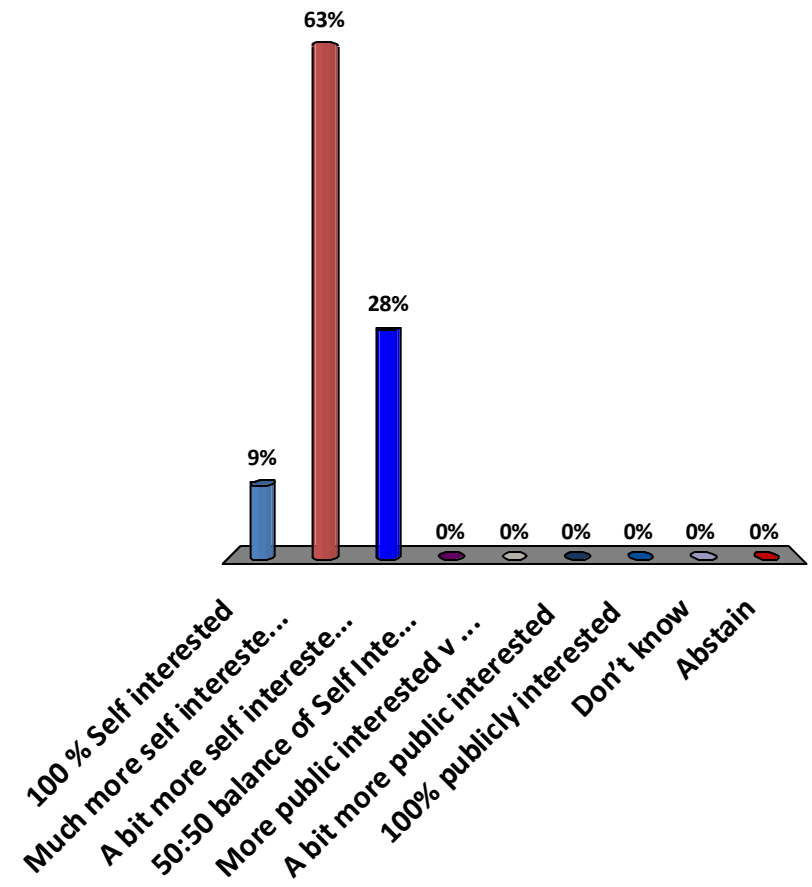


Where are most big organisations today?



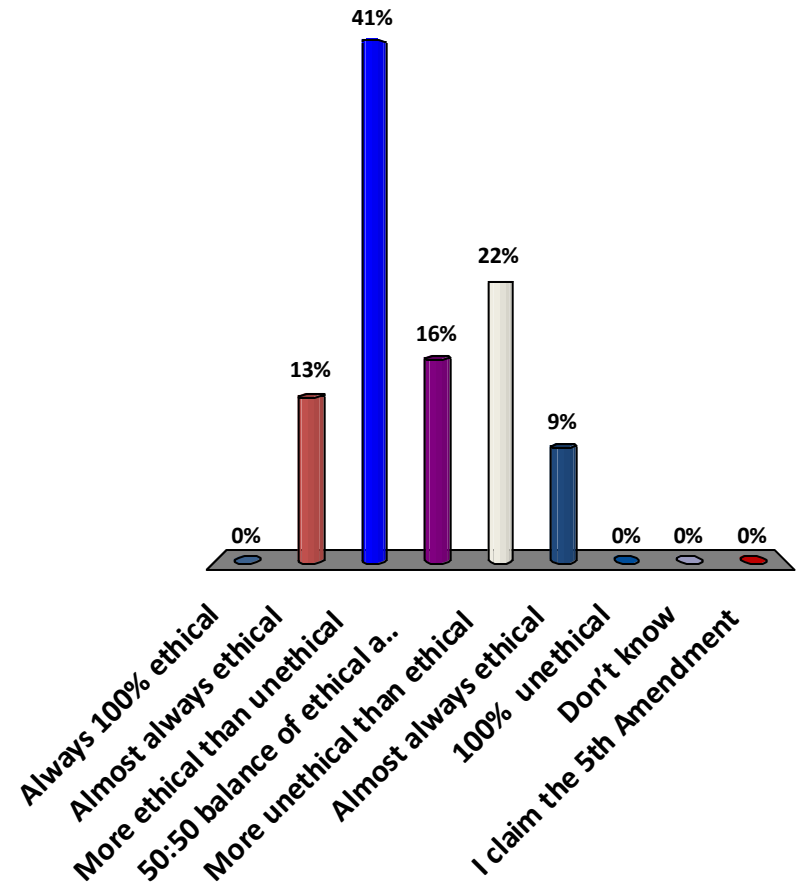
# Where are most big organisations today?

1. 100 % Self interested
2. Much more self interested than public interested
3. A bit more self interested than v public interested
4. 50:50 balance of Self Interest v Public Interest
5. More public interested v Self Interest
6. A bit more public interested
7. 100% publicly interested
8. Don't know
9. Abstain



# Where are most big organisations today? Ethical and unethical?

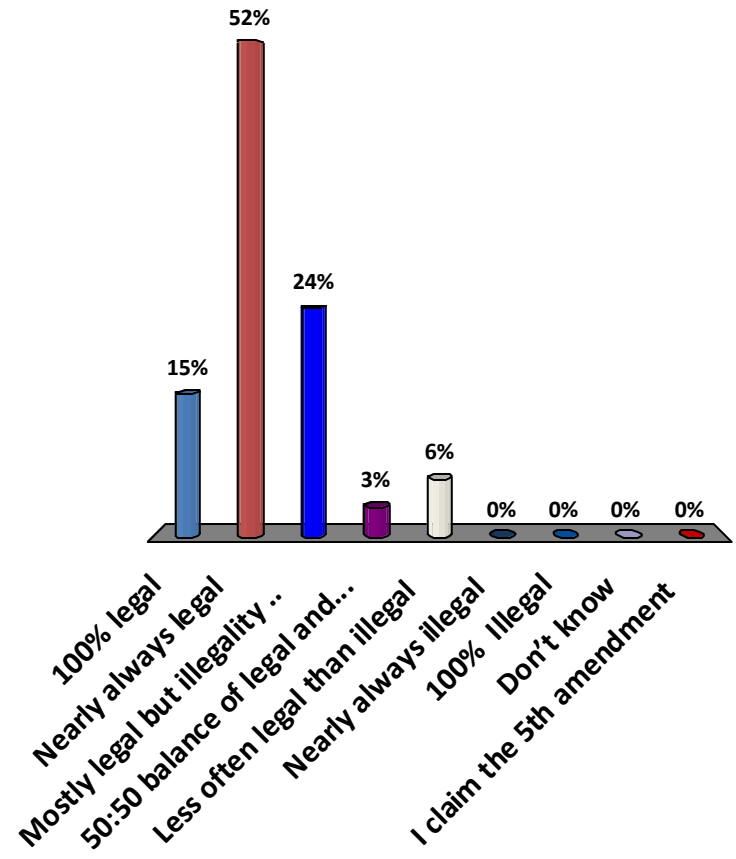
1. Always 100% ethical
2. Almost always ethical
3. More ethical than unethical
4. 50:50 balance of ethical and unethical
5. More unethical than ethical
6. Almost always unethical
7. 100% unethical
8. Don't know
9. I claim the 5<sup>th</sup> Amendment



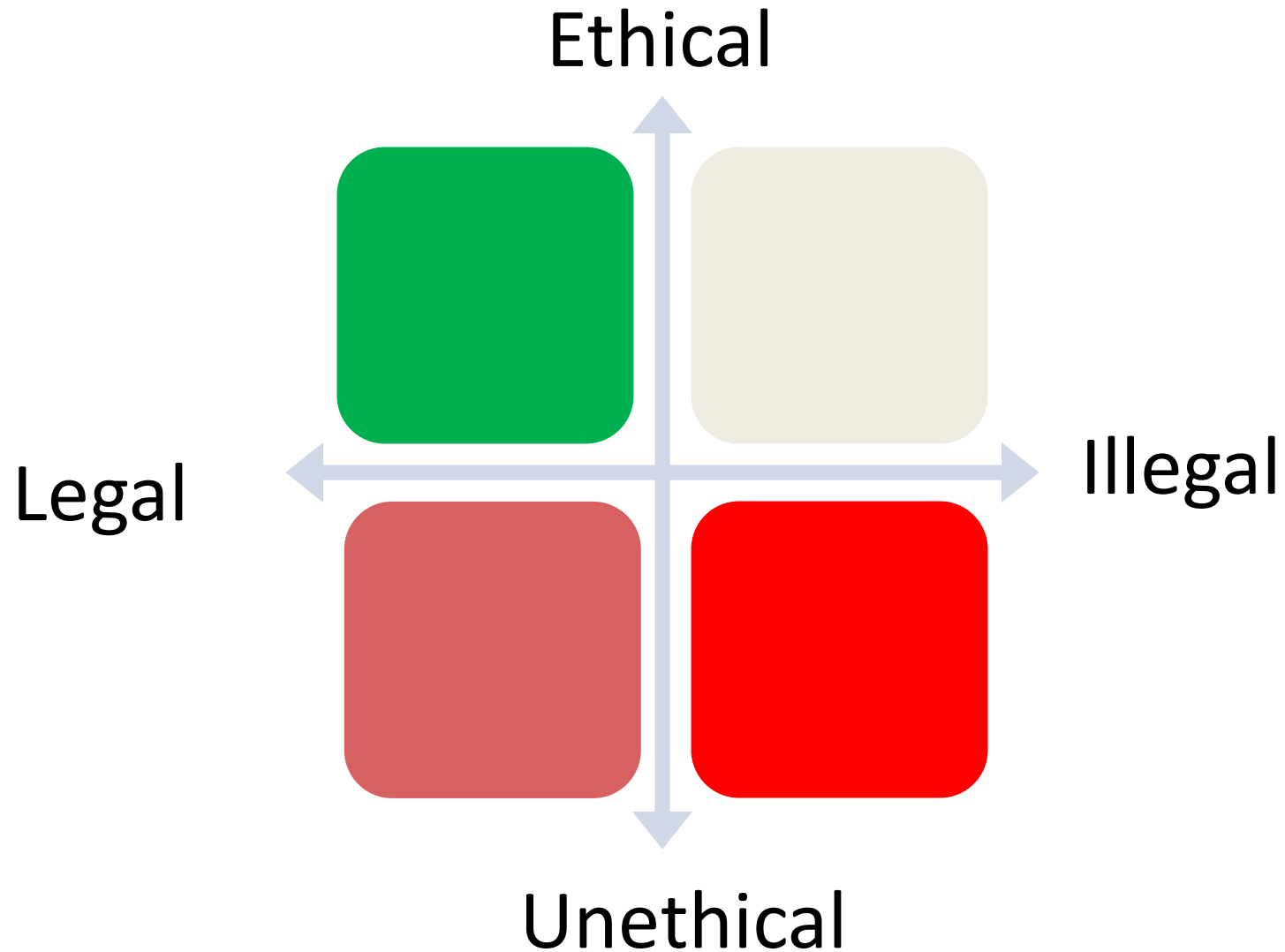
# Where are most big organisations today?

## Legality and Illegality?

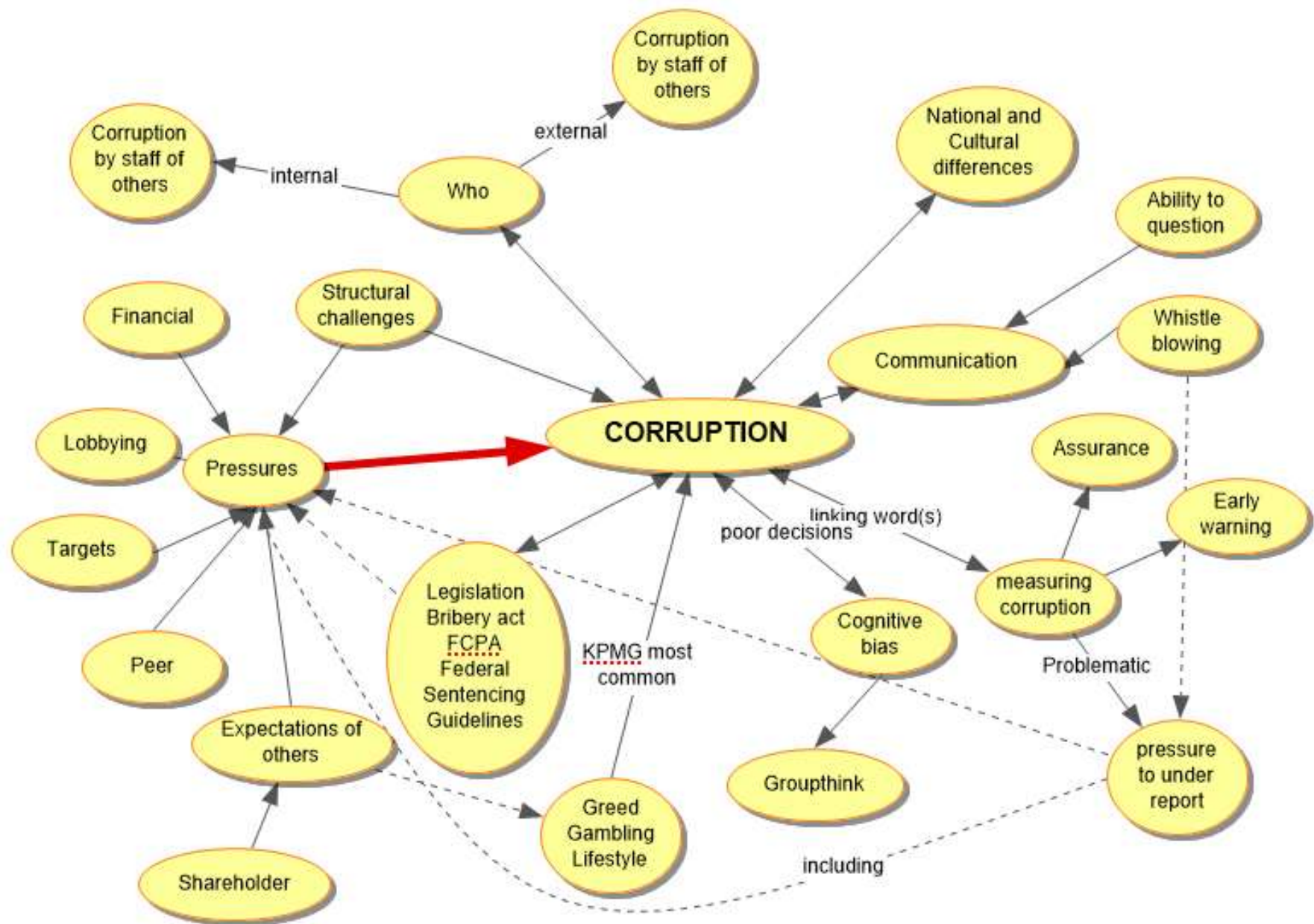
1. 100% legal
2. Nearly always legal
3. Mostly legal but illegality is common
4. 50:50 balance of legal and illegal
5. Less often legal than illegal
6. Nearly always illegal
7. 100% Illegal
8. Don't know
9. I claim the 5<sup>th</sup> amendment



Where are most big organisations today?







PROBLEMS OF  
COMPLEX  
ORGANISATIONAL  
SYSTEMS

Agency  
theory

Assumptions

Man is  
rational

Lazy

Can't be trusted

Need more control

Co is a  
Machine

Bureaucratic reform

audit

compliance

formalising

Removal of  
discretion

Osrecki 2015

Disfunctional  
compliance?

Informal procedures

May be Emotionally  
satisfying

Mission Command

Functional  
Deviance  
Luhmann 1964

Policy v  
Practice

Follow the  
letter

Means  
not ends

Formal & Informal  
Intended & Unintended

Unintended  
consequences

Target  
setting

Push-back

Cause &  
effect

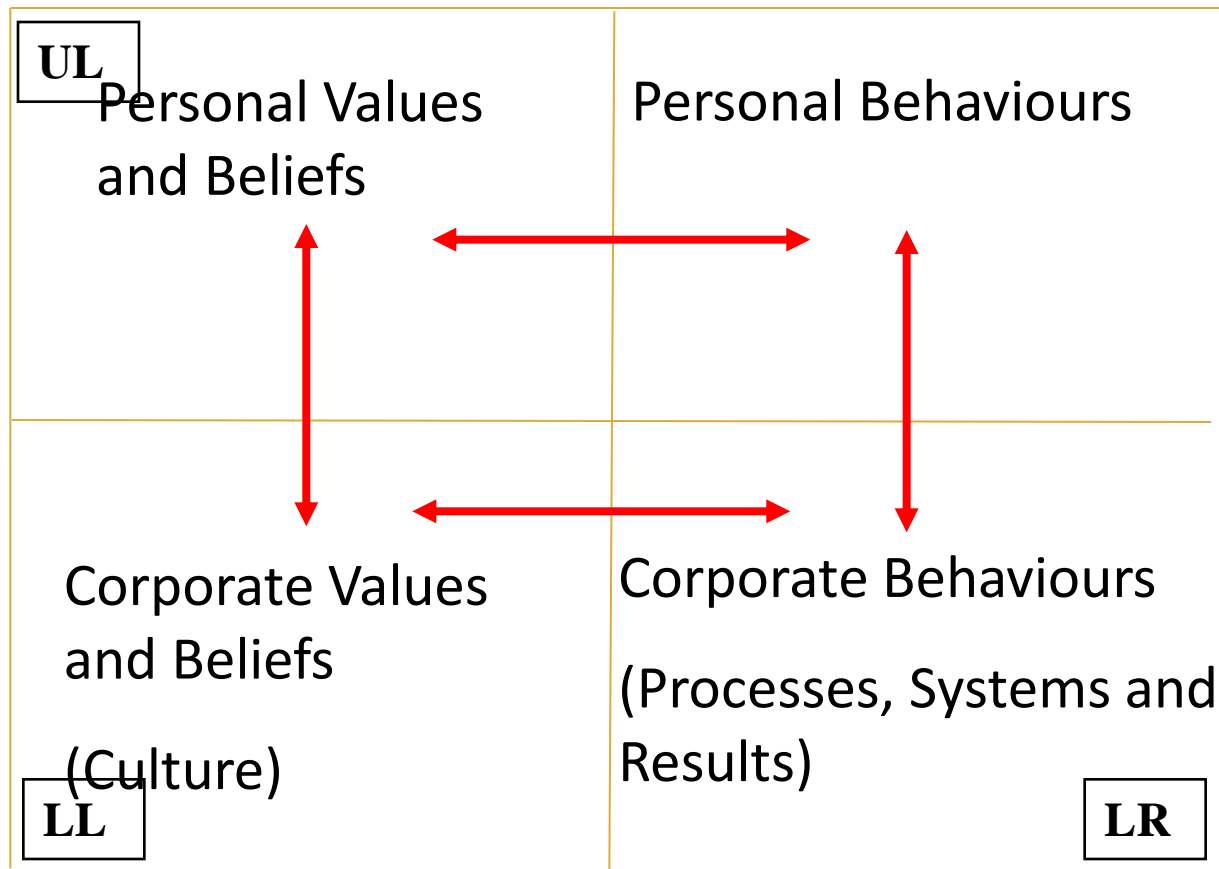
Complex

Hawthorne  
Observer effect

Collective Action

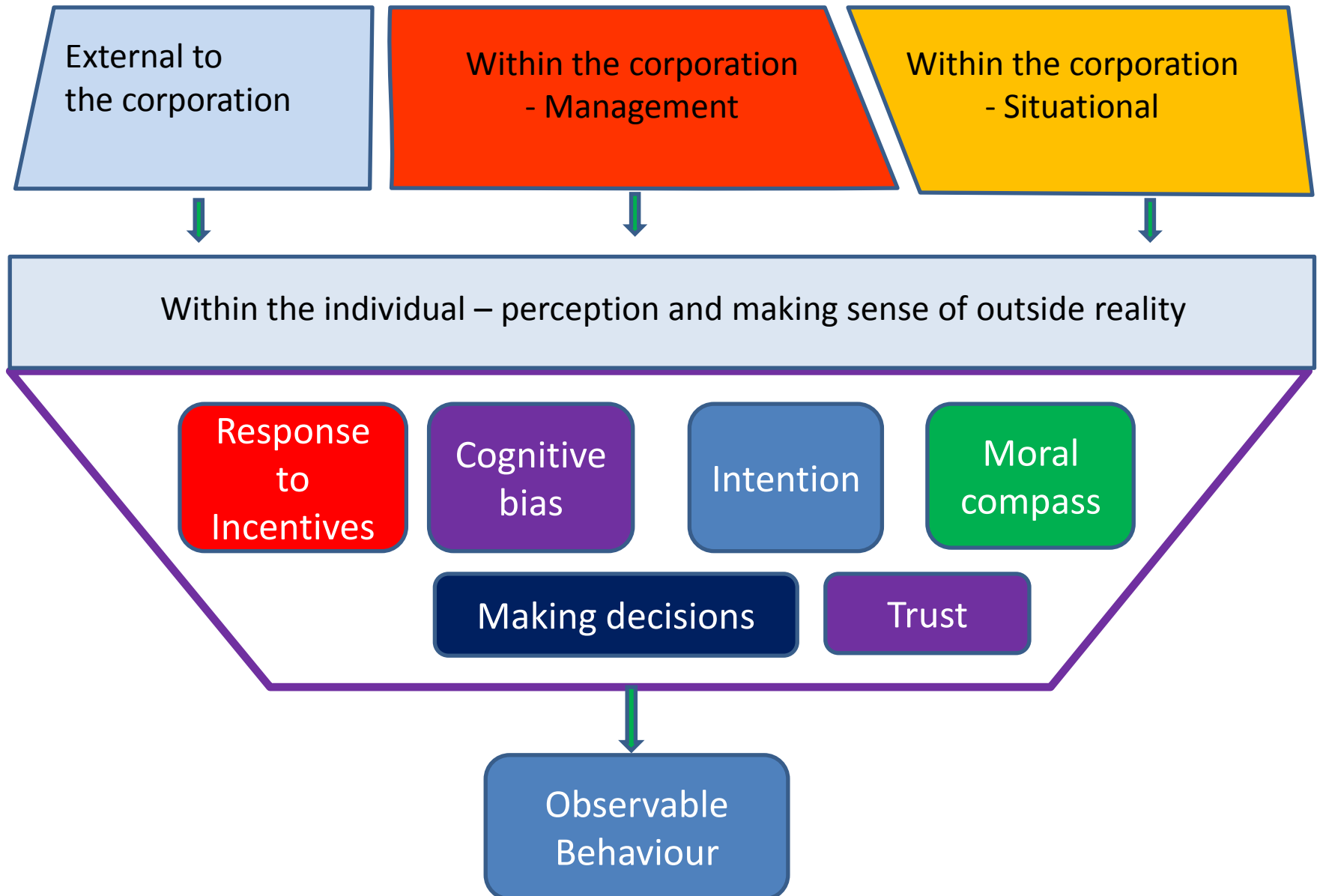
Dehumanising

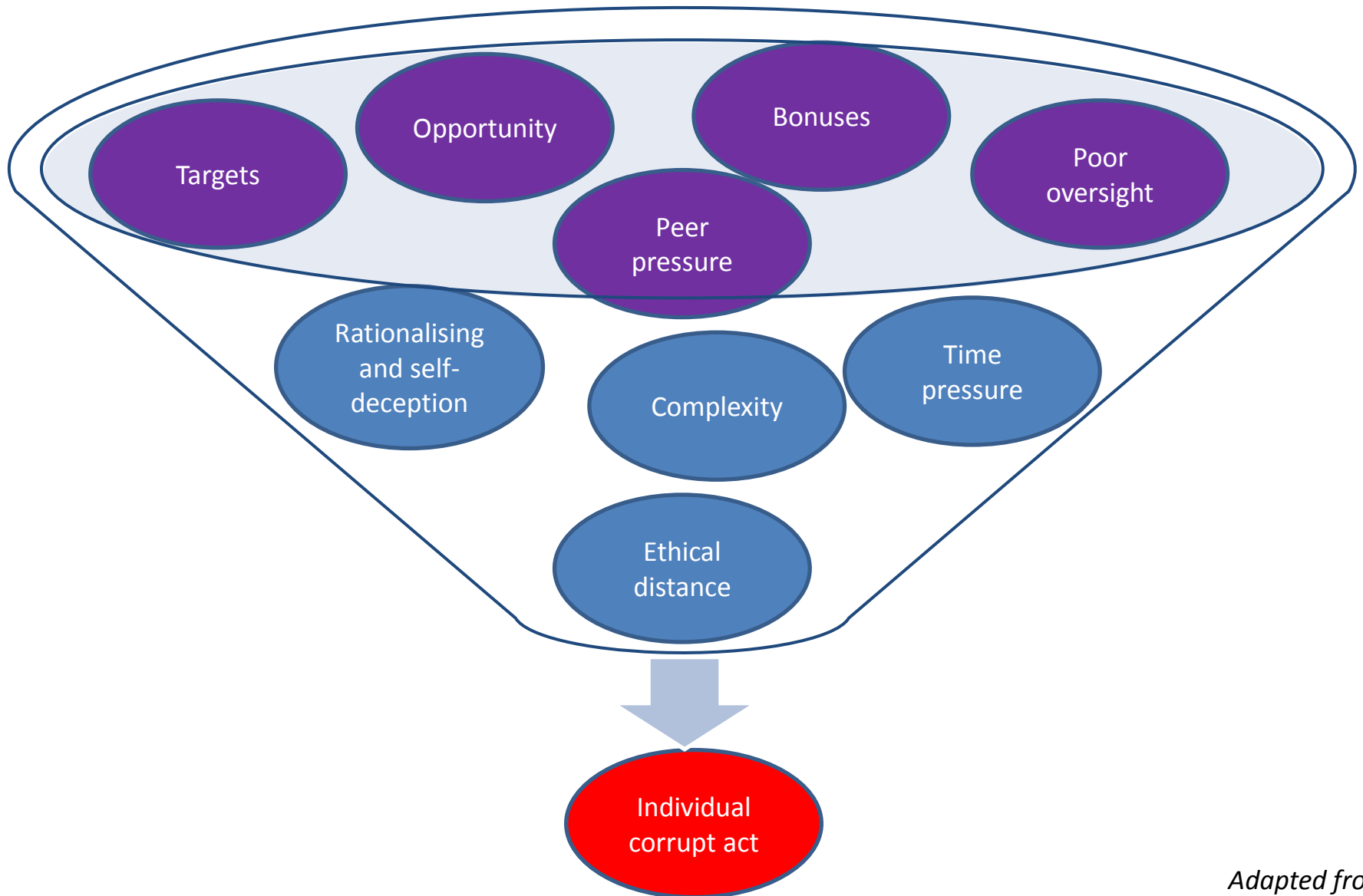
# Individual v Corporate Values and Behaviours



based on a model by Ken Wilber and Richard Barrett

# What makes us tick

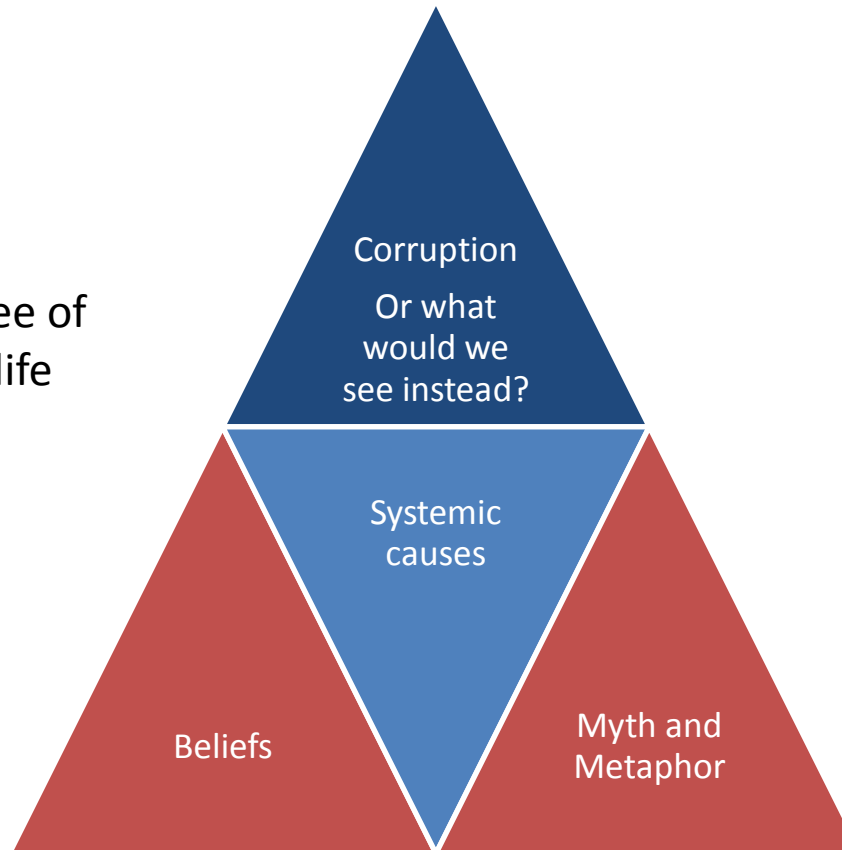




*Adapted from  
Flemming and Zyglidopoulos (2009)*

# Causal Layered Analysis

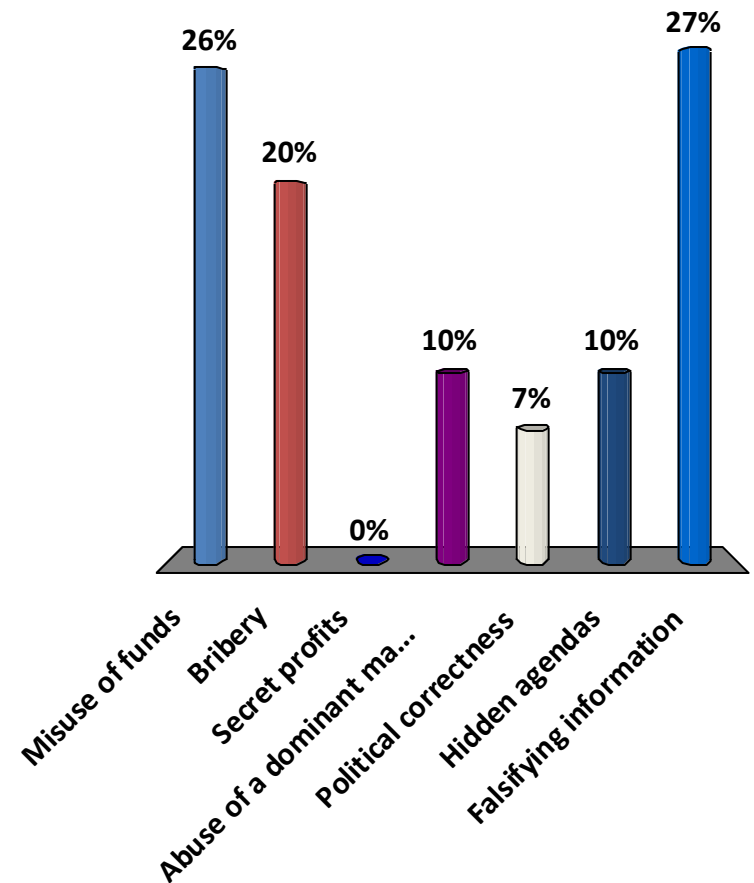
What examples do we see of corruption in corporate life



What influences or causes these examples of corruption? What are the systemic causes and underlying beliefs or metaphors?

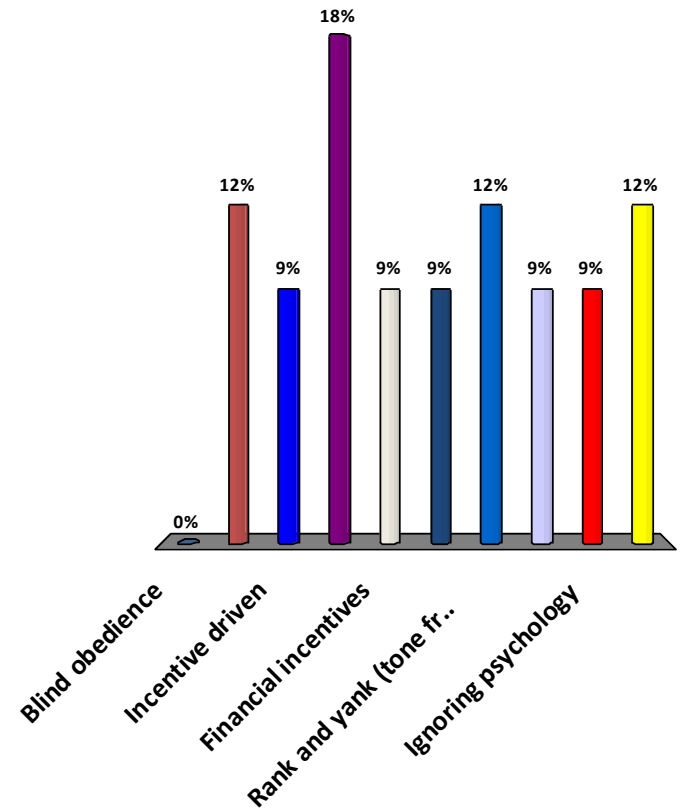
# Examples of corruption

- A. Misuse of funds
- B. Bribery
- C. Secret profits
- D. Abuse of a dominant market position
- E. Political correctness
- F. Hidden agendas
- G. Falsifying information



# Systemic causes

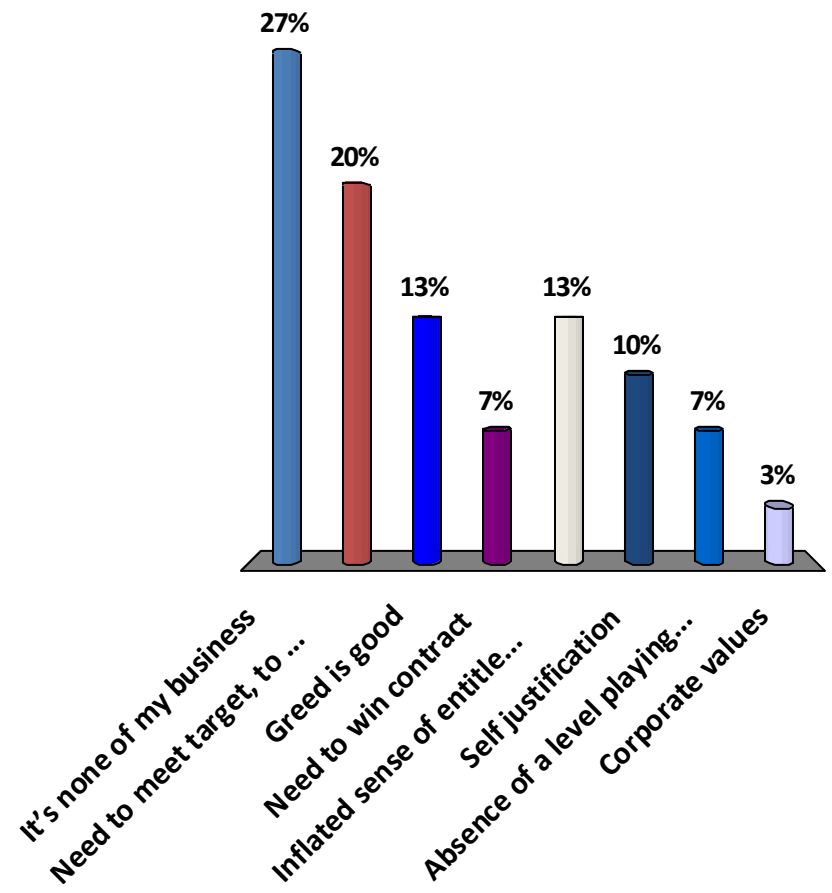
- A. Blind obedience – 0%
- B. Lack of oversight – 12%
- C. Incentive driven – 9%
- D. Tick the box culture – 18%
- E. Financial incentives - 9%
- F. Targets – 9%
- G. Rank and yank (tone from the top) – 12%
- H. Unrealistic expectations – 9%
- I. Ignoring psychology – 9%
- J. Cultural norms (when in Rome) – 12%





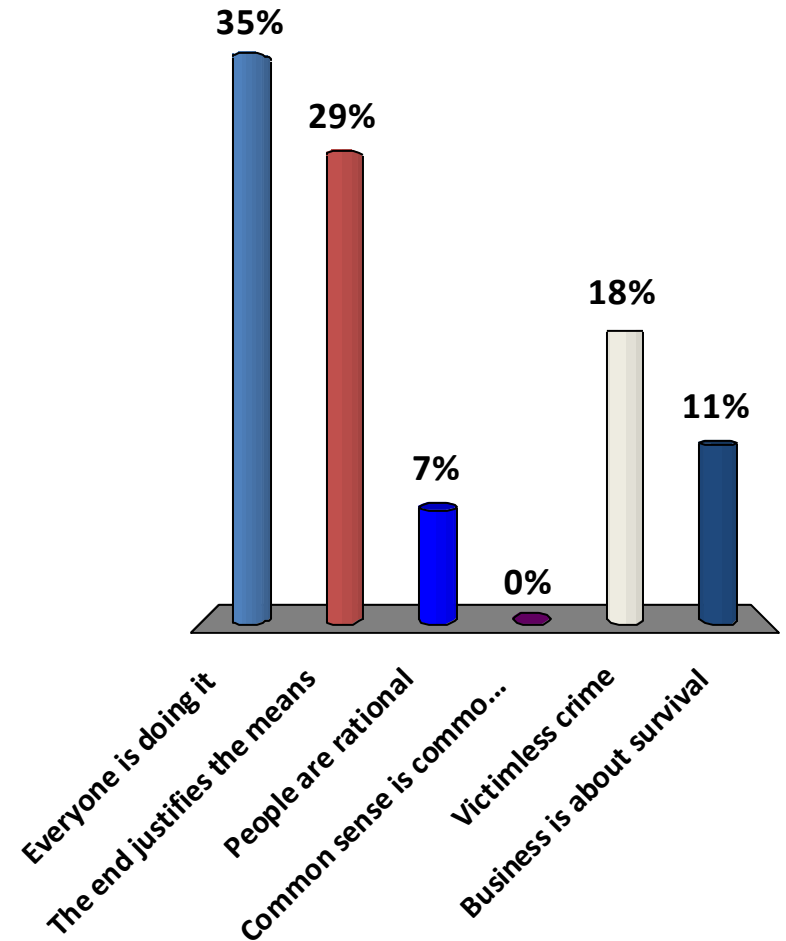
# Beliefs

- A. It's none of my business – 27%
- B. Need to meet target, to avoid punishment – 20%
- C. Greed is good – 13%
- D. Need to win contract – 7%
- E. Inflated sense of entitlement – 13%
- F. Self justification – 10%
- G. Absence of a level playing field – 7%
- H. Corporate values – 3%



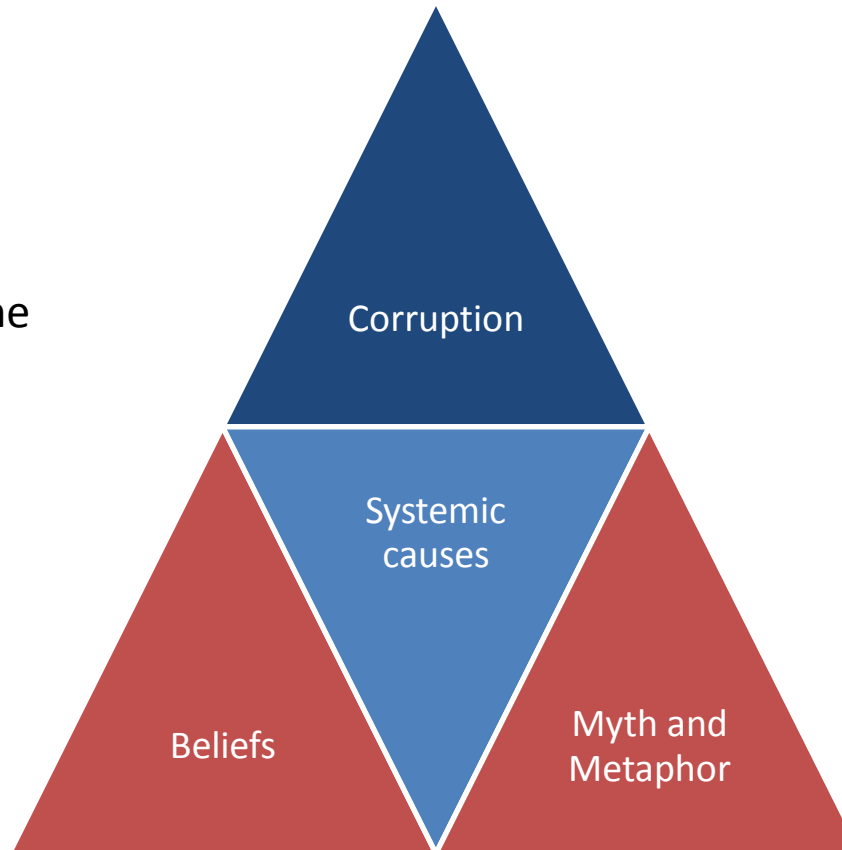
# Myths & Metaphors

- A. Everyone is doing it – 35%
- B. The end justifies the means – 29%
- C. People are rational – 7%
- D. Common sense is common to all – 0%
- E. Victimless crime – 18%
- F. Business is about survival – 11%



# Causal Layered Analysis

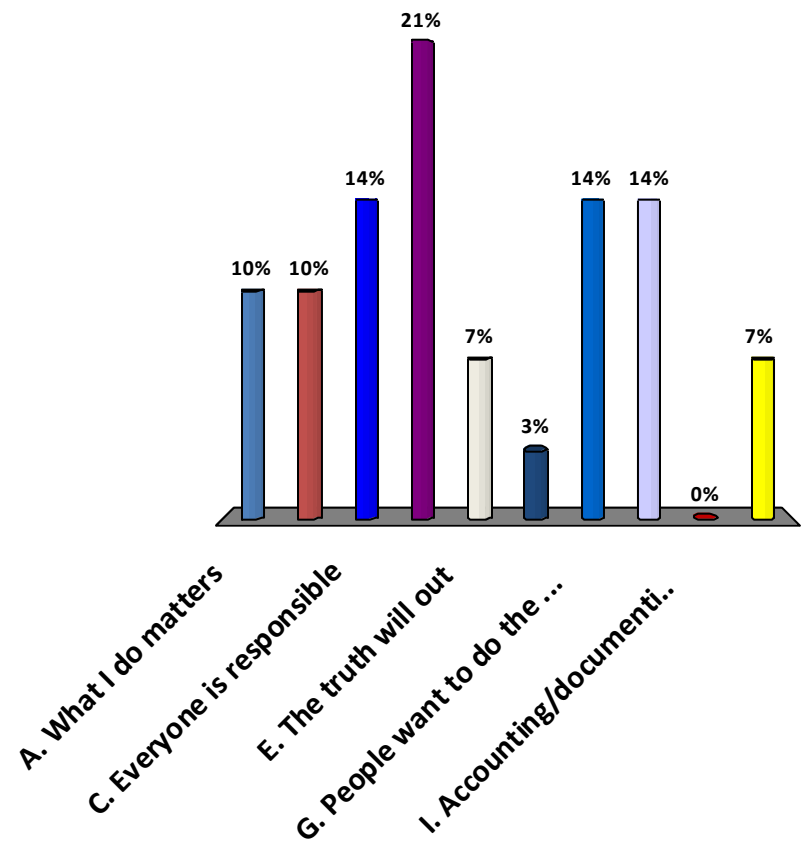
How could we change the  
systemic causes and  
underlying beliefs and  
metaphors?



What  
difference  
would that  
make?

# Beliefs & Myths/Metaphors

- A. A. What I do matters – 10%
- B. B. Fear of being caught and punished – 10%
- C. C. Everyone is responsible – 14%
- D. D. Doing the right thing – 21%
- E. E. The truth will out – 7%
- F. F. Accounting for externalities – 3%
- G. G. People want to do the right thing AND do a good job – 14%
- H. H. That's not how we do things around here – 14%
- I. I. Accounting/documenting for tail risk – 0%
- J. J. Not all value is measurable – 7%



For further discussion

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