



INSTITUTE OF INTERNATIONAL RELATIONS AND POLITICAL SCIENCE
VILNIUS UNIVERSITY

Navigating today's complex business and accountability risks

SYMPA seminar

January 2014

Liudas Jurkonis

Vilnius university

Institute of International Relations & Political Science

Fraud and corruption environment Global vs Baltics (Lithuania, Latvia, Estonia)

Goals of the presentation:

- Discuss fraud and corruption environment in Baltic region
- Present Baltic region in global and regional perspectives
- Discuss risks of money laundering in the described environment
- Discuss potential decision to be taken on:
 - ▶ National level
 - ▶ Enterprise level



Due to high socio-economical pressure, self-rationalization and poor corporate governance culture the risk of fraudulent activities in the Baltic region should be considered with special attention.

Survey approach and participant profile



- ▶ Between November and December 2012, our researchers conducted 3,459 interviews with employees in 36 countries, divided into 34 result groups, covering Europe, Middle East, India and Africa
- ▶ A sample of the largest companies¹ in each country was interviewed. Employees interviewed included board directors, senior management, other management and other employees. Interviews were conducted on an anonymous basis in the local language by telephone, online or in person. Details of the full survey are shown below
- ▶ Results are compared with findings for Eastern Europe², Developed³, Rapid-growth⁴ and All respondents
- ▶ Please note that, due to rounding or the omission of percentages to allow better comparison, some figures may not sum to 100%

¹ Large companies are defined as those with more than 150/250/500/1,000/1,500 employees depending on the country, or as quoted on a stock exchange or is a multinational.

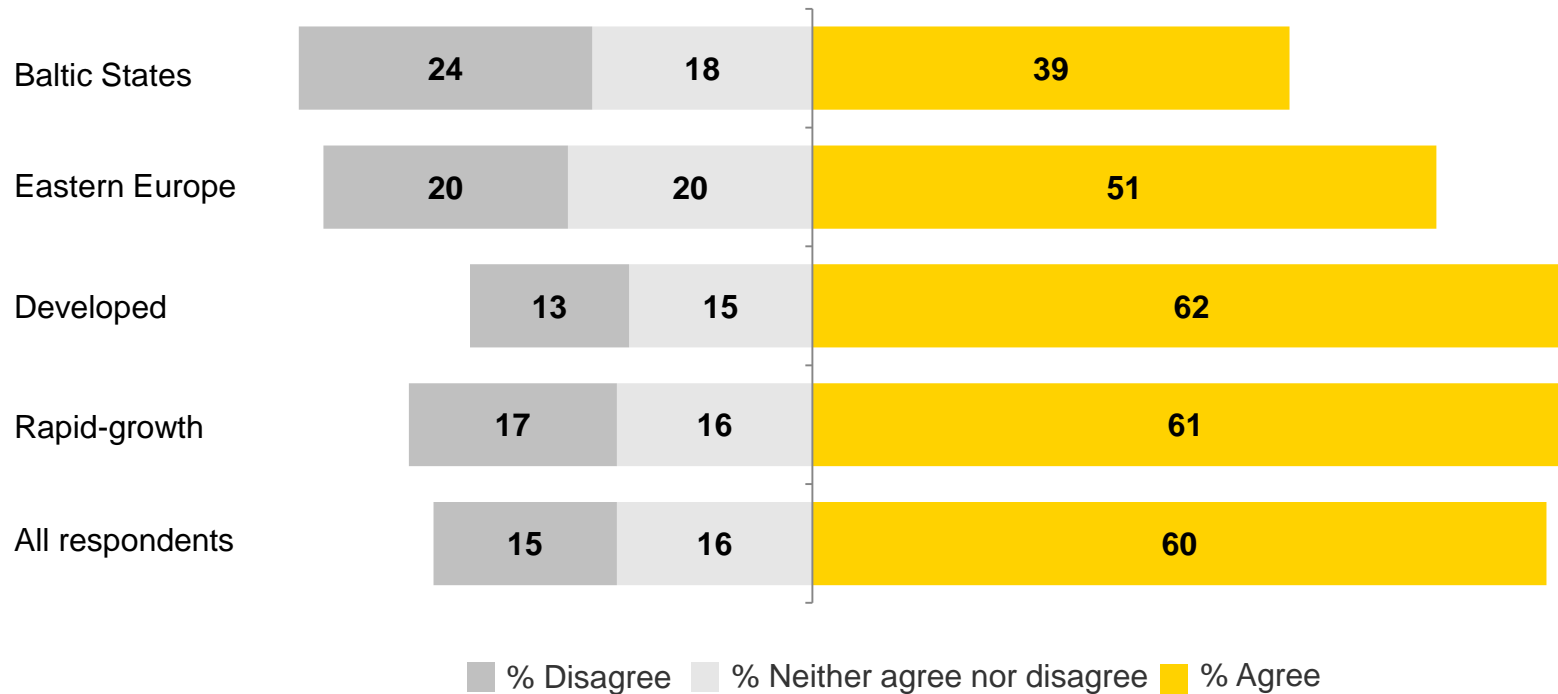
² Eastern Europe results are based on 1,256 interviews across 12 countries – Baltic States, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

³ Developed results are based on 1,500 interviews across 15 countries – Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

⁴ Rapid-growth results are based on 1,103 interviews across 11 countries – Czech Republic, Egypt, India, Nigeria, Poland, Russia, Saudi Arabia, South Africa, Turkey, UAE and Ukraine.

Management under pressure

Managers at our business will be under increased pressure to deliver good financial performance over the next 12 months



Q: To what extent do you agree or disagree with the following statement.

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

% Don't know has been omitted to allow better comparison between responses given

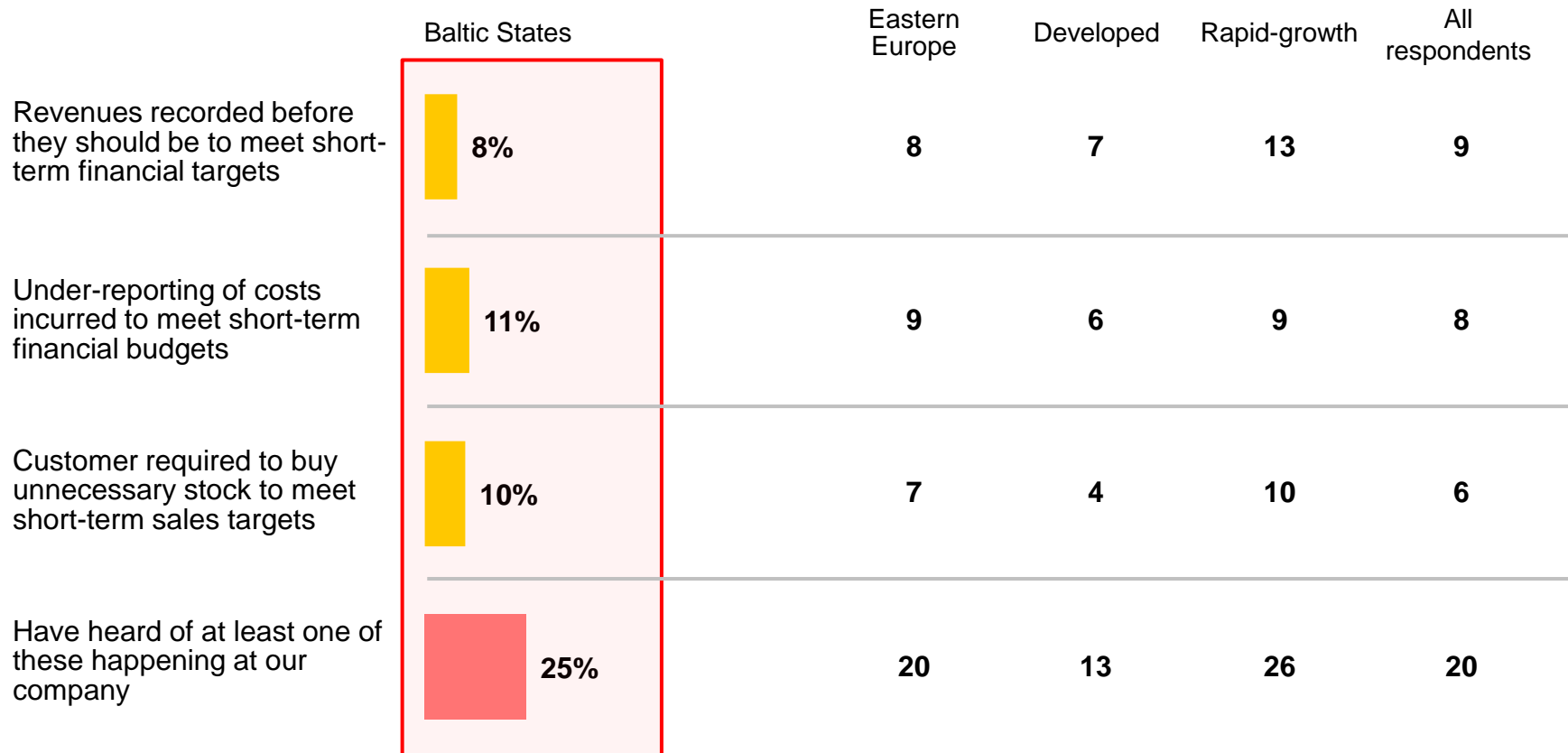
Downward pressure on remuneration

| | Baltic States | Eastern Europe | Developed | Rapid-growth | All respondents |
|---------------------------------------|---------------|----------------|-----------|--------------|-----------------|
| Pay freezes | 32% | 22 | 27 | 17 | 23 |
| Reduction of bonuses | 5% | 23 | 17 | 24 | 21 |
| Pay rises below the rate of inflation | 9% | 18 | 14 | 28 | 20 |
| Pay cuts | 23% | 23 | 17 | 17 | 19 |
| Removal of bonuses | 24% | 18 | 15 | 18 | 17 |
| Aware of at least one of these | 64% | 66 | 52 | 61 | 59 |

Q: Are you aware of any of the following affecting people at the department or division of the company you work for in the last 12 months?

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

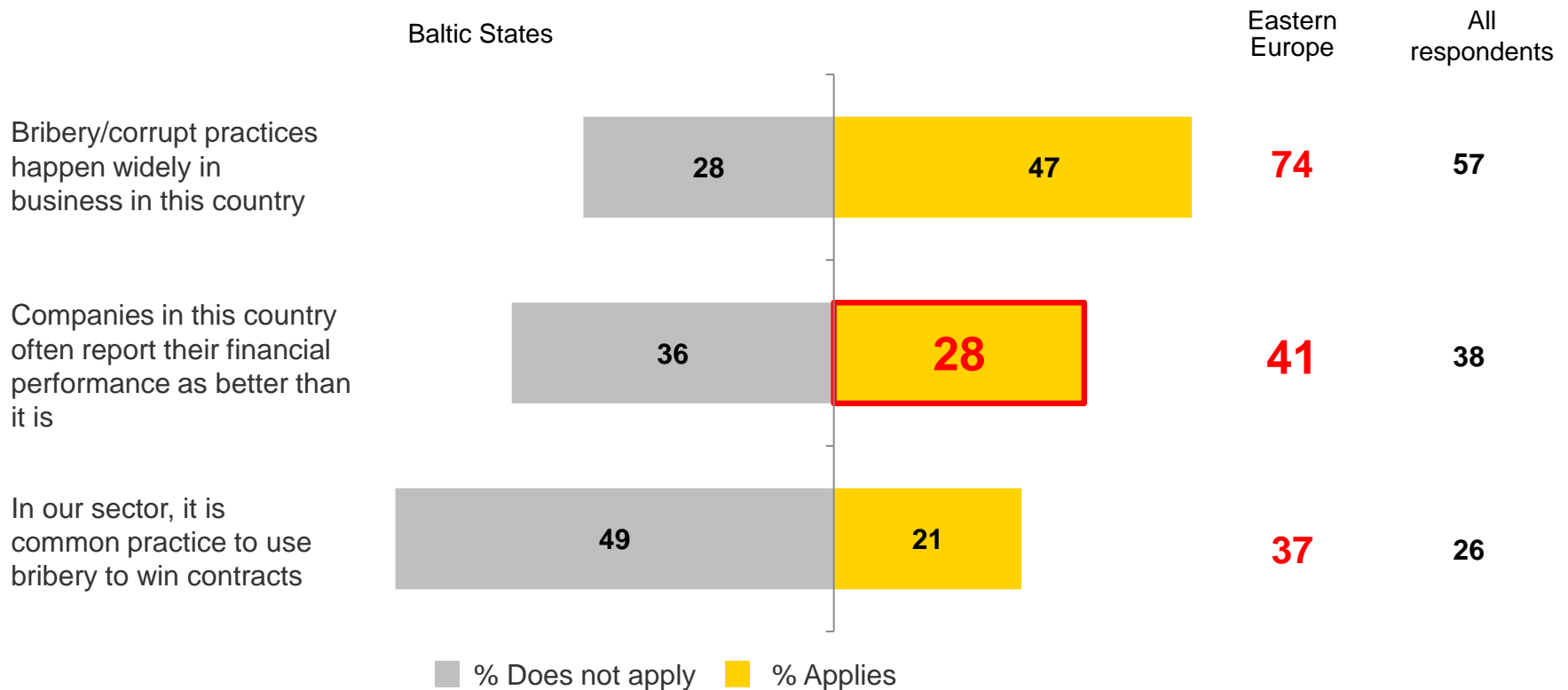
Unethical conduct by organizations



Q: Which of the following, if any, have you heard of happening at your company in the last 12 months?

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

Bribery, corruption and financial misstatement perceived as widespread

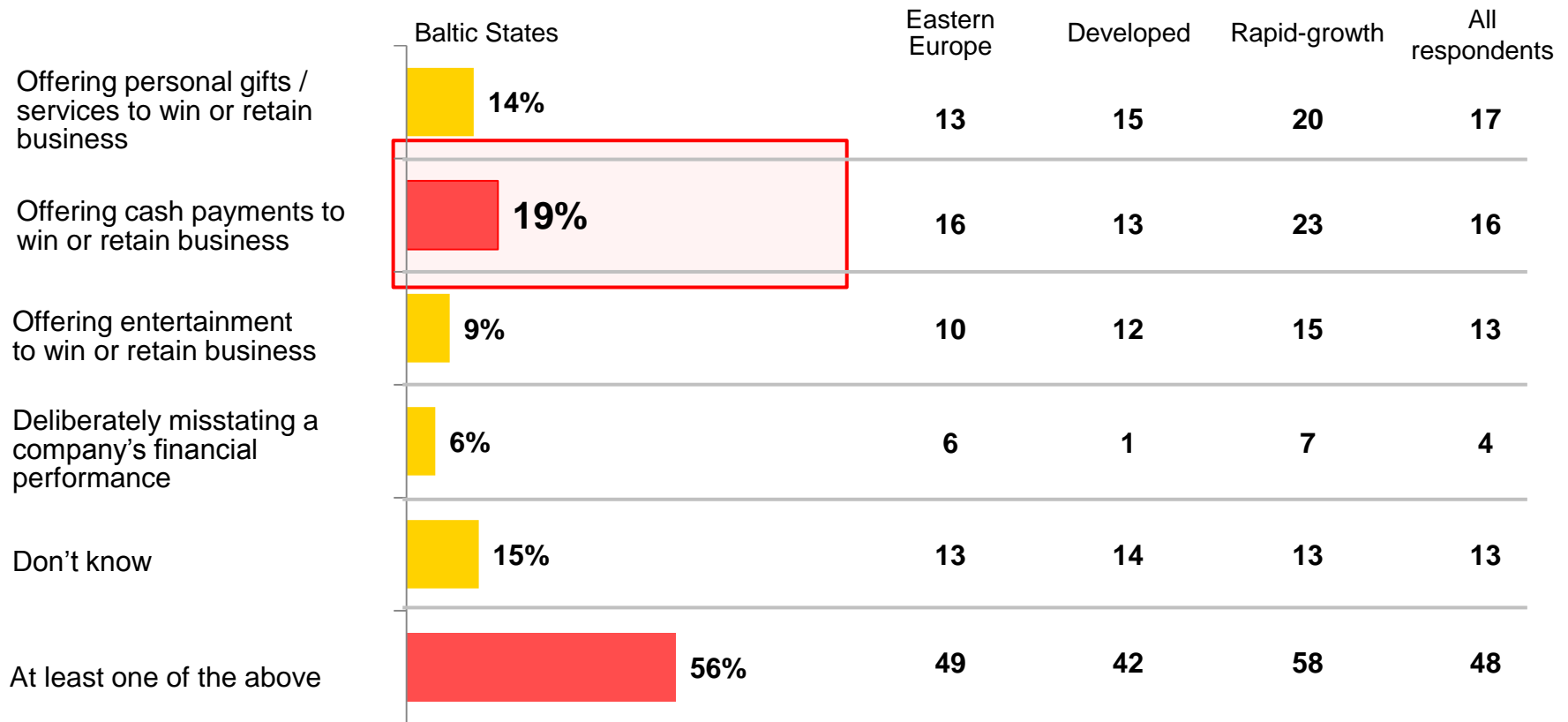


Q: For each of the following, can you indicate whether you think it applies, or does not apply, to your country or industry?

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

% Don't know has been omitted to allow better comparison between responses given

Unethical practices seen in organizations

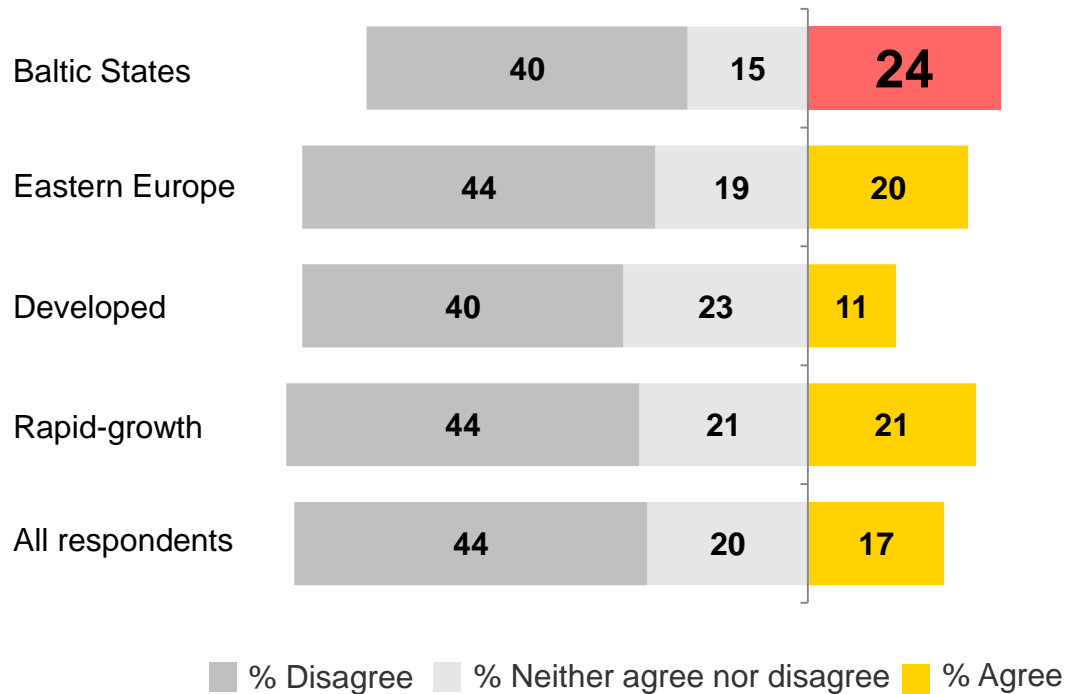


Q: Which, if any, of the following do you feel can be justified if they help a business survive an economic downturn?

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

Perceived conflict between ethical behavior and competitiveness

If we followed our anti-bribery and anti-corruption policy very closely, it would harm our competitiveness in this market








Q: To what extent do you agree or disagree with the following statement.

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

% Don't know has been omitted to allow better comparison between responses given

Checks on third parties

| | Baltic States | Eastern Europe | Developed | Rapid-growth | All respondents |
|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------|-----------|--------------|-----------------|
| Contracts signed with third party agents, customers/suppliers |  15% | 13 | 10 | 21 | 15 |
| Money spent on marketing or business development |  15% | 11 | 8 | 20 | 13 |
| The identity of third parties, customers or suppliers |  7% | 8 | 8 | 18 | 12 |
| Entertainment or hospitality received from suppliers |  10% | 6 | 6 | 11 | 8 |
| We haven't been asked for any of these |  44% | 50 | 43 | 40 | 42 |

Q: Have you or people you work with been asked to provide more detailed information on any of the following in the last 12 months?

Base: Baltic States (100); Eastern Europe (1,256); Developed (1,500); Rapid-growth (1,103); All respondents (3,459)

Recent accountability initiatives in Lithuania and EU

- **Lithuania**
 - **Reform of State-owned enterprises (SOE) – application of OECD standards for SOEs**
 - **E-governance reforms**

- **EU**
 - **Directive on better governance and corporate responsibility – increased reporting on non-financial results**

- **Question for discussion**
 - **How accountable is the government?**
 - **Any accountability reports from their side?**
 - **What areas of improvement would you see?**

Any questions?



Thank you for your attention!

Contact details:

Liudas Jurkonis

E: Liudas.Jurkonis@gmail.com



INSTITUTE OF INTERNATIONAL RELATIONS AND POLITICAL SCIENCE
VILNIUS UNIVERSITY