CORRUPTION RISK MANAGEMENT (CRM)

There is no denying of the fact that agencies, irrespective of their nature and size, are all exposed to corruption risks. These risks, if not managed appropriately can lead to number of complications including the destruction of the organization itself. Corruption risks can exist at all levels starting from decision making bodies to the level of messengers and care-takers. Therefore, it is important that agencies be aware of such risks and work on mitigating the threat as soon as possible.

CRM is a process that helps identify potential corruption risks in an organization, assess those identified risks in terms of severity to the organizational performance, goal and image, analyze its causes and ultimately help in bringing about corrective measures to minimize or eradicate those risks. It is about identifying the corruption risks and preventing them.

The following power point presentation gives us a detailed process of how to go about conducting CRM in an organization. (These are adapted hands-out materials of the CRM process provided during the training session in Korea by Korea Expressway Corporation.)
A tiny defect in an auto prevents a car from working properly.

Titanic
“A ship never wrecked” - Small negligence & lack of life boats produced a huge accident.

Only 0.5% of defects can cause a fatal problem!!

CRM process

1. Risk Identification
   What risks threaten us?

2. Risk Assessment
   Scoring risks

3. Select Major risks
   What should be innovated

4. Cause Analysis
   Finding causes

5. Strategic solution
   Response and strategic solution

6. Choosing & implementing a course of action
   Feasible Plans
**Risk identification - concept**

Recognize the risk which leads organization to danger

**What is the **corruption** Risk?**

Any behavior that is illegal, immoral or dishonest, by people in the organization. such as, bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement and misuse of power.

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**Risk identification - Classification**

**Step 1** Breaking the issue into components

- View 1: Structural
- View 2: Institutional
- View 3: Society & Culture

**Step 2** Detect risks

1. the cozy relations between politics and business
2. High-cost political strategy
3. Misuse of authority

**Step 3** Find the core risk

1. Bribery
2. Lack of transparency in execution

1. Nepotism
2. Favoritism
3. Paternalism
‘Impact’ in this context refers to the negative implication that a particular risk would have on the organization in terms of institutional image, public trust and confidence and productivity. Likewise, ‘frequency’ refers to the number of times that a particular risk is likely to occur.
### Risk Assessment - Concept

#### Impact

<table>
<thead>
<tr>
<th>stage</th>
<th>situation</th>
<th>explanation</th>
<th>Example of affect standard</th>
</tr>
</thead>
</table>
| 5     | Extremely Serious impact   | Extremely Serious influence that we have some doubt about maintaining the organization | [customer] It brings the class action suit.  
[Government] Severe the right of company operating or give a notice to quit.  
[Mass media] The incident can be reported as a headline. |
| 4     | Serious impact             | Significant influence in main management but not related to exist the organization | [customer] There is a movement of class action or large volume of popular complaint.  
[Government] It is subject to disciplinary action, Warning and tight constraint. |
| 3     | Normal impact              | Negative influence about sub-task and main management                        | [Mass media] Notice through the company's website.  
[Government] Give a salary reduction or internal penalty |
| 2     | Low impact                 | Not related to main management, but some negative influence                   | [customer] There is some of popular complaint.  
[Mass media] Only the half of internet sites posted it. |
| 1     | Insignificant impact       | Insignificant influence about organization and management                     | [customer] The potentiality of dissatisfaction.  
[Mass media] None of reporting. |

#### Frequency

<table>
<thead>
<tr>
<th>stage</th>
<th>Possibility of arising</th>
<th>explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost Certain</td>
<td>Once a day (Everyday)</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>Once a month</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>Once a year</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>Once at least in three years</td>
</tr>
<tr>
<td>1</td>
<td>Doubtful</td>
<td>Once at least in five years</td>
</tr>
</tbody>
</table>
**Select Major risks I  -Option 1**

Choose the impending matter among the risks using the I-F matrix

**Impact**
- Extremely serious
- Serious
- Normal
- Low
- Insignificant

**Frequency**
- Doubtful
- Unlikely
- Possible
- Likely
- Almost Certain

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**Select Major risks II  - Option - 2**

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact (1)</th>
<th>Frequency (2)</th>
<th>Assess (1) X (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of transparency</td>
<td>1 3 4 5</td>
<td>2 3 1 2</td>
<td>3.6 X 2.4 = 8.64</td>
</tr>
<tr>
<td></td>
<td>Average: 3.6</td>
<td>Average: 2.4</td>
<td></td>
</tr>
<tr>
<td>Misuse of authority</td>
<td>2 3 2</td>
<td>5 3 2</td>
<td>2.4 X 4 = 9.6</td>
</tr>
<tr>
<td></td>
<td>Average: 2</td>
<td>Average: 2</td>
<td></td>
</tr>
<tr>
<td>Bribery</td>
<td>1 3 2</td>
<td>3 2 2</td>
<td>2 X 1.8 = 3.6</td>
</tr>
<tr>
<td></td>
<td>Average: 2</td>
<td>Average: 1.8</td>
<td></td>
</tr>
</tbody>
</table>

Choose the risk that have high score!
Knowing the cause of major risks, lead to find a solution of each cause that is helpful to manage corruption risk.

**Example**

- **Core risk**: Traffic congestion
  - **Why**
    - individual
    - beginner
    - selfishness
  - **Why**
    - system
    - Narrow road
    - Uncorrect indication
  - **Why**
    - situation
    - Many cars
    - Accident

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**Strategic solution - concept**

When exploring strategic solution, look at the current response level that the organization already has in place

<table>
<thead>
<tr>
<th>Major risk</th>
<th>Cause analysis</th>
<th>Response level</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk of traffic congestion</td>
<td>Faulty traffic lights</td>
<td>Systemic problem</td>
<td>Short term</td>
</tr>
<tr>
<td></td>
<td>- to bend the rules</td>
<td>Shortage of resources</td>
<td>and</td>
</tr>
<tr>
<td></td>
<td>- To obtain something fast...</td>
<td></td>
<td>Long term</td>
</tr>
<tr>
<td>Bribery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misuse of authority</td>
<td>- lack of check and balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Lack of decision device...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Brainstorming?? Brainwriting!!

1. Think the idea freely and Write it on post-it note
2. Express opinions and add replies to other’s opinions
3. Let a charter record proposed ideas so that all can see

Rule.1
- NO Blaming!
- NO Criticism!
- NO Complaints!

Rule.2
- Quality?
- Quantity!!

Considering the response degree, Let’s find a super idea for improvement using Brainwriting!!

Strategic Solution – “Finding solution” concept & tool

Tips for finding solution!

Please avoid these opinions...

These expressions cover too many opinions!

Let’s use more specific words...
Is it difficult?...

How about asking “How”?
Developed abundant ideas by exchanging with other teams

Gallery Walking

- As if appreciating works at a gallery, move to other teams and write down better ideas on what is achieved so far
- Accept ideas proposed by other teams as if they are from my team!

Team leader: Explain the result of the discussion to other teams and politely ask for new ideas
Team members: After reading ideas on improving performance, complement them with new ideas
Secretary: Record new ideas with red pen on a chart

Implementation Plan

<table>
<thead>
<tr>
<th>Risks</th>
<th>Detailed plan</th>
<th>Charge</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>J F M A M J J A S O N D</td>
</tr>
</tbody>
</table>

CRM in ACC

Using this adapted model, ACC conducted one day in-house workshop on 30th March 2010 to identify various risks that would negatively impact on the ACC in terms of institutional image, public trust & confidence and productivity. The workshop was successful. ACC not only identified numerous risks, but could also come up with various measures to mitigate those risks. While some risks were foreseen, some were not. An action plan is being drafted for immediate finalization and implementation.