

2C.IV Case story: FIDIC Business Integrity Management System¹

Jorge Díaz Padilla* | *International Federation of Consulting Engineers (FIDIC)*

“To operate successfully in an increasingly globalized world, ethical behaviour toward the entire firm’s stakeholders must be key and visible.”

Consulting engineering has evolved to become a major industry worldwide. The International Federation of Consulting Engineers (FIDIC)² estimates that this activity represents almost US\$500 billion in annual consulting fees, of which more than half is delivered by independent, consulting firms in private practice.

Business integrity in consulting engineering

To operate successfully in an increasingly globalized world while subjected to the competitive pressures of a free market, ethical behaviour toward the entire firm’s stakeholders—clients, owners, employees, suppliers and society in general—must be key and visible. During recent years, there is a growing awareness of corruption. Clients are increasingly requiring assurance that consulting firms operate in a corruption-free environment since the selection of a consulting firm, as the basis of a mutual client-consultant trust, may be completely undermined if the process is tainted by corruption. This is especially so in Government procurement, where

the implementation of adequate anti-corruption measures is becoming a condition for awarding work.

Corrupt practices can occur at different stages of the project execution process: in the selection of consultants; during design; while preparing tender documents and specifications; in the pre-qualification of tenders; while evaluating contractors; in supervising the execution of construction works; while issuing payment certificates to contractors; and during the review of claims.

In 1996, FIDIC issued a policy statement as a first step in exploring ways to protect the consulting industry from corruption. This policy statement concludes that corruption is basically unacceptable because it undermines the values of society, breeds cynicism and demeans the individuals involved. It is more than stealing funds; it is stealing trust. A formal effort to identify specific courses of action that could reduce corruption in consulting began in 1998. As a result of that initiative, the proposal to develop a practical tool, namely a comprehensive Business Integrity Management System (BIMS®) for consulting firms, was developed and field-tested.

¹President of FIDIC. Managing partner of a consulting firm headquartered in Mexico City, with a quality and integrity management system certified under the ISO 9000 Standard.

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FIDIC chose the term “integrity management” purposely. The Federation advocates ethical integrity to fight corruption on the supply side, and integrity management, as opposed to corruption control or integrity assurance, reflects the all-encompassing importance of integrity throughout an organization’s entire operations and delivery of services. Integrity is the ability of the firm to fulfil its commitment to a code of conduct on behalf of all participants.

FIDIC has identified a number of principles of integrity management aimed at preventing corruption in all of its forms: bribery, extortion, fraud and collusion. The adoption of these principles by a consulting firm is a precondition for achieving integrity.

Leadership

The top management of the firm must demonstrate, in a clear and visible way, its full commitment to integrity management. This allegiance must be evident to all staff in words and deeds: The CEO must lead in the formulation of the code of conduct and in the allocation of resources to the integrity management initiative. All staff should understand that top management demands compliance to integrity values, and that it is prepared to take the necessary actions to achieve integrity.

Involvement of staff

The involvement of every employee is critical to the successful implementation of integrity management in a firm. All those who carry out the day-to-day operations and the professional services must commit to integrity and seek it out in their daily responsibilities. The prerequisite for successful teamwork is that all parties obtain and maintain the same understanding of the principles throughout the delivery of consulting services; this requires proper communication and coordination.

A process approach

Process, as the orderly sequencing of defined activities, can be guided by integrity protocols; the holistic nature of integrity management implies that the processes per-

formed by a firm to provide a service need to be carried out with integrity. Hence, identification of potential elements for corruption and control of key processes becomes critical.

A systems approach

Identifying potential areas of corruption and managing interrelated processes for the objective of integrity management require a systems approach. It is essential that consulting firms pay attention to the system as a whole, and to all its activities, including the relationships between its various processes.

A documented process

Business integrity needs to be documented so that it can be managed. Documenting information should be a continuous process, rather than taking place on a single occasion with the risk that important integrity events may be missed. Management should periodically analyse and review the firm’s BIMS to insure its continued suitability and effectiveness and to keep it permanently updated.

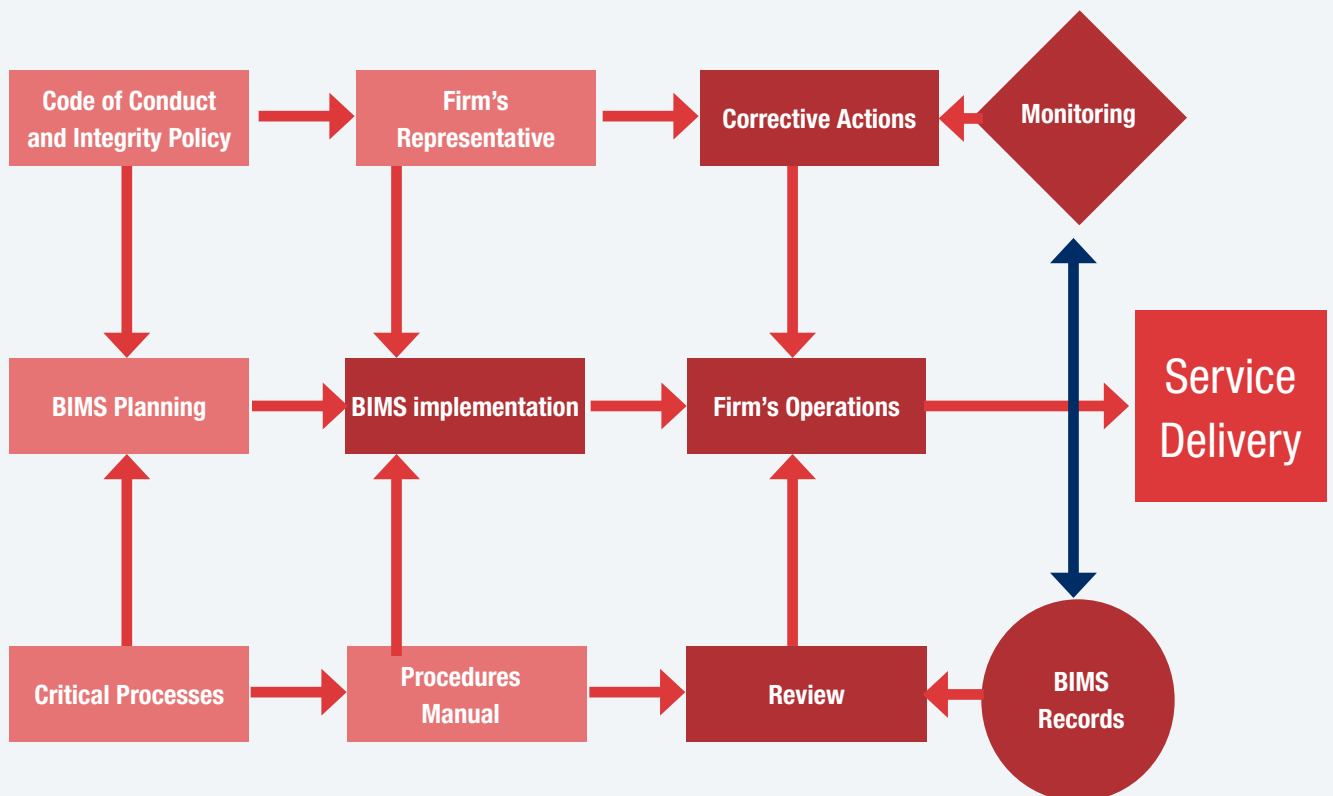
Developing a BIMS®

Most consulting firms are “doing their best” to define and implement anti-corruption policies. But while companies establish their own procedures to assure integrity and fight corruption, many lack consistency in the day-to-day implementation of anti-corruption policies and fail to obtain systematic feedback that may improve their integrity management process. What is missing is an integrity baseline to connect and transform isolated acts of integrity assurance into what FIDIC calls a complete Business Integrity Management System (BIMS), with formal procedures to identify potential risks, prevent and combat corruption, and implement business integrity policies for every project throughout the organization.

In 2001, FIDIC issued a policy statement on integrity and published *Guidelines for Business Integrity Management in the Consulting Industry*. The *Business Integrity*

Management Training Manual was published in 2002.

Business Integrity Management System components and interrelationships



Many companies have since developed and implemented a BIMS following the FIDIC guidelines, and some have obtained a certification based on the ISO 9000 Standard.

A Business Integrity Management System is a set of inter-related components designed to enable consulting firms to manage by integrity principles, thus ensuring that its work flow is corruption-free. The components and their interactions constitute a practical system for preventing, detecting and sanctioning corrupt practices. The components of a firm's BIMS include:

- The code of conduct and the business integrity policy;
- The organizational structure;
- Specifications of responsibilities and training programs;
- Corruption-free procedures for the firm's critical processes;
- Resources, manuals, forms, check-lists and records that facilitate business integrity management within the firm.

The main steps for designing and implementing a BIMS are:

1. Formulation of a code of conduct

In order to ensure commitment, it is essential that the board of directors and senior management develop a code of conduct, which should be clear, simple and easy to communicate and to apply.

2. Formulation of a business integrity policy

The guideline requirements for an integrity policy are based mainly on the OECD Anti-Bribery Convention and FIDIC's code of conduct. The integrity policy hinges upon the fact that corruption is eliminated only by across-the-board honesty and integrity. Honesty is interpreted as freedom from fraud or deception, and integrity as the firm's refusal to obtain or keep what does not fairly belong to it. The policy should cover the accountability for integrity and ensure that requirements meet all local rules and regulations, as

well as the company's code of conduct. The integrity policy must be documented, implemented, communicated internally and externally, and be made publicly available.

3. Appointment of a representative

A senior member of the firm's management staff should be appointed as a representative to ensure that all the BIMS' requirements are met.

4. Identification of requirements for the BIMS

Requirements for a given firm should focus on the processes that are vulnerable to corruption. The requirements might depend on the size and structure of the firm; the nature of its services; local and national regulation and market forces or the expectations and requirements of stakeholders.

5. Analysis and evaluation of current practices

An assessment should be made of how the firm currently deals with anti-corruption issues. The gap between current practices and the BIMS' requirements should be identified. How this gap is recognized and corrected will depend on past management commitments and policies practised by the firm. Some organizations might have a fully compliant business integrity system; others may have to take steps to implement the BIMS guidelines.

6. Implementation tools for the BIMS

A consulting firm should use the following tools to support the planning and implementation of its BIMS:

- Code of conduct;
- Integrity policy;
- Definition of roles, responsibilities and authority;
- Business integrity procedures for the main processes;
- Proposal bidding/negotiation;

- Project execution and delivery;
- Project collection;
- Accounting structure;
- Enforcement measures;
- Declaration of business integrity in the annual report.

Owing to the nature of the consulting work, a BIMS may require that the firm establish a procedure to evaluate its sub-consultants and external advisers based on their own integrity policies, and document their ongoing commitment to business integrity management.

7. Documentation

A BIMS must be well documented in order to provide evidence that all processes that may affect the business integrity of the services offered by the firm have been thoroughly anticipated. The extent of documentation is critical since over-documentation may reduce staff and management interest in using the procedure. The BIMS should be documented in a general business integrity manual and, if required for significant projects, in a project integrity records file.

8. Analysis of current practices

The BIMS must establish actions to be taken in case of failure to comply with the business integrity policy. Appropriate actions in cases where corrupt practices are proven range from admonition to suspension or dismissal from the firm.

Once the BIMS is operating properly, and the consulting firm is confident that the guidelines are met, the firm may wish to initiate an evaluation process to ensure continuous compliance. A number of alternatives are available:

First-party evaluation

The management and the staff representative evaluate how the BIMS is operating.

Second-party evaluation

Based on client feedback. Client satisfaction dealing with ethical behaviour of the firm provides the best evidence of how effectively the BIMS is operating.

Third-party evaluation

By an outside body. If an external evaluation is undertaken, it may be performed as part of an ISO 9000 quality certification process. In this case, however, it should be noted that certification is not a seal of corruption-free status since the “Registrar” may only attest that a BIMS that has been implemented for a firm’s particular set of processes is being followed in accordance with its original design.

At present, companies with certified BIMS have expanded their quality systems to include integrity management principles based on the FIDIC guidelines. In the future, a new ISO standard could be developed to certify that a company has a functioning BIMS. FIDIC has been the promoter with ISO for setting such a standard that need not be industry-specific; FIDIC’s experience with integrity management could lead to an integrity standard for business as a whole, or even for other business sectors.

Integrity pays off

It makes economic sense to curb corruption, since it is a zero-sum game, with a heavy cost to society. It is also becoming evident that the world cannot accept the potential financial risk caused by corrupt practices. A legal framework to help limit risk has been put in place and is being strengthened. In terms of the consulting industry, the

harmonization of Government procurement practices includes strong prerequisites to curb corrupt practices.

FIDIC firmly believes that in the medium to long term, the existence of a Business Integrity Management System will be crucial for successful companies. FIDIC is convinced that integrity is the only way to stay in business, and therefore that the pursuit of integrity is a prerequisite for consulting firms. Eliminating corruption will reduce costs and increase the volume of work. By leading the initiative to curb supply side corruption, the consulting industry will be in a position to regain its spearheading role in society, and to set in place the terms for Business Integrity Management, instead of having international pressure establishing them on the industry's behalf.

Endnotes

- 1 This paper is based on the work developed by the FIDIC Integrity Management Task Force, chaired by Felipe Ochoa, and the Joint Working Group on Integrity, created under FIDIC's leadership, with participation of the World Bank, the Inter-American Development Bank and the Pan-American Federation of Consultants (FEPAC).
- 2 FIDIC, *Fédération Internationale des Ingénieurs-Conseils*, is the world's leading organization representing the international consulting engineering industry. Founded in 1913, with its headquarters in Geneva, it represents more than 35,000 firms in 74 countries.