

BUSINESS WITH INTEGRITY

DECODING CORRUPTION PREVENTION FOR SMEs



With the changing social and economic environments, business enterprises have to face increasingly complex challenges. They undergo digital transformations to maintain competitiveness and leverage the technology to create opportunities. In this feature article, the Hong Kong Business Ethics Development Centre (HKBEDC) will highlight the integrity challenges SME entrepreneurs and employees may encounter during this transformation process.

Simon is the Operations Director of a food production enterprise. The company is exploring the application of digital technology and artificial intelligence to improve production processes and is inviting tenders for the project. One day, he receives a call from his friend Rick...

Rick

Marketing Manager
IT Company

I recently changed my job, and it turns out my new company has business dealings with yours!

I just received your tender invitation regarding the installation of an intelligent system to collect and analyse production line data. My company is eager to participate in this project and is confident in meeting your expectations.

My boss has tasked me with securing this contract. I would really appreciate it if you could share the quotes from other companies for my reference!

Simon

Operations Director
Food Production Enterprise

I know your company is a leader in the industry and has handled many innovative production line projects for SMEs. I would love to help you, but my company requires employees to adhere to the tendering procedures, disclose any conflicts of interest and keep the quotes confidential. Sorry but I need to zip my lips!

Since you recognise my company's strength and experience and we have been friends for a long time, if you could help me secure this contract, I would be happy to install a smart home system in your new place for free. Please think about it!



For Simon, Rick's proposal sounds favourable for both himself and the company. How should he decide?



Reminder: Changes may take place during the transformation of SMEs, including procurement for new operation systems. Throughout this process, it is imperative to observe the Prevention of Bribery Ordinance to avoid breaching the laws.

Decoding Corruption Prevention



1 Firm Rejection to Illegal Benefits

- As an employee (agent) of the food production enterprise, if Simon accepts any advantage (free installation of smart home system) to assist Rick in securing the contract without his company's (principal's) approval, he may violate the Prevention of Bribery Ordinance. Rick may also commit an offence by offering a bribe.

2 Proper Handling of Conflicts of Interest

- A conflict of interest occurs when the private interests of an employee conflict with the interests of the company.
- Simon, who is responsible for procurement, is well acquainted with Rick, an employee of the IT company participating in the tendering exercise, which constitutes a conflict of interest.
- Employees should remain vigilant, avoid any conflicts of interest and disclose them to the company in accordance with internal procedures.

3 Serious Consequences of Mishandling Conflicts of Interest

- If Simon fails to disclose or deliberately conceals the conflict of interest, he may violate the company's internal guidelines.
- If Simon knowingly conceals the conflict of interest while handling the tender and uses corrupt or any fraudulent means to benefit himself or his relatives and friends, he may violate the Prevention of Bribery Ordinance or other criminal offences.

3R MITIGATION MEASURES

Upon receiving an employee's declaration of conflict of interest, the company should consider the seriousness of the conflict and the interests and perceptions of other stakeholders, and adopt the following 3R mitigation measures:

Record

If the risk associated with a conflict of interest is indirect or insignificant, it is sufficient to simply acknowledge the disclosed conflict of interest.

Restrict

When a conflict is not likely to arise frequently and the employee can be effectively separated from the conflict by setting certain restrictions, it may be appropriate to restrict the employee's involvement in those tasks (e.g. withdrawing from discussion on a specific issue and abstaining from voting on the decisions).

Redeploy

If it is inappropriate for an employee who has declared a conflict of interest to handle a specific matter, another employee should be deployed to take up the task.

Fair competition is the fundamental principle of conducting business.

Companies and employees should be aware of the Prevention of Bribery Ordinance to ensure businesses continue to develop on a legal and compliant foundation.

Want to Learn More About Anti-Corruption Information?

The Hong Kong Business Ethics Development Centre (HKBEDC) provides free online integrity training and enquiry services for business organisations. Please feel free to contact us for more information.

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