



# **Governance, Leadership & Ethics for Economic Growth**

**A Keynote Address by**

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**at the Conference on**

**“Governance, Leadership & Ethics: How to  
Build a Thriving Economy.”**

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## Introduction

I would like to thank the Integrity Organization for inviting me to be the keynote speaker at the 7<sup>th</sup> Annual Christopher Kolade Lecture on Business Integrity. The theme of "Governance, Leadership and Ethics: How to Build a Thriving Economy" is very timely and germane as the present government is actively seeking investors to grow and diversify our economy so we can build a brighter and a better future for Nigeria.

This theme broad and if I to explore all its angles do complete justice to it, I would spend several hours exploring all the pertinent issues surrounding it. It is not my intention to bore you, so I will limit my speech to. No matter our professions or endeavors in Nigeria, we are all leaders and the task of building our economy lies in all our hands and not in the hands of the few people who are currently holding the reins of governance in Nigeria. I am not saying that the government of the day do not have a role in creating enabling environment for businesses to thrive and for average citizens to excel; what I am saying is that the task of building a strong economy founded on sound ethical principles belong to all of us and it actually begins with you and I.

I am reminded of the scriptures in Proverbs 14:34 that says: "*Righteousness lifts up a nation, but sin is a disgrace in any society*" – God's Word Translation. I will interpret this scripture to mean – "building a strong economy in Nigeria and lifting Nigeria up from the doldrums of financial mess require strong and ethically minded individuals occupying various leadership roles in different strata of our nation, be it in the public sector or in the private sector. If that does not happen, then our economy will be in shambles, investors will flee from us and we become a laughingstock and an example of how bad leadership, bad governance and corrupt people have devastated a nation with huge potentials. Sadly, the latter seems to be our situation and it is incumbent on all of us to take the bull by the horn and say, "enough is enough".

To build a thriving economy, it is important we gain investors' confidence and investors want to have operate in a stable political environment, speedy resolution of their disputes, predictability of our legal rules and the judgments emanating from our courts, trust our judicial processes to be fair, effective and efficient and most importantly not corrupt. Without putting adequate structures in place, investors will continue to avoid our country like a plague, and this will have ripple effects as the economy will shrink instead of expanding and there will be significant loss of job opportunities for average Nigerians. It is no brainer that for our economy to grow, investors are very critical, and we must fight corruption so that it does not chase away potential investors who can create value and build strong businesses.

Just two weeks ago, a UN report suggested that foreign direct investment to our country decreased by 43% to \$2 billion and Ghana is now West Africa's leading destination for foreign investment. We have to do better to encourage investors to see Nigeria as the destination of first choice.

### **Building Investors' Confidence and our Economy by Tackling Corruption – Framing the Discourse**

Ladies and Gentlemen, corruption is an emotion-laden term, borderless and we are all familiar with its strong condemnation in all aspects of our national life including in the public and private sectors. By virtue of its etymology, corruption is a bad word and the literature is replete with its strong condemnation starting with the ancient Greek philosophers Plato (The Republic), Aristotle (The Politics), Machiavelli (The Prince and The Discourses) and Montesquieu (The Spirit of the Laws). These philosophers see corruption in large parts in leaders governing with their own individual or collective self-interest uppermost, rather than for the common good and in accordance with the law or in accordance with legally enshrined moral principles.

Until recently, most literatures on corruption focused solely on the incidence of bribery leading some to argue that bribery could be beneficial to development. However, we have now realized that other types of corruption could be and are more deleterious than bribery and their negative impacts on sustainable development and attracting foreign direct investments have been recognized and well-documented. As you are now aware, corruption once broadly defined, can be further broken down into many categories. For instance, corruption can be defined based on where it occurs: at the political or bureaucratic levels of the public sector, or within the private sector. It can also be defined according to its intensity: whether it is systematic or isolated, grand or retail.

While there is no consensus on defining corruption either in the literature or in practice, it is absolutely clear that corruption in the private sector for instance can devastate a company and its shareholders, can make stock prices to fall drastically, can lead management team to be fired and can cause investors to experience significant financial losses due to corporate malfeasance. While corruption in the public sector will drastically increase the cost of governance, trigger citizens' apathy to governance and government officials, aggravates poverty, aggravate insecurities, prevents the delivery of government projects and gains of democracy will not be enjoyed by the average citizens.

When companies operate in highly corrupt economies, it leads to weak investments especially foreign direct investments and causes capital flight as it becomes very hard to predict and do business in such economies. By discouraging investment, corruption crushes economic growth and decreases per capita income. Corruption hurts investments in at least three ways. First it increases the cost of doing business and makes it difficult for businesses to break even. Second, it causes producers, on the margin, to bribe government officials instead of investing in cost-saving technology or developing new products. Third, if public money ends up in the pockets of government officials, taxes will be higher and public investment lower, thereby hurting economic growth. Other consequences of corruption include its disposition to escalate social discontent and ultimately insecurity because it undermines political, social and economic development. For example, it can no longer be denied that corruption is responsible for Nigeria's backward state and the strongest push factor for current precarious security situation in different parts of the country.

### **National Strategies and Actions on Corruption**

Former World Bank President James D. Wolfensohn stated in a landmark 1996 speech that the "cancer of corruption" is diverting resources from the world's poor to the rich and argued that corruption is what every country must fight within her territories". For the last 20 years, Nigeria has been fighting the menace of corruption and entrenching integrity and ethical practices, both in the private and public sectors. In fact, corruption was one of the biggest challenges for former President Olusegun Obasanjo when he took over as the democratically elected President in 1999. In his inaugural address, he stated categorically that the fight against corruption would be at the top of the agenda for his administration. The then government of the day's determination and commitment was demonstrated with the establishment of the ICPC which I am privileged to lead at the moment and other sister organisations.

President Muhammadu Buhari built on the anti-corruption legacy by launching an anti-corruption drive immediately he took office in May 2015. He reiterated his commitment and support to the anti-corruption drive again at the inauguration ceremony for his second term in office in June 2019.

Nigeria is presently bogged down by regulatory obstacles to doing business. Many of the regulatory obstacles were introduced as reactions to sharp practices by businesses although the situation became compounded by the human factor of rent seekers and civil servants who became "toll gates" to the effective implementation of the

regulations. Thus, the introduction of regulations merely became opportunities for bureaucratic corruption thus private sector corruption met public sector corruption in a grand game in which the ordinary people became the pawns and collateral damage.

The Buhari government has been doing its best to dismantle these obstacles by myriad responses e.g. by new regulations, outright abrogation of archaic rules, removal of human obstacles, introduction of technology and by other measures such as deliberate people oriented programs for social inclusion and poverty reduction doing the best it can in order to make our economy thrive.

For instance, to grow our economy, President Buhari introduced the Presidential Enabling Business Environment Council (PEBEC) with the mandate to accelerate reforms and promote accountability towards economic growth, transformation and overall improved business climate. To facilitate the work of PEBEC the Government signed Executive Order 1 in May 2017. So far, PEBEC has implemented wide ranging reforms, focusing ease of doing business, easing payments of taxes, introducing the visa on arrival scheme, to mention a few, which has improved efficiency, cost savings and transparency of processes and systems. Also, our government is in the process of reviewing the Companies and Allied Matters Act (CAMA) to modernize the legislation in line with global trends and make it easier for investors to do business in Nigeria.

### **Building Our Economy Through Strong Governance and Leadership**

It cannot be denied that one of the reasons why Nigeria is not a destination of choice for investors is the low integrity and high corrupt environment in which companies operate. Dealing with the monster of corruption in our public and private sectors require multisectoral and multi-prong approaches with strong collaboration with key partners such as the Integrity Organisation and other professionals. Furthermore, to encourage foreign direct investments into Nigeria, attention has to be paid to the corruption risks that investors face. This means leveling the playing field for large and small businesses, putting the right regulatory frameworks in place, incentivizing integrity and making sure that the administration of justice both civil and criminal is responsive to the needs of investors for speedy resolution of cases. It also means paying attention to illicit financial flows and blocking the avenues through which capital needed for economic growth takes flight by tax evasion, trade mis-pricing, falsification of trade records, exploitation of weak regulation by big businesses, use of tax havens, shifting of profits, opacity of beneficial owners of big businesses and winners of major contracts especially in the extractive industry, lack of transparency of

operations of state owned companies and their dominant interests and powers in supposed market economy, role of middle men and facilitators of corruption and complicit professionals like bankers, lawyers, accountants, real estate practitioners that help illicit financial flows and the hiding the proceeds of corruption etc.

It is worth saying that ethical corporations are more likely to attract ethical investors. Companies that have a checkered moral history are typically viewed with caution and are unlikely to attract new business, and therefore are unlikely to succeed. This is a typical case of "show me your friend". Besides, crooks do not wish to invest in other crooks. They know each other's footsteps therefore even crooks look out for ethical corporations and investments. They covet the company of decent people.

To stem the tide of moral decadence in our country, there is an urgent need for ethical leadership all areas of our endeavours. In this regard we must admit that the challenge of leadership and governance in our society bedevils both the public and private sectors of the economy. Whereas it is easy to point fingers at the public sector as being devoid of ethical leadership, I boldly assert this morning that the huge deficit is on both sides of the divide of polity and the economy, public and private sectors. Indeed, it is fair to assert that these deficits mutually reinforce each other.

Ethical leadership is the ability of a leader to promote integrity in the organisation. I will now briefly discuss four (4) ethical leadership behaviours we must all demonstrate both in the public and private sectors to build a thriving economy.

### **1. Role modeling**

The culture of a country, public agencies, private corporations and non-profit organisations comes in large part from the behaviour modelled by its leaders and followers or employees notice when the leaders are setting good examples or when they are not. If you want your team to behave in a certain way, you have to abide by the same rules. This is the most basic of principles: when it comes to being trusted, there is no way around earning it. Leaders can't just talk about integrity; you have to demonstrate a reason to be trusted through their work and actions. Role modelling is a powerful tool for transmitting values and acceptable behaviours.

### **2. Demonstrating Morality**

Leaders must demonstrate moral courage which is the willingness to stand up for and act according to one's ethical beliefs when moral principles are threatened, regardless of the perceived or actual risks. To fight corruption successfully in Nigeria and build a thriving economy, we have to demonstrate moral courage every time in our daily

activities. Unfortunately, the absence of moral courage has fueled grand scale corruption which is attempting to cripple our apparatuses of governance.

### **3. Securing Ethical Behavior**

It is incumbent on leaders to secure ethical behaviors by their followers through the creation of code of ethics; hiring with emphasis on ethical behavior; implementing a robust compliance program and dealing with breach of policies immediately; rewarding ethical behavior, promoting only followers or employees who demonstrate high ethical behavior and regular communication emphasizing the importance of ethics via regular correspondence, emails, town hall meetings and newsletters. Also, it is important to conduct regular workshops and training to help followers and employees to recognize and deal with ethical dilemmas that they may face in the course of their duties. When ethics are taken seriously, followers and employees strive to make ethical decisions and actions, and thereby personal and professional success follows.

### **4. Contextualizing Success**

Documenting the ethical behaviors of other employees and followers is a powerful form of social proof that it is possible to act right and with integrity no matter the circumstances. The social influence of peers reinforces the idea that individual ethics are active and very essential to the culture of a country, agency and organisation.

## **Conclusion**

The government of President Buhari has rightly decided to entrench probity in the public and private sectors of the economy because both sectors are complementary and integral to develop a thriving economy. Instilling probity in one without probity in the other is like pouring water into a basket. Both sectors being mutually reinforcing must be cleansed together.

The synergy required from both sectors of the economy demands collaboration and cooperation in fighting corruption. Lack of ethics in both the private and public sectors will ultimately lead to social distrust and more regulations that slow down businesses and affect the bottom line and which will inhibit the sporadic growth of our economy.

Furthermore, we must break the culture of silence that pervades our society. We must report crime and all those who undermine the integrity of honest hardworking businesses and investors. Sin thrives in the atmosphere of secrecy and darkness, but the truth is that someone always know when a sector player has broken the rules. We must report such people before they ruin the entire system for us all.

In spite of our corrupt ecosystem, there are investors and companies who refuse to be tainted. First as we noted earlier, crooks usually do not wish to invest in a crooked company run by other crooks. They know each other's footsteps too well. Therefore, an investor with criminal disposition can be made to toe ethical corporate ideals by others who set ethical ground rules for admission.

One other notable point is the impact of a character of fidelity or infidelity in business. There are companies or should I say, businessmen some reputedly of note others called or described as captains of industry who are notorious for not fulfilling legitimate contractual obligations. They revel in default. These "Jekyll and Hyde" characters obtain facilities from banks or sign big contracts with other companies, enjoy the benefits and simply refuse to pay up. They capitalize on Nigeria's dysfunctional dispute resolution system and snail speed civil and criminal justice system. By getting away with their atrocities they kill other businesses mostly small and medium enterprises. Such notorious persons and businesses ought to be isolated for what they are. By so doing the business community can show that integrity is not just about stealing money. It's also about keeping your word.

One cannot ignore the security challenges in some parts of the country, but the government is actively dealing with the security issues and we can both collaborate with the government to have an effective security architecture. Once we have an effective security architecture in place, investors will feel safe to bring their capital into the country which will in turn help to grow our economy.

Ladies and gentlemen, once we commit ourselves to completely provide ethical leadership in all areas of endeavors, we will significantly build investors' confidence in Nigeria, see tremendous gains in all sectors of our economy as Nigeria will become a destination of choice for foreign direct investments.

Thank You for your time and attention.