

Keynote Address: 8th Annual Christopher Kolade Lecture¹



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Good day to all in attendance at this 8th Annual Christopher Kolade conference on Business Integrity, the theme of which is **Business Resilience: The Role of Integrity and if it matters during a Pandemic**. Of course, I'm sure we all feel that it would have been preferable to have the conference take place in person rather than via a web platform, but the good news is that the planners were still able to make it work and, while we're not able to meet together and share our views and suggestions during and between formal presentations, we are still here together nonetheless. I offer my special thanks to **Soji Apampa**, whom I met in the course of some of my recent forays to find ways to be of use in the area of business integrity and anti-corruption in Africa, as I have been in the United States. I especially want to offer all due honor to **Dr. Christopher Kolade** himself, who is so esteemed in and beyond Nigeria, and deservedly so. In preparation for today's remarks, I took great interest in viewing some of Dr. Kolade's speeches and remarks, at awards ceremonies and in other fora. I look forward to the opportunity to meet him in person in the near future.

Now I had prepared some further remarks that express why I have been so interested in Africa, African business, and African development over the years. But since I wish to be respectful of the time allotted to me, and since I wanted to spend just a few minutes at the end of my remarks addressing the current issues with SAR and the crisis in Nigerian policing as many perceive it – a crisis not dissimilar to that in the United States – I will skip that portion of my address, but will make the full text available to the organizers and if anyone wants a copy of the text directly from me they can send me an email to dm@bgei.net.

My interest in African business and general continental development spans many decades. I have a story to tell you about my efforts (which began in 1992) to stimulate interest in the creation of the first U.S.-

¹ In the interest of time, some of my introductory remarks and the later recap were omitted during the online delivery. This is the full paper with those portions included.

based, public mutual fund focused on sub-Saharan Africa, but time does not permit. Suffice it to say that my initiative was not successful for a variety of reasons, one of which is the prevailing opinion that it was an idea that was too soon for the marketplace, the infrastructure (custody, exchange control issues, etc.) not yet ready to accommodate such a fund vehicle. Of course, the idea was not so premature as I was told, as two fund manager and one investment bank, Maceo Sloan and John Rodgers being the fund managers, and Barton Biggs of Morgan Stanley being the investment bank, respectively, had similar ideas. Not long after I thought of the idea of a Sub-Saharan Africa fund, Sloan started his US-based New Africa Advisors, teaming up with John Rodger's Calvert (that was in 1994) and Morgan Stanley launched its Africa fund, albeit a closed-end fund that did not present the liquidity challenge of an open-end fund.

Suffice it to say that in the United States, among Africa's children, there has been a lot of talk about reconnection with the continent and many things have been done by many people to turn that talk into action. Much of this has come in the form of lent support for the anti-colonialism struggles, especially after 1945, and with efforts to recreate cultural and spiritual ties. Through the Negritude movement, through what is referred to as the Harlem Renaissance in the United States, and through the creation of anti-colonial studies and other movements, such recreations were attempted and had some success in shaping a more enlightened consciousness. But I have worried for decades, sometimes without the tools to articulate those worries as I had wished, that such recreations were not sufficient, that more concrete things were and are needed, just like more concrete things needed to be done at home in the US regarding the challenges many African Americans faced and still face. Among these concrete things include the creation of more successful businesses spanning all business sectors, businesses in which a fund like the one I proposed in 1992 would invest. So recently I turned to a long-time friend, Michael Sudarkasa, an American with significant African connections, whose mother happened to be the president of a venerable historically black university in the U.S., and who has resided in Johannesburg for many years, to help me see how I might now be of use in some very small way. Of course, one way was to make investments in African businesses, which I have done via various country-focused ETFs, and through indirect investments with substantial impacts here in Africa, especially via one company in particular, a start-up just recently listed on the New York Stock Exchange, that has a substantial footprint in Nigeria.

But the other way I have tried to be of some use was to become a part of efforts to foster impact investment across the continent in line with the UN's SDGs. My work as a director of **Impact@Africa** (www.impactatafrica.org), a new organization, based in Nairobi, focuses on enhancing the impact investing ecosystem across the continent. My work for Impact@Africa brought me to Lagos last year, where I had the privilege of moderating a panel concerning African women entrepreneurs at a conference sponsored by ANDE, or the Aspen Network of Development Entrepreneurs. And beyond this, and perhaps most pertinent to today's conference, I have recently launched BGEI, or Business and Government Ethics International, through which I am hoping to sign consulting contracts with businesses and governments in Africa and elsewhere in order to assist with integrity and anti-corruption programs.

That said, onto the subject at hand . . . **The Role of Integrity and if it matters during a Pandemic (or crisis).** If that is the question, i.e. Does integrity matter during a pandemic?, then there is an easy but facile answer: Yes, of course it does. Honesty, truthfulness, transparency, and standards always matter. They matter in peace and they matter in war. They matter when a business is floundering, and they matter when it is at the peak of success. But as I said, that answer is facile. Let's get behind what's driving the question.

What's driving the question must be the intuition that during a time of extreme social and economic stress, such as this pandemic has created, the first thing that is likely to be sacrificed is anything not directly related to revenue, and organizational integrity is one of those things, for there is, it is supposed, an inverse relationship between integrity and stress. As the stress increases, integrity must be expected to wane, because the focus becomes survival, or at least weathering the current storm without taking too much of a revenue or market-share hit.

And make no mistake about it – evolution has wired all of us for survival. When survival is threatened, what is called our lizard brains kick in, the fight or flight mechanism that has allowed our species to survive to date. When the lizard brain kicks in commitments to such things as institutional integrity seem miasmatically vague or worse, a dangerous weight to attempt to carry through a dangerous time – a luxury of better times or of those so-called first-world countries that can afford to focus on such niceties as organizational integrity and ethics.

If I were to tell you that I don't understand that and have some sympathy for the sentiment I'd be dishonest. I *do* understand it and *do* have some sympathy for it. Evolution is a fact. Human psychology is real. Fear is real, and it can overwhelm the rational mind. I understand the pressures. The impulse to protect revenue, capital, market share, and future profits is rooted in the survival instinct. There is no point in denying it. And Covid-19 has triggered a great deal of fear indeed, in Nigeria and around the world, about whether businesses will survive rolling lock-downs, social distancing mandates, and the added costs of providing safe work and customer environments, of keeping the vendor and supply chains intact, etc. – costs that in many parts of the world cannot be met easily. So, the temptation will be to be dishonest in the payment of tax obligations, to cut corners on safety, to treat those with less bargaining power harshly or unfairly, and to dishonor customer and client commitments.

Some might say "Suppose my business maintains its high standards and integrity during this pandemic only to find that had it cut a few corners here and there it would have been able to save enough cash to make it through to post-pandemic times during which it could reestablish those standards and reclaim that integrity? And if we get through Covid and survive, wouldn't that be better for everyone, for then we will be able to reemploy and expand employment opportunities, be around to pay more taxes, and offer career opportunities to young people looking for jobs?" Very good utilitarian questions.

But the notion of putting integrity and ethics on pause is problematic, as that pause can do significant damage, damage not obvious initially. That damage can come in the form of tarnished reputations, government fines and penalties, broken supply chains, and employee defections. The way to avoid having to answer such questions during a pandemic or any other extremely stressful event is to have *already answered them* before the pandemic or stressful event. Integrity means "to keep intact, complete, whole, uninjured, sound, healthy." The very idea of integrity already implies that there are forces or events that can dis-integrate the organization, that is, cause it to fracture in ways that will make it less and less recognizable to itself, its customers, its competitors, and its regulators.

Integrity requires preparation for death, and the courage to face death should it come. Here I am not talking about the death of people, although it applies to people too, but rather I am talking about organizations, ventures, firms, and even government agencies. There are some things that you should rather die than do. We already have such commitments in our lives. We would rather die than betray our children, for example. We would rather die than live silently and suffering under the harsh subjugation of a brutal dictator. Of course, death isn't the only price that we should be willing to pay for maintaining

integrity, and that price is more than likely to be required only extremely rarely. But we should be willing to pay at least some cost for honoring contracts, employee and vendor commitments, etc. That is, we should and must be willing to pay at least some price for organizational integrity.

That means that you must commit and recommit to your organization principles on a regular basis – *during the good times*. If you wait until the bad times, the threat of death or serious harm will overwhelm organizational leaders, the fight or flight mechanism will kick in, and the risk that core ethical principles will be jettisoned will be increased *greatly*.

But just how do you commit and recommit to core ethical principles during good times? You **talk** about them. Now that answer may seem quaint and facile, but it is not. In fact, it is your organization's best chance to maintain its integrity during highly stressful times.

Now what do I mean when I say "You **talk** about them?" I mean that you incorporate an ethics and integrity discourse into your organizational communications throughout the year, not just in some annual meeting or conclave during which ethics and integrity are given a few minutes of your time during a PowerPoint presentation. There are studies that show that creating habits of mind and internally communicating ethical standards before a morally challenging situation is upon an organization can make the difference between integrity-conserving decisions, on the one hand, or scandal and moral disintegration, on the other. By keeping ethics and integrity present to mind throughout the year your organization's people are more likely to make the right decisions *automatically*. That is, they will have been *trained* to make the right decisions. Part of that training will entail letting them know that they will be rewarded rather than penalized for doing the right thing, and this assurance must come from the top down.

Beyond this, there is much to be gained from not only making ethics and integrity commitments known internally, there is much to be gained for making those commitments known publicly. There is power in promises made publicly, such as marriage vows, and there is power in promises made publicly to organizational stakeholders. Of course, promises, we know, are a necessary but insufficient condition for guaranteeing that the promise maker will remain a promise keeper. But making your commitment to integrity a public matter, not merely an internal private matter, engages our fear of public condemnation and ridicule for being hypocrites or untrustworthy. When your organization makes a promise publicly it ante ups some of its social and market capital. It's capital that no organization wants to have to lose, and bad acting is one sure way to lose it, with real financial costs to be paid, both in terms of immediate revenue and lost contracts, as well as opportunity costs, and even in the balance of trade of nations.

Framing

How is this pandemic being framed in executives' and managers' imaginations? Max Andersen and Peter Escher wrote about the importance of framing in their book, *The MBA Oath*. They write:

Imagine you are the director of an oil company and you learn about an explosion at one of your oil fields. How do you think about the explosion? Is it a public relations problem to be covered up? A public safety problem to report to nearby governments? A logistics and production problem that will inhibit your ability to meet your monthly numbers? A legal liability problem? An investor confidence problem? A workplace safety problem? **How you frame the situation will determine**

how you respond to it. Leaders need to be wary not to frame the situation too broadly or too narrowly. Let's compare two approaches to the oil explosion problem. One approach would be to use the explosion **as an occasion to rethink the fundamental strategy** and to **drive changes that were desirable but hard to make before.** It might be an **opportunity** to engage the board and governmental regulatory groups to redefine the company's role with respect to employee safety. Another plan would be to approach the situation as "damage control." This was a onetime event. It is an embarrassment or a nuisance. This frame would lead the manager to avoid exploring deeper root causes of the explosion, and instead focus on repairing the field and getting it into a productive state as quickly as possible. Either approach might be right. But the second approach is simply easier. The danger is that if the second approach is taken when the first approach is the one required, the company may suffer similar calamities in the future. . .

Our Organizational Discourse on Integrity

These same authors also discuss the power of maintaining an internal discourse centering on integrity and ethics – that seemingly facile talking that I mentioned earlier. Here is an interesting case that they present in their book:

In 1973, John Darley and Daniel Batson published the results of a fascinating study they conducted at Princeton seminary. The psychologists told a group of divinity students that they were conducting an experiment on how well the students were able to think on their feet by asking them to give extemporaneous speeches. Half the students were asked to give a talk on the parable of the Good Samaritan who stops and helps a poor stranger in need on the road. The other students were to talk about job opportunities [after graduation]. The experimenters also divided the students into three groups. They told one-third of the students that they were late for the talk and needed to hurry. They told another third that they had just enough time and the last group that they had extra time. Darley and Batson then asked the students to walk from one building to another to give their talk. In between the two buildings, they placed an actor who looked like a man in need of help, sunken on the ground directly in the path of the students as they went between buildings. As each student passed the actor, the man would groan and cough to show he was in trouble. The experimenters wanted to see which students would stop and help him. They found that the topic of the students' talk had no bearing on whether the students stopped or not. The students who were speaking about the parable of the Samaritan helping the man on the side of the road **were no more likely to help a flesh-and-blood person in need than were the students speaking about job opportunities.** However, the experimenters did find a difference between the levels of helpfulness among the students. **Those students who were told they had plenty of time were far more likely to help than those who were told they were running late.** Those who were running late, regardless of the topic of their talk, walked around the man to get to their destination. In some cases, they stepped right over him. [This is an example of how] ambition, [triggered and stimulated by directives from people in authority and who have the power to reward] can quickly devolve into **blind ambition.** **By focusing so much on one goal, we can lose sight of everything else.** And chances are, like the seminary students, we will not even realize it is happening. That is when it gets dangerous. **That is when we may start making compromises that injure others, even our own companies, to get ahead ourselves. We begin to**

justify doing the unjustifiable. To put it differently, ambition can make us amnesiacs. In our single-minded search for self-advancement, we forget our duties to our organizations. We forget what we believe and what we value. We forget who we really are. We remember only the goal of our selfish ambition.

In this example, the parable of the Good Samaritan may be said to stand in for an organization's code of conduct, and the time constraint may be said to stand in for meeting the revenue numbers. You can see that the mere example of right conduct is not always enough to constrain bad behavior. This is because we respond to rewards and to authority more readily than we respond to principles contained on a piece of paper. We find this played out over and over again. Suppose the students were all told that while delivering your speech is important, you should take your time, that giving the best speech you can is more important than being punctual. What do you think might have happened as the students encountered the actor laying on the side of the road?

Communicating internally and externally your organization's commitments to integrity, to sound practices, to ethics, to social responsibility, and modeling this commitment regularly, will allow your organization to meet crises such as the current pandemic with a resolve not to sacrifice core principles even if doing so would be expedient, and even if it would mean temporary financial pain. If managers and executives wait until they are in the middle of a crisis there is a much greater probability that unethical decisions will be made. So, it is important to talk, to communicate regularly about matters of integrity. Doing so will offer no guarantees that bad conduct will be avoided, something I've learned the hard way over the years, watching certain executives and managers of client firms blow themselves up in scandals that delivered serious harms to themselves – some have actually gone to prison – and their stakeholders.

There is the old saying that is used on both sides of the Atlantic: "Talk is cheap." But that's a good thing for developing ethics and integrity programs. Talking to your people about integrity and ethics on a regular basis, including discussions about integrity and ethics in stakeholder reports, on your web sites, in press releases, during organizational retreats, etc. can mitigate against bad acting because it establishes an ethical culture and, for those inclined to engage in bad acting, can create roadblocks that they would first need to overcome in order to engage in their unsanctioned behavior. It creates a kind of herd immunity in your organization. So, yes, talk *is* cheap, but it is an investment that can pay very outsized returns. You might call it an REI, or Return on Ethical Investment. Ethical investments can be cheap (in cash terms) or expensive (such as in the form of segregated operations and legal fees for creating comprehensive compliance manuals). Since talk is cheap and since it can yield a high REI, I recommend it highly. It is one of the best ways to prepare your organization, which means preparing all of its people, for a crisis without disintegration, without breaching integrity, standards, trust, and without paying painful reputation costs which hit the bottom line, perhaps for years into the future. Reputations are hard things to establish, and difficult things to reclaim. As the renowned and scrupulous American investor, Warren Buffett, has said, [quote] "We have all the money we need, but we don't have an ounce of reputation beyond what we need. And we can't afford to lose it . . . I want [the CEOs of the companies I invest in] to judge every action by how it would appear on the front page of their local news paper, written by a smart but semi-unfriendly reporter, who really understood it, to be read by their families, their neighbors, their friends. And it has to pass that test."

But since we are talking about integrity during a time of pandemics, let me just say that integrity in organizations is much easier to maintain during crises when the wind is at an organization's back. That wind can come in the form of easier credit, forgiveness of debts, intercompany transfers, but it often must come in the form of direct government assistance.

Let's recognize the fact that even the best organizations are comprised of people, and people are not gods, nor are they demigods, and they are certainly not saints. With enough pressure applied, something is likely to crack. *Force majeure* crises such as pandemics place inordinate stress on all civil society organizations, and that stress creates moral hazards even in the most ethical institutions. Given this, governments must be prepared to help relieve that stress, especially if the pressure on organizations is expected to be sustained over an extended period of time. Time would not permit me to delve deeply into this particular vector of my analysis, but I will try to sum it up this way: Governments must plan for and plan well, as best they can, **for crisis** and they should maintain resources to do extraordinary things in the face of extraordinary challenges. Irresponsible government spending, kleptomaniacal behavior on the part of officials, and incompetent fiscal planning will make this difficult if not impossible. One of the tragedies of kleptocracies, for example, is that the fullest extent of the damage done to the countries that are governed by them will not become manifest until years pass or until countries face force majeure crises or similar stressors. Kleptocratic behaviors are like osteoporosis – they weaken countries just as this disease weakens bones until, at some point, when even a modest amount of extra stress is applied, they break.

So just to recap, before I turn to another important matter facing Nigeria itself at the moment, what are the takeaways:

First, maintaining integrity in your organization is critical to prepare it to weather crisis and emerge without damage to important relationships, supply chains, or the public/consumer trust;

Second, executives and managers must prepare for and frame significant negative events in ways that will not lead to extra costs and damage down the road. How negative events are framed in planning will determine the response to those negative events;

Third, regular communication of the organization's standards and principles can create a high REI. This will require a honed communication campaign, effected over time, a campaign that keeps the organization's standards and principles present to mind, not buried in a code of ethics or compliance manual that is rarely consulted;

Fourth, management and employee actions which preserve organizational integrity must be rewarded, not punished, even where doing so costs the organization in cash terms in the short-run; and

Fifth, crises create moral hazards that can cause cracks in the most ethical organizations, and so governments and other actors in a position to assist should be sourced for assistance, and governments should be good stewards of the public treasure in order to be in a position to render needed such.



This is a good place to pivot, and to talk about integrity in governmental agencies specifically, and more specifically in the Nigerian context. I do so with a little trepidation because I am not a Nigerian, nor even African, though my DNA shows that almost half is Nigerian, by way of Barbados, and as it so happens Dr. Kolade bears a striking resemblance to my grandfather, Milton McClean. But in all seriousness, Nigeria, like many other countries suffers, its own assortment of government challenges. Of late there is the treatment of the public, especially youth, by the NPF, which kicked-off the anti-SARS movement and street protests, which have had deadly consequences for civilian protesters. Similar protests are taking place in the United States.

Police in every country have a difficult job in confronting criminality that can undermine public peace and security. Police officers deserve their due. They are important officers of the state. But their job is only made more difficult when citizens, defenseless in the face of the overwhelming power of the state represented by police uniforms, are abused or killed without justification by that same power, power handed over by *the people* for the people's protection. Every state functions pursuant to a social contract of sorts, and as is typically the case in such social contracts citizens' right to use violence in self-protection or to settle disputes is handed over to the state, which then becomes the sole legitimate agent of violence, i.e. force. When the state, then, turns that violence against citizens, the social contract is being strained to the breaking point.

This is a lesson that police forces around the world must, unfortunately, continue to relearn. The calls for systemic reform of the NPF seem warranted, and the same is true of many police forces elsewhere in Africa, as in the United States. In view of these problems, and in light of what is being discussed today at this conference, what can be done about it? **What does integrity have to do with the NPF?** Everything. For the more consequential the organization, the more extensive the list of stakeholders, the more integrity matters. So, I will offer a few suggestions for the NPF and those other police agencies around the world who have among the most extensive lists of stakeholders of any government agency, as those lists include every citizen and every institution under their police jurisdiction.

First, what I mean by integrity in the context of police agencies is a determined adherence to their core mission under law: to protect and to serve, and to do so within the confines of decency where the law is silent. *"How are these police officers trained?"* is a frequently-heard question at a time such as this one. But that strikes me as a question that does not get to the heart of the problem. Three other questions are needed:

"How are police officers educated?"

"How are police officers vetted?" and

"How are police officers incentivized to maintain the integrity of their function, which, again, is to protect and serve?"

As to the first question, let me just say this, in the interest of time: *Training* as such is not the same thing as education. States cannot just put recruits through the paces of a police academy for 6 or 8 or 12 weeks and graduate them to the streets, and expect them to be able to withstand the constant forces that buffet them on a daily basis. They need more than training. A process of *soul-making* must be initiated. That can only happen with education. Training programs into the officer technical competence only. Education helps to create sound judgment, empathy, sympathy, compassion, and understanding. What kind of education? Sociological education. Cultural education. Education in comparative religion, in view of the populations that will be served. Education in civic virtue. Education about the nature of corruption and the various sources of corruption that will test them. Education in the history of policing, the shining moments and the dark moments of shame. And the education of police should not be a one-shot affair. *Continuing* education should be a mainstay and it should be a requirement in order to continue to wear the uniform. Universities can partner with police departments to provide this ongoing education. When faced with the temptation to use deadly or brutal force because of external stimuli, police officers need something internal to draw upon which will hold them back from their impulse to engage.

Next, we turn to the vetting process. What kinds of psychological assessments are used to vet recruits? Is psychological assessment used only at the time of recruitment, or is it something that is made an annual requirement? Is the form of assessment used adequate to uncover tendencies toward aggression? Are regular background checks undertaken and inquiries made into the financial condition of officers? Etc.

Finally, as far as how police are incentivized, I have two suggestions. The first has to do with police compensation. Compensation should be sufficient such that police are able to afford to take care of their families. There must be sufficient holiday or vacation time to permit them to regenerate, given the daily stresses of their jobs. Compensation should also be tied to the level of positive and negative reports and incidents that land on their records. In the case of repeated egregious incidents, such as have been seen recently, there should be automatic dismissals or suspensions, as the evidence warrants. But there should also be a rewards mechanism created such that police officers who do their jobs well and receive favorable public reports are afforded bonus pay, extra days off, and accelerated seniority. Such positive incentives will lead officers who are seeking to do their jobs well to resist and reject the all too common “blue wall” – as it’s called in the United States – that protects even bad actors from criticism or reprisal from those on the other side of the wall. Incentivize police officers correctly, and you create a culture that, for lack of a better word, “polices” itself.

Well, that’s all the time I have. Thank you very much for listening today.