

SPEECH BY MR. JOSEPH K. KINYUA, EGH, CHIEF OF STAFF AND HEAD OF THE PUBLIC SERVICE DURING THE LAUNCH OF PUBLICATIONS ON RISK MANAGEMENT, NATURING CORPORATE EXCELLENCE BY PROF. MWITA MARWA, AND ETHICS IN SECURITY MANAGEMENT AND CRIMINAL JUSTICE BY PROF. DONATUS MATHENGE AT DEDAN KIMATHI UNIVERSITY ON THURSDAY, 18TH JANUARY, 2016

**His Excellency The Governor, Nyeri County
Hon. Senator, Nyeri County,
The Chancellor, Dedan Kimathi University,
The Chairman, Dedan Kimathi University Council,
The Vice Chancellor, Dedan Kimathi University,
Invited guests,
Ladies and Gentlemen,**

Today, I am greatly delighted to join you on the occasion of the launch of three publications by our eminent scholars namely Prof. Mwitia Marwa and Prof. Donatus Mathenge. I wish to laud professors Donatus Mathenge and Mwitia for the time, hard work they have put in writing the books we are launching today. Prof. Mwitia Marwa has researched extensively and published two books namely **Risk Management, and Corporate Excellence. Prof. Donatus Mathenge** has similarly researched and published a book entitled **Ethics in security Management and Criminal Justice Governance**. The theme of these two publications is intertwined and mutually reinforcing. The authors have chosen Ethics as their theme and whereas one focuses on the corporate sector, the other dwells on the public sector. These books have been published at a time when Kenya as a country is seeking to restore ethics in the way we conduct business and our personal lives. I therefore greatly welcome their publication and congratulate the two professors for work well done.

For a long time our higher education has relied heavily on foreign published books despite Kenya having highly qualified and experienced scholars. I am therefore grateful to note that our scholars are breaking this pattern and I urge others to emulate them. For generations, humanity has transferred knowledge

from one generation to another through publications. Our two professors' deliberate effort to document their knowledge in publication is a noble idea which falls in line with Kenya's desire to promote knowledge based economy.

Ladies and gentlemen,

History has shown that all great civilizations, economies and democracies are founded on strong ethical values that are jealously guarded. The same also applies to great sophisticated corporations that drive those economies. I wish to remind you that Kenya was a peer with some of the well performing East Asia Countries. Through hard work and ethics driven development, these countries have been able to attract massive foreign and local investments in a span of 50 years. Some of them were indeed benchmarking with Kenya in their earlier levels of their development. Today, Kenya benchmarks on them. We as a country however have not despaired. We aspire to join the league of newly industrialized middle income country in less than two decades and the Government has mobilized and directed resources to the achievement of this aspiration as Articulated in Kenya Vision 2030.

Ladies and gentlemen,

The route to the newly industrialized status is through corporate excellence in business and public administration. As we all know, corporations whether small, medium, large or transnational are established primarily to create wealth for their owners, but in doing so they are persistently working to satisfy private, corporate or public needs as though guided by an invisible hand; to echo Adam Smith. The market economy has proved to be an essential condition for meeting the needs of the most people, but valuable lessons have been learned along the way, often at great social cost. Societies and individual business enterprises have learned that it matters how profits are made, how wealth is

distributed, and whether business can be sustained. This has much to do with ethics and risk management.

Ladies and gentlemen, this reality is broadly acknowledged in development debate. The 2005 World Development Report notes that "private firms – from farmers and micro entrepreneurs to local manufacturing companies and multinational enterprises – are at the heart of development process. Driven by the quest for profits they invest in new facilities and strengthen the foundation of economic growth and prosperity". Indeed, Corporations are always stimulating economic growth by mobilizing resources, introducing creativity and innovative solutions, creating jobs, and general skills development and training. This would not be achievable without adherence to requirements of responsible business conduct.

Business enterprises globally are today expected to meet standards of responsible business conduct that go beyond profit making as was expected traditionally. Though the profit motive in business is understood, it is not accepted as an excuse for ignoring basic norms and standards for being a good citizen. The pursuit of profits and economic progress is tempered with community norms, values, and standards of respect, integrity, and quality. Improved business performance, profits, and economic progress come to those who effectively and efficiently foster and meet the reasonable expectations of the community in form of social corporate responsibility, primary stakeholders who includes customers, employees, suppliers, investors, and take into account the need for environmental conservation for the sake of future generations.

These requirements are foundations for business ethics and firms that embrace them earn international respect and good will in addition to reduced risks and

bribery, predation and kickbacks and the like make corruption more attractive. To obviate the possibility every effort is necessary to improve control systems and the control environment in both business and government to increase the probability of catching corrupt officials.

3. Political and cultural psych

This is a broadly held perspective. Wole Soyinka as quoted by Robert Calderisi (2006) points out that dreams of peace and prosperity in Africa are shattered by “power crazed and rapacious leadership...” thriving on politics of patronage perpetuated by elite and those they represent, leading to endemic corruption. Politics of patronage are known to place heavy informal obligations and demands on politicians who are overwhelmed with financial pressure from their family, clan, friends, the hometown and ethnic constituents. Calderisi notes that “such obligations are almost always fulfilled through corrupt means”. This challenge increases with ethnic heterogeneity. A study on causes of corruption by Treisman (2000) presented in the Journal of Public Economics found ethnicity to contribute to corruption as corrupt officials may be protected by their own ethnic groups for political reasons. What do you think of Kenya? I leave that to your imagination and intelligent discussions with colleagues.

Both Wole Soyinka and Calderisi commentary is on government. But the same is true for business which are affected by organizational politics as documented in reviews of corporate scandals, the classical one being the Enron case.

On the cultural perspective, we are socialized to venerate age and authority, which has a bearing on enforcement of moral and ethical conduct. When the elite in business or government are involved, the system of formal controls become less effective as they are accorded deference. As a result, officials in low ranks tend to assume a fatalistic attitude and tally along. Broadly speaking,

subordinate officials do not commit serious ethical crimes unless they think such behaviour is okay with the boss who sets the tone and determines the ethical climate. How top people behave matters because officials at low levels do not get ahead by marching to their own drummer but by emulating those higher up the structure. If your boss is Mr. clean, you are not going to think that a bag of tricks is your key to success.

At this point, ladies and gentlemen, we have noted that the environment is awash with risks including human, cultural and political. We have also noted the importance of corporations in driving development. Because of the connection between corporations, investments and development, there is an increasing focus on risk management in governance. For example, following the 2008/09 financial crisis OECD reviewed corporate governance and risk management in member countries and published a report in 2014 which attributes the crisis to widespread risk management failure. The review uncovered deficient risk oversight and management practices even in sophisticated corporations. In many cases there were challenges in linking risks to strategy, accurate definition of risks, and in developing corporate responses that address strategy, people, detail, tasks, and risk drivers.

Considerations for importance of risk management in ensuring business success and sustainability has led to the development of ISO 31000 which provides principles and generic guidelines across jurisdictions, with variations. The standard provides methodologies and procedures, which are however subject to human agency. In this regard, even in instances of robust risk management environment, both business and government have to pay attention to human behaviour. The robust risk management strategy need to be supported by appropriate ethical climate, enforced through codes of ethics for Boards of Directors and employees. There is a movement towards national codes of business. In Kenya the Private Sector Alliance has developed a code for

conduct of business intended to help both business and government fight corruption.

However, even with the necessary codes you need to have the right people in business and government to be assured of excellence. In the words of Jim Collins in his book "From Good to Great", excellence is a product of "getting the right people on the bus, the wrong people off the bus, and the right people on the right seats". And whether "someone is the right person has more to do with character traits and innate capabilities than with specific knowledge, background or skills". Otherwise shock awaits you.

Prof. Steve Odland, who served as Chairman, Business Roundtable's Corporate Governance Task Force in the US from 2004 to 2006 advises that ***You can put together elaborate ethics code, but, in the end, if you hire crooks, they will steal***", while Plato stated that "Good people do not need laws to tell them to act responsibly, while bad people will find a way around the laws". And the good book says law is for sinners.

As we pay attention to getting the right people on board, we must also address the basics by paying attention to institutions of socialization, principally the family, education and religious institutions as well as institutions of governance in order to achieve all round excellence. We must ask inward looking questions: What are we teaching our children? What do we do when our sons and daughters drive home in state-of-the-art SUVs few months into employment? I leave that to your imagination.

With these few remarks, It is now my humble duty and honour to launch the following three publications by our eminent scholars namely:

- i. Ethics in Security Management and Criminal Justice by Prof. Donatus Mathenge; and
- ii. Risk Management by Prof. Mwita Marwa; and

distributed, and whether business can be sustained. This has much to do with ethics and risk management.

Ladies and gentlemen, this reality is broadly acknowledged in development debate. The 2005 World Development Report notes that "private firms – from farmers and micro entrepreneurs to local manufacturing companies and multinational enterprises – are at the heart of development process. Driven by the quest for profits they invest in new facilities and strengthen the foundation of economic growth and prosperity". Indeed, Corporations are always stimulating economic growth by mobilizing resources, introducing creativity and innovative solutions, creating jobs, and general skills development and training. This would not be achievable without adherence to requirements of responsible business conduct.

Business enterprises globally are today expected to meet standards of responsible business conduct that go beyond profit making as was expected traditionally. Though the profit motive in business is understood, it is not accepted as an excuse for ignoring basic norms and standards for being a good citizen. The pursuit of profits and economic progress is tempered with community norms, values, and standards of respect, integrity, and quality. Improved business performance, profits, and economic progress come to those who effectively and efficiently foster and meet the reasonable expectations of the community in form of social corporate responsibility, primary stakeholders who includes customers, employees, suppliers, investors, and take into account the need for environmental conservation for the sake of future generations.

These requirements are foundations for business ethics and firms that embrace them earn international respect and good will in addition to reduced risks and

costs. They are also able to withstand competition and expand access to capital.

Ladies and gentlemen,

There is a nexus between ethics and development. The 1997 World Development Report demonstrates that breakdown of ethics leading to corruption, state capture and predation has a negative impact on investments, economic growth, environment quality and overall social welfare. The 2005 Development Report also points out that majority of firms in developing countries expect to pay bribes and that firms, consumers and other groups make payment to public officials in return for favourable decisions – whether high level policy decisions or for more mundane matters such as getting connected to utilities, clearing goods through customs or registering a business. These tendencies are at a cost to our development. They discourage Foreign Direct Investment as well as domestic investments leading to stagnation in wealth and employment creation. We cannot afford this while we have an ever growing pool of youth who need jobs.

In the last four months or so, headline stories in the media were in most cases about corruption in both government and private sector. This is something to worry about especially because we are a young democracy and studies, including one done under the auspices of African Administrative Studies in 2011 show a correlation between democratization and corruption. As we open up the democratic space and embrace democratic capitalism we must emphasize ethical conduct in order to achieve our development aspirations. Democracy and business without ethical principles do not deliver on development. Of course in Government we must also adopt good development ethics, taking into account democratic principles, the need for

inclusive growth, human rights, transparency, accountability and good governance in general terms.

Ladies and gentlemen,

Ethical conduct, irrespective of the differentiation of social norms and mores, business and organizational ethics or development ethics is a call for self-restraint and doing what is right. I must admit that making ethical decisions is not easy as it requires the ability to make distinctions between competing choices. As a result, ethical decisions are more often than not undermined by self-interest which reduces behaviour to risk-reward calculations. Where the risks for ethical behaviour are higher than rewards for unethical behaviour, individuals in government or business will opt for the ethical decision. On the contrary, where rewards for unethical behaviour including are higher than risks for it the individuals will not take the ethical decision or adhere to the agreed code of ethics.

We as a country entrenched development ethics in the Constitution in form of Values and Principles of Governance which provides specific requirements for rule of law, respect for human rights, sustainable development, integrity, transparency, and accountability as well as ethics requirements on leadership. We have also enacted a multiplicity of laws to guide conduct of government business, including procurement of goods and services, taxation, national elections, and so on. On the business side we have the Companies Act and other legislation touching on investments, protection of shareholder rights, industrial properties and copyrights, competition, insurance, banking and so on. In education sector we have laws governing teaching, university education, national examinations among others. While all this forms the legal foundations for ethical conduct, it is acknowledged that adherence to the principles depend on human agency, which should be properly directed and controlled.

It is now acknowledged in development circles that it is not possible to reduce unethical conduct in ordinary normal life, business or government without paying attention to human behavior. In 2015 the World Bank produced an interesting report titled "Mind, Society and Behaviour". The report underpins the importance of paying attention to how humans think and how history and context or the influence of society shapes choices that influence behaviour and development outcomes. It vindicates sociologists where it states that:

"individuals are social animals who are influenced by social preferences, social networks, social identities and social norms...most people care about what those around them are doing and how they fit into their groups, and they imitate the behaviour of others almost automatically".

Consequently, and to draw from the Report, when individuals think, or are confronted by ethical dilemmas in the language of Prof. Mathenge, they do not generally "draw from concepts that they have invented themselves" but rather from "identities, prototypes, stereotypes, casual narratives and worldviews drawn from their communities".

What worries is what the Report states next: In some communities corruption in the form of bribery, fraud, extortion, influence peddling, kickbacks, cronyism, patronage, and embezzlement among other forms of corruption is expected, tolerated, can and has been a social norm through history. And where corruption is the norm, "social networks perpetuate corruption by punishing public servants who violate the norm". In other words, there is trouble if you are not corrupt. The focus as you have noted is on government. Would the same be true in business? I leave that to your imagination.

Ladies and Gentlemen,

I am convinced corruption is not the norm in Kenya but admit it exists in both government and business. Having agreed that it affects economic development, growth and general wellbeing, we need to reflect and understand its causes. I focus on three.

1. Disconnect between goals and means

The sociological perspective point to a strain between culturally established goals and available accepted means of achieving the goals. Societies are defined by culture and social structure. Culture dictate goals that we pursue while the social structure comprising social norms, means of production and ownership structure, law, regulations, and institutions of governance provide accepted means for achieving the goals. In a well integrated society, individuals will use the accepted means of goal achievement. In other words they will pursue their goals within socially accepted ethical framework. On the contrary, individuals who are not well integrated will result to other means that run counter to the accepted minimum ethical requirements whether provided by law or custom.

Ladies and gentlemen, we traditionally learned cultural goals and the accepted means of their achievement from the community, family, friends and associates, social class, religious institutions, education institutions, places of work, institutions of governance and interaction with instruments of State. Traditionally, these vehicles of socialization have traditionally shaped our perspectives. However, today the world has become more interconnected and the traditional goals are increasingly influenced and shaped by new information and demonstration of consumerism. This is has created an increasing tension in the alignment of social goals and means of their achievement at the local level. We for example have young people in "**Generation Y**" who want quick success,

drive state of the art vehicles and live in luxury few months in employment or business. This is affecting both the Government and business. These people require rehabilitation by the society.

2. Breakdown of formal control

It is generally accepted that human beings unlike animals of lower ranks, are difficult to satisfy. Emile Durkheim in *The Division of Labour and Suicide (1897)* noted that men (and women of course) have unlimited desires and the more an individual has, the more s/he wants. According to Durkheim, the unlimited desire can only be limited by external controls in form of regulations and other accountability structures. When formal regulations are rendered irrelevant by monopoly of power, excessive discretionary authority and inadequate accountability for exercise of discretionary authority, limitless individual propensities are unleashed on the society, government and business.

This process is gradual starting with breach of requirements considered mundane or of little consequence. Repetition of the breach becomes common to actors within the system, who invent more innovative ways of breaching other components of the regulatory system. Eventually the entire system collapses and the ability of the society to check individuals' propensities is lost. At that point life tends towards the poor, nasty, brutish and short in the words of Thomas Hobbes. Ask victims of "second generation" alcoholic drinks. Those who did not die are blind, while those who survived live to tell the tales. Or to take you to business, talk to any victim of a collapsed bank. Am sure you saw a shareholder of Imperial Bank shed tears on television.

What is worrying is the self perpetuating nature of corruption. The 2005 Development Report notes that unlike production which has diminishing returns, corruption has increasing returns. Consequently, increase in rent seeking,

iii. Nurturing Corporate Excellence by Prof. Mwitwa Marwa

Thank you

God bless you