



Corporate
Governance
Center

REPORT ON STAKEHOLDER MAPPING OF THE BUSINESS INTEGRITY CLUB

Introduction

Stakeholder mapping of the Business Integrity Club (Club) was conducted within the framework of the “Strong Associations and Chambers - Strong Advocates” program (Program) supported by the Center for International Private Enterprise.

Stakeholder mapping of the Club was accomplished via focus group discussions.

The mapping activities received direct support from the mentor engaged in the Program, [Pana Ratanabanangkoon](#), an Anti-corruption Collective Action specialist and Founder of the International Collective Action Network.

The Club Advisory Board members and its participants actively contributed to the mapping work.

The Club’s stakeholder mapping methodology

Stakeholder mapping of the Club was accomplished via focus group discussions. The selection of focus group participants was made in a way to ensure representation from private, public, civil society, and international structures, as well as individual experts.

In January 2024, three focus group discussions were conducted with a total of 20 participants.

The stakeholder mapping of the Club aimed to:

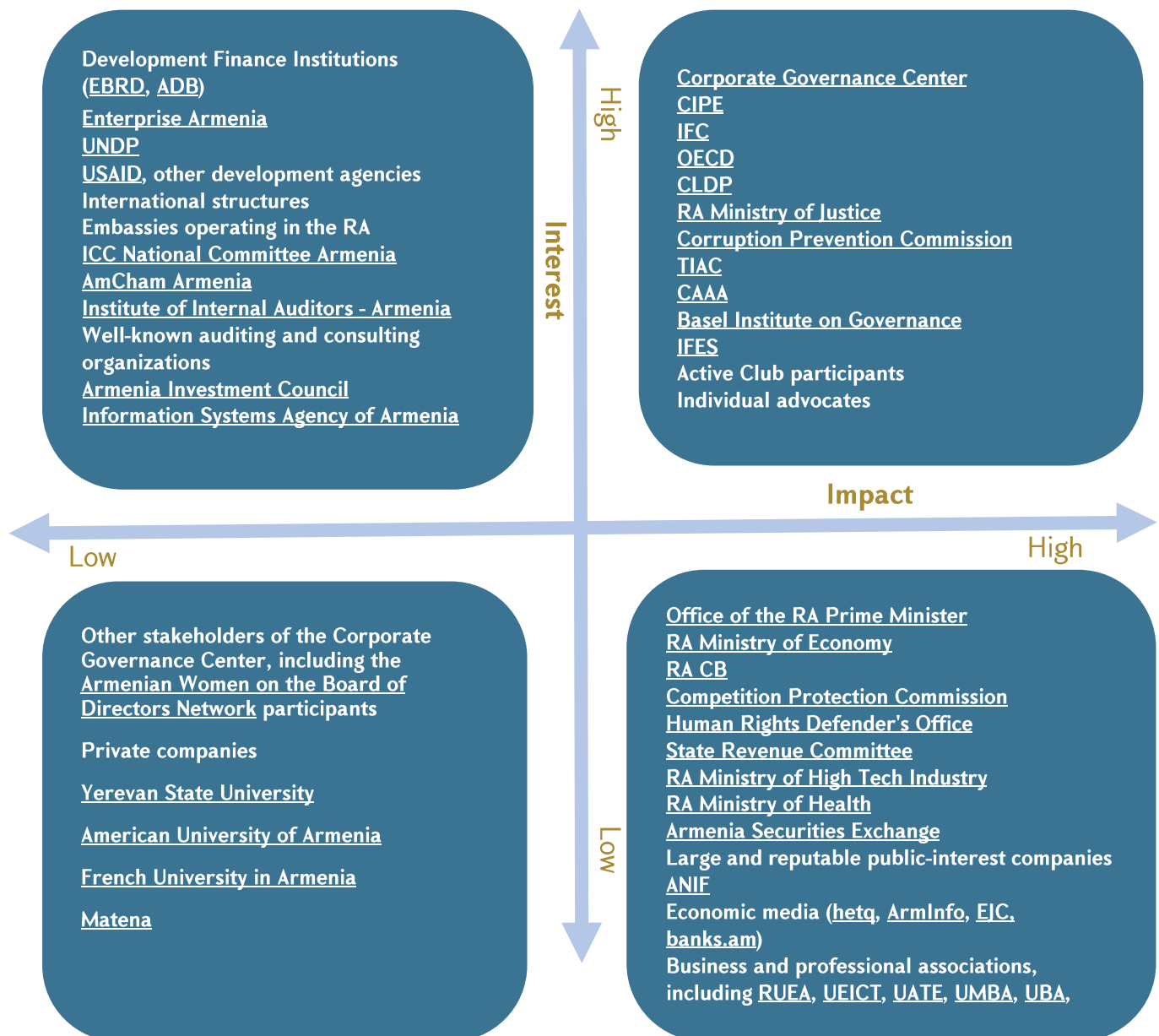
- Identify the Club's primary stakeholders, classify them based on priorities (considering their interest in and impact on the Club), and determine the main channels for cooperation,
- Effectively manage resources and contribute to the targeted direction of efforts,
- Identify the main directions for the Club's development.

The focus group discussion participants concurred to recognize *persons (legal and natural) whose activities and interests align with those of the Club and who can substantially impact the Club's ability to achieve its goals as stakeholders*. To identify the Club's stakeholders, the focus group discussion participants were prompted with the following questions:

1. Whom does the Club have obligations to (contractual, determined by the Club's internal regulations)?
2. Who is impacted by the Club's decisions and actions, both positively and negatively?
3. Who can impact (both positively and negatively) the Club's ability to achieve its goals?
4. With whom has the Club cooperated in the past?

In addition to the questions aimed at identifying the Club's stakeholders, the focus group discussions also explored the main channels of cooperation with these stakeholders and addressed issues pertinent to the Club's further development.

Stakeholder mapping results for the Business Integrity Club



- 1. Stakeholders having high interest and high impact:** persons to whom the Club has obligations or vice versa (for instance, the Corporate Governance Center, Club participants), and with whom the Club has a successful record of cooperation. Additionally, this group presents substantial potential for further development. The focus group discussion participants described this group of stakeholders as the most sensitive one since they gave the Club their vote of trust. Therefore, ensuring continued cooperation, while maintaining inclusivity, was deemed a primary issue.

- 2. Stakeholders having high interest and low impact:** persons who have a mission to advocate a good governance culture in the business sector of Armenia. Therefore, their inherent interest in the Club's activities can be considered high inherently. However, their impact was evaluated as low due to a lack of experience working with them. The Club has engaged with some of the participants of this group of stakeholders, but the cooperation has not yet been institutionalized. The focus group discussion participants characterized this group of stakeholders as having significant potential for cooperation and suggested sending them proposals for cooperation and preparing for meetings to represent the Club.
- 3. Stakeholders having low interest and high impact:** persons who, as policymakers, advocates of business interests, opinion influencers, and fiduciaries, can significantly impact the Club's activities, but whose experience of cooperation with the Club has not yet been institutionalized. The cooperation, if occurred, was sporadic and, in some instances, was contingent upon the inclination of the individual representing the respective department or organization. The Club does not have any experience in cooperation with the Competition Protection Commission, Human Rights Defender's Office, State Revenue Committee, and Ministry of High-Tech Industry, which are included in this group. Therefore, the assessment of their interest as low can be considered conditional. The inclusion of the first three departments in the map is driven by their roles concerning business integrity as outlined in the action plan derived from the RA new anti-corruption strategy, while the addition of the Ministry of High-tech Industry is motivated by its role in the provision of state support to sector organizations. Consequently, there is a necessity to promote this concept not only within the Ministry of High-tech Industry but also in the context of any government support program targeting the private sector. The focus group discussion participants emphasized the high potential of cooperation with this group of stakeholders and described the work to be done as difficult, but necessary. They proposed several channels of cooperation, outlined below.
- 4. Stakeholders having low interest and low impact:** persons who are not yet interested in the Club and cannot significantly impact the Club's ability to fulfill its mission, but their existence cannot be excluded. The focus group discussion participants suggested that this group should be constantly informed about the Club's activities.

Communication channels with the Club's stakeholders

The focus group discussion participants expressed the view that communication with stakeholders can take various forms, ranging from formal to informal. These may include one-on-one meetings, courses, trainings, public hearings, surveys, focus group discussions, conferences, roundtable discussions, working groups, and engagement on social media platforms.

Second group	First group
Correspondence/E-communication One-on-one meetings Joint events Engagement in working groups Surveys Trainings, courses, conferences, round tables, master classes Hosting representatives at the Club meetings/discussions Club newsletter Annual report Social media platforms	Correspondence/E-communication Ensuring active engagement in the Club events Joint events One-on-one meetings Club meetings/discussions Formation of working groups to solve thematic problems/present the Club's position on them Surveys Trainings, courses, conferences, round tables, master classes Club newsletter Annual report Social media platforms
Fourth group	Third group
Trainings, courses, conferences, round tables, master classes Hosting representatives at the meetings/discussions with the Club participants Club newsletter Annual report Social media platforms	Correspondence/E-communication One-on-one meetings Joint events Engagement in working groups Surveys Trainings, courses, conferences, round tables, master classes Hosting representatives at the Club meetings/discussions Club newsletter Annual report Social media platforms

The focus group discussion participants proposed to ensure the Club's representation on social media platforms such as Twitter and Telegram, as well as to increase the frequency of communication with the first three groups of stakeholders.

Focus group participants' useful opinions and approaches regarding the Club's further development

The Club faces a significant workload. In regards to integrity, the balance has thus far leaned heavily towards the public sector. Given that integrity is a singular concept, the lack of parity in the application of integrity standards across both private and public sectors significantly diminishes the likelihood of success in preventing and combating corruption. The Club can assume a leading role in addressing this matter.

In the upcoming three years, the Club can acknowledge the following actions as those to be undertaken:

1. The [OECD report](#) on monitoring anti-corruption reforms in Armenia, in which the corporate governance framework of the country is specifically addressed. *The overall conclusion of the OECD report is that the necessary structures for the implementation of the Corporate Governance Code are currently lacking, which hinders companies from following the Code and improving corporate governance practices.*
2. The [RA Anti-Corruption Strategy for 2023-2026 and the resulting Action Plan for 2023-2026](#) (Plan), adopted through the RA Government 1871-L Act on October 26, 2023, specifically Action 4.1 on introducing anti-corruption compliance structures in the business sector by developing a culture of corporate governance, within which the Corporate Governance Center has been recognized as a co-implementing body.

Continued efforts are crucial in raising awareness within the business sector regarding good governance, integrity, manifestations of corruption, and corruption risks, and enhancing its relevant capacity. A potential topic to be explored is the involvement of businesses in political finance.

The Club should concentrate its endeavors on shifting the business mindset: companies should understand not only their economic but also their social role.

To ensure its visibility, the Club should try to attract large and reputable public-interest companies and minimize involvement with the public sector. The focus group discussion participants expressed their disagreement with the last thought stating that “elevating standards of honesty, transparency, and ethics in the private sector requires coordinated, sustained, and collective action by various stakeholders, including the public sector”.

Advocating for the inclusion of a robust anti-corruption program within recipient companies as a selection criterion in state support programs targeting the private sector is essential.

To reveal the true picture of the Club's stakeholders, the focus group discussion participants raised several questions, with the key one being the current state of the business ecosystem in Armenia.

The discussion did not result in an objective and comprehensive answer to the question. Therefore, an attempt was made to find clarification on the relevant question in [research sources](#), according to which:

In recent years, Armenia has registered a high level of entrepreneurship, with 28% of the population in Armenia engaged in any business (both early-stage and established). With this indicator, Armenia ranks 6th among 50 countries. At the level of early-stage entrepreneurship, Armenia is in a fairly high position, with one in five individuals participating in such activities (21%). With this indicator, Armenia ranks 7th among 50 countries and 1st in Eastern Europe. Armenia is one of the leaders in the level of youth engagement in entrepreneurial activity.

In addition, Armenia is in an average position (23rd out of 50) with the established business activity indicator (7.8% of the adult population). This essentially proves the existence of institutional barriers in the development stage of entrepreneurship in Armenia, implying the need for the country to focus on supporting early-stage businesses and creating more favorable conditions for their development.

Entrepreneurship in Armenia has positive prerequisites, such as “business is a desirable career choice” and “the purpose of business is to solve social problems”. Nevertheless, there are also substantial negative prerequisites, including the low societal income level, as evidenced by the prevalent motivation for starting a business out of necessity. Approximately 90% of entrepreneurs agree that they engage in entrepreneurship “to earn a living because jobs are scarce”. Conversely, Armenia ranks in the lowest position (47th out of 50 countries) in terms of starting businesses with purpose-driven motivations, i.e., the desire to “make a difference in the world”.

This factor may also contribute to the high concentration of entrepreneurship in Armenia in two sectors: agriculture and trade. Furthermore, Armenia holds the leading position in the share of agriculture, a sector characterized by the lowest productivity, while ranking in the bottom 10 by share of the most productive Business services sector.

A notable feature of entrepreneurship in Armenia is the fear of failure, making many reluctant to engage in business. Perhaps, this can be explained by the nature of business culture in Armenia, where a business is associated with its owner, and business failure is perceived as a personal failure.

The Club's SWOT analysis

Considering the collaboration with the mentor, approaches of the focus group discussion participants, and findings from the aforementioned research, a SWOT analysis was conducted on the Club.

STRENGTHS	OPPORTUNITIES
<ol style="list-style-type: none"> 1. Active participants who respect the principles of good governance, including integrity (about 60% of the composition) 2. Effective cooperation with the RA Ministry of Justice and Corruption Prevention Commission 3. Financial and technical support from CIPE, CLDP, and IFC 4. CGC's resources and professional expertise 	<ol style="list-style-type: none"> 1. RA Anti-Corruption Strategy and the resulting Action Plan 2. Respect for a culture of good governance and stakeholder orientation among young entrepreneurs 3. Interest of international organizations and donors in promoting integrity and anti-corruption compliance in Armenia
WEAKNESSES	THREATS
<ol style="list-style-type: none"> 1. Non-diversified financing sources 2. The indifference and passivity of some of the participants towards the Club's activities (20%) 3. Limited human resources 	<ol style="list-style-type: none"> 1. Focus of the Armenian business sector on short-term goals and perceiving business as merely a means of livelihood 2. Failure to prioritize corporate governance by key market players, including state bodies 3. Geopolitical and socio-economic challenges facing Armenia 4. Fear of failure when doing business

The Club’s Action Plan according to the priorities and deadlines for implementation¹

	High priority	Medium priority
Short-term (< 6 months)	Submission of an application to be engaged in the anti-corruption working group for monitoring the implementation of the RA Anti-corruption strategy and resulting Action Plan for 2023-2026 (Plan) (The application has been submitted.)	Review of the CG Code as outlined in Action 4.1 of the Plan in line with the G20/OECD CG Principles revised in 2023, and stakeholder discussions
	Meeting with officials of the RA Ministries of Economy and Justice for implementation of Action 4.1 of the Plan (The meeting took place. On March 21, 2024, the CGC and Club, with the support of CLDP, will convene a workshop, directly related to Action 4.1.)	Organization of Club open meetings hosting representatives from state bodies, the private sector, and international structures
	Organization of awareness events dedicated to good governance and anti-corruption compliance	
	Ensuring the Club’s representation on Twitter and Telegram	
	Addressing letters of cooperation to the second and third groups of stakeholders to maximize their interest in and impact on the Club	
Medium-term (6 - 12 months)	Club capacity building, specifically by conducting anti-corruption compliance reviews and providing support for reporting	
	Organization of awareness events dedicated to good governance and anti-corruption compliance	Submission of the revised draft CG Code as outlined in Action 4.1 of the Plan to the RA Ministry of Economy
	Club capacity building, specifically by conducting anti-corruption compliance reviews and providing support for reporting	Organization of Club open meetings hosting representatives from state

¹ The Club’s Action Plan has been developed for a duration of one year, mindful of the fact that the stakeholder mapping exercise will be undertaken on an annual basis.

Advocating for the inclusion of a robust anti-corruption program within recipient companies as a selection criterion in state support programs targeting the private sector

Organization of an Integrity school for young entrepreneurs

Organization of an ESG school for young entrepreneurs

bodies, the private sector, and international structures

Key Performance Indicators of the Club's Action Plan

- Representing the Club in the anti-corruption working group,
- Integrating at least 2 stakeholders from both the third and fourth groups into the first group of the Club's stakeholders,
- Recruiting at least 10 participants for the Club, with at least 2 of them being reputable public-interest entities,
- Organizing at least 10 awareness events dedicated to good governance and anti-corruption compliance,
- Raising the awareness of at least 150 organizations and 200 individuals on good governance and anti-corruption compliance,
- At least 30 graduates of the ESG school for young entrepreneurs,
- At least 30 graduates of the Integrity school for young entrepreneurs,
- Draft revised Code of Corporate Governance,
- Publication of an anti-corruption compliance progress report by at least 50% of the Club participants,
- Advocating for the proposal on the inclusion of a robust anti-corruption program within recipient companies as a selection criterion in state support programs targeting the private sector.



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