



Two Minute Challenge: Conduct Abroad

You are the CEO of a large multinational corporation. You have been alerted to payments by one of your major foreign subsidiaries that may be construed as bribery of government officials. The payments seem to have been made to obtain a necessary license. The laws are clear: bribery, even if in another country, is illegal.

The foreign management team has been at work for one year; your shareholders and analysts are eagerly awaiting a report whether the team has been successful.

Your investigative team, operating on an anonymous tip, reports that company financial records show contributions to local government officials totaling \$16 million. No other subsidiary makes contributions to local government at anywhere near that dollar figure; in fact, it's ten times anything you've seen before. There is clear evidence that the leadership team of the subsidiary was involved in these operations, and they are well aware of US rules. Audits of the subsidiary have shown no hard evidence of lawbreaking, although the investigation also suggests some of the audits might have been altered before submission to your headquarters. A full investigation will cost millions of dollars and draw the attention of the media.

You organize an Executive Team meeting to discuss next steps. The final decision is yours. As CEO, what do you do?

Issues	Rules and Regulations	Questions
The company's reputation	Applicable laws governing bribery	How likely is it that bribery is taking place? If it is, what are my legal obligations?
Cost of continued investigation	Code of conduct of your corporation	How do my decisions affect the different stakeholders?
Media coverage; when/how to take public	Your personal values and integrity	What happens if I stop the investigation? Will I look bad? What will the public/media think?
Profitability of the subsidiary		How do we get accurate facts for making good decisions?
Responsibility to the stakeholders		If we do continue investigating, what is the cost? Is there a more affordable way?
Loyalty to the team in the subsidiary		How badly will this tarnish the company's reputation? Short term? Long term?
US and foreign country response		How likely is it that the audits were altered? How can we prove this?





Resources

Executive Team, Board,
Employees

Trusted Friends/Family

Other CEOs

Options

Continue the investigation:-
Will cost a lot of money, but can help the reputation of the company because you are not ignoring problem. May attract attention. If bribery is in fact taking place, you can end it.

Stop investigating. Saves money. If bribery is taking place, you could face much worse penalties if government finds out. Shows you may be hiding something, hurting reputation. Sets culture of allowing misconduct.

Ask your boss how office supplies are inventoried/audited

Takeaway Lessons:

- 1.) **It takes years to build a positive company reputation;** all that work can be destroyed in a short time.
- 2.) **The law is the law;** there are serious criminal issues that might affect decision--making. You may be responsible for another person's criminal actions.
- 3.) **Money** may appear to be insignificant in the face of much broader issues.
- 4.) **Values and reputation** (and how you want to be remembered) play a key role in decisions.