



Ethical Decisions are an Investment in Your Company's Reputation

Compliance and Ethics



Our commitment to conducting business in a lawful and ethical manner is not tested when doing so is easy, but rather when it is hard.

Nearly a decade ago, I heard a speech I will never forget. It was a keynote address delivered by Adrian Zaccaria at an Ethics and Compliance Officer Association Sponsoring Partner Forum in Colorado Springs. Zaccaria was vice chairman and director of Bechtel Group, Inc. — one of the world's largest and most highly regarded construction companies. In 2008, when the speech was delivered, Bechtel had about 44,000 employees with annual revenue of US\$31.4 billion. Some of Bechtel's most notable projects include the Hoover Dam, the Big Dig in Boston, the Channel Tunnel between England and France, the Athens metro system, and the Bay Area Transit System in San Francisco.

After providing us with a brief overview of his company, Zaccaria candidly explained that Bechtel operated in the most corrupt of all industries (construction) and in the most corrupt countries in the world. Illegal payments to government officials and others are standard practice to win bids in big construction projects, he explained. However, Zaccaria stated that, unlike many of their competitors, Bechtel does not pay a dime in bribes anywhere in the world, under any circumstances.

Instead of claiming that such ethical behavior has ultimately resulted in increased revenue for the firm in the long run, Zaccaria flatly stated that it costs the company billions every year. The costs of performing the work necessary to bid on major projects like the ones Bechtel takes on can be as much as US\$10 million. So, when Bechtel loses a bid to a competitor who wins the project by bribing government officials, Bechtel loses both the money invested in the bid and the opportunity for significant revenue from the project itself.

Zaccaria provided multiple examples of projects lost as a direct result of their policy not to pay bribes. One example he gave that stuck with me was about a project that they had won in an unnamed Middle Eastern country. Zaccaria related that this was a very big project with significant notoriety. As a consequence, a lavish signing ceremony was planned with royalty and other dignitaries present. He flew in from the United States to participate in the event with his team. However, just as they were about to walk into the room to publicly sign the contracts, Zaccaria was taken to a private office where his host asked him to log onto a computer and deposit US\$20 million into a private bank account. Zaccaria's reaction was immediate and decisive. He looked his host in the eye and he stated flatly that Bechtel would not do business with him. He left the office, assembled his team, and left the country.

As with the other examples Zaccaria related, the costs to the company as a consequence of their refusal to pay the bribes were substantial. However, Zaccaria said that the Bechtel leadership does not look at such costs as losses. Instead, they look upon them as "investments in our company's reputation."

Now, I know what you're thinking: good for them. It's nice to see at least one big company taking a principled stand. You may not have had many opportunities in your career to walk away from a multi-billion dollar project, but hopefully you expect that you would have done the same thing if you were in Zaccaria's shoes. Perhaps you have confidence in your moral compass and you have the courage to consistently follow it. This means, of course, that you are committed to managing the ethical challenges that arise in your business with the same consistency and integrity that Zaccaria does.

This means that you would never take cash instead of checks or credit cards in payment for your services to avoid paying taxes. You would never hire undocumented workers. You would never deliberately breach a supply contract because you found another buyer who was willing to pay more for your goods. You would never relieve a cash flow problem by slow paying your suppliers. You would never buy a nice gift for the purchasing agent of one of your customers to ensure your products got special consideration. You would never book revenue this quarter for sales that will occur next quarter to make your financial statements look better. You would never use bait and switch tactics in a commercial transaction to change the terms of a deal at the last minute after you strung the other party along to the point that they can no longer reasonably pursue other options. And, you would never use excuses like "everyone is doing it" or "we've got to do this to stay in business" to justify an illegal or unethical business practice.

You don't need to be a globe-trotting executive of a giant multi-billion dollar company to face difficult ethical decisions. Like the leaders of Bechtel, you have a choice to make every day you come to work. Are you going to build your business upon strong fundamentals — a good product, delivered on time at a competitive price — or are you going to "do whatever it takes" to get ahead?

Our commitment to conducting business in a lawful and ethical manner is not tested when doing so is easy, but rather when it is hard. When business leaders face hard choices, they must decide whether they will play by the rules regardless of the consequences or whether they will choose to break or bend the rules to achieve their commercial goals.

If you are as impressed as I was by Bechtel's principled stance, and genuinely applaud their refusal to play the bribery game to win business, take a moment today to examine your business practices and look for opportunities to make an investment in your company's reputation."

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