

## Making an investment in your company's reputation

One of the keynote addresses at this year's Ethics and Compliance Officer Association Sponsoring Partner Forum in Colorado Springs was made by Adrian Zaccaria, vice chairman of Bechtel Group Inc.

As you may know, Bechtel is one of the world's largest construction companies. It has about 44,000 employees, and in 2008 its revenues were \$31.4 billion. Some of Bechtel's most notable projects are the Hoover Dam, the Big Dig in Boston, the Channel Tunnel between England and France, the Athens subway system and the Bay Area Rapid Transit system in California.

After giving a brief overview of his company, Zaccaria candidly said that Bechtel operated in the most corrupt of all industries, construction, and in the most corrupt countries in the world. Making illegal payments to government officials and others is a standard practice to win contracts for big construction projects. But Zaccaria stated that unlike many competitors, Bechtel does not pay a dime in bribes anywhere in the world, under any circumstances.

Instead of claiming that such ethical behavior ultimately has resulted in increased revenue for his firm in the long run, Zaccaria said flatly that it costs the company billions every year. Doing the work necessary to bid on major projects like those Bechtel takes on can cost as much as \$10 million. So when Bechtel loses a contract to a competitor that has bribed government officials, it loses both the money invested in bidding and the opportunity for significant revenue from the project itself.

Zaccaria provided multiple examples of projects lost as a direct result of the policy not to pay bribes. One example he gave that stuck with me involved a project Bechtel had won in a Middle Eastern country he did not name. Zaccaria said the project was very big and a matter of great public interest in the country, so a lavish signing ceremony was planned with royalty and other dignitaries. Zaccaria and his team flew in from the United States to participate.

However, just as the parties were about to walk into the room and publicly sign the



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contracts, Zaccaria was taken to a private office where his host asked him to log on to a computer and deposit \$20 million into a private bank account. Zaccaria said his reaction was immediate and decisive: He looked his host in the eye and stated flatly that Bechtel would not do business with him. Zaccaria left the office, assembled his team and left the country.

As with the other examples Zaccaria cited, the cost to Bechtel as a consequence of the refusal to pay a bribe was substantial. However, Zaccaria said, the company's leaders do not look at such costs as losses. They see 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 occasion in your career to walk away from a multi-billion-dollar project, but you expect that you would have done the same if you were in Zaccaria's shoes. You have confidence in your moral compass, and you have the courage to consistently head in the direction it points. This means, of course, that you undoubtedly manage the various ethical challenges that arise in your business with the same consistency and integrity as Zaccaria.

As a consequence, you would never take cash instead of checks or credit cards for payment to avoid taxes. You would never hire illegal aliens. 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 stalling payments to your suppliers. You would nev-

er buy a nice gift for the purchasing agent of one of your customers to ensure that your products got special consideration.

You would never make your financial statement look better by booking revenue this quarter for sales that will occur next quarter. You would never use bait-and-switch tactics in a commercial transaction, changing the terms of a deal at the last minute after you had strung the other party along until it could 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 practice.

You don't need to be a globe-trotting executive of a giant company to face difficult ethical decisions. Like the leaders of Bechtel, you have a choice to make every day when you come to work: Will you build your business upon strong fundamentals—a good product, delivered on time for a fair price—or will you "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 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 the refusal to play the bribery game, 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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