

C O M M E N T

Corporate Culture That Has Less Vertical Power

By Brook Horowitz

The simultaneous visit to Moscow this week of two of the world's most senior anti-corruption regulators highlights again the attention governments are devoting to fighting corruption and the challenges they face in some of the biggest emerging markets.

Lanny Breuer, head of the U.S. Justice Department's criminal division, which manages the Foreign Corrupt Practices Act, and Richard Alderman, director of Britain's Serious Fraud Office, which is responsible for introducing and implementing the new Bribery Act, will hear from the business community just how difficult it is for companies to abide by U.S. and British extra-territorial legislation in countries like Russia, where corruption is prevalent in business and everyday life.

The questions for business leaders all over the world are daunting: How do companies create a corporate culture that is impervious to corruption? How can preventative methods, such as whistleblowing, really work in a society so manifestly devoid of trust? How can a principle-based management approach empowering employees to take responsibility for their decisions be compatible with a top-down "power vertical" management structure?

These are the issues that business leaders have to face in managing

their operations in Russia and other emerging markets, and there are no simple solutions. Indeed, the key difference between a purely formalistic system of ticking boxes, making rhetorical declarations and paying lip service, and a culture that really devolves responsibility onto the individual employee for maintaining corporate standards, may depend ultimately on the quality of leadership.

Often in discussions about compliance, the phrase "setting the tone from the top" is used. It sounds great, but it is not clear exactly what it means. Showing by example is part of it, but surely that is not enough.

It's a far more hands-on process for the leader. He has to construct, in consultation with the work force, the whole package of ethical, management and performance values that encapsulate the company's brand and identity.

Communicating means not just through line managers but also being personally committed to spreading the word beyond the immediate confines of the company, to suppliers and distributors, third-party agents, competitors, the government and to society as a whole.

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