

*Exploring the Behavior
and Psychology Behind
Bribery and Corruption*

An eBook from SAI Global



INTRODUCTION

As the global business landscape evolves with new technologies and opportunities, new risks emerge and old risks find new channels to grow. In this SAI Global eBook, our focus is on bribery and corruption, the mentality and psychology of people who may engage in these unethical behaviors, and how organizations can build modern anti-bribery and anti-corruption programs that work.

As of October 2016, the 10 biggest Foreign Corrupt Practices Act (FCPA) cases involve combined financial penalties of [\\$4.84 billion](#). In a speech given this November at George Washington University Law School, Leslie Caldwell, Assistant Attorney General at the Department of Justice, said that the “World Bank estimates that more than [\\$1 trillion](#) is paid every year in bribes, which amounts to about 3% of the world economy.”

The implications of corruption and bribery on our societal and economic wellbeing are clear. What remains hazy and confusing is why these illegal and unethical acts continue to happen when the people responsible for conducting them know they are wrong and historical data suggests they will eventually be caught.

Do employees giving and taking bribes or acting corruptly do so intentionally? Are they even aware they are doing something wrong?

What is troubling for employers and compliance officers is that this behavior can stem at any level and department in an organization. So, what can be done?

At SAI Global, we believe that an effective compliance & ethics training program around anti-bribery and anti-corruption isn't just comprised of thorough, modern annual training and short, engaging learning tools to reinforce that training. It involves a cohesive understanding of the mentality and behaviors that drive unethical and illegal business practices, and a culture where each employee is treated as a unique individual with unique risks associated with their role.

It requires a culture of trust where whistleblowing isn't met with retaliation, and open, honest communication is encouraged from senior leaders, middle managers, and compliance departments.

When you finish reading this eBook, you should have a stronger understanding of what drives an employee in your organization, seemingly harmless and hard-working, to make a decision that could impact your company's reputation, financial outlook, and potentially send them to jail.

We hope you enjoy reading it and learn something new.

Sincerely,
The SAI Global Team

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A brief overview of anti-bribery and anti-corruption rules, regulations, and laws around the world, including the FPCA Pilot Program and ISO 37001.



8 **From Rules-Based Governance to Values-Based Behavior: The Psychology of Compliance, Bribery, and Corruption**

Paula Davis, our VP of learning and product strategy who has spent 25 years dedicated to compliance and ethics, dives into the psychology behind bad, unethical, corrupt behavior and why people do the wrong thing even when they may know it is wrong. She analyzes 4 primary reasons why people act outside of the values and compliance expectations of their organization, and how to practically address each of those situations.



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THE ABCS OF ABAC: A BRIEF OVERVIEW OF ANTI-BRIBERY AND ANTI-CORRUPTION RULES, REGULATIONS, AND LAWS AROUND THE WORLD

Bribery and corruption have been a part of our society for centuries and existed long before formal laws and regulations were put in place to emphasize their danger.

As humans, we have always been faced with the temptation and opportunity to do the wrong thing, or the easy thing, instead of the right thing. Occasionally, people give in to those temptations, but they do not give and take bribes or act corruptly because they deliberately want to violate a specific law or regulation, but because this unethical behavior is a shortcut for them to accomplish a goal.

Every single person in a company has a goal related to their job, and at some point in their careers, they may be tempted by the opportunity to take a shortcut. This shortcut may seem harmless at first, but by taking it, they are exposing themselves to danger, putting their employer at risk, and contributing to a global epidemic.

In the past 50 years, governments and organizations have made a concerted effort to fight this epidemic by clearly defining what bribery and corruption look like and establishing penalties for this behavior.

In this section of our eBook, we want to review some of the flagship regulations and initiatives put in place to thwart bribery and corruption. It is our responsibility to help make sure employees know what bribery and corruption are, understanding why bribery and corruption are wrong, and recognize the different ways these risks can be presented to them.

BRIBERY is often defined as the offer, promise, exchange, acceptance, or solicitation of an advantage or tangible item as an incentive to perform an act that is illegal or unethical. Bribes can take the form of physical gifts, loans, favors, fees, rewards, donations, or other advantages.

CORRUPTION is, simply put, the abuse of power and trust for personal and private gain.

1977

The **Foreign Corrupt Practices Act (FCPA)** was passed to make it unlawful for certain people and entities to make payments to foreign government officials to assist in obtaining or retaining business. The anti-bribery provisions of the FCPA apply to everyone in the U.S. and certain foreign issuers of securities, and an amendment made in 1998 also applies the FCPA to foreign firms and people who directly or indirectly influence corrupt payments or bribes to business that takes place in the United States. The FCPA prohibits any offer, payment, promise to pay, and authorization to pay or provide something of value to any person while knowing that the item or promise of value will be used to directly or indirectly influence a foreign official to violate their lawful duty or give any improper business advantage.

1993

Transparency International was created as a global coalition against corruption. They are an international nonprofit, non-governmental organization whose purpose is taking action to combat corruption and prevent criminal activity that stems from corruption. They have created the Global Corruption Barometer, as well as the Corruption Perception Index and Global Corruption Report.

1999

In Canada, the **Corruption of Foreign Public Officials Act (CFPOA)** was passed as their equivalent of the FCPA. The **OECD Anti-Bribery Convention** was also created this year to serve as the first anti-corruption instrument focused directly on the “supply side” of bribery transactions. It establishes legally binding standards to criminalize the bribery of foreign public officials in international business transactions and puts measures in place to make this criminalization effective.

2003

The **United Nations Convention against Corruption** was drafted on October 31st and signed on December 9th. Ever since, **International Anti-Corruption Day** has been observed annually on December 9th. Created by the United Nations, this initiative is part of a global effort to raise awareness of corruption and how it can be combated and prevented.

2011

The **UK Bribery Act** was approved in 2010 but enforced one year later and lays the framework for criminal laws relating to bribery in the United Kingdom. This modern form of governance was passed to replace the antiquated policies that were over a century old and covers general bribery offenses, the bribery of foreign public officials, bribery within commercial organizations, and the ranging penalties related to these offenses. It is described as “the toughest anti-corruption legislation in the world” by some and allows any individual or company with links to the UK to be prosecuted even if the crime wasn’t committed in the UK.



2016

At the time of this eBook's publication in December 2016, a number of new initiatives have been put into place this year. These include a new French anti-corruption law called the **Fight Against Corruption & Modernization of Economic Life**, also known as the "Sapin II" Law for Michel Sapin, the French Minister of Finance. The main elements of this law include the creation of French Anti-Corruption Agency, a set of rules to protect whistleblowers from retaliation and other consequences of their actions, and a legal obligation for companies of a certain size to actively manage corruption risk by implementing an ethics code, risk assessments, employee compliance training, and other measures.

The **FCPA Pilot Program** was made effective in April of this year and will have a one-year trial period. The program was created to incentivize and motivate companies that fall under the jurisdiction of the FCPA to voluntarily disclose misconduct if they discover it among their employees, and in doing so, create an opportunity for them to cooperate with the Department of Justice and face a less severe penalty.

This year also marks the launch of the ISO 37001 certification. The International Organization for Standardization (ISO) 37001 is an anti-bribery management system created to cultivate an anti-bribery culture in organizations, implement controls and processes to reduce incidents and improve detection, and enhance current anti-bribery programs.

Any public, private, or non-profit organization around the world can be certified in **ISO 37001**. The standard addresses bribery by the organization, personnel, and business associates

acting on the organization's behalf, as well as bribery of the organization, its personnel, and business associates in relation to the organization's activities. The benefits of certification, which must be completed by a third-party, include proof that your organization has taken clear steps to prevent bribery in the event of an investigation, guidelines for the implementation of a thorough bribery compliance program and management system, and assurance to key stakeholders that reasonable steps are being taken to prevent bribery.

The information presented above is only a small fraction of the total anti-corruption and anti-bribery legislation, regulations, and governance around the world, but it should serve as an introduction to some of the topics we'll discuss in this eBook and provide a foundation for further education in this area.



FROM RULES-BASED GOVERNANCE TO VALUES-BASED BEHAVIOR: THE PSYCHOLOGY OF COMPLIANCE, BRIBERY, AND CORRUPTION

By Paula Davis

Compliance and ethics professionals are challenged with a difficult task that carries severe implications if not successfully executed.

Among many tasks, Chief Compliance Officers and their colleagues are responsible for ensuring that every employee understands the rules, laws, and regulations that govern their industry, as well as the values and culture that guide behavior at their organization.

If you peel that back a layer, research, trends, and experience in the compliance and ethics industry shows that the key to a successful anti-corruption and bribery program isn't just communicating and teaching the rules, laws, and regulations, but actually shaping the behavior of employees and aligning their values with the values of their employer.

It's easy to look at an org chart and classify people by their titles, roles, and seniority, but the people who make up our global workforce, from an intern to the C-suite, aren't just what you see and know of them at work. Every single person you work with has a unique background shaped by their own beliefs, life experiences, generational biases, and demographic differences.

So how is it possible to effectively train such a wide range of people with different skills and backgrounds on what is and isn't compliant, let alone the ethical implications of their behavior and how it can influence the well-being of the organization they represent?

Specifically, how can we help these employees understand the risks and warning signs of bribery and corruption, two of the most prevalent, recurring, and damaging problems plaguing businesses around the world and the people who work for them?

Despite the millions of dollars spent on compliance training every year, misconduct is still rife. According to our [2016 State of Compliance Infographic](#), which aggregated data and insights from seven surveys and reports, 85% of compliance officers believe their business operates in an industry that is exposed to corruption risks.

In order to help fix this problem and remedy the risks of corruption and bribery in business, we need to look beyond educational resources, annual training, and even inspirational leadership to answer one fundamental question at the core of this global problem.

THE THREE PRIMARY REASONS FOR AN INCREASED RISK OF CORRUPTION AND BRIBERY ARE TIED TO THE:

1

GLOBAL EXPANSION
OF BUSINESS

2

THIRD-PARTY
RELATIONSHIPS THAT HELP
DRIVE THAT BUSINESS

3

INCREASED ENFORCEMENT OF
EXISTING REGULATIONS AROUND
BRIBERY AND CORRUPTION

WHY DO GOOD PEOPLE DO BAD THINGS?

This can be boiled down to 4 main reasons: people are ignorant, indifferent, obedient, or unethical.

Strong words, but to put it another way, people either:

- Don't know how to comply.
- Don't care about complying.
- Don't dare to do the right thing if their boss or peers are doing something different.
- Don't play fair because they are set on misconduct and misbehavior.

So what can compliance and business leaders do in response to these non-compliant characteristics that lend themselves to corruption and bribery, among other potential violations and failures? In the following pages, we'll address them one by one.



IGNORANCE

I Don't Know How to Comply

In many ways, the group of people who just don't know how to comply are the easiest to help.

When it comes to this group of employees, it's crucial that the culture of your organization encourages them not to be self-conscious about asking questions and needing more information. As a compliance officer, it's important that you make it easy and comfortable for employees to approach you and ask questions about anything they aren't confident about.

The biggest challenge in helping "ignorant" employees is that they don't know what they don't know and they may be nervous to admit it. People rarely feel good about saying "I'm not sure."

Ignorance is a genuine training problem that can be helped enormously by effective anti-bribery and anti-corruption (ABAC) training.

Overloading learners with legal knowledge on the FCPA, OECD, and UK Bribery Act will achieve little in terms of closing the gap between the requirements of the law and the day-to-day behaviors that have to be put into practice in order to act ethically and be compliant.

Saying "I don't know" when you do something wrong is an easy excuse for an employee guilty of accepting or giving a bribe, but that excuse isn't acceptable with regulators. If an employee is guilty of bribery or corruption, ultimately, the compliance officer and organization can and will be held responsible for that behavior, and that "ignorance" will be considered a failure to properly educate and train that employee. The same can be true for third party vendors and contractors working on behalf of an organization. Effective training comes in a variety of formats and mediums and is tailored to address the specific roles of employees and the risks associated with their responsibilities.

IS YOUR COMPLIANCE AND ETHICS TRAINING PROGRAM DESIGNED TO BE AN EFFECTIVE DETERRENT AGAINST BRIBERY AND CORRUPTION?

Here are 3 questions you can think about to help you find out:

1 Does your training create employees that are able to spot issues and red flags?

If your sales executives, finance team, marketers and other employees can't identify a bribe or spot corrupt behavior, then your training is not effective. If your employees can't spot or identify this behavior, they may become exposed to it and violate regulations without realizing the severity of their actions. An environment of ignorance is dangerous for everyone, because the FCPA and other regulations around bribery and corruption hold both individuals and their employers accountable.

2 Are you creating skilled, curious information seekers who know where to go for help and information when they are unsure about a situation or policy?

A potential business partner offers to take your colleague to the Lakers game with courtside seats. A vendor invites you to a weekend spa retreat to discuss the logistics of your relationship. Is either of these situations okay? If your employees don't have an easy way of finding out, or feel comfortable asking for help when they need it, they may make the wrong decision and do something they see as harmless that is actually illegal.

3 Do your employees know how to respond to issues, concerns, and red flags around bribery or corruption taking place among their colleagues, peers, or partners when they see them, and do they feel comfortable reporting these issues without the fear of retaliation?

If you've succeeded at training your employees on issues around bribery and corruption and the red flags that indicate they may be happening, the next step is ensuring they can act on their concerns. Whether that means reporting to a hotline, speaking with a manager or compliance officer, or something else, it's important that your employees understand that every single person is a stakeholder in the well-being of the company's reputation. If an employee sees corruption or witnesses a bribe, and says nothing, the financial repercussions that may unfold when their colleague is caught may have a direct impact on their job.

These are key components of effective compliance training and the first step towards solving the "ignorance" problem for employees in your organization. Now, if your employee knows what bribery and corruption looks like and is effectively trained to recognize it, but simply doesn't care and is indifferent to the outcome or the compliance training given to them, that's another story.



INDIFFERENCE

I Don't Care About Complying

In a survey of over 80,000 employed U.S. adults conducted by Gallup, it was concluded that “the world has an employee engagement crisis, with serious and potentially lasting repercussions for the global economy.”

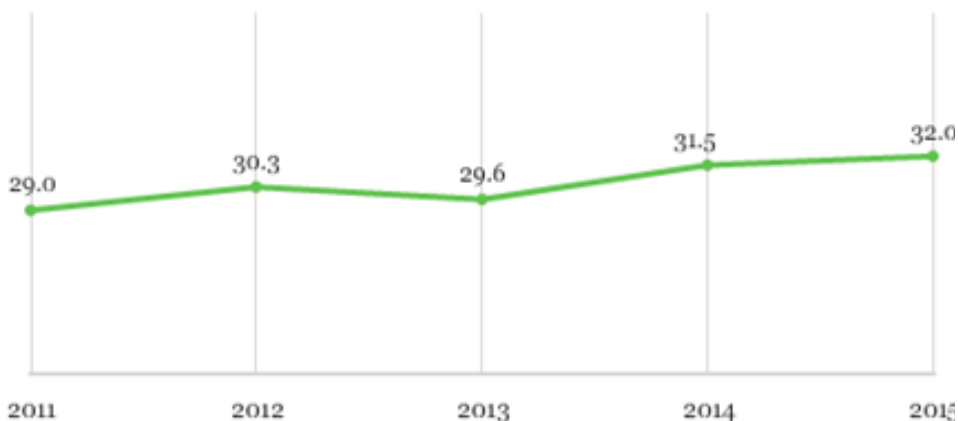
According to their data, only 32% of employees in the United States are engaged at work, and worldwide, that number is at 13%. That means roughly 68% of employees in the United States and 87% of employees around the world are disengaged.

So what does it mean when so many people simply don't care about what happens at their company, and how can it be fixed? How do you counter this overwhelmingly negative mentality?

U.S. Employee Engagement, 2011-2015

Yearly averages

■ % Engaged employees



GALLUP

The typical response has been to engage tone from the top – so much so that it is now almost unheard of to have a compliance training course that does not begin with a video from the CEO telling the learner how important compliance is to him or her and the organization.

It's fairly common to invoke the fear factor with stories of the damage non-compliance does to the reputation of organizations, or even to individuals found guilty of non-compliance. All of these approaches are valid, but they aren't driving the attitudinal shift that we need in learners.

So, what else can compliance officers and their organizations do?

Increasingly, a dialogue is emerging around the relationship between compliance in the workplace and shared human values. After all, there is a very human cost to non-compliance in most risk areas, and we'll discuss that cost with Richard Bistrong in an interview you can find later in this eBook.

While traditionally, compliance learning has focused on hard facts, laws, rules, and regulations, we know now that in order to successfully drive changes in attitudes and behaviors, we need to work on a human, emotional level. This shift in compliance & ethics learning is aligned with an overall shift in the people who make up our global workforce.

The U.S. Census Bureau reports that Millennials have passed Baby Boomers and are the largest segment of our population. Today,

25% of the modern workforce is between 21-34 years old, but by 2020, that number will jump to 50%.

The 2016 Global Shapers Annual Survey asked over 17,000 employees between 18-35 years old about their three most important criteria when considering job opportunities. Coming in at #3, behind salary and career growth, is "sense of purpose."

The cure to employee indifference, when it comes to compliance or the organization as a whole, isn't always for a CEO to tell them why they should care, or to scare them into caring, but rather, to find out what they care about. If your employees don't care about something that is important to you, reframe it as through the lens of something that is important to them.

The 2016 Deloitte Millennial Survey contains data and insights from 7,500 college-educated, employed Millennials from 29 countries. The findings of that survey reinforce the idea that shared values and deeper purpose are becoming incredibly influential factors in how people choose where they work and perform in those jobs.

- When asked what factors influence their decision making at work, the most influential factor was their personal values and morals.
- 70% of Millennials believe their personal values are shared by the organization they work for.
- Millennials believe a solid ethical foundation built on integrity, honesty, and trust is one of the most important values to the long-term success of a business.
- Organizations that operate ethically and "do the right thing" have higher retention rates and loyalty among Millennial employees.



OBEDIENCE

I Don't Dare Disobey the Orders of Someone I Report To

It might seem strange at first to cite obedience and conformity as a problem in relation to compliance with policies and procedures. But this can be an issue depending on what instructions people are obeying!

Research conducted by the Chartered Management Institute (CMI) for their "[Moral DNA of Performance](#)" report revealed that stronger ethical behavior by management has a direct correlation with better organizational performance. Their data also shows a positive relationship between ethical organizational cultures and levels of employee engagement.

Take the [Milgram](#) and [Asch](#) experiments, for example. Both inform our tendency to conform to others, regardless of whether or not we agree with their behavior or actions, and can help explain why people are unethical or noncompliant at work. The themes of each experiment are different, but whether it's our

tendency to obey authority or our tendency to conform with a group our peers, both can be dangerous if the prevailing message is that it's okay to do the wrong thing.

For business and compliance leaders, we need to consider the power of peer pressure and the critical role of middle managers in driving behaviors around compliance. Irrespective of the message your senior leaders and policies and procedures are delivering, it's highly likely that what will be happening on the ground will be driven by these powerful psychological forces.

What behaviors are your middle managers driving and what is the impact of peer pressure on compliance? More importantly, what is being done to drive the tendency to obey and conform in the right direction through creating a culture of compliance in your business?

MILGRAM EXPERIMENT (1963)

ASCH EXPERIMENT (1951)

Stanley Milgram was a psychologist at Yale University who performed experiments focused on the conflicting relationship between personal conscience and obedience to authority.

OVERVIEW

Solomon Asch was a psychologist at Swarthmore College, Rutgers University, and the University of Pennsylvania who performed experiments focused on behavior and conformity.

How far would people go in obeying instructions given to them if those instructions asked them to inflict discomfort and pain on someone else?

THE BIG QUESTION

Does social pressure from a majority group influence or affect a person's decision making and lead to conformity?

40 male participants were recruited for a paid experiment investigating learning, ethics, and deception. After being introduced to one another, each participant drew a straw to determine their role of "learner" or "teacher" in the experiment. What they didn't know is that one participant was planted in the experiment by Milgram and it was rigged so he would always be a learner. The learner sat in an electric chair, which only he and Milgram knew was fake, and teachers would ask him questions that he deliberately answered incorrectly. Every time a question was answered wrong, the teacher was instructed to shock the learner, with the severity and voltage of each shock increasing over time. If the teacher ever refused to administer a shock, they were commanded to continue.

PROCESS

50 male students at Swarthmore College were invited to participate in a "vision test" that showed them a straight line side by side with another image of three lines of different lengths. Each student was put in a room with 7 other "students" who were actually accomplices of Asch, and there to test each student. The 8 participants were asked to identify which of the lines in image 2 matched the line in image 1 and share their answer aloud, and each time, the answer was obvious. The test subject would always answer last, but the other 7 participants before him would deliberately all give the wrong answer to see if they can influence his decision, which should have been easy.

65% of the participants (teachers) continued to the highest level of 450 volts when prodded by the commands to do so. 100% of the participants (teachers) reached 300 volts, which was 20X more intense than the lowest possible level of shock. Even when people knew they were hurting other people, they continued to do so because an authority figure told them to and they believed that authority figure to be morally right or justified in their decision.

RESULTS

32% of the time, the participant who answered last and was the subject of the experiment conformed to the 7 other answers given before him, which were clearly incorrect. In 12 trials of the experiment, 75% of participants conformed at least once, and 25% never gave in and stuck to the answer they knew was correct. In a variation of the experiment when no peer pressure to conform was present and all 8 participants could answer however they wanted, less than 1% gave the wrong answer.

"The extreme willingness of adults to go to almost any lengths on the command of an authority constitutes the chief finding of the study."
- Stanley Milgram, The Perils of Obedience

CONCLUSION

Even when someone knows they are doing or saying the wrong thing, when pressured by a group or majority, they may conform to avoid ridicule, exclusion, or the perception of being weird.



UNETHICALNESS

I Don't Play Fair and Intentionally Violate the Rules

We are all aware that there are individuals in an organization who are simply unethical. Despite rounds of interviews by members of your company and vetting by your human resources department, they sneak through.

But do these “bad people” even know they are doing a bad thing when presented with the decision between “right and wrong?” If so, are they consciously deciding to behave that way, and are their bad decisions, whether intentional or not, influencing the behavior of other members of your organization?

Does your organization have a recruitment process that ensures new hires share your organizational values? If not, there is a danger you may end up with the problem that Jack Welch articulated so well when he described the [four types of managers on a matrix](#) that maps performance against values.

When Warren Buffett talks about hiring for character, he says “Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don't have the first, the other two will kill you.”

“Four Types Of Managers” - by Jack Welch

	Delivers results	Does not deliver results
lives by values espoused by organization	1	2
does not live by values	4	3

Ideally, we would recruit for “Type 1” managers who deliver results and live by the values espoused by the organization. Of course, we need to deliver business performance, so “Type 2” managers who live by the values espoused by the organization but do not deliver results are not a good fit. “Type 3” managers who do not live by the values espoused by the organization but do not deliver results are unfortunate, but perhaps less of a concern, as it is likely that their poor performance will see them exit the organization.

The big concern is if your recruitment practices have pulled a lot of “Type 4” managers into your organization, because then we come right back to the problem of obedience and conformity.

There is no denying the challenge of aligning business objectives with compliance requirements and corporate values. Companies can list their values and ethical intentions in a code of conduct, but if their financial business objectives are counterintuitive to those values and behaviors, more often than not, the financial objectives are met at the expense of values and ethics.

To embed a culture of compliance and ethics in an organization and create a place where bribery and corruption isn't even on the minds of employees, there needs to be a strategic alignment between the financial objectives of an organization, the personal integrity of each employee, and the values expressed in the organization's Code of Conduct. The risk appetite of an employee, their manager, and even the senior leadership of an organization can change due to circumstances and pressures created in and out of the office. Someone may be more likely to give or take a bribe if they're on the cusp of achieving a performance based incentive at work based on a sales quota or the completion of a project with a fast-approaching deadline. But employees may also fall victim to corruption or bribery because they're under pressure to do whatever it takes to succeed due to the circumstances of their personal life. The worst situation to put an employee in is one where they have to decide between doing the right thing and doing the thing that will put food on their table.

To summarize, there are numerous reasons why non-compliance occurs. In some cases there is a training solution, provided the training is effective and targets attitudes and behaviors as well as knowledge. However, the importance of culture, values, and the role of leadership and management in aligning those values with what their employees care about cannot be underestimated in driving ethical behavior in the workplace.

\$ THE COST OF CORRUPTION AND BRIBERY

\$2.6 trillion Amount of money stolen through corruption and corrupt behavior every year

\$1 trillion

Total amount paid in bribes every year

\$12 - \$23 billion

Estimated cost to governments in developed countries due to fraud and abuse in health care industry

\$12.5 billion

Value of medicines and pharmaceutical products stolen or lost due to global fraud, bribery, and corruption according to World Health Organization estimates

\$8.97 billion

Total FCPA fines, financial penalties, and enforcement actions across 140 cases since 2005

\$4.84 billion

Sum of the 10 largest financial penalties and enforcement actions charged to organizations who violated the Foreign Corrupt Practices Act (FCPA) from 2008 - 2016

THE NON-FINANCIAL IMPLICATIONS OF CORRUPTION AND BRIBERY

The damage done by bribery and corruption transcends bank accounts and balance sheets.

COUNTRIES WITH MORE INCIDENCES OF CORRUPTION HAVE:



Higher child mortality rates



Accelerated depreciation of environment and elimination of endangered species, flora, and fauna



Weaker democratic processes, governance, and human rights



Fewer resources for health care, education, sanitation, housing and clean water



Less access to jobs and employment opportunities for women, minorities, and poor people

WHERE IT'S HAPPENING

The Transparency International 2015 Corruption Perception Index (CPI) uses expert opinions and analysis to measure perceived levels of corruption around the world. Does your organization operate in high-risk regions or work with third-parties in places where corruption and bribery are prevalent?

RANKING THE REGIONS

The CPI scale uses a score of 0 to represent the most corrupt places and 100 to represent the cleanest, most ethical places. A score below 50 represents a serious corruption problem.

66% of countries have a score below 50.

33: Sub-Saharan Africa
33: Eastern Europe & Central Asia
39: Middle East & North Africa

40: Americas
43: Global Average
43: Asia Pacific
67: EU & Western Europe

THE 10 LEAST CORRUPT COUNTRIES:

Denmark (91), Finland (90), Sweden (89), New Zealand (88), Netherlands (87), Norway (87), Switzerland (86), Singapore (85), Canada (83), Germany/Luxembourg/United Kingdom (81)

THE 10 MOST CORRUPT COUNTRIES:

Somalia (8), North Korea (8), Afghanistan (11), Sudan (12), South Sudan (15), Angola (15), Libya (16), Iraq (16), Venezuela/Guinea-Bissau/Haiti (17)

SOURCES

THE COST OF CORRUPTION AND BRIBERY

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THE NON-FINANCIAL IMPLICATIONS OF CORRUPTION AND BRIBERY
<http://www.anticorruptionday.org/actagainstcorruption/en/factsheets.html>

WHERE IT'S HAPPENING

<https://www.transparency.org/cpi2015/>



IT CAN HAPPEN TO ANYONE: AN INTERVIEW WITH RICHARD BISTRONG

By Sean Freidlin

Richard Bistrong is the CEO of Front-Line Anti-Bribery LLC, a former FCPA violator, and an FBI/UK cooperator.

Richard was formerly the VP of International Sales for a large, publicly traded manufacturer of police and military equipment, which included residing and working in the UK. In 2007, as part of a cooperation agreement with the United States Department of Justice and subsequent Immunity from Prosecution in the UK, Richard assisted the United States, UK, and other governments in their understanding of how FCPA, bribery and other export violations occurred and operated in international sales. In 2012, Richard was sentenced as part of his own Plea Agreement, and served fourteen-and-a-half months at a Federal Prison Camp, returning home in December 2013. Richard now consults, writes, and speaks about current front-line anti-bribery and compliance issues. He was named one of Ethisphere's 100 Most Influential in Business Ethics for 2015, is a Contributing Editor of the FCPA Blog, and can be contacted at richardtbistrong@gmail.com.



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On November 14, 2016, I spent two hours with Richard Bistrong in New York City to discuss how bribery, corruption, and doing the wrong thing changed his life, and how compliance officers can ensure their employees avoid the mistakes he made. Below is a transcription of our interview, edited for clarity.

Richard, for anyone reading this who may not know you already, can you please tell us a little about your background and how you got to where you are today?

I grew up in Long Island, New York, and I never planned or aspired to be a VP of International Sales. I graduated from the University of Rochester with a political science degree and I wanted to be a foreign policy professor. So I entered the Woodrow Wilson School of Government at the University of Virginia, in their Ph.D. program to pursue that path.

Right after getting my Master's degree, I was at a crossroad between two interesting offers. One was for a foreign policy internship with The White House during the Reagan administration. The other was from my father and cousin to enter into our family business, started in 1888 by my great grandfather, which was going strong for three generations and manufactured bullet proof vests.

As compelling as the internship was, especially considering my goal when I started grad school, the idea of taking the baton in the family business was even more inspiring. So with my Masters Degree in tow, I moved back to New York to work with my father and cousin, and the focus of my work was strictly on U.S. law enforcement and U.S. military sales. Those sales cycles were stable, the procurements were high frequency, with a well-organized civil-service, and there was always a steady demand for supply. That was where I "cut my teeth" in sales, and eventually the business became so successful that we sold it in the early 90s.

With that sales experience under my belt and the company sold, I decided to take the next step in my career and go work for a successful, publicly traded company that manufactured bullet proof vests, armored vehicles, armored systems, munitions, and riot control equipment, among other products and services. Their portfolio of products was deep and wide, which created an exciting opportunity for me as a sales executive, and to apply what I learned selling similar products in my family's enterprise. When I started this new job as a VP of Sales, I remained strictly focused on U.S. military and U.S. law enforcement markets, like my prior position with my family.

In 1997, the company decided to invest in international sales. It was clear that the demand for such products was growing in the international markets, and U.S. products and technology were regarded as some of the most reliable and sophisticated among end-users.



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The company was ready to tap into that dynamic. They wanted to hire someone to lead this initiative, and as soon as I heard about that opportunity, I thought “I want that job!”

Here was an incredible opportunity to fuse together my foreign policy background and sales experience. I got the job of VP of International Sales and Marketing, where I start traveling the world.

I tallied it up and did the math: I was on the road for 250 days a year on average, or 70% of the year, which was time I wasn’t spending with my family, friends, and domestic colleagues.

Because I was traveling so much, I started to work out of the company’s UK office and living in England, just to make it easier to conduct business with regions such as Europe, Asia and the Middle East. While it might be exhausting going to Dubai for a two or three day visit from New York, it’s a breeze from Manchester, which is where I was living.

What did you know about the FCPA before you took that first flight in your new role?

Before I took my first international business trip, my employer at the time presented me with a copy of the Foreign Corrupt Practices Act (FCPA). In short, they shared, “This is the law. If you have any questions, we’ll get you resources to help you.” It was clear enough: I knew that bribing or conspiring to bribe a foreign official was illegal.

Ok, so back to the story.

So now I start traveling around the globe, and one of my first goals was to visit with existing customers, and that was a network of intermediaries and agents, upon which I would build a global operation. One of them was in South America, and they had done a few successful deals with our company in the past. In all of our prior experiences and dealings, there was no indication or warning signs of corruption or corrupt intent. So on this visit, which was either my second or third, we spent the weekend at Tierra del Fuego. It’s the southernmost city in Argentina, and actually the southernmost habitable city on Earth, around 600 miles from Antarctica.

In retrospect, I probably should have asked myself “why am I going on a trip with my agent?”

No matter who’s paying, why am I going? But the default mindset for a salesperson is that the more time you spend with a customer, the more likely you are to build up that relationship and close future deals. Being new to the world of international business, I wanted to spend time with these folks to create as much goodwill as possible. I was also anxious to put some wins on the scoreboard as to demonstrate to my company that they made a good decision in giving me this new role. Nonetheless, I should have been home with my wife and our two young children - and more about those decisions later. But I was excited! It was very cool visiting some of the places that I only read about as a young grad student.

Moving along, we were working together on a bid (procurement) for a large contract, and during my visit he shares with me that as part of his success and his success fees, he’s paying “tolls” to win tenders. And I knew what he meant by “tolls.”

There are two elements of the conversation I had that I think remain relevant for commercial teams, C-level executives, and compliance leaders.

1 He's speaking in wink and nod terms to describe a bribe – referring to them as “tolls.” In 15 years in the field, I've heard many colorful words and phrases to describe a bribe, from “taking care of” to “making people happy”, but the one word I never heard to describe a foreign bribe was “bribe.”

2 He wasn't what we think of as a “bagman.” He was intertwining corrupt and legitimate business services into the same conversations and opportunities. His bank account was in his name and in his country. He was providing translations, identifying market opportunities, and doing all the things you'd want and expect a legitimate agent to do, but he was paying “tolls” when he had to pay “tolls.”

In other words, his work with me was a mixed bag of legitimate and corrupt services. But the interesting thing is that he didn't explicitly ask me for anything – he didn't say “the tolls are going up, I need a bigger success fee” or “there are a lot of toll takers, I need a bigger commission” – and his commission rates weren't even suspiciously high or out of the ordinary – he just pointed to “this is how we do it here.”

So here I am, in Tierra del Fuego, looking out at the Antarctic tundra so to speak, thousands of miles away from company headquarters and compliance personnel, and certainly out of the earshot of international law enforcement. I then pondered, “This is only a red flag if I make it one.” And do you know what I did? I nodded my head to the “tolls.”

When people ask me “Hey Richard, between grad school and prison, when did it all start to go wrong?” – This moment was the beginning of my slippery slope.

While I didn't go to prison for nodding my head, Tierra del Fuego is how it started. I nodded my head as a co-conspirator to violating the FCPA. That initial conversation in Tierra del Fuego would play itself out in region after region over the coming years, using different colorful words and terms in different situations, and that's how I started to think of foreign corruption as the norm in international business.

At what point did you know you were breaking the law and doing something wrong?

In Tierra del Fuego, the moment I heard the word “toll.”

Richard, it was ten years until you got caught. In a general sense, how might your conduct have been detected earlier?

I was the poster boy for a robust detection regime. It’s one thing to think corruptly, it’s another thing entirely to be able to engage in these transactions and make them a reality. A tighter control regime, with stronger internal accountability mechanisms would have certainly helped. I think this is still a dilemma – I was successful, and as my success continued, the company gave me more autonomy and discretion. Operating internationally and being so successful, I was given latitude to set my own discounts, commissions, and marketing allowances.

My peers focused on the U.S. business, by comparison, had a very tight discretionary matrix of what they could and couldn’t do – those controls were looser for me because I was so successful, and because I operated so remotely, I was able to use that latitude and freedom corruptly when I needed to. Over the course of ten years, I outperformed my forecasts, even in times where the market was turning downwards. A tighter set of controls would have prompted a “red-flag,” even if not transactionally, where someone might have queried, “how?”

Beyond detection, what might have stopped you before it started? What could your company have done? Any thought to that?

A couple of things, but let’s be clear, when I was targeted by the Justice Department in 2007, I had come a long way from nodding my head. I was thinking and acting corruptly, which is why I continue to share that getting caught was a great moment in my life, as marking the start of rebuilding anew, even with dire consequences ahead.

The “what could have been done?” question is a speculative one, but one which I had fourteen and a half months in prison to think about.

With a big *if*, here’s what I have concluded:

As I shared, I had already spent 10 plus years in the U.S. sales marketplace before I accepted the international role. That environment was safe, reliable, well organized, and people operated with a high level of integrity. So, before I got on that flight, if someone with P&L responsibilities – a CEO or divisional President sat me down and said:

“Richard, we’re taking you from one of the lowest risk market places to one of the highest risk market places, and possibly in harm’s way. You’re going to hear about illegal conduct, and you are going to be asked to participate in illegal conduct, especially with respect to foreign bribery – it’s inevitable in some of these regions. So, we need to tell you what our philosophy is – no, and never. We know you want to make money, and are not afraid of incentive opportunity, we get that, but we’re going to compensate you in a way that promotes long term ethical business and value creation.

We’re confident that we can succeed if we conduct business ethically, but it’s going to

take time, so part of your compensation is going to be based on the performance of the company as a whole, not just on you as an individual. We want you to be successful, but we also want you to be safe and we want to get you back home.

So, if the voice on those quarterly calls is only about getting business done, and it drowns out the importance of we care about HOW you get the business done, then you need to come and talk to us. What we want to do here is prepare you for risk before you are in the middle of it. We want you to understand the resources that are here to support you, and we also want to train you on how to engage if there’s a problem.”

If that type of conversation took place before I started my extensive travels, by the time I landed in Argentina, I would have been ready for the conversation which took place, and I would have known how to respond. In some parts of the world, sitting in someone's remote office, saying "no" might not be the best decision from a personal safety perspective. A company has to understand the realities of different regions and prepare their sales executives who might be exposed to a corrupt offer with a response plan, along with how to get home safely. That's not always intuitive, and certainly not simple.

If you have those hard conversations with people before they embark on their commercial roles, first of all, they may realize they aren't cut out for the job, but more importantly, it prepares them for that risk and eliminates the element of the surprise, which can result in compliance "on the fly" decision making. I'm not the first sales executive to change market sectors and start operating in unfamiliar territory. It happens all the time.

In sum, people need to be prepared for risk before they are in the middle of it, know the resources that are available to support them, and have a roadmap for how to engage.

Richard, considering what compliance and ethics programs look like today, and will look like in the future with technology, is there anything else that you think would help those on the front-lines of international business and those in compliance who are tasked with supporting their work? In other words, how can we best operationalize compliance? We know that not all risk is created equal.

Well, what I tend to focus on is the behavioral aspect of compliance and ethics, and how programs engage and inspire people on the front-lines. So, as I often reflect, is compliance in the field being embraced or distorted to the demands of business growth? In other words, do people in the field consider themselves the recipients of compliance or compliance ambassadors?

One thing that's clear is the behavior precedes the bribe, so I always try to pivot the discussion to "how can a compliance program impact how people think?"

In my opinion, a rules-based compliance program, one that is articulated through policies and procedures, while a necessity, doesn't in itself inspire a workforce. As Ann Tenbrunsel and Max Bazerman address in *Blind Spots*, compliance programs can "contort the decision making process."

How? By having a program devoid of a greater ethical discussion and awareness.

I never thought about the ethical consequences of my decisions. I wasn't spending my evenings on the Transparency International website, thinking about how bribery degrades human rights, economic development, and social progress. I was thinking about it as a win-win, because who was really getting hurt?

I wasn't messing with the integrity or quality of the products I sold. The client got a great product, the intermediary moved on to the next opportunity and I made my bonus, quota, and forecast. And the public official who is the bribe recipient, who may be making next to nothing from a salary perspective, gets a little something extra to make ends meet. Professor Francesca Gino co-authored piece "Self-Serving Altruism" where she addresses the dynamic of how, when one's unethical decisions benefit others, they come to be thought of as altruistic and morally permissible. It is scary stuff and not to be discounted.

From inner city hotels and fine restaurants, there's an unhealthy ethical distance between where business gets conducted in these frontier markets, and the general population at large, which suffers significant harm due to corruption, even petty bribery.

A read of Chayes' *Thieves of State* or, *The Looting Machine* by Burgis might be a good start for front-line personnel to think about how their conduct impacts society at large. There are unintended consequences of bribery that you can't find in a compliance manual, from safety to human rights. When field personnel think of their conduct as "I don't bribe or feed corrupt governance" above "I don't violate the FCPA," that's a good start.

Who better understands risk than the people who work in the middle of it?

When I talk to compliance leaders, I encourage them to show their vulnerability and humanity in order to demonstrate to the field that they embrace the reality that compliance looks a lot more complicated in the field than it does at HQ. That means a lot to those who work far away from home in challenging commercial environments.

Compliance officers need to communicate that they want their commercial teams to be successful and that they want to be a trusted partner, but that they also care about keeping people out of harm's way.

*All those messages point to one critical moment:
If you aren't sure, call your compliance officer.
That's the moment where compliance and commerce collide.*

Let your teams know that “while we might be upset by what you share with us, becoming upset means that the conversation is going well, because now we have a problem that we can fix together.” In other words, “if you tell us about it, we will work on a solution as a team, but if something comes to our attention via internal investigators or an enforcement agency, well, then it's too late”. But it's a door that swings both ways, because people in the field need to embrace their responsibility to speak up. When they see compliance missing real-world risk, they need to share that information and not keep it to themselves. People in the field need to understand that good news can wait, but bad news needs to be shared quickly, and with the same fidelity.



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Finally, compliance personnel should not discount the impact of local cultures. A German social psychologist, Jamie Lee-Campbell, calls it the “Cocoon of Corruption.” You start to trust the people who are in your circle and a micro-culture develops to get things done. You start distrusting the support systems and mechanisms that are there to help you, because you don’t think they understand the risks you face and how to engage in these environments.

The thinking becomes “compliance doesn’t know what it’s like out here, and what I’m up against” which is to everyone’s peril. In my case, that got reinforced as I met up with peers and competitors at trade shows and hotel bars, where war stories on corruption were exchanged. That has a profound effect, which I still hear today on, “if I don’t do this, someone else will.” I hate to talk in clichés, but it really is a slippery slope. I don’t think compliance officers always appreciate the impact of behaviors that such environments can have, especially in frontier markets, where corruption risk and lucrative business opportunities are intertwined.

I think the challenge remains in getting teams to keep their ethical north no matter where they are.

Do you consider yourself a good person?

I do now, but I didn’t in 2007. There was a time, particularly when I was in my family business, when I had a good family life, but years later, due to no one’s fault but my own, I chose a path which ultimately ended up causing tremendous ruin, for myself, and my loved one’s. The dynamic of ‘win above all else’ took priority above all else, including family and spirituality. Today, I am grateful to have those bonds back in my life, and to enjoy the fellowship, friendship, and camaraderie of compliance professionals from around the globe.

But wherever my career and journey might take me, I will never again disconnect from the networks of those who care about me and my well-being. And I, theirs. That’s something I talk about often. Today, more than ever, technology makes it easier for people to stay close to their personal networks.

For commercial teams who might read this, if you’re jet-lagged, sleep deprived, and struggling with an ethical or business decision far away from home – call your family!

Listen to them, stay close to them, and remember, if you go tip the wrong way in ethical decision making, those are the voices that you will lose, and those are the lives which will be devastated as the result of your conduct. Skype, Facetime, or text, whatever it takes, but listen to those voices! Then get on the phone and call your manager and compliance leaders!

You were caught. Countless other people who give and accept bribes and act corrupt or caught. Why do you think people don't think they can be caught or will get in trouble? How do you justify doing something wrong when you know it's wrong?



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There's something called optimism bias. You think that the probability of you getting caught is less than someone else getting caught. You think "it can't happen to me."

The most dangerous part of optimism bias is that the longer you're not caught, the more you think you'll never get caught. So I was really thinking of myself as invincible. Always on the move. Nobody is ever going to catch up with me. I thought I was successful and safe, but what I wasn't counting on or thinking about was one of my intermediaries getting caught.

What other advice do you have for professionals who face challenges similar to yours?

Incentives, and “carrots/sticks” are a huge issue now, especially with the recent Wells Fargo scandal. While incentives can be a controversial subject, after all, why should you have to incentive people to behave ethically, it’s now an unavoidable topic. I came to think of personal/ financial success and anti-bribery compliance as a zero sum gain.

To me, the people in compliance back when I was in the field were the “bonus prevention department.” I pondered “what does management really want,” compliance or sales? That’s a debate I regretfully didn’t share with anyone, and as I would come to lament, the paycheck always won.

We should remember, incentives are a huge unspoken message, and like prescription medication, they can have unintended side-effects. Even worse, bad incentive systems remain hidden, that is, until it’s too late, as bad behavior can hide behind good performance.

What I encourage people in the field to do is to use the planning process, where forecasts, quotas and incentives are discussed and debated, as an opportunity to make certain that strategy accounts for risk.

If you feel like there’s a part of your business planning that doesn’t point in the same direction as your compliance program, speak up and speak up early. As Roy Snell, CEO of SCCE, recently shared, “a license to perform isn’t a license to cheat,” but people have a responsibility to share their concerns, and to share early, if they feel like strategy and compliance exist in separate silos. The time to do that is not the last day of a fiscal quarter. Saying “I didn’t get the sale because I didn’t pay a bribe” so late in the process sounds like more of an excuse than a well-articulated concern.

Having spent the better part of my career at a public company, we know that strategy, forecasts, and quotas don’t roll-up overnight. There is a very calculated, well-articulated process behind those numbers. Use that planning process to share your reservations with commercial and compliance managers, and make sure that risk is baked into your business plans.

It might be that your company is left with the dilemma of rolling back their forecast to make sure that ethics and compliance rolls forward, but that's only a decision which can be analyzed if it's raised.

Finally, to complement that recommendation, compliance officers need a "seat at the table" of strategy, to be visible, and accessible. They need to be a part of these C-level planning meetings and part of the sales planning process, because if they're not, then compliance might not get operationalized, and leaders will be left with the unenviable task of catching falling knives.

International Anti-Corruption Day is coming up in a few weeks, on December 9th. What is the #1 thing people can do to help fight corruption?

Don't think of corruption or bribery as a "norm" even if it seems to be the norm where you work. Don't think of it as "if I don't do it, someone else will."

Think of your ethical north, your center of mass, and that your ethics travel with you, no matter where you work. That can have consequences which might impact business development depending on where you are engaging, but never forget what your values are.

Never compromise on ethics, because at the end of the day, long term value creation and ethical businesses WILL WIN, it just might take longer in some places than others.

Finally, remember that you're not a compliance recipient, you ARE compliance, and as you work at the sharp end of compliance risk, that makes you the front-line of defense AND solutions.

Guard your company, and hence, your liberty, with all the resources at your disposal!

If you are ever in doubt, hit the pause button and call someone you love.

RICHARD'S BRIBERY AND CORRUPTION READING LIST





WHAT CAN DAN ARIELY AND BEHAVIORAL PSYCHOLOGY TEACH US ABOUT BRIBERY, CORRUPTION, ETHICS, AND COMPLIANCE?

As the world of compliance and ethics shifts from systems of rules-based governance to cultures of values-based behavior, the big question we're searching for an answer to in this eBook is why good people do bad things.

We looked at some of the behavioral and psychological forces behind the decisions an employee can make and heard a first-hand account from a former sales executive who did the wrong thing, violated the FCPA, and paid the price. After reviewing the work of Solomon Asch and Stanley Milgram, we want to spend some time going over a more modern series of experiments that can help compliance and ethics officers build more effective programs and connect with their employees.

Dan Ariely is the James B. Duke Professor of Psychology and Behavioral Economics at Duke University. He is a founding member of the Center for Advanced Hindsight, the author of *Irrationally Yours*, *Predictably Irrational*, *The Upside of Irrationality*, and *The (Honest) Truth About Dishonesty*. He is also the producer and star of *(Dis)Honesty: The Truth About Lies*, a 2015 documentary currently available on Netflix based on his research that explores the human tendency to be dishonest and break the rules. We've been granted permission by Dan Ariely to share and discuss his research in this eBook.

THE MATRIX EXPERIMENTS

Highlighted in Dan Ariely's documentary and research, the Matrix Experiments reveal interesting behavioral trends that should worry

compliance and ethics professionals, as well as the senior leadership they report to.

EXPERIMENT



In the experiments, Ariely and his team prepared a test with 20 simple math problems that most people could solve given enough time, however, they are only given 5 minutes to try and solve all of the questions. In that short period of time, participants are asked to answer as many questions as they can, check their answers, and inform the host how many questions they answered correctly. They are given \$1 for every correct answer, and then their test is shredded so nobody else can know how many questions they truly answered right or wrong.

In reality, the settings of the shredder were configured in a way that only the sides of the paper are destroyed, preserving the integrity of every participant's work and giving Ariely and his colleagues access to their true answers.

RESULTS

When they compared the actual results of the test with the results each participant reported when incentivized by money and the comfort of knowing their answers couldn't be checked, the results are a bit concerning.

On average, people only solved **4** problems, but reported that they solved **6** problems.

.....

What that boils down to is each participant walking away with an **extra two dollars**.

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⋮
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⋮
⋮

Of the 40,000 + people who participated in the Matrix Experiments, nearly **70% cheated** to some extent.

The interesting part isn't just that 70% of people cheated, but understanding the extent to which they did. When reviewing the results, Ariely and his team discovered that "**Little Cheaters**" were overwhelmingly more prevalent than "**Big Cheaters**."

28,000 people fell into the category of "**Little Cheaters**" by reporting that they solved 6 or 7 problems correctly, walking away with a few dollars more than they should have. When you look at the sum of their collective behavior, it exceeds \$50,000 of money they didn't really earn or deserve.

20 people out of 40,000 fell into the category of "Big Cheaters" by reporting that they solved all 20 problems correctly, walking away with \$20. The financial toll of those people adds up to \$400.

What Ariely and his team ultimately conclude is that economic impact of little cheaters exceeds the impact of big cheaters, but when it comes to compliance and ethics training programs and the behavior of employees, "big" or "little" doesn't matter as much to regulators as the fact that cheating took place at all, and in this large sample size, it took place 70% of the time.

CONTAGION AND DIFFERENTIATION IN UNETHICAL BEHAVIOR

In a variation of the original Matrix Experiment meant to test social norms, Ariely and his team introduce a new variable to the scenario in which a room full of people attempt to answer 20 math questions in 5 minutes.

Unbeknownst to the other 19 participants, one of the people in the room is an actor, and 30 seconds into the exam, he raises his hand and announces aloud that he has answer all 20 questions and is finished with the test. He walks up to the front of the room, collects \$20, and walks out the door.

Now, the other 19 people are nowhere near finished with the test, so they probably believe this person cheated. So, how did their own behavior and moral code change as a result?

EXPERIMENT

2

RESULTS

There was an increase in cheating among the other 19 participants.

Ariely and his team propose that uptick in unethical behavior could stem from two possibilities:

1 The people participating can see that there is no downside to cheating, so they know they can get away with it.

2 Because they witnessed someone else doing it first, they now feel that it is socially okay to cheat on this test.

To try and get to the bottom of it, they tinkered with the experiment to discover if there was a difference in behavior when the person cheating is someone similar to the rest of the participants or different from them.

“It’s not about the probability of being caught. It’s about the question of what is socially acceptable in our circle.”

– Dan Ariely, (Dis)Honesty: The Truth About Lies

They ran this version at Carnegie Mellon, with students from the school and an actor from the school. Except they put the actor in a sweatshirt and hat from the University of Pittsburg. He went through the same routine of completing the test in 30 seconds and walking out with all of the money, however, cheating actually went down.

When the Carnegie Mellon students saw the Pittsburg student cheat, they knew they could get away with doing it too, but the distinction creates a mindset where “people like us” don’t cheat and it’s not socially acceptable to cheat here.

Basically, when people see someone cheat and get away with it and feel like they are similar to that person in some capacity, that singular act will inspire an increase in cheating by everyone else. When people see someone cheat and get away with it, but that person is not someone they can relate to, there will be a decrease in cheating.

“This is what I think corruption is all about. It’s about that when you get into a system, and something in the system tells you that things are wrong there, all of a sudden you abandon your own moral fiber. And because of that, we really need to figure out what we can do about it. How can we get people to behave better?”

– Dan Ariely, (Dis)Honesty: The Truth About Lies

HOW CAN WE GET PEOPLE TO BEHAVE BETTER?

At UCLA, Ariely and his team conducted an experiment where they asked 500 undergrads to try and recall the 10 Commandments by writing down as many of them as they could remember. Right after they finished that, the same students were put in the previous math-based Matrix experiments where they could cheat without getting caught, to see if their behavior would change.

Not one of the 500 students who tried to recall the 10 Commandments was able to correctly recall all 10 of them, but the more interesting aspect was that when they were given the math-based Matrix experiment, none of them cheated. In the original experiment, 70% of participants cheated, but in this context, where it was taken after participating in an activity about the 10 Commandments, which is inherently about someone's moral code, behavior, and doing the right thing, there was a significant decrease in dishonesty.

Just being reminded of what is right and wrong before being put in a situation where you can do something wrong helped stop people from doing the wrong thing.

Ariely and his team were encouraged by the results but wanted to see if the religious context of the 10 Commandments was a driving force, or simply the idea of what is right versus what is wrong.

THE PRICE OF A BRIBE

In this experiment, Ariely hoped to answer this question: **“What does exposure to a bribe do to our moral behavior?”**

Participants in this experiment were invited to play a game where the amount of money they could earn varied based on the result of a coin flip. They could earn money for playing if the coin landed on tails, but if it landed on heads,

they could earn 10X as much for doing the same thing.

The participants were told about this conditional prize booster, and whenever they landed on tails, the experimenter gave them the opportunity to switch to heads, and therefore, 10X higher returns, by giving them a monetary bribe.

EXPERIMENT 1

In the first version of this experiment, participants who landed on tails had to pay a \$2 bribe to switch to heads. 86% of the subjects paid the bribe, and once they began playing the game, they cheated on the game too.

EXPERIMENT 2

In the second version of this experiment, participants who landed on tails had to pay a \$12 bribe to switch to heads. The increased cost resulted in only 19% of the subjects paying the bribe, however, they still cheated on the game once they played.

RESULTS

The experiment had two primary conclusions:

1 Paying a bribe makes people behave more dishonestly in the future.

2 Exposure to a bribe, whether they accept it or not, can make a person more dishonest.

THE HONOR CODE

In their “Honor Code” variation of the Matrix Experiment, Ariely and his team went to MIT and ran their math-based 5 minute, 20 question test with students, but asked them to sign an “MIT Honor Code” before taking it that acknowledges that they understand that the experiment falls under the honor code. Not one student cheated, and interestingly enough, MIT doesn’t even have an honor code. Just being reminded of an honor code made them act more ethically.

They replicated the experiment at Princeton, which doesn’t just have an honor code, but has a mandatory one-week training and orientation on the honor code and morality for all incoming freshman. When Princeton students took the experiment but didn’t sign an honor code beforehand, they cheated, despite the actual honor code of their school and training they take as freshman.

When they signed an honor code beforehand, nobody cheated.

At MIT, the result was the same. Even though the school doesn’t have an honor code, when students were prompted before the test to acknowledge that they wouldn’t cheat, they didn’t, but when there was no prompt, they did.

“Reminding people about their own moral fiber does change how people behave.” – Dan Ariely

What these experiments prove is that tiny little tweaks to behavior can make a significant impact on how large groups of people conduct themselves.

The United Kingdom Government recently created a “Behavioural Insights Team” to create a model to help influence policy by understanding how people make decisions and behave. For example, when it comes to paying taxes and being honest about reporting accurate financial figures, the team added one line to their standard letters and communications to citizens.

It said “Nine out of ten people pay their tax on time.” As a result of this small line of text, payment rates increased from 30% to 35%, which helped the tax authority collect millions of extra pounds each year.

Ariely’s documentary, which is worth taking the time to watch on Netflix, concludes on an uplifting and optimistic note, and it’s one worth sharing here.

“It’s not going to be simple, but we all have the capacity to build a better, more ethical, more honest world.”

– Dan Ariely



HOW CAN SAI GLOBAL HELP YOUR ORGANIZATION PREVENT BRIBERY AND CORRUPTION?

The future of bribery and corruption training, prevention, measurement, auditing, and certification isn't a one-off solution or stand-alone service, but a holistic suite of resources and technology that help your organization. At SAI Global, we offer this unprecedented combination of anti-bribery and anti-corruption tools that are strong and effective on their own, but better together.

TRAINING AND EDUCATION

How do you cultivate an ethical culture and mold the behavior of employees?

Our compliance & ethics library currently offers 70 educational resources on preventing bribery and corruption and is constantly being updated to reflect regulatory and legal changes, as well as learning and development trends. We offer 22 courses on a variety of bribery and corruption topics to lay a foundation of knowledge and training for employees, and 48 different short, engaging learning tools to help sustain that knowledge, apply our training, and prime employees for different risks and situations. Corruption and bribery is a global risk for all industries, which is why our training is translated and available in over 50 languages.

What does a complete anti-corruption and anti-bribery compliance training program look like? [Get a demo](#) of our courses, infographics, teasers, motivators, games, whiteboards, pinpoints, and personal integrity barometer.

RISK MANAGEMENT AND MEASUREMENT

How do you measure the behavior of employees and the success of your ABAC program and processes?

Our Compliance 360 Enterprise Risk Manager technology is recognized as a leading GRC platform that helps organizations successfully manage risk with a process that considers all operation risks from a top-down, strategic perspective. This technology enables better business performance by uncovering and

addressing the full spectrum of risks across an organization and managing the combined impact of those risks with an integrated management tool. Compliance 360 is capable of documentation, assessment, risk mitigation action planning, KPI monitoring and reporting, and risk quantification and analysis.

To learn about our independent recognition [click here](#).

To get a demo of our Anti-Bribery Management System and FCPA Compliance Workspace, [click here](#).

ABOUT SAI GLOBAL

SAI Global is the world leader in providing organisations with a wide range of governance, risk and compliance (GRC) products, services and technology that help build organisational integrity and effectively manage compliance risk. Our global staff includes professionals and subject matter specialists in advisory services; programme design, management and implementation; instructional design; and software development. Our focus is to help establish and enhance compliance effectiveness.

With well over a thousand organisations as clients and tens of millions of satisfied users around the

world, we work with clients to integrate a flexible suite of solutions and services specifically tailored for a business and industry. Our products include the world's largest library of compliance and ethics learning, Code of Conduct advisory services and training, and the Compliance 360® GRC Software Suite to manage compliance, policy, incident and audit management. Our Cintellate™ EH&S Software addresses key issues in operational environmental health and safety management. For more information, please visit www.saiglobal.com/compliance

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