THE CONFERENCE BOARD REVIEW

IDEAS AND OPINIONS FOR THE WORLD'S BUSINESS LEADERS

"JUST SAY NO"

IF ONLY FIGHTING BRIBERY WERE THAT SIMPLE.

MICHAEL MOSS EXPLAINS WHY WE CRAVE SALT, SUGAR, AND FAT

THE SHORT-TERM TYRANNY OF THE QUARTERLY REPORT

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THE CONFERENCE BOARD

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“JUST SAY

[BY VADIM LIBERMAN]

Illustration by Michael Morgenstern

■ VADIM LIBERMAN is senior editor of *TCB Review*. His ethics are beyond reproach.

NO”

IF ONLY FIGHTING BRIBERY WERE THAT SIMPLE.

AN ELECTRICITY COMPANY DEMANDS A “SPECIAL CHARGE” FOR CONNECTION TO THE GRID. CUSTOMS DELAYS GOODS, PENDING AN “EXPEDITION TARIFF.” AN AGENT OFFERS PROPRIETARY BID-EVALUATION CRITERIA FOR A “CONSULTING FEE.” A POLICE OFFICER IMPOSES A “TAX” TO CROSS THE BORDER. A “CONSULTANT” VOLUNTEERS TO HELP REINSTATE MYSTERIOUSLY STALLED CLIENT PAYMENTS.

No argument: Bribery—that is, offering, promising, giving, authorizing, or accepting any undue cash or other benefits in connection to obtaining work or other improper advantages—belongs nowhere in business. Yet it’s everywhere. The incessant threat—*the opportunity*—of bribery (or extortion, depending on who’s asking) means that you must be ready when, not if, faced with shadowy businesspeople or “businesspeople.”

“The allure of bribery is built into our DNA, and many people under stress are tempted to go for shortcuts. If you can outsmart the competition, it’s almost irresistible, especially as the rule of law lags behind,” explains Georg Kell, executive director of the U.N. Global Compact, which aligns the work of businesses with the United Nations. In today’s hyper-caffeinated marketplace, with fewer new latitudes to conquer and little latitude for error, you can empathize with anyone—that’s everyone—scrambling not to fail.

Sure, some employees look to pack their own pockets, but most bribe for the perceived good of the organization. “There’s often a belief, especially by foreign nationals working for U.S. companies, that if you’re advancing corporate interests using company money, you’re being a good employee,” says Mike Koehler, assistant professor at Southern Illinois University School of Law and author of the FCPA Professor blog. Indeed, 15 percent of surveyed CFOs worldwide admit they’re willing to pay cash to win or retain business, according to a recent Ernst & Young study.

“People convince themselves that bribery is appropriate to solve short-term business problems,” explains Toby Bishop, director of the Deloitte Forensic Center. “Unfortunately, white-collar crimes rationalized in this fashion lead to penalties far worse than failing to make a sale.”

Look, you know bribery is wrong. Just say no to it. But if a first lady couldn’t persuade children to keep off the grass with such jejune advice, stringing together words in a corporate handbook surely won’t convince businesspeople, especially when they believe they’re acting for the good of the company and competing on uneven ground, against competition that doesn't follow the same rules.

Ultimately, you *want* to do the right thing, but is it right to jeopardize millions of dollars and thousands of jobs so you can hold your head up high? Or too high in the clouds? "It's naïve to say, 'Just don't bribe,'" Koehler says. "We're talking about conduct throughout the entirety of human history." For just as long, people have wrestled with ending the never-ending dirty business of bribery. In the meantime, it's worth pondering your organization's role in the cleanup.

FORGET THE SUITCASE

About 69 percent of compliance officers say their companies are highly or moderately exposed to bribery, according to risk-management consultancy Kroll. (The rest are probably naïve.) Furthermore, the World Bank estimates that last year $1 trillion were paid in bribes, and observers say that corruption adds up to 10 percent of the total cost of doing business globally. Bribery's tentacles poison every industry, especially public works and construction, utilities, real estate, oil and gas, and mining. Likewise, bribery particularly taints procurement, bidding, sales, establishing presence in new markets, and licensing.

Nowadays, you can't leaf through an issue of *Bloomberg Businessweek* without encountering some company in some country in some scandal—most recently the Las Vegas Sands Corp., which in March acknowledged committing "likely violations" of the Foreign Corrupt Practices Act. *The New York Times*' massive "Wal-Mart Abroad" series last year resulted in investigations by the SEC, Justice Department, and the Mexican government. Technology, social media, globalization, highly interested interest groups, and a vigilant media have placed bribery under a microscope—and a telescope. "What in the past might have been a minor embarrassment in a remote subsidiary now becomes highly visible," says Deloitte's Toby Bishop.

With more big brothers and big everyone scrutinizing every dollar changing hands, it's become harder to camouflage behaviors—yet never before have there existed so many ways to do so. Suitcases stuffed with cash are for amateurs. "Today, bribery is much less brazen than a decade ago," suggests Alexandra Wrage, president of TRACE International, an anti-bribery nonprofit. "In the past, I'd be in fairly opaque countries where people would blatantly negotiate bribes in restaurants. Now, they're more covert. Also, when you don't know if the other person is open to the idea of bribery, you have to dance around the issue more and use gentle language that you can back away from."

Modern schemes use offshore accounts, shell companies, trumped-up subcontractors, inflated contract terms, and odd commission structures. In particular, the outsourcing of bribery to third parties—advisers, consultants, subcontractors, business partners (feel free to add quotes around each of these)—makes bribery harder to detect and easier to accomplish. Indeed, 52 percent of executives say that the use of intermediaries creates a significant risk for corruption, according to a Deloitte study. Furthermore, 43 percent say managing such relationships is a significant challenge for them.

"It's very easy now to send large amounts of money to the other side of the world using intermediaries so that tracing this becomes very difficult," explains Patrick Moulette, head of the anti-corruption division at the Organization for Economic Cooperation and Development. For example, "during a bidding process, a government official with corrupt intent may express an interest in your company as a target for being a supplier of a bribe and suggest that you retain a specific consultant as a business partner. That can be code for, 'You hire that consultant so that some of that fee is funneled back to me and you will win the contract,'" says Glenn Ware, a principal at PricewaterhouseCoopers. Similarly, paying lobbyists to arrange meetings with public figures or hiring agents to liaise with local authorities can disguise underlying corruption and distance bribers from final recipients.

As if bribery weren't enough of a gamble, in China, one real-estate developer organized high-stakes poker games between government officials and professional players he hired to represent him. He allowed officials to play on credit and instructed the poker players to lose as a means of transferring his money to the officials.

It's a positive sign that bribers must now resort to creative card tricks—more aggressive legal enforcement has left little room to hide under the table. (See "The Laws of the Lands.") But let's face it: Prominent scandals teach some bystanders not to reject bribery but to do it more surreptitiously. The offense lies not in the bribe but being stupid (or unlucky) enough to get caught.

The reality may even be that more people get away with bribery than don't. With such odds, isn't bribery just good business?

THE BUSINESS CASE

To some, bribery isn't the problem. Its illegality is, especially in the developing world, where no one—particularly a foreign corporation—can conduct business without becoming entangled in senseless red tape. Paying bribes merely slices through local inefficiencies. "The Wal-Mart example is a perfect illustration of this dynamic," writes Jeffrey Mirron on CNN.com. A senior lecturer and director of undergraduate studies at Harvard University, Mirron points out, "Mexico has a messy permitting process for allowing companies like Wal-Mart to open new stores.

This permitting barrier is bad for Mexicans because it reduces the number of new Wal-Marts or slows their opening. Mexicans therefore pay higher prices for the wide array of inexpensive goods sold by Wal-Mart." Until lawmakers reform regulations, unlikely anytime soon, Mirron argues that "it is better to allow companies from the United States and other rich companies to pay the bribes that diminish the negative impact of excessive government."

In much of the world, there isn't enough Purell to disinfect the many palms that demand to be greased, but if you don't pay, someone else will. Indeed, 27 percent of executives worldwide claim that they've lost business because a competitor paid a bribe, according to Transparency International, a nonprofit devoted to fighting

In much of the world, there isn't enough Purell to disinfect the many palms that demand to be greased.

corruption. "It's possible that we've lost business because other companies have bribed," concurs Wendy Hallgren, vice president of corporate compliance at global engineering construction company Fluor. "We've seen competitors get jobs for which we know we had the best solution and best pricing, but we just can't know for sure."

More often, it's all too obvious that paying up pays. When professors Raghavendra Rau of Cambridge University and Yan Leung Cheung and Aris Stouraitis of the Hong Kong Baptist University examined 166 high-profile bribery cases since 1971, they calculated that companies gained an average of $7 for every dollar they handed over. Hence, you don't need an accountant to crunch the cost-benefit numbers when paying a government official a special fee for technical approval

“The economically unscrupulous companies that bribe their way into markets don’t have to worry about quality since they can bribe around quality controls, which hurts everyone.

of equipment, or giving a client a last-minute closure charge to complete a lucrative deal, or bribing a project owner’s representative to win a contract, or paying an engineer to make bidding-evaluation terms more favorable.

And hey, it’s not as if you’re bribing because you worry your company isn’t otherwise up to the job. It’s because you believe it *is*. Without your wink and nudge to obtain the work, some shoddy operation more willing to slip an extra somethin’-somethin’—perhaps so that officials will overlook its inferior goods or services—will win out. You see, bribing doesn’t just benefit your own company—it aids the whole community.

So the thinking can go.

It can also go another, more rational, way. “I’m not silly enough to argue there’s no short-term benefit to paying a bribe,” says TRACE’s Alexandra Wrage, “but as soon as you mark yourself as willing to pay bribes, you are buying a queue of government officials at your door the next day who will create bigger obstacles and more ways to get money from you. If you say no the first time, there will be short-term pain, but when people realize you are not a bribe-paying company, they will stop asking, and guess what? Your stuff will get through customs just fine while the bribe-paying guy next to you is pulling out rumpled $20 bills. We hear this from companies all the time.”

“Bribery becomes a never-ending cycle and creates lots of uncertainty, which no company likes,” the OECD’s Patrick Moulette points out. That is, without legitimate contracts and records, it’s impossible to seek recourse—hardly a model risk-management strategy.

It’s not that engaging in bribery means the terrorists win. It’s that no one wins, including you. Economists Daniel Kaufmann and Shang-Jin Wei have shown that firms that pay bribes are likelier to waste more resources negotiating with bureaucrats and face higher overall costs in the long term.

Another reason why agreeing to pay bribes hurts: Governments are cracking down as more blue-chip companies refuse to do business in countries where corruption is rampant. Too many bids won by the wrong firms leaves visible evidence. “The economically unscrupulous companies that bribe their way into markets don’t have to worry about quality since they can bribe around quality controls, which hurts everyone—including the citizens whose tax dollars are being used to buy these poor-quality products and services,” says PWC’s Glenn Ware. “As a glaring example of this, in highly corrupt countries, you can literally drive around roads full of holes because the companies with the highest integrity can’t or won’t participate in the bidding process because of corruption. You have the lowest-quality products and services entering the very markets where the need for quality is very high.”

With governments taking a firmer stand, “we hear more and more that companies that engage in corruption get some jobs, but they won’t necessarily get the best jobs,” says Elaine Dezenski, head of the World Economic Forum’s Partnering Against Corruption Initiative. “In other words, we are indeed seeing a shift, especially with projects that involve strategic infrastructure.”

POLICY OF TRUTH

Convincing your people that it doesn’t pay to pay begins with an anti-corruption policy—you know, the one that only about half of companies actually have, according to a Transparency International survey. Then again, why bother? Only 29 percent of executives say that they’re very confident that their organization’s program would prevent or detect corrupt activities, according to Deloitte.

BEYOND CULTURE

BY FRANK VOGL

There are many mid-level officials in many developing countries who seek to obtain bribes for the services that they have the power to grant. Their actions are wrong, but their reasons for seeking special favors are more complex than the greed and arrogance of their most senior official superiors.

I remember a mid-level mining ministry official in Tanzania who noted that in our company's mining agreement with the government we had agreed to set aside funds for the training of Tanzanian geologists. He suggested that he would look kindly toward our firm if some of those education funds might be used to send his oldest son to school and then to university in Australia, Canada, or the United Kingdom. He was asking us to bend the rules. He was seeking to abuse his office. He explained that his income was modest and there was no way in which he could secure a decent education for his son. He believed that if his son had a chance of an education overseas, then he would be able to make real advances in life. He was sincere. The amounts he sought were not great. But his request was wrong and we said no.

But his motivation was not power and personal greed, nor was he driven to make his pitch by cultural factors. He wanted to help his son have brighter opportunities in life. The solution was not to allow him to extort bribes, but rather to find ways whereby officials in his position and many others can earn sufficient sums that they can save and use those savings to support good educations for their children. Singapore has for many years understood far better than almost any other country that decent salaries for government officials are a vital safeguard against corruption.

There are millions of people in many developing countries who do not seek bribes because it is in their culture, but because they feel driven to supplement their paltry incomes in order to survive. They will not change their ways through cultural training, but rather by the provision to them of what they deserve—decent wages.

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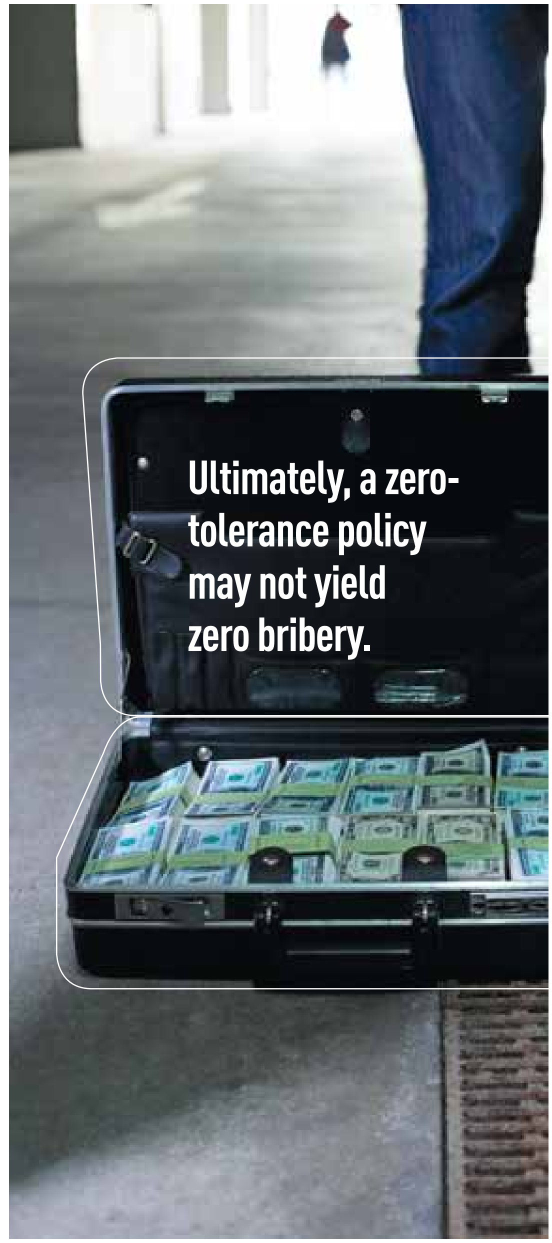

"It's pointless to create a policy so dense with legalese that even the people who wrote it don't want to read it," explains TRACE's Wrage. Besides, you know what happens to most policies. You fling them into a filing cabinet—if not the trash—having perused them once. Maybe. And yes, it's great to post mandates online, but does anyone really look at your intranet?

If these clichés are true (they are), so is the one about tone at the top: Anti-bribery efforts are only as (un) important and, therefore, (in)effective, as top leadership says they are. That means charging a C-level compliance officer with more than just compliance. "Especially in the United States, where everything is liability-oriented and about clicking boxes, your legal people aren't necessarily the ones to motivate your workers," explains the U.N.'s Georg Kell. "You need a senior manager who sees compliance as a necessary complement to developing an anti-corruption program that focuses more on awareness creation, empowerment, and practical support for people working in complicated environments. This is a cultural-management, not a compliance, issue."

If your main concern is legality, your myopia may also ignore other bribery issues, namely between private companies. "You don't want a policy that says you shouldn't do things only if a government official is involved," Wrage instructs. "It's a strange and confusing message. Besides, in places like China, it can take you more time and you can spend a fortune on outside counsel figuring out whether the person you're dealing with is a government official or some guy who works at a research institute. It's more pragmatic and ultimately less expensive for companies to apply anti-bribery rules across the board."

Finally, repeat, repeat, repeat, repeat, like a broken record, that you won't punish employees who lose business because they refuse to pay bribes. Additionally, critics caution creating systems that incentivize paying them to begin with. For example, Wendy Hallgren explains that because of the company's commission-based sales structure, Fluor's salespeople feel less pressure to bribe. Also, by crafting and promoting programs effectively, you help employees by allowing them to fall back on corporate policy when confronted with bribery opportunities. As she points out, "Being known as a company that says no to this stuff makes work easier for us because we get asked less often, and when we do, our employees can easily say no. It looks less like an individual decision than a corporate one."

POLICING TRANSPARENCY

About 80 percent of executives say their company conducts internal audits to identify foreign corrupt activity, according to Deloitte research, but only 32 percent say their organizations do so annually. All of which may be irrelevant—if you understand your company's bribery-detection process, it probably wouldn't be hard to circumvent it. Therefore, critics recommend hiring independent monitors. "The greater the perceived likelihood of detection, the more that serves as an effective deterrent," explains Deloitte's Toby Bishop.

Of course, no matter how many preventative roadblocks to bribery you erect, some will seek shortcuts and detours. The response should be straightforward, say numerous consultants: Fire anyone who knowingly violates your anti-corruption policy. "Nothing kills a program faster than saying you will terminate someone who pays a bribe, then looking away because someone has exceptionally high numbers," Wrage says.

Ultimately, a zero-tolerance policy may not yield zero bribery, but even if the goal is to eradicate corruption, you define success by how much you prevent or reduce it. "In some instances, disciplining a few people will generate the necessary compliance and deter people from wrong doing," says Ware.

(Obviously, you should establish health and safety exceptions. For instance, an uncommon but not unheard-of scenario in some regions involves a government official informing you that you lack necessary proof of immunization, and unless you pay a fine, you must immediately bare your arm for a shot from some mysterious-looking syringe. Good reason to pay up, as long as you report it to your company afterward.)

THE LAWS OF THE LANDS

Most multinationals would never bribe an American official because they know Uncle Sam doesn't mess around, but a Cambodian, a Kenyan, a Russian government worker? Now we're talking.

Actually, testifying. Increasingly, governments around the world have been chasing corporations, slapping fines, waving orange jumpsuits, and placing corporations before judges.

Any company listed on a U.S. exchange or with major operations in the United States is subject to the Foreign Corrupt Practices Act. Enacted in 1977, the law criminalizes attempted and actual bribery of foreign officials—with cash, gifts, charitable contributions, or other attempts. (It's illegal to use intermediaries to do likewise.) And it has gained strength in recent years. In 2004, only five companies were under FCPA investigation. Five years later, the number spiked to forty. As of last December, an estimated eighty-eight corporations were on the list, including 3M, Avon, Barclays, GlaxoSmithKline, Goodyear, Hewlett-Packard, Kraft, Motorola, Oracle, Raytheon, Sony, Time Warner, Viacom, and, of course, Wal-Mart.

The point isn't to point a finger; an investigation doesn't equal guilt. Rather, this truncated roll call of some of the world's best-known enterprises underscores the government's message: *This can happen to you.*

If it does, you may discover millions of reasons to be sorry. After German engineering giant Siemens was caught shelling out $1.4 billion in bribes over the course of a decade, the company agreed in 2008 to pay $1.6 billion to American and European authorities to settle charges. While the Siemens judgment represents the most a single corporation has ever had to pay in corruption fines, last year, Eli Lilly, Tyco, Pfizer (and Wyeth), and Allianz were just a few of the companies that agreed to pay between $12.3 million and $45 million to settle alleged FCPA infractions. Also, between 2010 and 2012, the fine/payment/settlement amount for violating the FCPA totaled $2.7 billion for companies and, notably, individuals. Years ago, the government pursued only corporations; nowadays, executives are not exempt. "We may not have yet won the battle against bribery," explains Patrick Moulette, head of the anti-corruption division at the Organization for Economic Cooperation and Development, "but the lives of bribers are getting more difficult."

Even stricter, the U.K. Bribery Act of 2010, unlike the FCPA, extends to cases beyond those involving public officials to include commercial bribery—that is, private firms bribing each other. It also goes further than the FCPA by making it unlawful not just to offer or give a bribe but to accept one. And while the FCPA says that there must be corrupt intent, the U.K. act does not.

Over time, observers predict that the FCPA and other transnational anti-corruption laws will mimic the U.K. law. Meanwhile, most nations have local anti-bribery regulations in place, meaning that even if you're not violating the FCPA—say, by paying an Indonesian clerk to speed your goods through customs—you almost certainly are breaking local regulations.

"There's no shortage of laws impeding bribery," explains Toby Bishop, director of the Deloitte Forensic Center. "The enforcement capability is there"—even if the will is not. Different countries administer laws to varying degrees, which is exactly how some local businesses would prefer things to remain. "If you're a company from a non-enforcing jurisdiction, then regulation by the United States is an asset to you in your market," explains Glenn Ware, who leads PricewaterhouseCoopers' anti-corruption and corporate intelligence practice. "Oddly, in these instances, you *want* robust legislation and enforcement activity by *other* countries because as a local company, you won't be subject to their anti-bribery laws and you will gain a competitive advantage against those that are."

Perversely, poor enforcement can also discourage bribery. Estimates indicate that 30 to 50 percent of multinationals refuse to invest in what they deem corrupt nations. "When we were chasing a big project years ago in Nigeria, we eventually decided not to pursue it anymore because we couldn't see the ability to do business within that country's culture," recalls Wendy Hallgren, VP of corporate compliance at engineering construction company Fluor.

Nigeria, it turns out, ranks 139 out of 174 on Transparency International's list of countries based on perceived levels of public-sector corruption, well ahead of, at the bottom, Somalia, North Korea, Afghanistan, Sudan, and Myanmar. At the other end of the spectrum: Denmark, Finland, New Zealand, Sweden, and Singapore. (The United Kingdom and United States, incidentally, rank 17 and 18, respectively.) —V.L.

Finally, in addition to policing your own people, if an intermediary is related to a government official, insists on cash payments, has no business address, coincidentally volunteers his services the moment your firm encounters delays, comes recommended by the party with whom you're negotiating, or wishes to be paid large amounts upfront, then you should do what 44 percent of executives, according to Ernst & Young research, say their companies did *not* do when pursuing deals in rapid-growth markets—run a background check. When it comes to middlemen, government watchdogs reject claims of plausible deniability, as Titan Corp. discovered in 2005. The telecommunications company surrendered $28.5 million in fines for paying $2 million to an agent with close ties to the president of the West African nation Benin. Titan admitted that it hadn't conducted substantial research on the agent, who funneled the money into the president's re-election campaign.

Just as you'd look into records related to your middlemen, you can similarly screen your supply chain, delving into media mentions, legal cases, and financial background. Multinationals that monitor their suppliers have opportunities to set standards, explains the WEF's Elaine Dezenski. It's a way for ethical businesses to wield influence through educating, training, and compliance. Hallgren points out that Fluor worked with thousands of contractors and suppliers last year, adding, "We have supplier-expectation guidelines. If they don't comply with them, we have the right of termination."

"We're not going to solve this problem only by having companies adopt better compliance programs," suggests the WEF's Elaine Dezenski, who champions collective action. "Business-government dialogue is very important, as are industries coming together to change the playing field so they aren't standing alone as a voice against inappropriate behavior." By engaging with governments and various NGOs, as well as forming integrity pacts with other businesses, your company can lubricate the wheels of business to churn efficiently without using illicit grease. Furthermore, "collective action creates a clear pattern for your company that ensures you're more likely to do business with other people of integrity who won't cut corners," adds Claudia Dumas, president and CEO of the anti-corruption nonprofit Transparency International - USA.

Unfortunately, "too many CEOs are too focused internally to think outside their own businesses about how to collectively solve the corruption dilemma," Georg Kell adds. "They haven't swallowed the idea that as large companies, you have a public-good responsibility, or at least an opportunity, to work on the problem."

But as more organizations get jolted awake by surging government prosecutions or slowly open their eyes to the myth of bribery's business case, there's hope for progress. Once upon a time, after all, it was unthinkable—or you were labeled crazy to think it—to do business without slavery. It's surprising, or not, how many of the same explanations—all permutations of the impossibility of conducting business without bribery—seem lifted from almost two centuries ago. Eventually, today's poor justifications will likewise end up in history's dustbin. Until then, companies have not just a legal or moral but an economic obligation to keep themselves clean. ■

> **It all adds up and creates a slippery slope of decay.**

IS A BRIBE ALWAYS A BRIBE?

"Facilitation payment." That doesn't sound bad, right?

Few issues confound, frustrate, discomfort, and divide anti-bribery proponents like facilitation payments. About 47 percent of corporations prohibit them, according to a Deloitte study; others take a more we-don't-like-them-but approach. They're the most common form of, um, let's just say it—bribes. So why do researchers and policymakers frequently overlook—even accept—them?

The answer lies in what a facilitation payment is: a small amount paid to expedite or secure a routine government action performed during the normal course of business, including obtaining permits, licenses, and other documents; processing papers, visas, and work orders; providing police protection, mail services, and utilities; and scheduling inspections, cargo handling, and similar activities. Paying a government worker to move your permit paperwork to the top of the pile is a facilitation payment; paying the employee an illegal sum for the permit itself is a capital-B transgression.

"Paying facilitation payments is a step in the wrong direction," says Georg Kell, executive director of the U.N. Global Compact, a partnership between the United Nations and corporations. "Once you go along with small payments for a visa or clearing goods, you basically support a corrupt culture." Yes, but it's that culture that makes such payments impractical to avoid, many companies insist. If a top executive needs a visa now, or your goods won't make their delivery targets because of a customs backlog, or a multimillion-dollar construction project hinges on an inspection scheduled weeks from now, what do you do?

You don't pay. As unfeasible as facilitation payments may be to avoid, it may be more practical for companies to avoid them altogether. For starters, the Foreign Corrupt Practices Act stipulates that you record such payments, except "you will never find an employee anywhere in the world who can bring himself to record in the books a facilitating payment for what it is because it's likely a violation of local law and general discomfort with the idea," says Alexandra Wrage, president of TRACE International, an anti-bribery nonprofit. Also, permitting facilitation payments creates a confusing double standard. Adds Wrage, "You cannot easily explain to employees that big bribes are bad and will result in termination from the company, but facilitation payments, even though they may be tens of thousands of payments over a year, are all right."

Meanwhile, what's a "small" payment, a "routine" government action, and a government "official"? If the size or timing of the payment seems inconsistent with the service or if the lowly official, even if unbeknownst to you, turns out to be a major decision-maker in government, you'll have a hard time defending yourself. Take Con-way Inc. In 2008, the global freight company suffered a $300,000 fine for bribing Philippines customs workers hundreds of small amounts totaling $244,000. Turns out that what some workers allegedly believed were facilitation payments were actually used to persuade officials to overlook violations and reduce or ignore legitimate fines.

"Because these are small amounts, people go through a fiction in their heads that it's not harmful," says Glenn Ware, a principal at PricewaterhouseCoopers. "But it all adds up and creates a slippery slope of decay."

—V.L.