Fighting Corruption at Siemens
Case Memo 1
**Issues**

Siemens survived. Finding themselves in what Chief Compliance Officer Josef Winter called a “life-threatening situation” due to corruption uncovered in their business practices, the company overhauled its leadership, corporate structure, and internal processes in order to meet regulatory standards. By centering their organizational culture around compliance, everything from massive departmental realignment to the design of executive incentive programs, Siemens has been successful in its fight against its own corrupt practices, and has reached a settlement with all regulatory bodies.

Siemens finds itself at a pivotal moment, defining who they will continue to be in the wake of this crisis. Although the external threat to their survival has passed, their executives believe that a lasting focus on “clean business” remains essential to continued success. A challenge for the organization is how to counter constant pressures of corruption, by maintaining their compliance culture and business practices. Having experienced the largest-ever corruption settlement of its kind, Siemens also finds itself in a unique opportunity distinguish itself as a business leader in anti-corruption.

**Analysis**

**Challenge of Maintaining Compliance Culture and Business Practices**

*Leadership and Compliance Culture:* In order to change the tone from the top, Siemens had no choice but to bring a new CEO, Peter Löscher, into the organization. Appointing an external CEO sent a clear message to the public that Siemens was embracing a new culture from the previous leadership regime. To help accomplish the task of delivering a clear and consistent message within the organization, Peter Löscher immediately surrounded himself with people who shared his values. Even if changing the tone of the company culture was successful, the organization may still be lacking the right people who embrace these cultural values further down the organizational chain. This is a problem that needs to be addressed as the company continues to go forward. Initiatives already being undertaken, such as targeted training for specific problem areas (middle-managers in Brazil, sales in India) and integration of “business people” into the compliance department and vice versa, are good examples of how Siemens can maintain and support their values throughout the organization.

*Training and Tools:* Siemens’ new compliance program included training employees worldwide on how to address questions and scenarios related to compliance, as well as developing anti-corruption guidelines and a business partner policy for employees to follow. While the guidelines and policy were adequate, the training method may fall short. The company trained 200,000 employees in live class sessions lasting 4-8 hours and a further 140,000 received only web-based training. This training method of applying only a web-based method of delivery falls short of the Global Business Standard (GBS) Codex (reliability principle) because a web-based delivery method is not as effective as live class delivery methods and this leaves room for improvement. Tools that are bureaucratic and difficult to use also remain a barrier to ease of doing “clean business”. Further simplification of these tools may be needed, as seen with the Business Partner Diligence Tool and Gifts and Hospitality Guidelines.

**Opportunity for Anti-Corruption Leadership**

*Collective Action:* Other companies can learn from Siemens’ unique experience of overhauling business functions to emphasize compliance, as the corruption issues they faced are prevalent worldwide. Siemens has already begun to collaborate with other stakeholders, with projects such as the World
Economic Forum’s Partnering Against Corruption Initiative (PACI) initiative and a Collective Action (CA) Guide and anti-corruption portal with the World Bank. Through continued engagement of other stakeholders interested in anti-corruption, Siemens can act as an “activist”, affecting change in other organizations and systems larger than itself by fostering collaboration and learning.

Corporate Social Responsibility (CSR): Executives interviewed shared that customer reaction to the company’s commitment to “clean business” has been positive. Louise Goeser, CEO of Siemens Meso America shares that the customers, clients, and government officials she works with have expressed that the new anti-corruption policies are the reason they now feel comfortable doing business with Siemens. Distinguishing itself on the basis of “clean business” conduct represents a business opportunity for Siemens to benefit society for profits, through CSR that positions them as a leader in anti-corruption. The “Integrity Initiative” is a prime example. By making a philanthropic commitment of $100 million over 15 years to non-profit organizations seeking funding for projects that prevent and fight fraud and corruption, Siemens has created a lasting impression of their anti-corruption leadership.

Rules-Based to Values-Based Standards: With a focus on compliance, Siemens has worked to prepare their employees to meet minimum legal standards of conduct required in order to operate. Siemens has an opportunity to demonstrate leadership by holding themselves accountable to a higher standard than that baseline. President & CEO Peter Löscher refers to this desired evolution of this compliance culture as a “shift the focus from rules-based to values-based approach”. Developing and implementing standards of conduct that go above and beyond base requirements is a means by which Siemens can live its values by upholding a higher professional standard than what is expected of them by law.

Recommendations

In order to sustain its focus on “clean business”, Siemens must take concrete steps internally to maintain and improve its compliance culture and business practices, and find ways to take advantage of the external opportunity to demonstrate anti-corruption leadership.

To confront the challenge of maintaining compliance culture and business practices, the company needs to emphasize a sustained and consistent message from the leadership team. To uphold values, norms and standards throughout the organization, leadership needs strong people practices that support this culture. For example, human resources can implement a better hiring strategy whereby future employees are screened based on a combination of talent and alignment of values. The training program within the organization also needs to be re-designed immediately to meet a more reliable code of ethics. This will include training new and current employees in a live class room setting, to ensure every class member gets the maximum message delivery using instructor-led case training. “Clean business” tools also need to be streamlined for efficient use.

Taking advantage of the opportunity to demonstrate anti-corruption leadership as a result of their organizational crisis will set Siemens apart. Siemens should keep engaging other stakeholders in meaningful collective action, using their clout to advance anti-corruption practice and learning. Siemens should also continue to pursue CSR initiatives that demonstrate “clean business” leadership, and further develop a strong reputation for ethical compliance with customers and partners. They should also create and adopt internal standards of conduct above the baseline legal requirement, which will further an evolution of the organization’s “values-based” thinking and culture.