

Rooting out corruption remains tough in Argentine business

Buenos Aires - Argentines shudder at the news from Greece these days: the financial crisis in the cradle of European culture is eerily reminiscent of Argentina's collapse in late 2001.

Years of mounting government debt and bad management of the economy led to a desperate austerity plan by the government, followed by violent, deadly protests and eventually revolving-door governments.

There are many reasons why things got quite that bad in once-rich Argentina and in eurozone currency member Greece, alike.

One of the main causes was rampant corruption, which led to the adoption of mistaken measures and botched policies at all levels in both countries.

Hamburg lawyer Matthias Kleinhempel, a former top manager in Latin America for German-based **Siemens**, is leading an effort to combat corruption in Argentina. The 57-year-old heads the Centre for Business Leadership and Transparency, created last year at the IAE, a private business school in the Buenos Aires suburb Pilar.

Kleinhempel's motto: "Whoever resorts to bribes, loses."

He is not focusing on the state sector.

"Others have already been doing that for years and without much success," he says.

Instead, he stresses that it takes two to tango.

"We want to bring companies to acknowledge that a persistently growing risk comes with corruption and bribery, and to avoid that," Kleinhempel says.

"I don't dare to speak about ethical behaviour, because many would immediately say that that is stating the obvious. But that is actually the right term," he adds with a laugh.

The research centre is being financed, among others, by the German giant **Siemens**. Once bitten, twice shy: in the wake of the company's own corruption scandal involving Argentina among other countries, **Siemens** wants to be top of the class when it comes to the issue.

The company is applying rigorous internal clarity and the maximum possible transparency toward the public prosecutor's office in relation to the bribery scandal of recent years, which **Siemens** has largely put behind it.

Kleinhempel focuses on managers' fears and on the competitive advantages of honest behaviour: fear of evaporating earnings, large fines and expensive investigations but also a very personal fear of a damaged reputation and tough penalties that can include prison time.

The prevailing attitude has long been: when in Rome, do as the Romans do.

"Corruption and tax evasion were presentable and were also not subjected to further probes," Kleinhempel recalls.

Yet, the world, and slowly Latin America, too, are changing: fraudulent behaviour is no longer chic, and anti-corruption legislation that has long been in place is increasingly being enforced.

"You are suddenly seeing so many corruption scandals not because the world keeps getting worse," Kleinhempel says, "but because action is being taken against them."

Those who arrived too late are being punished by life itself. Ferrostaal is the most recent case in Germany.

As an example to scare off newcomers, Kleinhempel describes in his lectures to Argentine business people and students the case of a top manager of a French telecommunications firm. The man secured a contract for his company in Costa Rica and paid a "success bonus" of 2 per cent of the volume of the contract to an official at the national telephone company.

Payments to Costa Rica were routed via a US bank, however, ensnaring the French executive in violations of US anti-corruption law. During a visit to the United States, he was arrested in Miami and eventually sentenced to 30 months in jail.

Corruption is a threat not just for managers but for companies as a whole, Kleinhempel says: "Clients avoid firms with a bad reputation, and talented young professionals skip such black sheep."

The bottom line is reputation, which is so important for clients and sought-after talent alike that "reputation capital" is currently mentioned as a major competitive advantage for top companies.

But Kleinhempel is a realist, and he knows Latin America well enough.

"I'll already be happy if we can turn a large elephant into a small one," he says.

Corruption remains omnipresent at all levels: on the ride back to Buenos Aires from Pilar, the driver asks when filling out a taxi receipt: "How much would you like me to write?"

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