

# Siemens bribery case

Business



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February 2013 Assignment #3: Siemens Bribery Scandal Before 1999 the use of bribery in Germany was not illegal and could be deducted as a business expense in a company's taxes. This allowed companies like Siemens to gain the upper hand and have an unfair advantage over their competition in acquiring business deals around the world. Then when the law changed, Siemens still utilized bribery, and employed bribery tactics in other countries where it was also illegal.

In this case study I'm going to analyze the rationale and high levels of corruption that transpired in the Siemens bribery scandal and utilize the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises to illustrate the negative impact of bribery.

Siemens use of bribery initially could have been justified by the fact that German laws allowed it and was not illegal until 1999; the issue was that Siemens continued to use bribery even after the law had changed.

Corruption was deeply embedded in the business culture. Siemens transferred money into Swiss bank accounts to avoid detection and then hired contractors to set up the bribes. These actions were standard operating procedures for corporate executives who viewed bribery as a business strategy. Senior executives even made certain individuals that were directly in charge of the bribery funds sign compliance forms stating they had not engaged in that kind of activity, bribes were referred to as 'useful' money.

The punishment Siemens faced involved paying fines totaling \$2.6 billion. In the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, which sets voluntary principles and standards for business conduct, clearly outlines the negative aspects that comes from bribery. " Bribery and corruption are damaging to democratic institutions and the governance of corporations. They discourage investment and distort international competitive conditions.

In particular, the diversion of funds through corrupt practices undermines attempts by citizens to achieve higher levels of economic, social and environmental welfare, and it impedes efforts to reduce poverty.

Enterprises have an important role to play in combating these practices. " In defense of the Siemens employees, many of them just believed that was how business was done and had the best interests of the company at heart. It was about keeping the business alive and not jeopardizing thousands of jobs," if this indicates the intention of the employees then the act is more justifiable than just doing the action out of greed. Siemens is a company that allowed greed to cloud their judgement to use bribery to gain the upper hand, as well as not evolving with the changing laws. You can only speculate as to the real thought process behind the choice to engage in bribery, whether it was done knowingly to gain an unfair advantage or sincerely to protect the jobs of many employees, the action was still committed.

A company needs to be aware of the laws, regulations and what is considered acceptable business conduct of the other countries it chooses to do business with and not violate them, including the use of bribery.

----- [ 1 ]. <http://lilymayunjue.blogspot.com/2012/06/summary-of-siemens-bribery.html> [ 2 ].

[http://www.nytimes.com/2008/12/16/business/worldbusiness/16siemens.html?\\_r=0](http://www.nytimes.com/2008/12/16/business/worldbusiness/16siemens.html?_r=0) [ 3 ]. <http://www.oecd.org/daf/inv/mne/48004323.pdf> [ 4 ].

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