Can Global Organizations Use Values-Based Leadership to Combat Bribery and Corruption?

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With rising uncertainty associated with FCPA enforcement, this article explores the potential development of a values based approach to combat bribery and corruption. Although this approach requires empirical investigation, arguments suggest that organizations desiring higher ethical standards to mitigate bribery and corruption practices should transition from compliance to values based strategies. When leaders enact and display positive organizational values, mutual follower-leader synergies build the foundation for more moral and ethical organizational cultures. This article explores Values-Based Leadership as a framework to create ethical and moral corporate governance systems that establish organizational cultures naturally resistant to bribery and corruption.

INTRODUCTION

The Foreign Corrupt Practices Act (FCPA) of 1977, noted by practitioners and scholars as one of the seminal international anti-corruption laws, was enacted by the U.S. Congress "in response to widespread post-Watergate concerns that U.S. companies were securing foreign government contracts by making improper payments to foreign government officials" (Koehler, 2007, p. 68). In the recent wake of multiple financial scandals and the growing power of multinational corporations, the U.S. Department of Justice (DOJ) and Securities Exchange Commission (SEC) have expanded and increased the frequency of FCPA enforcement efforts to unprecedented levels (Anderson, 2008; Burr, 2006; Hirst, 2010; Wysong, 2009).

Overall, although enforcement by the DOJ and SEC has increased dramatically over the last ten years, prosecutions, fines, and penalties have been overwhelmingly inconsistent and selectively applied (Hinchey, 2011; Weismann, 2008). In the hopes of incentivizing robust anti-corruption corporate governance structures within multinational firms, the DOJ and SEC have spent considerable time encouraging firms to come forward when their internal compliance mechanisms discover suspicious transactions (Aquilar, 2010; Hinchey, 2011). This strategy, which favors non-prosecutorial and deferred prosecutorial agreements by the DOJ and SEC in exchange for a firm self-reporting, was introduced to convince firms that voluntary disclosure would likely be rewarded by the mitigation or even elimination of penalties (Burr, 2006; Hinchey, 2011). To this end, a firm that voluntarily self-discloses an act of bribery or corruption agrees to accept fines and disgorgements, create or enhance internal compliance mechanisms, and be monitored by outside entities for a period of time after the investigation has been concluded (Hinchey, 2011; Weismann, 2008).

On its surface, this strategy appears to produce positive results. One self-disclosure example, INNOSPEC, a $600 million chemical company based in Delaware pleaded guilty in March 2010 to FCPA violations stemming from bribes and kickbacks paid to the former Iraqi government under the United Nations Oil for Food Program (Aquilar, 2010; Moon & Rimm, 2012). In lieu of criminal prosecution, INNOSPEC agreed to pay a total of $40.2 million in fines and to implement more robust compliance procedures (Aquilar, 2010; Moon & Rimm, 2012). Had INNOSPEC not self-reported, regulators could have imposed fines upwards of $200 million and sought complete liquidation of the firm as a criminal enterprise (Aquilar, 2010).

However, a study that examined multiple FCPA cases between 2007 and 2008 has shown that overall, these types of settlements have been inconsistent and disparate (Hinchey, 2011). The study compared bribe-to-fine ratios between firms that have and firms that have not voluntarily disclosed suspected violations. Surprisingly, the firms that voluntarily disclosed received on the average almost double the penalties than the firms that did not voluntarily disclose (Hinchey, 2011). In the study, there were also two outlier FCPA cases studied where the companies did not voluntarily disclose. Despite the fact that both cases received record breaking fines for FCPA enforcement in regard to “dollar amount”, their bribe to fine ratios were still about half of what most companies paid who voluntarily disclosed (Hinchey, 2011).

As a result, leaders of multinational firms are faced with tough decisions on whether or not to voluntarily disclose suspected illegal transactions or to deploy alternative strategies. With DOJ and SEC fines and penalties reaching all-time highs, it appears both agencies will continue to encourage voluntary disclosures in exchange for non-prosecutions and deferred prosecutions despite the many contradictory cases.

This article suggests that multinationals cannot depend solely on external structures (including legal systems, rules, and codes) or internal structures (including corporate governance programs) i.e. compliance based structures, to effectively mitigate bribery and corruption vulnerabilities within their organizations. In addition to following FCPA regulations enforced by the United States, leaders of multinational firms have to deal with multiple regulations (or lack of clear regulations) across many countries as well as different cultural approaches to bribery and corruption. For example, most Western cultures view the world from the perspective of “doing” while most Eastern cultures view the world from the perspective of “being”(Adler, 2008). Thus, where Western leaders might have confidence that formal rules based corporate governance structures to combat bribery and corruption can be put into practice; their Eastern counterparts may be less enthusiastic about the practicality of formal corporate governance structures and therefore choose to accept bribery practices as “human nature” that is unlikely to be changed.

In search for appropriate preventive anti-bribery and corruption measures that can be introduced across multiple cultures, this article proposes the Values-Based Leadership (VBL) approach as a universal corporate governance strategy. Creating a shared anti-corruption vision based on high ethical principles that are supported by different cultural traditions might help discourage bribery and corruption. Since “values form the basis for principles and virtues that are necessary to bring these ethic principles into moral practice” (Alas, 2006, p. 238), leaders of multinational organizations could potentially capitalize on universal ethical values and establish an organizational culture that rejects bribery and corruption practices.

This article first discusses the FCPA and its resulting risks to multi-national firms. It examines how the recent disparate treatment and inconsistent results in FCPA cases as well as other emerging factors have made it too risky for leaders of multinational firms to rely on corporate governance structures based solely on the avoidance of legal sanctions, i.e. the compliance approach. Second, the article introduces why a robust corporate governance program is essential for a multinational firm. Third, the article presents cultural aspects of ethics and explains the impact of cultural context on the creation of corporate governance programs across national and ethnic boundaries. An argument is made that there are multiple universal attributes and values found across cultures as well as universally accepted descriptions of desirable and undesirable ethical behaviors that can be used as the foundation for the development of cross-cultural and universal corporate governance structures. Fourth, the article suggests an anti-bribery and corruption model that creates an ethical core within the organization by using the principles of Values-Based Leadership. It is believed that a model of this kind will enable leaders and empower followers of global organizations to navigate through the complex ethical challenges of bribery and corruption with a clearer mindset and more certainty (Werhane, 2008). As the article demonstrates, this model has the potential to replace corporate governance structures focused on the avoidance and mitigation of legal sanctions with those focused on moral clarity and proper ethical conduct.

THE FOREIGN CORRUPT PRACTICES ACT

This section provides details on FCPA regulations, elaborates on voluntary disclosure, and explains some criticisms of current FCPA enforcement in the context of the rapidly moving and constantly changing environment, pressures, and challenges of international operations. It also demonstrates why the effectiveness of current FCPA approaches is questioned by the authors of this article and furthermore, why a Values-Based Leadership strategy could be an appropriate solution (Koehler, 2007; Levick & Slack, 2011; Moon & Rimm, 2012; Reynolds, 2009).

The FCPA is a federal law enacted in 1977 that makes it illegal for companies to pay bribes to foreign officials or political figures. The law applies when conducting business with State Owned Enterprises (SOEs) and applies to non-U.S. Companies outside the United States, to both public and private companies, to agents and or distributors used by a company to conduct business on behalf of the firm, and to foreign nationals and/or companies doing business in the United States (Moon & Rimm, 2012; Reynolds, 2009). Thus, it is clear that firms cannot insulate themselves from liability by using agents and/or distributors abroad (World Compliance, 2011).

The act contains both civil and criminal penalties. The criminal penalties are enforced by the U.S. Department of Justice (DOJ) and the civil enforcement side is imposed by the Securities Exchange Commission (SEC) (Hinchey, 2011). The FCPA contains two significant provisions, i.e. the anti-bribery clause and the record keeping clause (Weismann, 2008). The anti-bribery clause makes it illegal to make payments to foreign public officials and/or political parties for the purpose of obtaining or retaining business. The record keeping clause requires issuers of securities in the U.S. financial markets to report, disclose and account for all payments and dispositions made of the assets of the issuer (Hinchey, 2011; Weismann, 2008).

Prosecutions for FCPA violations in the past few years have risen to unprecedented levels. “This activity seems largely a result of the government’s increased focus on corporate accounting and governance practices post-Enron, as well as tighter scrutiny of cross-border dealings as a result of the USA Patriot Act” (Burr, 2006, p. 22). In 2010, the DOJ and the SEC settled five cases against corporations, including two major non-U.S. corporations (BAE Systems and Daimler AG) that involved hundreds of millions of dollars in fines and penalties. The DOJ also announced a multi-year FCPA undercover investigation along with the indictment and arrest of twenty-two individuals who allegedly agreed to pay bribes overseas while dealing with an undercover FBI agent and a cooperating witness (Hirst, 2010). In total, the DOJ and SEC “brought forward 74 enforcement actions in 2010, up from an average of 37 per year in 2007-2009 and approximately 11 per year in 2004-2006. By way of comparison, U.S. authorities had brought forward only 19 enforcement actions from the enactment of the stature in 1977 to 2004” (Williams, 2011, p. 32).

Voluntary Disclosure

To comfort international firms in light of the exponential increase in enforcement of FCPA violations worldwide, in 2003, the DOJ issued guidance via a memorandum from the Deputy Attorney General that encouraged voluntary disclosure as one of the factors that could potentially mitigate penalties for a firm’s failure to comply with the law. A footnote was also added acknowledging that the U.S. Sentencing

Guidelines would “reward voluntary disclosure and cooperation with a reduction in the corporation’s offense level” (Hinchey, 2011, p. 2).

A voluntary disclosure occurs when a firm chooses to report potential FCPA violations to authorities (DOJ or SEC) on their own and prior to the authorities initiating an investigation. These suspected transactions are usually discovered as a result of internal corporate governance structures, and/or reported by a whistle-blower (Burr, 2006; Hinchey, 2011). Voluntary disclosures are typically attached to some type of agreement between the reporting party and the government in order for the firm to receive some type of benefit in exchange for coming forward and reporting the violations(Burr, 2006; Hinchey, 2011).

The most common form of agreement is a non-prosecution agreement and/or deferred prosecution agreement where the government agrees not to prosecute individuals and/or agrees to reevaluate prosecutorial merits after the company has been given a specified period of time to stay out of trouble (Burr, 2006). Non-prosecutorial agreements and deferred prosecution agreements usually result in the firm agreeing to pay fines, disgorgements and create or improve existing corporate governance programs within their firms (Hinchey, 2011; Weismann, 2008).

FCPA CRITICISMS

Even though DOJ officials have made statements promising a “credit”, that cooperation would be “considered,” and that voluntary disclosure would be “appropriately rewarded” (Hinchey, 2011, p. 2), the DOJ has been vague about what benefits would be afforded to companies who disclose voluntarily. Additionally, the outcomes of FCPA voluntary disclosure cases have been inconsistent and disparate (Hinchey, 2011; James Mintz Group, 2011; Weismann, 2008).

The first criticism began in 2006 when Schnitzer Steel Industries, Inc. voluntarily disclosed bribes that a subsidiary paid to Chinese officials in return for obtaining a competitive advantage. Despite their significant cooperation, the DOJ and SEC fined the firm $15 million dollars. Although the total amount of bribes paid was only $1.8 million dollars (Hinchey, 2011; Moon & Rimm, 2012). This case began to raise questions of whether or not it makes financial sense for firms to voluntarily disclose suspected transactions. Shortly thereafter, the Public Contract Law Journal (PCLJ) conducted a study to examine the outcomes of all published FCPA cases between 2007 and 2008. The PCLJ study compared (bribe-to-fine ratios) between firms that HAVE and firms that HAVE NOT voluntarily disclosed suspected violations. Surprisingly, the firms that voluntarily disclosed, received on the average almost double the penalties than the firms that did not voluntarily disclose (Hinchey, 2011).

The study also contained two outlier cases with record breaking fines. Neither of the two cases were voluntary disclosure cases, but both were the result of FCPA investigations. The first was a 2008 case against Siemens, who was fined $1.96 billion dollars for what was called a systemic pattern of bribery activity, $810 million of which came from the United States. The second was a 2009 case against Kellogg Brown & Root LLC a.k.a. (KBR) that was fined $579 million for alleged bribes to Nigerian government officials (Moon & Rimm, 2012). Although these two cases were considered to have levied record breaking fines, the data (bribe-to-fine ratio) suggests that Siemens and KBR faced about one-fourth of the fines of firms who voluntarily disclose (Hinchey, 2011).

Voluntary disclosure settlements have created more skeptics than proponents because outcomes appear to discourage self-reporting (the exact opposite of the original intention of the DOJ and SEC) (Hinchey, 2011; McPhee, 2006). The study also revealed no discrepancy in post –FCPA behavior between the companies who voluntarily disclosed and those who did not and were caught. Both voluntary disclosure cases and non-voluntary disclosure cases had common consequences: companies face fines, fire problem employees, cooperate fully with the federal investigation, implement strict internal compliance measures, or agree to be monitored by outside agencies for a period of time (Hinchey, 2011; Hirst, 2010).

The literature reviewed demonstrates that the current trend of FCPA enforcement is ineffective because it is random and appears disparate (Freedman, 2006; Hinchey, 2011; Weismann, 2008). In addition, the penalties for responsible parties are unpredictable, thus, have the potential to remove any apparent financial incentives to voluntarily disclose suspicious transactions. From the legal point of view, any system that punishes similar conduct with varied outcomes is considered fundamentally unfair (Tamanaha, 2004). Finally, the inconsistency and disparity of FCPA outcomes can create organizational tensions between corporate performance and governance systems. The answer to this dilemma could include (1) reassessment of the impact of corporate governance structures and (2) development of an ethical core within the organization.

ASSESSING RISKS WITH THE VALUE OF CORPORATE GOVERNANCE

According to World Compliance (2011), the ongoing vetting of all business relationships is a critical element to building and maintaining robust corporate governance system. Vetting ensures protection from the influence of foreign intermediaries who may have scrupulous connections with foreign officials known to accept bribes. Hardoon (2011) reminds us that companies from the wealthiest countries in the world still continue to use bribery in their international business dealings. As a result, the Bribery Payers Index (BPI) annual report, Transparency International Inc. continues to hold these companies accountable publically for their willingness to provide incentives that promote bribery and corruption around the world (Hardoon, 2011).

In addition to vetting, anti-bribery measures intensified around the world. First, U.S. prosecutors have been increasingly aggressive, and the recent Dodd-Frank legislation has created incentives and protections to whistle blowers to encourage them to come forward (Miller, Alas, Ware, & Janson, 2011). Ironically, these whistle blower protections in many cases have resulted in litigants using the FCPA as a weapon to force a settlement. This unintended consequence has introduced yet another layer of complexity and uncertainty for leadership when developing and administering corporate governance systems (Burr, 2006). FCPA investigations have led to over $1 billion in fines and more than 100 compliance executives losing their careers (World Compliance, 2011). Secondly, the United Kingdom has recently enacted anti-bribery laws that are even tougher than the FCPA. The Bribery Act (BA), which went into effect in April of 2011, sets out four separate offenses: offering a bribe, accepting a bribe, bribing a foreign public official, and failure of a commercial organization to prevent bribery (Krishnan, 2010). The key point of this law is the fact that UK companies and their directors can be found liable if they fail to prevent bribery in their firms (Krishnan, 2010).

The situation with anti-bribery regulations, however, is not as simple as it might appear. Due to the global expansion of markets, more international businesses enter high risk areas of the world where bribery activity is prevalent (Cateora, Gilly, & Graham, 2011; World Compliance, 2011). Additionally, the strong economic growth of BRIC countries (Brazil, Russia, India, China) combined with the very low ranking of those countries on Transparency International's corruption indexes (Bribe Payer's Index and the Corruption Perceptions Index) present simultaneous opportunities and challenges (Hardoon, 2011).

Moreover, the increase of internationally coordinated bribery and corruption enforcement efforts between countries as well as the increased use of international conventions such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Convention against Corruption (UNCC) create the potential for double, or even multiple jeopardy, and therefore increased penalties (Miller et al., 2011). Thus, in many ways, the FCPA is becoming arcane in light of the creation and growth of international entities such as the OECD, UNCC, local compliance expectations in emerging BRIC countries, and/or stricter anti-bribery and corruption laws emerging in the United Kingdom. Therefore, the FCPA is no longer the primary legal enforcement measure that leaders of multi-national firms must consider when creating or enhancing a corporate governance strategy against bribery and corruption (Alas, 2006; Anderson, 2008; Olson, 2007).

Opponents of the FCPA and other anti-bribery legislation have long stated that the prohibition against American based firms to engage in foreign bribery and corruption for the purpose of obtaining lucrative business contracts overseas puts these firms at a competitive disadvantage with foreign based firms who routinely use bribery as a form of conducting business, and who do not face the same prohibitions (Kaikati & Label, 1980). However, according to Hinchey (2011), most companies are genuinely interested in improving their corporate governance structures. Current research suggests that reducing bribery and corruption is actually good for business as well as the firms' reputation (Verschoor, 2010). Firms with robust corporate governance structures that include specific anti-bribery and corruption measures are strong performers (Lin, 2010) that experience "50% fewer incidents of corruption" (Verschoor, 2010). At the same time, firms that rely on bribes are found to under-perform their peers (that do not take bribes) for up to three years before and after the date to which the bribe is paid to win the contract (Cheung, Rau, & Stouraitis, 2011). This conclusion is a result of a recent study by Hong Kong Baptist University that analyzed 166 prominent bribery cases occurring in 20 stock markets over 52 countries worldwide involving 107 publicly listed firms where bribery to government officials was reported during the period 1971-2007(Cheung et al., 2011).

External reputation and firm value are also found to be important concepts linked to corporate governance, bribery, and corruption. For example, study conducted by Germany's Humbold-Viadrina School of Governance, revealed that reputation was a significant factor in deterring unethical behavior such as bribery and corruption (Ellis, 2012). The study defined reputation as the standing perception that a business owns among the public and /or a specific target group. The results varied according to culture with Latin America having almost two out of every five study respondents rating reputational consideration as the most important factor in motivating businesses to deter corruption (Ellis, 2012). Another study by Jo and Harjoto (2011) analyzed around1100 firms to determine whether or not corporate governance and social responsibility positively influence firm value. The study suggested that strong corporate governance combined with corporate responsibility is able to manage the interests of multiple stakeholders and resolve conflicts of interest between shareholders and non-investing stakeholders by insuring sustainability via sound business practices, transparency and the promotion of accountability throughout the organization (Jo & Harjoto, 2011).

Finally, connecting social responsibility and corruption, Li and Ouyang (2007) revealed that there is a positive association between a company's corruption prevention and its commitment to social responsibility. Lin (2010) further iterates that the concept of commitment becomes very critical since "the extent to which a company commits to social responsibilities will influence the effectiveness of its corruption prevention" (P.396). Corporate governance systems do not occur in a vacuum in therefore are highly influenced by external mechanisms including legal, social, community and environmental issues (Jo & Harjoto, 2011; Li & Ouyang, 2007; Lin, 2010).

Overall, as global companies experience increased pressure from the FCPA, OECD, BA and other anti-bribery laws, more scholars are examining how these companies could respond more effectively and with more certainty. Research indicates that robust corporate governance structures (with specific anti-bribery and corruption measures), a positive reputation, social responsibility practices, and a stable firm value could provide the needed support (Freeman & Hasnaoui, 2011; Robertson, 2009). Additionally, scholars and practitioners agree that to develop a balanced approach to corporate governance, it's critical to cultivate an "ethical core" within an organization (Stachowicz - Stanush, 2010). With that, organizations can implement decisions with respect to bribery and corruption based on the continued development of this "ethical core" and not based on the fear of legal consequences.

Before considering the development of an "ethical core", it's important to discuss the mediating effect of culture on the perceptions and interpretation of ethical behavior. The following section explores whether there is a common ethical core or set of values across cultures and if so, whether it's possible to build organizations that resist bribery and corruption based on this common ethical core.

ETHICS AND CULTURAL IMPLICATIONS

Culture is a combination of "shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences among members of collectives that are transmitted across generations" (Alas, 2006, p. 238). Numerous studies revealed that culture influences individuals' behavior (Adler, 2008; Javidan, Dorfman, Sully de Luque, & House, 2006). Studies also found that culture impacts leaders' ability to develop and run corruption-free organizations

(Adler, 2008; Javidan et al., 2006). By focusing on culture, leaders can understand how diverse characteristics impact employees' values, thus, understand their ethical predispositions. One of the issues that this article explores is the possibility of developing universal approaches to deal with bribery and corruption. This is a complex question that will require further empirical investigation. However, at the same time, this article looks into relevant studies and culture-related frameworks to explore whether multinational organizations could rely on a universal set of values based ethical and moral principles to develop anti-bribery and anti-corruption strategies.

To this end, existing studies and cultural frameworks appear incomplete and contradictory (Adler, 2008; Alas, 2006; Yukl, 2012). For example, according to the "doing vs. being" cultural framework, universal approaches to creating an ethical core may not be possible (Adler, 2008). "Doing culture" found in most Western societies, sees itself as a dominant force over its environment where problems can be solved and issues can always be analyzed to come up with practical solutions (Adler, 2008). On the other hand, "being cultures" found in most Eastern societies, tend to believe that there are many issues and problems in their environments that "just are", therefore it would be futile to try and solve them or analyze them indefinitely (Adler, 2008). This cultural theory of "doing vs. being" suggests that there may be some cultural limitations that could prohibit the development of a universal strategy to combat bribery and corruption in global organizations. Where Western societies may have confidence in the use of rules, regulations and laws to prohibit this type of conduct, Eastern societies, that value acceptance may view bribery and corruption as a "natural order" and thus be less disposed to enforce rules, regulations and laws in favor of more "relationship based" approaches.

Other sources suggest that there exists a universal core of basic ethical principles that are similar across many cultures. With that, global leaders might look very closely at the opportunity to create an organizational culture based on universal ethical principles that reject bribery and corruption as part of a robust corporate governance strategy. The most comprehensive study of culture to date has been the ongoing GLOBE project (Javidan et al., 2006). This study has reached across over 62 countries representing all major regions of the world (Javidan et al., 2006). The GLOBE project extended the five value dimensions of the Hofstede taxonomy i.e. Power Distance, Uncertainty Avoidance, Masculine vs. Feminine orientation, Individualistic vs. Collectivistic orientation and Long Term vs. Short Term orientation (Hofstede, Hofstede, & Minkov, 2010) to include such items as: Charismatic (integrity, decisive, performance-oriented), Self-protective (self-centered, status-conscious, face-saving), Humane orientation, Team-orientation (diplomatic, not malevolent, and administratively competent), Participative (not autocratic, delegative), and Individualistic (independent, unique) (Bass, 2008). As a result of extensive empirical investigations, the GLOBE project identified twenty- two universal positive attributes for leadership, including the nine most frequent: i.e. *positive, trustworthy, just, dynamic, dependable, honest, confidence building, transparent and keeping others informed*; and eight negative attributes, including *ruthless, asocial, irritable, dictatorial, egocentric, non-explicit, non-cooperative and a loner* (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

Another significant conclusion reached in the GLOBE project is the differentiation between current practices or "what is" and ideal values or "what ought to be". This distinction was created to determine if people were dissatisfied with current societal values and whether or not they desired to see change in the future. Multiple empirical studies conducted as part of the GLOBE study revealed that cultural differences between "ideal values" were actually smaller than the differences in "actual practices". This finding suggests that the state of being that people think "ought to be" may be more universally shared across cultures than the actual state of "what is" practiced (Yukl, 2010). This finding is of critical importance for leaders who desire to discourage bribery and corruption in their organizations since it is these "values [that] form the basis for principles and virtues that are necessary to bring ethic principles into moral practice" (Alas, 2006, p. 238).

There are two seminal studies that support a universal values argument. The Denki Ringo study of cultural attitudes and ethical values collected data from respondents in 12 different countries to investigate individuals' preference for a perfect society (Ishikawa, Mako, & Warhurst, 2006). Collectively, the respondents in this study described their ideal society as one where people are: 1) provided with a good standard of living; 2) could cooperate with each other in solidarity; 3) could live life by observing well established values and ethics; 4) have highly developed social equality; 5) can develop lives with great opportunity; 6) have peace of mind; 7) can acquire the results of their own work; and 8) where social order was kept with minimal criminal offenses being committed (Alas, 2006, p. 239). Alas (2006) conducted additional research that compared the findings of the Denki Ringo study of cultural attitudes and ethical values with the GLOBE findings of "universally condemned negative attributes" and "universally accepted positive attributes" from the perspective of "what is" vs. "what ought to be" in the hopes of determining which (if any) characteristics of national culture indicated a higher value or "desired need" for ethics. The study split the twelve countries from the Denki Ringo study into two groups based on their ranking in the ethical value hierarchy. The first group of countries, China, Poland, Hong-Kong, South Korea, USA, and Hungary, was found to value ethics more highly. The second group, Japan, Italy, France, Finland, Estonia, and Spain, was found to value ethics less highly (Alas, 2006).

The Alas (2006) study found that countries whose societal practices ranked higher in the dimensions of "undesired practices" such as assertiveness, performance orientation, power distance, and in-group collectivism had a higher perceived "need" for ethics. The countries whose societal practices ranked higher in the dimensions of "desired practices" such as institutional collectivism, future orientation, gender egalitarianism, humane orientation, and uncertainty avoidance had a lower perceived "need" for ethics (Alas, 2006). This is consistent with GLOBE findings in that societies tend to "value" certain positive behaviors such as "ethics" when they perceive the "practices" for these behaviors are lacking, and value them less when they perceive that these behaviors are robust (House et al., 2004).

Although a single study, the research conducted by Alas (2006) makes an important contribution to understanding the potential for a universal ethical core. The study demonstrates that individuals across cultures "wish" for a society with more "desired practices". In other words, if an individuals' reality does not correspond to their ethical and moral wishes, those individuals will "hope" for stronger ethics that will help achieve a desirable moral society. Overall, Alas (2006) concludes that ethics and well established values are an efficient mechanism for achieving a "desired society".

It is therefore plausible to assume that societies with high levels of "undesired practices" such as bribery and corruption are more likely to demonstrate a universal desire to have higher ethical standards to mitigate those "undesired practices." According to previous research, societal cultural values and practices have a significant and strong positive relationship with organizational culture and practices (Alas, 2006; Bass, 2008; Bass & Steidlmeier, 1999; Hartog et al., 1997). Additionally, the GLOBE project demonstrated that culture impacts followers' perceptions of leader effectiveness and, thus, influences leaders' behavior within that culture (House et al., 2004). Gunia, Wang, Huang, Wang, and Murnighan (2012) claim that open discussion of ethical dilemmas within organizations without fear of retaliation supports and encourages ethical decision making and practices. Furthermore, a study of 561 firms located in 15 countries and five continents revealed that the integrity, values, and moral justifications for their actions that leaders communicate to followers were predictive to shape followers values and behaviors (Waldman et al., 2006). Overall, research and scholarly arguments suggest that if individuals of a society desire higher ethical standards in their organizations to mitigate bribery and corruption practices and if leaders identify, share, and act upon those ethical standards with their followers, mutual follower-leader synergies could become a foundation for a moral and ethical organizational culture (House & Jacobsen, 1999).

Since research indicates that leadership is intimately linked to the leaders' personal values, leaders of global organizations could potentially use the universally positive attributes found in the GLOBE project (*being positive, trustworthy, just, dynamic, dependable, honest, confidence building, transparent and keeping others informed*) to develop organization cultures with more humane, future oriented, and egalitarian ethical principles (House et al., 2004). This strategy could help leaders influence the culture of their organizations towards an anti-bribery and corruption system and thus create an "ethical core" that resists bribery and corruption at all levels of the organization. Moreover, the inner climate of a corruption resistant organization could further encourage creative solutions, risk taking, and learning from mistakes as well as discourage in-group collectivism in favor of institutional collectivism (Alas, 2006). Therefore, the creation of a morally righteous and ethically robust organization will be viewed as a competitive advantage rather than a legal compliance mandate that is forced upon them.

A group of scholars also argue that leaders are more effective in influencing their workforce if leaders' actions are based on openness, respect, and ethical standards rather than on control and forcefulness (Alas, 2006; O'Toole, 1996; Viinamäki, 2012). It is important to overcome the "end's justifies the means" philosophy that is often popular in many results driven cultures Viinamäki (2012) in favor of leader-follower relationships that center on trust and mutual respect (Alas, 2006). O'Toole (1996), for example, argues that trust, respect, promise-keeping, service, and faithfulness are all moral principles and that ethical decisions should not be contingent upon situation or circumstances, but should always depend on the core values and moral principles of the leader. O'Toole (1996) further warns that leaders who compromise their values based on the situations or contingencies they face run the risk of destroying employee trust that is necessary to maintain follower commitment to both the leader's and the organization's espoused values. Once this trust is lost, the espoused values of the leader and the organization lose their legitimacy (O'Toole, 1996). Overall, the literature concludes that values and ethics create a more stable and long lasting impact in the impressions leaders have on their followers and therefore offer a 'warranty' on sustainable integrity in their organizations (Viinamäki, 2012)

In conclusion, since the universal positive attributes, the universally desired vs. undesired practices, and follower-leader connection are consistent with Values Based Leadership (VBL) principles, this paper explores the VBL's potential to create an ethical and value based corporate governance system in place of compliance systems to establish an organizational culture that naturally rejects bribery and corruption.

VALUES-BASED LEADERSHIP

Values-Based Leadership (VBL) is defined as the relationship between a leader and followers based on a shared commitment to ideological values projected by a leader (House & Aditya, 1997). The literature reviewed suggests that VBL has twelve core values, including trust, mutual respect, teamwork, empowerment, risk-taking, listening/feedback, self-reflection, balance/perspective, true self-confidence, integrity, and true humility (Hesselbein, 2011; Jansen-Kraemer, 2011; Latemore, 2005; Riccucci & Getha-Taylor, 2009). Despite the fact that VBL is a newly emerging popular trend in leadership, to date the framework has not been evaluated empirically. Although the article assumes this limitation, its focus is not on suggesting a specific study but on building an argument for the universal applicability of VBL to combat bribery and corruption.

According to O'Toole (1999), VBL is built upon a foundation of moral principles and values such as integrity, empowerment, and social responsibility. These values are advocated and acted upon by the leader, who clearly articulates a vision for organizational values that followers can believe in, communicates the vision throughout the organization, and institutionalizes the vision throughout the organization with everyday behavior, rituals, ceremonies, and symbols as well as organizational systems and policies (Daft, 1998). Leaders with a VBL style are said to govern by example and demonstrate ethical behavior in business while striving to strike a balance between doing what is right (ethics) and what is fair (justice) (Reilly & Ehlinger, 2007). Additionally, VBL focuses on making ethical decisions, maintaining moral and personal responsibility, having a sense of altruism, being honest and fair, making social contributions to others, and meeting obligations to multiple internal and external stakeholders (Osiyemi, 2006). Finally, VBL relies on the empowerment of decision making throughout the organization, in sharp contrast to transactional leadership practices where power is often concentrated at the top, and only a few individuals in the organization are involved in key decision making (Yardley et al., 2012).

Findings from the GLOBE study indicated that there is a strong endorsement of value-based leadership (VBL) across all cultures (House et al., 2004). The GLOBE Charismatic/Values Based Leadership framework suggests that effective leadership is not just a matter of the transactional exchange of rewards and punishments to influence behaviors but instead, on an emotional and shared sense of purpose between the leader and followers (House et al., 2004). It should be noted that the VBL concept contained within GLOBE was discussed as a partial construct combined with Charismatic Leadership. However, empirical findings suggest that the Values Based Leadership attributes found in GLOBE are desirable leadership attributes across all 62 countries studied.

Recent studies have revealed that ethical leadership practices positively relate to an employee's willingness to report unethical behavior (Resick et al., 2011). Moreover, the literature also suggests that synergies can be created between the ethical leader and positive corporate governance structures by using values based leadership principles (Osiyemi, 2006). These ideological values relate to always doing what is right ethically, and are, therefore, expressed with the qualities of moral and personal responsibility, altruism, honesty, fairness, making social contributions to others, and meeting obligations to multiple internal and external stakeholders (Osiyemi, 2006). Finally, it is believed that value-based leaders can better endure uncertain and changing environments by aligning their own personal values and professional ethics with those of individual employees to match a firm's organizational culture and commitment to integrity throughout the organization (Reilly & Ehlinger, 2007).

A living example of values based leadership was a situation where James Burke, CEO of Johnson & Johnson, ordered a very costly recall of Tylenol when cyanide had been inserted into some bottles "after" those bottles were manufactured. When it was concluded that even tamperproof packaging could not guarantee to make the capsules safe for the consumer, Johnson & Johnson abandoned the capsule permanently (Bass, 2008). To Burke, these actions were not only the right thing to do but were also consistent with his moral beliefs. In the long term, the trust and goodwill that Burke earned with consumers of Johnson & Johnson products, far surpassed the costs associated with the abandonment of the product (Bass, 2008). Another example of this type of value-based leadership was when Adrian Cadbury eliminated bribery of prospective international business deals by requiring that bribes be presented on all purchase invoices (including gifts). Cadbury followed a simple rule: if the appearance of the bribe, gift or other favor would be an embarrassment to the organization if its appearance was publically revealed, then it was not permitted (Bass, 2008). For both Burke and Cadbury, ethical actions were of utmost importance and when making business decisions. Their values were an example to the organizations they served, therefore, setting the foundation for an organizational culture that did the "right thing".

Despite all of the positive scholarship suggesting that VBL potentially offers a universal approach towards the development of corporate governance strategies that resist bribery and corruption via an "ethical core", VBL it is still a relatively underdeveloped theory using empirical standards. Additionally, VBL must continue to be tested across multiple cultures before a conclusion of its potential university can be reached. Cultural groups may vary in what they perceive as appropriate leadership characteristics and many of these perceptions are implicit in nature rather than explicitly defined (Den Hartog, House, Hanges, & Ruiz-Quintanilla, 1999). There have been a few studies that suggest Values Based Leaders in some countries could be viewed with suspicion and therefore VBL regarded as disingenuous (Den Hartog et al., 1999).

For example, Meng, Ashkanasy, and Hartel (2003) hypothesized that "Tall-Poppy Attitudes" common in Australia, (i.e. the distrust in leaders who "stand out") would have a negative effect on the acceptance of values based leaders in that country. Although their hypothesis was not clearly supported, regression analysis using the commitment, effectiveness, motivation, and satisfaction survey (CEMS) did find that to some degree subordinate "Tall Poppy" attitudes were negatively related to values based leadership behavior. This study suggests that complex relationships exist between a leader and follower and the implementation of management practices (Meng et al., 2003). Therefore, before attempting to create a universal corporate governance strategy against bribery and corruption, more studies are needed to determine the extent to which value based leadership is effective across the cultures (Gannon & Newman, 2001; House et al., 2004).

CONCLUSION

This paper argues that the current trend of FCPA enforcement is ineffective because it is random, disparate, and unpredictable. In addition, the current practice of FCPA enforcement by the DOJ and SEC appears to diminish any apparent incentives to voluntarily disclose suspicious transactions. Based upon the literature examined, it appears that this practice will remain for at least the foreseeable future. Unless this situation is corrected, leaders of multinational organizations must realize that they cannot depend solely on (external) legal enforcement systems; and organizational rules and codes (internal systems) to effectively mitigate bribery and corruption practices within their firms.

Increasingly, more companies are targeting ethical leaders to instill positive values in their organizations. It's believed that "ethical leaders have a long-term focus, are people oriented, and elicit pride and emulation among their employees" (Leonard & McAdam, 2003, p. 31). As Drucker stated, "Brilliance in executive leadership is highly overrated. While extremely helpful, it cannot overcome a lack of integrity in a leader because lack of integrity destroys people, an organization's most valuable resource" (Maciariello, 2011, p. 45). Both practitioners and scholars advocate rethinking the role of a leader within an organization (Ladkin, 2010). They suggest that constantly questioning current organizational practices, learning from followers, engaging in self-observation, connecting to followers based on moral principles, and focusing on what leadership for what it "could be" (and not just what is) could help create synergistic organizations (Ladkin, 2010). These more reflective organizations would not limit themselves by merely following imposed rules, regulations, and codes but would act based on clearly identified and mutually shared Values Based Leadership principles. Moral and ethical principles that could become a morally centered "philosophical" base to govern these types of organizations.

The main goals of this article included (1) a basic understanding of the current legal approaches to mitigating bribery and corruption and (2) exploring the possibility of developing alternative universal and cross-cultural approaches. As this article demonstrates, developing universal tactics to mitigate bribery and corruption is a complex question that will require further empirical investigation. At the same time, according to research on ethics and values, global organizations might be able to rely on a unified set of ethical principles and well established values as an efficient mechanism for achieving desired ethical organizations.

The universal positive attributes found in the GLOBE project and the universally desired vs. undesired practices identified by Alas (2006) are both consistent with Values Based Leadership (VBL) principles. As the literature suggests, VBL could assist organizations in developing a strong ethical core and robust corporate governance strategy. Additionally, since ethical leadership was also found to be positively related to employee's willingness to report unethical behavior (Resick et al., 2011), the literature suggests that follower commitment to a set of values based principles governing corporate governance strategies is likely to be strong.

Overall, an all-inclusive approach to create immunity toward corruption and bribery practices across the global could include an ethical leader with value-based principles who creates a strong governance structure by: 1) strengthening an ethical core of an organization, 2) developing a strong corruption-based organizational culture, and 3) inspiring and empowering followers to enact and follow ethical and moral principles (Stachowicz - Stanush, 2010). It is believed that Values Based leaders can endure uncertain and changing environments while aligning their own personal values and professional ethics with those of individual employees to match a firm's organizational culture and commitment to integrity throughout the organization (Reilly & Ehlinger, 2007).

Wiersma (2011) cites a quote from Edgar Schein who pointed out that, "Culture is to the organization what character is to the individual. Character is about "being something" and organizational culture, should be [the same]" (p.47). Although bribery and corruption is inherent in all societies, this article suggests that the Values Based leader can use ethical and moral principles to build an "effective immunity to [bribery and] corruption by developing and consequently managing a positive corporate and organizational identity, which creates the moral frame for legal and ethical behavior of the organizational members and of the organization itself" (Stachowicz - Stanush, 2010, p. 45). Therefore, this article advocates for more research to explore an all-inclusive approach using Values Based Leadership to assist multinational organizations in developing corruption-free organizational cultures.

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