

Siemens

Integrating Transparency and Anti-corruption throughout the business

The Company

Siemens AG (Siemens) is a German based organisation, regarded as Europe's largest engineering conglomerate owing to their diverse range of services and products. It employs over 400,000 people worldwide, working in three main business sectors, Healthcare, Energy, and Information Technology. Most recently it has diversified into the Environmental Industry.

With Siemens widescale scope and diverse business activities, it has in recent years, found it difficult to monitor and regulate its corruption levels. It was at the centre of a very serious corruption scandal, involving cases of non compliance of rules and regulations. This has resulted in top management being investigated and high costs totalling €1.4 billion. Since then, Siemens has reported that it had not done enough to embed its values, rules and guidelines into company practice. It has now made considerable changes to its business to integrate transparency and anti-corruption, with a new anti-corruption programme, changes in leadership culture, structure, communication, and new systems of embedding rules and values. Siemens wants to assume a leading role in compliance, integrity and transparency.

This case study focuses on Transparency and Anti-corruption of Siemens operations and activities.

The key drivers for change

In a recent report published by Transparency International (TI) and the World Bank, titled 'Fighting Corruption at Siemens' (2008), Siemens identified the costs of corruption as very high, through slowing down economic growth, increasing levels of poverty, siphoning off or misallocating foreign investment, reducing tax revenues and additional government expenses.

Taking action

New governance structure

Siemens governance structure has undertaken a number of drastic changes, with top management being replaced and over 900 disciplinary sanctions taken. Additionally, 90,000 employees have been questioned in a perception survey. Siemens has introduced a new Managing Board position for legal and compliance matters (http://www.enewsbuilder.net/globalcompact/e_article001149152.cfm?x=bd2Hd2m,b6LfBi8,w).

Compliance

Siemens has placed the compliance of its rules, values and principles at the centre of the business. To meet the new anti-corruption programme, Siemens has restructured the Compliance Organisation and launched a comprehensive, global Compliance Programme. This has a three pillar system, which consists of the following:

- **Prevent:** Providing honest and reliable information and implementing effective training. There are new anti-corruption training events and other legal compliance measures, in line with the new anti-corruption programme.
- **Detect:** Siemens aims to detect any potential problems and possible misconduct at the earliest stage. For example, it has a helpdesk function which encourages employees to communicate problems and thus help build a stronger culture of integrity at Siemens.
- **Respond:** Siemens is now responding to misconduct and non compliance through consistent and appropriate sanctioning across all levels of the business. Siemens is working to the letter of the law, with stringent policies and regulations being strictly enforced.

Siemens is engaging with international organisations in its aim to improve its Compliance Programme committed to fighting corruption. For example, it has assumed a highly active role in the collective action workgroup of the World Bank Institute.

Policies

In November 2003, Siemens became a member of the United Nations Global Compact (UNGC). It fully supports the 10th Principle, through its involvement and commitment to the UNGC Working Group and the anti-corruption workgroup of the International Chamber of Commerce.

Communication

For Siemens to integrate its new strategic direction of greater transparency, ethical behaviour and corporate social responsibility, honest communication assumes a vitally important position. Siemens is now focusing on more direct dialogue between the Managing Board/management team and employees – in both directions. Through this approach, Siemens' communication of values and rules can be maintained throughout the business, without being lost in translation. Siemens has placed strategic importance on making its anti-corruption guidelines and compliance guide easy-to-read, making it easier for employees to understand.

Challenges to Transparency and Anti-corruption

Siemens faces significant challenges in integrating Transparency and Anti-corruption, which include:

1. Full integration

The key challenge for the company is to embed Transparency and Anti-corruption at every level in every business unit and each individual local operating company.

2. Poor track record

In previous years, Siemens has been involved in serious bribery allegations. For example, a company whistleblower exposed an alleged slush fund used to win lucrative European fixed-line telecommunications contracts (<http://www.ethicalcorp.com/content.asp?ContentID=5365>). It could take considerable time for Siemens to rebuild its reputation after such damaging bribery revelations.

Conclusion

To conclude, Siemens has implemented detailed policies on company-specific anti-corruption and bribery issues, altered its management structure to fit its new policies and values, introduced a new compliance board, and has made changes to their communication with more direct dialogue between management and employees. Siemens are increasingly engaging in multi-industry initiatives, such as the UNGC and the anti-corruption workgroup of the International Chamber of Commerce.