Money. Secrecy. Foreign officials. “Greasing palms.” Bribery. That’s the dirty little secret about doing business globally that managers at multinational companies don’t want to talk about. It’s illegal for U.S. companies to bribe foreign officials as the Foreign Corrupt Practices Act (FCPA) states. The FCPA resulted from Securities and Exchange Commission investigations in the 1970’s in which more than 400 U.S. companies admitted to making questionable payments to foreign government officials, politicians, and political parties. One major example: Lockheed officials who paid foreign officials to favor their company’s products. “Congress enacted the FCPA to bring a halt to the bribery of foreign officials and to restore public confidence in the integrity of the American business system.” With the passage of the FCPA, the United States became the first country to explicitly outlaw the practice of bribery.

Recently, however, managers at the world’s largest retailer were sent reeling by allegations of bribery in Mexico to accelerate the company’s expansion there. An investigation by a reporter for the New York Times claimed that Walmart’s Mexican subsidiary paid $24 million in bribes to local officials to speed up the granting of permits to open new stores. The investigation also alleges that when evidence of the bribery’s vast scope was presented to senior management in the United States, they shut down the probe. As the scenario unfolded, however, the company’s board of directors reported that the audit committee was “examining possible violations of the Foreign Corrupt Practices Act and other alleged crimes or misconduct in connection with foreign subsidiaries…” This was the first public disclosure by Walmart that the internal inquiry could possibly involve additional subsidiaries.

1. We’ve said it’s important for managers to be aware of external environmental forces, especially in global settings. Discuss this statement in light of the events described.
2. What might Walmart’s managers here in the United States and in foreign subsidiaries have done differently? Explain.
3. Walmart is not the only company to be lined to bribery. Find at three other examples and describe those.

*Source: Management, 12th Edition, Robbins & Coulter*