

# Compliance & Ethics Professional

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## Meet Kristy Grant-Hart

Owner of Spark Compliance Consulting  
Author of *How to Be a Wildly Effective  
Compliance Officer*  
London, UK

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How to Be a  
**Wildly Effective**  
Compliance  
Officer

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to become an  
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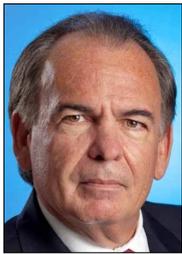
Compliance officers  
share six strategies  
to boost compliance  
on a budget  
Monica Modi Dalwadi

by Eduardo Buso

# Two lessons learned after a long career as a global compliance officer

- » The wrong tone at the top and training in English, rather than the local language, are two things that can derail a company at offshore affiliates.
- » Moving from “expatriate” management to local management requires paying a fair price for talent.
- » A strong local leader helps assure compliance with company policies.
- » Local managers need leadership skills to make sure that local operations are in synch with parent company compliance policies and procedures.
- » Avoid using US-based slang in your training—your local employees won’t understand it.

Many US-based multinationals with business in Latin America often oversee their Latin American (LA) operations out of their “Americas” group, or similarly named US-based organization, oftentimes



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treating the LA operation as their “southernmost” branch. This often means that the LA offices will be viewed and managed similarly to their US branches, say out of Houston or Miami. There is nothing intrinsically wrong with managing LA operations out of the U.S. (in fact, ask the hundreds of executives and lawyers doing so out of Florida, mainly Miami), but as a compliance officer, there two things that I look for to make sure this organizational model supports the effective implementation of a compliance program, especially when it comes to tone at the top and training.

## **In-country top management: Don’t be cheap**

Historically, many multinationals had placed in-country management of LA subsidiaries in the hands of expatriate managers who knew “how to get things done,” how to get needed resources, and (theoretically) could drive compliance with the company code of conduct and its compliance culture at the affiliate. This “tone at the top,” as everyone knows, is at the very heart of all effective compliance programs.

However, in recent years, multinational companies have generally moved away from the expatriate manager model and have come to believe that it is good corporate practice to develop “native” in-country talent to manage local operations. The theory is that these local executives will know the local business culture, speak the local language, and effectively represent the enterprise before all key publics.

But as a compliance officer, I will want to make sure that local executives have the right leadership skills to establish the right compliance tone at the top and to make sure that local operations are in synch with parent company compliance policies and procedures. In sum, I look for executives who can effectively “bridge”

the parent’s corporate culture with local affiliate practices. This is important, because these local executives are best positioned to understand local customs and practices, and to make sure that they do not run afoul of company policies. Better yet, they can make

sure that local customs and practices can be tweaked to ensure they are consistent with ethical business practices, while allowing the business to operate successfully in the local environment. This, of course, is a major challenge that requires the recruitment of skilled and innovative executives.

However, in my experience, finding experienced talented executives (including lawyers) who can effectively make that “bridge” work in practice can be challenging and expensive, because the pool of local qualified candidates with experience at multinationals may be small. Yet, when recruiting talent in Latin America, and in particular for more senior positions, many companies turn into frugal penny-pinching shoppers, unwilling to pay the going rate for top talent. A good friend at a well-known US-based multinational has shared stories about how time after time, after exhaustive interviews and due diligence, the company would pass on the top candidates,

because they were unwilling to pay market compensation.

Not realizing that in many Latin American countries top talent is (a) difficult to find and (b) expensive, the company invariably picked less qualified or experienced candidates. These candidates generally will not have the same

level of experience or the gravitas to successfully navigate the waters of corporate America, while at the same time ensuring adherence to company codes and practices in their local operations.

This is not the place to be “penny wise and pound foolish.”

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#### **Training and communicating: Understand you’re not in Kansas anymore**

This is not just in LA; many non-native English speakers tend to overstate their level of English proficiency, particularly if they work for American companies. So please, if you must use English for company communications and, more importantly, for compliance training, use plain English and stay away from US-style vernacular and slang. One famous CEO who was known for his uncompromising support for corporate ethics used to explain the company’s commitment to ethics this way: “We take ethics and compliance seriously... no ‘head fakes’ when it comes to doing the right thing.” So, say you are a new sales trainee in Mexico, and are hearing this in English. Obviously this must mean you need to make sure you always use real and legitimate heads in business, not fake ones. In another case that led to the termination of

a local executive, who also led his company's compliance committee in his country, he listened to a CEO speech about being "boundariless" and "thinking out of the box." When questioned about why he violated company policies on a risky business deal, he explained, "Well, the CEO said we should do whatever we need to do to make sure we get deals done."

Even more important, please conduct compliance training in the local language, if you want to have your message understood.

Another case from real life: A good friend at a Fortune 10 company tells me that she was asked to conduct annual compliance training at a long-standing affiliate in Latin America. The charts were in English, but she decided to do the presentation in the local language. At the end of the session, she was approached by a number of long-tenured employees who told her that for the first time in years, they now actually understood the policies.

And, I'm pleased to say, the Securities and Exchange Commission (SEC) agrees with me on this! A while back, the SEC entered into a settlement agreement with Texas-based Orthofix for payments made by its Mexican subsidiary to government officials (which, by the way, were referred to internally as "chocolates"). The SEC made it clear that Orthofix did not have an effective compliance program in Mexico, because it distributed its code of conduct and conducted training in English, a language "unlikely to be understood by its employees."<sup>1</sup>

Effective and clear local language policies and training are the foundation of good compliance programs in Latin America. Don't

just translate your policies and pass them out. Make sure you distribute and discuss your code and in particular, your anti-corruption policies and procedures in the local language. And by "local," I don't mean Castilian Spanish in Argentina or Portugal Portuguese in Brazil.

Also eliminate "legalese," no matter what the language. I also challenge you to read your anti-corruption policy and to ask yourself, "If I were a lay person in a foreign country, would I understand this, even if it

was translated?" I'll bet I know what the answer will be.

So, no matter whether it's chocolates (yummy) or codfish (one of my new colleagues swears that, in his country, bribes are called "passing out the codfish"), your local employees need to

understand, with a high level of clarity, what their company policies require and expect of them.

### Conclusion

Making sure your company recognizes the need for engaged local leadership who can provide the "tone at the top" and making sure that your employees really understand the company's code of conduct and anti-bribery policies are two straightforward ways to mitigate compliance risk in Latin America, or anywhere else for that matter. \*

1. Matteson Ellis: "SEC Local Language Essential to 'Effective' FCPA Compliance" *FCPA Americas Blog*, July 11, 2012. Available at <http://bit.ly/effective-fcpa>

*Eduardo L. Buso* ([ebuso@sbcglobal.net](mailto:ebuso@sbcglobal.net)) is Senior Director and Latin America Compliance Officer for Teva Pharmaceuticals.

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