

Tool created to help multinational companies assess risk of bribery when doing business in foreign countries

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A tool to help multinational companies assess the business bribery risks faced when conducting business in foreign countries and tailor compliance policies to address those threats has been created by researchers from the RAND Corporation and TRACE International.

Called the TRACE Matrix, the tool improves upon previous methods of risk assessment by incorporating approaches that are better designed to help businesses predict bribery risk and similar threats, researchers say. The tool is free and is available on the TRACE International website.

Researchers say corruption can hinder global business investment—particularly in emerging markets—but multinational companies often have difficulty assessing the business bribery risk in other countries.

"Expanding a business to a foreign country can be difficult and complicated," said Karlyn D. Stanley, who headed RAND's efforts to create the tool and an adjunct senior researcher at RAND, a nonprofit research organization. "The TRACE Matrix provides businesses with a new tool to assess the risk that [government officials](#) will attempt to secure bribes as a cost of doing business in that country."

Bribery of [foreign government officials](#) is prohibited by the U.S. Foreign Corrupt Practices Act and other international laws. But

businesses have inadequate measures to assess this risk on a country-specific basis.

In order to comply with the domestic laws, U.S. companies that engage in foreign markets create compliance programs that include training for employees who are present in foreign countries and audit programs of the company's foreign operations. This includes efforts to investigate the business credentials of vendors in those countries.

In the past 10 years, there has been an increase in prosecutions brought by the U.S. Department of Justice and the Securities and Exchange Commission under the Foreign Corrupt Practices Act, said Nicholas Burger, co-author of the study and an economist at RAND.

To create the new index, researchers reviewed the literature on foreign business corruption, bribery of government officials, and government and corruption measurement. The RAND team also interviewed U.S. regulators, multinational companies, international consulting firms, international nonprofit organizations and global law firms to understand the processes corporations engage in to assess and address business bribery risk. TRACE International, which has more than 20 years of experience in dealing with business bribery risk, also contributed to the development of the index.

The TRACE Matrix calculates a score for each country, with a range from 1 to 100. The higher the score, the greater the business bribery risk. It assesses countries across four domains—business interactions with government, anti-bribery laws and enforcement, government and civil service transparency, and the capacity for civil society oversight, including the role of the media. It also assesses countries in nine sub-domains.

Although the index can be used to rank countries by their composite

scores, it is also possible to view the results for specific risk factors. This allows companies to tailor their compliance practices more effectively.

The 10 countries, in alphabetical order, with the highest business bribery risk score according to the TRACE Matrix are: Angola, Burundi, Cambodia, Chad, Guinea, Nigeria, South Sudan, Uzbekistan, Vietnam, and Yemen. The 10 countries, in alphabetical order, with the lowest business bribery risk scores are Canada, Finland, Germany, Hong Kong, Ireland, Japan, New Zealand, Singapore, Sweden, and the United States.

More information: The report, "Business Bribery Risk Assessment," can be found at www.rand.org

Provided by RAND Corporation

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