
How Brazil Is Cleaning Up



By L. Felipe Monteiro , INSEAD Affiliate Professor of Strategy

Leadership lessons from the centre of Operation Car Wash.

“...the exposure and punishment of public corruption is an honour to a nation, not a disgrace.” – U.S. President Theodore Roosevelt

Operation Lava Jato (Car Wash), one of the largest anti-corruption cases in the world, has been toiling away over the past four years, bringing corrupt politicians and executives in Brazil to justice.

At the centre of the investigation is Sérgio Moro, the federal judge who has jailed, amongst others, a former speaker of the house in Brazil, a former president of the country and a former director of Petrobras, the state oil conglomerate.

Rejecting the idea that he has singlehandedly cleaned up Brazil, Judge Moro says he is “a part of the institutional framework”. He recently visited INSEAD and was on hand for the launch of a case study ***“Doing Business in Brazil After Operation Car Wash”***, co-written by Tulio Albuquerque and myself. It is the first business-school case about ***Operation Car Wash*** and its influence on the economic climate of Brazil.

Bad for business and society

Paying the inflated **“Brazil cost”** – a practice solidified by years of institutionalised corruption – used to be the price of doing business in Latin America’s largest economy. Some construction companies were so accustomed to this criminal activity that they actually built bribery into their compliance systems; billions of dollars went missing. National politicians relied upon bribes from company executives to maintain their own power. Judge Moro calls this “a criminal scheme that persisted for at least 10 years”.

Confronting those who would weaken important institutions, Judge Moro has demonstrated how to be a leader amidst corruption.

He has served on the bench for 21 years. Given that his first criminal cases involved drugs and money laundering, Judge Moro sees the transition to this case to as a natural one. Operation Car Wash didn’t start out as a large, well-planned attack on systemic corruption. He describes how one case in 2014 brought the sprawling nature of the crimes to light. Former Petrobras executive Paulo Roberto Costa turned state’s evidence, outlining a sophisticated bribery framework involving not only the oil company, but other conglomerates and foreign companies, and those in political power. Costa alone returned more than US\$23 million in bribes.

Building bribes into costs required mind-bogglingly large numbers. For example, the cost for Petrobras’ **Abreu e Lima** refinery was five times – US\$20 billion – its initial budget. Bribes may not explain 100 percent of the ballooning costs, but according to Judge Moro: “The focus and concerns of executives at Petrobras were not on the welfare of the company but on opportunities to take bribes, not only for them, but for the politicians who gave them their political support so they could remain in their positions.”

In 2016, executives from Odebrecht, Brazil’s largest construction company, confessed that they had been involved in this systemic corruption and agreed to pay penalties worth billions of dollars. They also admitted to bribery in many other countries, including Peru, where President **Pedro Pablo Kuczynski** recently resigned after he was implicated in the scandal.

“The great problem with systemic corruption is not only about economy, about costs,” continues Judge Moro. “The major problem is that it affects confidence. For any nation to work, you need confidence in the government, you need confidence in the markets, and you need confidence in democracy. In an environment of systemic corruption, if you add impunity – and impunity was the rule in Brazil before 2014 with some exceptions, of course – you

have a lack of confidence in democracy and in the markets, and in the rule of law.”

Rewriting the rules

As Judge Moro says, the fight against systemic corruption wasn’t planned, but it is necessary. He cites two things in particular that make it possible to “overcome the test of impunity”: his team and the support of the Brazilian people.

According to Judge Moro, teamwork needs focus and dedication. He has worked closely with a team of public employees since 2002. “When you do the right thing, it helps inspire other people to do their part,” he says. His team are dedicated to change the corrupted environment. They are motivated by a sense of making a difference.

Since 2015, millions of Brazilians have participated in demonstrations supporting Operation Car Wash. In our interview, he cites the importance of this support in the face of defendants who are politically or economically very powerful: “The support of public opinion works as a shield against improper influence on the courts.” Public opinion doesn’t sway his decisions but he is a great believer in transparency. Operation Car Wash garnered the support of the Brazilians by opening the case to public scrutiny. “We made every piece of evidence available so the Brazilians could know what was going on in the cases,” says Judge Moro.

His personal leadership style is based on remaining humble and honest with his team. They share difficulties and optimism because the work is hard and they don’t know what the future holds. But there is a feeling that Brazil has broken with its past of impunity and that the same rule of law is applied to everyone in the country.

Leadership in action

For business people today, Judge Moro’s advice is explicit: “Don’t take or pay bribes.” Saying that paying kickbacks or receiving cash gifts are ‘the rules of the game’ is not acceptable, don’t take them. Act with integrity not only because it’s better for business but because it’s just.

He understands that business schools have a great responsibility to influence how business is conducted. “Integrity is very important not only because I really believe that clean business is good for profits, but also that's the right

thing to do.”

“You don’t want to be part of the problem, you want to be part of the solution,” he continues. “Never forget that doing business is not only good for profits but for the well-being of your community. Never forget that you are in business not only for profits but you need to care for people and the planet.”

In my opinion, one of the most encouraging parts of Judge Moro’s visit was the response of my MBA students, who overwhelmingly believe that Operation Car Wash is a moment of real change for Brazil. The future of business and society relies on graduates who remember the vital nature of integrity and accountability and act accordingly.

At the end of his lecture at INSEAD, Judge Moro reminded us, “This case was not a one-man job and it was very touching to see the support that the investigation received from the Brazilian people. So you could have also a reasonable expectation that if you do the right thing, if you keep your values, if you keep your honour and your integrity, you will probably inspire others and you will receive support because there are a lot of people who are interested in doing the same thing.”

From the feedback I received from our students, Judge Moro’s powerful message was very inspiring and will remain with them for many years to come.

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