

Rebuilding an Empire: The Odebrecht Challenge after the Corruption Scandal

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Abstract. From modest beginnings, the conglomerate Odebrecht became one of the most relevant actors of development for Brazil and Latin America. By 2010, the conglomerate was elected the best family business in the world. Annual revenues rose from US\$ 24 billion in 2008 to US\$ 41.8 billion in 2014. However, by 2015 Odebrecht was in a very different situation, embroiled in a multi-billion-dollar corruption scandal. To illegally secure more than 100 projects, Odebrecht had paid approximately US\$ 788 million in bribes across 12 countries. Corruption was not new in Latin America, but so many powerful people facing jail time in the region certainly was. In 2016, Odebrecht agreed to pay a record breaking fine of US\$ 2.6 billion for violating the Foreign Corrupt Practice Act. This case describes Odebrecht's corruption scandal, touching on possible causes, the company's handling of the criminal allegations, and probable defenses to protect against future setbacks.

Keywords: corporate governance, corporate social responsibility, corruption.

1. An Empire to Build a Region

As the 21st century began, the conglomerate Odebrecht SA was one of the most relevant actors of development for Brazil and Latin America. The family Odebrecht was not only building an empire, the family was contributing to the development of a country and the progress of a region. *Construtora Norberto Odebrecht* (CNO) was responsible for major public infrastructure works in Latin America, several hundred bridges, dams for hydroelectric and coal-fired power plants, highways and subways, and several ports, railways and airports. Founded in 1944, in Salvador Bahia, the company became over the years the largest engineering and construction firm in Latin America and one of the largest contractors in the world. CNO was the origin of the family-controlled conglomerate Odebrecht SA (Odebrecht).

Odebrecht conglomerate was a global organization, with over 180,000 employees, and presence in Brazil and 27 countries of Latin-America, North-America, Africa, Europe and the Middle East. The group conducted business in multiple industries such as petrochemical and nuclear plants, mining, offshore oil

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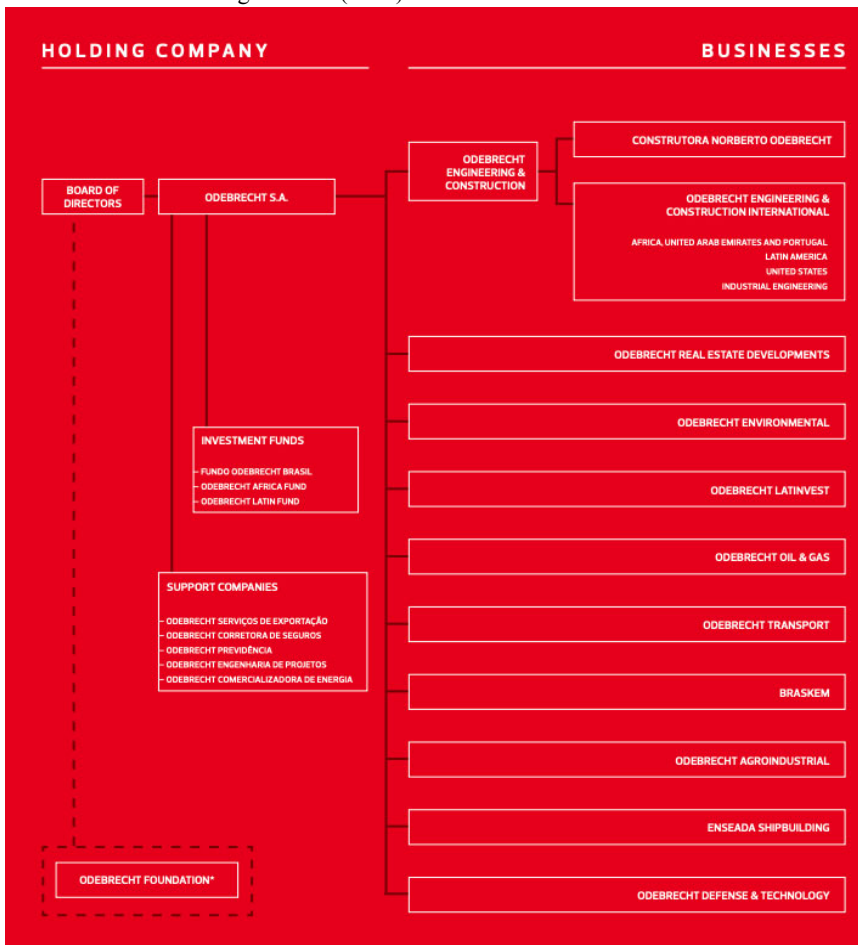
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and gas, energy transmission, steel mills, sanitation, water resources and irrigation projects. The conglomerate was composed by the following companies¹: *Braskem* (petrochemical), *Odebrecht Óleo e Gás* (oil and gas), *Foz do Brasil* (environmental engineering), *ETH Bioenergia* (ethanol and bioenergy), *Odebrecht Realizações Imobiliárias* (real state), *Odebrecht Participações e Investimentos* (investments in public/private partnerships and concessions). In addition CNO comprised six companies, as per business specialty or location: *Odebrecht Energia* (energy), *Odebrecht Engenharia Industrial* (industrial engineering), *Odebrecht Infraestrutura* (infrastructure), *Odebrecht America Latina e Angola*, *Odebrecht Venezuela* and *Odebrecht International* (Figure 1).

Figure 1: The Odebrecht Conglomerate (2015)



Source: Odebrecht Website, “Reports”, “Annual Report 2014-2015”, found at https://www.odebrecht.com/sites/default/files/ra_odebrecht_2015_en_0.pdf

1. Primary source for this section: Odebrecht Website <https://www.odebrecht.com/en/home>, accessed April 6 2020.