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Building a Successful Non-Profit Organization: The TRACE Experience

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It is notoriously difficult to create and sustain any complex enterprise, but developing one dedicated to advancing the public interest on a not-for-profit basis presents a unique set of challenges. A not-for-profit struggles with the large and difficult problems of defining a mission, determining the parameters by which it will measure its success, creating a viable financial plan, locating and tapping resources, and sustaining motivation and morale in the face of slow progress. On a less lofty plane, it is simply more difficult and expensive to borrow money as a not-for-profit.

In order to offer a model of a successful not-for-profit and in hopes of discerning some useful lessons learned, this case study examines Transparent Agents and Contracting Entities' (TRACE's) evolution since its founding in October 2001. The authors outline the organization's experiences during its start-up years and discuss significant choices and challenges faced throughout its creation and development.

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Transparent Agents and Contracting Entities (TRACE) is a non-profit membership association of multinational companies and their commercial intermediaries committed to the highest standards of transparency. The goal of TRACE is to provide anti-bribery support for companies and commercial intermediaries across all industries and regions. TRACE specializes in anti-bribery due diligence reviews and compliance training for international commercial intermediaries (sales agents and representatives, consultants, distributors, suppliers, etc.). TRACE member intermediaries are "pre-vetted" partners for multinational companies seeking to do business with entities that share their commitment to transparent business practices.

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Executive Summary

Transparent Agents and Contacting Entities (TRACE) is a non-profit membership association of multinational companies and their commercial intermediaries committed to the highest standards of transparency. The goal of TRACE is to provide anti-bribery support for companies and commercial intermediaries across all industries and regions. (For more information, visit http://www.TRACEInternational.org.)

This case study records in brief form the experience of TRACE since it was founded in October 2001 through the end of 2006 and outlines the lessons learned during its first five years.

Lessons Learned

The TRACE Model

- TRACE combines the strengths of a for-profit (it is self-sustaining, it has ample resources, it gets useful feedback from its member companies, it can measure its success in ways familiar from for-profit companies) with the advantages of a not-for-profit (its people are deeply committed to its mission, it receives pro bono contributions from law firms and others, it enjoys a high level of trust from its members and partners, it has a widely impact).

- TRACE has discovered important convergences of interests between large corporations, the representatives they hire overseas, and the law firms abroad with which they work. By bringing those three groups together and explaining those shared interests, TRACE has been able to raise the standards of anti-bribery compliance by all three groups.

- TRACE has determined ways to coordinate the activities of companies, intermediaries, and law firms in their compliance work and thus create substantial efficiencies from which all benefit.

Market Entry

- Early members accepted risk in trusting sensitive compliance functions to an untested organization. The founder's expertise and prominence were essential in attracting early users of TRACE services.

- Experience has shown that significant initial outlays were justified in rapidly establishing TRACE as a high quality, credible organization. This built trust and positive word-of-mouth among prospective members. For example, TRACE: (1) spent freely to produce polished reports and marketing materials, (2) immediately hosted professional forums in an elegant fashion, and (3) rolled out an attractive, functional website with high quality content.

- TRACE defined an initial core product of value to potential members, but it resisted the temptation to fully define itself. TRACE invited prospective members to help design its services and responded quickly to their expressions of appreciation, desire, or concern.

- Pricing was not developed soundly. Prospective members found the initial pricing too low and doubted that TRACE could perform all that it promised at so low a cost. Repeated changes in pricing were distracting; the organization took too long to establish pricing that balanced: (1) a desire to maximize impact at minimal cost, and (2) the opportunity to capture a portion of members' outsourcing savings to support additional mission-related activities.

Financing and Investment

- TRACE benefited from loans from its founder. Grants and bank loans were not pursued, increasing flexibility and time to focus on leadership.

- The services of public relations firms constituted a significant initial investment, but this investment required "retuning" to target the appropriate audience. Its costs were reduced once public awareness reached a tipping point as media coverage became self-perpetuating.

- The website created a positive first impression, but its design functioned poorly with search engines like Google. This greatly limited TRACE's initial presence on the internet.

- Management invested freely in matters that shaped TRACE's outward image, but under-invested in critical internal tools like office equipment and information technology. This slowed the growth of TRACE and taxed the patience of its early employees.

- TRACE made its biggest mistakes in failing to spend on information technology. Cooperation among its far-spread work force would have been enhanced by shared folders, electronic archives, e-fax, and web-based dashboards.

Talent

- TRACE attracted and retained high-quality employees through a compelling mission and an attractive staffing model that emphasized flexible hours and remote (home) offices. Initially, staffing occurred through independent contractors.

- While flexibility attracted significant talent, TRACE was slow to articulate a minimum set of expectations with regard to full time and part time work. This led to inefficiency in training employees who had not committed to a substantial workload.

- Rapid growth strained the remote staffing model, leading to development of a hybrid model with: (1) full-time employees and independent contractors, and (2) a central office facility.

- Transition to a larger organization required careful management to: (1) introduce specialization, (2) create a management structure without excess bureaucracy, (3) develop formal human resource policies, and (4) proceed in a collaborative way to retain employee engagement.

- Hosting forums to which the legal counsel and compliance officers of a wide variety of firms were invited offered frequent dividends in recruiting and new membership.

- Initial board members were not uniformly motivated to contribute resources and energy. TRACE initially failed to develop a board with diverse capabilities (nearly all members were acquaintances in the anti-bribery legal community).

Next Steps for TRACE

While this narrative may suggest that TRACE has succeeded, in fact it faces a new set of challenges. To some extent, the organization suffers the happy problem of success: how to manage rapid growth. Having reached the important milestone of financial self-sufficiency, TRACE is considering how to institutionalize its impact. Specifically, it is considering how to:

- Expand senior leadership to limit the organization's dependency on its founder

- Continue to develop internal structures to grow in size without losing employee satisfaction

- Improve internal efficiencies through a stronger technology platform

- Broaden board capabilities and contributions

- Optimize the use of TRACE revenue in supporting its not-for-profit mission

- Establish appropriate partnerships to leverage TRACE's distinctive knowledge and membership base

- Expand services to complement and not distract from TRACE's core anti-bribery focus

Introduction

While it is notoriously difficult to create and sustain any complex enterprise, developing one dedicated to advancing the public interest on a not-for-profit basis presents difficulties beyond those experienced by one aimed at producing a profit.

This is not to say that profit-seeking organizations are easy to start up and run. The U.S. Small Business Administration ("SBA") reports that "the majority of small businesses fail in their first year and 95 out of 100 fail within their first five years."[1] Still, a typical small business like a dry cleaning establishment or a catering company has many models and examples from which to study and learn. By comparison, a not-for-profit struggles with the large problems of defining a mission, determining the parameters by which it will measure its success, creating a viable financial plan, locating and tapping resources, and sustaining motivation and morale. On a practical level, it is simply more difficult and expensive to borrow money as a not-for-profit. Few sponsors take the risk to bet on your success.

In order to offer a model of a successful not-for-profit and in hopes of discerning some useful lessons learned, two people closely involved with a not-for-profit organization called TRACE have assembled their notes and recollections to discuss significant choices, challenges, and assets in the creation and development of the organization. These will be sketched out in fairly brief and informal terms. Visit TRACE's website (www.TRACEinternational.org) or contact the authors[2] to pursue some of the issues raised in this narrative.

How is TRACE a success?

- It has survived the five-year test suggested by the U.S. Small Business Association.

- It has developed an annual income of over \$2,000,000, a payroll of \$850,000, and a financial reserve of \$500,000; it has experienced rapid, accelerating growth.

- It has, in the judgment of many of the participants in its seminars and training sessions, had a distinct and positive impact on the problem of bribery in international commercial transactions, and it has made significant progress towards its twin goals of raising the standard of compliance with laws and conventions covering bribery and lowering the cost of compliance to companies and their commercial intermediaries.

- A recent review of its operations by the Accenture consulting firm found TRACE to be financially sound and with excellent prospects for future growth and development.

What is TRACE?

TRACE is a not-for-profit membership association of multinational companies and their commercial intermediaries committed to the highest standards of transparency.[3] The goal of TRACE is to provide anti-bribery support for companies and commercial intermediaries across all industries and regions.

How was TRACE conceived and founded?

TRACE was conceived at the 10th International Anti-Corruption Conference, held in Prague in October 2001.[4] The Prague conference was attended by a wide variety of non-governmental organizations (NGOs), media representatives, socially responsible investors, multinational corporations, and others. One subgroup among the delegates consisted of the compliance officers of a variety of large corporations.[5]

There was a special sense of urgency regarding corruption at that meeting, which took place just a month after the September 11 attacks. Ron Noble, the secretary general of Interpol, had asked, "Who is safe in a world where passports, visas, and customs clearance can be bought?" His address was followed by posthumous awards for anti-corruption martyrs – people who were murdered after blowing the whistle on egregious acts of bribery.

Seven of the compliance officers from multinational companies met over dinner one evening of the conference. The group discovered that all seven companies used the same sales agent in Egypt, and every year all seven had subjected that agent to costly and time-consuming background checks. The group estimated that they had collectively spent at least $250,000 investigating the financial, legal, and political operations of that one individual. Some had performed a much more thorough and penetrating investigation than others, but all had spent substantial amounts of time and money, of their own and the agent's, in carrying out these inquiries.

This dinner sparked the moment of insight that gave rise to TRACE. Ms. Alexandra Wrage, senior international counsel with Northrop Grumman, wondered if she could create a way to vet agents like that one to a single high standard based on the best practices of all the companies at the table, then make the results of that vetting available to all. In this way she could: (1) raise the compliance standard of all seven companies, (2) lower the costs to each, and (3) encourage greater transparency in hundreds of major commercial transactions by making the process of background investigations and the practices of the participants more thoroughly known.

Returning from Prague, Ms. Wrage worked out the fundamental design of the new organization. She also arrived at a name for the new entity: Transparent Agents and Contracting Entities (TRACE).

Her goal was to provide "due diligence" services (background checks on potential commercial intermediaries, such as sales representatives, agents, consultants, etc.), to offer anti-bribery compliance training for employees and agents,[6] and to create a resource center for compliance officers. The resource center would be a tool for the officers where they could find information on the local laws in places like Algeria or Taiwan or gather information on local standards and practices regarding such matters as gifts and hospitality offered to customers.

Such services, she reasoned, would be attractive for many reasons. They would lower costs, reduce duplication of effort, and raise standards. They would be good for all, except perhaps compliance officers who might see their staffs shrink, and law firms that had been charging by the hour for this sort of work. She anticipated that the services of TRACE would be very attractive to companies that had not yet developed substantial compliance programs. She also decided that, with regard to the vetting of agents, TRACE would limit itself to assembling detailed and reliable background reports and avoid providing legal advice. In-house and outside counsel would still get to review the packages and get paid for doing so; they would not, however, be assembling the packages and billing hundreds of dollars per hour for the work.

The Initial Design

Five years of experience have highlighted several crucial aspects of the initial conception of TRACE. First, the TRACE idea was in no sense anti-business. While it is not unusual for not-for-profits or NGOs to position themselves in the very appropriate and valuable role of critics, watchdogs, or consciousness-raisers, the idea for TRACE arose from someone within the business community and it aimed to support a crucial, costly business function – compliance with the law.

Second, the idea arose when Ms. Wrage perceived a fundamental convergence of interests among the different parties (executives, sales agents, prime and subcontractors, and customers) involved in international business deals. They all share an interest in complying with the law, and they all are served by greater transparency as well. Any corporation, agent, or buyer working with a quality product at a reasonable price prefers to operate in a transparent environment and has much to fear in a corrupt environment. TRACE supports transparency for all these actors.[7]

Third, it was important that Ms. Wrage already had considerable expertise, credibility, and wide name recognition in this field. Her affiliation with Northrop Grumman was helpful because Northrop had established a widely respected compliance program in the wake of a major scandal more than a decade earlier.

Fourth, it was important that while the TRACE idea contained a vision for a few specific functions (preparation of due diligence materials, training, and a resource center), it was also available to provide related tools and services. It was open to any activities aligned with the organization's goals that might be valuable to the companies and agents that used its services. It would grow and evolve in accordance with demand, not strictly confined to the founder's initial vision.

Fifth, it was an individual, not a committee that conceived TRACE. For the first two-and-a-half years, one person's energy and resources drove the organization. Although a team approach may have been more democratic, TRACE responded quickly to new opportunities precisely because one person made decisions. Every organization must outgrow this stage in order to be sustainable over the long-term, but this was certainly an advantage during the first two years of the organization. Much of what contributed to the success of TRACE would not have been achievable by a group that needed to consult frequently and build consensus.

Launching the Organization

At the outset, there was no clear idea of what TRACE would be doing in five years. There were only clearly conceived goals: to raise the standard of anti-bribery compliance with both the letter and the spirit of the law and to lower the cost of that compliance. There was much discussion of a market plan, but most of it proved to be speculation. It was more useful simply to get TRACE "out there" and in front of the people who work on compliance issues. The general plan of action was to create events, publications, and web resources, then to see how the intended audience responded, and to design the next product based on the responses received.

Immediately upon her return from Prague, Alexandra Wrage shared the idea for TRACE with Karina Litvack, now director, head of governance & socially responsible investment, F&C Asset Management, a London-based global asset management company with £131.0 billion under management. Ms. Litvack, a fellow Canadian, had attended the Prague meeting and was an early supporter of TRACE. She conducted a quick round of market research, distributing a description of the TRACE idea to contacts in the business community.

Without much reflection on alternative designs, Ms. Wrage began to work toward the model of a membership organization with two kinds of members: (1) multinational companies that pay a set annual membership fee and gain access to agent background reviews, and (2) agents that pay a small fee and apply to be reviewed. She set up a website and at once began providing free workshops for companies, agents, and government officials around the world. In the first ten months, TRACE held workshops in Bogotá, London, Seoul, Paris, Dubai, Budapest, Manila, and Moscow. Ms. Wrage also began recruiting law firms that were willing to partner with TRACE by providing pro bono descriptions of the laws of their home countries and information on local "reasonable and customary" standards. The law firms provided these "local law surveys" in return for exposure to TRACE member companies.

Ms. Wrage did not, however, quit her job at Northrop Grumman. Instead, she ran TRACE on weekends and in the evening. While her job at Northrop grew in demands and responsibility, she maintained this schedule for almost three years.

For-Profit or Not-for-Profit?

This choice may not arise for many groups seeking to create an NGO. Still, it may be worth searching carefully for possible convergences between an NGO's goals and a business need.[8] The business/TRACE synergy proved to be crucial to the progress TRACE has made toward raising the standards and lowering the costs of compliance with anti-bribery laws.

The arguments in favor of creating TRACE as a conventional for-profit, fee-for-service company were fairly obvious. Ms. Wrage had identified an opportunity to create substantial new efficiencies in the due diligence process, and she could no doubt have reaped considerable financial gain by exploiting them.

The arguments against a for-profit company were much stronger. There was the excitement of pioneering a new approach to the issue and of putting anti-bribery work on a new footing. Plenty of enterprises had attempted to make money from compliance work and had succumbed to the incentives that drive profit maximizing efforts. The goal and purpose of TRACE was to urge companies and agents toward more complete compliance with the law by lowering all possible impediments. This meant helping them cut their costs, speeding the vetting process, and developing innovative tools – particularly new and more readily available sources of information. The not-for-profit approach held the opportunity to urge companies to move beyond mere legal risk mitigation. It also promised a chance to draw on law firms in the U.S. and abroad for their pro bono contributions.

To accomplish all of this, TRACE needed to work quickly and become widely known and trusted. It did not seem advisable or practical to work from grants as they are slow to arrive and often come with strings attached. Instead, TRACE was financed at the outset with a personal loan. TRACE achieved a modest positive cash flow in 2003, fifteen months after it was conceived.

The TRACE Signature

Ms. Wrage decided that from the start, all the events TRACE sponsored, all the publications it issued, and all the matter it displayed on its website would be top quality. If corporate CEOs, CFOs, general counsels, and trustees were going to put their compliance affairs in the hands of TRACE, they would have to be confident that they were dealing with a substantial institution, not a shoestring organization.

The first TRACE anniversary was held in the elegant law offices of Reed Smith on K Street in Washington, D.C. The first TRACE Forum[9] a year later was held at the Hay Adams Hotel, also in Washington, and a week later was echoed with a parallel event at the Ritz Hotel in London. There was never a problem enticing the leading figures in the field to attend and to speak at these events, and each event easily paid for itself with new corporate memberships.

The first TRACE publication was called "The TRACE Standard." It was based on a survey of due diligence methods used by forty companies and it aimed to establish the TRACE due diligence methods as the gold standard – the benchmark for best practices across an array of industries. An excellent graphic designer gave the publication a polished look and created the TRACE colors and TRACE logo, all in banker's blue. High quality printing and paper were used to encourage the compliance officers, lawyers, agents, and journalists to whom these were distributed to keep them on their desks or shelves as a useful and valued reference. These were distributed widely at no charge and as they were TRACE's first interaction with many companies, they have proved to be excellent door openers. "The TRACE Standard" was the first of three such handbooks. TRACE publications have appeared in a number of languages, including English, French, Spanish, Russian, Chinese, and Arabic.

The TRACE website was designed to offer content of substance that would be valuable to a lawyer, compliance officer, or agent. This, along with the active travel and training agenda pursued in the first two years of TRACE, made the organization appear from its earliest months as a substantial, well-funded organization that was bound to be a major feature of the compliance scene for a long time to come. Those perceptions rapidly became fact as TRACE attracted attention and members.

Public Relations (PR) Firms

In the earliest months of TRACE's existence, there seemed to be no end of PR firms offering to be put on retainer at $6,000 per month. Ms. Wrage resisted the idea that TRACE needed professional media relations guidance at a time when it could afford it least. By April 2002, six months after TRACE was founded, she recognized that a PR firm was needed to launch the organization beyond the start-up phase. Over the two years that followed, the PR firms' fees accounted for more than half of the total expenses of TRACE.

In that first year, TRACE made the mistake of contracting with a PR firm that specialized in the work of NGOs. It proved to be a poor fit with TRACE. It presented TRACE as an organization combating the scourge of corruption; while this is true, it did not capture the TRACE message. TRACE wanted companies to know that if they chose to commit to reducing bribery internationally, TRACE could provide a set of tools to help them do that cost-effectively. In the third year of TRACE's existence, a firm called NewsPROs became its public relations specialist. It was directly on message and had contacts in legal and business communities rather than the NGO community.

Soon after the retention of NewsPROs, TRACE was mentioned, described, or quoted in *The Wall Street Journal*, *The Financial Times*, *Forbes.com*, and more than a dozen major trade publications. Since reporters search what has already been published, past articles generated more contacts, and after one year it was possible to trim PR expenditures by one-third.

TRACE ensured increased visibility after producing two chapters of a United Nations book on anti-bribery tools and a chapter on the U.S. anti-bribery law of a major contracts manual. These were valuable in deepening the identification of TRACE as a leader in the field and in establishing its president as a foremost expert on the issues.

Financing

To conduct activities and produce quality deliverables in the TRACE signature style cost money, but less than might have been expected. Printing and entertaining were expensive. Nonetheless, Ms. Wrage kept the organization moving forward by working for TRACE on a pro bono basis and financing TRACE with a personal loan until company memberships began to grow substantially in the second year.

This was a good thing because banks are not eager to lend to start-up not-for- profit organizations. If seed money is available, it comes in amounts too small to launch an organization properly and with active management that wants to shape the goals of the organization.

As mentioned previously, it did not seem advisable or practical to work from grants. This is not just because grants can be very time consuming to pursue and burdensome in their reporting requirements. Rather, the universal conviction from the start was that the organization would support itself or fail. Companies would recognize the value TRACE offers and buy into its model, provided the model was well designed and well communicated. Before long, TRACE would be a stable organization with staying power that would help a company accomplish more than any company could alone and do it for less money.

TRACE has accepted grants from only one source, which is closely aligned with its business-friendly approach: The Center for International Private Enterprise (CIPE), which financed this case study. TRACE has also had a very successful partnership with ISIS, now F&C Asset Management, an early supporter of the TRACE model mentioned earlier. Partnering on several projects enabled TRACE and ISIS to undertake research projects on whistleblower programs and the dilemma of the small "facilitation" payments often paid in developing countries to induce government officials to do their jobs.

TRACE has also avoided grants because it learned quickly that other not-for-profits can be very competitive. By deciding not to solicit grant money, TRACE hoped to diffuse some of the fairly public hostility some NGOs expressed toward the organization.

Ms. Wrage's decision to commit personal funds to the organization lent a sense of urgency to getting the organization established and self-sustaining as quickly as possible. The fact that she continued to work in her capacity as international counsel for Northrop Grumman Corporation made this a financially manageable commitment. However, her decision to run TRACE while she held down a demanding full time job probably delayed the hiring of full-time assistance in managing TRACE.

Once the decision is made to finance, it should be done at a level that allows the organization to flourish without becoming preoccupied with each bill. Purchasing the necessary equipment is essential to maintaining a high level of productivity.

TRACE prospered only with huge commitments of volunteered time. Even when people are working on a volunteer basis, it is important to place a monetary value on their time. This makes it easier to assess in the long-run how much it really costs to run the organization. TRACE undervalued pro bono and volunteer contributions and was surprised by the expense when it had to begin paying for these services. So much was being done at no cost to TRACE – in evenings and weekends by people with demanding full-time jobs – that there was no clear understanding of how much it would cost to develop and run the organization when it finally "stood up" as an independent, debt-free entity.[10] As a result, TRACE significantly under-priced its product.

Pricing

Initially, TRACE made the surprising error of pricing its services too low to be credible. A call from the general counsel of a major multinational startled Ms. Wrage: he was meeting resistance within his organization because TRACE fees were too low. People did not believe the organization could do what it promised for what it intended to charge. In particular, companies that joined at the initial annual fee of $6,000 expressed concern. If companies were going to trust a not-for-profit with some of their most sensitive anti-bribery compliance matters, they had to be confident that TRACE would be around in the long-run.

One executive called and said, "You're going to make me look really bad around here if I convince everyone to go with TRACE and dismantle our internal capability, and then you fold up shop next year because your model is unsustainable." Perceptions of this kind had to be managed carefully and a great deal of time was spent explaining that TRACE could do what it promised for the amount that it was charging.

A second try at getting pricing right also was unsuccessful. Although TRACE increased the annual membership fee (grandfathering existing members), it had not found a way to align pricing with the dictates of its mission and the cost of providing its services. TRACE resisted pricing based on company size because it found that large companies had considerable internal resources and it was the smaller companies that used its services more. At the same time, TRACE believed it was important to its outreach to make its pricing very affordable for the smallest companies that had been doing nothing about anti-bribery compliance.

On the other hand, TRACE services save members considerable amounts of money – several members reported that outsourcing saves more than $100,000 per annum. A modest form of price discrimination seemed appealing. TRACE's mission would benefit by achieving a compromise between: (1) low prices to encourage small members to maximize their anti-bribery compliance activities and (2) higher prices (capturing a share of larger members' savings) to subsidize other activities to improve anti-bribery compliance activities.

Ultimately TRACE settled on a three-tiered membership scale, beginning at $15,000 with two higher priced tiers based on the number of commercial intermediaries a company wants reviewed. As the due diligence reports are by far TRACE's most labor intensive service, this allocated cost in a logical manner.

Marketing

TRACE experimented with several marketing or membership development models before recognizing that the most effective strategy was industry-by-industry growth. Not only did this enable the organization to really understand the challenges facing each industry and target its public relations efforts accordingly, but anti-bribery compliance follows trends. Once several companies within an industry join TRACE, the rest of the industry soon follows. Because of Ms. Wrage's background, aerospace and defense were initially the largest membership groups, but that has been supplanted by oil and gas. Information technology currently is the fastest growing sector, with retail and pharmaceuticals also important.

TRACE has not adequately addressed the "free-rider" problem. Companies, including Fortune 500 companies, continue to find ingenious ways to gain access to TRACE services without joining the organization: through joint venture partners, "borrowing" passwords to the TRACE Resource Center, asking their intermediaries to certify that they are fully-vetted TRACE members, but not requiring a TRACE Report, etc. TRACE tolerates some of this because of its not-for-profit mission, but it is more difficult to market its services to other companies when some companies are obtaining them at no cost. Several companies have asked why they should join if they can get so many benefits without joining.

Many companies forget TRACE is a not-for-profit organization. TRACE's use of what is fundamentally a hybrid not-for-profit/private sector model to provide important tools and services on a cost-shared basis means that it is often mistaken for a for-profit company. Journal and mainstream articles invariably compare TRACE to for-profit "competitors" rather than other not-for-profits. TRACE is satisfied with these comparisons. If TRACE can convince companies to do more to eliminate bribery and to promote transparency internationally – in part because of their desire to mitigate risk and in part because TRACE has made it so easy and cost-effective for them – then it can do more to advance its underlying mission.

Early Staffing Challenges: Independent Contractors

Though management was stretched thin in the first two years of TRACE, it was not practical to hire full-time TRACE staff. Instead, TRACE initially established a network of independent contractors to perform its research and due diligence work. This team worked for TRACE for additional income on an as-needed basis, but did not rely on TRACE income. The network was organized around a central management figure (for the first year, Alexandra Wrage, and thereafter an early and continuous supporter of TRACE, Karinne Crossland) through whom all early communications flowed.

The independent contractor work required no long-term commitment on either side. TRACE could send contractors more work when available, but did not have to bear the cost of employees during slower periods. Independent contractors were told they could work as few hours as they choose and they could choose to take no work at all as their other commitments dictated.

This worked well at the outset, but the great flexibility for all concerned encouraged a widely-held expectation that TRACE could be all things to all people. Some contractors accepted no new work for periods of four and six months. This made it difficult to justify the initial investment in training for contractors and prevented the building of a sense of team membership. The management and training costs quickly became a burden on the organization.

Although this model was generally successful – and likely key to TRACE's economic viability – TRACE relied on independent contractors longer than was prudent. The independent contractor model began to show signs of strain in 2004, at the end of the third year. Permanent hiring began in earnest in 2005 and TRACE jumped from three to eleven employees in one year. The relief of having a reliable, committed, and well-trained staff offset the short-term challenges of absorbing so many new people in a short period of time.

Office Space

At the outset of TRACE, great savings were achieved by having no office. With a website, an answering machine, and heavy reliance on email, companies and agents were well served. TRACE put its resources into its publications, events, and travel.

After its first year, Ms. Wrage concluded that TRACE needed an official mailing address that would enhance its credibility and serve as a hub for its dispersed staff. She believed that, as an organization with international members, it needed a mailing address in Washington, D.C., although most of its staff lived in Maryland. Because most people worked from home, it was uncertain whether the space would ever actually be used, and because of limited resources, TRACE was reluctant to commit to a long-term lease. On the other hand, member companies that called TRACE heard voicemail instead of a live receptionist.

As an initial solution, TRACE sublet space within the K Street offices of another not-for-profit. Mail was delivered to this "virtual office," a receptionist answered the phone, and TRACE could book the elegant board room for meetings, but it did not occupy space in the office. This seemed a good fit initially, but the arrangement proved to be less than ideal. The host often forgot to forward mail for weeks at a time and TRACE's phone was often answered with the host organization's name instead of its own. What had seemed like an ideal mid-term solution turned out to be more damaging to TRACE's credibility with member companies than voicemail had initially. At the same time, TRACE's physical files were expanding and outgrowing the space allocated to them.

Near the end of the fourth year, TRACE leased a suite of offices in the historic district of Annapolis. By then, the organization had outgrown concerns about the "credibility hurdle" of an address outside of Washington.

Remote Work Model

Operating without an office limited costs while it increased flexibility for the early employees of TRACE. Although no one realized it at the time, two key issues flowed from the remote staffing model: (1) the organizational structure, and (2) internal communication to develop a distinctive culture.

Everyone associated with the organization had a private sector background and several had worked at law firms with hourly billing models that encourage long hours, however unproductive, and penalize efficiency. Several people had well-developed ideas about creating a work environment that was both humane and productive. There was an informal decision made in TRACE's first year that, in addition to creating a unique and effective anti-bribery organization, TRACE would also adopt organizational and staffing "best practices."

TRACE recognized that, although it was determined to offer competitive private sector salaries in the long-term, its ability to attract talent was likely to depend on intangibles. Most people prefer to work on issues that matter to them. TRACE was able to offer such work, as well as a work environment with extraordinary flexibility.

TRACE provided the opportunity to work remotely and to work part-time. In both cases, TRACE made a virtue out of these two aspects, which also benefited a small organization with an erratic workload. By permitting people to work from their homes, TRACE was able to delay the expense and long-term commitment of a lease. By permitting people to work part-time, it was able to regulate the flow of work and delay new hires until all of its hires were working at capacity.

Working with international organizations lends itself to this model; there is no need for someone to commute to an office in order to send a fax to a client abroad. TRACE also quickly learned that the quality of candidates available to the organization was much higher than expected because of its non-traditional work environment.

This model requires a high level of trust in employees, and TRACE has never been abused in this respect. Maintaining this model became more difficult as TRACE grew; management recognized in TRACE's fourth year that it would need a central hub from which staff and logistics could be managed. In addition, management found that TRACE had to devote some time to addressing the potential for employee isolation and problems with the flow of information.

In spite of this, TRACE employees continue to rate the flexible work arrangement as among the greatest attractions of working for TRACE. This flexibility serendipitously attracted a niche supply of talent: the spouses of staff at the U.S. Naval Academy.

Naval Academy Hiring Boon

The Naval Academy, located in Annapolis, MD, is staffed in part by career naval officers who cycle through for two and three year postings. In many cases, they bring with them highly qualified spouses with advanced degrees, foreign languages, and international experience. These spouses often forgo traditional career paths because of the frequent moves required by the Navy.

TRACE has actively recruited from this community and over half of its current employees are associated with the Navy in some way. TRACE uses their tour in Annapolis to train them and incorporate them into the TRACE culture. The well-developed remote model enables the employees to remain involved with TRACE after they relocate to their next posting. Much of TRACE's work takes advantage of a convergence of interests between seemingly disparate communities, but few examples illustrate this as effectively as the relationship with the Naval Academy. Talented, professional spouses previously unable to sustain traditional career paths find meaningful, interesting, and well-paid work that offers increased responsibility over time in spite of frequent relocations – and TRACE reaps the benefits of having at its disposal this exceptional pool of employees.

Fostering Communication to Develop a Corporate Culture

When TRACE had only two or three employees, it was easy to delay a conversation about corporate culture and communication. However, when the staff size expanded further, from three to eleven people, the organization realized that it had deferred the discussion for too long. TRACE's early hires were based entirely on word of mouth. These hires had no illusions about the precarious nature of a start-up not-for-profit; it was safely assumed that they joined in part because of a high level of commitment to TRACE's underlying goals. Not surprisingly, an extraordinary camaraderie emerged amongst early employees. Lacking formal office space, TRACE's early rhythm involved huddles and strategy sessions in Annapolis cafés and diners. Staff expansion, however, soon strained this arrangement.

As TRACE added employees around its initial core group, new people did not, in every case, know each other. New and enthusiastic employees with different skills invigorated TRACE, but informal communication mechanisms were no longer adequate. The combination of rapid growth and remote work options demanded more attention to communications. At the same time, the initial group, comfortable with the informal arrangement and accustomed to being familiar with all aspects of the organization, resisted formalizing communications. Additionally, new hires expressed concern that they were joining a closed group.

TRACE resolved many of these concerns before they developed into larger problems because people were keen to see the model work and spoke up readily. All companies must pass through these stages of growth, but awareness of the challenges is heightened when an organization is trying to establish a new substantive model and a new workplace model simultaneously.

Among the tools TRACE used to address communication concerns were regularly scheduled formal staff meetings. While hardly groundbreaking, TRACE made the most out of these meetings. An agenda was circulated in advance and all participants were encouraged to add items for discussion. In addition, the chair of the meetings rotated each month, giving a different employee responsibility for soliciting input prior to the meeting and ensuring that the meeting stays focused and productive. Responsibility for these meetings also required employees to speak amongst themselves and provided many with the opportunity to develop their leadership skills. This arrangement diplomatically broke open the original core group and distributed communication and knowledge across the broader team.

TRACE is also developing a virtual staff room on its website where employees can find short biographies and photos of new hires, a shared calendar, agendas and minutes from staff meetings, and a collection of frequently asked questions.

Need for Increased Structure

As a part of its continued growth, TRACE was determined to learn from the experiences of larger organizations and adopt as much structure as the organization required to function optimally without embracing needless bureaucracy. There were particular challenges associated with growing from a handful of very committed people who knew all aspects of the organization and shared in each success and set-back, to larger groups, additional teams, more specialized job descriptions, and more hierarchy.

In the early days of a not-for-profit's existence, there is no time and less interest in establishing job titles and elaborate reporting chains and organizational charts. Over time, however, some structure is necessary for the efficiency and professionalism of the organization. The two most challenging aspects for TRACE were: (1) asking people who had been generalists to specialize to a greater extent, and (2) changing the reporting structure.

Need for Increased Specialization

For many people, working at a new organization is attractive because such a work environment provides the opportunity to work in a number of different capacities on different tasks. TRACE employees were willing to pitch in when their help was needed, whether it be selecting and installing fax machines or collating documents for a workshop. However, as TRACE grew, it made less sense for two or more employees to be diverted for administrative tasks when one could be hired for that purpose. This enabled everyone to work in their area of greatest strength (and interest), but there was also an unexpected loss of the excitement and "esprit de corps" that was generated by these hectic team efforts.

One employee suggested that TRACE should resist specialization; maintaining the "all-hands on deck" approach, it was argued, would enhance commitment to the organization. The ultimate determination, however, was that this model would be unattractive to new hires, expensive, inefficient, and ultimately unsustainable. It is nevertheless worth noting that TRACE has spoken with employees at other organizations that have noted a similar nostalgia for the start-up phase and that it can have a negative impact on morale at a crucial point in an organization's growth if not managed carefully.

Evolving Reporting Structure

TRACE management decided to manage the post start-up phase of growth by paying particular attention to formal evaluations. This may seem counterintuitive if the goal is to resist needless bureaucracy, but TRACE believes this to have been essential to the organization's success as it moved from a team of generalists to a team of specialists.

There was initial resistance to formal evaluations. Many staff had begun working with TRACE as friends and former colleagues and there had been no discussions at the outset of goals or areas of responsibility beyond "getting TRACE off the ground." However, the process was, in the end, almost uniformly positive.

Performance evaluations, done well, can clarify expectations of all involved, demonstrate a commitment to good governance, offer an opportunity to thank employees for past commitment, congratulate them on current performance, and shape their goals and the organization's for the year ahead. In TRACE's case, the organization was also in a position to offer performance bonuses. This underscored just how far TRACE had come in the preceding year and, together with private sector salaries, contributed to a very attractive package.

Organizational Structure

It was difficult but necessary to take the initial team, all of whom had worked together well and taken similar risks with the organization, and place some in a position of management over others. In the end, TRACE managed this problem by drafting generic job descriptions distinct from individuals and determining the best fit for each. The fit involved not only professional background and experience to date, but also willingness to work a full-time schedule in order to be eligible for some positions. TRACE determined, for example, that the employee who would have overall management responsibility for the due diligence process could not work a less-than-full-time schedule. By evaluating the new positions to the extent possible by requisite skills and without reference to prior investment in the organization, TRACE was able to create titles and reporting structures and draft job descriptions without needless damage to morale.

The whole team was consulted in the process, as a part of the performance evaluations. TRACE is confident that this transition went as smoothly as it did because the team knew that management was taking it seriously and trying to find the best fit in every case for both the organization and the individual. It was helpful to have strong morale, a continued high degree of autonomy and a very collegial group at the outset.

Shortly after, TRACE developed some human resources written policies governing such areas as paid time off and non-discrimination. As an organization committed to compliance, it probably would have been better to have made this a priority earlier.

Early Administrative and IT Decisions

TRACE could have spared itself some setbacks, saved money, and moved forward faster if it had hired an employee with a background in information technology and operations. TRACE mistakenly believed that an organization without offices had less, rather than more, need of an IT specialist.

The organization made the fairly common mistake of trying to establish its technical infrastructure on a shoestring. It aimed to get something up and running quickly and cheaply with a plan to return to the issue at a time when a large investment would be easier to manage. This was true both for the TRACE website and its IT needs in general.

TRACE learned that it is costs more, takes more time, and undermines morale when the organization has to rebuild its information systems every year or two. In addition, the system itself was inferior from the start and seldom functioned without glitches. It was never as easy or as fast as it should have been to enter data or generate a report. Nevertheless, it is difficult to project an organization's needs and to make expensive decisions based on these projections at the stage when its budget is tightest.

TRACE worked with three website companies in its first three years. The first was doing contract work in addition to a full-time position and was very limited in the time that could be devoted to TRACE. Expertise was not an issue in this case, but timing became extremely problematic. With subsequent providers, quality of work became a greater concern.

TRACE is fortunate that many of these problems were hidden from public view. Throughout its website's bumpy early years, TRACE took care to speak clearly to its target audience and to maintain the high quality of any content that it posted. As a result, the organization received high praise for its website, even as it was causing people within the organization terrible headaches.

The quality of the website was particularly important because companies will visit sites just once or twice to decide whether they are useful. They will not return to a site that is always under construction.

One significant error that TRACE made was to build the front page of its website with pictures rather than words. Since search engines look for words, not pictures, TRACE's website was underrepresented on the internet for three years. In a field with a high level of international and web-based interest, it is difficult to calculate the real cost of this simple mistake. Finding, vetting, and retaining top quality web support should have been a higher priority.

TRACE gives itself low marks on technology more generally. Its founders were lawyers and businesspeople who did not develop an IT plan until the organization's fourth year. TRACE responded to crises and patched together people and tools as needed. Inadequate technology infrastructure was particularly painful in combination with TRACE's remote staffing model. A robust virtual team room would have offered significant efficiencies. For example, group emails would have distributed workload from individual "chokepoints." E-fax and electronic document storage would have eliminated copying, postage, and delays. Shared folders would have fostered improved cooperation. An online dashboard would have simplified status requests and updates for members.

In comparison with for-profit start-ups, not-for-profits are particularly challenged in terms of capital and business/technology acumen. Additionally, remote staffing models (increasingly prevalent in knowledge-based sectors) amplify the opportunities for technology-based efficiencies. This obstacle could be addressed through either turn-key virtual team room suites or an incubator approach.[11]

For almost a year, IT was the single greatest obstacle to TRACE's growth and continues to be the greatest source of frustration and wasted time. The organization finally put this issue at the top of its list of priorities when legal, rather than technical issues, drove it. TRACE handles an extraordinary amount of confidential information for its members. Its need to address document retention and European Union data privacy protection finally resulted in a top to bottom review of its server security.

The Board

Selection and management of the board of a not-for-profit are fraught with problems. A knowledgeable, well-run, and hard-working board can generate enthusiasm, maintain focus, anticipate problems, expand resources, and launch the organization into its next phase of growth. A board that, in spite of good intentions, does not devote the time needed to understand the organization and contribute to its success can slow progress and undermine good governance.

The initial selection of board members can determine how quickly and effectively the organization gets up and running. TRACE is very grateful to the initial board members for their time and devotion, but some remained on the board beyond their initial commitment and slowed the growth of TRACE as a result. They had served on the board largely as a favor to TRACE's founder and president.

TRACE faced the usual dilemma that it is difficult to find the right people for the board when the organization is forming and solidifying its goals. TRACE did not even have not-for-profit status from the IRS, but it had to form a board to incorporate, secure not-for-profit status, and launch the organization. All of this is exacerbated if an organization is hoping to apply for grants, although that was not a pressing concern in TRACE's case. TRACE became more selective once it developed some momentum; it further benefited when potential board members were eager to be associated with the organization.

TRACE's president gravitated toward lawyers as she recruited board members. This was misguided and restricted the board's expertise to one field. While some legal expertise was useful on the board, it would have been far more beneficial to TRACE to have complementary business and financial skills.

The president learned to appoint anti-bribery lawyers to an advisory council where their expertise was of greatest value, but the demand on their time was less. Many of these lawyers did a lot of work for TRACE, including long-distance travel and presentations at workshop overseas. It was not the commitment to the underlying goals of TRACE that was hard for them to sustain, but rather the commitment to complex matters of governance.

At the end of TRACE's third year, the board members selected began to have the right mix of skills. TRACE continues to struggle with concerns about terms of service, weighing continuity against the vitality derived from new directors. TRACE also struggles with the challenge of board members who see their role as very high-level and advisory. While a fully-staffed and well-funded organization may need more broad oversight from its board, a new entity needs the same "generalist" approach and readiness to serve from its board as it needs from its staff.

Learning Its Market: The Three Communities TRACE Serves

TRACE has worked hard to keep its focus on the triple constituency it serves. While TRACE recognizes that bribery undermines democracy, obstructs poverty alleviation, and destroys confidence in public institutions more generally, TRACE has chosen to focus its efforts on increasing transparency in commercial transactions. It serves two groups in the business community – specifically its member companies and its member intermediaries. A third group that receives close attention from TRACE consists of the law firms abroad that partner with it.

Working with these three groups, the focus to date has been entirely on supply-side bribery: the multinational companies that might pay bribes and the local partners that might facilitate these transactions.

This does not mean that TRACE pays no attention to non-members and non-partners. TRACE is a membership organization and a not-for-profit, so it must meet the needs of its closest associates, but wherever possible TRACE makes training and other services available to the general public.

Nevertheless, there are some services available only to member companies. TRACE is able to provide these cost-effectively because it builds them to the highest possible standard and then shares them across its membership. This makes anti-bribery compliance more accessible for its members and also creates an international standard, giving companies the comfort of knowing they are complying completely with "best practices."

Member Companies

Companies join TRACE for three reasons:

1. They recognize that TRACE can provide helpful tools to support a robust internal compliance program that can shield a company from liability if something goes wrong. These companies tend to be heavy users of many TRACE services – due diligence, training, the Resource Center, and in-house training

2. They support the goals of the organization and often wish to be associated with an organization that promotes compliance and best practices. These companies tend to be irregular users of TRACE services, although their use of TRACE tends to grow over time.

3. They hope that payment of the membership fee is all that they will ever have to do to achieve anti-bribery compliance. These companies use none of the TRACE services, and even employees within the company agree that they have paper-thin commitment to the issue. TRACE gives these companies two years to incorporate its services into their program in a meaningful manner and they are told that their membership will be terminated and their fee returned if they fail to do so.

Because TRACE keeps its services relevant and practical and because TRACE updates its tools based on member surveys and meetings, the organization has a high level of loyalty amongst its member companies. After joining, no TRACE member company has ever failed to renew its membership. TRACE's membership development and long-term planning are made easier by this 100% retention rate. The disciplinary exclusion process described above will likely mar this record in the coming years.

Member Intermediaries

Intermediaries – "agents" – are often perceived as the greatest source of bribes in international transactions. TRACE thought it could be a neutral third party, emphasizing that business as usual could not continue – the risk to its member companies was just too great. Initially, TRACE thought it would include commercial intermediaries (sales agents, consultants, local partners, suppliers, resellers, etc.) in its membership model because it would be easier to reach them with training on their principals' need for robust due diligence and compliance.

TRACE underestimated its member intermediaries, many of whom have shown far more interest in this issue than had been anticipated. This should not have surprised TRACE. These intermediaries operate in some very challenging countries and see the toll that bribery takes on their own communities. Nevertheless, cynicism remains high amongst multinational companies that tend to believe that intermediaries pay bribes without their knowledge. For their part, intermediaries argue that senior executives swoop in and tell them to "do what it takes to get the deal done." TRACE has not been able to determine which group is more blameworthy, but a research arm funded by TRACE, the TRACE Institute, is conducting surveys to collect information on this issue.

TRACE learned quickly that member intermediaries demand almost as much time and attention as member companies. TRACE helps them adopt codes of conduct; the intermediaries read the TRACE model code – and analyze it. They do not, as is often suggested, simply sign it because they have no choice. They send follow-up questions on points of law. In conversations with TRACE, they occasionally describe requests made of them by large multinational companies that, if true, clearly violate the laws of the countries of all involved.

The growth of interest in anti-bribery compliance is demonstrated at TRACE workshops, which are held in 15 countries each year. TRACE is now beginning to return to locations in which it has held workshops previously and the sophistication of participants' questions has increased dramatically. Five years ago, it was not unusual to be asked if bribery was not just "a victimless crime" or "a cost of doing business." Intermediaries are now, for example, asking about perceptions surrounding gifts given to customers and the propriety of expensive business dinners.

TRACE Partner Firms

TRACE works with partner law firms in more than 60 countries. These firms provide extensive anti-bribery resources, focusing particularly on the laws, standards, and challenges in their own countries. Many of the law firms made a commitment to TRACE in order to raise their profile in the presence of major multinationals. This may be sufficient to motivate most firms to contribute their efforts at no cost. In the past two years, however, a growing sense of community amongst TRACE partner firms has been evident, such that they are cross-referring work to each other. For example, if TRACE's partner firm in Germany has clients doing business in Nigeria, it is likely to recommend the TRACE partner firm in Nigeria. This third community illustrates the "convergence of interests" and the private sector model upon which TRACE was founded. Its partner firms have found that association with TRACE can be both a good business decision as well as a good action to take more generally.

Looking to the Future

In mid-2005, TRACE retained Accenture to conduct a review of its pricing, corporate structure, and model for growth.[12] While the process consumed considerable management time and provided few answers, it helped TRACE formulate the right questions as it moves forward.

TRACE continues to grapple with a long-term vision. Its growth has been so rapid that management has rarely stopped to ask how big the organization should be permitted to grow. TRACE has considered, at intervals, a moratorium on new members to ensure sufficient time and resources to meet the needs of its current members. TRACE has based hiring on a six-month plan. Unfortunately, its six-month plans are often overtaken by growth within two months. The pace of growth can also result in employee burn-out. Growth can be exciting and can affirm the value of the organization, but it can also be relentless and exhausting.

TRACE is often asked if it would consider expanding its model to address other international compliance challenges, like compliance with export controls, sanctions, anti-money laundering laws, or the provisions of the Sarbanes Oxley Act. TRACE remains confident that there is enough international bribery to keep its staff busy, but encourages other organizations to consider ways they might address these issues.

TRACE's members have grown increasingly confident in the organization's services and its anti-bribery message, and they have begun to ask TRACE to lead new initiatives in this field. In early 2006, four major oil and gas companies worked with TRACE to design anti-bribery training for employees and for the relevant government officials in Equatorial Guinea.

Using this model, the companies hosted the events and invited key government officials, but TRACE conducted the meetings and ensured that a neutral third party delivered the often sensitive message that the companies themselves might not want to state. This program has been replicated in Yemen and Nigeria and will be used again in Angola later in 2006. Each time TRACE is invited to support an event of this kind, its understanding of the specific challenges companies face – and so its expertise and usefulness to member companies – increases.

TRACE is a founder and primary sponsor of the Women in International Regulatory Law Symposium, which features senior women in the field. The 2006 Symposium was held at the National Museum of Women in the Arts, with speakers from the World Bank, the UN Oil-for-Food investigation, the U.S. Departments of Justice and Commerce, and major multinationals. TRACE will continue its support of this important event and expects, based on interest in its first year, to see the event grow dramatically. TRACE believes that, in addition to fostering a community in support of its mission, these activities yield significant benefits to recruiting and membership development.

In 2007, TRACE will hold its first Partner Firm Symposium for two days, in a city near Barcelona. This will provide an opportunity for its partner law firms from over 60 countries to meet for the first time. Representatives of these firms will address the compliance challenges specific to their countries and exchange lessons learned and best practices.

Finally, TRACE has established a 501(c)(3) not-for-profit subsidiary – the TRACE Institute, mentioned briefly above. Over the course of 2007, the TRACE Institute will establish a scholarship fund to enable graduate students from developing countries to travel to the United States or the United Kingdom to pursue advanced degrees with a strong good governance component. The TRACE Institute has also designed a series of surveys to take advantage of its unique, international business membership.

[1]Small Business Administration, "Winning Ideas for Small Business Success," page 1, http://www.videouniversity.com/sbaartic.htm. Accessed 27 July 2006.

[2]Ben Atkins is an executive with a major multinational; he serves on the TRACE Board of Directors (ben.atkins@ge.com). Stephen Wrage is a professor at the U.S. Naval Academy (wrage@usna.edu).

[3]For more information, visit TRACE's website, http://www.traceinternational.org.

[4]One of the positive legacies of the Watergate scandal was that it raised concerns over "slush funds" and secret payments both in government and in the corporate sector. The Watergate hearings uncovered related scandals involving companies and their relations with Chile, South Korea and other countries. By 1976, Congress had produced the U.S. Foreign Corrupt Practices Act (FCPA), signed into law by President Carter. The FCPA outlawed payments to government officials intended to obtain or retain business and included substantial penalties including large fines and prison terms for the executives involved. (Every instance of bribe paying can result in a $500,000 fine and up to five years imprisonment.) By the late 1990s, many foreign countries and such international organizations as the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), and the Organization of American States (OAS) had introduced their own parallel laws and conventions. One of the products of all this international standard setting was a series of biannual international anti-corruption conferences. TRACE was conceived at the tenth of these.

[5]Compliance officers are responsible for ensuring that a company's operations conform with the FCPA, as well as laws regarding money-laundering, the export of sensitive technologies, etc.

[6]A recent Consent Decree in the case of Metcalf & Eddy had emphasized the U.S. Department of Justice's expectation that a company operating internationally should make a substantial effort to train its employees and third party intermediaries in compliance with U.S. and foreign anti-bribery laws and that willful ignorance was no longer a viable strategy.

[7]See Alexandra Wrage and Stephen Wrage, "Multinational Enterprises as 'Moral Entrepreneurs' in a Global Prohibition Regime Against Corruption," *International Studies Perspectives*, Vol 3, No. 4, January 2004.

[8]One example of such a convergence is the Rugmark Foundation, http://www.rugmark.org/, which works to free children from exploitation in the rug-making industry in Pakistan, India, and Nepal, and to create educational opportunities for them. Rugmark provides a crucial service to businesses and to customers who do not want to trade in products made with child labor, as well as to the children it helps liberate and educate.

[9]The TRACE Forum is an annual event at which member companies compare notes and hear of recent developments in the compliance field. The Forum, which is limited to about fifty participants, always is booked months in advance and is presented in a top flight venue at no cost to those who attend. It is very important to TRACE to be understood as the place to come to learn and to be heard on the issues of current concern.

[10]William Foster and Jeffrey Bradach, "Should Nonprofits Seek Profits?" *Harvard Business Review*, Feb 2005, provides colorful examples, where not-for-profits failed to accurately capture all costs associated with revenue-seeking activities.

[11]Lee Sherman, "SmartTeams: Virtual Team Rooms," *Knowledge Management Magazine,* April 1999, explores the key attributes of VTRs. Social Fusion represents an example of an incubator approach for not-for-profits. For more information on its model and resources, see http://www.socialfusion.org. A useful overview of not-for-profit incubators is: Diane Vinokur-Kaplan and Joseph A. Connor,

"Nonprofit Incubators: Comparative Models for Nurturing New Third Sector Organizations," *ISTR Conference Working Papers: Geneva, July 8-11 1998* (International Society for Third-Sector Research, Baltimore), http://www.istr.org/conferences/Geneva/confpapers/diane.vinokur-kaplan.html.

[12]It should be noted that Accenture undertook this work on an expenses-only basis, for which TRACE was appreciative.

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