

Promoting Accountability and Transparency

An Interview with Michael J. Hershman, Chief Executive Officer, Soloviev Group

EDITORS' NOTE *Michael Hershman is Chief Executive Officer of Soloviev Group (solovievgroup.com), a privately held and multi-billion-dollar company that encompasses Realty and Development, Hospitality, Transportation and Railroad, and Agriculture and Ranching. Hershman is also the founder of the Fairfax Group, a globally recognized advisor on corporate and public governance, transparency, and accountability.*



Michael J. Hershman

How do you define Soloviev Group's mission and purpose?

Soloviev Group is a family-owned and operated multi-sector corporation with operations throughout the United States. While large, the Soloviev Group is still very much entrepreneurial with a focus on not only being the best in every business segment, but being the best for the communities in which we work. Through our nonprofit Foundation, we work to make life better for veterans, refugees, disadvantaged children, and many others.

Will you highlight your role and areas of focus?

As the CEO of the Soloviev Group, my responsibilities touch every aspect of the business. Most recently, I have been heavily focused on the development of our First Avenue real estate site, called Freedom Plaza, into a world-class integrated resort.

Will you highlight the plans for Freedom Plaza?

Freedom Plaza is an undeveloped parcel of real estate situated on First Avenue between 38th and 41st Street, the last undeveloped plot of land in Manhattan. The site is approximately 6.7 acres and is currently zoned for four towers – one commercial and three residential. Given that the State of New York has decided to expand casino gaming by issuing three downstate casino licenses, we have decided to apply for one of those licenses for our site.

The casino portion, however, would be less than 10 percent of the size of this integrated resort. We are proposing a 1,200-room, 5-star hotel, two residential towers with over 500 units of affordable housing, a park of more than four acres, and a museum dedicated to the promotion of democratic values. We would also have retail, restaurants, and a grocery store.

Will you elaborate on the concept of a museum dedicated to the promotion of democratic values?

We are concerned about global threats to democracy – the growth of authoritarianism, which adversely impacts basic human rights, freedom of speech, religion, press, and civil liberties. While Washington, DC is the seat of the Federal Government and has obvious interests and policies to promote global democratic principles, there is every reason for the City and State of New York to endorse these notions.

New Yorkers are noted not only for their general outspokenness, but also for standing up for what is right. Born, raised and educated in New York City, I cherish our pedigree of social responsibility and the protection of civil liberties. Let's demonstrate this by having the first in the world museum which examines the roots of democracy and highlights its successes and, yes, even its failures.

Early in your career, you served as a senior staff investigator on the Senate Watergate Committee. What led you to launch the other firm you lead, Fairfax Group, a world-recognized authority on government and ethics?

At the time I was asked to work for Senator Sam Ervin's staff on the Senate Watergate Committee, I was a Special Agent with the New York State Special Corruption Prosecutors Office. Watergate opened my eyes to another level of corruption – abuse of power. The legal definition of corruption is very narrow and typically involves the paying or receipt of a bribe. The broader definition often involves the misuse of power by someone in a position of authority.

During the Nixon Presidency, the abuse of authority was evident, not only in the initial actions, but later in the cover-up. Laws were broken, but beyond the criminal charges, the scandal very seriously weakened the trust in government. When you lose trust in an institution, it is not easily, if ever, regained. It also strengthened my belief that the role of an independent media and a strong civil society is essential for providing checks and balances of government abuse.

Watergate set the stage for my interest in promoting integrity, transparency and accountability both in government and in

the private sector. In part, what separates a democracy from autocratic rule are the principles of good governance and compliance. These principles should be applied equally to the public and private sector. In the private sector, studies have shown that public companies which apply a strong set of values and ethics within their structures benefit in the marketplace. In the public sector, these principles of good governance and compliance should lead to efficient economic growth and the appropriate allocation of resources.

Will you discuss your involvement serving on an Independent Governance Committee that addressed the scandal at FIFA, the body that governs soccer across the world?

About 10 years ago, FIFA was involved in the largest scandal in sports history. The accusations of bribery, malfeasance, and conflict of interest were widespread and featured in headlines around the world. FIFA, a nonprofit, non-governmental organization was led by a group called "The Executive Committee." In essence this was a Board of Directors consisting of volunteers supposedly devoting their efforts to the betterment of the world of soccer, but in reality, some members of the "ExCo" were benefiting themselves. For more than 90 years, FIFA was a relatively poor (from a financial perspective) organization. But, with the growth of revenue from the growing popularity of the World Cup and ensuing media rights, FIFA became almost overnight a multi-billion-dollar juggernaut. When you combine that much money with a lack of good governance and compliance, it is a prescription for disaster.

FIFA, with its back against the wall, was forced to bring in an independent group of experts to serve on an Independent Governance Committee. I was asked to serve on this committee, which over the course of two years made numerous recommendations to reform FIFA. Many of those recommendations were adopted, but not all. In the end, more than 40 individuals and organizations linked to FIFA were indicted in the United States on fraud and corruption charges. One of my takeaways from this experience is that the world of sports is a big business which cannot be run without appropriate checks and balances and independent oversight.

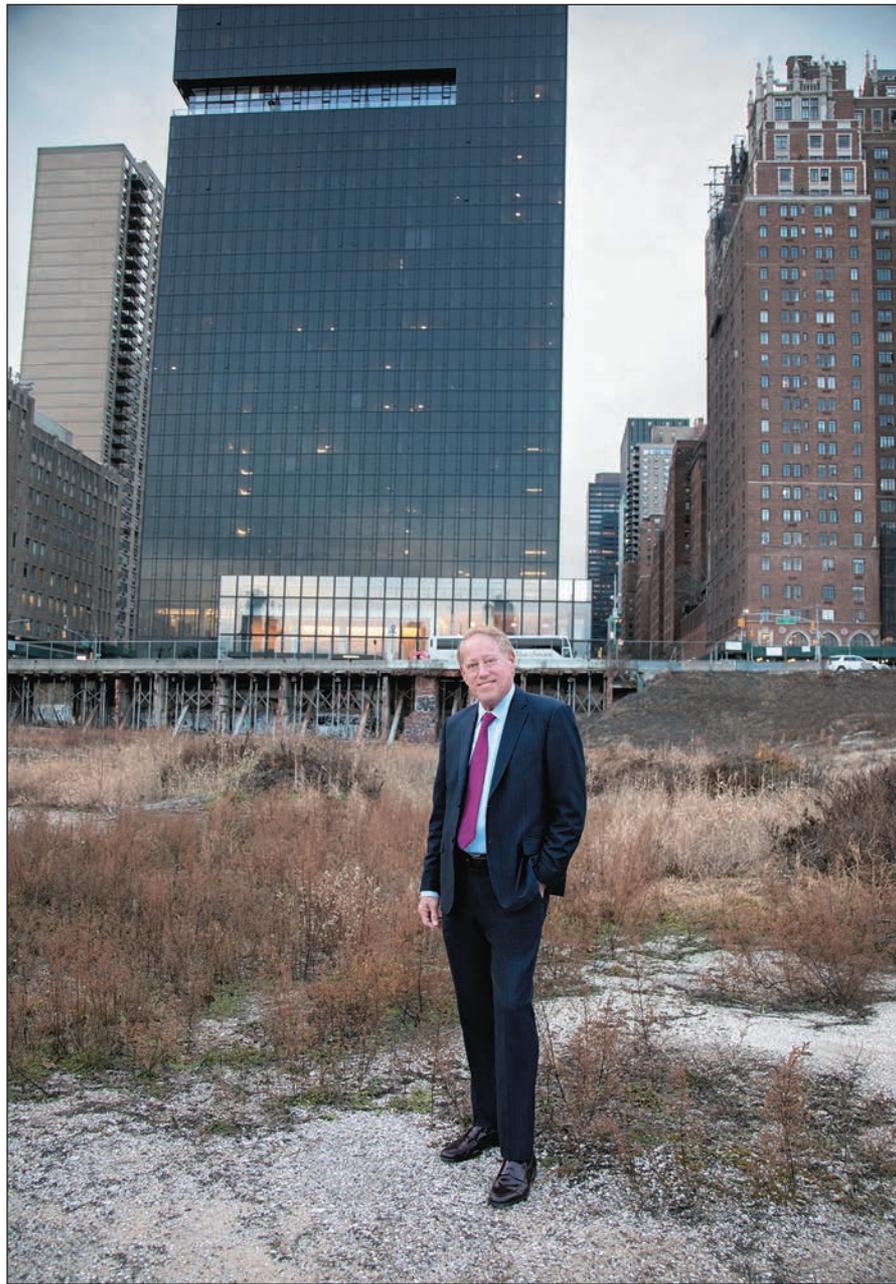
You founded Transparency International, the largest independent, nonprofit coalition promoting transparency and accountability in business and government. What was your vision for creating the organization and will you highlight its work?

During my government career, I served in an oversight role with the Agency for International Development. This agency provides funding to less developed nations in need of better medical care, education, and other services. The idea behind this type of assistance is to provide the United States with a “foot in the door” not only for charitable purposes, but for our national security. During this time, I had an opportunity to travel around the world to inspect the progress of projects in some of the most poverty-stricken countries on Earth.

What I found shocked the senses. So much governmental assistance, not only from our country but from countries across the globe, was being diverted into the hands of corrupt government officials. Where medical centers were to be built, there were gaping holes in the ground. I just could not stand by and see the suffering people robbed of their basic human needs. I, and a few like-minded friends, decided we needed to begin a global effort to combat corruption in development. Hence, Transparency International was born. We wanted to bring the subject of corruption out of the closet and onto the agendas of governments and corporations. Transparency International, headquartered in Berlin, and with over 100 chapters around the world, has become the leading advocacy group fighting against the scourge of corruption.

You have also served on the board of Interpol’s International Group of Experts on Corruption. What interested you in this role, and how did you focus your efforts on the board?

My 12 years serving as an advisor to the Secretary General of Interpol gave me greater insight into not only issues related to corruption, but to the operations of transnational criminal organizations which deal in human trafficking, narcotics, illegal arms trade, money laundering, and a host of other crimes. Interpol serves as a clearinghouse for coordination of international efforts to fight transnational crime. During my time there, we were able to create a universal code of ethics for policing and set the stage for the creation of the International Anti-Corruption Academy headquartered in Vienna, Austria.



Michael Hersbman stands on the future site of Freedom Plaza, a world-class integrated resort on the last plot of undeveloped land in Manhattan which will feature a museum dedicated to democratic values

Given your Watergate background and long history involved in ethics, accountability and governance, what are your views on the current state of the country in this regard?

Some say our country is in the midst of a defining crisis. This has been said before – during the Vietnam War, during Watergate, and during other critical periods. I would agree that today’s environment provides a great challenge because of the divisions in our society. We seem to be engaged in “political warfare.” If we could just take a step back and concentrate more on the good things about our country, perhaps the dialogue would change.

For example, Americans are the most generous people in the world. We are the most philanthropic. When we have a natural disaster in our country, we come to the aid of those in need, regardless of whether they are Republican or Democrat. This is just one example of many of the extraordinary characteristics of Americans. Having

said that, I believe that we need to readjust our “moral compass.” We are fast losing whatever shred of civility we had. The principles of morality and ethics dictate that we can disagree, but to do so in a civil fashion. The fashion nowadays seems to promote rudeness, antagonism, and violent rhetoric in politics as well as in general.

Our country needs a champion or champions to help bring back the civility in dialogue and to reestablish a common sense of purpose. If I did not understand our resilience as a people and as a nation, I would fear that the clock could never be reset for the betterment of our society, but history teaches us that we come out of each crisis stronger.

What are the signposts or indicators that lead to bad governance and ethical lapses?

There are several “signposts” or “red flags” which can alert us to a movement toward poor governance and compliance. The centralization of power in the hands of a few poses a danger to democratic functions. Putting one’s personal benefits before those of society is also a bad sign. Lack of sufficient transparency, whether it has to do with budget formulation or the issuance of regulations, causes me heartburn. Most importantly, the undermining of the rule of law as a central tenet of democracy can be disastrous.

Another thing which concerns me is money in politics. How can we justify spending billions of dollars during a presidential campaign – along with that of the

House and Senate races – when children are going hungry in this country? Our priorities appear misplaced. Speaking of the billions of dollars in campaigns, does anyone believe that a candidate or office-holder can be free of special interests given that their political careers depend on raising that much money?

What advice do you offer to young people beginning their careers?

The advice I give to young people is to look for ways to have a balanced life, both personal and professional. Look for companies which promote such balance and have that moral compass pointing in the right direction. If it is public service that motivates you, then do it for the right reason – to help people in need. As you succeed in life remember those who are less fortunate – keep up the legacy of giving in our country. Remember it takes a lifetime to build a good reputation, but only seconds to lose it based on a poor choice. Do the right thing even if no one else is looking. ●