

# Interpreting the Implications of Unethical Behavior

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# Introduction

- Ethics and social responsibilities are mandatory
- Stakeholders, plus federal, state and local legislations demand them
- Volkswagen's Emission Scandal, FIFA Corruption Scandal, Toshiba Accounting Scandal, Valeant's Secret Division, and Turing Pharmaceuticals and Martin Shkreli



# What is Corporate Fraud?

Characteristics of Fraud:

- Presence of motivation with a predisposition
- Availability of targets
- No or very minimal internal or external safeguards
- Absence of ethical and moral values



# Case Study – FIFA Corruption Scandal

- World Cup 2018, more than half of the world's population watched the games on TV
- More than 3 billion people play the sport
- Governed by the Fédération Internationale de Football Association
- May 27, 2015, seven FIFA executives were arrested on charges of corruption



# Brief History of FIFA

- Founded in 1904 for the purpose of uniting the soccer sports enthusiasts
- After nearly 90 years, it has become a multi-billion-dollar
- The members are organized into six confederations
- Currently the most watched singular sports event in the world

# The Corporate Frauds

- U.S. Federal agents unsealed documents indicting fourteen FIFA executive officials
- Crimes: bribery, money laundering, racketeering, and wire fraud
- Actions: false contracts, tax evasion, money laundering, and cash smuggling.



# The Leadership Role

- World Cup 2010: \$1B profit
- World Cup 2014: \$2B profit
- Executives milked the coffers through:
  - Using very contained executive body
  - Strict control over games
  - None payment of local taxes
  - Autonomous status makes them under radar

# The Implications

- Sponsors were alarmed
- Applied pressure to clean up
- But continued to support FIFA
- Transgression do not interfere with fans appreciation

*Thank You*  
to our Sponsors



# The Legal Consequences

- Normative ethical theory = what should be practiced is good and right
- Indictments justifiable
- Banned 8 years
- Fined 50,000 and 80,000 Swiss Francs
- More charges are prepared

# FIFA Clean-up

- Set up long term goals to overhaul structure
- Accountability and transparency must be first and foremost
- New leaders should be willing to accept responsibilities and possess integrity
- Limit the power of the executive committee
- Report gifts received



## FIFA Clean-up (Cont'd)

- Prohibit number of gifts and amount of money to be received
- Travel should be limited
- Mandatory disclosure of expenses
- Need to implement to deter fraud

# Reducing Unethical Conducts

- Formal system will minimize and deter unethical behavior
- Applied ethical programs with many unethical cases reported, the efficacy of the program is validated
- Strong presence of informal pressures to act unethically may decrease effectiveness



# Reducing Unethical Conducts (Cont'd)

- Formal system act as guidelines of behavior
- They act as fraud deterrent
- But could be abused by management in power
- Pressures from management to be unethical indirectly pressures employees to do the same

# Reducing Unethical Conducts (Cont'd)

- Efficiency of any formal system being implemented is dependent on the gravity of the pressure to perform unethically
- If the pressure to do wrong is great, the formal system will appear effective
- If many unethical cases flood then the use of a formal system to correct is appropriate

# Fraud Reduction and Prevention

## Strategies:

- Know your employees
  - In order to be aware if any display tendencies show towards committing a fraud
- Setup a reporting system
  - it can be a deterrent for the few who have the tendencies to commit fraud



# Fraud Reduction and Prevention (Cont'd)

## Strategies:

- Implement companywide anti-fraud programs
  - Support with all employee training
- Examine employee leave balances
  - Rotate personnel
- Hire experts





# Questions?



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