



Our Perspective

Why do good people do bad things?

Our experience from nearly twenty years of investigating corporate wrongdoing is that most employees are fundamentally honest, good people. Why is it then that companies, large and small, continually suffer from wrongdoing in the workplace?

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For instance, corporate fraud is often committed by employees in a senior position. These people have worked and frequently studied hard to get to the top of their professions. What motivates them to commit fraud?

Pressure

One simple answer is pressure. Pressure can originate from different sources, including:

- The pressure to meet targets set by management - for example, journalists at the UK's now-defunct News of the World doing wrong in order to sell more newspapers.
- The pressure to deliver shareholder or investment returns - think of traders and executives falsifying accounts or stealing to cover up losses.
- The financial pressure to keep up a high-maintenance lifestyle.
- The emotional pressure to support close friends or family members.

However, why do some people successfully resist such pressure while others do not? Other factors are at play here too.

The fraud triangle

Pressure is a key factor in what criminologist Donald R. Cressey identified as the fraud triangle. The *opportunity* to commit corporate crime, and *rationalisation* of the wrongdoing, are the two other factors in the 'equation':



It is this combination of pressure, the presence of opportunity and ability to rationalise their actions that can push inherently good people to do bad things.

Types of corporate fraudster

There are certain recognisable characteristics and behaviours of employees motivated to commit company fraud. These can be grouped into four types of people:

- **Strict constructionists:**
"It's okay, we have filled out the relevant paperwork". Dubbed 'lawful but awful', arguably a lot of financial misdemeanours fall into this category.
- **Prisoners:**
Of circumstance, where remote leadership leaves employees feeling detached, and of friendship, where employees are vulnerable to emotional blackmail from friends or family.
- **Submissives:**
Where obedience to a group or an authority figure leads people to do things they would not otherwise do, to fit in or gain acceptance. It is difficult to say no to someone in a position of power, and easier to justify actions if they are done at the bidding of the boss.
- **Entitlers:**
Where those with a sense of entitlement don't think the rules apply to them. For example, a firm with a zero tolerance to fraud policy employs the chairman's nephew, who fiddles his expenses. His excuse: "I thought the rules applied to the others, not me".

Corporate culture

Corporate culture determines to a large extent how people behave in the work place. A company that puts out a strong message that certain behaviour - for instance bribery - is not acceptable and will be dealt with severely, will help create an environment that reduces tolerance of corporate fraud.

This includes the use of language to describe questionable behaviour. 'Creative accounting' and 'financial engineering' may seem like harmless phrases but their use in the workplace (especially by

those in positions of authority) can legitimise unethical activity and make it acceptable.

Leading by example, showing people what is expected of them, and allowing them to take responsibility for their own decisions is at the heart of good corporate culture. In such an environment, employees feel empowered to make the right choices - moral and legal - and this makes them less susceptible to the pressures that can lead to corporate crime.

The next issue of [Our Perspective](#) will continue this theme by discussing how to promote ethical behaviour in organisations.

Why we do what we do

At Kasalana we have a client-centric approach to intelligence and believe in giving our clients what they need. The information we supply is openly asked for and freely given. With an ethical approach to investigation, we support improvements in global business practices and security.

All our intelligence is individually sourced and produced at the time of commissioning to answer the specific needs of our clients. We work honestly and transparently using a global network of resources to provide timely and accurate information to international clients.

Case studies

To read case studies, please go to www.kasalana.com.

Consultation meetings

If you would like a free consultation with Kasalana, please email info@kasalana.com quoting reference OP5C.

Formed in 2005, Kasalana is a specialist corporate intelligence company that conducts investigations globally on behalf of clients from industries including automotive, aviation, construction, consumer products, defence, energy, engineering, financial services, insurance, legal, manufacturing, media, medical, mining, retail, services, technology and telecommunications. We are experts in enhanced due diligence, background checks and legal support services including asset tracing & litigation support, corporate fraud investigations, merger & acquisition support and strategic & market intelligence. Our clients include FTSE-100, FTSE-250 and Fortune 500 corporations, global financial institutions, major law firms and leading private equity houses.

Prior to forming Kasalana Sam Pope was Head of Business Intelligence, Deputy Director of Corporate Investigations and EMEA Director of Fraud & Forensic Services for a leading global security risk management company, where he led a team of 40+ investigators. A former defence journalist, Sam has extensive experience of investigating fraudulent activity including asset misappropriation, bribery and corruption, intellectual property fraud, false accounting, securities and investment fraud, regulatory and anti-trust violations. He frequently works in close collaboration with clients' other professional advisers. He is a member of the *American Society for Industrial Security* and the *Association of Certified Fraud Examiners*.

Gareth Crooker joined Kasalana in 2010 after working as Director of Corporate Investigations, South-East Asia, for a leading global security risk management company. He has been a business risk consultant for more than 20 years and specialises in pre-investment and compliance-driven due diligence and business intelligence. Gareth has also conducted bespoke research and analysis into the political, commercial and security risk environment in Europe and the Former Soviet Union. As well as his native English, Gareth has near-fluent French and Spanish, together with basic Italian and Dutch.