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## Why do executives steal?

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Faculty Blog

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"Nissan ousts Carlos Ghosn" - CNN  
 "Nissan board fires chairman Carlos Ghosn for financial misconduct" - The Guardian  
 "Carlos Ghosn faces removal at Nissan after arrest" - Financial Times

The headlines were shocking. The long serving chairman of the alliance of car manufacturing giants Nissan, Mitsubishi and Renault, along with another director, Greg Kelly, were recently jailed and removed from their posts pending trial. Why? They are accused of stealing.

Ghosn's successes are unparalleled; he brought struggling car makers Renault and Nissan back into profitability, created the alliance which included Mitsubishi and sold some 10% of the world's automobiles, launched the electric Nissan Leaf, "the world's first affordable zero-emission car". What's more, he was asked to run two other car manufacturers, Ford and General Motors. Kelly, an American lawyer, joined American Nissan in 1988 and made his way up the hierarchy, becoming the first American board member at Nissan.

Both men have been successful at the highest levels of business and industry, yet have been charged with illegally manipulating the system for personal financial gain, a gain which is hardly needed. Although charges have been laid, the situation is currently unfolding and we must assume their innocence until proven otherwise.

However, over the years, numerous executives have been convicted of fraud and sent to prison.\* Among them are high profile individuals such as junk bond king, Michael Milken; Tyco's CEO, Dennis Kozlowski; Jeff Skilling, CEO of Enron; Bernie Ebbers of Qualcomm; Bernie Madoff and Martha Stewart. Some were involved in situations which would have directly channelled money into their pockets while others attempted to inflate the success of their company, presumably to protect their jobs.

The key question is why will a few executives engage in fraud, while most will not?

- Is it a matter of individual ethics in that most executives have a strong moral compass which the few lack? Could it be an inherent trait of the 'wheeler dealer' executive who gets things done? Is the person who breaks down barriers and challenges the status quo also more likely to disrespect ethical and legal norms?
- Or is it a matter of degree? Do most who achieve the pinnacle of power assume extra privileges which might be considered somewhat unethical, but over time, some cross the line and become outright fraudulent, perhaps spurred on by the threat of impending organisational failure?
- Is fraud more likely to happen within an organisational culture (at least at the top) which grows to overlook unethical practices among high achieving executives, rewarding success however achieved?

Perhaps all of these factors - individual traits, company culture, impending failure- combine for fraud to occur. Presumably there are executives involved in fraudulent practices at this very moment. If so, how can organisations minimise the risk that executives will engage in dishonest practices?

Hmmmm.

\*

<https://247wallst.com/special-report/2012/05/17/top-ten-ceos-sent-to-prison/>

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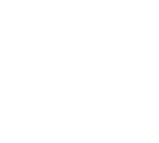
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