



Speech

by

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Master of Ceremonies

Distinguished Delegates

Ladies and Gentlemen

I'm honoured to speak at the 10th Annual White Collar Conference under the auspices of Advantage Training, to which I express my gratitude and congratulations for a well organised conference on an imperative topic of our time. I'm not the best candidate to speak on this topic as I do not possess the renowned expertise in corruption, psychology, sociology or law in anyway. But as an academic with many years of experience in leading and managing a large institution, I would like to explicate my humble thoughts on this ever important topic, first by drawing from the authoritative work of experts on the topic of crime and sociology and ending with a personal note.

Corruption is a perennially contemporary topic: of ancient times, of contemporary times, and of the future society. I believe it's fundamentally a problem of ethics, morality and character that permeates all spheres of society, especially the political, economic, and administrative systems. According to **Transparency International** - *a global civil society organization that brings people together in a worldwide coalition to end the devastating impact of corruption* - corruption affects politics, the judiciary, public administration, the private sector, public contracting, public investment and development. In short, corruption perpetuates inequality and ruins lives, for it takes away opportunities and thus wealth from those most deserving.

Background

Before I elaborate on (white collar) crime in an organisation, allow me to draw the distinction between the different criminal practices:

- a. **white collar crime:** a crime committed by a person of *respectability and high social status* in the course of his/her occupation.¹
- b. **fraud:** an intentional *deception* made for personal gain or to damage another individual;
- c. **corruption:** a behaviour on the part of officials in the public sector ... in which they *improperly and unlawfully* enrich themselves or those close to them, by the misuse of public power entrusted to them.²

These practices are crimes in the legal sense and distinguishable by means of their definitional elements. Unfortunately, they are important *clandestine* driving forces in all economies. Any one of these crimes may be committed from within an organization and is therefore of interest from the leadership and management perspectives.

In the following sections I will therefore address crime in its generic sense irrespective of definitional boundaries between the above categories since they remain altogether undesirable incidents, which cause harm to the organization, innocent employees, customers, and society at large.

Talking about crime, whether in, by or against an organization or in general has to start from an entrenched sociological wisdom, i.e. that crime is ubiquitous, and normal (Émile Durkheim, 1858 - 1917)³ for any society. It is only the prevalence and incidence of crime which changes over time and space, but crime as a specific form of deviant behaviour has been with human society since the dawn of time. This has become an undisputed

¹ Sutherland, Edwin. 1940. *The White Collar Criminal*. ASR 5 (1940), 1 – 12.

² Transparency International. 2009.

³ Durkheim argued that crime, a social fact, is both *inevitable and necessary*. He postulated that even in a society composed entirely of saints and 'Holy Men', there would *still be crime* as the exceptionally high moral standards enshrined would mean that the tiniest transgression would amount to rule-breaking, hence, a 'crime'. Durkheim, thus suggested that it is futile to attempt to eradicate crime through legislation and penal means. Moreover, Durkheim concluded that crime was not only inevitable, but also *necessary*. Durkheim, Émile. 1970. *Suicide: A Study in Sociology*.

topic among sociologists and criminologists from the days when the French moral statisticians Andre Michel Guerry (1802 – 1866) and Adolphe Quetelet (1796 - 1864)⁴ scrutinised statistics in order to fathom '***the moral health of nations***'.

Latest since the explication of Gottfredson and Hirschi's seminal work on crime (1990)⁵ by my colleague Schulz (2006)⁶ we have a tangible explanation for our every day experience that even generally honest or principled people are at times tempted to steal or commit a crime. For the purposes of this paper we thus take the phenomenon of crime in, by and against the organisation for granted; we accept it like Durkheim as a '*social fact*'.

The rationality assumption which is undergirding Gottfredson and Hirschi's (1990) has already much earlier led Cohen and Felson (1979) to formulate their ***routine activity theory***, which in terms of public policy and individual prevention strategies encourages situational crime prevention. They also suggest that much crime is triggered by three factors: *a motivated offender, suitable target, and absence of capable guardian*. I shall return to this point under Crime Prevention through Awareness and Procedural Design (CPTAPD).

It will later become apparent that Cohen and Felson's theory is sufficiently attractive when it comes to the point of putting in place mechanisms aimed at reducing incidence of crime in the organisation. However, if the second and third factors (supra) represent the definitional elements of an opportunity for an employee to commit crime, it is entirely reasonable to take cognisance of the fact that crime opportunities in an organization

⁴ Quetelet's research had as objective to assess the degree to which crime rates vary with climate, sex and age. Quetelet proposed then what he called the "thermic law", which entails that morality undergoes seasonal variations.

⁵ Gottfredson & Hirschi's. 1990. *A General Theory of Crime*.

⁶ Schulz, Stefan. 2006. *Beyond Self Control*.

⁴ Cohen, Lawrence & Felson, Markus. 1979. *Social Change and Crime Trends: A Routine Activity Approach*, ASR 44 (1979), 588 - 608

[¶] Transparency International, 2009.

differ, for an employee's position in an organization enables and limits the kind of crimes the person can commit, i.e *hierarchy and process*.

As we reflect on the **Corruption Perceptions Index of 2008**⁷, out of 180 countries, we note that none of the African countries appears in the top 35 as least corrupt, while 16 featured in the bottom list of 35 most corrupt. Botswana, South Africa and Namibia feature as 36, 54 and 61, respectively. The **2009 results** are barely different from those of 2008.

However, in view of the copious government and corporate scandals in Western countries, such as in the UK and the US – here especially crystallised by the current global financial crisis on the account of the conduct of Wall Street, banks and those and other Western governments, we cannot discount white collar crime, fraud and corruption in those societies. And our evidence is the devastating consequences on the global scene affecting every nation on earth. Therefore, I'm not necessarily in agreement with the indicators that Western governments are necessarily corruption-free as is often reported or professed.

It is true that Western countries are more transparent, but it is also true that they are corrupt and often drive or fuel corruption in developing countries. Corruption is manifested not only in the conduct of business fuelled by greed, but also in the racism of those countries (colour-based nepotism).

In any case, these statistics give us cause for concern: is it right, or is it acceptable that we have more corrupt systems? Do we accept corruption as an evil we can't do without or as an essential way of life? These questions require extensive social, philosophical and professional elaboration such as this workshop, but I shall not dwell much on such

⁷ Transparency International. 2008.

analysis today. Suffice it to say that Africans are not more corrupt by nature, but our systems are being challenged in the new culture of business and politics.

In our part of the world, corruption is a matter of grave concern. Simply because the workshop is being hosted by South Africa, I wish to refer to a recent article in the *Financial Mail* (21 May 2010) with a cover page titled: ***Corruption's Black Hole: The scramble to plug the leak in the budget.*** I extracted the following pieces from it:

"On township streets protestors burn libraries and clinics because 'those who are our mayors took money for themselves'. In political quarters, corruptions busters exposing tender fraud fear for their lives from hitmen. In boardrooms, too, concern is deepening over the insidiousness of corruption in SA. There is unanimity in the Union Buildings and parliament, and in the ranks of business and trade unions, that corruption is the biggest obstacle to achieving SA's social and economic goals. Yet very little has been done to stop it. And the cost to the country?"

The article goes on to say: *"An unofficial estimate doing the rounds in government is that SA is losing 20% of its procurement budget each year through corrupt procurement - rip offs, overpricing and the failure of contractors to deliver what is promised. The general effect of corruption is washed-away roads, cracked houses and new school buildings declared unsafe for occupation. At the time, 62% of businesses said corruption was a serious issue in business. ... It's a clear case of complacency and lack of political will."*

I must hasten to say that conditions differ from country to country, and even in Namibia we see white collar crime being perpetrated on a frequent basis and on the same principles and with the same devastating consequences as in neighbouring countries or anywhere else. In fact, we rank lower than South Africa on the Corruption Perceptions Index.

Cause and Effect

I believe it is fundamentally never the intention for anyone or system or government to be corrupt. But life's too tempting to be straight and when the **moral compass** isn't fixed at the foundation or from time to time, preferably frequently, then we end up with systems that are *corrupt*, and sometimes become *'inert to correction'*.

Humanity has many flaws and society has many sources that purposefully or inadvertently lure people into corruption and here I mention a few:

a. Moral Foundation

We often assume that any person will live by straight morality, but this is not the case. The lack of appropriate moral or ethical foundation is the beginning of all evils, and religion is not the panacea as some would profess. Morality isn't generally or specifically taught uniformly and prominently at home, in schools and universities.

Human nature is a balance between 'the good' and 'the bad' and without a moral compass, we find ourselves in precarious situations of getting whatever at any cost. We have to close the loopholes! Thus as always I would profess that we must revisit the foundations of our moral backbone through upbringing (culture), education (schools and universities) and business and politics (through universities and political and legal systems).

b. Social Structure (Sociology)

Comparisons are the result in competition, and often the cause of evil. As the *survival of the fittest* phenomenon has it, no one wants to be left behind, no one

wants to live in poverty for very obvious reasons, and the good taste of life is often too tempting to resist.

Generally our business cultures encourage entrepreneurship and innovation. Society tends to reward the winners, and often the rich people get all the attention or are revered, nevermind their means of getting rich. Many rich people or entrepreneurs '*get it right the wrong way*' and without having to account for their wealth. So somehow, society inadvertently encourages the '*get-rich syndrome*' but without the appropriate *checks and balances*.

In the USA, this has been put forth by another seminal figure in sociology, Robert K. Merton (1938)⁸ who adapted the concept of **Anomie** (a French word meaning 'normlessness'), initially developed by Durkheim in his book *Suicide* (1897).⁹ In Merton's writings, *anomie* came to mean a disjunction between *socially approved means* to success and *legitimate goals*. Whereas *legitimate goals*, involving such things as status, wealth, and personal happiness are generally portrayed as everyone's goals, *acceptable* means these goals are not equally available to all members of society. Thus when individuals (at any level of society) feel the strain of being pressed to succeed in socially approved ways but lack the necessary tools, *crime and deviance* rise as a consequence. We have to re-evaluate and re-dress our philosophy, psychology and sociology more often than we do.

c. The Law

When being rich is fashionable, and when we become complacent about, or ineffective against, deviant behaviour, we invite crime.

⁸ Merton, Robert K. 1940. *Social Structure and Anomie*, ASR 3 (1938), 672 – 682.

⁹ Durkheim (fn 3 above) used the term Anomie to explain how a breakdown of predictable social conditions can lead to feelings of loss and dissolution; a feeling of not being personally embedded in society, or a loss of the sense of belonging.

When the person commits a crime and there's no law, judicial system or other corrective measures, or when the judicial justice is under-performing, then society is subject to criminal action. We have to ensure that there are laws and functional judicial systems in place to prevent or minimize crime.

Consequently, what we see happening in all societies is a result or combination of the abovementioned factors. The response is: we need to start with the basics - to ingrain the morality and discipline into the populace from the cradle to the grave, at least as a preventative measure or minimizing tool; and we need to act now in order to have a measurably better society in a decade! Whereas we acknowledge the need to address current deficiencies as a matter of urgency, we also acknowledge that it is useful to have a common reference point as to how to act, and what tangible strategies to pursue. At the corporate level, we are talking about leadership.

Leadership and Human Behaviour (Action)

Assumptions for human behaviour emphasising the bounded rationality of the actor give reason to believe that it is not an effective and efficient management alone which can bring change to contemporary realities, but that fighting crime in the organisation is an equal, if not greater, challenge for **Leadership**.

The assumption of *bounded rationality*¹⁰ (Coleman, James S. 1994) starts from the utilitarian principle, which holds that any action is the result of a conscious or unconscious calculation of the positive and negative outcomes of the intended action. These outcomes (benefits) must be understood in terms of overall opportunity structure in which the action occurs, i.e. the situation in which the actor finds him/herself, in other words the opportunity structure means the totality of *internal and external conditions of relevance*. Internal and external conditions have been explicated by reference to various

¹⁰ Coleman, James S. 1994, *Foundations of Social Theory*.

categories by Esser, Hartmut. 1999.¹¹ Whereas the *former (internal)* refers to knowledge, values and attitudes (leadership), the *latter (external)* refers to opportunities, restrictions, institutional rules, significant symbols (leadership) and frame of reference (leadership).

In this analytical framework it is important to note that *Leadership relates first and foremost to the external conditions and only weakly to the internal conditions*, because it substantially **embodies** *significant symbols*, and **points out** the *frame of reference*, but informs attitudes only to a lesser extent. It does, however, little with regards to the internal conditions informing action, because it has little influence on the knowledge and the values of the employees of an organisation. The latter is more accessible to the management of the organisation.

Having established conceptually the importance of leadership in the transformative process towards less corrupt, less criminogenic environments, we are now in a position to look briefly at what good leadership entails.

Leadership Principles

As I mentioned earlier, crime fundamentally results from lack of morality and ethics, thus a prerequisite for an upright society or business is the *integrity of leaders and managers*. Considering the saying that ‘the road to hell is paved with good intentions’, being a leader means more than having mere good intentions. In fact **Leaders** need to:

- portray ethical behaviour all the time
- serve as role models
- follow through with appropriate actions
- set the right examples

¹¹ Esser, Hartmut. 1999. *Soziologie: Allgemeine Grundlagen*.

- have actions that speak louder than words
- stand up for what they think is the 'right thing' to do
- espouse the positive beliefs and show the way.

But leaders also require complementary governance and management to become effective, which takes me to another important point in managing institutions: **corporate governance**. In this respect, two important components give stability to organizations: **the board** and **the chief executive**. When the combination is right, i.e. the good board and CEO, the organization grows and flourishes. When the combination isn't, i.e. the board is right and the CEO isn't, or the CEO is right and the board isn't, then the organization is in trouble. Effective governors, leaders and managers produce stability in corporations, and thus an organization must do everything possible to recruit and retain an exemplary board member, CEO or employee through the right appointment processes, incentives, opportunities for development, etc.

Nevertheless, these factors are influenced by internal and external politics, special interests, accountability and the regulatory framework or law.

It is therefore important that each board member or CEO is not only knowledgeable but well-versed with principles of good governance such as elucidated in the **King III Report**. For the governor or leader, it is essential to translate intention into reality and to sustain it with action and behaviour;¹² this is what Benis and Namus refer to as '*what leaders do rather than what leadership is*'. Leadership comes from commitment – a characteristic common to all individuals who are recognized as leaders. Such leaders are indispensable to set the direction towards the long-term vision of an organization least affected by crime or effectively resistant to crime in the organization.

¹² Cohen, Lawrence & Felson, Markus. 1979. *Routine Activities Theory*, 1979.

Against the backdrop of the more conceptual considerations above, we can now look at more tangible measures for crime prevention in the organisation, carried through by Leadership and Management. Such measures would address a number of variables in the organisation such as **structure**, **personnel**, and **operations**. This approach can be aptly termed **Crime Prevention through Awareness and Procedural Design (CPTAPD)**, understood as an off-shoot of *rational choice theory*:

1. Structural

- a. monitor policies
- b. inform employees about crime and how to detect and prevent it
- c. ensure effective physical security to protect assets and data.

2. Personnel

- a. apply employment screening tools to hiring new employees
- b. maintain accurate, up-to-date personnel records
- c. provide clear ethical guidelines, policies they are expected to abide by
- d. treat employees fairly and equitably
- e. train employees to ensure competence in their functions.

3. Operational

- a. ensure smooth operations (minimize crisis modes)
- b. provide clear lines of authority
- c. segregate functions and duties (optimize areas of control)
- d. enable (monitor for compliance) authorization controls.

Flowing from these variables, **Common Sense** tell us that :

- a. between 30 and 40 % of crimes in an organization are detected with tips:
protect whistle blowers

- b. detecting fraud is not the primary objective of financial statement audits
- c. independent (external audits) have not been designed to detect fraud and are not effective
- d. establish functional internal controls and internal.

Speaking from a personal experience and viewpoint, I wish to state that the institution which I established and have led and managed for fifteen years been fortunate not to have succumbed to white collar crimes. Since the institution's inception, the strict good governance, transparent and apolitical management style, supported by the collaboration between governing board and CEO, have been working effectively against crime in the organisation. Such management style and relationship amongst roleplayers are absolutely critical for the success of the organization.

Finally, allow me to express my gratitude to Advantage Training for their kind invitation for me to participate in this conference. My organisation is ever ready to learn and grow, and to collaborate with national and international organisations.

I wish you all very fruitful deliberations and results, and thank you for your kind attention.

Note of Appreciation

I wish to express my sincere appreciation to my colleague Dr. iur. Stefan Schulz, *Associate Professor of Law and Criminal Justice*, for the dialogue on this topic and for his contribution and kind support towards this speech.