

Invisible Offenders

A Comparative Study on White-Collar Criminals in the United States and Japan

Kimberly Aramburo, Management & Human Resources

Mentor: Dr. Lianlian Lin

Kellogg Honors College Capstone Project

Introduction

The illegal acts of Enron and WorldComm brought mistrust and scrutiny to American businesses in recent times. White-collar crime has become a hot topic in the business world due to the detrimental effects such acts have on the organizations. White-collar crime is defined as a nonviolent crime committed for illegal monetary gain typically found in top positions in organizations.

White Collar Crimes

- Antitrust violations
- Bank fraud
- Bankruptcy fraud
- Bribery/kickbacks
- Computer/internet fraud
- Consumer fraud
- Counterfeiting
- Credit card fraud
- Economic espionage and trade secret theft
- Embezzlement/larceny
- Extortion/blackmail
- Financial fraud
- Forgery
- Healthcare fraud
- Identity theft
- Public corruption
- Racketeering
- Telemarketing fraud

Americans view business crimes as less serious is because they see the crimes as **isolated incidents, as one-time events.**

Business crimes as seen as "victimless" because the damage is spread out among many people, and it is **less direct than street crimes.**

Figure 1. Different types of White-Collar Crimes. Source: Brody & Kiehl, 2010

Research Questions

How does American society view business crimes?
 What are the reasons for white-collar crimes?
 Do certain psychological factors lead individuals to commit white-collar crimes?
 What are the effects of business crimes on corporate America?
 How does Japan's white-collar crime differ from the United States?

Hypotheses

H1 Business crimes are more accepted than other types of crimes in the United States society.
 H2 Certain psychological factors such as narcissism lead to white-collar crimes.
 H3 White collar crime negatively affects businesses financially.
 H4 Japan has more white-collar crimes overall than those experienced by the United States.
 H5 The masculinity of Japan's culture allows for white-collar crime to be more acceptable than in the United States.

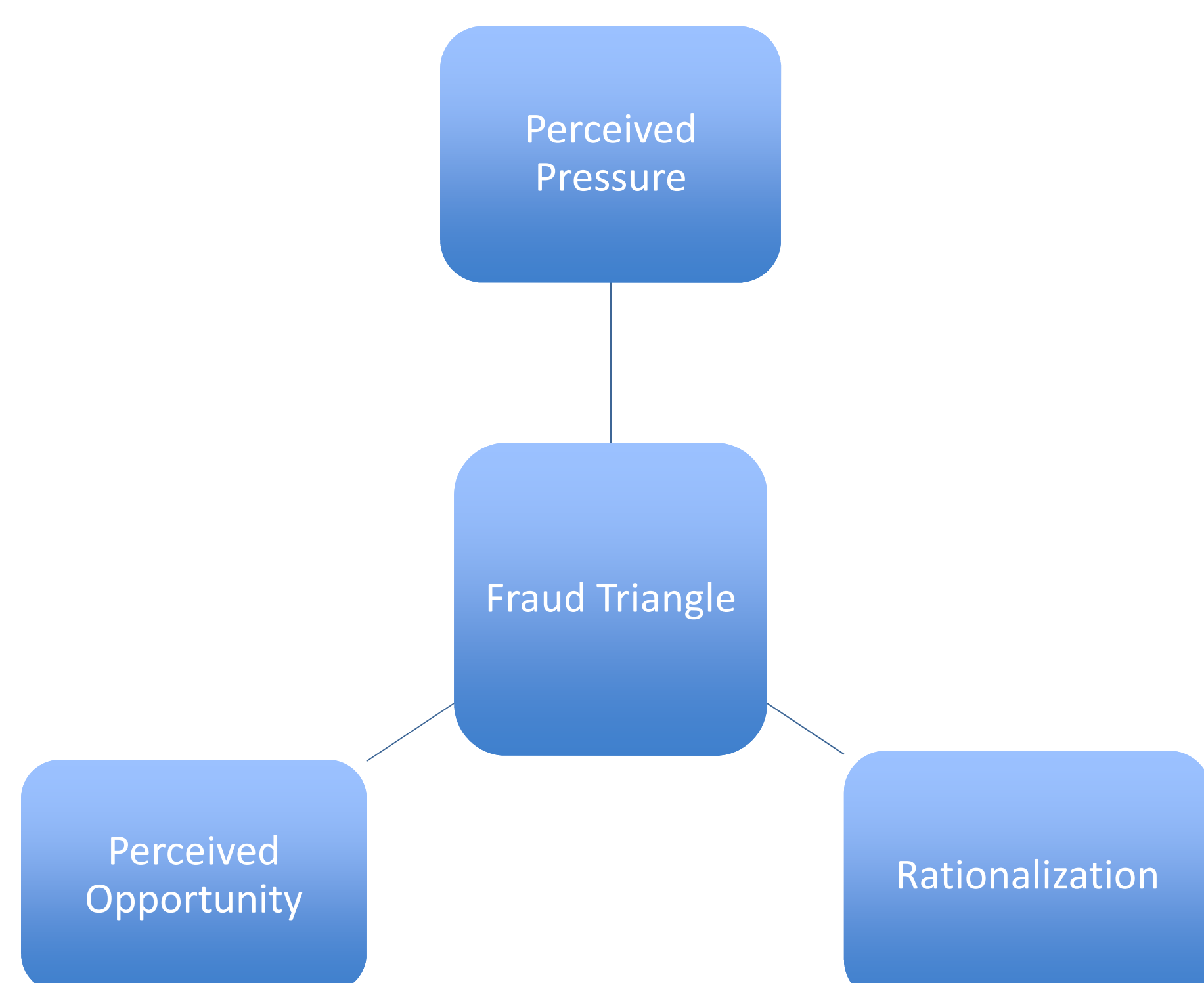


Figure 2. The Fraud Triangle. Source: Dorminey, et.al, 2010

Findings

Business crimes are more accepted than street crimes in the United States.

Certain psychological factors like narcissism, extroversion, and impulsiveness lead to white-collar crimes.

White-collar crimes negatively affect businesses financially, both in the United States and Japan.

Japan has about the same amount of white-collar crimes overall than those experienced by the United States.

The masculinity of Japan's culture allows for white-collar crime to be acceptable in Japan, just like in the United States.



Figure 3. Map of the world highlighting Japan and the United States.

An estimation of the cost of white-collar crimes annually exceeds **\$400 billion** in the United States.

Source: Berger, 2010

Research Limitations

The research was limited to the usage of predominantly secondary data to measure the accuracy of the hypothesis, with limited help from the two manager interviews. It was also limited by the amount of data readily available on the topic of white-collar crime, especially Japan. Future research should focus on measuring the amount of white-collar crime in Japan for it to be compared accurately with the United States. As of date, there lacks significant research in this area and it will help to uncover differences in societal views between Japan and the United States.

Research Methods

The project looked at white-collar crime in the United States and Japan utilizing primary and secondary research. Two interviews were conducted with business managers and various types of literature was used to test hypotheses.

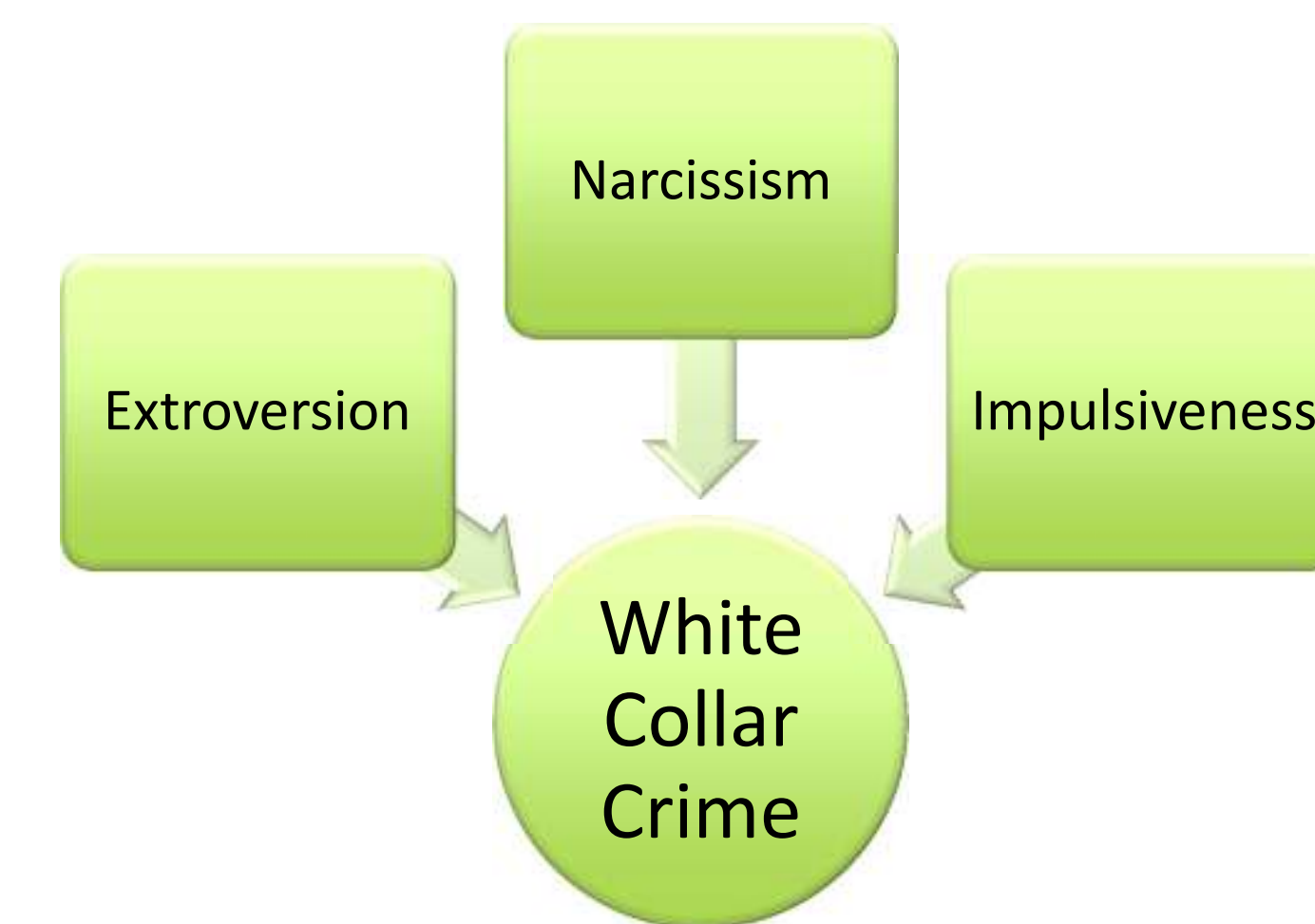


Figure 4. Psychological (Personality) traits that lead to White-Collar Crime.

Recommendations for United States Companies

In the United States, companies can enhance their ethics training to include white-collar crime. This will bring attention to the issue, as well as make the workers aware that the company will have zero tolerance for fraudulent activities. By specifically targeting white-collar crimes, the company will help reduce the opportunities for individuals to partake in these illegal actions. Concerning the American society's view on white-collar crime, the ethics training will bring to light that although it is overall more acceptable in society to be a white-collar criminal than a street criminal, it is not acceptable in any form in the company. Additionally, when the United States companies want to conduct business abroad, it is recommended to investigate the country they want to make business with. This will help in the company's decisions, such as who they want to place as manager, a United States manager or a foreign manager, to handle operations. This is important because based on the person's background and culture, he or she will deal with white-collar crime differently.

Recommendations for Japanese Companies

In Japan, it is recommended for companies to set up an anonymous call center to report white-collar crime. It is customary for subordinates to follow their superior's orders without questioning, even if it is seen as unethical. This is due to the Japanese culture, in which masculinity is very prevalent. Following an order to partake in criminal actions can severely affect a company, but this problem can be lessened by the call center. Workers who do not agree with their superior's fraudulent actions can call the center and an investigation will be conducted. The anonymity of the call will help the worker keep face and position in the company, as he or she will not have to openly defy his or her superior, which would go against Japanese culture. Including the call center number as part of company training will highlight the zero tolerance crime policy of the company. Superiors will then know that if they acting fraudulently, their subordinates can turn them in without having to state his or her name. This will keep the superior on check to make sure that he or she does not abuse the power. The subordinate will also be kept on check because the company will conduct an investigation to make sure that the claims of white-collar crime are true.

Findings & Conclusion

Research found found that Americans view white-collar criminals as one-time, isolated offenders who committed the crime "out of character". It was found that narcissism as well as extroversion and impulsivity are contributing factors to white-collar crimes. Japan's masculinity culture is higher than the United States', meaning that individuals place high value on material belongings and the acquisition of money. These traits lead Japanese individuals to partake in illegal acts almost at the same rate as Americans. Future research needs to be conducted to investigate the differences in white-collar crime across cultures in multinational organizations, as well as a look at preventive methods to protect employers from white-collar criminals.