

# [Research paper on credit suisse: corporate culture and ethical leadership](https://assignbuster.com/research-paper-on-credit-suisse-corporate-culture-and-ethical-leadership/)

[Business](https://assignbuster.com/essay-subjects/business/), [Employee](https://assignbuster.com/essay-subjects/business/employee/)

## Introduction

Credit Suisse is embroiled in a conspiracy to help a number of US clients evade their duty of paying taxes. This is a multinational bank whose headquarters are in Switzerland. Information that has been circulated by daily newspapers all over the Unites States is to the effect that three of the bank’s employees are guilty of conspiring to defraud the United States authorities. The same was done by evading paying tax and also helping some American citizens to hide their assets offshore so that they do not pay tax (Scannel & Foley, 2014). This is a criminal offence in the United States of America, and consequently after taking the matter to court, the bank was charged with the crime of aiding and abetting evasion of tax payment.
Further information indicates that the bank has already pleaded guilty of this charge. The company officials were accused of failing to cooperate with the investigations that were being conducted to establish this guilty charge and also contributing to the loss of vital and incriminating evidence. The bank officials, for example, contributed to the loss of vital documents and also shamefully making insufficient internal inquiry into the crime conducted by its officials (Scannel, K., & Foley, S., 2014). This will impact negatively to the other partners and parties in the banking sector, and the effects, are in fact, being felt across the country. Counterparties have threatened to take actions on the bank. Investors are at a precarious position because they do not know their fate as far as their investment in the bank is concerned. Other banks are also contemplating the immediate and appropriate actions to take as far as the guilty plea taking is concerned, and some of them have pleaded not to take such pleas as they would impact negatively on the banking sector as has happened on Credit Suisse.
The guilty verdict, as a result of assisting their customers to elude paying tax in the United States of America, has caused the bank to incur US $2. 8 billion in fines. In addition, it has been forced to dismiss three of its employees who associated with aiding and abetting this act. The act has come along with a number of consequences. First of all, the bank is losing many clients and its investors are not sure of what they will do next (Ravasi & Schultz, 2009). Secondly, the bank is also at a position of losing the licenses that allow it to operate in the United States of America, and this will have a negative effect in its operations. Particularly, the bank may not be allowed to operate in New York and America in general. The bank will also lose its three employees who are associated with aiding and abetting an act of evading tax.
This paper will, therefore, interrogate the ethical aspect of the company aiding and abetting evasion of tax payment and also the guilty plea. In particular, the paper will discuss what organizational ethical behavior entails and then relate the topic to what became of Credit Suisse in relation to its unethical behavior. Secondly, this paper will interrogate the whole idea of economics and ethics and how they are related. The other area of concern will be to discuss corporate culture and its relationship with the case study at hand. It is because of absence of sound corporate culture that Credit Suisse has found itself in this mess (Putman, 2012). Again, this paper will interrogate the moral rights that employees of the company are expected to have and also the essence of ethical leadership in an organization. Finally, this paper will suggest a case for responsibility with diversity and the absence of discrimination in the workplace. A conclusion will sum up the paper in a special way.

## Economics and Ethics

Just like any other corporate entity, banks are there to make money and, therefore, make great returns for the people who formed it. The need for money, however, should not supersede the need for moral standards and ethical values. In this case, Credit Suisse finds itself in a precarious position whereby the bank is in the brink of collapse and its employees are at a position of losing their jobs because of aiding and abetting evasion of tax (Peil & Staveren, 2009). The bank is also faced with the risk of losing its licenses and also its financial muzzle due to this feat.
Although Jack High of George Mason University writes that Economics and Ethics are quite distinct from each other and, therefore, can only get juxtaposed rather than being compared with each other, there is a very close relationship between the two subjects of study. Jack High writes that Economics is a science and, therefore, deals with scientific facts unlike Ethics, which deals with values and other related ethical behavior. This analogy is, however, applicable inasmuch as the two are discussed as subjects of study. When the two are discussed as disciplines, there cannot be any dichotomy between them (Putman, 2012).
It is trite law that ethics forms part and parcel of economics, and it is only with ethical behavior that an organization can successfully carry out its mandate. Taking the example of Credit Suisse, the bank could only realize potential and carry its mandate successfully in the New York by observing good ethical behavior and good morals (Letzing & Enrich, 2014). Such ethical behavior includes encouraging its clients to pay tax as expected of them by the authorities and also the economics of the country. That is what is required by the law. It, therefore, follows that ethics is part and parcel of any economic undertaking and must remain as such.
Regarding the relationship between ethics and economics still, Dooyeweerd suggests that the relationship cannot in any way be passed in silence. According to him, the two are inseparable and, therefore, there is no way that they can be separated. This view has also led to another similar proposition by Peil & Staveren, who opine that economics is a moral science (Peil & Staveren, 2009). This paper will, therefore, join the scholarly propositions by suggesting that what the officials of Credit Suisse did in an attempt to aid and abet the evasion of tax was unethical and should not be done by any organization in future whose mandate and objectives are to serve the residents of that particular country, in this case the United States of America.

## Can a company’s profitability or market share be used as a shield from prosecution or penalty?

This paper strongly agrees with the article quote: “ A Company’s profitability or market share can never and will never be used as a shield from prosecution or penalty. And this action should put that misguided notion definitively to rest.”
It argues that all global financial institutions irrespective of their size on capital base are amenable to ethical standards. Since the 2008 Lehman Brothers fallout that led to the global financial crisis, there has been a feeling that regulators may go soft on financial institutions, for fear of similar fallouts that might lead to another crisis (Putman, 2012). A number of reasons for extending leniency to financial institutions that have contravened corporate ethical standards advanced.
In addition, even if the punitive sanctions are waived, conditions attached thereto may make it difficult for such institutions to operate. Both present and prospective clients are likely to weigh between the advantages of dealing with a convicted company and the compliance constraints that come with it. If they are not worth the adherence impediments, they will be left with no choice but to ditch the bank. In addition, the clients whose policy prohibit them from carrying out business with convicted enterprises might pull out of any previously struck dealings with such companies and desist from future ones (Peil & Staveren, 2009). As a result, the ability of criminally indicted enterprises to operate will be crippled.
The above reasons may appear to be legitimate objections to the idea of imposing punitive measures on convicted financial institutions. However, in light of devastating consequences of condoning breaches of ethical standards, they do not add up to fatal objections. Unequivocal message has to be sent to all financial institutions that unethical practices will not be tolerated and wrongdoings will not go unpunished (Peil & Staveren, 2009).
The courageous action taken by Credit Suisse to plead guilty coupled with the federal prosecutors and financial regulators to waive the bank will set pace for other financial institutions involved in tax evasion and other criminal transactions to step forward and take responsibility for their illegal acts and omissions (Ravasi & Schultz, 2009). Although at first it may appear to be a fly in the face of corporate ethics, it will yield in the end.
Flaws in the financial sector receive the credit for the global financial crisis. Besides, various literature have ascertained wanting global corporate ethical standards coupled with laxity in enforcing the available ones. Unethical lending services by financial institutions, for instance, were pointed out as violations that laid the foundation for the 2008 financial crisis. If indeed lessons were leant from the devastating impacts of previously financial crises, public good or any other excuse by whatever name called ought not to come in the path of criminally sanctioning any financial institution that breaches ethical standards (Letzing & Enrich, 2014).

## Corporate Culture

Ravasi & Schultz define corporate culture to include all sets of values, norms and visions that an organization puts in place for its workers and all stakeholders to follow. It also includes all beliefs, habits and systems that an organization puts in place for its stakeholders to follow. Corporate culture is sometimes unique for a particular organization, and it is what defines that organization. In this sense, it affects how the organization relates with its employees, outsiders, clients and all stakeholders (Ravasi & Schultz, 2009).
Interrogating the scenario at Credit Suisse, the bank was doing extremely well until the tax evasion impasse broke out. It is because of good corporate culture and good corporate social responsibility initiatives that the bank was able to start and maintain an international outlet at the New York state of USA. The bank is on record as having a culturally diverse workforce which made it possible for the bank to carry out its mandate as was obligated in its memorandum of association and the articles of association. Moreover, the bank had an internationally oriented image and that is why it was allowed to operate in New York and was also issued with a permit and licenses to work there. It is also because of a focused corporate culture that the employees of the bank are allowed to have more travel opportunities abroad to learn from other such organizations and then translate such lessons to success in the bank (Putman, 2012).
Letzing and Enrich attribute the success that the bank had registered before the bad luck came up to good and sound leadership from its leadership crew (Letzing & Enrich, 2014). This can be proven by the fact that even during the financial crisis that hit many banks and other organizations in the United States and also elsewhere in other parts of the world, the bank was least affected, and it continued carrying out its operations as if nothing had happened. This is a show of good leadership which is defined by good corporate culture.
The workers of the bank are also independent thinkers. This is shown by the manner in which they dress while their working schedules in the organization and Letzing and Enrich are quick to note that the workers place their neck ties appropriately when they are at the workplace. This is a show of food corporate culture. However, this good name and sound corporate culture was destroyed when the officials of the bank decided that it was good for them to aid and abet evasion of tax (Letzing & Enrich, 2014). This did not go well because tax payment at the United States, just like any other state, is taken very seriously. Due to good corporate culture and in a bid to ensure that the bank maintains its good reputation in the US market, the management has also decided to plead guilty of the criminal charges because the investigations will show that the three officials indeed aided and abetted evasion of tax by the bank’s clients and other US citizens.

## Moral Rights and Employee Rights

Scannell & Foley note that seven employees of the Credit Suisse bank were charged with criminal offences related to aiding and abetting evasion tax evasion by the bank clients and also helping a number of American citizens to hide their assets offshore so that the revenue collection authorities do not notice what is happening (Scannel & Foley, 2014). Out of these seven employees, it has been suggested that three of them are supposed to be dismissed if at all the bank is to be allowed to operate in New York. Whereas this will negatively affect the rights of the employees, it is the only way that justice will be seen as done because what they did was against the law of the United States of America and also the revenue collection laws of any other country.
The moral rights of any employee are supposed to be in line with the corporate culture of the organization and also the ethical values of any other employee anywhere in the world (Scannel & Foley, 2014). In this case, therefore, the three employees should have strived to safeguard the image of the bank in whatever that they did while working for the company. Their act of aiding tax evasion was, therefore, against employees more rights and the resultant punishment therein which includes dismissal from the workplace is in order with the work ethics.
Whereas it is the right of an employee not to be unfairly dismissed from the workplace, it also behaves such an employee to take care of the welfare of the organization in which they are working. Employee rights, therefore, go hand in hand with moral rights of employees. In the case of Credit Suisse, the fact that the company was doing well before the impasse is a show that the rights of the employees were well taken care of by the bank. That is why the bank was able to register the success it registered. Similarly, the fact that the bank was able to thrive well in a country outside its domicile is a show that the company was taking care of the rights of the employees in a good way (Peil & Staveren, 2009). The employees tainted their image when they engaged themselves in an act that the authorities consider to be criminal in nature.

## Ethical problems, Ethical Leadership and their impact in business

This bank has been confronted with a number of ethical issues that have played a big role in hampering its processes. Some of those ethical issues will be interrogated in this section. To start with, the bank has pleaded guilty of aiding and abetting tax evasion. This is an offence that has hitherto been fined with US$ 2. 8 billion (Putman, 2012). What started as a conspiracy by a few employees of the bank aiding and abetting the evasion of tax and also helping some American citizens to hide their assets offshore that was aimed at assisting them to evade tax.
The other ethical issue arises from the fact that a whistleblower who made it possible for the authorities to notice that the bank was evading tax payment was later rewarded despite the fact that he was also involved in the scandal. This is unethical and should never be left to happen in our institutions (Letzing & Enrich, 2014). If it were to be allowed to happen, many people would resort to aiding and abetting acts of crime in an attempt to receive rewards in the long run.
The management of the bank also failed in its mandate to cooperate with the authorities by withholding important information and also failing to ensure that no document was lost in the process of making internal enquiries. The information so lost was an unethical behaviour on the part of the management and, therefore, a failure. The ethical bit of the leadership of the bank is seen in the fact that the Board of Governors of the bank is in support of Brady Dougan being its Chief Executive Officer despite himself being a United States citizen while the bank is domiciled in Switzerland (Peil & Staveren, 2009). This shows that the bank is concerned with the affairs of all persons regardless of their race and country of origin.

## Responsibility with Diversity

There is evidence to show that the corporate culture of the Credit Suisse Bank has been culturally diverse and also internationally spread-out compared with other banks. The workforce and the management at the Credit Suisse Bank have always been responsible for their actions and this why those employees who were found guilty of the tax evasion scandal were terminated from the job. The CEO of the Bank also understood his role and with the use of ethical leadership and tactics overcame the harsh period. However, no event of racial / class discrimination has been evidenced so far (Letzing & Enrich, 2014).

## How Credit Suisse’s punishment differs from other scandals

Various media reports indicate that a number of scandals have occurred in the past, but none compares with the one committed by Credit Suisse Bank. Bloomberg, for example, reports that prosecutors in the United States of America are busy pressing BNP Paribas in an attempt to force them to plead guilty for having conducted business in Iran contrary to the US sanctions. If it is found guilty, the bank will pay a fine of US $ 3. 5 billion. This still lowers that what the Credit Suisse is expected to pay, possibly because the offence committed by the bank is graver than what the other bank did.
The Financial Times, on the other hand, reports that in the year 1995, Japanese Daiwa Bank pleaded guilty of a scandal of hiding US $ 1. 1 billion and, as a result, of such offence, its property in the US was sold three months later. This is still less than what Credit Suisse has been fined, and the reason behind that could only be because the offence is graver and was meant to affect the US revenue department a great deal.
Furthermore, the Financial Times reports that in the year 2009, UBS, discussed earlier in this paper, was fined a total of US $ 780 after it was found guilty of assisting US citizens to evade tax payment to the authorities. The Economist on the other hand reports that in 2002, an accountancy firm going by the name Arthur Andersen later collapsed after being found guilty of the offence of aiding and abetting the obstruction of justice by its clients. The paper continues to state that no corporation is above the law regardless of how big or profitable it is in the market. Because Credit Suisse is facing the wrath of the law and the Department of Financial Services has also recommended that its employees who aided the criminal act be investigated. The department has also recommended that the clients who failed to pay the tax also be brought to book.
Finally, the WSJ. com reports that a whistleblower by the name Bradley Birkenfield, who cooperated with the authorities to unearth the UBS mess has been awarded US $ 104 million for the good work that he did. These media reports have the effect of making comparisons for the punishments that have resulted from the failure to obey the law by a number of banking and accountancy firms in the United States of America.

## Conclusion

This paper strongly agrees with the proposition that: “ Company’s profitability or market share can never and will never be used as a shield from prosecution or penalty. And this action should put that misguided notion definitively to rest.” It has successfully argued that all global financial institutions irrespective of their size on capital base are amenable to ethical standards. Since the 2008 Lehman Brothers fallout that led to the global financial crisis, there has been a feeling that regulators may go soft on financial institutions, for fear of similar fallouts that might lead to another crisis. A number of reasons for extending leniency to financial institutions that have contravened corporate ethical standards advanced. The case of Credit Suisse has, therefore, been used as a case study to advance this proposition and make a case for other valid business ethics-related propositions and expositions.

## References

Letzing, J., & Enrich, D. (2014). Credit Suisse Weighed CEO's Exit. Journal of Management. Retrieved from http://online. wsj. com/news/articles/SB20001424052702304198504579573720899025160
Peil, J., & Staveren, I. (2009). Handbook of Economics and Ethics. New York: Pearson Inc.
Putman, H. (2012). The Collapse of the Fact/Value Dichotomy and other Essays. Cambridge: Oxford University Press.
Ravasi , D., & Schultz, M. (2009). Responding to organizational identity threats: exploring the role of organizational culture. Academy of Management Journal, 49(3), 433–458.
Scannel, K., & Foley, S. (2014). Credit Suisse Pleads Guilty to Tax Evasion. Journal of Management. Retrieved from http://www. ft. com/cms/s/0/829347f8-df6c-11e3-8842-00144feabdc0. html#axzz33Jscc5JF