BOOKS


The aim of this book is to deepen our understanding of financial crimes as phenomena. It uses concepts of existential philosophies that are relevant to dissecting the phenomenon of financial crimes. With the help of these concepts, the book makes clear what the impact of financial crimes is on the way a human being defines himself or the way he focuses on a given notion of humankind. The book unveils how the growth of financial crimes has contributed to the increase of the anthropological gap, and how the phenomenon of financial crimes now distorts the way we understand humankind. Using the existential philosophies of Kierkegaard, Nietzsche, Jaspers, Buber, Heidegger, Marcel, Tillich, and Sartre, the book sheds light on how these philosophies can help to better perceive and describe financial crimes. The book provides readers with existential principles that will help them be more efficient when they have to design and implement prevention strategies against corporate crime.


This book deals with the moral dimensions of corruption, money laundering, and cybercrime. The way such financial crimes are analyzed unveils a Kantian perspective. In describing one or the other financial crime, we are analysing its organizational, micro-economical, macro-economical, social, and political effects.


The focus of this book is the interconnectedness between detection and prevention, given the fact that we must take cultural conditioning factors into account. Cultural contexts could
influence the way financial crimes are perceived as well as the way social/political/legal authorities will fight such crimes.

Authors: Maria Krambia-Kapardis (Cyprus University of Technology, Cyprus); Michel Dion (Faculté d’administration, Université de Sherbrooke); Yves Trudel (Faculté d’administration, Université de Sherbrooke); Abdullahi Shehu (Inter-Government Action Group Against Money Laundering in West Africa); Raffaela Barone (University of Salento, Italy); Donato Masciandaro (University of Bocconi, Italy); Claudia Champagne, Frank Coggins and Marc-André Lapointe (Faculté d’administration, Université de Sherbrooke); Brigitte Unger and Frans van Waarden (Utrecht University School of Economics, Netherlands); Marie-Pierre Robert and Simon Roy (Faculté de droit, Université de Sherbrooke); Anne Sachet-Milliat (Institut supérieur du commerce de Paris, France); Michel Fortier (Département des sciences de la gestion, Université du Québec à Rimouski).

ARTICLES


This research examines the impact of the tenure of independent directors on senior executives’ compensation and corporate financial performance. We assume that as the term of tenure or seniority of directors usually defined as “independent” increases, their independence can become compromised because of the relationships they build with corporate executives. The results show that although the tenure of independent directors has a positive impact on senior executives’ compensation, it has no significant impact on corporate financial performance. This result tends to support the contention that seniority should be taken into account in studies using director’s independence as a variable.


The present study examines the information conveyed to investors through the holding of stock options by executives. In other words, we try to answer the following question: When corporate executives hold stock options that are, on average, either in the money or out of the money, do these holdings convey information to the market? We also examine the differences between the firms’ characteristics in both types of situations. When a firm’s executive stock options (ESOs) are on average in the money, the results indicate that the market attaches a positive value to the spread size and the number of options outstanding. Furthermore, the importance investor’s grant to executives’ holding out of the money stock options is far less pronounced. In fact, when a firm’s ESOs are on average out of the money, the results tend to show that investors attach value only to the number of options in circulation. Thus, overall, out of the money ESOs do not seem to convey the same information to financial markets as in the money ESOs. Moreover, firms with in the money ESOs are much larger in scale, profitable, and spend less on research and development than firms with out of the money ESOs.

The purpose of this paper is to investigate the relationship between corporate governance practices or mechanisms and firm value, as measured by accounting and market data. Partial least square analyses were performed on a sample of 355 observations from 199 Canadian listed companies. The greater variability allowed under the Canadian principles-based institutional setting than under the rules-based USA SOX environment is well-suited for these tests. Results suggest that some governance practices, namely the percentage of independent directors on the board, the use of stock options and the frequency of board meetings are significantly and negatively related to the firm’s net book value or income. However, most individual governance practices appear to have no significant impact on the firms’ market value.


This study uses an experimental approach to examine how the perceptions and decisions of prospective nonprofessional investors are influenced by risk disclosures in the MD&A. The between-subjects experiment used 157 MBA students as nonprofessional investors. The results show that the information included in the risk section of the MD&A has a significant negative effect on perceptions of the firm’s future performance, a significant positive influence on perceptions of the stock’s risk, and a marginally significant negative effect on the investment decision. The effect on the investment decision is mediated by respondents’ perceptions of the firm's future performance and stock risk.


The study examines the value relevance of recognition versus disclosure for stock-based compensation information required by the different accounting standards having taken place in Canada between 2000 and 2005. The results, analyzed for a sample of public firms traded on the Toronto Stock Exchange, suggests that information other than value of stock options disclosed by statement footnotes and the recognition of stock option expense in the income statement seem relevant to investors. However, the pro forma disclosures showing the impact of stock option cost on net income does not seem to show a significant informational content.


The object of this study is to examine how board members’ performance is evaluated and how they are compensated. In the last decade, the board of directors of publicly traded firms has been under strict surveillance by market participants and regulatory bodies. However, although market regulators require the full disclosure of executive and directors’ compensation plans, very few guidelines exist as to how directors should be evaluated. Hence, by thoroughly examining the information disclosed in management proxies, this study shows that publicly traded Canadian firms do indeed evaluate board members’ performance. However, the information disclosed regarding the evaluation of board members is parsimonious and mostly generic. Based on a sample of 173 Canadian firms, our findings also indicate that equity based
incentive plans through differed share units (DSUs) are most often used as means to compensate directors.


This article portrays the evolution of the component Canadian shareholder activism, notably in the form of shareholder resolutions at annual general meetings. Based on the database of the Shareholder Association for Research and Education (SHARE), we notice the presence of a pioneer actor, namely the Mouvement d'éducation et de défense des actionnaires (MÉDAC) whose main target is the banking industry. Since its beginnings, shareholder activism manifested by shareholder resolutions has grown considerably in the Canadian market.


This paper aims to examine whether the corporate governance rankings published by a market information intermediary are reflected in the values that investors accord to firms. Panel data from 289 Canadian firms in the four-year period 2002-2005 were analyzed using a price model. The results suggest that the corporate governance rankings published by the market information intermediary are related to not only firm market value, but also to accounting results. This study provides empirical observations that would be useful for various organizations involved in the regulation of corporate governance practices and the standardization of relevant data elements.


This paper provides a comprehensive study of the lender syndicate structure and its relationship to information asymmetry and loan spread by using principal component analysis on a large set of 40 structure-related variables. A total of six structure components are identified and related to syndicate quality, syndicate members’ heterogeneity or share concentration, lead arranger’s characteristics, lead lender’s or syndicate’s location, lender–borrower relationships, and lead institution type. In multivariate settings, all six components are significant determinants of loan spread, either directly or indirectly through their impact on other components. Lead share retention, previous lender–borrower relationships and syndicate quality are shown to be bilaterally related to loan spread.


This paper studies the impact of pension plan freeze announcements on firm beta and specific risk using an event study methodology based on the conditional approach. Results show that freezes decrease specific risk for a significant number of firms, indicating that the market views them as part of a solution to financial problems. Freeze announcements have no significant effect on firm beta when conditioned on macroeconomic variables, indicating that the effect can be mostly attributable to the timing of the freeze which coincides with difficult market conditions.

This paper examines the impact of the loan distribution method on its lender syndicate structure and spread. Although privately placed deals are associated with riskier and less transparent borrowers than traditional syndications, their average loan spread is lower. Multivariate regressions show that country effects and syndicate structure differences can explain, at least partly, this lower spread. Specifically, privately placed deals are associated with syndicates that are smaller, more homogeneous in terms of lender industries and countries, and more concentrated. Propensity score matching models show that even after removing the differences in characteristics between the two groups, privately placed deals have a lower average spread than syndications.


This paper defines corruption as a social phenomenon. It presents two basic components of that phenomenon : unreasonable preferential treatment and abuse of power. The paper addresses the moral issue that is implied in any phenomenon of corruption. The « Corruption Perception Index » and the « Bribe Payers Index » of Transparency International as well as the « International Country Risk Guide » are used in order to check to what extent some correlations/presumptions about corruption could be reliable, at least as hypotheses. Uncertain correlations and presumptions about corruption actually create an effect of distorted interpretation. They could cause ideological biases that distort our perception of corruption in developing and developed countries.


In this paper, we are describing the philosophical issues which are intrinsically linked to any progressive transformation of a mega-corporation into a « mythical » entreprise, and thus the various temporalities which characterize the mythical entreprise. Mega-corporations have specific philosophical challenges to deal with, if they want to avoid the ideological pitfalls which are arising through its mythicizing process (particularly, the challenge to take transformational leadership upon themselves).


The aim of this paper is to see to what extent ethical theories could be connected to some leadership approaches. Eight leadership approaches have been selected : directive leadership, self-leadership, authentic leadership, transactional leadership, shared leadership, charismatic leadership, servant leadership, and transformational leadership. Five Western ethical theories (philosophical egoism, utilitarianism, Kantianism, ethics of virtue, ethics of responsibility) are analysed to see to what extent their basic concerns could be connected to one or the other leadership approach. Ethical leadership does not imply that a given leadership approach is reflecting only one ethical theory. Rather, ethical leadership implies that for different reasons, various leadership approaches could agree with the same ethical theory. This is the moral flexibility of leadership approaches. Some dualisms (such as Kantianism-transformational leadership, philosophical egoism-transactional leadership) do not reflect the philosophical connections between ethical theories and leadership approaches. This paper contributes to make ethical theories and ethical leadership more interconnected, in spite of the different (parallel) conceptual universes in which they have evolved until now.

In this paper, we use Ricoeur’s philosophy in order to present money laundering as a metaphor and a narrative. We analyze the corporate moral discourse of ten banks about money laundering. We have selected ten banks that have codes of ethics and a corporate moral discourse about money laundering. The banks come from six countries: United States (2), Canada (2), Switzerland (2), Spain (2), Germany (1), and Belgium (1). The paper analyzes to what extent their moral discourse about money laundering contributes to deepen the understanding of money laundering as a narrative. In that context, we use Ricoeur’s philosophy in order to better understand the moral discourse of banks.


The purpose of this paper is to describe corruption, fraud and cybercrime as dehumanizing phenomena, insofar as they undermine mutual trust among people. When they arise in the organizational setting, corruption and fraud are institutionalizing suspicion and creating a deep loss of mutual trust and confidence within the organization. Human relationships within a corrupt and fraudulent organization are harder to develop than in a workplace characterized by honesty and integrity. Owing to the transnational nature of corruption, fraud, and cybercrime, such phenomena negatively affect the potentialities to develop a cross-cultural and interreligious dialogue on the international scene. The originality of the paper is that it reveals that the way an organization could fight corruption, fraud and cybercrime could be determined by its propensity to tolerate lies and bad faith in its organizational culture.


The purpose of this paper is to see to what extent philosophers (from Plato to Rousseau) have described the phenomenon of corruption in a way that is relevant for corrupt practices in globalized markets. The paper analyzes five levels of corruption from a philosophical viewpoint: corruption of principles (« ontic/spiritual/axiological corruption »), corruption of moral behavior (« moral corruption »), corruption of people (« social corruption »), corruption of organizations (« institutional corruption »), and corruption of states (« national/societal/cultural corruption »). The paper tends to enhance the social relevance of philosophical discourse when dealing with corrupt practices.


The purpose of this paper is to see to what extent ethical relativism could be adopted as justification for corrupt practices. The paper analyzes the various perspectives which are used to define the boundaries of corruption: a structural perspective, a social-normative perspective, and an organizational-normative perspective. It then identifies the various ethics positions that could be chosen and particularly focuses on ethical relativism. The paper finds that corruption should be considered not only as a social construct, a cultural phenomenon (from a social-historical viewpoint), but also as an object for ethical reasoning (from a moral viewpoint). Owing to that fact that corruption serves both to sway people away from their moral duties and to favour self-interest, we cannot look at corruption as if it would only be a cultural phenomenon.

There are many ways to classify ethical mutual funds. One of them is to focus on organizational beliefs we could identify in such funds. There are ethical mutual funds in which we could find out financial-oriented beliefs that try to explain or justify the choices made by fund managers. Some other ethical mutual funds are rather characterized by their social-oriented beliefs that justify their social criteria. In some cases, ethical mutual funds have both kinds of beliefs. We have analyzed here three ethical mutual funds (Parnassus Equity Income Fund, Calvert Social Investment Equity Fund, Domini Social Equity Fund) in order to see if ethical mutual funds having financial-oriented and/or social-oriented beliefs would have a better financial performance than the S & P 500. Indeed, the fund that has the best financial performance in comparison with the S & P 500 was the financial-oriented ethical mutual fund.


The purpose of this paper is to reveal how advance fee fraud letters include narratives that unveil Machiavellian/narcissistic perspective. The paper analyzes a sample of 100 advance fee fraud letters (or « Nigerian scams »), classified in six categories: lottery scams, humanitarian gifts, abandoned money, business opportunities, deceased estate/last will, gold bars and diamonds. Scams are narratives that give us various perceptions about the present era. The paper gives details about some usual technical defects of advance fee fraud letters. It draws a set of moral principles and values that are explicitly declared by fraudsters. Advance fee fraud letters are manifesting that fraudsters are using moral principles and values in order to increase their power over their victims.


The purpose of this paper is to assess the compatibility between the religious investing criteria of some Christian mutual funds and the « Interfaith Center for Corporate Responsibility » (ICCR) shareholder resolutions about corporate unethical/illegal practices. The originality of the paper is twofold: first to compare companies Christian mutual funds are investing in (on the basis of Christian selection criteria) and companies for which there are ICCR resolutions (the aim of such resolutions is to change some questionable or unethical aspect of a given business corporation), and second to see to what extent corporate codes of ethics are written in a way to reduce or increase the potentiality of ethical conflicts.


The concept of value network makes clear that the mission of business corporations cannot be isolated from three basic elements: making profits, responding to customers’ needs, reacting to competitors. Value networks are usually considered as morally neutral conditioning factors, while it is not the case. The purpose of this paper is to explain how value networks should be closely linked to any crime prevention system. The level of market concentration not only reveals the structure of the market itself but also the way competitors react to each other. In both cases, what is unveiled is the capacity of value networks to enhance ethical as well as unethical practices. The way competitors react one to another, as component of the industry concentration, actually reveals how value networks are morally unsettled when such reaction could influence organizations to commit corporate crimes. The originality of this paper is to make clearer how
changing corporate culture could redefine the moral boundaries of value networks within the organization.

**Dion, Michel, « Les confusions entourant le leadership éthique dans les organisations », Éthique publique, vol. 11, no 2, 2009, p. 111-128.**

What is ethical leadership? May every leadership approach become « ethical »? Are there specific leadership styles which tend to be more ethical than others? The purpose of this paper is to unveil the main confusions about ethical leadership: the ethnocentric confusion (cultures and civilizations), the axiological confusion (values), and the philosophical confusion (the philosophical principles behind ethical decisions/actions). There is any leadership style that is intrinsically ethical. There is no moral scale between all ethical theories. What makes a given leadership style ethical is the way it responds to individual/collective rights, needs and interests.


The purpose of this paper is to show the qualitative shift from a traditional way, to understand the conditioning factors of corporate crime to a principled approach. The paper finds that a qualitative shift emerged from 1990 to 2006, insofar as the basic conditioning factors have substantially been modified (the principled approach). The most relevant concepts for crime prevention are now national culture, transformational leadership, moral courage, and organizational transparency. The paper presents a principled approach to crime prevention strategies as adding relevant ideas and concepts to the traditional approach.


This paper examines the performance of MNOs (Mobile network operators) by analyzing their strategies using the “blue ocean economics” framework. The analysis demonstrates that regulation plays a determinant role in the development of mobile banking and in the case of developing countries, particularly in Africa, it contributes to the financial inclusion of the poor. Regulation properly developed exerts control over individual and corporate behavior and contributes to better governance and ethical behavior of the banking industry.


Cloud ecosystems are evolving rapidly in the midst of competitive, regulatory and technological uncertainties. Currently, traditional IT, cloud and hybrid ecosystems vie for market shares and market dominance. The absence of regulation, good governance structures and security and privacy issues are the most important factors that hinder the full development of CC industry. The emergence of hybrid ecosystems is viewed as a solution to these problems. Nonetheless, governments and regulators need to address the issues of regulation, governance and security at both national and international levels. It is argued that a "producer-consumer protection regulation" is the most appropriate governance structure which would contribute to the further development of the CC industry.

The recent worldwide developments in financial markets have ignited the debate about the best approach to regulation of the securities industries. Given that systemic risk reduction is getting into the realm of objectives of the regulatory agencies, new approaches to regulation are called for. Walsh (2008) proposes an alternative mechanism, dubbed institutional-based regulation, as a means of reducing systemic risk. Anand (2009) dispels Walsh's framework by arguing that it does not constitute a new regulatory model, but it is simply a variation of the rules-based regulation. I argue that Walsh's model, as it stands, cannot adequately reduce systemic risk. To do so, securities regulators need to shift paradigm and adopt a new one dubbed regulation by information. Under this paradigm, regulators could reduce systemic risk by becoming 'information providers' during the upward movement of the securities industries and revert back to the traditional rules- or principles-based regulation during protracted periods of equilibrium. This governance structure would better contribute to the reduction of systemic risk.


Recent technological and regulatory changes have brought about dramatic changes in the structure, conduct and performance of the securities industry in the USA and elsewhere. Trading venues such as ECNs, CNs and other ATSs compete head to head with the traditional exchanges. The SEC has recently adopted the so-called Reg NMS regulation whose major thrust is the order-protection rule. The latter makes regulation symmetric and provides a fairer level of competition. In anticipation of this regulation, the US industry has entered into a profound restructuring. The emerging industry structure, although oligopolistic, is more competitive. Reg NMS is thus a Pareto improving policy.