

Moral Intensity and the U.S. Navy's 7th Fleet

Christopher J. Robertson

D'Amore-McKim School of Business, Northeastern University, USA

Abstract. The case surrounds the “Fat Leonard” scandal that has plagued the U.S. Navy’s 7th Fleet for nearly two decades. The scandal takes place primarily in Southeast Asia and focuses on bribery and corruption that has occurred in the region as far back as 2006. The central key player in the scandal is Leonard Glenn Francis, known as “Fat Leonard”, who is a Malaysian national and founder of Glenn Defense Marine Asia (GDMA). The accusations have included bribery for preferential contracts, inflation of invoices, sharing of classified Naval shipping routes, prostitution and excessive gift giving and receiving. Students will comprehend the complexities of ethical decision-making in a cross-cultural context. Key takeaways include an increased understanding of how cultural, ethical and organizational issues interact in a foreign environment and how values can be compromised with a weak or fragile organizational culture.

Keywords: bribery, corruption, US Navy, SE Asia, ethics, organizational culture.

1. Introduction

By November of 2022 the United States Department of Defense and U.S. Navy’s 7th Fleet were probably wondering when this story would go away. Or if it could get any worse? The pivotal player in what was likely the largest scandal in U.S. Navy history had just escaped house arrest in San Diego, California and fled to Venezuela. “Fat Leonard”, as Leonard Glenn Francis was known, and his illicit interactions with dozens of naval officials, had now become a diplomatic pawn in an ongoing chess game between the U.S.A and Venezuela.

Perhaps one of the most arduous challenges that international organizations face while operating in foreign territories is establishing and enforcing strong governance policies that appropriately incorporate local contextual factors. Indeed, the numerous stakeholders involved, domestic and foreign, complicated responses to moral dilemmas due to varying degrees of cultural understanding and diverse motives and expectations (Rhodes 2016; Singh *et al.* 2007). This case study examines this phenomenon in more depth through a specific example of a U.S. organization operating in Southeast Asia that faced a range of cross-cultural and ethical issues. In recent history there may be no better example of a scandal

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that incorporates disparate cultures, public and private sectors, and a broad set of illicit activities, than the U.S. Navy's "Fat Leonard" scandal. The selection of a military scandal casts a wider net as it also includes government and military stakeholders as well as a number of private sector organizations and individuals that were involved.

2. Background

The "Fat Leonard" scandal has plagued the U.S. Navy's 7th Fleet for nearly two decades and serves as the primary example for applying the cultural and ethical concepts of this case study (LaGrone 2019). So what happened? The scandal occurred primarily in Southeast Asia and focused on bribery and corruption that occurred in the region as far back as 2006. The central player in the scandal, "Fat Leonard", was a Malaysian national based in Singapore, and founder of Glenn Defense Marine Asia (GDMA). Much of the activity took place in Thailand, although activity occurred in other nations as well such as the Philippines, Singapore and Malaysia. The allegations surrounding Mr. Francis' crimes ensnarled over 400 active duty U.S. Naval personnel operations in the area and has led to more than 35 federal indictments and 23 guilty pleas (Hooper 2020). The accusations have included such acts as bribery for preferential contracts, inflation of invoices, sharing of classified Naval shipping routes, prostitution, and excessive gift giving and receiving (well above approved governmental standards).

Regardless of nationality, the exceptional work of military servicemen and servicewomen has often been tarnished by immoral and often illegal acts, frequently driven by decision-making that puts self-interest above the cause of the unit, branch and nation. A number of recent examples accentuate this often chronic problem that beleaguers military leadership; such as the bribery scandals involving U.S. Army officials during the Iraq War (Osborne 2018) and on-line pornography charges that led to the court martialing of seven U.S. Marines (Snow 2018). Periodically, it is senior leadership caught in the middle of the scandal as evidenced by 14 U.S. Admirals who were reprimanded as a result of the 1991 Tailhook sexual assault scandal (Hooper 2020).

The problem has become global indeed. High ranking Generals Fang Fenghui and Guo Boxiang from China, for example, recently received life sentences for bribery and corruption related charges (BBC News 2019). Beyond the military, public and private sector examples abound in certain countries, and Thailand, where the majority of the "Fat Leonard" scandal occurred is no stranger to corrupt activities. For example, in June 2020, the Thai government commenced an investigation, which is still ongoing, into allegations that many hospitals received kickbacks from pharmaceutical firms for prescribing their products (Chuensukjit 2020). As a result of frequently occurring events the Thai government passed a

sweeping anti-corruption law in 2018 that compares well to the U.S. Foreign Corrupt Practices Act (Fragos 2018). The recent extradition of Yin Settaphakorn, a GDMA associate of Mr. Francis, from Thailand to the United States for trial related to the creation of over \$5 million in false invoices reinforces the level of cooperation between the US and Thailand that has occurred (Fuentes 2021).

Undoubtedly, efforts have been made in the United States by the Department of Defense to ameliorate existing problematic areas that have chipped away at the moral foundation of some of these vast institutions. Upon entry into the military all Department of Defense employees receive a first round of ethics training within 90 days. Each branch of the military has its own unique ethics program as do service institutions such as the U.S. Naval Academy, U.S. Military Academy at West Point and the Air Force Academy. Perhaps more importantly, specific programs have tailored ethics training sessions that are geared to address likely dilemmas that could arise in a particular service member's chosen career path. The U.S. Special Operations Command has established its own training sessions that include potential pitfalls that have a high likelihood of occurrence while training or under deployment on a special operations mission (Ordiway 2020). The U.S. Navy has been no stranger to ethics training as well with an updated U.S. Navy Code of Ethics published in 2005 that is based on 14 key principles (see Appendix 1, secnav.navy.mil). Indeed these efforts to train, evaluate and assess behavior have no doubt prevented scandals, yet with approximately 1.3 million members in the U.S. Military across all branches worldwide, effectively eradicating moral lapses is a daunting task (Council on Foreign Relations 2020)

3. The Train of Events

The scandal that infiltrated the U.S. Navy's 7th Fleet, although far reaching, is representative of an ongoing effort to curb illicit behavior that military and governmental leaders have been working to address for generations. Indeed, many organizations strive for strong ethical climates to establish more effective policies and this crafting of moral cultures has likely helped avert numerous potential ethical lapses. Despite the Navy's efforts, starting in 2006 the 7th Fleet has been enveloped with a scandal that stems from its relationship with Glenn Defense Marine Asia (GDMA), a subsidiary Glenn Marine Group and GDMA's founder, Leonard Glenn "Fat Leonard" Francis. GDMA provided "husbanding services" to U.S. ships visiting the Southeast Asia region. Husbanding services are commonplace for major vessels that dock in different global ports and such services generally include items such as barge and tugboat guides, refueling of vessels, sewage/bilge service, procurement of food/water, and ground transportation. Additionally husbanding can include more onshore items such as short term hotels and group meals. Initially a whistleblower came out and suggested that inappropriate activity was occurring yet early reporting was

widely ignored by Navy officials (Whitlock 2016). Over a roughly seven year period an estimated U.S.\$35 million was misdirected to GDMA and over 400 U.S. Naval officials had been investigated with 35 indictments, 23 guilty pleas and 7 court-marshals by mid-2020 (Hooper 2020).

The range and scope of illicit and immoral behavior was widespread in the “Fat Leonard” case. Numerous Navy officials have been accused of or admitted to activities such as receiving expensive hotel rooms, female escort services, cash payments in exchange for preferential treatment and essentially looking the other way as Mr. Francis and GDMA overbilled and redirected Naval ships to ports in which he had a high degree of control over activities (Whitlock 2018).

A few colourful examples bring to life the atmosphere at the peak of the wrongdoing. “Fat Leonard”, known for his large size, admitted to paying over \$500,000 in cash bribes, supplying prostitutes to Navy officials while on port visits, furnishing 5 star hotel rooms, and supplying gifts such as Cuban cigars, cognac, and spa visits (Whitlock 2018). By all accounts Mr. Francis was the top decision-maker in the scandal and his power and organizational breadth spread across a handful of countries in Asia. Mr. Francis is awaiting sentencing. Alex Wisisagama, the cousin of Mr. Francis, and his top assistant, was convicted of falsifying invoices, creating fictitious competitor bids, and overcharging the U.S. Navy by exorbitant amounts (Whitlock 2018). He was sentenced to over five years in prison and ordered to pay back U.S.\$ 34.8 million (MarineLog 2017)

While a large number of U.S. Naval Officials have been implicated a few are particularly noteworthy. Rear Admiral Robert Gilbeau was the special assistant to the Chief of the Naval Supply Corps in the early days of the Fat Leonard scandal. Admiral Gilbeau confessed to destroying computer files and key documents as well as receiving prostitution services paid by Mr. Francis and was sentenced to 18 months in prison as well as a demotion to Captain. He also was required to pay over \$150,000 in fines and perform community service (Davis 2017; Whitlock & Uhrmacher 2018). Captain Daniel Dusek, former Commander of the USS Bonhomme Richard, was sentenced to 46 months in prison and asked to pay \$100,000 for receiving thousands of dollars in bribes of cash and luxury goods in exchange for classified information and port redirection of U.S. ships to GDMA run ports (Whitlock & Uhrmacher 2018). Commander Michael Misiewica and John Beliveau (who worked for Naval Criminal Investigation services), were both sentenced to over five years in prison for similar activities such as receiving cash, hotel stays, airfare and concert tickets to either look the other way or provide intelligence to GDMA so Mr. Francis could continue to “milk” the 7th Fleet for millions of dollars annually at one of his controlled ports (Whitlock & Uhrmacher 2018). The Australian Navy was involved as well. While serving as the Australian Navy’s Pacific liaison to the 7th Fleet, Lt. Commander Alex Gillett found himself caught up in the highest levels of decision-making related to ship husbanding and port locations in the region (Byrne 2019).

The vast range of stakeholders involved make this scandal incredibly unique and a profound example of how cultural differences could possibly play a role in