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# Organizational Convenience for White-Collar Crime: Opportunity Expansion by Offender Behavior

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ABSTRACT
The theory of convenience suggests that the extent of white-collar crime is dependent on financial motive, organizational opportunity, and willingness for deviant behavior. Organizational opportunity is at the core of convenience theory, where privileged and powerful offenders have legitimate access to resources in their professions to commit and conceal financial crime. This article introduces a dynamic perspective of organizational opportunity where a white-collar offender can cause opportunity expansion over time. Based on agency theory, social disorganization theory, and blame game theory, a case study is presented. The case study is concerned with a chief financial officer (CFO) who applied several opportunity expansion techniques before he conveniently was able to commit and conceal embezzlement in the business where he was employed.

*Keywords*: White-collar crime; convenience theory; principal-agent theory; case study; organizational opportunity.

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## INTRODUCTION

Organizational opportunity is a distinct characteristic of white-collar crime. Benson and Simpson (2015) suggest that the organizational opportunity to commit white-collar crime manifests itself through the following three attributes: (1) the offender has lawful and legitimate access to the premises and systems where crime is committed; (2) the offender is geographically separated from the victim; and (3) criminal acts appear to be legitimate. Given these attributes, the offender is able both to commit and to conceal financial crime in an organizational context. White-collar crime is thus defined as financial crime committed by privileged individuals in a professional context (Sutherland, 1983).

This article develops an important cause of organizational opportunity, specifically one related to the life course of white-collar offending. This article suggests that offenders have access to resources for opportunity expansion. Over time, an offender can expand opportunities for white-collar crime by deviant behavior as well as non-deviant behavior. In a dynamic perspective, an offender can improve the organizational convenience for white-collar crime. This article illustrates the dynamic perspective by a case study of a chief financial officer (CFO) in a Norwegian enterprise who was convicted of embezzlement in the organization.

This research is important, as it adds to our understanding of misconduct and crime among members of the elite in society. As argued by Schnatterly et al. (2018), the most underexplored component in white-collar crime is the area of opportunity. Rather than viewing opportunity as given, this article reflects on opportunity that can be created and expanded by offenders over time. Opportunity expansion is not necessarily a consequence only of a desire for corporate or occupational crime, but also a consequence of people who aim for increased power and influence. Therefore, governance structures that limit individuals' action space are not only good for democracy but also good for prevention of potential crime.

## CONVENIENCE THEORY

The theory of convenience suggests that white-collar crime occurrences are dependent on the extent of convenience in three dimensions (Gottschalk, 2017). First, the economic motive for financial crime can be found in threats and possibilities. Examples of threats include loss of contracts and potential bankruptcy, as well as perceived inequality (Langton and Piquero, 2007; Leigh et al., 2010). Examples of possibilities include stock price improvement and satisfaction of personal greed (Goldstraw-White, 2012; Schoepfer and Piquero, 2006). The economic dimension of convenience theory implies that financial crime becomes more convenient as the desire for avoidance of threats and exploitation of possibilities increase. Convenience is a relative concept where the extent of convenience orientation influences the choice between illegal and legal alternatives. Convenience in white-collar crime relates to savings in time and effort, as well as avoidance of suffering and pain, by privileged and trusted individuals in reaching their goals and satisfying their desires. Convenience orientation is conceptualized as the value that individuals place on actions with inherent characteristics of saving time and effort as well as avoiding pain, suffering, and uncertainty (Mai and Olsen, 2016). A convenient individual is not necessarily neither bad nor lazy. On the contrary, the person can be seen as smart and rational (Sundström and Radon, 2015).

The second dimension of convenience theory is the organizational opportunity for crime commitment and concealment. An opportunity is attractive as a means of responding to desires (Bucy et al., 2008). Aguilera and Vadera (2008: 434) describe a criminal opportunity as “the presence of a favorable combination of circumstances that renders a possible course of action relevant”. Opportunity arises when individuals or groups can engage in illegal and unethical behavior and expect, with reasonable confidence, to avoid detection and punishment. The second dimension is where we find organizational opportunity expansion over time.

The third and final dimension of convenience theory is the personal willingness for deviant behavior to commit white-collar crime. Most perspectives on white-collar offenders are along this behavioral dimension. Numerous suggestions have been presented by researchers to explain wealthy, privileged, influential and famous people who have committed financial crime. Some of the most prominent perspectives include differential association (Sutherland, 1983), rational choice (Pratt and Cullen, 2005), lack of self-control (Gottfredson and Hirschi, 1990), obedience (Baird and Zelin, 2009), negative life events (Engdahl, 2015), slippery slope (Welsh et al., 2014), neutralization techniques (Sykes and Matza, 1957), and narcissistic identification (Galvin et al., 2015).

The key components of convenience theory are similar to Felson and Boba’s (2017) problem triangle analysis in routine activity theory (Cohen and Felson, 1979). Routine activity theory suggests three conditions for crime to occur: a motivated offender, an opportunity in terms of a suitable target, and the absence of a capable or moral guardian. However, in convenience theory the professional behavior in an organizational setting determines the extent of opportunity.

## OPPORTUNITY EXPANSION

Organizational opportunity is a distinct characteristic of white-collar crime and varies depending on the kinds of criminals involved. Earlier research has emphasized that opportunity is dependent on social capital available to the criminal, as well as the structure and quality of social ties in hierarchical and transactional relationships that shape opportunity structures (e.g., Adler and Kwon, 2002; Pontell et al., 2014).

As we will outline below, opportunity also varies depending on the behavior of a potential offender. We introduce a dynamic perspective on organizational opportunity that is influenced over time by the offender himself or herself. The dynamic perspective is illustrated by principal-agent deterioration, institutional collapse, social disorganization, and blame attribution. These four enablers stand alone as possible opportunity expanders.

Principal-agent deterioration occurs when the agent influences the asymmetry in information and knowledge so that the principal understands even less of what is going on. Principal is a term for a person or a body that leaves work to an agent. The agent carries out work for the principal. The principal may be a board of a company that leaves the corporate management to the CEO. The CEO is then the agent in the relationship (Shen, 2003). The CEO may in turn entrust tasks to other executives, where the CEO becomes the principle, while people in positions such as CFO is an agent. The agency perspective describes problems that may arise between principal and agent because of diverging preferences and different values, asymmetry in knowledge of activities and performance, and different attitudes to risk (Eisenhardt, 1985; Jensen and Meckling, 1976).

According to the agency perspective, principals must always suspect that agents make decisions that benefit themselves at the expense of principals. For example, a CEO may cheat and defraud owners (Williams, 2008), and a purchasing manager can fool the CEO when selecting vendors (Chrisman et al., 2007), for example by taking bribes that can cause the company to pay more for inferior quality. The agency perspective is based on the assumption of narrow self-interest.

A potential white-collar offender as an agent can over time influence the principal’s ability to monitor agent performance. By selective reporting, manipulation of information and other activities over time, the knowledge asymmetry between principal and agent grows. Rather than providing the principal with substantial information, a potential offender may supply symbolic information and noise of no value to the principal. Based on trust, the principal will not interfere by sending someone else to control the agent. Over time, the agent can create a situation where the principal not only has imperfect information about the agent's activities and contribution, but direct misleading information, which creates an impression that is beneficial to the potential offender. Corruption and other forms of economic crime are in the agency perspective considered to be the consequence of the principal's inability to control and prevent the agent from abusing his or her position for personal gain (Li and Ouyng, 2007).

The institutional collapse perspective is concerned with breakdown that can be caused by external as well as internal forces. A potential internal offender can change administrative and management practices to stimulate breakdown. Corruption and other kinds of financial crime can become entrenched by a legitimizing process (Pillay and Kluvers, 2014). In organizations with low morale, the propensity for unethical behavior will be greater, which can create favorable conditions for economic crime (Shadnam and Lawrence, 2011). While breakdown occurs internally, the offender aspires to external legitimacy by seemingly complying with their institutional context. Institutional context can be defined as customs and behavior patterns important to society.

While the institutional collapse perspective is concerned with breakdown that preserves external legitimacy, the social disorganization perspective is focused on internal forces that can be stimulated by a potential offender (Wood and Alleyne, 2010). Social disorganization leads to breakdown of conventional social norms. The gradual erosion of conventional relationships weakens the organization. There is no functional authority over a potential white-collar criminal in the organization, since the privileged individual has successfully reduced and removed authority by others. Social disorganization negatively affects the ability to reduce delinquent behavior (Hoffmann, 2002), because it goes under the radar (Desai, 2016). Crime can conveniently occur when the organization is dysfunctional in its collaborative relationships (Dion, 2008).

The perspective of blame attribution implies that an offender can remove suspicion from him or her and thus create more space for illegal activities in the organizational context. The blame game hypothesis is concerned with factors that cause blame attribution to some individuals but not to others. A blame game is characterized by an examination where someone is blamed for a negative event or sequence of events (Datner, 2011; Eberly et al., 2011; Lee and Robinson, 2000). The term blame game is often used to describe a phenomenon that happens in groups of people when something goes wrong. Essentially, all members of the group attempt to pass the blame on, absolving themselves of responsibility for negative incidents. External attributions place the cause of a negative event on external factors, absolving the account giver from responsibility. Even when a white-collar offender in the organization is facing allegations of misconduct and financial crime, the offender may hire fraud examiners to write a report of investigation where the blame is placed elsewhere (Gottschalk, 2016).

As described so far, principal-agent deterioration, institutional collapse, social disorganization, and blame attribution might contribute to opportunity expansion over time. While these four enables stand alone as possible opportunity expanders, they can also influence each other. For example, a possible causal chain consists of principal-agent deterioration leads to institutional collapse, which in turn influences social disorganization where blame games occur.

Many more opportunity expansion perspectives are possible including entrepreneurship theory (Ramoglou and Tsang, 2016), ethical climate theory (Victor and Cullen, 1988), and leader humor theory (Yam et al., 2018).

Opportunity expansion is concerned with influences from both the economical dimension and the behavioral dimension in convenience theory. A stronger desire for illegal profit and a stronger willingness to deviant behavior will intensify the efforts for opportunity expansion. The convenience triangle in Figure 1 illustrates these influences, where there is an influence on the organizational dimension from the other two dimensions.

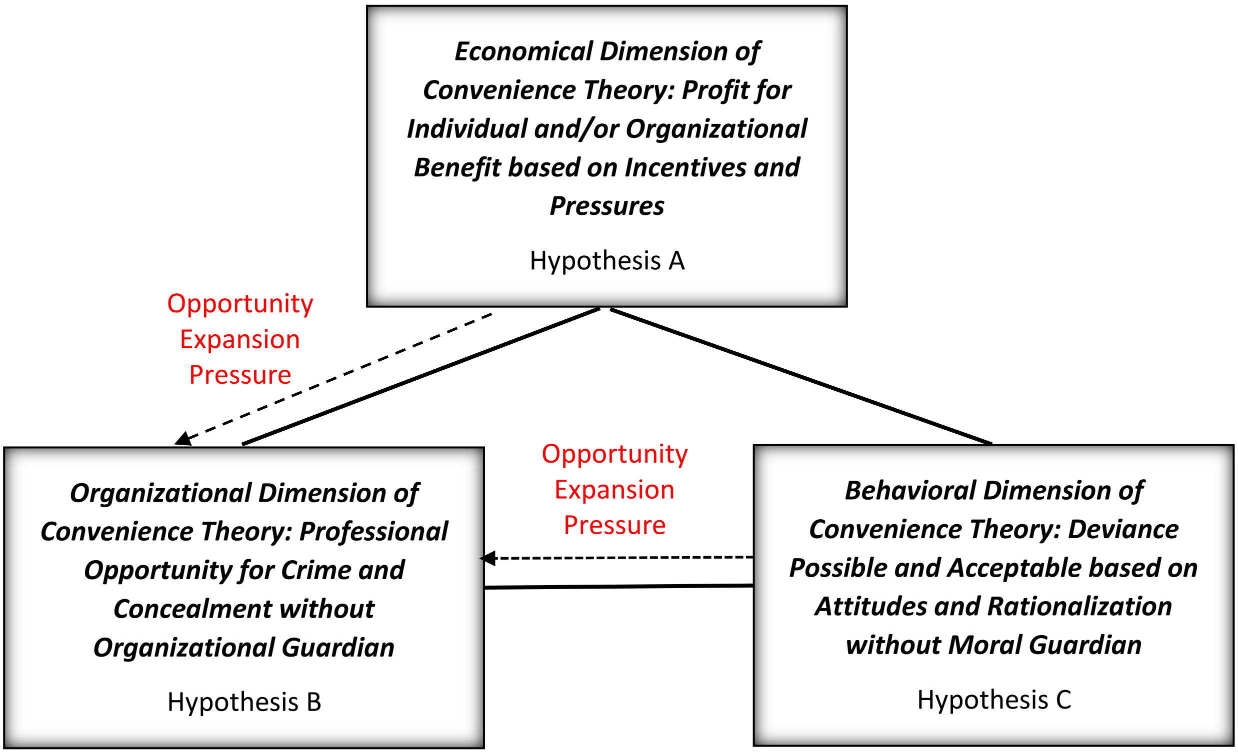


**Figure 1.** *Opportunity expansion as a result of economic pressure and personal willingness*

Six potential causal relationships can occur in Figure 1 between three constructs, where we focus on two of those relationships in this research. Increased pressure on opportunity expansion occurs when there is a stronger financial motive and a greater willingness for deviant behavior by the offender, as illustrated by the two arrows in Figure 1. The pressures can both influence the speed and the magnitude of opportunity expansion.

CASE STUDY OF A CFO

The district court in Gjøvik is located north of the capital Oslo in Norway. On August 8, 2014, district court judge Håkon Schei Mentzoni announced a verdict of four years and six months in prison for a former chief financial officer (CFO). The average prison sentence for white-collar criminals in Norway is 2 years and 4 months, so the judge passed a severe sentence to the CFO. He was sentenced to pay back the embezzled amount of 18 million Norwegian kroner (about US $ 2.2 million) to his former employer HRB (Gjøvik tingrett, 2014).

One of the interesting aspects of this CFO is that he had been convicted twice before for embezzlement in organizations where he was employed. He served prison sentences both in 2001 and 2004. His motives at HRB might be that he still had to pay down his debt from previous convictions that he was divorced and tried to spend money on his children when they stayed with him, and that he enjoyed spending money on his new life companion and himself (Andersen, 2014).

However, our focus in this article is opportunity expansion by deviant behavior over time in an organizational setting. After release from prison after his second conviction, Lars Brorson (born 1973) had various temporal jobs in accounting functions in various firms. He was then hired by HRB’s mother company, HE, in a temporal position. Those who hired him at HE thought the manpower agency had checked Brorson’s background for them. But the manpower agency had not.

HRB stands for Hadeland and Ringerike Broadband, while HE stands for Hadeland Energy. Many energy companies at that time developed a second line of business where they provided their energy subscribers with data access using communication cables and fiber optics.

Mr. Brorson did a good job at HE, and he was after some time offered a permanent position in the accounting function. He was asked to develop and implement a new system for accounting generally and money transfer procedures for bank accounts specifically. This is where Brorson's first opportunity expansion occurred. He designed procedures with single approval requirements where approval rights rested with people in the accounting function.

After a few years, he was offered the CFO position in the daughter company HRB. Since he came from above, the local chief executive officer (CFO) at HRB was uncertain about Brorson's position and relations with HE executives who were on the board of HRB. This is where Brorson's second opportunity expansion occurred. He kept professionally and socially in contact with executives in the mother company HE so that other executives in the daughter company HRB never dared to question his performance. He was a friendly person who was liked by everyone, although he never talked about work. The CEO at HRB, John Ottessen, later told fraud examiners from global auditing firm PwC (2014a, 2014b) that he simply felt he had no other choice but to trust Lars Brorson.

Both HE and HRB used global auditing firm Deloitte for its audits. The auditor from Deloitte later told fraud examiners from PwC (2014a, 2014b) that the cooperation with Lars Brorson went so smooth since Brorson always provided large volumes of records for review. The Deloitte auditor never felt a need to ask for more information. This is where Brorson's third opportunity expansion occurred. He made sure that the auditor received an overload of information so that the auditor would not ask for more.

Hestnes (2017) phrased the question in a case study: Why did the auditor fail in detecting embezzlement at HRB? In his study, Hestnes applied fraud signal detection theory. The theory suggests that the likelihood of fraud signal detection is dependent on signal intensity, signal alertness, pattern recognition, and personal competence (Gomulya and Mishina, 2017; Szalma and Hancock, 2013). The case study indicates that there was a low score on all four dimensions of signal detection theory. In particular, the auditor had a very low score on signal alertness. The signal intensity was also very low, because Brorson was successful in combining potential signals with a lot of noise. It seemed predictable to Brorson what kinds of inquiries were planned by the auditor, and Brorson knew exactly what documents he needed to prepare when the auditor stopped by the company.

Normally in a Norwegian context, the auditor is to report annually to the board in the business where the auditor has reviewed accounts. Since the cooperation between the auditor and the CFO went so smoothly, the CEO did not invite the auditor anymore to board meetings. This is where Brorson's fourth opportunity expansion occurred. Brorson became the actual person to report to the CEO and the board all results from Deloitte audits. Brorson became the trusted person both in terms of accounting and in terms of external auditing.

Brorson's fifth and final opportunity expansion was to separate flows of money from incomes and expenses, from flows of money for investments. This separation enabled him to present results where the bottom line was not influenced by his financial crime.

Given these five opportunity expansions, Brorson was now ready to implement his embezzlement schemes. He created a number of private accounts and a number of fictive vendors. He transferred money to fictive vendors received in his personal accounts. It certainly helped that HRB at that time was experiencing substantial growth in its business and its profits so that Brorson's diverging money flow became invisible.

CFO Brorson's white-collar crime in terms of embezzlement was never revealed or detected by HRB. Rather, an external episode caused suspicion to arise. Brorson had been involved in an accounting scandal in another company. While investigating that company, the police contacted the CEO at HRB, John Ottesen, about the external episode.

## DISCUSSION

The case study of Brorson does not claim that he as the CFO intentionally created all these opportunity expansions through his decisions. He was not necessarily purposefully setting himself up to be able to embezzle. Some of the moves might be decisions that inadvertently put the CFO in the position to commit crime. Opportunity expansion does not have to be intentional. It can also be an accidental consequence of the influence and power. However, since this case is concerned with recidivism, we might assume that some of the decisions were indeed intentional.

The case study focuses on opportunity expansion resulting from deviant behavior. However, opportunity expansion can also happen through non-deviant behavior as well. It was not necessarily deviant to maintain social ties within the parent company. It may seem normal to maintain ties with former co-workers, especially in the business world where networking is privileged. The CFO did not make statements that he maintained those friendships for deviant purposes. Brorson as the CFO was in a position to make these decisions because of the power he wielded and his place in the organizational pyramid. When influence leads to opportunity expansion, it should not necessarily be restricted to deviant behavior, though as earlier stated, deviant behavior should intensify opportunity expansion. However, since this case is concerned with recidivism, we might assume that some of the behaviors were indeed deviant, but possibly carried out as seemingly non-deviant.

In general, an executive's ability to commit white-collar crime depends on his or her opportunity, which can be a reflection of individual power, firm resources, and firm structure and controls. The more power an executive has, the more opportunity to misbehave by overruling superiors and ignoring organizational controls. Lack of informal controls, found in an organization's culture, climate, or history may also play a role in creating opportunity for an executive to misbehave (Schnatterly et al., 2018).

As illustrated by this case study of CFO Lars Brorson at HRB, a potential white-collar offender can create opportunity expansion for financial crime over time. This may come as no surprise to researchers who have studied the dark sides of leadership. For example, executives have a tendency to become opportunistic agents (Shen, 2003). Often because of charisma and pleasant behavior, board members, other executives and auditors lose control over deviant executive activities (Fanelli and Misangyi, 2006). Research in dark sides of leadership emphasizes the systematic degree of naivety towards the occupation of executives, and the research illustrates that opportunity is a flexible characteristic of financial crime, and that opportunity varies depending on the type of criminals involved (Michel, 2008).

One of the few studies that touch on opportunity expansion over time is Shen's (2003) analysis of the dynamics of CEO-board relationships. The analysis concludes that boards need to focus on CEO leadership development in early CEO tenure and shift toward control of managerial opportunism as CEOs prove their leadership on the job. Implicit in this conclusion is the perception that opportunism develops over time among executives. Executives such as a CFO enjoy substantial individual freedom in their profession with little or no effective control.

As suggested in agency theory, principal-agent deterioration occurs when executives have a tendency to become opportunistic agents (Bosse and Phillips, 2016: Jensen and Meckling, 1976; Williams, 2008). The case study illustrates how CFO Lars Brorson at HRB caused five opportunity expansions that created a situation for convenient opportunistic behavior in terms of committing and concealing embezzlement. There was an increasing asymmetry in available knowledge about the financial side of the business, where Brorson as an agent knew much more than the CEO as a principal. Agency theory argues that the principal is unable to control the agent because of lack of insight and access to activities performed by the agent in the role of CFO (Eisenhardt, 1985). Given the opportunity, executives will maximize their own utilities at the expense of the business (Shen, 2003). Executives, if left to their own devices, will tend to pursue policies that benefit themselves at the expense of the business (Westphal and Khanna, 2003).

Principal-agent deterioration at HRB is evidenced mainly in Brorson's first, fourth and fifth opportunity expansions. He had designed single approval requirements where approval rights rested with him. The typical executive control mechanism of approval by others was removed. The fourth opportunity expansion of making himself the communication medium from the audit to the board enabled Brorson to manipulate people above himself in the organization. The normal control mechanism of questioning the auditor was replaced by questioning Brorson about his own accounting transactions. The fifth opportunity expansion occurred when he separated different flows of money without the need to get approval from others. Social disorganization is evidenced mainly in Brorson's second and third opportunity expansions. Since he came from the mother company, he was able to keep social and professional ties to people in the mother organization. Therefore, the chain of command and the hierarchical control structure broke down as he was involved in financial and accounting decisions at different organizational levels. Social disorganization also occurred because of the breakdown of the role of an external auditor. The auditor was deprived of power and influence, thereby also preventing others from blowing the whistle on the CFO. After his arrest, many claimed in hindsight that they had indeed noticed deviant behavior at work as well as luxury consumption privately, but they did not dare to blow the whistle because Brorson was so well connected in the enterprise as well as in local politics. Generally, social disorganization increase offenders' opportunities to commit financial crime without being detected (Desai, 2016; Dion, 2008; Hoffmann, 2002; Wood and Allayne, 2010).

From court documents (Gjøvik tingrett, 2014), reports of fraud investigations (PwC, 2014a, 2014b) as well as newspaper reports (Andersen, 2014), there are traces of blame games played by CFO Brorson. He blamed the auditor from Deloitte when he spoke with the CEO, and he blamed the CEO when he spoke with executives from the mother company.

## CONCLUSION

This article suggested that white-collar offenders have access to resources for opportunity expansion. Over time, white-collar offenders can increase their opportunities for financial crime through their deviant behavior. The article used a case study of a CFO convicted of embezzlement in a Norwegian organization to illustrate this idea. This research is important, as theories explaining white-collar crime, particularly organization crime, deserves more attention.

The case study of a convicted CFO in Norway has illustrated how opportunity for white-collar crime can be expanded over time by his own actions. Assuming that opportunistic behavior among executives can increase over time, then opportunity expansion reinforces the tendency to commit financial crime. As pointed out in CEO research, executives need to become subject to more monitoring, rather than less monitoring, when they have occupied a certain powerful and privileged position for some time. Both prevention and detection of white-collar crime can be strengthened, not so much in terms of rules and guidelines, but rather in terms of reviews and reports.

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