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Change Initiatives After Financial Crime.

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CHANGE INITIATIVES

After

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This Master Thesis is submitted to BI Norwegian Business School in order to finalize our MSc in Business degree with a major in leadership and change.

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Sincerely yours,

Raija Kristin Sandvik *Anniken Hals*

TABLE OF CONTENTS

ABSTRACT

Financial crime poses a threat to organizations around the world, necessitating robust internal frameworks to counter applicable risks adequately. Furthermore, financial crime puts an affected organization in distress, causing a series of effects towards rebuilding the status quo. With a change management perspective, we argue that there is an increased necessity for organizations to prevent, detect, and respond to financial crime. As the risk of financial crime is increasing, this thesis aims to contribute to the discussion on change management after financial crime by answering the research question

How should change management be initiated after financial crime?

By using a thematic analysis of primary and secondary data, our study revealed four interesting areas for discussion. These areas allowed us to compare, contrast, and criticize the information gathered within the dimensions of (i) culture; (ii) prevent; (iii) detect; and (iv) response. All areas include diverse change initiatives our research found essential for organizations to evaluate in order to mitigate the risk of financial crime reoccurring. By addressing a gap in literature, we recommend seven change initiatives for organizations to initiate after an incident of financial crime. Further, our study contributes to the theory of convenience as we discuss how certain change initiatives might reduce or eliminate an offender's *financial motive, organizational opportunity,* and *personal willingness* to conduct financial crime.

It is our hope that this study can contribute to the further understanding of change management after financial crime, as we deem the study of change initiatives after financial crime to be of great societal and organizational value.

Keywords: *Change Management, Financial Crime, Culture, Prevent, Response, Detect, Transparency, Trust, Measures, Convenience Theory*

INTRODUCTION

Global financial crime is increasingly complex and coordinated, driven by professionals highly networked, well-informed and well-organized, leaving organizations to face more crises today than ever before (Cudworth, Dent & Woo, 2018; EY, 2013). Furthermore, the societal harm caused by using resources to identify crimes, convict criminals, and initiate preventative measures, all impact the welfare state (Justis- og Politidepartementet, 2005). Given this, the implications of financial crimes are not isolated to organizations and their stakeholders alone but affect society as a whole.

Financial crime puts an affected organization in distress, causing a series of effects towards rebuilding the status quo. Financial crime threatens, complicates, and increases the risk of impacting brand value, brand reputation, goodwill, and revenue. As criminals are often able to change their attached strategies faster than organizations can react, there is an increased necessity for organizations to encompass and strengthen their identification of threats, as well as their ability to return to a desired state after misconduct. In the act of acknowledging the importance of managing risks associated with financial crime, organizations have increased their focus on compliance, governance, anti-fraud, and other programs (Andreisová, 2016). Nevertheless, Deloitte (2014) states that "failure to prevent or detect issues is often not because the programs or controls themselves are lacking … it's a failure of culture and a lack of effective change management" (p. 8). This could be reasoned by the fact that financial crime is "multi-faceted, multi-national and very often invisible, making it hard to identify, measure and combat" (Cotter, 2018, p. 3). Managing the risks associated with financial crime has never been a timelier imperative for organizations in order to protect their clients, employees, and reputation.

Financial crimes often drive organizational change, making change management important for stakeholders in order to "believe that the organization is going to change and that a similar crisis is not likely to happen in the future" (Heath & O'Hair, 2009, p. 318). Change management can be described as "a structured approach to shifting/transitioning individuals, teams, and organizations, from a current state to a desired future state" (Tamilarasu, 2012, p. 26). Furthermore, Touhill and Touhill (2014) suggest that a change in business can "bring new capabilities, better efficiencies, and create new ways of doing things … change erases poor processes rife and with wasteful steps, eliminates toxic leadership, and retires substandard products" (p. 199).

Little seems known on how organizations change after experiencing financial crime, as the current literature is more concerned with initiating preventative measures before any financial crime has occurred. Gottschalk (2019) proposes future research to investigate how change management is implemented within organizations. This indicates that there is an increased need for understanding change initiatives and specific measures to be implemented in organizations after organizational members are convicted of financial crimes. Furthermore, research should identify and elaborate on solutions for measures to prevent, detect, and respond to financial crime.

THE PURPOSE OF THE THESIS

The above reflections show the importance of researching the change processes initiated within organizations after financial crime has occurred. As such, the purpose of this thesis is to research how change management is initiated in organizations after one or more organizational members have conducted financial crime. Furthermore, this research aims to identify specific measures that should be implemented by organizations after such incidents. Literature suggests several preventative and detective measures organizations should implement *before* financial crimes happen. However, there exists a gap in the literature on measures implemented *after* financial crime. Moreover, the lack of transparency and perceived accountability from affected organizations makes this topic both challenging and attractive.

RESEARCH QUESTION

This leads us to the following research question:

How should change management be initiated after financial crime?

We will limit the subject of change management by aiming to identify specific measures that should be initiated by organizations after a financial crime has occurred. Measures are here defined as "a plan or course of action to achieve a particular purpose" (Oxford Dictionaries, n.d.). Although we do not limit what types of financial crimes these measures are best suited for, most measures are indented to be initiated after fraud or corruption. Given this general perspective on financial crime, we intend for the measures to be as specific as possible, with the aim to identify those that are most relevant and prominent. The measures will be presented within the four dimensions of *culture, prevent, detect,* and *response* to financial crime.

In addition, we aim to question and discuss the most interesting measures in order to give a comprehensive understanding of why certain change initiatives could be more complicated than presented in the literature and our research findings. The measures we find will in large be based on the viewpoints of professional interviewees and what they perceive to be important. Additionally, our research will consist of one interviewed organization and an accompanied investigation report to examine how and if recommended measures are initiated after financial crime.

THESIS STRUCTURE

The structure of our thesis consists of seven main components. The first chapter will introduce the most prominent literature concerning areas of interest and measures to be initiated by organizations to prevent, detect, and respond to financial crime. In chapter two, we present an article written on change efforts initiated by Siemens AG after a massive corruption scandal. The third chapter explains our chosen research method and research design to make sure our research is trustworthy and reliable. After presenting our findings in chapter four, we present and discuss findings in relation to literature in order to answer our research question. Furthermore, chapter five also includes our recommendations for how organizations should initiate change after financial crime. Chapter six contributes to the theory of convenience as we discuss the theoretical implications of our study on this theory. Lastly, chapter seven provides a conclusion on our thesis, the implications it has and further presents limitations and suggestions for future research.

CHAPTER 1
LITERATURE REVIEW

Financial crime poses a threat to organizations around the world, necessitating robust internal frameworks to counter the applicable risks adequately. Financial crime is defined as "profit motivated, law violent acts that are committed within or with origin in an economic activity that is, in itself – or seems to be – legal" (Økokrim, 2017, *own translation*). Financial crimes are illegal acts such as fraud, bribery, corruption, money laundering, embezzlement, insider trading, tax violations, and cyber-attacks (Gottschalk, 2011). Europol (2019) argues that financial crime is "committed by an individual or ground of individuals to obtain a financial or professional advantage."

When combining motives with opportunity, scholars suggest that the chance of criminal behaviors increases (Rezaee & Riley, 2010). Goldschmidt (2004) argues that organizational members with "fewer morals, not sufficiently constrained by their principals, can use their relative freedom to expropriate their principals, the company itself or others within it" (p. 342). Given this, financial crime should not only be the concern of regulatory and law enforcement agencies but also organizations themselves (Hansen, 2009). Clinard and Yeager (2011) suggest a need for voluntary corporate change, with the focus of identifying potential problems and seeking solutions to decrease the likelihood of financial crime. As such, how can organizations take steps to ensure the integrity of organizational members and prevent, detect, and respond to future financial crimes after experiencing deviant behaviors?

In this chapter, we will review different measures proposed by several scholars to prevent, detect, and respond to financial crime. In addition, we will introduce cultural initiatives presented in literature. Figure 1 illustrates and proposes an overview of the identified categories of these different measures.

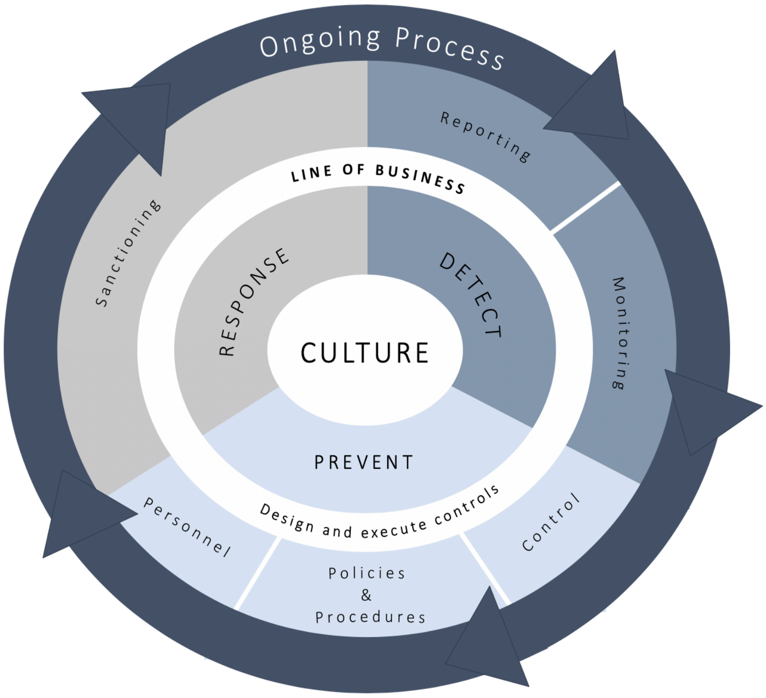

Figure 1: Illustration of dimensions

1.1 CULTURE

> *"Most chroniclers of corporate failure will readily admit that the company's culture is what failed the organization in the first place and that the only way to ensure recovery is by altering the corporate culture."*
>
> (Gaines-Ross, 2008, p. 98)

Scholars argue that organizational culture offers a plausible explanation for the incidence of financial crime and provides the means to improve the ethical behaviors of members within the organization (Sinclair, 1993; Armenakis & Lang, 2014; Eberl, Geiger & Aßländer, 2015). Organizational culture is defined as "the deeply seated (often subconscious) values and beliefs shared by personnel in an organization" (Martins & Terblanche, 2003, p. 65). An influential organizational culture, characterized by honesty, responsibility, and transparency, is implied to prevent financial crime (Biegelman & Bartow, 2012; Hansen, 2009; Pickett & Pickett, 2002).

Incorporating a system for ethical behavior into the organizational culture is likely to increase the chances of turning ethical values actionable, thus preventing the occurrence of financial crime. As stated by Biegelman and Bartow (2012), "it is the organization's responsibility to create a culture of honesty and high ethics and to communicate clearly acceptable behavior and expectations for each employee" (p. 113). Nonetheless, Treviño and Nelson (2016) recognized that there is not a 'one size fits all' solution for organizations. Thus, it is crucial for organizations to understand what initiatives that can reinforce their organizational culture, as well as influence behavior in order to minimize any illegal or unethical activity (Treviño, 1986; Brass, Butterfield & Skaggs, 1998). As Fisse and Braithwaite (1983) note, "the most important changes are qualitative and intangible" (p. 235), insinuating the importance of cultural change for prevention of financial crimes.

1.1.1 TRUST

Trust's role and effect within organizations are associated with several benefits from a variety of theoretical angles. Trust increases customer satisfaction (Doney & Cannon, 1997; Morgan & Hunt, 1994), enables proficient business transaction (Nooteboom, 1996; Williamson, 1993), and improve employee commitment and motivation (Brockner, Siegel, Daly, Tyler & Martin, 1997; Tyler & Blader, 2000). Moreover, trust strengthens cooperative behavior by fostering commitment, motivation, creativity, innovation, and knowledge transfer (Ganesan, 1994; Dirks, 1999; Tsai & Ghoshal, 1998).

The era of globalization has increased the need for trust, where trust has become a vital element within all levels of business operations and relationships (Misztal, 1996; Drucker, 2013). Trust is defined as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another" (Rousseau, Sitkin, Burt, & Camerer, 1998, p. 395). Within this definition, vulnerability implies "a state in which someone may be hurt or otherwise taken advantage of," and expectations refers to creating "a norm or a way in which the trustee is supposed to act" (Dearden, 2016, p. 88).

Though not presented as a measure in any literature found on financial crime prevention, mutual trust and trusted roles are often presented as an essential cornerstone as to why financial crime in organizations happens in the first place. Pickett and Pickett (2002) state that "there is still a need to install effective controls against fraud, on the basis of trusting the systems to make sense and not trusting someone such that they can commit fraud and conceal it" (p. 31). Given this and the above statements on trust, one can identify trust as vital for the functioning of any organization. However, trust should not replace other means of control.

1.1.2 CORPORATE TRANSPARENCY

Corporate transparency is argued to be a critical tool of good governance (Mabillard & Zumofen, 2017; Ball, 2001; Khanna, Palepu & Srinivasan, 2004). Biegelman and Bartow (2012) define corporate governance as a "system of checks and balances between management and all other connected parties with the aim of producing an effective, efficient, and law-abiding corporation" (p. 48). Rawlins (2008a) defines corporate transparency as

> the deliberate attempt to make available all legally releasable information – whether positive or negative in nature – in a manner that is accurate, timely, balanced, and unequivocal, for the purpose of enhancing the reasoning ability of public and holding organizations accountable for their actions, policies and practices (p. 5).

A study conducted by Ulman (2013) shows that a lack of openness and transparency can translate into secrecy and eventually lead to legalized corruption. Cotterrell (1999) argues that "transparency as a process involves not just availability of information, but active participation in acquiring, distributing and creating knowledge" (p. 419). Furthermore, Heard and Miller (2006) underline the importance to

> create a corporate culture where dialogue and feedback are regular practice – and this should extend to every level of employees throughout the organization. Such a culture can build the foundation of an open problem-solving environment, demonstrate to employees that it is safe to raise concerns, and exhibit that the organization takes retaliation seriously (p. 2).

Transparency requires accountability. As Rawlins (2008b) notes, "transparent organizations are accountable for their actions, words, and decisions, because these are available for others to see and evaluate" (p. 7). Thus, the author indicates that members within a transparent organization are required to contemplate decisions and behaviors, as they most likely must justify them. Kaptein (2008) suggests that in transparent organizations, employees successfully modify and correct their own and other's behaviors. As such, transparency can be viewed as an essential tool to guide an individual's ethical decision-making in a direction that is favorable for the organization.

Rawlins (2008a) argues that efforts of corporate transparency must entail three elements to increase the ability to build, maintain, and restore trust with stakeholders: (i) truthful, substantial, and useful information; (ii) stakeholder participation in identifying what information is needed; and (iii) objective, balanced reporting of organizational activities and policies. On the other hand, Hood and Heald (2006) argue that excessive transparency compromises other vital values such as privacy and the need for confidentiality in conducting sensitive negotiations. As such, organizations should find a balance of how much and with whom information is shared.

1.2 PREVENT

In the aftermath of financial crime, organizations are intensely trying to discover and identify efficient measures to prevent the reoccurrence of such crimes. As such, 'prevent' refers to measures designed and implemented to avoid and steer clear of financial crime prospering, as well as a change in direction to improve the fault within organizations. Treviño and Nelson (2016) emphasize the nonexistence of a 'one size fits all' solution and encourage organizations to take steps to become more proficient in order to fight future threats and navigate the complex regulatory landscape. In a changing world, where new methods are attempted to deceive organizations constantly, crime prevention is becoming a vital part of any business. Various scholars have identified preventative measures that bring out desired outcomes. In this section, we include the most prominent preventive measures referred to in literature.

1.2.1 POLICIES & PROCEDURES

When policies and procedures are well designed, approved, implemented, and monitored throughout the organizations, it creates a basis and evidence of an organization's current operational status and its commitment to compliance (Girling, 2013; Amadei, 2016). Girling (2013) defines policy as a document that "establishes minimum requirements and controls to address business strategy, compliance with law, rules, regulations; mitigation of other identified risks. Policies must be actionable and enforceable" (p. 78). Further, the author defines procedures as "specific instructions for implementing a policy or performing a task" (p. 78). Policies and procedures help organizations shape direction by providing a basis for an organization to analyze how to get from a current state to a target state. As stated by Amadei (2016), policies contain "high-level principles or requirements that a certain department or functional area of the organization must follow, as formally agreed upon by management" (p. 12).

Von Solms and Von Solms (2004) underline the importance of policies being aligned and manifested within the organizational culture. Moreover, the authors emphasize the importance of policies being effectively structured and organized, as well as effectively communicated and educated throughout the organization. Amadei (2016) propose that

> executives will never understand the inner workings of the business without a clear view of the principles and requirements that establish the organization's tone and directions, and granular visibility into the processes, functions, interrelationships, dependencies and risk/control points (p. 13).

Scholars argue that organizations should take the following action steps to ensure a detailed description of expectations within policies and procedures; (i) establish policies and procedures to support the deployment of management directives; (ii) establish responsibility and accountability for executing policies and procedures; (iii) performed using competent personnel; (iv) performed in a timely manner; and (v) reassess policies and procedures (Moeller, 2013, p. 84). As such, when policies and procedures are well-documented, the effectiveness and efficiency of regulatory compliance efforts increases, and opportunities to improve business performance unlocks. After reviewing the literature, the most prominent policies and procedures are the *code of conduct* and *ethical guidelines.*

1.2.1.1 Code of conduct

Scholars suggest that organizations that implement and enforce a code of conduct enhance their ability to create an ethical culture that positively influences ethical behavior within the organization (Schwepker Jr, 2001; Ferrell & Gresham, 1985). Kaptein and Schwartz (2008) defines a code of conduct as a

> distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behavior on multiple issues of at least its managers and employees toward one another, the company, external stakeholders and society in general (p. 113).

Codes of conduct are commonly used to "govern employee behavior and establish a socially responsible organizational culture" (Erwin, 2011, p. 535). Mason and Mowforth (1996) refer to codes of conduct as a self-imposed, voluntary initiative, designed to act as a form of self-regulation. Messages within the code of conduct is mostly an effort to raise ethical awareness and influence desired behaviors (Stevens, 1994). As such, a code of conduct can act as a managerial tool for shaping change.

Concerning the effectiveness of codes of conduct, Erwin (2011) defines it as "the fit between corporate behaviors and the ethical standards and expectations of stakeholders and society" (p. 536). Studies regarding the effectiveness of codes of conduct range from counterproductive to successful. Scholars argue that codes of conduct endorse several benefits, suggesting that the implementation of a code of conduct governs the action and conduct of employees through the promotion of ethical business practices (Erwin, 2011). Furthermore, codes of conduct avoid legal consequences by preserving legitimacy, as well as leading to reputational benefits (Diller, 1999; Matten, 2003). In addition, research suggests that codes of conduct play an instrumental role in promoting ethical culture within an organization, reasoned by the fact that they influence organizational members' decision-making (Brothers, 1991; Hegarty & Sims, 1979; McDonald, 1999). According to Ferrell and Skinner (1988), higher levels of ethical behavior are found in organizations where codes of conduct are in place and enforced.

In contrast, some scholars argue that a code of conduct is only a tool to improve and enhance an organization's public image (Ladd, 1985; McKinney, Emerson & Neubert, 2010), where it could be viewed as 'window dressing' (White & Montgomery, 1980). Thus, scholars insinuate that it will not influence employee behavior as "those to whom it [a code] is addressed and who need it most will not adhere to it anyway, and the rest of the good people in the profession will not need it because they already know what they ought to do" (Ladd, 1985, p. 11). Furthermore, Schwartz (2011) argues that organizations are deemed unethical despite the creation, implementation, and administration of ethical codes of conduct. Here, the case of Enron is exemplified by Verschoor (2002), explaining that although the organization had written a code of conduct, they still failed to foster an ethical culture. Furthermore, Cressey and Moore (1983) claim that it is not enough with kind words, but necessary for organizations to demonstrate deeds in order to correct unethical corporate behavior. As Hansen (2009) notes, "a code of ethics does not necessarily prevent unethical behavior within organizations" (p. 33). With the above arguments, the effectiveness of codes of conduct can be questioned.

Literature argues that well-crafted codes will have little impact if they are not communicated effectively and accepted within the organizational culture (Allen & Davis, 1993; Stevens, 1994). In order to design a useful business code, Kaptein (2017) propose several measures and activities to give content, as well as to institutionalize useful business codes. These include developing interactive instruments to make the code a topic of conversation, work consultations, dialogue with stakeholders, informing new employees about the code, dilemma training, as well as code commissions or an ethics officer. If communicated properly, a code of conduct could represent a powerful tool for companies to guide employee behavior and the transition towards an ethical culture (Daugherty & Neely, 2012).

1.2.1.2 Ethical Guidelines

Ethical guidelines can be described as a document that "represents ideal standards set by professionals, rather than the minimum standard required by society" (Rhodes, Ochoa & Ortiz, 2005, p. 52). Ethical guidelines situate employees to represent organizational principles in dealing with each other and with stakeholders. By incorporating the mission, vision, narrative, and different codes of the organization within the ethical guidelines, an organization might guide the daily actions and decision-making of its agents (Primeaux, 1992; Albert & Whetten, 1985; Arnett, 1992).

According to Fisher (2009), ethical guidelines can include three forms of codes: (i) aspirational code; (ii) educational code; and (iii) enforceable code. Aspirational codes are "statements of broadly worded ideals and principles that do not attempt to define with any precision right and wrong behaviors" (p. 5). Educational codes are combinations of "ethical principles with more explicitly interpretations that can help individual professionals make informed decisions in morally ambiguous contexts" (p. 5). Enforceable codes include "a set of standards that specifically describes behaviors required and proscribed by the profession and is designed to serve as a basis for adjudicating grievances" (p. 5). Given this, organizations should focus on designing and implementing guidelines based on the core of the business. This will allow for organizational members to adapt their behavior to coexist with the new guidelines and avoid the risk of ethical guidelines being used as a rule book. Furthermore, Pickett and Pickett (2002) argue, “ethics should really be about corporate consciousness and involve a degree of guidance on how to put the ideals of integrity, openness, and accountability into action. That is how to get ethics into values into action” (p. 53).

Organizational culture gives a foundation for ethical guidelines and value systems to be followed in real life. As Dion (2008) notes, “improving the contents of the ethical climate could reduce the occurrence of corporate crime” (p. 312). As such, the incorporation of a system for ethical behavior enforced through the organizational culture can enhance organizations success for preventing financial crime.

1.2.2 PERSONNEL

Employees are arguably the most valuable and intangible assets that differentiate an organization from its competitors. The category of *personnel* presents measures an organization can initiate to strengthen and enhance personnel capabilities within the organization.

1.2.2.1 Recruitment

Aaker (1989) argues that the recruitment process lies at the heart of organizations sustaining a competitive advantage. The recruitment process involves the “practices and activities carried out by the organization with the primary purpose of identifying and attracting potential employees” (Barber, 1998, p. 5). Recruitment is a challenging and expensive process that has the intent of identifying potential employees that can fit well with the current organizational culture (Ahmad & Schroeder, 2002; Treviño and Nelson, 2016).

Individuals that share an organization’s core values and are willing to adapt behavior in a way best suited for the working environment are found to be those that will benefit the organizational culture (Gaines-Ross, 2008). Research suggests that when individual values match organizational values, intrinsic motivation increases, thus promoting positive impacts on organizational performance (Ahmad & Schroeder, 2002; Madu, Kuei & Lin, 1995).

Ahmad and Schroeder (2002) argue that throughout the recruitment process, employers emphasize more on ‘hard’ technical skills (i.e., ability to work with the equipment, data, and software), rather than ‘soft’ behavioral skills (i.e., ability to manage oneself and interact with others). The authors propose that employers must pay closer attention to behavioral traits during recruitment, as employees have more difficulties learning soft skills than hard skills.

Treviño and Nelson (2016) underline the importance of recruiting the right individuals to (i) increase organizations ability to prevent ethical misconduct; and (ii) increase organizations ability to build a reputation that “precedes the organization’s representatives wherever they go” (p. 166). The authors further argue that recruiters should “inform prospective employees about the importance of integrity in their organization and what happens to those who break the rules” (p. 167), as poor hiring decisions are very costly for organizations. With this, there seems to be an increasing pressure on organizations to ensure a resourceful and efficient recruiting process.

Scholars recommend that organizations perform background checks, administer integrity tests, as well as to conduct regular performance reviews and evaluations (Biegelman & Bartow, 2012). Furthermore, organizations are recommended to incorporate ethics-related questions in interviews such as, “have you ever felt the need to exaggerate or bend the truth to make a sale?” or, “have you ever had to go against company policies in order to accomplish something?” (Biegelman & Bartow, 2012; Treviño and Nelson, 2016; Byham, 2004). Scholars further recommend that organizations should; (i) establish an ethical standards committee; (ii) appoint a corporate ethics officer; and (iii) identify key players. An ethical standards committee should encourage the development and improvement of managing ethics as a continuous process. A corporate ethics officer should ensure the understanding and management of ethics across the entire organization. Key players should exemplify the behavior and communicate and motivate other employees to follow the same behavior (Biegelman & Bartow, 2012). Pickett and Pickett (2002) argue that “potential fraudsters will view high-profile individuals as either an encouragement or discouragement to unethical behavior” (p. 32). As such, individuals mirror the behavior of other respected people in the organization, which accentuate the importance of key players (Pickett & Pickett, 2002; Biegelman & Bartow, 2012).

1.2.2.2 Training

Ethical training is found to be significant in creating awareness of proper conduct within organizations as well as a mechanism for discussing ethical issues and dilemmas in order to identify optimal choices (Sekerka, 2009). Thompson (1990) argue that formal processes that help individuals handle tough, no-win decisions seems to be a central component to prevent financial crime. Scholars have identified several benefits of ethical training, as ethical training can: (i) help members refuse to take unethical actions when dealing with moral dilemmas (Delaney & Sockell, 1992); (ii) decrease observed unethical behavior and increase organizational efficiency in managing ethics (Warren, Gaspar & Laufer, 2014); (iii) impact value consistency and improve economic performance (Majluf & Navarrete, 2011); and (iv) assist organizations to achieve a better understanding of the law and coping with legal issues (Peterson, 2013). With this, ethical training elicits employee compliance (Palmer & Zakhem, 2001), as well as enhance employee decision-making skills and knowledge in ethical areas (LeClair & Ferrell, 2000).

On the contrary, Weaver, Treviño and Cochran (1999) criticize ethical training for tightening administrative control over a range of behavior. Likewise, Stansbury and Barry (2007) propose that ethical training tightens individuals' perspectives on moral reasoning, making decisions deterministic. McKendall, DeMarr and Rikkers (2002) state that emphasizing compliance with rules rather than moral judgment might encourage a dismissive attitude towards ethical training.

Scholars propose that organizations should implement periodic training of all organizational members, new and old, on the values and code of conduct (Pickett & Pickett, 2002; Biegelman & Bartow, 2012). The authors argue that periodic training brings constant awareness and updates on values that might have changed due to environmental changes. Gaines-Ross (2008) suggests that the best way to ensure the most qualified individuals to populate an organizations workforce is to train and groom them internally. Insinuating that training is of more importance than the recruitment itself, as the right training could shape any employees to be what an organization wants them to be.

Organizations are found to rarely implement ethical training programs, reasoned by a lack of understanding of how ethical dilemmas may occur and why employees may engage in unethical behavior (White and Lam, 2000). White and Lam (2000) argue that "ethics training focuses on moral content rather than the factor which affect ethical behavior" (p. 41). According to Remišová, Lašáková and

Kirchmayer (2018), ethical training must be facilitated by other organizational variables in order to produce positive outcomes. The key to this is several scholars' observation of management's attitude towards ethics and how they create an ethical tone at the top (White & Lam, 2000; Treviño, Brown & Hartman, 2003). Top management is found to be essential to the successful management of ethical training in an organization (Treviño, Weaver & Brown, 2008; White & Lam, 2000). Weaver, Treviño and Agle (2005) states, "managers can influence others by serving as role models for ethical behavior" (p. 314). Delaney and Sockell (1992) argue that if management has a wish to encourage ethical behavior, implementing ethical training programs might be a measure helping organizations to achieve just that.

1.2.2.3 Leadership

Organizational leaders communicate desirable values, act as role models, create conditions to motivate and encourage people in decision-making processes, and set rules. Good leaders communicate and achieve strategic goals and identifies the needs of the organization and employees (Davenport & Harding, 2010). In order to curb financial crime, Paternoster and Simpson (1996) argue the importance of managerial ethics. Ethical leaders are defined as "… the demonstration of normatively appropriate conduct through personal action and personal relationships, and the promotion of such conduct to followers through two-way communication and decision-making" (Brown, Treviño & Harrison, 2005, p. 120). Ethical leaders are both moral persons and moral managers. An ethical leader purposively promotes ethical conduct to employees by communicating with them about ethics and decision behavior, and by reward and punishment (Brown & Treviño, 2006).

Leaders should be willing to address financial crime and unethical behavior issues in order to prevent criminal activities within their organization. A leader's actions shape organizational processes and employee behavior (Schnake, Cochran & Dumler, 1995; Sööt, 2012). Leaders reinforce a culture of financial crime by ignoring criminal actions or otherwise facilitate unethical behavior (Ashforth & Anand, 2003). To explain leadership as a preventative measure of financial crime, the most critical standpoint that emerged from literature is the action of 'leading by example,' also referred to as 'tone from the top.' Research finds 'tone from the top' deficiencies a consistent factor that triggers financial crime (Rockness & Rockness, 2005). The 'tone from the top' refers to a standard set by an organization's leadership to enforce an ethical climate within the organization (Schwartz, Dunfee & Kline, 2005).

Scholars put emphasis on the legal obligations of directors (Fairfax, 2002; Walsh, 2001), as well as the 'best practices' of boards (Westphal, 1999; Zahra & Pearce, 1989). Schwartz et al. (2005) identified that few scholars had studied the ethical obligations of directors. As such, the authors suggest that leaders have the same ethical obligations as other professionals within organizations, underlining the importance of setting the tone from the top. Moreover, the authors argue that organizations should introduce a code of conduct for leaders to ensure that leaders portray honesty, accountability, and transparency in every action they perform. Building on the significance of leaders, Lamberton, Mihalek and Smith (2005) state the importance of hiring individuals in top positions with a high personal sense of ethics. This is reasoned by the fact that individuals concerned with ethical values in top positions are less likely to pressure themselves or employees to alter financial results materially. Likewise, social learning theory suggests that setting the tone from the top will inspire individuals within the organization to emulate the behavior of attractive role models like ethical leaders (Bandura, 1977; 1986). Hansen (2009) notes, "criminal behavior is learned by associating with individuals who have deviant or unlawful mores, values, and norms" (p. 29). As such, "if the top demonstrates high standards, it goes a long way in creating the right control environment" (Pickett and Pickett, 2002, p. 71). The above statements highlight that leaders influence ethical behavior and act as significant role models and representatives of the organization.

1.2.3 CONTROL

Today's business environment requires top management to maintain a proactive approach in identifying vulnerabilities unique to their organization and implement properly designed or sound control measures (Dawson, 2015). Control refers to measures that are designed to provide reasonable assurance about the achievement of the organization's objectives concerning the reliability of financial reporting, and the effectiveness and efficiency of operations. This means that control measures cannot eliminate all errors and irregularities, but alert management in order to prevent potential problems. Maintaining control is not static; organizations must, therefore, expect that control measures will change over time as risks and processes change (Moeller, 2013).

Research suggests that if controls "are not adequately defined and consistently enforced within the organization, the opportunity for financial crime (i.e., fraud) is introduced" (Cendrowski, Petro, & Martin, 2007, p. 131). Control enables organizations to capitalize on opportunities while offsetting threats as well as it creates a competitive advantage by increasing organizations ability to take on additional risks, save time and money, and promote creation and preservation of value (Moeller, 2013). Additionally, control encourages accountability when managing resources (Asare, 2009), minimizes shock from unexpected events (Hajiha & Bazaz, 2016), and prevent risk-taking behavior (Länsiluoto, Jokipii & Eklund, 2016; Jin, Kanagaretnam, Lobo & Mathieu, 2013). A control system is identified as a necessity for organizations to prevent financial crime.

1.2.3.1 Risk Assessment

Risk assessment is defined as "the entity's identification of relevant risks to the achievement of its objectives, forming a basis for determining how risks should be managed" (Marchetti, 2012, p. 74). Biegelman and Bartow (2012) propose four goals of any risk assessment;

> (1) determine the areas of where fraud is possible (risks); (2) determine the probability of a fraud (likelihood); (3) determine the cost of the fraud (impact); and (4) determine the proper risk countermeasures and its cost (risk management) (p. 124).

Risk assessment is a process that can help the board of directors, corporate management, and business leaders to make more informed business- and risk management decisions (Koller, 2005; Lam, 2014; Ramakrishna, 2015). As stated by Koller (2005), "fostering a risk assessment process upon an organization will not only change how opportunities or liabilities are assessed but will significantly alter the way an organization makes critical decisions" (p. 28).

Risk assessment sets the foundation for implementing and maintaining proportionate and effective systems and controls (United Nations, 2013). Nestor (2004) underlines the importance of implementing a risk assessment in order to point to areas where the business is most vulnerable to criminal behavior. As such, it is critical for organizations to identify potential weaknesses and initiate controlling measures needed to decrease the identified risk (Biegelman & Bartow, 2012). Additionally, previously identified risks should be subjected to reassessments after any change in the environment (Pickett and Pickett, 2002; Biegelman and Bartow, 2012). As stated by Biegelman and Bartow (2012), “the decision that control activities should be implemented means little if the assessment is not based on a complete assessment of risk” (p. 124). As such, the authors indicate that control activities should be changed accordingly to any changes that may alter the risk overview within an organization.

Risk assessments decrease the opportunity for unethical behavior as it raises red flags and alerts concerning irregular situations (Michel, 2008). After risk assessments are completed, risk management should be put in place to “manage risks by avoiding, accepting, transferring, or mitigating risk” (Biegelman & Bartow, 2012, p. 130). As such, risk assessment is a crucial early step to find the most effective control mechanisms to implement, given the risks associated with different areas within the organization.

1.2.3.2 Control Activities

Control activities are actions and activities taken to minimize identified risks. Moeller (2013) argues that control activities “include actions that ensure that responses to assessed risks, as well as other management directives, are carried out properly and in a timely manner” (p. 75). Organizations can be characterized as orderly arrangements of human interactions, where control activities entail necessary measures to prevent financial crime (Tannenbaum, 1962). Dawson (2015) underlines the importance of control activities being designed around the position, not the person. This could indicate that organizations place too much faith in an individual’s honesty, which would then leave organizations extremely vulnerable.

Organizations reflect differences in size, operational complexity, objectives, risks, and implementation approaches. Moreover, different individuals with different capabilities manage organizations (Moeller, 2013). As such, scholars are challenged to propose a one-size-fits-all solution for control. However, Dawson (2015) argues that all organizations benefit from “implementing the foundational control activities, the absolutes” (p. 59). Control activities emphasized in the literature include *segregation of duties* and *due diligence.*

A well-known challenge for organizations is to assign specific roles and responsibilities these entails (León, 2016). Given this, scholars propose that organizations initiate a continuation of adequate segregation of duties (SoD). SoD is defined as "a security principle to spread the responsibility and authority for a complex action or task over different users and roles, to prevent fraud and errors" (Liu, Wu & Lee, 2004, p. 375). Scholars argue that the lack of SoD is one contributing element in numerous occurrences of financial crime, as one person has absolute autonomy or unfettered power of a decision-making process (Giles, 2013; Silverstone & Davia, 2005). As such, research implies that if organizations rely on one individual to handle several responsibilities related to authorization, custody of assets, record keeping or reconciliation functions, the risk of financial crime will increase. If organizations are unable to implement adequate SoD, literature suggests that compensating controls can be used to reduce the impact of an error or omission. Here, compensating controls include job rotation, auditing, reconciliation, exception report, transaction log, and supervisor review (Cannon, O'Hara & Keele, 2016).

Due diligence has become the norm in decision-making when selecting appropriate partners (Spedding, 2004). Due diligence can be defined as the process of "evaluating a prospective business decision by getting information about the financial, legal, and other material state of the other party" (Hiles, 2016, p. 298). By nature, the process is a search for negatives as it comprises "rigorous procedures, checking legal requirements for identification and verification and obtaining missing elements from third-party sources" (Rider, 2015, p. 306). Organizations are incentivized to "exercise due diligence and to take all necessary precautions to ensure that they have formed a business relationship with reputable and qualified partners and representatives" (Deming, 2010, p. 279). Moreover, due diligence is exercised to mitigate, and under some laws avoid, the risk of criminal culpability for corrupt third-party (e.g., suppliers) conduct (World Economic Forum, 2013).

1.2.3.3 Restructuring

Large and complex organizational structures are argued to "provide cover for corporate crimes through the division of tasks, decentralization of decision-making, and specialization of work" (Lord, Van Wingerde & Campbell, 2018, p. 15). As such, complex organizational structures can facilitate opportunities for individuals to commit and conceal criminal behaviors. Biegelman and Bartow (2012) introduce the idea of mitigating the risk of financial crime by enforcing structural changes. Furthermore, they state that (i) selling specific segments of business operations, (ii) cease doing business in high-risk locations, and (iii) reorganize business processes could be relevant for organizations that have determined certain areas to be highly probable for financial crime. However, Biegelman and Bartow (2012) also argue that any restructuring should comply with an organization's business objective. In addition, KPMG (2017) identified that large financial institutions have considered a restructure of the compliance program to create a financial crime umbrella that encompasses several compliance matters (e.g., sanctions).

1.2.3.4 Compliance

Compliance is seen as a part of an organizational culture where organizational members take ownership and follow the rules and regulations within a compliance process. Baer (2009) defines compliance as "the internal programs that organizations adopt in order to educate employees, improve ethical norms, and detect and prevent violations of law" (p. 949). According to PwC (2016), "multiple companies lack an overview of the commitments the organization should follow, and what the compliance function is supposed to control and monitor" (p. 5, *own translation*). As such, PwC (2016) indicates that the importance of compliance might, to a certain degree, be ignored or overlooked, which enhances an organizations vulnerability to financial crime.

As organizations must work to meet an array of complex compliance requirements, the demand for compliance officers is rising (Deloitte, 2015). According to Mills (2008), a compliance officer's responsibility is to "stop things going wrong from a regulatory perspective, and to help deal with them if they do so" (p. 18). This means that compliance officers are involved with day-to-day compliance activities, while the top management ensures that a compliance culture is embedded in the corporate infrastructure (Mills, 2008). Overall, a compliance function is said to have a unique chance to restore a shaken image, trust, and reputation of an organization (Tanjević, 2018).

1.3 DETECT

Due to ostentatious conspiracies in the form of social networks, financial crime can be challenging to detect. Consequently, organizations must amplify their attentiveness to put in place a process enabling the detection of financial crime. 'Detect' refers to measures designed and initiated in order to observe, discern, as well as expose financial crime. According to the Association of Certified Fraud Examiners (2014), the longer a criminal activity lasts within organizations, the more financial damage the crime tends to cause. Besides, financial crime affects organizational trust, cause reputational damage, as well as impact productivity. As such, measures for detection are vital for organizations to identify criminal behaviors at an early phase and limit losses. In this section, we include the most prominent measures for detection referred to in the literature.

1.3.1 REPORTING

Reporting concerns measures that organizations can initiate to increase and encourage organizational members to provide information and notify concerns about serious wrongdoings within the organization. Reporting benefits an organization in several ways; (i) minimizes the risk of carrying out criminal misconduct; (ii) mitigates and identifies misconducts early in its incubation; and (iii) maintains the integrity of the organization (Treviño & Nelson, 2016). The most common concept of reporting mentioned in literature is whistleblowing.

Whistleblowing is defined as "disclosure by organization members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action" (Near & Miceli, 1985, p. 4). A system for whistleblowing can be identified as effective if "the questionable or wrongdoing practice (or omission) is terminated at least partly because of whistleblowing and within a reasonable time frame" (Near & Miceli, 1995, p. 681). According to Sweeney (2008), one-third of deviant cases discovered was through information from whistleblowers. Moreover, the author argues that tips stipulated from whistleblowers were more applicable in revealing fraud than internal or external audits, as well as controls. Nevertheless, there are still numerous wrongdoings never disclosed even though cases of whistleblowing occur more frequently now than it has in the past. This can indicate a need for reconstruction of current systems and how organizations facilitate reports of wrongdoings.

The opinions on whistleblowers differ – some view whistleblowers as heroic defenders of organizational values (Dozier & Miceli, 1985; Tsahuridu & Vandekerckhove, 2008), while others view them as traitorous violators of organizational norms (Vinten, 1994; Vardi & Wiener, 1996; Moberg, 1997). Research suggests that individuals avoid reporting or disclosing wrongdoing based on the risk of retaliation such as harassment, underrated performance evaluation, demotions, punitive transfers and/or dismissals (Dellaportas, Gibson, Alagiah, Hutchinson, Leung & Van Homrigh, 2005; Josh, Tompkins & Hays, 1989; Rothschild & Miethe, 1999). Other scholars suggest that individuals refrain from speaking up because; (i) they fear reports will not be kept confidential; (ii) they believe no corrective action will be taken (Verschoor, 2005); and (iii) they do not have faith in the whistleblowing system (Nawawi & Salin, 2019). Nonetheless, whistleblowers are found to have a "strong ethical choice driving their courage to uncover criminal scandals to the public" (Nurhidayat & Kusumasari, 2018, p. 146), insinuating that some individuals will report no matter what.

The retaliation against whistleblowers has motivated several researchers to study concepts, processes, and channels that protect and encourage whistleblowers to 'blow the whistle.' Whistleblowers often use an internal or an external reporting channel. Here, external whistleblowing refers to an "act whereby an employee discloses wrongdoing committed in the organization to someone outside of that organization (e.g., media)" (Nayir & Herzig, 2012, p. 199). Internal whistleblowing refers to a form of lateral control (King, 2000), where whistleblowers report wrongdoing within the organization (e.g., ethics ombudsman or reporting hotline) (Elliston, 1982). Employees are found first to blow the whistle internally, allowing managers to respond to the allegations (Miceli, Near & Dworkin, 2008). If internal whistleblowing fails or produces reprisal, whistleblowers move to external whistleblowing (Near & Miceli, 2016). Scholars propose the use of external whistleblowing when; (i) the public or colleagues are harmed; (ii) there are relatively few observers; and (iii) organizations are highly regulated (Miceli, Near & Schwenk, 1991).

Another concept considered in literature is anonymous whistleblowing. In recent years, research has analyzed whether anonymity makes a whistleblowing system more effective in detecting fraudulent behavior (Sims & Keenan, 1998; Keenan, 1990). Gao, Greenberg and Wong-On-Wing (2015) argue that lower-level employees are more likely to anonymously report fraudulent behavior when an external hotline is available, as there is a decreased risk of retaliation. Furthermore, Kaplan, Pany, Samuels and Zhang (2009) suggest that employees are less likely to report non-anonymously if the option to report anonymously is available. Heard and Miller (2006) state that organizations should introduce anonymous surveys to assess employee perceptions, arguing that such a process can be the first step in a two-way communication process in which employees express their views. The authors further argue that multiple effective communication channels might enable employees to select one or several persons with whom they are comfortable to share sensitive information.

Hoffman and McNulty (2011) underline the importance of creating a responsible culture that agrees upon ethical conduct in order to improve and build whistleblower's confidence. In conclusion, a structure that promotes awareness, involvement, credibility, accountability, empowerment, courage, and choice will influence individuals to 'blow the whistle' (Berry, 2004).

1.3.2 MONITORING

The complexity of the global business environment has increased the prerequisite for adequate monitoring. Monitoring serves as a substantial detection measure as it increases the probability for an organization to detect unusual patterns of activity that warrant further examination. As such, monitoring "involves assessing the design and operation of controls on a timely and periodic basis and taking necessary corrective actions" (Graham, 2015, p. 173).

Monitoring includes various elements that are vital aspects to consider (Loughman & Sibery, 2012). Critical elements of any monitoring system should include up-to-date business information, which enables organizations to have an opportunity to "spot the unusual and ask pertinent questions to elicit an explanation of the reason for unusual transactions or activities" (Cox, 2014, p. 258). The aim of a monitoring process is for an organization to judge circumstances that appear suspicious, leading to a conducted investigation in order to identify or disprove the suspicion (Cox, 2014; Loughman & Sibery, 2012). Dawson (2015) argues that "the perception of detection is the strongest internal control that can be implemented" (p. 58). For example, establishing an internal audit function could help increase the perception of detection. As such, the fact that individuals know that someone will be watching is enough to increase the perception of detection.

Business activities and the size of an organization determines the scope and complexity of a monitoring system. Large organizations often implement a sophisticated automated system programmed to pick up certain factors that appear suspicious (Cox, 2014). However, Cox (2014) argues that an automated monitoring process increases the danger of transactions and business being monitored on a standard, characterized basis. As such, the author suggests that some form of continued personal review should be required as a supplement to avoid false positives of suspicious activity. Loughman and Sibery (2012) suggest that within an ongoing monitoring program, individual business units or locations should be required to perform self-assessments regularly and report those results back to an anti-corruption compliance coordinator. This will reinforce awareness and require regular attention to the topic of compliance.

1.4 RESPONSE

'Response' refers to measures initiated as a reaction after a financial crime occurs within an organization. A response to financial crime should be planned well in advance in order to take corrective action when integrity breakdowns arise. As noted by PwC (2016), "make sure you have appropriate response processes in place so that in the event of an incident being discovered you are able to act quickly" (p. 3). The most prominent response measure in literature is the use of *sanctions.*

1.4.1 SANCTIONS

Financial crimes are not committed by organizations as an entity, but by different agents within the entity who can be deemed criminally accountable. Grabosky (2018) argues that financial crime is often based on rational decision-making, indicating that criminal activities do not occur in a moment of passion. As such, severe penalties do not always deter crime; neither does increasing penalties to achieve a corresponding decrease in crime (Grabosky, 2018). However, the author also states that organizations "should not ignore the potential usefulness of punishment … penalties proportionate to the seriousness of the crime can send a message to would-be offenders and educate the public that economic crime is serious and will not be tolerated" (Grabosky, 2018, p. 158). Similarly, Nestor (2004) argues that an organization must narrow the liability to the actual perpetrators of financial crime in order to strengthen corporate governance by improving the accountability of corporate agents.

Scholars disagree about the effectiveness of criminal sanctions, such as imprisonment, fines, and the stigma of criminality. Some scholars argue that vigorous prosecution will, indeed prevent and deter financial crime (Ball & Friedman, 1965; Manaster, 1972). Others argue that sanctions applied to corporations and individuals are ineffective preventions (Elzinga & Breit, 1976; Levin, 1977). Coleman (1975) argues that in some cases, it is difficult to determine and pinpoint responsible individuals for criminal activities. This can particularly be the case with larger organizations. According to Nesson (1979), “this lessens the likelihood that a businessman will, in fact, be convicted” (p. 1368). As such, scholars propose a variety of solutions ranging from increased forceful prosecution to more severe sanctions, such as fines grounded upon a percentage of convicted organizations’ income (Elzinga & Breit, 1976; Breit & Elzinga, 1973).

One central aspect of sanctions is the importance of organizations communicating the sanctions “that will potentially ensue if individuals fail to conform to proscribed behavior” (Apel, 2013, p. 71). With this, scholars suggest that perceived certitude of penalties remains more critical for behavioral choices rather than the expected brutality of the penalty (Apel & Nagin, 2011; Paternoster, 2010; Paternoster & Backman, 2012).

1.5 AFTER FRAUD & CORRUPTION SCANDALS

In Gottschalk’s (2019) chapter, *After Fraud and Corruption Scandals,* the author addresses the following research question: *What management changes do fraud examiners recommend after white-collar crime scandals?* Here, the author analyzed 76 investigation reports by fraud examiners in Scandinavia and identified several change management initiatives. Some of these are illustrated in the table below.

Table 1: Change management initiatives identified by Gottschalk (2019)

Thesis Structure			Change Management	Frequency
Culture	Transparency		Transparency in managerial roles	1
			Independence and transparency	1
Prevent	Policies & Procedures	Guidelines	Implement ethical guidelines	1
			Guidelines from majority shareholder	1
	Personnel	Recruitment	Change of auditing firm	1
			Change of board positions	1
		Training	Ethical training	
	Control	Control activities	Approval before action	1
			Avoid role conflicts	4
			Management job rotation	1
			Procurement control mechanisms (Due diligence)	1
			Four eyes in procurement (Due diligence)	1
			Procurement practices changed	1
			No more consultants in procurement	2
			New public procurement procedure	1
		Restructuring	Transparent accounting function	1

Table 1 Continued

Thesis Structure			Change Management	Frequency
		Restructuring	Simplify corporate structure	1
		Compliance Function	Strengthen compliance function	2
Response	Sanctioning		CEO privileges removed	6
			Quarantine for previous executives	1
Detect	Reporting		Whistleblowing routines	4
	Monitoring		More frequent reporting	1
			Review programs more frequently	1

The author presents a discussion on the topics of *transparency*, *training*, *reporting*, and *monitoring*. In the area of transparency, the author argues that the common accentuation on transparency in investigation reports is reasoned by the "critical importance when something is wrong, and someone wants to keep information confidential" (Gottschalk, 2019, p. 208). In the area of training, the author argues that it is inconceivable to expect that ethical training will promote zero tolerance and complete avoidance of potential corruption. This is reasoned by the fact that ethical training should rather provide the right tools to prepare and train individuals to handle potential ethical dilemmas and settings characterized by corruption.

On the topic of reporting, Gottschalk (2019) argues that with a change management perspective, it will not be enough to introduce whistleblowing routines. Here, the author suggests that (i) punishment for retaliation, (ii) active retrieval of more information when someone blows the whistle (i.e., signal detection), and (iii) management training are more relevant ways to enhance whistleblowing routines within the organization. Furthermore, Gottschalk (2019) introduce the decision matrix proposed by Karim and Siegel (1998), which include the four possibilities of: (1) the observer notices a noise when it is a signal (called a miss); (2) the observer notices a signal when it is a signal (called a hit); (3) the observer notices a noise when it is a noise (called a correct identification); and (4) the observer notices a signal when it is a noise (called a false alarm) (p. 207). With this, Gottschalk (2019) argues that observers "needs to make a decision concerning the event and classify it either as a signal or a noise" (p. 208). Moreover, the author emphasized that management training is of importance to improve the hit rate "by observing a signal when it is a signal" (p. 208).

Regarding monitoring, Gottschalk (2019) found that fraud examiners recommend more control of executive directors. The author suggests that the chairman of the board should conduct control and improve all financial activities endured by the executive director, with help from the Chief Compliance Officer who monitors the activities of the executive director and report this back to the chairman. Gottschalk (2019) emphasizes that it is the chairman’s responsibility to monitor the executive director, not the board. This is reasoned by the board not being able to control the executive director sufficiently.

CHAPTER 2
LITERATURE CASE – SIEMENS

The article, *Repairing Trust in an Organization after Integrity Violations: The Ambivalence of Organizational Rule Adjustments,* written by Eberl, Geiger, and Aßländer (2015) research the effect of trust repair after an integrity violation. The authors have identified several measures initiated by Siemens AG after their bribery scandal in Germany. Although this was officially made known in 2006, officials have stated that Siemens AG bribed foreign officials to gain government contracts starting in the 1990s (Lichtblau & Dougherty, 2008). Siemens AG pleaded guilty to violating the US Foreign Corrupt Practices Act in December 2008, a US law prohibiting "the use of corrupt practices in foreign business dealings" (Lichtblau & Dougherty, 2008). The focus of the research was to identify the measures set in place by Siemens AG and how these measures influenced trust repair amongst external and internal stakeholders. As such, the research can be used to gain information on the measures initiated by Siemens AG as a direct consequence of the corruption scandal. The measures are identified through the analysis of multiple newspaper articles (Eberl et al., 2015).

2.1 CULTURE

Siemens AG, accused of developing a culture of bribery, made a point of changing informal practices, values, and norms (Eberl et al., 2015). One journalist referenced in the article by Eberl et al. (2015) wrote "the corporate culture of Siemens is what made employees believe that bribes were not only acceptable but also implicitly encouraged" (p. 1218). Furthermore, a journalist commentary emphasizes the cultural problem by stating "it is a big flaw when a corporation like Siemens presents guiding principles, and moral-codices and at the same time soils itself" (Eberl et al., 2015, p. 1213). Hence, change efforts tackling the culture that, for many years, allowed bribes to take place was a top priority. One of the efforts was directed towards a more open and transparent company and was later expressed by the Siemens' Law and Compliance Officer as "tremendous" (Eberl et al., 2015, p. 1219). Another journalist commentary further accentuates the perspective amongst external stakeholders regarding Siemens AG's transparency after the scandal, "it was the right way to bring light all of the misconduct and not to conceal them" (Eberl et al., 2015, p. 1213).

However, the cultural initiatives were not clear to everyone. As stated by an employee, "the problem is that very few employees actually know what's going on" (Eberl et al., 2015, p. 1219); indicating a high amount of uncertainty amongst employees. The authors further elaborated on this stating that because of the differences in perceived cultural change as positive between top management and employees, "the rule adjustments undertaken by the management could not be appropriately backed up by the new cultural norms" (Eberl et al., 2015, p. 1220).

2.2 PREVENT

2.2.1 POLICIES & PROCEDURES

The authors present several 'rule adjustments' which are understood as "tightening the existing rule system" (Eberl et al., 2015, p. 1214). The article presents rule adjustments as the primary contributor to trust repair. Formal rules, as presented in the article, "either deliver the standards of for sanctioning and monitoring … or are seen as a necessary means to avoid ambiguity" (p. 1208). Furthermore, Eberl et al. (2015) argue that "rule adjustments are an immediate and highly visible signal that old behavioral norms are inappropriate and will be replaced by new ones" (p. 1207). In addition, the article maintains that consistency between individual and cultural values and formal organizational rules will increase the effect. As such, the rule adjustments must be consistent with employee values and organizational culture.

Eberl et al. (2015) argue that rule adjustments were the focus within the Siemens management. For instance, their findings suggest that "Siemens management regards rule adjustments as an important signal to stakeholders that substantive action is being taken to ensure morally correct behavior in the future" (p. 1214). On the other hand, the rule adjustments met a lot of resistance from employees, several of them stating the impactable nature of tightening the rules, emphasizing a possible issue by having rules written down, but not being able to implement and make them work amongst employees throughout the organization.

Eberl et al. (2015) found the following rule adjustments implemented by Siemens AG during their research:

(i) Strengthen internal guidelines to close potential gaps
(ii) Extension and specification of compliance rules for employees and suppliers
(iii) Guidelines (10 pages) on presents and invitations
(iv) Guidelines (10 pages) adjustment of sanctions, new rules, and guidelines in order to make them more practical
(v) Revision of internal rules to make them simpler
(vi) Simplification of corruption guidelines to make them easier to handle
(vii) Reduction of rules to make them more efficient and to enhance individual responsibility
(viii) Differentiation of rules concerning counties of high or low corruption risk
(ix) Careful relaxation of rules.

As previously mentioned, the authors found that the rule adjustments were not made without controversy. The consistent adjustment of rules, specifically the readjustment of previously given rules such as '… in order to make them more practical' and 'reduction … to make them more efficient' accentuates the issues management had when enforcing the new rules. The difficulties were not ignored by other interested parties either. Several journalists questioned the feasibility of too much regulation, specifically related to the 10-page guidelines on presents and invitations, questioning the rise of a bureaucratic control-organization. The following statements emphasize the issues of Siemens' strict rule adjustments; "… the corruption fighters should not hinder legal business by grotesque requirements" (Eberl et al., 2015, p. 1214), followed by "is it allowed to drink coffee with business partners without being under suspicion of bribery?" (p. 1217).

The difficulties of implementing the rule adjustments set in place to prevent corruption practices forced the management to make changes, realizing the importance of balancing between two extremes. However, the findings on rule adjustments still prevail as important despite the difficulties, emphasized by "… the tightening of organization rules … provides credible assurance that the causes of previous violations have been eliminated" (Eberl et al., 2015, p. 1206). Moreover, as expressed by the Vice-President of Transparency International Germany, "one ought to start with too many guidelines. There is no safety without bureaucracy" (Eberl et al., 2015, p. 1217).

2.2.2 PERSONNEL

2.2.2.1 Recruitment

Many of the departments directly linked to the prevention of financial crime were found to have a change of leadership. Siemens AG added an anti-corruption consultant, recruited a new Chief Executive Officer (CEO) as well as a new chairman. Moreover, the chief compliance officer (CCO) was replaced three times. The third CCO, a former salesman, was given the position to make rules more practical. This seems to be a direct consequence of the many issue's employees had when using the new rules and regulations, as this action could be an attempt to lessen the gap between 'on the floor' employees and the Head of Compliance. By giving this position to a former salesman, it could allow for rules to be more aligned with practicality.

2.2.2.2 Training

Although Eberl et al. (2015) explicitly state only one measure directly linked to training, some of the measures classified as 'rule clarifications,' could be efforts to train employees on the new rules established by Siemens AG. These measures mainly consist of a communication channel urging employees to receive help on doubt around rules, as well as collectively sending out emails clarifying the existing rules and cases. From the lack of information given in the article, there seems to be less focus on training and practical practice of rules towards the employees. Moreover, although a comprehensive anti-corruption training was initiated, there is no specific mentioning of training directly linked to previously mentioned confusion that came with the rule adjustments. Nonetheless, the information from the article is limited on this subject. Therefore, it is difficult to question the extent of the practical training given to employees.

2.2.2.3 Leadership

Two measures that can be identified as leadership initiatives are (1) communication of a new compliance vision and (2) a letter from the CEO to all employees appealing urgently to stick to anti-corruption rules. The vast and severe loss of trust towards the Siemens management after the bribery scandal had both internal and external stakeholders questioning said management. The article reproduces a quote from an employee representative stating, "the disappointment about the bribery scandal and the involvement of top managers go along with the mistrust in the management" (Eberl et al., 2015, p. 1213). Furthermore, a bank representative stated that "a lot of confidence gets destroyed when the management acts this way" (Eberl et al., 2015, p. 1212). In addition, the Vice-President of Transparency International Germany made a guest commentary saying, "given these managerial mistakes, it is reasonable to suspect hypocrisy or double standards" (Eberl et al., 2015, p. 1213). The above statements accentuate the importance of trust and exemplifying behavior amongst top management.

The article found that the actions taken by Siemens AG following the scandal increased trust amongst external stakeholders, while the same effects were missing amongst employees.

2.2.3 CONTROL

2.2.3.1 Control activities

The two control activities identified in the case of Siemens AG, include (1) general interdiction of consultancy contracts in sales and distributions and (2) "Limit of Authority project": new rules for decision processes to make them more transparent, together with clear responsibilities within the Executive Board of Directors. The general interdiction of consultancy contracts is a measure most likely implemented as an initiative for due diligence. By prohibiting consultancy contracts in sales and distributions, Siemens AG gains better control by keeping those services internal. The limit of authority project, though not explicitly stated in the case, most likely establish rules and regulations for authorizations.

2.2.3.2 Restructuring

Three measures taken by Siemens AG can be classified as 'restructuring.' Two of these measures concerned centralization such as 'empowerment of the compliance department and centralization of responsibilities' and 'centralization of departments sensitive to corruption.' These restructuring initiatives indicate that centralization was used to gather high-risk areas while simultaneously empowering the compliance department. With the addition of a 'reorganization to enhance structural transparency and clarifying leadership responsibilities,' all the measures on restructuring most likely allowed for better control.

2.2.3.3 Compliance

Siemens AG strengthened its compliance function by restructuring the compliance department. In addition, the organization reduced the number of employees within the compliance department to 600. Moreover, they allowed for more compliance to infiltrate the organization by establishing a 'Compliance Committee of the Supervisory Board of Directors' and having an 'Exclusive Law and Compliance Officer as a member of the Executive Board of Directors.'

2.3 DETECT

2.3.1 REPORTING

The first measure reported in the article is the installation of an ombudsman. An ombudsman can be defined as "one that investigates, reports on, and helps settle complaints" (Merriam-Webster, n.d.). Though it is not made clear in the article what the purpose of Siemens AG's ombudsman is, one can assume that any complaints or allegations from employees will be handled through this ombudsman, which can also include reports on financial crime. Also, Siemens AG established a hotline for whistleblowers, allowing for employees to report any misconduct they witness. These measures can be a direct consequence of Siemens AG's agreement with the US Foreign Corrupt Practices Act, which states that "Siemens AG's program must be reasonably designed to detect and deter violations" (U.S. Department of Justice, 2008, p. 9.). As such, one can assume that these measures implemented by Siemens AG are an effort to uphold this agreement. The two reporting measures can thus ensure the detection of misconducts, as well as adequate handling of such misconducts.

2.3.2 MONITORING

The measures presented in the article classified as 'monitoring' are seemingly strictly implemented to monitor rules and regulations after the bribery scandal. These include, (i) forensic accounting check of suspicious payments; (ii) scorecard system for the evaluation of suspicious payments; and (iii) country-specific scoring system to assess a compliance-relevant action. Furthermore, the measure 'independent investigation of the internal control system' indicates that Siemens AG took steps to identify weak points within the internal control system. However, the article does not state any initiation of additional measures as a result of this investigation. In addition, the 'simplification of the business partner tool' indicates that the previously implemented scorecard system for the evaluation of deals with business partners may have had unwanted effects.

Some of the implemented measures are simple but effective ways of monitoring such as forensic accounting check of suspicious payments and scorecard system for the evaluation of deals with business partners. Other actions are more substantial with assumed long-term goals in mind. These include the 'installation of an independent external compliance monitor' and 'collective action projects aiming at cooperation with competitors against corruption.'

2.4 RESPONSE

2.4.1 SANCTIONS

Siemens AG implemented several measures on sanctions after the scandal. Firstly, Siemens AG offered an Amnesty offer to remorseful and truly informed employees, implying that not everyone involved with previous bribery allegations was sanctioned. Siemens AG also set a behavioral standard for employees by incorporating compliance with rules as a component of the performance appraisal, thus incentivizing current employees to comply with the rules and regulations of the organization. Furthermore, expectations for current employees were set through the introduction of a catalog of sanctions. The enforcement of a no-tolerance policy is given substance with the sanctioning of around 500 employees simultaneously. Thus, Siemens AG gave the employees a clear statement that unlawful actions will have consequences. However, it is not noted in the article what type of sanctions those 500 employees were given, nor a description of what the catalog of sanctions contained. Claims against former members of the Executive Board of Directors were also given, indicating that Siemens AG took full responsibility for sanctioning individuals involved in or indirectly contributed to the scandal.

Foreign Corrupt Practices Act

The US Foreign Corrupt Practices Act (FCPA),

> prohibit the willful use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person (U.S. Department of Justice, 2017).

The FCPA has a Corporate Enforcement Policy "aimed at providing additional benefits to companies based on their corporate behavior once they learn of misconduct" (U.S. Department of Justice, 2019, p. 1). While there are multiple steps to be taken for the company to receive benefits, some of them are specifically related to the implementation of an effective compliance and ethics program.

When Siemens AG pleaded guilty to the US Foreign Corrupt Practices Act in 2008, they agreed to maintain an ethics and compliance program with specific minimum requirements (U.S. Department of Justice, 2008). Also, Siemens AG agreed to supervision from an independent monitor to ensure that Siemens AG "implements an effective system for corporate governance and compliance with applicable laws and regulations going forward" (U.S. Department of Justice, 2008, p. 10). Hence, several of the measures identified in this research could be a direct consequence of the agreement made with the U.S. Department of Justice regarding Siemens AG's violation of the U.S. Foreign Corrupt Practices Act.

CHAPTER 3
METHODOLOGY

The purpose of this thesis is to present significant measures as change initiatives after organizations have experienced a financial crime incident. In order to gain a better understanding of issues organizations face and measures that should be put in place considering the occurrence of financial crime, we have chosen a qualitative research strategy. Bryman and Bell (2015) defines qualitative research as a strategy that

> emphasizes words rather than quantification in the collection and analysis of data and that; (1) predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories; (2) has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world; and (3) takes a view of social reality as a constantly shifting emergent property of individuals' creation (p. 38).

A qualitative approach is an appropriate strategy when trying to achieve an in-depth understanding of a problem or theory, not in obtaining information where findings are conclusive and used to generalize a population of interest (Bradshaw, Atkinson & Doody, 2017). With the use of a qualitative approach, we try to develop a fundamental understanding and sound base for further decision-making within the theory of convenience and measures taken by organizations for future prevention, detection, and response of financial crime.

It has been difficult to obtain empirical evidence and get access to business environments experienced with financial crime due to the necessity for organizations to keep confidentiality (Gottschalk & Tcherni-Buzzeo, 2017). Furthermore, our research process has been iterative, rather than linear, where research phases have changed during our study. For instance, when data had been collected and analyzed, new and unexpected theoretical insights encouraged us to go back and elaborate on the literature review. Consequently, this contributed to a new and enhanced understanding of practices and theories for further investigation.

3.1 RESEARCH ETHICS

An application of our research process was sent to the Norwegian Centre for Data Research (NSD), to ensure that all data collected, stored, and analyzed were according to NSD guidelines (see Appendix A for confirmation from NSD). The study of this thesis practiced the specific guidelines proposed by NSD, including:

- All interviewees in the study contributed voluntarily. In order to avoid any ethical difficulties, a consent form, including information on the research, was sent by email days before the interview was conducted. On the interview day, written consent was obtained, and any questions asked by interviewees were answered.
- The authors introduced themselves in every interview and explained the purpose of the study and the further use of the collected material.
- Participants could withdraw from the study without any consequences throughout the whole study.
- Transcripts are stored in a password-protected folder, as well as hard copies, to ensure that unprocessed data is not shared with others and lost.
- All interviewees are anonymized to ensure no identification of personal data.

3.2 DATA COLLECTION

Data collection took place over two months in the spring of 2019. The research incorporates secondary and primary data. The primary data were collected through interviews with three professionals and one executive director of a relevant organization. Davies and Francis (2018) propose that “as a means of collecting data, interviews can be an invaluable source of information and opinions that generate valid, representative and reliable data” (p. 104). The interviews were conducted in person for 45-60 minutes with both authors to establish a personal relationship with the interviewee. Further, the interviews were held at each participant’s workplace to make the participant feel relaxed and safe (Kvale, 1996) in addition to evoke relevant work-life memories (Kristensen, 2004), which could also encourage more storytelling. In order not to lose any valuable insights, all interviews were audio recorded (with approval of participants) and transcribed within two days.

Interviews as a supplement to information gathered from other sources suggest an informal approach where questions vary according to the interviewee and the type of information sought (Kvale & Brinkmann, 2009). To allow respondents' interpretations of events and actions, the inquires towards professional participants consisted of open questions. Open questions ensured that respondents were not required to select a response from a predetermined list, making the piece of research descriptive in nature. The inquires opened for a smooth flow in the discussion and encouraged participants to recollect stories of situations where specific measures were effective. This approach to questioning allowed for a possibility to explore exciting insights, curious topics, and extract rich information (Bryman & Bell, 2015; Cooper & Schindler, 2014). Furthermore, by not predetermining a range of possible answers, it allowed for "the creation of categories based on recurrent themes" (Davies & Francis, 2018, p. 67).

To increase the understanding of what measures could be identified as effective, necessary, and possible to initiate after financial crime, primary and secondary data were combined. The literature case on Siemens AG describing change initiatives they initiated after Germany's largest corruption scandal, as well as an investigation report that gave an elaborate description of the misconduct the interviewed organization experienced, makes up the secondary data collected for this research. The collection of secondary data was used for triangulation, which involves using more than one source of data in a study of a social phenomenon to get several perspectives and thereby reduce the risks to validity (Berg, 2007).

3.2.1 PARTICIPANT SELECTION

A *purposeful sampling method* was chosen to identify and select individuals that are exceptionally knowledgeable about or experienced with the phenomenon of financial crime (Cresswell & Clark, 2011). Patton (2002) defines purposeful sampling as;

> The logic and power of purposeful sampling lie in selecting information-rich cases for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposeful sampling. Studying information-rich

> cases yields insights and in-depth understanding rather than empirical generalizations (p. 230).

The use of a purposeful expert sampling resulted in a sample consisting of four adult participants from Norway, including three females and one male. Three of them have professional experience regarding the prevention of financial crime. Additionally, the participants were chosen based on their availability and willingness to participate, as well as their eagerness to communicate experiences and options in a clear, expressive and reflective manner (Bernard, 2002; Spradley, 1979).

Participant 1 has experience with financial crime from, among other places, the Norwegian Police, ØKOKRIM (The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime), PwC, and a Norwegian law firm. Participant 1's experience centers around compliance and investigations on financial crime. With the involvement in investigating specific corruption cases, participant 1 has substantial experience and knowledge on the prevention and supervision/follow-up of organizations after experiencing financial crime.

Participant 2 is currently working within the division of responsible investments at a large firm in Norway. Participant 2's experience as an investor has provided knowledge on follow-ups post misconducts as well as experience with imposing demands on organizations that have gone through financial crimes and other scandals subject to reputation damage. Participant 2's portfolio includes both Norwegian and international organizations.

Participant 3 has extensive experience and background in international politics. Today, participant 3 is a special advisor for an international non-governmental organization that aims to fight corruption. Participant 3 is a notable promoter of anti-corruption work and has worked with a significant number of anti-corruption projects within private and public sectors, as well as the civil society. Furthermore, participant 3 advice and consult organizations on how to focus and design measures to prevent financial crime.

Participant 4 is the executive director of a Norwegian organization. In 2017, the organization discovered a major financial misconduct conducted by the Chief of Accounting for over ten years. Participant 4 was appointed the executive director after the misconduct was brought to attention and have been a central figure in the process of reestablishing the organization in the months following the revelation.

An **investigation report** was completed as a part of an external investigation initiated by the interviewed organization. The investigation report entails detailed information on the financial crime conducted by the Chief of Accounting as well as the operational flaws within the organization that allowed for the misconduct to prevail over such a long time. The primary purpose of using the investigation report was to derive learning points based on the weaknesses within the organization, which contributed to the misconduct. In addition, the suggested recommendations made by the fraud examiners allowed for additional measures to be identified. Furthermore, the report was used to compare whether participant 4 had initiated recommended actions.

3.3 DATA ANALYSIS

Thematic analysis was used as a method to systematically identify, analyze, synthesize, and interpret themes that emerged from our data (Braun & Clarke, 2012). This was done with the "aim to explore the understanding of an issue or the signification of an idea, rather than to reconcile conflicting definitions of a problem" (Attride-Stirling, 2001, p. 387). Boyatzis (1998) argues that a thematic analysis allows a researcher to communicate findings and interpretations of meaning more easily to others who use different methods. Furthermore, thematic analysis allows for flexibility in the analysis of data, provides a structure for the organization of themes, and assists in interpreting the research topic (Braun & Clarke, 2012).

According to Braun and Clarke (2012), the purpose of thematic analysis is to "answer a particular research question, and this is why thematic analysis is so accessible and flexible – it is a method of data analysis, rather than being a strict approach to conducting qualitative research" (p. 58). There are several choices a researcher can make when it comes to conducting a thematic analysis. For this study, which involved primary and secondary data collection (interviews and the investigation report) and theme interpretation of a previously-published article (the case of Siemens AG), the process was more of an inductive approach to develop 'bottom-up' themes (Braun & Clarke, 2012). An inductive approach refers to themes strongly linked to the data (Patton, 2002), where themes bear little relationship to the specific question asked to participants. This is beneficial as it (i) opens for participants' experiences, rather than seeking views on topics informed by the evidence base; (ii) prevents assumptions and biases in the literature being perpetuated; and (iii) limits the influence of the authors pre-existing beliefs on the topic (Braun & Clarke, 2012).

Braun and Clarke (2012) provide a step-by-step guide in which they characterize six phases of a thematic analysis process, including; (1) familiarizing oneself with the data; (2) creating initial codes; (3) looking for themes; (4) reviewing potential themes; (5) defining and naming themes; and (6) producing the report. These phases structured our research process. As Willis, Jost and Nilakanta (2007) note, thematic analysis is a "nonlinear, recursive (iterative) process in which data collection, data analysis, and interpretation occur and influence each other" (p. 202).

The first phase of our data analysis involved interactive means to provide us with knowledge and initial analytical thoughts on all of our collected data. As we worked with verbal data from our primary sources, that data was transcribed into written form in order to conduct a thematic analysis. The transcription process was a time-consuming, frustrating, and at times, tedious process. However, it was an excellent way to start reflecting on the data collected. Bird (2005) states that the transcription process is "a key phase of data analysis within interpretative qualitative methodology" (p. 227). Additionally, the transcription process is where meanings can be created (Lapadat & Lindsay, 1999). After transcribing the data, we actively read the transcripts and our secondary data numerous times in order to shape ideas, meanings, and identify possible themes. This process was time-consuming but provided us with a necessary foundation to continue our analysis.

After familiarizing ourselves with the data, the second phase of generating initial codes begun. Here, codes refer to "the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon" (Boyatzis, 1998, p. 63). The coding was done manually by using highlighters in different colors to identify important segments within our data. The codes we identified became the 'building blocks' of our analysis (Braun & Clarke, 2012).

The third phase involved reviewing the coded data to identify similar areas and overlaps. As such, we could capture and re-focus the analysis at a broader level to map out and consider how the different codes might be combined to form an overarching theme. A theme can be described as capturing “something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set” (Braun & Clarke, 2012, p. 63).

During the fourth phase, we reviewed the mapped themes to quality check and ensure clear and identifiable themes. Coding is argued to be an ongoing organic process, resulting in the need to re-code the data set several times in order to (1) ascertain whether our themes ‘work’ with the data set and (2) code any additional data within themes that might have been missed in previous coding stages (Braun & Clarke, 2012). When refinements did not add anything substantial, we stopped. This resulted in a reasonably good idea of what our different themes were, how they fit together, and the overall ‘story’ they told about the data (Braun & Clarke, 2012).

Within the phases five and six, themes were defined, named and produced. According to Braun and Clarke (2012), a good thematic analysis

> will have themes that (a) do not try to do too much, as themes should ideally have a singular focus; (b) are related but do not overlap, so they are not repetitive, although they may build on previous themes; and (c) directly address your research question (p. 66).

In this chapter, we have presented the method used to answer our research question on what change initiatives organizations should initiate after the occurrence of financial crime. With transparency around our research method, design, and data collection, we aim to increase the trustworthiness of our study’s findings. Furthermore, to ensure that this research complies with the rights of our interviewees, we have taken all the necessary precautions as well as to report our research to NSD.

CHAPTER 4
FINDINGS

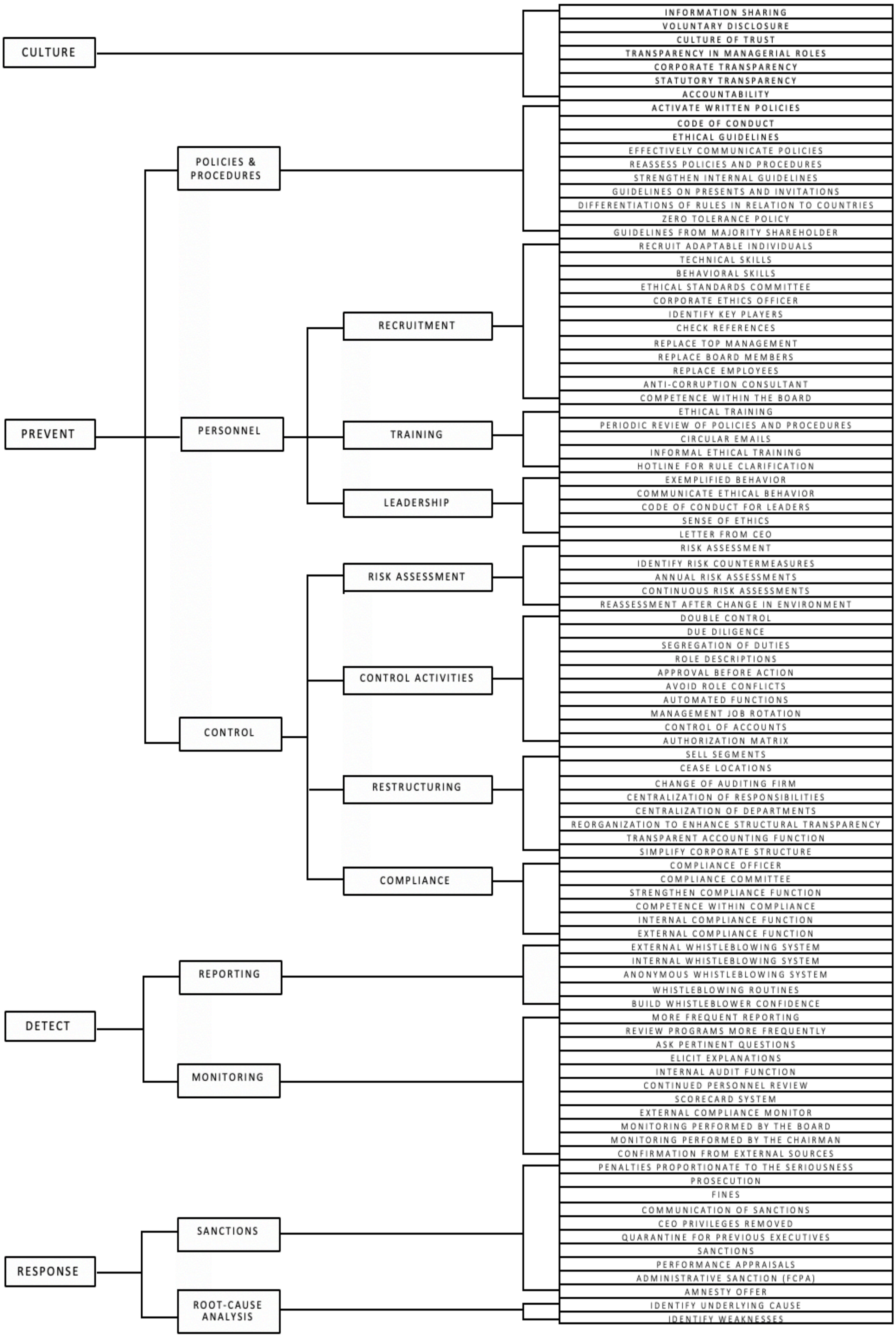

Figure 2: Illustration of all findings

The figure above illustrates a structured approach of all findings on specific measures and aspects of importance, as well as how these relate to the four areas of *culture, prevent, detect,* and *response*. The figure includes findings from the literature review, the literature case on Siemens AG and the interviews with participants presented in this chapter.

Throughout this chapter, we present the most relevant findings that emerged from four interviews and one investigation report. The findings will relate to answering our research question. However, we had difficulties in obtaining information on specific measures organizations should initiate. Consequently, some areas within findings relate to general matters in which organizations should focus on after financial crime, and not specific measures. Different and similar views from four primary sources and one secondary source have resulted in themes that include findings from all sources, whereas other themes only include findings from a few.

4.1 CULTURE

The importance of changing organizational culture emerged as an essential change initiative during our data collection. From a change management perspective, adjusting organizational culture is described as one of the most difficult challenges. Findings suggest several areas to consider when determining initiatives that would engage in a change in culture. These areas include a culture of corruption, organizational size, transparency, and trust.

Participants describe organizations as having a culture of corruption when they have developed a norm for paying small and bigger bribes to gain an advantage. Two of three professional participants mentioned that if organizations engage in such transactions (i.e., facilitation payments), this will contribute to establishing a culture that tolerates corruption. As described by participant 3, "a bribe is a bribe … if one accepts small corruption, you have in principle accepted corruption". Congruent with this statement, participant 1 interprets that "a culture of corruption involves paying all bribes in order to win business contracts." These statements could demonstrate a snowball effect, where corruption starts from an initial state of small significance to build upon itself to something more severe than expected; consequently, a culture of corruption has been established.

Another finding reveals that accountability speaks a lot to the culture organizations portray for the outside world. For instance, two of the professional participants argued that it is crucial for the organization to “take the consequences” of their actions. For participant 2, this means that the breach must cease and those harmed must be compensated in order to “clean up responsibly.” Furthermore, participant 2 argued that leaders must demonstrate responsibility in the aftermath of financial crime by showcasing the seriousness of breaking a guideline and that such actions will have consequences. As such, irresponsible actions must be eliminated for the organization to portray more accountability.

The size of an organization was also found to be relevant in terms of culture. Mentioned by participant 4, a leader’s influence on organizational culture is more easily obtained with fewer employees, stating that it is “more difficult to ensure a good culture throughout a large organization.” Thus, change processes that influence culture seems to differ between large and smaller organizations. When constructing or changing organizational culture, it depends on the most effective way leaders can reach and engage an individual employee, which for participant 4, is different when having fewer employees to lead.

All participants mentioned the topic of transparency. Two of the four participants characterized Norway as having a transparent society. Given this, participant 2 presumed that financial crimes will become more challenging to conduct given the rise of the information society and increased demand for transparency. Whereas the professional participants talked about corporate transparency and how this concerns how disclosed an organization is with society, participant 4 mentioned the importance of sharing information amongst organizational members.

On how to increase corporate transparency, participant 1 mentioned voluntary disclosure. Voluntary disclosure refers to organizations voluntarily sharing their experiences and cases of financial crimes. The participant underlined the importance of cases being brought to light, voicing “if big bribery cases never get known, the system of corruption will live on.” This statement demonstrates that in the case of corporate transparency being vacant, a culture facilitating financial crime is more likely to exist. To develop the cognition and eminence of corporate transparency, participant 3 introduced us to a committee that is currently looking into statutory transparency. Statutory transparency refers to establishing a statutory requirement for organizations to bring business affairs into the public view. Interested in the topic of statutory transparency, participant 3 voiced,

> if you put pressure or even make it an obligation for an organization to disclose information, this might allow for encouragement and openness for organizations to show their challenges or maybe prevent problems from happening in the first place. At least, that is the thought.

Furthermore, participant 3 was very adamant about the idea of corporate transparency in the decision-making processes, ownership, money transactions, budgets, and accounts. Again, the participant mentioned the use of legislative changes to push the agenda of transparency further. Participant 3 emphasized ownership transparency. Ownership transparency concerns who ultimately owns, controls, or benefits from organizations and the income generated. Participant 3 argued,

> it must be clear who the real owners of an organization are. Why should we be concerned with this? Well, this is precisely the type of openness that is believed to prevent misconduct, crimes, illegal cash flows, and so on … when concealing ownership, organizations can hide cash flows.

Participant 4 expressed the importance of establishing a culture that relies on open dialogue and information sharing. As an executive director for a small organization, participant 4 argued that “the finance manager and I often discuss and have a dialogue about different cases … this makes us unified … help build confidence to get access and information on situations”. Having an open dialogue was expressed to be an essential aspect that ensures a culture of encouraging communication and vulnerability in challenging situations. Furthermore, participant 4 emphasized that organizational leaders should introduce discussions, as well as involve others in business processes to increase transparency within the organization.

All participants and the investigation report mentioned trust. Although all four participants argued that trust is essential for organizational leaders to have, they all agreed on the fact that trust should never replace control mechanisms. Regarding trust, participant 3 stated the following,

> trust is a nice thing to have, but when trust becomes too empowering, and there is no foundation for having it, it becomes problematic. This is, unfortunately, how many problems are discovered. That one has had too much trust over time.

The above issue presented by participant 3 was identified in the investigation report where it was found that the former Chief of Accounting was not subjected to adequate control activities as the former executive director had significant trust towards this individual. With little control and significant trust, it allowed for the Chief of Accounting to misuse the trust given. Thus, the individual was free to carry out financial misconduct for several years.

Participant 4 agreed on the importance of having trust. When asked about trust, the following statement transpired:

> One can never – no matter how much competence and how many instructions, authorizations, and other things one introduces – guard oneself against criminal acts. If you are going to guard yourself 100 percent, you will not be able to do anything. No matter what, one must rely on trust, but also have control mechanisms.

The recurring focal point of trust as a necessity, but never as a replacement for control, demonstrates that trust is a broad topic with difficult areas to address.

4.2 PREVENT

4.2.1 POLICIES & PROCEDURES

Our findings on policies and procedures suggest that although written guidelines are essential, the most crucial aspect is how an organization enforces them. Our participants mentioned four types of policies and procedures: (i) codes of conduct; (ii) instructions; (iii) zero-tolerance policy; and (iv) ethical guidelines. Participants also used a general description of written documents such as rules, regulations, or guidelines.

A common finding concerning codes of conduct was the difficulty of activating those written values, beliefs, and principles within the organizations. All professional participants indicated that activating written words was one of the most challenging processes to initiate, as practical actions are more demanding than merely reading and understanding guidelines. This issue was closely related to the topic of a zero-tolerance policy, where participant 2 exemplified the above issue. The participant stated that many companies with a zero-tolerance policy are having difficulties following through with that policy, referring to an article on companies that chose to ignore their zero-tolerance policy when an affiliated company was found guilty of financial crime. In such instances, zero-tolerance policies are found to be irrelevant when not executed in actions. Thus, the enforcement of written guidelines might be questioned, leaving the impression that organizations can ignore written documents without further consequences.

A finding that might seek a solution to the above issue on enforcement of zero-tolerance policies is given by participant 1 who argued, "… it is about a code of conduct that has a good language for zero-tolerance …". Additionally, the participant voiced the importance of including facilitation payments in such a policy. A 'good language' interprets specific and possible scenarios that might otherwise be ignored or deemed irrelevant when establishing a zero-tolerance policy within an organization. As such, the language of a code of conduct could be considered essential.

When giving more details about written guidelines and their functions, participants had different areas they specified on. One area involved the idea of guidelines being a 'living' document, where participant 3 argued that documents should be adjusted to the market one is involved in, as well as the business one is operating. Another area concerned the establishment of guidelines and routines as a part of preventing any misconduct from reoccurring. This argument might insinuate the need for reassessing established guidelines when necessary. A third area discussed was the connection to the board and how they can approve a set of values and set clear expectations on the follow-up of values, otherwise leading to consequences. Participant 2 insinuated that the use of guidelines could work as a control mechanism to identify irregular actions that are not in accordance with a set of values. As such, it would be easier for organizations, either top management or the board, to take actions against any individuals that might deviate from an organization's written guidelines.

Participant 4 and the investigation report refer to policies and procedures as instructions. These instructions are intended to describe how the organization should be managed as well as how their business should be conducted. From the investigation report, the previous instructions were found to be inadequate. Moreover, it is stated that the general cost control of the organization had not relied on written guidelines. Thus, the investigation report made the following recommendation: “updated instructions to the Board of Directors and executive director that establish a duty for semi-annual reporting and management of the organizations cost control and internal control.” Participant 4 confirmed that the organization had changed the instructions for the board and the executive director. In addition, the organization had established instructions on how to manage financial cases. These findings suggest that the organization followed the recommendation given by the investigation report.

Ethical guidelines were found to be given less focus. Nevertheless, two professional participants mentioned the role of ethical guidelines and its importance during the decision-making process. For example, participant 2 discussed how ethical guidelines relate to the question of how individuals can gain a better understanding of what is right and wrong in an organizational setting. Moreover, participant 3 emphasized the practical meaning of ethical guidelines and how individuals in organizations should be encouraged to reflect on what the guidelines imply — insinuating that individuals will all have different viewpoints on what the guidelines affirm.

Additionally, the investigation report recommended that the organization establish ethical guidelines. Participant 4 stated during the interview that ethical guidelines, although important, is more used as a tool to increase awareness. This is in accordance with the statements from the professional participants. As such, our findings imply that ethical guidelines should be actively used to reflect on ethical dilemmas.

4.2.2 PERSONNEL

4.2.2.1 Recruitment

Two findings emerged as significant to the concept of recruitment. The first relates to personnel changes, either in terms of terminating employee contracts due to illegal actions or terminating employee contracts due to negligence causing the illegal action to persist (i.e., not performing regular control activities). The second finding is to recruit individuals with the right competence and expertise.

Participants argued that the termination and replacement of specific individuals are change initiatives often used after incidents of financial crime. For example, participant 2 used the case of a large Norwegian company and how they (as investors) observed a replacement of several employees close to the investigation. In addition, participant 3 revealed that the replacement of both top management and the administration is likely to occur as an outcome of financial crime. Concerning the question of how one could ensure appropriate recruitment, participant 3 underlined the essential step of checking references. Participant 4 emphasized recruiting individuals with professional depth.

The investigation report highly criticized the former executive director, as well as the board, for not performing their duties adequately. The personnel changes after the misconduct, as stated by participant 4, were: (i) a new Chief Financial Officer; (ii) a new chairman for the board; (iii) several new members in the board, and (iv) two new employees in the accounting department. Additionally, participant 4 emphasized the benefits that come with making personnel changes and how this influence the change process following a financial crime. Here, participant 4 argued that the personnel changes the organization made allowed for a speedier change process. Thus, the participant indicated that difficulties could arise when changing a well-established system, and personnel changes allow for some of these difficulties to diminish.

On the issue of facilitating the right management and control over organizations, participant 2 argued the importance of having the correct competence within the board. This is further substantiated by the investigation report, which found that members of the board were not experienced with board responsibilities, thus leaving them weak to perform their tasks adequately. Furthermore, participant 2 stated that some organizations might have to detain specialized competence in addition to expected competence (i.e., accounting and finance background) when recruiting board members – as such, insinuating that this can be used to improve the assurance of adequate control by the board.

4.2.2.2 Training

Training of personnel and the investment it holds is found to be an essential aspect to prevent financial crime. After analyzing the data, the type of training that recurred in several interviews were (i) ethical training using dilemmas, (ii) the use of informal discussions around ethical behavior under challenging situations and (iii) the use of regular reviews on guidelines and regulations as a tool for prevention.

On the vulnerability of certain positions, all professional participants argued that individuals in high-risk positions must undergo dilemma training. Here, a high-risk position is assumed to be accountants or contract negotiators. Whereas certain positions are accessible, others are more challenging to control, as such, dilemma training could be a powerful tool to encourage ethical behavior and prevent individuals in high-risk positions to conduct a financial crime. Participants claimed that the use of cases on what is right and wrong is essential for dilemma training. For example, participant 3 stated that "conclusions can always be argued" – reasoned by ethical behavior primarily based on individuals' ability to assess situations. Given this, dilemma training could give the additional advantage of guiding employees on the expectations regarding ethical behavior.

On training organizational members on guidelines regulations, findings suggest consistent reminders are important. For instance, participant 2 argued this to be of importance in areas that are highly regulated (i.e., finance). Moreover, the participant voiced the importance of confirmation as a control mechanism, meaning that any revision of guidelines must be signed and confirmed by employees yearly. This type of revision of guidelines was also argued by participant 3, who emphasized that this should apply to all new employees, as well as current employees, especially when new areas of risk emerge.

The size of the organization was found to influence the formality of training. Participant 4 addressed the use of a more relaxed and informal approach to training personnel, reasoned by the size of the organization (11 employees). Here, participant 4 referred to formal training programs as less applicable. Furthermore, the participant emphasized that dilemma training was done in a casual setting, where issues and dilemmas were discussed as they prevailed. The interview with participant 4 did not indicate that the following recommendation from the investigation report was initiated; "conduct training of employees in the routines and guidelines of the internal control system regularly."

4.2.2.3 Leadership

Our findings on leadership are limited to the phenomenon of 'tone from the top.' However, participants gave clear indications of what this phenomenon should entail, including the illustration of exemplified behavior amongst top management.

This exemplified behavior includes both ethical actions and accepting the consequences of a zero-tolerance policy.

Our findings suggest that top management sets the standard for desired behavior within an organization. Nonetheless, all professional participants agreed that desired behavior comes at a cost. For instance, participant 1 argued that a zero-tolerance policy comes from the action of top management. This was further emphasized by participant 2, who stated that top management must show accountability by taking the consequences of having a zero-tolerance policy. Consequences are here insinuated by several participants and exemplified by participant 2 as rejecting a contract because the real owners of a company are unknown. As such, good leadership and ethical behavior amongst top management are exemplified by adhering to policies and making correct decisions under any circumstance.

4.2.3 CONTROL

4.2.3.1 Risk Assessment

Several participants specified risk assessments as the most fundamental measure to be initiated after financial crime. Here, risk assessments were described as a process that identifies weaknesses and gives a foundation for initiating further measures (i.e., control activities and restructuring) to mitigate identified risks.

Our findings revealed some differences in the perception of risk assessments. Though all participants argued that risk assessments are essential, the participants had distinctive elements they emphasized during their interviews. For instance, participant 1 stated that risk assessments are often the "number one failure," implying that organizations do not perform adequate risk assessments. In contrast, participant 2 argued that most large companies have rigid systems for assessing risk. Furthermore, participant 3 emphasized that training of employees should be adapted to the risk an organization is facing.

Besides the above differences, all participants argued that a thorough risk assessment should be able to identify probable risks and their consequences. This will allow organizations to initiate measures and mitigate the risk identified. Also, there seems to be a cohesive agreement on how often risk assessments should take place. Participants 1, 2, and 4 all stated that annually, risk assessments should be conducted. Additionally, participant 2 further stated that certain areas of an organization are subjected to continuous risk assessments due to the nature and characteristic of the identified risk (i.e., liquidity and market risk). Emphasizing that "market and liquidity risks … these risks are constantly monitored."

Regarding risk in the investigation report, the fraud examiners identified that the organization did not identify the risk of the business. As such, the investigation report made the following recommendation for risk assessment,

> the organization is recommended to do an extensive assessment of the risk the organization is exposed to. In addition, the risk assessment must accommodate the business objectives and the function of the organization, whose task is to handle the substantial cash flows. Furthermore, the risk assessment should be conducted with the involvement of employees and representatives. This risk assessment should be the basis for further measures to be set in place.

Participant 4 corroborated that the above recommendation was initiated. Moreover, the participant revealed that the conducted risk assessment was the foundation for the current instructions within the organization. In conclusion, all elements and findings suggest that risk assessments are essential during a change process that organizations undergo after an occurrence of financial crime.

4.2.3.2 Control Activities

Our findings on specific control activities are limited. However, all participants argued that control activities act preventatively. From the conducted interviews, some control activities (e.g., double control) are expressed as a given, meaning they should always be present in any organization. Still, our findings reveal that this is not always the case. Based on the generality of our findings, we get the impression that most control activities depend on the business environment where an organization operates.

Regarding control activities that are expected to exist within any organization, participant 2 emphasized double control and control of accounts. Furthermore, participant 2 argued that no individual should have single control over accounts, emphasizing that a control regime should always be initiated when a position involves financial transactions. When comparing these findings on control activities stated the investigation report, we see that such 'simple' controls are not always present in organizations. The report made the following recommendation for the organization to initiate: (i) new routines for accounting; (ii) segregation of duties; (iii) authorization matrix; (iv) automated functions; and (v) double control. Given the fact that these recommendations were made, it implies that none of these control activities were present before and during the misconduct took place.

During the interview, participant 4 specified that some changes recommended in the investigation report were initiated before the report was finalized. These changes included, amongst others, developing an authorization matrix. Moreover, participant 4 specified that the organization focused on clarifying roles (i.e., role descriptions), segregating duties, as well as implementing a new IT system after the investigation report was finalized. As the complexity of these changes differs, participant 4 emphasized that some of the measures initiated are complex and time-consuming, while others take less time and can be initiated at once. Thus, not all initiatives are currently completed.

Due diligence was emphasized by two of the professional participants. Regarding this matter, findings suggest that due diligence of suppliers is an area subject to least control within organizations today. Both participants 2 and 3 argued the importance of knowing who the real owner of an organization, especially during contract negotiations and contract signing. Furthermore, the participants stated that organizations should investigate and evaluate suppliers before signing any contracts. As such, searching for and obtaining significant information on suppliers is found to be an essential initiative for preventing financial crime.

4.2.3.3 Restructuring

Although restructuring was barely mentioned by one participant, we find the matter to give an interesting perspective on how complicated organizational structures could allow for financial crimes. Moreover, the organizational structure is found to impact the level of control one can have on organizations. As presented by participant 2, complex organizational structures are subject to more risk for irregularities. For example, complex organizational structures can facilitate the possibility of hiding assets (i.e., cross-border businesses). As such, these findings indicate that initiatives on restructuring should be considered where organizational structures are too complex to adequately control areas vulnerable to financial crimes.

4.2.3.4 Compliance

Compliance is an extensive and elaborate area that holds the intent to regulate, prevent, and detect financial crime. As it is a substantial subject, we limited our findings on the matter to mostly consist of enforcing a compliance function and the competence this function should require.

As participant 1 has worked with compliance for several years, we were able to gain insight as to how organizations should initiate changes within the compliance function following a financial crime. The participant recommended that organizations should revise their compliance program in order to identify potential strengths and weaknesses the program entails, thus finding areas for improvement. Furthermore, participant 1 acknowledged that building a compliance program 'on paper' is the least challenging part of the process, as complications only first emerge during the process of implementation. As such, the operational part of a compliance program after financial crime seems to be an essential factor to consider when evaluating how to initiate change in that area.

During the interviews, it was affirmed that a 'great' compliance program would not necessarily prevent financial crime. Participant 1 introduced us to Transparency International's parameters on compliance programs and how Norwegian companies have the best compliance programs worldwide, yet still involved in corruption. These findings provide valuable insights on the relevance of extensive compliance programs and potentially increase the attention towards more simple and well-implemented compliance programs, rather than ineffective and expensive programs.

When trying to determine whether internal or external compliance functions are preferable, our findings are somewhat contradicting. Whereas an internal compliance function is seen as having the function in-house, an external compliance function entails the use of independent consultants to manage all compliance matters. Findings suggest that this decision will most likely depend on the size of the organization. Participant 1 argued that an organization does not have to be of large size before an internal compliance function is seen as beneficial. Still, specifying that many organizations use external consultants for compliance. This contradicts the findings from participant 2, who expressed reluctance on using external consultants only. Instead, participant 2 argued that organizations should have an internal compliance function. However, it was mentioned that external consultants could be used when implementing a new compliance program, reasoned by their specialized knowledge on the field. These inconsistencies seem irrelevant when addressing large organizations but could be considered more relevant when addressing organizations of smaller sizes.

Regarding the subject of compliance personnel, our participants seemed to agree. The process of recruiting individuals with the right competence to operate the compliance function is found to be of importance, as well as the compliance function's role within the organization. For instance, participant 2 stated that investors are concerned with the competence and experience of compliance personnel. Furthermore, participant 1 mentioned the role of a 'compliance officer' defined as "an individual who ensures that a company complies with its outside regulatory and legal requirements as well as internal policies and bylaws" (Hayes, 2019). These findings indicate that most organizations, with the probable exception of those smaller in size, should use adequate resources to attain personnel with specialized knowledge on compliance as this will most likely enhance the possibility of organizations and their members to comply with rules and regulations.

4.3 DETECT

4.3.1 REPORTING

In general, all professional participants emphasized the existence of whistleblowing systems as a measure for detecting financial crime. Additionally, the professional participants highlighted several ideas on how those whistleblowing systems should function, where the systems should be placed, and what whistleblowers should be allowed to expect after reporting a suspected or observed misconduct.

One of the main subjects regarding reporting was found to be the issue of anonymity. Participant 1 stated that anonymous whistleblowing systems in Norway are, except for the largest companies, not predominantly used. Furthermore, the participant highlighted the issue of non-anonymity when the reports are made to the closest leader, as this can impose problems for the whistleblower (i.e., when the leader has engaged in the misconduct reported). This context is brought even further by statements from participant 3, who argued that whistleblowers are often subjects of harassments following reports. Participant 2 also indicated that the threshold for reporting is high, as employees often have assumptions, not facts. Thus, a well-functioning anonymous whistleblowing system can be deemed irrelevant if employees do not believe their reports to be factual. As such, anonymous whistleblowing systems are seen to be beneficial in several aspects: (i) eliminates issues that occur when a whistleblower must report to their closest leader; (ii) reduces the risk of harassment at work; and (iii) minimizes the threshold for reporting.

Though anonymity is coherently found to be important, one finding suggests that anonymity is not a given, even when explicitly communicated. As argued by participant 3, "... I believe that that is where the weakness lies with many. That you say you have an anonymous warning system, but it comes out either way," further emphasizing that whistleblowers must trust that any alerts will be treated anonymously. A solution to solve the above issue of trust was given by participant 2, who suggested that organizations initiate "an independent channel which is anonymous and open for everyone." Here, an independent channel is referred to as a whistleblowing channel that is outsourced to an external organization (e.g., consultancy firm).

Concerning the efficiency of whistleblowing systems, all three professional participants were adamant about the expectation of reports being processed appropriately, implying that whistleblowers should expect that all signals are handled. Participant 1 argued that whistleblowing systems should be built to detect irregularities as early as possible. Further, the participant underlined that not many Norwegian companies have adequate whistleblowing systems but "... often do it as simple as possible". This statement gives the impression that many Norwegian organizations have developed and designed a whistleblowing system but lack an effective system for when a report occurs. In addition, all three professional participants emphasized the difficulties of identifying reports of significance. For instance, participant 1 stated that reports are easy to ignore, while participant 2 claimed that many reports coming through established systems are not deemed relevant. As such, the participants emphasize the issues relating to the significance and identification of reports in many whistleblowing systems.

4.3.2 MONITORING

Our findings suggest that the board is usually responsible for monitoring how the top management complies with policies and procedures established within the organization. It is found to be of critical importance that the board requests and review documentation from top management to evaluate the management's compliance and execution. Additionally, participant 4 argued that is it the executive directors' responsibility to provide this information. Consequently, these actions can allow for the detection of any irregularities amongst top management. In addition, confirmation from external sources has emerged from the data as an essential monitoring activity for investors, as it allows investors to confirm the initiatives taken by organizations post crimes.

The investigation report indicated that the facilitation of information between top management and the board, mentioned above by participant 4, was nonexistent during the misconduct. As stated in the report, "… it is clear that the board had limited insight into the practices and routines for credit services to the organizational members and the approval schemes that the payments have been subject to." This finding led the investigation report to recommend the implementation of routines for prepayments and loan to the organizational members that demand claims for procedures, documentation, and follow-up of credit requests. Regarding the initiation of this recommendation, participant 4 stated that all recommendations in the investigation report have been inducted.

4.4 RESPONSE

4.4.1 SANCTIONS

Our findings on sanctions regard the act of sanctioning as well as how sanctions are exemplified throughout the organization. Accordingly, all participants underlined the importance of organizations reacting towards individuals who have acted illegally or irresponsibly. Despite this agreement, the type of sanctions mentioned varies among our participants.

Participant 1 revealed that there is no duty for Norwegian organizations to report internal misconduct, which means that by law, neither organizations nor individuals need to turn themselves in if committed a crime. Nonetheless, participant 1 expressed the importance of organizations to "do everything else right," which includes a reaction towards the individuals who conducted the financial misconduct. Furthermore, two professionals argued the importance of holding individuals accountable for their actions. For instance, participants 2 specified that organizations "must respond to the people who have done something wrong." Likewise, participant 3 argued that "organizations must show that there are consequences if one breaks internal rules … breaches must have consequences properly proportional to what kind of illegality has been committed … because otherwise, it will be completely toothless to have rules."

On sanctions given in the interviewed organization, the investigation report stated that the individuals responsible for the misconduct were charged by law. This was confirmed by participant 4. Furthermore, the investigation report stated that individuals who exerted poor judgment but were within the law were replaced as a consequence of not upholding the responsibilities of what their positions entailed. The above findings suggest that holding individuals accountable demonstrates that unwanted actions will have consequences, whether one was conducting a crime or indirectly facilitating the occurrence of such a crime.

Another finding solely mentioned by participant 3, involves the use of performance appraisals. Here, the participant referred to performance appraisals as a process where organizational members are examined and evaluated on work behavior and outcomes by comparing it with predetermined standards. As such, the process will determine if individuals should be promoted, demoted, retained, or fired after an incident of financial crime. The use of performance appraisals in the aftermath of financial crime could incentivize employees, making them more susceptible to behave a certain way to get promoted or retain a raise.

Another topic that emerged during our data collection was the use of deferred prosecution agreements (DPA), which is given under the Foreign Corrupt Practices Act (FCPA). DPA "allows a prosecution to be suspended for a defined period provided the organization meets certain specified conditions" (SFO, n.d.). These specified conditions were referred to as administrative sanctioning by participant 1, where organizations take full remediation for criminal misconduct without the collateral damage of a conviction. This process was explained by participant 1 as,

> organizations must initiate, and document measures implemented, as well as cooperate with the authorities (…) countries should introduce such an administrative business process as a supplement, not to replace the criminal proceedings (…)

Furthermore, participant 1 argued that when organizations go through a continuous improvement process, "it is clear that in the long run, the risk of the companies entering new corruption actions will be reduced." Additionally, the participant mentioned that DPA is currently not initiated in the Norwegian system, and as such, introduced us to a case involving a large international organization. The organization was first investigated by ØKOKRIM, where it was given a fine for an international corruption case. However, when the American justice system took over, the organization was given a sanction based on an administrative route (DPA). The sanction was a combination of a financial fine and demands that consisted of actions and measures to be implemented in the following years imposed by the U.S. Justice Department to prevent similar situations in the future. Although DPA is only mentioned by one participant, this could be a significant response measure to consider as it demonstrates a continuous improvement process, as well as a follow-up mechanism to ensure that organizations act and initiate measures to prevent financial crime.

4.4.2 ROOT-CAUSE ANALYSIS

Root-cause analysis emerged as an important initiative during the data collection. A root-cause analysis is referred to by our participants as a crucial process after financial crime, where the aim is to identify the underlying cause. Participant 1 argued that the root-cause analysis should answer questions such as: (i) was it the culture? or (ii) could the misconduct have been revealed earlier? Mainly, the root-cause analysis should identify any weak point that caused the wrongdoing in order to close any information gaps. For instance, participant 2 and 4 voiced the importance of identifying the underlying cause of why financial crime occurs.

Regarding the matter of underlying causes, the investigation report identified several weaknesses that contributed to the misconduct that took place in our interviewed organization:

> Lack of control with advanced payments, loan of liquidity, and the general management of the substantial cash flows that are yearly managed (...) The irregularities have occurred as a result of an unwanted pattern of actions that have been, over time, enabled by the lack of internal controls, inadequate supervision, lack of understanding of one's roles and uncritical trust between operators.

With this, a root-cause analysis demonstrates that identifying the causes of financial crime could help organizations design and initiate measures to strengthen compliance and prevent financial crime.

CHAPTER 5
DISCUSSION

This study aims to identify how change management should be initiated after financial crime. In this chapter, we will combine existing literature with the data collected from our research to discuss areas in need of change and initiatives that should be considered. We have organized all measures found in this study in tables presented under each area of *culture, prevent, detect,* and *response.* Even though all measures will not be addressed in this chapter, the tables allow for readers to gain a simple overview of correlations and differences between literature, literature case, and findings.

5.1 CHANGING ORGANIZATIONAL CULTURE

Organizational culture is a challenging and complex area for change. From a change management perspective, elements within an organizational culture could be viewed as two contrasting and distinctive states, where an organization should initiate cultural changes in order to move from an undesired state to a desired state.

Table 2: Cultural measures found

	Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Culture	Information sharing	X				X	X	X	
	Voluntary disclosure				X				
	Culture of trust	X		X	X	X	X	X	X
	Transparency in managerial roles		X						
	Corporate transparency	X	X	X	X	X	X		
	Statutory transparency						X		
	Accountability	X		X	X	X	X		

After analyzing and identifying tendencies within the findings, four areas of cultural change initiatives emerged as focal points for further analysis:

1. A change from *withholding* to *sharing information*
2. Adjusting from *secrecy* to *transparency*
3. Transforming from a *culture of trust* towards *a culture of mistrust*
4. Altering from an *irresponsible organization* to an *accountable organization*

A Change from Withholding to Sharing Information

A change from withholding to sharing information is illustrated in figure 3 below. For organizations to communicate relevant and useful information within the organizational environment, information sharing could be an essential cultural aspect. From a change management perspective, information sharing is understood as a cultural character where organizations move from a culture that withholds information to a culture that shares information. This initiative is corroborated in our findings that states the importance of sharing information to engage, unify, and build confidence in employees to induce involvement and influence behavior. Moreover, information sharing could allow for top management to access information across the hierarchy.

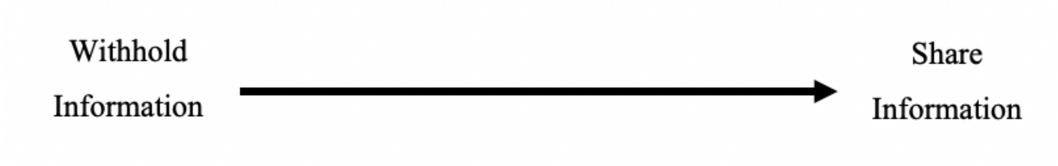

Figure 3: A change from withholding to sharing information

One could argue that withholding information can, in some cases, lead to poor or damaging decisions, due to false assumptions and unreliable data when critical information is not known to all involved in a decision-making process. We assume this could be of importance as miscommunication and isolation of an individual can be avoided if all organizational members contribute and act on the same quality of information. However, one could also argue that sharing information within an organization could cause dissatisfaction, as employees might not benefit from a culture characterized by sharing information; in certain circumstances, personnel might want to withhold information due to reasons unrelated to criminal activities. Consequently, information sharing might benefit the prevention of financial crime at the expense of privacy.

Adjusting from Secrecy to Transparency

The findings of our study correspond with the existing literature in that corporate transparency has a significant impact on organizational culture. We argue that transforming the culture from secrecy to transparency might reduce the risk of financial crime. Moreover, our findings suggest that corporate transparency can be forced by initiating voluntary disclosure and statutory transparency. In addition, transparency is found to allow organizations to be held accountable for their actions as it pressures them to acknowledge their wrongdoings and make changes, rather than ignoring the issues causing the crime, which could further facilitate misconduct.

Figure 4: Adjusting secrecy to transparency

Even though transparency is a significant aspect of organizational culture, one could also argue that excessive transparency can compromise essential values, such as the need for confidentiality. For example, we found that certain information is withheld from the public because organizations view such information as business secrets or sensitive information. Nevertheless, due to the rise of the information society, transparency might not be an option that organizations can choose to ignore in the future. With today's media coverage, journalists are at the forefront of exposing organizations' wrongdoings, consequently forcing organizations to be more transparent. If not, organizations seem to be subjected to a damaged reputation if misconducts are hidden then later discovered and shared by media.

Transforming from a Culture of Trust Towards a Culture of Mistrust

The figure below illustrates a cultural change concerning two opposite aspects, trust and mistrust. Trust is often argued to be a vital element within all levels of business operations. However, our findings suggest that when trust becomes too empowering, it creates some problematic features. Supported by the existing literature which argues that trust strengthens corporate behavior, as well as allow for possible offenders to commit and conceal a crime, our findings suggest that trust is both an essential part of organizational culture, as well as an underlying reason for financial crime. Given this, we argue that when employees are given high levels of trust, it inadvertently entails a risk for abuse of this trust.

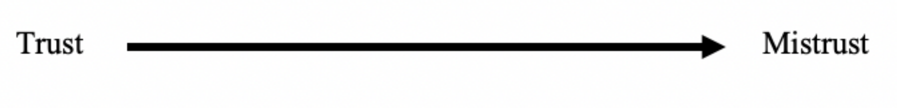

Figure 5: A cultural change from trust towards mistrust

Our study suggests that when leaders convey high levels of trust towards organizational members holding positions of opportunity (e.g., accountants), the leader is found to neglect his/her responsibilities (e.g., conduct control activities). We argue that this neglection of responsibilities can stem from leaders having an emotional connection towards employees. Therefore, a cultural change that incorporates some levels of mistrust might allow for leaders to act without considering this emotional relationship. Furthermore, this might decrease the risk of suffering repercussions on a leader-employee relationship as all organizational members are treated with equal amounts of mistrust. Thus, the mistrust cannot be viewed as a personal vendetta.

Although introducing mistrust to an organizational culture might benefit the prevention of financial crime, we assume it comes with a cost. As the literature suggests, trust is essential to improve employee commitment and motivation. Moreover, our findings indicate that trust is necessary for any well-functioning organization, as many operational activities rely on some levels of trust being present. The factors of trust, vulnerability, and expectations beforementioned in literature could suggest that organizations can prevent financial crime by creating a balance between mistrust and trust. With a norm balancing the issue of trust, leaders can lessen the vulnerability that inherently lies within the trust. In conclusion, we argue that organizational culture can benefit from working towards a balance of trust and mistrust.

Altering from an Irresponsible to an Accountable Organization

We recognize the initiative of altering from an irresponsible organization to an accountable organization as beneficial for organizational culture after financial crime. An irresponsible organization is, in this context, identified as an organization that fosters certain cultural norms that allow for financial crimes to take place. When initiating changes to diminish these norms, organizations are found to become more accountable. Once organizations have fostered a culture of irresponsibility, our findings suggest that this should no longer be sustained, as it facilitates a culture that bears with it an acceptance for misconduct (i.e., a culture of corruption). Our study found that communicating consequences or changing informal practices are viable ways to initiate a change towards accountability. On the other hand, the case of Siemens AG showed us that such actions are not always understood by employees, creating uncertainty and frustration amongst organizational members and complicating the process of initiating changes. Therefore, we argue that organizations must properly introduce new practices with the aim to make them both enforceable and actionable.

Figure 6: Altering from irresponsible to accountable organization

5.2 PREVENT

5.2.1 UPDATE POLICIES & PROCEDURES

From the table below, we have identified three issues of importance to be considered by organizations when updating their policies and procedures after a financial crime.

Table 3: Measures identified to update policies and procedures

		Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Prevent	Policies & Procedures	Activate written policies	X			X	X	X	X	
		Code of conduct	X			X		X		
		Ethical guidelines	X	X			X	X		X
		Effectively communicate policies	X				X	X		
		Reassess policies and procedures	X		X		X	X	X	X
		Strengthen internal guidelines			X		X			
		Guidelines on presents and invitations			X					
		Differentiations of rules in relation to countries			X					
		Zero tolerance policy		X	X	X	X	X		
		Guidelines from majority shareholder		X						

The first issue of discussion considers how policies and procedures are documents written and read, but not always effectively communicated and activated within the organizational environment. The second issue proposes that written documents should be reassessed and updated when identifying changes in the business environment that cause a commotion. For instance, establishing a new department in a high-risk area should cause an organization to adjust their written policies and procedures. The last issue concerns how zero-tolerance policies are, in many cases, not complied with, which prompts the question of necessity.

After updating policies and procedures post financial crime, the act of communicating and activating those updates throughout the organization is found to be an essential change initiative. Von Solms and Von Solms (2004), as well as Girling (2013), find this to be of importance as it allows for organizations to increase their ability to shape and change direction from a current state to a target state. When updates to written policies and procedures are not effectively communicated nor activated, difficulties can emerge. This is evident in the case of Siemens AG, where rule adjustments were subject to multiple extensions due to the rigorousness of initial adjustments. Consequently, Siemens AG experienced much resistance and uncertainty amongst employees, as the organization was unable to effectively communicate and enforce the rigorous adjustments into everyday business. These difficulties prompt an interesting reflection on the matter of guidelines and regulations after a financial crime, as it indicates that organizations should not excessively aim their attention on only updating written policies, but also mediating and activating these throughout the organization.

The above difficulties indicate that successful communication and activation of policies and procedures are challenging to achieve. As such, our study shows that initiating practical actions are more demanding than to read and understand policies and procedures. Here, one could question whether policies and procedures are a vital asset to organizations. The literature and our findings argue a similar concern about the effectiveness of enforcing written documents (i.e. code of conduct, zero-tolerance policies). For instance, critics suggest that a code of conduct is only a document used for window dressing. Further, as suggested by Ladd (1985), written documents may not influence employee behavior sufficiently, thus fail to foster an ethical culture. As such, updating written documents would arguably be less relevant following a financial crime. We propose further research on the matter of policies and procedures and the effect these have on organizational members, including any positive or negative effects regarding the communication and activation after written updates are made.

There is an equal emphasis present, both in the literature review and our findings, on reassessing policies and procedures. For instance, our findings propose that policies and procedures should be a ‘living’ document, where adjustments are made in accordance with the market organizations operate in. As such, our study suggests that updating policies and procedures should not be a one-time adjustment but rather a frequent occurrence as it allows for guidelines and regulations to be relevant and always reflect the current state of an organization. Moreover, as policies and procedures are indicated to be a form of self-regulation, our findings correspond to Moeller (2013), who argues that policies and procedures should be reassessed to ensure that they define what is expected. This could imply that the reassessment of policies and procedures might work as a control mechanism to identify irregular behaviors and working principles that are not in accordance with organizational values.

We found limited information on zero-tolerance policies in the literature and our findings, however, there a few indications that the concept of 'zero-tolerance' is without value. Gottschalk (2019) and our findings indicate that, although organizations have established zero-tolerance policies, the policies are rarely executed when affiliated organizations commit financial crime. Our research suggests that organizations do not suffer consequences (e.g., breach of contract) when having committed a crime, demonstrating that zero-tolerance policies could predominantly be used as window dressing. In addition, we argue that the enforcement of a zero-tolerance policy could come at a great cost for organizations. For instance, organizations that operate in emerging markets (e.g., China, Russia) are often subjected to a business culture where corruption (e.g., facilitation payments) can prove to be difficult, if not impossible, to come around. To exemplify the difficulty of enforcing a zero-tolerance policy, one can introduce the case of IKEA in Russia. IKEA is known for its strict zero-tolerance policy, which caused the organization to delay their establishment in Russia for many years. When IKEA eventually established branches in Russia, they used extensive resources to get around imposed governmental restrictions due to their refusal of engaging in corruption (Muralidhara & Prasad, 2013).

Nevertheless, IKEA dismissed two senior executives in 2010 due to their involvement with governmental corruption in Russia (Kramer, 2010). Thus, exemplifying that zero-tolerance policies are immensely challenging to accomplish despite substantial efforts. Moreover, the investments IKEA had to make in Russia (e.g., generators) to 'avoid' governmental corruption speaks to the financial cost of enforcing zero-tolerance in such countries. The alternative is to avoid establishments in emerging markets altogether, which also comes at a cost as it limits the organizations from entering profitable markets.

Although the arguments above do not justify or argue for organizations' involvement in corruption because it is more convenient or profitable, it does exemplify the difficulties of enforcing zero-tolerance policies. Therefore, we argue that other change initiatives may be more applicable after a financial crime. For instance, changes in a culture where accountability and informal rules are subject to change could indirectly influence the enforcement of zero-tolerance policies.

5.2.2 ENHANCE PERSONNEL

Table 4 introduces three elements of personnel that is found to be of importance when initiating change management after an incident of financial crime.

Table 4: Measures identified to enhance personnel

			Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Prevent	Personnel	Recruitment	Recruit adaptable individuals	X							
			Technical skills	X				X		X	
			Behavioral skills	X					X		
			Ethical standards committee	X							
			Corporate ethics officer	X							
			Identify key players	X							
			Check references	X					X		
			Replace top management			X		X	X	X	X
			Replace board members		X			X		X	X
			Replace employees					X	X		
			Anti-corruption consultant			X					
			Competence within the board					X		X	X
		Training	Ethical training	X	X	X	X	X	X		
			Periodic review of policies and procedures	X				X	X	X	X
			Circular emails			X					
			Informal ethical training							X	
			Hotline for rule clarification			X					
		Leadership	Exemplified behavior	X			X	X	X		
			Communicate ethical behavior	X		X	X	X	X		
			Code of conduct for leaders	X							
			Sense of ethics	X							
			Letter from CEO			X					

5.2.2.1 Revise Recruitment

From our interviews, the main findings on recruitment regard the act of replacing personnel such as organizational members, top management, and board members. This replacement is found to take place when individuals either have been identified as the offender or facilitated the occurrence of the crime (i.e., not enforced controls). Our research suggests that such replacements are inevitable, presumably because it indicates accountability both from the individual's perspective and an organizational perspective. Furthermore, some findings imply that personnel changes enable organizations to initiate a speedier change process, as a well-established system of norms and 'this is how we do it' can make change initiatives more difficult to initiated post an incident of financial crime. We argue that this is highly likely. However, due to strict labor laws in Norway, an organization cannot simply replace personnel because it facilitates a speedier change process. Thus, this effect is more of an added benefit when individuals have acted irresponsibly and are thus subjected to replacement. As such, it cannot be used as a change initiative by itself.

Another area of recruitment that emerged both in the literature review and our findings concerns the concept of recruiting individuals with specific skills. For instance, Ahmad and Schroeder (2002) criticize employers for preferencing 'hard' technical skills rather than 'soft' behavioral skills. The authors propose a change of focus, stating that organizations should prioritize the recruitment of individuals with soft skills, as behavioral skills are more demanding to learn compared to technical skills. This change of focus contradicts our findings on the matter. Our research mostly aligns with the preference for technical skills, as several participants argued that 'professional depth,' 'right competence,' and 'expertise' were the most essential elements of a recruitment process after financial crime. This insinuates that our findings find hard skills more critical following, which further suggests that behavioral skills are more likely to be overlooked.

As such, one can question whether organizations should change their process of recruitment to include both technical and behavioral skills in organizational members. The modern workplace emphasizes and rewards interaction and collaboration with other individuals. On the contrary, the current educational system is mostly modeled on the interest of industrial economics, and students are taught accordingly. For the latter, technical skills are more suitable. However, one could argue that behavioral skills are more important if organizations want to cultivate ethical behaviors. These inconsistencies indicate a need for future research to study how technical and behavioral skills influence the occurrence of financial crimes within organizations.

5.2.2.2 Cultivate Training

In corroboration with the literature, our research found that initiating ethical training facilitates room for reflections and discussions regarding ethical dilemmas. Additionally, ethical training is found to give employees insight as to where the organization draws ethical boundaries in challenging situations. For instance, reflection around dilemmas allows the organization to identify and 'correct' undesired ways of reflecting. Our findings make a distinction between formal and informal ethical training. Although little specifics were given on how formal training should be conducted, our findings suggest that formal training (i.e., planned and executed in a formal setting) may not be as relevant for smaller organizations. This could be reasoned by smaller organizations not having the resources available to conduct formal training, or it could indicate that smaller organizations have less need for elaborate training programs. Informal training was mainly presented by the interviewed organization, and we have not found a significant emphasis on this approach in the reviewed literature. Still, we argue that certain aspects of informal ethical training can be beneficial for large organizations as well. As our findings suggest, a more relaxed and easygoing approach to ethical dilemmas allows for frequent reflection, as well as the opportunity to address issues as they occur. This can be beneficial for any departments within large organizations, especially departments that are more exposed to ethical dilemmas in their work (i.e., contract negotiators in high-risk countries).

Reverting to the relevance of formal training for smaller organizations, we question the feasibility of only using informal training, as evidently done by our interviewed organization. When individuals within an organization have been found to either (i) neglect responsibilities indirectly causing crime, or (ii) made poorly ethical and illegal decisions, we argue that this should impose some evaluation on the need for formal training from a change management perspective. This argument can be validated by evaluating the training conducted by Siemens AG. Though the article gave little information on training initiatives, the authors found that Siemens AG had sent out 'circular emails' to clarify doubt and concerns about newly established guidelines (Eberl et al., 2015). One can argue that the extensive confusion regarding the new guidelines amongst employees should have prompted Siemens AG to considered revising said guidelines in a more formal setting. Arguably, the same issues experienced by Siemens AG can occur in smaller organizations, which indicates that some formal training should be given to organizational members after financial misconduct, regardless of organizational size.

5.2.2.3 Reinforce Leadership

Our data collection produced minimal findings on the role of leadership and how this can be reinforced as a change management initiative after financial crime. As such, our findings mostly consist of similar perspectives concerning the phenomenon 'the tone from the top.' As explained by Schwartz et al. (2005), a 'tone from the top' is a standard set by organizational leaders to enforce an ethical business environment. This is in accordance with statements from our interviewees, where top management and their demonstration of exemplified behavior was found to be essential for establishing desired behavior amongst other organizational members. However, how do organizations initiate change in 'the tone from the top'? Moreover, what characteristics are necessary when establishing a 'tone from the top'?

Our findings suggest that exemplified behavior can come at a financial cost for the organization. For instance, there will most likely be financial repercussions by complying with a zero-tolerance policy. As mentioned previously, enforcing a zero-tolerance policy can induce situations where top management is forced to take an ethical standpoint, such as turning down contracts because the real owners of a company are not known. Arguably, this ethical standpoint can be identified as an important characteristic for establishing a 'tone from the top,' thus exemplifying desired behavior to organizational members. However, in terms of preventing future crimes, the above characteristic seems inadmissible and frail. This could be explained by Gottschalk (2017) and the author's work on convenience theory. Gottschalk (2017) argues that crime "is chosen over legitimate actions when there is a strong economic motive, ample organizational opportunities, and acceptance of deviant behavior" (p. 747). Thus, a 'tone from the top' might not have enough enforcement if organizational members find themselves in a position where financial crimes are possible. We especially argue this situation if the organizational culture consists of informal norms that allow for deviant behavior. Again, one can postulate that a change in organizational culture is an essential part of preventing crime, in addition to other control mechanisms. The above arguments indicate that a ‘tone from the top’ is not an adequate measure to be implemented as a change initiative. Instead, one can argue that ‘tone from the top’ is better used as an influencing measure contributing to other change initiatives.

5.2.3 RECOVER CONTROL

Table 5 presents all measures on *control* found in this study. In order to recover control after a financial crime incident, we argue that organizations should consider different elements within the areas of (i) addressing risk assessments; (ii) improve control activities; (iii) assess the need for restructuring; and (iv) regenerate compliance.

Table 5: Measures identified to recover control

			Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Prevent	Control	Risk Assessment	Risk assessment	X			X	X	X	X	X
			Identify risk countermeasures	X			X	X	X	X	X
			Annual risk assessments				X	X		X	
			Continuous risk assessments					X			
			Reassessment after change in environment	X							
		Control activities	Double control	X				X			X
			Due diligence	X	X	X		X	X		
			Segregation of duties	X						X	X
			Role descriptions							X	X
			Approval before action		X						
			Avoid role conflicts		X						
			Automated functions							X	X
			Management job rotation		X						
			Control of accounts					X		X	X
			Authorization matrix	X		X				X	X
		Restructuring	Sell segments	X							
			Cease locations	X							
			Change of auditing firm		X						
			Centralization of responsibilities			X					
			Centralization of departments			X					

Table 5 Continued

			Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Prevent	Control	Restructuring	Reorganization to enhance structural transparency			X					
			Transparent accounting function		X						
			Simplify corporate structure		X			X			
		Compliance	Compliance officer	X		X	X				
			Compliance committee			X					
			Strengthen compliance function	X	X	X	X				
			Competence within compliance				X	X			
			Internal compliance function				X	X			
			External compliance function				X	X			

5.2.3.1 Incorporate Dynamic Risk Assessments

We found risk assessments to be a key initiative for organizations to initiate as a part of their change management after financial crime. Our study indicates a general agreement between the literature and our data in that risk assessments generate several benefits. In line with Nestor (2004), our findings argue that risk assessments are significant for establishing a foundation for further implementation and evaluation of effective control activities. The importance of risk assessments is further emphasized by our findings that suggest risk assessments to be the 'number one failure' in relation to the occurrence of financial crime. Although our findings agree that risk assessments should be conducted annually, some areas of an organization are also found to be assessed continuously. We hypothesize if the incorporation of dynamic risk assessments, here defined as continuous risk assessments in all parts of an organization, could reduce the chance of failure. Although our research method did not induce much information to strengthen this argument, one could theorize that organizations could benefit from assessing risk on a more frequent basis. As business environments are characterized as dynamic, we argue that risk assessments should reflect this reality. However, we acknowledge the additional resources such an initiative would require, and as such question the feasibility of dynamic risk assessments being used as a default. The incorporation of dynamic risk assessments to all areas of an organization, not just areas with initial perceived 'high-risk,' could be researched further in order to study the benefits of such an initiative post financial crime, in addition to identifying its feasibility.

5.2.3.2 Improve Control Activities

As mentioned in chapter four, limited information on control activities was gathered through interviews. However, control activities were emphasized as significant initiatives to initiate after financial crime. Our most prominent findings on this subject are segregation of duties and due diligence. Thus, we aim our discussion on these.

Segregation of duties (SoD) is found to be an essential control activity, as lack of SoD is a contributing factor in many cases of financial crime. This absence of SoD indicates that organizations might be incapable of addressing SoD issues effectively. As SoD entails dispersion of responsibility and authority for complex tasks (Liu et al., 2004), it could arguably be difficult for organizations with few employees and resources to initiate SoD adequately. As such, we argue that adequate SoD requires a certain organizational size. When organizational size is an issue, Cannon et al. (2016) propose that compensating controls (i.e., job rotation) can be used to reduce the effect of errors. This is not present in our findings. Instead, we found that the interviewed organization initiated clear and precise role descriptions as a countermeasure to the previous challenges where roles merged and facilitated uncertainty around responsibilities and neglection of control. We argue that organizations should initiate SoD to reduce the risk of individuals carrying out and concealing irregularities in day-to-day activities. If SoD or other compensating controls such as job rotation are not possible, our findings suggest that top management should place more emphasis on frequent use of other activities such as double control and the establishment of authorization matrices.

Furthermore, our findings suggest that due diligence with suppliers is essential in order to prevent financial crime. During our interviews, it was argued that due diligence is the area least subjected to control, indicating that adequate initiatives should be taken by organizations to identify any irregularities with suppliers. As suggested by KPMG (2011), organizations should conduct background checks, generate a risk profile of the supplier, and review and ensure probity in the selection process of suppliers. As such, we postulate that organizations should initiate procedures where they establish guidelines on how to perform adequate due diligence. These guidelines should specify the need for adequate research and information on how to obtain knowledge on suppliers before and after agreeing on a transaction or contract. In addition, one could assume that additional initiatives on transparency throughout the supply chain could enforce and activate any guidelines established on due diligence. We argue that this will hold organizations more accountable as transparency of the supply chain makes them more vulnerable to media scrutiny. As such, organizations are more inclined to detect irregularities with suppliers.

5.2.3.3 Assess the Need for Restructuring

Measures on restructuring were not found to be prominent in either the literature review or our findings. However, the case of Siemens AG presents several measures on restructuring. Previous research argues that restructuring (e.g., selling segments) allows for the mitigation of risk for financial crime (Biegelman & Bartow, 2012). The measures initiated by Siemens AG involved centralization of responsibilities and departments sensitive to corruption. These change initiatives indicate that Siemens AG found it crucial to centralize certain aspects of the organization as a part of their change management after the corruption scandal. We argue that this was done to gain better control over high-risk areas within the organization, as our findings suggest that control is more challenging to obtain in complex organizational structures. Furthermore, we hypothesize whether an occurrence of financial crime in organizations with complex structures can indicate problems with managing adequate control. Given this, we argue that centralization of departments and responsibilities subjected to more risk for financial crime should be considered as a change initiative, especially for organizations with structural weaknesses.

Upon reflecting on why restructuring was not a prominent finding during interviews, the costly process of simplifying an organizational structure could give one explanation. Additionally, Biegelman and Bartow (2012) states that any restructuring must comply with current business objectives, insinuating that such change initiatives are prone to counteract objectives such as an organization's expansion strategy. Given the example of selling segments, one could argue that segments situated in high-risk areas of corruption are present because they are in accordance with business objectives or have a substantial significance for the organization's operational function. Thus, we theorize that other control mechanisms are viewed by organizations as more attractive, as it does not interfere with their business objectives. There are, however, some restructuring that can comply with business objectives. For instance, a smaller organization can easily move their accounting department to external consultants, thus mitigating any risk of financial misconduct that depends on the access to accounting systems.

5.2.3.4 Regenerate Compliance

Two areas of concern emerged when evaluating initiatives for regenerating compliance after financial crime. First, findings suggest some inconsistencies in the use of internal versus external compliance functions. Whereas all organizations of considerable size are found to benefit from an internal compliance function, participants disagreed on how appropriate the use of an external compliance function is. Second, findings suggest that the perception of 'great' compliance programs does not terminate the occurrence of financial crime. Here, an important aspect to consider is how a 'great' compliance program is measured. Even more so, what defines a 'great' compliance program, and what makes it useful?

The measure "strengthen compliance program" presented in table 5 should be reviewed when addressing the issue of 'great' compliance programs. Though it is somewhat unclear what 'strengthen' means, the literature suggests that a lack of overview and understanding of what a compliance function is supposed to do is currently a significant weakness within Norwegian organizations. Our findings on this matter indicate that after a financial crime, programs should be reviewed to identify defects within the program. Thus, 'strengthen' can imply the evaluation of compliance organizations conduct to identify areas of improvement. When comparing this to measuring 'great' compliance programs, several arguments transpire. According to Chen and Soltes (2018), "firms cannot design effective compliance programs without effective measurement tools," indicating that the value of compliance is found in how it is measured. Chen and Soltes (2018) exemplify these measurement tools to be testing policies, procedures, and controls, in addition to tracking the number of breaches or collecting data on hotlines (e.g., whistleblower systems) and their usage amongst employees.

The above statements suggest that 'strengthening' compliance might not have any effect if the tools for measurements are ignored. Moreover, it questions the effectiveness of existing programs. For instance, Chen and Soltes (2018) state that organizations continue to invest in compliance without knowing if the compliance programs are improving. Thus, the authors insinuate that 'great' compliance programs can be used as window dressing. This might explain why our findings suggest that several organizations use an external compliance function, as it could reduce the risk of investing in compliance without any beneficial factors. However, it does not explain why one participant was adamant about the use of an internal compliance function. Even more so, the above arguments on the effectiveness of compliance weaken the recommendation for having an internal compliance function. If internal compliance functions are found to be ineffective, resource heavy and used as window dressing, external compliance functions are arguably better to initiate after an incident of financial crime.

Given the discussion above, we argue that organizations should focus on finding the right tools to measure the effectiveness of existing programs instead of using resources to ‘strengthen’ an already ‘great’ compliance program. From a change management perspective, this will help organizations identify strengths and weaknesses, which can then be used to initiate changes towards a more effective and functioning program. In addition, we propose that future research studies the use of external compliance functions and in what ways these could be beneficial for organizations post financial crime.

5.3 DETECT

5.3.1 ADVANCE REPORTING

Based on the research conducted for this thesis, we recognize reporting to be an extensive matter subject to various considerations. As one can see in the table below, there is a general agreement on whistleblowing routines and whistleblowing systems across the literature and our findings. Therefore, we have chosen to aim our attention on the matters of whistleblowing routines and the design of whistleblowing systems.

Table 6: Measures identified to advance reporting

		Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Detect	Reporting	External whistleblowing system	X				X			
		Internal whistleblowing system	X		X					
		Anonymous whistleblowing system	X			X	X	X		
		Whistleblowing routines	X	X		X	X	X		
		Build whistleblower confidence	X				X			

Whistleblowing routines are found to be about the effectiveness of a whistleblowing system and how this system handled reports. Our findings suggest that Norwegian organizations usually build simple systems, which could indicate a weakness in their whistleblowing routines where nothing, but the bare minimum is established. According to Gottschalk (2019), it is not enough for organizations to introduce whistleblowing routines after financial crime. Thus, the author propose that change initiatives should include management training on signal detection and active retrieval of information. These suggestions can provide a solution to our findings on the matter, as our participants insinuated that the effectiveness of whistleblowing systems is subject to challenges as reports of significance can be difficult to identify. Thus, change initiatives for whistleblowing routines should include both advancement of current whistleblowing systems, as well as training on how to detect reports of significance.

Another subject relating to the matter of effectiveness is whom those systems should protect; the report, or the individual reporting? The literature states that organizations must create a responsible and effective culture to improve and build whistleblower confidence (Hoffman and McNulty, 2011). Whistleblowers are found to show reluctance towards reporting suspicions of crime due to the fear of retaliation. In addition, we found that whistleblowers are less likely to report suspicions if they do not view their information to be factual. As whistleblowers are of vital importance to increase the chance of detecting financial crime, initiatives for enhancing whistleblower confidence are found to be of great importance to encourage individuals to 'blow the whistle.' Given this, we argue that organizations should initiate changes to enhance whistleblowers confidence by (i) recognizing workers as valuable ears and eyes, (ii) having the right culture and (iii) being able to respond to an alert adequately.

Regarding the whistleblowing systems and how these should be designed, our research found a significant emphasis on the importance of anonymity. Although anonymous whistleblowing systems are argued to be scarcely practiced, the literature and our findings state several benefits by using anonymous whistleblowing systems. For instance, we found that when whistleblowers are faced with reporting suspicions to their closest leader, they are more reluctant to report. By initiating anonymous whistleblowing systems, organizations could reduce the effect of this issue. However, we argue that anonymity is not given even if explicitly communicated by the organization. Our findings suggest that employees cannot always trust their anonymity when reporting. Here, arguments in support of anonymity become irrelevant. Our findings suggest that the establishment of an external whistleblowing system is more likely to ensure anonymity, thus increasing the number of reports. Gao et al. (2015) corroborate this, as they found that employees are more likely to report when there is an external whistleblowing system, reasoned by a decreased risk of retaliation.

Although our research indicates that the use of an external whistleblowing system is most beneficial for whistleblowers, one can argue the cost that comes with this. By outsourcing the whistleblowing system, organizations may miss out on the knowledge that transpires from experience with such systems. For instance, how to identify reports of significance and how to handle them appropriately can be valuable knowledge for organizations to establish. In addition, this knowledge might prove itself beneficial for whistleblowers if organizations can establish whistleblower routines of quality. With an internal whistleblowing system, top management can learn to adequately identify reports of importance and how to move forward with those. In addition to the above argument, the financial motive for those that offer such services (e.g., consultancy firms) can also be questioned. As many reports are found inadmissible, organizations can potentially spend large sums for services that do not produce significant findings. This, again, strengthens the argument of why organizations should consider having an internal whistleblowing system.

Based on the discussion above, whistleblowing systems can be argued irrelevant if employees do not view their reports be factual, anonymity is not trusted, or routines on how to identify and handle reports of significance are inadequate. This demonstrates, that organizations must evaluate what system will best allow for the identification of significant reports, as well as how whistleblowers should be treated. Moreover, organizations should advance their skills on how to respond to reports of significance. In conclusion, we suggest that the benefits of internal whistleblowing systems should be researched further, with the aim to identify if it benefits both the whistleblowers and the organizations.

5.3.2 REINFORCE MONITORING

Table 7 presents our identified measures on monitoring. The discussion below will concentrate on boards and how these are responsible for subjecting executive directors to adequate control.

Table 7: Measures identified to reinforce monitoring

		Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Detect	Monitoring	More frequent reporting		X						
		Review programs more frequently		X						
		Ask pertinent questions	X							
		Elicit explanations	X							
		Internal audit function	X		X		X			
		Automated systems	X						X	X
		Continued personnel review	X							
		Scorecard system			X					
		External compliance monitor			X					
		Monitoring performed by the board				X	X		X	X
		Monitoring performed by the chairman		X						
		Confirmation from external sources					X			

We found little specifics on change initiatives concerning monitoring, however, one crucial element involves the board's role and its responsibility for imposing controls on the organization's executive director. These findings are important for two reasons. The first reason involves the occurrence of financial crimes amongst executive directors. As executive directors are in positions of power, they are often subject to situations where conducting financial crime is both possible and attractive. The second reason, and where our findings suggest a weakness, is the board's responsibility for adequately monitoring executive directors to ensure that they fulfill their duties. These duties can include, but are not limited to, conducting adequate control activities and establishing a culture of accountability and transparency. Thus, the occurrence of a financial crime should trigger changes in how an organization positions the board and its members, and how the board's responsibilities are managed.

By Norwegian law, a board can be held accountable for not managing its duties sufficiently. However, our findings suggest that this argument is not enough to make sure that the board conducts their responsibilities adequately (e.g. interviewed organization). Consequently, change initiatives directed at the board must be substantiated further to ensure proper management of members' responsibilities. As boards often are composed of individuals with full-time employment elsewhere and individuals who have entered retirement, one could argue that the members might not have the time or resources to sufficiently care. Therefore, neglecting their duties as board members. In order to induce motivation within the board and possibly enhance management of responsibilities, organizations could introduce change initiatives such as financial incentives. However, our study suggests that to best ensure adequate management of board responsibilities, organizations should recruit board members on knowledge and experience rather than convenience. This way, organizations are more inclined to gain valuable board members with more motivation to monitor and improve controls on executive directors.

Somewhat contrary to what our findings suggest, Gottschalk (2019) states that the chairman of the board "should control and approve all financial activities of the CEO" (p. 206). This is reasoned by the fact that control is less likely to succeed if the entire board is responsible. This argument is not present in any of our findings, as participants only refer to 'the board' when asked about the control of executive directors. Moreover, the investigation report found that 'the board' failed to provide adequate control, indicating that fraud examiners might not make this distinction either. Though our research method could contribute to this contradiction, it could also be explained by our participants not having reflected over the responsibility of a chairman versus board members as a unit. These contradictions insinuate a need for further research on board responsibilities and their role in monitoring executive directors.

5.4 RESPONSE

5.4.1 IMPOSE SANCTIONS

Table 8: Measures identified to impose sanctions

		Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Response	Sanctions	Penalties proportionate to the seriousness	X					X		
		Prosecution	X		X	X	X		X	X
		Fines	X							
		Communication of sanctions	X		X			X		
		CEO privileges removed		X						
		Quarantine for previous executives		X						
		Sanctions			X	X	X	X		
		Performance appraisals			X			X		
		Administrative sanction (FCPA)			X	X				
		Amnesty offer			X					

All identified measures on sanctions are indicated in the table above. From this table, we have identified two areas of interest. The first area concerns administrative sanctioning of organizations. Although this is not present in the Norwegian justice system, we believe certain elements could be considered by organizations when initiating changes. The second area of interest is the matter of communicating sanctions and the effects this can have on the prevention of financial crime.

Administrative sanctioning of organizations is found to have several benefits. As seen in both the case of Siemens AG and our findings, such sanctioning allows for the government to impose change initiatives on organizations. The most beneficial element of this system is how organizations must provide the government with documentation. These documentations must show that the requirements set under the deferred prosecution agreement (DPA) are implemented. This benefit does not come with using financial sanctions alone, as organizations are less likely to be held accountable for initiating changes. As seen in the case of Siemens AG, many of the initiatives were directly linked to the agreement made with the U.S. Department of Justice. Unfortunately, we have no information on whether or not these measures had been initiated despite of the agreement.

One counterargument to administrative sanctioning is the financial and timely resources that go into the process. Although large organizations most likely benefit from such programs, smaller organizations might find them excessive and costly. For instance, even though Siemens AG was said to have a culture of corruption, indicating substantial change initiatives as inevitable, this is not the case for every organization charged with financial misconduct. Some financial crimes do not occur due to organizational reasons but are solely due to one or few individuals. As such, costly investigations or a complete overhaul of the organization’s monitoring and control systems would not be appropriately proportional to the crime. In those instances, a fine and an investigation to identify underlying cause could be enough. One of the major criticisms towards FCPA is its enforcement on compliance and the financial cost that comes with this (Levick, 2017). As previously argued, significant investments in compliance can be counteractive, leaving organizations with ineffective programs used as window dressing. Arguably, there is no reason this does not apply to compliance programs enforced by the government.

Furthermore, our study indicates that communication of sanctions is of critical importance as it sends out a message to would-be offenders that financial crime will not be tolerated. Our findings and the literature review imply that the perceived certitude of penalties shapes behavior, morals, and actions. This means that the communication of consequences as a result of misconduct could be more effective than the sanction itself. One can question whether communication of sanctions is critical, as organizations committing to lift and clarify the conditions of sanctions might be ignored by organizational members. Findings suggest that performance appraisals could provide a solution in order to avoid this. Performance appraisals as a part of sanctioning is a process that determines whether individuals be promoted, demoted, retained, or fired in relation to rule compliance. Arguably, this could be more effective to incentivize employees towards a desired behavior. Consequently, communication of sanctions and how receivable it is for employees might be irrelevant. If employees are aware that their behavior will affect their employment, either positively or negatively, employees might be incentivized to act desirable for the organization, regardless of how sanctions are communicated. Nevertheless, performance appraisals have some organizational disadvantages. For instance, they can be very time consuming for organizations to operate. This prompts the question of benefits outweighing resources spent on performance appraisals. In addition, we question if rewards or consequences are sufficiently high to motivate a desired behavior. As previously established by Gottschalk's (2017) work on convenience theory, financial crime often occurs when the three dimensions of motive, opportunity and willingness are present. We argue that, although performance appraisals could reduce the willingness to commit crime, motive and opportunity are not affected by this measure.

As our research method collected limited information on the measure concerning sanctions, we are not adequately informed whether communicating sanctions and the use of performance appraisals as a change initiative is compatible. This should be a topic for future research.

5.4.2 ROOT-CAUSE ANALYSIS

Table 9: Measures identified on root-cause analysis

		Measures	Literature Review	Gottschalk (2019)	Literature Case	P1	P2	P3	P4	Investigation Report
Detect	Root-cause analysis	Identify underlying cause				X	X		X	X
		Identify weaknesses				X				

Root-cause analysis, as presented in table 9, emerged merely from our data and is described as finding the underlying cause of a financial misconduct. Our findings suggest that root-cause analysis is important in order to identify what exactly caused the crime, as this will provide a foundation for additional change initiatives. If organizations do not identify the root-cause, we argue that initiatives for change might not correct the initial problem. Consequently, organizations are left vulnerable to the recurrence of financial crime. Neither the literature nor our findings indicate that root-cause analysis is a neglected initiative. However, our findings suggest that identifying underlying causes is common practice if organizations engage an external investigation of the financial crime.

Although findings do not suggest what happens if organizations are unable or unwilling to identify underlying causes for financial crime, a potential consequence could be that organizations make superficial adjustments only. For example, if the investigation report had not found that routines were lacking and the accounting system had significant weaknesses, thus only recommended a replacement of the Chief of Accounting, no mechanisms would have been initiated to prevent the next Chief of Accounting from conducting the same crime. Though a simplified and somewhat unrealistic example, it proves a significant point; organizations must acknowledge that faulty control systems, cultural norms, and inadequate training are just as much to blame as the individual conducting the crime. Future research should examine if organizations are conducting root-cause analyses post-financial crimes, and more specifically, how these are used to initiate change.

5.5 RECOMMENDATIONS

Based on our study, we recommend the following change initiatives for organizations to initiate after an incident of financial crime, listed in table 10.

Table 10: How change management should be initiated after financial crime

Theme	Before	After	References
Transparency	Withholding information about illegal acts of financial crime	Public disclosure of the financial crime	*Literature:* • Cotterrell (1999) • Ball (2001) • Khanna, Palepu & Srinivasan (2004) • Rawlins (2008b) • Mabillard & Zumofen (2017) • Ulman (2013) • Gottschalk (2019) *Literature Case* • Siemens AG *Findings* • Participants 1,2,3

Table 10 Continued

Theme	Before	After	References
Trust	Trust becomes highly empowering, leading to neglection of control mechanisms that can be taken advantage of	Introduce mistrust to prevent elevated trust to cause neglection of responsibilities	*Literature* • Pickett & Pickett (2002) *Literature Case* • Siemens AG *Findings* • Participants 1,2,3,4 • Investigation Report
Revise recruitment	Technical skills are emphasized during the recruitment process, competence and experience are more important than behavioral skills	Technical and behavioral skills should be given equal emphasis during the recruitment process	*Literature* • Treviño & Nelson (2016) • Ahmad & Schroeder (2002) *Findings* • Participants 2,3,4
Cultivate training	Formal training is conducted	In addition to formal training, informal training allows for organizational members to reflect and discuss when issues occur	*Literature* • Weaver, Treviño & Cochran (1999) • White & Lam (2000) • LeClair & Ferrell (2000) • McKendall, DeMarr & Rikkers (2002) *Findings* • Participant 4
Assess the need for restructuring	Complex organizational structure	Centralize departments sensitive to financial crime, as this allows for better control	*Literature* • Lord, Van Wingerde & Campbell (2018) • Biegelman & Bartow (2012) • KPMG (2017) *Literature Case* • Siemens AG *Findings* • Participant 2
Regenerate compliance	Expensive yet ineffective compliance programs	Assess how the elements within the program can be measured and increase efficiency based on these measures	*Literature* • Chen & Soltes (2018) • PwC (2016) *Findings* • Participant 1
Advance reporting	Anonymity is explicitly stated; however, whistleblowers do not trust that they will be held anonymous	Protection of whistleblowers should be strengthened by improving whistleblowing routines. If anonymity cannot be upheld, whistleblowing system should be outsourced	*Literature* • Dellaportas, Gibson, Alagiah, Hutchinson, Leung & Van Homrigh (2005) • Josh, Tompkins & Hays (1989) • Rothschild & Miethe (1999) • Verschoor (2005) • Nawawi & Salin (2019) • Sims & Keenan (1998) • Keenan (1990) • Gao, Greenberg & Wong-on-Wing (2015) • Heard & Miller (2006) • Gottschalk (2019) ***Findings*** • Participants 1,2,3

CHAPTER 6
THEORETICAL IMPLICATIONS

Gottschalk (2019) defines convenience theory as a "crime-as-choice theory where offenders have the option to choose legitimate rather than illegitimate paths to solve problems and gain from possibilities" (p. 40). As such, the theory aims to explain why individuals commit financial crimes. The author presents three dimensions on the theory of convenience; (i) financial motive; (ii) organizational opportunity; and (iii) willingness for deviant behavior (Gottschalk, 2019, p. 65). For organizations to reduce and eliminate financial motives, organizational opportunities and personal willingness to commit and conceal crime, we argue that our study on change management initiatives after financial crime can contribute to the theoretical aspects of convenience.

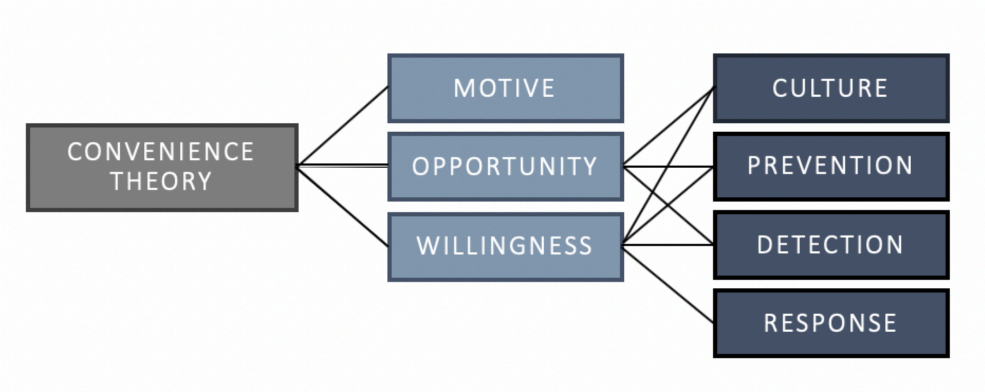

Figure 7: Theoretical implication of change initiatives on convenience theory

Presented in the figure above, we show the four areas of *culture, prevent, detect,* and *response* presented throughout this thesis and how these can implicate the three dimensions *motive, opportunity,* and *willingness* of the theory of convenience.

6.1 MOTIVE

The desire and motive to commit financial crimes are presented by Gottschalk (2019) as a contribution from several theories. We argue that change initiatives within either of the four areas *culture, prevent, detect*, and *response* cannot provide substantial reduction on the financial motives presented in those theories. For instance, *the theory of greed* states that the motive to conduct financial crime is based on the strong preference of constructed needs and desires that can never be covered entirely (Goldstraw-White, 2012; Gottschalk, 2019). Within the four areas of financial crime our study has research, there is no organizational initiative that can promise individual saturation of satisfaction within any organizational context. Moreover, this does not fall under the organization's responsibility. This argument is also present in the *fear of falling theory*, where Gottschalk (2019) proposes that individuals are motivated to conduct financial crime when it exists a fear of losing and falling from grace. Although organizations are obligated to properly treat and care for organizational members under any circumstances, this fear can also be fictional. This is further exemplified in *equity theory*, where individuals whose perception of treatment in relation to others can induce motive for financial crime (Gottschalk, 2019). Although mistreatment occurs in organizational settings all the time, we argue that these organizational actions do not justify criminal behavior or place the full responsibility on the organization. Moreover, perceived mistreatment can be false.

Other elements could be considered within an organization's responsibility but are equally difficult to reduce with the change initiatives we found in this study. For instance, the *theory of crime forces* and *theory of goal orientation* propose that certain markets are so influenced by criminal behavior that "there is no other choice but to break the law" (Gottschalk, 2019, p. 42). This indicates that competitive markets can leave organizational members with no other choice than to engage in criminal acts, which was previously discussed with regards to the case of IKEA in Russia. Nevertheless, our research did not give a conclusive solution to this dilemma. *Narcissism theory* suggests that narcissistic individuals have a need to acclaim and dominate others. The theory argues that narcissistic individuals construct their own professional worlds, where they decide for themselves what is right and wrong while absorbed in self-admiration (Gottschalk, 2019). On the other hand, narcissistic behavior is, in some cases, shown to make effective leaders, which could prove to be beneficial for upholding business objectives (Yukl, 2013). As such, narcissistic tendencies may not have to be eliminated entirely but managed through ethical training where desired behavior on ethical dilemmas is of focus.

Given the arguments above, we propose that the offenders' financial motive within convenience theory is more psychological than what our research can capture. In addition, several financial motives appear to be based on individual considerations that organizations are not able to control. Therefore, we suggest that initiatives presented under *opportunity* and *willingness* are even more critical for organizations to consider post financial crime, as those are within the organization's area of influence.

6.2 OPPORTUNITY

The dimension of opportunity within convenience theory is explained as "an organizational opportunity to commit and conceal financial crime" (Gottschalk, 2018, p. 80). Relating the dimension of opportunity to our study, we identified the areas of *culture*, *prevent* and *detect* as significant. From a change management perspective, we theorize that initiating measures within these areas will reduce or eliminate the organizational opportunity for individuals to commit and conceal financial crime. These initiatives are presented in table 11.

Table 11: Gottschalk's (2019) implications on the dimension of opportunity and the identified change initiatives in this study

Theory	Implications	Change management initiatives		
		Culture	*Prevent*	*Detect*
Opportunity theory (Benson & Simpson, 2015)	Opportunity at work	Culture towards mistrust	Control activities Centralization of departments sensitive to corruption	
Routine activity theory (Cohen & Felson, 1979)	Specialized access		Tone from the top	
Theory of social disorganization (Hoffmann, 2002)	Inability to control members	Culture of accountability	Ethical training	
Resource theory (Adler & Kwon, 2002)	Access to resources		Control activities *(Automated functions)*	
Crime signal detection theory (Karim & Siegel, 1998)	Interference and noise			Internal whistleblowing system
Sensemaking theory (Weick, 1995)	Meaning based on experience			Internal whistleblowing system
Theory of whistleblowing (Keil, Tiwana, Sainsbury & Sneha, 2010)	Cost exceed benefits			Build whistleblower confidence
Ethical climate theory (Victor & Cullen, 1998)	Instrumental fraud	Culture of accountability	Ethical training	

Opportunity theory includes three opportunity properties that affect individual involvement in crime. The three properties include: (1) *legitimate access* – the offender has access to the location where the crime is committed; (ii) *spatially separated* – the offender is separate from the victim; and (iii) *superficial appearance of legitimacy* – the offender's actions have a superficial appearance of legitimacy (Benson and Simpson, 2015; Gottschalk, 2019). These three properties are argued as important to affect how criminal offenses are carried out, as well as affect the ability to develop effective prevention strategies (Benson & Simpson, 2015). In a change management perspective, Gottschalk (2019) argues that limited access and controls should reduce opportunities. Developing this further, measures we identified to reduce limited access and control are presented in table 11. Our research suggests that this should be done by introducing the cultural aspect of mistrust towards organizational members, as this can reduce the risk of control activities being neglected. Moreover, it can induce control on actions even though they have the appearance of legitimacy. In addition, the centralization of departments sensitive to fraud and corruption will, although not eliminate access, allow for better management and control over locations offenders are found to have opportunities.

Routine activity theory proposes three elements to be an important cause of all financial crime: (i) criminal opportunity; (ii) suitable target; and (iii) lack of capable guardianship (Cohen & Felson, 1979; Felson, 2002). According to Gottschalk (2019),

> motivated offenders are individuals who are not only capable of committing criminal activity but are willing to do so. Suitable targets can be things that are seen by offenders as particularly attractive. Lack of guardians is not only lack of protective rules and regulations, audits and controls, but also lack of mental models in the minds of potential offenders that reduce self-control to be attracted to criminal acts (p. 46-47).

Concerning convenience theory, Gottschalk (2019) argues that the *lack of a capable guardian* is the most relevant aspect of routine activity theory. On change management, the author argues that “focusing on protective rules and regulations, audits and controls, as well as mental models in the minds of potential offenders that increase self-control to be distracted from criminal acts” (p. 209) could reduce the effect of routine activity theory. Our study can further elaborate on the use of capable guardians and their roles as mental models in the minds of potential offenders. Although ‘tone from the top’ is argued to be an influencing measure contributing to other change initiatives, thus not strong enough to prevent financial crime itself, we argue that the concept can contribute to offenders’ self-control. If potential offenders are exposed to leadership where moral standards are exemplified in action, routine activity theory indicates that this should prevent deviant behavior.

The *theory of social disorganization* proposes that "social disorganization leads to the breakdown of conventional social norms" (Gottschalk, 2019, p. 47). Wood and Alleyne (2010) argue that social disorganization contributes to an increased opportunity for individuals to commit financial crimes within the organizational environment. This is reasoned with "lack of social control attenuates bonding mechanisms by making supervision and interpersonal attachments more tenuous. Social disorganization weakens the ability to reduce delinquent behaviour" (Gottschalk, 2019, p. 47). Likewise, *ethical climate theory* introduces five distinct climate types within organizations: instrumental, caring, independence, rules, and law and code (Victor & Cullen, 1988). A climate is defined as "perceptions that are meaningful insights that people can agree characterize an organization's values, practices and procedures" (Gottschalk, 2019, p. 52). Murphy and Dacin (2011) argue that it is a working climate that encourages criminal behavior as normal and acceptable. The climate where financial crime is more likely to occur is argued to be the *instrumental climate*. Within an instrumental climate, the executives and others are expected to prioritize decisions that provide personal benefits or serve the organization's interests with little regard for ethical considerations (Gottschalk, 2019).

Concerning *the theory of social disorganization* and *ethical climate theory*, we suggest that change initiatives within culture and prevention will increase the ability to control organizational members. The cultural aspect refers to the organizational climate where undesired norms are established through the acceptance of deviant behavior. As such, we argue that incorporating a culture of accountability will reduce these deviations, allowing for conventional norms to normalize organizational behavior. In addition, our study suggests that ethical training could give the additional advantage of guiding employees on the organization's expectations of ethical behavior. If organizations initiate ethical training to induce desired behavior, this can enhance the organization's ability to control organizational members.

Resource theory proposes that individuals have access to resources that allow them to (i) commit financial crime in convenient ways and (ii) conceal crime and prevent prosecution if detected (Adler & Kwon, 2002). The theory postulates "that differences in individuals' opportunities can be explained by the extent of resources access and the ability to combine and exploit those resources" (Gottschalk, 2019, p. 48). According to Gottschalk (2019), businesses that "practice secrecy rather than transparency enable convenient concealment of financial crime" (p. 48). When individuals have access to resources with certain characteristics (i.e., valuable, unique and combinable), this enhances the relevance and attractiveness to explore possibilities and avoid threats using financial crime (Gottschalk, 2019). Access to resources enhances individuals' ability to find creative ways to conceal crimes in various ways to mitigate the risk of detection (Füss & Hecker, 2008; Pratt & Cullen, 2005). From a change management perspective, our study suggests that control activities can reduce the access to resources that would otherwise allow for financial crime to occur and be concealed. This is particularly exemplified in our interviewed organization where the investigation report found that the offender had exclusive access to the accounting system. Due to many manual tasks and exclusive access, the offender had the opportunity to commit and conceal the crime over an extensive period. As such, we postulate that organizations should introduce simple control activities (i.e., double control and authorization matrix) in addition to more extensive control activities such as automated functions. Whereas the prior does not reduce the access but rather controls it, the latter does.

Both *criminal signal detection theory* and *sensemaking theory* emphasize the importance of perceiving and understanding a crime signal (Weick, 1995). Criminal signal detection theory suggests that excessive interference and noise reduces the chance of financial crime to be detected. Observers of a financial crime incident are found to decide and classify if a crime signal is a signal or a noise. The theory holds that "the detection of a stimulus depends on both the intensity of the stimulus and the physical and psychological state of the observer" (Gottschalk, 2019, p. 51). As such, Gottschalk (2019) argues that detecting individuals "might have varying ability to distinguish between information-bearing recognition (pattern) and random patterns that distracts from information (noise)" (p. 51).

Furthermore, sensemaking theory proposes that people without experience will not be able to make sense of weak crime signals and categorize them through words (Gottschalk, 2019; Holt and Cornelissen, 2014). In other words, individuals are unable to make sense of a crime signal and therefore, must have experience to be able to give a crime signal meaning. As noted by Gottschalk (2019), "without experience in the organization, a white-collar offender can feel quite safe as nobody will be able to make sense of crime signals" (p. 51). As presented in table 11, our discussion suggests that internal whistleblowing systems could be beneficial as they allow for organizations to gain the experience needed for signal detection.

Theory of whistleblowing concerns the intentions individuals have when reporting misconduct and crime (Keil et al., 2010). According to Brown, Hays and Stuebs (2016), whistleblowing intentions are likely to deteriorate if a crime signal is weak or confused by noise. Gottschalk (2019) argues that "it is convenient for an offender to know that even though others in the organization may develop suspicions, they will not notify others about what they have observed" (p. 51). As the theory of whistleblowing suggests, individuals are less likely to report suspicions of financial crime if adequate whistleblowing routines are absent. In addition, individuals are faced with the uncertainty of their suspicions being correct, which was also found during our interviews. Therefore, change initiatives should aim to build whistleblower confidence by (i) ensure anonymity; (ii) have adequate routines for handling reports; and (iii) encourage organizational members to report any suspicions while explicitly stating the absence of any retaliation.

6.3 WILLINGNESS

The dimension of willingness within convenience theory is explained as the "personal willingness for deviant behaviour" (Gottschalk, 2018, p. 80). When relating the dimension of willingness to our study, we identified that all areas of *culture, prevent, detect,* and *response* are of significance. From a change management perspective, we theorize that initiating measures within these areas will reduce or eliminate the personal willingness that individuals have in order to commit and conceal a crime. The change management initiatives are presented in table 12.

Table 12: Gottschalk (2019) implications on the dimension of willingness and the identified change initiatives in this study

<table>
<tr><th rowspan="2">Theory</th><th rowspan="2">Implications</th><th colspan="4">Change management initiatives</th></tr>
<tr><th>Culture</th><th>Prevent</th><th>Detect</th><th>Response</th></tr>
<tr><td rowspan="4">Nudge theory (Benartzi, Beshears, Milkman, Sunstein, Thaler, Shankar, Tucker-Ray, Congdon & Galing, 2017)</td><td rowspan="4">Behavioral reinforcement</td><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td>Communication of sanctions</td></tr>
<tr><td>Performance appraisals</td></tr>
<tr><td>Sanctions</td></tr>
<tr><td>Administrative Sanctions</td></tr>
<tr><td rowspan="2">Differential association theory (Sutherland, 1983)</td><td rowspan="2">Learning from others</td><td rowspan="2">Culture of accountability</td><td>Tone from the top</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Recruitment</td></tr>
</table>

Table 12 Continued

Theory	Implications	Change management initiatives			
		Culture	*Prevent*	*Detect*	*Response*
Deterrence theory (Comey, 2009)	No risk of detection			Whistleblowing routines	Communication of sanctions
Slippery slope theory (Welsh, Oronez, Snyder & Christian, 2014)	Violation of law not noticed	Share information			

Gottschalk (2019) argues that *the nudge theory* "emphasizes reinforcement and indirect suggestions to try to influence motives, incentives and decision-making of groups and individuals" (p. 53). According to Benartzi et al. (2017), nudges alter individuals' behavior in a voluntary manner. Nudges (i) influence individuals to perceive misconduct and crime as reasonable and acceptable, (ii) simplify processes to make illegal benefits more quickly available, and (iii) make an offender feel at ease when committing criminal activities (Gottschalk, 2019). From a change management perspective, we argue that the enforcement of sanctions, communication of these, and the use of performance appraisals can counteract any nudge towards criminal acts. As our research suggests, sanctions can give a desired effect by incentivizing organizational members to behave in certain ways that are in accordance with policies and procedures, as well as the ethical culture of which organizations wish to achieve. On an organizational level, administrative sanctions (i.e., FCPA) are found to be effective, as organizations must document any change initiatives taken and the success of those. Thus, such enforcement on organizations might hold enough force to withstand nudges towards illegal acts conducted by organizational members.

Differential association theory proposes that criminals associate with those who agree with them and dissociate themselves from those who disagree (Gottschalk, 2019). According to Sutherland (1940, 1949, 1983), the theory of differential association suggests that individuals who engage in financial crime are predominantly influenced by socialization within certain peer groups. This implies that criminal behavior is learned when individuals are exposed to and influenced by attitudes that favor law violation (Wood & Alleyne, 2010; Gottschalk, 2019). Likewise, Hoffmann (2002) argues that differential reinforcement of crime convenience cultivates over time as "individuals are exposed to various associated and definitions conducive to delinquency" (Gottschalk, 2019, p. 55). Change initiatives to reduce the effects presented in the differential association theory can come from a culture of accountability, personnel changes, as well as leadership capabilities. Culture of accountability will, in this instance, concern a previous organizational acceptance of deviant behavior. As mentioned throughout our study, this is exemplified as having a 'culture of corruption.' When such behavior is accepted through informal norms, potential offenders might become more inclined to engage in criminal acts because the individuals observe other organizational members engaging in them. Thus, organizational accountability must be initiated. If organizations identify certain organizational members with unethical behaviors, personnel changes should be made immediately. This will reduce the likelihood of other organizational members being influenced by such behaviors. Moreover, 'tone from the top' is arguably an important aspect to consider in order to reduce the effect of differential association theory, as our study shows that actions from top management can influence other organizational members.

Lyman and Potter (2007) argue that *deterrence theory* is based on the assumption "that criminals or potential criminals will think carefully before committing a crime if the perceived likelihood of getting caught and/or the fear of swift and severe punishment is present" (Gottschalk, 2019, p. 56). Deterrence theory proposes that individuals tend to commit crime based on a low subjective threat of penalties (e.g., the severity of sanctions) and a low risk of getting caught (Comey, 2009; Yusuf & Babalola, 2009; Gottschalk, 2019; Siponen & Vance, 2010). In a change management perspective, initiatives to reduce the effect of deterrence theory are identified to be whistleblowing routines and communication of sanctions. As previously mentioned, adequate whistleblowing routines and the experience of identifying detection signals should increase the chance for offenders to be caught. As such, change initiatives should focus on training organizational members to identify and handle reports of significance. If this is exemplified and explicitly shown within organizations (e.g., detection success), possible offenders might feel less inclined to act illegally as the chance of getting caught is elevated. In addition, clear communication of sanctions is shown to have a more significant effect than sanctions themselves. However, our study cannot be certain of this. Therefore, we argue that adequate whistleblowing routines will more likely have desired outcomes of reducing willingness, rather than solely relying on the communication of sanctions.

Slippery slope theory proposes that if organizations overlook small infractions, individuals might slide over time from legal to illegal activities without really noticing (Gottschalk, 2019). As such, organizations are creating a culture of acceptance that might lead to business failure (Welsh et al., 2014). Arjoon (2008) explains slippery slope in the following way:

> As common-sense experience tells us, it is the small infractions that can lead to the larger ones. An organization that overlooks the small infractions of its employees creates a culture of acceptance that may lead to its own demise. This phenomenon is captured by the metaphor of the slippery slope. Many unethical acts occur without the conscience awareness of the person who engaged in the misconduct. Specifically, unethical behavior is most likely to follow the path of a slippery slope, defined as a gradual decline in which no one event makes one aware that he or she is acting unethically. The majority of unethical behaviors are unintentional and ordinary, thus affecting everyone and providing support for unethical behavior when people unconsciously lower the bar over time through small changes in their ethical behavior (p. 78).

In order to reduce the effect of overlooking unethical behavior, organizations can initiate information sharing as a prominent element of their organizational culture. Our study suggests that sharing information can, amongst other initiatives, influence behavior. We propose that this cultural dimension can be extended to reduce the effect of slippery slope, as open dialogs and continuous communication between organizational members are more likely not only to influence behavior but also detect and sanction undesired behaviors. For instance, a colleague seeking advice on how to report travel expenses could be detected by other colleagues as tax avoidance. As such, we argue that the organizational culture of sharing information allows for organizational members to react to potential deviant behavior.

6.4 GAPS

Although the previous sections cover several implications on the theory of convenience, there are still aspects within the dimensions of *motive, opportunity* and *willingness* that has not been addressed or adequately reduced with the change management initiatives our study produced.

Within the dimension of *motive*, we argued that our research does not cover the psychological aspects of how possible offenders justify their motives for committing financial crimes. Moreover, we argued that this is not within organizations' control or responsibility. So, how does one reduce a possible offender's financial motive? Based on the theories presented by Gottschalk (2019), we theorize that changes within society will better reduce financial motives. For instance, *strain theory* implies that offenders commit financial crime to reduce or eliminate strain that occurs from pressure in organizational settings (Gottschalk, 2019). In order to provide a solution for individuals who are unable to handle constant pressure, we argue that career changes, changes in positions, or a change in workplace should be more socially acceptable. There are many reasons why individuals do not make such changes (e.g., fear of discrimination because of age, loss of tenure), despite dissatisfaction. If governments were able to facilitate changes relating to work more adequately, individuals might feel more inclined to change jobs rather than commit crimes.

Regarding the theories *fear of falling* and *hierarchical needs*, we argue that increasing social benefits can reduce financial motives. The theory of hierarchical needs implies that individuals will seek to fulfill their needs by always moving up the ladder, starting with psychological needs (Gottschalk 2019). In countries with strong welfare facilitated by the government (e.g., Norway), social benefits can be viewed as a security net, covering basic needs and more. We hypothesize whether such benefits can reduce financial crime where motives are established through desperation rather than greed. This could be an interesting topic for future research.

To finalize the reflection on financial motives we postulate that the theories of *crime forces* and *goal orientation* can be reduced with a collective initiative amongst organizations, governments, and individuals to set demands for how business should be conducted. Using the previously mentioned example regarding a 'culture of corruption,' we argue that with a collective force from multiple sources, governmental corruption in, for example, emerging markets will be forced to change their ways. With the rise of western business in those countries, one can assume that organizations refusing to establish entities will in some ways incentivize those governments to ease restrictions that emerge when organizations do not participate in corruption. Arguably, this will become more prevalent and self-fulfilling because of forced transparency due to the information society as well as increased globalization, moving emerging markets more towards western ways of doing business.

Within the dimension of *opportunity*, we argued several initiatives to potentially reduce an offender's organizational opportunity to commit financial crime. However, we acknowledge that our study has limitations regarding the theories presented. Thus, other mechanisms can allow for further reduction or complete elimination. For instance, the theories of *opportunity, routine activity,* and *resource* argue that access to location, resources, and lack of capable guardians facilitate the occurrence of financial crime. Although we proposed control activities and strong leadership, we also argued that, in some cases, access to location and resources are inevitable. Moreover, the effectiveness of 'tone from the top' is previously questioned. We argue that the increased use of artificial intelligence (AI) in business today could provide a solution to the above issues. Although AI has several definitions and depends on the context of which they are used, AI can be defined as "the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings" (Copeland, 2019). In this context, AI could be used to monitor every financial transaction within organizations, as this would detect more discrepancies than humanly possible (PwC, 2018), allowing organizations to initiate further investigations and identify misconducts. An obvious limitation would be cash transactions that are not as easily traceable, as well as hidden assets not known to the AI system. Still, AI could provide extensive monitoring that organizations may not be able to do with regular control activities, thus reducing the opportunity for potential offenders to commit a crime.

Change management initiatives were presented as a solution to some of the theories that contribute to the dimension of *willingness*. Arguably, more initiatives can be initiated in order to reduce the willingness for deviant behavior. The perspectives presented above under *motive* and *opportunity* can also be used to reduce some aspects of willingness. For instance, *differential association theory* can assumedly be reduced with collective initiatives against governmental corruption as individuals will be less exposed to criminal behavior amongst peers overall. In addition, we argue that AI could reduce the influence of *deterrence theory*, as AI can increase the likelihood of getting caught. Nevertheless, our study did not provide an adequate solution to reduce or eliminate an individual's low subjective threat of penalties. As previously mentioned, communication of sanctions and the effectiveness of these are argued for in literature, but still questioned. Therefore, we suggest that more enforcement of sanctions should be initiated by exemplifying consequences for misconduct. If potential offenders observe other organizational members bear consequences for criminal actions (i.e., having to leave their position), penalties might not seem so distant. Moreover, organizations could implement peer reviews as a part of performance appraisals. As peer reviews give independent reviews on organizational members from several colleagues, possible offenders might be more aware of the consequences of unethical behaviors, incentivizing them to act in accordance with organizational rules and regulations. As such, their willingness to commit financial crimes can be reduced further.

As the above discussion indicates, several mechanisms can be used to reduce the effect of the dimensions within convenience theory. Whereas some measures our study identified can reduce the dimensions of *motive, opportunity,* and *willingness*, the elimination of those dimensions demand more mechanisms to be initiated. Organizations can initiate some of those mechanisms; others call for collective initiatives or governmental influence. Given the societal harm caused by financial crime, more substantial initiatives should be prioritized both for organizations and governments.

CHAPTER 7
CONCLUSION

With a change management perspective, this master thesis has aimed to identify specific measures to be initiated in organizations after an incident of financial crime. Our research has identified four areas of importance: culture, prevent, detect, and response.

The first area, *culture,* assess the matter of organizational culture. Here, we introduced what aspects of an organizational culture that should be subject to change in the aftermath of financial crime. As culture is a broad term, thus covering more than what we can present in our thesis, we identified four areas of interest. We first identified that organizations could increase their accountability by changing informal norms that, for example, foster a culture of bribery. Further, excessive trust was found to be a probable cause of neglecting responsibilities. Somewhat controversial, we argued that organizations should consider initiating more 'mistrust' to their culture in order to find the correct balance between trust and mistrust. For organizations to increase internal transparency, sharing of information was found to engage organizational members and increase ethical behavior. The last aspect of interest involved corporate transparency. Here, we discussed the increased necessity for corporate transparency.

The second area, *prevent,* involves change initiatives that enhance an organization's prevention of financial crime. This area concerns the scope of policies and procedures, personnel, and control. We argued that policies and procedures are living documents that should be subject to frequent reassessment. In addition, we found that organizations must initiate documents that are actionable and enforceable. Under personnel, we found training to be most significant. Here, we argued that, with a change management perspective, training will intensify and demonstrate the determination an organization has on ethical behavior. The last focal point of prevent concerns control. Lack of control is found to be one of the underlying causes of financial misconduct. As such, we argued that change initiatives should include risk assessments, control activities and compliance. In addition, we evaluated the need restructuring and how this can allow for organizations to gain more control over areas sensitive to financial crime.

The third area, *detect,* concerns how organizations can improve their detection strategy of financial crime. Under reporting, we proclaimed the need for organizations to advance their whistleblowing systems, as current whistleblowing routines are viewed as simple and inadequate. Thus, organizations are unable to identify reports of significance. Moreover, we discussed the importance of anonymity and suggested ways for organizations to build whistleblower confidence. The second aspect regards monitoring, where we argued that it is the board's responsibility to control executive directors properly. As such, reinforcing monitoring could be done by holding board members more accountable for conducting their duties. We suggested that assessment of recruitment processes for boards and evaluation of incentives to raise motivation amongst board members are ways organizations can improve their monitoring.

The fourth area, *response*, entails change initiatives to be initiated as a response to financial crime. Firstly, we argued the importance of sanctions being communicated throughout the organization in order to send out a message to would-be offenders that financial crime will not be tolerated. Here, literature stated that this could be more effective than the sanction itself. Secondly, we introduced a discussion on administrative sanctions, where organizations are subjected to initiate requirements set by the government. Although not established in the Norwegian justice system, we theorized if such sanctions would allow for organizations to be held more accountable for initiating change after financial crime. Lastly, root-cause analysis was found to identify underlying causes of the crime. Furthermore, our findings suggested that this action will provide a foundation for initiating further change. As such, we argued that change initiatives might not be correcting the real issue causing the crime if organizations do not identify the root-cause.

In the sixth chapter of this thesis we contributed to the theory of convenience by proposing several change initiatives within the four areas of *culture, prevent, detect,* and *response* and how these could be used to reduce or eliminate the three dimensions of *financial motive, organizational opportunity,* and *personal willingness*. As previously argued, our study does not contribute to the reduction of financial motives but can be used to reduce several theoretical aspects within organizational opportunity and personal willingness. As a conclusion to chapter six, we discussed change initiatives that were not produced by our study but would allow for more reduction or complete elimination on the dimensions of motive, opportunity, and willingness. We argued that organizations and governments should evaluate the need for more substantial initiatives in order to reduce the occurrence of financial crime.

On answering our research question, we acknowledge the complexity of our chosen subject. A challenging factor of this thesis is the limited literature and lack of previous studies on change initiatives in the aftermath of financial crime. Still, we believe our study revealed interesting areas of change management and allowed us to compare, contrast, and criticize the information gathered. Although somewhat general, our research allowed us to identify certain specific measures that can prove beneficial in a change process after a financial crime. Moreover, our findings mostly comply with the existing literature on the subject, indicating a cohesive understanding amongst scholars on what should be initiated by organizations after a financial crime. We hope that this study can contribute to the further understanding of this subject, as we deem the study on change initiatives after financial crime to be of great societal value.

7.1 PRACTICAL IMPLICATIONS

With reference to the previously introduced literature and findings of this study, we present the following change initiatives organizations should initiate. Although not exclusive or meant to be suitable for all organizations, we suggest that these areas should be evaluated in a change management process for organizations to minimize the risk of financial crime reoccurring. The initiatives do not represent all matters discussed or found in our research. However, the initiatives represent specific recommendations that have emerged as significant. Additionally, we suggest that organizations should evaluate all areas discussed in chapter five. In all, we propose nine change initiatives within our four areas of culture, prevent, detect, and response.

7.1.1 CHANGING ORGANIZATIONAL CULTURE

Though we were unable to find specific measures that should be initiated in all four areas addressed, two initiatives emerged as significant when changing organizational culture.

The first initiative concerns the move from a culture characterized by trust towards a culture characterized by mistrust. However, we emphasize the importance of organizations finding an acceptable balance where trust is present but does not overrule control. To initiate this change, organizations should allow for certain level of mistrust to take place within the organizational culture. Given this, top management should, as a default, acknowledge that all employees could carry out illegal acts. This might induce more controls to be conducted, as well as increase detection of financial crime.

The second initiative regards accountability. As our discussion suggests, informal norms can be changed by fostering a culture of accountability rather than making irresponsible decisions. As such, organizations should enforce a 'no-excuse' culture, meaning any deviant behavior is unacceptable and is subjected to consequences.

7.1.2 PREVENT

In order to prevent the recurrence of financial crime, we have identified three measures organizations should evaluate when initiating change: (i) emphasize both technical and behavioral skills in the recruitment process; (ii) encourage due diligence on suppliers; and (iii) evaluate restructuring.

Technical vs. Behavioral Skills

Our study suggests that 'hard' technical skills are more emphasized during recruitment. We argue that behavioral skills could be deemed important in the aftermath of financial crime as organizations are vulnerable and must build up their status quo and culture. As such, we believe organizations should evaluate and emphasize *both* technical and behavioral skills during recruitment, as it allows organizations to enhance their personnel with the competence needed and attitudes desired.

Encourage Due Diligence

Due diligence of suppliers was found to be an area with least control in organizations. Here, we propose that organizations should enhance their evaluation of due diligence procedures in order to identify any weaknesses. If weaknesses are found, organizations should initiate control activities that allow for the identification of relevant information regarding suppliers. We encourage organizations to set boundaries on what they expect from suppliers and stick to those boundaries even if it causes consequences (e.g., breaching contracts).

Evaluate Restructuring

Restructuring is previously argued to be a complicated and costly change initiative. Nonetheless, we propose that organizations should evaluate the need for centralization and/or selling departments. This is shown to improve organizations' control over areas that are sensitive to financial crimes.

7.1.3 DETECT

Advance Reporting

We have identified two change initiatives to advance reporting: (1) anonymous whistleblowing; and (2) whistleblowing routines.

Regarding anonymous whistleblowing, we stipulate that organizations should evaluate their existing systems and their achievement to keep whistleblowers anonymous. Our discussion argued that anonymous whistleblowing systems are more likely to attract reports, contingent that the individual is kept anonymous. Hence, we argue that organizations should initiate changes to make sure the protection of whistleblowers' anonymity is established and enforced no matter what.

Concerning whistleblowing routines, we suggest that organizations evaluate their current routines in order to identify weaknesses. If weaknesses are found, organizations should initiate proper actions to improve detection and response to significant reports. It is crucial that whistleblowers confidence is increased, as whistleblowing is found to be an effective detect measure. By enhancing whistleblowing routines, organizations will increase the effectiveness of their whistleblowing systems and allow for adequate detection to take place.

Reinforce Monitoring

The monitoring of executive directors emerged as an important area in order to detect financial crime. Here, we suggest that organizations spend time and resources to actively recruit members of the board, with the intent to avoid passive board members who are more likely to neglect their responsibilities.

7.1.4 RESPONSE

In order to improve response, we recommend organizations to initiate both the communication and enforcement of sanctions (i.e., including them as a part of performance appraisals). We argue this to increase desired behavior amongst organizational members as it (i) appeals to employees that are affected by the communication of sanctions, and (ii) appeals to employees that are not affected by communication of sanctions, but rather wants to perform due to consequences of not exemplifying desired behavior (e.g., no pay raise).

7.2 LIMITATIONS

Our study imposes several limitations that give rise to opportunities for future research. We have identified two limitations regarding our methodology that we believe are of importance for future research. The first limitation is our choice of interview style. As we conducted all interviews with open questions, it mostly only allowed us data on themes and areas of interest, not specific change initiatives. We believe that structured interviews with specific areas already established could have allowed for more detailed results.

The second limitation regards our choice of primary data. Although we believe interviews should have been conducted either way, we also argue that the additional use of surveys could have allowed us to gain more precise data from a larger population. Besides, surveys could have possibly increased our chances of collecting data from organizations who have experienced financial crimes. However, we postulate that the issues of transparency and little interest in sharing change processes amongst Norwegian organizations post financial crimes could still be an issue with the use of surveys.

Initially, we wanted to interview several Norwegian organizations where one or more individuals have been convicted of financial crime. We believe this would have allowed us to gain first-hand knowledge on our chosen subject. However, when reaching out to potential organizations, all but one (the one we included in our study) either ignored our requests or declined them. As previously mentioned, the organization interviewed was small in size. Thus, findings from this organization may pose limitations when addressing larger organizations. Nevertheless, our method of interviewing one organization and comparing those findings with the recommended measures proposed in the corresponding investigation report gave us some insights as to how change is initiated after a financial crime. Additionally, the interviewed organization had several interesting and problematic areas that arguably are present in larger organizations.

7.3 FUTURE RESEARCH

The exploration of specific measures initiated as a part of change management after financial crime is arguably in need of more research. Although several authors propose what organizations should do to prevent financial crime *before* the occurrence of such crimes, few have researched what organizations should do *after*. Although we were not able to, we hope that future research will conduct studies on organizations that have experienced financial crimes with the aim to identify what change initiatives these organizations have taken in the aftermath of those crimes. Nevertheless, we hope our findings, discussion, and theoretical implications can be used in future research to elaborate on this highly important and interesting area of financial crime from the perspective of change management. In addition, we hope our recommendations can be of use to organizations that wish to initiate change after the occurrence of financial crime.

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APPENDIX A
NSD CONFIRMATION

Assessment (1)

24.01.2019 - Assessed
Det er vår vurdering at behandlingen av personopplysninger i prosjektet vil være i samsvar med personvernlovgivningen så fremt den gjennomføres i tråd med det som er dokumentert i meldeskjemaet med vedlegg 24.1.2019. Behandlingen kan starte.

MELD ENDRINGER
Dersom behandlingen av personopplysninger endrer seg, kan det være nødvendig å melde dette til NSD ved å oppdatere meldeskjemaet. På våre nettsider informerer vi om hvilke endringer som må meldes. Vent på svar før endringer gjennomføres.

TYPE OPPLYSNINGER OG VARIGHET
Prosjektet vil behandle alminnelige kategorier av personopplysninger frem til 1.7.2019.

LOVLIG GRUNNLAG
Prosjektet vil innhente samtykke fra de registrerte til behandlingen av personopplysninger. Vår vurdering er at prosjektet legger opp til et samtykke i samsvar med kravene i art. 4 og 7, ved at det er en frivillig, spesifikk, informert og utvetydig bekreftelse som kan dokumenteres, og som den registrerte kan trekke tilbake. Lovlig grunnlag for behandlingen vil dermed være den registrertes samtykke, jf. personvernforordningen art. 6 nr. 1 bokstav a.

PERSONVERNPRINSIPPER
NSD vurderer at den planlagte behandlingen av personopplysninger vil følge prinsippene i personvernforordningen om
- lovlighet, rettferdighet og åpenhet (art. 5.1 a), ved at de registrerte får tilfredsstillende informasjon om og samtykker til behandlingen
- formålsbegrensning (art. 5.1 b), ved at personopplysninger samles inn for spesifikke, uttrykkelig angitte og berettigede formål, og ikke behandles til nye, uforenlige formål
- dataminimering (art. 5.1 c), ved at det kun behandles opplysninger som er adekvate, relevante og nødvendige for formålet med prosjektet
- lagringsbegrensning (art. 5.1 e), ved at personopplysningene ikke lagres lengre enn nødvendig for å oppfylle formålet

DE REGISTRERTES RETTIGHETER
Så lenge de registrerte kan identifiseres i datamaterialet vil de ha følgende rettigheter: åpenhet (art. 12), informasjon (art. 13), innsyn (art. 15), retting (art. 16), sletting (art. 17), begrensning (art. 18), underretning (art. 19), dataportabilitet (art. 20).

NSD vurderer at informasjonen om behandlingen som de registrerte vil motta oppfyller lovens krav til form og innhold, jf. art. 12.1 og art. 13.

Vi minner om at hvis en registrert tar kontakt om sine rettigheter, har behandlingsansvarlig institusjon plikt til å svare innen en måned.

FØLG DIN INSTITUSJONS RETNINGSLINJER
NSD legger til grunn at behandlingen oppfyller kravene i personvernforordningen om riktighet (art. 5.1 d), integritet og konfidensialitet (art. 5.1. f) og sikkerhet (art. 32).

For å forsikre dere om at kravene oppfylles, må dere følge interne retningslinjer og/eller rådføre dere med behandlingsansvarlig institusjon.

OPPFØLGING AV PROSJEKTET
NSD vil følge opp ved planlagt avslutning for å avklare om behandlingen av personopplysningene er avsluttet.

Lykke til med prosjektet!

APPENDIX B
INTERVIEW GUIDE ORGANIZATION

Welcome

Introduction of us

The purpose of the thesis

Informed consent

Outline and time-duration of interview

Part 1 – Introduction

1. Could you quickly tell us about your company?
2. Could you quickly tell us a little about your position and roles?
3. Do you have any questions for us before we start?

Part 2 – Change Initiatives

1. What change initiatives were implemented after the investigation report was finalized?
2. What specific actions has been initiated in order to improve CEO responsibilities and the monitoring of these responsibilities?
3. Could you tell us about the role distribution in the organization today? Are there individuals who have more responsibilities? *Follow up* - How are these individuals controlled to reduce the risk of unwanted irregularities?
4. In your opinion – in what areas, functions and roles are there greatest opportunity for financial crime in the organization in the future?

Part 3 – Completion

1. Is there anything you would like to add regarding change initiatives after the incident of financial crime?
2. Thank you for taking time of your busy schedule to talk to us and participate in our study!

APPENDIX C
INTERVIEW GUIDE EXPERTS

Welcome

Introduction of us

The purpose of the thesis

Informed consent

Outline and time-duration of interview

Part 1 – Introduction

1. Could you quickly introduce yourself?
2. Could you quickly tell us a little about your position and roles?
3. Do you have any questions for us before we start?

Part 2 – Change Initiatives

1. What change initiatives do you consider most important after an incident of financial crime?
2. What are your thoughts on trust and its effect on financial crime?
3. Have you identified any general weaknesses in organization when it comes to preventing financial crime?
4. Have you identified any common features in preventive measures? *If unclear – for example: bad culture, lack of routines, etc.*
5. Could you inform us about the organizational culture of organizations where there has been an incident of financial crime? Are there any common characteristics?
6. In a case (*describe case* – one person carried out financial crime and had too much responsibilities and trust) – could you say anything about such trust?

Part 3 – Completion

1. Is there anything you would like to add regarding change initiatives after the incident of financial crime?
2. Thank you for taking time of your busy schedule to talk to us and participate in our study!