# Executives' knowledge of white-collar crime: Learning to prevent criminal behavior

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**Abstract**

The purpose of this empirical study was to create insights into executives´ knowledge of white-collar crime and how they can prevent criminal behavior in business organizations. That involves mapping their perceptions of magnitude, attitude, risks and offenders. Our research was carried out by a web-based questionnaire combined with a letter to the largest business organizations in Norway. In terms of risk, respondents suggest that probability of white-collar crime is low, while consequences when occurring are substantial. Most likely position category for white-collar crime is a purchasing manager, followed by a marketing manager, and a person in executive management. External and internal control authorities need to focus less on routines and regulations and more on persons in vulnerable positions. This is how criminal behavior can be prevented. Both descriptive statistics as well as correlation analysis in this paper provide new insights into the extent of white-collar crime, as well as attitudes, risks and vulnerable positions for white-collar crime. Concerning executives own knowledge, they claim to be more competent in discovering, and thus preventing, white-collar crime. They also claim an increased police competence.

*Keywords: Financial crime; White-collar crime; Learning; Knowledge; Survey research*

## 1. Introduction

The term white-collar crime expresses different concepts depending on perspective and context. In this research, white-collar crime is defined as financial crime committed by white-collar criminals. Thus, the definition includes characteristics of the crime as well as the criminal. Financial crime generally describes a variety of crimes against property, involving the unlawful conversion of property belonging to another to one's own personal use and benefit, more often than not involving fraud but also bribery, corruption, money laundering, embezzlement, insider trading, tax violations, cyber attacks and the like (Henning, 2009). Criminal gain for own personal benefit seems to be one of the core characteristics of financial crime.

White-collar crime involves fraud, theft and corruption that occur within business companies (Acquaah-Gaisie, 2000; Toner, 2009). To prevent these criminal behaviors, the company board and executives are responsible for preventing such crime (Aldama et al., 2009; Baer, 2008) as well as avoiding becoming involved themselves. However, white-collar crime can be difficult to prevent and executives must rely on more than just regulations and routines. It is also about attitudes, values and norms characterized by the organizational culture

(Hofstede et al. 1990), because organizational values often dictates its behavior (Glomseth and Gottschalk 2009). They must also focus on persons in vulnerable positions in accordance to learn from experience what positions that are most likely to commit crime.

The purpose of this paper is to present results from an empirical study of major business organizations in Norway. Survey research was applied to find empirical answers to questions such as: What positions in the organizations are most likely to commit white-collar crime? What is the probability and consequences of various crime types? How can executives learn to prevent white-collar crime?

## 2. White-collar criminals defined

The most economically disadvantaged members of society are not the only ones committing crime. Members of the privileged socioeconomic class are also engaged in criminal behavior. The types of crime may differ from those of the lower classes, such as lawyers helping criminal clients launder their money, executives bribe public officials to achieve public contracts, or accountants manipulating balance sheet to avoid taxes. Another important difference between the two offenders is that the elite criminal is much less likely to be apprehended or punished due to his or her social status (Brightman, 2009).

Edwin Sutherland introduced the concept of "white-collar" crime in 1939. According to Brightman (2009), Sutherland's theory was controversial, particularly since many of the academicians in the audience fancied themselves as member so the upper echelon of American society. Despite his critics, Sutherland's theory of white-collar criminality served as the catalyst for an area of research that continues today.

In contrast to Sutherland, Brightman (2009) differs slightly regarding the definition of white-collar crime. While societal status may still determine access to wealth and property, he argues that the term white-collar crime should be broader in scope and include virtually any non-violent act committed for financial gain, regardless of one's social status. For example, access to technology, such as personal computers and the Internet, now allows individuals from all social classes to buy and sell stocks or engage in similar activities that were once the bastion of the financial elite.

In Sutherland's definition of white-collar crime, a white-collar criminal is a person of respectability and high social status who commits crime in the course of his occupation. This excludes many crimes of the upper class, such as most of their cases of murder, adultery, and intoxication, since these are not customarily a part of their procedures (Benson and Simpson, 2009). It also excludes lower class criminals committing financial crime, as pointed out by Brightman (2009).

What Sutherland meant by respectable and high social status individuals are not quite clear, but in today's business world we can assume he meant to refer to business managers and executives. They are for the most part individuals with power and influence that is associated with respectability and high social status. Part of the standard view of white-collar offenders is that they are mainstream, law-abiding individuals. They are assumed to irregular offenders, not people who engage in crime on a regular basis (Benson and Simpson, 2009: 39):

> Unlike the run-of-the-mill common street criminal who usually has had repeated contacts with the criminal justice system, white-collar offenders are thought not to have prior criminal records.

When white-collar criminals appear before their sentencing judges, they can correctly claim to be first-time offenders. They are wealthy, highly educated, and socially connected. They are elite individuals, according to the theory of white-collar crime as suggested by Sutherland. Therefore, very few white-collar criminals are put on trial, and even fewer upper class criminals are sentenced to imprisonment. This is in contrast to most financial crime sentences, where financial criminals appear in the justice system without being wealthy, highly educated, or socially connected.

## 3. Learning to prevent white-collar crime

Executives´ knowledge of white-collar criminals is generally related to a common understanding of representatives from the elite in society. White-collar criminals are not entrenched in criminal lifestyles as common street criminals. They belong to the elite in society, and they are typically individuals employed by and in legitimate organizations. According to Hansen (2009), individuals or groups for their own purposes or enrichment, rather than for the enrichment of the organization on a whole, in spite of supposed corporate

loyalty, commit occupational or elite crime. However, to prevent white-collar crime means identifying possible white-collar criminals or prevent the possibility of white-collar crime. Thus, knowledgeable executives is key.

For executives to become knowledgeable they must learn and experience white-collar crime. Our approach to leaning and knowledge is based on how knowledge as central in the organizational learning (Chiva and Alegre 2005, Schneider 2007). This distinction or clarification between knowledge (a possession, a tool of knowing) and knowing (being relational, about interaction within a social and physical world), suggests the interplay of knowledge and knowing can generate new knowledge and new ways of knowing (Soule and Edmondson 2002; Nicolini et al. 2003). For instance, general knowledge about white-collar crime is not sufficient without examples or experiences. Only then, general knowledge can be applied on practical experiences as knowing (Filstad and Blaaka 2007. Consequently, we believe that to prevent white-collar crime, attention must be paid to the process of *how* we come to know (Brown et al. 1989). Practicing becomes a knowledgeable and dynamic activity, and understanding the embeddedness, situatedness, mediatedness and relational characteristics of learning and knowing is key (Gherardi 2006; Antonacopoulou et al. 2006). Consequently, as we take a practice-based approach to learning and knowing, we can better understand experiences related to actual learning processes and applied knowledge as knowing in these processes. This is our approach to explore how executives can learn to prevent white-collar crime.

## 4. Research design

The five hundred largest business companies in terms of annual turnover were identified in Norway for our empirical study of white-collar crime. A letter was mailed to the chief financial officer asking him or her to fill in the questionnaire to be found on a web site using a password found in the letter. 50 respondents filled in the questionnaire, representing a response rate of ten percent. The survey research was carried out in January 2010. The data were collected by respondents filling in a web-based survey instrument. Since a mail letter was needed to fill in the questionnaire because of the password requirement, chief financial officers (CFO) received the letter, logged into the survey instrument and filled in the questionnaire.

The average age of respondents was 48 years, and they had on average 4,4 years of college and university education. Most of the respondents were men.

## 5. Research results

The first set of questions was concerned with the extent of and attitudes towards white-collar crime. Responses were measured on a scale from 1 (completely disagree) to 5 (completely agree). Average responses to all items are listed in Table 1.

Given an average score of 3 representing neither agreement nor disagreement, most statements achieve varying degrees of disagreement in the table. The only agreement is related to the statements that our industry has less white-collar crime as compared to other industries.

There is a slight disagreement that companies are generally competent at disclosing white-collar crime, and there is a strong disagreement that the extent of white-collar crime has increased because of the global financial crisis. Respondents believe that there is more white-collar crime in the private sector than in the public sector.

| Rank | Statement | Score |
|---|---|---|
| 1 | White-collar crime is more common in other industries | 3,2 |
| 2 | There is a greater threat of white-collar crime in other industries | 3,1 |
| 3 | Companies are generally competent at disclosing white-collar crime | 2,8 |
| 4 | The extent of white-collar crime has grown substantially in recent years | 2,8 |
| 5 | The extent of white-collar crime is great in this country | 2,7 |
| 6 | National police is generally competent in combating white-collar crime | 2,7 |
| 7 | There is a tendency to bagatelle white-collar crime in society | 2,7 |
| 8 | The extent of white-collar crime has increased because of financial crises | 2,5 |
| 9 | There is more white-collar crime in the public sector | 2,4 |

*Table 1. Average responses to questions on magnitude and attitudes related to white-collar crime (1- completely disagree, 5 - completely agree).*

The second set of questions was concerned with risks of white-collar crime measured along the two risk dimensions of probability and consequence. In Table 2, average scores are ranked according to consequence.

| Rank | Statement | Probability | Consequence |
|---|---|---|---|
| 1 | Financial misconduct by chief executives in the company | 1,3 | 3,1 |
| 2 | Laundering of money from crime in the company | 1,3 | 2,9 |
| 3 | Fraud of banks, insurance firms and others | 1,3 | 2,9 |
| 4 | Approval of fake invoices in the company | 1,9 | 2,8 |
| 5 | Bribery (corruption) from vendors or customers | 2,4 | 2,7 |
| 6 | Insider trading based on inside information | 2,2 | 2,7 |
| 7 | Manipulation of financial statements and accounting | 1,7 | 2,7 |
| 8 | Tax fraud by manipulation of accounting statements | 1,2 | 2,4 |
| 9 | Embezzlement of valuables from the company | 2,4 | 2,4 |
| 10 | Non-existing contracts included in income statements | 1,2 | 2,4 |

*Table 2. Average responses to questions on probability and consequence of white-collar crime (1 - very unlikely, 5 - very likely; 1 - very little consequence, 5 - very great consequence).*

The most severe consequence is related to financial misconduct by chief executives in the company with a consequence score of 3.1. The least severe consequence is related to non-existing contracts being included in income statements.

The most likely white-collar crime is bribery (corruption) from vendors and customers, followed by insider trading based on inside information. The most unlikely crime type is to include non-existing contracts in income statements.

We see in Table 2 that probability scores are very low, while consequence scores are much higher. This implies that white-collar crime is considered quite unlikely, while the consequence if occurring is substantial.

The third set of questions was concerned with positions most likely to get involved in white-collar crime. As listed in Table 3, a person with management position in the purchasing function is most likely to get involved in white-collar crime. On a scale from 1 (very unlikely) to 5 (very likely), a procurement manager had a likelihood score of 3,6. The least likely position for white-collar crime is a person from external auditing.

| Rank | Position | Probability |
|---|---|---|
| 1 | A person in procurement management | 3,6 |
| 2 | A person in marketing management | 3,5 |
| 3 | A person in executive management | 3,4 |
| 4 | An external consultant in business development | 3,1 |
| 5 | A person in information technology management | 3,0 |
| 6 | A person in corporate middle management | 3,0 |
| 7 | A person from external accounting firm | 3,0 |
| 8 | A person from public relations consulting | 2,7 |
| 9 | A person from the company board | 2,5 |
| 10 | A person from external law firms | 2,4 |
| 11 | A person from external auditing | 2,2 |

*Table 3. Average responses to questions on probability of white-collar crime by different internal and external positions (1 - very unlikely, 5 - very likely).*

## 6. Statistical analysis

Correlation analysis was applied to responses in Table 1 in order to establish potential relationships between statements related to magnitude of and attitude towards white-collar crime. Correlation coefficients are listed in Table 4. Correlations may be significant at the $p<.05$ level, which is indicated by * in the table. Correlations may be more significant at the $p<.01$ level, which is indicated by ** in the table (Hair et al., 2010).

The strongest significant correlation in the table is between the statements that "companies are generally competent in discovering white-collar crime" (labeled Corporate Competence in the table) and "the extent of white-collar crime has increased as a consequence of the financial crises" (labeled Finance Crisis in the table). The correlation coefficient is 0,769 with a significance that is better than 0,01. When conducting correlation analysis, we are unable to conclude on cause-and-effect relationship in terms of causality. We simply do not know whether more crime has caused improved competence, or improved competence has caused improved crime. However, from a theoretical point of view, it is more likely that more crime caused by the global financial crisis has caused an improvement in corporate competence to combat financial crime.

| | Crime Attitude | Threat Others | Spread Others | Public Sector | Crime Extent | Crime Growth | Finance Crisis | Corporate Compet. |
|---|---|---|---|---|---|---|---|---|
| Police Competence | .435** | .167 | .222 | -.269* | -.006 | .315* | .230 | .184 |
| Crime Attitude | | .136 | .075 | .253 | .008 | .346** | .355** | .302* |
| Threat Others | | | .016 | -.029 | -.024 | .032 | .193 | .314* |
| Spread Others | | | | .119 | .149 | -.174 | .102 | .044 |
| Public Sector | | | | | .301* | -.209 | .229 | .298* |
| Crime Extent | | | | | | -.181 | .042 | .063 |
| Crime Growth | | | | | | | .223 | .136 |
| Finance Crisis | | | | | | | | .769** |

*Table 4. Correlation coefficients for respondents' replies to statements about magnitude of and attitudes towards white-collar crime (statistical significance better than .05 at * and better than .01 at **)*

Another interesting correlation is between "the extent of white-collar crime has increased as a consequence of the financial crises" and "white-collar crime has a tendency to be considered a bagatelle in society". Here is the correlation coefficient 0,355 at a significance better than 0,01. In causal terms, either the increase in crime is caused by the bagatelle attitude, or the bagatelle attitude is caused by increase in white-collar crime.

A third interesting correlation is between "the extent of white-collar crime has increased substantially in recent years" and "white-collar crime has a tendency to be bagatelled in society". As in the above correlation, it seems more likely that bagatellization has lead to increase, rather than increase has lead to bagatellization. Only theoretical underpinning can help clarify the causal direction.

A fourth interesting correlation is found between "the extent of white-collar crime has increased significantly in recent years" and "the financial police is generally competent in investigating white-collar crime". A possible link is that respondents believe that financial police has improved as a consequence of crime increase.

The next significant correlation is between the statements that "there is more white-collar crime in the public sector" and "business companies are generally competent at disclosing white-collar crime". In this causality, there might be a belief that public sector experiences

more white-collar crime, because that sector is not as qualified as the private sector to combat financial crime.

There is one remaining correlation of significance in Table 4. The correlation coefficient is negative, which means that variation occurs in opposite direction. When respondents agree more with the statement that "finance police is generally competent at investigating white-collar crime", then they agree less with the statement "there is more white-collar crime in the public sector". Opposite, respondents agree more with the statement "there is more white-collar crime in the public sector" when they agree less with the statement "finance police is generally competent at investigating white-collar crime".

Some correlations were expected to be significant, but they are not. An example is the correlation between "there is a greater danger of white-collar crime in other industries than in ours" and "white-collar crime is more common in other industries than in ours". The correlation coefficient is very small at 0,016 and not significant. In the survey, these two statements achieved the highest score of agreement among respondents, as listed in Table 1. But there is no correlation. Thus, respondents make a distinction between danger and common, where it might be greater danger and less common, and also less danger and more common. For example, some respondents indicate that there is not necessarily a greater danger of white-collar crime, even if it is more common.

Further statistical analysis can be applied to collected data in terms of factor analysis (Hair et al., 2010). By applying factor analysis to collected responses, factors can be extracted from items, where each factor will have one or more statements included. There were nine statements about magnitude and attitude, resulting in four factors as listed in Table 5.

| | Factor 1 | Factor 2 | Factor 3 | Factor 4 |
|---|---|---|---|---|
| Police Competence: Combating Financial Crime | | .630 | | |
| Crime Attitude: Bagatelle of Financial Crime | | .759 | | |
| Threat Others: Financial Crime Threat in Other Industries | .729 | | | |
| Spread Others: Financial Crime Extent in Other Industries | | | | .840 |
| Public Sector: More Financial Crime than in Private Sector | | | .859 | |
| Crime Extent: Magnitude of Financial Crime in Society | | | .562 | |

| | | | | |
|---|---|---|---|---|
| Crime Growth: Increase in Financial Crime in Society | | .752 | | |
| Finance Crisis: Cause of Growing Financial Crime | .729 | | | |
| Corporate Competence: Combating Financial Crime | .833 | | | |

*Table 5. Factor analysis of respondents' replies to statements about magnitude and attitude related to white-collar crime*

While there are significant loadings on all four factors in Table 5, there is no obvious theoretical relationship between statements loading on the same factor. Therefore, another approach might be confirmatory factor analysis rather than exploratory factor analysis. Exploratory factor analysis as applied in Table 5 enables distribution of statements, while confirmatory factor analysis develops significance of one factor by excluding statements without relationships to the remaining statements (Hair et al., 2010).

When confirmatory factor analysis is applied to all nine statements, the reliability in terms of Cronbachs alpha is only 0,591. By excluding the following statements, reliability is improved to an acceptable level of 0,704:

- There is a greater danger of white-collar crime in other industries.
- White-collar crime is more common in other industries.
- There is more white-collar crime in the public sector.
- There is a substantial magnitude of white-collar crime in this country.

These are remaining statements included in the new factors:

- Financial police is competent at investigating white-collar crime.
- White-collar crime has a tendency to be bagatelled in society.
- The extent of white-collar crime has increased substantially in recent years.
- The extent of white-collar crime has increased as a consequence of the financial crisis.
- Business corporations are generally competent at combating financial crime.

From a theoretical point of view, these five statements can be interpreted as respondents' degree of perceived seriousness as it comes to white-collar crime.

Our statistical analysis has so far concentrated on responses to statements about magnitude and attitude. Next, the analysis focuses on risk in terms of probability and consequence. Correlation coefficients for responses to probability of different white-collar crime types are listed in Table 6.

The strongest positive correlation found in Table 6 is between corruption and embezzlement. This implies that respondents who strongly believe that there is corruption also strongly believe that there is embezzlement in the firm. Opposite, respondents who do not at all believe there is bribery in the firm do not believe either that there is theft of valuables in the firm. Similar significant relationships in terms of strong correlation coefficients can be found between fraud and manipulation, fraud and fake invoices, embezzlement and manipulation, and embezzlement and fake invoices.

| | Corrup-tion | Miscon-duct | Tax fraud | Inside informa-tion | Embezz-lement | Manipu-lation | Fake invoices | Money laund-ering | Fake contracts |
|---|---|---|---|---|---|---|---|---|---|
| Fraud | .362** | .380** | .169 | .213 | .275* | .416** | .420** | .249 | .188 |
| Corruption | | .324* | .172 | .282* | .622** | .408** | .316* | -.166 | .229 |
| Misconduct | | | .169 | -.027 | .277* | .270* | .357** | .022 | .231 |
| Tax fraud | | | | .186 | .202 | .283* | .061 | .031 | .092 |
| Inside information | | | | | .100 | .206 | .185 | .086 | .162 |
| Embezzlement | | | | | | .419** | .419** | .002 | .123 |
| Manipulation | | | | | | | .370** | -.100 | .257 |
| Fake invoices | | | | | | | | .087 | .194 |
| Money laundering | | | | | | | | | -.024 |

*Table 6. Correlation coefficients for probability of crime types in the business corporation (statistical significance of .05 at * and of .01 at **)*

Overall, there are very many relationships between crime types in terms of significant correlation coefficients in Table 6. This result is confirmed in the following exploratory factor analysis, where only three factors are extracted from the ten statements about financial crime types, as listen in Table 7.

| | Factor 1 | Factor 2 | Factor 3 |
|---|---|---|---|
| Fraud of banks, insurance firms and others | .577 | | |
| Corruption from vendors or customers | .682 | | |
| Misconduct of finances by chief executive in the company | .690 | | |
| Tax fraud by manipulation of accounting statements | | .680 | |
| Inside information for insider trading | | .786 | |
| Embezzlement of valuables from the company | .757 | | |
| Manipulation of financial statements and accounting | .606 | | |
| Fake invoices accepted and reimbursed by the company | .715 | | |
| Money laundering by the company | | | .895 |
| Fake contracts included in income statements | - | | |

*Table 7. Exploratory factor analysis of respondents' score regarding probability of different white-collar crimes in the company*

We can apply the first factor as a multiple item scale to measure the likelihood of financial crime in each responding company. The factor consists of six items in terms of statements or rather examples of white-collar crime. Application of confirmatory factor analysis leads to an acceptable reliability in terms of Cronbachs alpha of 0,789. Based on this acceptable reliability, the average score for the six-item scale can be computed and be applied as a variable measuring the probability of white-collar crime in the company. The average value of this new variable for all respondents is 1,88 on a scale from 1 (very unlikely) to 5 (very likely).

Risk was included in the questionnaire both in terms of probability and in terms of consequence. Table 8 lists all correlation coefficients for responses about consequence.

| | Corrup-tion | Miscon-duct | Tax fraud | Inside informa-tion | Embezz-lement | Manipu-lation | Fake invoices | Money laund-ering | Fake contracts |
|---|---|---|---|---|---|---|---|---|---|
| Fraud | .431** | .589** | .505** | .288* | .445** | .407** | .481** | .563** | .439** |
| Corruption | | .334* | .387** | .537** | .530** | .410** | .452** | .475** | .542** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Misconduct | | | .568** | .214 | .497** | .521** | .514** | .575** | .366** |
| Tax fraud | | | | .595** | .501** | .679** | .500** | .644** | .459** |
| Inside information | | | | | .404** | .519** | .285* | .344* | .487** |
| Embezzlement | | | | | | .456** | .563** | .511** | .377** |
| Manipulation | | | | | | | .581** | .601** | .560** |
| Fake invoices | | | | | | | | .667** | .559** |
| Money laundering | | | | | | | | | .590** |

*Table 8. Relationships in terms of correlation coefficients between respondents' rating of consequence of various types of white-collar crime in the company (statistical significance of .05 at * and .01 at **)*

There are positive and significant correlation coefficients among almost all crime types in Table 8. The more serious the consequence is expected to be for one type of white-collar crime, the more serious the consequence is expected to be for another type of white-collar crime. Opposite, the less serious the consequence is expected to be for one kind, the less serious the consequence is expected to be for another kind of white-collar crime.

Exploratory factor analysis seems irrelevant to apply here, as there are strong correlations among almost all items. Instead, confirmatory factor analysis is applied to all items. Given a multiple item scale with nine items, an acceptable and very good reliability coefficient in terms of Cronbachs alpha of 0,909 is achieved. Therefore, all nine types of crime can be applied to measure consequence, while only five crime types were applied to measure probability of white-collar crime.

Our statistical analysis has so far concentrated on responses to statements about magnitude and attitude, and probability and consequence as dimensions of risk. Next, correlation analysis is applied to responses on likelihood of persons in various trusted positions committing white-collar crime. Table 9 lists correlation coefficients.

| | PR consul-tant | External accoun-tant | IT manager | Marke-ting manager | External lawyer | Middle manager | Procu-rement manager | Business consul-tant | Board member | External auditor |
|---|---|---|---|---|---|---|---|---|---|---|
| Top manager | -.112 | .045 | -.185 | -.033 | .494** | -.118 | .440** | .004 | -.050 | .040 |
| PR consultant | | .195 | .649** | .374** | -.005 | .332* | .126 | .008 | .392** | .594** |
| External accountant | | | .211 | .260 | -.025 | -.031 | .137 | .162 | -.182 | .022 |
| IT manager | | | | .203 | -.132 | .480** | -.037 | .068 | .361** | .722** |
| Marketing manager | | | | | .487** | .381** | .280* | .423** | .057 | .246 |
| External lawyer | | | | | | .202 | .463** | .280* | -.080 | .130 |
| Middle manager | | | | | | | .234 | .201 | .230 | .695** |
| Procurement manager | | | | | | | | .210 | -.059 | .298* |
| Business consultant | | | | | | | | | .114 | .005 |
| Board member | | | | | | | | | | .438** |

*Table 9. Correlations between responses to vulnerability of persons in trusted positions (statistical significance of .05 at * and .01 at **)*

In this table there are fewer significant correlations as compared to earlier correlation tables. The strongest correlation is found between an IT manager involved in crime and an external auditor involved in crime with a significant correlation coefficient of 0,722. If an external auditor is believed to be involved in crime, not only is the IT manager also believed to be involved in crime, but PR consultant, middle manager and board member as well. If a top manager is believed to be involved in white-collar crime, then an external lawyer and a purchasing manager is likely to be involved in such crime as well.

When exploratory factor analysis is applied to the different positions, the first factor includes the following positions:

- A person from public relations consulting
- A person in information technology management
- A person in marketing management
- A person in corporate middle management
- A person from external auditing

This list comprises a group of positions that have a profession as their basis, apart from middle managers. Public relations, information technology, marketing and auditing all represent different professional disciplines. Based on such a theoretical understanding, it is possible to define these positions as a multiple item scale. When computing the reliability of this scale, an acceptable reliability in terms of Cronbachs alpha of 0,810 is achieved.

## 7. Discussions

Our study has explored knowledge of white-collar crime by mapping executives´ perceptions of magnitude, attitude, risks and offenders. We find that concerning magnitude, that white-collar crime is not that widespread in Norway. That is their understanding, even though recognizing that this form of crime is increasing due to finance crises. They also believe that white-collar crime is a more common threat in other industries than their own. Actually, a common pattern is that their interpretation and knowledge is based on information and not actual knowledge based on own experience. They moreover have a distance to these forms of crime. That is probably why their competence is rated 2.8, more as average, even though increasing due to more crime. Consequently, they are not able to learn through own experience with white-collar crime and gain necessary knowledge to prevent these criminal activities from happening in own organization. Their knowledge today is, more as distant learning and as a result of distance to examples of white-collar crime. The same is for the police force, where 2.7 as competence is not that convincing. This can be related to the second main perception, namely attitudes towards white-collar crime. Our findings show a tendency that increased crime increases bagatelle, and that this kind of crime tends to be treated as something trivial. But at the same time, the results vary concerning an actual growth. Actually, it seems that our respondents believe that financial crises result in more financial crime, because the offenders themselves are the first to experience the negative effects of financial difficulties. This simple cause and effect perception can also be related to this type of crime being of minor importance or more trivial, as thus, bagatelle. That is also one of their statements, that white-collar crime has a tendency to be bagatelle in society. Other forms of crime are more important to investigate and are have more serious consequences than financial consequences. Also, white-collar criminals are considered as more “sophisticated criminals representing the “elite”. These attitudes and stereotypes

towards white-collar crime may also lead to less knowledge about how to prevent white-collar crime. Also, since executives tend to create a distance, not recognizing any potential criminal activities in own organization. This will definitely prevent them from learning through own experiences and becoming knowledgeable. We can also speculate on whether their limited knowledge and ambition to learn more about how to prevent white-collar crime, can result in white-collar criminals not being investigated.

Concerning knowledge, often white-collar crime needs to be discovered internally in the organization. This involves organizations being aware of possibilities of financial crime, and creating necessary routines and control functions in order to prevent this crime from happening. To oppose white-collar crime, cooperation between police and the organizations is necessary, to prevent and not bagatelle financial crime, is necessary. A statement of general knowledge of this kind of crime (2.8) and knowledge within the police force (2.7), show that the executives perception is that they have more knowledge about white-collar crime than the police. Even though this different is quite insignificant. However, it would probably have been more reassuring, if their perception of the police knowledge on white-collar crime has been more convincing. Especially since they on one hand believe that their competence is quite average and at the same time state that financial police is competent at investigating white-collar crime. Interesting is also, to what extent we would find that the police force prioritize obtaining necessary knowledge and investigations of white-collar crime.

Lack of knowledge and the willingness to learn more about white-collar crime can result in not recognizing it in own professions and type of businesses. That can be the reason for stating it to be more common in other industries and in public sector more than private sector. This is in accordance to the third main perception, namely their interpretation of risk. Larger risk of misconduct is believed to happen among chief executives. They also believe that mostly, financial crime is something internal, and thus, do not recognize the risk in relation to external suppliers or for instance accountant. The forth perception, knowledge about offenders, is related to some general patterns. They believe that there is more white-collar crime in the public sector. They also find that employees within procurement are more in risk of white-collar crime, which are followed by employees working within marketing and

executive personnel. This understanding can be related to easier access and the possibility of committing financial crime. These employees are in trusting positions with a large degree of responsibility, authority and power over financial dispositions. But they are also in positions where awareness of possible misconduct probably is more in focus. That is probably why executives´ perception is that business corporations generally are competent at combating white-collar crime.

Stakeholder theory is a managerial conception of organizational strategy and ethics. The central idea is that an organization's success is dependent on how well it manages the relationships with key groups such as customers, employees, suppliers, communities, financiers, and others that can affect the realization of its purpose. The manager's job is to keep the support of all of these groups, balancing their interests, while making the organization a place where stakeholder interests can be maximized over time (Freeman and Phillips, 2002). Upholding four principles: 1) honouring agreements, 2) avoiding lying, 3) respecting the autonomy of others, and 4) avoiding harm to others, are a necessary precondition for efficient working. And thus, stakeholder theories of the firm establish economic relationships within a general context of moral management. Neglecting these dimensions, firms will have less satisfied stakeholders, and will show financial performance that is consistently below industry average (Shankman, 1999). That means that even though white-collar crime is not very widespread, at least that is what is believed by executives, its consequence might be huge. Executives willingness to learn more about white-collar criminals to be able to prevent for instance inside information, fraud or corruption is critical. The organization might not survive these criminal activities and executives might be mistrusted.

Current practices in IT and internal control are ineffective for several reasons. First, internal controls are often performed with the goal of confirming that everything is right, rather than the goal of creating suspicion and disconfirming current numbers. Next, internal controls are driven by rigid procedures and formalism rather than creativity and suspicion. Furthermore, IT systems can detect deviance on certain numbers and occurrences, but they lack information about causality. Finally, current practices are ineffective because knowledge workers such as auditors and financial officers are not skilled users of systems.

This research opens up for future research along several avenues. First, the response rate of only ten percent is problematic and should be improved in future research. Next,

attempts should be made to solicit more information from other sources to confirm the findings.

## 8. Conclusion

The purpose of this paper was to analyze knowledge of white-collar criminals among executives in Norwegian business organizations and how executives can prevent white-collar crime, Consequently, we conducted an empirical study to explore their perceptions of magnitude, attitude, risk and offenders to explore their knowledge and experiences. A number of insights have emerged from our analysis. First, most respondents believe there is more financial crime in other industries than in their own. They also find that white-collar crime is increasing, but suggest that the probability is low, due to the consequences being substantial. Next, the most significant consequence of white-collar crime will occur if there is financial misconduct by a chief executive in the company. Accordingly, the most likely position category for white-collar crime is a purchasing manager, followed by a marketing manager, and a person in executive management. Consequently, external and internal control authorities need to focus less on routines and regulations and more on persons in vulnerable positions. Most likely to be involved in financial crime is a person in procurement management, probably due to easy access to misconducting behavior for own financial benefit. And finally, concerning executives own knowledge, they claim to be more competent in discovering white-collar crime. The executives also claim an increased police competence. An overall insight into both business executives and policemens´ knowledge of white-collar crime is that their competence is increasing, in relation to increased white-collar crime. Meaning, they know more about magnitude, attitude, risks and offenders. However, still they rely on general and stereotypes concerning white-collar criminals. They also rely on these forms of criminal activities to happen in other organizations than own. Their willingness to learn and create more knowledge to prevent and be able to identify white-collar criminals in own organization is therefore quite limited.

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