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## **Executive knowledge of white-collar in crime business organizations in Norway**

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This is the article as published in

***Global Security 2012, iss. 1, pp. 23-30 (ISSN 2193-0821)***

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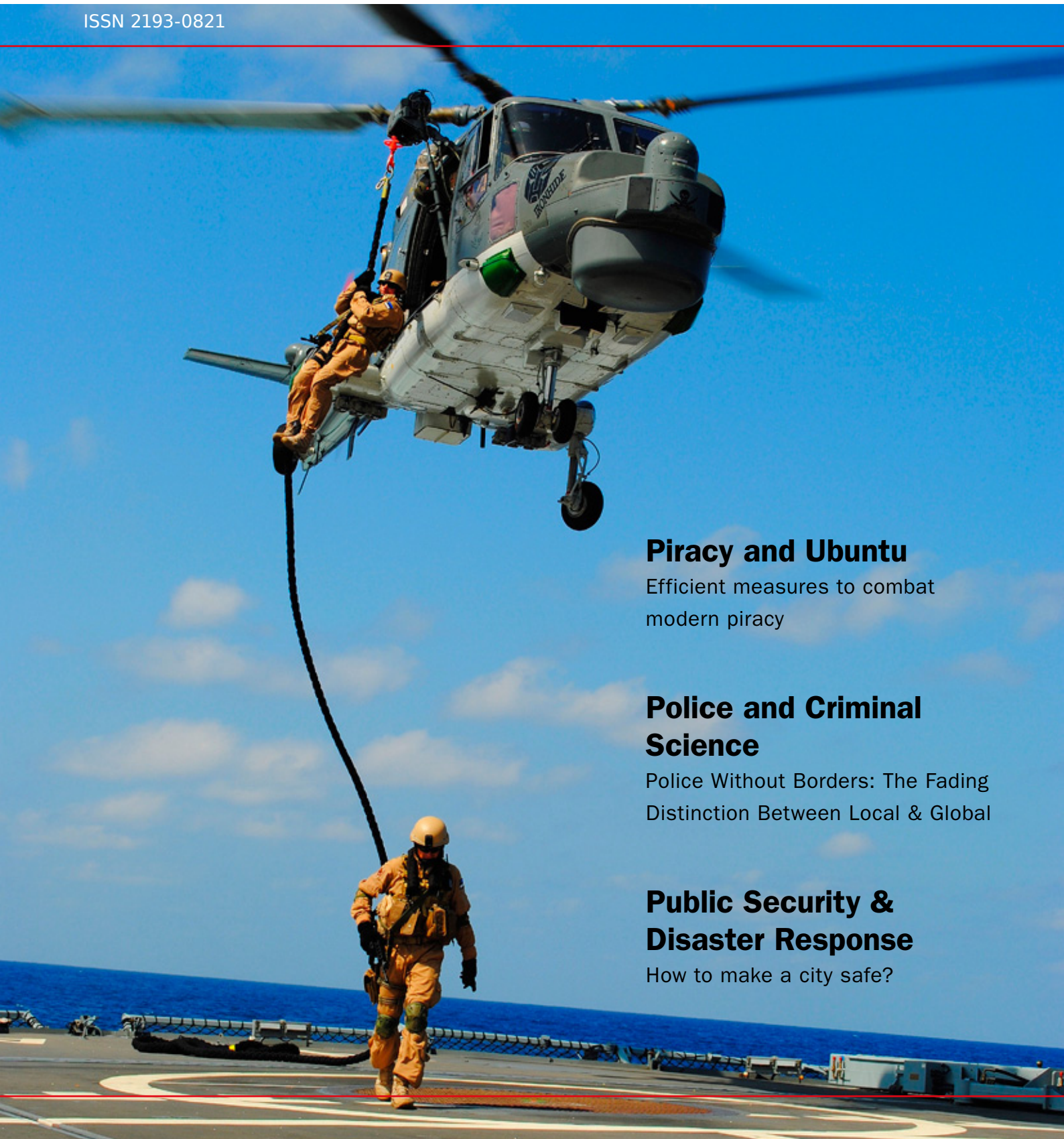
The article was previously published in EuroCriminology 2011 / 23-24, pp 175-190, and republished in understanding with the publisher.

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# Executive Knowledge of White-Collar in Crime Business Organizations in Norway

## Research Design for Empirical Study

Superintendent Professor Rune Glomseth  
Professor Dr. Petter Gottschalk

**The five hundred and seventeen 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. The research was carried out by a web-based questionnaire combined with a letter to the largest business organizations in Norway.**

65 respondents filled in the questionnaire after the first letter, 45 responses were received after a reminder, and another 31 responses were received after a second reminder. Thus, a total of 141 complete responses were received. 141 complete responses out of 517 potential responses represent a response rate of 27 percent. In addition, 36 incomplete responses were received, creating a gross response rate of 34 percent. The survey web site was open to responses from January to April in 2010.

Separate analysis was conducted on the first set of responses, then the second set, and finally the third set included. This analysis shows few changes in results when moving from 65 via 110 to 141 responses. Thus, the analysis suggests that non-respondents might have provided similar responses to actual respondents.

The average number of employees in the 141 business organizations with complete answers was 1,719 persons. The largest responding firm in terms of employees had 30,000 persons in their staff.

Respondents were asked to type in their current position, even though the letter was specifically mailed to the top executive in charge of finance often called chief financial officer (CFO). Most of the respondents were indeed CFOs, but some were CEOs, corporate controllers, managers of finance, and chief group controllers.

The average age among respondents was 48 years among the first 65 responses, and they had 4.4 years of college and university education on average. The average age decreased to 46 years when the first reminder responses arrived, while the average education increased to 4.8 years. There were 91 men and 19 women responding after the first reminding letter.

The average age remained at 46 years after receipt of the final 31 responses, while average education continued to increase to 5.1 years. There were 117 men and 24 women among the total 141 respondents. The only change, therefore, seems to indicate that higher educated persons tend to respond more frequently after reminders.

The purpose of this text is to create insights into executives' knowledge of white-collar crime in Norwegian business organizations. That involves mapping their perceptions of magnitude, attitude, risks and offenders. 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 in charge of procurement, followed by a marketing manager, and a person in executive management. It is argued that internal and external control authorities need to focus less on routines and regulations and more on persons in vulnerable positions.

Both descriptive statistics as well as correlation analysis in this text 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 white-collar crime than investigating such crime. They also claim an increased police competence in this field in Norway. Survey research was applied to find empirical answers to questions such as: The occupants of what roles and positions in the organizations are most likely to commit white-collar crime? What is the probability of various crime types being committed? What are the consequences of various crime types?

### Magnitude and Executive Attitude

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 first

agreement is related to the statements that our industry has less white-collar crime as compared to other industries. The second slight agreement is related to the statement that the extent of white-collar crime has grown substantially in recent years in Norway. Third and final agreement supports marginally that there is a greater threat of white-collar crime in other industries than the respondent's industry.

Table 1  
Average Responses to Questions on Magnitude and Attitudes Related to White-collar Crime  
(1 – Completely Disagree. 5 – Completely Agree)

Rank	Statement	Score
1	White-collar crime is more common in other industries	3.1
2	The extent of white-collar crime has grown substantially in recent years	3.1
3	There is a greater threat of white-collar crime in other industries	3.0
4	The extent of white-collar crime is substantial in this country	2.9
5	There is a tendency to bagatelle white-collar crime in society	2.9
6	National police is generally competent in combating white-collar crime	2.8
7	Companies are generally competent at disclosing white-collar crime	2.8
8	The extent of white-collar crime has increased because of financial crises	2.7
9	There is more white-collar crime in the public sector	2.6

Strongest disagreement is reported on the statement that there is more white-collar crime in the public sector. This means that respondents have the opinion that there is more white-collar crime in the private sector, i.e. business companies and corporations. Respondents do not agree with the statement that the financial crisis that occurred in 2009 has caused an increase in white-collar crime. The argument for this statement is that white-collar crime is more likely in turbulent times. However, respondents do not agree.

Respondents tell us further that companies are generally not competent at disclosing white-collar crime, and that national police is generally not competent in combating white-collar crime. Respondents find that white-collar crime is taken seriously in society, as they disagree with the statement that there is a tendency to bagatelle white-collar crime in society. Finally, respondents do not really agree that the extent of white-collar crime is substantial in Norway.

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 2. 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 only know that there are significant co-variations among variables. 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.

Table 2  
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 \*\*)

	Crime Attitude	Threat Others	Spread Others	Public Sector	Crime Extent	Crime Growth	Finance Crisis	Corporate Competence
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**

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 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 bagatelle in society”. As in the above correlation, it seems more likely that a bagatelle and leisure-faire attitude has lead to increase, rather than increase has lead to a bagatelle attitude. 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 2. 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 3.

Table 3  
Factor Analysis of Respondents’ Replies to Statements about Magnitude and Attitude Related to White-collar Crime

	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			

While there are significant loadings on all four factors in Table 3, 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 3 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 bagatelle 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.

In an empirical study by Bucy et al. (2008), greed is the most commonly cited reason as to why trusted business executives engage in white-collar criminal acts. Money, financial gain, and green were cited by almost every participant in the study as the motive for committing crime with some listing this as the sole motivator and others including it among top reasons. Beyond greed, participants noted opportunity, a sense of entitlement, arrogance, competitiveness, and rationalization as motivating factors. Some participants in the study thought that business executives are often motivated by fear of failure or of losing one’s job or life-style.

Heath (2008) argues that there is no doubt that the vast majority of white-collar crime is motivated by greed. Typically, individuals who commit occupational crimes are seeking to enrich themselves personally, just as firms engaged in corporate crime aspire to improve their financial performance.

**Risk Probability and Consequence**

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 4 average scores are ranked according to 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 embezzlement of valuables from the company.

The most likely white-collar crime is bribery

(corruption) from vendors and customers, followed by embezzlement of valuables from the company. The most unlikely crime types are to include non-existing contracts in income statements and laundering of money from crime in the company.

Table 4  
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)

Rank	Statement	Probability	Consequence
1	Financial misconduct by chief executives in the company	1.5	3.7
2	Fraud of banks, insurance firms and others	1.5	3.3
3	Manipulation of financial statements and accounting	1.8	3.1
4	Bribery (corruption) from vendors or customers	2.6	3.0
5	Approval of fake invoices in the company	2.0	2.9
6	Tax fraud by manipulation of accounting statements	1.3	2.9
7	Insider trading based on inside information	2.2	2.9
8	Laundering of money from crime in the company	1.3	2.9
9	Non-existing contracts included in income statements	1.3	2.6
10	Embezzlement of valuables from the company	2.4	2.5

In comparison, a study in Germany found that the most frequently recurrent forms of white-collar crime, fraud and theft, are associated with comparatively marginal average damages, whereby the rather less common forms of criminality, anti-competition and corruption, exhibit an extremely high potential for damage. Nonetheless, all forms similarly lead to very high net damages (Fuss and Hecker, 2008).

We see in Table 4 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.

While financial misconduct by chief executives in the company is considered unlikely (1.5) on average, some respondents (7%) find it likely or very likely. In terms of consequence, 28% considered it would be a very great consequence if financial misconduct by chief executives were occurring. In comparison, 18% considered it would be a very great consequence when money laundering were occurring, 10% considered it would be a very great consequence when fraud of banks, insurance companies and others were occurring, while only 5% considered it would be a very great consequence when non-existing contracts were included in income statements.

In a study by Bucy et al. (2008), characteristics of organizations that encourage criminal activity were explored. While most, if not all, legitimate companies originally do not actively encourage criminal activity, four corporate practices and policies might indeed be identified that encourage fraud. The first such policy is a corporation being driven by the bottom line. An overriding focus on profit and meeting the numbers encourage criminal activity. The second characteristic is lack of an effective corporate compliance plan. The lack of a strong compliance plan leaves a company vulnerable to criminal activity.

The third corporate policy viewed as encouraging fraud is lack of internal controls. Ineffective internal control is a problem. Companies with a weak and dependent board of directors, lack of external and internal auditors, absence of appropriate checks and balances throughout the company, and a decentralized management structure is noted as being more susceptible to fraud. The fourth and final characteristic as key to whether an organization encourages or discourages fraud is corporate culture. When management sends the message that questionable behavior would be tolerated, the corporate environment is prone to fraud.

Our statistical correlation 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 5.

Table 5  
Correlation Coefficients for Probability of Crime Types in the Business Corporation (statistical significance of .05 at \* and of .01 at \*\*)

	Corruption	Misconduct	Tax fraud	Inside information	Embezzlement	Manipulation	Fake invoices	Money laundering	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

The strongest positive correlation found in Table 5 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.

Overall, there are very many relationships between crime types in terms of significant correlation coefficients in Table 5. 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 listed in Table 6.



Table 6  
Exploratory Factor Analysis of Respondents' Score Regarding Probability of Different White-collar Crimes in the Company

	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	-		

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 7 lists all correlation coefficients for responses about consequence.

Table 7  
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 \*\*)

	Corruption	Mis-conduct	Tax fraud	Inside information	Em-bezzle-ment	Manipu-lation	Fake invoices	Money laundering	Fake con-tracts
Fraud	.431**	.589**	.505**	.288*	.445**	.407**	.481**	.563**	.439**
Corruption		.334*	.387**	.537**	.530**	.410**	.452**	.475**	.542**
Miscon-duct			.568**	.214	.497**	.521**	.514**	.575**	.366**
Tax fraud				.595**	.501**	.679**	.500**	.644**	.459**
Inside information					.404**	.519**	.285*	.344*	.487**
Embezzle-ment						.456**	.563**	.511**	.377**
Manipula-tion							.581**	.601**	.560**
Fake invoices								.667**	.559**
Money launde-ring									.590**

There are positive and significant correlation coefficients among almost all crime types in Table 7. 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 study has explored knowledge of white-collar crime by mapping executives' perceptions of magnitude and attitude, probability' and consequence. We find that concerning magnitude, that white-collar crime is not that widespread in Norway – according to CFOs in the largest business corporations. That is their understanding, even though recognizing that this form of crime is increasing in recent years. They also believe that white-collar crime is more common in other industries than in their own – independent of what industry they are in themselves.

A common pattern among respondents seems to be that their interpretation and knowledge is based on information and not actual knowledge based on their own experience. Moreover, they seem to have a distance to these forms of crime. That is probably why their corporate competence in detecting crime is rated 2.8, which

represents a slight disagreement with the statement that “companies are generally competent at disclosing white-collar crime”.

The same is the case for the special finance police force, where 2.8 as competence is not that convincing,

as it represents a slight disagreement with the statement. 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, and thus, bagatelle. That is also one of the statements, that white-collar crime has a tendency to be bagatelle in society, although respondents on average disagree a little with this statement by an average score of 2.9 in the survey. Other forms of crime can be more important to investigate and have more serious consequences than financial consequences, such as murder, rape and other serious harm to human beings.

In terms of knowledge, white-collar crime often needs to be discovered internally in the organization. This implies organizations being aware of possibilities of financial crime, and creating necessary routines and control functions in order to prevent this crime from happening. To fight white-collar crime, cooperation between police and victimized organization is necessary, which makes a contribution to prevent and not bagatelle financial crime. A statement of general knowledge of this kind of crime (2.8) and knowledge within the special police force (2.8) show that the executives' perceptions indicate that they have about the same level of knowledge concerning white-collar crime as the finance police.

It would probably have been more reassuring, if their perception of the police knowledge on white-collar crime had 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 note, to what extent we would find that the police force prioritize obtaining necessary knowledge and investigation skills of white-collar crime.

### Challenges in Crime Detection

There was an open-ended question in the questionnaire concerned with challenges of white-collar crime detection. The question was formulated like this: Why can it be difficult to detect, investigate and prosecute white-collar crime?

Some respondents focused on the offender in their responses. Examples include:

"This kind of crime is committed by persons who have access to resources and who have rich knowledge

of the business and know how to hide tracks."

"Executives are in charge of control mechanisms and management accounting. When they themselves commit financial crime, they manipulate internal control and management auditing."

"Whistle-blowing to the top is risky, since the receiver of the message may be involved in the crime."

Other respondents focused on the offense in their responses. Examples include:

"You need to get into the details, often single items in an invoice, to be able to detect misconduct. Very often it is difficult to find tracks in accounting systems."

"It takes a long time to detect, so the offender has time to launder tracks."

"Methods applied by criminal executives become more and more sophisticated."

A third group of responses focused on shortcomings in control mechanisms. Examples include:

"International trade and transactions with a number of vendors and customers makes it extremely difficult for local auditors to follow paths from origin to destination."

"We live in a society where we trust each other. We are not suspicious enough."

"Internal control systems are often weak, and there is a lack of rules for top management."

This classification of responses into three categories resulted from content analysis, where the three categories can be labelled as follows:

**Criminal.** The white-collar criminal is in charge, has access to resources and is trusted too long.

**Crime.** The white-collar crime is found in the details, and tracks have been laundered away before investigation starts.

**Control.** Transactions across borders and accounting systems are difficult to detect by limited and deficient auditing procedures.

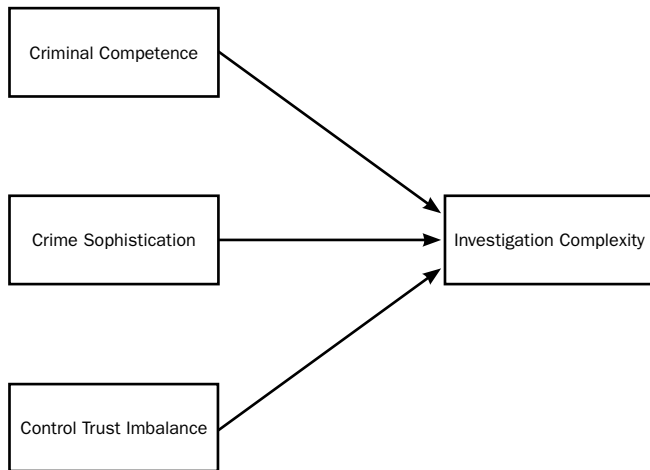
In addition, many respondents seem to indicate that there is an imbalance between control systems and trust, where control systems are deficient while trust is at an unreasonable high level. Top executives are trusted until there is concrete evidence internally or continued criticism externally.

As a consequence of criminal characteristics, crime characteristics, control characteristics and imbalance between control and trust, white-collar crime seem difficult to detect and investigate. A research model illustrating this causal relationship is shown in Figure 1.

Three hypotheses are implicit in the research model that might be explored in future research:

- H1. Higher competence by white-collar criminals causes increased complexity in crime investigation.
- H2. More sophisticated white-collar crime causes increased complexity in crime investigation.
- H3. Greater imbalance between trust in white-collar

Figure 1  
Research Model Derived from Survey Responses



employees and control of white-collar employees causes increased complexity in crime investigation.

Langfield-Smith and Smith (2003) introduced a framework for design of management control systems. This framework includes characteristics of the transaction, the actors, the environment, the control mechanisms, as well as trust. The framework seems to address many of the issues listed by respondents in our survey.

Hansen (2009) argues that prevention of corporate crime should not be only the concern of regulatory and law enforcement agencies. Corporations stand to lose more than reputation when financial scandals occur. Even when white-collar crime does not reach Royal Bank of Scotland, Enron or WorldCom proportions, corporations are damaged. It is estimated that white-collar crime can cost companies on average six percent of annual sales.

Hansen (2009) suggests three solutions for controlling corporate and white-collar crime:

- 1. Voluntary change in both corporate attitudes and structure. Professionals should be held accountable to their various professional groups, such as doctors, lawyers, and other professions. Another deterrent to corporate crime is the social, rather than legal consequence of criminal activities. Because elite criminals are just that – elite – their social identity is institutionalized in the social strata they occupy and the impact of the prison term is intensified. In other words, the bigger they are, the harder they fall. There is some belief that informal sanctions (i.e. expulsion from professional community) in conjunction with fear of formal punishment prevent most individuals from committing crimes. However, unlike their street crime counterparts, white-collar criminals rarely receive long prison sentences.
- 2. Strong intervention of the political state to force changes in corporate structure.
- 3. Legal measures to deter or to punish or consumer

actions (hurting corporation in the pocket-book may be the only way to get their attention).

Policing financial crime – according to Pickett and Pickett (2002) – is concerned with whistle blowing and detection, roles of shareholders and main board, chief executive officer and senior executives, investigations, and forensics. Policing financial crime – according to Levi (2007) – is concerned with the organization of policing deception, the contexts of police undercover work, covert investigations of white-collar crime, prosecution and relationship to policing fraud. Covert activity is restricted mainly to the informal obtaining of financial information or the official obtaining of information about suspected bank accounts without the knowledge of the account-holder.

Next to corporate governance, corporate social responsibility is often mentioned as a mechanism to prevent white-collar crime. Corporate social responsibility is a concept related to the behavior and conduct of corporations and those who are associated with them. During the best of times, it is a concept adopted and taken for granted. During the worst of times, however, corporate social responsibility becomes a threatening concept for most business as well as public organizations (Jayasuriya, 2006). Corporate social responsibility (CSR) is a set of voluntary corporate actions designed to improve corporate actions. These corporate actions not required by the law attempt to further some social good and extend beyond the explicit transactional interests of the firm. The voluntary nature of CSR means that these activities can be viewed as gifts or grants from the corporation to various stakeholder groups (Godfrey et al., 2009).

Basu and Palazzo (2008) define corporate social responsibility as the process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioral disposition with respect to the fulfillment and achievement of these roles and relationships. It is an intrinsic part of an organization's character, with the potential to discriminate it from other organizations that might adopt different types of processes.

Corporate social responsibility is a concept by which business enterprises integrate the principles of social and environmental responsibility in their operations as well as in the way they interact with their stakeholders. This definition shows two perspectives. First, social and environment responsibility in their operations requires internal change processes to integrate the principles into business operations. Second, interactions with stakeholders require stakeholder engagement (Zollo et al., 2009).

The concept of corporate social responsibility developed as a reaction against the classical and neo-classical

recommendations from economics, where rational decision-making and free markets are concentrated solely on profits. This narrow economic view has been questioned due to inconsistencies with the economic model and the evidence of unethical business practices. These problems have led to the realization that organizations should also be accountable for the social and environmental consequences of their activities (Mostovicz et al., 2009).

Both internal and external regulation in terms of public control and corporate governance combined with corporate social responsibility is needed to combat white-collar crime in business organizations. This is because white-collar crime has characteristics making detection and investigation resource demanding. As indicated by respondents in the presented survey research, characteristics include characteristics of the criminal, the crime, the control as well as the imbalance between control and trust.

The purpose of this text was to analyze knowledge of white-collar crime among executives in Norwegian business organizations. Consequently, we conducted an empirical study to explore their perceptions of magnitude and attitude, probability and consequence. 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.

### Expert A

In an approach with several scholars analyzing responses by applying content analysis, an alternative classification of issues was developed in this study:

1. Organizational culture, values, ethics and attitudes.
2. Administrative systems, processes, management systems, rules and routines.
3. Internal control and other control routines.
4. Leadership, role models, open discussions, value-based management.
5. Reactions and sanctions, whistle blowing, punishment, law enforcement. An analytical framework might be applied to classify actions of prevention.

A distinction is made between formal and informal measures. Values, attitudes and behaviors are informal actions, while guide-lines, code of conduct and rules are formal actions. There is some belief that informal sanctions (i.e. expulsion from professional community) in conjunction with fear of formal punishment prevent most individuals from committing crimes. However, unlike their street crime counterparts, white-collar criminals rarely

receive long prison sentences (Hansen, 2009). A distinction can also be made between actions that are aimed at individuals and actions that are aimed at part of or the whole organization.

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