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The family firm as an arena for white-collar crime

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ABSTRACT

In this article, we identify certain aspects of family firms that can cause specific personal motives, organizational opportunities and deviant behaviors. Based on the theory of convenience, we identify organizational opportunities for family members to defraud their own firm. We also identify personal willingness for nonfamily members to defraud the family firm where they work. We do not argue that white-collar crime is more or less frequent in family firms compared to other kinds of firms. There are several solutions to this problem. Family members should not have voting rights and privileges that cause actions without controls. Nonfamily members expect firms to pay them fairly and to stimulate them to identify with the business.

Keywords: white-collar crime, convenience theory, agency perspective, family firms, equity perspective.

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The family firm as an arena for white-collar crime

INTRODUCTION

The family firm can be an attractive arena for white-collar crime for two different groups of people, namely family members and nonfamily members respectively. Family members involved in the firm may feel a strong association and identification with the firm (Chrisman et al., 2018), where money belonging to the firm is not perceived as very separate from money belonging to family members. Family members may identify themselves as privileged individuals in the organization and may thus feel more entitled to commit fraud and other forms of white-collar crime. When the organization is perceived as the same entity as the person by the person, he or she may think that that using company assets in personally desirable ways is acceptable (Galvin et al., 2015).

On the other hand, nonfamily members of the organization may feel treated as second-class members who are mistreated or even exploited by the family (Vardaman et al., 2018). If rewards and other practices are unfair for nonfamily executives in a family business, then deviant behavior in terms of embezzlement and other forms of white-collar crime become more relevant and attractive. Nonfamily members may feel entitled to restore some kind of equity (Burrai et al., 2015). A situation considered being without equity, will initiate behavior to reestablish equality and to remove the feeling of discomfort (Leigh et al., 2010).

In this article, we explore the family firm as an arena for white-collar crime for both family members and nonfamily members. We apply convenience theory to both groups, where convenience orientation consists of financial motive, organizational opportunity, and personal willingness (Gottschalk, 2017). For family members, we apply the identification perspective within convenience theory to explain their deviant behavior (Galvin et al., 2015). For nonfamily members, we apply the equity perspective within convenience theory for their deviant behavior (Martin and Peterson, 1987). In this way, we attempt to provide an answer

the research question: *What aspects of family firms can cause specific personal motives, organizational opportunities, and deviant behaviors for white-collar crime among family members and nonfamily members?*

After a literature review of white-collar crime characteristics, family member and nonfamily member characteristics, this article presents two case studies of white-collar family members and white-collar nonfamily members respectively, who received prison sentences because of fraud. We developed the case studies based on extensive media coverage and court documents in Norway.

The contribution of this study is the contingent approach to white-collar crime, where we identify certain aspects of family firms that can cause specific personal motives, organizational opportunities, and deviant behaviors. We also provide solutions to this problem.

CHARACTERISTICS OF WHITE-COLLAR CRIME

White-collar crime is as financial crime committed by privileged individuals in a professional context (Sutherland, 1939, 1983). Offenders abuse the trust and access to resources in an organizational setting. According to the theory of convenience, three elements or dimensions can explain the occurrence of white-collar crime (Gottschalk, 2017). First, there is a financial motive, which can emerge from threats and possibilities. Threats include the danger of personal bankruptcy, financial problems related to divorce or other negative life events, loss of face and prestige in society, and simply being too big to fail (Pontell et al., 2014).

Possibilities include satisfying material desires and reaching material goals, and compensating for greed where greed implies that some people never become satisfied with what they have.

They always want more. Greed leads to a need for an increasingly larger house, several cabins, bigger boat and vacations that are more expensive. Goldstraw-White (2012) defines

greed as socially constructed needs and desires that can never be completely covered or contended.

Second, there is an organizational opportunity that enables both committing crime and concealing crime (Benson and Simpson, 2015). Because of a privileged position, an offender has legitimate access to premises, resources and systems where the offender can manipulate financial transactions for personal gain. The offender can conceal illegal transactions among legal transactions in routine activities (Cohen and Felson, 1979). The offender can achieve illegal profit more conveniently in an organizational setting where the offender can enjoy power and influence based on position and trust. The organizational dimension sets white-collar criminals apart from other financial criminals. An opportunity is attractive as a means of responding to desires, wishes and ambitions. Aguilera and Vadera (2008: 434) describe a criminal opportunity as “the presence of a favorable combination of circumstances that renders a possible course of action relevant”. Opportunity arises when individuals or groups engage in illegal or unethical behavior and expect, with reasonable confidence, to avoid detection and punishment. It is convenient for the offender to conceal crime and give it an appearance of outward acceptability.

Finally, there is a personal willingness for deviant behavior. Sutherland (1983) suggests that offenders associate with those who agree with them, and distance themselves from those who disagree. Differential association implies that whether or not individuals engage in white-collar crime is dependent on their socialization within certain peer groups. For example, family members may associate with other family members, while nonfamily members associate with other nonfamily members in the organization. The essence of differential association is that misconduct and crime is learned, and the main part of learning comes from within important personal groups. Furthermore, being an offender can emerge as a rational choice when the benefits of deviant behavior exceed expected costs (Pratt and Cullen, 2005).

In addition, individuals who lack self-control are more likely to engage in problematic behavior over their life course (Gottfredson and Hirschi, 1990).

CHARACTERISTICS OF FAMILY MEMBERS

Although exact numbers for the prevalence of family firms vary, Duran et al. (2016) suggest that family firms dominate economies around the world. Family firms are organizations that have individuals related by family ties, who may exert substantial influence on the enterprise via ownership and management positions held by family members. Family members tend to have privileged voting rights, enjoy wealth concentration and strive for financial as well as nonfinancial goals (Fattoum-Guedri et al., 2018). Nonfinancial goals include the continuation of family influence and the perseverance of long-established ties both within and outside the firm.

Neckebrouck et al. (2018) suggest that family firms employ about 60% of the global workforce. In their study of family and nonfamily firms in Belgium, they found that family firms are worse organizational stewards than nonfamily firms are, since they offer lower compensation, invest less in employee training, and exhibit higher voluntary turnover and lower labor productivity.

Nordstrom and Jennings (2018: 318) emphasize two main effects of business ownership upon families:

One is the economic benefits derived from owning a business. Specific findings indicate, for instance, that increases in the available cash or asset level of a family firm tend to result in more income being brought into the household. Other studies reveal that a firm's property holdings are often used to secure loans for family-related purchases and that higher market valuation of the firm tends to be associated with

greater expenditure on household assets. Related findings further demonstrate that loans to family members are more likely when a business is fully family owned. Family members can have strong identification with the firm, so strong that they do not really separate firm assets from personal assets. There is a danger when family members' identity and the perceptions of the organization's identity merge or overlap. Galvin et al. (2015) emphasize the extreme dark side of organizational identification by discussing narcissistic organizational identification. If a family member says and believes the statement – "I am the company" – then the organization is up for trouble. Narcissism here means seeing oneself as central to the organization's identity. It is a self-centered form of organizational identification. The family member may lose his or her independent sense of self and engage in questionable behaviors, claiming it is a "win-win" situation for the firm and the individual, while in reality such behaviors may represent a "lose-lose" situation for the firm and the individual. Narcissistic organizational identification causes perceived domination of individual identity over organizational identity. Family members with narcissistic organizational identification feel a strong affinity for their organization's identity, but as an expression of themselves. They see their own identity as the main reference for understanding what the organization should prioritize.

Governance structures in family firms can be such that family members may treat firm assets as personal assets. Governance structures regulate the broad uses to which executives deploy organizational resources. These mechanisms consist of formal and informal rules, practices, and processes. Governance mechanisms can thus be formal or informal. Chrisman et al. (2018) found that family firms tend to have informal mechanisms leaving a wide space for interpretation by family members. Informal mechanisms rely on mutual trust, shared attitudes, and common values. As the privileged group, family members can define common values and acceptable attitudes.

Some family firms may be characterized by family members who have a strong desire for control (Duran et al., 2016), but lack self-control (Nordstrom and Jennings, 2018). Desire for control is the general wish to be in control over everyday events related to the organization. Self-control is the ability and tendency to consider all potential implications of a particular action. Piquero et al. (2010) argue that low self-control and the desire for control relate to white-collar crime.

Asymmetrical distribution of voting power among family and nonfamily shareholders and executives enable the family to act opportunistic by diverting resources for personal uses. The agency perspective argues that a low level of voting power controlled by others increases the expropriation of private benefits for family members. This argument rests on two assumptions: (a) the family is inclined to behave opportunistically when monitoring is weak, and (b) nonfamily shareholders and executives have no incentive or power to monitor family decisions and actions (Fattoum-Guedri et al, 2018).

The agency perspective within the organizational dimension of convenience theory (Gottschalk, 2017) suggests that the controlling family as the main principal is likely to take advantage of its large voting power to divert firm resources for personal uses, which is detrimental to the interests of other principals (external shareholders) as well as nonfamily executives (Fattoum-Guedri et al., 2018: 233):

In practice, this conduct may take the form of self-dealing or related party transactions, excessive compensation, nepotism, and altruism.

Family firms can have agency problems between nonfamily shareholders, family shareholders, nonfamily executives, and family executives. Family shareholders and executives prefer private benefits of control, they run the risk of entrenchment and nepotism, and their interests and goals may not align with nonfamily shareholders and nonfamily executives. The interests of family owners and executives, who tend to prefer firm value

maximization to shareholder value maximization, may align with opportunistic behavior in the end. Family ownership, control and benefits are at the core of attention by the privileged family members (Hiller et al., 2018).

A group of family members frequently own and manage the stereotypical family firm, where the firm's objectives closely link to those of the family (Mazzelli et al., 2018). The performance of the family is the goal and the end, while the performance of the firm is a means and a tool. The firm as an institution is a basis for and an extension of the family, possibly through several generations.

Family members want to benefit from their firm ownership while preserving the long-term existence of the firm. Nonfamily members want to increase their payoffs at the current firm, as well as enhance their human capital and improve their standing in executive labor markets (Patel and Cooper, 2014). Given these goal differences, family members will make sure that they benefit currently from their ownership.

Peng et al. (2018) apply an institution-based view of the family firm, where destructive family conflicts can lead to institutional deterioration. Institutional deterioration can make deviant behavior convenient in pursuing personal financial goals for individual family members.

Institutional deterioration opens up for the blame game among family members. The institutional perspective within the organizational dimension of convenience theory (Gottschalk, 2017) applied to white-collar misconduct and crime leads to deviant act that have fertile ground in the business because of moral decay and collapse (McDonnell and Werner, 2016).

CHARACTERISTICS OF NONFAMILY MEMBERS

Vardaman et al. (2018) phrased the question – “We are friends but are we family?” – in their research article. They found that family-centric priorities of family firms often disadvantage

nonfamily executives. Family focus can thus lead to unfair treatment of nonfamily executives. Nonfamily executives experience expectations to show managerial altruism toward family members, and nonfamily executives feel sometimes treated as second-class members of the organization and mistreated or even exploited by the family. It is all about preserving socio-emotional wealth by ensuring success for the family, often at the expense of employed executives. As a result, nonfamily executives feel little or no social identification with the organization.

In such situations, nonfamily executives may feel entitled to restore some kind of equity (Burrai et al., 2015). Situations considered being without equity, will initiate behavior to reestablish equality and to remove the feeling of discomfort (Leigh et al., 2010).

Vardaman et al. (2018: 291) found that family-centric priorities of family firms include a long-term perspective on socio-emotional wealth:

Family businesses differ from their nonfamily counterparts in many ways. Family firms often focus on preserving socio-emotional wealth (SEW) by ensuring a familial successor and managerial altruism toward family members. Although socio-emotional concerns often take primacy, attracting and retaining qualified nonfamily employees is also important for the success and survival of family firms. However, this SEW-centric focus problematizes nonfamily employee retention because it often leads to their unfair treatment. Research suggests nonfamily employees are often treated as “second class citizens” and mistreated or even exploited by the family.

Socio-emotional wealth describes the affective value of the firm linked to family identity (Patel and Cooper, 2014). Nonfamily executives who do not identify with the family are more likely to be bad citizens in terms of not engaging in behaviors that benefit the family but rather themselves. For poorly identified executives, doing something harmful to the family business would not harm their identity. Lower levels of organizational identification are, in

general, associated with outcomes that are potentially harmful to the organization (Marler and Stanley, 2018).

The equity perspective within the motivational dimension of convenience theory can explain how individuals feel entitled to illegal redistribution of wealth if the current distribution seems unfair. Individuals may compare their job inputs and outcomes with those of others and then respond to eliminate any perceived inequalities. If a hired CEO in a family-owned business feels that he or she makes the family much richer without receiving relevant compensation for one self, then the CEO can feel entitled to try to eliminate some of the inequality.

It is important to understand how the equity perspective explains behavior in the workplace. An employee compares his or her work efforts to another person or group of persons chosen as a reference. A situation evaluated being without equity, will initiate behavior to reestablish equality and to remove the feeling of discomfort (Leigh et al., 2010).

The equity perspective proposes that individuals perceiving to be unfair rewarded will feel distressed and therefore try to restore the perception of equity to reduce the stress. The construct of equity sensitivity suggests three different orientations for employees to balance between input and output in organizations: the Benevolent, the Equity Sensitive and the Entitled. A study conducted by Leigh et al (2010) stated that the Entitled “are clearly concerned with how much money they will make”. The general preference of an individual, perception of equity, in case of the Entitled with a preference for over-reward seems a trait. A trait perspective implies both explaining and predicting behavior in organizations (Huseman et al., 1987). Organizational setting, however, may also influence an individual’s equity sensitivity level, as employees with advanced education might develop abstract moral principles differentiating themselves from rules, implementing their own autonomous principles, as well as constructing personal opinions of what is right and what is wrong (Roehling et al., 2010).

An executive in a family-owned business where family members have inherited the business without making much of a contribution can create a strong motive for hard-working executives to enrich themselves if they do not feel properly paid by the family. The comparison is not internal among executives, but rather between executives and owners. The equity perspective suggests that individuals may choose from one or more different referents – or standards – in determining the equitableness of their pay (Martin and Peterson, 1987). In this article, we focus on the comparison with owners who have inherited the business. We assume that executives in family-owned businesses select referents for equity comparisons among family members who are involved in the business. Generally, the equity perspective suggests that selection of referents is a function of both the availability of information concerning certain referents and their attractiveness or relevance for a comparison. The attractiveness of a referent is apparent in its instrumentality in satisfying needs.

If rewards and other practices are unfair for nonfamily executives in family businesses, then deviant behavior in terms of embezzlement and other forms of white-collar crime become more relevant and attractive. It is a matter of restoring some kind of equity. Given a motive and willingness, the organizational opportunity to commit and conceal financial crime can also be greater in family-owned businesses because of heightened trust (Vardaman et al. 2018).

However, the advantages enjoyed by family members in terms of trust can also have the consequence of lacking trust for nonfamily executives and thus reduce the organizational opportunity for crime. In addition, due to social interactions, nonfamily executives may come to feel like family, sharing a heightened loyalty that is typically a characteristic of family members, and thus reduces the willingness to commit crime. The involvement of nonfamily executives in relationships with family members can foster identification with the family

business and ultimately reduce the willingness for deviant behavior (Marler and Stanley, 2018).

Chrisman et al. (2018) support the idea that the organizational opportunity can be greater in family firms since informal governance tends to be the practice. Such governance relies on social control mechanisms, positive ones such as mutual trust, shared attitudes, and common values.

RESEARCH METHOD

We derive the case studies presented in the following from our database of convicted white-collar offenders in Norway. The collection of our Norwegian sample of white-collar offenders applied the original definition and characteristics of white-collar crime. Sutherland (1939) defined white-collar crime as crime committed by a person of respectability and high social status in the course of his occupation. This definition is a well-known and influential example of what we call the offender-based approach to defining white-collar crime. The definition emphasizes that white-collar crime is financial crime by privileged individuals in society who abuse their legitimate access to resources to violate laws (Benson, 2013; Schoepfer and Piquero, 2006). White-collar crime is financial crime committed by privileged individuals in a professional context where offenders have legitimate access to resources based on power and trust (Sutherland, 1983).

In line with the theory of convenience, crime can be a convenient option when alternative actions are associated with more time and effort, and more strain and pain.

Privileged offenders know that they can conveniently obtain illegal profit in an organizational setting where the offenders can enjoy power and influence based on position and trust. The organizational dimension sets white-collar criminals apart from other financial criminals. White-collar crime can be distinguished from ordinary crime (“street crime”) based on the

status of the offenders, their access to legitimate occupations, the common presence of an organizational form, and the extent of the costs and harmfulness of such crime. Sutherland (1939, 1983), specifically focused on emphasizing the respectability of white-collar offenders, stating that persons of the upper socio-economic class commit all kinds of financial crime. The ability of white-collar offenders to commit crime relates directly to their privileged position in the social structure, and their orientation to legitimate and respectable careers (Friedrichs et al., 2018).

In addition to the criteria above, our sample is limited to white-collar offenders who appeared in the media before, during, or after their trials. We find this limitation relevant and in accordance with the original definition by Sutherland (1939), while at the same time noting that offenders are only exposed in the press to the extent that they are sensational and possibly revealed and discovered by the press itself. As pointed out by Piquero (2018), national statistics do not provide relevant figures for our offender group.

Our sample thus has the following characteristics as applied by newspapers when presenting news: famous individuals, famous companies, surprising stories, important events, substantial consequences, matters of principles, and significant public interest. The two main financial newspapers in Norway are *Dagens Næringsliv* and *Finansavisen*, both of which are conservative-leaning business newspapers. In addition, the business-friendly national daily newspaper *Aftenposten* regularly reports news of white-collar criminals. Left-wing newspapers such as *Klassekampen* very seldom cover specific white-collar criminal cases, although generally reports on white-collar crime.

We studied *Dagens Næringsliv*, *Finansavisen*, *Aftenposten*, and *Klassekampen* on a daily basis for 6 years from 2009 to 2015. Every edition of these four newspapers we studied to identify stories reporting on white-collar crime cases and the people involved in them. We defined a person as a white-collar criminal if the following three conditions were satisfied.

First, he or she committed an offense in a deliberate and purposeful manner as part of professional activity linked to regular business activities and using non-physical means. Second, the offense involved large sums of money or large losses for others. Third, the media covered the offender's case and described the offender as being successful and having a high social status and a position of some power and access to organizational resources. In short, our approach to defining white-collar crime is consistent with Sutherland's (1939, 1983) offender-based definition. We identified a person as a white-collar criminal if the person satisfied the general criteria mentioned above, and if the person received a verdict in court to imprisonment. Examples of newspaper accounts include Dugstad (2010), Haakaas (2011), and Kleppe (2012).

The total number of white-collar criminals was 405 reported during those years from 2009 to 2015. We carried out verification of facts in newspaper accounts by obtaining court documents. After registering newspaper accounts as an important indication of white-collar offenders, we compared the contents of newspaper articles and corrected our notes by court sentences, which typically range from five to fifty pages in Norwegian district courts, courts of appeal, and the Supreme Court.

CASE STUDIES OF FAMILY MEMBERS

The first case study is concerned with the family Angelil who owns the family firm Eltek in the city of Drammen outside Oslo in Norway. Alain Angelil received a prison sentence for tax evasion and insider trading of eight years. He was the founder of Eltek, an electronic company that grew to a substantial size and became very profitable. Angelil became quite wealthy, but he seems to have suffered from greed. Greed is a desire to own more and more, where one never becomes quite satisfied. Goldstraw-White (2012) defines greed as socially constructed

needs and desires that can never be completely satisfied. Angelil did let his family prosper, but more importantly for him was to have estates in places such as Scotland for himself. Alain Angelil was born in Egypt and went to study engineering in Switzerland. There he met his future wife Wenche from Drammen. They moved to the city of Drammen where he established Eltek. For many years, there was no reason to suspect white-collar crime. When he retired, Wenche's and Alain's son Morten Angelil took over as CEO. Soon after, someone revealed that both father and son were involved in various forms of fraud related to their top positions on the board of Eltek. The son's fraud occurred after they reorganized a subsidiary of Eltek. Both father and son faced investigation, prosecution, and conviction to prison. While the father received a sentence of eight years, the son received a sentence of one and a half years in prison (Linderud, 2014b).

The second case study is concerned with a kindergarten company owned by a married couple. Økokrim – the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime – accused Nina Beate Tollefsen and John Andrew McCracken for gross economic adultery and gross fraud. The defendants shall have overcharged their own companies with extremely high rent on kindergarten premises and, in addition, charged the companies for private expenses (Grindaker, 2011). Økokrim thought the fraud amounted to Norwegian kroner 9.5 million, which is about US \$1.2 million.

Through over-billing for housing rent and cash withdrawals, the married couple hit the finances of four kindergartens in Oslo – Tusseladden, Stomperud, Solhaugen and Opplandsgate – so that all of them went bankrupt. In the same period, one of the defendants received disability pension from the social security service in Norway. The married couple owned several companies that ran kindergartens in capital Oslo in Norway. The police accusations were because the couple through unauthorized billing of rent, cash withdrawals

and charge of private expenses unjustly caused financial harm to the companies. The court case was concerned with a period of six years of fraud by the couple.

The married couple received sentences of three years and two and a half years in prison respectively for fraud. Both were in the district court sentenced to asset recovery of Norwegian kroner 4.5 million (about .US \$.56 million). The court denied them the right to run business activities for five and three years respectively. The sentence also includes bankruptcy, theft and several violations of accounting legislation (District court, 2012).

CASE STUDIES OF NONFAMILY MEMBERS

The first case study is concerned with a chief executive officer (CEO). "I'm in jail, damn it, this is no country club," said Kjell Rune Staddeland to local Norwegian newspaper Agderposten (Fosse and Berglihn 2013: 24):

Former shipping CEO Kjell Rune Staddeland (50) was on the throne for years in terms of income. Today he is in jail and earns 42 kroner (about US \$ 5) the day.

Johan Benad Ugland inherited the Ugland shipping empire from his father. When Ugland asked Staddeland to sell a business division of JBU Holding, Staddeland claims that Ugland promised him ten percent of the sum from the sale (Berglihn and Fosse 2013: 14):

- I think Ugland got cold feet when he saw the sales sum and what he had promised.

He came to me and said that I would get ten percent, but not of the sales price. I would get ten percent of the profit. The premise was that I agreed to get the money paid abroad, and that I at the same time refrain from a so-called top-hat insurance that would give me 67 percent of my final salary in retirement pension for the rest of my life no matter how many years I had worked.

CEO Staddeland though owner Ugland owed him money because of this episode and other disappointments that he perceived. Therefore, he decided to enter into a fraud scheme.

The second case study is concerned with a chief financial officer (CFO). Leif Marius Schatvet admitted to financial fraud for several years as executive vice president of economics and finance at Aschehoug publishing house (Hammerstrøm and Ravn 2014). The CEO was Mads Nygaard, who had taken over the family position after his father William Nygaard.

Nygaard asked Schatvet in 2010 to terminate the publishing house's involvement in a chain of bookstores in Norway. On behalf of Aschehoug, Schatvet had sole responsibility for selling Aschehoug's shares in the bookstore chain. Nobody else was involved in the project. Schatvet transferred some of the money to his personal account. On one occasion, he typed on his computer his own bank account number with one digit mistake. That created the suspicion of an accountant in the publishing house, who reported the incident to a board member. The accountant's report caused Schatvet's crime to be exposed.

CFO Schatvet was sentenced to 3 years in prison for embezzling more than NOK 9 million (US \$1.1 million) from the company over a period of several years. Schatvet was also to reimburse Aschehoug and pay his former employer NOK 5 million in compensation (Silvola et al. 2014).

One speculation in the media was that Schatvet's embezzlement found motive in a modest or even low CFO compensation compared to the CEO compensation to a person who had inherited the CEO position in the inherited publishing house. Schatvet had worked his way up to the CFO position, while Mads Nygaard was simply the son of his father (Nordseth 2014).

DISCUSSION

Our research question is concerned with what aspects of family firms that can cause specific personal motives, organizational opportunities, and deviant behaviors for white-collar crime among family members and nonfamily members. Family member Angelil treated his firm conveniently as his property by arranging transactions in stocks and tax evasion for personal

profit. The kindergarten owners did the same. Both Staddeland and Schatvet as non-family member apparently appealed to equity when they embezzled from their employers.

The agency perspective is the most applied perspective in the family business field (e.g., Miller and Le Breton-Miller, 2006; Morck and Yeung, 2003; Schulze et al., 2001, 2003). The agency perspective emphasizes the lack of control that can cause opportunistic behavior among both principals and agents. The lack of control stems from asymmetrical knowledge, diverging risk willingness, and conflicting objectives.

Crime is an alternative action that offenders choose if they consider crime the most convenient option (Gottschalk, 2017) and if low moral interacts with low self-control (Wikström, 2004, 2006). Low self-control combined with deviant morals among family members make white-collar crime emerge as an attractive and convenient alternative in times of material desires and goals. Among nonfamily executives, low moral can be the result of feeling treated as second-class members of the firm, which in turn can cause reduced self-control. Among family members, the opposite interaction effect can occur as low self-control caused by ownership can lead to deviant morals. Studies of low self-control predict individualistic white-collar offenses such as fraud and embezzlement (Craig, 2018).

Moral disengagement is also found to increase the tendency to commit crime, where moral disengagement refers to an individual's tendency to separate their moral emotions regarding a particular act and convince themselves that due to their current circumstances the ethical standards do not apply to them (Craig, 2018). This kind of reasoning seems relevant to both family and nonfamily members. Family members consider the firm as their institution, where rules and regulations apply mainly for nonfamily members in the firm (Peng et al., 2018). The structural power inequality entitle family members to determine what is right and what is wrong (Patel and Cooper, 2014). Conformity is not a requirement for family members (Mazzelli et al., 2018). The need for socio-emotional wealth independent of company

performance may be higher when heirs have left the helm of the business since its foundation (Hiller et al., 2018). Familial well-being can be more important than firm well-being (Nordstrom and Jennings, 2018).

Nonfamily members may be friends, but they are not family (Vardaman et al., 2018). Their identification with the firm is less than for family members and sometimes completely absent. Lack of identification stimulates opportunistic behavior (Marler and Stanely, 2018).

Nonfamily executives in the firm may form a coalition where their incentives gain strength (Fattoum-Guedri et al., 2018). Family firms often seem to be a conservative form of organization that is reluctant to invest in innovation (Duran et al., 2016). Nonfamily members can be more willing to take risks on behalf of the firm while at the same time making sure that personal compensation is adequate.

Informal governance structures frequently seem present in family firms (Chrisman et al., 2018), and such structures are exploitable by family members who introduce their own opportunistic rules, and by nonfamily members who exploit the holes in governance structures.

There are solutions to aspects of family firms that cause specific personal motives, organizational opportunities, and deviant behaviors for white-collar crime among family members and nonfamily members. We suggest solutions to this problem. For example, family members should not have voting rights and privileges that cause actions without controls. Family members should not have roles that cause actions without rules and transparency. Furthermore, nonfamily members should receive fair pay and be stimulated to identify with the business. Both groups should emphasize self-control and morals that are in line with law-abiding behaviors. Generally, the extent of convenience must go down for both family members and non-family members in all three dimensions of motive, opportunity, and willingness.

One limitation of this research is that it only has presented anecdotal evidence of specific characteristics based on case studies. A potential avenue for future research is thus to study a larger sample. Another potential avenue for future research is development of compliance functions in family firms that take into account aspects of family firms as discussed in this article.

CONCLUSION

In this article, we have identified certain aspects of family firms that can cause specific personal motives, organizational opportunities, and deviant behaviors. We have identified opportunities for family members to defraud their own firm. We have also introduced non-family members and have illustrated their personal willingness to defraud the family firm where they can be in trusted positions. We suggested solutions to this problem, including family members should not have voting rights and privileges that cause actions without controls. Family members should not have roles that cause actions without rules and transparency. Furthermore, nonfamily members should receive fair pay and be stimulated to identify with the business. Both groups should emphasize self-control and morals that are in line with law-abiding behaviors.

We do not argue that white-collar crime is more or less frequent in family firms compared to other kinds of firms. We only identify certain aspects of family firms that can cause specific motives, opportunities and behaviors. Based on the theory of convenience, we have identified ample organizational opportunities for family members to defraud their own firm. We have also identified ample personal willingness for nonfamily members to defraud the family firm they are working for in their positions.

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