

Violations of the Social License to Operate: Evidence From Fraud Investigation Reports

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Abstract

Traditionally, white-collar and corporate crime research has focused on the role of the criminal justice system in prosecuting and punishing offenders and offenses. The frequent lack of prosecution and punishment has been explained by various theoretical perspectives that reflect the legal license to operate. However, the emerging perspective of the social license to operate illustrates punishment at violations that can cause termination of executives, market loss, and other serious harm to individuals and firms. This article presents three case studies where fraud examiners reviewed the legal license when the social license was ignored. There is an interesting avenue here for future white-collar and corporate crime research in distinguishing between punishment from violations of the legal license and punishment from violations of the social license to operate.

Keywords

fraud examination, case studies, social license, stakeholders

Introduction

Surprisingly often, fraud examiners conclude with misconduct but no crime in their internal investigations of suspected white-collar and corporate offenses (Gottschalk, 2016, 2020, 2021). Fraud examiners are in the business

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of reconstructing past events and sequences of events when there are allegations and suspicions of financial crime such as corruption and embezzlement (King, 2012, 2021a, 2021b; Meerts, 2020, 2021). Investigation conclusions of misconduct but no crime implies that the client organizations did not violate the legal license to operate. The legal license refers to laws that describe wrongdoing and punishment (Haines et al., 2022; Sale, 2021).

However, fraud examiners often identify misconduct and wrongdoing that represents violations of the social license to operate. Rather than punishment by the criminal justice systems, violations of the social license from wrongdoing lead to punishment by the local community and relevant stakeholders, where such punishment seems to grow in importance for accused enterprises (Baba et al., 2021; Haines et al., 2022; Hurst et al., 2020; Sale, 2021). Therefore—even when fraud examiners find that the legal license was obviously not violated—accused enterprises tend to change their business practices as a response to organized criticism to avoid harm to the business.

This article reviews fraud investigation reports and their consequences to provide insights into violations of the social license to operate.

The current research is important, as the emerging stream of social license literature can illustrate that although white-collar and corporate crime suspicions tend to avoid the attention of the criminal justice system (Gottschalk & Gunnesdal, 2018; Gottschalk & Tcherni-Buzzeo, 2017) as emphasized a long time ago by Sutherland (1940, 1983) when discussing the murky boundary between illegal and legal corporate practices, there are nevertheless consequences for offenders from external reactions that can harm and potentially threaten enterprise existence. In fact, the threat of sanctions from powerful stakeholders might in the future become more frightening than the threat of traditional criminal prosecution.

The Social License

The social license refers to “the acceptance or approval by the local – if not indigenous – communities and stakeholders of a business enterprise’s operations or projects in a certain area” (Saenz, 2019, p. 297). The social license is “the set of demands and expectations held by local stakeholders and broader society about how a business should operate,” and “a license is then said to be granted if the business is deemed to have met these demands and expectations – and thus is viewed as being socially acceptable” (Hurst et al., 2020, p. 1). The social license is “a social construction to which various stakeholders contribute” (Baba et al., 2021, p. 248). The social license is an expression “often used in the context of a possible disapproval of their activities, when such disapproval may result in resistance that could harm business interests,”

and the term “refers to mainly tacit consent on the part of society toward the activities of the business” (Demuijnck & Fasterling, 2016, p. 675). According to Rooney et al. (2014, p. 209), a social license refers to “an informal agreement that is granted by communities and relevant stakeholders to an organization or industry working in the local area”:

Organizations holding a social license may not even recognize they have one. However, when a social license is removed it becomes obvious to all, incurring both human and economic costs that sometimes can be irreparable.

Haines et al. (2022, p. 184) examined “how social control in the form of community pressure might be used to control corporate harm and shape business conduct in a more socially responsible direction.” They suggested a social license to civilize, control, or repel corporate activity. They defined a social license as acceptance of a business or business activity within a particular community. The social license adds to the legal license to operate business activities. The social license is predominantly centered on social permission for business activity where the media, social movements, and citizen watchdogs exert pressure, demand change, and bring enterprises to account. The social license is a visible manifestation of a commitment to corporate social responsibility regarding agreement between company and community in business operations. Similarly, Sale (2021) defined social license as the acceptance of business or organization by the relevant communities and stakeholders, and Cui et al. (2016, p. 775) referred to the social license to operate as “a community’s acceptance or approval of a specific company project or of the entire company’s ongoing operations in the community.” Melé and Armengou (2016) referred to social license as the acceptance of the expansion of profit-seeking business that can affect community life.

The rise of social media, nongovernment organizations, as well as the knowledge level among citizens has led to the strengthening of stakeholder demands (Panda & Sangle, 2019, p. 1085):

As a result, firms often find themselves in conflicts. The cost of these conflicts for the firm is the opportunity cost of future projects due to loss of reputation, and for the stakeholders, it is the loss of opportunities, both social and economic, that could be brought by the projects. The tension between firms and stakeholders creates a dynamic environment where following compliance is not enough and social acceptance is equally important as government licenses. Such an acceptance is termed as ‘social license to operate’ (SLO). SLO exists when a project is seen as having the broad, ongoing approval and acceptance of society to conduct its activities.

The value of a social license lies both in the defensive as well as the offensive dimensions. The defensive dimension is concerned with avoiding criticism and obstacles in business activities from skeptical representatives of the community. Executives do not like bad press and activist campaigns, and they want to avoid consumer reactions. Companies do not want critical attention from various supervisory authorities, and they avoid becoming negative topics in municipal committees and government agencies. Companies want a social license that can “prevent demonstrations, boycotts, shutdowns, negative publicity, and the increases in regulation that are a hallmark of publicness” (Sale, 2021, p. 820). The defensive dimension is a matter of violation of the license or even loss of the license. Such circumstances “can lead to serious delays and costs for organizations, reduced market access, boycotts or protests, community anger, increased regulations, loss of reputation, and, in extreme instances, the failure of a project, organization and/or industry (Hurst et al., 2020, p. 1). For example in the Netherlands, the loss of the social license to operate caused Groningen gas to stop its operations making substantial volumes of gas being left in the ground (Beukel & Geuns, 2019).

The offensive dimension of social license value is concerned with benefits and advantages in business activities from supportive and enthusiastic representatives of the community. Executives do like favorable press, and they enjoy consumers’ expression of satisfaction. Companies want positive attention—or no attention—from various supervisory authorities, and they avoid becoming topics in municipal committees and government agencies, unless they are called upon as resources to solve state problems. As a resource, an enterprise can be an enabler of solutions preferred by politicians that they cannot accomplish without the help of the enterprise. Ideally as a resource, the enterprise has unique expertise in the field that can be applied to solve problems perceived challenging in the community. The value of social dimension in the offensive dimension includes “the generation of legitimacy, trust, and credibility among stakeholders; improved corporate reputation; long-term business success; ongoing access to resources; improved market competitiveness; strengthened stakeholder relationships; and positive effects on employees” (Hurst et al., 2020, p. 1).

The social license to operate can be understood in the perspective of social control theory linked to business ethics (Chamlin, 2009; Hoffmann, 2003; Kane, 2003; van Onna & Denkers, 2019). Social control is based on attachment, commitment, involvement, and belief, where a control mechanism is informal punishment in the appearance of shaming (Amry & Meliala, 2021). The legal and social licenses have connections to the concepts of formal and informal controls where formal controls can result in compliance while informal controls can result in conformance.

Social control agents might have the legitimate authority to define specific conduct as right and wrong. In the social control perspective, “studies consistently demonstrate that regulations and sanctions directed against the firm can discourage offending” and result in compliance and conformance (Rorie et al., 2015), where conformance refers to meeting and potentially exceeding societal and other informal norms and obligations. Conformity characterizes voluntary actions that constitute a response to social and normative expectations (Durand et al., 2019) that sometimes can lead to overcompliance (Rorie, 2015) as illustrated in the first of the following three case studies.

Research Method

The three case studies are based on fraud examinations by corporate investigators that became public knowledge by media reports. When there is suspicion of financial misconduct and crime in public and private organizations, the organizations tend to hire corporate investigators to conduct fraud examinations. Corporate investigators are assigned the task of reconstructing past events and sequences of events. Assignments have a mandate addressing questions such as: What happened or did not happen? When did it happen? Who did what to make it happen or not happen? Why did it happen? Investigators conduct interviews, read documents, and search other information sources for potential answers (Button et al., 2022; Gottschalk, 2020; King, 2021a; Meerts, 2020; Wood, 2020).

Fraud examinations by corporate investigators are a form of alternative policing where corporate investigators rather than police detectives work to establish facts in contractual relationships with client organizations that are requesting answers. It is often not a form of privatization of law enforcement as corporate investigators take on the task of establishing facts outside the criminal justice system. The perspective of alternative policing is a shift from the public sphere toward the private sphere across the policing landscape (Stenström, 2018; White, 2020). Corporate investigators normally document their work in fraud examination reports.

The business of corporate investigations has become an industry with accounting firms, audit firms, law firms, consulting firms, and independent forensic examiners. Their business model is to apply knowledge to negative client situations to establish answers to questions that they are paid to address. The remuneration for examination work is normally based on time spent and expenses involved in the search for answers (King, 2021b).

The outcome of fraud examinations ranges from no consequences at all to dramatic life events for accused individuals and organizations. Sometimes suspects suffer harm even when corporate investigators found no evidence of

wrongdoing. During fraud examinations, individuals who are subject to scrutiny may experience uncertainty, isolation, and negative media attention. Despite serious consequences for many individuals, corporate investigators are allowed to operate whatever way they like as long as the clients are happy with the work and pay for it. Private investigators are in an unregulated industry where only statutes from their basic business apply, such as client-attorney privileges and rules for certified accountants. Adding to the problematic role of private examiners as emphasized early by Williams (2005) and Schneider (2006) is the secrecy of corporate investigation reports (Gottschalk & Tcherni-Buzzeo, 2017). The need for research to study the performance of corporate investigators is thus obvious as their potential malpractice can harm innocent individuals and entities in democratic societies that assume fairness.

Researchers in many countries have studied fraud examinations by corporate investigators. In Australia, King (2021b) focused on attributes of corporate investigators that might enable successful fraud examinations. In Canada, Schneider (2006) explored the role of private sector investigative agencies in combating money laundering. In the Netherlands, Meerts (2021) studied struggles of cooperation in public-private relations in the investigation of internal financial crime. In Norway, Gottschalk (2020) evaluated fraud examination reports after corporate investigations by application of a maturity model. In the United Kingdom, Button (2020) studied the new private security industry, the private policing of cyberspace and the regulatory questions.

Rather than reporting financial crime suspicions to the police and thereby being dependent on the priorities and discretion of the criminal justice system, both public and private organizations have access to alternative policing in the form of internal examinations by external corporate investigators. Investigation reports are the result of internal examinations where procedures and findings are described.

The research method in this study was to identify, retrieve, and analyze investigation reports, which present conclusions of no legal license violations while at the same time social license violations were perceived that caused change in business operations. Three reports were identified concerned with organizations in the Nordic countries Denmark, Norway, and Iceland, which are democratic nations with well-functioning criminal justice systems and social movements requiring corporate responsibility. The reports were prepared by corporate investigators at law firms who were hired and paid by the scandalized enterprises. Two out of three reports were publicly available in their complete length, while the third report was only presented in selective parts. The law firms' work was supplemented by media coverage to compare

investigator reports to media reports where the media tends to be more critical of alleged wrongdoing.

The research technique applied in empirical study of archival material was content analysis (Bell & Khoury, 2016; Saunders et al., 2007). Content analysis is any methodology or procedure that works to identify characteristics within texts attempting to make valid inferences (Duriau et al., 2007; Patrucco et al., 2017). Content analysis assumes that language reflects both how people understand their surroundings and their cognitive processes (Hsieh & Shannon, 2005). Cognition refers to what people think and how they think, and cognitive processes affect the way in which people interpret and make sense of what is around them. Therefore, content analysis makes it possible to identify and determine relevant text in a context (McClelland et al., 2010).

Bestseller in Myanmar

The first fraud investigation report to be reviewed here was written by Danish law firm Offersen Christoffersen for the company Bestseller that operated 2,700 branded chain stores across 38 markets worldwide, and their products were sold in 15,000 multi-brand and department stores. Some of the garments were produced in Myanmar also after the military coup in the country. Bestseller faced serious criticism (Einarsdottir, 2021) including negative comments from the Danish foreign minister (Rizau, 2021):

The military is in power in Myanmar. According to the UN report, factories that Bestseller uses are effectively owned by the military. Two of the factories used by Danish clothing giant Bestseller in Myanmar in recent years are cooperating with the military in the country, according to a UN report. And this could have consequences, Denmark's foreign minister Jeppe Kofod told the newspaper. He is greatly exasperated by the cooperation.

-I would like to make it quite clear that I think it is highly problematic if Bestseller chooses to have clothes produced in factories controlled by the military dictatorship in Myanmar, according to the UN, he told the newspaper.

Bestseller also faced serious criticism from the clothing and fashion industry that could harm the company's outlets and their brands (Einarsdottir, 2021):

Bestseller receives criticism for alleged military connections in crisis-stricken Myanmar. The Danish fashion giant Bestseller is once again in bad weather. This time it is due to their connections in crisis-hit Myanmar. Bestseller, which owns about twenty fashion brands such as Vero Moda, Only and Jack & Jones, produces at three factories in the industrial zone Ngwe Pinlae outside the city

of Yangon. A report from 2019 to the UN Human Rights Council points out that the zone is controlled by the industrial conglomerate Myanmar Economic Holdings Limited (MEHL). Their owners consist of the military and individuals in the military leadership, among them chief of staff Min Aung Hlaing who is mainly responsible for the recent bloody attacks on civilians in the country where over 700 people have been killed, writes Fashion Forum.

However, Bestseller kept its legal license to operate as the fraud examiners made an assessment that the company did not violate any sanctions against the Myanmar regime. In fact, the fraud examiners made the recommendation of continuing procurements in Myanmar because of employment and thus income for poor local citizens (Larsen, 2021a; Reed & Nilsson, 2021). The report by Christoffersen and Mikkelsen (2021) was obviously not sufficient to regain the social license since global and local unions were still skeptical to business activities in Myanmar. The only relevant attempt to regain the license seemed to be by not placing new orders in Myanmar. The argument that poor workers and their families would suffer income loss was contradicted by the argument that the wellbeing of garment workers in the country was not guaranteed.

The report by Christoffersen and Mikkelsen (2021) that asserted legal license and attempted to achieve social license was published on May 10, 2021. Since the attempt failed, Bestseller announced August 27 in the same year that they had stopped their business in Myanmar already, and that they would place no new orders (Bestseller, 2021):

Following the announcement from IndustryALL Global Union and their Myanmar affiliate, the Industrial Workers Federation of Myanmar (IWEM), Bestseller will not place new orders in the country until an impact assessment and dialogue with experts, NGOs, trade unions and other relevant stakeholders with a clear focus on the wellbeing of garment workers in Myanmar has been conducted.

Because of the criticism, Bestseller was “among the companies that froze orders from the south-east Asian country because of human rights concerns and civil unrest” (Reed & Nilsson, 2021). The following year, Bestseller had still suspended their business in Myanmar (Reed, 2022):

In garments, multinational companies such as H&M, Bestseller and Primark brought in supply-chain investors and created jobs, mostly women, during Myanmar’s decade of democratic transition, which ended with a coup. While some have suspended their Myanmar operations, others are quietly still buying.

The EU imposed “sanctions against almost two dozen Myanmar government and military officials as well as a state-backed oil and gas group” (Meixler & Creery, 2022). Bestseller headquartered in Denmark did indeed want to resume business in Myanmar again (Larsen, 2021a), but regaining the social license was more important to the firm (Reed & Nilsson, 2021).

Obos in Norway

The second fraud investigation report to be reviewed here was written by audit firm KPMG for the cooperative Obos that is Norway’s largest housing developer. Obos engages in the development and sale of homes and properties as well as property management and real estate brokerage. Obos is a cooperative member organization with half a million members. The cooperative was established in 1929 to provide a solution to housing shortages for low-income families in the capital of Oslo. After World War II, Obos played an important role of building apartment blocks on the eastside of Oslo. The rich people live on the west side of Oslo, while the less fortunate live on the eastside of the city center. Apartments were affordable for poor families as Obos required minimal deposits and favorable loans (Oesterud, 2016). To be qualified to buy the most attractive Obos apartments, buyers had to document membership for several decades when moving into the 1950s, 1960s, and 1970s. There was a strong social profile in all Obos operations that granted management both a legal and a social license to operate (Holm, 2021).

The social license was violated by management when they started to build extremely expensive apartments and sold apartment buildings to landlords (Jacobsen, 2020; Lorch-Falch & Tomter, 2021). Members reacted to the deviations, but discovered that they had no saying. They wrote newspaper article about the change away from the basic vision and mission of the cooperative (Holm, 2021; Stang, 2021). Members argued that Obos had lost its soul (Hegtnun, 2021). The revolt included demonstrations in front of the Obos headquarters with the demand from members that the cooperative is ours (Sørgjeld, 2021). The revolt leader requested that the chief executive be removed from his position (Lorch-Falch et al., 2021). Some protesters suggested that executives suffered from megalomania that refers to a mental disorder characterized by an excessive increase in attention to one’s own person (Lundgaard & Sørgjeld, 2021). Protesters disliked the comradely tone between elite members who supposedly negotiated with each other (Lorch-Falch & Tomter, 2021).

As a reaction to the criticism, the Obos board hired fraud examiners from KPMG (2021) to review the allegations. However, similar to the Bestseller investigation, fraud examiners only reviewed whether or not the legal license

had been violated. The examiners concluded that the recent transactions with rich people did not violate rules and regulations at Obos since it constituted only a minor part of the overall business.

Revolt leaders in the Obos membership were not happy with the legal review. Member allegations of social license violations by Obos management in their operations were still concerned with four issues:

1. The mission and vision of Obos is to secure pleasant and affordable housing for members of the cooperative. They should build ordinary homes for ordinary people. It was a violation of the cooperative purpose to sell two complete residential buildings with many apartments to a landlord whose business purpose is to make money on renting the apartments to tenants.
2. The sales price achieved in the anti-purpose transaction was below market value as estimated by Norwegian kroner per square meter. Obos thus suffered a loss compared to selling each apartment separately to its members. The giveaway price and the following loss seemed caused in close personal relationships between individuals on the seller and the buyer sides, as exemplified below.
3. There was a close relationship and comradely tone between the CEO at Obos and the representative of the buyer causing impartiality in connection with the sale of the apartment blocks. The two privileged persons communicated directly with each other about the transaction with minor involvement of governance bodies at Obos.
4. There was also a close relationship between the executive vice president in charge of housing development at Obos and the relevant family members who invested in the purchase of the apartment blocks. The vice president's impartiality was not at all trustworthy, and he was too late removed from his involvement in the transaction.

One of the community revolt leaders posted on his blog why the social license was lost as the issues above illustrate that Obos is no longer a member-governed cooperative institution. He mentioned a number of incidents in addition to those listed above, such as favoring employees in the Obos organization at the expense of other members, demonstrating arrogant executive behavior, and granting hunting rights to privileged individuals. The revolt leader wrote that the members are the true owners of the cooperative (Larsen, 2021b):

Obos is owned by the members. The members exercise their corporate governance through the general assembly meeting and the elected general meeting representatives. Put at the forefront are the board and administration who are servants of the owners. More nuanced, we can state that the board and

administration must ensure that they act in accordance with the owners' wishes. In this context, several of the above issues are relevant: The reason why they have created attention and engagement is obviously that they are perceived as controversial. It could have been okay if the positions taken were rooted in the members, but they were not.

It was obvious that Obos management intended never again to repeat the criticized transactions. Furthermore, member involvement was enhanced by establishing a new organizational structure that would give members a real chance of influence. A democratization process started in 2022. Furthermore, company representatives learned that an a priori assertion of their legal right to manage properties freely would be met by anger and defiance. Relying on their legal rights was seen as arrogant and likely to lead to another member uproar.

To offer ordinary homes to ordinary people while the prices in the capital Oslo were still very high and often a barrier to entry, Obos introduced a new financial model caused by the member revolt. According to the new model, Obos offers members the option of buying half of the apartment and rent the other half from Obos. Over time, the member has the option of increasing ownership share from 50% by down payments to Obos at the discretion of the owner's financial situation (Lundgaard, 2022).

Samherji in Namibia

The third fraud investigation report to be reviewed here was written by law firm Wikborg Rein for the seafood company Samherji on Iceland (Kibar, 2020a, 2020b). According to a whistleblower, Samherji had bribed government officials to obtain fishing rights on the west coast of Namibia (Cotterill, 2019; Kleinfeld, 2019, 2020, 2021; Menges, 2020). While Samherji denied disclosure of the complete investigation report, they admitted that corruption had taken place. However, their initial account was that a bad apple in the organization locally was responsible without any knowledge or involvement on the part of company (Samherji, 2019a, 2019b, 2020a, 2020b). Thereby the firm attempted to keep the legal license (Seljan et al., 2019). The legal license was challenged when Namibian officials requested Samherji executives to appear in court to be prosecuted for the corruption together with local government ministers (Ciric, 2022).

The late apology statement by Samherji (2021) was probably not enough for regaining the social license to operate. Media reports had emphasized not only reputation damage to the company but also to Iceland (Bjarnadóttir, 2020, p. 34):

Prime minister, Katrin Jakobsdóttir, said to Mbl “that if allegations against Samherji are substantiated, it is a matter of great concern for the Icelandic economy and shame for Samherji. The issue can affect the nation as a whole.” In the same article, it is stated that Iceland was placed on the grey list of the FATF, an international working group on measures against money laundering and terrorist financing, almost a month ago. Katrin says then that being on the list is disappointing and that she has concerns about our reputation but states that Samherji’s case “is not descriptive of Icelandic society as a whole.”

According to Reuters (2019), Samherji had transferred more than \$70 million through a shell company in the tax haven Marshall Islands from 2011 to 2018. Samherji transferred the money through bank accounts in DNB Norway. The bank’s largest shareholder is the Norwegian state, which holds 34% stake in the bank (Reuters, 2019):

The money consisted partly of proceeds from Samherji’s questionable and possibly unlawful operations in Namibia where the company bribes officials to get secure access to fishing quotas. The company in the Marshall Islands was used to pay salaries to the crews of Samherji’s factory trawlers. These trawlers fished horse mackerel in Mauritania, Morocco, and Namibia.

It would indeed be a challenge for Samherji to regain its social license to operate. The national reputation problem added to the challenge. Stakeholders abroad might remember the banking collapse in Iceland, where greedy Icelanders were in the lead roles. The Panama Papers revealed that wealthy Icelanders had the world record in the number of offshore accounts relative to the number of citizens (Bjarnadóttir, 2020).

Discussion

This article explores the alternatives to criminal prosecution used in white-collar crime related investigations conducted for companies using the concept of the social license. It uses three case studies from investigations by fraud examiners to illustrate this. The research should offer some unique insights into consequences of the social license to operate.

Both violations of the legal license and violations of the social license are expected to result in punishments that will harm business performance. However, as suggested by Lewis and Carlos (2022), public criticism by private citizens, social activists, investigative journalists, and non-governmental organizations can improve the compatibility with enterprise objectives and thus benefit the organizations. Recovering the social license by terminating

business in junta country, terminating luxury apartments in favor of ordinary homes for ordinary people, and terminating illegal fishing rights benefits the organizations in terms of compatibility with the dominant business logic of institutional complexity (Battilana et al., 2022; Lewis & Carlos, 2022). While corporate social responsibility (CSR) traditionally was meant to pay back to society (Zhang, 2021), often in symbolic forms (Donia et al., 2019; Nardi, 2022), it is increasingly regarded as a valuable asset that complements business performance (Bachrach et al., 2022; Girschik et al., 2022; Quade et al., 2022). The institutional approach to CSR “grants consideration to the values enshrined and promoted by existing institutions while also proposing strategies to structure and orient institutions toward those values” (Caulfield & Lynn, 2022, p. 3).

All three case studies help illustrate the shortcomings of only legal perspectives in the work of fraud examiners when conducting internal investigations for client organizations. Bestseller headquartered in Denmark was dependent on the social license to operate and therefore terminated its business in Myanmar. Obos in Norway was dependent on member acceptance and will therefore avoid deviance from their basic idea of social housing. Samherji in Iceland was dependent on local acceptance by the government as well as citizens in the country and therefore made an apology for corruption, although without accepting the blame.

Anecdotal evidence from these three investigation reports illustrates the emerging perspective of the social license to operate becoming important. It seems not sufficient anymore for acceptance of business practice simply based on legal perspectives. In knowledge societies such as Denmark, Norway, and Iceland, citizens do not trust the criminal justice system to the extent that all forms of wrongdoing are covered in statutes, and that all incidents of wrongdoing are prosecuted. In a criminological perspective, crime is defined by two characteristics. The first is that an incident is wrong. The second is that an incident should be punished. Crime is then wrongdoing that requires punishment, while law is statutory principles, which may or may not cover the specific wrongdoing. In this line of reasoning, Friedrichs (2020, p. 19) mentioned the humanistic definition of crime:

A humanistic definition of crime focuses on demonstrable harm, more often than not coming from powerful elements of society, rather than legal status as the basis for something being designated a crime.

Perceived seriousness has been studied as a factor that can influence the involvement or lack of involvement of the criminal justice system in cases

of white-collar and corporate crime. For example, Cullen et al. (2020) studied public opinion about white-collar crime, and they found public willingness to punish white-collar offenders. However, they found that public opinion about inflicting punishment on white-collar criminals varies depending on clarity of culpability, typical harm, violation of trust, and need to show equity. Sources of authority for assessing violations of the social license to operate can then apply different criteria when determining the seriousness of wrongdoing. Some studies in Europe have shown that the public apply criteria that regards corporate criminality as a very low enforcement priority (e.g., Adriaenssen et al., 2020). Alcadipani and de Oliveira Medeiros (2020) found that white-collar crime tends to be perceived as and treated as corporate irresponsibility and not as misconduct, wrongdoing, offending, or law violation.

An interesting formal social control mechanism is the arrangement of deferred prosecution agreements (DPAs) where the judge conditionally suspends prosecution while the company fulfils the requirements of the agreement. This mechanism can prevent further wrongdoing as well as contribute to recover the social license to operate. However, Nordic countries do not have DPA arrangements. Therefore, the only mechanism is public criticism from various stakeholders that puts normative pressure on companies to conform with norms and values in society.

There are important implications of perspectives presented in this article for future fraud examinations as well as corporate crime research. Fraud examiners might look beyond legal issues when conducting internal investigations in client organizations, as the reasons for harm and punishment might be found in social issues. Similarly, corporate crime research might consider punishment beyond the criminal justice system of prison and fine by looking at executive terminations and changes in business practices.

Conclusion

Studies as well as examinations of white-collar and corporate crime tend to apply the legal definition of crime where corporate escape from allegations and accusations is assumed if there is no involvement of the criminal justice system. The emerging perspective of a social license to operate tells a different story. As illustrated by three case studies in this article, violations of the social license do have consequences. There is an interesting avenue here for future white-collar and corporate crime research in distinguishing between punishment from violations of the legal license and punishment from violations of the social license to operate where perceived seriousness can be

introduced as an important factor. There is also an interesting avenue here for fraud investigation research where the question is whether the remit of fraud examiners is too narrow: Would corporate managers be better advised if fraud examiners and corporate investigators broadened their remit to consider the social license to operate? Finally, the context of the presented cases are all in open countries generally seen as clean: Denmark, Norway, and Iceland. It would be interesting to explore the applicability of this to countries further down the league tables of cleanliness.

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