Fraud versus manipulation by white-collar criminals: an empirical study

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Fraud versus Manipulation by White-Collar Criminals: An Empirical Study

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Abstract

This article addresses the following research question: What differences might be found between white-collar criminals conducting fraud versus white-collar criminals involved in other kinds of financial crime? This research is important, as studies of white-collar criminals so far has focused on case studies rather than statistical analysis of a larger sample. Based on articles in Norwegian financial newspapers for one year, a total of 57 white-collar criminals convicted to jail sentence were identified. The average age of the convicted persons was 51 years. 54 out of 57 criminals were men. The average sentence was 3 years imprisonment. While no differences between fraud cases and non-fraud cases were found to be statistically different in this study, imprisonment for white-collar fraud cases was a longer jail sentence, fraud cases were associated with white-collar criminals with lower official persona income, and a greater number of persons were involved in each fraud case.

Keywords: white-collar crime, descriptive statistics, court cases, archival analysis, newspapers.

Brief biographies

Petter Gottschalk is professor of information systems and knowledge management in the department of leadership and organizational management at the Norwegian Business School. Dr. Gottschalk has published several books and research articles on crime and policing. He has been the CEO of several companies before becoming an academic.

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Introduction

Sensational white-collar crime cases are regularly reported in the international business press and studied in journals of ethics and crime. White-collar crime is financial crime committed by upper class members of society for personal or organizational gain. White-collar criminals are individuals who tend to be wealthy, highly educated, and socially connected, and they are typically employed by legitimate organizations.

This article addresses the following research question: *What differences might be found between white-collar criminals conducting fraud versus white-collar criminals involved in other kinds of financial crime?* This research is important, as studies of white-collar criminals so far has focused on case studies rather than statistical analysis of a larger sample.

Definitions of white-collar criminals

Edwin Sutherland introduced the concept of "white-collar" crime in 1939. According to Brightman[i], Sutherland's theory was controversial, particularly since many of the academicians in the audience perceived themselves to be members of the upper echelon of American society. Despite his critics, Sutherland's theory of white-collar criminality served as the catalyst for an area of research that continues today. In particular differential association theory proposes that a person associating with individuals who have deviant or unlawful mores, values, and norms learns criminal behavior. Certain characteristics play a key role in placing individuals in a position to behave unlawfully, including the proposition that criminal behavior is learned through interaction with other persons in the upper echelon, as well as interaction occurring in small intimate groups.

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

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

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

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

When white-collar criminals appear before their sentencing judges, they can correctly claim to be first-time offenders. They are wealthy, highly educated, and socially connected. They are elite individuals, according to the description and attitudes of white-collar criminals as suggested by Sutherland.

Therefore, very few white-collar criminals are put on trial, and even fewer upper class criminals are sentenced to imprisonment. This is in contrast to most financial crime sentences, where financial criminals appear in the justice system without being wealthy, highly educated, or socially connected.

White-collar criminals are not entrenched in criminal lifestyles as common street criminals. They belong to the elite in society, and they are typically individuals employed by legitimate organizations. According to Hansen[iii], individuals or groups commit occupational or elite crime for their own purposes or enrichment, rather than for the enrichment of the organization on a whole, in spite of supposed corporate loyalty.

What Podgor[iv] found to be the most interesting aspect of Sutherland's work is that a scholar needed to proclaim that crimes of the "upper socioeconomic class" were in fact crimes that should be prosecuted. It is apparent that prior to the coining of the term "white collar crime," wealth and power allowed some persons to escape criminal liability.

Bookman[v] regard Sutherland's definition as too restrictive and suggest that white-collar crime is an illegal act committed by nonphysical means and by concealment or guile, to obtain money or property, to avoid payment or loss of money or property, or to obtain business or personal advantage. Furthermore, scholars have attempted to separate white-collar crime into two types: occupational and corporate. Largely individuals or small groups in connection with their jobs commit occupational crime. It includes embezzling from an employer, theft of merchandise, income tax evasion, and manipulation of sales, fraud, and violations in the sale of securities. Corporate crime, on the other hand, is committed by collectivities or aggregates of discrete individuals.

Pickett and Pickett[vi] use the terms financial crime, white-collar crime, and fraud interchangeably. They define white-collar crime as the use of deception for illegal gain, normally involving breach of trust, and some concealment of the true nature of the activities. White-collar crime is often defined as crime against property, involving the unlawful conversion of property belonging to another to one's own personal use and benefit. Financial crime is profit-driven crime to gain access to and control over property that belonged to someone else.

Bucy et al.[vii] argue that white-collar crime refers to non-violent, business-related violations of state and/or federal criminal statues, and they make a distinction between "leaders" and "followers" in white-collar crime.

White-collar crime can be defined in terms of the offense, the offender or both. If white-collar crime is defined in terms of the offense, it means crime against property for personal or organizational gain. It is a property crime committed by non-physical means and by concealment or deception. If white-collar crime is defined in terms of the offender, it means crime committed by upper class members of society for personal or organizational gain. It is individuals who are wealthy, highly educated, and socially connected, and they are typically employed by legitimate organizations.

Characteristics of white-collar crime

White-collar crime is a broad concept that covers all illegal behavior that takes advantage of positions of professional authority and power as well as opportunity structures available within business for personal and corporate gain[viii]:

> Crimes such as embezzlement, fraud and insider trading, one hand, and market manipulation, profit exaggeration, and product misrepresentation on the other, add up to a massive criminal domain.

If white-collar crime is defined in terms of both perspectives mentioned above, white-collar crime has the following characteristics:

- White-collar crime is crime against property for personal or organizational gain, which is committed by non-physical means and by concealment or deception. It is deceitful, it is intentional, it breaches trust, and it involves losses.
- White-collar criminals are individuals who are wealthy, highly educated, and socially connected, and they are typically employed by legitimate organization. They are persons of respectability and high social status who commit crime in the course of their occupation.

In this article, we apply this definition of white-collar crime, where both characteristics of offense and offender identify the crime. Therefore, white-collar crime is only a subset of financial crime in our perspective: White-collar crime is violation of the law committed by one holding a position of respect and authority in the community who uses his or her legitimate occupation to commit financial crime[ix].

White-collar crime contains several clear components:

- *It is deceitful*. People involved in white-collar crime tend to cheat, lie, conceal, and manipulate the truth.
- *It is intentional*. Fraud does not result from simple error or neglect but involves purposeful attempts to illegally gain an advantage. As such, it induces a course of action that is predetermined in advance by the perpetrator.
- *It breaches trust*. Business is based primarily on trust. Individual relationships and commitments are geared toward the respective responsibilities of all parties involved.

Mutual trust is the glue that binds these relationships together, and it is this trust that is breached when someone tries to defraud another person or business.

- *It involves losses*. Financial crime is based on attempting to secure an illegal gain or advantage and for this to happen there must be a victim. There must also be a degree of loss or disadvantage. These losses may be written off or insured against or simply accepted. White-collar crime nonetheless constitutes a drain on national resources.
- *It may be concealed*. One feature of financial crime is that it may remain hidden indefinitely. Reality and appearance may not necessarily coincide. Therefore, every business transaction, contract, payment, or agreement may be altered or suppressed to give the appearance of regularity. Spreadsheets, statements, and sets of accounts cannot always be accepted at face value; this is how some frauds continue undetected for years.
- *There may be an appearance of outward respectability*. Fraud may be perpetrated by persons who appear to be respectable and professional members of society, and may even be employed by the victim.

PricewaterhouseCoopers is a consulting firm conducting biennial global economic crime surveys. The 2007 economic crime study reveals that many things remain the same: globally, economic crime remains a persistent and intractable problem from which US companies are not immune as over 50% of US companies were affected by it in the past two years.

Percentage of companies reporting suffering actual incidents of fraud according to PwC[x] were:

- 75% suffered asset misappropriation
- 36% suffered accounting fraud
- 23% suffered intellectual property infringement
- 14% suffered corruption and bribery
- 12% suffered money laundering

Schnatterly[xi] argued that white-collar crime can cost a company from 1 to 6 percent of annual sales, yet little is known about the organizational conditions that can reduce this cost. She found that operational governance, including clarity of policies and procedures, formal crosscompany communication, and performance-based pay for the board and for more employees, significantly reduces the likelihood of a crime commission.

McKay et al.[xii] examined the psychopathology of the white-collar criminal acting as a corporate leader. They looked at the impact of a leader's behavior on other employees and the organizational culture developed during his or her reign. They proposed a 12-step process to explain how an organization can move from a legally operating organization to one in which unethical behavior is ignored and wrong doing promoted.

Categories of business crime

White-collar crime can be classified into categories as illustrated in Figure 1. There are two dimensions in the table. First, a distinction is made between leader and follower. This distinction supported by other researchers, who found that motives for leaders are different from follower motives. Compared to the view that leaders engage in white-collar crime because of greed, followers are non-assertive, weak people who trail behind someone else, even into criminal schemes. Followers may be convinced of the rightness of their cause, and they believe that no harm can come to them because they are following a leader whom they trust or fear. Followers tend to be naive and unaware of what is really happening, or they are simply taken in by the personal charisma of the leader and are intensely loyal to that person.

Role / Actor	Leader	Follower
Occupational	Occupational crime as leader	Occupational crime as follower
Corporate	Corporate crime as leader	Corporate crime as follower

Figure 1. Categories of white-collar crime depending on role and actor

Next, a distinction is made between occupational crime and corporate crime in Figure 1. Largely individuals or small groups in connection with their jobs commit occupational crime. It includes embezzling from an employer, theft of merchandise, income tax evasion, and manipulation of sales, fraud, and violations in the sale of securities. Occupational crime is sometimes labeled elite crime. It has been argued that the problem with occupational crime is that it is committed within the confines of positions of trust and in organizations, which prohibits surveillance and accountability. Heath[xiii] found that the bigger and more severe occupational crime tends to be committed by individuals who are further up the chain of command in the firm.

Corporate crime, on the other hand, is committed by collectivities or aggregates of discrete individuals. If a corporate official violates the law in acting for the corporation it is considered a corporate crime as well. But if he or she gains personal benefit in the commission of a crime against the corporation, it is occupational crime. A corporation cannot be jailed, and therefore, the majority of penalties to control individual violators are not available for corporations and corporate crime.

In legal terms, a corporation is an unnatural person[xiv]:

> Corporate personality functions between an insentient, inanimate object and a direct manifestation of the acts and intentions of its managers. Nowhere is this duality more problematic than in the application of traditional concepts of criminal law to business organizations. The question of whether business organizations can be criminally liable - and if so, the parameters of such liability - has long been the subject of scholarly debate. Whatever the merits of such debate, however, pragmatic considerations have led courts and legislatures to expand the panoply of corporate crime in order to deter conduct ranging from reprehensible, to undesirable, to merely annoying. In the context of organizational behavior, criminal law is the ultimate deterrent.

Corporations become victims of crime when they suffer a loss as a result of an offense committed by a third party, including employees and managers. Corporations become perpetrators of crime when managers or employees commit financial crime within the context of a legal organization. According to Garoupa[xv], corporations can more easily corrupt enforcers, regulators and judges, as compared to individuals. Corporations are better organized, are wealthier and benefit from economies of scale in corruption. Corporations are better placed to manipulate politicians and the media. By making use of large grants, generous campaign contributions and influential lobbying organizations, they may push law changes and legal reforms that benefit their illegal activities.

Occupational crime is typically motivated by greed, where white-collar criminals seek to enrich themselves personally. Similarly, firms engage in corporate crime to improve their financial performance. Employees break the law in ways that enhance the profits of the firm, but which appears to generate very little or no personal benefit for themselves when committing corporate crime[xvi]:

> There is an important difference, for instance, between the crimes committed at Enron by Andrew Fastow, who secretly enriched himself at the expense of the firm, and those committed by Kenneth Lay and Jeffrey Skilling, who for the most part acted in ways that enriched the firm, and themselves only indirectly (via high stock price).

While legal corporations may commit business crime, illegal organizations are in the business of committing crime. The following differences are often emphasized between organized crime and business crime (i) organized crime is carried out by illegal firms (with no legal status), the criminal market being their primary market and legitimate markets secondary markets, (ii) corporate crime is carried out by legal firms (with legal status), the legitimate market being their primary market and the criminal market their secondary market. Whereas organized crime exists to capitalize on criminal rents and illegal activities, corporations do not exist to violate the law. Organized crime gets into legitimate markets in order to improve its standing on the criminal market, while corporations violate the law so as to improve their standing on legitimate markets.

Criminal opportunities seem to be recognized as an important cause of all crime. Without an opportunity, there cannot be a crime. Opportunities – often combined with pressures – are important causes of white-collar crime, where the opportunity structures may be different from those of other kinds of crime. These differences create special difficulties for control, but they also provide new openings for control.

While occupational crime is associated with bad apples, corporate crime is associated with systems failure. Bad apples theory represents an individualistic approach in criminology, while systems failure theory represents a business approach in criminology[xvii]:

> If the individualistic approach were correct, then one would expect to find a fairly random distribution of white collar crime throughout various sectors of the economy, depending upon where individuals suffering from poor character or excess greed wound up working. Yet, what one finds instead are very high concentrations of criminal activity in particular sectors of the economy. Furthermore, these pockets of crime often persist quite stubbornly over time, despite a complete changeover in the personnel involved.

It is certainly an interesting issue whether to view white-collar misconduct and crime as acts of individuals perceived as 'rotten apples' or as an indication of systems failure in the company, the industry or the society as a whole. The perspective of occupational crime is favoring the individualistic model of deviance, which is a human failure model of misconduct and crime. This rotten apple view of white-collar crime is a comfortable perspective to adopt for business organizations as it allows them to look no further than suspect individuals. It is only when other forms of group[xviii] and/or systemic[xix] corruption and other kinds of crime erupt upon a business enterprise that a more critical look is taken of white-collar criminality. Furthermore, when serious misconduct occurs and is repeated, there seems to be a tendency to consider crime as a result of bad practice, lack of resources or mismanagement, rather than acts of criminals.

The 'rotten apple' metaphor has been extended to include the group level view of cultural deviance in organizations with a ‘rotten barrel’ metaphor. Furthermore, the notion of 'rotten orchards' is pushed to highlight deviance at the systemic level. Punch[xx] notes, "the metaphor of 'rotten orchards' indicate(s) that it is sometimes not the apple, or even the barrel, that is rotten but the *system* (or significant parts of the system)".

Including rotten apple and rotten barrel in Figure 2 expands Figure 1.

It might be argued that there is too much distinction made between bad apples and systems failure, as systems failure can occur because of bad apples. Perhaps a more relevant term might be corporate culture rather than systems failure. A corporate culture that allows fraud to occur exists because of bad apples at the top, thereby creating a rotten barrel. This is consistent with the statement that when serious misconduct occurs and is repeated, there seems to be a tendency to consider crime as a result of bad practice, lack of resources or mismanagement, rather than acts of criminals. Therefore it might be argued that there are bad apples that began the system and perpetuate it.

Actor	Role	Leader	Follower
Occupational	Rotten apple	Occupational apple leader	Occupational apple follower
	Rotten barrel	Occupational barrel leader	Occupational barrel follower
Corporate	Rotten apple	Corporate apple leader	Corporate apple follower
	Rotten barrel	Corporate barrel leader	Corporate barrel follower

Figure 2. Categories of white-collar crime depending on role, actor and level

White-collar crime involves some form of social deviance and represents a breakdown in social order. White-collar criminals tend to apply techniques of neutralization used by offenders to deny the criminality of their actions. Examples of neutralization techniques are (a) denial of responsibility, (b) denial of injury, (c) denial of the victim, (d) condemnation of the condemners, (e) appeal to higher loyalties, (f) everyone else is doing it, and (g) claim to entitlement. The offender may claim an entitlement to act as he did, either because he was subject to a moral obligation, or because of some misdeed perpetrated by the victim. These excuses are applied both for occupational crime and for corporate crime at both the rotten apple level and the rotten barrel level.

Criminal liability for legal entities does normally imply a court sentence of fine or disruption of operations. Criminal liability for a person normally implies a fine or jail sentence.

Research design

To identify a substantial sample of white-collar criminals and to collect relevant information about each criminal, there are several options available. However, in a small country like Norway with a population of only five million people, there are limits to available sample size. One available option would be to study court cases involving white-collar criminals. A challenge here would be to identify relevant laws and sentences that cover our definition not only of white-collar crime, but also required characteristics of white-collar criminals. Another available option is to study newspaper articles, where the journalists already have conducted some kind of selection of upper-class, white-collar individuals convicted in court because of financial crime. Therefore, the latter option was chosen in this research.

There are two main financial newspapers in Norway, “Dagens Næringsliv” and “Finansavisen”. In addition, the newspaper “Aftenposten” regularly brings news on white-collar criminals. These three newspapers were studied on a regular basis from early 2010 to early 2011 to identify white-collar criminals. A total of 57 white-collar criminals were identified during this year. A person was defined as a white-collar criminal if the person satisfied criteria mentioned above, and if the person was sentenced in court. For this study it was considered sufficient that the person was sentenced in one court, even if some of them were recent cases that still had appeals pending for higher courts. A sentence was defined as jail sentence. Therefore, cases of fine sentence were not included in the sample. The total sample is listed in Table 1.

First column lists age of white-collar criminal at court conviction stage, while second column lists age of white-collar criminal at crime stage. Third column lists court sentence in terms of imprisonment years. Next column lists amount involved in the crime in Norwegian kroner (6 Norwegian kroner is 1 US dollar). Next three columns list each criminal person’s income statement in terms of taxable income, tax to pay and net capital worth, all according to public tax lists available to the public for income year 2009. The following columns list persons involved in the crime, business revenue of the organization where the criminal had a role, and the number of employees in the organization where the criminal had a role.

Criminals in Table 1 are listed according to imprisonment years, where the highest is 9 years and the lowest is 0.08 years, i.e. one month in jail.

#	Age1	Age2	Prison	Crime	Income	Tax	Fortune	Persons	Revenue	Employ	Crime
1	52	48	9	1200	30000	4000	0	3	900	200	1
2	72	65	8	70	600000	200000	2000000	3	500	400	5
3	21	20	8	90	0	0	0	1	10	10	1
4	57	52	7	625	0	0	0	200	300	10	1
5	51	48	7	90	30000	3000	0	2	500	400	5
6	59	55	7	1200	80000	11000	0	3	900	200	1
7	55	52	6	200	133000	40000	2000000	1	20	1	1
8	50	47	6	70	252000	83000	0	1	500	400	1

9	50	45	6	16	50000	9000	0	3	1200	800	5
10	54	40	6	100	0	28000	0	3	100	50	1
11	57	43	6	100	120	0	0	3	100	50	1
12	56	42	6	100	0	0	0	3	100	50	1
13	55	45	5,5	172	0	22000	0	4	200	50	1
14	69	67	5,5	85	0	0	0	1	10	2	1
15	35	34	4,8	60	404000	198000	4000000	5	4	1	1
16	51	49	4,75	1	0	7000	1000000	1	100	100	2
17	62	59	4,5	800	12000000	3000000	0	4	500	100	3
18	39	32	4,5	70	400000	100000	400000	3	3	1	5
19	61	54	4	70	100000	100000	0	3	10	10	5
20	51	47	4	3,1	100000	50000	0	3	200	200	4
21	67	64	4	16	180000	41000	471000	3	1200	800	5
22	57	47	3,5	30	638000	248000	0	1	50	40	3
23	47	44	3,5	3,2	0	0	0	5	30	70	3
24	58	56	3,5	12	0	400000	33000000	1	1500	300	5
25	37	35	3	3	668000	279000	0	1	4	1	5
26	60	57	2,6	15	1	0	0	2	20	2	1
27	63	44	2,5	149	0	0	0	5	30	10	1
28	38	34	2,25	63	272000	96000	41000	1	700	600	3
29	56	52	2	2	0	0	0	1	2000	2000	5
30	52	42	1,75	172	0	0	0	4	200	50	1
31	52	48	1,5	100	1400000	1200000	51000000	2	400	200	3
32	62	58	1,5	100	1000000	386000	0	2	400	200	3
33	40	38	1,5	11	1500000	500000	4500000	1	20	20	3
34	64	60	1,5	0,5	0	25000	3000000	2	10	5	3
35	35	30	1,5	200	246	37000	4000000	1	10	1	1
36	57	53	1	800	484000	212000	0	4	500	100	3
37	43	40	1	15	0	0	0	2	10	1	1
38	49	39	1	3,2	700000	300000	0	6	12	12	1
39	47	46	1	0,2	1500000	700000	5000000	3	30	30	4
40	60	54	1	4	900000	400000	0	1	50	5	1
41	43	40	0,9	1,3	1500000	500000	0	3	40	10	3
42	39	36	0,9	1,3	947000	399000	688000	3	10	5	3
43	45	42	0,8	16	15	2	0	3	1200	800	5
44	46	44	0,67	2,5	873000	330000	0	2	10	2	3
45	35	31	0,67	20	0	0	0	4	200	20	1
46	48	38	0,58	172	177000	57000	0	4	200	50	1
47	61	51	0,58	172	433000	162000	90000	4	200	50	1
48	46	38	0,5	6,5	3000000	1000000	8000000	2	15	12	3
49	51	43	0,5	6,5	314000	123000	0	2	10	10	3
50	65	57	0,5	2,7	1000000	500000	7000000	1	300	400	1
51	36	34	0,5	131	287000	103000	508000	1	5	1	1
52	69	61	0,25	800	478000	916000	168000	4	1100	1100	3

53	30	27	0,17	2	337000	116000	62000	2	10	10	3
54	29	26	0,17	2	390000	135000	95000	2	10	10	3
55	70	62	0,12	0,5	700000	400000	0	1	300	400	1
56	59	55	0,09	1200	1000000	505000	4000000	3	1100	900	1
57	56	48	0,08	800	311000	1200000	119000	4	1100	1100	3

Table 1: White-collars criminals in Norwegian financial newspapers 2010/2011

Research results

The average age of white-collar criminals in Table 1 is 51 years old when convicted and 46 years old when committing the crime. Thus, 5 years elapse on average for crime detection and court proceedings. 54 out of 57 convicted criminals are men. The average sentence is 3 years imprisonment, with a maximum of 9 years and a minimum of 1 month (0,08 year).

The average sum of money involved in the financial crime is 178 million Norwegian kroner (30 million US dollars). The average taxable income is 616.000 kroner, which is about 100.000 US dollars. The average tax paid is 265.000 kroner. The average personal wealth is 2.3 million kroner. The average number of people involved in each crime is six persons.

A total of 19 crime cases were detected internally, while 38 cases were detected externally. Internal detection includes cases of internal control and internal audit as well as employees reporting misconduct and crime to control committees or company boards. External detection includes whistle blowing, often followed jointly by media coverage, government control authorities such as financial crime intelligence agencies, stock exchange controls and tax authorities, as well as banks and other financial institutions that are frequent victims of financial crime.

This article addresses the following research question: What differences might be found between white-collar criminals conducting fraud versus white-collar criminals involved in other kinds of financial crime? In Table 1, there were a total of 26 fraud cases. These are labeled 1 in the right-most column. Label 2 is assigned to theft cases, label 3 to manipulation cases such as bankruptcy crime, label 4 to corruption, and label 5 means embezzlement.

Since our sample is indeed limited in statistical terms, all non-fraud cases are classified into the same category for statistical analysis.

Thus we have 26 fraud cases and 31 non-fraud cases in the sample. Results from comparative t-tests are listed in Table 2.

Characteristics	Fraud Cases	Non-Fraud Cases	Significance
Age Convicted	52	50	.642
Age Crime	45	46	.704
Years Prison	3.4	2.4	.147
Financial Amount	240	125	.182
Personal Income	234.000	937.000	.106
Personal Tax	109.000	395.000	.022
Personal Wealth	830.000	3.533.000	.209
Persons Involved	10	2	.265
Organization Revenue	222	431	.090
Organization Employees	112	304	.055

Table 2: Comparative statistics for fraud cases versus other cases

It is interesting to note that there are no statistically significant differences in characteristics for fraud cases versus other financial crime cases. However, the numbers do differ substantially in some aspects:

- Imprisonment for white-collar fraud cases is a longer jail sentence.
- Fraud cases are associated with white-collar criminals with lower official persona income.
- More people are involved in each fraud case.

Discussion

It is interesting to note that the media in terms of newspapers and television programs reveal a substantial number of white-collar criminals. Typically, an individual who is employed in the organization or a supplier to the organization develops suspicion towards an executive. He or she does not choose the internal whistle-blowing strategy, as whistle-blowing typically is supposed to be done to executives that might themselves be involved in the crime, since top executives by whistle-blowers often are confused with a neutral third-party. Instead, he or she gets in touch with a journalist on an anonymous basis.

When comparing to sensational white-collar crime cases especially in the United States, jail sentences in terms of imprisonment years in Norway are quite modest. The average jail sentence of 3 years indicates both that white-collar crime is not considered too serious, and also that jail sentences in Norway are typically limited in the number of years. Cases of child sexual abuse, for example, are normally punished with one or two years, rape three or four years, illegal drug trade five or six years, and murder ten to fifteen years, where typically only eight or nine years are actually served in prison.

In comparison, white-collar offenders in the United States have faced sentences far beyond those imposed in prior years. For example, Bernard Ebbers, former CEO of WorldCom, was sentenced to twenty-five years; Jeffrey Skilling, former CEO of Enron, was sentenced to twenty-four years and four months; and Adelphia founder John Rigas received a sentence of fifteen years, with his son Timothy Rigas, the CFO of the company, receiving a twenty-year sentence. These greatly increased sentences result in part from the employment of the United States sentencing guidelines structure, which includes in the computation of time the amount of fraud loss suffered. Although the sentencing guidelines have some flexibility resulting from the recent Supreme Court decision in United States v. Booker, the culture of mandated guidelines still permeates the structure and, as such, prominently advises the judiciary. Equally influential in these sentences is the fact that because parole no longer exists in the federal system, the time given to these individuals will likely be in close proximity to the sentence that they will serve.

Despite short jail sentences, white-collar crime cases are taken serious by the court system as well as the prison service. Also in the public, there are no excuses accepted for their crime. When released from prison, very few are able to regain their positions in society in terms of prestige, network and financial freedom. When asked what they found to be the worst, whether media attention, imprisonment years, family collapse or financial ruin, answers differ. Many seem to apply techniques based on neutralization theory[xxi].

White-collar criminals in this sample tend to apply techniques of neutralization to deny the criminality of their actions. Examples of neutralization techniques found in interviews with

Norwegian white-collar criminals include (a) denial of responsibility, (b) denial of injury, (c) denial of victim, (d) condemnation of the condemners, (e) appeal to higher loyalties, (f) everyone else is doing it, and (g) claim to entitlement.

It is often expected and assumed that auditors and others in charge of financial control should detect and prevent financial crime in general and white-collar crime in particular. However, as is evident from this sample, auditors are not very good at detecting crime. Rather, the media with its investigating journalists seem to do a better job at detecting white-collar crime.

This research is based on newspaper articles written by journalists. The reliability and completeness of such a source might be questioned. However, most cases were presented in several newspapers over several days, weeks or even months, enabling this research to correct for initial errors by journalists.

There is a lack of generalizability in empirical results presented in this article, not just the Norwegian population, but also to countries other than Norway. Furthermore, future research might focus on stability and change in organizational routines[xxii], as organizational routines and their stability and change influence both fraud and manipulation in white-collar crime.

Conclusion

The purpose of this study was to collect some empirical data on white-collar criminals outside traditional jurisdictions such as the United States. Often labeled the best country to live in, according to the United Nations, Norway does indeed have white-collar criminals as well. Empirical evidence based on newspaper studies suggests that the typical Norwegian white-collar criminal is male, 46 years old when committing the crime, involved in crime for 30 million US dollars, and convicted to 3 years in jail. It is interesting to note that there are no statistically significant differences in characteristics for fraud cases versus other financial crime cases. While no differences between fraud cases and non-fraud cases were found to be statistically different in this study, imprisonment for white-collar fraud cases was a longer jail sentence, fraud cases were associated with white-collar criminals with lower official persona income, and a greater number of persons were involved in each fraud case.

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