Prevention of White-Collar Crime: The Role of Accounting
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1. Introduction

White-collar crime is not as visible as conventional crime and detection is difficult. For instance, in a homicide case, there is generally a body and forensic evidence. In recent years, Hansen (2009) argues that accounting and computer forensics is currently the investigators best tools in detection and implemented in most white-collar investigations. Applications of science and technology to white-collar crime cases is increasing, although keeping in mind that expert opinion cannot be given with absolute certainty as advances in technology have led to a greater dependence on expert testimony in white-collar crime cases.

General accounting and forensic accounting (Baird and Zelin, 2009) are important investigative tools for detection of white-collar crime. However, Carnegie and Napier (2010) found that society's perception of the legitimacy of the accounting profession and accounting professionals has suffered after scandals such as Enron. Hughes et al. (2008: 115) argue that much of the national media in the US has paid attention to corporate scandals where "know-nothing" CEOs and complacent/conflicted auditors missed the accounting frauds:

> In each case, "revelations" abound as to lax corporate control environments and defective or non-existent audit procedures that prevented identification of potential abuses.

This paper is concerned with the following research question: *How will the chief financial officer (CFO) prevent white-collar crime in his or her business organization?* Results from a survey of CFOs in Norway are applied to answer this research question. The paper contains

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the following sections: literature review (white-collar crime, role of whistle blowers, forensic accounting, and analysis of preventive actions), method, findings (influencing and controlling, analysis of preventive actions, and corporate compliance), and conclusions.

2. Literature Review

2.1 White-Collar Crime

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

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 (Benson and Simpson, 2009). 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 and in legitimate organizations (Hansen, 2009).

If white-collar crime is defined in terms of both perspectives, 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 and in legitimate organization. They are persons of respectability and high social status who commit crime in the course of their occupation.

This paper applies 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 (Eicher, 2009).

White-collar crime contains several clear components (Pickett and Pickett, 2002):

> ➤ *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.

These are characteristics that are important in our understanding of the crime as well as the criminal.

2.2 Role of Whistle Blowers

It has been argued that whistle blowing reveals most of the white-collar crime that is prosecuted in court (Eaton and Weber, 2008). According to Pickett and Pickett (2002), policing financial crime is very much concerned with whistle blowing in addition to detection, roles of shareholders and main board, chief executives and senior executives, investigations, and forensics. As a source of suspicion and evidence, whistle blowers play an important role in detecting white-collar crime. However, as one of the respondents in our survey mentioned, it is important for a whistle blower to consider who should hear the whistle blowing:

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

Several respondents stressed the importance of whistle blowing routines by informing trustworthy people such as executives in charge of ethics or external auditors. Some respondents also stress the importance of protection of whistle blowers, as there has been a tendency by chief executives to go after the whistle blower if the whistle blowing was lacking hard evidence (Acquaah-Gaise, 2000: 19):

> Of course while encouraging whistle-blowing we should not create an atmosphere where disgruntled employees find fertile ground to make unsubstantiated allegations against colleagues and superiors.

In 2003, whistle blowers in the USA received $4.1 million in rewards. This is what Tellechea (2008) calls reverse corruption, where individuals and entities are attracted to incentives to uncover and report misconduct by quickly and efficiently giving them a share of any seized funds.

Most people in developed countries are familiar with whistle blowers - people who report misconduct, fraud, corruption and abuse in their own organization. Some organizations make

whistle blowing very difficult and thus less probable. For example, Johnson (2005) found that the police department itself is one of these organizations. She argues that the character of the police department not only makes whistle blowing less likely to occur; it ironically makes it even more necessary. In addition, she demonstrates that resistance from police departments and their retaliation against whistleblowers costs them and the public dearly. According to Porter and Warrender (2009), the prevalence of police deviance is a much-debated statistic and one that is often rife with problems.

Whistle blowing is an important function and whistle blowers are important persons in both private and public organizations to reveal misconduct by employees and executives. It has been argued that some organizations, such as police organizations, make it difficult to be a whistle blower because of the code of silence in some organizational cultures.

According to Johnson (2005), whistle blowing is a distinct form of dissent consisting of four elements: (1) the person acting must be a member or former member of the organization at issue; (2) his or her information must be about nontrivial wrongdoing in that organization; (3) he or she must intend to expose the wrongdoing, and (4) he or she must act in a way that makes the information public. According to Vadera et al. (2009) whistle blowing is the disclosure by organizational members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action.

However, definitions of a whistle blowing act and a whistleblower person vary. For example, a whistleblower may be defined as a person who alleged misconduct. The misconduct may be classified in many ways, for example, a violation of a law, a rule, regulation and/or a direct threat to public interest, such as fraud, health/safety violations, and corruption. The term whistle blower derives from the practice of English police constables, who would blow their

whistles when they noticed the commission of a crime. The whistle would alert both law enforcement officers and the general public of danger. Today, most whistle blowers are internal whistle blowers that report misconduct to a fellow employee or superior within their company. Some whistle blowers turn to the public by telling their story to journalists from the mass media.

Whistle blowing does often still have consequences in terms of retaliation for the whistle blower. Retaliation examples are known from the press and from other research. For example, Bjørkelo et al. (2008) tell the story of retaliation and dismissal of a whistle blower in a Norwegian health organization. The whistle blower blew the whistle internally on unethical coercive treatment of patients. He then blew the whistle externally when the wrongdoing was not stopped. Retaliation followed and culminated with dismissal when the whistle blower refused to accept relocation to a job with no work assignments. He then sued his employer for unjust dismissal and lost in several judicial courts.

In a study of whistle blowing and the code of silence in police agencies, Rothwell and Baldwin (2006, 2007) identified predictors of police willingness to blow the whistle and police frequency of blowing the whistle on seven forms of misconduct. The results indicate that two variables, a policy mandating the reporting of misconduct and supervisory status, surface as the most consistent predictors of whistle blowing. Contrary to popular belief, the results also show that police are slightly less inclined than civilian public employees to subscribe to a code of silence.

Varelius (2009) phrased the question: Is whistle blowing compatible with employee loyalty? Whistle blowing appears to involve a conflict between employee loyalty and protection of organizational and public interest. However, it might be argued that blowing the whistle

about one's colleague's or employer's wrongdoing and being loyal to them serves the same goal, the moral good of the employer.

Varelius (2009) assessed this philosophical argument for the conclusion that the moral problem of whistle blowing is not real. He argues that being loyal to one's employer is not incompatible with blowing the whistle about wrongdoing, because employee loyalty and whistle blowing serves the same objective.

For the future of whistle blowing in organizations, whistle blowing among young employees is of special interest. In a survey conducted by Stansbury and Victor (2009), they found that respondents who were both young and had short organizational tenure were substantially less likely than other respondents to report misconduct that they observed in the workplace to an authority. Based on this research result, they propose that the life-course model of deviance can help account for this attenuation of acquiescence in misbehavior. As employees learn to perceive informal pro-social control during their socialization into the workforce, it might be assumed that they will become more willing to blow the whistle on misconduct.

The Stansbury and Victor (2009) study revealed that young and short-tenured employees do perceive less informal pro-social control, and that informal pro-social control does boost whistle blowing. This is interesting to ethics and compliance officers as well as oversight agencies that are concerned about their ability to detect misbehavior that threatens the organization or its stakeholders. They may wish to devote efforts not only to formulate training that introduces new employees to the organization's standards and systems, but also to enhance new employees' social bonding with others.

Vadera et al. (2009) tried to find more explanations for what differentiates whistle blowers from those who observe a wrongdoing but chose not to report it. They identified the following explanations from other research studies:

- Federal whistle blowers were motivated by concern for public interest, were high performers, reported high levels of job security, job achievement, job commitment and job satisfaction, and worked in high performing work groups and organizations.

- Anger at wrongful activities drove individuals to make internal reports to management. Retaliation by management shifted individuals' focus away from helping their organizations or victims and toward attaining retribution.

- Whistle blowing was more likely when observers of wrongdoing held professional positions, had more positive reactions to their work, had longer service, were recently recognized for good performance, were male, were members of larger work groups, and were employed by organizations perceived by others to be responsive to complaints.

- Whistle blowing was more frequent in the public sector than in the private.

- Whistle blowing was strongly related to situational variables with seriousness of the offense and supportiveness of the organizational climate being the strongest determinants.

- Inclination to report a peer for theft was associated with role responsibility, the interests of group members, and procedural perceptions.

In their review of the whistle blowing literature, Vadera et al. (2009) found that research in this field largely can be divided into studies examining the predictors of the observation of wrongdoing, the antecedents of the actual acts of whistle blowing, the process of whistle blowing, and the factors that predict retaliation against whistle blowers. Figure 1 offers an illustration of the whistle blowing research areas.
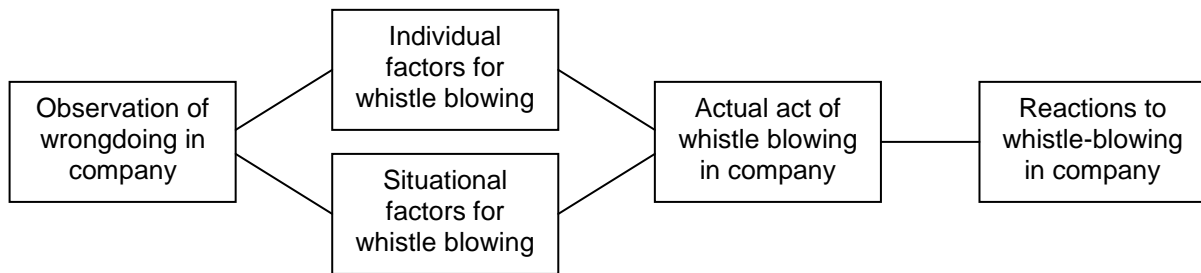
Figure 1. Areas of whistle blowing research

Eaton and Weber (2008) found that whistle blowers can have a significant impact on corporations. When an employee notifies the public of wrongdoing within an organization, unwanted public scrutiny, regulatory action and litigation may arise.

2.3 Forensic Accounting

Forensic accounting is concerned with identifying, recording, settling, extracting, sorting, reporting, and verifying past financial data. The focus of forensic accounting is on evidence revealed by the examination of financial documents. The evidence collected or prepared by a forensic accountant may be applied in different contexts. For example, forensic accounting results can serve as evidence in an internal corporate investigation that leads only to internal discipline, or no action whatever. Forensic accountants are essential to the legal system, providing expert services such as fake invoicing valuations, suspicious bankruptcy valuations, and analysis of financial documents in fraud schemes (Curtis, 2008).

Forensic accounting as a discipline has its own models and methodologies of investigative procedures that search for assurance, attestation and advisory perspectives to produce legal evidence. It is concerned with the evidentiary nature of accounting data, and as a practical field is concerned with accounting fraud and forensic auditing; compliance, due diligence,

and risk assessment; detection of financial statement misrepresentation and financial statement fraud (Skousen and Wright, 2008); tax evasion; bankruptcy and valuation studies; violations of accounting regulations; non-standard entries, structured transactions, records tampering, and earnings mismanagement.

Forensic accountants apply decision aids as well as professional judgment in their work (Chan et al., 2008). Decision aids are technology and systems that offer the potential to improve detection of white-collar crime in accounting. Hughes et al. (2008) argue that strong corporate control environments are critical to responsible and reliable detection of misconduct.

Forensic results can also serve as evidence in a professional disciplinary hearing or other administrative proceedings, such as an administrative enforcement procedure by financial authorities. As evidence in some phase of a criminal action, the weight of that testimony will depend on a number of factors, the most important of which according to Curtis (2008) is whether the forensic accountant can be qualified as an expert and whether the opinion the accountant seeks to proffer actually qualifies as an expert opinion. When forensic accounting is applied as document study, it is typically combined with interviews and observations, thereby integrating behavioral aspects into forensic accounting (Ramamoorti, 2008). Forensic accounting is emerging as a specialist discipline (Kranacher et al., 2008).

Financial crime such as fraud can be subject to forensic accounting, since fraud encompasses the acquisition of property or economic advantage by means of deception, through either a misrepresentation or concealment. Forensic examinations include consideration of digital evidence, including communications (Curtis, 2008).

To develop investigative knowledge in the area of forensic accounting, Kranacher et al. (2008) suggest a model curriculum consisting of several concepts such as basic accounting,

basic auditing, transaction processing, business law, business communication and computer skills. The purpose of such a curriculum is to build knowledge, skills and abilities in forensic accounting to combat white-collar crime.

2.4 Analysis of preventive actions

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 (Bookman, 2008). Occupational crime is sometimes labeled elite crime. Hansen (2009) argues 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 (2008) 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.

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 may generate very little or no personal benefit for themselves when committing corporate crime (Heath, 2008). Corporate crime is enacted 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 (Bookman, 2008).

Corporations become perpetrators of crime when managers or employees commit financial crime within the context of a legal organization. According to Garoupa (2004), 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.

In our empirical survey, we study how the chief financial officer (CFO) will prevent white-collar crime in his or her business organization. Implicit in CFO responses we may find the assumption of occupational crime or corporate crime.

Only a few responses might be interpreted as being concerned with corporate crime, for example where respondents are stressing division of labor, openness, transparent work processes, and corporate culture.

The imposition of criminal liability on organizations formed to engage in business is neither simple nor intuitive. Therefore, Robson (2010: 144) suggests rehabilitating retribution as a goal of organizational criminal liability:

> Reinvigorating retribution does not imply that deterrent goals should be eliminated or ignored. To the contrary, rehabilitating retribution as a legitimate goal of organizational criminal liability will give new focus to a system, which is sorely misdirected.

In this perspective, it comes as no surprise that most respondents implicitly assumed occupational rather than corporate crime when responding to the question how to prevent white-collar crime.

3. Method

The research was carried out by a web-based questionnaire combined with a letter to the largest business organizations in Norway. For this empirical study of white-collar crime, the five hundred and seventeen largest business companies in terms of annual sales turnover were identified in Norway for our empirical study of white-collar crime. A letter was mailed to the chief financial officer asking him or her to fill in the questionnaire to be found on a web site using a password found in the letter.

Sixty-five respondents filled in the questionnaire after the first letter, 45 responses were received after a reminder, and another 31 responses were received after a second reminder for a total of 141 complete responses. Out of 517 potential responses 141 responses were completed for a response rate of 27 percent. The survey web site was open to responses from January to April in 2010.

Average number of employees	1.719 persons
Average age of respondent	46 years
Average higher education of respondent	5,1 years
Number of men	117
Number of women	14

Table 1. Characteristics of survey sample

The average number of employees in the 141 business organizations with complete answers was 1.719 persons as listed in Table 1. The largest responding firm in terms of employees had 30.000 persons i their staff.

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

4. Findings

The open-ended question in the questionnaire to the CFO about prevention of white-collar crime was formulated as: *How can w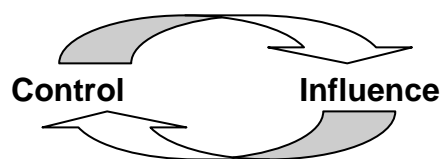hite-collar crime best be prevented in your company?* Responses were classified by applying content analysis, which is a technique for interpreting words, combination of words, and complete sentences (Riffe and Freitag, 1997). In the first round of text reading, potential topics were identified.

Two main topics were identified. The first group of responses is concerned with the ability to control by means of efficient and effective control routines, transparent guidelines, reactions and consequences for offences and misconduct. This main topic is labeled the reactive strategy in prevention of white-collar crime.

The other group of responses is concerned with the ability to influence by means of values and ethics, recruitment and hiring processes, attitudes of integrity and accountability, and visible and determined leadership. This other main topic is labeled the proactive strategy in prevention of white-crime.

Based on the discussion of self-regulation in prevention of white-collar crime, self-regulation in companies is conceptualized as consisting of both the reactive as well as the proactive strategy. Thus, self-regulation consists of control and influence as illustrated in Figure 2.

Figure 2. Self-regulation in companies for prevention of white-collar crime

Control   **Influence**

The open-ended question in the questionnaire to the CFO about prevention of white-collar crime was formulated as: *How can white-collar crime best be prevented in your company?* Examples of control statements provided by respondents include:

- *"Good internal control"*
- *"Banks have a relatively strong regulation regime, external + internal auditor, finance authorities, compliance and risk controllers, control committee, auditing group and money laundering regulation"*
- *"Good control routines and internal procedures"*
- *"Access control and reliable approval procedures"*
- *"Control routines with division of responsibilities"*
- *"Efficient systems and routines, regular internal controls"*
- *"Implement effective control systems"*

Examples of influence statements provided by respondents include:

- *"Continuous work on culture - values - ethics, show zero tolerance in relation to misconduct"*
- *"Openness with contacts and financial information"*
- *"Attitudes of honesty and accountability as a culture in the company at all levels"*
- *"An explicit and visible leadership that monitors the organization"*
- *"Good hiring procedures"*
- *"Focus on ethics, where management is a good example in all situations"*
- *"Build common culture, behavior, set of values and company identity"*

4.1 Influencing and controlling

We find an even distribution among control and influence, but the majority in this second round emphasizes influence to prevent white-collar crime. In total, the following distribution for all 94 respondents that filled in this open-ended question was as follows:

- *Control*. 45 out of 94 respondents would focus on controlling and auditing, thus 48% for control.
- *Influence*. 49 out of 94 respondents would focus on influencing and behavior, thus 52% for influence.

In terms of self-regulation, respondents who emphasize influence are slightly more numbers than respondents who emphasize control. Few respondents seem to emphasize the need to

analyze risks before deciding to control or influence. Most responses are formulated in a way that indicates a victim perspective rather than an offender perspective.

After the second and final mailing of reminders, 17 more responses to this question were obtained, where 9 emphasized control and 8 emphasized influence. Therefore, we have in total the following results:

1. *Influencing*. This is a proactive measure. 49 out of 94 respondents would focus on influencing and behavior, thus 52% in favor of influence. Influencing might be to demonstrate a behavior in top management that considers ethics before running for short-term profits, to have open processes and dialogues internally and externally with vendors and customers, to establish corporate values of openness and trust, to initiate awareness campaigns for all employees, to demonstrate zero tolerance towards white-collar crime, to build actions on solid knowledge, and to practice transparent empowerment.

2. *Controlling*. This is a reactive measure. 45 out of 94 respondents would focus on controlling and auditing, thus 48% in favor of control. Controlling might be to continuously improve internal control routines, to implement strong authorization procedures, to practice segregation of duties, to adhere to the 4-eyes principle in approval of invoices and payments, to perform audit on both regular and irregular basis, to introduce complaints to the organization, to divide work into processes and sub-processes including control, to implement policies for behavior and consequences for misconduct, to frequently update passwords and access rights, and to develop control expertise.

4.2 Analysis of preventive actions

Riffe and Freitag (2007) argue that several experts in the field should conduct content analysis so that the classification of themes in terms of preventive actions becomes more robust. Therefore, the initial classification into two dominating themes of control and influence was further explored in this research by including classification by several independent experts. Experts are knowledge management scholars in white-collar crime and policing.

Expert 1

Controlling and influencing are the two dominating approaches to prevent white-collar crime as suggested by CFOs in this survey. There is a pattern of either stressing the value of the formal, routines, systems, controls, or on the other hand, the more informal where such issues as finding the right persons, having a good culture, open climate, responsibility and similar issues are stressed. Furthermore, a difference can be found in the responses in terms of whether or not this is primarily an internal matter or whether external aspects should be in the forefront. The internal dimension is concerned about what the company can do it self, and what it can do to obey laws and follow regulations. The external is important where criminal acts are identified, because crime leads to external pressure, punishment and reputation loss.

Expert 2

When the dichotomy of controlling and influencing is broken down in to more categories, the following categorization emerges:

> - Auditing and control
> - Culture, values and attitudes
> - Work procedures
> - Monitoring and feedback
> - Leadership

As already emphasized, a great number of chief financial officers focus on rigid routines and control mechanisms, both external and internal auditing, and development, implementation and consequences of regulations, rules and routines. Many respondents mention these issues also in association with issues such as values, attitudes and a healthy corporate culture. Again others mention preventive measures, influencing attitudes and behaviors. Some are more balanced by stressing both the importance of prevention through transparent processes and development of culture, as well as efficient and effective internal and external auditing and control. Many are concerned with ethical guidelines that need to be implemented and imply consequences by misconduct. Finally, some respondents emphasize the importance of visible and ethical leadership in top management and the board.

Based on a broader categorization of all responses, content analysis leads to the following number of incidents for each category:

- *75 control responses*: control, audit, routines, rules, guidelines, procedures and policy.
- *49 culture responses*: prevention and development of organizational culture, values and ethics.
- *35 process responses*: work procedures, transparent processes, division of labor, 4 eyes principle.
- *33 consequence responses*: handling of misconduct, zero tolerance by deviance.
- *22 openness responses*: openness about the white-collar crime problem by talking about it.
- *16 ethics responses*: ethical guidelines.
- *14 leadership responses*: visible leadership, top management commitment, board responsibility.
- *11 competence responses*: development of competence, training, recruitment.
- *3 whistle responses*: whistle blowing and protection of whistle blowers.

Expert 3

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

1. Organizational culture, values, ethics and attitudes.
2. Administrative systems, processes, management systems, rules and routines.
3. Internal control and other control routines.

4. Leadership, role models, open discussions, value-based management
5. Reactions, sanctions, whistle blowing, punishment, law enforcement.

An analytical framework as illustrated in Figure 3 might be applied to classify actions of prevention. A distinction is made between formal and informal measures. Values, attitudes and behaviors are informal actions, while guidelines, code of conduct and rules are formal actions. There is some belief that informal sanctions (i.e. expulsion from professional community) in conjunction with fear of formal punishment prevent most individuals from committing crimes. However, unlike their street crime counterparts, white-collar criminals rarely receive long prison sentences (Hansen, 2009). A distinction can also be made between actions that are aimed at individuals and actions that are aimed at part of or the whole organization.

Figure 3. Analytical framework to classify preventive actions

	Preventive Actions and Initiatives		Follow-up Routines and Controls		Sanctions and Law Enforcement	
	Formal	Informal	Formal	Informal	Formal	Informal
System perspective/ **Administration/** **Routines/** **Procedures**						
Management perspective/ **Leadership in action**						

Expert 4

Clearly, their suggestions can be organized in two main actions that, related to their own experience, will help and serve as crucial guidelines against white-collar crime. First, it is mainly a question of control and internal routines that are organized in relation to control oriented goals. Control involves several colleagues in all operations and work routines were employees might have the opportunity of financial criminal behavior. It is also important to have a continuing focus on control, meaning that new routines is developed and existing routines are questioned, in accordance to an overall focus on control. Second, the organization has to work on attitudes towards white-collar crime. Consequently, the chief financial officers argue that zero tolerance is necessary to prevent financial crime. That means to create a necessary awareness of ethical guidelines and discussions of possible "grey zones" when it comes to what white-collar crime is. So, one hand, the organization has to work on control and internal routines that consequently involves several employees. On the other hand, the organization must create necessary awareness and a common understanding of attitudes of zero tolerance against white-collar crime. Several suggestions are believed to be crucial to achieve these two main goals. Related to control, the suggestions are more openness and thus, more employees are involved and now what is going on. Also, stronger reactions and sanctions are suggestions to prevent others for considering own possibilities and opportunities for white-collar crime. Related to attitudes, value-based leadership is an overall leadership form that will work positive towards consciousness and zero tolerance of white-collar crime. Value based leadership is believed to have necessary focus on ethical guidelines and an overall understanding of how to prevent and work on suspicions of white-collar crime. Important is leaders as positive role models, practicing value based leadership.

Expert 5

The main points in the list of responses might be summarized as follows:

- Management must themselves behave ethically and focus on ethics
- Management must care in action
- Business conduct guidelines are needed that explicitly state what is acceptable and unacceptable conduct and possible consequences
- Internal control must be efficient and effective
- Managerial roles should be rotated over time
- Board information should come from more than one source (CEO)
- Shareholders should be actively involved in ownership governance

While most experts seem to have extracted their findings from survey responses, expert 5 seems to have included his own opinions that reduce the value of his classification. A final classification based on researchers' as well as experts' evaluation seems to emphasize the following preventive actions:

1. Reactive formal actions in a systems perspective in terms of audit and control
2. Reactive informal actions in a management perspective in terms of rules and codes
3. Proactive formal actions in a systems perspective in terms of guidelines and work procedures
4. Proactive informal actions in a management perspective in terms of values and ethics.

4.3 Corporate Compliance

Control and influence as two main approaches to combating white-collar crime are in line with findings made in a study by Bucy et al. (2008). The study indicates that there are four characteristics of organizations that discourage criminal activity. First, the corporation is not only driven by the bottom line. There is no overriding focus on profit and meeting numbers. Next, an effective corporate compliance plan prevents fraud and other kinds of white-collar crime. Third, effective internal control is assured with a strong and independent board, presence of both internal and external auditors, appropriate checks and balances throughout the company, and a recentralized management structure. The final characteristic is whether an organization discourages crime in the corporate culture. When management sends the

message that questionable behavior will not be tolerated, the corporate environment is less likely to be exposed to crime. While compliance plan and internal control have to do with controlling, bottom-line reluctance and corporate culture has to do with influencing.

In the empirical study by Bucy et al. (2008), most participants stressed a well-implemented compliance and ethics program as most important to discourage and prevent white-collar crime. The key components of an effective compliance program are: an anonymous hotline for reporting suspect behavior, routine training for employees, proper oversight, and swift punishment of those involved in detected crime. The second most consistently cited corporate characteristic identified by participants was the corporate culture dictated by strong management. A true commitment to compliance and ethical conduct by upper management that permeates all levels of the company is a key in ensuring law-abiding behavior within an organization. In third place among participants came strong internal and external controls, and then finally supplementing bottom-line focus with integrity and accountability focus.

Bucy et al. (2008) also studied qualities of corporate leaders who encourage law-abiding behavior. A strong sense of personal integrity was the theme mentioned by most study participants when asked what characteristics chief executives should possess to encourage law-abiding behavior within a company. Integrity, honesty, and an intact moral compass are important qualities. A demonstrated commitment to community service and social concerns is an important quality as well.

Many responses to open-ended questions from CFOs mention compliance:

- *"Raised the issue immediately with compliance leader and checked that it is followed through. Perhaps also inform chairman of the board if lack of response".*
- *"We hare systems for reporting internally where we both can inform anonymously or with full name. In addition I would as a first step inform the compliance officer or CEO"*
- *"Compliance officer will be informed"*
- *"Inform corporate compliance executive who has the right to ask for direct access to the board"*

> ➤ *"Banks have relatively strong oversight regime; external + internal auditor, finance authority, financial, compliance and risk controller, control committee, auditing committee and also money laundering responsible"*
> ➤ *"Introduce compliance organization, introduce P2P processes and also an open and continuous communication around dangers that something can happen and educating what to do if something should happen"*
> ➤ *"Compliance, ethics, whistles possibility"*

Gabel et al. (2009) argue that corporate compliance programs never have offered a complete defense to liability, but they have emerged to focus on the prevention of illegalities. As the business enterprise became increasingly important in society, self-regulation became more common within corporations and across industries. Corporate compliance is required from corporate citizenship, where corporate citizenship describes the role of the corporation in administering citizenship rights for individuals and promoting socially responsible conduct. When doing so, corporations take on similar responsibilities as individual citizens. Good corporate citizens, like private persons, are expected to obey the law and contribute to the functioning of society.

Gabel et al. (2009) studied whether corporate citizenship in the form of volunteerism may have positive consequences for legal compliance. Their study is one of the first attempts to empirically associate potentially unrelated aspects of a firm's corporate citizenship activities and obligations and to connect such behavior with legal decision making. They found a relationship between the extent of volunteering and compliance intentions for one compliance scenario, indicating some limited initial support for their contention that spirit-of-the-law ethical programs and letter-of-the-law compliance may be intertwined and should be considered in concert.

5. Conclusion

Accounting plays an important role in auditing and other kinds of controls to combat white-collar crime. Half of the respondents in the presented survey are arguing that control is the most important means by which white-collar crime is prevented and detected. However, the other half of the respondents believe that influence is more important in terms of ethical guidelines and other measures.

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