

INDIVIDUAL WHITE COLLAR CRIMES AGAINST THE ORGANIZATION

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Objective of Study

The objective of this research proposal is to investigate and assess the relative importance of many factors which motivate an individual in a position of trust and responsibility within an organization to commit white collar crimes against that organization.

The main hypothesis of this proposed research is that, contrary to popular belief, white collar crimes are not solely motivated or determined by the personality and demographic characteristics of the individual criminal; but that the prevalence of white collar crimes committed against the organization is a combination of three sets of factors only one of which is the personal characteristics of the individual criminal. These factors are briefly enumerated below.

Perhaps the single most important factor in our opinion, is the opportunity an organization provides for temptation to the individual. There are a number of opportunity characteristics which vary from organization to organization, and which encourage or discourage the individual's tendency to commit white collar crimes against the organization. Most of the opportunity characteristics relate to organization's managerial and administrative procedures. These include degree of automation, supervision structure and organization control, audit and accessibility of individuals to crime prone activities related to flow of things of value such as money, credit, products, parts, and maintenance items.

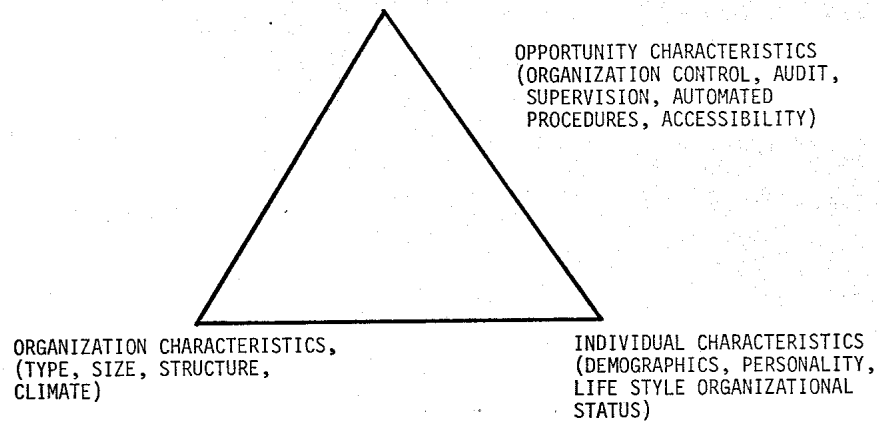
A second major factor, we believe, is the organization characteristics. Some organizations, by the sole reason of being in a given industry or economic activity, tend to be more white collar crime prone than others.

Furthermore, often a given industry over a period of time resigns to the fact that it is an inevitable fact of life and there is nothing they can do. With this resignation to inevitability, often legitimization sets in and, therefore, makes that industry more white collar crime prone. We believe that a number of organization characteristics tend to encourage or discourage an individual from committing white collar crimes. These include the type of industry the organization belongs to, size of the organization including its location characteristics, and organizational climate which refers to the employer-employee relationships and attitudes about each other.

The third major factor, but not as important as the first two factors, is the individual characteristics of the person dealing with the organization. Even though an organization may provide the opportunity by having poor managerial control or by being in a crime prone economic activity or industry, not all individuals will be either willing or capable of taking advantage of the opportunity. In other words, given that an opportunity exists, it takes certain skills, courage, confidence and initiative on the part of the individual to capitalize on the opportunity. Thus, while opportunity characteristics and organization characteristics are necessary conditions, the sufficient condition is the individual characteristics. The individual characteristics include the person's demographics (sex, age, education, race, and economic status), personality variables (power, dominance, aspiration, vigor, and sociability), life style patterns (spendthrift, playboy, career oriented, family oriented, etc.) and organizational position (status, role, title, responsibilities) of the individual.

The following diagram reflects the triumvariate relationship between the individual, opportunity and organization characteristics.

WHITE COLLAR CRIME = F (INDIVIDUAL, ORGANIZATION, OPPORTUNITY FACTORS)



We believe that the policy implications will be substantially different depending upon which of the three major factors are the prime determinants of white collar crime. For example, if the individual characteristics are the prime determinants, the policy implications are mostly long-term recommendations of reeducation and rehabilitation of white collar crime-prone individuals. As a preventative policy, it would require prior screening and job allocation and supervision procedures which may be illegal or even unconstitutional. On the other hand, if the opportunity characteristics dominate as the prime determinants of white-collar crime, there are many direct and relatively short-term policy recommendations such as changes in the accessibility, supervision and auditing procedures as well as man-machine interface changes. Finally, if the white collar crimes are primarily determined by the organization and industry characteristics, we would expect a high degree of skewness and concentration of white collar crimes in some specific industries such as trade, real-estate and finance industries where cash is directly involved in transactions. This suggests

some intermediate-range strategies of isolating the white collar crime prone industries and organizations, and developing industry specific procedures for minimizing specific type of white collar crime.

In view of the fact that opportunity and organization characteristics are both necessary conditions as well as amenable to short-term policy recommendations and changes, we hope to develop the following segmentation grid as an outcome of the study.

TYPES OF OPPORTUNITY CHARACTERISTICS

	1	2	3	4	etc.	p
1						
2						
3						
4						
etc.						
h						

Based on similarities and differences in terms of organization characteristics, we hope to cluster various organizations into homogeneous subgroups, utilizing several multivariate techniques such as cluster analysis and AID analysis. Similarly, we hope to cluster the same observations based on similarities with respect to opportunity characteristics. Finally, we expect to cross-tabulate the two types of clusters of observations in the hope of identifying some relationships between types of opportunity and types of organization.

The above segmentation grid will identify specific organizations and industries whose managerial procedures tend to generate better opportunities to commit certain types of white collar crimes. This knowledge then can

be effectively utilized in designing and implementing crime preventive policy changes.

Review of Literature

No one knows precisely how much white collar crimes such as fraud, embezzlement, tax evasion, and bribery cost U.S. business organizations yearly. Estimates vary greatly (6, 8, 9), but one conservative estimate reported by a 1967 Presidential Commission was \$1.3 billion for fraud and \$200 million from embezzlement. This amount exceeds the loot from conventional robberies and burglaries by at least 5 times (9).

Individual white collar crimes against business cost not only the business organizations, but cost the consumer and the economy as well. These crimes add nearly 15 percent to consumer prices, and account for about 30 percent of all business failures (6).

And white collar crime is on the rise. The FBI reported that nationwide arrests for fraud and embezzlement shot up by 86 percent between 1960 and 1971, while arrests for forgery and counterfeiting rose by 50 percent during the same period (9).

Previous scholarly literature focusing on the problem can be classified into the following categories: 1) Definitions and theories of white collar crime; 2) Impressionistic observations of deterrents of white collar crime; and 3) Impressionistic observations and empirical research of correlates of the crime, especially characteristics of the white collar criminal.

Most scholars generally agree with the essential elements of the definition offered by Sutherland (14, 15, 16) in his pioneering work on white collar crime: "crime committed by a person of respectability and high social status in the course of his occupation." Quinney (2) subdivided white collar crimes into occupational and corporation crimes.

Occupational crimes are committed by individuals for themselves in the course of their occupation, and by employees against the corporation. Corporation crimes, on the other hand, are committed by agents of the corporation against the general public. It is occupational white collar crime which is the focus of the proposed research.

Sutherland (14) ruled out frustration or the profit motive as explanations of white collar crime since they are drives also characteristic of lawful behavior. He theorized that white collar crime is learned in direct and indirect association with persons who had practiced the same behavior previously and are relatively isolated from those who oppose such behavior.

There is little agreement as to effective deterrents for white collar crimes. Fines, jail sentences, or removal from their position of trust in the organization vary across individuals as to their value as a deterrent (11, 13).

The findings of two empirical studies of the correlates of white collar criminal behavior are reported below. Cressy (3) in 1953 interviewed 133 persons imprisoned in the U.S. for violations of trust and found three factors common to all cases. They are listed below and their relationship to the determinants of white collar crime as hypothesized in the proposed research are given in parentheses: 1) Nonsharable financial problem (individual characteristic); 2) Knowledge of how to violate and an awareness that the problem could be secretly resolved by violating their position of trust (opportunity characteristic); and 3) Rationalization about the violations (individual characteristic).

Spencer (13) in 1959 interviewed 30 white collar criminals at Leyhill Prison, England. He found that they were characterized by upward mobility, risk-takers, stress in occupational role, an "everybody does it" attitude, high occupational class, high-school education, over 45 years, married,

and male. The organization in which the crime was committed was characteristically a professional or small business, dealing in property or real estate, and bankrupt. Characteristic opportunities within the organization for committing the crime included single management or partnership, and plentiful financing with a 1 to 10 asset-liability ratio.

Very little empirical research on the determinants of white collar crime exist, and that which is available suffers from the following limitations: 1) Outdated; 2) Sample size of violators is small; 3) Nonrepresentative sample of violators because they were the ones who were caught and sentenced; and 4) Nonrepresentative sample of industries and sizes of organizations. Furthermore, previous methods of investigation did not allow for determining the relative extent to which individual, organization, and opportunity characteristics are important in precipitating white collar crimes. The proposed research will overcome the limitations of previous empirical studies and accomplish its stated objectives using the scientific survey methodology outlined in the following section.

Plan of Study

In order to achieve the objective of this proposed research, we plan to do the following:

1. Select target organizations based on past research review and representative of the Standard Industrial Classification (SIC) so that generalizations can be made to the population of U.S. industries and organizations. We hope to conduct a pilot study with 15 to 20 security directors of organizations as well as individuals convicted of white collar crimes in the past. This pilot study along with literature review will become the basis for sampling and questionnaire content. We believe

that the sampling procedures will involve both probability sampling augmented by some minimum sample size considerations for certain types of organizations such as not-for-profit organizations, service organizations, etc. At present, we plan to have a sample of 1000 organizations.

2. Conduct personal interviews with the security directors and personnel managers of the sampled organizations. The personnel interviews will be conducted with a structured questionnaire developed based on pilot study and properly pretested. The structured questionnaire will gather information on the prevalence and type of white collar crimes, the existing procedures and administrative controls, as well as information about the organization and industry characteristics.

3. Obtain names of individuals convicted of white collar crimes both from the security and personnel directors of the sampled organizations as well as from public records. Match the individuals to the organizations and attempt to interview them. It is possible that we may not be able to reach all the individuals. However, effort will be made to reach at least one individual per organization. The selection will be based on recency of criminal act. The individual will be interviewed with respect to his personal characteristics including demographics, life style, personality and organizational status or position at the time of committing the criminal act. In addition, the individual will be asked to describe his perceptions of opportunity characteristics as well as organizational characteristics which motivated him to commit the white collar crime.

4. The data will be analyzed in several ways. The first, and the simplest, analysis will consist of examining frequency distributions, estimating the levels and types of white collar crimes, and cross tabulating them with industry and organization characteristics. A second, and more

sophisticated analysis, will consist of developing a predictive model of white collar crimes as a function of individual, organization and opportunity characteristics. This will be a two-stage analysis consisting of factor analysis and multiple regression analysis to reduce large number of variables to a fewer underlying dimensions as well as to remove multicollinearity and other statistical problems associated with model building. The second stage consisting of the regression model will enable us to determine the relative influences of the three factors.

The third set of analyses will consist of clustering and developing typologies of white collar crime prone organizations. This will be then correlated with the typology of crime opportunity to examine the question of which organizations are more susceptible to white collar crimes and what set of opportunity factors are prevalent to provide temptations for white collar crimes.

Budget Estimates

The following is a preliminary estimate of the budget for the project.

1. Literature review and pilot interviews		
with 15 security personnel and convicts		5,000.00
2. Personal interviews with security and		
personnel directors in 1000 organizations		60,000.00
3. Personal interviews with 1000 individuals		
convicted of white collar crimes		50,000.00
4. Pretesting and development of questionnaires		5,000.00
5. Analysis of data		
a. Computer time	8,500.00	
b. Research assistant		
½ FTE for one year	<u>4,000.00</u>	12,500.00

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6. Project coordinator's salary $\frac{1}{2}$ FTE for two years	15,000.00
7. Principal investigator's salary $\frac{1}{4}$ FTE for two years	20,000.00
8. Travel expenses for two years	6,000.00
9. Typing, printing and miscellaneous for two years	<u>6,000.00</u>
TOTAL	\$179,500.00

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