

## **WHITE COLLAR CRIME: CAUSES AND PREVENTION**

**ROBERT J. PAUL**

**BRIAN P. NIEHOFF**

*Kansas State University*

### **ABSTRACT**

White-collar crime is a ubiquitous and extremely costly problem for American business and industry. To understand better what organizations can do to prevent white-collar crime, theories of white-collar crime were categorized as taking either an internal or external attribution of the causes of such crimes. Internal, or individual-focused, theories seek to identify characteristics of the individual that might predict criminal behavior. External, or situation-focused, theories examine processes of organizations that might have motivated or allowed perpetrators to commit white-collar crimes. Using these categories, implications are discussed, and prevention techniques are suggested.

The term white-collar crime conjures up images of high-level executives concocting sensational schemes using advanced computer technology to perpetrate massive fraud. These crimes reach media headlines, promoting beliefs that most business executives are crooks, since the only time white-collar crime heard of is in connection with such individuals. The recent scandals concerning Enron and Andersen have once again focused national attention on white-collar crime.

While the media have raised concerns about the executive level, research on corporate crime suggests an even more dismal story of daily looting by rank-and-file employees of company cash and assets estimated to exceed \$400 billion annually [1]. Data from criminologists and business analysts revealed that a

significant percentage of corporate employees will steal from their company if they get a chance, especially if they think there is little chance of getting caught [2]. A study by the Association of Certified Fraud Examiners estimated that the average American corporation loses about 6 percent of its annual revenues to fraud, and it also showed that corporate insiders had committed five times as many acts of fraud as outsiders had [1]. A 1996 international fraud survey by a Big Six accounting firm found that 61 percent of the responding firms had been subjected to fraud in the past year [1].

As shocking as these statistics are, it is even more disturbing to learn that 64 percent of the respondents to an anonymous survey who admitted theft of their company's assets felt no guilt [2]. The common justification for their behavior was that they had committed no crime since there was no real victim. Many rationalized that the company took advantage of its employees and deserved retaliation by employees. This rationalization not only offers an explanation for the large and increasing scale of white-collar crime [2], but it also suggests that at least a percentage of white-collar crime might be preventable. If such crimes are committed for retaliatory purposes, what are organizations doing that trigger criminal acts? More importantly, can organizations and managers recognize when their own practices might elicit criminal responses from their employees?

The purpose of this article is to examine the research on white-collar crime, seeking to better understand its theorized causes. We begin with descriptive material on the causes. Then we review the relevant theories that lead to a model of causes attributed. We close by using the model as a basis for prevention techniques.

### **WHITE-COLLAR CRIME DEFINED**

Bintliff defined white-collar crime according to the definition used by the United States Department of Justice:

White-collar crimes are illegal acts characterized by guile, deceit, and concealment, and not dependent upon the application of physical force or violence or threats thereof. They may be committed by individuals acting independently or by those who are part of a well-planned conspiracy. The objective may be to obtain money, property, or services; to avoid the payment or loss of money, property, or services; or to secure business or personal advantage [2, p. 8].

An important point to remember with regard to this definition is that the focus is on the technique used for committing a crime. The technique used for committing a variety of statutory crimes determines whether they qualify as white-collar crimes. This description avoids the implication that the problem of white-collar crime can be solved only by criminal proceedings and sanctions.

### Essential Elements of White-Collar Crime

To qualify as a white-collar crime where a business organization is the victim requires the following elements:

- 1) *An intent to commit a wrongful act.* The perpetrator must be involved in an illegal activity or at least a legally gray area. Intent is normally inferred from statements and/or acts of the perpetrator and from efforts to avoid detection and to deceive the victim.
- 2) *Guileful actions—secrecy and disguise of purpose.* This element involves the character of the perpetrator's conduct or activity while implementing the plan. Unlike common crime, where the intent is established by a clearly overt act, white-collar crime involves a disguised purpose or facade of legitimacy that becomes the overt act. White-collar offenders must plot secret ways of carrying out company theft and must rationalize their acts as legal and permissible.
- 3) *Deception.* This distinctive but less-obvious element involves the victim company's unwitting cooperation. Thus, the offender disguises his/her intent to assure that the company cannot or will not investigate the accuracy or completeness of every detail of his/her activities. An embezzler might make a special effort to appear frugal and austere to avoid suspicion if unexplained losses appear. Deception supports the intent element in proving criminal activity.
- 4) *Continued concealment of the act.* Even when there is no intent to continue or repeat a white-collar crime, continued concealment is necessary to avoid detection. Continued concealment may lead to new crimes to cover old crimes. The ideal act of concealment is one that, if detected, will appear as an honest error. The victim company unwittingly cooperates in continued concealment by providing the offender with opportunities.
- 5) *No physical force or threats.* Victims of white-collar crime experience no hint of physical violence or threat to their well-being at the time the crime is perpetrated. There may be a threat to the company's profitability and continued operation at a later time, but such threats are not a part of the initial offense.
- 6) *An objective of personal gain.* This is the motive for committing the crime. The objective of personal gain may not be limited to money or property but may include personal advantage. For example, falsifying records may create an impression of incompetence or dishonesty and thereby give one individual an advantage over a competitor.

Why do people engage in white-collar crime? The list of reasons offered by experts suggests a number of different possible motives [2-6].

- 1) *There is no real harm or victim.* The corporation is large and impersonal, and it garners no feeling of loyalty, since it is an abstract entity rather than a

collection of real people. The white-collar criminal can easily rationalize that there is no harm since there is no victim. S/He has little or no identity with the company and no pride in his/her work.

- 2) *Beating the system is exciting and challenging.* For some employees it is thrilling to outsmart the system. They may be bored or frustrated with their work and seek excitement through deviant behavior. The individual may see himself/herself as smarter than others and gain some fantasy or fiendish delight from detective games with the company's accountants. This kind of behavior may be more prevalent when the company is cutting back or in an austerity program. The incidence of computer crimes may be examples of thrill seeking behavior [6].
- 3) *It is not perceived as criminal behavior.* Since there is no perception of a real victim and there are no force, threats, or violence, perpetrators of white-collar crimes do not see themselves as criminals. Such rationalization is normally based on four basic arguments: a) corporations usually do not prosecute white-collar criminals; b) the media is normally not concerned with white-collar crimes; c) legal authorities show very little interest in white-collar crimes; and d) courts normally do not convict white-collar criminals because juries do not perceive them as real criminals.
- 4) *The company is exploiting employees.* Employees who are frustrated by limited opportunities for advancement and pay increases may resort to stealing company assets as a redress. They rationalize stealing as a method of increasing benefits and wages that are earned but not paid. Thus, stealing corporate assets supplements their income and permits a better life style. It may also promote greed and set the stage for even more white-collar crime.
- 5) *There is union-management conflict.* The perceived adversarial nature of labor-management bargaining leads many employees in unionized firms to believe that they are being exploited by their employer [7]. Employees in nonunionized firms rationalize retaliation against their employer by claiming that they are not paid as well as union members in competing firms and therefore commit crimes to make up the deficit.
- 6) *The company doesn't protect itself and even encourages criminals.* Many companies appear to believe that preventing white-collar crime would cause more problems than it solves. Others apparently feel that prevention is not possible or is too costly. Thus, many companies simply accept a certain amount of loss to white-collar crime. When employees learn of this unwritten, unpublished company policy, they think no one cares and that they have a license to commit criminal acts.

These reasons suggest two general causal factors underlying white-collar crime. First, as seen in the first three reasons, there may be individual differences between those who commit such crimes and those who do not. Maybe their personalities, attitudes, or beliefs are significantly different from those of average law-abiding

people. Second, as suggested in the last three reasons, certain situations may elicit such behaviors more so than other situations do. This distinction is explored in more detail in the following section.

## CAUSES AND THEORIES OF WHITE-COLLAR CRIME

Attribution theory describes how people explain their own behavior or the behavior of others [8]. Theorists generally assign behavioral causality to either the target person (i.e., the person who commits the act) or to factors in the situation. “Internal attributions” are those explanations that assign responsibility to the target person. For example, criminal behavior is often explained by the average citizen as “some people are just bad people.” An “external attribution,” on the other hand, assigns responsibility to the situation, that is, factors in the environment either allowed or prompted the person to behave in certain ways, such as previous repressive actions by an organization. Defense attorneys often build cases by seeking reasonable external attributions that would justify their client’s alleged criminal behavior.

When viewing the research on white-collar crime through the lens of attribution theory, one can categorize the proposed theories in terms of internal versus external attributions for the acts. Table 1 shows this categorization of the theories of white-collar crime. The following section describes each proposed theory and its usefulness in understanding the causes, and potential prevention, of white-collar crime.

### Theories Categorized as Internal Attributions

Perhaps the first attempt to generalize criminological theory to include white-collar crime was an adaptation of *differential association theory* [9]. This theory holds that criminal behavior is learned in direct or indirect association with others who practice such behavior. Those individuals who learn criminal behavior are generally segregated from frequent contact with more law-abiding behavior. This theory places the cause upon the alleged criminal, an internal attribution, although it is clear that the criminal behavior was learned from viewing the actions of others. Through the individual’s experiences—whether growing up in a “bad” neighborhood or associating with criminals at formative stages of life—criminal behavior is learned and accepted. This theory makes no attempt to include any aspects of the situation in the attribution. Where the crime took place, critical factors that occurred prior to the crime, or the organization involved are irrelevant in differential association theory. It is presumed under this theory that the “criminal” would commit the crime under any situation, regardless of any recent actions or practices from the organization. This is an example of the “bad person” attribution.

Table 1. Theories of White-Collar Crime &amp; Prevention Techniques

Attributional Approach	Theories	Explanations	Implied Prevention Techniques
Internal	Differential Association Theory	Criminal behavior is learned from direct & indirect personal experiences with criminals.	Improved or more-thorough selection practices  a. Background checks for criminal records
	Control Theory	Criminal behavior occurs when one's personal bond to society is broken; bond is composed of attachments, commitments, involvements, and beliefs.	b. Honesty or integrity tests c. Personality tests d. Multiple interviewers
	Personality & Demographic Approaches	Criminals have certain personality traits or demographic characteristics.	
External	Internal Accounting Control Theory	Poorly designed or implemented accounting control systems will lead to greater probability of theft and fraud.	Improved internal controls and security, i.e., disbursements, inventory, restricted access, and multiple checks and audits
	Strain Theory	When legitimate means to success are blocked, there is an imbalance between means and desires, leading to an impetus for criminal behavior.	Managing Expectations: a. Realistic job previews b. Training for recruiters c. Orientation & Socialization d. Publications & handbooks
	Psychological Contracts Theory	When implicit contracts are perceived to have been breached and violated, the individual will feel resentment and anger, leading to possible acts of revenge and retaliation.	Communication Commitment: a. Adequate explanations b. Effective feedback c. Employee surveys d. Focus groups  Assistance Programs: a. Employee assistance programs b. Job security  Leadership and Development of Trusting Environment

In a similar vein, *personality theory* has been offered as an explanation of individual crimes committed within the corporation [10, 11]. Personality theory posits that some people are, by nature, crooks. The criminal personality type has long been recognized by forensic psychiatrists [10]. However, current beliefs hold that white-collar theft is not limited to individuals with abnormal personalities, although there is considerable support for the notion that personality traits are related to theft and other deviant behavior [12]. Personality theory offers the same view of the white-collar criminal as differential association theory: that the crime is the sole responsibility of the criminal regardless of the situation.

*Control theory* offers another internal attribution view of white-collar crime [5, 13]. According to this theory, delinquent acts result when an individual's bond to society is broken. This bond to society consists of four interrelated elements: attachments to significant others (weak attachments indicate a greater likelihood of criminal behavior), commitment to conventional lines of action (strong commitment indicates a lesser likelihood of criminal activity), involvement in community or organizational activities (greater involvement reduces the likelihood of criminal activity), and beliefs in the moral validity of social or corporate rules (strong beliefs reduce criminal activity). Weak attachments, commitments, involvements, and beliefs suggest a person who is a loner or sociopath who would be capable of committing crimes across any number of situations. The difficulty with this theory is in the application. Generally, *a priori* knowledge of these characteristics is difficult to determine, given their cognitive nature. In addition, there is no mention of why such bonds have been broken. When such bonds are broken by the organization, there may be a greater likelihood for white-collar crime, given the existence of other characteristics. If the organization is not perceived to be responsible for breaking any bonds, the characteristics may be less valid for predicting white-collar crime.

Demographic approaches to white-collar crime identify specific personal categories in which many known white-collar criminals are found [2, 5, 12]. These theorists suggest that individuals who commit white-collar crimes are found more frequently among people who are:

- regarded as middle-class
- appear to be solid, respectable citizens
- support the American way of life
- support virtues of hard work and honesty
- condemn welfare cheats, street hoodlums, and loose morality
- have access to information and organizational processes
- are well-educated and over 30 years old
- are small-business owners
- are employees with weak social or organizational bonds

- may possess or lack certain personality traits (e.g., lacking emotional stability or commitment to the organization)
- may be repeat violators but may not have a record

The list of circumstances or characteristics may be incomplete, as many white-collar crimes go undetected, and even those that are detected go unpunished and remain unknown. Focusing on detected white-collar crime permits categorization into three types [2].

1) *The greedy*. Employees who take large amounts of company assets in a short time fall into this category. Normally this happens when an employee develops a lifestyle that requires an income far exceeding his/her earnings. In such instances stealing is rewarding, and if undetected, the amount stolen is increased until it eventually is noticed.

2) *The mindless*. This category includes employees who lack understanding of internal auditing systems. They tend to act impulsively, stumble through clumsy attempts at deception and concealment, and hope to avoid detection.

3) *Others*. Other theorists have presented additional descriptive lists of individuals prone to white-collar crime. One such additional list follows:

- a) *The materialists*. Those who believe that *power* and *money* are the ultimate goals and purposes of life.
- b) *The family worshipers*. Those who believe everything done for their family is good, including acts of cheating, stealing, and other white-collar crimes.
- c) *The boss worshipers*. Those who naively believe that their boss is always right. His/her whims are their commands, unmindful of the legal and moral implications of such commands.
- d) *The pragmatists*. Those who believe that might is right, the end justifies the means, and the only rule of life is the survival of the fittest.
- e) *The business worshipers*. To them, everything and everybody is for sale "if the price is right."
- f) *The split Christians*. Individuals who split their Christianity and follow differing rules in church, at home, and at work. Those who say to themselves, "It's OK to steal provided you are not caught."
- g) *The power mongers*. Employees in the revenue raising, revenue spending, or regulatory functions with discretionary powers to resolve issues, especially if they are in regular contact with clients and have tacit approval of top officials to engage in unethical practices [14].

These lists of demographic and descriptive characteristics do not offer a single profile of the white-collar criminal, but attempt to provide possible motives or patterns of behavior that have been found for past white-collar criminals. While some of these categories are clearly internal attributions (e.g., well-educated and over



30 years of age), others have a situational aspect to them (e.g., access to information or “boss worshipers”).

In general, theories taking an internal attribution view of white-collar crime focus their attention on the individual. Finding key individual differences that might help discriminate corporate criminals from law-abiding citizens is the primary goal of researchers under this paradigm. Such theories point toward prevention techniques that are equally focused on the individual, including conducting thorough background checks and using honesty or integrity tests in the selection process. These prevention techniques are discussed later.

### **Theories Categorized as External Attributions**

Theories that are categorized as viewing white-collar crime from an external attribution seek an explanation for the criminal act outside of the criminal. In other words, what propelled the individual to commit the crime? While there may indeed be “bad people” in the world and thus in organizations, there may also be situations in some organizations that prompt retaliatory actions by employees. There are other situations that allow criminal acts to be committed by employees with little effort or forethought. These external attribution theories should not be interpreted as “blaming” the organization for crimes its employees commit. At the heart of criminal activity is the decision to commit the crime. Many employees may face the same trying circumstances within the same organization, but only one commits the crime. Thus, in external attribution theories, one is examining whether the organization’s actions or practices played a role in motivating the employee to commit the crime. Usually these theories focus on the negative or negligent practices of organizations as potential areas to be examined. It is presumed that if such practices can be avoided or minimized, then prevention of at least some white-collar crime is possible.

The first external attribution theory of white-collar crime was *strain theory* [15]. This theory holds that crime results when legitimate means for success are blocked or unavailable. In business situations, employees’ means may be inadequate to satisfy their inflated desire for success produced by competition within the business environment. The strain produced by the imbalance between means and desires provides the impetus for white-collar crime [15, 16, 17]. Specifically, as the organization is perceived to prevent or block the employee from achieving his/her aspirations, strain theory predicts that white-collar crime serves as a possible outlet for retaliation. This theory, while providing a general explanation for an employee’s motivation to commit a crime, is limited by its lack of specificity regarding its definition of terms (e.g., “legitimate means for success” and “imbalance,” to name a few).

*Psychological contract theory* has recently been offered as an explanation for various types of dysfunctional behavior in society and in the workplace [18-21]. As a theory of white-collar crime, it can be categorized as an external attribution theory. This theory begins with the psychological contract, an employee's beliefs about the reciprocal obligations between him/herself and the organization [22, 23]. There are two basic types of psychological contract: *transactional*—composed of specific, short-term, and monetizable obligations requiring only limited involvement of the employee and employer, and *relational*—broad, open-ended, and long-term obligations, based on socioemotional as well as monetizable elements [24]. When either employee or employer perceives that the other has failed to fulfill one or more expectations of the psychological contract, there is a breach of contract. When an employee perceives a significant breach of the psychological contract, a violation of the contract is perceived [19]. Thus, violation is cognitive in nature, based on the calculation of the equity between what was received and what was promised. Violation involves a strong emotional experience or feelings of betrayal and deeper psychological distress, resulting in anger, resentment, a sense of injustice and harm [23]. Such feelings, in turn, set the stage for revenge or retaliation such as sabotage, theft or aggressive behavior [20, 21, 25, 26].

Researchers have found two basic types of behaviors that may lead to a perception of violation: renegeing and incongruence [19]. *Reneging* occurs when either the employee or employer knowingly breaks a promise to the other. *Incongruence* occurs when employees and employers have different understandings about a promise. These different understandings occur because the terms and conditions of psychological contracts are perceptual rather than concrete.

Psychological contracts offer a much more specific explanation than strain theory as to why an individual might choose to retaliate against his/her employer. Being ambiguous concerning the initial expectations of the organization, “overselling” a job or providing an unrealistic job preview [27], or simply going back on their word are all examples of managerial actions that might set the stage for employee perceptions of breach of contract and violation. This theory has also been used successfully to predict other deviant behaviors in the organization [20, 26]. Therefore, its application to white-collar crime is very clear.

A third external approach to white-collar crime is that of internal control theory of accounting. Sound accounting practices form the basis for the trust and integrity of all financial statements. When procedures used are based on generally accepted accounting practices, and a strong system of checks and balances are utilized, the integrity of financial statements will be assured. As practices veer from such principles, there is more probability for criminal behavior. This approach makes no presumption of any personality or profile for the potential criminal, only that loose practices will open an opportunity for criminal behavior.

Overall, theories that view white-collar crime as a situational phenomenon focus less attention on the individual and more on the organizational processes or

events that motivated or allowed the criminal act to occur. Prevention techniques thus include practices that are under the control of the organization. Tightening internal controls and more-effective monitoring of activities are two practices that can reduce the individual's motivation to commit a crime. Additionally, fair labor practices, adherence to workplace justice, and clarifying expectations can address issues surrounding perceived violations of psychological contracts. These techniques are discussed in more detail in the next section.

## **PREVENTION OF WHITE-COLLAR CRIME**

### **Individual-Focused Techniques**

The most obvious applications of internal attribution theories are geared toward changing company selection policies so as to avoid hiring potential criminals in the first place. This includes conducting more extensive background checks, including honesty or integrity tests on selection instruments, and using multiple interviewers. Each of these methods has its strengths, but all have limitations in that many white-collar criminals do not fit into any specific profile. As shown earlier, many of the demographic or personality characteristics generated by theorists are clearly too generic to use as possible indicators (e.g., appear to be hardworking citizens, well-educated, or small-business owners). Others that may be less generic (e.g., greedy, power mongers, or lacking social bonds) lack validity as sole predictors of criminal activity.

Security experts suggest that the use of more thorough background checks during the hiring process could avoid a number of white-collar crime cases [28]. While employers are limited in the questions they can ask prospective job candidates, they can check public records to see whether the candidates have prior criminal arrests or convictions. While many corporate criminals have no prior record, cases have been reported that could have saved an organization much money and time had they been more thorough [28]. Unfortunately, many cases of white-collar crime go unreported to legal authorities, and the perpetrator is simply fired. This information will not appear on any public records, and the employer who fired the person may be reluctant to provide any information on the individual outside of hire date, termination date, and salary. Thus, while thorough background checks should be a regular process in selection, they may be limited in their informational value.

Another avenue for prevention based on personality theories would include honesty or integrity testing in the selection process. Honesty tests as predictors of theft have been supported in research [29], and many companies claim that their instruments are able to discriminate between honest and dishonest job candidates [30]. On the other hand, more comprehensive literature

reviews suggest only limited support [31, 32]. Limitations center on the psychometric properties of the measurement instruments [32]. Integrity tests should be carefully screened for validity and approved by Equal Employment Opportunity officers, as they might discriminate against protected groups. Thus, while the idea is appealing, it is difficult to expect potential white-collar criminals to be screened out of job opportunities through the use of selection testing.

The use of multiple interviewers or group interviews has rarely been mentioned as a prevention technique for white-collar crime because it has become more the norm in many companies. Nonetheless, its value should not be ignored. As more interviewers are in contact with potential job candidates, more information and perceptions are accumulated. Unfortunately, group hiring decisions have the same problems as any other group decisions (i.e., groupthink, power imbalances) unless the organization has a structured mechanism in place to weigh all opinions and criteria.

### **Situation or Organization-Focused Techniques**

The theories supporting an external attribution for white-collar crime suggest prevention techniques that seek to reduce the opportunity and motivation for committing such crimes. Reducing the opportunity is the preferred method of security experts and accountants [28, 33-35] and assumes that white-collar crime, particularly cases of fraud, is a function of poorly designed or loosely implemented internal controls. Proponents of this approach recommend installing security cameras and lighting systems, using internal accounting control systems, inventory checks, security locks, limited access to restricted areas, exit surveillance, and taking out fidelity bonds for employees who have access to company funds.

In many fraud cases, the criminal is a trusted employee or upper-level manager with access to secure information or serves as the only checkpoint for critical processes. One of the most common embezzlement scams is “vendor fraud” [34], where the employee either works with a vendor to take kickbacks or sets up a bogus vendor and has checks written to the “company.” These types of schemes can be avoided with multiple checks and balances in the process, but companies often become too lax or too trusting, or ignore the need for such controls.

Reducing employees’ motivation to commit a crime concerns the establishment and maintenance of effective psychological contracts. Establishing trust and understanding employee perceptions of implied contracts helps to weaken motives to retaliate and reduce employee frustration and anger [19, 36].

Establishing effective psychological contracts begins with managing expectations. It is critical to keep expectations from reaching unrealistically high levels. One way to address unrealistic expectations is the use of “Realistic Job

Previews” (RJPs) [27]. The objective of RJPs is to present the newcomer with an accurate preview of the job and the employer, so that the candidate’s expectations will be closer to reality. In addition, recruiters should be trained to avoid creating job expectations that cannot be fulfilled [37]. Training and structured interviews can provide a format that guides interactions, helping to convey intended information and impressions. Information and impressions shape a job candidate’s perceptions about the job and the organization. Realistic impressions reduce impression-versus-reality differences, frustration, and the perceived need to retaliate.

Once employed, close attention should be paid to the employees’ orientation and socialization. Orientation efforts should be structured to help new employees gain a clearer understanding of behavioral and procedural expectations [27]. Appropriate socialization focuses on ways that new employees may need to change and adapt to the organization. Mentoring or implicit processes help employees learn new roles, norms, and organizational values [38]. Similarly, maintaining employee handbooks and publications can help new employees in their understanding of the organization. Care must be taken to ensure that such publications do not create false expectations, perceptions of unfairness, or a basis for legal action [39].

Maintaining effective psychological contracts involves a strong commitment to communication and adherence to promises made to employees. Commitment must be demonstrated in all communications interactions. Without integrity as the basis, psychological contracts disintegrate into distrust, conflict, and litigation. Reward and punishment systems should be clearly explained and fairly implemented. To prevent punishment events from being perceived as violations of psychological contracts, discipline should be applied uniformly across persons, times, and situations. A disciplinary system is more likely to be perceived as fair when employees are represented in the process, perhaps through a committee of employees and managers charged with analyzing violations and recommending discipline [40].

The commitment to communication should also include two-way feedback processes. The use of surveys to assess employee opinions and attitudes toward company practices can provide effective and insightful feedback. Misunderstandings can be cleared up, and points of contention may indicate a need for policy revision. Focus or discussion groups composed of six to ten individuals could be convened periodically to engage in an unstructured discussion of various issues [41]. Discussion may focus on specific issues concerning the employment relationship, but time should be allowed for “What’s on your mind?” discussions. Discussion-group membership should represent various constituencies so that different perspectives are presented. Such groups can provide useful insights as well as feedback to both management and employees [42].

Provision of avenues for employees to deal with personal difficulties and stress can also assist in maintaining effective psychological contracts. An employee assistance program (EAP) can help employees who are in financial trouble to deal

effectively with their problems, rather than take their frustrations out on the employer [34]. An added benefit of EAPs is that they may help the employee pursue legitimate means to end financial problems, thus reducing another possible motivation to commit fraud or other crimes.

Job security, while difficult to guarantee, should be maintained as much as possible. Employment planning can help the organization maintain workforce stability. Employees can be retrained for new jobs using new technology. In the event of layoffs, advance notice, outplacement service, transfers, and severance pay may cushion the shock of job change. How the process is managed sends an important message to all employees and can reduce feelings of resentment and anger [26].

The entire approach to maintaining effective psychological contracts begins with leadership. Training all managers in effective leadership skills can improve the culture of an organization and initiate trust. Allowing employees to be involved with decisions and policies demonstrates that management values employees' opinions and is a key to building trust.

In the final analysis the best approach involves creating an environment of trust and good will [43]. Organizations can institute a great variety of programs to address the major issues of psychological contracts: participation and empowerment programs, health and safety programs, and many others. The purpose of employee relations programs is to meet employee needs, which, in turn, demonstrate the organization's willingness to fulfill its side of the psychological contract.

## CONCLUSION

White-collar crime is widespread and extremely costly to American business and industry. While there may be a significant portion of white-collar crime that will continue to appear in the business landscape, a nontrivial number of cases are truly preventable. By categorizing theories of white-collar crime into individual- and situational-focused approaches, one cannot only understand the causes of such crimes, but see avenues for prevention more clearly. The prevention techniques aimed at the individual are limited when it comes to white-collar crime because there may be no past record or pattern of behavior from which to draw solid conclusions about a person's propensity to commit a crime. On the other hand, techniques geared toward reducing individuals' opportunity and motivation to commit white-collar crimes can be controlled by the organization. Using stronger internal controls, as well as establishing and maintaining effective psychological contracts, can breed a culture of honesty and trust among employees. It is hoped that the guidelines outlined above can assist organizations in their efforts to avoid future situations that could inadvertently motivate or allow employees to commit white-collar crime.

Current scandals such as Enron have focused public attention on the issue of white-collar crime. Continued awareness and education are the first steps toward reducing its occurrence on the business landscape. Complete eradication may be unreachable, but by increasing one's knowledge of prevention techniques, managers can chip away at those forms of white-collar crime within their control.

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Direct reprint requests to:

Professor Brian P. Niehoff  
Department Head and  
Mark R. Truitt  
Professor of Entrepreneurship  
Kansas State University  
College of Business Administration  
101 Calvin Hall  
Manhattan, KS 66506-0507