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White Collar Crime: The Role Of The Firm In Occupational Crime

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Abstract

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Keywords

occupational crime; white collar crime; compensation; corporate structure; corporate culture

Disciplines

Business

WHITE COLLAR CRIME: THE ROLE OF THE FIRM IN OCCUPATIONAL CRIME

By

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ABSTRACT

This research examines the relationships between elements of a business organization and the commission of occupational crimes. This research hypothesizes that the factors identified by existing literature as factors contributing to organizational crime may also contribute to occupational crime. Using the concept of the Fraud Triangle as a framework, five aspects of corporations are identified as areas that may motivate crime, provide opportunity for crime, or allow for the rationalization of criminal actions. This research finds that corporate size, inadequate oversight, organizational goals, organizational morality, and compensation structures may play a role in occupational crime. These five factors are subsequently classified as either structural or social aspects of an organization, and a more detailed system of causal factor classification as related to occupational crime is proposed.

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INTRODUCTION

This research aims to identify aspects of organizations that can potentially contribute to the commission of white collar crime. For years, white collar crime has flown under the radar as one of the most costly crimes to society. In 2016, the Association of Certified Fraud Examiners estimated that the average organization loses approximately five percent of annual revenue to fraud. It is estimated that in one year alone, American businesses lost approximately $895 billion (ACFE 2016). Beyond the organizations themselves, millions of dollars are spent on compliance programs and prosecutorial efforts. Despite costing the American population billions of dollars annually, few scholars or social scientists have attempted to study the motivations behind the crime (Feeley 2006). The goal of this research is to make a contribution to the scholarly discussion surrounding white collar crime as a whole. Presently, out of the small population of scholars analyzing white collar crime, there is little research dedicated solely to the role of the victim firm in the development of occupational white collar crime. This specific topic is relegated to anecdotal discussion in favor of discussion regarding the psychology of the white collar criminals, or research surrounding corrupt organizations as a whole. Thus, this research is well-suited to contribute to the overall conversation surrounding occupational crime. Within the current overall white collar crime discussion, occupational crime conversations have taken a backseat to works focused on corrupt firms and organizations.

While attempts have been made to combat white collar crime, a clear theory of how to prevent white collar crime within a firm has not yet been offered. Many scholars suggest reform through the legal system by strengthening sanctions and other punishments imposed (Feeley 2006; Leap 2007; Geis and Meier 1977; Sutherland 1940). This research attempts to examine what the firm itself can do internally to help prevent white collar crime, as opposed to what can be done externally by legislators and society.

The significance of this research lies within society itself, as society ought to care about decreasing occupational white collar crime and the overall economic cost of this type of crime. White collar crime is recognized by scholars to be the most costly crime in society. More specifically, stakeholders in corporations and businesses will care about this research because white collar crime has an impact on the bottom line. Decreasing white collar crime leads to increased profits, which benefit stakeholders. This research will allow firms to recognize their weaknesses in an effort to lead firms to "plug the holes." It is predicted that the individuals who will care the most about this research will be business owners and executives, onto whom white collar crime losses reflect. These individuals are the most motivated to prevent economic losses within their companies and seek out knowledgeable and actionable ways to protect their interests.

This research hypothesizes that factors such as organizational culture, organizational size, and organizational oversight can contribute to occupational crime. This research is qualitative in nature, and applies the framework of the Fraud Triangle to identified factors previously associated with organizational crime in order to determine whether the factors can be applied to occupational crime as well.

This research suggests that a better way to understand firm-related factors that contribute to occupational crime is through a distinction between structural and social aspects of the organization. Contributing factors identified within this research can be classified as those providing structural opportunity, structural motivation, social motivation, and social rationalization.

HYPOTHESES AND METHODOLOGY

Based on the existing literature, this research argues that certain aspects of an organization found to contribute to organizational crime may also contribute to occupational crime. Specifically, this research hypothesizes that the organizational structure of the firm, the social environment of the firm, and the financial structure of the firm may contribute to the facilitation of both organizational and occupational crime. This research combines the concept of the Fraud Triangle with factors previously associated with organizational crime to show that these three aspects of the firm provide the white collar criminal with opportunity, motivation, and the ability to rationalize the decision to commit an occupational offense.

REVIEW OF EXISTING LITERATURE

The Definition of White Collar Crime

"White Collar Crime" is a relatively new concept in the world of crime. The term itself, first coined by Edward Sutherland in 1939, was originally used to refer to crimes that were "committed by a person of respectability and high social status in the course of his occupation," (Sutherland 1940). However, the exact definition of white collar crime is still debated within the field. Scholars have suggested that the classification be broken down into more specific subsets, namely to include crimes that the companies themselves commit. In 1977, Herbert Edelhertz, an influential figure in the field of white collar crime research, proposed a four-part categorical system to define "economic crime" – a term Edelhertz uses in place of "white collar crime" (Edelhertz and Overcast 1982, 141). The first category, "crimes by persons operating on an individual, ad hoc basis," includes crimes such as credit card fraud, tax fraud, and charity fraud (Edelhertz and Overcast 1982, 141). The second category, "crimes committed in the course of their occupations by those operating inside…establishments in violation of their duty…to employer or client," consists of crimes like computer fraud, commercial bribery, embezzlement, and employee theft (Edelhertz and Overcast 1982, 141). The third category, "crimes incidental to, and in furtherance of, business operations, but not the central purpose of the business," describes crimes such as fraud against the government, code violations, and other forms of misrepresentation (Edelhertz and Overcast 1982, 141). Finally, Edelhertz describes his fourth category as "crimes as a business or as the central activity" of the organization (1982, 141). This category is meant to include large frauds and schemes run by an organization.

Despite Edelhertz's detailed classificatory system, Sutherland's definition of white collar crime is still considered the most widely accepted (Eaton and Korach 2016). Most scholars tend to agree that the core characterizing factor of white collar crime is a violation of trust (Shichor, Gaines, and Ball 2002). While Sutherland's overall definition of white collar crime is generally accepted, scholars have recognized the need to differentiate between different types of white collar crime, and thus created a simpler version of Edelhertz's classifications. White collar crime now consists of two general types of crime: occupational crime and organizational crime. Occupational crime is classified as crimes that employees commit against a company, whereas organizational crime is classified as crimes that companies commit against the general public and consumers (Coleman 1985). Organizational crime is comprised of Edelhertz's third and fourth categories, while occupational crime mainly consists of the second.

This research focuses on the category of occupational crime. Notably, scholars find that occupational crime is more prevalent at the managerial levels of companies, fitting with

Sutherland's original concept of white collar crime as crime being committed by those of a "higher class" (Coleman 1985). Losses from employee theft, and thereby losses from occupational crime, are estimated to be larger than all street crime losses combined (Coleman 1985).

Motivations of White Collar Criminals

Because these white collar criminals tend to be individuals of a higher socioeconomic echelon, the motivations behind these crimes have continually been questioned by many scholars. The classical motivations behind "street crime" did not seem to fit with white collar crime. However, early research of embezzlers in the 1940s and 1950s identified living beyond financial means as a potential motivation to commit white collar crime (Coleman 1985). Since these early analyses, two different approaches have been taken in an attempt to understand the motivations of white collar criminals (Feeley 2006). The first is the concept that white collar criminals are influenced by relationships within the company. White collar criminality, not unlike traditional criminality, is learned (Sutherland 1940). The white collar criminal is influenced by relationships, situations, and social bonds (Feeley 2006). The second is an approach through biology, psychology, and human personality. White collar criminality stems from the personality of the criminal (Feeley 2006). However, the two approaches agree that there are a few common motivating factors that can create a society in which white collar crime thrives, the first being the American culture of competition (Feeley 2006). The highly competitive environment in American culture creates incentives for white collar criminals to commit crimes to get ahead. In environments where a lack of success is seen as failure, materialism and insecurity may arise. Executives in the United States are lauded, no matter the means by which they reached their position. This creates a motivation for lesser employees to “win at all costs,” which may lead to white collar crime, especially in firms that do not have clear and enforced ethics policies (Leap 2007).

Second, the lack of a sense of “wrongness” can contribute to white collar crime. White collar crime lacks the feeling of “wrongness” that other, more traditional crimes have (Feeley 2006). When the concept was first formed, scholars still debated whether white collar crime could actually be called a crime (Sutherland 1940). In a previous study, when asked to rank the relative seriousness of crimes (white collar crimes, property crimes, violent crimes, etc.), people placed white collar crime at the less-serious end of the scale, with embezzlement ranked among the lowest in terms of seriousness (Feeley 2006). Additionally, the judicial and penal system supports this societal norm through the nearly non-existent punishment of white collar criminals. The average prison sentence for convicted white collar criminals was found to be 2.6 days (Vago 2011).

The Fraud Triangle

These two concepts have been somewhat combined in an effort to create a holistic approach to the causes of white collar crime (*Figure 1)*. The result of this effort is the white collar crime Fraud Triangle (Eaton and Korach 2016). The Fraud Triangle explains that there are three main causes that result in white collar crime: Opportunity, Motivation, and Rationalization (Eaton and Korach 2016).

Opportunity is present in all firms, but the extent of the opportunity varies across industries. The concept of Motivation is supported by three separate theories. First, the theory of General Deterrence states that people will not commit crime simply because they don’t want any risk of jail time (Eaton and Korach 2016). This isn’t the same as weighing the pros and cons,

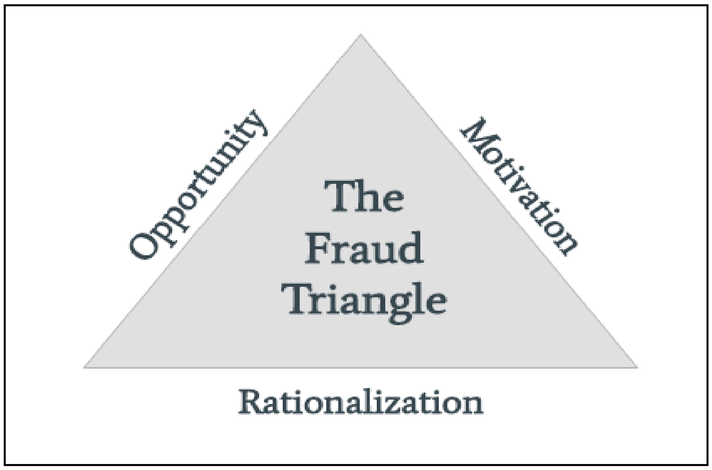

Figure 1: The Fraud Triangle

because at this stage the potential criminal does not even consider the potential gains of the crime. The weighing of pros and cons is covered under the second theory: the theory of Rational Choice. Here, potential white collar criminals consider whether the rewards outweigh the risks (Eaton and Korach 2016). Finally, the General Strain theory comes into play. In this theory, even if the risks outweigh the rewards, actors decide to commit the crime if they're attempting to reach an end goal and traditional, legal means are not getting them there (Eaton and Korach 2016).

Once the actors decide to commit the crime, the Rationalization side of the triangle takes effect. When a relatively good actor decides to take a bad action, there is a cognitive dissonance. Thus, the white collar criminal denies responsibility, denies harm, and denies the existence of a victim (Eaton and Korach 2016). It is easier for an occupational white collar criminal to deny harm and deny the existence of a victim than it is for a street criminal, given the nature of who the occupational criminal is stealing from. This concept of Rationalization is widely accepted by scholars in the field (Coleman 1985; Feeley 2006; Stadler and Benson 2012). Rationalization is made easier for white collar criminals due to the perceived lack of societal importance (Edelhertz and Overcast 1982). Simply put, people who commit white collar crimes do not consider themselves criminals and are less likely to feel guilt over their actions (Edelhertz and Overcast 1982; Stadler and Benson 2012).

Potential Causes of Occupational Crime

Additional potential causes of occupational crime within firms have been briefly explored by other scholars. Firstly, a lack of actual physical security can make the firm vulnerable to employee theft (Leap 2007). Secondly, poor accounting and financial controls can be taken advantage of. Without proper accounting and financial practices, embezzlement becomes a potential issue (Leap 2007). Thirdly, poor board oversight can lead to unchecked decision-making at the managerial level, which Sutherland postulates is the level at which white collar crime occurs (Leap 2007). Finally, a combination of job characteristics, organizational structure, and lack of accountability can weaken a firm. The large size of a firm may force a decentralized organizational structure. Increasing the complexity and decentralization of a firm increases the risk of white collar crime occurring (Feeley 2006; Leap 2007). When there is a lack of accountability, there is a lack of blame when white collar crime occurs, increasing the ability for the white collar criminal to rationalize and avoid the feeling of guilt.

PROPOSED FACTORS CONTRIBUTING TO OCCUPATIONAL CRIME

The Structure of the Organization

Corporate Size

Corporate size related to organizational crime. Prior research has found that the size of a corporation has an effect on the likelihood of organizational crime (Dalton and Kesner 1988). Clinard and Yeager (1980) state that an immensely sized corporation must, by necessity, delegate decision-making and establish complicated structures in order to function efficiently. It is the subsequent lack of personal responsibility for decisions that fosters an environment in which corporate criminality is possible (Clinard and Yeager 1980). In studying corporations against whom legal actions had been initiated, Clinard and Yeager found that "violations were far more likely to be committed by large corporations." (Ermann and Lundman 2002, 91).

Corporate size related to occupational crime. In looking at corporate size through the lens of the Fraud Triangle, this research finds that the size of an organization applies to the "opportunity" aspect of occupational crime. Organizations that are large in size tend to be decentralized. The larger the organization is, the more complex it becomes, and it is therefore easier to hide financial misdeeds in the books. As Sally Simpson and Nicole Piquero (2002) point out, opportunity is subjective. An opportunity only becomes available once the white collar criminal recognizes it as such. Therefore, once a firm reaches a particular, objectively indefinable size, the white collar criminal recognizes it to be complex enough to enable the commission of the offense without detection.

However, the exact relationship between *all* forms of occupational crime and organizational size has yet to be defined. Kristy Holtfreter (2005) conducted a study on the relationship between victim company size and acts of asset misappropriation, corruption, and fraudulent statements. These three types of offenses all fall under the umbrella of occupational crime, as opposed to organizational crime. Holtfreter (2005) conducted a statistical analysis of data collected by certified fraud examiners, and found that firms who had fallen victim to corruption were large, for-profit entities, whereas firms who had fallen victim to asset misappropriation and fraudulent statements were smaller in size. Holtfreter's findings, coupled with prior literature, suggest that size may play a role in creating opportunities for crime, but to a minor extent. That is, there may be greater opportunity for occupational crime in larger organizations, but the minimum size that a firm must be in order to create opportunity may be smaller for certain types of occupational crime.

Inadequate Oversight

Managerial and corporate board oversight is crucial to the prevention of white collar crime opportunity within a firm. The absence of sufficient checks and balances creates a firm that is rife with opportunities for a white collar criminal. Situations or scenarios that would not ordinarily be deemed criminal opportunities become such when a lack of credible oversight exists (Shover and Hochstetler 2006). Oftentimes, a lack of oversight stems from a disorganized or decentralized organizational structure (Simpson and Piquero 2002). Due to the potential impact of insufficient managerial oversight, numerous scholars have researched the effects of oversight on white collar crime (Simpson and Piquero 2002; Shover and Hochstetler 2006; Pearce and Snider 1995; Leap 2007; Clinard and Yeager 1980; Wickman and Dailey 1982).

Inadequate oversight related to organizational crime. Terry Leap (2007) argues that corporate boards are blamed for most corporate scandals due to the expectation that board members are to oversee the operations and management of the corporation. When a corporation commits an organizational crime, the responsibility lies on upper management and members of the board. Therefore, board members are responsible for monitoring upper management, upper management is responsible for monitoring middle management, and so on (Walsh and Seward 1990). When board members and management show indifference, criminal decisions are more likely to occur (Shover and Hochstetler 2006).

Furthermore, in firms with a decentralized management structure, a diffusion of responsibility occurs. This diffusion can result in a divide between what the upper managers *believe* is being done and what is actually being done by lower level employees (Clinard and Yeager 1980). Alternatively, this diffusion can result in upper managers taking advantage of the lack of direct responsibility in order to internally rationalize the organizational crime being committed (Clinard and Yeager 1980). Therefore, the extent of the decentralization of a firm and the resulting absence of sufficient oversight can be a predictor of organizational crime (Holtfreter 2005).

Inadequate oversight related to occupational crime. While existing research has focused solely on the failures of board oversight as applied to organizational crime, the absence of oversight can have a similar effect on those wishing to commit occupational crime. Pursuant to the research of Shover and Hochstetler (2006), a lack of credible oversight creates opportunities for criminal activities that would otherwise fail to exist, and as such applies to the "opportunity" side of the Fraud Triangle. If employees are able to commit crimes on behalf of the company without the company's knowledge, the same is true of employees choosing to commit crimes *against* the company. Research shows that corporations who conduct internal audits are victimized to a lesser extent than corporations without the same degree of financial oversight (Shover and Hochstetler 2006).

The Social Environment of the Organization

Organizational Goals

Organizational goals related to organizational crime. Multiple scholars have suggested that the goals of an organization can lead to the commission of organizational offenses. Clinard and Yeager (1980) suggest that “the nature of corporate goals may promote marginal and illegal behavior” due to the applicability of the rational goal model (43). An increase in profits is a crucial element of a company’s economic success, and as such there is a strong desire by rational actors to either increase or maintain present levels of profitability (Clinard and Yeager 1980). Ronald Kramer argues that “corporate criminality is related to the primary goal of business corporations in a capitalistic economy: profit maximization,” and notes that other studies have found “pressure for profits” to be the most common motivating factor behind white collar crime (Wickman and Dailey 1982, 81). Clinard and Yeager (1980) also identify other areas in which corporations have goals, such as expansion and prestige. However, regardless of the type of goal being pursued, be it profits or prestige, the means by which actors attempt to reach these goals remains inherently the same. Actors in organizations with strong corporate goals feel the pressure to succeed, even if succeeding means bending the rules.

Organizational goals related to occupational crime. Pursuant to Kramer’s research, corporate goals should thus be classified as a “motivation” with respect to the Fraud Triangle. The idea that an actor is motivated to behave illegally in order to reach the goals set forth by the corporation follows the General Strain theory (Eaton and Korach 2016). However, corporate goals are oftentimes inconsistent with occupational crime, as any sort of crime against the company would be contrary to the company’s success. Despite this apparent divide between occupational crime motivation and corporate goals, it is the unattainable nature of such goals that can motivate a white collar criminal. When organizational goals set forth by management are unrealistic and overly ambitious, individuals become motivated to commit fraud (Leap 2007).

Organizational Morality

Organizational morality related to organizational crime. Another aspect of the social environment of a firm is the organization's morality. In relation to organizational crime, scholars have found that the moral values of bad-acting organizations are unclear or subpar (Pearce and Snider 1995; Shover and Hochstetler 2006; Simpson and Piquero 2002). However, prior research has not yet considered the potential impact of organizational morality on occupational crime.

Yeager asserts that while "by themselves [codes of conduct] are entirely insufficient for meaningful reform of corporate ethics and legal compliance," it is important for organizations to strengthen the moral voices of their managers (Pearce and Snider 1995, 162). Morality requires determinations of right and wrong in scenarios involving actions, and an absence of morality in a corporation results in a gap in the decision-making process. That is, actions that would reasonably be deemed "wrong" will not be labeled as such by the organizational actors. According to Edward Ross, "the key to the [white collar criminal] is not evil impulse, but moral insensibility." (Ermann and Lundman 2002, 59). Without morality, immoral and illegal actions are more likely to occur.

Organizational morality related to occupational crime. The idea of organizational morality is difficult to define, but it is in essence the way in which companies influence the moral character of their employees (Pearce and Snider 1995). Organizations shape the morality of employees both from a business standpoint and more generally (Pearce and Snider 1995). As such, the organizational morality of a company contributes to the "rationalization" side of the Fraud Triangle. White collar crime offenses are usually "facilitated by a moral ambivalence…they can be readily justified." (Croall 1992, 73). Therefore, the stronger the moral character of the employee, the more difficult it is for the employee to rationalize a "wrong" action. The difference between morality in making a decision for the company and in making a personal decision is indistinguishable. If an actor is guided by a moral compass when deciding to commit an organizational crime, that same guidance will occur when the actor is deciding to commit an occupational crime. A strong sense of morality does not disappear simply because the victim of the offense has changed. Neal Shover and Andy Hochstetler (2006) found that highly moral "good citizens" were deterred from white collar crime by what appeared to be their own inner morality, whereas participants who had low personal morality were only deterred from white collar crime once formal sanctions were introduced into the rational choice calculation.

The Financial Status and Compensation Structure of the Organization

Compensation Practices

Compensation practices related to organizational crime. Diana Bilimoria (1995) conducted research in an attempt to better understand what relationship, if any, exists between executive pay and organizational crime. Using a sample size of 91 Fortune 500 companies, Bilimoria classified each firm as either "owner controlled" or "management controlled." Firms that were owner controlled were firms in which the shareholders controlled corporate policy, whereas managerial interests dominated management controlled organizations (Bilimoria 1995). In evaluating the relationship between managerial control, corporate crime, and compensation, Bilimoria utilized cash compensation as a figure for executive pay and a combination of legal filings and violation statistics as a figure for corporate crime. Her research found that a positive relationship exists between executive pay and corporate crime in management controlled organizations, but no such relationship exists in owner controlled organizations (Bilimoria 1995).

However, Bilimoria's research contains a relatively small sample size. Additionally, the study only partially accounts for the potential effects of organizational size on the prevalence of corporate crime. By studying only Fortune 500 companies, the study is unable to determine whether these same compensation effects are present in medium sized or smaller firms.

Furthermore, by utilizing cash compensation as the only figure to describe executive pay, the values of stock options and other executive "perks" are not accounted for by Bilimoria (1995). The effects of stock options have the potential to be much stronger than those of cash compensation (Leap 2007). Research has found that executives of "violator" firms held stock options valued at three times their salaries, while executives of "good" firms held stock options worth roughly the same as their annual pay (Shover and Hochstetler 2006). Stock options are intended to align the goals of the executives with the goals of the company, but can instead be used in a way that completely contradicts the interests of the shareholders. When executives are issued stock options, some may decide to forgo efforts to build long-term profit stability and instead engage in risky, short-term strategies in order to inflate the share price. These short-term strategies may even include unethical or illegal practices (Leap 2007). Once the share price is temporarily higher, the executives will then sell their shares for enormous personal gain (Leap 2007).

Compensation practices related to occupational crime. Based on existing research, executive compensation can be classified as a "motivation" facet of the Fraud Triangle. However, it would appear that this motivation exists only for executives receiving higher pay, as opposed to middle management and those in the lower echelons of the organization. The fraudulent behaviors surrounding share prices is undertaken by the executives themselves, and no research exists to support the claim that the organizational crime associated with executive pay stems from individuals other than the executives being compensated (Leap 2007; Bilimoria 1995). In fact, Marshall Clinard (1983) finds that middle managers feel little to no resentment towards upper management due to executive compensation or perks. Most middle managers feel that upper level managers and executives were deserving of their higher pay, and believe that these perks create goals for them to reach (Clinard 1983). Because middle managers are not motivated by any sort of perception of compensation inequality, it cannot be presumed that executive compensation motivates through jealousy. However, because executive compensation serves as a goal for middle managers to work towards, the effects that *goals* have on occupational crime may come into effect. As discussed previously, the General Strain theory can result in illegal actions being taken when there exist no other legal routes to goal achievement. Middle managers may be willing to engage in unethical or illegal actions in order to gain status and promotion within the organization. Furthermore, the effects of general compensation (as opposed to executive compensation) have yet to be analyzed. While executives are motivated to commit occupational crime by a desire to increase compensation, it is perhaps the case that lower-level employees are motivated to commit occupational crimes by their own levels of compensation. The perks and benefits of stock options may not be present for all employees, but the desire to maintain status and personal financial stability exists in all levels of the organization (Shover and Hochstetler 2006). Coupled with external financial difficulties, a low salary can motivate an individual to commit occupational crime, simply because the opportunity to assuage personal financial struggles may exist only in the workplace (Shover and Hochstetler 2006).

Financial Performance

Financial performance related to organizational crime. Existing literature demonstrates that there is a connection between the overall financial conditions of the firm and the likelihood of organizational crime (Clinard and Yeager 1980; Shover and Hochstetler 2006; Geis and Stotland 1980). Scholars have found that "firms with relatively poor or declining financial records may be more likely to violate certain laws that those whose economic performance is better…both industry and firm measures of financial performance [are] related to corporate violations." (Clinard and Yeager 1980, 127-129). Not only are firms in struggling industries more likely to engage in corporate crime, but struggling firms in prosperous industries are also more likely to violate the law (Clinard and Yeager 1980). The pressure to make a profit and cut costs causes middle managers to engage in illegal behaviors on behalf of the company (Clinard 1983).

Financial performance related to occupational crime. While the relationship between the pressure of financial performance and organizational crime is well established, the relationship between firm revenue and occupational crime remains unclear. While existing research suggests a positive correlation between financially struggling firms and occupational crime, Holtfreter (2005) notes that this correlation could merely be the result of increased scrutiny during periods of financial difficulty. Since occupational crime is only measured once it has been detected, the levels of occupational crime in times of financial prosperity are less reliable. Typically, firms conduct extensive audits when the company is struggling, as opposed to when the company is thriving (Holtfreter 2005). Therefore, an accurate measure of occupational crime in firms with strong financial performance does not presently exist. It could be the case that there is an equally high level of occupational crime in successful firms that simply has yet to be detected.

In theory, financial performance could motivate occupational crime in two ways. Firstly, poor financial performance could motivate the individual to commit crime, as poor financial performance could be coupled with societal economic difficulties. Secondly, strong financial performance could motivate the individual to commit occupational crime in order to compensate for personal financial difficulties. When firms are successful, it becomes easier for the white collar criminal to deny harm to the victim (Eaton and Korach 2016). However, these potential effects of financial performance are merely speculative and rely upon external environmental factors. As such, while financial performance of the firm may play a role in the motivations of organizational crime, it cannot be concluded that the financial performance of the firm plays a direct role in the motivations of occupational crime.

DISCUSSION AND AREAS FOR FUTURE RESEARCH

This research identifies three primary areas within the firm that have the potential to contribute to occupational crime: the organizational structure of the firm, the social environment of the firm, and the financial structure of the firm. Within those three realms, corporate size, insufficient oversight, organizational goals, organizational morality, and compensation are found to fit at least one of three aspects of the Fraud Triangle. Financial performance may potentially play a role in motivating occupational crime, but since a lack of data makes the connection tenuous, it has not been included in the overall summary of contributing factors.

In analyzing the factors set forth in the previous sections, it becomes apparent that the factors contributing to occupational crime are both structural and social in nature. Some factors, such as corporate goals, are relatively easily aspect for the organization to adjust. Others, such as corporate size, are not. This research suggests that a better way to understand corporate crime is to tease out the ways in which structural and social elements of a company interact with the Fraud Triangle. By creating six categories of firm-related factors (*Figure 2)*, organizations may be better able to address the ways in which they internally combat occupational crime. These six categories are structural opportunity, structural motivation, structural rationalization, social opportunity, social motivation, and social rationalization.

	Opportunity	Motivation	Rationalization
Structural			
Social			

Figure 2: Proposed Firm-Related Factor Classification System

This research has identified corporate size and a lack of credible oversight as factors that may provide opportunities for occupational crime *(Figure 3)*. Both of these areas are structural in nature, and stem from the formal organization of the firm. This research has also identified compensation and organizational goals as factors that contribute to the motivation of occupational crime *(Figure 3)*. The ways in which executives are compensated are structural. However, it is important to note the difference between formally stated organizational goals and perceived organizational goals. Actual goals given by upper management are structural in nature – these goals are formally a part of the organization. The way in which goals are perceived by other employees is social in nature – the effect that these goals have on the motivations of those who must achieve them is an effect that can be manipulated through social interaction. Thus, organizational goals as a whole fall under both the structural and social motivation categories. Finally, organizational morality has been identified as an aspect of the organization that either promotes or impedes the ability of a white collar criminal to rationalize the decision to commit an occupational crime *(Figure 3)*. Because the way in which morality is learned within the company is through social interaction, organizational morality has been classified as a social rationalization element.

	Opportunity	**Motivation**	**Rationalization**
Structural	*Corporate Size and Inadequate Oversight*	*Stated Organizational Goals and Compensation*	
Social		*Perceived Organizational Goals*	*Organizational Morality*

Figure 3: The Classifications of Firm-Related Factors

Ultimately, this depiction of occupational crime causal factors demonstrates the importance of internal compliance programs and ethical codes. By highlighting areas in which firms can concentrate resources in an effort to more efficiently combat both organizational and occupational crime, this research allows organizations to potentially decrease the costs associated with white collar crime. The costs associated with internal compliance programs are expected to increase annually, making it all the more important for organizations to target aspects of their firms that have actual impact on illegal behavior (English and Hammond 2016). Further research should attempt to analyze the efficiency of internal compliance programs in addressing white collar crime concerns. Additionally, a lack of reliable data in this field can result uncertainty as to the accuracy of conclusions drawn by occupational crime theorists. Presently, occupational crime data is centered on characteristics of the perpetrators and their psychology (Ragatz, Fremouw, and Baker 2012). Further research would be benefitted by an accumulation of data on the characteristics of victim organizations. This research highlights the need for a wide variety of information on victim firms, beyond the basics of profits and size.

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