Debunking the Myth of the Out of Character Offense

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INTRODUCTION

Joseph Wells, the founder and Chairman of the Board of the Association of Certified Fraud Examiners (ACFE), observed, “As a group…the majority of CPAs are still ignorant about fraud…for the last 80 years, untrained accounting graduates have been drafted to wage war against sophisticated liars and thieves. And as multi-billion dollar accounting failures have shown, it has not been much of a fight” (Ramamoorti, 2008, p. 522). Anti-fraud professionals, including academicians, may not understand the profile of white-collar criminals because they do not have a framework to conceptualize criminal thought patterns and negative behavioral traits that facilitate white-collar crime consequently perpetuating erroneous criminological and character assumptions about this offender class.

Several fraud examination paradigms exist, but are inadequate for examining the complicated nature of white-collar crime. Donald Cressey’s fraud triangle provides a framework, particularly his criminal personality trait of rationalization point, and the fraud diamond enhanced this taxonomy by incorporating a fourth point, offender capability (Dorminey, Fleming, Kranacher, & Riley, 2010). However, neither model addresses criminological components of white-collar criminal thinking traits in enough detail; thus, generations of anti-fraud professionals, academicians and those in the legal and law enforcement community are not taught and do not understand the major elements of the criminal personality consisting of thought

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processes and other negative behavioral traits that facilitates white-collar crime offending.

Without an adequate analytical framework to understand these offenders, professionals in academia and the criminal justice system may erroneously ascribe incomplete, inaccurate, or non-existent attributes to these offenders, which can impact professional skepticism inherent in audits, fraud investigation protocol and academia’s perception and description of white-collar offender characteristics.

We first apply the criminal personality as illustrated by criminal thinking patterns to white-collar offenders and argue that criminal personality should be a risk factor to consider when investigating white-collar offenders because of these offenders’ abilities to exploit situations. The same criminal personality framework that professionals have used to successfully explain the offenses of non-white-collar offenders can also be used to understand white-collar offender risk factors. The advantage of understanding the criminal personality is that it gives a framework that has been lacking for professionals to understand white-collar offenders.

Secondly, we examine negative behavioral traits that often influence individuals to commit white-collar crimes, especially when they also possess criminal personality traits. Although white-collar offenders may not manifest their criminality in ways that are easily recognized by the general public, this does not necessarily mean that they do not harbor behavioral traits that facilitate criminal decision making; thus, applying behavioral traits to white-collar crime is a logical extension and an important issue to explore.

The third section addresses the concept of normalized deviance at the organizational level and discusses whether it is possible to produce “accidental” white-collar offenders. This section questions whether organizational influences such as the “tone at the top” affect an offender’s decision to commit fraud and whether these offenders would be prone to commit a similar crime.
in other contexts as well. We will offer a counter-position to arguments that consider offenders as accidental.

The last section of the article employs the psychological concept of projection bias to explain why anti-fraud professionals, as well as those within the legal and academic communities, often misunderstand or underestimate the deviance levels and character attributes of white-collar criminals and therefore inaccurately characterize (or minimize) their offenses. This analysis speaks to Wells’ comment because it explains why practitioners and academicians are often unable to fully appreciate the character of criminals they encounter on a daily basis and are therefore unable prevent and/or detect the loss of billions of dollars to fraudulent behaviors. We conclude that to reduce the risk of engaging in projection bias, education in criminological and behavioral traits of offenders needs to be part of accounting and anti-fraud professional training.

We reinforce our arguments by including co-author and securities fraud offender Justin Paperny’s insights on criminal thinking traits. Paperny’s exposition of the criminal personality of white-collar offenders provides compelling evidence to show that criminal thinking traits apply to these fraud offenders, even though they may not display the same “optics of criminality” typically associated with the image of unstable, street-level offenders. Since his release from incarceration, Paperny has authored two books: *Ethics in Motion* (2010) and *Lessons from Prison* (2009). He has addressed various audiences about the destructive outcomes associated with white-collar crime. Moreover, he has shared his experiences with the agents at the Federal Bureau of Investigation Academy, has lectured at several universities (e.g., New York University, Wake Forest University), and has spoken to employees at corporations such as Wells Fargo and KPMG concerning the importance of ethics in business environments.
Criminal Thinking Patterns of White-Collar Criminals

Interestingly, Edwin Sutherland was one of the first to apply criminal thinking to white-collar offenders within organizations (Bodeszek & Hyland, 2012); however, for purposes of this article, white-collar crime is considered a broad category that includes high-level corporate misconduct, occupational fraud schemes by ordinary citizens (Perri, 2013), as well as predatory solo offenders who may or may not belong to an organization (Perri & Brody, 2012). Criminal thinking has been conceptualized as distorted or concentrated thought patterns involving attitudes and values that support a criminal lifestyle by rationalizing and justifying law-breaking behavior (Taxman, Rhodes, & Dumenci, 2011): in other words, thinking that says it is alright to violate others and/or the property of others (Yochelson & Samenow, 1976). Yet, ironically, for many decades, scholars failed to apply the criminal thinking traits to white-collar offenders because criminological scholarship focused on examining conventional crimes such as violence and property related offenses (Lilly, Cullen, & Ball, 2011).

As a result, a common misperception is that white-collar crimes represent out of character offenses because white-collar criminals, who are generally educated, employed, and considered law-abiding, exhibit ethical behavior in other facets of their lives and are therefore less apt to engage in crime (Brody, Melendy, & Perri, 2012). We, however, agree with Sutherland in this aspect--the criminal personality reflects socio-economic neutrality in that offenders engage in different crimes to satisfy their motives despite different descriptive traits such as offender age, race, criminal histories, gender, educational level, and other socio-economic traits. Both non-white-collar and white-collar offenders display consistent criminal thought patterns and attitudes about others and/or situations to exploit. Understanding criminological thought patterns of white-collar offenders requires debunking myths surrounding the white-collar offender profile in that
these offenders do not represent a homogenous offender group, which is often at the root of the misperception; the degrees of deviancy and criminal histories they represent is no different than non-white-collar offenders (Walters & Geyer, 2004).

In minimizing misperceptions attributable to these offenders, criminal psychologist Dr. Stanton Samenow posits, people who believe the offender acted out of character often lack information about aspects of the criminal’s behavior and thought processes—there is more to the story than is initially evident (Samenow, 2010). There are thinking patterns that predate the behavior at issue, and these thinking patterns express themselves at moments of opportunity; the crime may very much be within the character of the perpetrator because criminal thinking and attitudes (Perri, 2013; Samenow, 1984, 2010). A body of research confirms “that individual norms, attitudes, and values play an important role in offending decisions” (Simpson, 2013, p. 317). The fact that an offender chooses to engage in a crime that was not within his or her ordinary course of conduct or that the offender would have preferred an alternative path than having to commit a crime to satisfy a motive does not mean it was not within one’s character. Offenders engage in a cost-benefit analysis or some type of risk assessment, and decide whether it is more advantageous to move forward with the crime (Shover & Wright, 2001).

Although scholars have begun to investigate the criminal attitudes and thinking styles of white-collar offenders (Ragatz & Fremouw, 2010), this article applies the following criminal thinking patterns to white-collar offenders in a comprehensive manner. They include but are not limited to weakness exploitations, a disregard for rules, norms, and social boundaries, power orientation, entitlement, sentimentality and rationalizations. Other criminal personality traits include social identification with those that support their goals by locating and emulating criminal role models while embellishing their abilities. Criminal thought processes may include a
sense of excitement and gratification from satisfying their criminal motives and retribution toward those that interfere with offender goals (Samenow, 1984).

We illustrate in further detail the application of criminal thinking patterns to white-collar criminals but agree with current scholarship that the traits outlined below do not necessarily apply equally to all white-collar offenders in quantity or intensity and that more empirical data is needed to support these applications (e.g., Ragatz, Fremouw, & Baker, 2012; Walters & Geyer, 2004) recognizing that offenders are on a continuum of deviancy ranging from those that represent a career criminal deviancy to those that do not reject criminal attitudes but do not reflect a core criminal personality approving of a criminal lifestyle. However, given the billions of dollars lost to white-collar crime, the display of criminal attitudes of exploitation by white-collar offenders should not be ignored. White-collar scholars Benson & Simpson (2009, p. 39) accurately point out that “as a group, white-collar offenders are not quite as upstanding and law-abiding as we had thought.”

**Weakness Exploitation**

Weakness exploitation may manifest itself in various forms: human virtues, ethics and morals, or physical differences. For example, a violent offender is more likely to victimize someone who is frail or very young and therefore easier to control than someone who may resist. Analogously, there are white-collar offenders who seek out organizations with weak internal controls because they can more easily exploit weak controls to commit fraud and avoid detection than in organizations that have more effective internal controls and stronger means of detection. Convicted offender Sam Antar, former CPA and former Chief Financial Officer of now defunct consumer electronics business *Crazy Eddie*, illustrates the criminal thinking trait of exploiting human weakness:
White-collar criminals consider your humanity, ethics, and good intentions as weaknesses to be exploited in the execution of their crimes. We measure our effectiveness by the comfort level of our victims and we increase our victim’s comfort level by building walls of false integrity around ourselves. (Antar, 2010, para. 6)

Antar’s weakness exploitation tactics involve creating seemingly genuine bonds with victims that actually facilitate the offender’s ability to proverbially “lower the victim’s guard” and thereby gain access to resources they normally would not have. We indicated earlier that criminal thinking patterns are crime classification neutral, and Antar’s model supports this assertion. His tactic exploits human weakness by getting others to trust him so that he can take advantage of them financially.

Ponzi scheme offender, Bernie Madoff, used his affinity and ties within the Jewish Community to exploit his victims’ belief that because he was Jewish, he was less likely to take advantage of his Jewish clients. As stated by Harry Markopolos, the Certified Fraud Examiner and whistle blower in the Madoff securities fraud case, “Nobody thinks one of their own is going to cheat them, not when they can cheat so many others” (Perri & Brody, 2012, p. 309). Consider the statements of this article’s co-author, white-collar criminal Justin Paperny, when he was asked how he gained the trust of those that he would defraud. What tactics/strategies did you use to gain their trust? What seemed to work the best? Paperny responded:

I never thought I was defrauding them…I was very polite, always leveraging off my vice president title, University of Southern California degree, and name dropping my baseball player clients did not hurt either. What I did best was find a way to identify with them. If they liked hockey, so did I. If they loved soccer, I
did as well. I made it appear as if we had a lot in common.

Again we observe the offender finding a weakness to exploit: the perceived trust the victim believes he shares with his aggressor. Paperny knew that his victims’ weaknesses created their false sense that mutual trust and confidence existed. In fact, the term “con man” derives from the word “confidence man;” these offenders gain victims’ confidence, which influences victims to lower their guard and believe the offenders can be trusted with their money. In this case, the weakness Paperny exploited was his clients’ trust. He built walls of false integrity around himself by supposedly espousing the same value system as his victims and then gauged this technique’s effectiveness according to his victims’ increasing level of comfort with him. The technique used by Paperny and Antar is no different than what Madoff employed in his schemes in creating walls of false integrity, for example, by claiming that he knew certain people at the SEC, by dropping names of prominent people, by creating bonds with the Jewish community and highlighting his former position as chairman of the NASDAQ. In many instances, regardless of the scope and category of the fraud, offenders use the same strategies: gain trust that others view as a strength in their interactions with others, and eventually exploit the trust offenders perceive as a weakness.

**Ignoring Rules and the Law**

White-collar criminals, like non-white-collar criminals, engage in anti-social behaviors of rule-breaking, disregarding appropriate social boundaries, ignoring laws and ethical standards (Croall, 2007). For example, Enron projected a virtuous image, as its code of ethics was considered the gold standard, but this image was almost completely contrary to its internal reality. Former Enron Chairman and CEO Ken Lay stated, “Values are incredibly important to the fiber of this company” (McClean & Elkind, 2003, p. 353) and “Enron’s reputation depends
on its people on you and me…let’s keep that reputation high” (Barth, 2003, p. 120). A section of Enron’s code of ethics states, “Moral as well as legal obligations will be fulfilled openly, promptly, and in a manner which will reflect pride on the Company’s name…” (Barth, 2003, p. 125). Sam Antar further illustrates how offenders perceive rules and regulations in relation to how those that work towards engaging in ethical behavior are viewed as being easier to exploit stating:

We have no respect for you. Your laws and customs make it easier for us to commit our crimes. It’s a paradox. The more humane the society is, the easier it is to commit crimes. Humanity limits your behavior, but it doesn’t limit ours. One’s humanity might consist of one’s morals, standards of conduct, good will, ethics, sense of fairness, giving one the benefit of the doubt, and belief in the rule of law. (Antar, 2010, para. 19)

Antar states that one’s humanity may make him/her a better person, but it also makes it easier for criminals to commit their crimes because they have no constraints on their behavior and therefore do not feel obligated to reciprocate the victim’s humanity. The offender interprets a victims’ humanity as a weakness they can exploit. Antar exhibited this behavior in his criminal pursuits stating: “Crazy Eddie was built on deceit…We were nothing but cold-hearted and soulless criminals…We were two-bit thugs” (Knapp, 2009, p. 106).

**Power Orientation**

Power orientation entails the display of aggression by controlling others and/or situations that also apply to white-collar criminals. Control may be gained through the conventional criminal strategy of overpowering someone physically, but it may also entail manifesting the desire to control through manipulation, intimidation and punishment tactics, behaviors often
observable when criminogenic organizations perpetuate fraud. Now-bankrupt computer disk drive maker MiniScribe’s former CEO Quentin Wiles was convicted for insider trading and financial statement fraud. Described as an autocratic who wanted to instill fear in the hearts of employees, he would have employees stand up in front of everyone to be fired. When asked why he chose this method of management, he answered, “That’s just to show everyone I’m in control of the company” (Jennings, 2006, p. 67). Convicted Qwest former CEO, Joseph Nacchio, also used intimidation as a form of control. A subordinate explains, “People were just afraid of the man…He created such a culture of fear that Qwest employees thought it was better to comply with his demands rather than question them and face his wrath” (Bucy, Formby, Raspanti, & Rooney, 2008, p. 414). Setting aside the fraudulent revenue recognition of $3 billion resulting in a personal gain of $52 million, Nacchio’s criminal attitude does not appear to have changed since being released from prison still displaying a lack of remorse, remaining combative and unapologetic regardless of the damage caused to investors stating: "I can't wait for the first person to come up to me and say something to me about the conviction, I'm going to look them in the eye and say, You must be confusing me with someone who gives a f— about your opinion" (Searcy, 2013, p. A1).

Investigations into the WorldCom fraud uncovered a culture of fear and intimidation. Employees were pressured to follow management because they were terminated when they did not follow orders (Blumenstein & Pullman, 2003). When Cynthia Cooper, internal auditor at WorldCom, questioned CFO Scott Sullivan about various accounting issues (including artificial earnings), Sullivan became hostile and condescending (Cooper, 2009), screaming at her in a way that she has never been spoken to before (Kaplan & Kiron, 2004). Livent’s accountants were frequent targets of convicted CEO Garth Drabinsky’s intimidation tactics: “They were told on a
very regular basis that they are paid to keep their [expletive] mouths shut and do as they are [expletive] told…They are not paid to think” (Knapp, 2009, p. 391). Despite the massive collusive fraud, Livent’s top executives relied on “coercion and intimidation to browbeat their accountants” and displayed a contemptuous attitude toward outside auditors believing that it was “no one’s business how they ran their company” (Knapp, 2009, p. 394).

When auditors demanded documents Bernie Madoff did not want to provide, he gave contradictory and evasive answers and intimidated them by displaying anger and using his position of power by mentioning his ties with influential people (Perri & Brody, 2011a). They often exhibit violent behavior to prevent fraud detection (Perri & Brody, 2011b; 2012). Consider former CPA Steve Martinez, who defrauded clients of nearly $11 million. He was convicted of plotting to kill witnesses if they disclosed his fraud to the authorities (Cohn, 2012).

**Entitlement**

Entitlement refers to the belief that one is privileged, deserving special access to resources regardless of the consequences to others (Benson & Simpson, 2009; Walters, 2002). White-collar criminals possess this sense of entitlement (Walters, 2002). Illustrating the entitled state of mind, Justin Paperny said: “Cheating became easy to rationalize as I felt entitled to more” (Paperny, 2009, p. 104), further elaborating, “I felt entitled to oversee hundreds of millions of dollars, I felt entitled to my country club memberships, I felt entitled to flashy Rolex watches, to sport designer suits, to drive high-end BMW sedans” (Paperny, 2010, p. 195). Tyco’s convicted CEO, Dennis Kozlowski, also exhibited this sense of entitlement. He was described as a “highly skilled in accumulating power…whose actions were motivated by a sense of entitlement” (Bucy et al., 2008, p. 410), pilfering Tyco’s coffers close to a decade, but no one stopped him until he hit the $600 million mark (Lipman-Blumen, 2005, p. 126).
Social Identification

Consider offender identification to criminal personalities especially in light of the fact that non-criminals may admire and enjoy criminal personalities (Duncan, 1991). In this case offenders identify with those they would like to emulate representing a social psychological orientation of the self in regard to a person or group (Boduszek & Hyland, 2011). For example, the fictitious white-collar criminal character, Gordon Gekko, played by actor Michael Douglas in the 1987 movie Wall Street, expressed his astonishment at the many Wall Street males who have sought him out in public places just to say, “Man, I want to tell you, you are the biggest reason I got into the business. I watched Wall Street, and I wanted to be Gordon Gekko” (Lewis, 2010, p. 126). When one understands that offenders come from different walks of life, criminals socially identify with similar others they want to emulate regardless of the crime classification or the criminal’s socio-economic background: they could be Mafia bosses, gang leaders, corrupt management or the Gordon Gekko’s of the world.

Lack of Accountability

Despite the difference in their offenses, white-collar and non-white-collar offenders will do their utmost to dispel responsibility by implicating or blaming others (Samenow, 2012). For example, regardless of the industry, Enron, WorldCom, and other large organizations display bureaucratic characteristics and hierarchical structures; thus, it is not surprising to hear white-collar offenders use rationalizations and/or excuses to distance themselves from their financial crime by downplaying the power they hold. With corporate crime in particular, especially with the cited examples, it is seldom the case that any one individual is clearly responsible for a particular action; thus, when a crime is committed, everyone can, with some degree of plausibility, point the finger at someone else (Heath, 2008). The person who carried out the
action can blame the person who made the decision; the person who made the decision can blame the person who vetted the decision and so on. Because of the nature of bureaucratic hierarchy, individuals in organizations can always try to pass the blame up to their superiors, and these superiors can, in turn, try to pass the blame back down, by insisting that their subordinates acted independently without their knowledge.

For example, when Ken Lay was indicted for fraud, he denied that he had any personal knowledge of the accounting fraud and instead conveniently blamed subordinates Jeff Skilling, Andy Fastow and accountant Richard Causey for Enron’s demise (Behr, 2004). Insisting he was a victim, in an interview with 60 Minutes before his trial, Lay said, “I don’t think I’m a fool, but I think I was fooled…I can’t take responsibility for the criminal conduct of someone inside the company” (Leung, 2009, para. 7). Skilling, insisting that he too is a victim, claims he is not versed in accounting well enough to know that fraud occurred and denied all knowledge of any fraud at Enron or that there was anything wrong with the company at the time he resigned in 2001 for personal reasons stating, “I had no idea the company was in anything but excellent shape” (Schwartz, 2002, para. 3). In turn, CFO Fastow, who actually structured the financial statement fraud, testified at trial that he was encouraged by his superiors, Lay and Skilling, to make the financial health of the company look as positive as possible and to avoid public disclosure (Flood, 2006).

WorldCom’s Bernie Ebbers, known as a micromanager who poured over financial statements, denied any knowledge of fraud claiming not to know enough about accounting to be aware of any fraud. He maintained his CFO Scott Sullivan and his subordinates kept him in the dark. Ebbers stated, “Shocked…I couldn’t believe it. I never thought anything like that would have gone on. I put those people in place. I trusted them” (Belson, 2005, para. 6). In turn,
Sullivan testified that Ebbers knew of the fraud when Ebbers told Sullivan not to issue an earnings warning to Wall Street giving Sullivan the green light to create false profits (Yang & Grow, 2005). Ironically, when it is to their benefit, they exalt themselves as being the best and brightest executives taking credit for the successes, but conveniently unaware of the fraud within the organization they exerted tight control over (Perri, 2013).

**Gratification and Excitement**

Regardless of socio-economic status, criminals do experience a sense of pleasure, gratification and excitement from their acts (Clinard & Meier, 2010). They enjoy what is referred to at times as a duping delight, knowing that they were able to take advantage of another person and/or situation (Benson & Simpson, 2009; Hare, 1993). For example, David Levine, a former inside trader, characterized gratification and excitement when describing his feelings upon seizing opportunities like this: “Something deep inside of me forced me to try to catch up to the pack of the wheeler-dealers who always raced in front of me…I was addicted to the excitement, the sense of victory” (Shover & Wright, 2001, p. 330). Furthermore, several of Devine’s participants found the insider trading schemes “exhilarating” (Palmer, 2012, p. 54).

Michael Rapp, a high level executive convicted of fraud during the 1980s savings and loan crisis, fit the description of an offender who enjoyed the excitement of committing fraud. As described by Palmer (2012, p. 54), “Rapp loved to spend his days figuring out schemes. [H]e could have been successful as a legitimate businessman, but the excitement of swindles held an allure for him, as did the vast sums of quick and easy money they produced.” Chronic white-collar re-offender Barry Webne, who, after spending time in prison, established an anti-fraud consultancy that was used as a ruse to establish other fraud schemes with business organizations that hired him to assist them in establishing anti-fraud controls stated: “One side was looking
over my shoulder worried about getting caught; the other side was concerned about getting the next rush…If you put me in a position of trust again, chances are that I’m going to violate that trust” (Patterson, 2011, para. 8). Thrill-seeking attracts offenders from different crime classifications and as it relates to white-collar criminal, research has found that it predicts criminal behaviors on corporate managers (Simpson, 2013).

**Rationalization**

Sutherland noted that one of the things criminals learn is vocabulary favorable to the violation of law, in other words, ways of describing their actions that made them seem less wrong. Such rationalizations are referred to as ‘techniques of neutralization’ which allow the criminal to minimize the apparent conflict between his or her behavior and the prevailing normative consensus. When the debt collection company Commercial Financial Services, went bankrupt due to vice president Jay Jones’ securities fraud, close to 4,000 employees lost their jobs and investors were left with more than $1 billion in near-worthless paper. Yet, commenting on his fraudulent activities, Jones stated he “certainly knew it was nefarious, a little wormy, unethical, make no mistake about that…but criminal…fraud?” (Porter, 2004, p. 53). Jones justified his behavior by stating: “Hey, I'm doing something. I'm making a difference. I'm helping to save the company” (Porter, 2004, p. 53) supporting the research that some white-collar criminals view fraud as both acceptable and common for personal gain, and then justify their crimes by claiming they did it to advance the interests of the organization (Blickle, Schelgel, & Fassbender, 2006).

According to one study, surveyed white-collar criminals in prison indicated that they should not be in prison because they perceived their own behavior as non-criminal (Dhami, 2007). Typical responses as to how white-collar offenders neutralized their crimes included,
“There’s no victim in white-collar crime…white-collar crime isn’t a danger to society…There was no visual damage, no physical damage, no none was hurt…It was mostly a financial matter” (Dhami, 2007, p. 70). They often blamed the victim in that they somehow deserved to have the fraud inflicted upon them especially if the victim was an organization. Lastly, the offender will find it much easier to regard his own excuses as plausible if he is in a social environment in which such claims tend to be given credence, or where he is unlikely to encounter critical or dismissive voices. Justin Paperny reflected upon the above sentiments:

White-collar offenders utter the same lines I once cried: I did not set out to do harm; my intentions were sound, however, the culture was corrupt; it was unethical, not illegal; any successful business person works out of gray areas; I knew it was wrong, yet the temptation to cheat was too great; everyone was doing it; and so on. I found solace in blaming the toxic culture that I claimed groomed me, or in blaming my senior partner.

Sentimentality

Sentimentality is the trait of doing good deeds to make up for bad acts; a way to mitigate the negative byproduct of criminality. How is this trait displayed in the context of white-collar offenders? To answer this question is to again invoke the words of Sam Antar, who stated that white-collar criminals build ‘walls of false integrity’ around themselves such that they give the appearance of virtue while displaying traits of success. Philanthropic contributions are one popular method of constructing false integrity, however, the presence of philanthropic contributions is no guarantee that the company’s reporting processes are honest or in compliance with accounting standards. By giving the appearance of virtue, the desired interpretation is to deflect any suspicion of fraud at their organization; in essence the virtuous one cannot be capable
of criminal activity, hence the foundations for the walls of false integrity are built. Many of the collapsed companies were universally admired for their social responsibility; benign behaviors such as these create smokescreens to advance fraudulent and/or unethical corporate agendas (Jennings, 2006). For example, Antar gave huge sums of money to charity stating:

Fraudsters like myself, we build a whole world of respectability around ourselves. I gave money to a lot of charities while I was committing my fraud. My cousin Eddie, he gave a lot of money with his stolen money to a lot of charities. He gave a lot of money to politicians. He built wings on to hospitals and built a big aura of respectability around him and people were in awe of him. This is what fraudsters do. (Antar, 2005, para. 1)

CEOs Ken Lay, Bernie Ebbers, John Rigas, and securities offender Bernie Madoff controlled their image by engaging in the ‘optics of virtue’ by their associations with philanthropic causes, some publically displaying their piety, and participating in civic organizations. Dennis Kozlowski hired a public relations professional to tout his philanthropy (Jennings, 2006) though millions of dollars of his donations were made with Tyco’s money. Attorneys for convicted former CEO of McKinsey, Rajat Gupta, attempted to introduce evidence to the jury of the philanthropic work he had been involved with in order to convince them not to find him guilty of securities fraud (Antilla, 2012). Ebbers donated over $100 million to various charities, though approximately $35 million of this is related to his WorldCom stock, which had appreciated due to the financial statement fraud. Rigas, founder and former CEO of Adelphia Corporation, was convicted for concealing $2.3 billion in liabilities from shareholders and making personal use of corporate funds. Although many of Rigas’ donations were made with Adelphia funds and at his sentencing, Rigas pled for leniency and highlighted his charity work.
The sentencing judge responded by stating, "To be a great philanthropist with other persons' money is not very persuasive" (Reh, 2005, para. 3).

**Retribution**

Retribution refers to some form of punishment for interfering with one’s criminal activities. For example, Diana Henze, Vice President of Finance at HealthSouth, refused to sign off on financial statements due to her suspicions that they were fraudulent. After being passed over for a promotion, Chief Financial Officer William Owens indicated: “You made it clear that you wouldn’t do what we asked” (Jennings, 2007, p. 23). Enron’s Vice President of Corporate Development, Sherron Watkins, notified Ken Lay of accounting irregularities in the financial reports she observed instead of going to Andy Fastow her supervisor that she did not trust. Watkins was removed from her position and basically demoted to another position within Enron despite the fact that Lay and Fastow wanted her terminated. Lay also replaced CFO James Alexander with Andy Fastow because Alexander refused to certify the financial statements (Jennings, 2006).

**Embellished Abilities**

Embellished abilities pertain to harboring a super-optimism of being able to engage in crime without detection. When insider trader David Levine began conspiring to commit his offenses he reassured himself and his co-conspirators that they would not get apprehended for their activities because the Securities and Exchange Commission (SEC) investigators were not as smart as he. If the SEC investigators were as smart as he was, “the investigators would be working on Wall Street and pulling down large salaries and bonuses, rather than policing Wall Street and earning a relative pittance” (Palmer, 2012, p. 119). Previously mentioned Barry Webne, when comparing himself to auditors and his ability to manipulate and deceive them,
stated, “I’ll have them for lunch” (Patterson, 2011, para. 21). Securities offender Jordan Belfort, known as the ‘Wolf of Wall Street,’ never worried about the SEC, occasionally worried about the FBI and laughed at the thought of being questioned by the National Association of Securities Dealers (Rubin, 2014).

**Behavioral Aspects of White-Collar Criminals**

The modern approach to studying white-collar crime incorporates the offender’s behavioral traits as a risk factor in the decision to commit crime even though there are legitimate debates on how important behavioral traits may be and which specific traits are common among offenders. Although not a comprehensive explanation for white-collar crime, the authors agree with white-collar crime scholars Benson and Simpson (2009, p. 51) stating that if individuals harbor negative behavioral traits “we should not be particularly surprised” when they commit white-collar crime. What is becoming increasingly clear is that behavioral traits do impact whether fraud offenses occur even though it was widely accepted, albeit erroneously, for many years by some scholars (Lilly et al., 2011) that behavioral traits do not impact an individual’s decision of whether to engage in crime due to the fact that it was regarded as a collective act born and taught within the complexity of an organization (Sutherland, 1949).

What is problematic when individual characteristics of white-collar offenders are ignored is that important factors in their offending patterns may be overlooked. Specifically, according to Dr. Robert Hare, white-collar criminals fraudulent activities may reflect a virulent mix of criminal thinking and behavioral traits, including a sense of entitlement, a propensity to deceive, cheat, and manipulate, a lack of empathy and remorse and the view that others are merely resources to be exploited—callously and without regret (Carozza, 2008, p. 38). Research confirms that there is a relationship between the negative behavioral traits such as anti-social
dispositions, evidence of narcissism and/or psychopathy creating a negative synergy when they combine with criminal thinking patterns increasing the risk of white-collar criminal behavior together with those offenders who turn violent (Perri, 2013; Perri & Brody, 2012). The authors caution that harboring behavioral traits discussed below should not be interpreted as being the cause of criminal behavior, but their correlation is considered a fraud offender risk factor.

**Narcissism and White-Collar Crime**

Narcissism has been identified as a fraud offender risk factor (Bucy et al., 2008). Narcissism is a behavioral construct that defines an individual’s view of self and the environment. Narcissists typically display a pervasive pattern of entitlement, exploitative in the pursuit of goals, a lack of empathy for others, and a belief that one is superior coupled with inflated views of their own accomplishments and/or abilities. Narcissism has been linked to low personal integrity corresponding to traits of entitlement, exploitation (Blair, Hoffman, & Helland, 2008), deviant workplace behavior (Judge, Scott, & Ilies, 2006) and violent white-collar criminals (Perri, 2011a; 2011b). In one study of incarcerated white-collar criminals, Blickle et al. (2006) reported that their subjects were significantly more narcissistic compared to a group of non-criminal white-collar professionals. Offenders exhibiting narcissistic traits of extreme entitlement may not be deterred from committing fraud because they may not “fear being caught or what punishments may come their way” (Bucy et al., 2008, p. 417), nor does such entitlement create a moral dilemma for them to resolve (Barnard, 2008). For example, criminal psychologist Reid Meloy was not surprised by Madoff’s traits, stating that individuals such as Madoff “don’t fear getting caught…They tend to be very narcissistic with a strong sense of entitlement” (Creswell & Thomas, 2009).
We reviewed historical literature on behavioral traits and white-collar criminals. Consider insights by criminal psychiatrist Dr. Walter Bromberg in his 1965 book, *Crime and the Mind: A Psychiatric Analysis of Crime and Punishment*, making observations that reflect a narcissistic disposition at Bellevue Psychiatric Hospital of a successful banker and a former president of the New York Stock Exchange in the 1930s, Richard Whitney, convicted of various white-collar crimes (p. 388):

> [he] impressed the examiners as a realist…yet unaware of his rather strong tendency towards recklessness. On a deeper level, one could sense in him a rigidity of character expressed openly in stubbornness, independence, and lack of compromise. Egocentricity and an unconscious feeling of omnipotence shone through Whitney’s character structure…stating that at no time during his five or six years of financial difficulty did he imagine that he could run afoul of the law.

An organization’s tone at the top can be compromised when senior leadership displays narcissistic behavioral traits (Perri, 2013). Given sufficient opportunity, narcissistic corporate offenders will likely consolidate their power and authority to create an organizational culture that is not only supportive of unethical behavior but whose adherents share the leaders’ corrupt vision (Padilla, Hogan, & Kaiser, 2007). This organizational phenomenon is referred to as *normalized corruption* (Ashforth & Anand, 2003), with senior management obsessed with enhancing power and control, encouraged by “a sense of entitlement to special privileges and resources” (Bucy et al., 2008, p. 416) “exhibiting an insensitivity to the moral implications of their actions” (Benson & Simpson, 2009, p. 52). Aguilera and Vadera (2008) refer to the organization-wide schematic corruption at Enron as facilitated by CEOs Lay and Skilling, who fit the characteristics of narcissistic leadership taking excessive risk (Maccoby, 2000). Tyco’s convicted
CEO Dennis Kozlowski was described as a “supreme narcissist who was also highly skilled in accumulating power . . . whose actions were motivated by a sense of entitlement” (Bucy et al., 2008, p. 410). Executives exhibiting extreme forms of narcissism are more inclined to commit white-collar crimes to keep up appearances, retain their status, and silence critical behavior and dissent (Rijsenbilt, 2011) and are prone to commit fraud because they believe that company procedures, rules, and values do not apply to them (Lodder, 2012).

Individuals, who harbor unrealistic impressions of their capabilities, when reinforced by sycophants, lack a reality check and may be more likely to engage in fraudulent behavior than more grounded executives (Janis, 1982). Narcissistic executives surround themselves with organizational conformists who are accomplices to the fraud crime (Bucy et al., 2008). Skilling “did everything he could to surround himself with individuals who had similar values, “by hiring employees that embodied his beliefs: “aggressiveness, greed, a will to win at all costs, and an appreciation for circumventing the rules” (Sims & Brinkman, 2003, p. 251). In addition, he “hired people who were very young, because very young people did not insist…on questioning authority once they had signed on with him” (Tourish & Vatcha, 2005, p. 464). Consequently, the culture of the organization reflects narcissistic leadership, which in turn is reinforced by rewarding and hiring those that best reflect the organization’s tone at the top (Duchon & Burns, 2008).

Narcissistic offenders in leadership positions expect unquestioned loyalty and to be given whatever they want regardless of the imposition that it places on others, leaving them incredulous, infuriated, and likely to respond angrily with criticism when those expectations are not met. Executive Director John Friedrich, who defrauded the National Safety Council of Australia, was said to surround himself with loyal workers and “demanded unquestioned loyalty”
(Sykes, 1994, p. 240). CEO Ebbers demanded automatic compliance from the Board of Directors; it was known as “Bernie’s Board” because few members would ever disagree with him (Jennings, 2006). Narcissism is linked to destructive characteristics, such as manipulating subordinates (Hogan, Rezaee, Riley, & Velury, 2008), setting unrealistic corporate goals and suppressing negative information when the goals are not met (Conger, 1990), engaging in self-serving abuses of power (Maccoby, 2000), and intimidating subordinates through irrational anger (Blickle et al., 2006). In turn, the organizational culture reflects the narcissism of its leaders:

Narcissistic organizational cultures are excessively egocentric and exploitive; they will obsessively employ a sense of entitlement, self-aggrandizement, denial, and rationalizations to justify their behavior in order to protect the collective identity. Such organizations cannot behave ethically because they do not have a moral identity, that is, a self-concept organized around a set of moral traits. For example, they may have formal ethics programs but devise rules that feed and exaggerate the culture’s preoccupation of themselves by enabling excuses and wishful thinking. They give the appearance or image of practicing virtue. (Arjoon, 2010, p. 62)

**Psychopathy and White-Collar Crime**

The authors caution that although psychopathy has become a highly researched disorder robustly predicting criminal behavior, “there is little understanding as yet how psychopathy contributes causally and under what circumstances” to criminal behavior regardless of the crime classification (Skeem, Polaschek, Patrick, & Lilienfeld, 2011, p. 126). While several experts in the field of psychopathy allude to the idea of psychopathy in the corporate world, little empirical research is available for white-collar crime psychopaths (Lesha & Lesha, 2012). The majority of
the literature on psychopathy has focused on the relationship between psychopathy and what is commonly referred to as street-level offenses, such as violent and property crimes (Perri, 2011a). Its application to white-collar criminality and negative outcomes in a business environment cannot simply be based on anecdotal evidence of an expression of psychopathy (Smith & Lilienfeld, 2012). There appears to be indirect evidence of a relationship between the personality traits of psychopathy when they combine with criminal thinking patterns creating a negative synergy increasing the risk of white-collar criminal behavior (Perri, 2013). However it is the authors’ position that given the billions of dollars lost to white-collar crime, the display of these negative behavioral traits does not represent an anomaly to ignore even if research is scant.

According to internationally renowned forensic psychologist Dr. Robert Hare from the University of British Columbia, “not all psychopaths are in prison, some are in the Boardroom” (Babiak, Neumann, & Hare, 2010, p. 174) nor are they all violent, some are unethical, predatory business associates (Walsh & Hemmens, 2008). In business contexts, psychopathy has been related to irresponsible leadership and increased incidences of white-collar crime (Babiak et al., 2010). Psychopathy, which involves traits of remorselessness, lack of empathy, narcissism, lack of conscience, exploitation, manipulation, and antisocial behavior, is considered a fraud offender risk factor (Perri & Brody, 2012) especially among predatory white-collar offenders (Carozza, 2008).

In referencing Dr. Hare, (Deutschman, 2005) states: “There are certainly more people in the business world who would score high in the psychopathic dimension than in the general population and you’ll find them in any organization where, by the nature of one’s position, you have power and control over other people and the opportunity to get something.” Psychopathic white-collar offenders often are “heavily involved in obscenely lucrative scams of every sort
where they lead lavish lifestyles while their victims lose their life savings, their dignity, and their health—a financial death penalty” (Carozza, 2008, p. 38) who also resort to violence to silence those that are capable of revealing their fraud schemes (Perri, 2011a; Perri & Brody, 2011b, 2012). Such offenders display traits swaying more toward being egocentric, pathological liars, charming, conning, narcissistic, patronizing toward others, and attitudes of entitlement when compared to non-white-collar psychopathic offenders (Bromberg, 1948; Poulin, 2011; Ragatz, et al., 2012).

Psychopathic offenders, more than others, are responsible for organizational white-collar crime because they search for weakness and vulnerability in other people or organizations to exploit (Hakkanen-Nyholm & Nyholm, 2012). They display traits reflecting egocentricity, manipulation, exploitation, and a Machiavellian attitude where the means justify the ends regardless of the criminal nature (Ray, 2007). Offenders, especially those that are executives display psychopathic traits are heavily weighted in narcissism and Machiavellianism because they are rewarded for manipulative, deceptive, and ruthless behavior (Schouten & Silver, 2012) narcissism, self-centeredness, egoism, disagreeableness, competitiveness, manipulativeness, antagonism, and hostility (Lesha & Lesha, 2012).

For example, Ragatz et al. (2012) replicated Walters and Geyer (2004) study by examining how white-collar offenders differ from non-white-collar offenders on criminal thinking and lifestyle criminality. To extend Walters and Geyer’s work, they explored psychopathic characteristics of white-collar offenders compared with non-white-collar offenders. The study sample included 39 white-collar only offenders (offenders who had committed only white-collar crime), 88 white-collar versatile offenders (offenders who previously had committed non-white-collar crime), and 86 non-white-collar offenders. Offenders completed assessments
measuring criminal thinking and psychopathic traits. Results demonstrated white-collar offenders scored higher on measures of psychopathic traits compared with non-white-collar offenders while white-collar versatile offenders were highest in criminal thinking. Ray and Jones (2011) examined the relationship between psychopathic traits and attitudes towards white-collar crime finding positive correlations to commit white-collar crime consisting of lacking empathy, egocentricity and Machiavellian dispositions.

Manager and executives with such traits display a “self-centered manipulation and lack integrity can bring down an entire corporation, causing financial and emotional damage to thousands or tens of thousands: think Enron” (Schouten & Silver, 2012, p. 147). These leaders may list short-term achievements but in the long term destroy the internal culture and spirit of an organization (Hakkanen-Nyhom & Nyholm, 2012). In observing traits displayed by Enron’s Jeff Skilling, Harvard professor of clinical psychology Ellsworth Fersch (2006) described Skilling displaying psychopathic traits in that he was manipulative, glib, superficial, egocentric, shallow, lacked guilt, remorse, and empathy damaging thousands of people’s lives by committing insider trading and financial statement fraud.

Such offenders are more likely to respond unethically to ethical dilemmas, resulting from a unique constellation of manipulative tendencies, blunted affect toward the concerns of others, and a proclivity toward violating social norms and morally disengaging from such dilemmas by reframing their cognitive perceptions, better known as rationalizing, as previously discussed. Trivializing pathologies and perceiving them as normal disturbances is detrimental in an organization that is already displaying bullying, toxic behaviors, aggression, and undiagnosed or misdiagnosed pathologies in leaders—all precursors to ever-escalating organizational dysfunction with tendencies toward fraud and irresponsibility (Gudmundsson & Southey, 2011).
Compensation structures that value profits and stock price above all enable the deviant behavior of corporate psychopaths by giving them the latitude for destructive leadership behavior. Organizational cultures favoring manipulative and self-centered managerial behavior, as long as corporate objectives are met, overlook psychopathic tendencies, consequently, it is a common human failing that the capacity for objectivity can be limited when it comes to someone who benefits a corporation, be it employees, the CEO, or the board (Schouten & Silver, 2012).

**White-Collar Crime and Normalized Organizational Deviance**

White-collar criminals are often thought to be ‘one-shot’ criminals, not likely to be processed into the criminal justice system following an initial brush with the law (Benson & Simpson, 2009). The following is a common depiction of a white-collar offender: he or she is a first-time offender, middle aged, well-educated, trusted employee, considered a good citizen through service works at the office, in the community, or at a charitable organization (Dorminey, et al., 2010). This individual succumbs to pressures, such as too much personal debt, an addiction problem, or to get an organization through a difficult economic period, and commits some fraud act that is not deliberate, but represents the slippery slope of bad decisions where the offender does not fully understand the consequences of their actions. This type of criminal has been characterized as an accidental fraud offender.

There may be plausible reasons why some white-collar offenders may be perceived as being accidental in that they may not have a criminal history or they do not reflect the unstable optics of the street-level offender that is associated with criminality. The authors examine social psychological influences that may prompt individual(s) to engage in white-collar crime when under alternative scenarios, such offenders may have not partaken in wrongful acts but for the fact that unethical/unlawful acts are to be expected at organizations. Consequently, those that
engage in white-collar crime may not necessarily understand the consequences of the acts as being illegal, thus their reasons to engage in a crime are not based on rational risk analysis (Palmer, 2012).

**Organizational Culture**

In examining organization wrongdoings, some white-collar offenders may be exposed to certain influences within organizations that converge producing a negative synergy that increase the risk of an individual(s) committing fraud or assisting in the furtherance of the crime when under different circumstances, such an individual would not engage in wrongful acts (Palmer, 2012). For example, the culture of an organization (norms, values, beliefs and assumptions that guide the way we think and act in a situation), which at times is believed to eminent from the “tone at the top,” may influence a decision to further a wrongdoing. Organizational culture can endorse wrongdoing and consequently, individuals can follow conduct that has been endorsed as legitimate without necessarily understanding how the wrongdoing may play itself out in a very negative manner. For example, a former Enron vice president, stated, “[You can] break the rules, you can cheat, you can lie, but as long as you make money, it’s alright” (Sims & Brinkman, 2003, p. 250).

**Authoritative Influence**

Another influence is the perception that upper-level management holds certain authority powers that propel subordinates to act as accomplices to a wrongful act by the fact that subordinates believe they are obligated to follow orders making them accidental offenders such as accountant Betty Vinson of WorldCom (Palmer, 2012). When WorldCom executives learned that profits had plummeted they asked Vinson to make accounting adjustments impacting income, in the hundreds of millions of dollars, over a period of several quarters. She knew that
the scheme was unethical and wanted to resign. CFO Scott Sullivan explained it this way to Vinson: “Think of it as an aircraft carrier…We have planes in the air. Let’s get the planes landed. Once they’ve landed, if you still want to leave, then leave. But not while the planes are in the air” (Blumenstein & Pullman, 2003, para. 22). It was Vinson’s belief that she was just following orders from her boss. According to a person close to her, Vinson began to rationalize her decision to comply with her bosses' request; after all, Sullivan had been heralded as one of the top chief financial officers in the country. If he thought the transfer was all right, who she to question it?

**Social Influence**

Groupthink is a social psychological phenomenon that occurs within a group of people, in which the desire for harmony or conformity in the group results in an incorrect or deviant decision-making outcome (Palmer, 2012). Group members try to minimize conflict and reach a consensus decision without critical evaluation of alternative ideas or viewpoints, and by isolating themselves from outside influences. The dysfunctional dynamics of the "in group" produces an inflated certainty that the right decision has been made. Thus the "in group" significantly overrates their own abilities in decision-making, and significantly underrates potential negative outcomes of the group’s decisions. When one of Enron’s board members, Brent Scowcroft, questioned the veracity of the financial statements and confronted Ken Lay, Lay employed groupthink psychology in his response to Scowcroft: “How could you be right and men of this caliber [referring to Fastow and Skilling] be wrong?” (Jennings, 2006, p. 65). Scowcroft was brought back into the line of strict compliance that consumed the Enron culture.

**Limitations**

Being labeled accidental should not be confused with a lack of awareness of engaging in
some type of wrongdoing or lacking deliberation, intent or knowledge because the reasons offered appear altruistic which is used to neutralize true criminal motives. We caution that the above influences may be perceived as real by those who unfortunately end up assisting or planning fraud, but what motives individuals harbor to engage in fraud in an organizational setting is not entirely clear and it is at times convenient to rely on neutralizations to distance oneself from a particular wrongdoing by labeling one as an accidental offender. For example, those within organizations who are considered followers may engage in white-collar crime for a variety of reasons: a) out of fear, b) because they believe in the leaders’ reasons to commit fraud, c) a sense of loyalty to organizations and supervisors, and d) observe opportunity in upward mobility through participation in fraud (Bucy et al., 2008). We emphatically reject the notion brought forward by some academicians that organizational wrongdoing is a result of being “mindless…stumbling into wrongdoing without malevolent intent” (Palmer, 2012, p. 269); malevolence may be an aggravating factor but is not a necessary element for an individual to be held accountable for criminal behavior. It is an individual’s conduct that is reviewed for criminality.

Consider Andy Fastow’s statement at the 2013 Annual Association of Certified Fraud Examiners conference. He stated: “I knew that what I was doing was misleading. But I didn’t think it was illegal. I thought that’s how the game was played. You had a complex set of rules and the objective is to use the rules to your advantage. And that was the mistake I made” (Carozza, 2013, p. 430). Was Fastow an accidental fraud offender? Does it matter that Fastow fails to mention that he conspired with Lay and Skilling to conceal massive losses at Enron while still enriching himself? Does it matter that he was proactive in trying to get rid of whistleblower Sherron Watkins when she questioned the financial statements?
At times the lines between legal and illegal activities within an organization become blurred allowing offenders to create the perception that their crimes are accidental by the fact that fraud often is intertwined with legitimate activities. This comingling of legal with illegal acts facilitates the ability to rationalize because of the ability to attach a moral argument to the offense by pointing to higher purposes behind the fraud that pre-empts unsavory explanations.

One study of retired Fortune 500 company managers by scholar Marshall Clinard (1983) showed a widespread condemnation of revealing wrongful acts on the grounds that it conflicted with the loyalty owed by employees to the firm. Many believed that individuals who were unwilling to participate in illegal activities should simply quit their jobs and keep quiet, rather than “go to the government” (1983, p. 116). Should these managers, if facilitating crime, be considered accidental offenders?

It is unclear what factors need to be present to be considered an accidental offender and it is the authors’ position that attaching labels to offenders in order to create the perception that they represent a different type of criminal that is somehow more refined reflects a bias within academia, legal and practitioner circles that should be avoided. For example, an offender that commits a homicide is not considered an accidental killer just because this was his or her first murder coupled with no criminal history. For a number of reasons there are different types of homicide such as first degree homicide, second degree homicide, and reckless homicide each reflecting different punishment ranges, but such offenders are not considered accidental in their acts. Likewise there are a myriad of white-collar crimes that the law regards as more severe than others, but the offender’s criminal status or the crime itself is not mitigated by labeling one as accidental when compared to another offender. The severity of the crime is reflected in the sentence imposed regardless of the crime classification. Moreover to state that an offender is
accidental removes the state of mind that is necessary for an act to be considered criminal which would then only represent a negligent act and not a criminal act. The authors suggest that a better term than accidental would be to refer to such an offender as an “unexpected fraud offender”; an individual characteristically not perceived to be associated with white-collar criminality.

Moreover, as Brody et al. (2012) aptly question what factors define one as an accidental offender: is it their motive, the dollar amount of the fraud, the number of victims, whether the fraud was planned versus unplanned, the offender’s socio-economic status, number of prior arrests, the extent of the fraud over time, or a combination thereof? We would agree that white-collar offenders reflect like non-white-collar offenders different deviancy levels, but this should not be interpreted that somehow they reject criminal attitudes for a limited purpose when it may be convenient to satisfy a motive even though on the deviancy continuum some offenders are legitimately considered lower risk offenders than others. “First time offender” is often confused with offending only one time; a lack of a prior record is not synonymous with a lack of prior offending (Freiberg, 2000). For example, Bernie Madoff, can technically be classified as a first-time offender because this was his first arrest, yet, his fraud extended over many years, and in fact, the extensive and at times collusive planned quality of the fraud is actually an aggravating factor (Freiberg, 2000).

Many organizational frauds are a result of months of scheming, endorsed by senior management such as CEOs (Benson & Simpson, 2009), who set the “tone at the top” and are not the result of one fraudulent act on one particular day, which may be more characteristic of a street-level offense (Perri, 2011a). Consider, for example, that between 1998 and 2007, the U.S. Securities and Exchange Commission named the CEO and/or the CFO for some level of involvement in 89% of its fraud cases, up from 83% of the cases between 1987 and 1997.
Within 2 years of completion of the commission’s investigation, about 20% of the CEOs/CFOs had been indicted, and over 60% of those indicted were convicted (COSO, 2010). A recent report by accounting and financial services firm KPMG found in a 2011 global survey that CEOs were involved in 26% of organizational fraud cases, up 11% from a similar 2007 survey (Helm & Mietzite, 2011). In the wake of corporate scandals in 2001 and 2002, the Department of Justice (DOJ) created the Corporate Fraud Task Force. In its DOJ (2007) report, the department indicated that since the task force’s inception, it has obtained convictions or guilty pleas from at least 214 former CEOs and presidents, 53 CFOs, and 129 vice presidents.

Moreover, adults convicted of white-collar crimes are often serial offenders no different from non-white-collar offenders who display a criminal history throughout their lives (Weisburd, Waring, & Chayet, 2001) countering the belief white-collar offenders “do not have a commitment to crime as a way of life” because the loss of “social status, respectability, money, a job, and a comfortable home and family” deters them from a criminal lifestyle unlike street level criminals who have no concern about how criminality affects their future or status (Shover & Wright, 2001, p. 369). According to the U.S. Federal Sentencing Commission, studies have shown that ‘[e]ven though fraud and larceny offenders have lower recidivism rates’ for first-time offenders, for offenders with a criminal history, the recidivism rates of these offenses exceeds 50 percent’, which is comparable with the recidivism rates for robbery and firearm offenders (Weissmann & Block, 2007, p. 290). White-collar offenders “do not form a homogenous group with respect to their pattern of offending, level of deviance, attitudes toward crime, or social identity” (Walters & Geyer, 2004, p. 280). In a recent study by Ragatz et al. (2012), white-collar offenders with non-white-collar offenses in their criminal history scored highest in terms of
criminal thinking traits when compared to just white-collar offenders and non-white-collar offenders.

Offenders who are predatory in nature proactively seek out individuals, situations, and/or organizations to exploit (Dorminey et al., 2010). Individuals such as previously mentioned Barry Webne and convicted offender and founder of ZZZZ Best carpet-cleaning company, Barry Minkow display predatory offenders in that upon release from prison, they still continued to offend by targeting individuals, situations and/or organizations to exploit through fraud schemes (Parloff, 2012). We caution that predatory offenders do not have to work within the confines of an organization, have a criminal history or have gone to prison to be considered a predatory offender. However, they have inclinations to also target individual(s) and/or organizations that may be non-profit by exploiting trust relationships inherent in such organizations that Minkow exploited (Perri & Brody, 2012).

Projection Bias and the Perpetuation of Misperceptions

A fundamental problem that exists in the accounting profession (the academic community, auditing, forensic accounting, and fraud examination professionals) is the existence of unsupported assumptions with respect to the underlying character aspects of fraud offenders. This invites interpretations about offender profiles that are not grounded in thoughtful analysis but reflective of what we wish these offenders would represent or not represent (Brody et al., 2012). We believe that part of the reason why there may be a disconnect between what traits offenders may harbor and how they are perceived is because professionals may not have had the education and/or training to understand what comprises the criminal personality and negative behavioral traits harbored by some offenders. We also believe that white-collar crime was not perceived as being a serious offense until recently, thus further perpetuating offender profile
misperceptions as somehow being less criminally inclined when contrasted to non-white-collar offenders. This is due to the fact that public perceptions of what crime entails disproportionately fueled the attention of researchers and criminal justice agencies towards violent crimes while ignoring white-collar offender scholarship for years (Simpson, 2013; McGurrin, Jarrell, Jahn, & Cochrane, 2013), and its victims in criminological surveys (Perri, 2011a).

Consequently, the void created by the absence of understanding the basics of criminal personalities together with its victimology create erroneous criminological and character assumptions about the social deviancy of this offender class when contrasted to non-white-collar offenders. The image of what white-collar offenders truly represent relies on the optics of criminality as opposed to the personality of the offender; in essence criminality is defined by the socio-economic descriptions such as educational level, employment status, social status, perceptions of citizenship, work histories, criminal histories charitable endeavors, etc. Sutherland warned of being seduced by offender appearances and attributing a value system to white-collar offender based on some of the descriptions above (Lilly et al., 2011).

For example, in the Center for Audit Quality’s (CAQ, 2010) paper titled: Deterring and Detecting Financial Reporting Fraud (p. 5), “Even under extreme pressure, only a small percentage of senior management actually commits fraud. Why and how do good people start down the slippery slope to fraud?” The KPMG (2011, p. 14) report Who Is the Typical Fraudster? states: “The fraudster is deemed a very smart, hardworking, and honest employee…” As one accounting academician who interviewed fraud offenders stated, they are just “ordinary people who made mistakes” (Goodman, 2010, para. 8), “really nice, everyday people” (Weigel, 2013, para. 4). Yet, Brody et al. (2012, p. 519) challenge vague, unsupported application of offender character traits perpetuated in academic and practitioner circles advancing offender
profiles that are inaccurate, incomplete or non-existent stating:

[T]here are those who may know offenders who have committed horrific homicides, sexual assaults, etc., and yet they indicate what a good person the offender is by pointing to admirable deeds they may have done. Would we attribute “good virtue” to an individual who preys on the weak such as children or the elderly in a violent manner? Why do we as a profession have a need to attribute good virtue to fraud offenders when whether they are good or not is irrelevant as to whether a crime was committed?...Is it because we believe, albeit erroneously, that fraud offenders’ may not have the typical negative behavioral, exploitative, disposition of conventional criminals that many cannot relate to? Or is it that fraud offenders have behavioral qualities, which we can relate to, that is admirable? Do we have a need to reduce our own anxiety made possible through projection bias, by diluting the negative behavioral traits about those that we are familiar with and similar to?

Is there a psychological explanation for this disconnect between what fraud offenders may actually represent and how they are perceived by those who are charged to reveal their fraud and academia that research these offenders that addresses Joseph Wells’ concerns? We hypothesize that professionals engage in the psychological concept of projection bias to fill the void that is created when a framework does not exist to understand this offender profile (Brody et al., 2012). Projection bias is a psychological defense mechanism to reduce personal anxiety where an individual transfers his or her own attributes, thoughts, feelings, and emotions, usually to other people, given a set of circumstances. It is the tendency to assume that others share similar values, beliefs, or thoughts with your own. Thus, it may be surprising to learn that
individuals who may look like us in terms of being educated, civic minded, considered to be trustworthy employees/employers can behave dishonestly. In referencing the criminality of Rajat Gupta, a colleague indicated that the conviction is “wholly inconsistent with the character of the man I know” (Rothfeld, 2012, para. 22) which reflects the previous statements by Dr. Samenow about out of character behaviors are not observed until offenders exploit a given situation even though they may reject a criminal lifestyle as the norm.

Attributing an unsubstantiated value system to another because of the outward appearance he or she may project that appears to be similar to our own can be problematic, especially for auditors who are required to engage in a mind-set of healthy skepticism and academia who comments on these offenders. In some respects part of the dynamic in debunking the misperception that because they do not harbor the same optics of criminality associated with street-level criminals, then one is not truly criminal at heart (Kanazawa, 2011). In essence, one has to look like a criminal to truly be a criminal that parallels the findings of Weisburd, Wheeler, Waring, & Bode (1991, p. 73) that white-collar and common street offenders were “drawn from distinctly different sectors of the American population such as age, race, educational levels, and gender” reinforcing stereotypes of what criminality should look like.” Furthermore, research has shown that the more similar in various characteristics we perceive another to be when compared to ourselves, the more we tend to believe that person harbors a similar value system, are perceived to be more trustworthy even though there is no evidence that similarity is a guarantee of parallel values because we can identify with them (Burgoon, Dunbar, & Segrin, 2002; Perri & Brody, 2012). This insight is often used by fraud offenders at criminal sentencing’s to appeal to the judiciaries bias’ that they deserve leniency because they do not have a true criminal core as contrasted to street-level offenders (Perri, 2011a).
For example, Sutherland (1949) illustrates this belief of projecting value systems in the legal system by citing the comments to convicted offenders by a sentencing judge stating: “You are men of affairs, of experience, of refinement and culture, of excellent reputation and standing in the business and social world (p. 8). Fast forward to 2013 observing similar statements of the current judge when she sentenced CEO Michael Peppel to seven days in jail for fraudulent financial statements, money laundering and securities fraud which caused the business to collapse, impacting thirteen hundred employees loss of employment with investors losing eighteen million dollars stating: the defendant was “not just a man, but a remarkable good man” (Gnau, 2013, para. 6) noting that a lenient sentence was warranted given that he was now “involved in a business venture that is apparently a growing success and provides a very much needed service to a large number of people…[is a] talented business man, entrepreneur…that it would be wasteful…to incarcerate someone that has the ability to create for his country and economy” (Moore, Gilman, & Kethledge, 2013, p. 16). The government appealed the lenient sentence and Peppel was resentenced to two years in prison.

Consider the statement that one convicted white-collar criminal to a sentencing judge on how they perceive themselves to be different because of the optics attributed to criminality: “I have been sitting in jail now for two months and have experienced living in a cell with a poor ignorant illegal alien, a career criminal, a drug user and smuggler, and a killer…I can tell you without hesitation I am not at all similar. I don’t look the same, talk the same, act the same, or feel the same” (Hare, 1993, p. 122). Another offender, appealing to the optics of criminality to differentiate herself from other non-white-collar offenders stated, “I’m not tattooed and pierced” (Goodman, 2010, para. 13). When co-author Justin Paperny was asked whether he viewed
himself differently from other types of non-white collar offenders who he was in prison with stated:

I felt different from most of the men around me. I could not relate to them. My background was too different. They had tattoos, meth teeth, and they could hardly string together two grammatically correct sentences. We think our education and background separates us from the other criminals around us.

In addition, there has been an unsupported assumption that because the classification of white-collar crime is labeled non-violent, it is assumed that the offender is also non-violent. One U.S. federal court judge stated: “White-collar criminals are not people who are threatening the lives of others. They are not violent people” (Wheeler et al., 1988, p. 63). Consider how white-collar criminals are considered non-violent by academicians: “There are some notable differences involved [with] white-collar criminals compared with…criminals on the lower rungs of the offense ladder. For one thing, white-collar criminals pose no physical danger...Violence is not their thing” (Hobbs & Wright, 2006, p. 79). Though committed by a sub-group of white-collar offenders, a tendency towards violence is not surprising considering many of them harbor deviant criminal personality traits as previously discussed. White-collar criminals are capable of resorting to brutal violence, namely homicide, which is the ultimate form of power orientation over an individual and a particular situation that is interfering with their goal of realizing the benefits of fraud. In circumstances where there is a threat of fraud detection, a sub-group of white-collar criminals, resort to brutal acts of violence, one, to silence the people who have detected or could potentially detect their fraud, and two, to prevent disclosure of the fraud to authorities (Perri, 2011a; Perri & Lichtenwald, 2007).
CONCLUSION

Edwin Sutherland revealed the inherent bias in how crime is perceived illustrating how the criminal personality is also present in white-collar offenders; “he wished to debunk the myth that” (Lilly et al., 2011, p. 274) offenders not typically associated with crime should not be immune from criminological study. Accounting and anti-fraud professions including academia stand to benefit from understanding how these offenders think about crime and negative behavioral traits that facilitate the perpetration of fraud when opportunities arise. Unfortunately, many still perceive white-collar criminals as experiencing a temporary lapse in moral judgment representing out of character behavior because they have not been taught that these offenders display criminal propensities that are no different than non-white-collar offenders. We believe a better understanding of the criminal personality as outlined in the article refines Cressey’s fraud triangle and reduces the need to resort to projection bias as a default position in assessing how to perceive criminality regardless of the whether it is white-collar crime or non-white collar crime.
REFERENCES


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