

The 12-step path to white-collar crime

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Adelphia Communications, Barings Bank, Enron, HealthSouth, HIH Insurance, Hollinger International, Tyco International, WorldCom/MCI, Xerox... the white collar crime list goes on. But, did the executives at these companies start out as criminals or did they head down the slippery slope to criminality one misplaced step at a time? According to research to be published in the *International Journal of Business Governance and Ethics*, there are twelve steps to white-collar crime.

Ruth McKay of the Sprott School of Business, at Carleton University, Carey Stevens of Carey Stevens and Associates, in Ottawa, and Jae Fratzl of Artworks Counselling and Psychotherapy, in Ontario, Canada, worked together to examine the psychopathology of the white-collar criminal acting as a corporate leader.

They have looked at the impact of a leader's behavior on other employees and how organizational culture develops during that leader's reign to help them explain how morally upstanding people can become embroiled in and addicted to white-collar criminality that can bring down an entire corporation. Their analysis suggests that this descent involves a 12-step process that takes a company and many of the individuals working in it from operating entirely legally to a situation in which unethical behavior is ignored and wrongdoing is promoted.

"Illegal activities at a corporation may appear to be the act of one person, such as with the collapse of the 233-year-old Barings Bank," McKay explains. That downfall was the result of Nick Leeson's actions, but Barings Bank executives knew through audits that Leeson had a [conflict of interest](#) as he was both trading and settling deals. The auditors, Coopers and Lybrand, were also blamed by the bank liquidators for negligence related to Leeson's trading activities.

In the case of Enron, three top players were culpable, but problems were much more

widespread within the organization with internal lawyers having helped misrepresent deals in Enron's accounting and external individuals who shredded documents or worked in illegal transactions to promulgate the crime.

The researchers have broken down the process of white-collar crime into 12 steps, with steps one to four explaining how the "players" first encounter and support each other and begin to spot the opportunity for illegal activity.

These first four steps are: The perpetrator is hired into a position of power. Second step, personality and life circumstances affect the perpetrator in such a way that they recognise their power. In the third step "drivers" who turn a blind eye or condone certain activities come into view. The fourth step sees passive participants recognizing an opportunity.

In steps 5 to 8 the truth of escalating illegal activity is hidden.

In step 5 reluctant participants are drawn into the web of deceit by the "leader". In step 6 distrust of the other people involved emerges. In step 7, the perpetrator recognizes they have their accomplices in a vulnerable position and begin to exploit that position. In step 8 bullying tactics become increasingly common as illegal goals are aimed for.

In steps 9 through 12 the perpetrator's actions are challenged and publicised revealing the white-collar crime.

In step 9, the crime continues, but the perpetrators, trapped in their insatiable addiction, become more blaze, taking bigger risks, and seeking more lucrative exploits.

In step 10, an undeniable paradox becomes apparent, as the participants' values and their behavior are now obviously in conflict.

In step 11, a whistleblower steps up to the mark and the leader loses control.

Finally in step 12, blame is laid at the feet of the perpetrator at which point they either deny everything or admit their guilt and seek forgiveness by laying bare their activities.

More information: "A 12-step process of white-collar crime" in *Int. J. Business Governance and Ethics*, 2010, 5, 14-25

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