



University of
New Haven

University of New Haven
Digital Commons @ New Haven

Public Administration Faculty Publications

Public Administration

2016

Detection of White-Collar Corruption in Public Procurement in Norway: The Role of Whistleblowers

Petter Gottschalk
BI Norwegian Business School

Christy Smith
University of New Haven, CDSmith@newhaven.edu

Follow this and additional works at: <https://digitalcommons.newhaven.edu/publicadministration-facpubs>



Part of the [Public Affairs, Public Policy and Public Administration Commons](#)

Publisher Citation

Gottschalk, P., Smith, C. (2016). Detection of White-Collar Corruption in Public Procurement in Norway: The Role of Whistleblowers. *International Journal of Procurement Management*, 9(4).

Comments

This is the authors' accepted manuscript of the article published as Gottschalk, P., Smith, C. (2016). Detection of White-Collar Corruption in Public Procurement in Norway: The Role of Whistleblowers. *International Journal of Procurement Management*, 9(4). The version of record may be found at <http://dx.doi.org/10.1504/IJPM.2016.077703>.

Detection of White-Collar Corruption in Public Procurement in Norway: The Role of Whistleblowers

Petter Gottschalk

Department of Leadership and Organizational Behavior
BI Norwegian Business School
Nydalsveien 37
0484 Oslo
Norway
petter.gottschalk@bi.no

Christy Smith

Department of Public Administration
Henry C. Lee College of Criminal Justice and Forensic Science
University of New Haven
West Haven, CT 06516
USA
cdsmith@newhaven.edu

ABSTRACT

There is a low risk of detection for white-collar criminals in most nations. White-collar criminals in public procurement corruption are probably no exception. Public procurement appears particularly vulnerable to corruption despite the multitude of policies and procedures that most public organizations have in place to ensure proper stewardship of public funds. While these mechanisms are designed to control and make transparent the procurement process, corruption has been inherent in public procurement since governments first began buying goods and services. This article presents the topics of white-collar crime, public procurement corruption, and detection by whistleblowers. Based on a sample of 390 convicted white-collar criminals in Norway from 2009 to 2014, this article explores sources of detection with an emphasis on whistleblowing. It seems that whistleblowers are the single most important source of detection. Based on conflict theory, there is a need to strengthen the role of whistleblowers and prevent them from revenge and retaliation.

Keywords: public corruption, whistleblowing, crime detection, procurement, social conflict theory.

Biographies

Petter Gottschalk is Professor in the Department of Leadership and Organizational Behavior at BI Norwegian Business School in Oslo, Norway. He has published extensively on policing white-collar crime. Dr. Gottschalk has been CEO of several companies including ABB Data Cables and Norwegian Computing Center. Dr. Gottschalk received his MBA from the Technical University of Berlin (Germany), MSc from Dartmouth College (USA), and DBA from Henley Management College (UK).

Christy Smith as Assistant Professor in the Department of Public Administration in Henry C. Lee college of Criminal Justice and Forensic Sciences at the University of New Haven. She has worked for the State of Florida, first as a policy and budget analyst in the Executive Office of the Governor under Governor Jeb Bush, then in the Florida House of Representatives under Speakers Rubio and Cretul. Dr. Smith received her B.A. from the University of West Florida in 1997, and her M.P.A. in 2003 and Ph.D. in 2014 from Florida State University.

Detection of White-Collar Corruption in Public Procurement in Norway: The Role of Whistleblowers

1 Introduction

White-collar criminals are individuals who commit financial crime in a professional setting where they have legal access and hide misconduct in legitimate transactions. Corruption is a white-collar crime involving two parties. White-collar corruption in public procurement is characterized by a public official who is offered or asks for an unreasonable favor from outside vendors, often in return for a special treatment of the supplier (Ksenia, 2008; Passas, 2007).

Corruption scandals involving public officials are regularly presented in the media in the United States and many other countries. For example, former middle manager in the technology department in the District of Columbia, Yusuf Acar, was sentenced to 27 months prison for corruption (Sidley, 2010). Another example is former major John Lee Cockerham who was sentenced to 17 and ½ years in prison for corruption (Thompson and Schmitt, 2007). It is an interesting question whether detected corrupt public officials are only the tip of an iceberg. If they are, there is certainly a need to address the issue of detection sources. One detection source is whistleblowers who are former or current organizational members disclosing misconduct and crime under the control of their employers (Stieger, 2012; Vadera et al., 2009).

This article addresses the following research question: *What is the role of whistleblowers in detection of white-collar corruption in public procurement?* Based on a sample of convicted white-collar criminals in Norway, the objective of this article is to present research results on the role of whistleblowers.

Procurement is highly susceptible to fraud, waste, and abuse (Hunsaker, 2009). While public service motivation theory argues that some individuals work in the public sector based on values different from people in the private sector (Kjeldsen and Jacobsen, 2013; Perry et al., 2010), opportunity theory suggests that wherever there is an opportunity for financial gain, many will be tempted as long as the risk of detection is low (Benson and Simpson, 2014).

2 White-Collar Criminals

A white-collar criminal is typically a member of the privileged socioeconomic classes in society (Sutherland, 1949) who is involved in illegal activities and commits nonviolent acts for financial gain (Gottschalk, 2014). The white-collar criminal is a person of respectability who commits crime in a professional setting, where criminal activities are concealed and disguised in organizational work by law-abiding behavior (Pontell et al., 2014). The criminal has power and influence, he forms relationships with other persons or professionals, which protects him from developing a criminal identity, and he enjoys trust from others in privileged networks (Benson and Simpson, 2014). White-collar crime refers to offenses committed in an organization by those who indulge in dishonest activities – either by themselves or using agents – for financial gain (Schoepfer et al., 2014).

Law enforcement targeted at white-collar criminals is non-aggressive and often discrete not only because of the upper class affiliation. Another reason is white-collar defendants' ability to recruit top defense lawyers who apply symbolic defense in addition to substance defense, as well as information control, in their work for white-collar clients (Gottschalk, 2014). It is recognized that having a well-qualified and possibly famous attorney increases one's chances of a favorable outcome in any legal dispute. Some individual white-collar offenders avoid criminal prosecution because of the class bias of the courts (Tombs and Whyte, 2003).

When white-collar criminals appear before their sentencing judges, they can correctly claim to be first-time offenders. According to Slyke and Bales (2013), theory and empirical research often have agreed that white-collar offenders benefit from leniency at the sentencing stage of criminal justice system processing. Croall (2007) argues that the term “crime” is contentious, as many of the harmful activities of businesses or occupational elites are not subject to criminal law and punishment but administrative or regulatory law and penalties and sanctions. Therefore, very few white-collar criminals seem to be put on trial, and even fewer higher-class criminals are sentenced to imprisonment. Another reason for the low prosecution and conviction rate for white-collar criminals is the extraordinary broadly and fuzzy defined offenses in criminal law for white-collar crime (Hasnas et al., 2010).

3 Public Procurement Corruption

To detect, investigate, prosecute, and otherwise combat and prevent white-collar crime is a challenge in most countries all over the world. The Federal Bureau of Investigation (FBI, 2015) characterize white-collar crime as the full range of frauds committed by business and government professionals. Fraud is a general type of crime that involves using deception for illegal monetary gain. White-collar crime includes violations of law committed by both individuals and organizations. White-collar offenders generally are recognized as those in high-status positions, including positions of trust. Public corruption is one form of white-collar crime that involves a breach of trust or an abuse of position by federal, state, or local government officials (Cordis, 2014). In general, white-collar offenses may be handled through the criminal justice system, the civil system, or through regulatory means.

Public corruption is one form of white-collar crime that involves a breach of trust or an abuse of position by federal, state, or local government officials. In 2015, the National Institute of

Justice (2015) supports research related to public corruption. FBI (2015) states that public corruption is their top priority among criminal investigations, and for good reason:

Public corruption poses a fundamental threat to our national security and way of life. It impacts everything from how well our borders are secured and our neighborhoods protected...to verdicts handed down in courts...to the quality of our roads, schools, and other government services. And it takes a significant toll on our pocketbooks, wasting billions in tax dollars every year. The FBI is singularly situated to combat this corruption, with the skills and capabilities to run complex undercover operations and surveillance.

Cordis (2014) studied public corruption in the United States. She studied the relation between corruption and the composition of state government spending. Her analysis reveals that corruption lowers the share of government spending devoted to higher education and raises the share of spending devoted to other and non-allocable budget items.

Elite public criminals can use the power and apparent legitimacy of their office to extort bribes or direct procurement to entities they control or from which they profit. They can shape the environment by organizing procurement processes and formulating regulatory requirements. Private elites can indirectly achieve the same profitable result by suborning public officials to modify the environment to benefit the private party, for example by going to a non-bid, sole-source market (Passas, 2007).

Some of the approaches applied in the private sector to combat corruption include corporate social responsibility programs (Eadie and Raffert, 2014), business process reengineering (Bertolini et al., 2015), and e-procurement programs (Mahallik, 2014). These approaches are adaptable to the public sector.

Financial crime by white-collar criminals can be classified into four categories (Gottschalk, 2010): fraud, theft, manipulation, and corruption. Corruption can be defined as the giving,

offering, promising, requesting, receiving, taking, agreeing to taking, or accepting of an improper advantage in terms of money or other consideration related to position, office, or assignment (Boles, 2014). The improper advantage does not have to be connected to a specific action or to not doing this action. It is sufficient if the advantage can be linked to a person's position, office, or assignment. An individual or group is guilty of corruption if they accept money or money's worth for doing something that they are under a duty to do anyway or that they are under a duty not to do, or to exercise a legitimate discretion for improper reason (Ksenia, 2008). Corruption is to destroy or pervert the integrity or fidelity of a person in his discharge of duty, it is to induce to act dishonestly or unfaithfully, it is to make venal, and it is to bribe. Both the bribed and the briber are criminals in most legislations, such as the United States and Western Europe. In some countries, only the receiver of a bribe is considered and treated as a criminal.

Transparency International (2014) defines corruption as the abuse of entrusted power for private gain. In the case of public corruption discussed below, private gain is interpreted widely to include gains accruing to the government official, his or her family members, close friends, political party, favorite charity, hometown or a corporate or other entity in which the official or the official's family or close friends have a financial or social interest. A public official is any officer or employee of government, including legislators and judges, and any person participating as juror, advisor, consultant, or otherwise, in performing a governmental function (Boles, 2014).

Cordis and Milyo (2013) do also define corruption as the abuse of entrusted power for private gain, and public corruption as the misuse of public office for private gain, or more broadly as an abuse of public trust. They include, for example, postal employees charged with theft of mail. Their definition seems to include almost all kinds of financial crime and is thus not useful in our context. In their table of U.S. code titles for lead charge, the most relevant titles

seem to be Paragraph 201 Bribery of Public Officials and Witnesses, Paragraph 641 Public Money, Property or Records, and Paragraph 666 Theft/Bribery in Programs Receiving Federal Funds.

Corruption is a concealed abuse of a position of trust by an expectation that one will do what one is relied on to do (Boles, 2014). From an economic perspective, corruption generally is defined as the misuse of a position of authority for private or personal benefit, where misuse typically constitutes a breach of legal norms. Corruption is expected to occur where (1) there is a control over economic benefits and costs and, thus, the potential for economic rents – that is, profits, and (2) persons in positions of authority have discretion over the allocation of such benefits and costs. Corruption can reflect rational, self-interested behavior by persons using their discretion to direct allocations to themselves or to other social actors who offer rewards in return for favorable discretionary treatment (Misangyi et al., 2008).

In corruption, an external opportunity can supply benefits to solve a problem. Typically, a problem is solved by providing benefits to persons in positions of authority. According to Misangyi et al. (2008), the rational choice perspective on corruption assumes that corruption is a response to situations that present opportunities for gain and the discretionary power to appropriate that gain. Corruption involves behavior on the part of officials in the public or private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so by misusing the position in which they are placed.

Corruption covers a wide range of illegal activities, such as kickbacks, embezzlement, and extortion. Kayrak (2008) includes money laundering as well in his definition of corruption, which is too wide for our research purpose.

The notion of corruption may be classified as sporadic or systemic corruption, bureaucratic or political corruption, grand or petty corruption, personal or organizational corruption, and active and passive corruption. For example, Lange (2008) defines organizational corruption as

the pursuit of individual interests by one or more organizational actors through the intentional misdirection of organizational resources or perversion of organizational routines, which is commonly understood to be highly undesirable for any parties holding a stake in the organization's performance.

Pinto et al. (2008) focused on two fundamental dimensions of corruption in organizations, that is, whether the individual or the organization is the beneficiary of the corrupt activity, and whether the corrupt behavior is undertaken by an individual actor or by two or more actors. While an organization of corrupt individuals is a scaling up of personally beneficial corrupt behaviors to the organization level, a corrupt organization consists of a group of employees carrying out corrupt behaviors on behalf of the organization. This is similar to a distinction between bribed and briber, where the bribed is an individual beneficiary of the corruption, while the briber is an organizational beneficiary of the corruption.

Bowman and Gilligan (2008) suggest that corruption may be a greater issue for the Australian public than has been assumed in the past, given the relatively low level of reported systematic corruption in Australia. Moreover, while there may be widespread agreement that corruption in Australia is harmful and perhaps inevitable, people can find it difficult at times to differentiate between what is corrupt and what is not.

Public corruption is defined as corruption involving public officials. Section 201 of Title 18 of the United States Code governs the offenses of bribery and illegal gratuity. Relevant definitions are set forth in § 2011. To prove corruption, the government must generally establish that: (i) a thing of value was given, offered, or promised to (or, in the case of a recipient, demanded, sought, received, or accepted by); (ii) a present or future public official, (iii) for an official act; (iv) with corrupt intent or intent to influence (or be influenced). Corruption requires proof of intent (Dwyer et al., 2014).

4 Detection by Whistleblowers

A city manager told us that corruption in procurement happens every day and that when he first started with the town, the FBI was already investigating the public works director and a purchasing director. We asked him how the FBI knew to investigate, and he said it was someone inside the organization or maybe people just talking outside of work. That is the difficulty in the detection – you really have to depend on people within the organization to blow the whistle. Auditors could also be relevant, but they may only be called in after a complaint or report has been filed.

In the United States it is possible to make money by blowing the whistle. A whistle blower can get a share of the retrieved and recovered sum of money. In 2014, the Securities and Exchange Commission (SEC) paid \$30 million in a whistleblower award. It was the largest award so far, and the reporter wrote: “Blowing the whistle is increasingly worth big bucks”. The SEC did not identify the tipster, where he or she is from or the case this award was tied to. Andrew Ceresney, director of the SEC’s enforcement division, said in a statement that “this whistleblower came to us with information about an ongoing fraud that would have been very difficult to detect” (Ensign, 2014). The Office of the Whistleblower at SEC (www.sec.gov/whistleblowers) is authorized by congress to provide monetary awards to eligible individuals who come forward with high-quality original information.

Public whistleblowers are not entitled to awards. Stieger (2012) argues that offering monetary rewards to public whistleblowers represents a proposal for attacking public corruption at its source. He suggests offering a carrot: if a public official reports a bribe offer, leading to the conviction of the offeror, the state will pay the reporting official the full amount of the offered bribe. By tying the amount of the reward to the amount of the bribe, any financial incentive the official would have to take the bribe is removed.

According to Kaplan et al. (2011), employee tips are the most common form of initial fraud detection, suggesting that employees frequently are aware of fraud before others professionally charged to detect fraud, such as internal and external auditors. The willingness of employees, who learn about fraud, to report this information, varies with several factors. For example, if the executive, to whom misconduct should be reported, is not trusted, employees will tend not to report. Whistleblowing decisions are dependent on information, trust, security, predictability, self-confidence, job security and organizational culture in general.

Johnson (2005) has the following definition of whistleblowing:

Whistle blowing is a distinct form of dissent consisting of four elements: (1) the person acting must be a member or former member of the organization at issue; (2) his or her information must be about nontrivial wrongdoing in that organization; (3) he or she must intend to expose the wrongdoing, and (4) he or she must act in a way that makes the information public.

Vadera et al. (2009) has the following definition of whistleblowing:

Whistle blowing is the disclosure by organizational members (former or current) of illegal, immoral, or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action.

Atwater (2006) defines whistleblowing as an act by which an individual reveals wrongdoing within an organization to those in positions of authority or to the public, with hopes of rectifying the situation.

Vadera et al. (2009) identified the following characteristics of whistleblowers and whistleblowing:

- Federal whistle blowers were motivated by concern for public interest, were high performers, reported high levels of job security, job achievement, job commitment and job satisfaction, and worked in high performing work groups and organizations.
- Anger at wrongful activities drove individuals to make internal reports to management. Retaliation by management shifted individuals' focus away from helping their organizations or victims and toward attaining retribution.
- Whistle blowing was more likely when observers of wrongdoing held professional positions, had more positive reactions to their work, had longer service, were recently recognized for good performance, were male, were members of larger work groups, and were employed by organizations perceived by others to be responsive to complaints.
- Whistle blowing was more frequent in the public sector than in the private.
- Whistle blowing was strongly related to situational variables with seriousness of the offense and supportiveness of the organizational climate being the strongest determinants.
- Inclination to report a peer for theft was associated with role responsibility, the interests of group members, and procedural perceptions.

Zipparo (1999) identified the following two main factors, which deter public officials from reporting corruption:

- Concern about not having enough proof
- Absence of legal protection from negative consequences

One of the more successful whistle-blowers is Michael Lissack. He worked as a banker at the Smith Barney brokerage. In 1995, he blew the whistle on a fraudulent scheme, known in municipal financing as "yield burning." Dr. Lissack filed a whistleblower lawsuit against more than a dozen of Wall Street firms under the False Claims Act. In April 2000, 17

investment banks agreed to pay approximately \$140 million dollars to settle charges that they defrauded the federal government by overpricing securities sold in connection with certain municipal bond transactions. The U.S. Government has recovered more than \$250 million as the result of Dr. Lissack's whistleblower action. His allegations have brought on more than a dozen of civil and criminal investigations by the SEC, IRS and the U.S. Department of Justice. Dr. Lissack has written editorials about whistleblowing for the New York Times and the Los Angeles Times, and has been profiled in many international publications, including the Wall Street Journal, the Financial Times, Fortune, Business Week, the Economist, and USA Today (www.whistleblowerdirectory.com).

In 2001, Sherron Watkins, an employee in the American energy company Enron, notified her chief executive officer Kenneth Lay about a perceived accounting scandal. Watkins did so hoping Lay would act. He did not, and was later arrested due to his involvement in the wrongdoings, because she blew the whistle (Bendiktsson, 2010).

Negative consequences after whistleblowing, suffered by some whistleblowers are labeled retaliation. Retaliation implies to take an undesirable action against a whistleblower – who reported wrongdoing internally or externally, outside the organization. Retaliation can be defined as taking adverse action against an employee for opposing an unlawful employment practice or participating in any investigation, proceeding, or hearing related to such a practice (Bjørkelo and Matthiesen, 2011).

Thus, receivers of complaints and reports have two issues to consider when dealing with whistleblowers as an information source. First, not all that is said and not all accusations from a whistleblower is necessarily true. Therefore, information from a whistleblower has to be carefully checked and verified. Second, a whistleblower may be in danger of retaliation, making it a requirement for receivers to protect the whistleblower. Report receivers have to

make sure that a whistleblower contributing to an investigation does not experience negative consequences.

The National Whistleblowers Center (NWC) in the United States lists a number of whistleblowers (www.whistleblowers.org). A few of them blew the whistle because of public procurement corruption. An example is Bunnatine Greenhouse who stood alone in opposing the approval of a highly improper multi-billion dollar no bid contract to Halliburton for the reconstruction of Iraq. In retaliation for her courage, she was removed from her position as the highest-ranking civilian contracting official of the Army Corps of Engineers. On June 27, 2005, she testified to a congressional panel, alleging specific instances of waste, fraud and other abuses and irregularities by Halliburton with regard to its operation in Iraq since the 2003 invasion. Vice President Dick Cheney had been the CEO of Halliburton. Criminal investigations into Halliburton were opened by the U.S. Justice Department, the Federal Bureau of Investigation, and the Pentagon's inspector general. These investigations found no wrongdoing within the contract award and execution process. On July 25, 2011, the U.S. District Court in Washington, DC approved awarding Greenhouse \$970,000 in full restitution of lost wages, compensatory damages and attorney fees.

The Whistleblower Directory (www.whistleblowerdirectory.com) is a comprehensive database showcasing individuals who reported financial crime. An example is Jim Alderson who worked as an accountant for Quorum Health Services in Montana and a Chief Financial Officer at the Whitefish hospital. In 1992, he blew the whistle on the hospital's fraudulent bookkeeping practices, wherein reimbursements were routinely sought after filing fraudulent cost reports with Medicare. In retaliation for his whistleblowing disclosure, Alderson was fired. He filed a whistleblower lawsuit against his former employer, Quorum Health Services, and its former owner, Hospital Corp. of America. Five years after Alderson filed the lawsuit, the federal government joined the case. In October 2000, Quorum settled the case. Under the

False Claims law, Alderson received \$11.6 million dollars and Quorum paid a fine of \$77.5 million dollars.

5 Research Methodology

Our conceptual framework is detection sources for convicted white-collar criminals. To identify a substantial sample of white-collar criminals and to collect relevant information about detection sources, there are several options available. However, in a small country like Norway with a population of only five million people, available sample size is limited. One available option would be to study court cases involving white-collar criminals. A challenge here would be to identify relevant laws and sentences that correspond with our definition of not only white-collar crime, but also required characteristics of white-collar criminals.

Another available option is to study newspaper articles, where the journalists have already conducted some form of selection of upper class, white-collar individuals convicted in court of financial crime. Another advantage of this approach is that the cases are publicly known, which makes it more acceptable to identify cases by individual white-collar names. Therefore, the latter option was chosen for this research.

Based on this decision, our sample has the following characteristics applicable to newspaper reporting: famous individuals, famous companies, surprising stories, important events, substantial consequences, matters of principle and significant public interest. This is in line with research by Schnatterly (2003) who searched the Wall Street Journal for several years in her study of white-collar crime published in the Strategic Management Journal. Media often pick up examples of companies and their leaders by negative media coverage because of white-collar wrongdoings (Briscoe and Murphy, 2012).

Verification of facts in newspaper accounts was carried out by obtaining court documents in terms of final verdicts. After registering newspaper accounts as an important indication of a

white-collar offender, the contents in newspaper articles were compared to and corrected by court sentences, which typically range from five to fifty pages in Norwegian district courts, courts of appeal and Supreme Court. Thus, we reduce the effects of counter measures by firms and individuals to cover up for their wrongdoings (Zavyalova et al., 2012).

We only included cases where someone involved in the case was sentenced in court to imprisonment. For this study it was considered sufficient that the person was sentenced in one court, even if the person represented a recent case that still had appeals pending in higher courts. As the case developed, data were updated in our database. A sentence was defined as a prison sentence. Therefore, cases ending with fines only were not included in the sample.

6 Research Results

A total of 390 white-collar criminals were convicted in Norway from 2009 to 2015. 33 of these cases (8 percent) were concerned with white-collar corruption in public procurement as listed in Table 1. There are 7 cases where 33 offenders were involved. Table 1 lists what the corruption case was about, the name of convicted white-collar criminal, the offender's position when committing the crime, and the sentence in court in terms of number of years imprisonment.

Corruption Case	White-Collar Criminal	Position	Prison Years
Construction permission	Gouravan, Mohammad	City planning manager	1
Construction permission	Mahmood, Nasir	Property developer	0,6
Construction permission	Mahmood, Tariq	Property developer	0,6
Recycling waste	Gunnerød, Ralph Kevin	Sales manager	1
Public utility	Hansen, Morten	Director	0,25
Police help out of prison	Henriksen, Helge	Entrepreneur	1
Police help out of prison	Isaksen, Sverre	Police officer	2
Police help out of prison	Kollen, Ernst Ole	Police officer	1,25
School buildings	Eide, Per Øyvind	Entrepreneur	2,75
School buildings	Bastiansen, Ronny	Entrepreneur	2,17
School buildings	Knudssøn, Jarle I.	Entrepreneur	1,58
School buildings	Kjølldal, Jon Arild	Entrepreneur	1,58

School buildings	Nettli, Harald	Project leader	5
School buildings	Pawlak, Jaroslaw Jozef	Project leader	2
School buildings	Olafsen, Tor Åge	Consultant	2
School buildings	Hauger, Arild	Managing director	1
School buildings	Skjerven, Jens Erik	Craftsman	1,5
School buildings	Dyrnes, Roger Klinge	Entrepreneur	3
Municipality buildings	Ramstad, Per Arne	City maint. manager	5,5
Municipality buildings	Ramstad, Nils Aage	Construction builder	4
Municipality buildings	Ramstad, Anders	Construction builder	3,6
Municipality buildings	Fjeld, Fredrik	Construction builder	2
Municipality buildings	Hartmann, Terje	Construction builder	2
Municipality buildings	Ramstad, Martin Petter	Construction builder	1,5
Procurement of busses	Tunold, Odd Gunnar	Sales director	0,1
Procurement of busses	Dahl, Erik Terje	Managing director	0,7
Procurement of busses	Helminen, Hannu Mikael	Construction manager	0,7
Procurement of busses	Leite, Helge	Chief Executive Officer	3,5
Procurement of busses	Ellingsen, Nils Aksel	Technical Manager	5,5
Procurement of busses	Andersson, Erik Ernst	Procurement Manager	5
Procurement of busses	Hagerup, Dag	Sales Manager	5
Procurement of busses	Gaarder, Tor	Entrepreneur	4
Procurement of busses	Øverbø, Knut	Construction site chief	0,8

Table 1: Convicted white-collar criminals in public procurement corruption

Table 2 lists sources of detection for the seven corruption cases. The last three cases are based on whistleblowing. In the school buildings case, a person blew the whistle by contacting journalists in the daily Norwegian business newspaper *Dagens Næringsliv*. In the municipality buildings case, a whistleblower informed people in the internal control function about misconduct. In the procurement of busses case, an employee blew the whistle when he came home from vacation. Thus, 3 out of 7 cases were detected based on whistleblowing. Although the sample is small, whistleblowing is the most important source of detection in the sample.

Corruption Case	Source of Detection
-----------------	---------------------

Construction permission	Competing property developer who discovered that corruption was involved
Recycling waste	Criminal friend in money laundering who was cheated
Public utility	Internal auditor in the organization who distrusted the director
Police help out of prison	Divorced wife who wanted to hurt her ex husband
School buildings	Journalists Gjernes and Skaalmo who received tips from city employees
Municipality buildings	Whistleblower to internal control in the organization
Procurement of busses	Employee on vacation in German read local newspaper about MAN corruption

Table 2: Source of detection for white-collar public procurement corruption cases

If we look at all the 390 white-collar criminals in Norway, we find the following list of detection sources in Table 3. In our database of 390 convicted white-collar criminals, we were able to identify crime detection sources based on media reports, court documents as well as personal inquiries. In Norway, there are no whistleblower awards. Therefore, we applied no separate crime detection source for whistleblowing. Instead, whistleblowers can be assumed to have contributed to several of the other sources in the table.

Rank	Crime Detection Source	Criminals	Fraction
1	Journalists investigating tips from readers	101	26 %
2	Crime victims suffering financial loss	47	12 %
3	Internal controls of transactions in organization	44	11 %
4	Bankruptcy lawyers identifying misconduct	41	11 %

5	Tax authorities carrying out controls	25	6 %
6	Commercial banks controlling accounts	18	5 %
7	Accounting auditors controlling clients	18	5 %
8	Police investigations into financial crime	5	1 %
9	Stock exchange controls of transactions	4	1 %
10	Other detection sources	87	22 %
	TOTAL	390	100 %

Table 3: Detection of white-collar crime

Tipster are often whistleblowers who provide tips to investigative journalists in the media.

Tipster are typically also the source for internal controls and accounting auditors. Given that these three groups make out a total of $26+12+5 = 43$ percent of detections, it can be assumed that most of the detections were caused by whistleblowers, since the last category of other detection sources also can be assumed to involve whistleblowers.

We phrased the research question: *What is the role of whistleblowers in detection of white-collar corruption in public procurement?* We found that almost half of all the cases were detected based on whistleblowing. Whistleblowers informed investigative journalist, internal control function person, and own employer. Therefore, this research indicates that whistleblowers are the most important source of detection of white-collar corruption in public procurement.

7 Discussion

As illustrated in the Norwegian sample as well as the U.S. cases mentioned below, the role of whistleblowers is important in detecting white-collar criminals in general and also in public procurement corruption. If the situation for whistleblowers was improved, we might expect that more white-collar criminals would be detected.

In recent times, corruption has become an issue of major political and economic significance when developing countries are trying to make their transition into becoming developed countries. In the past, bilateral donors, such as the United States, not only overlooked partisan self-enrichment on the part of developing country governments, they also supported many corrupt regimes in Africa and other parts of the world in return for bilateral relationships (Abdulai, 2009).

Janet A. Garrison and Herb F. Hyman were procurement professionals who blew the whistle. During the course of their employment with public entities in Florida, they uncovered unethical procurement practices. They then became whistleblowers. In their jobs as government purchasers, both Garrison and Hyman believe that they are entrusted by the public to spend taxpayer dollars wisely and fairly. Each individual also notes that codes of ethics govern their membership in professional procurement associations, as well as their certifications: Thus, Garrison and Hyman felt it was their public and professional duty to report ethics breaches that clearly violated our nation's laws or specific procurement statutes. However, their efforts to "do the right thing" met with unanticipated outcomes, ranging from the mixed reactions of others to a complex maze of ongoing legal proceedings (Atwater, 2006).

Janet A. Garrison's whistleblowing experience occurred when she worked as a Purchasing Analyst for the Florida Department of Education (DOE). Back in 2003, she was asked to help develop a solicitation for privatizing about 174 jobs in DOE's Office of Student Financial Assistance (Atwater, 2006).

For Herb F. Hyman, Procurement Manager with the Town of Davie, FL, his whistle-blow experience related to the purchasing practices of the Town Administrator, Christopher J. Kovanes. Hired by the Town Council as a contract employee, Kovanes was the town's top leader. Thus, Kovanes was Hyman's boss (Atwater, 2006).

It is often argued that detection of white-collar crime is low and that detectors are reluctant to blow the whistle. Social conflict theory might support this argument in that the elite does not really want to punish their own. According to social conflict theory, the justice system is biased and designed to protect the wealthy and powerful. The wealthy and powerful can take substantial assets out of their own companies at their own discretion whenever they like, although employed workers in the companies were the ones who created the values. Similarly, public officials can abuse their positions for personal gain. As Haines (2014: 21) puts it, financial practices that threaten corporate interests, such as embezzlement, are clearly identified as criminal even as obscenely high salaries remain relatively untouched by regulatory controls”.

Conflict theory is a perspective in criminology that emphasize the social, political, or material inequality of a social group (Seron and Munger, 1996), that draw attention to power differentials, such as class conflict.. Crime stems from conflict between different segments of society fueled by a system of domination based on inequality, alienation, and justice. Crime is harm that comes from differences in power (Lanier and Henry, 2009).

Conflict is a fundamental social process. Society is largely shaped by the competing interests of social groups who struggle for dominance in order to enact or maintain a social structure most beneficial to them (Petrocelli et al., 2003: 2)

Conflict theory asserts that the relative power of a given social group dictates social order in that powerful groups not only control the lawmakers, but also the law enforcement apparatus of the state. In essence, laws are made which serve the interests of the privileged, and the police are used to suppress and control any segment of society that poses a threat to the status quo.

According to conflict theory, economic inequalities and repression lead to deviant behavior.

Laws, law breaking, and law enforcement are factors that evolve from and contribute to social

conflicts, and strengthen the dominant position of powerful individuals. Laws tend to penalize behavior of certain classes, and not individuals, because it is the more powerful classes that are in a position to pronounce certain actions as illegal. The ruling class is faced with the decision, which values to enforce when making laws. Criminal law plays the role of a social control mechanism. Certain types of conduct are prohibited, and certain kinds of sanctions are imposed for their infringement.

In addition to conflict theory, public service motivation theory should inform future research into white-collar crime in the public sector and public procurement. Because the theory speaks to the motivations of individuals who choose to work in the public sector, it could explain why some public sector employees will become whistleblowers despite the risks inherent in doing so, while other public sector employees will either ignore the corruption or attempt to profit from it themselves.

8 Conclusion

The role of whistleblowers is important in detecting white-collar crime, as evidenced by our study sample as well as some cases. Whistleblowing seems to be the most important source of detection, particularly with regard to public procurement. Despite the procedures and protocols established to protect the procurement process from corruption, bad actors have been found at all levels of government. While audits and other checks and balances are useful in exploring claims of corrupt procurement practices or the fraudulent award of contracts, these are insufficient in the initial detection of corruption. To detect more crime, whistleblowing has to be encouraged and revenge and retaliation need to be prevented. This is no easy feat, as whistleblowers have few protections and generally suffer large reputational and financial losses. The ruling class in society has the power to define certain behavior as deviant, while the ruled class might be of a differing opinion about what is right and what is

wrong. Criminal laws are established mainly for the protection and development of the institutions of capitalism. Through laws, the powerful class exercises its power and controls the resources.

The unique contribution of this research can be found in the empirical side of public procurement corruption. A managerial implication is that whistleblowing should be further enhanced, while at the same time discouraging false accusations. A theoretical implication can be found in future research that may focus on the links between public service motivation theory and whistleblowing for detection of public procurement corruption.

References

- Abdulai, A.G. (2009) 'Political will in combating corruption in developing and transition economies: A comparative study of Singapore, Hong Kong and Ghana', *Journal of Financial Crime*, Vol. 16, No. 4, pp. 387-417.
- Atwater, K. (2006) 'Whistle Blowers Enforce Procurement Ethics', *American City & County*, published October 23, <http://americacityandcounty.com/mag/whistle-blowers-enforce-procurement-ethics>.
- Bendiktsson, M.O. (2010) 'The Deviant Organization and the Bad Apple CEO: Ideology and Accountability in Media Coverage of Corporate Scandals', *Social Forces*, Vol. 88, No. 5, pp. 2189-2216.
- Bertolini, M., Bevilacqua, M., Ciarapica, E. and Postacchini, L. (2015) 'Business process reengineering of drugs storage and distribution: a case study', *International Journal of Procurement Management*, Vol. 8, No. 1/2, pp. 44-65.
- Benson, M.L. and Simpson, S.S. (2014) '*Understanding white-collar crime – An opportunity perspective*', New York, NY: Routledge.
- Bjørkelo, B. and Matthiesen, S.B. (2011) 'Preventing and dealing with retaliation against whistleblowers', in: Lewis, D. and Vandekerckhove, W. (editors), *Whistleblowing and democratic values*, International Whistleblowing Research Network.
- Boles, J. (2014) 'The two faces of bribery: International corruption pathways meet conflicting legislative regimes', *Michigan Journal of International Law*, Vol. 35, No. 4, pp. 673-713.
- Bowman, D. and Gilligan, G. (2008) 'Public awareness of corruption in Australia', *Journal of Financial Crime*, Vol. 14, No. 4, pp. 438-452.
- Briscoe, F. and Murphy, C. (2012) 'Sleight of Hand? Practice Opacity, Third-party Responses, and the Interorganizational Diffusion of Controversial Practices', *Administrative Science Quarterly*, Vol. 57, No. 4, pp. 553-584.
- Cordis, A.S. (2014) 'Corruption and the Composition of Public Spending in the United States', *Public Finance Review*, Vol. 42, No. 6, pp. 745-773.

- Cordis, A. and Milyo, J. (2013) 'Measuring Public Corruption in the United States: Evidence from Administrative Records of Federal Prosecutions', Working Paper, University of Missouri, http://economics.missouri.edu/working-papers/2013/WP1322_milyo.pdf
- Croall, H. (2007) 'Victims, crime and society'. Los Angeles, CA : Sage Publications.
- Dwyer, L., Golden, K. and Lehman, S. (2014) 'Public Corruption', *American Criminal Law Review*, Vol. 51, No. 4, pp. 1549-1600.
- Eadie, R. and Rafferty, S. (2014) 'Do corporate social responsibility clauses work? A contractor perspective', *International Journal of Procurement Management*, Vol. 7, No. 1, pp. 19-34.
- Ensign, R.L. (2014) 'SEC to Pay \$30 Million Whistleblower Award, Its Largest Yet', *The Wall Street Journal*, published September 22, <http://www.wsj.com/articles/sec-to-pay-30-million-whistleblower-award-its-largest-yet-1411406612>.
- FBI (2015) 'It's our top priority among criminal investigations – and for good reason', Federal Bureau of Investigation, <http://www.fbi.gov/about-us/investigate/corruption>, downloaded February 4, 2015.
- Gottschalk, P. (2010) 'Categories of financial crime', *Journal of Financial Crime*, Vol. 17, No. 4, pp. 441-458.
- Gottschalk, P. (2014) 'Policing White-Collar Crime: Characteristics of White-Collar Criminals', CRC Press Taylor & Francis, Boca Raton, FL.
- Haines, F. (2014) 'Corporate fraud as misplaced confidence? Exploring ambiguity in the accuracy of accounts and the materiality of money', *Theoretical Criminology*, Vol. 18, No. 1, pp. 20-37.
- Hasnas, J., Prentice, R. and Strudler, A. (2010) 'New directions in legal scholarship: Implications for business ethics research, theory, and practice', *Business Ethics Quarterly*, Vol. 20, No. 3, pp. 503-531.
- Johnson, R.A. (2005) 'Whistleblowing and the police', *Rutgers University Journal of Law and Urban Policy*, Vol.1, No. 3, pp. 74-83.
- Kaplan, S., Pope, K.R. and Samuels, J.A. (2011) 'An Examination of the Effect of Inquiry and Auditor Type on Reporting Intentions for Fraud', *Auditing: A Journal of Practice & Theory*, Vol. 30, No. 4, pp. 29-49.
- Kayrak, M. (2008) 'Evolving challenges for supreme audit institutions in struggling with corruption', *Journal of Financial Crime*, Vol. 15, No. 1, pp. 60-70.
- Kjeldsen, A.M. and Jacobsen, C.B. (2013) 'Public Service Motivation and Employment Sector: Attraction or Socialization?' *Journal of Public Administration Research and Theory*, Vol. 23, No. 4, pp. 899-926.
- Ksenia, G. (2008) 'Can corruption and economic crime be controlled in developing countries and if so, is it cost-effective?' *Journal of Financial Crime*, Vol. 15, No. 2, pp. 223-233.
- Lange, D. (2008) 'A multidimensional conceptualization of organizational corruption control', *Academy of Management Review*, Vol. 33, No. 3, pp. 710-729.
- Lanier, M.M. and Henry, S. (2009). Chapter 3: Conflict and Radical Theories, in: *Essential Criminology*, Third Edition, Westview, Member of the Perseus Books Group.

- Mahallik, D.K. (2014) 'Measuring success of e-procurement: a case discussion of MCL using fuzzy approach', *International Journal of Procurement Management*, Vol. 7, No. 5, pp. 508-519.
- Misangyi, V.F., Weaver, G.R. and Elms, H. (2008) 'Ending corruption: The interplay among institutional logics, resources, and institutional entrepreneurs', *Academy of Management Review*, Vol. 33, No. 3, pp. 750-770.
- National Institute of Justice (2015) '*Research and Evaluation on White-Collar Crime and Public Corruption*', Office of Justice Programs, U.S. Department of Justice, <https://www.ncjrs.gov/pdffiles1/nij/s1001155.pdf>, downloaded February 4, 2015.
- Passas, N. (2007) '*Corruption in the procurement process/outsourcing government functions: Issues, case studies, implications*', Report to the Institute for Fraud Prevention, shortened version by W. Black, 33 pages, http://www.theifp.org/research-grants/procurement_final_edited.pdf
- Perry, J., Hondeghem, A. and Wise, L. (2010) 'Revisiting the Motivational Bases of Public Service', *Public Administration Review*, September/October, pp. 681-690.
- Petrocelli, M., Piquero, A.R. and Smith, M.R. (2003) 'Conflict theory and racial profiling: An empirical analysis of police traffic stop data', *Journal of Criminal Justice*, Vol. 31, pp. 1-11.
- Pinto, J., Leana, C.R., and Pil, F.K. (2008) 'Corrupt organizations or organizations of corrupt individuals? Two types of organizational-level corruption', *Academy of Management Review*, Vol. 33, No. 3, pp. 685-709.
- Pontell, H.N., Black, W.K. and Geis, G. (2014) 'Too big to fail, too powerful to jail? On the absence of criminal prosecutions after the 2008 financial meltdown', *Crime, Law, and Social Change*, Vol. 61, pp. 1-13.
- Schnatterly, K. (2003) 'Increasing firm value through detection and prevention of white-collar crime', *Strategic Management Journal*, Vol. 24, pp. 587-614.
- Schoepfer, A., Piquero, N.L. and Langton, L. (2014) 'Low Self-Control Versus the Desire-For-Control: An Empirical Test of White-Collar crime and Conventional Crime', *Deviant Behavior*, Vol. 35, No. 3, pp. 197-214.
- Seron, C. and Munger, F. (1996) 'Law and inequality: Race, Gender...and, of Course, Class', *Annual Review of Sociology*, Vol. 22, pp. 187-212.
- Sidley (2010) '*Report of investigation regarding procurement practices at the office of the chief technology officer of the District of Columbia*', Sidley Austin LLP, July 14, DRAFT, 60 pages, http://assets.bizjournals.com/cms_media/washington/pdf/Sidley%20Report.pdf
- Siegel, L.J. (2011) '*Criminology*', 11th edition, CA, Belmont: Wadsworth Publishing.
- Slyke, S.R.V. and Bales, W.D. (2013) 'Gender dynamics in the sentencing of white-collar offenders', *Criminal Justice Studies*, Vol. 26, No. 2, pp. 168-196.
- Stieger, C.J. (2012) 'Offering Monetary Rewards to Public Whistleblowers: A Proposal for Attacking Corruption at Its Source', *Ohio State Journal of Criminal Law*, Vol. 9, No. 2, pp. 815-829.
- Sutherland, E.H. (1949) '*White Collar Crime*', New York: Holt Rinehart and Winston.
- Thompson, G. and Schmitt, E. (2007) 'Graft in Military Contracts Spread From Base', *The New York Times*, published September 24, http://www.nytimes.com/2007/09/24/world/middleeast/24contractor.html?_r=1&

Tombs, S. and Whyte, D. (2003) 'Scrutinizing the powerful: Crime, contemporary political economy, and critical social research'. In S. Tombs and D. Whyte (editors), *Unmasking the crimes of the powerful* (pages 3-48), New York: Lang.

Transparency International (2014) '*Curbing Corruption in Public Procurement – A Practical Guide*', www.transparency.org, 40 pages.

Vadera, A.K., Aguilera, R.V. and Caza, B.B. (2009) 'Making Sense of Whistle-Blowing's Antecedents: Learning from Research on Identity and Ethics Programs', *Business Ethics Quarterly*, Vol. 19, No. 4, pp. 553-586.

Zavyalova, A., Pfarrer, M.D., Reger, R.K. and Shapiro, D.L. (2012) 'Managing the message: The effects of firm actions and industry spillovers on media coverage following wrongdoing', *Academy of Management Journal*, Vol. 55, No. 5, pp. 1079-1101.

Zipparo, L. (1999) 'Factors which deter public officials from reporting corruption', *Crime, Law & Social Change*, Vol. 30, pp. 273-287.