Organizational life-cycle analysis of corporate offending: insights into how changes in business cycles interact with regulatory oversight to shape compliance and violations

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Organizational life-cycle analysis of corporate offending: insights into how changes in business cycles interact with regulatory oversight to shape compliance and violations

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Abstract
This paper showcases an organizational life-cycle analysis of corporate offending behavior in small businesses. It analyzes two small food and hospitality firms in China, drawing on deep ethnographic data collected during three years of fieldwork. The paper investigates these two businesses as they go through three phases: pre-existence, existence, and survival. The study shows that organizational life-course analysis is important for understanding the development and root causes of organizational offending. It finds that offending evolves alongside the development of the organization. It shows that an organizational life-cycle analysis should focus not just on changes in the corporation itself, but also on how the regulatory context changes over the course of the organization's development and maturing. Stages in the business cycle coincide with changes in regulatory encounters, and this shapes how corporations view what regulators expect of them and the extent to which they can violate such expectations. This points to a broader form of life-course analysis. It urges the field to moves beyond an analysis of changes in the business to also study the how such changes coincide with changes in the regulatory frameworks that are supposed to monitor and reduce offending.

Keywords Life-course crime analysis · Compliance · Organizational deviance · White collar crime · Small businesses

Introduction

Life-course criminology has shown how criminal behavior originates and develops over time. Traditional life-course analysis focused on how individual development and life histories shape deviant and criminal behavior (Sampson & Laub, 1995).

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Criminologists have initiated life-course analysis white-collar of crime offenders. This body of work has provided vital new insights into how individuals turn to white-collar offending (reviewed in Blokland et al., 2021. Previous studies on corporate crime (Clinard & Yeager, 1980; Sutherland, 1983 [1949]; Alalehto, 2010) have shown that violating rules is common among many corporations, although the distribution is often skewed (Baucus & Near, 1991; Dalton & Kesner, 1988; Simpson, 1986; Hill et al., 1992). While most white-collar crime life-course analysis has focused on understanding criminal career patterns and opportunities by looking at the development and life-course of the individual offender, it is also possible to use the same approach to study developments in the organization in which white-collar offenses take place (Blokland et al., 2021, Simpson, 2019). Just like human beings, organizations go through life cycles in which they are conceived (in the original business plan and strategy), born (established), mature and grow (from initial survival to expansion), age (decline in profits and innovation) and come to pass away (when the business terminates). There is a rich body of work in management science, so-called organizational life-cycle theory, that has sought to understand the cycle through which a business goes, in order to be able to understand what may explain the success or failure of different business approaches (Al-Taie & Cater-Steel, 2020). Kluin et al. (2018) and Simpson (2019) have proposed that criminologists should draw on this literature to analyze how corporate offending develops over the course of an organizational life-cycle. Hunter (2021) has posited that studying corporate criminal careers should include the analysis of the organizational settings, and the changes in the settings, in which white-collar offending occurs. Moreover, King (2009) has argued for an organizational life-course analysis of police organizations, drawing directly on organizational life-cycle theory. He has shown what advantages such approach would have over other research strategies in assessing police misconduct.

So far there has only been limited empirical work analyzing organizational offending behavior across the organizational life-cycle. The closest works we have are longitudinal studies that track offending behavior over time, showing the dynamic nature of such offending (Kluin et al., 2018) and pointing to the potential turning events that may shape such dynamics (Simpson et al., Forthcoming). While these impressive longitudinal studies of corporate offending demonstrate how corporations develop their offending, they have not so far linked this directly to the organizational life-cycle.

The present study seeks to show what an organizational life-cycle analysis of corporate offending looks like. It does so through an in-depth qualitative study of two small food and hospitality businesses (two restaurants). It is an exploratory study that seeks to follow the suggestions made by criminologists to apply an organizational life-cycle approach to corporate offending. It uses a qualitative approach, combining in-depth business life history interviews with long-term participant observation to construct the way in which the businesses developed over time. To enable the best data collection and analysis, this study focuses on small businesses for which the organizational history was still easily traceable, the number of employees was limited, and offending behaviors were not overly sensitive and could be discussed and observed.

By studying these small businesses, the paper attempts to understand how the life cycle of a business plays a role in compliant and rule-violating behavior.

Developmental and life-course criminology from individual to organizational crime

Developmental and life-course criminology has sought to understand crime by studying individual criminal careers (Blokland & Van der Geest, 2017; Farrington et al., 2018). A life-course is defined as the interconnected trajectories of a person as he or she ages through life (Elder, 1985). Aging and developmental change must be seen, according to the life-course perspective, as a continuous process that occurs throughout life (Elder, 1996). Most research into developmental and life-course criminology has focused on juveniles, adolescents and high-volume crime or street crime. Other types of offenders studied using a life-course criminology approach include organized crime offenders (Van Koppen et al., 2010), sex offenders (Blokland & Lussier, 2015) and mafia members (Campedelli et al., 2021). Developmental and life-course criminology provides a theoretical context for studying an offending life-course, and determines turning points or changes that may relate to transitions in individual offending (Blokland & Van der Geest, 2017; Farrington, 2017; Hunter, 2021).

Life-course criminology is also highly relevant for understanding white-collar criminals. Research has for instance also shown that the criminal careers of white-collar criminals last longer than the careers of other criminals, and do not follow the conventional trajectories of offending (Benson, 2013). This also means that the age of desistance of white-collar offenders is higher than that of other offenders. White-collar offenders tend to get more opportunities to violate rules as they grow older and take up more trusted occupational positions (Benson, 2016).

Recently, scholars have started to advocate studies should focus understanding the changes within the organization in which the violations take place instead of the development of the individual white-collar offender (Hunter, 2021, King, 2009, Simpson, 2019, Simpson et al., Forthcoming). The underlying idea here is that organizations, like natural persons, can and do commit crimes (Clinard & Yeager, 1980; Cressey, 2017; Simpson, 2019; Sutherland, 1983). Moreover, just like human beings, organizations are not static, and go through a life-cycle. Ideally, the organizational approach to white-collar crime life-course analysis should seek to understand how the changes through which organizations go, from one stage of their life-cycle to the next, come to shape their offending behaviors. King (2009), for instance, has drawn on management and organizational science ideas of organizational life cycles to theorize about how police organizations may develop and change from their creation to their early foundation, growth, decline, crisis and disbanding. Similarly, Stam and Verbeeten (2017) draw on existing organizational life-cycle and tax compliance and regulation literature to theorize about how tax offenses may change across five different corporate life-cycle stages.

So far, there have not been many empirical studies that carry out a true organizational life-cycle analysis of white-collar offending. Two recent studies have sought to understand longitudinal patterns in corporate offending. One study of the environmental, safety and health violations from 2007 to 2018 of 494 Dutch corporations working with dangerous substances (Kluin et al., 2020) shows the dynamic nature of such violations. It shows that corporations move from periods of higher compliance to periods of declining compliance, and back. The study does not find that the available sector and corporation characteristics were clearly associated with the patterns of regulatory violation identified. Simpson et al. (Forthcoming) empirical study tracked 3,327 corporations from 1996 through 2013 and focused on financial, corruption, environmental and anticompetitive violations.

Unfortunately, neither studies constitute real life-course analyses, as they do not make an explicit empirical connection between corporate offending and the corporate life-cycle, even though both mention the importance of this in their introduction and theoretical framing. At present, we do not yet have a clear example of an empirical life-cycle analysis of corporate offending. It may be more feasible at this point, as a matter of exploratory study and with the goal of theory formation, to try a qualitative study first to obtain an understanding of how corporate offending develops over the course of the different corporate life-cycle stages. While this has inherent limits, it can produce propositions about the mechanisms that may be at play in the way in which offending develops from one life-cycle stage to the next (cf. Beach & Pedersen, 2019; Illari & Russo, 2014).

Organizational life-cycle models

In order to operationalize a qualitative organizational life-course analysis, we need to understand which organizational life-cycle stages we should include in our study. Here, we draw on organizational life-cycle theory. This theory proposes that corporations follow a predictable pattern, characterized by different phases of development (Miller & Friesen, 1984; Quinn & Cameron, 1983). Conventional corporate life-cycle models suggest that corporations progress from birth to decline, and that their strategies, structures and activities change according their progress (Gray & Ariss, 1985; Miller & Friesen, 1980, 1984; Quinn & Cameron, 1983). Each stage in the organizational life cycle has unique characteristics and corresponding organizational, personnel, leadership, and decision-making structures to meet the demands (Kazanjian, 1988).

While, there has been some criticism of the original tenets of corporate life-cycle theory, including the complexity of estimating life-cycles (Habib & Hasan, 2019), the many differences in existing models of such cycles (Dufour et al., 2018), and the assumed linearity of growth and stage progression in the models (Levie & Lichtenstein, 2010). Yet still there is continued support for using life-cycle models and for finding some consistency amongst the large variations in the literature (Al-Taie & Cater-Steel, 2020).

In the most recent and elaborate review of this literature, Al-Taie and Cater-Steel (2020) studied all the organizational life-cycle models. They confirmed that Lester et al.'s (2003) five-stage model is the most valid for a range of industries and the most reliable for a broad range of organizations (small, medium or large corporations). As outlined below in Table 1, the model consists of five stages (existence, survival, success, renewal, and decline).

Table 1 Life-cycle stage characteristics. Source: Lester et al., 2003, p. 349

Life-cycle stage	Situation	Structure	Decision-making style	Strategy
Existence, < 10 yrs. old	Small-sized Homogeneous	Informal Simple Owner-dominated	Centralized Trial and error	Prospector/first mover
Survival, > 15% growth	Medium-sized Homogenous environment More competitive	Functional Some formality	Some delegation Begin formal information processing	Analyzer/second mover/differentiation
Success, < 15% growth	Larger-sized Heterogeneous environment Competitive	Formal Bureaucratic Functional	Reliance on internal information processing	Defender/segment control
Renewal, > 15% growth	Very large-sized Very heterogeneous and competitive environment	Divisional Some matrix	Sophisticated controls Formal analysis in decision-making	Analyzer/combination Differentiation Low cost
Decline, no growth	Declining size Homogeneous and competitive environment	Formal Bureaucratic Mostly functional	Moderate centralization Less sophisticated information processing	Reactor/product/service Breadth Low cost

The first stage is the existence stage (Lester et al., 2003), which is also known as the entrepreneurial (Quinn & Cameron, 1983), birth (Lippitt & Schmidt, 1967) or start-up phase (Habib & Hasan, 2019; Stam & Verbeeten, 2017). This is the period of discovering and developing a business opportunity and establishing the corporation in order to enter the market. During this phase, there is high risk and uncertainty (Yoo et al., 2019). There is an absence of rules, and there is informal communication, high market competition and concentrated decision-making (Ingley et al., 2017, Miller et al., 2008, Stam & Verbeeten, 2017). The second stage is the survival stage (Lester & Parnell, 2008), in which the corporation develops some formalization of structure (Quinn & Cameron, 1983). This is a period of the development and expansion of business activities (Rautanen, 2013). It is also the period in which initial corporate success or failure becomes clear. As some organizations grow, some have marginal profits, and others make too little revenue to survive (Lester et al., 2003, Stam & Verbeeten, 2017). This is a trial and error period in which the corporation emerges from an informal setting to a more formal structure (Greiner, 1997; Hasan et al., 2015). The third stage is the success stage (Lester et al., 2003), also known as the mature stage (Quinn & Cameron, 1983). A corporation in this stage is considered to be stable and sufficiently profitable and well-managed, and it grows in size (Bulan & Yan, 2010; Hasan et al., 2015; Lewis & Churchill, 1983; Miller & Friesen, 1984; Yoo et al., 2019). The fourth stage is the renewal (Lester & Parnell, 2008) or revival phase (Miller & Friesen, 1984). This period is characterized by the corporation becoming large and bureaucratic, sales volumes tending to decrease, a tough business environment, decentralized decision-making and less creativity and innovation (Dickinson, 2011, Hussain et al., 2020, Lester et al., 2003). The last stage is the decline (Dickinson, 2011, Lester et al., 2003) or terminal stage. Corporations in this stage experience decreased earning and sales, and this could lead to the demise of the corporation (Dickinson, 2011; Hussain et al., 2020). A complicating aspect in this approach is the age of a corporation, research on corporations lack an intuitive timescale such as biological age due to the large variation in a corporate life span (Blokland et al., 2021; Simpson, 2019).

The present study draws on life-cycle theory to study two small businesses in the food and service sector. Both firms are small and, at the time of our study, were still in operation. Neither of them had yet reached the renewal or decline stages, and, as neither had really grown much in size, they also did not yet fit the success stage. In the light of this, our study assesses offending behavior during their earlier stages, which we adapt from Lester et al.'s (2003) model. We focus on what Lester et al. (2003) have broadly called the existence and survival phases. The analysis of our data showed us that in our businesses the existence phase should be split up in two parts: the conception of the business (hereafter called "pre-existence") and the start-up of the business (hereafter called "existence"). As such our paper analyses three phases: pre-existence (when the idea for the business is conceived), existence (when the business is started), and survival (when the business enters daily operations).

Methods and case selection

The present study uses a mixed-method case study research design (Bennett & Elman, 2006; Gerring, 2004). The case study is used to get an in-depth understanding of how business compliance evolves over the organization's life-cycle. The case study approach best fits the dynamic and complex nature of compliance and is necessary to understand changes over the course of the business's development. In adopting this methodology, the study follows the ethnographic approach to life-course criminology (cf. Blokland et al., 2021). It applies it to study organizational offending in different stages of the life cycle.

The study selected two small restaurants as the objects of these case studies. The study focuses on small restaurants because these offer good opportunity for an in-depth analysis of the three phases of the life-cycle and offending behaviors across a number of regulatory domains, including food safety, occupational health, taxation, and fire safety. They were selected because they were similar in several aspects, employee number (both between 6–10), similar products (both serving Yunnan cuisine food) and similar price points (with per client consumption between 7 and 5 USD), but provided an important contrast in business philosophy, leadership, and organizational cultures (which, we know from existing research, has a great effect on non-compliance behavior (Ewelt-Knauer et al., 2020). During the extensive pilot, which led to the selection of the restaurants to be included in the present research, the researchers learned of the differences in these core characteristics as well as the ability to conduct the in-depth research that was planned in these two organizations. By selecting these two restaurants the study adopted an extreme case selection strategy (cf. Seawright & Gerring, 2008): one restaurant is an organic restaurant with an owner who cares about food safety and the environment, and the other has a profit-maximizing owner who is always looking for ways to cut costs. Below we shall call them Restaurant A (established in October 2011) and Restaurant B (established in May 2009).[1]

The study uses two core methods for gathering data to build the case studies and understand offending behavior across the three phases of the life cycle.

First, twenty in-depth semi-structured interviews were carried out with owners, managers and staff at the two restaurants studied, 13 at Restaurant A and 7 at Restaurant B, as well as numerous informal ethnographic observations and interviews with staff over the course of the participant observation (see below). Interviews commenced on May 2011 during Restaurant A's existence phase and B's survival phase. All interviews were conducted after gaining the trust of the interviewees. This allowed the interviewees to explain the original ideas about the business and the various processes that it went through during its foundational period (cf. van Rooij & Rorie, 2022). By gathering information from multiple informants and by conducting multiple

[1] Restaurant A's net turnover per month changed over time. It peaked at 120,000RMB per month in the period between 2012–2015. By 2018 turnover decreased to 60,000–70,000 RMB resulting in losses, to gradually increase, after budget cuts to a healthier 80,000 RMB. Restaurant B's turnover monthly turnover in 2011 was about 70,000–80,000RMB while the cost was about 60,000RMB. In 2012 and 2013, the turnover per month reached 120,000RMB while the cost was about 70,000–80,000RMB.

interviews with the same informants, the study could triangulate and validate data (Flick, 2004) and construct what happened in terms of business development, compliance processes, encounters with regulators, and offenses. Through this method a longer-term, historical retrospective understanding of both businesses was developed, from the earliest ideas about what the business was to be and what strategies it was to adopt during the pre-existence phase, to the various procedures it had to go through to get approval for the start-up during the existence phase.

Second, the study used data gathered through extensive participant observation (from May 2011 to September 2013) by the first author (cf. Bernard, 1995). She did this while working as a waitress in both restaurants, with the explicit permission of the owners and workers to work there while conducting research. At Restaurant A participant observation started at the end of existence (start-up) phase when it was still in the process of final license applications, and at Restaurant B right at the beginning of the survival phase when it was fully operational. She gained first-hand knowledge of license applications (only at A) and renewals, day-to-day operations, and encounters with regulatory inspectors. This offered a uniquely detailed and unfiltered insight into everyday offending and compliance, and beyond the perfunctory view businesses may construct Potemkin Village-like for outside regulators or researchers (cf. Gray & Silbey, 2014).

All data were recorded in meticulous fieldnotes, coded, and analyzed to understand different behavioral responses to different rules over different periods of time.

The core limitation of the current approach is that the findings cannot be generalized beyond the empirical sample. This is also not the purpose of this study. It is intended to be explorative, and its core goal is to formulate ideas about how offending occurs in the earlier stages of the corporate life cycles of these two small businesses, as a basis for further generalization in future research.

Results

The pre-existence phase

The pre-existence phase sets the DNA for the business. Here, the entrepreneur plays a leading role, as it is her or his ideas that form the business, its core goals, its core means to achieve those goals, and its overall attitude to costs, profits, and broader morality. The two cases studied here present very different and contrasting entrepreneurs. The owner of Restaurant A sought to open a restaurant to provide healthier and safer food, drawing on her personal experience having worked at an NGO and following her personal ideals. The owner of the second restaurant, Restaurant B, had an owner who sought to start the business just to make a profit, building on his earlier experience working for the former owner of what later became Restaurant B.

During the pre-existence phase a business is not yet in operation or even in the start-up procedures of the existence stage, so there is no real offending behavior yet. However, the pre-existence phase does have important implications for how the business will interact with regulators, its compliance intentions, and how it views the rules that govern the business.

Restaurant A's focus on serving organic and healthy food was perfectly aligned with the interests that Chinese food safety and environmental protection laws seek to protect. During the pre-existence phase it developed a food safety and worker welfare ideology and approach to the business aimed to maintain good contacts with regulators and sustain compliance during the later existence and survival phases. For instance, during pre-existence, the owner of Restaurant A planned to install a large capacity and high-temperature disinfection cabinet (used to disinfect plates, chopsticks and other utensils used in the restaurant) after she learned that one of her friends had been infected with the hepatitis B virus after using infectious chopsticks in a restaurant. At the same time, during the early pre-existence and before she actually started the business, the owner of Restaurant A learned from the respected owner of another organic restaurant that an inspector had asked for large bribes before he would grant a fire license, without which the restaurant would face a hefty fine. This made Restaurant A's owner see that, in order to operate a business successfully and avoid unnecessary fines, paying bribes might be part of what she had to do. As a result, during the pre-existence phase, Restaurant A's owner developed a dual approach to compliance: on the one hand, she had an idealistic willingness to comply voluntarily with food safety, labor, and environmental standards, or even to go beyond the existing standards, but on the other hand she had an understanding that, in order to operate the business, she might have to be prepared, even if it went against her wishes, to engage in illegal corrupt behavior to get the necessary approvals from governmental regulators.

The owner of Restaurant B had a different outlook on his business. His restaurant experience was shaped by his former restaurant working experience. His former boss had focused on low-cost high-profit strategies, and for whom compliance with rules was just an extra cost and did not come with any intrinsic value. While working for his former boss, the owner of Restaurant B had come to accept and expect that being creative in how to comply with the law, was just a normal part of running a successful business. He even learned that bribing may be necessary to appease regulators. He had, for instance, observed his former boss evade taxes by underreporting turnover and bribing the tax officer. In conceptualizing Restaurant B, the owner decided to keep to this approach, and to try and keep costs, including costs originating from following applicable legal standards, as low as possible. He was also prepared to engage in corrupt to minimize his costs.

The pre-existence phase was thus a period in the business cycles of these restaurants in which initial ideas on the business strategy were formed, and these ideas had implications for how the owners viewed compliance with the rules. We can see a clear difference between the two restaurants in this phase: Restaurant A sees compliance as intrinsic to its business strategy, and non-compliance as a potentially necessary but unwanted practice, while Restaurant B sees compliance as a cost to be avoided where possible.

The existence phase

During the existence phase, when the businesses were started, both Restaurant A and B mainly hired relatives and acquaintances. Restaurant A's owner tried to train her employees to begin to share her own ideology on organic food and food safety. She asked them to watch and discuss movies about organic food, environmental pollution, pesticides, and healthy living. She trained the waiters and waitresses to introduce the organic ideology of the restaurant to customers. However, while she emphasized ideology to the employees, she neglected to train them in some key practical operations necessary to ensure compliance with the relevant rules, such as how to operate the disinfection cabinet. At first, Restaurant A did not develop the organizational rules and procedures necessary to ensure proper compliance with food safety, worker health and safety, and environmental standards. During fieldwork, we observed there was no such training for new employees. Many workers did not have proper knowledge and understanding of the relevant rules and standards. Restaurant A's manager said, "They should know it [how to do disinfection]. The waitresses' work is simple. They can do it well if they pay attention to it."[2] The owner's view changed when she saw that the restaurant did not run well without good organizational standards, so she established rules about working hours, hygiene, and practical processes.

Restaurant B did not organize any formal training for its newly hired employees. The owner thought that employees should just learn on the job by observing what others did. While Restaurant A organized meetings with employees once a week to watch and discuss movies, Restaurant B seldom organized any formal staff meetings. The boss preferred to organize fun activities like climbing mountains or having a midnight snack sessions.

During the existence phase, both owners were in frequent contact with the relevant regulators to arrange all the permits and operating licenses. Formally, restaurants in this jurisdiction are not allowed to open until all the required licenses have been issued. However, in practice, small restaurants frequently open first and then apply for legal licenses later. Both Restaurant A and Restaurant B followed this pattern. The owner of Restaurant A applied for licenses once she had decided on the location for her business. Directly after filing this application, she opened the restaurant for customers. But it took another year and a half before she obtained all the necessary licenses. Restaurant B did not even apply for new licenses, as the owner assumed he could continue to use the former owner's licenses. After a couple of months he learned, during an on-site inspection by the FDA, that this was against the law.

Upon receiving an application for a permit or license, seven relevant regulators (including food and drug administration (FDA), fire safety, and environmental protection regulators) usually conduct an on-site inspection, and frequently invite the applicant to their offices to submit further documents to clarify issues. Restaurant A's owner visited the Industrial and Commercial Administration Office more than seven times before all her documents met the requirements. The FDA bureau inspectors inspected Restaurant A multiple times over four months, and inspected Restaurant B weekly in the early months. During these frequent interactions with the regulators, the owners learned what the real legal standards are, not

[2] Interview with Cui on May 22, 2013.

just what they formally are on paper. They come to understand what regulators actually expect applicants to do or to submit. The two restaurants had different stances towards the regulators here. Restaurant A tried to be pro-active, applying for all the relevant licenses and frequently seeking out the regulators to understand what was needed to get the permits. Even when a regulatory officer suggested that Restaurant A abandoned its application for a drainage license, which was the most difficult and time-consuming license, the owner still insisted, "We want to get the license. We surely want to."[3] By contrast, Restaurant B's owner operated in a passive manner. He waited for the regulators to contact him about violations of license requirements before taking action to apply for new ones or to submit relevant documents. As no inspectors from the drainage regulatory department came to inspect Restaurant B, its owner never bothered to apply for a drainage license.

In this manner, the licensing processes during the existence phase started in very different ways: Restaurant A trying its best to ensure that all its licenses were compliant and Restaurant B doing only what was necessary to stay in business. However, over time, both converged to adapt to what the different regulators expected of them, or at least to what they perceived such expectations to be. The licensing process and their interactions with regulators taught both owners about the practical methods they could use to ensure they got the licenses, and even the short-cuts they could take to get approvals with limited effort and cost.

A good example how FDA inspectors had asked Restaurant B to replace an old stone kitchen countertop with a stainless steel one. However, after the owner had done this, the FDA never came back on site to verify this. They only asked the owner to send a picture of the new counter to them, and they issued their approval simply based on this photograph. Restaurant B's owner was quite surprised: "If I had known they would not come to check on site, I would not have bought the countertop." In a subsequent application for a fire license, he tricked the regulators by submitting staged photos and receipts instead of actually buying the extra fire extinguishers he should have required in order to get the license. It worked, as he got the permits. Thus, the licensing processes reinforced Restaurant B's original business strategy, in that the owner sought to avoid costs where possible, even if doing so meant violating the rules.

Restaurant A had originally been different and had tried to play by the rules. However, going through the start-up process and applying for permits gradually eroded this positive stance towards compliance. Originally, Restaurant A's owner never intended to engage in bribery. This changed when she applied for her catering service license. For four months the FDA inspectors would frequently come on site and point out yet another problem, again and again. Each time Restaurant A corrected a problem, the inspectors would find another and refuse to issue the license. In frustration, Restaurant A's owner turned to her friends, who told her that maybe she should consider giving the inspectors *hongbao*, a red envelope, which is a euphemism for a bribe (as the envelope contains money). Restaurant

[3] Interview with Feng on April 16, 2013.

A's owner found the practice immoral, saying, "Someone mentioned that to me. But I just do not want to do that, you know, to encourage such unhealthy and evil phenomena."[4] Nevertheless, as the situation persisted and she needed the license, she saw no option but to pay the bribe. Soon after that Restaurant A received the catering service license. Bribery therefore became part of her strategy for the existence phase to get some of the licenses. She gave inspectors dinner and gifts to get her drainage license, after they initially refused to issue it. She even tried to bribe fire control inspectors who refused to accept it, informing her that all she needed to do was to address one minor issue. Restaurant A's owner found the process highly complex, as she explained, "We do not know how to make contact with them [inspectors]. Even if we want to give them *hongbao*, we don't know how to do it in the right way."[5]

Existence is thus a phase of rapid changes. When moving from the original ideas and ideals to the reality of starting a business, the stance towards compliance may change as well. Here this was most clearly the case for Restaurant A, where, over the course of encounters with regulators, bribery became a normal and even a proactive practice, although during pre-existence it had been seen as a possibility that the owner would rather avoid. What is interesting is that, here, the frequent contacts with regulators drove changes in compliance, both for good (such as forcing Restaurant B to get the licenses that it was operating without) and bad (inducing bribery and teaching the restaurants how to get away with violations because of a lack of proper monitoring).

The survival phase

After getting all the legal licenses, the businesses entered the next phase, survival. A major change during the survival phase was that regulatory oversight lessened. During the existence phase there was fairly continuous contact and interaction with regulators amidst the processes of obtaining permits. However, once the businesses started, regulatory encounters became infrequent. The fire control bureau only carried out on-site visits once a year. The FDA bureau visited once or twice in the first two years, but later its on-site checks decreased. At some point, the FDA had not inspected for such a long time that Restaurant A's owner could not remember when the inspector had last come. On-site inspections also became less intensive the longer the businesses were in operation. Restaurant B's owner said that, at first, inspectors would come unannounced and do a careful check in his restaurant, even using a pen light to check under his freezer, forcing him to cooperate and correct issues promptly. But later, inspectors no longer even entered the kitchen and just had a chat with the owner, as if they were old friends.

The regulators just did not have sufficient capacity to match their workload. As Restaurant B's owner explained, "the regulator is too busy to inspect small businesses.

[4] Interview with Feng on May 30, 2012.

[5] Interview with Feng and Hong on May 22, 2013.

They have to pay attention to those large firms with a big impact on society".[6] The problem here is also legal. The law has so many rules with which restaurants should comply. There are just too many details for any inspectorate to check them all.

Compliance and offending behavior also changed and diversified during this phase. At Restaurant A, the participant observer found that compliance decreased. In areas in which it had been in full compliance during existence phase,the restaurant started to cut corners and violate the rules. A good example is how, during the existence phase, regulators had mandated that Restaurant A install three sinks in the kitchen. However, after it had been in business for a while, the owner removed one of the sinks as it did not fit well in the small kitchen. At first, she was afraid that the inspectors would notice the missing sink. However when regulators came to inspect on-site, they never paid any attention to the number of sinks she had in her kitchen. Restaurant A also gradually stopped ensuring that all employees had health certificates.[7] High staff turnover made this too costly and difficult. The owner figured that, since all were introduced through personal connections, they must be healthy, so there was no risk of disease to her business. Here also, the owner learned that the inspectors no longer paid close attention during the irregular visits they made. Inspectors would look at whether the restaurant was displaying health certificates. Yet, they would not check whether such certificates actually belonged to the employees who were working. Even when health certificates became free, the owner still did not ensure that all the employees got them, as she was too busy to take the employees to do a health check.

At Restaurant B, compliance also eroded. As required when it applied for an environmental license, the restaurant installed a smoke purifier above the stove, to purify the smoke released by the stove. However, once the restaurant opened for business it never used the purifier and just kept it switched off. As the owner explained, "It [the smoke purifier] is just a decoration for me…It will not make a big difference, but costs lots of electricity."[8] During the survival phase, the restaurant could do this with impunity as the environmental inspectors never verified whether Restaurant B used the purifier during cooking. Restaurant B also started to violate the health certificate rules. Here, the owner started to re-use old certificates for new employees, putting photos of the new employees on top of the old certificates. He did this after seeing that, during the on-site inspections, the health regulators did not check the health certificates carefully or verify the names on the documents. Furthermore, he believed that, "most people are healthy, only small minority will have contagious viruses. I know those workers. They are healthy." Restaurant B's owner did something similar with his environmental license when he had to renew it. He used a fake stamp to create a renewed environmental license, rather than applying for a new one as he was legally mandated to do. He thought that there was no risk, as the

[6] Interview with Ming on Sept 5, 2013.

[7] According to article 34 of the Food Safety Law, people who process or sell food should undergo an annual health check, and may work only after obtaining a health certificate.

[8] Interview with Ming on May 26, 2011. This behavior is similar to violation behaviors described in environmental compliance, for instance, illegal dumping (*Toupai*). See Van Rooij 2006, pp. 214–216).

environmental inspections had been so infrequent. He believed that if the inspectors did find out, he could pay some money to get the proper license.

Not all compliance worsened, though, during this phase. Restaurant A had originally not been able to comply with the meat safety rules, as the owner wanted to sell organic pork from traditionally slaughtered pigs. At first, therefore, she had bought a fake certificate from a butcher to pretend that the pork she was selling was certified. However, she found that it became increasingly troublesome to slaughter the pigs herself. It became difficult to negotiate time with the butcher and it was inconvenient to obtain the quarantine certificate. Consequently, she decided to slaughter the pigs at a local slaughterhouse and obtain an authentic quarantine certificate issued by the slaughterhouse.

During the last phase in the organizational life-cycle studied here, survival, we see that there were challenges in the business operation (for instance staff retention) and less frequent and less intensive contact with external regulators. In both cases studied we see that the number of offenses grew in this phase. It did so, as both businesses saw that violating the rules came with limited consequences due to the infrequent and less attentive inspections. In addition, they found that compliance was cumbersome and came with limited benefits for their business practices in this phase. The phase of the organizational life cycle, survival, determined the changes in external oversight that played a vital role in the rise in offenses. During the existence phase, external regulators only need to look at whether everything that should be in place was actually there, which, as we saw, they were able to do to a certain extent (if we disregard the corruption that obscured the quality here). During survival, the issue is no longer checking whether the business meets the entry requirements, but is far more complicated. Now, it requires checking whether the business actually operates in a compliant way on a day-to-day basis. On most days inspectors are not present, and the businesses know this. On the days when inspectors do come, they do not have time to go through and verify compliance as elaborately as they do during the existence phase. In these two cases this made a major difference in creating opportunities for offending behavior.

Discussion and conclusion

Life-course criminology provides a vital new perspective in the study and understanding of corporate crime and compliance. Scholars have proposed an organizational life-cycle analysis of corporate offending, yet empirical work has, so far, been limited to longitudinal analyses that do not relate directly to organizational life cycles. This is not surprising, given how hard it is to get the level of detailed data from different stages of the corporate life cycle, both in terms of changes in the business and its broader context and in terms of its offending behavior, that is necessary to conduct such an analysis. The present study has sought to use a qualitative approach, analyzing data from two case studies derived from in-depth semi-structured interviews and extensive participant observation data on two small businesses. In doing so, it seeks to showcase what an explorative, theory-building form of an organizational life-cycle analysis of corporate offending could look like. The study draws several insights from the empirical context of these two restaurants in China that may guide further research and further develop both qualitative and quantitative organizational life-cycle analysis of corporate offending.

The first insight is that there seem to be changes in offending intentions and actual behaviors in the three phases studied here. This was most clear at Restaurant A, where, in the pre-existence phase, there was no intention to commit offenses, only an understanding that offending might be necessary at some point. However, during existence phase the restaurant came to learn that it must break the rules in order to get approved for business. It then started to normalize this to such an extent that it was even offering bribes where none were wanted. During the survival phase, it started to violate rules when it learned that it could get away with these violations. Our findings here are very much in line with earlier insights from longitudinal studies of corporate offending showing that the offending changes over time (Kluin et al., 2018, Simpson et al., Forthcoming).

Table 2 below outlines some of the key aspects of the business itself, its regulatory oversight and encounters, and its compliance behavior for each of the three life-cycle stages studied here.

The pre-existence phase is a phase where there is not yet a business, and therefore there is no real offending. However, it is a phase in which the DNA of the business is formed and compliance intentions are formulated. It is striking to see, as discussed earlier, how quickly and strongly one of the restaurants diverged from its original intentions once it moved to the existence phase. Offending behavior during the existence phase was very much influenced and determined by the special context of this phase: the businesses were under scrutiny of government regulators. On the one hand, this enhanced compliance, as they were often forced to correct detected violations. On the other hand it also spurred offending behavior. Through interactions with these regulators, they learned where to bribe and where not, where to cut corners and what they could get away with. In the survival phase, the regulatory context changed radically. Now, the businesses received far less direct oversight and scrutiny. As a result, the restaurants gained greater opportunities for illegal behavior.

This analyses show that offending behavior may very well be linked to life-cycle stages, but the way in which it is linked to such stages will be highly case-specific. The conditions studied here, with a combination of strong existence phase oversight, endemic corruption and weak daily inspections, clearly do not exist generally.

Our analysis also shows that organizational life-cycle analysis aligns well with existing broader criminological and social science theories about corporate offending. We clearly see that a lack of perceived deterrence (Schell-Busey et al., 2016, Simpson et al., 2014), opportunities for offending (Benson & Madensen, 2007, Benson et al., 2009, Van Rooij & Fine, 2021), normalization of deviancy and social norms (Nolan & Wallen, 2021; Vaughan, 1997, 1999), and strain (Agnew, 2006, Agnew et al., 2009, Langton & Piquero, 2007) play a role in the offending behavior during the existence and survival phases. This points the way for future theoretical and empirical research to tease out the deeper connections between existing corporate crime theories and different stages of the organizational life cycle.

The study further shows that an organizational life-cycle analysis should look beyond changes in the business itself. It should also analyze what the development

Table 2 Business, regulatory oversight, and compliance during the pre-existence, existence, and survival phases

	Business	Regulatory oversight	Compliance
Pre-existence	Develops business concept and strategy	Lays the foundation for how the business looks at regulators and whether to cooperate or engage in game playing or evasion	Lays the foundation for how the business views compliance (as part of the business model or as an additional cost)
Existence	Hires and trains personnel, develops organizational rules and applies for licenses. Also starts the business and attempts to make first profits	Intensive encounters during license processes shape the way the business sees what is expected in practice to meet regulatory demands. Over the course of these processes the view of what is expected changes	The pre-existence phase originally shapes how businesses comply with licensing processes, but as the business has more regulatory encounters and experiences, the original views and practices on compliance can change
Survival	Business has survived and been able to make a profit. It now has to ensure it can keep itself afloat and keep a customer base as well as retaining personnel. All of this can affect the original business concept and strategy	There are fewer and less-intensive encounters with regulators. This leads to a different view of what regulators expect for compliance in everyday practice, and gives more opportunities for rule bending and breaking	Compliance diversifies. With fewer regulatory encounters, compliance that used to be good in particular areas may now decrease. Here also practical business considerations may affect compliance, and mean that in some instances it erodes, while in other aspects it improves

from one stage to the next means for the way the business is regulated externally. Our study found marked differences in the frequency, intensity and type of contact between the existence and the survival phases. Such differences in regulatory oversight are legally tied to these two different phases of a business. When a business enters the market, there will, in most jurisdictions, be extra scrutiny, and once it turns to daily operation during the survival phase such regulatory oversight will become less extensive. Future research could analyze this in more mature and further growing businesses to extend these insights to other phases. Here, for instance, we can think of businesses that move from private to public ownership (during and after an IPO), and the changes in both regulatory and corporate governance that occur during this key transition in a corporate life cycle.

Our findings have several broader implications for the practice of corporate compliance and regulatory enforcement. One insight is that compliance is not static and changes as a business develops, even if, like the cases studied here, the business is small with no growth (cf. Wu & van Rooij, 2021). The present study shows that, in such compliance dynamism, the original conception during the pre-existence phase of the business warrants more attention. There may be opportunities to revisit original compliance motivations that may erode later. Here, regulators may have exchanges about the original business philosophy, and this may help them to see whether there are risks or opportunities in relation to compliance in the original business strategy. A second insight is that regulatory encounters interact with internal compliance processes, but may do so in ways that regulators do not anticipate or expect. Hence, it is vital that regulators gain a better understanding of the perspectives of the businesses they regulate. This requires a more ethnographic perspective in regulatory enforcement training. Finally, much can be gained if the difference between existence and survival is reduced. In the cases studied, initial compliance during existence quickly eroded after daily operation commenced during the survival phase. Better oversight during the survival is warranted and may require the smarter use of technology to reduce the compliance erosion once the business opens.

The final implication of our study is methodological. The study shows that a case study analysis can help to give a highly detailed understanding of business, regulatory and offending practices in relatively small organizations. Our data have shown how intricate these practices are, and that it is vital to get an in-depth qualitative understanding of what occurs in each organizational life-cycle stage and what this means for the key actors (especially, in this study, the owners). As such, the qualitative approach may be very well suited for organizational life-course analysis and fits very well with the original ethnographic approach to life-course criminology. The ethnographic approach offers a good way to understand of how the business and its regulatory environment change and how these affect compliance and offending behavior.

The study does have inherent limitations. The biggest of these is that the findings cannot be generalized to a broader empirical reality. For this, future research is necessary. This could consist of more and similar case studies that explore whether the same patterns exist in similar businesses for which one or more contextual variables are different (for instance, studies looking at small restaurants in jurisdictions with less endemic corruption). In addition, the present study might inspire ongoing longitudinal quantitative work to look for data that capture some of the key variables studied here across a larger set of cases, to allow for statistical inference. A second limitation is that the present study was not designed to tease out causal mechanisms systematically as they occur between each life-cycle phase and offending behavior. The present study offers causal narratives that may help to provide propositions that would have to be tested in further systematic process tracing (Beach & Pedersen, 2019; Bennett, 2010; Collier, 2011).

Data availability The data that support the findings of this study are available from the corresponding author upon request.

Declarations

Competing interests All authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

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