Normalizing White-Collar Wrongdoing in Professional Service Firms

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ABSTRACT

There is extensive literature on top managers committing wrongdoing, but few studies examine white-collar wrongdoing. Drawing on the experiences of a professional service firm, we examine why and how engineering consultants normalize wrongdoing. Leveraging bounded rationality theory, we find that organizational myopia promotes inadequate administrative systems that holds consultants' prisoners to their rules and procedures, leading to normalized wrongdoing. Our theoretical contributions are threefold. (1) We contribute to the literature on wrongdoing presenting the relation between organizational myopia and normalized wrongdoing. (2) We contribute to the administrative systems literature showing their link with poor project performance. (3) We show how administrative systems and normalized wrongdoing play a role in project scope creep. We introduce an "iceberg model" to show that the failed project (the tip of the iceberg) is due to organizational myopia and inefficient administrative systems that need to be addressed before starting any project.

KEYWORDS: Bounded rationality theory; normalized wrongdoing; project performance; organizational behavior; organizational myopia.

1 Introduction

Vaughan (1996) defines wrongdoing as doing a wrong thing and/or failing to do the right thing or any behavior or act that deviates from both formal design goals and normative standards or expectations. Wrongdoers stray from right-doing in a mindless and boundedly rational way subject to the influence of their immediate social context, slipping into [normalized] wrongdoing in a crescive way, without ever developing a positive inclination to do so (Palmer 2012).

Most of the literature, discussion and training about wrongdoing deal with how top managers commit wrongdoing to protect their interests or to, maximize their profits, or to draw out of the competition rival firms (Lee et al. 2018; O'Reilly and Chatman 2020; Wang et al. 2018, 2020). By contrast, this paper deals with "regular white-collar employees" such as engineering consultants. We leverage the case of a Professional Service Firm (PSF) where wrongdoing was normalized and widespread across the consultants. Like many firms, wrongdoing was not an exceptional act but embedded in everyday practice and thus normalized (Palmer 2012, 2013; Pinto 2014; Vaughan 1996). The theoretical motivation of our study is the struggle to reconcile what we observed in the case described in this paper, with the dominant theories attributing poor project performance to optimism bias, strategic misrepresentation (Flyvbjerg 2008; Flyvbjerg et al. 2009), or managerial capabilities (Morris 1994). Thus, while the performance literature takes a behavioral economics or project management view, our data guided us to take an administrative systems view (March and Simon 1958).

This theoretical perspective views organizations as structures for coordinating via administrative systems, people engaged in interdependent tasks. Hence, we ask the following research question: "*why and how PSFs' administrative systems normalize the wrongdoing of white-collar employees?"* To answer this question, we conducted

a longitudinal case study. We investigated normalized wrongdoing at three levels of analysis: governance, project, and individual. We navigated between these three levels by examining the administrative system processes that were in place.

2 Theoretical background

2.1 The nature of Professional Service Firms

PSFs, e.g., architects, engineers, quantity surveyors, provide consultancy services to clients for a fixed fee or on a cost-plus basis (Winch and Schneider 1993a). PSFs, the focus of this paper, operate with established knowledge and codes of conduct in a body of knowledge. Project-based work and projects, in general, are often prone to failing (Denicol et al. 2020; Flyvbjerg et al. 2009), and adversely impact the performance and reputation of the PSF, but they can also impact their clients' goals. To cope with these demands, their training emphasizes innovation and problem-solving. Service organizations are also distinct from builder's organizations in the built environment. Winch and Schneider (1993b) summarize the peculiarities of this sector: i. The service is intangible, i.e., clients purchase their capacity to service rather than a product; ii. Performance is heterogenous from client to client; and iii. Production and consumption are inseparable; their service cannot be stored. Because of the above, PSFs are appointed based on their good reputation – in terms of quality of past projects, to obtain repeat work from existing clients or be appointed by new clients (Bos-De Vos et al. 2019a; Winch 2011).

PSFs often choose to prioritize quality over profit when profit conflicts with quality (Bos-de Vos et al. 2016). In this case, they choose to do extra work for the project despite the financial risk (Bos-de Vos et al. 2016). However, profit is still important since these organizations are cash generators, not asset-rich organizations (Smyth 2011). Bos-de

Vos et al. (2019b) adopted a portfolio management perspective to investigate how PSFs manage value slippages and found that PSFs adopt three different strategies: i. Postponing; ii. Compensating and iii. Rejecting a project. However, the study concludes: *"different value slippages risks … pose severe threats, they also provide opportunities for enhanced value capture when they are managed well in and across projects",* hence balancing value creation and value slippages can be a challenging task.

2.2 Wrongdoing

There are two schools of thought regarding wrongdoing: the "dominant" school and the "alternative" school. Studies of the dominant school offer several assumptions to help define wrongdoing (Palmer 2012, 2013). First, they assume that wrongdoing is a *rare phenomenon*. If employees could draw a line that separates right from wrong, then it is assumed that they could easily identify where the line is drawn and can choose not to cross it (Flyvbjerg et al. 2009). Second, studies view *wrongful behaviors as aberrant*, that is, as clear, important and shocking departures from acceptable behavior. For example, Wang et al. (2018) developed a tool for predicting corporate misconduct using a support vector machine to construct its model. Third, the research considers *wrongdoers as "bad apples"*, organizational members who have bad personality traits, are greedy and possess status and powers to control others (O'Reilly and Chatman 2020; Wang et al. 2021). For example, bid riggers engage in a series of illegal procedures to coordinate their pricing strategies in the construction business (Wang et al. 2021). Finally, they assume flawed or distorted *organizational structures as "bad barrels",* as the causes of wrongdoing (Lee et al. 2018). These structures include organizational cultures, norms, values, and beliefs that directly or indirectly endorse wrongdoing.

Instead, the alternative school assumes wrongdoing as a *normalized* phenomenon. Normalized wrongdoing is a deviant behavior that may violate civil, criminal or administrative law, disobeys explicit industry or professional codes, or breaks less codified organizational rules, social norms, and ethical values (Palmer et al. 2016).

The key insights of *normalized* wrongdoing are:

- wrongdoing is produced by mindless and *boundedly rational* actors who deliberately engage in misconduct.
- wrongdoing is a *common phenomenon*. Employees cannot draw a line that separates right from wrong, thus, they cannot easily identify where the line is drawn.
- *wrongful behaviors are considered normal*, that is, they are not clearly distinguished, nor they are important or shocking departures from acceptable behavior.
- *wrongdoers are not "bad apples"*, organizational members who have bad personality traits are not necessarily greedy nor possess status and powers to control others.
- *organizational structures are neither* flawed nor distorted. Organizational cultures, norms, values, and beliefs may directly or indirectly endorse wrongdoing.

The case presented in Section 4 is consistent with this second school of thought. Furthermore, employees engage in interdependent efficient, effective, and coordinated tasks to achieve organizational goals (Mintzberg 1989). Organizational participants are subject to uncertainty, and the more uncertain a situation or task is, the greater the likelihood that these individuals will become more susceptible to

influences associated within their contexts. Thus, organizations design administrative systems to minimize uncertainty and enable effective coordination of resources.

2.3 Administrative systems

Administrative systems enable employees to act in a programmed fashion by adhering them to rules and guidelines, and organizations to economize on the volume of resources they devote to decision making (Perrow 1972; Simon 1997). Administrative systems are designed to reduce employees' need to conduct mindful and thorough rational analyses of each situation by providing them with guidelines (March and Simon 1958; Palmer 2012). Therefore, the administrative systems view can be summarized to this: *"organizational environments present organizational participants with a multitude of complicated decisions. And organizational participants are limited in their ability to accumulate and process information needed to make these many complicated decisions."* (Palmer 2012 p. 128). Administrative systems help employees cope with the organizational complexity/bounded rationality dilemma. Administrative systems also serve as a common denominator to the competing and conflicting demands of professional and bureaucratic logics that are shared in these organizations (Alvehus 2018). For example, change order management is a challenge for PSFs due to the associated disputes, claims, productivity losses, delays, and cost implications (Naji et al. 2021), Seo et al. (2021) found that a more consistent claim management process aids in the commercial performance of the construction project. However, administrative systems do not always work the way they were intended and as shown in this paper, can lead to wrongdoing.

3 Methodology

This study is inductive in nature (Neuman 2014) and is based on a longitudinal case study (Yin 2017), a multi-million consultancy project presented in Section 4. Consistent with inductive reasoning, we started by observing the consultants working on the project and then reflecting on what is taking place and thinking in increasingly more abstract ways, to move toward theoretical concepts (Neuman 2014). We began with a generic topic - what caused the project to fail – and later refined our thinking into more precise concepts. After we analyzed the symptoms of the failed project, we were able to make sense of our case (Weick et al. 2005) and build a coherent story that explained the underlying reasons for the symptoms visible on the surface. Hence, during and after data collection, our focus became to understand what caused consultants to normalize wrongdoing.

3.1 Data collection

The data collected include both real-time primary and secondary data. We collected 35 semi-structured interviews (27 PSF employees and eight client representatives) and 137 archival data of various categories (Table 1) enabled data triangulation (Yin 2017). We triangulated our primary data with secondary sources to minimize bias from retrospective sensemaking. The secondary sources also allowed us to understand better how the case unfolded. A significant source of secondary information was the online contract management system used to govern the project and the weekly-updated progress dashboards the PSF consultants used to monitor and report project performance internally. For the primary data, the interviews and project meetings attended occurred on-site at the PSF offices. The lead author used informal semi-structured interviews over three years with employees and senior managers at several levels: Operations directors and deputies of the PSF, middle managers (project

177 managers, commercial managers) working on the project, and consultants from both
178 organizations delivering the project. Interviews allowed us to describe the struggles of
179 employees and senior managers to understand why and how scope creep[1] occurs.
180 The lead author attended 12 project meetings which lasted between 60-75 minutes.
181 The purpose of those meetings was to discuss the progress of the various project
182 tasks, opportunities, and risks. During those interviews, the concept of "booking on
183 bench"[2] (detailed in Section 4) emerged. Hence, the research team shifted the focus
184 of observations towards the interplay of scope creep and "booking on bench".
185
186 Table 1. Data collection
187

188 ***3.2 Data analysis***

189 Our data analysis and research design is inductive. In line with Locke (2020 p. 8), we
190 coded by engaging with the literature *"as a source of ideas*
191 *that researchers use to help make sense of and theorize about the categorization*
192 *schemes in the project*". Leveraging administrative systems literature, we were able to
193 structure our qualitative data (Table 2) (Saldaña 2021). We started the data analysis
194 with an exploratory approach, to investigate why and how scope creep occurs. Soon
195 we understood that "booking on bench" is closely linked to scope creep and margin
196 erosion. Thus, the research team went through a second round of analysis to develop
197 a better understanding of the interplay between scope creep and "booking on bench".
198 Our data showed that employees are normalizing wrongdoing out of fear of "booking
199 on bench" (as detailed in Section 4.3). Consulting the administrative systems literature,

[1] Scope creep is the uncontrolled expansion to a project's scope without adjustments to time, cost, and resources.
[2] The term "booking on bench" is used metaphorically by PSF managers to describe a consultant becoming idle.

we understood that the normalized wrongdoing we observed is caused (intentionally or not) by rules rooted in administrative systems.

Following this finding, we asked what causes organizations to have inefficient administrative systems in place that force employees to normalize wrongdoing. Consulting the literature once more, we found that organizational myopia promotes inadequate administrative systems leading to normalized wrongdoing (see Section 6.1). Ultimately, we developed our process model using administrative systems as the unit of observation.

Along with the qualitative analysis of the interviews and text, we did a quantitative analysis. Among other information for each Work Package (WP), we calculated:

- *Original contract value*: the sum that the client and PSF agreed on for the originally planned work; this data is available at a single WP level. This is stated in the letter of Acceptance/Contract Agreement.
- *PSF fee*: This is the sum requested by PSF to the client. The PSF charges for the work done. The fee is calculated as the sum of person-hours multiplied by the consultant's charge hour. This data is available at a single WP level. The person-hours include all the time spent on the WP, therefore, the original work plus the extra work due to scope changes. The client may disagree/challenge this value, refuse to pay this value, and start the negotiation process.
- *Final contract value*: the total amount payable by the Client to the PSF. The value negotiated between the PSF and the client considers the Original contract value, the PSF fee, and the work done. Again, this data is available at a single WP level.
- *PSF performance index*: The difference between the "Final contract value" and the "PSF fee" is the PSF performance index calculated as (PSF fee – Final contract

value) / PSF fee. It measures the ability of PSF to recover costs. This data is available for each WP.

- *Project cost performance index*: this indicator is calculated as (Final contract value - Original contract value) / Original contract value. It measures the cost overrun from the client's perspective. This data is available for each WP.
- *Compensation events (CE)*: CE are when the PSF consultant or client issues an official scope change request. According to the official controls, the task relating to the event is put on hold, and the consultant should work on another task. The task related to the CE will proceed only when the two parties *officially* agree.
- *Change orders*: The PSF, regularly (about once a month), puts together all the accepted CE and issues in the form of a “change order” to the client. The client pays the agreed fee.

The next section describes the empirical setting and introduces how wrongdoing was normalized.

4 Empirical setting

4.1 The Company

The PSF is the lead engineering consultant, managing the design and the design support of a major project. The PSF has more than 20,000 employees and is organized into various business units focused on different regional market segments with a strong presence in the US, the UK, Europe, Asia and Australia. Its annual revenue is over $5 billion. In the case of the consulting project discussed in this paper, everybody knew that consultants were not adhering to the standards and expectations that the PSF had laid down. Instead, consultants were engaged in a process where wrongdoing was normalized.

4.2 The Project

The project discussed in this paper consists of the PSF producing design work (technical documents) for its client (the development contractor). The original budget was about £7 million pounds. The overall program where the project was set consisted of designing, delivering and maintaining a major infrastructure. The development contractor (hereinafter referred to as a client) was responsible for undertaking the physical construction using its resources, sub-contractors, or a combination of both.

The PSF and the client intended to facilitate the production of works through an online contract management system to foster collaborative behaviors, increase productivity, reduce waste and risk. With this system, the two organizations can register scope changes in the form of compensation events (CE). However, as later detailed, the production of design works proved far more challenging than anticipated, resulting in 328 registered CE. Only 173 CE were approved (52.7%) by the client.

As detailed in Figure 1, despite the initial five-year contract, the relationship soured and became unsustainable after two years and terminated with a settlement figure of £6,77 million. The settlement figure was realized through a series of approved CE issued by the client to cover a portion of the incurred PSF costs. The PSF absorbed the costs not covered by the client due to scope creep resulting in significant margin erosion. The PSF consultants were asked to be assigned to other projects, stressed by the project. Wrongdoing was a key element for this failure and took several forms. A relevant form was the interplay between “scope creep” and “booking on bench”, as described in the following section.

Figure 1. Project Gantt chart with milestones

TASK	START	END	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17
Project start	Q2 2014/15												
Project mobilized			*										
Project execution	Q3 2014/15	Q3 2016/17											
Settlement period	Q3 2016/17	Q4 2016/17											
Settlement agreement												*	
PSF incurs revenue losses	Q4 2016/17												
Project end revised	Q4 2016/17												
Early termination of the contract													*

4.3 The phenomenon: wrongdoing in scope creep and booking on bench

There are many ways scope creep may occur in project-based work, including schedule constraints, poor scope management, requirement volatility (Aizaz et al. 2021; Ajmal et al. 2020; Komal et al. 2020).

In our case, scope creep occurs when a consultant works on unapproved features of a project, devoting time to unauthorized changes. Incorporating these changes must usually be done within the original time and budget estimates, leaving less time for approved scope features. Thus, approved features of the project cannot be completed; hence the project is delivered over budget and late.

The accumulation of scope creep puts pressure on the consultants to justify their time on the project. Because their work includes unapproved features and unauthorized changes, their booked time on the project is often a case of dispute (Cheung et al. 2020). if a project must stall more often than anticipated due to an increasing number of unauthorized changes, the consultant may become idle for a few days. Therefore, the organizational official controls require the consultant to “book on bench”. In this instance, the consultant is required to book their time to a company code (overhead cost) instead of a specific project code, which is billable to the client, worsening the project's economics for the PSF.

“Booking on bench” has negative connotations and is detrimental to a consultant’s career progression since they look lazy or less ambitious, incapable of managing relationships with the clients, and ultimately unable to generate profits for the PSF.

Consequently, “booking on bench” is negative for the consultant’s career, considering the sector’s “up or out” culture (Mcgrath and Van Putten 2017). This widely accepted policy requires PSF employees to race up the promotion ladder or face being eased out.

Under these accumulated circumstances, wrongdoing became normalized. “Booking on bench” is codified by both official and unofficial controls. Therefore, when a client representative repeatedly requests the consultant to work on unapproved features or unauthorized changes, the consultant is confronted with an ethical and practical dilemma, i.e., choosing between: (A) follow the official controls and “book on bench” until unapproved changes become authorized, or (B) follow the unofficial controls informally explained to them. Under scenario (A), the consultant will “book on bench”, and if this is done repeatedly, their career could take a downturn. Under (B) scenario, the consultant will do the task required by the client representative, asking for the authorization retrospectively from both the client - that need to pay for it - and the PSF - that need to agree on the number of hours charged. Under (B), the consultant normalizes wrongdoing by *gradually* conducting additional tentative unauthorized work, leading to scope creep. Normally, the consultant expects that an agreement for further compensation between the two organizations will be reached.

However, we show in Section 5 that often, this agreement is not reached, generating scope creep and margin erosion for the PSF. Moreover, we show that the process of reaching the agreement (or not) requires time and resources, causes delays, decreases trust between project parties, and reduces the project's overall financial and non-financial benefits.

4.4 Theoretical motivation: Administrative systems

Considering what was discussed in the previous section, the reader might wonder, "what puts the consultant in this position?" The answer is "Inadequate Administrative systems". Issues arise when there is tension between official and unofficial controls. So, if the PSF official control rule asks the consultant to "book on bench" in case of a scope change, why should consultants be penalized for that? PSF Top management has a quick and simple way to check consultants' performance: checking their billable time. The more one consultant books on company code (overhead), the worse their billable time will be. In their resource team pool, because their billable hours are low, they cannot be considered as outstanding performers, so they won't get the max bonus in their pool, and they won't be considered for promotion. This puts pressure on the consultant to increase their billable hours. So, on the one hand, they must put up with clients' shenanigans or "book on bench", on the other hand, they will be penalized if their billable hours are low despite doing the right thing and book on company time. The PSF consultants are not "bad apples": the wrongdoing is caused (intentionally or not) by rules rooted in administrative systems (Palmer 2012). To perform our analysis, we navigated among three levels (project governance, project, individual).

5 Findings

5.1 Governance-level - PSF Performance

The final contract value (£6,77 million) following the settlement negotiation deviated significantly from the PSF incurred fee (£8,32 million), resulting in a 19% loss of expected revenue for the PSF. For PSFs, profit margins tend to be 20%-35% for projects like the one discussed our study (Nanda and Narayandas 2021); therefore, the PSF did not make any profit.

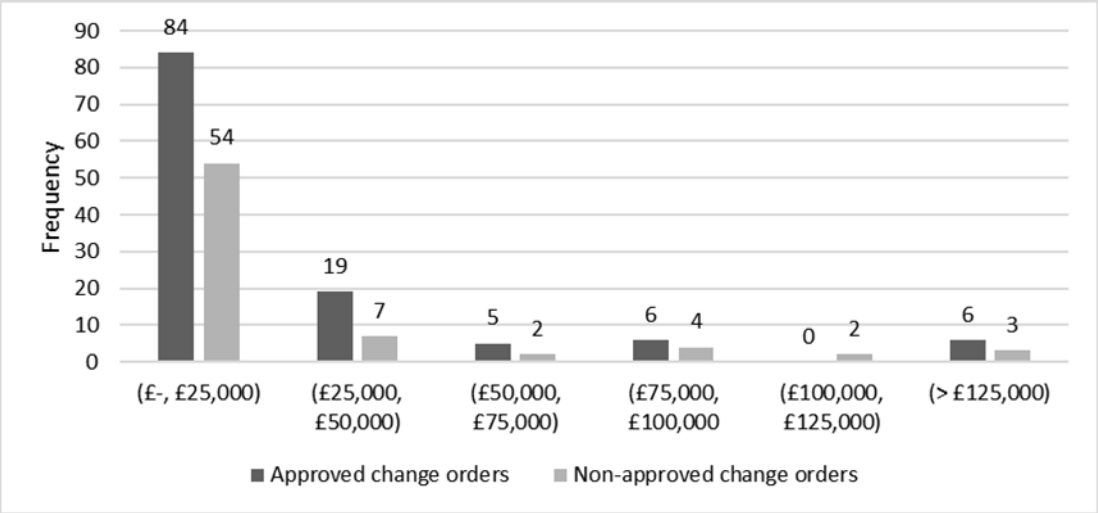
PSF top managers use *rules* to develop performance prescriptions and set organizational performance targets, incentives, and evaluation criteria. In this case, during performance meetings among the project management consultants and the top management team, the expectation was that a steady stream of secured, completed and therefore billable WPs would be coming through the project. The revenue stream estimates were derived from the current year's growth target calculated as the performance of the past year plus a percentage (e.g. 10%). Robust and constant growth is an unrealistic rule of thumb (*schemas and scripts*) (Mcgrath and Van Putten 2017). This created pressure on the consultants to deliver the project on time and budget and increase the scope of work (adding more WPs) through an aggressive client relationship management approach.

Administrative systems played a crucial role in shaping behaviors and actions during project delivery. The PSF's top management set *standard operating procedures* to obtain periodically a clear view of how projects perform. The PSF's project manager had to prepare a project dashboard and report *opportunities* regarding business development and *performance* in terms of project management efficiency. During these meetings, top management was inflexible that projects could deviate from their target gross margins. Their motto was *"it's what's [originally] registered on the system that counts"*, so projects ought to produce an expected level of margins, e.g. 20%-35% to cover overheads. If projects yielded lower margins, top management was upset, and the project manager would be under severe scrutiny going forward.

5.2 Project-level - Project Cost Performance

From the client's point of view, the original contract value of the project was £2.90 million; the final contract value was £6.80 million, with a cost overrun of 133.80%. A

366 total of 328 CE were raised, but only 173 CE were approved by the client (£3.90
367 million). The PSF fee was about £8.32 million but received only £6.80 million.
368 Therefore, a project originally agreed for £2.90 million ended up at £6.80 million,
369 leaving both client and PSF dissatisfied. Scope creep and “booking on bench” were
370 the key explanatory reasons.
371 To get a better view of how scope creep works, Figure 2 shows the approved change
372 orders (aggregated approved CE paid by the client in a period) and the non-approved
373 change orders raised by the PSF. The vast majority of change orders are minor,
374 therefore, cost overrun is not explained by a single CE. Instead, it is distributed in a
375 plethora of small scope changes that contributed to scope creep. The histogram is
376 highly skewed due to scope creep because of the many small changes (<£25k) that
377 the client did not approve.
378
379 Figure 2. Size of approved and non-approved change orders by value



380
381
382 Initially, all contracts and CE followed a *formal documented project governance*
383 *process* through the online contract management system. However, soon, the client
384 took powers through their *formal client representative roles*, used *informal*

communication controls to hint the fee deemed acceptable for the scope of work, such as using informal calls and chats in the client's office corridors and recalling on previous WPs to price the work. This created issues as the fees were already predetermined without having a full scope of works prepared by the PSF, quoting:

PSF: "As per email request from [client rep] on 10 February 2016, additional time was spent preparing and submitting documents for input into the [WP]. This is additional to our [original] scope of works and will incur additional cost."

The cumulative pressure to increase the volume of works imposed by the PSF's top management forced the PSF project manager - who was responsible for making the project a financial success - to submit proposals based on the fees the client hinted, even though this was not allowed, and therefore committing wrongdoing. Eventually, the PSF consultants' intentions quickly shifted from providing the best technical solution to equipping themselves with strict risk management practices.

At a meeting, the two project consultants, the PSF's project manager was heard saying to the project's commercial manager:

"Submit the proposal with the suggested fees, and if they [the client] want changes, we'll hit them with CE".

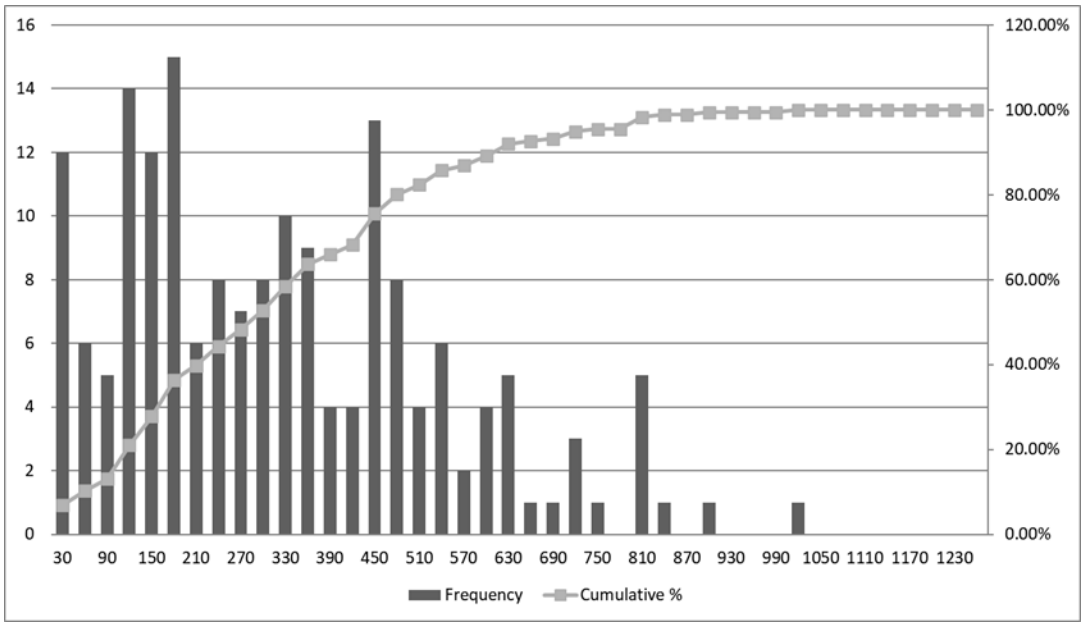
In another instance, the client refused to cover additional costs incurred by the PSF because no early warnings were raised on the contract system. However, the PSF consultants were informally asked to provide other documentation which was not initially part of the scope on a WP:

*Client: "No **formal** instruction was given to assist with the [WP]. [WP] costs should be attributed to each change (CE), this is a global catch-all assessment and is not a*

change to the contract. In addition, this is a late assessment of costs that have already been incurred in which were not previously raised."

When CE were raised, the client did not immediately record their response on the system, as illustrated in Figure 3. Indeed, Figure 3 shows that about half of the raised requests took one year to be approved. As a result, the PSF consultants had to work under risk instead of freezing all ongoing work and "book on bench" if required until a resolution was reached.

Figure 3. No. of days it took the client to approve CE



Soon, the PSF project consultants caught up in a storm of CE pending approval and requests for work that were not authorized but were only informally communicated. Again, this is an issue rooted in the administrative systems. If, for instance, the median time to respond to a CE was a few days instead of one year, there would hardly be an issue. However, the systems and project actors made the process of approving CE

extremely long, creating an avalanche effect leading to all kinds of inefficiencies and perverse incentives.

5.3 Individual-level – The Consultants

Considering the above, an information barrier between the PSF technical and the project management consultants emerged, each caught in their issues due to the way projects are organized in various sub-disciplines *(division of labor)*. Using official controls (i.e., intranet project reports), the PSF project management consultants received past week's timesheets booked on the project and could see if any discrepancies exist against the originally planned resource plan. After a short period, this resulted in a build-up of additional person-hours implemented across the 120 WP that the PSF project management consultants could not verify contractually, and the PSF technical consultants could not justify. Assuming that everybody followed the official rules, the PSF technical consultants carried on working, considering that the project management consultants between the two organizations would have reached an agreement. Because of the division of labor, the PSF technical consultants were not even aware of their wrongdoing; instead, they casually worked following the official rules.

As a result, the PSF project management increased their project time to a whopping average of 28%. This finding is in stark contrast with recent studies that report that supply chain project management costs are circa 10% and, in general, anywhere between 2% and 15% (Haaskjold et al. 2021; Kerzner 2017).

Two instances of normalized wrongdoing are discussed to illustrate the interplay of scope creep and "booking on bench" further.

In the first instance, to meet the quarterly targets, the PSF's project management consultant registered as income in the system the work that had been tentatively

456 confirmed but not yet invoiced to the client. Following the official controls protocols,
457 the consultant should not have documented this as registered revenue in the system.
458 This was categorically against the standard operating procedures of the PSF because,
459 if the client submitted an instruction to descope, this revenue would not exist. However,
460 the consultant was confident that, similarly to his past experiences (*schemas and*
461 *scripts*) delivering projects for other clients, the scope would increase because the
462 relationships with the client and PSF would be improved. In an interview, he justified
463 his actions as: *"I need to get out [go to the client offices] and win us more work,*
464 *otherwise people will be made redundant!".*
465 In another instance, during project delivery, the PSF consultants found themselves
466 working under severe risk with the possibility of "booking on bench" if a solution is not
467 found soon between the two organizations. Under the contract, the consultants ought
468 to carry on and meet the project milestones laying ahead. The amount of scope creep
469 created a backlog of work which created further confusion for the consultants. The
470 PSF's project manager took leadership of the situation in a desperate move to keep
471 the project alive, as the PSF's commercial manager informed the client's counterpart:
472
473 *"As advised previously, the current design program is delayed, and the design duration*
474 *is being squeezed yet again. To work collaboratively to help [the project] deliver the*
475 *WP, [PSF's project manager] assessed the current program/activities and advised that*
476 *the following key activities could be progressed now at RISK [sic] to gain some ground*
477 *on the program."*
478
479 The PSF consultants working on the project were too busy to meet the project
480 milestones and complete the tasks. At this point, it did not matter to them which tasks

have been authorized and which tasks were pending authorization. In one interview, PSF's operations director argued:

"It's not their (the PSF consultants) money who is at stake here, if they were spending their money, they would not do the work".

The consultants' actions were justified by two types of controls to avoid "booking on bench", which inevitably lead to wrongdoing. Formally, the PSF consultants were registering the hours worked on the project. This way, they justified their time as billable in the eyes of the PSF. After all, they were indeed working on the project. Informally, they deluded themselves that eventually, the PSF would receive compensation for their work hours. Ultimately, they did the work the client asked them to do.

6 Discussion

6.1 Theoretical lens: Bounded Rationality and Organizational Myopia

Thus far, we showed how and why administrative systems led to wrongdoing and ultimately to the failure of this project. The PSF was full of experienced and highly educated managers who unfortunately set up those inefficient administrative systems. Despite the projects slowly failing in front of their eyes, the managers could not see the inadequacy of those administrative systems. This ultimately led to a major economic loss for the organizations and highly stressful environments for managers and consultants. Why organizations full of experienced and educated people behave irrationally is explained by bounded rationality theory.

Bounded rationality concerns the people's (and institutions) cognitive limits in dealing with and making sense of complex and large volumes of information in their decision-making process (Mellahi and Collings 2010; Simon 1997). The theory of bounded

rationality *is "as much concerned with procedural rationality, the quality of the processes of decision, as with substantive rationality, the quality of the outcome"* (Simon 2000 p. 25). Bounded rationality theory is multifaceted. In this paper, we consider a relatively new concept, that has relevant explanatory power: Organizational myopia.

Organizational myopia is a condition *"where the sense-making capabilities among the members in collectivities are limited to their contexts. Emerging orders or patterns are like the flocks of sheep that are nicely organized. Each sheep knows how to behave and watch out for each other in a collectivity. But none observes their collective behaviors as a whole. […] In collective myopia, [managers or decision makers] can no longer monitor as a whole the emerging orders or patterns that are created by themselves. The sense-making of these members is, thus, confined to the limited context of their own concerns."* (Chikudate 2015 p. 16).

Organizational myopia is the bounded rationality of the people collectively working in an organization. Organizations develop myopia when the status quo is no longer challenged: "we do things in this way because this is our way of doing things". We found that organizational myopia promotes inefficient administrative systems which normalize wrongdoing. We use the metaphor of an iceberg to illustrate our model (Figure 5). Visible is the tip of the iceberg, i.e., a failed project.

6.2 Cross-level Model of Organizational Myopia and Normal Wrongdoing

Our study was originally motivated to answer the following question: *"why and how PSFs' administrative systems normalize the wrongdoing of white-collar employees?"* To answer this question, we showed that normalized wrongdoing by white-collar employees is rooted in the administrative systems. However, administrative systems are not naturally occurring phenomena; they are systems designed by managers

(Simon 1997), so it is quite surprising that managers cannot improve or redesign them when they are not working. The case study of this paper is not exceptional; in our experience, we went through several inefficient administrative systems, and probably the reader has experienced their fair share of them. So, a follow-up question to our original research question is: Why don't managers improve administrative systems that are not working? To answer this question, we introduced the lens of Bounded rationality and Organizational Myopia.

At the governance level, the model (See Appendix 1) begins with the PSF's top management setting actions around performance goals, coupled with the client's top management actions of hinting the 'right' fee to the PSF's consultants. At this level, myopia promotes these behaviors, and as a result, it drives the PSF to be shortsighted in its pursuit of revenue and the client to downplay quality over project cost.

Post-contract award, the PSF's top management goes by the book, without realizing due to organizational myopia, that the project was underbid and heavily relying on risk to increase revenue dumping all the pressure on the consultants. At the same time, the client's top management is urged to keep the project at the original fee and pushes back on paying premiums due to requests for scope change. Therefore, actions that are forced by myopia result in margin erosion and, inadvertently, reputational damage to the PSF.

At the project level, the project consultants are underbid to satisfy the client requests and PSFs growth targets. The PSF consultants are forced to equip the project with risk management approaches, anticipating the client demands will rise as the project matures. The consequences of these actions grant a suboptimal technical solution and increased use of risk management methods. However, misuse of risk management practices causes more harm than good (Krystallis et al. 2020, 2021;

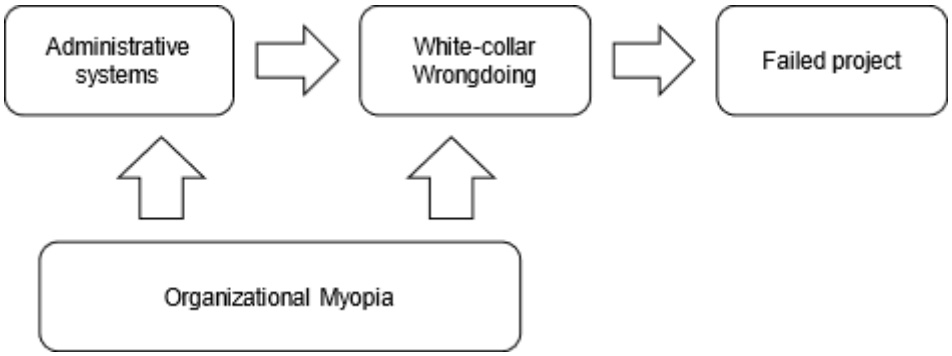
559 Lenfle and Loch 2010). This environment permitted by myopia also promotes trust
560 issues between the two project parties since their relationship becomes transactional
561 instead of collaborative.
562 As the project matures, the PSF consultants are caught in a storm of pending CE,
563 unapproved CE, and agreed on new business. The consultants find it difficult to
564 communicate scope changes on time. Eventually, work needs to get done, so the
565 consultants are working at risk, and due to bounded rationality, they expect that
566 everything will be sorted eventually. Myopia promotes behaviors and actions at this
567 level, resulting in increased project costs, time overruns, and client dissatisfaction.
568 At the individual level, the PSF consultant forced by the cumulative pressure to
569 increase the volume of work imposed by the PSF's top management, as discussed in
570 Section 5.3, underbids the proposal to secure it and does not worry about the project's
571 actual deliverability. As a result, the consultant registers revenue that is not realized
572 to satisfy both 'masters' (i.e., the PSF and the client organization), thereby normalizing
573 wrongdoing. As the project matures, the consultants are stressed and face a dilemma,
574 that is, booking on bench or working under risk. Eventually, they choose the latter, yet
575 they bill their worked hours to the project to justify their actions. Yet, they commit
576 wrongdoing because no authorization is given to carry the work through official
577 controls, and they are therefore breaking the rules. Ultimately the project was not
578 delivered, despite the actual cost being more than the budget cost. This situation led
579 to the early termination of the contract and to project failure, as the case discussed in
580 this paper.
581

6.3 Sense-making and Generalization

Our findings provide several insights into white-collar wrongdoing, which can be generalized to a wide range of project-based organizations. The generalization of our findings is shown in Figure 4. Our data shows that organizational myopia promotes inefficient administrative systems and, in turn, white-collar wrongdoing. This wrongdoing ultimately led to a failed project.

Top management wrongdoing vs white-collar wrongdoing. Our study found that wrongdoing exercised by the top management is vastly different from white-collar wrongdoing. Indeed, the dominant view in the literature of wrongdoing is that top managers commit wrongdoing intentionally and mobilize followers to pursue dangerous and unethical goals, therefore, putting organizations at risk.

Figure 4. Synthesis of findings



Several studies unpacked the personality traits of top managers, suggesting that they are narcissists, have lower levels of conscientiousness, are likely to be excessive risk-takers, and often make bold actions to obtain frequent praise and admiration from others (Lee et al. 2018; O'Reilly and Chatman 2020; Wang et al. 2018, 2020). Instead, we find that wrongdoing by white-collar employees is unintentional and is also not an aberrant phenomenon. Our findings align with the few studies that investigated white-

603 collar wrongdoing (Pinto 2014; Vaughan 1996), which views wrongdoing as a
604 normalized phenomenon exercised by white-collar employees in a mindless, bounded
605 way.

606 *Relationship between white-collar wrongdoing and project performance*. We
607 operationalized white-collar wrongdoing by measuring project performance. Previous
608 studies linked wrongdoing and project performance as the deliberate actions (strategic
609 misrepresentation) top executives employ to deceive their clients (Flyvbjerg et al.
610 2009). Our findings offer a different view. While top management wrongdoing is a
611 result of discrete decision-making (Palmer 2012), in this study, we show that white-
612 collar wrongdoing is a subtle behavior resulting from an accumulation of decisions that
613 leads projects to slip and ultimately fail. This finding extends the current understanding
614 of the effects of wrongdoing on project performance and expands previous findings
615 that situated wrongdoing in the low bidding process (Gransberg 2020).

616 *Relationship between inefficient administrative systems and white-collar wrongdoing.*
617 We found that inefficient administrative systems influence white-collar wrongdoing.
618 This was a surprising finding because organizations place administrative systems to
619 help facilitate work and prevent employees from making inappropriate decisions
620 (Simon 1997). Recent work has looked to address the problem of how organizational
621 rules are violated by its employees (Busby and Iszatt-White 2016), but how
622 organizational rules and, more generally, administrative systems program wrongdoing
623 either by design or inadvertently is underexplored. In turn, our findings provide new
624 insights on this very important assumption.

625 *Relationship between myopia, inefficient administrative systems and white-collar*
626 *wrongdoing.* Wrongdoing and inefficient administrative systems were found to be
627 promoted by organization myopia. This finding resonates with the literature and

628 connects myopia to wrongdoing and administrative systems. Previous studies connect
629 normal wrongdoing to inefficient administrative systems (Palmer 2012), but we still do
630 not know why these systems are inefficient in the first place. Our data showed that
631 myopia promotes inefficient administrative systems and how these systems, in turn,
632 enabled white-collar wrongdoing. Specifically, the consultants become ethically blind
633 and cannot distinguish anymore what is right from what is wrong (Palazzo et al. 2012),
634 leading to normalized wrongdoing.
635

636 **7 Conclusions, Implications and Future Directions**

637 A common sense-making of our case could follow the narrative that service firms take
638 unprofitable projects to build/keep a portfolio of projects or keep a continuous workflow
639 to retain their staff. Thus, such undertakings are neither 'wrongdoing' nor
640 ‘organizational myopia’. They are simply strategic decisions for higher long-term good.
641 However, the evidence of our case does not align with this narrative. We had access
642 to a case of a PSF where normalized wrongdoing is a routine and widespread across
643 the consultants. We provided a cause-and-effect process model that identifies poor
644 PSF performance, a failed project and normalized wrongdoing as the effects at the
645 three levels of our investigation (governance, project, individual-level), whereas
646 myopia promotes inefficient administrative systems and how these systems, in turn,
647 enabled white-collar wrongdoing.
648 The contributions of our paper are threefold. First, we contribute to the literature on
649 wrongdoing bringing together myopia and wrongdoing as interconnected phenomena.
650 The literature is extensive on how top managers commit wrongdoing (Lee et al. 2018;
651 O’Reilly and Chatman 2020; Wang et al. 2018, 2020). Significantly less is known from
652 the perspective of white-collar employees and why and how they normalize

653 wrongdoing. We show how organizational myopia can explain their wrongdoing. PSF
654 employees such as consultants can also be the source of wrongdoing, albeit differently
655 from top managers. Employees may also appropriate wrongful behaviors without even
656 having the inclination to do so. As such, our study reconciles two seemingly divergent
657 perspectives, wrongdoing (Palmer 2012), and organizational myopia (Chikudate
658 2015).
659 Second, we contribute to administrative systems literature showing their link with
660 project performance. Whilst the narrative that individuals (suppliers) are deceitful
661 acting for their benefit (Flyvbjerg et al. 2009; Wang et al. 2021), we take a bounded
662 rationality perspective that assumes individuals as prisoners held by their
663 surroundings. We derived a model that explains how administrative systems drive
664 employees to normalize wrongdoing. Thus, our study sheds light on previously
665 overlooked gaps in our theoretical understanding of project performance. Third, we
666 contribute to the growing stream of studies researching scope creep. Research on
667 scope creep has often addressed the causes of scope creep from a stakeholder
668 perspective; project type-specific or within the project boundaries, and project
669 management perspective (Aizaz et al. 2021; Ajmal et al. 2020; Komal et al. 2020). For
670 example, recent studies (Aizaz et al. 2021; Komal et al. 2020) classified scope creep
671 factors and methodologies from countering such factors. Aizaz et al. (2021) proposed
672 a conceptual model that could help project managers effectively evaluate the impact
673 of scope creep in agile projects. Ajmal et al. (2020) adopted a stakeholder view and,
674 relying on stakeholder theory, proposed a framework for managing scope creep,
675 showing that communication is the major cause of scope creep. However, fewer
676 studies have considered an organizational perspective (e.g., administrative systems)
677 and the bounded rationality of consultants (e.g., engineers) on scope creep. Our study

shows that both administrative systems and consultants play a role in project scope creep.

Often organizations staffed with intellectual and trained people have inefficient administrative systems. We show how these systems lead to negative consequences for organizations, projects, and employees. Like an iceberg, where only the tip emerges, the normalized wrongdoing of individuals is not the cause of these issues but the most visible phenomenon of something rooted in organizational myopia. In this paper, supported by a practical case, we aim to frame this undesirable situation and provide the first steps toward a solution.

Our findings would benefit future research and the need for an integrated model that considers anti-wrongdoing measures (Lehtinen et al. 2022; Müller et al. 2014, 2016, 2019; Owusu and Chan 2019). Normal wrongdoing is difficult to spot and measure. It is very different to red-handed wrongdoing and much less likely to be penalized by legal enforcement (Signor et al. 2020a; b). Our study relied on a deep investigation of a case study that captured the everyday activities of white-collar employees. We had to adopt this approach because previous literature is limited in this area. Our findings pave the way for future studies in this novel area. Ultimately, we found that inefficient systems and organizational myopia promote normal wrongdoing leading to project failure. This new proposition contributes to the project studies literature and needs further testing. This new proposition adds to the debate whether biases or heuristics (Love et al. 2021) is the dominant explanation of project performance.

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Data Availability Statement

Some or all data, models, or code generated or used during the study are proprietary or confidential in nature and may only be provided with restrictions. Descriptive data referring to project performance are available from the corresponding author upon request.

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900

901

902 Table 1. Data collection

Case	Details
No. of compensation events registered	328
No. interviews	35
No. project meetings attended	12 1-hour meetings
Archival data (categories)	137 archival project data, 332 formal reports, weekly project performance dashboards, commercial data of 120 Work Packages (WP), 328 registered compensation events, 150 early warnings, 41,863 registered timesheets, 301 employee timesheets.

903

904

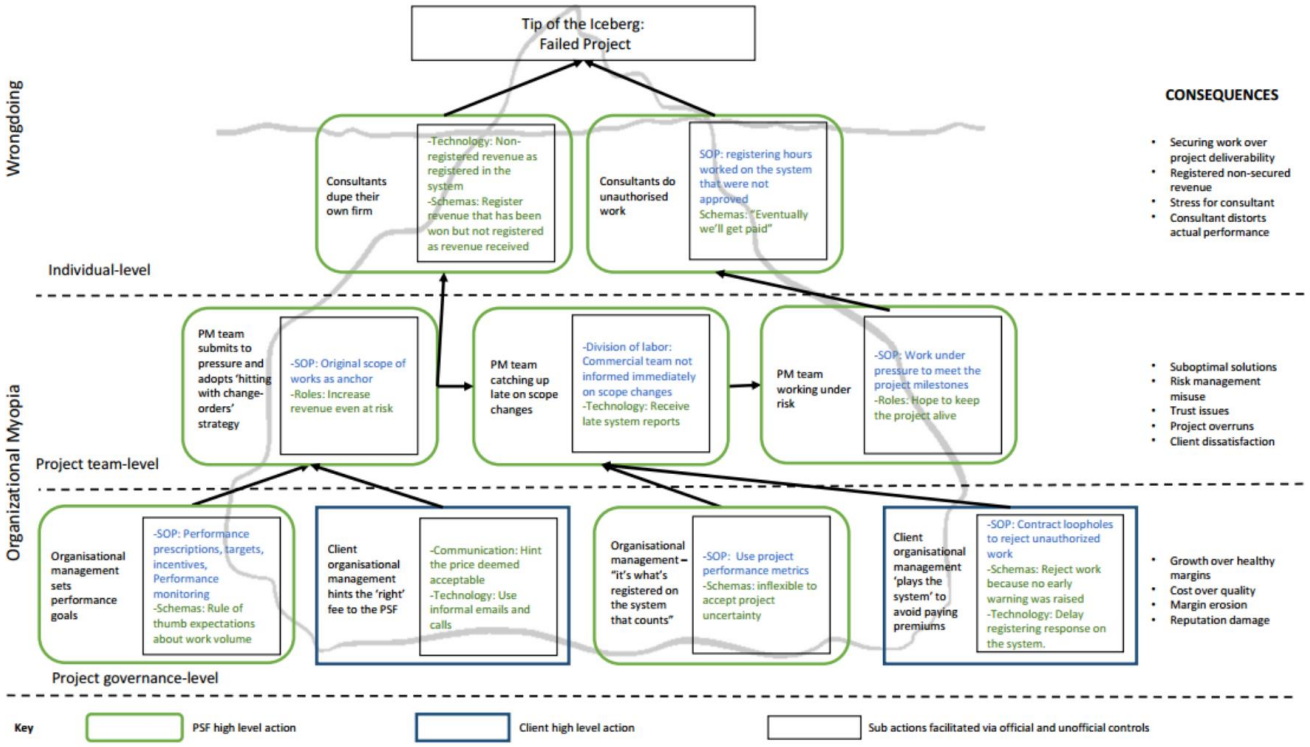
905 Table 2. Data structure

Level 1	Level 2 - Administrative systems (details)	Level 3 Artifacts	Example Quote
Governance Project	Rules and standard operating procedures (Official controls) *Employees are instructed by rules and standard operating procedures on how to complete tasks.*	Policy statements, memos, project documents, contracts	*"it's what's [originally] registered on the system that counts"*
Individual	Division of labor (Official controls) *Employees are allocated in a limited subset of the organization's/project's full complement of tasks, thus the amount of information available to them is limited, and as a result, and in turn, their decision-making ability is limited.*	Organization charts, Project charts	*"Further to the requirements for a significant number of additional instructions to be delivered under the AWC LSI call-off contract, it has been necessary to prepare quotations and allocate additional hours to compensation events raised against the contract. This has required additional effort from the PMCS [commercial team] team to discuss with the CEM and CREs to determine how these additional hours contributed to the project may be allocated to those additional works identified as being supplementary to the original scope of the contract."*
	Occupational and professional norms (Unofficial controls) *Employees are instructed how to perform their job by superiors, peers, and their subordinates. Their behavior is dictated by their role (occupational and professional norms) in the organization/project.*	Organizational or project role	*The PSF's project manager to his commercial manager:* *"Submit the proposal with the suggested fees, and if they [the client] want changes, we'll hit them with CE".*
	Schemas and scripts (Unofficial controls) *Employees use patterns (schemas) to process information and assimilate emotions. They then use pre-existing event sequences (scripts), which dictate how they should perform tasks when faced with work-related contingencies.*	Patterns, past sequential events	*"I need to get out [go to the client offices] and win us more work, otherwise people will be made redundant!".*
	Communication channels (Unofficial controls) *Employees make wrongful decisions based on limited or incorrect information.*	Documents, brochures, presentations, the flow of information, limited access to data.	*"As per email request from [client rep] on 10 February 2016, additional time was spent preparing and submitting documents for input into the [WP]. This is additional to our [original] scope of works and will incur additional cost."*
	Technology (Unofficial controls) *Employees use technologies and intentionally or unintentionally engage in wrongful behaviors.*	Computer programs, algorithms, online programs	*"No formal instruction was given to assist with the [WP]. [WP] costs should be attributed to each change (CE), this is a global catch-all assessment and is not a change to the contract. In addition, this is a late assessment of costs that have already been incurred in which were not previously raised."*

906

907 Appendix 1

908 Figure 5. Cross-level model of organizational myopia and white-collar wrongdoing



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