



**TURUN
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UNIVERSITY
OF TURKU

INVISIBLE CHAINS: GLOBAL INSTITUTIONS AND INTERNATIONAL MONEY LAUNDERING

The role of formal and informal institutions
in mitigation and as enablers

Emilia Isolauri



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ABSTRACT

International money laundering poses risks for multinational companies to be exploited or involved in unethical business activities. Money laundering as a transnational business phenomenon presents a *wicked problem* that cannot be entirely controlled but can be mitigated. Challenges in mitigation stem from the possibility of exploiting legal business activities to launder illegally obtained funds. Consequently, certain activities end up in a *grey area*, meaning that they are not illegal but may be morally questionable. To mitigate the problem effectively, this complex phenomenon needs to be understood properly.

This thesis is built upon examining institutions, both formal and informal, and the influence they have on the occurrence and mitigation of international money laundering. This thesis comprises an introductory essay and three original articles. The introductory essay positions the study and introduces money laundering in the context of international business (IB). Consequently, the wicked problem of money laundering corresponding to the research objectives is explained. This introductory essay presents choices related to the research strategy and process, as well as the theoretical background of the study.

Article I identifies key streams of money laundering literature and presents avenues for related future IB research. It provides an integrated view on the phenomenon of money laundering by considering the concept, characteristics, causes, consequences and controls as important dimensions to be acknowledged. It concludes with a future research agenda for IB scholars interested in studying international money laundering.

Article II explains how new anti-money laundering-related policies emerge over time in co-evolution with new money laundering techniques. In this article, a suspected case of money laundering, related to a Finnish company Airiston Helmi, is used as an example to demonstrate the policy consequences the case had. Based on the findings of this article, repeated action events establish unethical practices within institutional voids, which can be responded to by generating new laws obstructing detrimental behaviours. This may improve the effectiveness of international anti-money laundering, as the phenomenon of money laundering tends to take place across geographical and cultural borders. This is a qualitative single

case study. To conclude, a theoretical construct of *emerging international compliance* is proposed.

Article III focuses on unethical business practices by analysing the culture-bound microsocial contracts against the background of the international money laundering problem in the contexts of the United Kingdom and South Asia region. Causal-layered analysis is used to detangle the levels of international money laundering through remittance services in a qualitative study based on archival data and interviews. This article challenges the idea that designing formal institutional controls based on the letter of the law is the only effective mitigation mechanism of international money laundering. Furthermore, it highlights the role of cultural differences related to values and worldviews and emphasises that unethical behaviours may take place because of ethical dilemmas arising from the clashes between culture-specific values and moral norms of the general society. To conclude, a construct of the *regulation paradox* is proposed for future research.

Overall, the thesis focuses on money laundering in the context of IB and presents a novel approach by emphasising the *grey area* between illegal and unethical business practices. It contributes to institutional, co-evolution and integrative social contracts theories by emphasising the influence of culture-specific values, norms and behaviours and their evolutionary nature as important factors in sustaining and mitigating money laundering. As a policy implication, this study suggests that policymakers and multinational companies adopt a proactive approach in developing policies and internal practices that enable effective mitigation of money laundering. From a practical perspective, it is suggested to pay additional attention to distinguishing culture-bound causes for engagement in unethical business practices and money laundering. Legitimising or engaging in such behaviours may stem from deep values that vary depending on the culture, community and context. Understanding this could help practitioners design and implement more effective means to mitigate the causes and consequences of money laundering. The study concludes that the wicked problem of international money laundering must be addressed in a holistic manner, considering both formal and informal institutions and their influence on international money laundering, unethical business practices and their effective mitigation.

KEYWORDS: international money laundering, emerging compliance, institutions, co-evolution, moral norms

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TIIVISTELMÄ

Kansainvälinen rahanpesu aiheuttaa riskejä kansainvälisesti toimiville yrityksille, joita voidaan käyttää hyväksi epäeettisissä liiketoimissa. Rahanpesua kansainvälisen liiketoiminnan kentässä voidaan luonnehtia *viheliäiseksi ongelmaksi*, jota ei voida kokonaan poistaa, mutta jota voidaan lievittää. Haasteet ilmiön torjumisessa aiheutuvat siitä, että sellaisenaan laillisia liiketoimia voidaan käyttää hyväksi rahanpesussa. Tämän seurauksena tietyt toimet jäävät niin sanotulle *harmaalle alueelle*, joka tarkoittaa sitä, että ne eivät ole laittomia, mutta voivat olla moraalisesti kyseenalaisia. Jotta ongelmaa voidaan torjua tehokkaasti, tulee sitä lähestyä kokonaisvaltaisesti perinpohjaisen ymmärryksen saavuttamiseksi.

Tämä tutkielma pohjautuu sekä muodollisten että epämuodollisten instituutioiden tarkasteluun, ja pureutuu niiden vaikutuksiin rahanpesun esiintymisen ja sen torjumisen näkökulmasta. Tutkielmaan sisältyy johdanto ja kolme tutkimusartikkelia. Johdanto-osio, eli kappa, asemoi tutkimuksen ja avaa rahanpesuilmiötä kansainvälisen liiketoiminnan kontekstissa. Johdanto-osiossa tarkastellaan rahanpesua viheliäisenä ongelmana ja valitut tutkimuskysymykset sekä tutkimuksen tavoitteet esitellään. Johdanto-osiossa esitellään myös tutkimusasetelmaan ja -prosessiin liittyviä valintoja. Lisäksi teoreettinen viitekehys esitellään johdanto-osiossa.

Artikkelissa I tunnistetaan keskeisiä rahanpesuun liittyvän kirjallisuuden elementtejä ja ehdotetaan jatkotutkimusaihoita ilmiöön liittyvään tutkimukseen kansainvälisen liiketoiminnan saralla. Artikkelit tarjoaa yhtenäisen näkökulman, jonka avulla voidaan tarkastella rahanpesun käsitettä, piirteitä, syitä, seurauksia sekä kontroleja keskeisinä ulottuvuuksina ilmiöön liittyen. Lopuksi artikkelissa esitellään agenda jatkotutkimusaiheita kansainvälisen liiketoiminnan tutkijoille, jotka ovat kiinnostuneet tarkastelemaan kansainvälistä rahanpesua tulevaisuudessa.

Artikkelissa II selitetään, miten rahanpesun estämiseen liittyvä sääntely kehittyy ajan saatossa koevoluutiossa uusien rahanpesutekniikoiden kanssa. Tässä artikkelissa rahanpesusta epäiltyä suomalaista yritystä Airiston Helmeä tarkasteltiin tapaus-esimerkkinä, jotta oli mahdollista havainnollistaa vaikutuksia, joita tapauksella oli sääntelyyn. Löydösten valossa havaittiin, että toistuvat käytänteet, joissa on hyödynnetty lainsäädännön haavoittuvuuksia tai porsaanreikiä, luovat epäeettisiä käyttäytymismalleja, joihin tulisi vastata sääntelymuutoksin haitallisten käyttäytymismallien yleistymisen estämiseksi. Tämä voi parantaa kansainvälisen rahanpesun estämisen

tehokkuutta, sillä ilmiö on leviittänyt yli maantieteellisten, kansallisten ja kulttuuristen rajojen. Tämä tutkimus toteutettiin laadullisena tapaustutkimuksena, jossa keskityttiin yhteen tapaukseen. Tutkimuksessa analysoitiin toissijaista dataa mukaan lukien institutionaalisia dokumentteja ja uutisartikkeleita. Lisäksi Suomen puolustusministeriön edustajaa haastateltiin, jotta toissijaisen materiaalin perusteella tehtyjä havaintoja voitiin vahvistaa. Tämän perusteella tutkimuksessa esiteltiin uusi teoreettinen käsite; *kehittyvä kansainvälinen vaatimustenmukaisuus*.

Artikkeli III keskittyy tarkastelemaan epäeettisiä liiketoimia ja selittämään motivaatioita kansainväliselle rahanpesulle kulttuurisidonnaisten mikrososiaalisten sopimusten näkökulmasta Yhdistyneiden Kuningaskuntien ja Etelä-Aasian alueen kontekstissa. Kausaali-kerrostettua analyysimenetelmää (causal-layered analysis) käytettiin tutkimuksessa työkaluna, jotta voitiin tarkastella eri tasoja, jotka liittyvät rahanpesuun rahanvälityspalveluiden kautta laadullisen tutkimuksen keinoin toissijaisen aineiston ja haastattelujen pohjalta. Tässä artikkelissa haastetaan ajatusta siitä, että ilmiön torjuminen olisi pelkästään muodollisten instituutioiden ja lakien varassa. Sen sijaan artikkelissa korostetaan, että kulttuuriset erot arvoihin ja maailmankatsomuksiin liittyen voivat mahdollisesti perustella oikeuttamista epäeettiselle liiketoiminnalle. Epäeettinen toiminta voi johtua eettisestä dilemmasta, joka toteutuu, kun kulttuurisidonnaiset arvot joutuvat törmäykseen yhteisössä tunnustettujen moraalisten normien kanssa. Johtopäätöksensä artikkelissa esitellään *sääntelyparadoksi* -niminen käsite.

Kaiken kaikkiaan tämä tutkielma keskittyy rahanpesuun kansainvälisen liiketoiminnan kontekstissa ja tarjoaa ilmiön tarkasteluun uuden lähestymistavan korostaen *harmaata aluetta* laittomien ja epäeettisten liiketoimien välillä. Tämä tutkielma myötävaikuttaa instituutioteoriaan, koevoluutioteoriaan sekä yhtenäistävään sosiaalisten sopimusten teoriaan (integrative social contracts theory) korostamalla sitä, että kulttuurisidonnaiset arvot, normit ja käyttäytymismallit sekä niiden muotoaan muuttava luonne ovat tärkeitä elementtejä rahanpesun toteuttamisessa kuin myös sen estämisessä. Menettelytapojen osalta tässä tutkielmassa ehdotetaan, että lainsäätäjät ja monikansalliset yritykset omaksuisivat proaktiivisen lähestymistavan linjausten ja sisäisten käytänteiden kehittämisessä. Käytännön kannalta tutkielmassa ehdotetaan, että kansainvälisen liiketoiminnan toimijat kiinnittäisivät enemmän huomiota toisistaan eroaviin kulttuurisidonnaisiin piirteisiin, jotka voivat altistaa yksilön epäeettisille toimille ja rahanpesulle.

Rahanpesun tai epäeettisten toimien legitimointi ja niihin osallistuminen voi johtua kulttuuri- ja kontekstisidonnaisista ja toisistaan poikkeavista arvoista. Tämän ymmärtäminen saattaa auttaa kansainvälisen liiketoiminnan toimijoita kehittämään ja jalkauttamaan tehokkaampia menetelmiä rahanpesun, sen juurisyiden ja seurausten ennakoimiseksi sekä estämiseksi. Lopuksi tutkielmassa todetaan, että kansainväliseen rahanpesuun liittyvä viheliäinen ongelma tulisi huomioida kokonaisvaltaisesti sisältäen siihen liittyvien muodollisten ja epämuodollisten instituutioiden ja niiden vaikutusten arvioinnin. Tällaisen lähestymistavan omaksuminen voisi edesauttaa tehokkaampaa rahanpesun ja epäeettisten liiketoimien estämistä.

ASIASANAT: kansainvälinen rahanpesu, kehittyvä vaatimustenmukaisuus, instituutiot, koevoluutio, moraaliset normit

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”Riennän eteenpäin, koska minua siihen vaativat kunnia, velvollisuus ja tahto”

-Porilaissoturin lause 1808–09 sodassa

This quote is located in a statue in Tuomaanpuisto, and has motivated me each time I have walked past it on my way to work on the dissertation at the University.

This project has taught me the meaning of *sisu* and significance of consistency as well as perseverance. As in most cases, completing large projects benefit from cooperation and involvement of parties with various kinds of expertise and viewpoints. Completion of this thesis would have not been possible without the efforts and support of multiple parties. Next, I want to thank those who had a big impact on the overall project. This thesis would have not been completed without their support.

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Helsinki, 28th of April 2024

Emilia Isolauri

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Abbreviations

AML	anti-money laundering
EBA	European Banking Authority
EU	European Union
FATF	Financial Action Task Force
IB	international business
IMF	International Monetary Fund
UN	United Nations
5Cs	concept, characteristics, causes, consequences and controls of money laundering

List of Original Publications

This dissertation is based on the following original publications, which are referred to in the text by their Roman numerals:

- I Isolauri, E. A. & Ameer, I. Money laundering as a transnational business phenomenon: a systematic review and future agenda. *Critical Perspectives on International Business*, 2023; 19(3): 426–468.
- II Isolauri, E. A., Zettinig, P. & Nummela, N. Emerging international compliance: Policy implications of a money laundering case. *Journal of International Business Policy*, 2022; 5: 384–405.
- III Isolauri, E. A., Aleem, M., Nummela, N. & Zettinig, P. International money laundering and moral norms – A causal layered analysis of remittance services. *To be submitted to a journal*.

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1 Introduction

1.1 Motivation

Sometimes, honest and dishonest behaviours cannot be clearly distinguished, and they may remain in a *grey area* (Vissak & Vadi 2013, 7). According to ethical relativism, perceptions of right and wrong depend on the norms present in the society and one's culture (Velasquez et al. 1992). This is particularly interesting when it comes to international money laundering, as in addition to criminal activities, which generate the need for laundering funds from illicit sources, legitimate business arrangements may be utilised to conduct unethical business practices (Shepski 2013, 395). Hence, the role of formal and informal institutions becomes pivotal when examining the problem of money laundering in the context of international business (IB) (cf. Cuervo-Cazurra et al. 2021, 5–6). The internal operational complexity of multinational companies (MNCs) and the ambiguous consequences for outsiders, along with varying local institutional settings, offer substantial opportunities to criminals.

This brings us to the discussion on the dark side of IB (cf. Cooke et al. 2020). Activities such as money laundering, corruption and terrorist financing distort flows of foreign direct investment and other forms of capital (Perez et al. 2012, 108). Additionally, the occurrence of white-collar crime may lead to a decrease in economic prosperity and welfare (Ahen 2022, 192–193). In today's business, stakeholders expect accountability in terms of the social and environmental aspects of MNCs. Furthermore, corporate social irresponsibility may lead to financial losses and erosion of trust among the company's stakeholders. Together, these elements may disrupt the IB operations of MNCs and take away their competitive position in the market (Wang & Li 2019, 1284). Money laundering is a perfect example of a wicked problem, as such complex problems cannot be controlled but can be tamed (Camillus 2008, 99). Given this background, this thesis aims to answer the call for impactful IB research (cf. Buckley et al. 2017, 1046).

According to the United Nations Office on Drugs and Crime (UNODC 2018), approximately 2%–5% of global gross domestic product is laundered annually. Based on this, many government projects and services for citizens could be financed if it was not for money laundering and the consequently lost tax revenues

[International Monetary Fund (IMF) 2018]. Money laundering as a process includes phases of placement, layering and integration of illicit funds into the financial system. It threatens the accountability of the international financial system, and involvement in money laundering by any financial institution also affects other institutions and their operating environment (Khan et al. 2018, 427). Studying money laundering from the perspective of IB is important because societies, MNCs and individuals act as agents of an economy. Furthermore, these actors may enable money laundering, as they are influenced by local and international regulations, values and norms (Vissak & Vadi 2013, 7).

Despite the varying country and cultural contexts in which MNCs operate, existing money laundering research has mostly focused on the legislative aspects comparing the appropriateness of anti-money laundering mechanisms in contrasting countries from the viewpoints of accounting, law and finance (cf. Verhage 2017; Webb 2004). So far, IB scholars have not been very interested in studying the wicked problem of money laundering (Buchanan 2004, 120; Clarke 2021, 172). As the field of IB is cross-level by nature, it is valuable to examine both written (formal) and unwritten (informal) institutions at multiple, for example, micro, meso and macro, levels (Dau et al. 2022, 1001–1002). Thus, this thesis focuses on examining the wicked problem of money laundering in the context of IB and from the viewpoint of formal as well as informal institutions.

Intentional or unintentional involvement in money laundering causes serious financial and reputational harm to IB. An illustrative case example of the consequences of money laundering is the scandal of a Swiss private bank, HSBC. In 2008, HSBC lacked sufficient anti-money laundering processes. The company was found to have been involved in money laundering activities and enabling illegal trade run by its customers. For instance, large amounts of money originating from transactions related to ‘blood diamonds’ were laundered through HSBC (Naheem 2015, 301). As a result, employees of the firm were fired, and the bank itself faced trial and regulative fines. In addition, members of top management were issued with bans from business operations. After the scandal, HSBC faced the challenge of improving compliance in terms of anti-money laundering and regaining the reputation of a socially responsible organisation in the eyes of its stakeholders.

Legitimacy as a concept has implications that transpire towards social interactions, behaviours and, ultimately, organisational survival. Members of a community evaluate actors and their acceptability and appropriateness according to local socially constructed norms and values. Being involved in criminal (illegal) or unethical (grey area) business activities might lead to delegitimisation by those who evaluate the subject of legitimacy (Siraz et al. 2023, 925–926). Thus, considering both formal (written rules and laws) and informal (value- and norm-based) institutions is important for mitigating the phenomenon of international money

laundering effectively. In this thesis, institutions form a key theoretical foundation that connects the articles studying money laundering from an IB perspective. The research phenomenon of money laundering is studied at the junction of formal and informal institutions. Figure 1 illustrates the interrelations between formal and informal institutions. In addition to criminal acts, some activities may be legal but unethical and remain in a grey area, as suggested in multiple studies and as perceived in this thesis. When formal institutions, such as laws and regulations, are violated, a crime is committed. Furthermore, money laundering includes processing illegal profits through the financial system to make them seem to originate from a legitimate source (Buchanan 2004, 117). Laws obstructing money laundering aim to fight immoral actions. However, immorality as such is a subjective concept, and hence, activities which are perceived legal may sometimes end up being unethical (Dion 2015, 430). These behaviours may be accepted in local communities where they are evaluated based on authentic norms but may simultaneously violate globally accepted hypernorms.

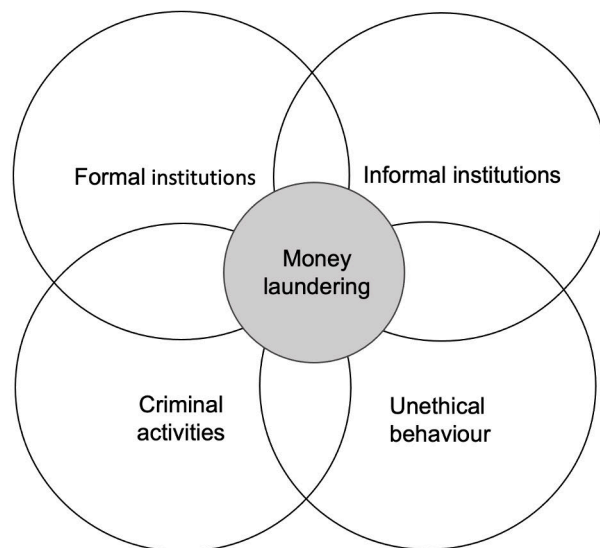


Figure 1. Money laundering in the international institutional context.

The phenomenon of money laundering is continuously evolving (Soudijn 2019, 83). Therefore, the topic cannot be studied as an isolated phenomenon. This is also emphasised while positioning the research phenomenon as a *wicked problem* which cannot be controlled completely but can be mitigated (Rittel & Webber 1973, 155). Money laundering, like many other policy problems, is seldom disentangled (Daviter 2017, 571). However, as a policy problem, it is worthwhile to examine money

laundering controls through the lens of formal institutions (Imanpour et al. 2019, 1). Additionally, money laundering presents an ethical issue. Ethical judgement and moral assessment are prerequisites for acting according to a legislation. These, again, are formed by the environment, culture, habits and attitudes within the community to which the individual belongs (Perezts & Picard 2015, 847). Thus, it is important to include an informal institutional lens to inspect the wicked problem of international money laundering.

In addition to noting the scarcity of academic IB research related to this topic, this doctoral thesis was brought about due to my personal and professional interest in understanding *how money laundering can be mitigated more effectively in the context of IB*. Through my previous work experience in banks, the Finnish Tax Administration and currently in the Finnish Financial Supervisory Authority, I have recognised the magnitude of the problem and the importance of acknowledging the constantly evolving nature of the phenomenon while aiming for effective mitigation internationally.

1.2 Context of the thesis

According to Johns (2006, 386), context can be depicted as the milieu surrounding the inspected phenomenon, which helps reflect factors that influence the phenomenon. This study is focused on the mitigation of international money laundering. In particular, the context of this study is the international institutional environment (including formal and informal institutions), which forms the basis for anti-money laundering. As the topic of money laundering is studied in the context of IB, both the formal and informal institutions that international actors (e.g. MNCs) face may vary across national and cultural borders. As Reuber and Fischer (2022, 29) noted, emphasising contextual differences is important in IB research when the aim is to determine how and why the end results vary across borders. In this thesis, understanding how the conceptualisation of money laundering varies and consequently affects the desire to mitigate the constantly evolving phenomenon in different locations is of interest.

Money laundering as a part of international mega-corruption is a central phenomenon related to the dark side of IB (Ahen 2022; Cooke et al. 2020). Understanding complex phenomena such as money laundering and corruption has been emphasised as the basis of successful mitigation of these problems (Cox 2014; Cuervo-Cazurra 2006). So far, IB scholars have not shown much interest in the research phenomenon of money laundering, and therefore, existing literature lacks consistent conceptualisations. The literature on money laundering is largely scattered across multiple disciplines (Canhoto 2021; Van Duyn et al. 2018), and hence, an integrated view is required. In this thesis, the phenomenon of interest is examined

from the viewpoint of 5Cs, namely the concept, characteristics, causes, consequences and controls of money laundering (cf. original article I).

As business environments change constantly, it is worthwhile to pay attention to institutions' influence on the behaviour of local actors, and vice versa (Misangyi et al. 2008, 754). While formal institutions consist of laws, regulation and governance, informal institutions include values, customs and traditions (North 1991, 97). Examining formal and informal institutions together is important, as informal practices often emerge to overcome restricting formal institutional arrangements (Carey et al. 2018, 1174). Additionally, informal institutions tend to shape formal institutions (Casson et al. 2010, 137).

Sometimes, corporations that are deemed responsible and conform to normative standards may slip towards unethical business practices. Positive stakeholder affirmations and a good reputation may initiate institutional processes that lead these corporations to take advantage of legislative loopholes and incline towards illegal or unethical corporate behaviours (Gabionetta et al. 2013, 485). As a result, stakeholders who support the operations and activities of unethical businesses end up in a grey area as they become involved in unethical conduct (Cappellaro et al. 2023, 21).

To demonstrate the importance of a functioning institutional environment in the fight against financial crime, it is worthwhile to note the harm caused by international money laundering to, for example, the achievement of the United Nations' sustainable development goals (cf. sustainabledevelopment.un.org). These goals were set to aid growth in developing countries. As noted by Ahen (2022, 178–197), phenomena such as money laundering move wealth from developing countries to tax havens, which ultimately threatens the achievement of goals such as strong institutions, reduced inequalities, economic growth and well-being. Thus, local needs and circumstances ought to be considered when implementing anti-money laundering practices and deciding on best practices (Chitimira & Munedzi 2023, 60).

The mitigation of international money laundering requires engagement and cooperation between actors on multiple 'levels' (micro, meso and macro). These actors can be divided into corporations, especially MNCs; national authorities and supervisors and international actors. To highlight the importance of context and internationally heterogeneous institutions, MNCs do not operate in a vacuum, nor does international money laundering. MNCs also have the power to influence the actions of their stakeholders. The actions of MNCs and their stakeholders develop business practices and, consequently, shape institutions in the environments in which they operate. Thus, MNCs influence emerging international compliance and mitigate money laundering. MNCs can choose to do extra and complement national policies across international jurisdictions with (possibly more stringent) corporate

policies that limit unethical behaviours. However, they may choose to act unethically and promote these behaviours in countries where institutional voids exist.

Furthermore, national, often public, actors play a significant role in mitigating money laundering. Competent authorities need to identify and assess risks related to money laundering and terrorist financing. Consequently, they also need to take steps to decide how to manage these risks effectively (European Banking Authority 2021, 3). From a macro viewpoint, international and non-governmental bodies supervise and develop standards related to anti-money laundering. To mention a few international actors, the United Nations (UN), the European Union (EU), the Financial Action Task Force (FATF), the IMF and the World Bank have been promoting and developing anti-money laundering measures for decades (Leong 2007, 145–149).

Instead of inspecting the problem of international money laundering from the viewpoint of a single jurisdiction, industry or a group of actors, it is worthwhile to adopt a broader context that takes national idiosyncrasies, their interactions and international networks into account as these elements enable money laundering. Inspecting complex challenges, such as international money laundering, benefits from the use of multiple theoretical lenses and state-of-the art approaches (Buckley et al. 2017, 1052), which have been adopted in this study.

1.3 Theoretical positioning

In the course of time, the theoretical conceptualisation of money laundering was generated based on institutional (cf. DiMaggio & Powell 1983) and co-evolution (cf. Cantwell et al. 2010) theories, in addition to integrative social contracts theory (cf. Donaldson & Dunfee 1994). In particular, the following theories are adopted in this thesis:

- Institutional logics (Original article II)
- Institutional entrepreneurship (Original article II)
- Co-evolution theory (Original article II)
- Integrative social contracts theory (Original article III)

To gain a profound understanding of the wicked problem of money laundering, three streams of literature are combined. In *institutional logics* literature, it is widely recognised that social practices of the society shape the business environment, organisations and vice versa (e.g. Alford & Friedland 1985, 428). In an international setting, where contradictory logics exist, *institutional entrepreneurs* may initiate change by taking advantage of logics they are familiar with in a certain context and

establishing new logics in geographically and culturally different settings based on institutional voids (Fligstein 1987, 56). Often, the aim of institutional entrepreneurs is to serve their own interests (Hardy & Maguire 2008, 198). Corruption and bribery are topics similar to money laundering; however, they have been studied more extensively from the viewpoint of institutional conditions as enablers of these phenomena (e.g. Beets 2005; Martin et al. 2007). What have barely been studied are the effects of institutional change along with the *co-evolution* of money laundering practices and institutions. Interactions between actors in IB changes influence decision-making and the activities of others. This co-evolution impacts IB activities and the environment (Breslin 2016, 46). To fill these gaps, theories of institutional logics, institutional change and co-evolution are adopted in this thesis to study money laundering.

Utilising *integrative social contracts theory* (Donaldson & Dunfee 1994) as a theoretical lens enables considering both normative and culture-specific social contracts and how they influence the perceptions about international money laundering. Legitimacy is an important concept in terms of IB, as values and norms may vary across continents and MNCs come across these differences. Legitimacy refers to the appropriateness of behaviour conducted by an actor acting as a community member with specific socially constructed values, norms and beliefs (Siraz et al. 2022, 926). MNCs are important actors in spreading positive development related to, for example, technological innovations and best practices across borders. However, some MNCs have taken advantage of internationalisation and varying cultural contexts, for instance, by contributing to unethical and corrupt business practices (Cuervo-Cazurra et al. 2021, 1). Thus, it is important to consider culture-specific social contracts in addition to the normative aspect related to mitigation of money laundering.

Figure 2 illustrates the theoretical positioning of this study. The curved arrows illustrate how institutional theory was used as a lens to inspect formal institutions and how integrative social contracts theory was used to uncover the influence of informal institutions on the occurrence and the mitigation of international money laundering. The two-headed arrows highlight the importance of acknowledging the co-evolution of internationally diverse institutions and money laundering as a phenomenon.

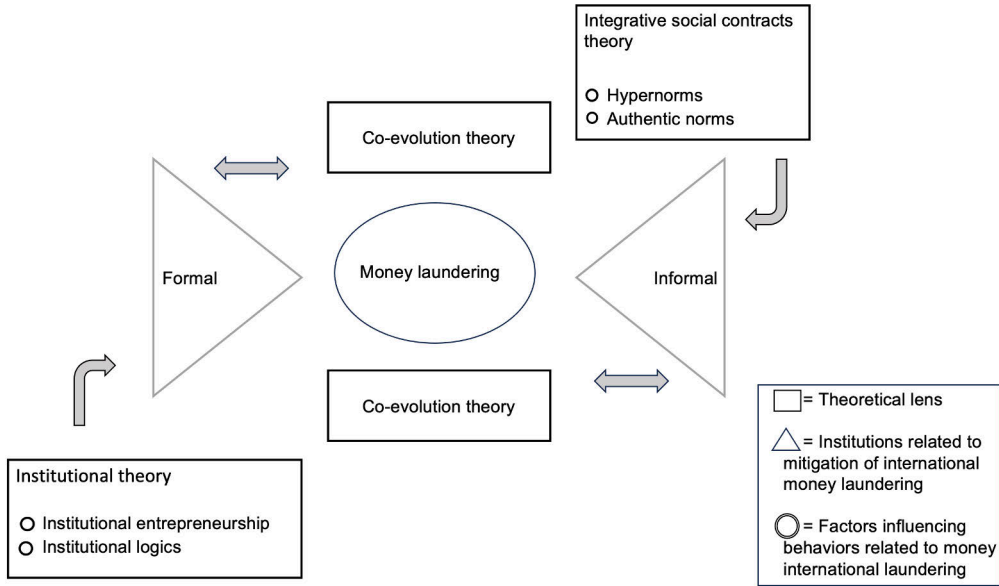


Figure 2. Theoretical positioning of the study.

Existing IB theories that are adopted in this thesis are presented in boxes. The positioning of these theoretical lenses and constructs in relation to the anti-money laundering dichotomy (formal versus informal institutional mitigation measures) is illustrated through triangles. The chosen theoretical lenses are briefly introduced in the following section, and a more comprehensive discussion is provided in Chapter 2.

It has recently been recognised in IB literature that, in addition to regarding institutions as given, they ought to be considered as outcomes of agency. In many cases, individuals’ behaviours along with the actions of organisations, governments and coalitions become connected and create institutional change (McGaughey et al. 2016, 871–872). Furthermore, firms, individuals, organisations and their behaviours co-evolve with their surrounding circumstances and environment (Cantwell et al. 2015, 193). Thus, forming a theoretical foundation based on institutional logics, institutional entrepreneurship, agency and co-evolution was considered valuable in the context of this study.

In addition to examining the co-evolution of formal institutions and actors performing money laundering, the ethics perspective was considered vital in this study. To gain a profound understanding of international money laundering and to consider the informal institutional sides of the problem, integrative social contracts theory was employed as a theoretical lens. To avoid a morally free space, a set of ethical rules are maintained in the form of macrosocial contracts. These contracts are based on rather universal norms and help reduce uncertainty in the IB environment.

Furthermore, microsocial contracts are formed on a more culturally bound basis. These contracts are based on context-specific interpretations about the rules of the game and aid in avoiding coercion-based negotiations (Donaldson & Dunfee 1994, 261). When culture-specific values clash with the moral norms established in the general society, a moral dilemma emerges. As a result, deeper values may override moral norms and justify engagement in unethical business practices. As money laundering is a complex international phenomenon, its mitigation requires formal legislative controls (policymaking) in addition to considerations of differing interests of actors (cognitive environments) in different cultural and geographical contexts (Salvi et al. 2023, 287). Thus, both formal and informal institutions and their influence on international money laundering are examined in this thesis.

1.4 Problem setting and structure of the thesis

As the phenomenon of international money laundering is closely related to concepts such as legitimacy and formal as well as informal institutions, this thesis aims to examine *how money laundering can be mitigated more effectively in the context of IB*. This enables examining the root causes of international money laundering and, consequently, helps develop more efficient mitigation strategies. To address the main objective, the following research questions are presented:

1. How has the extant research addressed money laundering as an IB phenomenon, and what new avenues can be suggested for future research and practice?

After examining state-of-the-art international money laundering in earlier IB research, it is useful to investigate formal anti-money laundering policies that are based on laws and regulations. This is the angle taken in original article II.

2. How have new anti-money laundering policies emerged over time?

After investigating how formal policies were formed, it is vital to include the aspect of informal institutions in the discussion concerning effective mitigation of international money laundering. Thus, culture-bound microsocial contracts and their influence on international money laundering are inspected in original article III.

3. How do culture-bound microsocial contracts and moral norms shape individuals' perceptions of unethical business practices in such a way that they may be involved in international money laundering when remitting funds to developing countries?

Original article I sets the foundation for examining money laundering in IB. As it discusses the concept, characteristics, causes, consequences and controls that have been recognised in relation to the phenomenon of international money laundering, it

is natural to move from there to examine factors that enable money laundering and help achieve more effective mitigation. Articles II and III focus on formal and informal institutions and conclude that they shape individuals' perceptions and behaviours that may lead to money laundering. Consequently, the aim is to suggest how international money laundering could be mitigated more effectively, considering the aforementioned aspects.

This thesis is an article-based doctoral dissertation which consists of the introductory part and three original articles. The introductory part presents the motivation for the research and sets the research objective of the overall thesis. Furthermore, it presents the synthesis of the findings and implications of the three articles. One of the original articles is a review of earlier research, and two of the articles are empirical. These articles analyse the international money laundering problem from slightly different perspectives. The focus of original article I is on conceptualising money laundering as a transnational business phenomenon in earlier research. Original article II adopts a policy perspective while focusing on the mitigation of the problem. Original article III provides a moral norms' perspective when inspecting motivations for money laundering through remittance services in an international context. Consequently, the articles contribute to achieving the objectives of the thesis. A summary of the articles is presented in Figure 3.

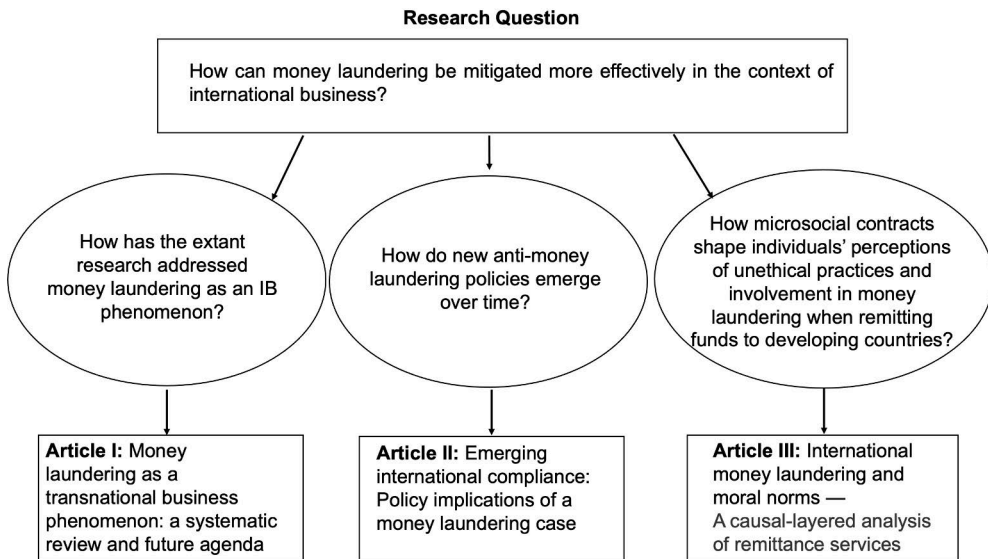


Figure 3. Link between the original articles and research questions.

The introductory part of this thesis comprises five chapters. In Chapter 2, a more detailed overview of the phenomenon of money laundering is presented to support

the conceptual and empirical research. In Chapter 3, the research strategy and process are explained in detail. Chapter 4 introduces the main findings from the original articles and summarises their key contributions. The conclusions of the study, including the theoretical, policy-related and managerial implications of the study, are presented in Chapter 5. Furthermore, evaluation, limitations and future research suggestions are presented at the end of the introductory part in Chapter 5. Finally, the three original articles follow the introductory part.

2 Phenomenon of International Money Laundering

2.1 Process of money laundering

Money laundering in academic research is often defined as a three-step process including the phases of placement, layering and integration (regarding the concept of money laundering in existing research, cf. original article I). In addition to the aforementioned three-step process definition of money laundering by the United Nations, many countries have their own definitions for money laundering. For instance, in USA's Patriot Act, money laundering is defined as a process that allows hiding the origin, nature, control and ownership of illicit funds. As another example, the Proceeds of Crime Act in the United Kingdom defines money laundering as an illegal activity that enables the usage of illegal money.

Money laundering appears in various forms. To illustrate the predicate offenses that may begin the process of laundering, illegally attained income may originate from fraud, drug trafficking, theft, corruption, economic crime, forgery or crime against property, to name a few (Rusanov & Pudovochkin 2018, 24). Note that legal business arrangements and transactions may be utilised in the process of money laundering. For instance, the modus operandi of laundering money may be performed by purchasing and selling products or services and directing operations to countries with strict bank secrecy or a low level of compliance. Finally, criminal funds may be converted into financial instruments, possibly withdrawn and transferred to other accounts and jurisdictions to efface the origin of the funds (Amal & Kartika 2021, 170). Laundering often requires sophisticated approaches and vast international networks, the aims of which are to help integrate illegal funds into the official financial system. The phases of the money laundering process are illustrated in Figure 4.

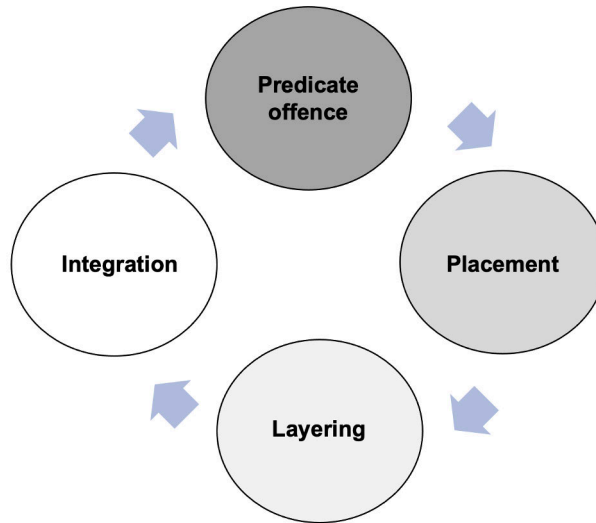


Figure 4. Process of money laundering.

Before the actual laundering process, profits are earned from illegal activities. This generates the need to fade the origin of funds. During the first step of laundering, *placement*, the proceeds of the crime are converted into financial instruments or deposited into official financial institutions. Next, during the phase of *layering*, various transactions or business activities are conducted to fade out the illegal origin of funds. In the third and final phase of *integration*, illicit funds are mixed with legal funds to make the funds seem to originate from a legitimate source (Moustafa et al. 2015, 305; United Nations 1988). The following vignette presents a real-life case of money laundering that depicts the process.

Individual X was hired by a Nigerian cartel to collect funds to one's bank accounts. The individual received illegal funds originating from fraud committed in Bahamas and the United States. Nearly all funds were instructed to be withdrawn as cash or transferred elsewhere shortly after receiving them by a Nigerian-based organized crime group. (FATF 2018, 23)

To launder criminal proceeds, various means, legal and illegal, may be utilised by criminal operators (FBI 2018). Often, legitimate business arrangements, transactions and operations are utilised in some of the phases of placement, layering or integration. Money laundering techniques may vary from cash smuggling to using virtual currencies with an increased level of anonymity to transfer funds. What is noteworthy is that the techniques constantly evolve. New ways to launder money have been invented to replace more regulated ones. As anti-money laundering

systems within the banking sector have become rather sophisticated, criminals have started to lean towards unofficial financial systems and alternative business sectors to operate more freely (Unger & Den Hertog 2012, 287). In the following sub-chapters, actors that may be involved in money laundering in addition to different forms of the phenomenon will be introduced more closely.

2.2 International aspects related to money laundering

The efficiency and integrity of IB are jeopardised by money laundering and other forms of financial crime. From the macroeconomic perspective, the occurrence of money laundering strongly impacts economic stability. For instance, an increase in a country's shadow economy distorts the gross domestic product and decreases the level of tax revenue (Hendriyetty & Grewal 2017, 77). To mitigate the aforementioned effects, it is vital to determine the magnitude of the money laundering problem. The United Nations Office of Drugs and Crime (2018) estimated that between 800 and 2 trillion US dollars are laundered each year globally. Due to the internationality of the phenomenon, multiple international institutions with a mission to prevent financial crime have stepped in by taking the initiative to intensify international cooperation and mitigate the problem.

Based on the systematic literature review (cf. original article I), consequences of money laundering transpire for political, economic, social, security-based and anti-money laundering-based dimensions of the society. Thus, money laundering is a wicked problem (cf. Rittel & Webber 1973, 155) that cannot be controlled completely but can be mitigated. As the phenomenon of money laundering is complex and international by nature, cooperation and actions from different parties on micro, meso and macro levels are required. In particular, MNCs, national authorities and policymakers, as well as international and inter-governmental organisations, play an important role in counteracting money laundering transnationally. For this purpose, the aforementioned actors are encouraged to pay attention to education, global cooperation, power and politics (including honest and ethical business practices), supervising and reporting suspicious activities as well as using technology to aid the detection of money laundering and assess the risks related to new technologies and other enablers of money laundering (to know more about the consequences and controls of money laundering, cf. original article I).

When it comes to investigating and detecting money laundering, the phases of placement and layering are the most crucial. Distinguishing between unusual and exceptional transactions that are conducted to disguise illegal activities enables the detection of plausible money laundering. This may initiate a process of investigating complex payout structures and unusual origins or destinations of funds. Even though

money laundering often involves vast networks and complicated processes, effacing the criminal origins of funds creates challenges in terms of design and logistics. As an example, drug deals may be worth hundreds of millions of dollars. An attempt to hide such funds may expose the criminals and help authorities identify illicit operations (Alasmari 2012, 140). Moreover, money laundering often requires official financial institutions, such as banks or IB, to enable the phases of placement, layering and integration of criminal funds.

From an international perspective, variations in legislation and anti-money laundering standards between countries can be recognised as enablers of money laundering (Arnone & Borlini 2010, 228). Therefore, the institutional environment and business ethics play an important role in the fight against white-collar crime. A distinctive relationship between business ethics and international compliance can be found, and harmonising these processes on a global level could be recognised as an important element in the fight against money laundering.

Consequences of reputational harm may cause uncertainty to the continuity of operations if the firms intentionally or unintentionally become involved in money laundering processes or cooperate with parties involved in criminal activities (Lindner 2007, 63). Note that some companies act in good faith and may unintentionally become exploited in money laundering operations. In contrast, some companies seek possibilities for looser regulation and aim to enter countries with weak institutions. In between, there lies a grey area that comprises unethical but legal practices (Vissak & Vadi 2013, 7). International attention towards money laundering prevention and cooperation is required to balance the national differences among different countries' anti-money laundering practices and to limit the possibilities for criminals to conduct money laundering within different geographical areas.

The prosecution of money laundering has become even more challenging for law enforcement agencies due to international developments in business and technology. These elements allow the development of sophisticated money laundering techniques that are challenging to detect. Regardless of international anti-money laundering guidelines created by inter-governmental bodies, such as the FATF, money laundering cannot necessarily be detected by member countries, as large illegal money flows are challenging to monitor frequently (Zolkafli et al. 2017, 293).

An interesting finding presented by Araujo and Moreira (2005, 260) is that the process of laundering dirty money produces positive transaction costs, meaning that it is expensive to transform illicit money into seemingly legal. From a temporal viewpoint, it seems to be more profitable to save money from legal business activities than from illegal ones. Araujo and Moreira (2005, 262) found that economies with only legal activities tend to have a greater state of welfare than societies where both legal and illegal activities take place. Committing crimes is a way to earn profits by criminal organisations, and thus, the resilience of related

networks is what defines whether they can continue to operate or not. Disrupting the operations of criminal networks (e.g. by anti-money laundering policies and police interventions) proactively puts pressure on criminal networks by decreasing their chances of being recognised and detected to conduct questionable transactions (Gerbrands et al. 2022, 7). Next, actors who may become involved in layering or integrating illegally obtained funds into the financial system are presented. Note that the list of techniques for international money laundering mentioned in this thesis is not exhaustive.

2.3 Actors in international money laundering

2.3.1 MNCs

Placement and layering of funds can be executed through MNCs, such as official financial institutions (e.g. banks, investment companies or insurance institutions). Using official channels to transfer financial resources from illicit origins is the most frequent method of laundering money. This is partly due to the magnitude and market share of banks and insurance companies within the financial sector. Banks provide various services that enable laundering, such as depositing money, obtaining loans and gaining access to foreign exchange rates (He 2010, 18). Additionally, according to Dessain (2001, 146), funds from predicate crimes, such as distortion of accounting and fraud, are directed to regulated services such as banking, insurance and investments.

Utilising insurance services is one way to fade out the illegal origin of funds proceeding from crime and make the profits seem clean or legit. For instance, purchasing valuable life insurance poses a risk towards money laundering. The buyer may later sell the insurance and simultaneously succeed in converting illegal profits to seemingly legal ones (He 2010, 18). Money laundering may also cause harm to the reputation of official financial institutions as large amounts of proceeds of crimes may arrive at the institutions but vanish elsewhere as rapidly as they arrived (Lawlor-Forsyth & Gallant 2018, 133).

MNCs play an important role in mitigating money laundering. As their business operations extend across national borders, they may be vulnerable to being involved in the layering phase of the money laundering process (cf. original article II). In terms of anti-money laundering, MNCs can aim to standardise the most stringent anti-money laundering requirements found across their transnational operating environments to simplify the fit between values and contexts and promote effective anti-money laundering (even in countries with weak institutions). In some cases, money launderers come up with IB arrangements and ventures that enable dealing with both legitimately acquired and incriminated funds. For example, they may

invest in legitimate as well as criminal projects (Teichmann 2020, 242). In the latter mentioned cases, IB may become unintentionally involved in money laundering. In the following sub-section, some techniques of money laundering that may expose MNCs to the phenomenon are explained in more detail. In the most extreme cases, MNCs may be established to enable laundering proceeds of crime. Furthermore, international criminal organisations that deal with drugs are the reason why the laundering process was invented in the first place.

2.3.2 Money remitters

According to the FATF, money remitters are a heterogeneous group, as businesses range from large MNCs, such as the Western Union, to small informal value transfer networks that comprise individuals. Informal businesses include systems that may not be strictly regulated and are often rooted in historical customs and cultural foundations. These informal money remitting systems are called *hawalas*, *hundis* or *padalas* depending on the cultural and geographical context in question (FATF 2010, 9).

Regarding anti-money laundering enforcement, alternative remittance systems, such as hawalas, have raised new issues in the field of compliance. Hawala is a financial practice developed a long time ago, strongly related to Islamic culture and traditions (Zagaris 2007, 157–158). Hawalas enable international money transfers between two different parties. Using hawala services is inexpensive and relatively fast compared to foreign bank transactions. The idea behind hawalas is that no direct involvement of official banks or other financial institutions is required (Sharif et al. 2023, 35). A hawaladar (a party in the middle) collects funds from the senders of money and delivers them to the country of destination or another hawaladar, who then transports the funds to the final receiver (Redin et al. 2014, 327). Thus, informal money remittance systems, such as hawalas, often fall outside the official and regulated financial sector (Europol 2023, 13; FATF 2010, 9).

Regarding money laundering and terrorism financing, the role of banks and other official financial institutions is essential in preventing the aforementioned detrimental phenomena. According to Howard (2017, 46–47), reactive anti-money laundering actions adopted by financial institutions forward the aims set by international and national anti-money laundering and counter-terrorist financing legislation. Financial institutions are expected to comply with anti-money laundering and counter-terrorism financing regulations, even though this causes additional costs to their business. The role of actors other than official financial institutions in anti-money laundering is often understated. Unofficial hawalas and underground banks do not necessarily belong to the target of the aforementioned regulations or compliance standards. Because of their sometimes anti-transparent operating

models, authorities have challenges in supervising them. In some countries, hawalas are not allowed. For instance, in Saudi Arabia, it is illegal for persons without a license to engage in any business that includes banking activities. Furthermore, hawala transactions are illegal in Saudi Arabia (El Qorchi et al. 2003, 24). Some unofficial financial operators do not comply with the anti-money laundering and counter terrorist financing rules simply because of the additional expenses incurred by preventative measures and compliance processes (Teichmann 2018, 287).

Informal money remittance systems are often used in developing countries where formal institutions may be rather weak. A common reason for people to remit funds to their home country is to help their families. Remitting funds to developing countries may also increase the amount of available venture funding in the recipient country (Hanusch & Vaaler 2015; Vaaler 2013, 27). Also, a lack of access to official banking systems in the destination country may be a reason for utilising remittance services. Furthermore, some people may not have the knowledge to transact in banks. Thus, informal remittance systems play a critical role in countries with weaker formal institutions and financial capacity (Zagaris 2007, 158). Informal institutional schemes may differ substantially depending on the context, and hence, examining, for example, the ones present in parts of the developing world is important (Dau et al. 2022, 1001). This is also essential because the role of informal institutions becomes more prominent in terms of promoting certain kinds of business transactions when formal institutions are deficient (Koch 2022, 138). For more details regarding the use of informal remittance services, please see original article III.

2.3.3 Gambling platforms and casinos

According to Buchanan (2018, 218), approximately two billion dollars' worth of money is laundered through gambling at casinos annually in Australia alone. Disguising the illegal origin of funds by claiming chips in exchange for cash is one way of conducting money laundering. After this, the chips can be used to participate in gambling activities and converting the wins to legal cash. Gambling wins may ultimately be deposited in bank accounts and official financial institutions (Brooks 2003, 65).

Comparing the anti-money laundering standards regarding casinos verifies the need for money laundering supervision within the gambling business. Siu Lam and Greenlees (2017) compared the anti-money laundering regulations between casinos located in Macao and the United States. The researchers found that the geographical expansion of the gambling industry leads to more intense competition in the global market, which ultimately results in a lower level of compliance.

Governments and regulators are interested in providing a suitable business environment for gambling operators due to the expectations of increased tax revenues. Therefore, the level of regulative standards regarding casino activities and gambling might sink to respond to increased competition within the industry. To reflect this issue, Cheng-Han Leung and Snell (2019, 15) investigated whether compliance with anti-money laundering policies varies between gambling firms registered in the United States and in Macao. In addition to offering gambling services as leisure time activities, casinos provide financial activities such as money exchange, wire transfers and accepting checks and credits as payment methods and offer these services 24 h a day in most cases. The variety and complexity of financial activities conducted in casinos form a high-volume and rapid payment traffic which exposes casinos to the risks of money laundering (Siu Lam & Greenlees 2017, 53).

The business branch of lottery and casinos was under attention in the 4th anti-money laundering directive, as the casinos and gambling businesses were required to improve their standards of knowing their customers and reporting suspicious and unexpectedly large transactions. In the 5th anti-money laundering directive, more focus was placed on crypto-currency and virtual currency providers (EU 2018).

2.3.4 Virtual currency providers

Virtual currencies have gained high popularity in the digital age. Various virtual currencies, such as Bitcoin and Ripples, exist. Bitcoin is probably the most well-known virtual currency. An increase in the use of virtual currencies has impacted taxation (Adams & Sumutka 2018, 58). A virtual currency can be defined as a type of currency whose accounting and issuing depend on cryptographic protection methods and asymmetric encryption. The creation of virtual currencies is based on blockchains and cryptographic algorithms (Kirillova et al. 2018, 121).

When the first pieces of technology related to virtual currencies were introduced at the end of the 1990s, challenges concerning the regulative and financial sectors combined with the use of virtual currencies were detected. Virtual currencies provided a new platform for conducting payments without operating underneath the current regulation and licensing regime, touching upon the official financial system and its operators (Naheem 2018, 563). From an anti-money laundering perspective, regulation concerning virtual currencies has developed gradually. Compared to traditional banking transactions, the destination and origin of funds of virtual currency transactions are more challenging to detect and verify.

Virtual currency transactions can be combined with cash use. For instance, virtual currency-related tellers exist. By using such teller services, one may deposit cash through the virtual currency teller and convert it into virtual money. After this, funds possibly originating from illicit activities can be anonymously transferred to

anyone using the same virtual currency and owning a ‘crypto wallet’. Finally, the virtual money received by the receiver may be realised in their bank account.

In IB, a company accepting virtual currency payments may be exposed to a heightened money laundering risk. The use of virtual currencies may lead to instability in financial institutions. Additionally, for now, conventional banking systems remain more reliable from the perspective of regulation (Awrey & van Zwieten 2018, 779). However, regulation concerning virtual currencies and companies operating in the field of virtual money has become stricter, and virtual currency providers are being held responsible for reporting suspicious activities to authorities. Many countries have begun to regulate the sector related to virtual assets, and some have even forbid the use of virtual assets. Work related to the effective implementation of effective regulation is still ongoing internationally (FATF, 2023a). Possible anonymity and fast virtual currency transactions provide a platform for criminals to hide illegally obtained funds and place the proceeds of a crime into the financial system. Hence, virtual currencies and related internet platforms pose risks to money laundering.

For actors in IB, it is important to recognise risk factors that may expose them to money laundering. Consequently, they may plan how to mitigate these risks effectively. In the next sub-chapter, some techniques for international money laundering are inspected more closely.

2.4 Forms of international money laundering

2.4.1 Cash, smuggling and money laundering

Adopted from drug trafficking, the concept of money ‘mules’ has been conceptualised as relevant. Drug traffickers hire *external brokers* who transport the income from the aforementioned business activities across country borders. It has been detected that 500 euro-bills and corresponding bills in other currencies play a key role in cash smuggling activities (Soudjin 2015, 271). As the volumes of cash are large in the drug trafficking business, the use of 500 euro-bills enables transferring higher values in smaller spaces. In the European Commission’s (2022, 6) supranational risk assessment, risks related to money laundering and terrorist financing in terms of cash-related products and services have been assessed. According to this risk assessment, the demand for euros in cash has increased, and it has been indicated that the criminal economy strongly relies on cash. The anonymity and ease of movement linked with cash creates significant risks of money laundering and terrorist financing, which the EU is exposed to.

Cash-intensive businesses are also vulnerable to money laundering (Gilmour & Ridley 2015, 295). The audit trail of cash is more challenging to trace than that of

electronic bank transactions (Berg 2019, 7). As the goal of money laundering is to conceal the origin of illegal funds, cash provides opportunities for criminals. Cash-intensive businesses often operate internationally and are plentiful in number. Some of the industries that are recognised to be cash-intensive include renovating, building contracting, repairs, second-hand, valuable metals, jewellery sales, and providing remittances. According to Calvery and Bell (2016, 74), buyers of luxury goods may use cash as a payment method to finance, for example, valuable real estate purchases. As pointed out in original article II, real estate can be utilised in the phase of integration of funds from unexplainable sources. Cash as a payment method enables criminals to use illegal funds to finance seemingly legal business operations, allowing the continuity of operations for organised crime. In the 21st century, a clear shift towards virtual and electronic payment methods is visible; however, cash-intensive businesses are not likely to disappear.

Cash can be smuggled in various ways. For instance, cases of smuggling cash inside human bodies, clothing or luggage have been observed. According to Karoubi and Chenavaz (2015, 1710), great severity of the predicate offence increases the probability of the funds to be withdrawn in cash and using cash as a payment method. It is more probable that money is couriered into countries with lower anti-money laundering standards or weaker resources to detect such activities. These issues ought to be of great concern in border-crossing areas, such as airports and seaports (He 2010, 16). Therefore, the future development of cash-related regulation and overall acceptance of cash as a payment method internationally is interesting to follow.

Customs (depending on the country) require the declaration of certain amounts of money being brought to the destination by tourists and other trespassers while entering a foreign country. For instance, when entering or departing the EU, more than 10,000 euros of cash need to be declared to the customs (European Commission 2021). Another example of preventative measures towards smuggling dirty money in cash is the increasing amount of trained cash dogs, who are trained to sniff cash. Some of these anti-money laundering measures have increased the costs of smuggling cash and the chances of getting caught.

In addition to cash, several other techniques and business arrangements can be utilised to launder money. On an international scale, complex business arrangements and rapid cross-border transactions provide possibilities for those seeking to fade out the illegal origin of funds. Sometimes, activities that are legal as such may be exploited. Next, international trade as an arena for money laundering is inspected.

2.4.2 Trade-based money laundering

Money laundering through international trade is a considerable issue for countries whose economic growth relies on trade (Balani et al. 2017, 15). International trade

may be used as a gateway for various money laundering mechanisms due to the vast volumes and high frequency of transactions among globally operating firms. In these cases, criminals may aim at entering funds with criminal origin into businesses with legitimate operations. Alternatively, criminals may either establish shell companies for hiding the beneficial owners at the background of illegal business activities and organised crime or intentionally foist dirty money into companies with actual IB operations. MNCs may become unintentionally involved in money laundering operations, or they may be controlled by criminal actors and harnessed for illicit purposes intentionally.

Techniques to execute money laundering through IB include distorting or conducting biased invoicing. By over-invoicing, under-invoicing or by invoicing the same products many times, dirty money can be made to seem to come from a legitimate source. Additionally, twisted volumes in shipping or freight may be used to launder money. Other techniques related to trade-based money laundering include describing delivered goods incorrectly or arranging complex trade methods. Invoicing too high prices of delivered goods diminishes local market competition when concerning over-invoicing of imported goods. In these cases, the phenomenon creates barriers for foreign operators to import products produced below local market prices to enter the local market. In contrast, under-invoicing the prices of exported goods results in avoiding export surcharges (Thanasegaran & Shanmugam 2007, 431).

As seen from the aforementioned examples, the essence of trade-based money laundering is complex. Trade-based money laundering is a recently adopted techniques for conducting international money laundering. Globalisation and the development of new technologies have affected the growth and increase in trade-based money laundering cases and suspicions. Trade-based money laundering is often carried out by falsifying transport documents and related information used in freight transportation and shipping of goods and services (Naheem 2015, 514). One possible vulnerability to money laundering through international trade relies on commercial letters of credit. Letters of credit are primarily used as payment methods for IB transactions. Identifying the beneficiary and the applicant of the credit, verifying the authenticity of the documents provided and committing the actual payment based on the observations during the preceding process can prevent money laundering (Chhina 2016, 159 & 161).

A beneficial owner can be identified as a natural person who has the main control over and benefits from the resources concerned (Pacini et al. 2019, 248). Identifying the ultimate beneficial owners who control the business accounts is essential for authorities in the process of recognising parties involved in trade mis-invoicing. Without information about beneficial owners, prosecuting related parties is challenging due to the often-used global networks or clusters comprising anonymous

shell companies and persons in charge. Active and open information exchange between governments regarding specific corporations and their tax liabilities is important for avoiding tax evasion and mis-invoicing (Schlenger 2016, 1087–1088).

An example of falsification of documents is multiple invoicing of goods by issuing various invoices concerning one transaction. This technique does not require distorting the prices of the goods traded through IB transactions. Similarly, by manipulating the invoicing systems and prices of the goods, manipulating the quantities supplied related to international trade is a way to launder money. According to Qureshi and Mahmood (2016, 23), some developing countries, such as Pakistan, are exposed to a high level of misreporting trade, which leads to losses of tax income and corrupted gross revenues. The technique of manipulating quantities of supplied goods allows a company to gain revenues from the sale of certain goods multiple times if it falsely prepares the documents for selling and supplying certain products abroad. Hence, they receive the payment for ‘non-existing’ goods, after which the criminal actors may sell the same products in the open market and receive the payment for delivered goods. Related to inaccurate shipping quantities, describing goods as expensive and invoicing them accordingly may become an issue if the products shipped turn out to be inexpensive. In this way, higher volumes of funds may be transferred to the destination country on false terms (Thanasegaran & Shanmugam 2007, 432). International trade can be utilised in money laundering by adopting the exchange of different currencies, including cash in business transactions and rotating funds between accounts in different countries to layer the funds and disguise their illicit origins.

By utilising legitimate trade flows, criminal actors can transfer significant amounts of money across country borders without having to obey jurisdiction-specific regulations related to currencies (Hataley 2020, 651). Thus, attention needs to be paid to detecting suspicious transactions and activities in international trade. Next, offshore business activities and the risks of money laundering they pose are examined more closely.

2.4.3 Offshore business activities

Shell companies and offshore accounts are often used in money laundering operations. Shell companies can be used in the following three forms: non-publicly traded firms, limited liability companies and various financial trusts, which do not appear commonly other than being registered to a certain postal address and create no clear value in economic terms. Using shell companies and offshore operations may grant anonymity to the criminal operators involved in these seemingly legal business activities (Stack 2015, 497). Compliance with anti-money laundering standards in countries with strict bank secrecy, such as the British Virgin Islands,

Bahamas, Jersey and Cyprus, is often insufficient. Due to the aforementioned issues, some companies with illegal operations shift their banking services in such countries (Kemme et al. 2017, 520).

Money laundering is a growing and geographically dispersed phenomenon that has costly repercussions on both developed and developing countries. The effects reflect, for example, social, security-based and economic development. As a practical example, a root cause of the Ukrainian crisis in 2013 was the economic aspect, including issues of money laundering and corruption (Atanasiu 2015). The Ukrainian crisis started after the intervention of Russian military forces in a sovereign territory in Ukraine. In 2013, an association agreement between Ukraine and the EU was proposed, which encouraged Ukraine to participate in preventing money laundering in addition to organised crimes and other forms of white-collar crimes. According to Pankow and Patman (2017, 552), this agreement had detrimental consequences for criminal activities that took place in Ukraine and had a possible link to Russia. The agreement also challenged the legitimacy and interests of Russian governance. This example shows that understanding the harms and consequences of money laundering and tax evasion is vital for governments worldwide to prevent and mitigate their effects. In 2022, Russia conducted a military attack on Ukraine and started a war of aggression against the country. Therefore, the EU imposed sanctions directed against Russia (Ministry of Foreign Affairs of Finland 2023). This, on further notice, generated concerns of prohibited transactions being conducted through third parties located in non-sanctioned countries. Thus, the assets of sanctioned individuals and entities may change ownership and become objects of laundering through shell companies. In this way, the actual beneficial ownership may also be hidden, and the funds become usable again (Nyreröd et al., 2023, 913).

Conducting money laundering requires negligence towards obeying national regulations and moral norms. This increases the risks of, for example, tax evasion and the occurrence of serious crimes. An environment which enables activities related to money laundering is often recognised as a black economy where cash remains a dominant payment method. In addition, lower tax compliance is often preferred by crime committers, due to its enabling effect on financial crime (Amara & Khlif 2018, 545–546).

People with intentions to launder money often develop schemes that span across multiple jurisdictions to obstruct the possibilities for detection or prosecution of them being involved in money laundering (Teichmann 2020, 242). Cross-border arrangements may also aim at tax avoidance, generating more funds that need to be laundered later. One way to attempt tax evasion is to create complex shell company arrangements. Typical features of a shell company are the lack of information about ultimate beneficial owners or the origin and address of the company. Shell

companies may have suspended their operations, and despite being registered, they may retain a small amount of assets (Brenner & Schroff 2004, 50). Additionally, a company having a currency account and remaining dormant or inactive, judging by its business activities, indicates functioning as a shell company with no actual economic justification independently. Such offshore (and onshore) shell companies may be used in hiding the taxable revenues or business income earned by criminals or to hide the connection to criminal activities and their proceeds from businesses such as drug trafficking (Stack 2015, 502).

Shell companies are often used in placing funds originating from invoicing fraud. The criminal proceeds are rapidly transferred to an offshore account from the original account of deposit, and the recipient of the funds may be, for instance, a foreign trading partner, possibly a shell company owned by the same people as the original company. In the layering phase of illicit funds, multiple international bank-to-bank transactions to various accounts and parties are common to convert the money from its original form (Bajrang et al. 2012, 111). Hence, shell companies may be created for circulating and layering funds. This way, the funds seem to taxable income abroad. At the end of the laundering process, domestic tax evasion was achieved. Avoiding tax liabilities results in tax evasion while moving funds and revenues from one country to another and taxing them seemingly elsewhere. This is only possible if the country of tax tributary of the company and the ownership of the company cannot be understood or outlined.

In addition to recognising the real country towards which the company is tax tributary, recognising the ownership structure and the actual beneficial owners is important. In some industries, the ownership structure and the nationality of majority owners define the country towards which the company is tax tributary and should pay taxes to. Often, money launderers want to hide their identities and utilise other people's names that cannot be linked to the actual owners. This way, they can avoid being accused of being involved in laundering. People who are chosen for the aforementioned role are called straw men. They are selected carefully based on the criteria that minimise them from arousing any suspicion. For example, a person with an academic background in arts may be selected to represent a company dealing with antiques and laundering money through this business (Teichmann 2020, 242).

MNCs may even intentionally initiate laundering processes when they become involved in bribery and offer kickbacks to public officials to improve their position in the foreign market. This may also help MNCs to secure contracts and gain a competitive advantage over companies that do not engage in such activities. Because of such illegal and unethical practices, public officials need to launder money gained through prior illicit activities. Often, offshore arrangements are used in these cases to abolish traces of prior illicit or unethical business practices (Clarke 2021, 164).

To prevent money laundering, both legislative and political measures are required. Banks are required to report suspicious transactions. If the reported obligation is neglected, it can be interpreted that they have been assisting possible illegal operations by enabling the use of services for fraudsters or criminals (Debenham 2016, 104). Depending on different geographical continents and countries, legislation and regulative enforcement vary. In the case of the United States, the attitudes towards money laundering are very strict, and jurisdiction extends far. The significance of anti-money laundering supervision in official financial institutions in the United States is highlighted through the political climate and increased criminalisation of predicate offenses, in addition to the lowered levels of monetary thresholds regarding the criminalisation of money laundering (Lindner 2007, 47). Based on the aforementioned, harmonisation of the global regulative environment and mitigative modules regarding official financial institutions worldwide is important. Countries and their governments should, depending on the region, adopt similar views regarding money laundering controls as the United States.

As the case of HSBC and money laundering through an official financial institution shows, depositing cash originating from drug trafficking enables transferring illicit funds into the official banking system after which the funds can be withdrawn or transferred elsewhere, making the money appear legit. Often in the aforementioned situations, offshore banks or IB are used in the phase of integrating dirty money. According to Johnson (2002, 341–342), offshore financial centres are utilised by MNCs as well as criminals to hide their financial resources, avoid taxes and to efface the origin or destination of funds.

Transnational money laundering has been accelerated by advances in information technology and globalisation. As a consequence, utilisation of both onshore and offshore arrangements has become more usual as it may provide fade, hide and launder proceeds of crime (Nguyen & Hopkins 2022, 5). Next, a synthesis of process, forms and actors in international money laundering is presented.

2.5 Synthesis

Over all, the process of money laundering starts with the placement of illegally obtained funds. In this phase, IB with legitimate operations and aims may be utilised. Often, actors such as cash-intensive businesses, remittance providers, official financial institutions (such as banks, insurance companies and investment companies), other MNCs, gambling platforms or virtual currency providers may be utilised in this phase. These companies may become unintentionally involved in money laundering by accepting dirty money if they do not obtain enough information about the origin of the funds.

In addition to utilising legitimately operating businesses, criminals may establish new international shell companies or other business arrangements for money laundering purposes. In these cases, collaboration with third parties is often necessary to create opportunities for dealing with dirty money. For example, professionals within the fields of accounting or law may enable managing funds originating from serious crimes through the otherwise legitimate IB arrangements, practices and structures in criminal enterprises (Lord et al. 2018, 2–3).

In the layering phase, IB transactions related to trade or offshore activities may be conducted to fade out activities against the background of the circulated dirty money. Vehicles of IB may also enable committing more crimes and generating the need to launder more money. For example, funds originating from corporate tax fraud and bribery are illegal by nature and thus need to be laundered (Lord et al. 2018). This depicts criminal activities that businesses may be intentionally inclined towards. Related to the final phase of laundering, services or goods are purchased, and these commercial activities are financed by illegally derived funds (Casella 2018, 495). For instance, aficionado-type goods, such as works of art, can be purchased with ill-gotten funds. Such goods are utilised in hiding the origin of funds as locating, determining the value or confiscating them is challenging (Weeks 2020, 10).

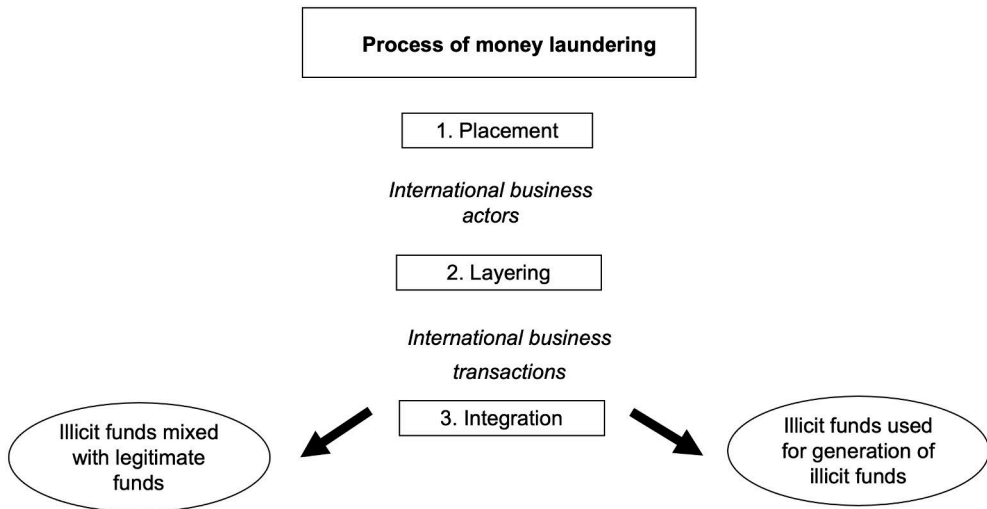


Figure 5. Money laundering in IB.

Figure 5 synthesises how the process of money laundering transpires for IB. The three-step process is visible in the mid-section of the figure. The figure also depicts that, in addition to criminals and organised crime groups, legitimate businesses may

be dragged into money laundering (and they are unaware of it). The integration phase takes place when funds with illicit origins are entered into the mainstream legitimate economy, for example, through legitimate business transactions such as purchasing goods (Dobrowolski & Sulkowski 2020, 5). After the integration of dirty money, criminals often end up using laundered money to generate additional illegitimate operations. This is depicted in the sphere of the figure on the right-hand side. When legitimate businesses are exploited in the process of laundering, illicit funds become mixed with funds originating from legitimate business activities. This is illustrated in the sphere of the figure on the left-hand side. Thus, having appropriate procedures for detecting and reporting suspicious business activities is important for IB operators. This study mainly focuses on the actors and activities that are linked with the sphere on the left-hand side of the figure.

3 Theoretical Lenses for Studying International Money Laundering

3.1 Institutions and money laundering

Institutions shape the social environment in which we live. Institutions comprise interpersonal processes (micro level) and societal structures (macro level). In addition, other intermediaries, such as organisations (meso level), have a role in shaping, implementing and enacting the socially constructed processes (Scott 2010, 5). For IB, institutions are particularly important due to the social, political and economic activities that take place across national borders. Institutions shape the environments in which MNCs and other IB actors operate and, consequently, the way in which they are organised. Institutions and institutional structures may vary between different countries, and thus, IB actors may come across conflicting institutional practices and norms (Mudambi & Navarra 2022, 635). Institutions influence the costs of participating in business activities in one country instead of another. The institutional characteristics of each nation transpire for cognitive, normative and regulative dimensions (Henisz & Swaminathan 2008, 537).

Overall, institutions can be divided into formal and informal. On the one hand, formal institutions are based on written rules, such as laws and regulations. On the other hand, informal institutions stem from contextually embedded values, norms and customs (Casson et al. 2010, 137). Figure 6 presents how both formal and informal institutions need to be considered by actors involved in IB and mitigation of money laundering. Actors engaged in IB activities play a particularly important role in shaping, maintaining and obeying both formal and informal institutions present in the country of operations. Simultaneously, the co-evolution of money laundering attempts (behaviours based on informal institutions) and existing formal institutions that restrict certain types of money laundering should be considered in order to create effective techniques to mitigate international money laundering. This is depicted in Figure 6, with a dotted arrow between informal and formal institutions that shape each other.

National authorities, such as policymakers, have a role in blocking institutional voids and ensuring that effective anti-money laundering-related legislation is in place. Furthermore, supervisory authorities are responsible for overseeing the

effective implementation of anti-money laundering procedures according to national laws. International organisations, such as the FATF, European Banking Authority (EBA) and IMF, conduct surveillance on countries' compliance with anti-money laundering and counter terrorist financing recommendations, guidelines and standards which are based mainly on formal institutions.

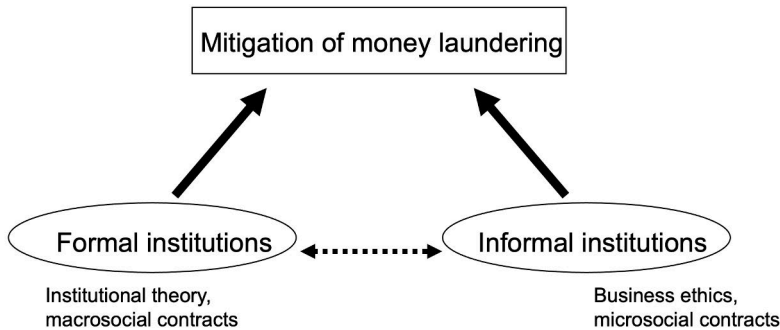


Figure 6. Institutions and anti-money laundering.

In the next sub-chapter, formal and informal institutions will be examined more closely. It will also be inspected how they influence the anti-money laundering process within the field of IB.

3.1.1 Formal institutions

It has been found that MNCs are keen to enter countries with strong formal institutions (Fuentelsaz et al. 2020, 2). However, operators with illegal or unethical intentions, such as money laundering, may aim to take advantage of internationally heterogeneous institutions and the voids they create. Formal institutions, such as laws and regulations, are important as they set common rules of the game for operators within the same market. Furthermore, *organisational isomorphism* provides guidelines for actors in a certain community in terms of how to behave, considering the prevalent environmental conditions and regulations. Isomorphism can take place because of organisational learning about appropriate responses to environmental conditions (DiMaggio & Powell 1983, 149). Successful patterns of behaviours are determined based on local institutional logic. Institutional logic comprises socially constructed assumptions, behavioural patterns and values that guide how organisations are organised and provide the meaning for their existence (Lounsbury et al. 2021, 262). Thus, institutional logic determines how a certain community and social interactions among its members actualise (Thornton & Ocasio 2008, 101).

Formal institutions are important to acknowledge, as changing them may require change in informal institutions such as values and beliefs in advance. Institutional logic is often based on local worldviews, values and beliefs which set the foundations for informal institutions and, consequently, accepted behaviours by community members. Formal institutions are affected by informal institutions, which form the baseline for value base considering the local circumstances and environmental conditions. Often, external actors are key initiators of institutional change (Aguilera & Groggaard 2019, 32).

As original article II shows, international operators may take advantage of institutional voids and aim to shape the local institutional logic in an undesirable direction. Institutional voids can be explicated as lacking mediators, regulatory systems and mechanisms (Khanna & Palepu 2006, 62). Institutional voids actualise due to the absence or weakness of formal institutions. In these cases, the role of informal institutional practices that are based on social norms and values is emphasised (Becker-Ritterspach et al. 2017, 192). As interpretations of preferred informal institutional practices differ depending on the context, the lack of formal institutions creates uncertainties that can be used for money laundering. To close the gaps in the law, policymakers and national authorities ought to be involved in proactively shaping local institutional logic and formal institutions. Also, individuals and organisations have a central role in maintaining and developing institutional logic. As an extension of institutional logic, we propose a new theoretical concept of *emerging international compliance* in original article II. This concept highlights the intertwined nature of international money laundering and policymaking. Due to their reciprocal interactions over time, they influence each other and may shape institutional logic. Consequently, as new money laundering techniques are detected, new formal institutions emerge based on co-evolutionary trajectories to close existing gaps in the law.

In addition to national policymakers and national authorities, multiple intergovernmental organisations are devoted to combatting international money laundering and terrorist financing. For instance, the FATF, EBA and IMF provide guidance (in the form of formal rules) for business operators and national financial supervisors on how to assess risks related to money laundering and terrorist financing and, consequently, mitigate these risks effectively. It is good to keep in mind that organisations such as the aforementioned provide and set formal institutional rules and frameworks that countries agree to comply with. Additionally, belonging to the focus group of the aforementioned organisations generates informal institutional norms that influence the interactions and interdependencies between countries (Dau et al. 2022, 988). For instance, national financial supervisory authorities supervise entities such as banks, with compliant and effective anti-money laundering procedures and risk mitigation mechanisms in place. These supervisory

measures influence institutional logic and rules of the game within business environments, as they affect the operations of key actors within the financial sector.

International anti-money laundering cooperation and intelligence exchange between international organisations and national stakeholders may help detect and close institutional voids that are caused by differences in institutional logics across national borders. Adopting a proactive approach towards policymaking and adapting formal institutions based on changes in institutional logic reduces opportunities for international crime. Finally, MNCs play a significant role in maintaining local institutional logic based on ethical decision-making and compliance with local formal institutions. To make a difference for the better, MNCs may aim at standardising the most stringent compliance standards distinguished across multiple operating environments and promoting these practices internationally (Isolauri et al. 2022, 388).

As the IB arena presents a wide range of nationally embedded informal and formal institutions, actors involved in the mitigation of international money laundering need to consider both aspects. Informal institutions set out expectations of acceptable social practices that actors within IB need to consider. Thus, they function as invisible strings that connect groups of actors with possibly different backgrounds (Meyer et al. 2023, 581). Often, the mix of formal and informal institutions present in host and home countries influences decision-making related to market entry (Boddeyn & Peng 2021, 2). In the next sub-chapter, informal institutions in relation to the mitigation of international money laundering are inspected more closely.

3.1.2 Informal institutions

Informal institutions are based on unwritten norms, values and beliefs. Informal institutions may differ across country borders and cultural contexts. Actors within specific communities are expected to act according to locally shared informal institutions. This becomes rather challenging within the field of IB, as internationally operating actors may be exposed to multiple sets of informal institutions due to their cross-border activities. Sometimes, these sets present in host countries may conflict with the informal institutions in the home country of international actors. Thus, instead of acting in a similar manner and assuming universal norms of behaviour, MNCs and other international actors should distinguish what is socially appropriate from the perspective of the country or the community of operations (Dau et al. 2022, 988). Sometimes, the activities of MNCs may deteriorate the informal institutions of a host country and thus cause detrimental effects on society (Brandl et al. 2022, 1133). Institutional voids stemming from either formal or informal institutional practices provide opportunities for those who seek to take advantage of institutional

shortcomings and diminish transaction costs with the help of international operations (Doh et al. 2017, 293).

In IB, it is beneficial to inspect both formal and informal institutions simultaneously as they cannot be entirely separated from each other. For instance, according to Fligstein (1996, 658), informal institutional practices are based on conceptions about legal and illegal behaviours. Focusing on formal institutions only may lead to missing important factors that influence functions and interactions within a certain market or community (Jackson & Deeg 2019, 8). Thus, studying institutional change and the driving forces behind it is important. When strong institutions in a certain jurisdiction exist, changes in formal institutions may necessitate changes in informal institutional settings (Aguilera & Grogaard 2019, 32). Ultimately, changes in informal institutions influence formal institutions and vice versa. For example, when the expectations about acceptable behaviours in a community develop over time, laws will most likely be adapted to mirror or mitigate these assumptions about socially accepted patterns of behaviour (Dau et al. 2022, 999).

Institutional entrepreneurs, such as companies and individuals, often external to a specific community or country, aim at shaping or transforming local institutional logic by introducing activities based on their own interests. The aim is to shape institutional arrangements so that they allow certain kinds of behaviours (Hardy & Maguire 2008, 198). Institutional entrepreneurs recognise opportunities, obtain resources to act and take advantage of options to initiate institutional change (Jennings et al. 2013, 3). Institutions, as such, are to be considered outcomes of agency. Instead of them being viewed as constraints cast in iron, individuals, MNCs, communities, policymakers and international organisations have influence and shape institutions based on purposive action (McGaughey et al. 2016, 871).

Internationally operating institutional entrepreneurs base their activities on institutional logic. However, the logic may conflict with the one present in the host country. Thus, institutional entrepreneurs may not be fully aware of how their activities affect the local environment. What is interesting is that the causal powers stemming from the behaviours of institutional entrepreneurs may generate varying outcomes based on the context of these activities (Leca & Naccache 2006, 632–633). Considering the contextual element while examining informal institutions is, hence, particularly important when international operations are involved (Dau et al. 2022, 1002).

In original article II, we demonstrate through an illustrative single case study how institutional entrepreneurs (the company Airiston Helmi and the individuals at the background of the company) may seek to shape foreign institutional logic and enter markets due to their unethical or even illegal aims. In this single case study, it was found that an international actor suspected of money laundering and tax fraud

exploited voids in formal institutions in Finland and aimed at introducing behaviours that could not be explained by Finnish informal institutions or institutional logic. Consequently, formal policies in the form of Finnish laws were adapted to counter these harmful patterns of behaviour in the future. In the context of another country, the response might have been different. Also, in this case, the institutional entrepreneurs sought to exploit institutional voids to conduct unexplainable business practices in the first place. To explain the co-evolutionary series of suspected money laundering events and changes in the institutional setting, we proposed a new construct of *emerging international compliance*. In the following chapter, the co-evolutionary processes and their effects on IB, as well as anti-money laundering, are examined more closely.

3.2 Co-evolution of institutions, money laundering and IB environment

In IB, it is important to recognise how environmental change occurs. Business environments and organisations evolve over time due to complex interactions and activities between actors involved in IB. This has an influence on, for example, internationalisation strategies, business networks and formation of business practices (Breslin 2016, 46). Co-evolution can be defined as a process in which two or more units of analysis (e.g. money laundering and formal policies) are affected by and developed based on the reciprocal interactions of the actors or organisations within the same playing field. The activities of the other, in addition to environmental and institutional conditions, initiate co-evolution of both actors, the organisations or the phenomena under inspection (Abatecola et al. 2020, 6–7).

Human actors cause unpredictable change in organisations due to individual and organisational decision-making, which is based on certain values. In uncertain environments (e.g. countries with weak formal institutions), introducing new values and institutions, be they informal or formal because of the co-evolutionary processes, is more likely than in ones with more predictable business environments. On the one hand, business actors who enter new markets may introduce new institutions and end up shaping or transforming local institutional logic. On the other hand, business actors who enter new markets with different institutional logics may end up transforming their thinking and behaviour (Cantwell et al. 2010, 570). The aforementioned types of contingencies might produce positive as well as negative end results for both home and host countries of IB actors (Lundan & Cantwell 2020, 1524).

In original article II, the co-evolution of suspected money laundering and formal policymaking related to IB is inspected. Because of an international actor who exploited an institutional void and tried to introduce new harmful institutional logic, formal institutions in Finland were altered and even new laws related to foreign

property ownership were introduced. Figure 7 illustrates the co-evolutionary processes related to international money laundering and international institutions. As the figure shows, MNCs are an example of actors who may become involved in international money laundering. Their behaviour may influence informal institutional practices related to, for example, how mitigation of money laundering transpires and develops over time. From the formal institutional viewpoint, policymakers act as executors who enact laws and regulations that directly aim to lower the number of money laundering cases.

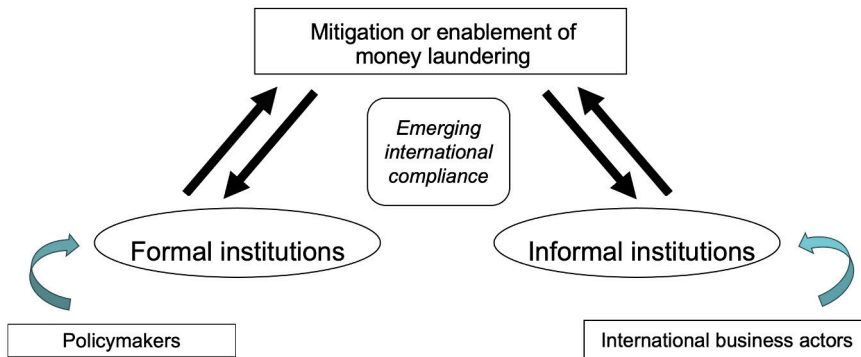


Figure 7. Co-evolution of money laundering and institutions.

Because of complex co-evolutionary processes in IB that take place across multiple levels (micro, meso and macro), institutions are maintained, shaped and transformed. In the context of this thesis, it is of interest how the co-evolutionary processes among money launderers, legitimate MNCs, policymakers, supervisory authorities and international bodies focused on anti-money laundering transpire and finally influence institutions. MNCs play an important role in maintaining and preserving informal institutions and socially accepted norms for behaviour. This becomes increasingly important in countries with weak formal institutions (Cantwell et al. 2010, 581). Where MNCs have a role in implementing ethical patterns of behaviour and business, the role of supervisory entities is to act as guardians of regulatory requirements. On further notice, policymakers ought to adopt a proactive approach in blocking institutional voids and altering formal institutions when unethical or illegal business practices are detected to actualise or take place. As a result of these interactions over time, both formal and informal institutions are developed when deemed necessary. When harmful patterns of behaviours based on informal institutions (e.g. unethical or illegal business activities) are detected, they need to be counteracted based on changing formal institutions. This is when new international compliance starts to emerge.

3.3 Social contracts and the moral norms

Developed countries, such as the United States, often have sophisticated legislative systems and mature financial systems in place. In contrast, developing countries can be characterised by unstable operating environments prone to rapid social change and uncertainty. In the context of mitigating money laundering, this poses challenges (Tang & Ai 2010, 214). However, it is noteworthy to acknowledge that money laundering is an international phenomenon that has spread to countries with strong institutions regardless of the geographical location (Dion 2015, 429).

In terms of anti-money laundering, many businesses are responsible for preventing, detecting and reporting suspicious activities. Simultaneously, public actors, such as authorities, are responsible for overseeing the operations of private sector actors and conducting supervisory procedures. Both the public and private sectors benefit from international cooperation to ensure the effectiveness of international anti-money laundering. One of the motives for private actors to become congruent with anti-money laundering legislation and regulation is to avoid reputational harm (Verhage 2009, 10). From a business ethics perspective, it is important to assess what actors involved in IB (individuals and MNCs) should do to prevent money laundering. Thus, including a normative aspect while evaluating their operations (Donaldson & Dunfee 1994, 253) is critical. Furthermore, it is important to consider the cultural idiosyncrasies and how they transpire for the operations of IB (Gonzalez-Canton 2022, 391).

Integrative social contracts theory, presented by Donaldson and Dunfee (1994), integrates the two aforementioned perspectives considering contracts on both macro and micro levels. *Macrosocial contracts* are based on universal norms (hypernorms) and bind the participants of economic activities. Hypernorms comprise fundamental and universal principles, such as human rights (Garriga & Mele 2004, 61). *Microsocial contracts*, in contrast, are more localised and bind members of a certain community. These contracts are based on authentic norms which stem from values, norms and beliefs that are socially accepted within the culture or community in question (Douglas 2000, 101). Microsocial contracts are formed among national and international economic organisations, industries, companies, etc., and within them. Considering both normative explanations and culture-specific justifications for certain behaviours is helpful in terms of reaching alignment with compliant decision-making that conforms to business ethics (Donaldson & Dunfee 1994, 254).

As examined earlier in chapter 2.2, both formal and informal institutions influence the behaviours and value bases of IB actors. To capture the influence of informal institutions on the mitigation of international money laundering, integrative social contracts theory was chosen as the theoretical lens for original article III. This theory was discerned as beneficial, especially in inspecting the cultural differences regarding microsocial contacts, worldviews and values that may ultimately justify

money laundering and unethical business practices in some cultural contexts. As ethical or unethical business practices are based on the mindsets and values of individual employees, it is important to inspect informal institutions and microsocial contracts more closely. After all, individuals are the ones who interpret and enact compliance standards within organisations.

As cultural aspects impact the effectiveness of preventing money laundering and unethical business practices, it is important to pay attention to microsocial contracts that may differ depending on the geographical and cultural contexts. For instance, if bribery is silently accepted or considered as business as usual, this may distort the operational abilities of legitimate and transparent businesses with differing interpretations about the acceptability of such practices in these countries or cultures. When some MNCs are willing to go along with the host country's customs of unethical business practices and others are not, deformation of natural competition within the market in question may take place (Keesoony 2016, 136). Consequently, countries with a tolerance for unethical business practices may provide a favourable operating environment for criminals and dishonest actors. Thus, to compete with dishonest or criminal actors, companies with an immaculate reputation may consider inclination towards unethical business practices (such as bribery) as well. Adjusting formal legislation (considered the most effective way to mitigate money laundering) may first require changes in microsocial contracts, informal institutions and modes of thinking in a specific community (Aguilera & Grogard 2019, 32).

Figure 8 emphasises considering cultural features and their impact on the ethical conduct of business. The arrows in the figure depict that, even if an MNC acts according to laws and conforms to macrosocial contracts, its operations might still include unethical business activities when the host country's microsocial contracts encourage behaviours (such as bribery) that are not tolerated in the home country of the MNCs. Original article III revealed a *regulation paradox*, emphasising the inclusion of informal institutional controls while designing mitigation measures for international money laundering. This paradox highlights the grey area in international money laundering, as some activities that are not illegal as such might be perceived as unethical depending on the underlying culture-specific values that are conformed to. When culture-specific values clash with moral norms established in the general society, a moral dilemma emerges. This raises the question of under which circumstances individuals are willing to act against the moral norms and regulatory expectations that are distinguished in their community.

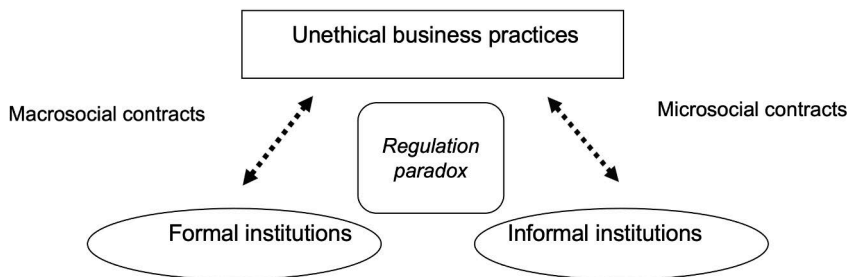


Figure 8. Social contracts and unethical business activities.

Judging by the aforementioned, business ethics form a fundamental aspect in developing controls and mitigation strategies for money laundering. The importance of social contracts, business culture and local values cannot be understated in the fight against financial crime. Therefore, in this thesis, international money laundering is examined more closely from the perspective of integrative social contracts theory. Adopting this theoretical lens enables considering the internationally heterogeneous informal institutions which may generate unethical business activities and pose challenges towards effective mitigation of international money laundering. In the next sub-chapters, macrosocial and microsocial contracts are closely examined.

According to the integrative social contracts theory, macrosocial contracts lay the foundation for all contracting, be it on the national, industry or company level. Macrosocial contracts are based on universal *hypernorms* that societies are expected to conform to. For instance, basic moral assumptions, such as respecting human rights, are considered mutually on a global level (Donaldson & Dunfee 2003, 110). As we know, this is not always the case in all jurisdictions, and thus, integrative social contracts theory has received critique among some scholars (cf. Douglas 2000; Scherer 2015). However, the aim of integrative social contracts theory is to consider cultural applications of moral beliefs in addition to absolute definitions for socially acceptable behaviours. Thus, integrative social contracts allow a moral free space for business actors, communities and nations to shape their perceptions about fairness and ethicality, finally refusing to accept the neglect of central universal standards of ethical behaviour (Donaldson & Dunfee 2003, 110). Consequently, this theoretical lens suits particularly well in studying how microsocial contracts affect perceptions about money laundering in different cultural contexts.

In the context of mitigating money laundering and avoiding involvement in unethical business practices, hypernorms related to non-maleficence, justice, beneficence and explicability, to name a few, may be considered important (for details regarding hypernorms, cf. e.g. Bankins & Formosa 2021). To gain a holistic

understanding of integrative social contracts theory, the nature of microsocial contracts is examined more closely in the next sub-section.

Microsocial contracts are based on *authentic norms* consisting of culture-specific values, customs and beliefs. Drawing from integrative social contracts theory, microsocial contracts need to be in line with hypernorms. According to Donaldson and Dunfee (2003, 110), microsocial contracts that do not conform to hypernorms should be considered illegal. However, the integrative social contracts theory acknowledges that perceptions about ethics can be situational and context-dependent. In practice, this actualises when two or more contrasting perceptions about ethical behaviours can be justified based on specific microsocial contracts that are present in a specific community or cultural context. For MNCs, it is important to be aware of possible conflicts between company values and microsocial contracts present in the host country. Choosing stakeholders with whom the value base can be coordinated is important in terms of achieving and implementing ethical business practices (Wilburn & Wilburn 2011, 14).

In the context of money laundering, the existence and influence of contrasting and context-dependent microsocial contracts becomes evident in original article III. In the aforementioned study, we investigated how microsocial contracts create an understanding of international money laundering in developing countries. Another example of the importance of acknowledging microsocial contracts when evaluating the ethicality of certain types of behaviours was provided by Donaldson and Dunfee (2003, 110), who noted that insider trading, for instance, may be viewed differently from the ethics perspective depending on the economic system in question.

In this thesis, we are particularly interested in microsocial contracts and how they influence perceptions about money laundering in different cultural contexts. Moreover, as the field of IB involves cross-level interactions between multiple actors, inspecting microsocial contracts can be useful in discovering differences in the definitions of money laundering and motives for being involved in unethical business practices. From the institutional perspective, using integrative social contracts theory allows the adoption of a supra-national level of analysis in addition to national and company levels of analysis. As both written (formal) and unwritten (informal) rules take place on multiple levels (Dau et al. 2022, 1002–1003), it is important to employ theoretical lenses that allow a holistic inspection of the complex research phenomenon.

Because the aim of this thesis was to investigate how money laundering can be mitigated more effectively in the context of IB, it is important to include moral norms as a perspective to inspect this problem. As informal institutions are based on culture-specific values, they also differ between cultural contexts. From an international perspective, being familiar with multiple sets of values may cause a clash between preferred informal institutional practices and moral norms established

in general society. In these cases, a moral dilemma emerges that may lead to unethical behaviours. Recognising cultural differences that materialise in informal institutions and moral norms is important if one wishes to understand and mitigate the problem of international money laundering more effectively. To shed light on how the aim of this thesis was achieved, the research approach and strategy of this thesis are explained in the next chapter.

4 Methodology

4.1 Research approach

The question of how to mitigate money laundering more effectively aroused my interest, as I had previous work experience within the field of anti-money laundering. Given the complex nature of the problem, it appeared extremely interesting and important to address how the IB setting affects the nature and mitigation strategies of money laundering. Thus, I wanted to gain a deeper understanding of why existing anti-money laundering mechanisms may be ineffective and how to grasp the internationality aspects of the problem more holistically. In this study, the wicked real-life problem of money laundering was consequently conceptualised based on a theoretical framework created as a deductive process.

4.1.1 Critical realism

Philosophical assumptions influence the conduct and outcomes of a study. Research relies on a certain *worldview* or *paradigm* that guides the choices made by the researcher. With respect to philosophical underpinnings, two established paradigms can be distinguished: the positivist (often quantitative) and the constructivist (often qualitative) paradigms (Creswell 1994, 4). On the one hand, positivists tend to emphasise causal explanations, objectivity and replicable research settings. On the other hand, constructivists understand reality as constructed and processual by nature, aim to understand complex phenomena and do not necessarily aim at generalisable findings (Charmaz 2014, 4; 12–13). Despite the different natures of positivist and constructivist paradigms, the choice of employing either qualitative or quantitative methods is often justified by a mixture of paradigms and by the nature of the studied phenomenon (Morgan & Smircich 1980, 491). If the initial focus is on employing a certain method and conforming to consequent methodological obligations, some important findings might be overlooked (Cunliffe 2011, 667). As an emerging philosophical paradigm, critical realism has been recognised as applicable within the field of social sciences. Methodological principles for critical realism-based studies stem from the paradigm's assumptions (Wynn & Williams 2012, 787).

Research paradigms build on a group of assumptions that concern conceptions about reality (*ontology*), the connection between the researcher and the object of the study (*epistemology*), values present in the research (*axiology*) and the research process (*methodology*). Ontological issues are linked to how the researcher constructs reality. Epistemological issues are related to the interactions between the researcher and the study's objectives, in addition to the objectiveness of the researcher. Axiological issues are linked to the role of values present in the study. Thus, the value-laden nature of the research must be acknowledged and reported in the research. Finally, the methodological aspect refers to the process of conceptualising the overall research (Creswell 1998, 74–77).

In this dissertation, critical realism was chosen as the foundation and philosophical underpinning. Critical realism combines elements from both positivist and constructivist paradigms. According to critical realists, reality exists independently, yet it is subjectively interpreted by social actors (Bhaskar 2008, 13) and remains theory-laden (Cruickshank 2003, 2). Critical realists are often interested in examining the relationship between human agency and social structures (Morais 2011, 65). Conforming to critical realism, the world constitutes of structures, habits and powers that underlie action events and discourses. Thus, these structures and underlying conditions influence the actual events and human experiences of the events (Patomäki & Wight 2000, 223).

Critical realism highlights the subjective character of the knowledge possessed by social beings while simultaneously acknowledging the presence of independent structures that influence the behaviours of social actors in a specific setting. Propositions that are made based on critical realism present the current 'best knowledge' but are open to inspection by other scholars. Later, new insights may replace the initial propositions as better explanations. These assumptions are also supported by *pragmatism*, according to which reality is constructed as a consequence of practices and history that evolve over time rather than given (Shusterman 2022, 585). Consequently, when relying on critical realism, careful attention on reporting one's methodological choices, especially regarding the interactions between the researcher's interpretations of the studied phenomenon and underlying structures, should be paid. Methodological choices, in conjunction with the researcher's interpretations, produce findings (Wynn & Williams 2012, 787–788). In terms of ontology, critical realism allows for inspecting relevant 'why' questions in the field of business. Thus, epistemological judgements related to the interpretation of both material and social phenomena are accepted and the role of meaning is acknowledged (Syed et al. 2009, 72). Critical realism does not force a researcher to choose between qualitative or quantitative research methods. Rather, it encourages triangulation of data and utilisation of multi-level analyses (Hodgkinson & Rousseau 2009, 540).

Personally, as the author of this dissertation, I possess assumptions of the world that are in line with the critical realist worldview. Furthermore, this rather broad philosophical underpinning provides opportunities that are advantageous in terms of studying and seeking holistic understandings about the complex problem of international money laundering and its mitigation. In this study, a qualitative approach has been selected, as the phenomenon of money laundering is rather under-researched within the discipline of IB. Using a qualitative approach in this dissertation aids in enhancing the understanding about the complex problem (supported by Edmondson & McManus 2007, 1161–1162). The process of money laundering is initiated by persons and organisations. Thus, to understand this phenomenon better, it is important to seek insights into the logics behind criminal or unethical human behaviours and the influence of interactions between different contexts and frames of reference (Patton 1980, 45). Aligned with critical realism, the aims of original articles are subjective. To answer the research questions, objective evidence was sought by conducting empirical research and justifying the beliefs of the researchers.

4.1.2 Systematic literature review

With respect to this dissertation, a qualitative systematic review was conducted (original article I) to determine how extant research has addressed money laundering as an IB phenomenon and how the topic could be studied in the future. A systematic review enables examining existing literature in a scientific and structured way (Isolauri & Ameer 2023, 428). Consequently, a systematic review may generate a holistic overview from a vast body of information, produce understanding of the studied phenomenon and synthesise research evidence (Booth et al. 2012, 5). When it comes to under-researched topics, review articles and the knowledge syntheses they produce may inspire scholars and business actors to seek further empirical evidence to support managerial decision-making (Kunisch et al. 2023, 7). Often, systematic reviews aim to answer specific research questions which have been developed before conducting the search of relevant literature (Petticrew & Roberts 2006, 2, 27). Regarding the search for relevant literature, inclusion and exclusion criteria should be formulated carefully in advance. Following the analysis of relevant literature, findings from individual studies are synthesised to answer the predetermined research questions (Efron & Ravid 2019, 20). The construction of the research synthesis should be presented in a manner that allows others to replicate phases of data collection, analysis and synthesis, ending up with similar findings on the known and unknown aspects related to the studied research phenomenon (Denyer et al. 2008, 408).

According to Short (2009, 1316), a good review article builds on relevant scholarly as well as empirical outlets, is transparent, contributes by providing an insightful synthesis of existing literature, emphasises unique and surprising findings, concentrates on an interesting topic, considers multiple levels of analysis or disciplines and provides an agenda for future research. Furthermore, a good review article should be clear, valid and auditable. This means that the contents of the review article are presented in a well-interpretable form, biases (e.g. related to selection criteria) have been considered and methodological choices and processes have been justified in an understandable manner (Booth et al. 2012, 22–23).

In the systematic review article included in this dissertation, academic sources and specialist reports about international money laundering were analysed. Including specialist information, such as the aforementioned reports, is often encouraged, as similar knowledge may not always be available in academic outlets (Adams et al. 2007, 448). In the systematic review, information from individual sources was synthesised based on the 5Cs framework, involving the concept, characteristics, causes, consequences and controls of money laundering. Techniques of integration and interpretation were combined to generate an interesting synthesis. Integrative syntheses emphasise the role of context and procedural knowledge in compiling information from individual sources. Thus, this technique was useful in answering specific and multiple research questions. Interpretive syntheses combine descriptive information from individual sources into a meaningful entity, which also helps set an agenda for future research (Rousseau et al. 2008, 37–38). After synthesising information from the analysed data sources, a set of 21 new research questions and two plausible theories was suggested to help scholars and practitioners study the phenomenon in the future (as suggested by Rojon et al. 2021, 200).

4.1.3 A qualitative single case study

A qualitative single case study was used as the research method in original article II (Isolauro et al. 2022). Qualitative research is well suited for studying how and why actions of individuals and organisations unfold over time in a specific context. Qualitative research produces ‘thick descriptions’ that encourage the use of multiple theoretical lenses to propose new conceptualisations (Doz 2011, 583). Qualitative research enables obtaining information about values and cultural norms in a cross-cultural setting (Cheng 2007, 31), which quantitative research, on the contrary, cannot aid in. In particular, qualitative methodologies and exploratory research are recommended for studying complex and multi-dimensional topics within the field of IB (Sinkovics et al. 2008, 690).

While conducting qualitative research, the researcher collects and analyses the data. Thus, both the researcher and the informants participating in the study influence

the formation of the research process. Qualitative research is rather flexible in terms of research design, and there are various options for qualitative researchers to choose from (Corbin & Strauss 2015, 4). By nature, qualitative research is interpretive. Instead of measuring or inspecting the frequency of certain events, the qualitative research approach enables describing, understanding, solving and translating collective and global phenomena. Inspecting the relationships between the subject and the object, the context and behaviours of the involved social actors, as well as the theory and data, are key elements of qualitative research (Van Maanen 1979, 520).

Case studies focus on real-life events and provide scenarios that help comprehend the context and the outcomes of these events (Brochers et al. 2016, 3). Sometimes, unique cases can serve as powerful examples and foundations for theorising (Siggelkow 2007, 20). An unusual single case may not always increase the understanding of other cases, yet it may be essential for comprehending underlying agencies. Thus, such inquiries are called *instrumental* case studies (Stake 1995, 3). In an article included in this dissertation, a qualitative single case study approach was employed to propose a new theoretical concept and come up with policy implications. The effectiveness of the single case study approach has received considerable critique among schools of thought that prefer the multiple case study approach (cf. Eisenhardt 1989, 547), yet inspecting outcomes of an unusual case may enable contextualised theorising, especially in an under-researched field (Yin 2009, 6).

Theorising from case studies can be approached in different ways. According to the *contextualised explanation*, figuring out social phenomena requires considering the context around them. As the relationship between theory-building and context influences methodological choices, contextualised explanation provides a suitable foundation for theorising from case studies. According to this approach, generating explanations should not be independent of the context of the study. As one of the four suggested approaches towards contextualised explanation, process research focuses on inspecting sequences of events, the underlying logics of these events and their outcomes (Welch et al. 2022, 13). As a strategy for theorising from process research, a *parallel style* can be adopted. In line with this strategy, the two processes and their co-evolutionary developments are inspected simultaneously. The core of such studies is to determine how the two interrelated processes influence each other over time (Cloutier & Langley 2020, 10). In the single case study included in this dissertation, contextualised explanation was utilised as an approach to theorise, as the aim was to understand how new money laundering-related policies emerge over time. In harmony with critical realism, chosen as the philosophical underpinning, the relationship between inspected processes does not remain stagnant or fixed (Sayer 1992, 6). In contrast, context-dependent mechanisms, behaviours and

interconnections between the two inspected processes trigger the development of new policies and money laundering techniques.

4.1.4 Qualitative exploratory study

Original article III is a qualitative exploratory study. Exploratory research within the field of social sciences is a process that aims to generate a novel understanding of psychological or social behaviours. Exploratory research is well suited for studying contexts and cultural settings that have not been extensively studied in academia (Given 2008, 327). An initiator of an exploratory study may be an extensive lack of understanding about a specific topic (Swedberg 2020, 24). In original article III, causal-layered analysis was employed as an analytical tool to uncover the deeper meanings of international money laundering. The method of causal-layered analysis was originally created by Inayatullah (1998) for future studies. This tool includes the inspection of four levels that influence the interpretations of the chosen research phenomenon: litany (public description of the problem), systemic causes (social, economic and cultural), worldview and myths/metaphors. This qualitative approach is helpful in deconstructing complex social dilemmas and phenomena (Bishop & Dzidic 2014, 13) such as international money laundering. By examining public descriptions of the problem and systemic causes of money laundering, the deeper meanings of money laundering could be understood through vignette-based interviews with informants who were familiar with different sets of culture-specific values and norms.

In original article III, where the influence of culture-specific microsocial contracts on perceptions about money laundering was inspected, answering the research question favoured an '*in vivo* approach' (Andersen & Kragh 2012). Regarding exploratory studies, qualitative approaches and data are often preferred (Given 2008, 327). According to this approach, existing theory (integrative social contracts theory) can be combined with empirical findings generated during the research (findings from interview data). This approach enables the addition of novel theoretical insights when needed. As we employed causal-layered analysis to detangle the levels of money laundering through remittance services, we could produce an interesting foundation for the interviews to be conducted. Based on the interview findings, complemented with prior archival data analysis, we proposed a new theoretical construct.

Regarding exploratory studies, qualitative approaches and data are often preferred (Given 2008, 327). In original article III, a qualitative approach was chosen to understand the cultural differences related to moral norms and microsocial contracts that shape individuals' perceptions of unethical business practices. The focus of exploratory research is on producing new theoretical concepts and

generalisations of an empirical nature (Given 2008, 328), which is why it is a suitable approach for proposing theoretical concepts to be tested in the future. In original article III, a regulation paradox, emphasising the influence of culture-specific microsocial contracts on ethical decision-making, was revealed and suggested as a concept for future research.

To produce interesting findings and conclusions from an exploratory study, the research phenomenon ought to be approached with *flexibility* and *open-mindedness*. In particular, this means that the researcher must be creative when planning where to look for data and make adjustments based on where it can be accessed (Stebbins 2001, 6). In the qualitative exploratory study included in this dissertation, flexibility and open-mindedness were actualised in the data collection phase. As we collected data in relation to a rather sensitive topic, we had to come up with a creative strategy to gain meaningful data. We created a vignette describing a fictional scenario of money laundering instead of inquiring about personal experiences or observations of the informants. In particular, we collected data from individuals who resided in the United Kingdom and were familiar with the South Asia region and their respective cultural features.

Sometimes, accessing and collecting data in countries with weak institutions may be challenging. Thus, creating alternative options may become necessary, as in the case of the exploratory study included in this dissertation. As noted by OECD (2020), power relations amidst individual persons, states and institutions must be acknowledged when considering data access, which ultimately influences the data collection phase. To produce valuable findings, conducting an exploratory study necessitates transparency and self-reflection. A reliable study of this type may produce novel ways to inspect reality (Reiter 2017, 131).

4.2 Research process

4.2.1 An overview of the research process

In this dissertation, elements from deductive and inductive reasoning were combined to come up with interesting findings. While deductive research enables the proposal of theoretical concepts based on existing theories, induction produces explanations derived from specific data (Schutt 2006, 75). Commonly, inductive and deductive reasoning are utilised in different parts of a certain research project. However, it is likely that both modes of reasoning are somewhat present during any research process (Perry & Jensen 2001, 1), as designing the phase of data collection is, in essence, theory-laden (Popper 1962, 47). On the one hand, leaning solely on induction without considering existing theories might disenable benefitting from prior theory. On the other hand, pure focus on deduction may hinder the potential

development of novel and relevant theoretical concepts (Perry & Jensen 2001, 1). In this dissertation, two of the original articles relied on deductive reasoning (cf. original articles II and III).

To summarise, original article I (a systematic review of prior money laundering literature) is conceptual by nature, whereas original articles II and III are based on deductive reasoning. In original article I, earlier research was categorised and analysed. In line with the purpose of systematic literature reviews, the existing literature was inspected to produce valuable findings. An integrated 5Cs view was adopted to summarise the findings and analyse money laundering as a transnational business phenomenon.

Original article II used narratives to describe a specific sequence of events that led to policy changes. Because of inspecting a specific case of suspected money laundering and its policy consequences through the lenses of institutional theory and co-evolution theory, a new theoretical concept of *emerging international compliance* was proposed to explain the events and their outcomes.

Considering the context while studying complex phenomena, such as international money laundering, is important (Langley 1999, 692). According to Pettigrew (1992, 3), choosing a qualitative approach for studying complex phenomena is beneficial as related processes tend to cross both spatial and time-bound borders. The aim of answering research questions related to processes necessitates conceptualisation based on relevant events, activity, the flow of certain episodes and behaviours and, ultimately, change (Langley et al. 2013, 10). Thus, a deductive mode of reasoning was chosen in original article II to theorise based on institutional and co-evolution theories and deduce action events that generated new policy. In original article II, secondary data were collected to build a logical sequence of events in terms of both the inspected suspected money laundering case and its policy consequences. Additionally, an interview was conducted with the Finnish Ministry of Defence to validate the findings from the prior secondary data analysis. The interview was held on 12th May 2020, and its duration was 17 min and 58 s.

In the original article III, which is a qualitative exploratory study, five informants were interviewed based on pre-determined selection criteria. These informants were interviewed based on a fictional but plausible case of money laundering, which the informants were asked to evaluate. The interviews were held during December 2022 and January 2023. Following the recommended snowball technique in sampling (cf. Parker et al. 2019), additional informants were recommended by original informants, and out of the recommended persons, suitable ones were chosen based on the initial selection criteria. Some informants withdrew their participation due to the sensitive nature of the research topic. Based on an analysis of collected empirical data and existing theory, we suggested a new theoretical construct, namely the *regulation paradox*, for future research. This construct was generated to help explain why

money laundering occurs more frequently in some parts of the world than in others. Furthermore, the aim was to suggest alternative means to laws and regulations to mitigate international money laundering and consider the ethics perspective.

In this qualitative exploratory research, adopting an *in vivo* approach enabled extending existing theory based on empirical findings and, consequently, suggesting new theoretical concepts (cf. Andersen & Kragh 2011, 151). Thus, the *in vivo* approach provided a more flexible alternative to theorising from a qualitative study compared to the purely inductive approach (cf. Corley & Gioia 2004). Dubois and Gadde (2014, 1277) called such non-positivist and dynamic research a *systematic combination*. According to this approach, interesting observations that stemmed from the empirical data collection could be utilised and linked with the theoretical foundations that enabled further theorising.

4.2.2 Data collection

The process of data collection differed among the three original articles included in this thesis. Each original article relied on a different qualitative dataset. The datasets for this thesis were collected during 2020–2023. A summary of the articles, including a description of the data sources, is illustrated in Table 1.

Table 1. Summary of the articles.

Research questions of the articles	Theoretical lenses	Methodological approaches	Data and data analysis	Key contributions
I: How has existing research addressed money laundering as an IB phenomenon?	5Cs (concept, characteristics, causes, consequences, controls) of money laundering	Systematic literature review	57 existing studies including academic publications and specialist reports	An integrated view on money laundering and an agenda for future research
II: How do new anti-money laundering policies emerge over time?	Institutional logic, institutional entrepreneurship and co-evolution theory	Qualitative single case study	Archival data (60 news articles and institutional documents) in addition to one interview	Construction of <i>emerging international compliance</i> for effective policymaking
III: How microsocial contracts shape individuals' perceptions of unethical practices and involvement in money laundering when remitting funds to developing countries?	Integrative social contracts theory	Qualitative exploratory study	Archival data (23 pieces of news) and five interviews based on a vignette developed after analysis of archival data	Emphasis on culture-specific values and their influence on legitimisation of money laundering

In the systematic literature review, studies related to international money laundering were searched from the databases of Web of Science and EBSCO. A timeline for publications between 2000 and 2020 was set. To ensure a proper and comprehensive sample, we investigated the lists of references of the distinguished studies and found additional articles that appeared relevant and were included in the final sample. Adding more articles since the start of the literature review process was also recommended by Saunders and Rojon (2011, 160).

The prevention of international money laundering is of interest to intergovernmental bodies that promote international cooperation. Thus, we also included reports on the phenomenon drawn by the European Commission, FATF, Transparency International and UNODC in the sample of our systematic literature review. This was considered an act to improve the credibility of the analysis and consequent findings, as such specialist information complemented data that we were able to analyse from academic sources (cf. e.g. Mahood et al. 2013, 221).

In terms of original article II, data collection started with the analysis of news articles that provided insights into the sequence of events related to a suspected money laundering case of a Finnish company Airiston Helmi. To grasp the events related to policymaking that took place simultaneously with the recognised critical events (for details on critical incident technique, cf. Flanagan 1954), institutional documents related to government proposal 253/2018 were analysed. As a result of inspecting the two parallel processes, it was possible to determine how new policies emerge over time.

In addition to archival data sources, an interview was conducted with the Ministry of Defence in Finland. The interview guide is presented in Appendix I. This was deemed necessary to confirm the findings that arose from the archival data analysis (Yang et al. 2006, 603). We also requested that other relevant authorities participate in the interviews. However, as the topic of money laundering is rather sensitive and ongoing criminal investigations related to the company Airiston Helmi took place at the time of the research, additional informants were reluctant to participate. Thus, we employed an alternative way to collect archival data and sought validation by conducting one interview (recommended by Nielsen et al. 2020, 1494) with an expert from the relevant authority responsible for policymaking inspected in our case.

For original article III, the process of data collection involved two phases. First, we searched relevant archival data sources to analyse the cultural setting and use of remittance services in South Asian countries. Based on the knowledge generated from archival data sources, we constructed a vignette describing a plausible money laundering scenario through remittance services. Constructing a vignette may be useful in ethics research where sensitive topics are in focus (Miyazaki & Taylor 2008, 784). In the second phase of data collection, five informants were interviewed

based on the vignette, and their thoughts on plausible money laundering were inquired. For the vignette and interview guide, please refer to Appendix II.

Before the actual primary data collection, more than five informants agreed to participate in the interviews, but some withdrew after receiving more details about the purpose and sensitive nature of the study. However, we categorised and analysed the data based on three layers representing 1) experiences of individuals who send legitimate money through remittances to their home country, 2) interactions of general society in South Asian countries and their families that may initiate unethical business practices due to clashes between culture-bound values and generally accepted moral norms that are present in the general society and 3) reflections of worldviews of specific culture and society and how they influence perceptions about money laundering. Due to this data categorisation, the link between the layers of money laundering through remittances and the utilisation of the theoretical framework of causal-layered analysis provides valuable insights.

4.2.3 Data analysis

Qualitative content analysis was used as a data analysis technique in each of the original articles included in this thesis. While conducting qualitative content analysis, a categorisation is created with the aim of recognising patterns from the collected textual data. Based on the categorisation and analysis of the data, the most important and interesting findings are summarised (Gaur & Kumar 2018, 281). The process of content analysis often includes phases of identifying the research question, choosing the texts to be analysed (e.g. archival data in the form of institutional documents or news articles or empirical data in the form of interview transcripts), specifying the objects at the centre of analysis, determining coding categories, collecting the data and assessing the trustworthiness of the study (Insch et al. 1997, 8). The chronological order of these phases may vary. In the original articles included in this thesis, the categories as the foundation for data analysis were refined in an iterative manner (Ryan & Bernard 2000, 783). In addition to employing qualitative content analysis in data analysis, different analytical processes and frameworks were utilised in each original article to produce valuable theoretical and empirical insights. Next, coding schemes and more specific approaches to each article and their data analysis processes are presented.

In original article I, existing articles were categorised based on the key findings they provided in terms of the concept, causes, consequences and controls of money laundering. Additionally, the context, contributions, employed theoretical lenses and identified future research areas of the studies included in the sample were mapped out. As the idea of systematic literature reviews is to analyse and arrange existing knowledge (Gaur & Kumar 2018, 287), drawing valuable conclusions from extant

research required an integrated view to summarise the findings. Here, we used the 5Cs framework to analyse money laundering as a transnational business phenomenon.

In original article II, critical incidents were identified in relation to the processes of criminal investigations of Airiston Helmi's operations and policymaking related to property ownership by foreigners in Finland. These events and their interactions were deduced to theorise (Cloutier & Langley 2020, 13) on emerging international compliance. This facilitated an analysis of the co-evolution of suspected money laundering and emerging policies that enable more effective mitigation of plausible money laundering. The strategy of qualitative content analysis helped distinguish the most critical incidents and their effects based on the archival data sources. After this, a content analysis of the interview with the Ministry of Defence enabled us to confirm our findings from the archival data analysis and propose the theoretical construct of emerging international compliance to conclude the study.

In original article III, archival data were analysed and categorised based on the present levels of causal-layered analysis and their main findings. Causal-layered analysis was used as a tool to unravel the factors that influence tolerance and possible engagement in money laundering on an abstract level. More about causal-layered analysis and its role in our data analysis can be seen in original article III. Following the analysis of archival data, a vignette on plausible money laundering was created, and empirical data collection was conducted. The interview transcripts were analysed based on levels of causal-layered analysis, and consequently, themes for inspecting microsocial contracts (that were the focus of this study) were distinguished.

The qualitative content analysis of different forms of data formed a connection between the theoretical background of the study and its findings. Finally, we could draw conclusions and justify the proposal of a theoretical construct of the regulation paradox for the future research. The aim of this study was to reflect from a Western perspective and on an abstract level how South Asian values and norms may differ from Western ones and how the clash between culture-specific values and generally accepted moral norms may cause an ethical dilemma justifying or motivating engagement in plausible money laundering. The intention of this study was not to claim what is right or wrong but rather to highlight the differences between values and expectations that different cultures possess.

4.3 Trustworthiness

In terms of qualitative research, it is important to consider and report the trustworthiness of the study (Creswell & Miller 2000, 124). As the paradigmatic assumptions against the background of the research influence the style of reporting

trustworthiness, it is worth clarifying that this dissertation relies on a postpositivist perspective. Critical realism as a mode of reasoning is in line with the use of postpositivism as a paradigmatic stance (cf. Lincoln et al. 2018, 110). Considering the chosen perspectives, describing the processes of data collection and analysis in a transparent manner is essential (Creswell & Miller 2000, 126). According to Lincoln and Guba (1986, 77), the following criteria for evaluating the trustworthiness of qualitative research can be identified: *credibility*, *transferability*, *dependability* and *confirmability*. Next, the trustworthiness of this dissertation is assessed through the lenses of the four criteria, one by one.

To ensure *credibility* of the research, techniques such as prolonged engagement and observation, triangulation, peer debriefing and member checking were utilised. As an author of this dissertation, I have been interested in the research topic since 2016 and have worked in the field during the research process. Thus, my knowledge of the phenomenon increased during the dissertation project. This helped me recognise interesting and relevant aspects related to the studied phenomenon and avoid some possible obstacles and sources of error. Furthermore, my work experience in the Tax Administration, banks and, currently, in the Financial Supervisory Authority allowed interpretation of the data and inspection of the research phenomenon from multiple perspectives, including individual, organisational and regulatory levels.

In terms of triangulation, multiple sources of data, methods, researchers and theoretical lenses (Patton 1999, 1193) were utilised to generate the findings and conclusions of this dissertation. Original articles included in the dissertation underwent journal peer-review processes before publication. During these processes, the reviewers of chosen academic journals provided valuable feedback that enabled the development of the manuscripts and helped the research teams improve and confirm the findings (cf. Spall 1998, 280). Member checking was actualised in the context of informant interviews. In two of the original articles included in this dissertation (namely articles II and III), an expert interview [using Bogner et al.'s (2009) method] and interviews based on a fictional scenario [using Miyazaki and Taylor's (2008) method] were conducted. After conducting these interviews, the informants were asked to validate the main points related to the interview transcriptions (Birt et al. 2016, 1803).

To consider *transferability*, thick descriptions (cf. Lincoln & Guba 1986, 77) were produced. As contemplating the influence of the context on the outcomes of the study is important in qualitative research (Geertz 1973, 17), narratives were utilised in describing the context. Narratives allow the reader to evaluate the circumstances of the research (Lincoln & Guba 1986, 77) and enable the researcher to draw conclusions based on well-described findings (Pepper & Wildy 2009, 19).

According to Lincoln and Guba (1985, 219), the criterion of *dependability* helps in evaluating how reliable the research is. To ensure dependability, this dissertation was conducted in a consistent manner, and the research process was reported and documented in a detailed and transparent manner. By doing so, evidence for a clear audit trail was provided (Creswell & Miller 2000, 126). Consequently, by following the same data collection and analysis methods, it is possible to arrive at similar conclusions and evaluate the honesty of researchers in their conduct of research (Pratt et al. 2020, 2). *Conformability* refers to the objectivity of the research (Lincoln & Guba 1985, 219). To assess the intersubjectivity of research, the phases of data collection and analysis need to be investigated (Eberle 2014, 190). To consider the aforementioned evaluation criterion, the original articles included in this dissertation were produced in cooperation with different research teams involving multiple members. Together, the teams arrived at similar conclusions and judgements related to the studied phenomenon (Lincoln & Guba 1985, 292).

By considering the aforementioned elements, the aim was to conduct trustworthy qualitative research that is applicable to other contexts alike (Bingham 2023, 1). As meticulous and trustworthy qualitative research is often flexible in nature (Miles & Huberman 2020, 56), the research process was attempted to be articulated in a clear and transparent manner. Next, the ethical considerations related to this study are introduced.

4.4 Ethical considerations

Ensuring the ethical conduct of research and following relevant ethical guidelines is essential for research within any field (Arifin 2018, 30). In an ethically conducted study, careful attention is paid to consent, recruitment of informants, research procedures and transparent reporting (Connelly 2014, 54–55). This dissertation follows the ethical principles and guidelines for responsible conduct of research set by the Finnish National Board of Research Integrity (TENK 2012). Regarding original articles that included collecting empirical data through interviews, informed consent was requested from the interview informants. Participation of the informants was based on an informed and voluntary decision (cf. Israel & Hay 2006, 75). The informants were informed about the purpose of the study, data collection, data management and confidentiality. The informants could withdraw from the study at any point in time without any harmful consequences. Furthermore, a privacy notice was compiled, and the EU General Data Protection Regulation (EU 2016) was followed. Personal information about the informants was dealt with confidentially to minimise the harm.

As the research topic of this dissertation is sensitive, archival sources and secondary data were collected for the original articles (recommended by Cowton

1998; Nicholson & Bennet 2009). In terms of original article III, it was necessary to apply for an ethical pre-evaluation from the Ethics Committee for Human Sciences at the University of Turku. The Humanities and Social Sciences Division issued a supportive ethical review statement for this article. Applying for the review ensured that the planned procedures for informant recruitment, consent, data collection and management were deemed as appropriate from the ethics perspective.

As the purpose of original article III was to determine how microsocial and macrosocial contracts influence perceptions about money laundering, the risks towards interview participants and researchers were asked to be assessed by the Ethics Committee. Additionally, primary concerns regarding ethical issues were related to management of personal data of informants. This information was dealt with only on a general level. For instance, when talking about the country of origin or ethnic background of the informants, it was stated that X number of persons originated from a specific region. To avoid causing harm to the research participants, specific personal information concerning the individual participants was not revealed. In the recruitment phase, possible informants were given a detailed information sheet which explained the purpose and methods of the research. The research informants were also asked to fill out an informed consent form before agreeing to participate in the study.

In relation to data management, the empirical data were pseudonymised to safeguard the identities of the individual participants. The overall datasets and analysis results were stored and managed within the platforms of the University of Turku. Interview transcripts and audio recordings will be stored for a year after the final publication of the research articles, after which the data will be discarded as per GDPR guidelines. In terms of original article III, the data were collected in relation to widely available channels of remittances (both formal and informal). Thus, the study does not pose a threat to the informants being identified. As an additional precaution, the identities of the informants were not revealed in reporting the findings of the study.

In this dissertation, every effort was made to ensure that the research process was rigorous and that the findings were trustworthy. In doing so, the flexible nature of qualitative research was noted simultaneously with its capabilities in extending theory based on data. Furthermore, attention was paid to iterating relevant research questions in conjunction with collecting and categorising data in a systematic manner to produce valuable and interesting findings (Bingham 2023, 1).

5 Findings

5.1 How is money laundering addressed as an IB phenomenon?

The topic of money laundering has not been extensively studied earlier by IB scholars. Thus, conducting a systematic literature review on money laundering as a multidisciplinary business phenomenon was useful. This helped in understanding the state-of-the-art and gathering interdisciplinary and largely fragmented knowledge (Snyder 2019, 333).

In earlier research, the concept of money laundering was addressed in versatile manners. The most popular definition for money laundering was a process explanation including the phases of placement, layering and integration (for details regarding the process explanation, cf. UNODC 2018). From an IB perspective, utilising the process approach is important, as IB actors may be deployed in any of the three stages. Furthermore, cross-border transactions and arrangements are often used to legitimise black money and make it difficult for authorities to trace the origin of funds. Consequently, IB actors face risks related to money laundering and play an important role in mitigating money laundering. They may either seek to promote compliant operating principles across country borders to prevent money laundering or take advantage of institutional voids to reduce their costs by residing in countries with lower levels of anti-money laundering standards and regulation. Thus, actors within the field of IB may act as *institutional entrepreneurs* who ultimately adjust *institutional logics* towards effective anti-money laundering or tolerance for unethical business practices in host countries.

Regarding the characteristics of money laundering, studying the nature and channels utilised in money laundering processes are deemed crucial. Earlier research highlighted the necessity of disguising the origin of funds as the reason for laundering. In addition, the illegal nature of money laundering as a process was highlighted. This indicates that criminals are often the ones generating the need for laundering. To prevent money laundering, legislation ought to make it unremunerative to engage in criminal activities (Arnone & Borlini 2010, 226). From the legislative perspective, it is thus important to be proactive, be up to date and regulate sectors that provide possibilities for international money laundering.

Consequently, international compliance ought to *emerge* because of the co-evolution of money laundering techniques and anti-money laundering policies. As countries decide their own approaches towards mitigating money laundering and terrorist financing (FATF 2023b), considering the geographic features and sharing information related to country-specific risks help increase understanding about the phenomenon within the IB field. Consequently, assessing and mitigating risks may become more effective from the perspective of IB actors. Policymakers, in contrast, are responsible for enacting effective anti-money laundering policies and should thus follow the co-evolution of international money laundering practices and local policies.

To mitigate money laundering, it is important to inspect why it exists in the first place (Hülse 2007, 155). According to the literature, the causes of money laundering can be divided into individual, country-specific and global perspectives. Individual-level causes stem from professional help or unintentional assistance to launder money, power, perceptions about ethics and one's tendency towards engaging in unethical or illegal business practices. To mitigate money laundering, Gilmour (2023, 38) suggested that more attention be paid to the *motives* of actors involved in money laundering. From a country-level perspective, the availability of resources, political will and knowledge to mitigate money laundering is vital. The prevalence of crime and tolerance for unethical behaviours may allow launderers to enter countries with weak institutional environments. In addition to global standards for acceptable behaviour, sociocultural background assumptions, microsocial contracts and moral norms influence perceptions about money laundering (cf. original article III). When multiple sets of culture-specific microsocial contracts are considered, clashes between generally accepted behaviours and unethical behaviours may emerge. As expectations about acceptable behaviours differ between cultural contexts, some behaviours may be justified and interpreted differently in different cultures (cf. original article III). A *regulation paradox* emerges when deeper meanings and values (microsocial contracts) may justify behaviours that are deemed unethical from the viewpoint of a wider society and moral norms (macrosocial contracts). As international arrangements, networks and new technologies provide a favourable setting for criminals to operate anonymously, rapid cross-border transactions, heterogeneous legal practices and lack of transparency create challenges for the detection and prosecution of international money laundering (Lod & Kostruba 2023, 41).

In terms of the consequences of money laundering, political, economic, social, security-based and anti-money laundering-related aspects ought to be considered. As seen from original article II, suspected cases of money laundering may end up altering legislation in other fields than just directly anti-money laundering-related laws. From a political perspective, money laundering may enable continuity of

operations for corrupt government regimes. Tolerating money laundering may also reflect diplomatic relations among countries and deteriorate the level of democracy. From an economic perspective, countries with deficiencies in their approaches to combat money laundering may increase the risks in the eyes of prospective investors and thus influence inflowing investments. On further notice, being grey or blacklisted may increase transaction costs and eventually cause capital flight (Ofoeda et al. 2022, 4).

Regarding the social consequences of money laundering, countries with high levels of crime tend to face reputational harm. Tolerance of unethical or even illegal business activities decreases trust and accountability in the eyes of IB actors and foreign investors. For the citizens of a specific country, local money laundering, which guarantees continuity of operations for criminals, deteriorates the level of well-being. This happens, for example, due to the distorted amount of tax income which could have been used for financing public services. Money laundering often has an effect in the form of increasing the level of crime and thus indirectly deteriorating the level of national security. To block or alleviate the aforementioned consequences, financial intelligence units have been established to investigate and prosecute plausible money laundering. Furthermore, policies may be adjusted because of suspected money laundering cases to counteract harmful activities by criminals in the future (regarding legislation-based consequences, cf. original article II). International cooperation is also required, as the phenomenon is often complex and international by nature.

Money laundering is a complex problem that cannot be solved but can be alleviated. Money laundering may also necessitate organisational wrongdoing, which leads to a *grey area* (Gabbionetta et al. 2023, 4). To mitigate the harmful phenomenon, controls related to education and training, global cooperation, power, politics, supervision and reporting, in addition to technology use, were deemed important based on earlier research. For instance, educating employees in international companies raises awareness about the phenomenon and enables the detection and reporting of suspicious behaviours. Sharing experiences between countries is also useful in developing effective ways to mitigate money laundering. International cooperation in terms of information exchange and closing gaps in the laws that remain due to heterogeneous legislative practices across countries is important. However, adopting internationally recognised best practices in addition to considering country-specific risk factors may be more effective than coercion-based policy implementation (Mugarura 2011, 65).

In terms of politics, establishing a strong sense of ethics is important. As cultural values, norms and worldviews impact perceptions about money laundering, definitions of money laundering may vary across national and cultural contexts. Having a strong institutional environment allows for more effective

controls for money laundering. For instance, a strong culture of compliance and transparency advances productive anti-money laundering schemes. From a regulatory perspective, both proactive and reactive supervisory activities are necessary. On the one hand, it is essential to ensure that IB actors and obliged entities adopt and improve their risk-based procedures and effective anti-money laundering measures over time. On the other hand, reactive investigations conducted, for example, by financial intelligence units, are vital in terms of detecting actual money laundering cases. The development of new technologies may enable more effective detection of suspicious transactions and thus reporting them (Kurum 2023, 778) to financial intelligence units.

Based on the findings of original article I, we encouraged IB scholars to study the phenomenon of international money laundering from the viewpoint of the 5Cs framework. Namely, we inspected the *concept, characteristics, causes, consequences* and *controls* of international money laundering. Original article I focused on studies published between 2000 and 2020. After the aforementioned period, several studies related to international money laundering have been published. However, most of these studies focused on either country-specific anti-money laundering practices (e.g. Menon 2023; Teichmann & Wittmann 2023), emerging channels such as virtual currencies and artificial intelligence utilised for money laundering and its mitigation or legislative aspects (e.g. Hossain 2023; Schmidt 2022, Yang et al. 2023). Since 2020, the causes and controls of money laundering have been studied more extensively than the concept, characteristics or consequences of money laundering. Thus, inspecting money laundering as a transnational business phenomenon from the 5Cs perspective has been valuable and certain novel insights have been produced.

To broaden our understanding of the phenomenon of money laundering within the field of IB, we proposed 21 future research questions based on existing literature in original article I. Additionally, we encouraged IB scholars to utilise institutional approaches as well as network theory to study the phenomenon in the future. Using the aforementioned research questions, theoretical approaches and the 5Cs approach, companies and scholars may come up with more effective ways to detect, assess and mitigate risks related to international money laundering in the scope of their own IB operations. As the financial sector is rather strictly regulated across international borders, actors with unethical or illegal intentions might move to less regulated sectors (Teichmann et al. 2023, 5). Thus, it becomes exceedingly important to study how IB actors and MNCs can recognise and, consequently, mitigate risks related to money laundering within their own lines of business and international activities.

5.2 How do anti-money laundering policies emerge over time?

As funds acquired by unfair or illegal means tend to move from jurisdictions with deficient policies, it is important to pay attention to regulation as a means to mitigate international money laundering (Ghulam & Szalay 2023, 5). Thus, in original article II, we studied how anti-money laundering policies emerge over time. In this single case study, a suspected case of money laundering in Finland was inspected simultaneously with the policy consequences it had. Note that money laundering may reflect policymaking beyond the field of anti-money laundering and related policies. For instance, in our case, the events of suspected money laundering impacted the enactment of new laws related to foreign property ownership. This is important to acknowledge, as IB actors are constantly subject to change that ultimately influences the course of their actions (Alshammari et al. 2016, 1). Changes in legislation may significantly influence future business activities and strategic decision-making of business actors. In contrast, a critical event such as a suspected case of international money laundering can have unanticipated consequences. This creates a *butterfly effect* (Lorenz 2000, 91–93). Thus, being aware of the outcomes of a certain decision (e.g. change in policy) towards the future behaviour of actors within a specific society enables effective decision-making (Mandl 2023, 35).

Based on original article II, we proposed a theoretical construct of emerging international compliance. According to this concept, unethical individual actions may evolve into patterns of behaviour that develop and shape informal institutions. Consequently, these behaviours may alter contextually embedded informal institutions in the respective cultural frameworks and ultimately affect formal institutions. The co-evolution of anti-money laundering policies and money laundering attempts over time may eventually result in explicit formal policies aiming to obstruct unethical behaviours and opportunities for criminals. Thus, the continuous development of both policies and criminals' behaviours becomes evident. Adopting a proactive approach towards establishing and implementing anti-money laundering laws by policymakers and regional bodies is important for reaching effective outcomes (Keesoony 2016, 133).

Understanding the role of regulation in tackling wicked problems is important. In this regard, inspecting the responsibilities of actors within both the public and private sectors is noteworthy as they contribute significantly to solving regulatory voids (Reinecke & Ansari 2016, 300). On the one hand, policymakers have a responsibility to enact laws when detrimental behaviours based on institutional voids emerge. This is illustrated through a case example in original article II. On the other hand, MNCs have the option to intervene, ignore or exploit institutional voids. Companies that act in a socially responsible manner tend to engage in compliance based on stricter moral obligations in an international context to appear legitimate

and maintain a good reputation. MNCs may act as advocates for internalised sets of values and promote moral reasoning in jurisdictions where conceptions about acceptable behaviours overlap with unethical business practices (Malik & Froese 2022, 684). However, some companies may consider doing the right thing as long as their actions remain legal, even if this means taking advantage of institutional voids and may involve unethical behaviours. Companies that become involved in unethical business practices may pursue higher profitability but tend to face damage that outweighs these gains (Cialdini et al. 2004, 67).

Furthermore, actual criminal organisations seek to take advantage of institutional voids and facilitate money laundering schemes that are challenging to detect (Reinecke & Ansari 2016, 300). Unethical behaviours by companies may shape local institutional logics. This may have detrimental effects on the local business environment when undesirable behaviours start to spread and become business as usual. If the business environment becomes infiltrated with unethical behaviours, it also influences local organisations in a harmful way (Benlahcene et al. 2022, 1). Based on the aforementioned, both companies (be they legitimate, unethical or criminal) and policymakers have a role in developing international compliance and policies related to money laundering. As a result of institutional entrepreneurship exhibited by these actors and their co-evolutionary interactions, institutions and the IB environment keep changing (Dieleman & Sachs 2008, 1295).

Dealing with complex policy problems that traverse IB requires understanding the evolutionary nature of the business environment and the problem itself (Raškovic 2023, 2). To alleviate wicked policy problems, systematic and profound discussions about the consequences of complex phenomena, such as money laundering, are required (Daviter 2019, 78). In the case of international money laundering, interactions among MNCs, society and governments are crucial. Intergovernmental organisations that are dedicated to taking action to counteract money laundering have an important role in promoting global standards that help mitigate the risks of money laundering. For instance, the FATF, as a part of its duties, assesses the effectiveness of the actions that its member countries take to mitigate money laundering (FATF 2023c). From another viewpoint, the United Nations has introduced sustainable development goals, which require action from all countries and call for international cooperation (United Nations 2023). The occurrence of international money laundering may deteriorate the chances of achieving sustainable development goal number eleven related to sustainable cities and communities. Social participation by civil society as well as political parties is important in terms of achieving sustainable development (Kerekes 2023, 395).

The aim of today's public policies is to manage political risks, establish competence, redistribute resources effectively and preserve approval for institutions and leadership. In summary, the main goal is to achieve legitimacy for decision-making

and leadership and actuate effectiveness (Head 2019, 187). In terms of anti-money laundering-related policies, the aim is to reduce criminality, increase taxable income and indirectly strengthen the level of national security. Due to its focus on MNCs, IB research may provide beneficial insights that shed light on motivations for the conduct of criminal as well as unethical business activities (Dörrenbächer & Michailova 2019, 114). This is important in terms of enabling the effective design and implementation of suitable anti-money laundering policies internationally. Considering the dynamics of parties and processes related to complex problems is valuable. As these influence the way policies are formed and maintained over time, policymakers need to pay attention to the aspects of temporality and stakeholder conflicts in addition to actual policy implementation and management of cross-level effects (Raškovic 2022, 355).

On the EU level, the compound for anti-money laundering consists of three main agencies: anti-money laundering supervisors, financial intelligence units and law enforcement. Supervisors are responsible for overseeing that obliged entities have effective mechanisms in place to assess the risks related to money laundering and comply with the requirements to mitigate money laundering. Financial intelligence units are responsible for detecting and investigating suspected cases of money laundering. Law enforcement institutions have the power to prosecute parties litigated from crime. Anti-money laundering policies are vital in terms of generating a common understanding of what is perceived as money laundering and how to investigate and oversee the implementation of effective frameworks to mitigate money laundering (Demetriades & Vassilieva 2020, 518).

As one example of the unintended consequences of international anti-money laundering policies, a phenomenon of *de-risking* has started to take place. This refers to instances where IB organisations have started to limit their exposure to risks by undertaking categorical risk mitigation measures rather than evaluating specific cases one by one. This, in the case of an international organisation, could lean, for instance, to withdrawing from operations in countries that are recognised to have deficient measures to combat money laundering. Instead of evaluating the risk exposure related to specific projects and their alignment with the risk appetite of the organisation, a decision may be made to cease operation in these countries in any case (Ramachandran et al. 2018, 238). Another drawback originating from a strict regulation is that criminals may shift their operations to jurisdictions and business sectors that are less regulated (Naheem 2020, 29). From this perspective, it becomes important to inspect moral norms, local culture-specific values and customs and how they influence perceptions about money laundering. In addition to the policy perspective, to complete the discussion on how to mitigate money laundering effectively, a closer look from an ethics perspective is required. Thus, the focus of original article III and the next subchapter is on inspecting the problem of international money laundering through the lenses of moral norms and microsocial contracts.

5.3 How do culture-bound social contracts affect occurrence and mitigation of money laundering?

Paying attention to formal institutions and policies in the mitigation of international money laundering is evidently important, as money laundering is initiated by the conduct of criminal activities. Additionally, it is crucial to regard the informal institutional aspect and consider employing an ethics perspective to inspect the problem of international money laundering. Perceptions of money laundering may differ across cultural contexts. Influencing the way individuals perceive and consequently justify money laundering in certain cultures may require a paradigm shift and a broadening of individuals' worldviews. Namely, crime is more likely to take place in environments where locally accepted social norms override regulatory forces (Cohen 2020). Changing the way people think and behave based on a specific culture is a challenging and time-consuming task. This, however, is important because, to achieve a structural change, a balance between informal institutionalised patterns of behaviour and formal institutional change is required (Carey et al. 2018, 1169).

Policies and legal frameworks are often highlighted as the most effective tools to mitigate money laundering (cf. e.g., Gaspareniene et al. 2022, 158). However, the informal aspect related to values, beliefs, worldviews and culture-specific social contracts is often underacknowledged in money laundering-related research. Informal institutions are significant in terms of tackling wicked problems that are international by nature, as they determine how mitigative measures are implemented. Often, jurisdictions that lack sufficient formal policies are governed based on informal institutions. Thus, policy responses related to alleviating wicked problems may sometimes be ineffective (Oliveira et al. 2021, 1982).

IB research has mostly focused on legitimate business operations and activities that take place within the scope of formal laws and regulations. As there simultaneously exists a notable international economy that comprises criminal transactions and unethical business conduct that cannot totally be separated from the legitimate one (Enderwick 2019, 119), original article III focuses on the overlaps of unethical and legal business activities in the context of money laundering in developing countries. As noted by Enderwick (2019, 119), in addition to cross-border criminal organisations, legitimate MNCs may engage or become involved in illegal behaviours such as transfer pricing, tax evasion and money laundering. This can also be said in terms of unethical behaviours.

In original article III, the aim was to investigate how microsocial contracts create an understanding of international money laundering when remitting funds to developing countries. The article focused on legitimate actors who are not involved in money laundering but may face unethical patterns of behaviours based on the

cultural context and the microsocial contracts in which they are vested. This article focused on microsocial contracts that pervade in developing countries and are juxtaposed to microsocial contracts present in North Europe. As the team of authors consisted of members from both cultural contexts, it was interesting to investigate the competing interests and motivations that affected how people perceive money laundering and may justify engagement in such activities.

Based on the findings from original article III, values such as altruism may drive individuals towards tolerating plausible money laundering. Informants who participated in the study were presented with a fictional scenario of plausible money laundering via foreign remittances and asked to interpret the events and their ethicality. Based on the interviews, unethical conduct (e.g. tax evasion) may be justified in certain cultures in favour of helping others and sending money to family from abroad. Since microsocial contracts vary between cultural contexts, persons who remit funds from their country of residence to their country of origin may become dubious about which set of values they should conform to. Thus, conflicts between microsocial contracts in origin and target cultural institutions create a grey area where it becomes unclear whether certain behaviours should be considered ethical or unethical.

Remittances sent by emigrants are commonly received by family members in developing countries. Moral norms may become overridden by microsocial and culture-bound contracts in countries where weaker formal institutions exist. Confrontation between microsocial contracts and moral norms creates an ethical dilemma according to which certain behaviours may be tolerated in one jurisdiction but not in another. For example, remittances from developed countries to developing ones are often motivated by altruism and moral obligations to help others and those in need (Connell & Brown 2019, 595). As a finding from original article III, conflicting sets of microsocial norms may expose individuals to behave in ways that comprise moral norms related to ethical conduct. For instance, if helping others is accepted at any cost, socially accepted moral norms may be disregarded. Thus, the risk of unethical behaviours increases and the possibility of passing formal regulations becomes actual. As a practical example, an emigrant who is employed in a developed country may avoid paying taxes of one's salary to be able to send as much money as possible to their family living in a developing country from the income they generated abroad.

This is interesting from an IB perspective because effective corporate governance may help mitigate risks (Kassem 2022, 1524) that stem from divergent microsocial contracts across the international operating environments that MNCs face. As a result of the empirical analysis in original article III, a concept of the *regulation paradox* is proposed for future research. Even if moral norms oblige certain kinds of behaviours, locally embedded and culture-bound microsocial

contracts may override these norms, causing engagement or tolerance towards unethical business practices. For example, the goal of altruistic actions may override social unacceptability for unethical business activities such as money laundering or tax evasion. As Aguilera and Groggaard (2019, 32) suggested, IB scholars ought to pay more attention to change and the drivers behind certain behaviours. To mitigate money laundering effectively, change in informal institutions, as well as formal ones, is indeed needed. Adjusting or enacting new formal laws may first require change in informal institutions that influence our patterns of thinking and behaving. Thus, the informal aspect influencing motivations and causing engagement in international money laundering is important in terms of outlining and implementing effective anti-money laundering mechanisms within the field of IB.

From the viewpoint of business ethics, the discussion on moral norms can be associated with supranational institutions, such as macrosocial contracts, that co-exist with country-specific institutions, such as microsocial contracts. Supranational institutions may influence the behaviour of actors who intervene in multiple countries or cultural contexts. Supranational institutions transpire either through macrosocial contracts (generally accepted behaviours) or microsocial contracts (norms shared in a specific community). In conclusion, supranational institutions may either augment or contradict country-specific institutions (Hartmann et al. 2022, 1291–1292), causing a need for ethical judgement of certain behaviours and ethical decision-making.

5.4 Synthesis of the findings

To summarise the findings of this dissertation, Figure 9 demonstrates the factors that ought to be considered when pursuing effective mitigation of money laundering in IB. First, to mitigate complex problems such as international money laundering, it is vital to understand the nature of the research phenomenon. As the environments in which individuals, MNCs and policymakers operate are becoming increasingly complex, academics and practitioners need to advance their ability to navigate these problems by adopting a vision for future (Lehtonen et al. 2022). Thus, it is important to keep in mind that money laundering is not a stagnant phenomenon. In contrast, it keeps evolving simultaneously with the changes in formal policies and expectations prevalent in different business environments (cf. original article II).

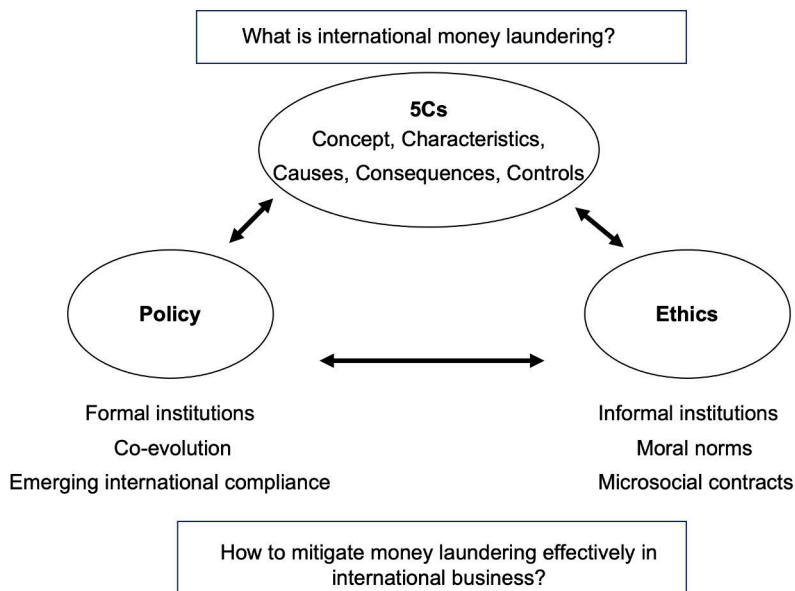


Figure 9. Synthesis of the findings.

To answer the necessary question about the nature of money laundering, a framework of 5Cs was adopted in original article I. Inspecting the concept, characteristics, causes, consequences and controls of money laundering in the context of IB and based on existing literature was helpful in grasping how the phenomenon has been addressed previously. After this, it was possible to contemplate how the phenomenon could be approached more holistically to produce valuable insights for future mitigation of international money laundering.

One significant component in terms of mitigating money laundering is formal policy. However, sometimes, change in informal institutions must take place before possibilities for the successful introduction or implementation of new laws emerge. Approaching the problem of international money laundering from the perspective of ethics is eminent, as informal institutions have a strong influence on formal institutions and human behaviours (Aguilera & Groggaard 2019, 32). Due to this, original article III focused on moral norms and their conjunctions with microsocial contracts that have their roots in culture-specific worldviews, values and beliefs. This is particularly important in the context of IB, as institutional voids provide possibilities for MNCs to either seek legitimacy from a global perspective or take advantage of legislative loopholes and maintain divergent approaches to corporate social responsibility practices in different jurisdictions in which they operate (Doh et al. 2016, 311).

Based on the findings of original article III, culture-specific values drive individuals or MNCs towards behaviours that would not be generally accepted based on moral norms. However, unethical behaviours may initially be driven by motivations that are good for some and do harm for others. For instance, a person may end up avoiding taxes (which reduces the amount of government's tax income) to help one's family and send as much money back home as possible. Here, altruism may be based on unethical or ultimately criminal behaviour.

On the other hand, internationally divergent microsocial norms create and maintain institutional voids. As local customs become business as usual in the operating environment in question, behaviours that are in line with these customs may become justified, even if they were unethical. Informal institutions are influenced by elements such as religion, tradition, markets and family, and thus, they invoke repellent rules that guide how existing resources should be taken over in a specific community or society (Webb et al. 2020, 509). Some organisations or individuals may seek to take advantage of jurisdictions in which local circumstances allow the conduct of unethical business activities. For example, engagement in corruption is often considered a factor that reduces the legitimacy of the actor. From another viewpoint, in developing countries, corruption may be considered as business as usual, and lack of engagement in such practices by foreign actors may cause significant barriers to doing business with local parties. Eventually, such institutional voids and differences in culture-bound microsocial contracts may result in deterioration of economic activity due to a lack of trust or unethical conduct of business from the side of the foreign company willing to gain legitimacy in the eyes of local stakeholders at any cost (Webb et al. 2020, 509).

Ultimately, harmonisation of formal institutions is necessary to achieve international compliance and effective mitigation strategies related to international money laundering. From the policy perspective, formal laws are often deemed the most effective means to tackle criminal behaviour. In terms of money laundering, predicate offenses that precede the laundering process itself are within the scope of criminal laws that address organised crime and serious offences (Korejo et al. 2021, 726). Money laundering offences may be subject to those who receive, use, transform, extradite, transfer or hold possessions acquired by criminal activities to intentionally disguise the origin of criminal funds (moneylaundering.fi 2023). Because of the possibilities for intentional (criminal) as well as unintentional (unethical) involvement of various actors in money laundering, the establishment of a legal system ensuring that global financial systems would not be utilised for international money laundering purposes is a challenging task (Zeldin 1994). This is where the IB angle becomes important and can produce valuable insights.

New policies ought to emerge in countries where foreign institutional entrepreneurs with dissimilar worldviews enter with the aim of introducing harmful

(unethical or criminal) behaviours different from the ones recognised in these societies. Therefore, adjusting or enacting legislation is important, as the prevention of introducing new, harmful institutional logics does not encourage criminals to shift their operations in the future to countries where institutional voids are closed and possibilities for money laundering are obstructed. Emerging international compliance thus furthers the effective mitigation of money laundering on an international level.

Considering the importance of the international dimension and its consequences for effective mitigation, this dissertation sought to investigate international money laundering from the perspective of IB. In the next chapter, the conclusions of this dissertation are presented. First, managerial implications are introduced, then the focus shifts towards theoretical contribution and, finally, some future research areas related to international money laundering research are suggested.

6 Conclusions

6.1 Theoretical contribution

According to Buckley et al. (2017, 1052), IB scholars are encouraged to study phenomena which necessitate resolving big questions related to business as well as public policy challenges. Money laundering is an example of such a grand challenge that has significant consequences for societies; thus, it is an interesting topic to be studied from the perspective of IB. The theoretical contribution of this study is synthesised in Figure 10.

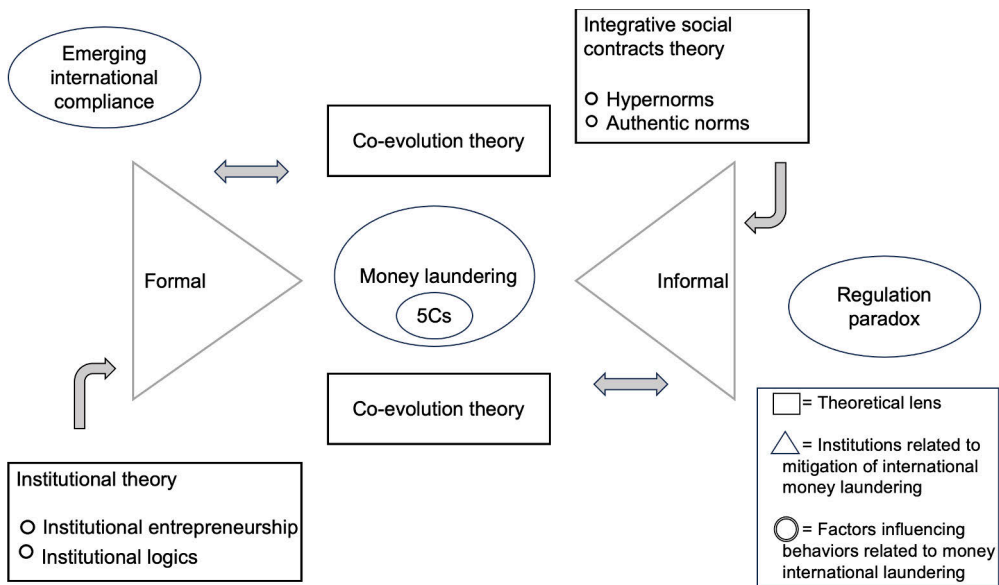


Figure 10. Theoretical contribution of the study.

On the one hand, based on institutional logics (cf. Thornton & Ocasio 2008), institutional entrepreneurship (cf. Greenwood et al. 2002) and co-evolution theory, the construct of *emerging international compliance* was proposed. This construct aids in inspecting the formal institutional aspects of the problem and extends institutional

theories by focusing on the relationships among internationally heterogeneous institutional practices, consequent behaviours and their policy consequences over time. On the other hand, employing integrative social contracts theory as a theoretical lens revealed a regulation paradox. This concept aims to grasp the informal institutional aspects that enable the phenomenon of interest and affect its mitigation. The regulation paradox emphasises the need to acknowledge contrasting value dimensions within cultures simultaneously with legislative measures in effectively mitigating international money laundering. This concept is suggested for future research. New theoretical constructs that were generated based on the findings and are suggested to be employed in future research are circled in blue.

To determine the problem of international money laundering, the theoretical contribution of this thesis includes a *5Cs framework*. This framework was suggested to be used by IB scholars when conducting money laundering-related research in the future. Alongside the 5Cs framework, 21 future research questions and two plausible theoretical lenses, namely institutional and network approached, were proposed for future research in original article I.

The 5Cs framework suggests studying the concept, characteristics, causes, consequences and controls of international money laundering. As comprehending wicked problems such as money laundering is often challenging due to their versatile manifestation depending on the culture, locale and social situations (Gras et al. 2020, 2), an integrated understanding of the phenomenon itself is necessary. Based on existing research, money laundering as an IB phenomenon has not been studied extensively before, and previous literature has been largely scattered across multiple disciplines. When the phenomenon can be studied more holistically via an integrated view, such as the 5Cs, it becomes more probable that the effects of international institutions, cultural differences and networks will be grasped while ultimately aiming to tame a wicked problem.

As the policy perspective is rather important when it comes to mitigating money laundering, the problem was inspected through the lens of formal institutions. Consequently, a theoretical construct of *emerging international compliance* was proposed in original article II. According to this theoretical construct, money laundering-related behaviours and policymaking evolve simultaneously, and thus, new policies and behaviours emerge from their reciprocal interactions.

Actors with worldviews that are based on dominant institutional logics in their home country may act as institutional entrepreneurs when entering foreign markets. It is up to the host country whether the new institutional logics introduced by foreign institutional entrepreneurs are accepted or not tolerated (Misangyi et al. 2008, 750). To respond to alternative institutional logics and consequent behaviour, host country policies may be adjusted in co-evolution with new introduced behaviours that may be perceived as unethical or interpreted as aiming to take advantage of institutional

voids. Ultimately, new and emerging international compliance helps block institutional voids and recognised loopholes in formal laws. Additionally, it diminishes opportunities for criminals who aim to shift their operations to countries with less stringent anti-money laundering policies. In addition to policymakers, MNCs have an important role in spreading the most compliant codes of conduct across the business environments in which they operate and where practices and requirements may differ from those in other jurisdictions.

In original article III, a moral norm's perspective was adopted. To consider the role of informal institutions in mitigating international money laundering, a *regulation paradox* as a theoretical construct was suggested for future research. This construct was developed based on findings from the empirical data analysis. As microsocial contracts are culture-bound, they may differ across jurisdictions (Donaldson & Dunfee 2022, 1857). When microsocial contracts override moral norms that are recognised on a general level, a moral dilemma may come into being. Consequently, behaviours that are recognised to be unethical may become justified based on deeper values and beliefs such as altruism (Connell & Brown 2019, 560). However, if the benefit of some is pursued at any cost, conducting unethical activities may outweigh the benefits that few consequently gain from society's perspective. The divergence between informal institutions across country and cultural borders may facilitate the conduct of unethical business practices. Thus, from an international perspective, change in informal institutions is necessary and is often required to take place preceding initiatives that ultimately relate to policy changes (Aguilera & Grogard 2019, 32). As IB research has focused on opportunities, governance and motivations for international (legitimate) transactions, it can produce valuable insights about the demand and supply aspects of unethical business activities and ultimately cross-border crime (Enderwick 2019, 121).

In terms of the effective mitigation of money laundering, formal institutions and policies are often highlighted. From an international perspective, it is important to acknowledge the relationships between formal and informal institutions and their variations across country borders. *What* this study aims to offer (cf. Whetten 1989, 494) is some novel ideas that can be utilised for future research in addition to proactive policymaking and the design of organisational controls for international money laundering. By acknowledging the heterogeneity of informal institutions across country borders and *how* their introduction to a geographical context with different institutional practices may necessitate the enactment of new laws to obstruct harmful behaviours, more effective policymaking may be reached. *Why* this is important is that international money laundering along with other phenomena has developed due to globalisation and may influence, for example, decision-making in relation to internationalisation. Understanding the evolution of IB phenomena (cf. Buckley 2002, 365), such as money laundering, is important to be able to avoid

involvement in unethical activities and consequent adverse outcomes. Furthermore, actors within IB have the power to either use institutional voids enabling unethical business practices, ignore recognised institutional voids or alleviate the problem by avoiding harmful behaviours (Sinkovics et al. 2015, 356–357).

This study can advance future research within the field of IB and encourage others to study the topic of international money laundering. From the academic perspective, studying the dark side of IB phenomena is important, as legitimate businesses may be exposed to money laundering risks and even exploited by criminal organisations (Enderwick 2019, 120). Additionally, this study could help in understanding and extending major IB theories. International money laundering can serve as an illustrative phenomenon to explain, for example, *transaction costs economy*. MNCs may choose to act as either non-opportunists or opportunists (Peng 2004, 104) in countries with weak formal institutions and strong informal institutional environments that facilitate corrupt practices, tax evasion or money laundering. Consequently, MNCs may choose to promote a strong sense of business ethics by not taking advantage of voids in formal institutions and by introducing socially responsible informal practices in these countries. In contrast, MNCs may seek to take advantage of institutional voids and introduce harmful institutional logic to these societies. Some MNCs are determined to comply with norms associated with universal business ethics (macrosocial contracts) in each of the jurisdictions in which they operate, while others do not (Vaaler & Bowie 2010, 269). To mitigate international money laundering more effectively, it is important to understand why this is the case and how businesses can overcome the regulation paradox related to internationally heterogeneous moral expectations.

In terms of *internationalisation* and *locational advantages*, some countries may provide a favourable environment for crime and unethical behaviours. This happens when the benefits generated by profits originating from criminal activities exceed the costs incurred by attempts to not get caught. Country-specific institutions as well as firm-specific institutions might influence the opportunities of MNCs. From another viewpoint, the values and behaviours of MNCs may influence the development of host country institutions over time (Dunning & Lundan 2008, 588). Understanding the consequences of being involved in unethical business activities in addition to the legitimacy of such operations is essential (Cooke et al. 2020, 28), and thus, studying the dark side of IB phenomena may enable extending existing IB theories.

6.2 Managerial and policy implications

Managing uncertainties is important for firms operating internationally from financial as well as strategic perspectives (Miller 1992, 311). Money laundering has harmful effects on nations, as it disrupts the economic efficiency and legitimation of

state activities. From a business viewpoint, white-collar crime, including money laundering, may discourage legitimate firms and foreign investors entering countries with tolerance for unethical business practices or crime. Finally, the occurrence of crime and unethical behaviours deteriorates the trust of private citizens towards the government and management of companies (Teichmann & Sergi 2018, 7–8). Effective treatment of risks is important from the perspective of individuals in firms and policymaking bodies. Ultimately, intergovernmental bodies such as the FATF, EBA and national supervisors dedicated to counteracting money laundering, evaluate how countries and supervised entities implement anti-money laundering strategies. To do so, they also need to have a holistic understanding of the phenomenon of money laundering and the risks it poses.

This thesis provides integrated insights into the phenomenon of money laundering within the field of IB. To legitimate MNCs that are exposed to money laundering risks, it may be beneficial to increase understanding about the wicked problem. In addition to intentional involvement in unethical business activities, MNCs may unintentionally become suppliers of illegal activities or be otherwise exploited by criminal organisations (Enderwick 2019, 120). Being exploited is more likely if companies are unable to detect or mitigate money laundering risks. Thus, having an understanding of the *concept, characteristics, causes, consequences* and *controls* of money laundering is important for MNCs and the individuals who are employed in them. Understanding the complex phenomenon also allows an effective mitigation of recognised risks and the design of suitable remediation procedures. This on a further notice may help MNCs evade the actualisation of money laundering risks and detrimental effects on the company's reputation and profitability.

Avoiding involvement in international money laundering scandals is particularly important for MNCs and financial institutions, as they are constantly evaluated by their clients on an international level. Negative publicity related to poor compliance with anti-money laundering standards and practices causes a loss of trust for companies in the eyes of their stakeholders (Basaran-Brooks 2022, 196). In the 23rd century, investors, customers, employees, suppliers and societies will expect the conduct of socially responsible business as well as commitment to environmental, social and governance issues by MNCs (Pollman 2021). In cases of suspected money laundering, the customers of such companies may vote with their feet and stop using the services or products of these companies. Negative publicity and involvement in unethical business activities may endanger the financial stability of an organisation, as many corporate clients may withdraw from cooperation with such companies. Negligence with anti-money laundering obligations may generate administrative sanctions on companies. However, the motivation for companies to comply with anti-money laundering policies and practices often stems from reputation management and profitability goals (Merz 2023).

As MNCs come across varying formal and informal institutions in the environments in which they operate, considering the differences and their effects is important. Depending on a country and the cultural context, formal laws and informal customs may be very different in the environments in which MNCs operate (Curtis et al. 2017, 103–104). Thus, acknowledging the role of business ethics is important in terms of spreading compliant anti-money laundering practices internationally. Based on this, MNCs may benefit from understanding microsocial contracts and present values that guide decision-making in host countries.

However, in cases where microsocial contracts and values in the host country conflict with their counterparts present in the home country, MNCs face a moral dilemma. In these cases, firms can either exploit institutional voids to maximise their profits or choose to act according to the most stringent anti-money laundering policies and avoid engagement in unethical business activities. According to Vissak and Vadi (2013, 15), organisational culture, in addition to societal factors, influence individuals' inclination towards unethical conduct of business. Also, managers impact the way organisational culture is formed, and thus, providing training and education to employees about the harms and risks of money laundering is important. For instance, by introducing ethical principles and codes of conduct, individuals working in MNCs can be guided towards non-tolerance or engagement in unethical business practices. Especially in international operations, it becomes essential to recognise moral dilemmas and conflicts between culture-bound microsocial contracts and generally accepted moral norms (e.g. introduced in company policies).

To counteract harmful institutional logics and behaviours (stemming from conflicting microsocial contracts and perceptions about unethical business activities), adopting a proactive approach towards blocking detrimental behaviours is important from the policymaking perspective. To achieve effective anti-money laundering from the perspective of formal institutions, new policies ought to *emerge* in co-evolution with new money laundering techniques and the introduction of unethical business practices. On a national level, detecting harmful institutional logics introduced by institutional entrepreneurs who seek to take advantage of institutional voids is vital. Cooperation between countries is necessary to achieve effective mitigation of money laundering internationally. For policymakers, the goal is to maximise social welfare. Thus, new policies have been introduced to suppress detrimental behaviours. Furthermore, national supervisors may increase the efficiency of regulation as they make concrete observations about supervised entities' implementation and compliance with anti-money laundering obligations (Pellegrina & Masciandaro 2009, 942). Supervisors can provide valuable insights based on observations that policymakers cannot directly make themselves.

Altogether, policymakers, national supervisors and MNCs play a role in mitigating money laundering. As the employees and managers in these instances are

individuals with culture-specific value bases and worldviews, their actions depend on the informal institutional environment in which they are exposed (Pellegrina & Masciandaro 2009, 942). As a result, changes in formal institutions and anti-money laundering regulations may require changes in informal institutions in the ways in which people think. Considering all these layers and dynamics between different parties involved in IB may provide more effective solutions to mitigating money laundering as it takes the international aspect into account. Money laundering does not take place in a vacuum; rather, it occurs in parallel with legitimate IB operations (Enderwick 2019, 119).

While considering the two paths of mitigation of international money laundering, it remains a relevant question whether the emphasis should be on preparative (policy-related) or preventative (implementation-related) activities. As illustrated in the case presented in original article II, new policies are needed as the techniques employed by money launderers constantly evolve. Thus, anti-money laundering-related legislation has not yet reached its saturation point. However, it is equally important to pay attention to how actors within the field of IB implement practices that comply with these policies, which can also be seen from original article III. This emphasises the roles of ethical decision-making and microsocial contracts as influencers towards effective mitigation of international money laundering. In relation to the latter aspect, it might be beneficial if MNCs were encouraged to report on their anti-money laundering compliance in a similar manner as they report about corporate social irresponsibility or corporate governance to their stakeholders.

The aim of this thesis was to uncover *how to mitigate money laundering in IB more effectively in the future*. This thesis can help shift the focus of MNCs as well as policymakers and international organisations dedicated to counteracting money laundering towards, for example, informal institutions and their significance against the background of the wicked problem of money laundering. If the motives and reasons for engagement in unethical business practices are understood, it becomes more probable that holistic mitigation strategies can be established and implemented. Recognising the causes and effects of the phenomenon becomes easier if the significance of culture-bound microsocial contracts and internationally heterogeneous practices is internalised. From an international viewpoint, having an integrated view on money laundering, enacting effective anti-money laundering policies and employing ethics as a frame of reference in IB are necessary for reaching effective mitigation of money laundering. Wicked problems such as money laundering cannot be eliminated but can be alleviated (Rittel & Webber 1973, 155). Effective alleviation of the problem would benefit all legitimate actors involved in IB.

To optimise the mitigation of money laundering on a national level, considering the international aspects could be emphasised more. At present, many countries have

national legislation to counter money laundering. However, it is the heterogeneity of legal expectations that may enable greater exposure to money laundering-related risks in certain countries. This may be due to looser legal expectations and a lower level of scrutiny. Thus, policymakers and supervisory authorities ought to consider the risks that internationally evolving phenomena, groups of actors and operations pose towards national operating environments. To reach the objective of a more coherent legislation and more effective practices for mitigating money laundering, IB research provides a fruitful arena. IB research may offer suggestions for IB actors on how to respond to wicked problems, such as money laundering (Buckley et al. 2017, 1052). It may also be helpful in highlighting the international nature of money laundering. Money laundering does not occur in a vacuum; rather, it is enabled by international networks.

As money laundering necessitates networks, business arrangements and complex transactions that may cross country borders, the exchange of information between obliged entities and authorities is vital. This enables the detection and mitigation of money laundering. In the future, the national exchange of information could be intensified to expedite the possibilities for encountering and suspending unusual transactions. Often, sharing information about unusual patterns of behaviour (phenomena) as well as actors may enable a more effective mitigation of money laundering. In Finland, a working group published a draft of a government proposal to improve the exchange of information in terms of national prevention of money laundering and terrorist financing in October 2023 (Ministry of Finance Finland 2023). This could improve the current situation in terms of information exchange on a national level.

In addition to policymakers and supervisors, MNCs and individuals also have a role in mitigating money laundering. Legitimate actors or individuals may become involved in money laundering due to a sheer lack of knowledge to detect suspicious transactions. Alternatively, companies may pursue maximal profits and seek to reduce internal costs by understaffing employees responsible for compliance and mitigation of money laundering. Furthermore, some actors may neglect ethical evaluations and end up conducting unethical business practices as long as they can be judged as legal. In the most extreme cases, money laundering is conducted by criminal organisations on purpose. In the latter-mentioned cases, criminals tend to persist with their illegal operations in any case. Therefore, this thesis aims to attract attention towards the first three scenarios as enablers of international money laundering. By acknowledging these factors, harmful customs and behaviours could be studied and mitigated more effectively.

To alleviate the problem stemming from legitimate actors' involvement in money laundering, politicians could highlight the importance of the topic and support educating individuals about the phenomenon nationally. Emphasising the

responsibilities that individuals and companies have in countering money laundering is important. Thus, considering anti-money laundering as part of a wider discussion on corporate social responsibility is important. Another way to attract business actors towards this important topic would be to encourage them to report on their anti-money laundering efforts as a part of their responsibility reporting and strategic objectives. Ultimately, being responsible may improve the actors' reputation in the eyes of their stakeholders.

6.3 Avenues for future research

This thesis highlights opportunities for future research to expand the knowledge on international money laundering within the field of IB. Based on original article I, where the existing money laundering literature was reviewed, 21 interesting research questions for future research were proposed. IB scholars were also encouraged to make theoretical contributions in terms of expanding the network approach and institutional approaches by studying the phenomenon of international money laundering through these theoretical lenses. According to Edmondson and McManus (2007, 1158), when the theory around a research phenomenon reaches maturity, testing existing theories, clarifying them and developing new hypotheses become possible. To date, the research on money laundering within the field of IB has been rather nascent, and thus, scholars are encouraged to use qualitative methods to study the topic. In the future, adopting quantitative or hybrid (mixed methods) approaches may prove fruitful in studying money laundering from the IB perspective.

As the proposal of theoretical constructs of emerging international compliance and regulation paradox relies on critical realism, other IB scholars should employ and test these theoretical constructs in practice. These constructs are not presented as universal truths but rather as explanations for the observed sequences of events. Applying these theoretical constructs in different cultural contexts could also help broaden our understanding of the formation of money laundering-related formal policies and microsocial contracts as factors influencing perceptions about unethical business activities. As a result, the theoretical constructs presented in this thesis could be further developed.

Furthermore, one interesting avenue for future research could be to study emotions related to unethical business practices and money laundering. As noted in original article III, individuals with different values, worldviews and emphasis on these elements may perceive certain behaviours differently. For example, what is considered business as usual in one country may not be interpreted as ethical behaviour in another country. MNCs and individuals who intervene in IB may face moral dilemmas when they come across contradicting norms for acceptable behaviour. Thus, studying *emotions* in the context of IB and plausible money

laundering could be interesting and provide valuable insights related to motivations at the background of unethical activities. For example, fear of failure related to internationalisation processes (cf. e.g. Dong 2022; Vahlne & Johanson 2020) might be an interesting angle for investigating MNCs' tolerance for unethical business practices prevalent in host countries. In addition, inspecting how leaders' emotional intelligence could encourage employees towards ethical behaviours (regarding emotional intelligence, cf. e.g., Saha et al. 2023) may provide useful findings for effective mitigation of money laundering in IB.

In today's world, there is an increasing number of aspirations towards considering responsibility issues. However, the responsibility-related field comprises numerous topics, some of which are covered in a more comprehensive manner than others. Thus, incorporating topics that are under-researched may produce a more comprehensive approach towards social responsibility from the perspectives of both academia and business actors (Sinkovics et al. 2019, 29–30). Money laundering is a good example of a less researched responsibility-related topic within the field of IB (please see original article I). From the perspective of business actors (both companies and individuals employed in these companies), it could be beneficial to inspect their compliance with international anti-money laundering and legitimacy from the four perspectives of legitimacy (cf. Deephouse et al. 2017, 44). This is also important, as the legal systems and informal institutions are examples of elements that influence the location choices of MNCs (Flores et al. 2013, 457).

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Appendices

Appendix 1. Interview guide, Finnish Ministry of Defence – Original article II.

[this Appendix is published only in the print-version of the dissertation]

Appendix 2. Interview guide – Original article III.

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