

Organisational Inhibitions to Addressing Occupational Fraud: A Theory of Differential Rationalisation

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Abstract

This paper examines organisational inhibitions in relation to addressing occupational fraud. The a priori assumption would be if an organisation discovers occupational fraud it would deal with it. However, this research illustrates, drawing upon 24 semi-structured interviews, two case studies and participant observation, a range of avoidant rationalisations constructed by representatives of organisational victims to justify not tackling occupational fraud. These rationalisations bear great similarity to the rationalisations constructed by offenders and the paper argues they constitute a theory of differential rationalisation. The research may have wider relevance to explaining why organisations fail to deal with other negative behaviours.

Keywords: occupational fraud, rationalisation, neutralisation, prevention, culture

Introduction

“Bad men need nothing more to compass their ends, than that good men should look on and do nothing.” John Stuart Mill, 1867.

This paper is concerned with occupational fraud, where employees defraud their employer. It is a problem that most organisations experience and one which would be expected they would want to address (ACFE 2016; Gottschalk and Tcherni-Buzzeo 2017). This paper, however, will show that many managers in organisations do not address the problem and use a variety of rationalisations to justify their inaction, which sometimes amounts to positive opposition to any intervention. These rationalisations are similar to the rationalisations which fraudsters use to self-justify their acts.

Rationalisation was first recognised by Ernest Jones (Jones 1908), a prominent psychoanalyst and contemporary of Sigmund Freud. He described it as a mental distortion which produces a false explanation of behaviour with a “plausible ring of rationality” that accords with the individual’s normative expectations as “it bears a special relation to the prevailing opinion of the circle of people most significant to the person concerned” (Jones 1908). Rationalisation theory has emerged as a pivotal principle in the explanation of deviant or immoral behaviour within identity theory (Turner 2013: 338), cognitive dissonance theory (Festinger 1957; Murray, Wood and Lilienfeld 2012), groupthink theory (Janis 1973), convenience theory (Gottschalk 2017) and social learning theory (Bandura 2004). A few studies have focused on identity management in relation to legal activities and occupations which are socially stigmatised, however the majority of studies are concerned with illegal behaviour (Evans,

Forsyth and Foreman 2003). It is a core paradigm within criminology where it has collected two additional descriptors: neutralisation theory (Sykes and Matza 1957) and accounting theory (Goldstraw-White 2012; Azarian and Alalehto 2014).

Both Sutherland (1940) and Cressey (1953) recognised the role of rationalisation in the aetiology of crime. Sutherland's differential association principle arose from his research into criminal sub-cultures (Sutherland, Cressey and Luckenbill 1992:88). It is an offender-focused social learning theory which explains how criminal neophytes are eased into their nefarious ways by association with criminals (Sutherland et al. 1992:93). At its core is the idea that criminality is learnt from others, including the motives, attitudes and the rationalisations which justify engaging in criminal acts. On the other hand, Cressey's research describes the pathway to criminality in the absence of learning from criminal associates. The Cressey (1953) model asserts that lone occupational fraudsters must construct their own rationalisations to neutralise the psychological dissonance stimulated by the inconsistency between their planned actions and normative standards.

Following Cressey a number of studies have been undertaken to examine the rationalisation phenomenon (Benson 1985; Coleman 1987; Daly 1989; Dhimi 2007; Gill 2005; Goldstraw-White 2012; Klockars 1974; Leasure 2016; Liddick 2013; Minor 1981; Piquero, Tibbetts, and Blankenship 2005; Scott and Lyman 1968; Stadler and Benson 2012; Sykes and Matza 1957; Zietz 1981). These rationalisations can be approximately divided into two categories: externalised blame which lay the fault with others and internalised justifications which tend to acknowledge the accusation but justify the behaviour and diminish personal blame by attenuating its pejorative quality. The externalised group includes denial of victim, denial of injury, condemnation of condemners, higher loyalty, denial of responsibility (Sykes and

Matza 1957), unworkable laws, normal behaviour (Benson 1985), unnecessary laws, duress (Scott and Lyman 1968), entitlement from exploitative employers (Coleman 1995; Ditton 1977; Mars 1973), and, in the context of extremism, higher moral authority (Liddick 2013). The internal justifications include interpreting embezzlement as an intention to borrow money (Cressey 1953), the metaphor of ledgers (Klockars 1974), uncharacteristic behaviour (Benson 1985) and the defence of necessity (Minor 1981).

The inference that can be drawn from theory is that countering rationalisations should be an effective component of crime reduction strategies (Nettler 1974; Cressey 1986). Sellers and Akers (2006) disagree, suggesting such an approach would have little practical value because offenders would innovate new creative excuses. It is an oddly fatalistic argument which may hold for those with sociopathic personalities or those so pressed by powerful motivations that they are determined to ignore countervailing narratives and values. However it offers opportunities within the controlled environment of organisations where ordinary people respond to cultural values which are susceptible to management influence and direction (Brown and Trevino 2006; Dukerich et al. Vollrath 1990). Klenowski (2012) suggests that organisations introduce workshops that focus on the consequences of white-collar crime and which teach “counterlinguistic phrases” to offset the rationalisations. Another approach is to address the exploitative characteristics of organisations, which provide some justification to the rationalisations, and ensure staff are fairly treated and remunerated (Coleman 1995; Gill and Goldstraw-White 2012:24; Hollinger and Clark 1983; Mars 1973, 1974). With a critical glance to the machinations of the financial sector, a number of scholars have also highlighted the need to predicate salary incentives on ethical behaviour rather than solely on self-serving profit outcomes (Brown, Trevino and Harrison 2005; Huisman 2016; Prechel 2016).

Over the six decades since Cressey's ground-breaking thesis, occupational fraud has attracted little scholarly attention, and related work has predominantly followed Sutherland and Cressey by focusing on the offender for aetiological explanations. Original empirical research that examines the context and role of the organisation is very rare. There are numerous practitioner texts (for example Comer 2003; Giles 2012; Vona 2008; Wells 2007) which provide practical advice on preventing fraud and responding to incidents. There are also frequent references in the literature to the influence of organisational culture and the "tone-from-the-top" (Holloway 2012). However there is an absence of research into the relative effectiveness of the various prevention methods, and there is very little empirical analysis of the cultural conditions which stimulate occupational fraud. Business ethics scholars, such as Trevino and Weaver (2003), undertake laudable research into the determinants of the general ethical performance of organisations, but it is not specifically related to employee fraud.

Earlier cultural explorations included Kemper (1966) who postulated that employee deviance within organisations is stimulated by the behaviour of line managers. He identified two types of tone-from-the-top mechanisms. The first, reciprocal deviance, is fostered by a revenge motive through employees being badly or unfairly treated. The second is parallel deviance whereby employees copy the behaviour of superiors. In a rare excursion into the organisational context, Gerald Mars' ethnographic studies revealed reciprocal deviance in hotel and dock workers: the working conditions enabled the employees to view occupational theft as a morally justified entitlement due from exploiting employers (Mars 1973, 1974). Similarly Ditton (1977) demonstrated the causal connection between a toxic culture in a bakery and part-time criminality. His ethnographic observations demonstrated

how employees, having been trained to deceive customers to the advantage of the business, are stimulated by harsh working conditions to use those skills to defraud both the customers and their employer for their own ends. The corrupt culture of the bakery enabled the employees to neutralise immorality of their actions as normal behaviour.

Greenberg (1990) supplemented these studies with a rare natural experiment into wage inequity and organisational justice. The experiment involved an American company which was forced to reduce wages temporarily in two of its three plants due to the loss of two large manufacturing contracts. Greenberg found that employee theft increased in the two affected plants, but was significantly higher at the site where the workers received only a cursory explanation for the wage cut with no apology or expressions of remorse. Hollinger and Clark's (1982, 1983) large scale survey and interview study involving 47 US organisations found that employee deviance is positively correlated with job dissatisfaction: employees who felt exploited were more likely to engage in acts of theft or fraud against their employers in order to correct perceptions of inequity or injustice.

This paper explicates one of the themes which emerged from a research programme that set out to explore why organisations do not prevent occupational fraud, that is, fraud committed by employees against the employer rather than corporate fraud perpetrated on behalf of the employer (Clinard and Quinney 1973:188). White-collar scholars sometimes describe causation in cultural terms related to the criminogenic nature of the capitalist corporation (Braithwaite 1985; Coleman 1992). The focus of this enquiry is the criminogenic characteristics of the organisation which lead to its own victimhood. There is an absence of cogent, primary research into how organisations, or more precisely responsible persons in organisations, avoid tackling internal fraud both in relation to planned

governance strategies (Johnston and Shearing 2003) and in their response to detected fraud events. The one avoidant rationalisation that does frequently appear in the criminological literature is the defence of organisational reputation (Braithwaite and Fisse 1987; Button and Gee 2013:28; Levi 1993:6; Ramamoorti et al. 2013:9; Touby 1994; Gottschalk and Tcherni-Buzzeo 2017). However there is an absence of empirical evidence to support this a priori assumption that victims of occupational fraud suffer reputational and consequent financial harm. This paper contributes to the existing literature by showing that the avoidant attitudes of victims, or more precisely, the avoidant mentalities of those representing the victims, are supported by justifications which mirror the crime engagement rationalisations verbalised by offenders. The article briefly describes the research methods and then sets out the types of justifications expressed by the participants. The theoretical implications both support and advance Sutherland's seminal differential association framework (Sutherland et al. 1992).

Methods

Given the lack of directly relevant prior research, the research programme called for a qualitative discovery strategy (Denscombe 2010:134). The three core techniques used were semi-structured interviews, participant observation and two case studies involving large corporations. Occupational fraud was a recurring issue for the participating organisation in one of the case studies, DEF Group. The company permitted access to the business in order to observe the progress of cases and to examine its fraud prevention methods, structures and documentary records including investigation reports. The second case study involved participant observation and followed the course of an allegation at R&T Industries, which one of the authors was involved with in their then professional role.

The semi-structured interviews with the research participants included public sector managers, and private sector managers, professional advisors and representatives of law enforcement, all based in the UK. The sector breakdown is in Table 1. There was no intention that the sample frame would be representative of the population of organisations in the UK. The aim was purely to ensure a sensible breadth of perspectives from within and without organisations. The problem of access has been well documented, especially when the topic is of a sensitive nature (Kalof, Dan and Dietz 2008:116). Participants were identified and recruited by accessing informal professional networks, a non-probabilistic method that is a recognised approach when access is difficult (Kalof et al. 2008:45). All the data was anonymised and coded to identify emergent themes. The research identified a range of internal and external organisational factors with respect to the threats, challenges and difficulties in tackling occupational fraud. As this article addresses just one of the themes, it utilises only a portion of the research observations and the participants' contributions.

Table 1: Participant sample frame

Participant group	Quantity
Private sector - large corporations	12
Private sector - SMEs	5
Public sector - government agencies	4
Public sector - local authorities	2
Accountancy firms	2
Total	25

Organisations and Occupational Fraud

Table 2 lists the relevant participating organisations and includes the types of occupational fraud the participants were aware had occurred within their organisations. The list reflects the knowledge of the participants, not the total susceptibility of each organisation. Theft and bribery appear for two reasons. Firstly, they were reported by the participants. Secondly, they sometimes find it difficult to distinguish between fraud and theft, and between fraud and bribery. Mark (DEF Group) and Paul (Midhouse BS) pointed out that the theft of cash or assets are often disguised by acts of deceit such as the falsification of dockets or the manipulation of the business systems. Similarly bribery on the supply side is very often accompanied by acts of occupational fraud against the customer (United Nations 2013:25; Graycar and Prenzler 2013:101). This type of scheme differs from the classic Cressey (1953:30) view of the occupational fraudster because they violate the secrecy condition. In these cases the customer's employee conspires with the supplier to falsely inflate the value of contracts in order to fund the bribe. Siemens and other major suppliers used this type of scheme in the Iraq Oil-for-Food scandal and elsewhere indicates (US Department of Justice 2008). It was the most common type of occupational fraud scheme reported by the representatives of BBR, Farland Group, Synco Projects and Westco, all in relation to construction and engineering works. For shorthand purposes, this article refers to these schemes as *contract bribery frauds*.

The primary rationalisations in Table 2 represent the most significant justifications for not tackling occupational fraud expressed in the narratives of the participants. Some of the participants verbalised more than one justification and these are indicated as secondary rationalisations. Although one cannot be certain which were the most salient in the minds of the participants, the primary rationalisations are those which appeared to hold the most weight at the time of the fieldwork. Table 3 summarises the frequency of the

rationalisations, organised into three groups: protect the interests of the organisation, protect the interests of the social group and protect the interests of the individual. The normal rationalisation is unique in that it is used as a justification in all three categories.

Six of the participants persuasively described the counter-fraud attitudes and robust responses of their employers. They did not offer any rationalisations for inaction in the face of occupational fraud threats. The six 'no rationalisation' organisations are indicated in Table 2. The table also notes which organisations have an anti-bribery policy, an anti-fraud policy and a counter-fraud department. The presence of all three elements is a rough indication that the organisations are cognisant of fraud threats and have incorporated counter-fraud measures into their policies and structures. It is notable that the six 'no-rationalisation' organisations had all three components in place.

Table 3: Rationalisation frequency

Rationalisation	Primary	Secondary	Total
<i>Protect interests of the organisation</i>			
Protect business operation	5	2	7
Protect organisation reputation	2		2
Insufficient proof		3	3
Trust		2	2
Normal		2	2
<i>Protect interests of the social group</i>			
Empathy	3	1	4
Social bonds	3		3
Normal		2	2
<i>Protect interests of the individual</i>			
Protect career	1	1	2
Budget control	2		2
Not responsible		1	1
Normal	2	1	3
Total	18	15	33
None	6		6

This paper will now explore each of the rationalisations used in more depth.

Protect the interests of the organisation

Unfettered utilitarianism, which promotes a focus on the overriding social benefit of the corporation's economic purpose, is often held out to be the rationale for permitting breaches of societal norms and regulations (Swanson 1995). It justifies the corporate characteristics which Braithwaite (1985), Coleman (1992) and Nelken (2007) describe as criminogenic. Umphress and Bingham (2011) posited that there can be a dark side to social exchange relationships, whereby strong organisational identification and powerful loyalty emotions can lead to unethical acts on behalf of the organisation. This externalised, altruistic, higher loyalty (Sykes and Matza 1957) perspective allows those of an otherwise moral mind to justify unethical decisions and white-collar criminality on behalf of their employers. It can also lead responsible persons to overlook, or even countenance the organisation's victimhood, for fear of undermining productivity, disrupting relationships and garnering bad publicity (Holtfreter 2005). The present research encountered four related avoidant rationalisations, all of which have the common aim of securing the interests of the organisation: protecting the business operations, protecting trust in relationships, protecting the organisational reputation and no proof.

Protect business operation

Management in both private and public sector organisations are mindful of the need to secure the stability, productivity and service levels of the operations they are responsible

for. One of the counter-fraud consultants interviewed for the research observed that for many managers, the problem is not the fraud, the problem is the burden and disruptive consequences of dealing with it. Lawrence's contrasting experiences as the Financial Director at Hurn Systems and Qintek, both subsidiary divisions of large corporations illustrate the seductiveness of the utilitarian perspective. Lawrence's boss at Hurn, the company's Managing Director, habitually plundered his expense account, even giving two company cars to members of his family. When Lawrence aired his concerns with main board directors, it became apparent that they were well aware of the abuse. They told Lawrence to ignore it because they did not want to risk the division's performance:

“Providing the subsidiary is contributing to the group, they would rather not know. Because they don't see it as a major wrong and it's just a cost of operating a business.”

Uncomfortable with a corporate mentality which tolerated such dishonesty, Lawrence left Hurn and joined Qintek. He commended his new employer as a “resolute stickler for the rules” irrespective of the value of the transgression or the position of the transgressor. He described an occasion when a colleague, a sales director was summarily dismissed for accepting cash on two occasions for being bumped off business flights. The disruptive consequences lead to the loss of contracts in the company's American market. The ethical climate at Qintek placed a far greater value on compliance and discipline than on the disruptive consequences of dismissing a senior manager.

Defence of trust

Westco is another example where the desire to protect operational performance trumped tackling occupational fraud. The company was losing hundreds of thousands of pounds annually to contract bribery frauds organised by its engineers in collusion with contractors. One contractor, Jeremy, blew the whistle because his refusal to enter into the conspiracy was severely harming his business. He sincerely believed that Westco's management would be eager to address the problem, but he was wrong. They refused to investigate the claims properly and resisted police investigations. The Operations Director's defence was:

“We work on trust. We don't want armies of accountants and investigators crawling through the place and innocent people being questioned.”

The company's management were keen not to disturb the tranquillity of employee relationships by accusing staff of corrupt behaviour. As one of the company's five proclaimed values, trust was constantly reinforced through posters, newsletters, videos, team briefings and so on. It explains why management were especially concerned that even investigating the allegations would render Westco's core tenets hollow. It is therefore ironic that management deployed it again and again as an excuse to avoid furnishing evidence to the investigators. It had become a shield for criminality rather than a protection against it. Westco's resistance eventually collapsed when minor actors in the corrupt schemes cooperated in return for immunity from prosecution. Reflecting the contract bribery fraud methods to their schemes, five people were jailed for fraud and bribery; additionally Westco dismissed over twenty employees.

Defence of corporate reputation

The one avoidant rationalisation that does frequently arise in the criminological literature is the sanctity of corporate reputation (Braithwaite and Fisse 1987; Button and Gee 2013:28; Ramamoorti et al. 2013:9; Gottschalk and Tcherni-Buzzeo:2017). Levi (1993:6) refers to the stigma involved when people supposedly skilled in looking after their money are defrauded. Touby (1994) describes the Judas Effect, whereby embarrassed employers fear the negative commercial repercussions by the public exposure of failed management practices. These views are founded on an a priori presumption that victimhood causes reputational and consequential financial damage, yet there is little supporting empirical evidence. Indeed Levi and Sherwin (1989) found that there was no impact. The present research encountered an unexpected type of reputational anxiety.

Vendor appraisals are now commonplace business processes, especially within the purchasing functions of large public and private sector organisations. Suppliers expect to be subjected to these due diligence exercises when securing relationships with new customers. Not only are they sensible business practices, they are also a requirement of the Quality (ISO9001), Health and Safety (ISO18001) and Environmental (ISO14001) management systems. More recently, in response to the introduction of the Public Contracts Regulations 2006 and the Bribery Act 2010, these appraisal exercises have been supplemented with corruption inquiries. Those operating in more heavily regulated markets expect regular, annual audits. HIJ Tubeline manufactures health equipment for hospitals. ETS Produce manufactures foodstuff. The hygiene and safety critical nature of their products means that both companies are subjected to aggressive due diligence by customers in the first place and annual audits thereafter.

HIJ is typical of many small businesses with a high risk dependency on one large customer, in this case the NHS. Managing Director, Terry, firmly believed that the business would be destroyed if the NHS become aware of any impropriety within the company, including occupational fraud. He was unapologetic in stating that he would never create any adverse records of such events for the NHS auditor to query at the annual inspection, and he would never risk publicity by calling the police or regulators or by pursuing litigation. Terry's reputational anxieties were heightened because he was pursuing a campaign to expand his customer base which meant entertaining more vendor appraisals. These existential fears overwhelmed Terry's strategic thinking causing him to focus on the reputational risks of occupational fraud whilst dismissing its direct financial and cultural impact. He used the trust defence to dismiss the need for internal fraud policies and procedures "...because trust is important here." It also led him to empathetically overlook falsified overtime and expense claims because "...they are a bit like a bonus which helps the guys out when they need it and they wouldn't do it if they didn't need it."

The pressures and ethical challenges experienced by Terry are not limited to small companies. Robert is the Managing Director ETS Produce, which employs over 1,000 people. Like HIJ, the company has a small customer base, the major UK food retailers, all of which conduct annual audits. He too used the vendor appraisal reputational defence in supporting his resolve to hide incidents of occupational fraud or bribery from the gaze of the public. He also dismissed occupational fraud as a relatively minor problem handled by Human Resources "...with a bit of counselling", and would never engage the police or other external agencies. His generous explanation for his rationale was based on a profound experience involving manufacturing standards.

ETS diligently recorded all variations in quality standards and consequent management actions. On one occasion a “little furry creature” was observed scuttling across the car park. The incident and the subsequent investigation, which concluded that the incident was an aberration and had not posed a risk to the facilities, were recorded in the pest control register. At the first audit following the incident, a customer’s representative inspected the register, halted the audit and immediately terminated the supply contract, saying “We can’t risk any pests in our [product]”. Robert’s story shows how transparency and resolute compliance can be fatal to business relationships. The financial repercussions were a bitter lesson for Robert which caused a change in his mind set and in the way he ran the company. He ordered the destruction of the pest records and suppressed reporting of hygiene incidents. He was clearly uncomfortable with the erosion of the company’s values and the adjustment in his ethical role identity, but he felt he had no choice.

Both of the cases presented here illustrate how the legislation and standards designed to improve governance and to tackle corruption has ironically encouraged the suppression of events, dishonesty at the commencement of business relationships and above all the utilitarian determination to avoid the authorities. The reasons laid out by both managers were based on real pressures and experiences and resulted from a considered, rational choice calculus.

Insufficient proof – the proof ratchet

Sometimes a manager’s first thought when receiving a fraud complaint is that the complainant must have an ulterior motive, that the complaint is a proxy for some other form of grievance. The group identity activates and triggers defensive behaviour, especially

when the complainant is an external, out-group party (Tajfel 1982). Defensive suspicions are particularly strong when the complainant is a supplier alleging a contract bribery fraud. Paul, a building society counter-fraud manager, characterised it as the supplier “committing suicide”.

This appears to be a common reaction. Even the counter-fraud team at DEF Group, which thrives on whistleblower reports, are initially wary: “It's usually because they've lost a contract and somebody else has got it so they're a bit suspicious about why they've lost it”. The typical corporate solution is to demand evidence to justify the internal inquiries. Such was Ethan's initial reaction to allegations of contract bribery fraud at R&T: “How do you know this? What evidence have you got? You can't go accusing people without evidence.” Denial of crime is easy without supporting evidence and very convenient when business protection and reputational concerns are in mind. In the R&T case, Ethan initially refused to entertain the complaints. It was only after the accusers had undertaken an investigation and presented him with compelling evidence that he took the allegations seriously.

Similarly Westco refused to accept the merits of the complaints from their supplier. Fearful of the consequences of refusing to conspire with Westco's employees in contract bribery frauds, and nervous of making accusations, Jeremy organised his complaint with supporting evidence which showed how the conspiracy worked: “I just wanted to hand it over to them so they could deal with it.” However Westco's management were unimpressed and demanded more evidence to justify an investigation: “It's not proof. We need proof and you don't have it.” Jeremy set about finding more proof, but each time he presented his accumulating evidence it was rejected as inadequate: “And that's what they kept doing: every time we offered more evidence they'd raise the high bar.” Desperate and in

exasperation, Jeremy called the police and handed over the evidence which proved sufficient to convict five offenders. The total value of the Westco's fraud losses that its management tried to hide was at least £2.6million. The harm caused to honest suppliers is inestimable. The proof ratchet mechanism, whereby management crank up the evidentiary standards required to even engage in a proper investigation, is a powerful and convenient defence against all but the most resilient complainants.

Protect the interests of the social group

The second set of reasons for not dealing with fraud relate to protecting the interests of the social group.

Empathy

The difficult circumstances of offenders are principal motivations (Cressey 1953) and defence of necessity rationalisations (Sykes and Matza 1957). They can also induce empathetic responses in those representing victim organisations. We saw earlier how Terry appeared empathetic towards employees who committed minor payroll and expense frauds. Paul, the Counter-Fraud Manager of Midhouse Building Society displayed a similar attitude. He explained at length how the company deals with external application frauds and was demonstrative in his visceral contempt for street criminals and mortgage fraudsters: "What we really want, and let's be honest about it, we want to see these people put in stocks....and jeer at them." His attitude was probably shaped by his years as a police officer. However, when asked about the company's occupational fraud policies, it became clear that the organisation had little, if any, experience of dealing with occupational fraud: his narrative shifted quickly from explanations of what the company *might* do in such cases to avoidant

justifications. He had far greater empathy with those of his own social background, the white-collar worker:

“They are very decent people who are not going to be a burden on this society. What I'm saying is that the punishment for that type of crime is blighting the wrong people.....the person who works in a financial institute or a commercial industry and falls by the wayside because her teenage son needs a pair of designer trainers and she thinks she will do the teeming and lading.”

This type of avoidant rationalisation is a form of higher loyalty rationalisation which expresses identification and empathy with a broad social group rather than to an organisation, a close-knit community or to specific persons. It reflected the strength of Paul's social identity and his distinction between 'us' and 'them'. Feeling the need to bolster his ethical role identity and the morality of his views, Paul then added a secondary, fraud is normal excuse (Benson 1985):

“People are kidding themselves if they think you've got people that are morally trained, so morally conscious that 'I couldn't possibly do that, oh no.' They do. Are we going to arrest them all? No. Who'd be left standing?”

Similarly, two participants, Alec and Keegan, who worked for large companies in the construction industry described how empathetic rationalisations at the supplier interface both enable fraudsters and promote unchallenged tolerance of their activities. In these

cases, the supplier seeks excessive payments for contract variations and the client's representative receives a share of the proceeds.

“With contractors beaten up on prices, they reckon it's [*contract bribery fraud*] helping them [*the supplier*] get the right price and [*the client's employee*] getting a bit of reward for helping them....To some extent there's truth in it, contractors are not paid enough, so when someone makes the right offer, you take it.”
[Alec]

Keegan characterised it as a commonplace cultural phenomenon, a negotiation played out time and again within the industry and hidden in the contingency line of project budgets. It is a game in which the ultimate client, sitting at the apex of a complex network of equipment suppliers, contractors and consultants, naively picks up the bill.

“They're bound to fudge the costs and variations to cover the risks and make it up [*sales turnover*] anyway they can. They have to do deals with the Qs and project managers to get the variations approved. Then the QS fudges the cost and the main contractor fudges the cost and the client, who hasn't got a clue, ends up paying for it. That's how the game goes.” [Keegan]

The construction industry typically relies on detailed supply contracts running into hundreds of pages to manage complex supply arrangements. The purpose is to cover all risks and possible eventualities by clearly delineating the responsibilities of the trade suppliers. They also set out at length the mechanisms for dealing with the dreaded contract variations, the unforeseen circumstances which require additional supplies and services. The size, detail and

complexity of the contractual arrangements may well give the ultimate client and the principal contractor comfort, but in complexity and comfort there is opacity and complacency, characteristics feared by safety experts because they conceal lurking dangers (Reason, 2000). Successful gamers in the construction industry exploit complexity, opacity, complacency and a toleration of entitlement rationalisations (Mars 1973) to address perceived inequities by fraudulent means. Those who know how to play the game well prosper, the rest fall by the wayside.

Social bonds

Social bond avoidant rationalisations are similar to the empathy class of rationalisations except they are stimulated by the strength of relationships with specific persons rather than identification with a broad social group. Brezina and Azimi (2017) emphasise the role of peer loyalty in adolescent delinquency. Free and Murphy (2015) observed similar affective bonds between co-offenders in fraudulent groups. The difference is that the second parties in the present cases are acquiescent line managers and reluctant witnesses. John Hughes, a colleague of UBS rogue trader, Kwaku Adoboli, famously failed to inform the bank's management that Adoboli repeatedly exceeded his financial trading limits because "I went to a school where people didn't grass" (BBC 2012). Had Hughes put aside his puerile code of honour, the bank may have saved the bank £1.4billion. On a much smaller scale, Hamish, a supplier to Westco, was well-aware of the corrupt schemes used to fraudulently extract money from the company. He was familiar with the mechanisms, understood the harm it caused and profoundly disapproved. Nevertheless he could not bring himself to snitch on people who had over the years become friends because it had become so common that it

was perceived as normal business practice and because "...when it's someone you've worked with for a long time, get on with, that's different, hard."

Brian is a financial auditor, working for a large audit firm. He spoke of a particular taboo in the industry called "phantom ticking" whereby auditors falsely tick audit tests as passed when they have either failed or not been inspected at all. The practice is, according to Brian, easy to spot at subsequent audits. The practice deceives the audit firm, the client, the client's investors and any other party relying on the quality of the financial audits, yet Brian would never grass on his colleagues.

The strength of social bonds is most obvious in small family businesses. The husband and wife owners of SW Marketing, repeatedly excused their son's fraudulent use of the company's credit card to finance an excessive lifestyle. After years of second chances, he was eventually dismissed when Iain, the Marketing Director, and the Finance Director exhausted their patience and threatened to resign. Iain reckoned it saved the company £150,000 per year.

Protect the interests of the individual

The third set of rationalisations relate to protecting the interests of the individual.

Protect career

One reason that managers may fear the exposure of fraud and other illegalities within their departments is that it will reflect poorly on them and threaten their prospects (Friedrichs, 2010:243). Such concerns coloured Terry's view of occupational fraud. He had previously worked for Cardwell, a very large facilities management company with a robust counter-

fraud structure. A member of his staff had perpetrated a substantial fraud against the company over a number of months before fleeing to Africa. Terry and his project accountant were blamed for the fraud and both were forced to resign.

Ethan, the Engineering Manager at R&T Industries, faced a similar dilemma. Ethan was a young manager, about 30. He had joined the company just two years earlier and was keen to build a reputation to further his career. He was under significant pressure to introduce business critical projects speedily and at the lowest cost. His first reaction to suppliers reporting contract bribery fraud within his department was to deflect the accusations by engaging the proof ratchet. However when presented with substantial evidence, Ethan took the material to his line manager, who passed him on to the Engineering Director, who referred him to the head of Human Resources. Despite having no skills or experience in dealing with angry suppliers and corrupt personnel, the HR director asked Ethan to conduct his own investigation. The company provided no support nor sought out any professional assistance. The directors refused to meet the suppliers who had made the complaints. They preferred to burden Ethan with the task of explaining the company's position to the suppliers. It was well rehearsed but the crafted narrative was quickly replaced by a defence of necessity self-justification (Minor 1981):

“HR consulted legal and they have considered it and thank you for your assistance in this matter but they say you don't have sufficient evidence to justify dismissing [supplier] and [employee] in the middle of the project.....They've basically left it to me to decide what to do. So this is what we're going to do. We have agreed that once [the project] is finished we'll let

him go and we won't use [supplier] again, but we've got to finish it, if we're to push back delivery again, I'll lose my job.”

The employee and the supplier were indeed dismissed at the end of the project, but not before they had relieved R&T of £150,000 in fraudulent payments. At this point Ethan was more eloquent in his criticism of the events, accusing the directors of paying more attention to their reputations and corporate careers than to the needs of the business. They also lost the confidence of Ethan who, bitter at being forced to compromise his values in order to keep his job, pursued his career elsewhere.

One consequence of this defensive behaviour, whether learned directly or vicariously, is that lawyers are sometimes frustrated by uncooperative line managers because, as barrister Nazim observed: “They can be somewhat revisionist as to how the frauds occurred.” Defensive strategies can cause managers to abandon, at least temporarily, their corporate role identities so that even their roles as witnesses are compromised. Solicitor, Barry, described the consequences when a manager, duped by an employee who was feeding a gambling habit, strove unnecessarily to protect his position by lying to the investigators:

“We spent a lot of time and costs on working out why he [*the manager*] was telling lies. All the time we had to test what he was telling us to work out, when he was in the witness box, what the result would be. So we were spending more time testing what we did not believe to be true.”

Not my responsibility

The senior management team in the R&T case determined that a critical business need superseded the need for a thorough investigation of the corruption allegations (higher loyalty rationalisation). With a keen eye on their own careers (defence of necessity), they also collectively distanced themselves from the toxicity of allegations and delegated the burden to a junior manager (denial of responsibility). In turn, Ethan denied responsibility for tolerating the corrupt scheme by blaming the senior management team. Criminality thrived in the ensuing vacuum.

The diffusion of responsibility is an easy response when policies and expectations are poorly defined and weakly enacted: it allows employees to hide behind their ignorance and deliberately keep themselves uninformed (Kaptein 2008). It is a problem that one counter-fraud specialist, sees more frequently in the public sector:

“In the public sector you get more, ‘That bit’s not in my department.’ The accountability gets spread, controls are over there, systems are over here, that’s a bit of IT. It dissipates as does the blame..... I’ve been called into public sector frauds that were known about and gone on for months and months and months, even from the point of disclosure; it’s just not got round to actually investigating it...it just rattles around....People say, ‘It’s part of the budget, it’s nothing, it’s nothing. These things happen.’”

Malign influence of the budget

Button (2011) asserts that the malign influence of KPI (key performance indicators) enables police officers to rationalise not taking on fraud cases. One of the most important KPIs in

any organisation is the financial performance relative to its budget. It is evidence of managers' ability to control their departments and frequently involves bonus incentives, even in non-profit public bodies (CIPD 2010). Very often budgetary control involves the transactional management technique of management by exception (Bass and Steidlmeier 1999) so that departmental expenditure is only scrutinised if it exceeds the target set at the start of the financial year. These conditions place managers under significant pressure to maximise their budgets in the first place and then to focus their efforts on variations to budget. It also means that low level frauds which do not impact on those budgets with adequate headroom are unlikely to trigger inquiries. As one fraud consultant observed:

“Managers are set budgets, meet their targets, where's the problem? If you introduce fraud detection, they then have a problem they didn't have before and they've now got to address it.”

Dismissing occupational fraud in this way is a denial of injury rationalisation (Sykes and Matza 1957) which enables the avoidance of disruptive investigations, protects their personal reputations and secures their financial clout, a primary source of their personal power. The corollary problem is that fraud losses are unwittingly incorporated into superficially prepared incremental budgets (ICSA 2005:210). Emma is a Security Officer in a government department. One of her principal grievances was that line management paid little attention to the spending of personnel and were unconcerned about their fraudulent activities provided they did not exceed their budget limits. She described a case involving a vehicle fleet manager whose fraudulent activities were tolerated until a cost-cutting budget forced management into action:

“He regularly purchased cars for himself, family and friends. When he wanted a change he just bought another car. He never bought a car or any petrol for 10 years [*using his own money*]. He even had private number plates... Management don't check what they're doing provided the employee is getting on with their job, not causing any hassle.”

A peculiarity of the traditional annually fixed budgeting process is that surpluses cannot be carried forward and any under-spend automatically decrements subsequent budgets (ICSA 2005;210). In the worst cases the fear of this resource constraining mechanism can shift governance mentality from acquiescence to the positive encouragement of fraud. One Project Manager, Oliver who works for a city borough, described how the council's infrastructure management normalises occupational fraud in order to protect budget allocations:

“We have to make sure our fees for projects are at budget. We submit our fees schedule and it's signed off when we start the job. But it makes no difference if we do better because we spend the money anyway, not like the contractors. And it makes no difference because we have to spend it. If we don't spend it, we won't get the money budgeted next year so guys are told to rack up the overtime after six o'clock, to come back at weekends. We don't need them but it gets to the budget.”

Fraud is normal

A theme recurring throughout the analysis is the perception that fraud is a normal, commonplace activity. It appeared in the research on eight occasions as either a primary or supporting avoidant rationalisation. Alec and Keegan described the frauds carried out in collusion with suppliers as expected business practice. The building society manager, Paul, regarded it as a forgivable offence perpetrated by virtually everyone. Hamish viewed it as normal within Westco. Hamish refused to snitch on his friends at Westco, including Project Manager Carson. Carson was one of the minor players in the fraud schemes offered immunity from prosecution in return for their cooperation. He was stunned when the scandal erupted because he saw it as an everyday activity tolerated by Westco's management and cultural norms: "The shock was, not what was going on, but they did something about it. It had been going on forever and everyone knew." If Jeremy or another aggrieved party had not complained, the practice would have continued unchecked.

In separate interviews Ursula and Luke described the development of the culture at RTA-UK, a government agency. Prior to the 1990s the organisation's employees regularly took advantage of healthy funding, weak controls and management indifference to such an extent that fraud and bribery were regarded as normal employee benefits. It led to an enquiry and the restructuring of the agency. Rigorous compliance policies and controls were introduced that bore down on the corrupt activities whilst reforming cultural values. It took over 10 years for the culture to change. Much of the inertia was due to the legacy attitudes of long-serving employees who were replaced through natural turnover. One could describe this normalisation journey as evolutionary differential association from a criminogenic sub-culture to a compliance orientated ethical climate (Weaver, Trevino and Cochran 1999). However the senior civil servants leading the reform were woefully remiss in neglecting to include all areas of the agency. The RTA-Europe site in Germany continued to be bedevilled

by corruption, especially contract bribery fraud. Suspicions were reported and concerns raised by compliance auditors, but they were dismissed due to insufficient proof. Like the Westco case, it took a specific, substantiated complaint to trigger an external investigation which led to the prosecution of a number of the agency's employees and suppliers.

A particular feature of the normal rationalisation in the research was the difficulty in distinguishing between the innocents who were excusing the behaviour of others and those who were justifying their own offending. Straightforward bribery was tolerated, for example, by the junior management within a division of GoStat, a government agency, because the managers shared the modest benefits of the schemes arranged by their staff: they attended the social events funded by the corrupt money. The management of Inzco, the UK division of a major heavy plant manufacturer, went further by encouraging contract bribery fraud schemes because that was standard industry practice, protected the interests of the company and was not really a crime:

“We find out what his wife wants: car, holiday, whatever. And we do a deal. If we can, we stick his cost on the job, what we can, but it depends what we can get away with, what his budget is like. It's just doing what you need to. A bit under the table, you know [*palm down, Peter gestures towards the floor*]. It's not really wrong, not like it's a crime, it just helps everyone along to get the deal done. It's part of the package you put together, isn't it?.....Yes [*it's commonplace in the sector*], at [*company A and B*], I worked for them before, it was just the same. The product has to be right, the price needs to be good and the client should get something out of it so the whole package is right. Why? Do you have a problem with it? You'll go nowhere if you don't.”

The normal rationalisation appears to be the justification which most strongly indicates a dysfunctional ethical climate wherein an organisation is more likely to be either a victim or a perpetrator of corrupt crimes. Ashforth and Anand's (2003) literature review followed Sutherland's differential association theory (Sutherland et al. 1992:88) to posit that three processes underlie the normalisation of corporate corruption: institutionalisation, rationalisation and socialisation. By extension, these cultural processes are equally applicable to occupational crimes. Furthermore, wherever occupational crimes are normalised, those who do not perpetrate the crimes are more likely to view them as tolerable practices. The perception that fraud and bribery are ordinary, mundane activities is thus a strong antidote to the toxicity of the criminal label. It is ubiquitous in the sense that it occurs in situations where offenders and those forgiving the offenders have in mind the benefits to the organisation, concerns for the social group, personal interests, or a combination of all three.

No-rationalisation organisations

Although six of the organisations are recorded as not constructing avoidant rationalisations, it is important to note that these results reflect the research observations and the views of the participants. It is quite possible that the results would have been different had the research captured the views of other members of the same organisations. One can imagine, for example, that a collection of chief executives would represent the conditions of their organisations in a more positive light than more junior employees. Similarly it would be foolish to generalise a conclusion that the presence or absence of counter-fraud proclamations and policies is an indicator of either a truly progressive organisation which

refuses to rationalise occupational fraud or a regressive organisation which tolerates it. Too often such policies are vacuous techniques of impression management rather than reflections of genuine ethical ambitions and normative values (Weaver, Trevino and Cochran 1999).

Nicole, the Counter-fraud Manager at Midton District Council, illustrated the intolerance of her organisation to employee fraud despite the tensions that can be stimulated by natural human feelings. Nicole dealt with a case involving a single mother:

“Yes, it's awful really. We're not out here to hang people. There's a human being at the end of all this. And you do have to take all that into context..... It's the children as well. You know, she has got herself into a pickle and it's just compounded.”

Nevertheless Nicole put aside the evident empathy she felt for the offender. She did not waver from her role identity and eschew her responsibilities for the council. She pursued a full set of parallel sanctions: dismissal from the council, a successful criminal prosecution and compensation through an attachment of earnings order.

The case study involving DEF Group provided the opportunity to examine its counter-fraud structures and performance, in particular the attitude of the company's management to utilitarian rationalisations. DEF is an international manufacturing and distribution corporation. Its substantial UK division distributes building products throughout the country. The structural core of the UK division's counter-fraud strategy is the Security Department which reports directly to the main board. The department's priorities include

occupational frauds and sales frauds perpetrated by its trade customers. The department has developed a comprehensive suite of management policies, procedures and training programmes. It also actively monitors compliance and conducts investigations which lead to disciplinary, civil and criminal sanctions. In all cases investigation reports are prepared and shared with the main board.

The company's internal investigators prepare progress and final reports in all of their cases. The results and recommendations of investigations can create tensions between the ethical aims of the Security Department and the performance ambitions of operational managers. The Security Department wants to rid the company of all rotten apples and, whenever possible, to pursue legal sanctions. On the other hand operational managers sometimes adopt a utilitarian approach and construct 'protect business operation' rationalisations: they occasionally try to negotiate alternative outcomes so that they can forgive and retain valuable employees. The Security Department deals with such resistance by firstly dismantling line managers' utilitarian avoidant rationalisations and emphasising the salience of ethical values. Any residual resistance is defused by raising the prospect of censure by the company's leadership:

"It gets back to corporate pretty soon and there's plenty of guys in the Execs, my boss is the FD and he would start jumping on heads if we wanted to keep a fraudster in the business. The CEO is very, very clear with us. We keep saying we do well with tone from the top messages. It is quite clear from those sort of guys."

The diligent reporting methods not only expose aberrant behaviour, they also lay bare the rationale for management decisions. Perhaps this is the true meaning and test of the oft quoted phrase 'tone from the top' (Holloway 2012), that the leaders dig in their heels and refuse to accept any excuses or rationalisations for employee fraud. The firm approach, which is blind to the status of the employee, does not cure all ills. However, it led to the dismissal, prosecution of a Marketing Director found to be the principal actor in a £850,000 contract bribery fraud scheme, and the recovery of all losses. It also led to the steady reduction in measured annual occupational fraud losses from £800,000 to £200,000.

Discussion and Conclusion

A dominant theme emerging from the research is that the prospect of tackling occupational fraud stimulates greater anxieties than the frauds themselves. For some managers these anxieties arise from experience which has taught them that exposing fraud or similar compliance issues can be painful. For others it may be a general fear of the unknown and the unquantifiable. This research observed and reported rational choice calculations to do nothing based on a balance of negatives. Managers avoid the pro-active prevention of occupational fraud and turn a blind-eye to detected incidents unless circumstances dictate that the negative consequences of avoiding the problem outweigh the negative consequences of addressing it. These circumstances include higher than 'normal' fraud losses, the obviousness of frauds and the active intervention of an external agency, such as senior management or an effective counter-fraud department.

The feared consequences can be broadly divided into three interacting categories: consequences to the employing organisations, consequences to social groups which intersect the organisations and consequences to the individuals. Following Lowell (2012), when these fears are sufficiently salient in the minds of managers and colleagues, they induce the construction of rationalisations to moderate the moral dissonance stimulated by their choice to avoid tackling corrupt behaviours. These avoidant rationalisations mirror the crime engagement rationalisations constructed by fraudsters as set out in Table 4. Just as the offender rationalisations can be divided approximately into externalised and internalised justifications, one can also separate the avoidant rationalisations. The organisational and social group rationalisations centre on the altruistic consideration of others. The rationalisations connected to the protection of the individual arise from selfish concerns.

Table 4: Equivalence of avoidant and engagement rationalisations

	Victim avoidant rationalisation	Equivalent offender engagement rationalisation
Protect organisation	Protect business operation Protect organisation reputation Insufficient proof Trust	Higher loyalty
Protect social group	Empathy Social bonds	
Protect individual	Protect career	Defence of necessity
	Budget control	Denial of injury
	Not responsible	Denial of responsibility
	Normal	Normal

Whether the reasons for not dealing with fraud inside organisations are called excuses, justifications, apologies (Benson 1985), motivations (Coleman 1992) or accounts (Goldstraw-White 2012) is immaterial to this analysis. Indeed, the reasons that managers

choose to tolerate occupational fraud in some circumstances may be regarded as justifiable utilitarian solutions to difficult dilemmas. In a similar way, one can also sympathise with the predicaments and defence of necessity rationalisations of a mother who engage in fraud in order to protect the welfare of her children (Daly 1989; Zietz 1981). However, like Nicole at Midton District Council, this analysis avoids such value judgements because to do so would deny the objective observations concerning self-justification in the context of unethical acts. The germane point is that managers use the same rationalisations as occupational offenders, at times mixing a befuddling cocktail of self-justifications, in order to maintain their perception of themselves as responsible, moral persons. In this sense, we might borrow from John Stuart Mill and say: “Bad men need nothing more to compass their ends, than that good men should look on and rationalise doing nothing.”

Sutherland advised us that people become criminals because of their exposure to a sub-culture wherein the definitions favourable to the violation of law are in excess of the definitions unfavourable to the violation of the law (Sutherland et al. 1992:89). Sutherland’s teaching is constructed from the perspective of nascent offenders and their dominant association with others in sub-cultures where criminality is promoted. In the employment context we can supplement the differential association theory by placing greater emphasis on the role of the victim organisation and its members:

Employees are more likely to become occupational fraudsters when the victim organisation’s rationalisations for not enforcing the law are in excess in type and frequency of the organisation’s reasons for enforcing the law.

By connecting the acquiescent rationalisations of the victim organisation with the motivations of the fraudster, we can also say:

Employees are more likely to become occupational fraudsters when the victim organisation's rationalisations for not enforcing the law are in excess in type and frequency of the fraudster's rationalisations favourable to fraud.

The more that the victim organisation rationalises excusing occupational fraud in both frequency and type compared to its reasons for tackling the problem, the more fraudgenic the climate may become. We can call this condition regressive differential rationalisation. It weakens the prevailing ethical standards and diminishes the fraudsters' need to psychologically rationalise their criminality. Under these conditions the organisation's avoidant rationalisations are in excess of the offender's crime engagement rationalisations. A regressive differential rationalisation climate foments a passive tolerance to the organisation's own victimhood. It is an invitation for occasional offenders to supplement their earnings and is a ripe opportunity for sociopaths to get rich. Borrowing from safety literature (Reason 2000), regressive differential rationalisation is akin to a resident pathogen, a hidden, lurking danger which weakens the organisation's resilience to occupational fraud.

Cressey (1986) refers to Sutherland in suggesting that "...in the long run, the incidence of management fraud will decline only as neutralizing verbalizations supporting these crimes are themselves neutralized." The differential rationalisation theory presented here informs us that organisations' security governance strategies will be more successful if they first concentrate on systematically deconstructing the avoidant rationalisations of managers and employees. By doing so, the organisation develops a progressive differential rationalisation

climate that promotes the salience of group identity (Stryker and Burke 2000) and the meanings of an ethical role identity (Weaver and Trevino 1999), one that is intolerant of fraud irrespective of any relationship with the offender or the context of the offence. It reduces the risk of law-abiding excusers slipping silently into excusing their own emergent criminality. It ensures that pathologically immoral offenders are held accountable irrespective of their station.

By focusing on the justifications organisations construct for tolerating fraud, differential rationalisation addresses one aspect of the context and pathway to occupational fraud. It is an addendum to Sutherland's differential association theory that accommodates Cressey's lone embezzler operating in secret whilst also recognising the influence of fraudgenic organisations which acquiesce to their own victimhood. Differential rationalisation may be equally applicable to other white-collar crimes and ethical concepts involving organisations and sub-cultures, including circumstances where the organisation is not the direct victim, for example issues such as health and safety, environmental responsibility and equality. A progressive differential rationalisation climate signals to staff and other stakeholders the legitimacy of speaking up and is thereby more likely to reduce inhibitions to do so. It is also more likely to engender transparency rather than cover-ups and thus promote valuable isomorphic learning arising from negative experiences and catastrophic events (Toft and Reynolds 2005: 65). On the other hand, regressive differential rationalisation cultures are more likely to lose the value of learning opportunities by excusing the circumstanced and those responsible for immoral, negligent or reckless behaviour and therefore lose those valuable learning opportunities.

This article has set out some of the findings of a discovery research programme which investigated organisational inhibitions in relation to the prevention of occupational fraud. One of the emergent themes was the frequency and range of rationalisations which are constructed by representatives of organisational victims to justify not tackling occupational fraud. These rationalisations bore great similarity to the rationalisations constructed by offenders. The paper offers a theory of differential rationalisation as an addendum to Sutherland's differential association theory. Organisations of all types, whether private, public or charitable, are more fraudgenic and appealing to occupational fraudsters wherever their avoidant rationalisations exceed their reasons for tackling fraud and are in excess of the offenders' rationalisations for committing fraud. The results and ideas presented are based on a discovery research methodology, therefore the topic would benefit from further, targeted research. Of particular interest would be investigations into whether and how occupational roles, social identities and organisational ethical values influence the frequency and type of avoidant rationalisations.

Table 2: Schedule of organisations and participants

Organisation	Service	Employees	Participant	Role	Occupational fraud types	Primary rationalisation	Secondary rationalisation	Bribery	Fraud	C/F dept
AGov	Government agency	10,000+	Emma	Security Officer	Purchasing fraud	Budget control		✓	✓	✓
BBR	Facilities mgt	5,000-10,000	Ewan	Counter-fraud Manager	Payroll fraud, purchasing fraud, bribery, theft	No rationalisation		✓	✓	✓
Cardwell FM	Manufacturer	10,000+	Terry A	Operations Director	Purchasing fraud	No rationalisation		✓	✓	✓
DEF Group	Distribution	10,000+	Mark	Security Manager	Payroll fraud, accounts fraud, purchasing fraud, bribery, theft	No rationalisation		✓	✓	✓
Eastown DC	Local authority	1,000-5,000	Oliver	Project Manager	Payroll fraud encouraged by management	Budget control		✓	✓	✓
Elam Sports	Sports club	10-100	Kyle	Training Director	Use of club assets for private business	Social bonds		X	X	X
ETS Produce	Manufacturer	1,000-5,000	Robert	Managing Director	Minor payroll fraud	Company reputation		✓	X	X
Farland Group	Construction	10,000+	Alec	Contracts Manager	Purchasing fraud, bribery	Empathy	Normal	✓	X	X
Hlj Tubeline	Engineering	10-100	Terry B	Managing Director	Payroll fraud	Company reputation	Empathy, trust, protect career	X	X	X
Hurn Group	Manufacturer	10,000+	Lawrence A	Finance Director	Purchasing fraud, expense fraud	Business operation		✓	X	X
I4U Computers	InfoTech	10-100	Norman	Managing Director	Payroll fraud, accounts fraud, bribery	Business operation		X	X	X

Organisation	Service	Employees	Participant	Role	Occupational fraud types	Primary rationalisation	Secondary rationalisation	Bribery	Fraud	C/F dept
Inzco	Manufacturer	10,000+	Peter	Sales Executive	Bribery	Business operation	Normal	✓	X	X
Midhouse BS	Building Society	10,000+	Paul	Counter-fraud Manager	Payroll fraud, purchasing fraud, petty cash theft	Empathy	Business operation, normal	✓	✓	✓
Midton DC	Local authority	1,000-5,000	Nicole	Counter-fraud Manager	Payroll fraud, benefit fraud	No rationalisation		✓	✓	✓
Qintek Industries	Manufacturer	10,000+	Lawrence B	Finance Director	Expense fraud	No rationalisation		✓	✓	✓
R&T Industries	Manufacturer	10,000+	Ethan	Engineering Manager	Purchasing fraud, bribery	Protect career	Business operation, not responsible, insufficient proof	✓	✓	X
RTA-Europe	Government agency	5,000-10,001	Ursula	Compliance Manager	Payroll fraud, purchasing fraud, bribery, theft	Normal	Insufficient proof	✓	✓	✓
RTA-UK	Government agency	5,000-10,000	Ursula, Luke	Compliance Manager, Project Manager	Payroll fraud, purchasing fraud, bribery, theft	No rationalisation		✓	✓	✓
SW Marketing	Marketing	10-100	Iain	Marketing Director	Payroll fraud, purchasing fraud	Social bonds		X	X	X
Synco	Construction	100-500	Keegan	Contracts Manager	Purchasing fraud, bribery	Empathy	Normal	✓	X	X
Wendever	Accountancy firm	1,000-5,000	Brian	Auditor	False audit practices	Social bonds		✓	✓	X

Organisation	Service	Employees	Participant	Role	Occupational fraud types	Primary rationalisation	Secondary rationalisation	Bribery	Fraud	C/F dept
Westco	Manufacturer	10,000+	Clive, Carson, Hamish, Jeremy	Operations Director, Project Manager, Supplier Project Manager, Supplier MD	Purchasing fraud, bribery	Business operation	Trust, insufficient proof, normal	✓	X	X
GoStat	Government agency	1,000-5,000	Thomas	Operations Manager	Bribery	Normal		✓	✓	✓
Smiths & Co	Accountancy firm	10-100	Tim	Auditor	Payroll fraud	Business operation		✓	✓	X

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