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Coping with Fraud Offending Over Time: Offender Accounts

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COPING WITH FRAUD OFFENDING OVER TIME: OFFENDER ACCOUNTS

Abstract

Although serious fraud is typically perpetrated over a prolonged time frame, fraud research has been heavily focused on the decision to commit fraud rather than the way it is sustained. Based on an analysis of 42 interviews with offenders who have committed serious fraud, we examine how fraud perpetrators continue to offend over extended periods. We find that fraudulent offending is frequently associated with strain for offenders including fear of detection, guilt and shame. We present a typology of strategies used by offenders to cope with this strain over the course of their offending comprising (1) problem-focused coping, (2) emotion-focused coping, (3) meaning-focused coping and (4) social-focused coping. While notions of rationalisation are germane for initial decisions to engage in fraud, we find limited recourse to rationalisation in the latter stages of offending. Offenders have often considerable scope for managing diverse, fragile, perhaps even contradictory, understandings of their selves. Control system implications for addressing organizational precipitators of fraud, including controlling situational prompts, pressures, work-based permissibility and provocations are discussed.

Paper Classification: Research paper

Keywords: Occupation fraud; coping; emotion; coping strategies; rationalisation

1 Introduction

Research has consistently found that serious fraud is typically carried out over an extended period of time (ACFE, 2018).[1] However, research in the broad area of white-collar crime has overwhelmingly tended to focus on the decision to commence offending (Bernasco, 2010). While the decision to engage in criminal activity has spawned a number of theoretical frameworks[2], the dynamic nature of offending and intertemporal criminal thinking has been largely neglected (Free, 2015). In criminology, theories useful in explaining initial involvement in crime have been shown to be less applicable to subsequent stages of continuance and desistance (Gelder *et al.*, 2014). This issue is compounded by the fact that little work has taken the perspective of offenders as thinking, reflective human beings in fraud research (for exceptions see Dellaportas, 2013; Goldstraw-White, 2011). Accordingly, building on a long-standing stream of research in the area of coping (see, for example, Folkman, 2013; Folkman & Lazarus, 1988a; 1988b; Lazarus, 1966; 1993; Lazarus & Folkman, 1984), in this study we draw on interviews with offenders to explore the way that fraud is sustained over prolonged periods of offending.

We focus on serious workplace fraud, defined as dishonest activity carried out in the course of one's employment or professional work causing over AU$100,000 in financial loss (this threshold of loss is deemed serious as it typically results in custodial sentences in Australia (see Warfield, 2016)). In accounting and auditing, the major framework driving workplace fraud prevention and detection strategies is the 'fraud triangle'. Entrenched in accounting

[1] Survey research has consistently found that the dollar amount defrauded in closely correlated with the duration of offending. ACFE (2018) reports that the median duration of a workplace fraud is 16 months.

[2] In criminology, a large body of work has theoretically located the drivers of white-collar crime in personal characteristics such as personality, gender, behavioural self-control, hedonism, narcissism, and conscientiousness (see Blickle *et al.*, 2006), rational choice (Clarke & Cornish, 2013), differential association (Sutherland, 1949), general strain theory (e.g., Agnew, 2006), and criminogenic corporate cultures and economies (Coleman, 1987). This work has led to a rich tapestry of theoretical approaches to understanding motivations for fraud (Trompeter *et al.*, 2012).

professional standards around the world (see, for example, AuASB, 2013; IAASB, 2009), the fraud triangle specifies that fraud is the result of the confluence of three conditions: (1) opportunity (e.g., weaknesses in, or ability to override, internal controls); (2) motivating incentive or pressure (e.g., personal financial problems or unrealistic performance goals); and (3) a capacity to rationalise (e.g., from personal attitudes or pressures). Adapted from Cressey's (1953) ground-breaking primary research on embezzlement in the United States, the fraud triangle has changed little over the years, with limited empirical investigation of its key components (Free & Murphy, 2015). Further, several researchers have argued that the fraud triangle is under-specified[3] and poorly equipped to understanding fraud over an extended period of time (Dorminey *et al.*, 2010; Free & Murphy, 2015; Lokanan, 2015; Morales *et al.*, 2014; Wolfe & Hermanson, 2004). A major limitation of research investigation has been the exclusion of the perpetrators' cognitive and behavioural activity over the full course of their offending.[4] These neglected themes, which are central to our project, lie at the heart of fraud in practice.

Given that quantitative studies may be poorly equipped to examine the complex and unfolding nature of the coping process (Agnew, 2013), we use qualitative data to examine the following broad research question: how do occupational fraud offenders sustain their offenses over an extended period of offending? In so doing, we respond to ongoing calls for qualitative

[3] A number of scholars have sought to augment it with other theoretical models in criminology, such as Ramamoorti (2008) (who connects the fraud triangle with routine activity theory) and Dorminey *et al.* (2010) (who suggest additional motivation and alternative models). Others have gone further to add additional dimensions to the triangle, converting the fraud triangle into a fraud diamond (adding a capability as the fourth dimension) (Wolfe & Hermanson, 2004), fraud square (which adds the notion of societal influences) (Cieslewicz, 2010), fraud cube (which advocates three additional dimensions of computer crime – relationship, expertise and motivation) (Doost, 1990), and alternative fraud pentagons (which add the dimensions of arrogance and competence, or personal greed and employee disenfranchisement) (Goldman, 2010; Marks, 2009).

[4] While primary research with offenders has provided landmark insights in areas such as juvenile delinquency (e.g., Cohen, 1955), street violence (Vigil, 1988), and group conflict (Sen, 2007), our current understanding of white-collar offender attitudes and experiences is partial and often sensationalised in popular media presentations (Levi, 2006).

research into white-collar offending (Schuchter & Levi, 2015). The frauds in our sample typically take place over a multi-year period, often characterised by sporadic periods of intense offending and periods of relative desistance. Our emphasis is on the thinking patterns of offenders over time. This perspective depicts people as reflexively employing coping mechanisms to offending based strain.

We uncover a number of cognitive and action-oriented ways of coping employed as a means of combatting strain related to offending, including guilt and fear of being detected. These include (1) problem-focused coping, (2) emotion-focused coping, (3) meaning-focused coping and (4) social-focused coping. We elaborate on key themes within each broad coping strategy. These coping strategies underlie so-called employee 'red flags' and have implications for organizational monitoring and control. We also argue that the notion of rationalisation in the fraud triangle has limited application; applicable in gateway decisions to commence offending but frequently absent from cognitive processing of subsequent offending. We argue that coping offers a useful perspective to understanding long-term fraudulent offending.

The coping perspective draws attention to the precipitators of fraud as well as the behavioural impacts occasioned by offending. Rather than focus on reducing the opportunity for fraud, we draw on criminological research on the situation control of crime to present an anti-fraud model premised on controlling factors that precipitate fraud in the form of controlling prompts, controlling pressures, reducing permissibility and reducing provocations in organizations. We also highlight the behavioural changes identified by offenders to provide support for the potential of a user-behaviour analytics approach to highlight fraud red flags in organizations.

This paper is structured as follows. The next two sections respectively review research in areas of general strain theory and rationalisation, and research on processes for coping with life stressors and strains. This is followed by an overview of the research method in Section 4.

Section 5 presents an analysis of the qualitative data and present four ways of coping with offending-based strain. The implications of these findings on auditing and forensic accounting are then discussed. The final section summarises the major themes, offers potential avenues for further research, and concludes the paper.

2 Strain, fraud and rationalisation

According to general strain theory (GST), the experience of adversity, negative treatment or emotions (i.e. strain) is a contributing factor in crime (Agnew, 1992; 2006). This theory holds that strain tends to induce negative emotions, which in turn generate pressures for corrective action. Crime represents one possible form of corrective action. A wide body of studies have examined the central tenets of strain theory (Agnew, 2007), generally providing support for the theory's core propositions (Agnew, 2018; Aseltine Jr *et al.*, 2000), including in the area of white-collar crime (Agnew *et al.*, 2009; Langton & Piquero, 2007).

While this research has emphasised the role of negative emotions and stressors in the decision to commence offending, a small set of researchers have highlighted that the act of offending, particularly in the area of white-collar crime, is associated with negative consequences in psychological, physiological, and social domains (Goldstraw-White, 2011; Schuchter & Levi, 2015). While these strains are induced by illegitimate offending, they are nonetheless significant and material for explaining future criminal conduct.[5] For some offenders, these factors were insurmountable and ultimately led to admissions of guilt or even significant psychological distress. However, for others, offending-based strains did not inhibit

[5] It is important to note that strain was a key feature of offending for all interviewees. In most instances, offenders reported experiencing broader life strain such as financial pressures, dysfunctional relationships and addictions as well as strains occasioned by offending such as fear of detection and feelings of guilt. While these sources of strain are not readily divisible, our focus is on strain driven by offending. Our interview protocol specifically targeted offending-based strain and offender responses.

further offending. Agnew (2013) highlights that continued offending is shaped or conditioned by the individual's coping skills and resources, available social support, social control, beliefs about crime, and possession of certain traits (most notably self-control). He stresses that the association between crime and coping mechanisms, which are central to managing adverse experiences, remains poorly understood.

> [T]he proper examination of the coping process is difficult ... individuals often employ several strategies, contemporaneously and over time; the strategies they employ often vary, depending on the stressors they experience and other factors. (Agnew, 2013, p. 660)

The fraud triangle is premised on the idea that in the face of the strain of illegitimacy, fraud perpetrators require a rationalisation to proceed. Rationalisation is defined in terms of moral justification as "an attitude, character or set of ethical values that allow them knowingly and intentionally to commit a dishonest act" (AuASB, 2013, p. 17). To date, research investigating the notion of rationalisation, a phenomenon widely seen to be "a relative mystery" (Murphy, 2012, p. 242), has been scant. Research in the area of moral disengagement has motivated studies in accounting seeking to present taxonomies of rationalisation (see, for example, Free, 2015; Murphy, 2012; Murphy & Dacin, 2011). It is possible to identify ten suggested rationalisations in this literature, as summarised in Table 1 below.

Table 1: Categories of rationalisation in existing research in accounting

	Category	Definition	Exemplary statement
1.	Moral justification	Reconstruing the act as socially worthy or having a moral purpose. Sometimes used along with appeals to a higher authority or loyalty to that authority. Accounting managers at WorldCom indicated that they booked fraudulent accounting entries for Scott Sullivan because of their loyalty to him (Pulliam, 2005). Some use this category to argue they are striking back at a malevolent system.	"I'm protecting the company..."
2.	Advantageous Comparison	Comparing the wrongful act against a much more flagrant act, to make the original act look better. Even if the infraction is substantial, there are always larger ones for comparison purposes.	"This is nothing compared to..."
3.	Euphemistic Labelling	Using convoluted verbiage to make a wrongful act sound better. Scott Sullivan, former CFO of WorldCom, wrote a lengthy white paper to justify the capitalisation rather than expensing of certain items in the financial statements (Cooper, 2005).	"I am trying to level the playing field."
4.	Ignore or misconstrue consequences	Minimising, ignoring, or misconstruing any consequences of the act makes it appear the consequences are less than they are. This category can include related rationalisations such as, ''no one was hurt'', or ''no one was hurt much''. Bandura *et al.* (1996) found that participants using this category were less able to recall the harmful effects of an act while easily remembering other aspects of the experiment.	"I can't see that it hurts anyone."
5.	Denial of the victim	Placing blame onto the victim, arguing the victim is physically absent or unknown, or dehumanising the victim is not human. This category does not deny negative consequences, but rather focuses attention on the victim.	"It all ends up cutting covered by insurance anyway."
6.	Displacing responsibility	Placing responsibility for the act with someone else. Scott Sullivan, CFO of WorldCom, testified that he was implicitly told by his boss, CEO Bernie Ebbers, to alter the financial statements to "hit the numbers" (Latour and Young, 2005).	"I was just part of a team that was doing it."
7.	Diffusing responsibility	Sharing responsibility with others. Richard Scrushy, CEO of HealthSouth, allegedly instructed his subordinates to misreport by explaining that ''everybody does it'' (Stuart, 2005). Callahan (2004) argues that this category of rationalisation is ubiquitous throughout U.S. society as a way of justifying cheating.	"Everyone else was doing it."
8.	Entitlement	Deserving of more, regardless of anything else (Mayhew and Murphy, 2014). Wells (2001) uses the concept of "wages in kind" in accounting for fraudulent behaviour.	"I deserved more money."
9.	Disbelief	Claiming disbelief of how the rules work. Accountants at Enron argued that accounting treatments designed to facilitate off-balanced sheet financing were "grey" zones of legality (Free *et al.*, 2007).	"What we are doing isn't illegal."
10.	Temporary loan	The perpetrator arguing that s/he plans to pay it back or fix the fraud (Murphy and Free, 2014).	"I fully intended to pay back the money that I took."

Source: Adapted from Free (2015); Murphy (2012); Murphy & Dacin (2011).

In a wide-ranging review, Trompeter *et al*. (2012) draw a distinction between the related notions of rationalisation (moral justification after the fraud) and the closely related construct of rationalisation (moral justification before the fraud). This underscores that rationalisation is typically presented as a static element focused at the time of the decision to offend. However, qualitative research in criminology consistently finds that criminal thinking is dynamic and

contextually driven over time (Goldstraw-White, 2011; Walters, 1995). Furthermore, research in the broad area of coping suggests that reinterpretation of meaning is only one possible avenue to deal with strain and negative stress.

3 Coping with offending

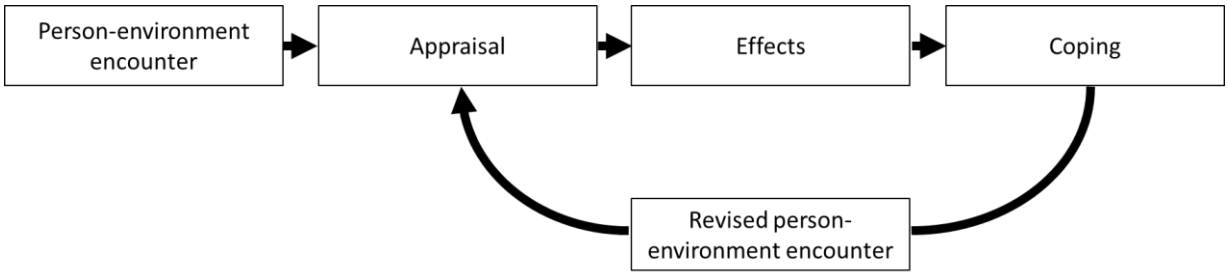
A large body of socio-psychological research has examined how people respond to strains, focusing on the diverse ways by which individuals endeavour to master, minimize, or tolerate emotional distress. Such responses to strain may be referred to as *adaptational processes* (Cramer, 1998; 2000). Broadly speaking, research has explored two main processes serving as means for adaptation: defence and coping.

Defence and coping can be differentiated according to the psychological processes involved. The notion of defence mechanisms, which emanates from the work of Sigmund Freud and his daughter Anna on ego defences (Freud, 1936; Freud, 1966; 2014), is meant to signify a range of mental responses to stressful encounters that are typically characterised as unconscious, unintentional, hierarchical (i.e. categorised according to psychological maturity, complexity, or age), dispositional, and pathological in nature (Cramer, 1998; 2000). Research into defence mechanisms flourished between the 1930s and 1960s, but subsequently fell out of favour in response to growing criticism about difficulties in studying and assessing unconscious and unintentional mental processes and related methodological critiques (Cramer, 2000; Somerfield & McCrae, 2000). A growing preference from the mid-1960s onwards for studies of objective and observable responses to stress led to the rise of research into coping.[6] Coping is defined as "ongoing cognitive and behavioural efforts to manage specific external

[6] After a long period of inactivity, researchers are starting to become interested again in understanding defence mechanisms as a complement to coping processes (Cramer, 1998; 2000).

and/or internal demands that are appraised as taxing or exceeding the resources of the person" (Lazarus, 1993, p. 237).[7] Stimulated by the early work of Lazarus (1966), and in contrast to the earlier work on psychological defences, the concept of coping emphasises the role of appraisal (with respect to the person-environment relationship that one finds himself/herself in) in shaping the quality of an individual's response to a stressful encounter. This cycle of appraisal and response is seen as an ongoing process, the broad character of which is summarised in Figure 1.

Figure 1: A taxonomy of coping strategies for fraudulent offenders



Source: Adapted from Folkman (1997; 2008).

According to Figure 1, appraisals tend to focus on what is at stake and how the environment affects the realization of those stakes as well as what coping resources, options and prospects an individual has available to help realize these stakes (see, for example, Folkman & Lazarus, 1985; 1988b; Lazarus, 1991). They are also affected by a range of personal characteristics, such as personal motivations, beliefs about oneself and the world, and a variety of personal resources (e.g., financial, psychological, spiritual, environmental, and material)

[7] It should be noted the notion of coping described here is distinct from the term "criminal coping" as applied in General Strain Theory research. Within this literature, criminal coping refers to the practice of engaging in crime to cope with strain. Researchers in this area argue that this form of criminal coping is more likely when strained individuals (a) have a weak commitment to legitimate norms; (b) blame their strain on others; (c) associate with criminal peers – especially gang members; and (d) have the skills and opportunities to engage in crime (see for example Agnew, 1997)

(Folkman, 2013). An appraisal-based understanding of coping processes thus draws attention not just to the changeable conditions of the environment, but also to how individuals construe and evaluate them (Lazarus, 1993).

An individual's appraisal of their person-environment relationship elicits emotions – "complex, organized psychophysiological reactions consisting of cognitive appraisals, action impulses, and patterned somatic reactions" (Folkman & Lazarus, 1988b, p. 309).[8] In the literature on coping, psychological stress – defined as "a relationship between the person and their environment that is appraised by the person as taxing or exceeding is his or her resources [for coping] and endangering his or her well-being" (Folkman, 2013, p. 21) – is characterised as a subset of emotion.[9] It often manifests in expressions of anger, anxiety, guilt, shame, sadness, envy, jealousy and disgust in response to significant threats, harms, or challenges (Lazarus, 1993).[10] Coping then is an attempt to mediate, and thus regulate, the emotional response to the stressful encounter by endeavouring to change the person-environment relationship in some way (e.g., influencing the level of attention directed to the stressful encounter, altering its meaning/significance, or changing distressful person-environment relationships by acting on the environment or oneself) (Folkman & Lazarus, 1988a; 1988b).

A large number of different ways in which people may endeavour to cope with stressful circumstances have been identified. In a comprehensive review of coping strategies, Skinner

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[8] Consequently, emotion is theorised in this context as *relational* (derived a situated person/environment relationship), *motivational* (responds to the perceived 'fit' between personal motives and their environmental suitability), and *cognitive* (affected by beliefs about the machinations of a given environment, and appraisal of the significance of outcomes stemming from a given encounter) (Lazarus, 1991).

[9] This definition indicates that stress is not a property of the person or the environment, nor is it a stimulus or a response Stress is a particular relationship between the person and the environment. This indicates two main things – first the personal and the environment are in a dynamic relationship that is constantly changing and, second that this relationship is bidirectional, with the person and the environment each acting on one another (Folkman, 1984).

[10] This characterisation of stress highlights that coping, while conscious and intentional, is not purely cognitive. It is also an artefact of emotional responses. In other words, both emotion and cognition influence the nature of coping strategies that an individual may select and act on (Lazarus, 1993).

et al. (2003) identified some 400 specific ways from an extensive review of the literature. The most commonly applied method of eliciting coping strategies is Lazarus' Ways of Coping Questionnaire (WOCC), (see Folkman & Lazarus, 1988b), a multi-item survey which has been applied an adapted in a variety of areas, and from which a range of related ways of coping have been derived. The Cognitive Emotion Regulation Questionnaire (see Garnefski *et al.*, 2001; 2002), an alternative to the WOCC, has also been used to derive a number of coping strategies, such as self-blame, other blame, rumination, catastrophizing, putting into perspective, positive refocusing, positive reappraisal, acceptance, and refocus on planning.

At a conceptual level, various categories of coping have also been offered in the literature. The best-known categorization is the distinction between *problem-focused* and *emotion-focused* coping. Problem-focused coping refers to planful action directed at changing distressful person-environment relationships by acting on the environment or oneself (Lazarus, 1991; 1993). This can include strategies for gathering information, decision making, acquiring resources (skills, tools, and knowledge), and other instrumental, situation-specific, task-oriented actions directed at the sources of stress (Folkman, 1997; Moskowitz *et al.*, 1996; Zygband *et al.*, 2011). On the other hand, emotion-focused coping reflects efforts to internally regulate distress occasioned by the person-environment relationship faced in one of many ways (such as how the stressful environment is approached or can be re-appraised). These serve to mitigate stress by reducing and managing the intensity of distressing emotions, without intervening on the actual conditions causing stress (Lazarus, 1993).

In their study of the ways middle-aged men and women cope with stressful events in their everyday lives, Folkman & Lazarus (1980) reported that forms of problem-focused and emotion-focused coping were used in 98% of the 1,332 reported stressful episodes their subjects collectively encountered. Notwithstanding this, new categories have been theorized over time to expand on the problem-focused/emotion-focused dichotomy. For example,

meaning-focused coping has been introduced to characterise the ways that values, beliefs and goals are drawn upon to modify the meaning of a stressful situation, especially in cases where unavoidable chronic stress is experienced (Folkman & Moskowitz, 2004; Moskowitz *et al.*, 1996; Park & Folkman, 1997). Examples of meaning-focused coping include positive reappraisal, infusing ordinary events with positive meaning, and reordering priorities (Folkman, 2008; Folkman & Moskowitz, 2000; 2007; Moskowitz *et al.*, 1996). *Social-focused* coping has been introduced to recognize that coping approaches may also draw on available social networks for support (Folkman & Moskowitz, 2004; Wells *et al.*, 1997). *Religious-focused* coping directs attention to the role of religion in coping with stress. There is growing evidence indicating that religion can help people find strength to endure a stressful encounter, and find purpose and meaning in highly challenging circumstances (Folkman & Moskowitz, 2004).

While coping research has enhanced our understanding of the cognitive processes of adaptation and adjustment, two issues require further elaboration. First, little work has dealt with the notion of socially illegitimate stress (e.g. concealing crime) as against socially acceptable stressors (such as life-threatening illnesses). Second, coping has largely been presented in static terms. These issues are particularly pertinent to understanding the nature of fraud offending over time, given that little research attention has been afforded to the subjective experience of fraud offenders or the dynamics of offending over an extended period of time. This article draws on the existing literature on coping as well as extensive qualitative data from the perspective of fraud offenders to provide insights into the nature of coping in fraud conducted over extended periods of time.

In summary, most theories about criminal behaviour have tended to ignore the offender's decision making – the conscious thought processes that give purpose to and justify conduct, and the underlying cognitive mechanisms by which information about the world is selected,

attended to, and processed (Clarke & Cornish, 2013). In the face of ongoing criticism of the fraud triangle, we investigate the nature of ongoing offending over time. Drawing on a rich tradition of psychological research in coping, we set out to identify the ways in which offenders seek to manage the strain associated with offending to continue to perpetrate fraud over extended periods.

4 Method

We employ a qualitative research methodology drawing on 42 semi-structured interviews conducted with individuals convicted of serious workplace fraud offenses. Interviewees were recruited from prisons and parole services in the Australian states of Queensland and Victoria. Our interviewees ranged in age from 26 to 73 years at the time of sentencing, with the median age being 48.5 years. Interviewees worked in a range of areas, including in accounting, administration, finance, management, and legal roles. In terms of gender, there was a bias to male respondents in our sample (30 men (71%) and 12 women (29%)), consistent with the relative gender balance reported in fraud offending more generally (see, for example, KPMG, 2016). The median amount defrauded by our interviewees was $1,475,000, with a range of $136,500 to $33,500,000. Finally, in terms of the penalty received for offending, the median head sentence[11] received was 6.5 years, with a minimum and maximum of 1 year and 13.5 years respectively.

Our focus on convicted offenders is important for several reasons. First, offenders receiving custodial sentences provided a robust threshold for identifying serious workplace

[11] Typically, offender sentences including term of incarceration have a defined maximum period to be served in custody, commonly referred to as the 'head sentence', along with orders for a lesser period (the 'non-parole' period), beyond which an offender may be granted a parole order to complete his or her complete sentence in the community, subject to certain specified conditions (Judicial College of Victoria, 2018; Legal Services Commission of South Australia, 2018).

fraud offenders. Second, the assistance and access capabilities of the relevant corrective services authorities were instrumental in gaining access to a broad cross-section of serious workplace fraud offenders (offenders would have been very difficult to locate from the general population). Third, interviewing convicted offenders avoided potentially challenging ethical and legal issues relating to criminal admissions that had not previously been reported to relevant authorities and tried in a court of law.

4.1 Recruitment Process

Corrective services authorities in the Australian states of Queensland (Queensland Corrective Services) and Victoria (Corrections Victoria) provided the main channels through which our target interviewees were sourced. To contact fraud offenders through these organizations, extensive ethics approval processes had to be observed, both at the researchers' host institution, and at each of the abovementioned corrective services authorities. Following receipt of these ethics approvals, and in line with their approval conditions, interviewee recruitment involved three key steps:

1. suitable individuals (in line with our definition of serious workplace fraud) were identified from public media reporting;
2. a list of potential interviewees was compiled from the public media search and emailed to the relevant corrective services authority contact to confirm accessibility and identify the location of each listed individual within the corrections system; and
3. invitations were distributed to each identified individual by each of the corrective services departments on the authors' behalf.

For invitees who accepted the invitation to participate in the study, the authors liaised with the appropriate corrections representative to organize a date and time for interviews to occur on prison grounds in the case of imprisoned offenders, or directly with the individual for

interviewees who had completed the custodial component of their sentence. A reminder invitation was sent to non-responding invitees after a few months had elapsed following the initial mail-out. This process was repeated on several occasions over a period of approximately three years.

4.2 Interview Protocols

The interviews were semi-structured in nature and designed to last approximately 60-90 minutes. The interviews were guided by an interview protocol that was critically assessed by host university and corrective services ethics panels, and scrutinized for comprehensiveness and clarity by trusted colleagues. The protocol began with eliciting summary information about the nature and quantum of offending from interviewees, and then followed an events timeline demarcated by discussions about preceding circumstances and events, the commencement of offending, the continuation of offending, detection, and events following detection. Within each of these themes, the protocol listed a number of prompting questions to facilitate discussion about that theme.

Segmenting the interviews in this way was intended to enhance interviewee recollection of actions, events and circumstances over the course of the interviewee's offending through sequential and event-based remembering (Freedman *et al.*, 1988; Nelson, 2010). The protocol facilitated a standard ordering and presentation of discussion themes and question prompts to reduce interviewer effects. Both researchers also strived to maintain a neutral and non-judgmental stance in questioning to mitigate biasing interviewee responses. At the same time, a level of flexibility was also accommodated within each interview to ensure that unexpected narratives and discussion cues were fully explored in line with our theoretical sensitization around ways of coping (Glaser & Strauss, 2017).

Interviews were either digitally recorded (24 interviews), documented by a professional stenographer (16 interviews) where digital recording was not permitted, or detailed notes were taken by the researchers where an interviewee declined an interview recording (two interviews). Interviews recorded by digital recorder/stenographer were subsequently transcribed. Where notes were taken, both interviewers collaborated to reconstruct important components of the interview conversation as soon as practicable after the interview.

Prior to the commencement of each interview, all interviewees were asked to read and sign an informed consent document. At the same time, the researchers further explained the nature of the study in broad terms, outlined how the interview would proceed, and answered any questions raised by the interviewee, as appropriate to each case. Due to the nature of recruitment, the researchers had access to secondary materials about each interviewee (media articles and court reports) to confirm reported details about each offense.

4.3 Data Analysis

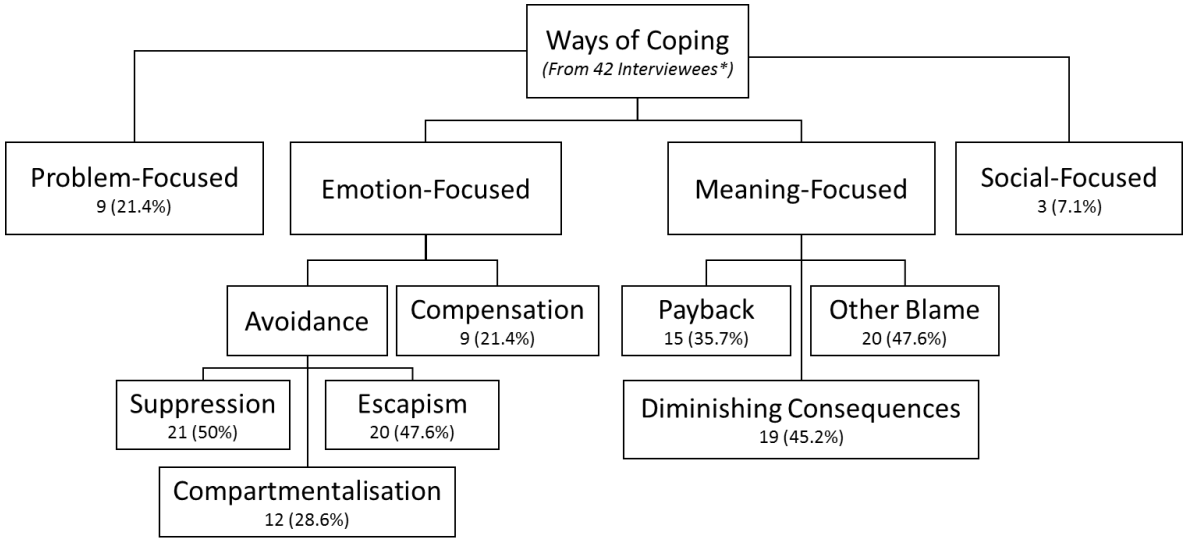
Qualitative analysis of interview data was iterative and inductive, and followed a multi-step process that began with both researchers reading and re-reading all the interview transcripts to become familiar with their contents. Each researcher then individually identified raw data themes from the interviews, with a particular focus on interviewee responses that related to strains experienced and ways that individuals responded to those strains. After each interview, the researchers would compare and contrast the identified raw themes, and extensively discuss them until triangular consensus was reached (Lincoln & Guba, 1985). The researchers then careful coded each interview using N-Vivo to draw out key themes and patterns, which were further refined through reference to relevant theoretical literature (Eisenhardt, 1989; Knafl & Breitmayer, 1989; Urquhart *et al.*, 2010). When disagreements between the authors emerged at any stage of this process, the researchers re-examined the relevant interview material and

discussed the points of contention until resolved. Attention was paid throughout to competing themes/explanations to consider the validity of our analysis (Patton, 1990). Finally, we compared emerging categories to relevant literature to refine and buttress our major findings and discussion points (Eisenhardt, 1989; Knafl & Breitmayer, 1989; Urquhart *et al.*, 2010).

5 Findings

Coding the 42 interviews elicited nine basic codes representing the different ways of coping discussed by interviewees (Suppression, Compartmentalisation, Escapism, Compensation, Payback, Diminishing Consequences, Other Blame, Solution Seeking, and Displacing Agency). Through iterative analysis, these basic codes were further abstracted into four higher order themes (Emotion-Focused, Meaning-Focused, Problem-Focused, and Social-Focused), which we believe represent the broad approaches our interviewees raised in relation to how they coped with their ongoing offending. Figure 2 summarises the hierarchical development of basic coding and higher order themes that emerged from our data analysis. The most common modes of coping were emotion-focused (69% of respondents reported employing some form of emotion-focused coping) and meaning-focused (74%), with less recourse to problem-focused coping (21%) and social-focused coping (7%). Figure 2 provides a breakdown of specific ways of coping discussed by interviewees.

Figure 2: Hierarchical development of basic codes and higher order themes*



* Note that interviewee comments through an interview reflected multiple ways of coping.

Offenders reported feeling a range of positive and negative emotions during their offending. Some claimed to feel satisfaction and even a sense of thrill from perpetrating their crime. However, without exception, offenders referred to strains in relation to offending. Strain associated with offending was broad in scope and varied in intensity. This strain took numerous forms including anticipatory fears and concerns relating to being caught as well as regret, guilt and shame. While some of these strains had a moral character (regret, guilt and shame), others did not (fear of being caught, anxiety, feeling drained). Regardless, these feelings universally imposed significant strain on offenders at various points of their offending. Many offenders spoke of feelings of paranoia, with one respondent commenting "there was always a risk that the next knock on the door or phone call was the police … It was a relief when it finally did come" (Interviewee 25). Most offenders described extended periods of limited concern about being caught, though feelings of guilt, regret and shame tended to be more consistently felt across offending episodes.

Offender accounts of the full life-cycle of their offending foregrounded the centrality of coping mechanisms in sustained fraud offending, in the face of strain associated with such offending. Responses took multiple forms, which have implications for managing fraud risk within organizations. Based on our coding of interview data, we identified four higher order themes for characterising ways of coping with the strains in persistent offending, which we will articulate below. It is noteworthy that one of these ways of coping overlaps conceptually with the notion of rationalisation contained in the fraud triangle; the other three broad categories were more tied to proactive strategies of protection, emotional regulation or social support. In many instances, original lines of justification transformed, were abandoned or lost salience, and were effectively displaced by reliance on alternative modes of coping. The range of ways of coping expressed by each of our interviewees, classified by the coding hierarchy described earlier, is presented in Table 2. Recognising the complex and dynamic nature of coping, as indicated by the multiple ways of coping identified by most interviewees, we elaborate on the major streams of coping in our data below.

Table 2: Coping strategies used by interviewees

	Problem-focused coping	**Emotion-focused coping**	**Meaning-based coping**	**Social coping**
Cognitive strategies	• Self-motivation • Strategizing	• Suppression • Compartmentalisation	• Payback • Diminishing consequences • Other blame	• Seeking empathetic reassurance
Behavioural strategies	• Acquiring additional resources	• Escapism • Compensation		• Seeking assistance

5.1 Coping resources

As part of the person-environment encounter that characterises one's offending experiences over time, personal characteristics and available personal resources impact on both the degree and persistence to which an offender experiences strain in association with their

offending, and the degree to which an offender feels capable of handling strains one is subjected to during the course of offending. In a number of our interviews, respondents referred to various kinds of personal characteristics and resources, and reflected on how that affected their offending experience. For example, several interviewees spoke of learned resilience or hardiness (Maddi & Kobasa, 1984) from other life experiences, which permitted greater tolerance for what others might perceive as high strain situations. One interviewee spoke of how his resilience/hardiness was learned and embodied from time served in the armed forces:

> I think just resilience [sustained my offending]. I think it was the Army training, quite simply. They design you to push through, no matter what… I didn't go out [into the field], I served from '86 to '92. So it was during the general peace, but you know, you train pretty hard… Yeah so I put it down to that. You know, just don't give in. Don't give in. (Interviewee 32)

As a further example, another interviewee spoke of resilience stemming from a troubled upbringing and exposure to crime from an early age:

> Yeah, for a normal person it probably would have been [stressful], but I grew up in a stressful environments, being in trouble all my life, being in boys' homes, didn't think about it… I grew up in a very violent neighbourhood in [location] and I've been around gangs and that all my life… I've just been used to doing stuff like this [fraud and other crime] all my life. (Interviewee 33)

Several interviewees also reflected on how optimism (Scheier & Carver, 1987), stemming from belief in one's self-efficacy (Bandura, 1977; 1997), and/or a lack of faith in the efficacy of those who may potentially detect their activities, also impacted on the salience of strain felt over the course of offending. Interviewee comments suggested that optimism and self-efficacy manifested in feelings of intellectual superiority in relation to offending:

> I know I'm smarter than most people. I'm not saying that in an immodest way, please don't take it that way … But because I am and plus I had the trust of a lot of people, I could make it sound like it [the fraudulent investment opportunity] was good and people went 'yeah'. (Interviewee 22)

Optimistic thinking can also amplify as offending continues, with persistent offending confirming perceived mastery of both the situation and the potential of being caught. (Scheier & Carver, 1985; 1992). It can also lead to more brazen and risk-taking behaviour in offending,

as reflected in the following quote expressing growing confidence (and risk taking) as offending progressed.

> I want to grow that fund so that the commissions were growing bigger and bigger [by trading illegitimately on client funds]. [But] because the loss is getting bigger and bigger, I always try to get back and fill that loss, because most of the [affected] clients are so close to me … So I wanted to make it back, so that, so that all the moneys go back to the client … I try different techniques or different way of trading, or different indicators, and thing like that with, you know, technical, nice fundamentals. So, I try all sort of things and every single time that I tried a different strategy, or allocate say a little fund, so say $100,000 to try on new strategy. And then $100,000, I'll turn it into like say, $200,000 within two months. And I'm thinking, "Okay, well if I can turn that into one million instead of $100,000." So, I just buy, you know, ten times more contracts … And that was my mindset. (Interviewee 20)

Finally, some interviewees also talked about certain personality traits that they believed disconnected them from appreciating the significance of their breach of trust occasioned through their offending. The following excerpt is from an interviewee who identified as having a dissociative personality disorder, who explained the implications of this lack of empathy in the following way:

> People will trust me, but I don't care. Not that I'm ruthless, but I'm not a psychopath. But when it comes into that sort of stuff … [you have to] otherwise you wouldn't be able to do anything that you were doing. Or justify what you were doing. (Interviewee 42)

Similarly, narcissistic tendencies seemed to have similar effects, as the following comment suggests:

> You have access to money, okay. Now, put yourself in this position, if you had access to all the money you wanted, well you become a narcissist. I am untouchable. I can have whatever I bloody want. And that's what I became, a narcissist. I'm the first to put up my hand and say I was a classic narcissist. (Interviewee 15)

In summary, these interviewee reflections highlight that personal resources can materially influence an individual's capacity to adapt to their circumstances and cope with strain. The character of personal resources mentioned by our interviewees is unlikely to be exhaustive. Indeed, a wide range of personal resources not mentioned by interviewees, relating to general intelligence, financial means, social skill, education, health and energy, sanguinity, and various personality traits, could also importantly bear on both the nature and intensity of

strain experienced, and capacities to respond to strain in given circumstances (Lazarus, 1999). Whatever their nature, one's relationship between their personal resources and environmental demands, and their connection to strain, could be expounded through a "seesaw analogy" (Lazarus, 1999, pp. 58-59), with strain amplified in cases where environmental demands 'outweigh' personal characteristics and capacities. However, while this analogy is helpful for broadly understanding the connection between personal resources, environmental demands, and strain, it must be remembered that strain is a subjective concept of the mind, and as such, people can differ markedly in how they may appraise their relative balance between personal resources and environmental demands (Lazarus, 1999).

5.2 Ways of coping with continued fraudulent offending

In accordance with the observations of Folkman & Lazarus (1985), the coping efforts of offenders were not limited to particular strategies nor to single approaches to dealing with a particular stressor. Rather, coping reflected a complex process involving a number of strategies, often in combination. There does not appear to be a linear development of the ability to cope, nor necessarily long-term maintenance of coping at a particular level. The four major modes of coping identified by our interviewees are elaborated below.

5.2.1 Problem-focused coping

In a broad sense, problem-focused coping targets the causes of stress in practical ways which address the problem or stressful situation that is causing stress, thus directly reducing the stress. Problem-focused strategies aim to remove or reduce the cause of the stressor. In the area of fraudulent offending, problem solving, gathering further information about potential threats and being adaptable to changing circumstances were cited as proactive means to support continued offending.

> [I thought] well if I pay the brokers and just and just extend the, the wolf from the door, then I can fix the problem... It crossed my mind that it's an absolute possibility [that I might get caught], but somehow I was able to go on and always found a way to-to make it work…. I just kept my head down and had a goal to try and rectify and that was, that kept me going. (Interviewee 32)

Research has consistently found that problem-focused coping is more effective for specific stressors, and seems to be more prevalent for short term issues (Aryee *et al.*, 1999; Carver *et al.*, 1989; Lapierre & Allen, 2006; Sarid *et al.*, 2004). When issues become more long-term, problem-focused coping appears to be less effective (Aryee *et al.*, 1999; Lapierre & Allen, 2006; Reed *et al.*, 2009). It also appears to be especially hampered by a sense of hopelessness. At times, the continued failure of problem-focused coping to yield benefits resulted in confessions.

> There was a point at which I … realized that I can't keep this going any longer … the overwhelmedness, and the stress, … I thought I was gonna go crazy, you know … the situation was deteriorating over time, more and more transfers were happening, it was harder and harder to get track of, and at some point, there was the straw that broke the camel's back sort of thing. (Interviewee 14)

In the context of fraud, the prolonged nature of offending combined with a lack of support from the outside world means that other forms of coping are often employed by offenders.

5.2.2 Emotion-focused coping

Emotion-focused coping refers to coping approaches that do not seek to solve the underlying problem, but rather endure it (Folkman, 1984). This way of coping acts as a way of detaching from the environment, which research has shown to be a typical response in long-term predicaments (Krischer *et al.*, 2010). Emotion-focused coping is individually specific and varies from person to person. The most common forms of emotional coping among our interviewees were the related categories of suppression, escapism and compartmentalisation. A key element of these avoidant strategies is coping with strain by repressing acknowledgement of its existence.

The primacy of emotion in sustaining offending sits uneasily within the auspices of the fraud triangle. The fraud triangle is largely predicated on a rational decision-making process whereby fraud is purposive behaviour that is designed to meet an offender's needs and involves the making of decisions and choices constrained by the limits of opportunity and ability to rationalise. A large body of clinical, physiological, social and cognitive psychology demonstrates that emotional reactions to risky situations often deviate from individual's cognitive appraisals of those risks. Individuals are often pulled in different directions. Loewenstein & Lerner (2003) find that when these deviations occur, emotional appraisals often supersede cognitive ones. Emotion-focused coping thus frequently affects decision-making and behaviour in ways that prolong offending.

Suppression

Offenders often used withdrawal tactics as a means of reducing strain and replenishing emotional resources. Thought suppression is a thought control technique that attempts to keep unwanted cognitions at bay. Several respondents argued that thought suppression was linked to emotional numbness, introducing a range of metaphors including 'walking around like a zombie', 'haze' and 'numbness'. The derealisation, depersonalization and emotional numbing experienced during some fraud offending impedes moral engagement and/or feelings of empathy with victims.

> I don't think I put a lot of thought into it, to be honest. I deliberately didn't. I just kind of said: just do it. There was literally a voice in my head: just do it, don't think about it, and if it does come back you can always run out the door. (Interviewee 26)

However, all respondents acknowledged that thought suppression frequently encountered intrusive recollections and flashbacks, consistent with a long stream of research suggesting that thought suppression is rarely highly effective (see Wenzlaff & Wegner, 2000). This form of coping was also associated with social withdrawal. Moreover, substantial

relationships have been found between reported thought suppression use and symptoms of anxiety (Muris *et al.*, 1996; Wegner & Zanakos, 1994) and this form of maladaptive coping was largely seen to be at best partially effective.

Compartmentalisation

Closely related to suppression, compartmentalisation involves consciously or subconsciously 'sectioning off' upsetting thoughts and emotions, and/or potentially confronting relationships, in order to permit engaging in certain behaviours. Like suppression, it is a dissociative strategy.[12] Compartmentalisation leads to cognitive disconnection between spheres of experience, leading to a partitioning of thoughts, relationships, and tension evoking situations. As such, it allows for the ring-fencing of overwhelming experiences, isolation of conflicting emotional material, and the preservation of psychological functioning in the face of disruptive influences (Collins & Ffrench, 1998). As the quote below indicates, compartmentalisation minimizes cognitive dissonance or stress associated with offending, as well as enhancing the concealment of offending patterns.

> I was working in one town, living in another town, my family were a distance away, which really meant that all the things that might have stopped me were separated. So the people I worked with didn't know how I lived, the people I lived with didn't know where I was working … In other situations, someone might say "I don't think that [the employer] actually had that position, or can afford to pay her that money. But they were separated and so I worked very hard to keep them separated. (Interviewee 2)

Escapism

Escapism involves leaving or absconding from threatening situations as a form of intentional detachment and distraction. As such, it is an avoidance-based coping strategy which manifests

[12] Dissociation is the process whereby the usually integrated functions of consciousness, memory, identity, or perception of the environment are disrupted (Collins & Ffrench, 1998).

in immersion in alternative activities. These alternative activities, including gambling, physical activity, community involvement, and engagement in other business activities, were seen to promote risk absorption (a narrowed associative state that may be helpful for detaching oneself from broader challenges) and reduce self-evaluation. The way that gambling venues offered an escape from offending based strain is well illustrated below.

> All I know was that I needed to gamble. I needed to escape dark thoughts and go into a pokies venue where no one bothered you - no one knew you. It was a safe place. In retrospect I can see that. (Interviewee 1)

Prior research suggests that pathological gamblers frequently use gambling as a form of escapism from unpleasant mood states (Reid *et al.*, 2011). Gambling motivated fraudsters reported that even despite the realisation that further gambling would not resolve their long-term problems, they would frequently turn to gambling as a mood-altering experience to avoid strain. Gambling thus provides an insidiously reinforcing dual role for some offenders: both motivating the offending and also offering a sense of escapism that exacerbates financial need.

Compensation

Compensation is a way of coping where individuals endeavour to counteract stress they experience by engaging in activities that help them perceive their offending in a more positive light. In this regard, several interviewees spoke of how they gave some of their defrauded sums to charity (Interviewees 2 and 26), family and friends (Interviewees 5 and 26), business partners (Interviewee 7), and other related parties (Interviewee 19). The common thread connecting these actions was a sense that distributing wealth to others was a good deed, the emotional effect of which offset negative feelings about one's offending. The following quote is typical of the way that compensating behaviour was positioned to help justify offending.

> I did actually give a lot of money to charities. I was very generous with other people's money ... At least I was doing something, making somebody else's life a little bit better… I used the fact that I was giving a lot as a justification. There is no doubt of that. (Interviewee 2).

Compensation resembles other strategies previously identified within the coping literature. For example, like the strategy of *making amends* (see, for example, Hardy *et al.*, 1993), compensation is aimed at taking some form of action to remedy an individual's illegitimate behaviour, at least from the point of view of the individual offender. Similar to *distraction/diverting attention* (see, for example, McCrae, 1984; Rosenstiel & Keefe, 1983), compensation also provides a means to avert one's attention towards their pro-social actions, and away from illegitimate behaviour. Compensation can be distinguished from these coping strategies in that it also reflects a response to one's appraisal of their offending as a threat to their self-image as pro-social. Many interviewees were at pains to present their offending as aberrant and out of character with their pro-social selves. Compensating actions thus allow offenders to perceive their offending as part of a broader portfolio of activities, the collective appraisal of which enables a more positive self-image to be maintained. The following quote reflects the ability of some offenders to manage conflicting understandings of themselves.

> I'm thinking I'm good. I'm not a bad person. I have helped a lot of people. I mean, I got to the point I had that much money I was giving cars away to people who needed cars - girlfriends of my wife whose husbands abandoned them, I paid for their school fees, gave them a car. If I could do it, I would do it (Interviewee 5).

5.2.3 Meaning-focused coping

Meaning-focused coping does not attempt to change a problematic situation, or decrease pressure, but rather it alters how an individual evaluates a situation (Pearlin, 1991). In short, using meaning-focused coping involves reappraising stressful situations and framing it in a more positive manner. There is considerable overlap between the notion of rationalisation and meaning-focused coping. However, rationalisation is typically presented as a prospective notion ahead of offending, while meaning-focused coping tends to occur after the offending and therefore is more germane to explaining persistence in offending (or 'secondary offending'

in Lemert's (1951) terms). To avoid confusion, we use 'meaning-focused coping' when describing interpretations designed to relieve the speaker of culpability. Meaning-focused coping is part of the narrative process through which individuals make meaning out of their lives.

While theoretical research in moral disengagement and rationalisation has yielded a range of theoretical rationalisation or neutralization techniques, we found that over the full course of offending, meaning re-appraisals that offenders drew upon tended to cluster into three broad categories: (1) paying it back; (2) diminishing consequences; and (3) other blame. These ways of coping include both externalised blame, which lay the fault with others (other blame) and internalised justifications, which acknowledge fraudulent activity but appraise it in a way to attenuate its pejorative quality (paying it back and diminishing consequences). We find that meanings that are based on stable and global attributions (e.g. "others are responsible" or "no one is really getting hurt here") and attributions of a hostile nature (e.g. "the victims deserved it") are most likely to be sustained over the course of continued offending. Other forms meaning-based coping ("I will pay it back") were more likely to be diminished or abandoned as offending continues.

Paying it back

A conviction to repay money obtained through fraud was a common feature of many offenders, particularly in the initial phases of offending. This imported a non-criminal meaning to an otherwise criminal act. For many offenders, fraud offered a way out of a perilous financial situation. Some notion of repayment provided an important impetus, allowing offenders with pro-social identities to reconceive their actions as temporary, victimless and aberrant.

Gambling-motivated offenders were most likely to remain attached to pay back reinterpretations, clinging to the hope that a change of fortunes would allow them to regain

their financial footing. Gambling addiction has been demonstrated to produce cognitive distortions in the processing of chance (Clark, 2014), and the following quote reveals the way that distorted thinking provides an impetus for sustaining offending.

> [W]hen I was down $90,000, which might have been eight months in or whatever, I thought if I win $1,000 a day for 90 days, I could pay it back. Just punting – just make $1,000 a day. (Interviewee 1)

In most cases, reconceptualising fraudulent acts as loans had a limited lifespan; beyond a certain point or financial sum, this form of meaning-focused coping was diminished or abandoned. In this way, meaning-focused coping was particularly salient at the onset of offending, often giving way to other forms of coping as the offending persisted over time.

> The first time I took money it was [with] the best intentions to give it back. It was only a couple of hundred dollars – only. I didn't because I needed more and more. It just kept going. At some point, I knew I couldn't save it or put it back into the company even if I could get my hands on it (Interviewee 8)

Diminishing Consequences

A recurrent way of coping involved a meaning-focused reappraisal that the fraudulent act did no cause significant harm to others. Several interviewees employed selective inattention and subjective distortion of effects to minimize self-censure. A key mechanism used to disregard or misrepresent the consequences of the fraud was to point to the size and financial health of the victim organization. Excessive, and particularly questionable, spending by the victim organization was seen to precipitate fraudulent offending.

> You sort of convince yourself that it's victimless because the company I worked for were owned for were owned by a massive corporation in Belgium and they owned 126 companies worldwide and in my mind I wasn't taking money from someone's wallet, it wasn't coming off anyone's dinner table. Millions of dollars were just being spent on travel and networking and all of this stuff and I thought they are not going to miss that. (Interviewee 26)

A number of respondents were dehumanized their victims. This was employed as a means of justifying treating victim organizations with less empathy and moral concern. Several interviewees pointed out that they would not engage in crime victimizing 'real' people.

> I made a very clear decision the first time as to who would be the victims. Who would be the real victims in this? Would there be real victims in this? And I concluded that there wouldn't be real victims in this. I was not going to be taking – I could never take someone's personal funds, someone's personal dollars, someone who had given me money in trust or something to look after for them, I could never do that. What I was tapping into here was effectively a very large pool of government funds … and if I took that money no one would be hurt. There was not going to be old grandmothers who would lose their pension funds, there was not going to be people who are going to get sacked or fired because there is not the money there to do things, there was none of that sort of stuff. So I remember being very clear in my head about that because I didn't want to be causing grief from that respect. (Interviewee 9)

Of course, the "internal soliloquies" of offenders are constructed from "a repertoire of culturally acceptable legitimations" (Murphy, 1990, p. 205) based on perceived public acceptability. Depersonalization and downplaying public harm are key mechanisms to ward off threats to one's ego.

Other Blame

Expressions of blame, which focus on the perceived influence of others by their actions or omissions, were a key avenue in which interviewees constructed legitimate meanings in relation to their offending. One way in which other blaming manifested was in how others facilitated more permissive offending conditions. Interviewees spoke of permissive cultures and exploitative tendencies (e.g., Interviewees 15, 36, and 42), which included recognition of internal control shortcomings (e.g., Interviewees 9, 14, 36, 42) as focal points of blame. For example:

> I was very dissatisfied with life… and also, I guess, also over a period of time, in parallel with that, you look at the behaviour of the company, and the things that they do, it's amoral, at best, or immoral, and I guess, your guilt falls away. Whereas, if I had found an old woman's handbag in the street, I would have picked it up and returned it intact. But over a period of time, I guess I justified it internally by saying, "Well you guys are fucking more crooked than what I'm thinking of doing. So I'll rip you off, and I won't I won't feel bad about ripping you off. (Interviewee 36)

> No initially [my boss] she was getting me to cover the money she was taking from her [business] partners… So when I found out how it was so easy to move things around [in the books], then it was easy for me to justify doing it for myself as well. (Interviewee 42)

Interviewees also spoke of clients/third parties as a focus of blame, suggesting they believed these parties bore some culpability for not being attentive to the risky nature of high return investment promises (e.g., Interviewees 5, 6 and 25), and/or for not being sufficiently vigilant in scrutinising the offender's actions (e.g., Interviewees 6, 14, 20, and 23). For example:

> So they have made money based on my advice, but this was previously. So when it came to [later investments] … I'm not blaming the clients, but they've became a bit more complacent. (Interviewee 14).

Of course, an irony in the above reflections is that while greed, trust and incompetence are victim traits offenders often actively exploit, these victim traits can be reinterpreted in ways that construct a sense that victims had a hand in their own victimisation.

A sense of extracting *wages in lieu* was also evident in certain interviewee comments (e.g., Interviewees 15 and 16). Again, a focus of meaning is placed in the circumstances of offending. Rather than focusing on being a passive victim of it, interviewee comments here focused on extracting just rewards for work or other effort otherwise deemed to be insufficiently compensated. The following is a revealing comment reflecting this blame placed on others for insufficient compensation:

> I was just totally pissed off with them. They employed a fella who'd left the company. he left before they sacked him. He was not good. They brought him back after 2 or 3 years and they were paying him a shit load than I was [being paid]. And when I said 'well hang on, he's at a lesser level than me, what's the go?' [The response was] 'Oh yeah, he's only here for the duration of the contract. You're permanent', and that was not the case at all. It was all just crap … So it was resentment [over pay inequality] and I'm not going to hide that. (Interviewee 15).

Some interviewees also sought to attribute blame to their broader context and circumstances. This *victim mentality* was invoked when interviewees spoke of pressures felt about things such as raising their family's living standards (Interviewee 9), or calamitous or overwhelming situations (Interviewees 10 and 14), as the following quote exemplifies:

> "I as in over my head. I was overwhelmed … I didn't want to let on that it was too much for me to handle. Because there was a real culture of being hard, so to speak. To just take it in your stride." (Interviewee 14).

In summary, victim blaming, wages in lieu and victim mentality are all examples of finding meaning in blaming others at least in part for one's fraud offending. They highlight the ways that one can appraise offending to be more legitimate where one can displace a sense of culpability onto other people or circumstances, making one seem to be less at fault for one's own illegitimate conduct.

5.2.4 Social-Focused Coping

Unlike the instrumental social support mentioned above, social-focused coping is premised on accessing support from others. It should be noted that social support in this context is not instrumental (e.g. accessing information from others about potential detection), rather this form of support is intended to provide moral support and sympathy from others. Given the clandestine nature of fraudulent offending and relatively low incidence of co-offending in our sample, there was limited recourse to social-focused coping among interviewees.

Social-focused coping was primarily a coping resource for offenses that involved co-offenders. Free & Murphy (2015) point to the primacy of binds between co-offenders in decision-making in co-offender fraud, and we find instances of strong interpersonal relations that offered significant coping resources. In extreme examples, offenders spoke of giving themselves over to co-offenders as illustrated below.

> I was pretty sick so I was kind of in survival mode at the time and I was quite happy to do whatever she wanted me to do because I got to the point where I was letting her make all the decisions. I was trying to survive, basically. (Interviewee 3)

5.3 Behavioural changes

Offenders repeatedly reported that sustained offending occasioned overt behavioural changes. Common behavioural modifications included changes in work patterns (e.g., out-of-hours work times, refusal to take holiday leave, unwillingness to share duties, unusual web

browsing activity, lack of punctuality), social interactions (e.g., social withdrawal, distraction with friends and family), escalation in 'improper' activities (e.g., heavy drinking, gambling), physical change (e.g., stress-related symptoms, sleeping difficulties, unhealthy eating, mental health issues) and emotional change (e.g., anger, irritability). While these behavioural changes were self-reported, offenders frequently expressed surprise that behavioural changes were not detected by colleagues, clients or managers.

> You live on a knife's edge. If anyone questioned you, you would bite back because you're just on the edge, it's like you are forever looking over your shoulder … And you have trouble sleeping because your mind is just going ten to the dozen and then you get to work and try and shut out the world, just do my job ... I couldn't believe others didn't notice anything. (Interviewee 26)

In many instances, these behavioural changes were closely tied to coping strategies. Social withdrawal was a common behavioural symptom of avoidance-based emotion-focused ways of coping. Offenders engaging in these ways of coping reported avoiding socialising, and withdrawing from situations/events deemed to be stressful. This form of isolation was widely seen to lead to depressed states and mental health problems.

> I basically isolated myself from everybody and everything. You try and deal with it by yourself because you're too embarrassed or ashamed to even tell anybody. So, you don't have anybody to talk to and you don't have any support there because you're so embarrassed by what you've done and what you're doing … I suppose that's what leads up to you wanting to end everything. (Interviewee 23)

Alternatively, some offenders reported intensive engagement in release activities such as running or community organization administration. Offenders engaging in escapism were generally associated with elevated consumption of alcohol and problem gambling behaviours.

Strain attached to offending was widely seen to manifest in workplace behaviours. Fears relating to detection occasioned fear of absenteeism and informational access for others. Pragmatic needs to orchestrate frauds often required time for concealment, meaning that extended offender work hours were necessitated to enable isolated employee activity. Some offenders reported an over-eagerness to resolve problems to deflect attention.

> I started working more. I was the first person to put my hand for more work or staying behind without overtime – we didn't get paid overtime … I was offered a promotion and I declined it because I didn't want anyone to take over. It was more pay, it would have helped me, but I couldn't have anyone asking questions … I thought, my God, I'm going to have to stay in this job forever … They always say that the person with their hand in the money pot is the first to arrive and the last to leave and it is so true. I read that somewhere along the way and it really is so true and you read it in other cases in the news and they say "we never suspected Betty from finance was doing that because she was there every morning an hour before her shift and leaving at 10 o'clock at night." Of course she was. She was making sure that no one else picked up what she was doing. (Interviewee 26)

6 Discussion

Agnew (1992) stresses the importance of coping in understanding the criminal experience. While general strain theory suggests that criminal activity can be a driver of crime (Agnew, 2007; Agnew *et al.*, 2009), there is also strong evidence that, for most offenders, criminality can also drive negative stress or strain (Goldstraw-White, 2011; Schuchter & Levi, 2015). This strain can be multi-faceted; it can be anticipatory in nature, such as fear of detection and anxiety about potential punishment. It can also relate to moods and strains around the decision to offend such as desperation, anger or shame. While regret, shame and guilt have a moral character, immediate emotions such as fear or states of desperation do not. It is important to note that fraud triangle-based accounts of fraudulent decision-making, which tend to model fraud as individual cases of discrete choice, have relatively limited recourse to strain occasioned by offending.

The notion of coping challenges the primacy typically accorded to rationalisation in various fraud frameworks. We find that while the notion of rationalisation was frequently present in the decision to commence offending, it was less salient across the duration of offending. Rationalisation is typically presented as a rejection of negative interpretations of illegal acts, thereby rationalising the potential stigma of fraud. While others have identified

conditions that foster rationalisation by perpetrators[13], we find that over time, it was frequently the case that an original rationalisation was no longer relevant or even contemplated over time. As such, while the notion may be of some use in explaining the decision to commit fraud, rationalisation is not well suited to explaining the prolonged periods of offending. Rather, we find that the notion of coping is more appropriate to describing the cognitive and behavioural strategies used by offenders to continue to offend. In some instances, meaning-focused coping closely connected with ideas of rationalisation; elsewhere offenders made clear that rationalisation was no longer an element of their thinking and employed emotion-focused coping, problem-focused coping or social-focused coping. Unlike the sources of stress typically examined by coping scholars, the clandestine, illegal nature of fraud stressors mean that certain forms of coping are not available to offenders. For example, we found no evidence of religious coping (Folkman & Moskowitz, 2004; Pargament *et al.*, 1988) and only limited resource to social coping (only really available to co-offenders in a similar predicament) . These findings underscore that coping is importantly conditioned by the nature of the threat stemming from the person-environment relationship.

Our findings build on Agnew's (2013) notion that coping should be seen as a dynamic, multi-faceted and a complex process. Individuals do not merely react to a strain using a single coping strategy. While many offenders had preferred coping strategies, they also used other approaches. Further, fraudulent actions seem to be more the result of a sequence of events in which offenders flow from one situation into the next, instead of being one-off discrete choices between criminal and non-criminal alternatives. As such, coping is best thought of as an

[13] Rabl & Kühlmann (2009) discuss nine conditions that enable the use of such techniques of rationalisation or neutralization: (1) norms of reciprocity; (2) useful side-effects; (3) goal conflicts; (4) the partner's responsibility in the event of collusion; (5) controlled environmental conditions; (6) processes of adaptation; (7) individual differentiation; (8) social recognition of alternative interpretations; and (9) abstraction of victim and damage.

adaptive process prone to change over time. While caution should be taken when generalising our findings to all criminal populations, we believe the results of the study help to build a more complete picture of the coping process in fraud and expose factors that are in need of further attention.

Coping strategies underpin a number of so-called employee red flags frequently promoted in practitioner accounts (Pincus, 1989).[14] ISA 240 presents a number of red flags around the fraud triangle factors of incentive/pressure, opportunity and attitude/rationalisation and expressly calls for consideration of red flags factors by members of the engagement team during an audit engagement (IAASB, 2009). Prior research on the importance of various red flags (e.g., Apostolou *et al.*, 2001; Hackenbrack, 1993; Loebbecke *et al.*, 1989; Majid *et al.*, 2001; Mock & Turner, 2005; Moyes, 2007; Smith *et al.*, 2005) has primarily examined external or internal auditors' perceptions of the fraud risk indicators related to management fraud (Coram *et al.*, 2008; Liou, 2008). Coping provides the basis for further theorising on red flags. Our research provides a deeper understanding of how offenders experience fraud and how this drives behaviour. Strain associated with offending frequently drive both behavioural changes (gambling, social seclusion, irritability) and workplace activity (refusal to take leave, hours worked and web activity).

Our findings have four important implications for organizational fraud prevention. First, at the level of policy, we argue that coping is an elegant way to understand prolonged offending and should be integrated into professional standards such as ISA240 and AS8001-2008 (IAASB, 2009; Standards Australia, 2008) and fraud risk management guides (see, for

[14] Sorenson & Sorenson (1980) describe the history of the development of red flags, being in the mid-1970s with Touche Ross's design of a set of warning signals for fraud based on economic factors and business structure factors. Red flag questionnaires have evolved to include situational pressure, opportunity factors, and personality factors.

example, Cotton *et al.*, 2016). Specifically, auditor fraud risk management assessments would be improved by specifically considering the perspective of prolonged offenders, focusing attention on the types of coping mechanisms outlined herein.

Second, the coping perspective highlights the fact that prolonged fraudulent offending is typically associated with coping mechanisms that often manifest in behavioural change. This suggests that strong employee relations and knowledge represent a major source of anti-fraud capability. New user behaviour analytics (UBA) technological approaches that examine patterns of human behaviour and then conduct algorithms and statistical analysis on those patterns to determine anomalies which are indicative of potential insider threats offer some potential to detect systematic behavioural change. UBA originally evolved from the marketing field to help companies understand and predict consumer buying patterns but have potential applicability in the context of insider threat (Wilk, 2017). This research suggests that coping mechanisms may frequently drive changes in work hours, social relationships and email interaction, web activity (particularly in instances of gambling-motivated fraud), performance, holiday patterns and general irritability. Of course, surveillance through work systems raises a number of questions in relation to privacy and the ethicality of employee surveillance.

Third, our interviews highlight a number of situational drivers of fraud in organizations. While much fraud research is based on individual dispositional factors and/or reducing opportunities for fraud, our analysis highlights the primacy of the characteristics of the situations in fraudulent offending. Our interviews expressly explored what precipitated fraud and what might have prevented it. While we note a range of different degrees of criminal intent[15], our findings are broadly consistent with Wortley (1997; 2001) who suggests that

[15] Cornish & Clarke (2003) later outlined a typology of offenders according to variations in their criminal dispositions and their interactions with criminal situations. The *antisocial predator* has a stable criminal commitment. These offenders seek out and select situations based on cues that provide them with information

organizational situations might precipitate criminal responses in four key ways (i) *prompts*: events or situations that may support the opportunity for fraud, such as seeing or hearing about other illegitimate acts; (ii) *pressures*: coercive influences to engage in illegitimate behaviour including imposing management and compulsion to follow orders; (iii) *permissibility:* belief/cultures that distort moral reasoning and put criminal behaviour in socially acceptable light; and (iv) p*rovocation*: factors that make an individual uncomfortable, frustrated, irritable, or otherwise around to the point of taking some form of action

He concludes:

> Situations can present cues that *prompt* an individual to perform criminal behaviour; they can exert social *pressure* on an individual to offend; they can weaken moral prohibitions and so *permit* potential offenders to commit illegal acts; and they can produce emotional arousal that *provokes* a criminal response. (Wortley, 2001, pp. 6-7)

For organizations, situations are more readily accessible and much easier to modify than the psychological characteristics of offenders, especially those who have not yet offended. Controlling precipitators is just as important as reducing opportunities for fraud, and provides an additional and complementary set of situational crime prevention techniques for fraud. In effect, controlling prompts, controlling pressures, reducing permissibility, and reducing provocations, act to increase the difficulty of coping. Specifically, we find that coping is a function of strain and hence programs that heighten perceived threat and anticipated sanctions are more likely to result in fraud prevention. This suggests some of the monitoring systems suggested above also have an important symbolic value in stressing a commitment towards fraud detection and proactive surveillance. In this sense, surveillance is performative[16]

about the risks, effort, and rewards associated with a contemplated crime. The *mundane offender* is ambivalent in her/his criminal commitment, less likely to invest significant effort in creating criminal opportunities, but responsive to criminal opportunities and susceptible to situational precipitators. The *provoked offender* has conventional prosocial values, but succumbs to a particular provocation or temptation, perhaps in a momentary lapse of self-control.

[16] Research has consistently found that when people feel that someone is watching they tend to adhere to ethical norms. For example, Bateson *et al.* (2006) found that people contributed more to an honesty box (used to collect

(Matzner, 2016); visibility of surveillance provides a deterrent and makes some forms of coping (for example, suppression) more difficult, and complementary personal resources less salient (such as feelings of self-efficacy about offending). Further, Klenowski (2012) advocates workshops that focus on the consequences of fraud and which teach "counterlinguistic phrases" (p.2) to offset common fraud pressures. Our model also foregrounds exploitative characteristics of organizations, and the imperative of ensuring staff are fairly treated and remunerated. Interviewees drawn from the finance sector expressly pointed to the dangers of incentive predicated rather than rewards for more broadly based ethical behaviours (see Brown *et al.*, 2005)

Fourth, it is notable that the overwhelming majority of our respondents did not feel vulnerable to periodic audit processes. Respondents referred to two major factors which were widely seen to limit the audit process: (1) audit programs, which were seen to be highly stylised, repeated year-on-year and readily evaded; and (2) auditor incentives, which encompass fees paid by the client on the auditors' motivation to push hard to detect fraud as well as budget and time pressures. To this end, Moore *et al.* (2006) review research in psychology and political science that suggests that prior audit failures in detecting fraud are likely the result of a lack of auditor independence due to moral seduction, an unconscious bias by auditors in supporting client preferences due to motivated reasoning (Kunda, 1990).

7 Conclusion

The research contribution this paper makes is twofold. First, much fraud research has been criticised for neglecting the offender's viewpoint (Free, 2015) and prioritizing theory and

money for drinks in a coffee room) when the picture appearing above the box displayed a pair of eyes rather than flowers.

research technique rather than the perceptions of individuals actually involved in fraud events (Free, 2015). Our study contributes by specifically paying attention to the coping mechanisms of offenders in dealing with the strain of offending. Focusing on how such strain is subjectively construed and mitigated, we articulate four specific forms of coping: (1) problem-focused coping; (2) emotion-focused coping; (3) meaning-focused coping; and (4) social-focused coping. Each form has sub-types and manifests in identifiable behavioural changes. Second, we highlight the anti-fraud strategies that are geared towards dealing with the precipitators of fraud as identified by offenders. Rather than focusing on opportunity reduction, we set out a model based on controlling prompts, controlling pressures, reducing permissibility and reducing provocations.

Of course, this study is subject to a number of important limitations. Given access limitations, interviewee recruitment in this research was opportunistic, as is the case in a good deal of crime research (Andresen & Felson, 2009). There is no way to conclusively understand a participant's thought processes and persons convicted of a crime often have self-serving motives. Our interviews focus on the recall of offenders, and we acknowledge that their accounts take shape as fallible human versions of historical events that harbour a host of ineffable experiences and emotions. Due to the voluntary and restricted nature of recruiting, we also acknowledge the potential for bias in the participant cohort. However, we believe that the steps we took to overcome these challenges – such as assurances of confidentiality, eliminating participants who were not forthcoming or claimed to be innocent, broad recruitment protocols and secondary source verifications – mitigate these concerns and provide some assurance as to the reliability of the data.

This paper has set out the findings of an exploratory research program investigating persistence in fraudulent offending. Further research is required to fully explicate modes of thinking involved in fraudulent offending. The voice of the offender remains under-represented in fraud research. Although access represents an enormous challenge, we believe that direct engagement with offenders has great potential to explain individual's interactions with situations including subjective evaluations of opportunities and outcomes and self-regulatory systems and plans. The preponderance of emotion-focused coping strategies underscores that affect, i.e. emotions, moods and related visceral factors such as gambling addiction and loneliness, plays a fundamental role in decision making processes in fraud, alongside the rational and cognitive considerations that are typically foregrounded in the fraud triangle. Addictive disorders can be so intense that they drive people to act against their self-interest even in the full knowledge that they are doing so; with immediate needs and pressures effectively shutting down anticipated feelings of shame or guilt. The complex interplay between emotions, rationality and decision making remains under-explored. It is hoped that the exploratory findings presented here in relation to ways of coping open up new vistas for research into offender thinking in fraud.

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