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**Abstract** | Research across a range of disciplines has generally focused on the decision to commit fraud rather than how fraud is sustained over time. This study uses interviews with serious workplace fraudsters to examine enablers of sustained offending. We present coping strategies offenders use to manage strain and sustain offending. We highlight that while rationalisation is germane for first-time offending, coping may be a more useful construct for understanding how offending is sustained over time.

## Strain, coping and sustained fraud offending

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### Introduction

Research has consistently found that serious workplace fraud is carried out over extended periods (Association of Certified Fraud Examiners 2018). While the decision to engage in criminal activity has spawned a number of theoretical frameworks, 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 an exception see Goldstraw-White 2011). Accordingly, building on a longstanding stream of research in the area of coping, we explore the way that fraud is sustained over prolonged periods of offending.



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To examine this issue, we used qualitative data from interviews with people convicted of serious fraud offences. Serious fraud offending was defined as dishonest activity carried out in the course of one's employment or professional work causing over \$100,000 in financial loss. This threshold of loss is deemed serious as it typically results in a custodial sentence in Australia (see Warfield & Associates 2016). Fraud offending among our interviewees took place over extended periods, often fluctuating in intensity. Our focus in the interviews and subsequent analysis was on the thinking patterns and coping strategies offenders used to manage the stress elicited by the ongoing fraud which helped them to continue offending.

We identify several coping strategies offenders employed to sustain serious workplace fraud, which we categorise into problem-focused, emotion-focused and social-focused coping. We elaborate on key themes and strategies within each coping category, and the implications these strategies have for fraud control practices and recognising red flags.

## Strain, fraud offending and coping

The idea of strain in criminal offending is grounded in Agnew's (1992, 2006) general strain theory, which states that adverse events or conditions (ie strains) induce stress and associated negative emotions (eg anger, anxiety, frustration or despair) and arguably precipitate criminal activity as a form of corrective action. Driven by the work of Robert Agnew (eg Agnew 2007), studies have examined and confirmed general strain theory's core propositions in the context of white-collar crime (eg Agnew, Piquero & Cullen 2009; Langton & Piquero 2007). While this research emphasised the role of strain in the decision to begin offending, more recent research has highlighted that offending itself can cause strain (eg Goldstraw-White 2011; Schuchter & Levi 2015). Indeed, Hunter (2015) highlights that the relief offenders often express feeling after being caught (something we also observed in most of our interviews) reflects the strain many white-collar offenders experience, largely resulting from the need to constantly conceal illegitimate activities.

While self-induced, such strain nonetheless has a significant influence on ongoing criminal conduct. For some offenders, the emotional strain may be insurmountable and result in discontinued offending or confession. For others, the strain may be immaterial or insufficient to inhibit offending. Agnew (2013) highlighted that the impact of strain on continued offending is shaped by an individual's coping skills and resources, available social support, associations with criminal peers, social control, beliefs about crime, and possession of certain traits (most notably self-control). But he stressed that the association between crime and coping mechanisms, which are central to managing adverse experiences, remains poorly understood.

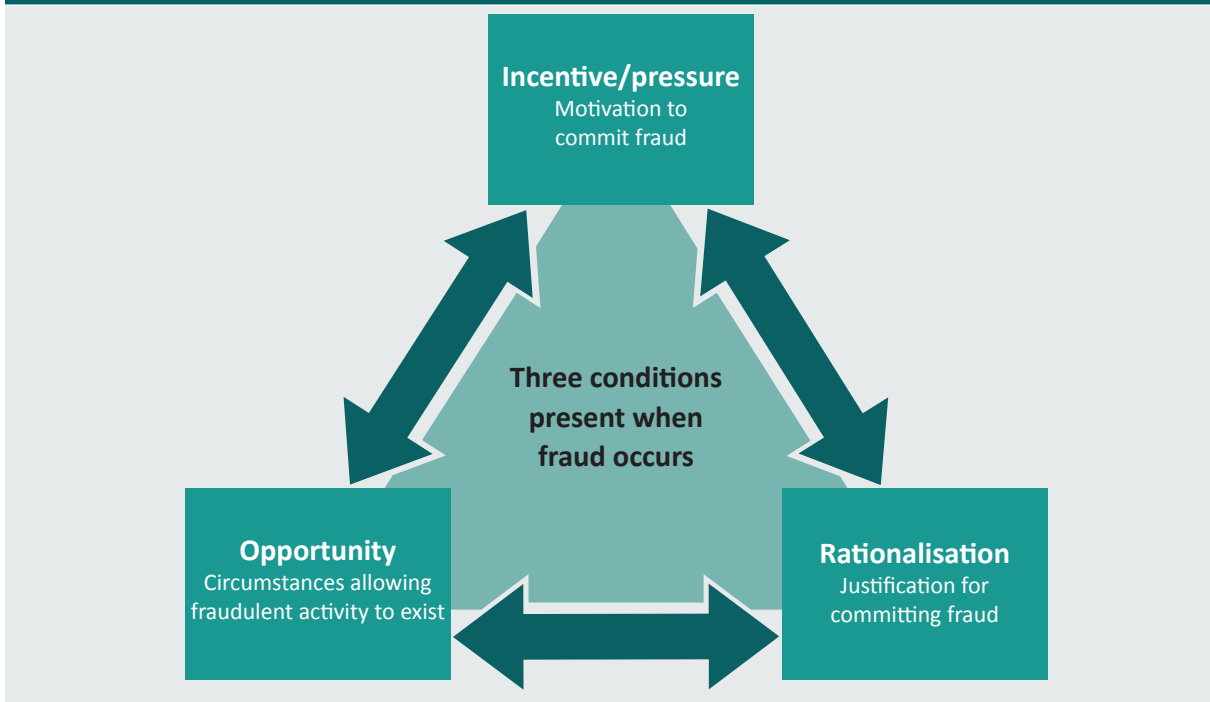
### *The fraud triangle*

The major framework driving workplace fraud prevention and detection strategies is the 'fraud triangle' (Figure 1). Entrenched in accounting professional standards around the world (see, for example, Auditing & Assurance Standards Board 2013; International Auditing & Assurance Standards Board 2009), the fraud triangle specifies that fraud is the result of the confluence of three conditions:

- opportunity (eg weaknesses in, or ability to override, internal controls);
- motivating incentive or pressure (eg personal financial problems or unrealistic performance goals); and
- a capacity to rationalise (eg from personal attitudes or pressures).

The fraud triangle is premised on the idea that fraudsters seek to rationalise their offending—to justify the decision to offend, making it sufficiently acceptable for them to proceed. Research on rationalisation is scant, leading it to be described as a relative mystery (Murphy 2012; see also Hogan et al. 2008 and Wells 2004). Research in the area has largely focused on moral justification and the way that an offender maintains a prosocial self-image in the face of illegal activity. Several studies in the area of moral disengagement have defined types of rationalisation (see, for example, Free 2015; Murphy 2012), which underscore how rationalisation is typically characterised: as a static phenomenon involved in the initial decision to offend. However, qualitative research in criminology consistently finds that criminal thinking is heavily influenced by context and dynamic over time, often not logically rationalised (Goldstraw-White 2011; Walters 1995).

Figure 1: The fraud triangle

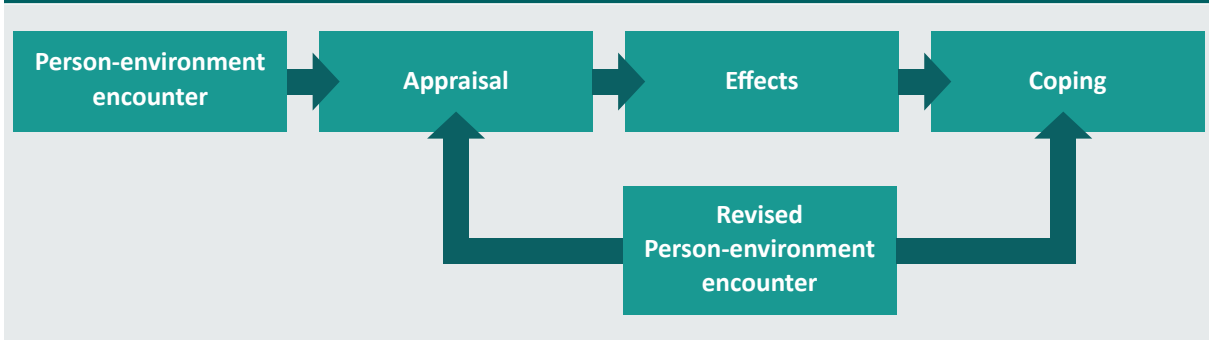


### *Coping strategies*

To examine how serious workplace fraud is sustained over time, we draw on socio-psychological research on how people attempt to manage emotional distress precipitated by harmful, threatening or challenging life experiences. In particular, we focus on various coping strategies people employ in such situations. Research into ways of coping emerged in the 1960s with the work of Richard Lazarus and peers (eg Lazarus 1966). Coping is defined as 'ongoing cognitive and behavioural efforts to manage specific external and/or internal demands that are appraised as taxing or exceeding the resources of the person' (Lazarus 1993: 237). In this way, coping is characterised as a process that shapes one's appraisal of the immediate circumstances and associated responses to strain (Figure 2).

According to this process-based view of coping, people constantly appraise interactions with their environment, focusing on the stakes and their importance (primary appraisal) and the prospects of realising those stakes (secondary appraisal; see, for example, Folkman & Lazarus 1988b, 1985; Lazarus 1991). These appraisals are dynamic in that real or perceived changes in the person–environment relationship can change how the environment is appraised. Appraisals are also affected by personal characteristics such as motivations, beliefs about oneself and the world, and the psychological, spiritual, environmental, material and other resources at one’s disposal (Folkman 2013).

Figure 2: The coping process



Source: Adapted from Folkman 2008, 1997; Folkman & Lazarus 1988a, 1988b; and Lazarus & Folkman 1987

An individual’s appraisal of their person–environment relationship elicits emotions (Folkman & Lazarus 1988b). In circumstances appraised as threatening, harmful or challenging, stress (a subset of emotion) can be induced (Folkman 2013; Lazarus 1993). Coping then is an attempt to mediate or regulate such emotional responses by intervening in the person–environment relationship in some way (eg by directing attention to the stressful encounter, altering its significance, or acting on the environment or oneself; Folkman & Lazarus 1988a, 1988b). The outcome of coping, whether adaptive (favourable), maladaptive (unfavourable) or ineffectual, is dependent on ‘the quality of the fit between the coping strategy, its execution, and the adaptational requirements of the encounter’ (Lazarus 1993: 240).

While there are over 400 specific ways of coping with stressful encounters (Skinner et al. 2003), they have been loosely characterised by their main coping function. The best-known categorisation is the distinction between problem-focused and emotion-focused coping. Problem-focused coping refers to purposeful action directed at changing distressing person–environment relationships by acting on the environment or oneself (Lazarus 1993, 1991). Emotion-focused coping aims to manage the intensity of distressing emotions, without intervening in the conditions causing stress (Lazarus 1993).

Other coping categories have also been identified over time. Meaning-focused coping describes coping strategies where values, beliefs and goals are drawn upon to modify the perceived meaning of a stressful situation (Folkman & Moskowitz 2004; Moskowitz et al. 1996; Park & Folkman 1997). We see this form of coping as being equivalent to the notion of rationalisation as outlined in the fraud triangle and related research on fraud offending and white-collar crime. Social-focused coping recognises that individuals also draw on available social networks for support (Folkman & Moskowitz 2004; Wells, Hobfoll & Lavin 1997). Religious-focused coping has also emerged, highlighting the role of religion in providing purpose and meaning, which helps one endure a stressful encounter (Folkman & Moskowitz 2004; Parmagent et al. 1988; Parmagent, Koenig & Perez 2000).

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 socially illegitimate sources of stress such as concealing crime. Second, coping has largely been presented in static terms, with less attention given to shifts over time. These issues are particularly pertinent to understanding sustained fraud offending. As such, our research draws on notions of coping as well as extensive interview data to provide insights into the nature of coping in sustained serious fraud.

## Method

Semi-structured interviews with 42 offenders convicted of serious workplace fraud were the primary data source. Interviewees participated voluntarily and were recruited through corrective services authorities in Queensland and Victoria in line with relevant ethics approvals. Invitees were not offered any incentives to participate in this study. The authors liaised with corrections representatives or with the participants directly to organise an appropriate date and time for interviews to occur, either on prison grounds (for imprisoned offenders) or elsewhere (for offenders on parole).

All interviewees were asked to read and sign a consent form prior to the interview. The interview protocol followed an events timeline to enhance interviewee recollection of actions, events and circumstances over the course of offending through sequential and event-based remembering (see Freedman et al. 1988; Nelson 2010). However, within this structure, interviews were conducted flexibly, with the interviewers pursuing unexpected paths and cues suggested by their theoretical sensitivity (Glaser & Strauss 2017). Interviews were fully documented either through an audio recording of the conversation or through the presence of a professional stenographer.

Qualitative analysis of interview data was iterative and inductive, and organised through a manual and iterative coding process. Analysis began with open coding to organise the data into identifiable concepts. Thereafter, the analysis focused on variables deemed most critical to the matters of interest. As relationships between coded concepts were discovered, hypothetical coding categories were formed. Discrepant cases were actively explored to 'tease out less visible properties of our concepts and the conditions and limits of their applicability' (Charmaz 2000: 519). Attention throughout was paid to competing themes/explanations to consider the validity of our analysis (Patton 1990). Finally, we compared emerging categories to relevant literature to refine and support our major findings (Eisenhardt 1989; Knafelz & Breitmayer 1989; Urquhart, Lehmann & Myers 2010).

## Findings

### Person–environment encounters and experiences of strain

Interviewees reported feeling a range of positive and negative emotions during their offending. But while some expressed feelings of satisfaction and thrill, all referred to strains in relation to their offending, reflected in expressions of regret, guilt, shame, anxiety, fear of being caught, and feeling drained. Such feelings were sustained for some, while for others they were episodic, triggered by events and circumstances.

Several interviewees also spoke of personal characteristics and resources that affected their offending experience. Some spoke of learned resilience (Maddi & Kobasa 1984) from other life experiences, which made them more tolerant of high-strain situations. Others also reflected on how optimism (Scheier & Carver 1987) stemming from belief in their own abilities (Bandura 1997, 1977), or a lack of faith in the competence of others, impacted on their experience of strain. Interviewees also referred to certain personality traits they believed disconnected them from the significance of their offending (eg dissociative and narcissistic tendencies). These interviewee reflections highlighted that various personal characteristics could materially influence an individual's capacity to cope with strain.

### **Ways of coping: A typology of responses to strain**

Offender accounts emphasised the importance of having strategies to cope with the strain associated with continued offending. In line with Folkman and Lazarus (1985), interviewees described using complex and non-linear processes, often combining multiple coping strategies. The three major coping strategies identified are elaborated on below.

#### *Problem-focused coping*

Problem-focused coping targets the causes of stress in practical ways. Criminology and related research has often characterised fraud as a response to pressing life problems (Andon, Free & Scard 2014; Waring, Weisburn & Chayet 1995; Weisburd & Waring 2001). In the context of sustained fraud offending, problem-focused coping addresses problems occasioned by offending itself. Interviewees described planning 'solutions' to help them discontinue their offending, gathering further information about potential threats as offending continued, and being adaptable to changing circumstances as proactive means of supporting continued offending.

[I thought] well if I pay the brokers and just extend the wolf from the door, then I can fix the problem...I just kept my head down and had a goal to try and rectify and...that kept me going.  
(Interviewee 32)

Most research (Aryee et al. 1999; Carver, Scheier & Weintraub 1989; Lapierre & Allen 2006; Sarid et al. 2004) has found that problem-focused coping is more effective for specific stressors, and more prevalent for short-term issues. When issues persist, problem-focused coping appears to be less effective (Aryee et al. 1999; Lapierre & Allen 2006; Reed, Alenazi & Potterton 2009). It also appears to be hampered by a sense of hopelessness (where envisaged solutions seem doomed to fail).

#### *Emotion-focused coping*

Emotion-focused coping refers to approaches that seek to change an individual's emotional response to stressors in their circumstances (Folkman 1984). In the context of fraud, emotion-focused coping reflects efforts by offenders to emotionally detach themselves from the stresses of offending. The most common forms of emotion-focused coping among our interviewees included suppression, compartmentalisation, escapism and compensation.

## Suppression

Suppression is a thought control technique that keeps unwanted thoughts at bay. Several interviewees described this through metaphors such as ‘walking around like a zombie’, ‘haze’ and ‘numbness’. We speculate that the derealisation, depersonalisation and emotional numbing experienced during some fraud offending impedes empathising with victims or moral engagement.

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, respondents who described using suppression as a way of coping often encountered intrusive recollections and flashbacks, consistent with research suggesting that thought suppression is often only partially effective (see Wenzlaff & Wegner 2000). Suppression was also associated with social withdrawal.

## Compartmentalisation

Compartmentalisation involves ‘sectioning off’ upsetting thoughts, emotions, pressures or relationships through cognitive, physical or other actions. Like suppression, it is a dissociative strategy. However, in distinguishing it from suppression, compartmentalisation aims to cognitively or otherwise disconnect spheres of experience through partitioning of thoughts, relationships, and tension-evoking situations. As the following quote indicates, compartmentalisation (which in this case involved a physical separation of potentially stress-reducing relationships) can work by isolating overwhelming experiences. In cases where compartmentalisation is enacted through physical separations, concealment of offending patterns is also enhanced.

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 I worked very hard to keep them separated. (Interviewee 2)

## Escapism

Escapism involves absconding from threatening situations through immersion in alternative activities (eg gambling, physical activity, community involvement and engagement in other business activities). Such 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 the strain of offending is well illustrated by the following quote:

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 has consistently identified that pathological gamblers frequently use gambling as a form of escapism from unpleasant mood states (Reid et al. 2011). Gambling thus played a dual role for interviewees: both motivating and exacerbating offending, and offering an escape from the realities of offending.

## Compensation

Compensation is a way of coping where individuals endeavour to counteract stress by engaging in activities that let them see themselves in a more positive light. Several interviewees compensated for their fraud offending by giving money to charity, family, friends and business partners—a good deed that offset negative feelings. The following quote is typical of comments relating to compensation:

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. (Interviewee 2)

Similar to distraction or diverting attention (see, for example, McCrae 1984; Rosenstiel & Keefe 1983), compensation draws one's attention towards prosocial actions and away from illegitimate behaviour, reflecting instances where strain arises because the offending threatens the offender's self-image as a prosocial individual.

## *Social-focused coping*

Social-focused coping involves seeking support from others. Such support is intended to elicit moral support and sympathy from others. Given the clandestine nature of fraud offending, interviewees had limited recourse to social-focused coping, primarily involving co-offenders. Free and Murphy (2015) point to the strong bonds between co-offenders, and we find instances of interpersonal relations offering ways of coping. For example, 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)

## Behavioural changes

Offenders repeatedly reported that sustained offending led to overt behavioural changes, including changes in work patterns, social interactions, escalation in other 'improper' activities, and physical and emotional change. While these behavioural changes were self-reported, many interviewees expressed surprise that such changes were not detected by colleagues, clients or managers.

In many instances, behavioural changes were tied to coping strategies. Social withdrawal was a common behavioural symptom of avoidance-based or emotion-focused coping. Alternatively, some offenders reported intensive engagement in release activities such as exercise or managing a community organisation. Offenders engaging in escapism often reported elevated alcohol consumption and problem gambling behaviours.

The strain of offending was widely seen to manifest in workplace behaviours. The fear of being detected led fraudsters to avoid taking time off or allowing others access to information. Orchestrating and concealing the fraud takes time, meaning that offenders often worked extended hours so they could work in isolation. Some offenders reported an over-eagerness to resolve problems to deflect attention:



I was the first person to put my hand up for more work or staying behind without overtime... I was offered a promotion and I declined it because I didn't want anyone to take over...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. (Interviewee 26)

## Discussion and implications

The notion of coping challenges the primacy of rationalisation in various fraud frameworks. While rationalisation was frequently germane to the initial decision to offend, it was less salient as offending continued. Indeed, we often found that the original rationalisation was no longer relevant or contemplated over time. We therefore assert that rationalisation does not explain prolonged offending. Rather, we find that coping is more appropriate to describe the cognitive and behavioural strategies used in continued offending. While some ways of coping can be connected to rationalisation where it can be sustained (ie a form of meaning-focused coping can be observed, in accordance with the work of Folkman, Lazarus, and peers), emotion-focused, problem-focused and social-focused coping often replaced rationalisation over time. Further, our findings underscore that the coping strategies available to offenders depend on the nature and source of strain (in this case, illegitimate behaviour). Thus, we found no evidence of religious-focused coping and only limited recourse to social-focused coping.

Our study has four major implications for practice. First, we argue that coping is an elegant way to understand prolonged offending and should be integrated into professional standards and fraud risk management guides. Fraud risk assessments conducted during audits would also be improved by considering prolonged offenders, focusing on the types of coping mechanisms outlined here.

Second, our analysis highlights that fraud and the associated coping strategies often manifest in behavioural change. This suggests that employee relations and knowledge represent a major source of anti-fraud capability. New technological approaches that examine patterns of human behaviour from unstructured data also hold potential in detecting behavioural change. Surveillance can also heighten the perceived threat of detection and sanction, elevating strain and thus the threshold for ways of coping to be effective. Of course, such surveillance raises several privacy and ethical questions.

Third, our interviews highlight a number of situational drivers of serious workplace fraud. While much fraud research focuses on individual dispositional factors or reducing opportunities for fraud, our analysis highlights the primacy of contextual factors in fraud offending. Our interviews expressly investigated what precipitated fraud and what might have prevented it. While we note a range of different degrees of criminal intent, our findings are broadly consistent with Wortley (2001, 1997), who suggested that a range of 'prompts', 'pressures', 'permissibility', and 'provocations' were key to understanding the factors contributing to fraud.

Finally, the intersection of gambling and fraud deserves greater scrutiny. Gambling was a feature of offending for almost one-third of our sample, which provides a sobering insight into the nefarious link between problem gambling and white-collar crime. Failing to incorporate this cost into debate about gambling regulation means that the true cost of gambling is likely to be understated. Gambling acts as both a motivator and an escapist coping mechanism in a tragically reinforcing cycle. It not only sweeps away personal savings but provides a motivation for further fraud with a ready rationalisation (the belief they will pay the money back after gambling success). Policymaking in relation to gambling should further consider how support for fraud offenders with problem gambling profiles can be enhanced. At present, available support services for problem gamblers are hopelessly inadequate and under-resourced.

## Conclusion

This paper has set out the findings of exploratory research investigating persistence in fraud offending. Further research is required to fully understand the modes of thinking involved in sustained fraud. The voice of the offender remains under-represented in research. Although access presents an enormous challenge, we believe that direct engagement with offenders has great potential to explain their motivations, decisions, subjective evaluations of opportunities and outcomes, and how they manage their offending experience. The preponderance of emotion-focused coping strategies underscores that mood plays a fundamental role alongside the cognitive processes typically foregrounded in the fraud triangle. However, the complex interplay between emotions and rationality in the context of fraud offending remains under-explored, and it is hoped that this study of coping offers the impetus for further research into the thinking patterns of fraud offenders.

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