

INTRODUCTION

Global fraud surveys such as those by Association of Certified Fraud Examiners (ACFE), PricewaterhouseCoopers, Deloitte, KPMG, or Ernst & Young, indicate a discouraging trend towards the fraud problem. These reports and a few other studies have attracted significant attention to business community all over the world (Kamarudin et al., 2012). This might be due to the widespread high profile corporate scandals such as Enron, WorldCom, Lehman Brothers, Bre-X, Parmalat, and Satyam Computer or the increasing frequencies and costs associated with fraud globally (Lang and McGowan, 2013; Grove and Basilico, 2011; Cohen et al., 2010; Rezaee and Davani, 2013; Kassem, 2014). Fraud losses to businesses are estimated to range from 3% to 9% of annual revenue, which translates to trillions of dollars globally (Button et al., 2012; Holtfreter, 2004; Aliabadi et al., 2011). One projection estimated the global losses to exceed over \$3.5 trillion per annum (Chui and Pike, 2013). In this context, employees and management fraud studies in business organisations are worth undertaking in an attempt to combat fraud. The need is particularly huge in the context of developing countries because despite the pervasiveness of the fraud, it has received little attention in prior studies in these contexts (Kassem, 2014; Krambia-Kapardis and Zopiatis, 2010).

Fraud Triangle Theory suggests that fraud occurs only in the presence of perceived fraud opportunity, a motivation, notably financial pressure and the justification of the fraud act through rationalization processes (Cressey, 1950). A few studies extended this theory by modifying the elements of the triangle while others introduced more macro-issues for fraud occurrences, such as societal, cultural, industry, group and organisational influences (Ramamoorti et al., 2009; Zahra et al., 2007; Wolfe and Hermanson, 2004; Kranacher et al., 2011). Yet, other studies have questioned the role of some elements as inapplicable to some fraudsters, such as predators as opposed to most accidental fraudsters (Dorminey et al., 2012).

Few empirical studies have discussed fraud occurrences and deterrents in developing economies. However, almost all of these studies have paid a particular attention to isolated cases of corruption or mismanagement in the public sector leaving majority of other forms of fraud and other businesses unattended (Teh, 1997; Otusanya, 2012; Shehu, 2004). More importantly, empirical studies on fraud in Tanzania are hardly found despite the occurrences of scams, such as BAE radar fraud, EPA, Tegeta Escrow, DECI, TPA losses, and many others (Doyle, 2011; Hosken, 2009; Assad, 2011; Kapama, 2014; Kenyunko, 2013; World Bank, 2012; SFO, 2012; Business Times, 2010; Onyango, 2013 and Kassim, 2012).

An important conclusion from these studies and fraud theories reveal complexity of the factors for fraud occurrences and a mixed view regarding factors that are more relevant than others. This problem is amplified by little research on businesses in developing countries. The eventual problem for fraud fighting professionals is lack of focus in their efforts to combat fraud. In addition, it is yet to be known whether similar factors are applicable in the context of businesses in Tanzania. Therefore, this study examines specific rationalizations and motivations as well as the occasions that facilitate the occurrences of both employee and management fraud in business firms in Tanzania, thereby identifying the possible deterrents for the containment of fraud.

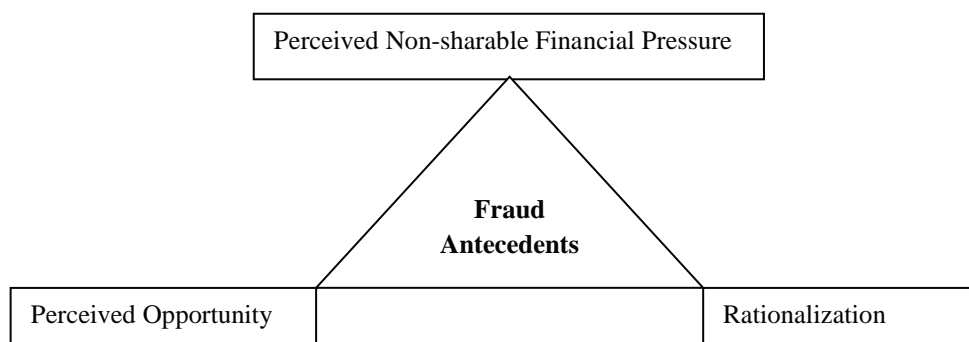
The rest of the paper is organised as follows: Theoretical framework informing the empirical analysis is provided in section 2. Section 3 provides brief details about the context of the study and the description of research methods.. The findings of the study are presented in section 4. Section 5 discusses the emerged findings in the light of theoretical framework developed earlier. Conclusion finalises the paper.

LITERATURE REVIEW

Theoretical Perspective

A myriad of theories have been put forward to explain the occurrence of both employee and management fraud in organisations. Amongst them, the fraud triangle is the foundation. However the paper also provides the critics, extensions and modifications to the theory and their contribution incorporated when necessary. This theory, pioneered by Cressey (1950) postulates that, “fraud occurs in the presence of perceived non-sharable financial problem, presence of perceived opportunity and rationalizations that constitute verbalisations to justify fraud action in the mind of the fraudster”. According to this theory, all three elements must be present for the fraud to occur (Coleman, 1987; and Dellaportas, 2013). Schematically, the model is represented as follows:

Figure 2.1: The Fraud Triangle



Source: Author based on the sketch by Kassem and Higson (2012) and explanations by Cressey (1950).

In case of perceived non-sharable financial pressure, Cressey (1950) believed that fraudsters perceived to have financial obligations that are non-sharable to others. These obligations create unpleasant feelings to the offender who finally sought to seek private or secret solutions. The search for secret solutions to these problems eventually result into the violation of the financial trust, where an individual fraudulently use his/her position for private gains (Ventura and Daniel, 2010). However, it should be cautioned that the question of perception is more important in this regard because a significant financial pressure to one individual might not necessarily have the same perception to another. Recent studies while acknowledging the significance for the financial pressures as motivation for fraud occurrence have postulated other non-financial pressures as being equally important.

Albrecht et al. (2012) and Ramamoorti et al. (2009) for example, argue that financial pressures are derived from such factors as greed, extravagance, financial distress, work conditions that indicates little recognition for job performance, need for revenge, social status comparisons, passion for crime, demonstration for mastery of a situation (beating the system), feelings of job dissatisfaction and job insecurity, and insistence of meeting

aggressive targets with disproportionate resources to accomplish them. Greedy individuals for example will strive to achieve their targets irrespective of the means they use. In addition, extravagant lifestyles are difficult to financially support without the backup of illicit means for extra income. On the other hand situations that create highly competitive and challenging work and industry environment, or culture that rewards unacceptably high risk are good motivations for both employee and management fraud (Zahra, et al., 2007). Yet, some people may also be financially motivated to commit fraud due to unbearable high bills, high personal debts, poor creditworthiness, or high personal financial losses. Such individuals may perpetrate fraud when they perceive that there is no legal means to make good of their problems, repayment of their maturing obligations, or recovery of their losses within the expected timeframe.

Similarly, management may be motivated to defraud due to poor liquidity, uncollectible receivables, and loss of key customers. Other motivations could include significant levels of obsolete inventory, declining market conditions or restrictive loan covenants that are being violated. Mhilu (2002) hypothesize similar motivations that enhance fraudulent behaviours among managers and employees. These include need to maintain public image beyond reality, illegitimate preservation of one's job, and concealment of incompetence. Other motives include output linked incentive plans that belligerently insist on short-termism and pressure to deliver above expectations results, ambition for self-advancement and vested interest. An interesting expansion of the pressure side of the triangle was introduced by Kranacher et al. (2011) in the so called M.I.C.E model. The study show that fraud motivation factors fall within one of the four categories (abbreviated by the acronym *M.I.C.E*); desperate need for *Money*; *Ideology* that fraudster is achieving a greater good; *Coercion* from others; or an individual(s)' strong need for power or entitlement, *Egoism*.

In addition to the perceived non-sharable financial need, the fraud triangle model further posits the second antecedent as perceived opportunity. Lister (2007) compared opportunities to *the fuel that keeps the fire going* and argued that even if a person has a motive (*source of fire*); he or she cannot perpetrate a fraud without getting an opportunity. Opportunity may involve weaknesses in the detection and prevention systems, weak ethical culture, excessive trust placed on some key executives, loopholes in regulations, and inadequate disciplinary sanctions that allow culprits to escape punishment (Akpanuko, 2012; Soltani, 2013; Mhilu, 2002; Albrecht, et al., 2012; Zahra, et al., 2005). To successfully commit and conceal fraud, fraudsters must be *capable* and *knowledgeable* to see those opportunities at least in their mind (Cressey, 1950). Albrecht et al. (2012) has identified situations that magnify fraud opportunities as; excessive trust on key employees; failure to discipline perpetrators; lack of technical knowledge by customers to ascertain the quality of performance or reasonableness of the payment; and victims' ignorance, incapacity or incompetence. Kapama (2013, 2014) and Kenyunko (2013) for example provide a case of victim's incompetence in the unlawful pyramid scheme, known as Development Entrepreneurship Community Initiative (DECI). Over 400 investors, who reportedly "planted" about TZS 92 billion over 3 year period, were defrauded. These victims were unaware of the basic fact that the business was operating without a licence, a serious matter under financial institutions regulations. In some other cases, investors were promised over 100% interest rate in just few months without knowing the mechanics of money generation! With this information gap, the victims tried even to solicit other investors to join the pyramid.

Rationalization aspect is the third element of the fraud triangle and the most difficult element to measure because rationalizations are cognitive (Cohen, et al., 2010; Skousen et al., 2009). The model suggests that fraudsters, at the time of committing fraud know their behaviour to be illegal, unacceptable or wrong but they merely "kid themselves" into thinking that it is not. As Cressey (1950, p.743) puts it:

The trust violator often does not think of himself as playing that role, but instead thinks of himself as playing another role, such as that of a special kind of borrower or businessman”

Verbalizations such as; “I’m not receiving fair share of my efforts”; “the rich don’t pay enough taxes”; “the government wastes money” (Mhilu, 2002, p.376); etc represents common rationalizations. Anand et al. (2005) describe rationalizations as mental strategies that allow employees to view their corrupt acts as justified. Anand et al. (2005) identified six common rationalization tactics; denial of responsibility, denial of injury, denial of victim, social weighting, appeal to higher loyalties, and metaphor of the ledger.

The fraud triangle theory provides useful explanations for many types of fraud (Kassem and Higson, 2012). However, the model is not short of criticisms. The theory has been criticized for failing to explain certain forms of fraud. Rae and Subramaniam (2008) for example, argue that the theory fails to explain why in some cases where fraud conditions exists no fraud occurs or in other cases where there is sound internal controls, employees circumvent controls and commit fraud. In many of these aspects, it appears that, the fraud triangle theory fails to accommodate other situational factors and the personal characteristics of the fraudsters (Cooper et al., 2013). Nevertheless, despite the weaknesses and criticisms put forward, the fraud triangle theory cannot be discredited; it remains the primary foundations of the fraud literatures. In addition, the theory has been widely used as practical tool for assisting fraud practitioners and auditors in assessment of and in response to fraud risks (ISA 240, 2012; Wolfe and Hermanson, 2004; Hogan et al., 2008; Soltani, 2013; Murphy et al., 2012). In addition, the model has been verified by succinct empirical findings over diverse research settings (Kassem and Higson, 2012; Skousen et al., 2009; Cohen et al., 2010). Therefore, the theory is still appropriate in the context of this study. Nevertheless, this paper also draws insights from the extensions and modifications to the fraud triangle model.

Empirical Literature Review

Dellaportas (2013) examined the factors that influenced accountants to commit fraud in Australia using unstructured group interviews to ten (10) inmate-accountants who were serving a custodial sentence for fraud-related offences. The findings suggest that six of the ten offenders were motivated by financial pressures; one offender was shown to be greedy. Two others had gambling addiction and the last disgruntled because of being overlooked by promotions and experiencing threats from executives. Fraud opportunities included excessive trust, poor segregation of duties and weak internal audit procedures. Offenders rationalized their decision by *denial of responsibility* (feelings of no other option), *denial of injury* (no one is hurt), and *denial of victims*.

Idolor (2010) sought to understand bank fraud in Nigeria in terms of the underlying causes, effects and remedies by administering a questionnaire to 100 bank practitioners in Nigeria. The study found that most of the bank fraud involved collusion with bank employees. Greed,

infidelity and poverty turned out to be the most significant fraud motivators. Inadequate staffing, poor internal controls, inadequate training and poor working conditions, weak corporate governance were identified as *managerial and organizational factors* facilitating fraud. The study, however under represented the role of rationalizations in the occurrences of fraud. Similar to Idolor (2010) study, Peltier-Rivest and Lanoue (2012) also emphasised the role of collusion and the individual characteristics of the fraudster. They noted that employees' position and collusion were statistically significant factors for the magnitude of the fraud losses while gender, education level and tenure did not appear to play a convincing role in explaining fraud losses. One noted contribution of the study is to encourage organizations to reinforce their internal controls at the upper job levels and an urge for organisations to design and implement controls which mitigate the risk of collusion.

In another study Krambia-Kapardis (2002) investigated the fraud victimisation in Cyprus. The findings revealed that for each case of management fraud there were about four reported cases of employee fraud and that the average losses per case of management and employee frauds were \$16,016 and \$ 9,378 respectively. The study distinguished the factors for fraud occurrences into two classes: internal and external criminological factors. While internal criminological factors included management override, collusion with third parties, incompetence, and ignorance; external criminological factors were country's economy, stock exchange crash, loopholes in the legal system, ineffective police, banking system, personal vested interests, and perceptions that everyone steals from the government.

Rae and Subramaniam (2008) examined the interactive fraud triangle model to explain employee fraud using the constructs of Organizational Justice Perceptions (OJP) and quality of the internal controls. The study revealed that when perceptions of organizational justice are low, employees are more likely to rationalise committing fraud because doing so appears part of revenge against an "unjust" employer and the employee experiences less guilt in doing so.

COSO (2010) study comprehensively analysed the occurrences of management frauds through fraudulent financial reporting on U.S Public Companies. A sample of 1,759 Securities Exchange Commission (SEC) releases was used. The study revealed that SEC identified commonest motivations for management fraud as; need to meet internal or external earnings expectations, attempts to conceal the company's deteriorating financial condition or increasing the stock price, the need to bolster financial performance for pending equity or debt financing, or the desire to increase management compensation based on financial results. Contrary to the findings in previous studies (e.g. Dechow et al., (1996); Beasley (1996); Farber (2005) and Dunn (2004)), this study suggested insignificant statistical differences between the characteristics of board of directors or presence of audit committee as important among fraud firms and no-fraud firms. Using similar SEC releases although at different periods, Skousen et al. (2009) applied quantitative models to arrive at similar conclusions. While the findings of this latter study holds true for pressure and opportunity elements, it undermined the role of rationalization, perhaps because of difficulties to find better quantitative proxies for rationalization.

Contrary to the above studies, Cohen et al. (2010) showed rationalizations are equally important. They found that fraud rationalizations are a result of the attitude of a particular individual toward fraud and how that individual perceives the difficulty in committing it. The

influence of external forces (subjective norms) in rationalization appeared remote. The study however made little efforts to clearly distinguish rationalizations from pressures/motivations as suggested by auditing/accounting pronouncements (SAS 99, 2002; ISA 240, 2012).

Grove and Basilico (2011) and Bhasin (2013) used case study to describe management fraud at Satyam Computer Company in India. Management and the Board of Directors of this company were implicated in various counts of fraud including insider dealing, fraudulent financial reporting and corporate looting. In 2008 for example the company reported \$1 billion cash at the statement of financial position that was non-existent while operating profits and revenues were inflated by 964% and 28% respectively. Satyam management was dragged into fraud by temptations to consistently beat market and analyst expectations and impress stakeholders by unrealistic double digit growth. Low ethical culture coupled with over-emphasis on short-term performance facilitated creative accounting. Satyam had poor system of internal controls, complacent audit committee, and high levels of collusion by both the Board and Management. External auditors were also blamed for being either negligent or being involved (Bhasin, 2013, p. 38).

Despite evidence of worsening fraud situation globally fraud studies are still limited in Tanzania. Assad (2011) attempted to fill this academic vacuum by investigating circumstances that allowed the perpetration of the massive management fraud at the Central Bank of Tanzania. The fraud resulted into a loss of over TZS 133 billion (over US\$ 110 million) in just one financial year 2005/2006. Top management of the bank including the Governor had been implicated in the External Payment Arrears (EPA) scam which involved theft, forgery, conspiracy, abuse of public trust and money laundering among other serious offenses. Most of the fraudulent payments were channelled through controversial companies which purported to have been assigned to collect the claims on behalf of the overseas suppliers. Some of these companies had non-existing or invalid business registrations. Kagoda Investments Limited is among the companies, which within six months of its incorporation received over US\$ 30 million from Central Bank on 12 questionable deeds of assignments. The study argued convincingly that the gravity of these matters strongly suggests that there was an indication of high profile management collusion. Apart from collusion, the case further suggests existence of serious weaknesses in the internal controls particularly the oversight role of both the Board (led by the governor himself) and the Ministry of Finance. The case however does not portray the motivations behind these series of fraud. However, logical analysis suggests elements of greed, egoism, self interest, and coercion. The case noted, for example the bank's Finance Director's irresponsibility and lack of integrity as:

“...his role in these transactions came at the tail end.....how could he be expected to start to question not only the Governor's approval but also all the input of Bank officers prior to the Governor's approval?” (Assad, 2011, p.9).

A general review of the above literature suggests that most studies hardly cover the contexts in developing countries. Tanzania for example is not included in all ACFE prior studies. Studies by Krambia-Kapardis (2002); Kassem (2014); and Assad (2011) attempted to close this gap. With the exception of Assad (2011), the other studies are not strictly in the context similar to that of Tanzania. However Assad's (2011) study, despite being informative, involved only a case of single government entity. More studies are undoubtedly needed to

provide more insights on fraud practices, especially in other businesses; a rationale for this study.

The review of the literatures above help us to derive the following hypotheses (1) motivation/incentives for employees and management fraud are likely to be financial pressures, ideology, coercion or egoism; (2) fraud are perpetrated in an environment that shows weaknesses in the internal controls (control environment, control activities, information and communication, risk assessment and monitoring), presence of accomplices (collusion) and an atmosphere that allows excessive trust and information asymmetry; (3) the commonest rationalizations for fraud are denial of responsibility, denial of injury, denial of victim, social weighting, metaphor of the ledger and appeal to higher loyalties.

RESEARCH METHODS

Research Design

The study has adopted exploratory and a descriptive design, attempting to examine the factors behind the occurrence of both employee and management fraud. This design was adopted since not much has been written on this topic, particularly in Tanzanian context.

Survey Strategy and Sampling

The study to a large extent used a secure online survey. The online survey was mailed to 166 known contacts and forty (40) other questionnaires were circulated in paper copies to the respondents who had problems in accessing the internet or who found it convenient to use paper questionnaires. Reminders were then sent to facilitate responses, especially from the e-survey respondents and telephone calls were made to other respondents. Some respondents initially expressed reservations concerning their participation in the study; however, the authors managed to assure them of their anonymity and confidentiality. The website assisted the researcher in sending the survey, administration of responses and extraction of the raw data. Respondents were purposively selected from large accountancy firms, law firms, law enforcement bodies, business managers, accountants and auditors who, at least, had encountered fraud in their undertakings. The unit of analysis for the purpose of this study was individual fraud cases that was investigated or witnessed or known by the respondent in a particular organisation.

The appropriate sample size in exploratory factor analysis is a question of debate among researchers (Zhang and Hong, 1999; Mundfrom, Shaw and Tian, 2005). There are two categories of general recommendations in terms of minimum sample size in factor analysis. One recommendation advocates for the absolute number of cases while the other advises subject-to-variable ratio (Zhao, 2009). As for the absolute sample sizes, the number recommended is between 100 and 1000 while on the ratio of sample size to variables the recommended ratios are between 3:1 to 20:1(Mundfrom, et al., 2005). This study composed of 114 cases of fraud that is considered reliable by both of these recommendations.

Data Collection, Cleaning and Analysis

Data was cleaned after extraction from the website for removing incomplete datasets, inaccuracies, and obvious omissions and outliers so as to obtain high quality data. All narrative responses were checked for spelling and grammar mistakes using Microsoft automatic spelling and grammar tools. Then data was careful coded using Statistical Package for the Social Sciences (SPSS). A total of 124 responses were received, that

represented a response rate of 60.19% which is fairly high (Zhang and Hong, 1999; Mundfrom, et al., 2005). After screening a final sample had 114 cases. Ten cases were unusable. Nine of them had majority non-responses and one case had the same responses (zero standard deviation) across all questions making it less reliable.

The results from the reliability statistics using Cronbach's Alpha scale were 84.5% internally consistent which is well above the suggested rule of thumb of 0.70 to 0.95 (Tavakol and Dennick, 2011). On the other hand, validity was checked through carrying out by developing the questions through careful review of the literature of the studies conducted in other settings. In addition, the questions in the survey were pilot tested with colleagues, several of whom had experience in investigating fraud. Data was analysed quantitatively using SPSS software. Descriptive, cross-tabulations and inferential statistics were used in providing insights into data patterns. The main tool that was applicable in the analysis was the exploratory factor analysis coupled with correlation analyses.

PRESENTATION OF THE FINDINGS

Descriptive Analysis

The study involved a total of 114 respondents; accountants and auditors accounted for 30.4%, of which 67.7% were employed in professional accountancy firms. Additionally, 21.4% of the respondents were law enforcement officials, and lawyers. Tax officers and bank officers both contributed 10.7%. The remaining 37.5% of the respondents were business managers or owners (7.1%), academicians (4.5%), and others (25.9%). The respondents' knowledge on the identified fraud was found to be different where 28.6% of the respondents became aware of the fraud through their interaction with their clients in the professional accountancy firms, 12.5% were lawyers or expert witnesses and law enforcement agents, internal auditors (in-house examiners) or other witnesses accounted for about 20% each. In addition, 57% of all the respondents appeared to have over 6 years of professional experience in dealing with fraud, 75% had either bachelor degrees or above and 34% were holders of professional accountancy qualification (ACCA's or CPA's). These characteristics make the respondents' profile particularly relevant for the study, which in turn enhances reliability and validity of the findings.

Analysis of the Factors behind Fraud Occurrences

A test for suitability of the principal component analysis was conducted to verify whether the assumptions underlining the principal component analysis model were met and whether the sample was adequate. The model applicability was tested using the Bartlett's Test of Sphericity which has to be significant at 5% level of significance. On the other hand, sampling adequacy was measured by Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO). Acceptable minimum KMO was verified to be above 0.50 (Kaiser, 1974; Field, 2009). Principal component analysis was separately applied to each of the statements of motivations, opportunities and rationalizations to identifying the underlying factors for fraud occurrences. Principal component Analysis (PCA) was applied to extract the components/factors. This method was chosen because the aim was to identify the factors that maximize the amount of variance explained by the factors given that variables are highly correlated (Field, 2009; Suhr, n.d.). The method therefore reduces the number of observed variables to a smaller number of principal components which account for most of the variance of the observed variables. Eigenvalues greater than 0.5 was set to maximise the loadings. Direct Oblimin rotation was applied to allow for possibility correlations among the

factors. A series of iteration were made to remove one variable at a time, eliminating variables that either do not load or cross-load at less than 0.50 on any one factor. Eigenvalue was comparably set high to minimize the number of iterations and increases the factor loadings. Many studies use a threshold range of 0.30 through 0.50 (Murphy, et al., 2012; Field, 2009). Final solution was analysed from the pattern and structure matrices as well as total variance table.

Motivation Factors

Table 4.1 summarizes the results for the Bartlett's Test and the Kaiser-Meyer-Olkin Measure (KMO) for the motivation variables. The KMO value of 0.764 suggests the sample was adequate for the principal component analysis. Bartlett's Test of Sphericity was significant at 5% level of significance implying that principal component analysis was suitable (IDRE, 2014).

Table 4.1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.764
Bartlett's Test of Sphericity	Approx. Chi-Square	1498.920
	Df	210
	Sig.	.000

Initially there were 25 statements or variables for explaining the motivations for fraud. After series of iterations as described above, 19 variables that had highest factor loadings on six factors were extracted. The final variables and their loadings are summarized in the Table 4.2.

Table 4.2: Motivation Variables and the Associated Factors

Factor	Variables (statements) loading onto the factor	Factor loading
Factor 1 $\alpha = .884$	Stiff market competition and high analyst & external expectations	.909
	Attempts to conceal the company's deteriorating financial condition	.794
	The need to increase the stock price so as to increase management compensation based on financial results.	.741
	Need to meet internal earnings expectations	.695
Factor 2 $\alpha = .791$	The suspect was instructed by a superior to do what s/he did.	.920
	The suspect was at risk for losing reputation by NOT doing what s/he did.	.734
	The suspect stood to gain in reputation by doing what s/he did.	.694
	The suspect wanted to please his/her superior(s) in this situation.	.622
Factor 3 $\alpha = .641$	The suspect needed money.	.821
	The suspect was greedy.	.799
Factor 4 $\alpha = .800$	Declines in customer demand	-.777
	Organizational high vulnerability to rapid changes (i.e., technology, obsolescence, or interest rates)	-.760
	Operating losses	-.701

	Organizational recurring negative cash flows from operations	-.699
Factor 5 $\alpha = .325$	The suspect stood to gain financially by doing what s/he did.	-.691
	The suspect felt a great deal of pressure to do what s/he did.	-.618
Factor 6 $\alpha = .795$	The suspect wanted revenge.	.770
	The suspect was angry toward his/her superior(s) or the organization.	.742
	The suspect was treated/claimed to have been treated unfairly within the organization.	.630

Factor Labelling:

Factor 1: The three statements on this factor appear to relate to the difficult environment the business organisation is in. The management on the other hand attempts to either survive competition or meet high expectation emanating from both internal and external sources, amidst the period of financial problems. This condition is likely to be described as financial strain arising from the business activities. Financial nature of the strain seems imperative in this factor because if the financial resources had been available, appropriate strategies to beat competition or embarking on alternative investments to meet the pressuring expectations would have been taken. Therefore, we label factor 1 as ***Business Financial Strain***. This type of motive has also been identified in other literatures, such as those by AIC/PricewaterhouseCoopers (2003) and Smith (2010).

Factor 2: This relate to the motivations to please others or to appear respected before others in terms of the motivations. This factor is relatively easy to identify because prior literature has written a lot about this factor and different names such as “influence from others”, and “pleasing others” have been used. The label *Social incentives and pressure* as used by Murphy et al. (2012) is preferred in this study.

Factor 3: This factor has only two statements, one indicating the need for money and another for extreme need for power, hyper-competitiveness, perfectionism, or excessive pride (Ramamoorti, et al., 2009). This factor as is labelled *Greed*.

Factor 4: This is similar to the factor 1 in the sense that the two factors are related to the business problems; however, the nature of problems in factor 4 seems not to be externally motivated and they appear operational. In light of this reasoning, factor 4 is labelled as *Operating Problems*.

Factor 5: This relate to the suspect’s feeling of being internally motivated by personal pressures or pressures arising from the job situations. This factor is label as *Internal Pressures*. Nevertheless, it is important to note that this factor has low reliability ($\alpha = 0.325$) as compared to other factors. This implies that the factor has relatively weak loadings and so does its weak explanatory power. The factor is retained because it is still above the 0.50, which is a minimum Eigenvalue and attempts to exclude the factor results into lower explanatory total variance by the model and multiple cross loadings.

Factor 6: This factor describes negative feelings an employee or a manager has over the organizations, which in turn creates anger and wishes for revenge. Feelings of being treated

unfairly are also described. Consistent with Murphy et al. (2012) study, this factor is labelled as *Malevolent Work Environment*.

These factors explained 73.903% of the total variance, which indicate the model has high explanatory power for the motivation factors. Factor 1: *Business Financial strain* explains 35.887% of the variance, factor 2: *Social incentives and pressure* explains 12.294% and factor 3: *Greed* explains 8.282% of the variance. The remaining three factors, *Operating Problems*; *Internal Pressures*; and *Malevolent Work Environment*; are less significant (accounts for 5 - 6% of the remaining total variance).

Rationalization Factors

The KMO of 0.514 for the rationalization factors was quite low compared to that for motivation. However, it is still acceptable on the grounds of being above the 0.500. In addition, Bartlett's Test of Sphericity was significant implying that principal component analysis was still appropriate for the rationalization model.

Table 4.4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.514
Bartlett's Test of Sphericity	Approx. Chi-Square	279.109
	Df	45
	Sig.	.000

Five rationalization factors were extracted from the SPSS output based on the 10 statements. The final variables (rationalization statements) and their loadings on the factors are summarized in the Table 5.5.

Table 5.5: Rationalization Variables and the Associated Factors

Factor	Variables (statements) loading onto that factor	Factor loading
Factor 1 ($\alpha = .802$)	The suspect claimed s/he didn't think s/he was hurting anyone.	.915
	The suspect said s/he didn't think his/her action was so bad, compared to other worse things.	.839
Factor 2 ($\alpha = .546$)	The suspect displayed a change in his/her attitude toward this particular behaviour.	.900
	The suspect used strange language to describe what s/he did, making it appear that it was not wrong.	.649
Factor 3 ($\alpha = .411$)	The suspect has a history of white-collar crime.	.879
	The suspect has been known to lie, steal, or act unethically.	.678
Factor 4 ($\alpha = .647$)	The suspect said s/he was helping the company in this situation.	-.909
	The suspect claimed s/he was instructed to do what s/he did.	-.788
Factor 5 ($\alpha = .618$)	The suspect said it was temporary; the fraud would be fixed (i.e. paid back)	.877
	The suspect said that his/her behaviour might be wrong in	.774

	general, but it wasn't in this particular situation.	
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Factor Labelling

Factor 1: This factor represents rationalizations that take the form of selective social comparison. Fraudsters compared their actions to others, worse than themselves: "Others are worse than we are"(Anand et al., 2005, p. 11). Similarly, we label this factor a *Social weighting*.

Factor 2: The second factor seems to relate to the poor attitude of the fraudster. This means that the fraudster is likely to embark on this kind of behaviour whenever other factors, such as an opportunity to fraud arise. This factor is labelled *Attitude*.

Factor 3: This factor is obvious and reflects the prior fraud experiences of the fraudster. The explanations like "the suspect has a history of white-collar crime" or "the suspect has been known to lie, steal, or act unethically" all reflect the known fraudulent *History* of the fraudster.

Factor 4: This factor is labelled *Transferring of blame* because the suspect claims to be instructed to do what s/he did or claims to act in the interest of the company.

Factor 5: The statements that actors believe their action as temporary and wasn't actually wrong or "it would be fixed" suggest that these individuals perceived their actions have no harm and hence, the actions are not really corrupt (Anand et al., 2005, p. 12). We label this factor a *Denial of Injury*.

The rationalization factors explained 77.975% of the total variance. This suggests high explanatory power of the extracted rationalization statements to the occurrences of employee and management fraud. Unlike motivation factors, all five rationalizations factors are significant in explaining the total variance. Factor 1: *Social weighting* explains 27.125% of the variance, factor 2: *Attitude* explains 15.474% and factor 3: *History of the fraudster* explains 12.674% of the variance; Factor 4: *Transferring of blame* accounts for 11.903% of the variance and the last Factor 5: *Denial of Injury* explains 10.798% of the variance.

Opportunity Factors

The KMO for this analysis was sufficiently high (0.773). The model was appropriate since Bartlett's Test of Sphericity was significant (at 5% level). Three opportunity factors were extracted from the SPSS output based on the 10 statements. The final variables (opportunity statements) and their loadings on the factors are summarized in the Table 4.7.

Table 4.7: Opportunity Variables and the Associated Factors & Loadings.

Factor	Variables (statements) loading onto that factor	Factor loading
(α = .782)	Lack of risk assessment procedures	.848
	Complex organizational structure	.800
	No evidence of undertaking business performance reviews	.685
	Ineffective hiring procedures	.619
	Low or no commitment of ethics and integrity of top management	.580

Factor 2 ($\alpha = .862$)	Inadequate documents and records	-.897
	No proper authorization and approval of transactions and activities	-.851
	Inadequate segregation of duties	-.835
Factor 3 ($\alpha = .510$)	Collusion	.785
	Significant, unusual, or highly complex transactions	.696

Factor Labelling

Factor 1: The variables in the factor reflect the soft component of the Internal Controls Framework suggested by COSO's report (COSO, 2009). The elements stand for the tone at the top. Consistent with COSO report this factor is labelled *Poor Control Environment*.

Factor 2: This factor seems to operate at the detailed activities that ensure the transactions and activities are in line with the management directives. Consistent to the framework above, we label this factor as *Inadequate Control Activities*.

Factor 3: This factor has only two statements that represent the presence of accomplices in the perpetration of fraud and the fact that generally collusive fraud are complex or hidden in complex transactions. This factor is labelled as *Collusion*.

Further analysis indicates that the three rationalization factors accounts for about 67% of total variance explained by the opportunity factors. The first factor: *Poor Control Environment* accounts for over a half of all this variance (55%), followed by inadequacies in the control activities and collusion which contribute 18.510% and 11.832% respectively.

Correlation among the Factors

Appendix 1 shows the results of the degree of correlation using Spearman Correlation Coefficients among the identified 14 factors for motivations, opportunity and rationalizations. It is evident that an opportunity factor named Poor Control Environment, "tone at the top-weakness" is strongly correlated to most (8) of the other factors. It is strongly and positively correlated to Inadequate Internal Controls, Social Weighting, Attitude, Denial of Injury, Business Financial Strain and Social Incentives and Pressure. On the other hand, poor control environment is strongly and negatively correlated to Transferring of blame and internal Operating Problems. It is also pertinent to note from Appendix 1 that unlike other opportunity factors, collusion among fraudsters is not correlated with any of motivation factors. Another interesting observation is that all of the identified opportunity factors have significant correlations with the rationalizations factors than with the motivations factors. Nevertheless, four out the six motivation factors (with the exception of greed and internal pressures) displayed significant association with rationalization factors. It is also important to note that the prior fraudster's history seems to be closely correlated with only two factors, namely malevolent work environment and greed. Greed was not found to correlate with any of the other factors except with the prior fraud history of the offender while Internal Pressures never showed association with any of the other factors. It is also interesting to note that *Malevolent Work Environment* did not display any association with opportunity factors but it is very closely and significantly correlated with rationalizations and other motivation factors.

DISCUSSION AND ANALYSIS

The findings of this study are largely in support of the fraud triangle theory suggested by Cressey (1950) and empirically tested by some studies such as those by Coleman (1987), Dellaportas (2013), Idolor (2010) and Albrecht et al. (2012). In particular, this study established that elements of motivation, opportunity and rationalization must be present for the fraud to occur. This study however has shown that contrary to the original fraud triangle, motivations other than financial motivations are also important for employee and management fraud. Researchers such as Albrecht et al. (2012), Ramamoorti, et al., (2009), Mhilu (2002) and COSO (2010) discussed other non-financial motivators but not in the disaggregated level or context suggested by the current study. The findings of this study found the following six fraud motivators: First, attempt to conceal poor financial standing of the business when there is pressing external expectations (*Business Financial Strain*); second, coercion from superiors, need to protect ones' reputation, or need to please others (*Social Incentives and Pressure*); third, intense desire for wealth or power (*Greed*); fourth, inability of the company to cope with fast changing industry environment, operating losses and cash flow problems (*Operating Problems*); fifth, other *Internal Pressures*; and Lastly, work environment that treats employees and managers unfairly that in turn create anger and wish for revenge against the organisation (*Malevolent Work Environment*). These six motivation factors accounts for about 74% of all the variance in the motivation factors.

Unlike other studies, such as those by Dellaportas (2013), Smith (2010) and Idolor (2010) that emphasized the role of greed as significant fraud motivator, the current study has shown comparatively different results, that, it is pressure to meet market and other external expectations (*Business Financial Strain*) and social incentives and pressure that are more important for occurrences of fraud rather than greed. These two motivators respectively explain 49% and 17% of the total variance explained and greed accounts for only 11%. Nevertheless, an interesting correlation results drawn from *Appendix 1* suggests that greed has significant positive correlation to one and only one other factor; the history of the fraudster. These results point to the argument that greed seems to be a major behavioural problem with repeat offenders unlike many first time offenders. This seems convincing because once a first time fraudster satisfies his/her need without being caught he/she will graduate to more large scale fraud. Lastly, work environment that treats its employees unfairly, at least to the perception of the fraudsters, appears to be good targets for fraud because these individuals would easily rationalize their fraud as a means for revenge.

In regard to the fraud opportunities, the study is in support of most findings from prior studies, such as those by Akpanuko (2012), Soltani (2013), Mhilu (2002), Albrecht, et al. (2012), Zahra, et al. (2005), Kapama (2013, 2014) and Kenyunko (2013). The study results indicate three paramount fraud opportunities. The first and most significant is the business atmosphere that demonstrates poor management's commitment to ethics and integrity principles, good role models, inappropriate hiring procedures or unclear organizational structure and style; in this study this factor was labelled *Poor Control Environment*. This factor appears to influence many other factors, including how employees rationalises or are motivated to fraudulent behaviours. These findings are intuitive because they suggest that whenever the control environment is poor, the whole organization will demonstrate low or no commitment towards internal controls. Since leaders show no respect and commitment to the ethical values it is not expected for the employees and others to do otherwise. Consequently, employees and managers can violate and circumvent controls, behave illegally, and find it easy to rationalize fraud because "everyone is doing it" or "nobody seems

to care". The second opportunity factor relates to *Inadequacies in Control Activities*, such as inadequate documents and records, improper authorization and approval of transactions or inadequate segregation of duties. Lastly, passivity to *collusion* defined good opportunity for fraud. The three opportunity factors explain 67% of all the variance in the opportunity factors.

Contrary to studies by Skousen, et al. (2009) and Dorminey et al. (2012), the role of rationalization was shown by this study to be equally important in fraud occurrences. It was noted that fraudsters legitimized their illegality through several neutralization or rationalization techniques, five of which were more significant. First, some fraudsters undertook selective social comparison between their actions to those they believe were worse than theirs (*Social Weighting*). Second, there were those who looked for easy scapegoats to transfer the blame to their wrongdoings. These individuals were more likely to blame the organisation, superiors, or claim to follow orders. Their neutralization technique is referred to as *Transferring of Blame*. Other fraudsters convinced themselves that no one was really harmed by their actions; hence, the actions were not really corrupt (*denial of injury*). And lastly "crooked individuals" did not even need the above techniques, their *attitude* and *prior fraud history* was enough to rationalize their behaviours. The cumulative explanatory variance of these five factors was 78%.

In general, the study suggests for a modified fraud triangle which should extend beyond the original angles suggested by Cressey (1950) to include other situational factors and personal characteristics of the fraudsters; most importantly, considerations of interrelationships among the factors.

CONCLUSION

In line with the study objectives, the findings identify a number of factors (in terms of motivation, rationalization and opportunities) necessary for the occurrence of fraud in the Tanzanian context. In this regard, the study is one of the few attempts that have been made to date to examine fraud in business organisations in Tanzania. It is anticipated that the study would provide new insights to the general body of knowledge related to fraud examinations, prevention, or detection. The findings of the study might be of practical use to business organisations, fraud fighting professionals and institutions by creating an awareness intended to answer questions such as what is fraud, why it occurs, how they occur, who does it and when. This awareness is expected to stimulate the comprehension of the magnitude of the risks related to fraud so that they can take proper measure to limit the frequency and amount of losses.

Certain limitations may be acknowledged with respect to the study's findings or its methods. The greatest potential limitation of the study is perhaps the use of fraud fighting professionals rather than known fraudsters or incarcerated individuals. While we cannot rule out the fact that responses of actual fraudsters may be different from those of fraud examiners, prior literature suggests that differences in opinion or responses are insignificant. We also confirmed the understanding of the respondent to the subject matter of the study and determine whether they have witnessed/investigated any of the fraud. While the current study involved different types of organisations, the general motivations, rationalizations and opportunity for fraud, yet, in-depth disaggregated analysis will be more informative because of the underlying differences in these organisations. Therefore, the study recommends that future research should examine occupational fraud in each of the specialised type of

businesses or specialised sectors. Moreover, it will be interesting for future studies to interview incarcerated individuals or known fraudsters to examine their actual motivations and rationalizations including how they perpetrated fraud, instead of examining fraud examiners and witnesses. This is because fraudsters are more likely to accurately understand the circumstances of the fraud occurrences, actual losses involved and who participated among many other things.

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Appendix 1

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Poor Control Environment	1.000													
2. Inadequate Internal Controls	.255**	1.000												
3. Collusion	.134	.235*	1.000											
4. Social Weighting	.217*	.320**	.231*	1.000										
5. Attitude	.210*	.117	.220*	.018	1.000									
6. History of the fraudster	.126	.235*	-.095	-.058	.139	1.000								
7. Transferring of blame	-.272**	-.148	-.208*	-.191*	-.057	-.108	1.000							
8. Denial of Injury	.220*	-.242**	.271**	.067	.205*	.071	-.192*	1.000						
9. Business Financial Strain	.287**	.003	-.008	.340**	.289**	.168	-.335**	.382**	1.000					
10. Social Incentives and Pressure	.367**	.304**	.128	.189*	.049	.156	-.604**	.151	.249**	1.000				
11. Greed	.149	.139	.034	-.156	.059	.194*	.161	-.090	-.082	-.033	1.000			
12. Operating Problems	-.269**	-.101	-.041	-.405**	-.083	-.020	.267**	-.146	-.454**	-.255**	.158	1.000		
13. Internal Pressures	-.147	-.019	.113	-.095	-.169	.050	-.018	-.110	-.114	-.150	-.034	.058	1.000	
14. Malevolent Work Environment	.082	-.024	-.028	.150	.122	.190*	-.314**	.221*	.342**	.354**	-.107	-.243**	-.094	1.000

** . p < .01 (2-tailed).

* . p < .05 (2-tailed).

Key:

1-3: Opportunity factors

4-8: Rationalization factors and

9-14: Motivation factors