Enhancing fraud prevention and detection by profiling fraud offenders

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ABSTRACT
Aims The paper first focuses on the crime of fraud and then on approaches to profiling offenders before examining closely studies of fraud offenders and their motivation.

Method Drawing on the existing empirical literature, a profile of the serious fraud offender is presented and critiqued together with a taxonomy of such offenders comprising 12 types.

Conclusions The implications of the findings for fraud detection and prevention are discussed.

Introduction

Fraud: the crime

Fraud by people in positions of financial trust is an example of white-collar crime (Sutherland, 1949). Criminologists and accounting firms alike consider fraud to be one of the main crime concerns of the twenty-first century (Graycar and Batten, 2003). Drawing on victimization studies, the concern is largely due to the high incidence of fraud, its high cost but low detection rate by police and the fact that a great deal of fraud is not reported to the police. The survey by Krambia-Kapardis (2002) of 441 corporations in Cyprus found that 57% had been victims of fraud in the recent past; the KPMG (2002) survey of company fraud victimization in Australia and New Zealand found that the losses sustained by the 361 respondents amounted to AU$273 million, with the average cost for an organization reporting fraud of AU$1.4 million; and the Ernst and Young (2003) global survey of their clients reported that 85% of the frauds had been committed by someone on a company’s payroll. Finally, in 2003 PricewaterhouseCoopers in conjunction with Wilmer, Cutler and Pickering conducted 3623 interviews with
senior managers of the top companies in 50 countries. Some 37% of the respondents reported significant economic crimes during the previous two years and the most widely reported fraud was asset misappropriation.

Broadly defined, ‘fraud’ means ‘obtaining something of value or avoiding an obligation by means of deception’ (Duffield and Grabosky, 2001, p. 1), or the intentional misrepresentation of fact to unlawfully deprive a person of property rights (US Department of Justice, 1987). Interestingly, however, fraud is not recorded as a Uniform Crime Report Index offence in the United States. According to Dodd (2000), a legal definition of fraud is negated by the fact that in England and Wales, for example, there are at least 150 fraudulent offences on the statute books.

Generally speaking, researchers have ignored fraud in terms of both the psychology of the crime and methods for its detection (Dodd, 2000, p. 211). Any attempt to suggest ways of preventing, or at least reducing, fraud in society are dependent on what is known about its aetiology. Fraud is a challenging crime to study for a number of reasons: there are many difficulties in attempting to measure it accurately owing to the absence of agreed definitions and low rate of reporting (Parliament of Victoria, 2004, pp. 51–65); its cost is multidimensional and astronomical (Parliament of Victoria, 2004) and, finally, the broad range of opportunities for fraud to be committed means the offender population is rather heterogeneous (Krambia-Kapardis, 2001; Weisburd et al., 2001), thus reducing significantly the possibility of an adequate aetiological explanation for fraud offenders/offences generally. Duffield and Grabosky (2001) have argued that in order to explain it fraud needs to be ‘broken down’ into manageable categories and they use four categories to identify ‘red flags’ (i.e. warning signals for fraud) and to propose some preventive or pre-emptive measures (see below).

Profiling fraud offenders

Most criminologists would agree that that crimes are rarely completely random events, that there are patterns in victimization and, also, that offending is often the result of rational decision-making that reflects offenders’ perception and attitudes towards risks and rewards (Ainsworth, 2000, p. 100; Kapardis, 1989, 1990). Profiling is one approach to classifying offenders for the purpose of explaining their behaviour and assisting in the investigation of crime. In the last few years there have been an increasing number of publications on profiling offenders (see Canter, 1995, 1997; Britton, 1997, 2001; Jackson and Bekerian, 1997; Ainsworth, 2000, 2002; Canter and Alison, 2000).

The offender profiling method originally developed by the FBI (see Hazelwood and Douglas, 1980) is clinical in nature and the offender-classification literature has been mainly concerned with such violent crimes as serial homicide (see Holmes and Holmes, 2002) and such property crime as theft at work (Robertson, 2000), burglary (Barker, 2000; Merry and Harsent, 2000),
arson (Fritzon, 2000) and robbery (see Alison et al., 2000). There is but a small
number of such studies of white-collar offenders in general and fraud offenders
in particular. While profiling has been useful in solving a small percentage of
crimes (see Copson, 1995), some authors have drawn attention to the danger of
over-selling profiling to the police in their efforts to solve crimes (Wilson and
Soothill, 1996). A more statistical approach to offender profiling has been
pioneered by Canter (1995). Canter’s approach makes use of environmental
psychology principles and is based on the premise that offenders’ modus
operandi mirrors other aspects of their everyday life (Canter, 1995, p. 354).

As Farrington and Lambert (2000) point out, offender profiling could be
considered as a special topic within the general field of criminological
prediction (see Farrington and Tarling, 1985) and, furthermore, that ‘it might be
concluded that statistical prediction is generally more efficient than clinical
prediction’ (p. 237). Like Farrington and Lambert, the present authors believe
the statistical approach to offender profiling can and should be used with a
variety of crimes, not only with serial homicide and serial rape.

On the basis of her extensive review of fraud-aetiology models, Krambia-
Kapardis (2001) has argued that, in answer to the question ‘why do people commit
fraud?’, at best we can provide a possibility explanation (i.e. suggest how it is
possible, but not inevitable, for someone to commit a fraud offence). In other
words, we cannot talk about any fraud aetiological factors as ‘causes’ but rather as
correlates, and the available empirical literature enables us to put forward a possi-
bility and not a probability explanation (see Walker, 1987, for a discussion of the two
types of explanation). The present authors maintain that fraud reduction can be
achieved by utilising available knowledge concerning the offenders as well as
situational factors that facilitate the crime by providing opportunities, ‘induce-
ments to criminality’ (Dodd, 2000, p. 223) such as weak internal controls and
poor management, which are exploited by fraud-prone individuals (Grabosky and
Duffield, 2001; Sakurai and Smith, 2003). A basic proposition of this paper is that
fraud detection and prevention can be improved by integrating what is known
about individual and ecological aspects of the crime. As in the Smith (2003) study
of serious fraud in Australia and New Zealand, the concern of the present paper is
with fraud committed by individuals and not corporations. Individuals, of course,
may comprise an organized group of fraudsters. Also, the paper is not concerned
with risks of serious fraud such as prudential, accounting/auditing, security and
regulatory failures (see Sakurai and Smith, 2003).

Studies of fraud offenders

There exist a relatively small number of empirical studies of fraud offenders (see
Marshall et al., 1980 [cited by Albrecht et al., 1995, pp. 7–8]; Wheeler et al.,
1988; Benson and Moore, 1992; Krambia-Kapardis, 2001; Weisburd et al., 2001;
Smith, 2003). Weisburd et al. examined the criminal careers of 493 offenders in
the Wheeler et al. (1988) sample in a 126-month follow-up and identified three
categories of white-collar offenders: (a) those who committed the crime/s as a result of a crisis in their lives (e.g. a financial crisis due to gambling etc); (b) those acting out of greed who committed the crime/s by exploiting an opportunity that presented itself; and, finally, (c) those pursuing a career in crime, i.e. chronic offenders. Both the crisis-responders and the opportunity-takers were first offenders. Weisburd at al. concluded that their findings show 'the importance of the immediate context of crime and its role in leading otherwise conventional people to violate the law' (p. 4).

With the cooperation of the Major Fraud Group (as it was then known) of the Victoria Police in Melbourne, the Australian study by Krambia-Kapardis (2001) in the State of Victoria analysed offence, offender, victim and sentencing in complete police prosecution files pertaining to a sample of 50 serious frauds cases that had been sentenced by the courts. Those major fraud cases (the average amount of money involved was AUS$ 4.4 million) were selected from a total number of 196 cases, covering the period January 1990–October 1994, where the occupation of the offender was known. Of those, a complete prosecution brief existed in 96 cases. The criteria for selecting a case for inclusion in the study were: (a) the offender held a position of financial trust; (b) the offender(s) involved in a case had been sentenced by the courts and thus the information was public knowledge; (c) there was a complete prosecution brief available, (d) the file could be accessed in the Metropolitan Melbourne region, and (e) any appeal against the sentence imposed had been completed. Krambia-Kapardis (1999) surveyed 108 auditors who had encountered a total of 87 management or employee frauds. Krambia-Kapardis (2002) reported a fraud victimization survey of 441 companies. She interviewed the managing directors (43%), the financial managers or the company accountant (57%) of a company. Over half (52%) of the frauds involved had not been reported to the police. A problem with surveying corporate victims of fraud is deciding who is the appropriate person in an organization to respond to the survey. Failure to direct the survey to the correct person may lead to a low response rate. By directing her survey to respondents who would have sufficient knowledge of the frauds perpetrated against their corporation and were not reluctant to participate in the survey since it was the first of its kind in the country, Krambia-Kapardis (2002) had a very high (82%) response rate.

A more recent Australian study authored by Smith (2003) was undertaken by the Australian Institute of Criminology in conjunction with PricewaterhouseCoopers and examined a sample of 155 files from police and prosecution agencies in each state and territory in Australia, the Commonwealth of Australia and the Serious Fraud Office in New Zealand. The cases of serious fraud examined were completed in 1998 and 1999. According to Smith (2003, p. 1), seriousness was defined on the basis of four criteria, namely: (a) financial loss (generally over AUS$100 000 unless other factors made the case unusually serious or complex; (b) sophistication in the planning and/or the execution of the offence; (c) organization of the offender (e.g. the existence of multiple offenders,
cross-border movement of individuals or funds, many victims); and (d) breach-of-trust fraud offences committed by such professionals as solicitors, accountants, financial advisers and mortgage brokers concerning clients’ funds.

Echoing Cohen and Felson (1979), Duffield and Grabosky (2001) and Krambia-Kapardis (2001) have argued that fraud can best be explained by three factors: (a) the existence of motivated offenders; (b) the availability of opportunities; and, finally, (c) the absence of suitable guardians. As the report into fraud and electronic commerce by the Parliament of Victoria (2004) put it:

Motivation is, therefore, a combination of an individual’s personality and the situation in which they find themselves. Conversely, psychological factors will influence the way individuals interpret the situation they are in, and this in turn will influence the action they choose to take. (p. 16)

The empirically derived fraud aetiology model proposed by Krambia-Kapardis (2001) is known as ROP (i.e. Rationalisations, Opportunity, and crime-prone Person).

A profile of serious fraud offenders

A close examination of the empirical literature on serious fraud offenders reveals the following characteristics of the majority of such offenders:

- they achieve their deception using false documents and fictitious identities (69% and 25% respectively in Smith, 2003). One Australian fraudster in the Smith (2003) study had used 116 different names or identities;
- they are overwhelmingly male (80% and 92% in Krambia-Kapardis, 2001, and Smith, 2003 respectively);
- they are of high educational status (Wheeler et al., 1982). Smith (2003) reported that 55% had completed their secondary education, 25% had an undergraduate and 3% a postgraduate university degree and 13% had a professional qualification. Similarly, in the auditor-encountered frauds in Krambia-Kapardis (1999) 27% had a tertiary qualification;
- they are of mature age. In Krambia-Kapardis (2001) 65% were aged 31–45 years while in Smith (2001) they had a mean age of 42 years;
- they are married/de facto (63% in Smith, 2003, 90% in Krambia-Kapardis, 1999);
- they have no prior criminal record (56% in Smith, 2001, 70% in Krambia-Kapardis, 2001) but a minority are serial fraud offenders (17% of the accused in Smith (2003) had committed prior fraud offences);
- they are first convicted when of a mature age (Benson and Moore, 1992);
- they occupy positions of financial trust such as director, accountant etc. (68% in Smith, 2003);
- they have a professional relationship with the victim (53% in Smith, 2003, 94% in Krambia-Kapardis, 2001);
they are specialist offenders (87% in Krambia-Kapardis, 2001);
they act alone in perpetrating the offence (70% in Krambia-Kapardis, 2001, and 84% in Smith, 2003);
they victimize two or more individuals (64% in Krambia-Kapardis, 2001, 53% in Smith, 2003);
because of their socialization into some aspects of corporate culture (Sutherland, 1949) there is often an absence of constraints on their behaviour because they are not committed, are not involved and do not believe in conventional values and goals (Hirschi, 1969);
they exhibit over-sensitivity to monetary gain (Bartol and Bartol, 1994; Dodd, 2000);
they are able to rationalize their misbehaviour, neutralize guilt and thus justify the crime(s) to themselves (Albrecht et al., 1995; Cressy, 1986). In Smith (2003) offenders rationalized their conduct by saying they had: intended to conduct a legitimate business (33%), intended to pay the money stolen back to the victim (27%), had been influenced by others (21%) and, finally, had been helping clients (6%);
they defraud because of a serious financial problem (Weisburd et al., 2001) often due to gambling (27% in Smith, 2003, 28% in Krambia-Kapardis, 1999, 47% in Krambia-Kapardis, 2002);
a significant proportion dispose of the proceeds of their crime by buying luxury goods and services (42% in Smith, 2003, 50% in Krambia-Kapardis, 1999, 41% in Krambia-Kapardis, 2002), an indication that they defraud out of greed.

Some of the offender demographic characteristics found are explained by the following factors: the upper echelon of the executive world is male-dominated, as are the accounting and legal professions, for example; tertiary qualifications are almost essential for someone to acquire a senior position of trust within a company; it takes a number of years before one can lay claim to such a management position; and, finally, having a prior criminal record as an adult correlates with leaving school early and not completing a tertiary degree (Farrington, 1993).

Motivation for fraud

Reference was made earlier to financial strain as an explanation of why some people commit fraud. Financial strain, of course, is a very subjective thing. Its significance lies in the fact that individuals may not necessarily lose only material wealth as a result, for example, of their company not going well or because of a vice they have such as gambling: they may also lose power, status and pride (Duffield and Grabosky, 2001, p. 2). Drawing on Duffield and Grabosky’s discussion of common elements of fraud, financial and emotional problems arising out of divorce also could provide the motivation for fraud.
Power over people (Scotland, 1977) and situations (Blum, 1972) is another motivation for fraud. We have already seen that, irrespective of the type of fraud, the great majority of offenders attempt to justify or rationalize their conduct (Krambia-Kapardis, 2001), using what Cressey (1953) termed ‘vocabularies of adjustment’ and what Sykes and Matza (1957) called ‘techniques of neutralization’. Such justifications vary with the type of fraud (Benson, 1985). The types of motivations for fraud dealt with so far are positive ones. Scotland (1977, cited by Duffield and Grabosky, 2001) drew attention to the importance of ‘weak constraints’ that reduce the inhibition to commit crime such as the belief that ‘everyone defrauds the company’.

Type of fraud and offender personality

Duffield and Grabosky (2001) have argued that certain psychological factors may be associated with their four general categories of fraud. More specifically: (a) the principal or senior official who defrauds his/her own organization tends to be over-ambitious and obsessed with increasing his/her power and control; (b) the client or employee victimizing the company because of (i) being disgruntled or (ii) a strong sense of territorial ownership; (c) those who commit fraud in the context of face-to-face interaction may lack affection and conventional conscience and, consequently, lack remorse (i.e. suffer from an antisocial personality disorder). Caution is warranted in considering Duffield and Grabosky’s argument for a link between type of fraudster and personality characteristics since they had no psychometric data from such offenders. Therefore, their argument remains a challenging empirical proposition.

Typologies of fraud offenders

For over five decades now, both psychologists and sociologists have been interested in developing typologies of offenders in the broader context of either (a) the aetiology of criminal behaviour (see Farrington, 1997), (b) diagnostic classifications in forensic clinical settings, or (c) in criminal investigation (see Boon, 1997; Canter, 1997). The main concern of criminal typologies has been with male juvenile delinquents (see Gibbons, 1975) and prison inmates (see Schrag, 1961). Gibbons (1975) distinguishes two kinds of typologies, namely ‘causal and diagnostic’ ones and ‘typologies of crime, criminals and personalities’. A typology of white-collar offenders has been a neglected topic in criminology. Zietz (1981) focused on the ‘problems’ the female incarcerated felons tried to solve with their embezzlement or fraud and identified the following six categories: (i) honest women, (ii) romantic dreamers, (iii) greedy opportunists, (iv) reluctant offenders, (v) the vindictive type and, finally, (vi) the social entrepreneur. Zietz, however, failed to ensure adequately the reliability of her data by, for example, interviewing the spouses/lovers of the women, where
applicable. An additional limitation is that it is not clear whether the justifications offered by the inmates were the cause or the effect of their fraudulent activity. Despite its limitations, the study can be said to provide some insight into the rationalisations of women imprisoned for deception offences.

A number of researchers (e.g. Weisburd et al., 2001) highlighted the important contribution to fraud by opportunist offenders who frequently exploit a company's weak internal controls (50% in Krambia-Kapardis, 2002). On the basis of informal discussions with police and commercial fraud investigators, Dodd (2000, p. 214) suggested two general types of fraudsters who defraud a company they represent or are assisting: (a) the 'opportunist' who does not necessarily have a criminal record even though he/she may well have been involved in criminal behaviour, who often experiences financial difficulty, initially does not intend to defraud but decides to exploit an opportunity that presents itself; and (b) the 'sophisticated' fraudster who 'knows his/her way around the system that they are defrauding and, therefore, creates his/her own opportunities rather than abusing those already in existence'. Dodd's definitions of types of fraudsters, however intuitively appealing, are subjective and their validity is questionable. In contrast with this, the typology of fraud offenders yielded by the Krambia-Kapardis (2001) study and reported below is empirically derived and attests to the importance of the immediate context in which people in positions of financial trust commit fraud; also, it provides evidence that normal, law-abiding citizens without a criminal record can commit fraud in response to a crisis in their lives such as a serious financial problem or out of greed and by exploiting opportunities to victimize those who have trusted them with money.

A taxonomy of fraud offenders and circumstances: 12 typologies

In considering the typologies yielded by Krambia-Kapardis's (2001) study it should be remembered that they are aetiological ones, i.e. they identify the types of persons in positions of financial trust who perpetrated fraud and the circumstances under which it is done. According to Gibbons (1975, pp. 143–144), the main criteria a typology must satisfy in order to be useful are: (a) clarity and objectivity, (b) mutual exclusiveness, (c) comprehensiveness and, finally, (d) parsimony. The list of typologies offered is, of course, not meant to be an exhaustive one and the research findings reported need to be replicated. The twelve typologies identified are the following: (1) predator/career fraud offender (16%); (2) opportunist first offender in professional occupation (24%); (3) fraud under an assumed professional identity (2%); (4) isolated fraud as response to unshareable financial pressure on the family (4%); (5) serial fraud as response to unshareable financial pressure on the family (10%); (6) fraud as personal justice (2%); (7) isolated fraud as response to unshareable financial pressure on oneself (4%); (8) serial fraud to solve a financial problem of a personal nature (8%); (9) serial fraud due to a vice (6%); (10) isolated fraud to restore social
identity (2%); (11) serial fraud by an unscrupulous deceiver (14%); and, finally, (12) serial fraud to assist loved ones with a financial problem (8%).

It can be seen that the largest category (24%) is where an opportunist person without a criminal record and holding a position of financial trust commits fraud alone, or with accomplices, motivated by greed. The second largest is the predator career fraud offender (16%), followed closely by those cases where an unscrupulous first offender, motivated by greed, embarks on a spree of frauds against people he/she knows well (14%). Grouping the 12 in terms of Weisburd et al.’s (2001) classification yields the following categories: ‘crisis responders’ (42%) [4, 5, 7, 8, 9, 10, 12], ‘career/chronic offenders’ (32%) [1, 3, 11], ‘opportunity-takers’ first-offenders who act out of greed (24%) [2], and ‘other’ (2%) [fraud as personal justice]. Thus, the largest offender category is people in positions of financial trust who perpetrate fraud in response to a crisis they experience primarily because of a serious financial problem. As Duffield and Grabosky (2001, p. 2) point out, financial strain may arise from imprudence or misfortune or both and could motivate someone to commit fraud.

The classification offered above should be treated with caution since: (1) there is some degree of overlap between some of the categories of offenders (e.g. a married compulsive gambler who has a financial problem that impacts on his family); (2) the offenders were not interviewed; and (3) because of the sample of cases studied.

Conclusions and discussion

The existing empirical studies indicate that the majority of serious fraud offenders are male, aged 35–45 years, married, of high educational status, either have a serious financial problem or are greedy for money, do not have a prior criminal record, occupy positions of financial trust, rationalize their behaviour, specialize in defrauding, act alone, use false documents to perpetrate fraud, victimize two or more people they know, and are convicted of multiple charges. The age distribution of the offenders is in accordance with the finding in Wheeler et al. (1988, p. 342) and Weisburd et al. (1990) that the average white-collar offender was 40 years old.

An interesting finding reported is that, contrary to what Gottfredson and Hirschi’s (1990) General Theory of Crime would have predicted, major fraud offenders (with few exceptions) were found to be specialists and not versatile in their criminal activities (see Bottoms, 1993, for a critique of the theory). The categories of people in positions of financial trust who commit fraud comprise a variety that includes: over-optimistic opportunists; the vindictive type; professional conmen with a criminal record; people who commit an isolated offence (and others who become greedy and commit a number of offences) to solve a serious financial problem of a personal or family or business nature; unscrupulous high fliers; and investors or compulsive gamblers whose excessive optimism that ‘things will soon
improve’ leads them into committing a spate of deception offences. It has also been found that where fraud is committed there is a significant likelihood that it is not an isolated event. The explanation for this finding is that the offender(s) will only stop when found out, irrespective of whether the offender(s) is/are without a criminal record or of the predator/career kind; the former type of offender finds more frauds need to be committed to cover the money missing while the latter feel no remorse about stealing as much money as possible.

Regarding crime opportunity, as Gottfredson and Hirschi (1990, pp. 12–13) would have predicted, it is particularly important where: the offence produces immediate rather than delayed gratification; committing the crime is easy in terms of the mental and physical effort required; and, finally, in situations where the perceived risk of being found out is minimal. In other words, in most cases, situational circumstances (e.g. strong accounting controls) could mute or counteract the effects of a person’s low self-control.

In his study of embezzlers in the US, Cressey (1953, 1986) discounted gambling, alcohol or spending beyond one’s means as causes of embezzlement and reported that one of the offenders studied was willing to do anything to give his wife and children what they needed. According to Cressey, ‘assigning bad motives to behaviour does not explain that behaviour’ (1980, p. 121). While not disputing Cressey’s argument, the present study shows that fraud offenders commit their crimes for many and various reasons and under a broad range of circumstances. Gambling and particular lifestyles requiring people to live beyond their means are important sources of financial pressure. On the basis of the survey findings it is argued that knowledge that someone has been experiencing serious financial pressure is useful in understanding how it is possible for someone in a position of financial trust to commit fraud. The challenge for researchers is to account for why some people choose to resolve their financial problem by perpetrating fraud while others do not. The presence of a motive by itself is not enough for fraud to occur; an individual needs to be crime-prone, there must exist an opportunity which the individual knows how to exploit and, finally, the individual needs to be able to rationalize committing the fraud.

The offender typologies identified are identical with some of the categories reported by Zietz (1981) in her study of incarcerated female embezzlers/fraud offenders. To illustrate, her ‘social entrepreneur’ type corresponds to the predator/professional offender-type described above. Zietz’s taxonomy does not include either the serial fraud offender due to a vice or the type who commits fraud to restore his/her social identity. It can be said, therefore, that the taxonomy reported both confirms some of the offender typologies identified by Zietz and adds to them.

The taxonomy of offenders yielded by the survey should be treated with caution since (a) there is some degree of overlap between some of the categories of offenders (e.g. where a married compulsive gambler has a financial problem which impacts on his family); (b) the offenders were not interviewed; and (c) because of the sample of cases surveyed. The typologies offered do, nevertheless,
support the view that major fraud offenders comprise a range of categories of offenders who perpetrate their crime(s) under a broad range of circumstances, for a diversity of motives and use a different modus operandi. Furthermore, the taxonomy of typologies constructed supports the simpler three-category classification of white-collar offenders reported by Weisburd et al. (2001) into chronic offenders, opportunity-takers and crisis-responders.

As far as policy implications are concerned, what the typologies identified make clear is that effective preventive measures against fraud are undoubtedly strong internal accounting controls and stringent staff employment-screening procedures to minimize opportunities for fraud to occur, and better vetting of job applicants by employers to screen out the predator, career fraud offender with a criminal record, often for deception offences (Sakurai and Smith, 2003). The finding that a significant proportion of serious fraud is committed by an organizational insider points to the need for vigilance concerning the employee who works long hours and never takes a holiday or is unusually inquisitive about the company’s payment or purchase procedures or resigns abruptly. Such behaviour may flag up an attempt to conceal fraudulent activities (Grabosky and Duffield, 2001, p. 3).

In agreement with Weisburd et al.’s conclusion, the 12 typologies indicate that the immediate context in which fraud occurs (i.e. crises in the lives of management and employees, the availability of opportunities, and a criminogenic corporate culture) is more important in understanding why fraud occurs than the knowledge that someone has a criminal record. The fact remains that two-thirds of the offenders in Krambia-Kapardis (2001) were conventional, law-abiding citizens until they were drawn across the line into crime when they decided to exploit an opportunity, acting out of greed or in order to deal with a crisis in their lives because of a serious financial problem.

Identification of fraud is in its infancy (Duffield and Grabosky, 2001, p. 5). To understand fraud victimization further, future research should study the rationalizations used by different typologies of fraud offenders and explore the different styles of interpersonal interaction learned by fraud offenders in childhood and adolescence and/or as part of their socialization into particular subcultures in the workplace or elsewhere. Future research should attempt to replicate the profile and the typologies reported with a more representative sample of serious fraud offenders, both sentenced by the courts and active ones.

References


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