The Ties that Bind: The Decision to Co-Offend in Fraud*

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1. Introduction

While estimates of the extent and cost of fraud[1] are fraught with underreporting and measurement issues, it is widely reported that fraud imposes a huge economic cost on organizations and society (ACFE 2012; KPMG 2012; PwC 2011; Ernst & Young 2003). Despite this widespread incidence and dramatic impact, until recently fraud and fraud risk have been relatively neglected by accounting researchers and the public (Power 2012). In recent times, dramatic stories about financial statement fraud, insider trading, embezzlement, and bribery have been trumpeted throughout the popular press, highlighted by the frenzied coverage of high-profile frauds such as Enron, WorldCom, and Satyam.[2] As public awareness of the phenomenon has increased, fraud has become an increasing focus of research across a range of different disciplines, including accounting.

As a research area, fraud has often tended to fall between different research traditions including criminology, ethics (drawing on both psychology and philosophy), and business (including organizational corruption in organizational behavior and auditing or forensic accounting within accounting). In the areas of auditing and forensic accounting, conventional fraud research has tended to focus on individual patterns of fraudulent activity. Much research in the area has investigated a variety of biological and psychological pathologies, personality traits and the adverse effects of environmental and social conditions argued to be associated with criminality (Morales et al. 2013; Croall 1992). Although the commentary surrounding the major framework in the field of auditing practice, the so-called fraud triangle, generally alludes to the concept of collusion in passing (largely to stress the limitations of auditing in detecting fraud that involves collusion[3]),

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1. We follow Edelhertz (1970) in defining fraud as "an illegal act or series of illegal acts committed by non-physical means and by concealment or guile to obtain money or property, to avoid the payment or loss of money or property, or to obtain business or personal advantage."
2. In recent years, the accounting profession has also acknowledged the need to develop a better understanding of fraud. In 2008, the U.S. Treasury's Advisory Committee on the Auditing Profession recommended the creation of a national fraud center for the purpose of improving fraud prevention and detection (ACAP 2008; Carcello et al. 2009). Additionally, many researchers have called for more concerted research on the conditions and processes that give rise to fraudulent financial reporting, arguing that the control and prevention of fraud depend on an understanding of the process by which these types of offenses are committed (Carcello et al. 2009; COSO 2010; Trompeter et al. 2013).
3. For example, International Auditing Standard ISA 240 states "Collusion may cause the auditor to believe that audit evidence is persuasive when it is, in fact, false" (paragraph 6). Similarly, Australian Auditing Standard ASA 240 states "auditing procedures may be ineffective for detecting an intentional misstatement that is concealed through collusion among client personnel within the entity and third parties or among management or employees of the client entity" (paragraph 12).

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the elaboration of the framework is primarily focused on solo offending and the psychology of the individual fraud perpetrator (Morales et al. 2013).

Far less attention has been paid to the role of co-offending in the commission of fraud. "Co-offending" here refers to the perpetration of a fraud by more than one person and includes criminal cooperation at different times and places, a process in which individuals willingly pool their resources in the pursuit of shared but illegal goals.[4] Although criminological research in a variety of criminal categories suggests that offenders choose to co-offend with some regularity (van Mastrigt and Farrington 2009; Andreson and Felson 2012; Conway and McCord 2002) and that the group nature of offending has prompted classic works in criminology (e.g., Cohen 1955; Cloward and Ohlin 1960), several scholars have noted that we lack a detailed explanation as to why individuals decide to co-offend in crime[5] (e.g., Hochstetler 2001; van Mastrigt and Farrington 2011). In light of recent major fraud scandals that have dramatically highlighted the role of co-offending,[6] this is particularly surprising.

In important respects, co-offending carries additional risks over solo offending. It may make people vulnerable to their co-offender's whims, hidden agendas, and misfortunes (McCarthy et al. 1998). In the case of fraud, co-offending carries the risk that one party will cheat an accomplice, divulge his or her identity to authorities, or increase the latter's likelihood of detection or arrest. In spite of these risks, in the many cases it is only by building a co-offending group that the opportunity can be accessed. In major accounting frauds (see, e.g., COSO 2010) or complex identity frauds, for example, it is unlikely the any one individual has the resources, access, and capacity to construct a sophisticated fraud without the assistance of others.

Moreover, related research in criminology has generated several interesting insights suggesting that the dynamics of group recruiting, interaction, and cohesion affect criminal form (Alarid et al. 2009; Klein and Maxson 2006).[7] This body of research powerfully suggests that an important key to understanding criminal behavior lies in the social nature of crime and that focusing on individual characteristics of offenders provides only a partial view of fraud by "emphasizing the rotten apple rather than the barrel" (Doig 1984, 383). Across a range of disciplines, there have been calls for researchers to look beyond "perpetrators' wardrobe and social characteristics" (Shapiro 1990, 363) to investigate the modus operandi of perpetrators of fraud as well as the wider organizational and social context in which they operate in practice (Morales et al. 2013). Taken together, this implies that the role of co-offenders in fraud is currently underspecified.

4. Our definition involves two important assumptions. First, offenders choose to co-act; though intimidation may have been used to recruit the offender, s/he participates voluntarily. Second, we do not include instances of corruption involving antagonistic interests, such as a bribe paid by one party to another for some form of favorable treatment.

5. The use of the phrase "decision to co-offend" is not intended to be restricted to conscious, proactive decisions to engage in fraud. It includes instances where participation in fraud was initially unwitting before a decision to continue to participate. What are excluded are instances where individuals are unaware that they are aiding or abetting a fraud. To date, research on the decision to co-offend in criminology has been dominated by group influence, social selection, instrumental perspectives, and social exchange theory (Weerman 2003). However, empirical investigations of these approaches are both rare and dominated by cross-sectional, aggregated research designs traversing disparate criminal categories.

6. All of the major organizational frauds of the past decade—Enron, WorldCom, Tyco, HealthSouth—have been committed through the collusion of multiple employees. Each of these frauds involved the chief executive officer (CEO), chief financial officer (CFO), and others. These co-offending frauds have arguably caused greater scrutiny and soul-searching in the accounting profession than any other issue in the past decade, and each of these instances resulted in multiple criminal convictions.

7. Across a range of areas of criminology, researchers have begun to examine the nature of relationships between joint perpetrators of cigarette smuggling (Antonopolous 2006), gang crimes (McGloin 2005; McGloin et al. 2008), drug trafficking (Natarajan 2000), and human trafficking (Zhang et al. 2007). However, significant gaps in our knowledge remain. Working toward filling these gaps holds promise for both theory and policy development.

This article investigates the reasons why individuals co-offend in fraud. Our focus thus is on why some offenders opt to co-offend rather than offend alone in committing fraud, though we note that for many offenders, the decision to commit fraud is made contemporaneously with the decision to co-offend, as choice "blends indiscriminately into the flow of practical activity" (Emirbayer and Miche 1998). Based on an inductive analysis of interviews with 37 convicted fraudsters where the fraud was perpetrated by a group of co-offenders, we argue that reasons for instigating and continuing co-offender frauds vary according to the nature of ties between co-offenders in the commission of fraud. Open-ended qualitative inquiry of this nature is well suited to the development of taxonomies and the construction of archetypes, which have been widely held to be critical to knowledge development (Greenwood and Hinings 1993).

We identify key differences along two dimensions: (1) the primary beneficiary of the fraud and (2) the qualitative nature of tie. The three emerging bond archetypes—(1) individual-serving functional bonds, (2) organization-serving functional bonds, and (3) affective bonds (due to the small number of affective bonds in our interview set, we do not draw a distinction between individual-serving and organization-serving affective bonds)—provide important insights into what motivates individuals to propose or accept an offer to participate in a fraud. They draw specific attention to the types of exchanges that occur between co-offenders, demonstrate differences in the way that opportunities are seized, and highlight some of the nontangible motives and rationalizations for fraudulent behavior. These archetypes also suggest that the fraud triangle, as it is currently conceived, should be broadened to incorporate a more fully articulated concept of co-offending.

This paper is structured as follows. The next section reviews the emerging research in accounting dealing with fraud. This is followed by section 3, an overview of the research method. Sections 4 and 5 present an analysis of the qualitative data and present three archetypes derived from the data. The implications of these archetypes on the fraud triangle and, more broadly, on auditing and forensic accounting are then discussed. The final section summarizes the major themes, offers potential avenues for further research, and concludes the paper.

2. Conceptions of fraud in accounting

In spite of the long-standing concern with fraud in the areas of auditing[8] and the design of control systems, it is only recently that researchers in accounting have begun to focus on fraud. Power (2012) traces the emergence of "fraud risk" (a category distinguishable from actual fraud) and demonstrates that fraud risk apparatus—including best-practice guidelines, research offerings, risk maps, textbooks, and regulatory statements—represent a relatively recent phenomenon[9] "emblematic of an ongoing neoliberal project of individualization and responsibilization." A growing body of research in accounting, including a recent special edition of *Accounting, Organizations and Society*, has begun to focus on fraud, including agent-based models of fraud dynamics (Davis and Pesch 2012),

8. As Power (2012) notes, as early as 1928, Dicksee's classic text, *Audit*, included the following:

> The detection of fraud is the most important portion of the Auditor's duties, and there will be no disputing the contention that the auditor who is able to detect fraud is—other things being equal—a better man than the Auditor who cannot. Auditors should therefore assiduously cultivate this branch of their functions (probably the opportunity will not for long be wanting), as it is undoubtedly a branch that their client will most generally appreciate. (Dicksee 1928, 8)

9. Power's (2012) bibliometric analysis illustrates a sharp spike in the coverage of "fraud risk" in the period 2006–2010. Power (2012, 13) argues that this shift was driven by three historical factors: the rise of risk-based auditing and increasing transfer of responsibility for fraud detection to management; the rise of internal control systems and the practice of risk management; and the rapid growth in the focus of financial regulators on fraud and financial crime.

individual Machiavellianism (Murphy 2012), regulation (Williams 2012), enforcement regimes (Braithwaite 2012), and the illusory construction of "trustworthy" investment opportunities (Stolowy et al. 2014). At the same time, a small band of studies have explored acts of fraud argued to be the result of societal and organizational pressures (Gabbioneta et al. 2012; Free et al. 2007; Free and Macintosh 2008; Stuebs and Wilkison 2010; Stolowy et al. 2014; Murphy and Free 2013), consistent with a critical stream of criminology research that has pointed to the criminogenic (tending to produce crime or criminality) or even criminally coercive nature of certain organizations and economic environments (e.g., Coleman 1987; Clinard 1983; Needleman and Needleman 1979; Clinard and Yeager 1980). However, in spite of this work, as Power (2012, 18) concludes "the grammar of fraud risk management is essentially individualistic," and to date the phenomenon of co-offending has attracted little researcher attention in accounting.

In spite of broad references to organizational factors such as "tone at the top" and internal controls, applications of the major framework in the field of practice, the so-called fraud triangle, have also tended to focus on triggers that can be found in individual morality. The "fraud triangle" has become entrenched in the professional standards of professional associations throughout the globe (IAASB 2009; PCAOB 2005) including the United States (SAS No. 99), Australia (ASA 240), and international audit standards (ISA 240). The fraud triangle comprises three conditions that are argued to be present whenever a fraud occurs: (1) an incentive or pressure that provides a motive to commit fraud (e.g., personal financial problems); (2) an opportunity for fraud to be perpetrated (e.g., weaknesses in or ability to override internal controls); and (3) an attitude that enables the individual to commit fraud or the ability to rationalize the fraud. As well as being embedded in auditing standards, the fraud triangle has been widely discussed in academic textbooks (e.g., Albrecht and Albrecht 2004), professional instruction handbooks (e.g., Wells 2011), practitioner-oriented articles (e.g., Murdock 2008), teaching reviews and cases (e.g., Dorminey et al. 2012; Clayton and Ellison 2011; Michelman et al. 2011), and, increasingly, academic research (e.g., Cohen et al. 2010; Murphy 2012; Murphy and Dacin 2011; Wilks and Zimbelman 2004).[10]

Morales et al. (2013) unpack the ontological, sociological, and moral assumptions of the fraud triangle and persuasively argue that it adopts an unduly individualizing conception of fraud that elevates the notion of omniscient fraud risk and the imperative of systematic controls to prevent and detect the dangerous pathologies, personality traits, and tendencies of some individuals. In this way, they argue that the fraud triangle represents a translation intentionally designed to legitimize the professional intervention of various professional communities including the Association of Certified Fraud Examiners (ACFE).[11] In his writing, Joseph Wells, the founder of the ACFE,[12] has consistently considered fraud to be a dishonest act perpetrated for personal enrichment as well as a generalized problem that necessitates the surveillance and examination of individuals as well as

10. In spite of this widespread diffusion, the fraud triangle has also been the subject of considerable debate and criticism (see Morales et al. 2013). Some scholars have sought to augment it with other theoretical models in criminology (e.g., Ramamoorti [2008] who links the fraud triangle to routine activity theory) or elsewhere (e.g., Dorminey et al. [2010] who summarize work seeking to augment the fraud triangle with a number of acronyms and alternative frameworks). Others have gone further to even add additional dimensions to the triangle, converting it geometrically to a fraud diamond (e.g., Wolfe and Hermanson [2004] who propose a fourth dimension of capability), fraud square (Cieslewicz 2010), fraud cube (Doost 1990), or fraud pentagon (Marks [2009] who adds the dimensions of arrogance and competence).

11. The ACFE is the world's largest anti-fraud organization and provider of anti-fraud training and education with over 60,000 members throughout the world. The stated mission of the Association of Certified Fraud Examiners is to reduce the incidence of fraud and white-collar crime and to assist the Membership in fraud detection and deterrence (see www.acfe.com).

12. In spite of the fact that it is often attributed to Donald Cressey, the term "fraud triangle" was first coined by Joseph Wells, a certified public accountant (CPA) who founded the ACFE (Morales et al. 2013).

effective internal controls in organizations (see Wells 2011). This framing has provided significant leeway for applied use by a growing band of forensic accounting and fraud examination professionals. As Donegan and Ganon (2008, 3) state:

> [T]he [fraud] triangle had the … advantage of explaining fraud as the action of a loner driven by need, taking advantage of a lack of internal control. Thus the deterrent to fraud was more internal control, and the search for the culprit could focus on individual offenders, not on the culture that may have encouraged and rewarded their actions.

This individualizing ontology and focus on solo offending in applications of the fraud triangle has meant that forensic accounting and fraud examination have fallen behind other research areas with respect to theoretical work on criminal groups, collusion, and co-offending. Furthermore, although a number of scholars in criminology have focused on co-offending (Weerman 2003; Klein 1995; Klein and Maxson 2006), these studies have tended to focus primarily on the area of juvenile delinquency; the extent to which findings from these studies generalize to fraudulent activity remains unclear.[13] Together, these shortcomings in current practitioner guidance and research underline the lack of a clear understanding between co-offenders and fraud.

To summarize, both research and major practitioner frameworks in accounting have tended to focus on triggers for fraud drawn from individual morality and solo offending. While the importance of organizational factors (such as tone at the top and organizational climate) has been noted, the phenomenon of co-offending in fraud has tended to be neglected. We argue that this gap hampers the development and assessment of both theory and policy, as well as limiting basic knowledge about fraudulent behavior and processes. This study aims to address this gap in knowledge by examining why individuals co-offend in perpetrating frauds. Drawing on a set of interviews with perpetrators primarily in three large U.S. federal prisons, we argue that the nature of ties between co-offenders offer important insights into this issue.

3. Method

In spite of calls to engage directly with incarcerated white-collar offenders (e.g., Edelhertz and Overcast 1982; O'Connor 2000), there has been little published research reporting the results of interviews with convicted prisoners in fraud (cf. Cressey 1953; Benson 1985). Given the emerging nature of the field and constructs of interest in this study, it was precisely this population that formed the interview set for our qualitative study. The data for this study is drawn from semi-structured interviews with 37 participants in the United States, 31 of whom were serving a sentence for fraud, and 6 of whom had completed their prison sentences.

The majority of our respondents were drawn from three large federal prisons in the United States. After receiving clearance of our research protocol from our university's general research ethics board, we applied to the United States Bureau of Prisons. Once approved, we worked with a contact at the Bureau to identify three prison locations that housed a significant number of inmates serving sentences for committing fraud within an organization. Announcements were posted at each location prior to our arrival and inmates could volunteer to participate. In two instances, staff made announcements to solicit further participants. We acknowledge a selection bias due to the fact that each inmate had to volunteer to be interviewed.

13. There are many differences between the categories of juvenile delinquency and fraud in terms of offenders, conviction rates, opportunity structures, consequences, rationalizations, and motivations. Accordingly, the transferability of this research is questionable. The age–sex nexus of fraudsters is substantially different from that of typical juvenile delinquent offenders.

All study participants were required to read and sign an informed consent document before responding to the interview protocol. Each interview featured a standardized introduction assuring confidentiality,[14] suggesting the approximate length of the interview, and requesting permission to take notes. Emphasis was given to the participant's right to confidentiality as well as his/her prerogative to withdraw from the study at any time. The interviews were semi-structured, a flexible tool permitting the researchers to pursue unexpected paths and cues suggested by the theoretical sensitivity (Glaser and Strauss 1967). Key themes of our semi-structured protocol included the nature of the fraud, motive, rationalization, sentencing details, prior convictions, and mode of detection. Although no reference was made to co-offending in recruiting our participants, co-offending quickly emerged as a key focus in the coding process.

Prison participants were interviewed during prison work or activity hours on a weekday. After being escorted into each facility, we conducted interviews in private visitor rooms. The time frame of the interviews was approximately 60–90 minutes. Given that voice recorders were not permitted in the prison, interview responses were recorded using written notes. To ensure that note taking was largely verbatim, the interviewers asked participants to speak slowly and sought repetition of key material. In all interviews, two interviewers were on hand with one interviewer exclusively devoted to note taking. Further, in two of the three prisons, we were given detailed case notes about each of the participants (e.g., the dollar size of the fraud, case facts, and sentences).

Interview set

In total, we spoke to 63 inmates. Twenty-six participants convicted as solo offenders were eliminated from the interview set. This means that the remaining 37 respondents (58.7 percent of our sample) involved fraudulent co-offending rather than solo offending. Of this group, six participants who provided details that were materially inconsistent with official files and/or who denied any guilt or culpability in their crimes were eliminated. This left an interview set comprising 31 inmate participants. Additionally, we contacted six individuals whom we learned had already served a sentence for fraud and conducted interviews using recording devices (one of those interviews was conducted contemporaneously with two participants—Participants 2 and 3 in Table 1). In summary, our final interview set comprises 37 co-offending fraud perpetrators, 31 of whom were interviewed in prison.

Figure 1 summarizes the major categories of fraud in our interview set, with wire fraud, bank fraud, money laundering, financial statement fraud, asset misappropriation, check fraud, tax fraud, and insider trading the most common categories.[15] Most participants were convicted of multiple legal charges; however, they generally could be classified into one broad category of fraud identified by the ACFE (fraudulent statements; asset misappropriation; and corruption). The vast majority of respondents were white, middle-aged males. The average age of the participants at the time of the offense was 41 (with a range of 24–55). This is consistent with prior research in white-collar crime, suggesting that perpetrators are overwhelmingly of mature age relative to other criminal categories

14. Throughout the project, we took seriously our undertaking to protect our subjects' confidentiality and anonymity. All references to names of participants were replaced by codes in field notes and transcripts. Also, we ensured that our research materials were not used for any purposes other than research. Our commitment to this undertaking has also led to decisions about how to quote interviewees. Direct quotes will only cite the participant number. Summative data in Table 1 has been intentionally described in broad terms and numerical bands employed in relation to co-offending group size and duration of connection to preserve anonymity.

15. Charges and age were self-reported and verified by official sources such as case summaries and press reports in the majority of cases (24 of 37 participants).

TABLE 1
Final participant sample

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
1	The respondent was a senior finance professional of a large organization convicted of falsely inflated earnings.	FS	Organization	Functional	White male	50–60	Within organization	12	Whistle-blower	No	>3 years	>8
2	The respondents engaged in a fraudulent invoicing scheme.	AM	Individual	Affective	White female	40–50	Across organization	30	Internal control system	No	>3 years	2–4
3	The respondent was convicted of falsely producing invoices in their role as a manager in a human resources organization.	AM	Individual	Affective	White male	40–50	Across organization	24	Internal control system	No	>3 years	2–4
4	The respondent held a variety of executive positions in a large medical organization and was convicted of financial statement fraud.	FS	Organization	Functional	White male	40–50	Within organization	60	Whistle-blower	No	>3 years	>8
5	The respondent was convicted of billing a federal waste removal program for work that was never carried out.	AM	Individual	Functional	White male	40–50	Informal organization	60	Whistle-blower	Yes	>3 years	5–8
6	The respondent was involved in producing and issuing false checks.	AM	Individual	Functional	Black male	30–40	Within organization	36	Police	No	<12 months	>8

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
7	The respondent was convicted of tax fraud after becoming involved in the preparation of multiple false tax returns.	FS	Individual	Affective	Black male	40–50	Across organization	36	IRS Audit	Yes	>3 years	5–8
8	The respondent was a senior executive within an investment bank convicted of insider trading.	COR	Individual	Functional	White male	50–60	Across organization	24	Whistle-blower	No	1–3 years	2–4
9	The respondent was charged with bank robbery and wire fraud while working as a security officer at a bank.	AM	Individual	Functional	White male	30–40	Within organization	180	Police	No	1–3 years	5–8
10	The respondent was convicted for selling illegal merchandise in New York.	OTH	Individual	Functional	Black male	30–40	Informal organization	36	Police	No	<12 months	5–8
11	The respondent was convicted for extortion, wire fraud, and impersonating a police officer.	OTH	Individual	Functional	Latin male	30–40	Informal organization	60	Whistle-blower	No	>3 years	5–8
12	The respondent was convicted for his involvement in an illegal network producing fake credit cards.	OTH	Individual	Functional	White male	40–50	Informal organization	48	Internal control system	Yes	>3 years	>8

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
13	The respondent was the proprietor of a finance company and was convicted of falsifying information in mortgage applications.	FS	Individual	Functional	White male	20–30	Within organization	72	Internal control system	No	<12 months	2–4
14	The respondent was convicted of operating a fraudulent check scheme within an informal group.	OTH	Individual	Affective	White male	30–40	Informal organization	120	Whistle-blower	Yes	>3 years	2–4
15	The respondent was a client manager for a large investment firm and was found guilty of insider trading.	COR	Organization	Affective	White male	40–50	Across organization	78	Whistle-blower	No	>3 years	2–4
16	The respondent was convicted of procuring large loans via identity theft after originally working in a large bank.	AM	Individual	Functional	White male	40–50	Across organization	57	Internal control system	Yes	>3 years	5–8
17	The respondent was convicted of using false credit cards.	OTH	Individual	Functional	White male	40–50	Informal organization	18	Police	No	<12 months	2–4
18	The respondent was convicted of providing false real estate appraisals to secure home loans.	FS	Organization	Functional	White male	40–50	Within organization	24	SEC investigation	No	1–3 years	2–4

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
19	The respondent was a licensed stockbroker convicted for improperly disclosing fee-related information in stock market transactions.	FS	Organization	Functional	White male	30–40	Within organization	60	Whistle-blower	No	>3 years	2–4
20	The respondent was involved in a tax fraud scheme that involved falsified tax returns.	OTH	Individual	Affective	White male	40–50	Informal organization	120	IRS Audit	No	<12 months	>8
21	The respondent was convicted for credit card and bank check fraud.	OTH	Individual	Functional	White male	30–40	Informal organization	Unknown	Police	Yes	<12 months	5–8
22	The respondent was an executive at a major investment bank and was convicted for a variety of counts of financial statement fraud.	FS	Organization	Functional	White male	40–50	Within organization	60	SEC investigation	No	>3 years	>8
23	The respondent was the CEO of a rapidly growing waste removal company and was convicted of using falsified reports to a government regulator.	FS	Organization	Functional	White male	30–40	Within organization	168	Whistle-blower	No	>3 years	>8
24	The respondent was the CEO of the financial services operations convicted of financial statement fraud.	FS	Organization	Functional	White male	40–50	Within organization	72	Whistle-blower	No	>3 years	5–8

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
25	The respondent was the CEO of a large drugstore chain and was convicted of financial statement fraud.	FS	Organization	Functional	White male	40–50	Within organization	36	SEC investigation	No	>3 years	>8
26	The respondent was convicted of insider trading, fraud and obstruction of justice for manipulating financial records to increase corporate reported earnings.	FS	Organization	Functional	White male	40–50	Within organization	30	SEC investigation	No	>3 years	>8
27	The respondent was a career criminal convicted of a range of frauds including falsifying money orders, check kiting, counterfeit cashier's checks and fake credit cards.	OTH	Individual	Functional	White male	30–40	Informal organization	120	Whistle-blower	Yes	>3 years	5–8
28	The respondent was convicted following a series of falsified invoices and threats associated with collection.	COR	Individual	Functional	White male	30–40	Within organization	60	Police	Yes	>3 years	2–4
29	The respondent was convicted of conspiracy to launder money following a fraudulent real estate transaction.	OTH	Individual	Functional	Black male	40–50	Informal organization	180	Whistle-blower	No	1–3 years	2–4

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
30	The respondent was convicted of wire fraud and money laundering in addition to a range of drug and gun trafficking offences.	OTH	Individual	Functional	Black male	40–50	Informal organization	48	Police	No	>3 years	5–8
31	The respondent was convicted of a range of organizational frauds involving inventory misappropriation and cash skimming.	AM	Individual	Functional	White male	40–50	Within organization	24	Auditor	No	>3 years	2–4
32	The respondent was the CFO of a pharmaceutical company convicted of falsifying payments.	AM	Individual	Functional	White male	40–50	Within organization	18	Auditor	No	>3 years	2–4
33	The respondent was convicted of various forms of asset misappropriation from his employer, a large manufacturing organization.	AM	Individual	Functional	White male	30–40	Within organization	36	Whistle-blower	No	1–3 years	>8
34	The respondent was convicted of two counts of obtaining money by false or misleading statements and financial statement fraud.	FS	Individual	Functional	White male	30–40	Within organization	54	Whistle-blower	No	>3 years	>8

(The table is continued on the next page.)

TABLE 1 (continued)

Participant number*	Brief description	Fraudulent class (ACFE)**	Primary beneficiary	Nature of tie	Profile	Age at time of sentencing	Co-offending group***	Head sentence (months)	Detection	Past history of crime	Length of relationship with co-offenders	Size of co-offending group
35	The respondent was an accountant convicted of defrauding a privately-run loan fund.	AM	Individual	Affective	White male	60–70	Within organization	84	Whistle-blower	No	>3 years	2–4
36	The respondent was convicted of wire fraud and conspiracy to commit money laundering.	COR	Individual	Functional	White male	20–30	Within organization	126	Whistle-blower	No	1–3 years	2–4
37	The respondent was convicted of mortgage fraud and wire fraud.	FS	Individual	Functional	White male	40–50	Across organization	30	Police	No	>3 years	>8

Notes:

*Participants numbered chronologically with respect to interview date.

**Fraudulent Class: FS = Fraudulent statements; AM = Asset misappropriation; COR = Corruption; OTH = Other (not committed in the course of employment within a formal organization).

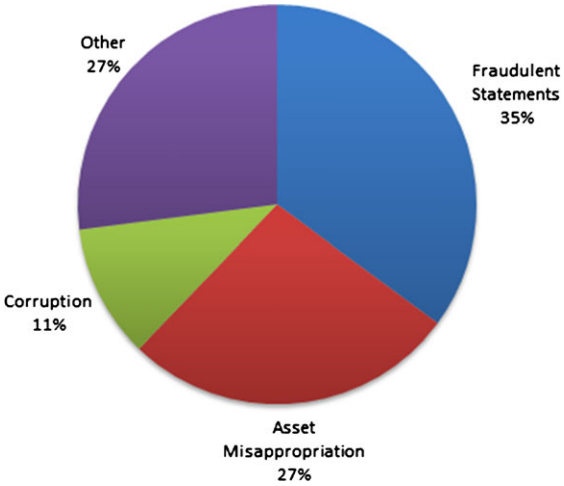
***Co-offending group (adapted from Edelhertz (1970):

Within organization = Fraud committed in the course of their occupations by a group operating inside a business or government (n = 19).

Informal organization = Fraud committed by an informal group with fraud as its business or central activity (n = 11).

Across organization = Fraud committed by a combination of persons inside, and external to, an organization (n = 7).

Figure 1 Participants by fraud category



Notes:

Each fraud was coded into one of the following categories by one of the authors, based on interview details, using the *Uniform Occupational Fraud Classification System* (ACFE 2008).

Fraudulent Statements **(12 cases) include:**
•Fraudulent financial reporting (false financial statements)
•False tax returns
•False mortgage applications or appraisals
•False disclosures

Asset Misappropriation **(8 cases) includes:**
•Fraudulent invoicing schemes
•Falsified checks
•Theft of inventory and other assets

Corruption **(6 cases) includes:**
•Failure to provide workers' compensation
•Insider trading
•False billings to outside organizations

Other **(11 cases)** involve crimes committed outside the course of employment within a formal organization, including:
•Credit card or check fraud
•Impersonating a police officer
•Wire fraud

(in Krambia-Kapardis [2001], 65 percent were aged 31–45 while the mean age in Wheeler et al. [1988] and Smith [2001] was 40 and 42, respectively).

The majority of the respondents were not high-status corporate or political elites as intimated by some popular images of white-collar crime (see Levi 2006). Some frauds were committed by economically marginalized offenders though, for the most part, they might generally be thought to belong to the middle class with limited histories in crime. Unlike studies dealing with street crimes (e.g., Wood and Alleyne 2010), the number of cases featuring problem drinking, gambling addictions, and substance abuse issues is relatively small (7 of the 37 cases).

4. Analysis

The qualitative analysis had an iterative, inductive character. The process began with open coding, a process of "fracturing" the data into concepts that can be labeled. The coding framework developed to include categories pertaining to initiation, group structure, family, emotion, motivation, rationalization, trust, and detection. Using the NVivo software package to maintain clarity, flexibility, and expediency during the coding process, we followed an inductive strategy of identifying the variables that appeared to be the most critical to the decision to co-offend. As patterns and relationships were discovered, hypothetical categories were formed. Discrepant cases were actively explored in order to help "tease out less visible properties of our concepts and the conditions and limits of their applicability" (Charmaz 2000, 519). Attention throughout was paid to looking for "rival or competing themes or explanations" to consider the weight of evidence and "best fit between data and analysis" (Patton 1990, 462). During this process, we noted distinctions and contrasts between groups of offenders, which formed the basis of our archetypes. Finally, we compared the emerging categories to the literature in the field to refine and buttress the major precepts of the study as advocated by Eisenhardt (1989), Knafl and Breitmayer (1989), Urquhart et al. (2010), and others.[16] Through this procedure, emerging theories were grounded in data and then linked to other theories and research (Gilgun 1992).

This process drew attention to the nature of attachment between members of groups engaged in fraud. What emerged from the coding and iterative analysis were three archetypes of bonds or ties between fraud perpetrators where the fraud is conducted in the context of a co-offending group. The concept of an archetype implies a form of classification, and widely acceptable taxonomies are a fundamental element of knowledge development (Greenwood and Hinings 1993).

Summary details relating to the interview set are presented in Table 1. The final 37 participants in the study were convicted of a variety of different fraud-related crimes.

Where possible, our inquiry focused on the predominant relationship between the respondent and the co-offending group. In every instance where the co-offending group numbered greater than two, the participant readily nominated a single most important nexus to the co-offending group. In most cases, this was the person who introduced the participant to the co-offending opportunity or a major co-conspirator. These interviews thus provide a unique opportunity to investigate the nature of ties between members of fraudulent groups. To this end, two important distinctions are drawn: (1) the primary beneficiary of the fraud and (2) the qualitative nature of the bond. We acknowledge that both of these distinctions are more akin to anchors on a continuum rather than mutually exclusive categories. However, in spite of this overlap, we believe that these categories are sufficiently distinct to provide important insights into the nature of organizational fraud and provide the basis for the formulation of three different co-offending archetypes. These distinctions are briefly discussed below.

The primary beneficiary of the fraud

An important distinction arising from the interview data relating to motivation concerned the primary beneficiary of the illegal act. In keeping with prior work (Knechel et al. 2007; Pinto et al. 2008), analysis of the transcripts revealed two different beneficiaries: the individual and the organization. Of course, these categories are not mutually exclusive.[17] We

16. Eisenhardt (1989, 545) argues that "overall, tying the emergent theory to existing literature enhances the internal validity, generalizability, and theoretical level of the theory building from case study research . . . because the findings often rest on a very limited number of cases. Knafl and Breitmayer (1989) refer to this process as a kind of theoretical triangulation" while Urquhart et al. (2010) prefer the term "theoretical integration."

17. It is, as one reviewer indicated, conceivable that the benefit from a co-offender fraud could accrue to a co-offending group (distinct from the co-offender or their organizational employer). However, we found no such example in our data.

define the beneficiary of the fraud as the actor deriving direct and *primary* benefit from the action (Pinto et al. 2008). By adopting a primary or predominant beneficiary definition, we acknowledge that even where the organization is considered to be the primary and direct financial beneficiary of fraud, individuals may still benefit indirectly through increased bonuses, stock options, job security, or reputation. That is, individualistic concerns may play a role in the development of a network of co-offenders whose main interest is to protect their organization. Fraud for the benefit of the organization covers a wide variety of behaviors with the common thread that, while the fraudulent act is carried out by organizational members, the actions directly benefit the organization and its owners/shareholders (see also Baucus 1994). Instances where benefits flowed to both individuals and the organization made some classifications difficult; however, like Pinto et al. (2008), we contend that, although individuals may be driven by both individual and organizational benefits simultaneously, one motive is likely to be more salient than the others in determining their behavior, and we were able to reach a consensus in each case. The Appendix contains a summary of respondent quotations that is suggestive of this distinction.

The qualitative nature of the bond

The second distinction is the qualitative nature of the bond. In some instances, groups provided the functional structure for collective fraudulent action. That is, the individuals bound together by the group were tied together by a common motive to effect fraud, and the co-offending group served as a vehicle to engage in the illegal act. These bonds are linked fundamentally to instrumental exchange and defined by negotiated transactions. We characterize these ties as functional in the sense that the group provided the structure for the fraud.

In contrast, the relationship between other co-offenders had an emotive quality. These bonds entail familiarity, friendship, and personal confidence built through interpersonal exchange and, as such, are predominantly affective in nature. Affective bonds stem from close, personal ties. The maintenance of the affective bonds implies a great degree of self-disclosure and concern for the other person(s). In some cases, we had difficulty in distinguishing between qualitative bonds for some participants, and it is conceivable that functional ties might transmogrify into a more affective character over time (and vice-versa). The Appendix provides a summary of quotations from respondents reflecting the distinction between functional and affective bonds.

5. Emerging archetypes

What emerges from the above distinctions (primary beneficiary and nature of the bond) are three archetypes: (1) individual-serving functional bonds, (2) organization-serving functional bonds, and (3) affective bonds. Each archetypal form of co-offending has a distinct logic and a coherent "cluster" of justifications that, to their members, make sense of their situation and their forms of practice. As illustrated in Table 2, our interview set comprises frauds characterized by 21 individual-serving functional bonds, 9 organization-serving functional bonds, and 7 affective bonds. Given the exploratory nature of the paper and the relative paucity of affective bonds in the respondent group, we do not draw a distinction between individual-serving affective bonds and organization-serving affective bonds but rather treat them as one category. Further research could profitably consider distinctions in the nature of affective ties in fraud in greater detail.

We explore key features of each bond through the use of an exemplar case example illuminating the major patterns in the data associated with each bond. In presenting the archetypes, we focus on the following themes: the logic for entering the co-offending relationship, group composition, dominant modes of rationalization, and the nature of trust between co-offenders. Each of these elements has been confirmed as an important element

TABLE 2
Archetypes of bonds within fraudulent groups

	Individual-serving functional bonds	Organization-serving functional bonds	Affective bonds
Number of observations	21	9	7
Co-offending logic	*Individualistic*: Based on instrumental reasoning that co-offending will provide or enhance an opportunity to deliver individual benefits	*Collectivistic*: Based on strong organizational attachment and collective reasoning that co-offending offers organizational benefits	*Relational*: Based on positive affective regard for another
Co-offender pool	Varied	Co-workers	Friends, family, community relations
Mean (standard deviation) length of relationship with co-offender	3.95 years (2.18)	3.67 years (1.03)	17.86 years (10.49)
Mean (standard deviation) number of co-offenders	5.67 (2.50)	11.11 (5.99)	3.29 (2.1)
Dominant rationalizations	Denial of the victim (e.g., "They rob, steal and cheat us"); diffusion of responsibility (e.g., "no one was really interested in stopping it")	Moral justification of helping the company (e.g., "We were doing what we had to do to be successful"); Diffusion of responsibility (e.g., "It was widespread in the industry," "This was bigger than just me")	Moral justification by appealing to higher in-group loyalties (e.g., "Ultimately my loyalty was to my family first and foremost")
Nature of trust	Encapsulated interest	Cooperation and reliance	Affect-based trust

of the decision to co-offend in other realms (see, for example, von Lampe and Johansen 2004; Warr 1996;[18] McGloin et al. 2008; Carrington 2009; Piquero et al. 2007).

Individual-serving functional bonds

> The opportunity was brought to me by a group of five people I had known for many years and they needed a link. (Participant 5)

This was the largest proportion of participants, with 21 of 37 participants falling into this category, including Participant 5. Participant 5 was convicted for numerous counts of bank, mail, and wire fraud, as well as conspiracy to defraud after falsely invoicing a major federal agency operating a debris removal program in the aftermath of a devastating natural disaster. The participant owned a small business in the demolition industry, which provided both the physical means and the commercial structure for the fraud.

18. As Warr (1996) states, "criminal behavior raises questions of loyalty to levels that are rarely glimpsed in other domains of life … That is probably why trustworthiness or loyalty seems to be the most important trait that adult offenders look for in one another …" (49).

> It wasn't my idea, but ... you know ... when it was explained to me it was too good [to pass up]. I had the trucks, the experience and they knew a lot about [name withheld] and the project. It required us to change some load tickets, some field documents and then ... make some not truthful billings for the [name withheld]. I knew that doing it ... trusting them involved risk yes ... but ... how else could I score? (Participant 5)

The above quote highlights the fact that some opportunities for crime depend on the intersections between activities of various co-offenders and have as much to do with relations between offenders as those between offenders and victim organizations. The reference to the exchange of resources (trucks and company structure in return for access and information) exemplifies the instrumental reasoning underpinning the decision to co-offend here. In this archetype, specific forms of criminal resources (including private information, skills such as credit card technology production, or access to bank information and money) represented the major driver of the decision to collaborate. The final part of the quote is an explicit acknowledgement of the notion that co-offending introduces additional risks, but these may be offset by the promise of a larger "score." This functional, exchange-oriented nature of individual-serving functional bonds implies instrumental decisions about group formation and continuation for this archetype.

In most cases within this archetype, the fraud was suggested by one person with others following. For Participant 5, this resulted in a "roughly equal" participation in the proceeds of the fraud. However, it is clear that cooperation was not necessarily equitable. There were two instances where highly vulnerable participants—an uneducated new immigrant and a young man with a mild intellectual disability—were duped into providing the high risk, front line for a risky credit card fraud and intellectual property piracy scheme. Within the archetype, there was evidence of both instigator (5 participants) and follower roles (12 participants in this class claimed to be in a dire financial and personal situation that led them to acquiesce in a fraudulent scheme brought to them). Others acted with collaborative flexibility, actively seeking to either identify or respond to opportunities within a preidentified group of co-offenders. In this way, Participant 5 effectively responded to an invitation from a previous accomplice. As another participant noted:

> Some people will, by nature, take advantage of situations. I would say that I am always open to the chance [of committing fraud]. It's the way I am. I wasn't consumed by it, but I was just aware of little things. I notice little things. Someone's password ... glitches in the system. It's just the way I am. ... And I fell into a group of others who were like me and we were always on the lookout. (Participant 9)

This suggests that it would be a mistake to view the decision to co-offend as necessarily a purely rational one commencing with the identification of an opportunity and a motive. Rather, preexisting relationships actually enabled the opportunity sometimes; at others these bonds amplified and reinforced motivations and rationalizations. Thus, the decision to co-offend in most cases was not a linear, deliberative calculation about the optimal way to seize the opportunity based on long-standing histories, reputations, and competencies; but rather it was a messy and at times impulsive and serendipitous outcome of the complex interactions between individuals.

A key rationalization used by participants in this archetype was a denial of the victim; they perceived widespread corruption, indolence, and/or incompetence within a given space or industry. Participant 5 remained adamant that the federal agency involved "just basically didn't oversee or monitor anything," reflective of a condemnatory outlook on government and regulation more generally.

> I guess I was involved in a group of people that thought that they [the government] just keep printing dollars ... they rob, steal and cheat us. (Participant 5)

Some participants felt that societal and cultural factors effectively sanctioned fraud (in the words of Participant 6, "everyone sticks their hand in the cookie jar; you just can't take too much"). These normalizing images of corruption were often central to rationalizations employed by individuals tied together by individual-serving functional bonds, and some respondents referred specifically to how group members had promoted such views.

> If they aren't concerned about loose property values and documentation and they [banks] are handing over the money within a few hours, why would they expect us to be concerned about it? ... [An accomplice] showed me how it worked and how no one was really interested in stopping it. (Participant 13)

This quote illustrates intra-group influence on the rationalization of action by co-offenders. Some recruiters claimed to actively promote these rationalizations to support the fraud among their accomplices.

It is almost axiomatic to note that trust plays a critical role in co-offending groups. For the overwhelming majority of individuals bound by individual-serving functional bonds, the trust discussed in interviews was in accordance with Hardin's (2002) articulated "encapsulated interest" account of trust. That is, X trusts Y with regard to matter Z, because X believes that it is in Y's interest to behave in a trustworthy fashion with regard to matter Z. As Participant 5 put it, "what held us together was ... the realization that if anyone squealed, we were all going to go down together." Hence, a form of mutual dependence and negative reciprocity was the key characteristic of trust relations, whereby trust was carefully extended on the basis that other individuals in the group would adhere to a certain code of conduct because breach would have negative outcomes for everyone in the group.

> I wasn't that worried about them ratting us out. They were dirtier than us. It doesn't make much sense to pull the pin on a hand grenade if you're standing next to the guy you want to kill. (Participant 17)

To summarize, individual-serving functional bonds represent structural ties between individuals in a fraudulent group that are formed largely for the purpose of individual enrichment. Co-offending in this category was largely premised on the view that co-offending offers a more convenient, effective, efficient, or less risky mechanism for accessing fraud opportunities. Common rationalizations included diffusing responsibility by arguing that others are doing similar things or denying the victim by willfully denigrating actual harm to the victim (see Murphy and Dacin 2011). As Participant 5 commented, "doing crime is just like anything else in life ... you have to know when you need the help of others."

Organization-serving functional bonds

> [A colleague] started to refer to the group involved in the fraud as "the family." The question is what made the family hang together? ... These were all people who liked the people they worked for ... to be a team player they went along. A lot of the people down the chain didn't know how big the fraud was ... Why did I do it? I was very proud of the company. We had gone from nothing to billions of dollars in a matter of a few years. Our reputation was superb. Unlike Enron, our business wasn't phony. I wanted to keep the dream going, to keep the stockholders happy. (Participant 1)

Several years after the incident described above, Participant 1 was visibly distressed when discussing the way he had been drawn into one of the largest frauds in U.S. corporate history. Prior to his involvement, he had never broken the law and had enjoyed a career marked by continuous advancement and respect. Participant 1 highlights a second archetype of participants who reported that they were not motivated by direct personal benefit as much as a collectivistic desire to promote their organization and appease other organizational stakeholders.

When elaborating on his decision to co-offend in the manipulation of financial records to improve published financial performance, Participant 1 drew attention to the role of his CEO in influencing his decision-making and supplying ready rationalizations (i.e., helping the company) in ways that underscored the primacy of superior financial performance.

> We all believed in the company. We were part of an overall scheme of making the company successful. [The CEO] was a master motivator. ... We were the darlings of the community. We were very good corporate citizens. ... Big named athletes were coming in all the time. There was an "us versus the world" mentality. We had a chip on our shoulder. This is a [geographical location] thing; people tend to think of us as less progressive, as less sophisticated, and we wanted to prove that we could be the biggest company in the field. ... [The CEO] knew that and he was incredibly persuasive ... [and] was able to manipulate me, to bring me ... and the rest of us along. I'm not a trained psychiatrist, but [the CEO] is, I think it is fair to say, a sociopath. (Participant 1)

The quote suggests that the decision to co-offend was predicated on a type of collective rationality that drew upon Participant 1's preexisting commitment to the organization. It also reflects the way that Participant 1 repeatedly nominated the CEO as the major architect in orchestrating the scheme and motivating and persuading others to engage in fraud in order to boost reported earnings. All participants within this archetype noted the presence of an organizational leader who proactively recruited co-offenders as needed, yielding a hierarchical structure to the group.[19] Recruitment here was orchestrated in a manner that emphasized the critical importance of organizational performance and prioritized staying below the radar screens of potentially countervailing interest groups. Three participants claimed that they initially became embroiled in the fraud unwittingly in what they perceived to be the carrying out of regular duties (essentially, ciphers originally following orders before becoming active conspirators), while others acknowledged their own proactive efforts to imbue commitment in others. As one participant put it:

> Yes, it is fair to say that I groomed our workers not to divulge. There were never outright rewards, I would also just sit down with them and explain why the requirement was unnecessary and how it could be worked around. I always made clear that worker safety was never going to be compromised ... (Participant 23)

19. Despite claims about high levels of manipulation, it is revealing that few if any of the participants went as far as to deny any responsibility for their own actions. A typical response was that of Participant 1 below:

> Did I know what I was doing was wrong? Of course I did. And I could have stopped it, but I just wasn't strong enough to stand up and do what I knew was right ... I was a pro at the fake world and a dunce in the real one ... For years afterwards, I was just waiting for a knock at the door. I actually found out from the news. A news story and a public appeal. So I called an attorney and then came forward. It was a dark day, but I had been carrying this for so long that I was relieved as much as anything ... I've had the humiliation of being a felon, embarrassed my family, and lost my possessions, but I deserved it.

Thus, organization-serving functional bonds provided symbolic reassurance to those engaged in deviant acts as well as communicating knowledge about how to rationalize or perpetrate it. As Participant 1 explained:

> [T]he CEO and [a key finance leader] had a routine down by the end. They would start by pointing to the unreasonableness of the performance pressures and obstacles and then talk about the gray areas of the rules that everyone was exploiting. It was powerful stuff. . . . I bought into it. (Participant 1)

Participant 1 explained that as the fraud increased in scale, a slowly increasing number of employees were directed to carefully alter invoices, painstakingly reconstruct asset ledgers, and ensure that individual fraudulent entries were not sufficiently large so as attract internal or external auditor scrutiny.

In our interview set, organization-serving bonds generally involved larger fraudulent groups spread across the organization. Without exception, all participants claimed that their fraudulent behavior had begun on a small scale and subsequently escalated over time[20] (as Participant 4 put it, "Fraud hits you in the head like a feather").

> I got caught up in it. I mean I was in a company where pushing the limits of reporting was the norm. I thought I wouldn't be the one to carry the can if it came unstuck . . . Working with others made me think that this was bigger than just me. . . . My obedience was my undoing. (Participant 19)

The above quote exemplifies that for some diffusion of responsibility through co-offending assuages the perceived costs and risks of offending. While some of the frauds perpetrated by groups bound by organization-serving functional bonds were relatively uncomplicated (e.g., sourcing falsified compliance records), most were not. Some required complex exchanges of information and access to payroll, accounts payable and invoicing, detailed planning, careful calculation, and strategic execution. Participant 1 described the way in which hundreds of false journal entries were inserted in the final week to each quarter that required careful reconciliation across profit centers.

Decisions to co-offend typically were supported by discursive moves that emphasized the imperative of continued strong financial returns, excessively demanding capital market expectations, or some perceived unfairness such as regulations that were unduly impinging on the organization. In many instances, the cohesion of groups was secured through dense in-group networking and antagonism toward other groups such as analysts, Wall Street, banks, and regulators. Participant 1 stressed a firm culture "that was about giving the Street what it wanted," that prioritized results even in the face of unreasonable and capricious demands.

> I once had an interview with an analyst. She was, like a lot of analysts, asking a lot of questions about risks and the type of things that . . . you know . . . keep you up at night. I kept saying nothing and repeating that everything was in order and that our prospects for the future were bright and rosy. But she persisted. And finally, because I realized she wasn't going to stop, I said "well I guess if [a government regulatory agency] were to change its rules, it could have an impact" but that there was no reason to worry about that happening and anyway we had plenty of [different] revenue sources. It was a

20. In *The Phantom Capitalists* (2008), Levi describes these frauds as "slippery-slope frauds," in which deceptions spiral, often in the context of trying—however absurdly and over-optimistically—to rescue a troubled business or set of businesses.

> throw-away. Anyway, a few weeks later, she released a "sell" recommendation in a report headlined with "CFO worried about [a government regulatory agency]"! I almost lost my job. It was crazy. I'm not anti-capitalism, but I think we have to realize that Wall Street puts a lot of pressure on firms to meet or beat targets. We have to put lipstick on a pig sometimes. That's the best way to put it. (Participant 1)

The subset of participants drawn from the financial industry was strident about the impact of market expectations of performance for listed firms. In some instances, there was genuine self-reflection on these influences.

> In the IPO [Initial Public Offering] process, we were coerced by the investment bankers to agree to a 25 percent growth rate. We wanted to agree to a 15 percent growth rate, but [the CEO] still agreed to commit to a 25 percent growth rate in the IPO process. In the first quarter, initial financial statements indicated we missed our earnings. By only tens of thousands of dollars, but we still missed our earnings. [The CEO] screamed and yelled and said that we didn't know what we were doing. I took the weekend off to look at the numbers. I had to be a little more aggressive with the valuation of our accounts receivable. [The CEO] told me, "I need you to fix the numbers and help us." The next quarter rolled around and the numbers were a little worse. I got the same speech from [the CEO] and I agreed to do it again. In the third quarter, I said this is not getting any better, in fact it is getting worse. [The CEO's] response was to shame me into continuing the process. He said, "What are you going to do now, quit?" I figured out, since we were doing so many acquisitions, we could manage our goodwill accounting. We were doing dozens of small acquisitions. (Participant 4)

Images of trusted, innocuous employees who do not draw attention to themselves in the commission of an offence that is aimed primarily at sustaining organizational performance stands in stark contrast to generalized characterizations of fraudsters as being psychopathic, narcissistic, lacking empathy for victims, or morally repugnant and callous. It is important to note that there was no example of a fraud so widespread that it involved all members of an organization. Instead, fraud perpetrators bound by organization-serving functional bonds are best thought of as an organizational subset with a distinct culture and modus operandi. Recruitment was limited to employees who were integral in the execution of the fraud. That is, pragmatic fraudulent decisions were made to extend networks as required, often revealing limited elements of the scheme. In some instances, what were initially functional bonds forged to pursue a fraudulent opportunity evolved to have a more affective nature (exemplified by the fact that over time a colleague began to refer to Participant 1's co-offenders as the "family"). In this archetype, blurring over time was not uncommon.

Trust between co-offenders bound by organization-serving functional bonds was predicated on a belief that co-offenders were motivated by a common cause. This trust involved confidence that co-offenders would incorporate the welfare of the organization into their decisions and actions and that this would lead them to act in the way that the trusting person desired. In this way, participation of others in the fraud was seen to be based on an assessment of the internalized norms of others to behave in a loyal and dependable fashion.

An interesting observation from the interviews in this archetype is that recent interactions were often more significant drivers of offending than longstanding relationships. This implies that work-oriented relationships that may be situational and even fleeting can importantly influence individuals' thinking and actions. It also implies that the effects of learned criminal behaviors may not be the result of cumulative lifelong associations with friends, but rather the result of immediate and temporary relations with coworkers.

In summary, organization-serving functional bonds stress the importance of organizations—formal and informal—as sites of socialization. In this archetype, the decision to co-offend was the outcome of collective reasoning with co-offenders aiming to enhance some dimension of organizational performance. Close mutual social and work-related relations contributed to the ongoing effective concealment of illegal activities. Key elements in this archetype were the presence of an organizational leader who was able to encourage participation from others and walls of silence in which potential witnesses and whistleblowers look the other way. Common rationalizations revolved around moral justification and beliefs that actions were helping and protecting the company. While some degree of self-interest may underlie decisions here (for example, fear of punishment or desire to impress), co-offending amid organization-serving functional bonds is not easily reducible to individuals.

Affective bonds

> I find it hard to justify why I did what I did to a stranger. It wasn't for the money that is for sure. (Participant 15)

Affective bonds refer to ties based in emotive connections between co-offenders. The key to understanding this mode of co-offending is the deep relationship between co-offenders. Social psychologists have employed these types of emotive or affective bonds to investigate a wide range of friendships, relationships, and group interactions. Based on our inductive analysis, these ties also critically impact the decision of some perpetrators to co-offend.

An exemplar of this type of tie is provided by Participant 15, who was prosecuted for a case of insider trading involving two counts of conspiracy to commit securities fraud. After a "mixed start" to his early career in finance, the respondent gained employment at a major international investment bank. Over his tenure, his responsibilities and position in the bank's organization escalated, culminating in his appointment to a prestigious investment research committee that effectively signed off on all upgrades and downgrades. It was in this capacity that the interviewee misappropriated nonpublic information and unlawfully passed that information on to a co-offender. His accomplice, his "oldest friend," was a middle-aged man who controlled a small hedge fund and used this information to generate returns for the fund and make personal trades. The friends used disposable cell phones and secret alphabetic codes to obfuscate their communications in an insider trading scheme that lasted for more than two years.

When pressed on why be chose to co-offend in the fraud in the first place, Participant 15 reflected:

> It all started with a casual conversation at a dinner with my oldest friend. I received some information about a ratings announcement on my Blackberry ... and since the markets were closed I shared it. My friend was all wide-eyed and became very interested in how I got the information and when I knew it. ... I resisted the requests for more information for quite a while, but he was just persistent. He was looking for a way to enhance the performance of his fund ... the delta factor ... to grow the fund. My interest wasn't monetary in the beginning. I mean we talked about the future and all sorts of possibilities ... how we'd grow old ... but I was earning in excess of a million dollars a year and the total money I made out of this activity was a tiny fraction of that. ... They made me out to be the big king of an insider trader ring, but it was just really a buddy–buddy club. (Participant 15)

The quote above reflects the primacy Participant 15 placed on his relationship with his "oldest friend" and "buddy–buddy club" in accounting for his behavior. It also highlights the

way that affective ties can induce participation in co-offending from parties that may otherwise have little interest in participating in illegal behavior. Participant 15's case underscores that the decision to co-offend is grounded in the affective desire for a relationship with another. As such, the decision to co-offend in this archetype was primarily a function of deep familial and friendship relationships; co-offending here was largely born out of psychological attachment to another. We found examples of affective bonds based on familial relations (4 participants), ethnicity (1 participant), and friendship (2 participants). However, at least one respondent was at pains to clarify that his relationship was far removed from any romantic notion of family harmony, but rather more a consequence of conflict avoidance than an outgrowth of affection. The following quote illustrates the way the decision to not partake in co-offending runs the risk of diminishing a relationship:

> Look, it has taken me a long time to realize that my brother is both volatile and a master manipulator. He made things impossible to say no. ... So many of us have been brought down because of him and none of us were strong enough to stand up and resist. (Participant 14)

In the context of fraud, this archetype underscores the importance of human affections and emotional ties. This augments, but is distinct from, any material gains to be obtained through the commission of an illegal act. There was considerable evidence that attitudes were coproduced and reinforced within the group. In some instances, participants spoke of a collective sensual attraction of fraud such as beating the system and thrill seeking.

> Our group grew tight. We'd take a bullet for each other. ... Almost no one would question [name withheld] if he found a good opportunity. ... We'd take a baseball bat to someone else's head if we were told to. (Participant 14)

Deep in-group concern in turn promoted rationalizations construing behavior as helping the in-group. Several participants in this archetype emphasized that their loyalty to their co-offenders was more important than their loyalty and concern for victims. Emotional bonds between individuals also provided the basis for strong levels of group trust. This trust had an affect-based character and extended beyond a calculation that the accomplice was competent and would not incriminate the truster. Rather, it involved confidence that the co-offender would incorporate the truster's welfare into their actions. This rested importantly on internalized norms of loyalty and dependability.

In discussing the breakdown of this bond, Participant 15's voice trembled, and his eloquent speech became unstuck. After a lengthy pause, he offered:

> Even my wife will tell you I'm far too trusting. ... He was my oldest friend. We had devised our own alphabet. It didn't even occur to me that he'd give me up. (Participant 15)

The depth of the sense of betrayal expressed by Participant 15 was mirrored in other instances where affectively bonded co-offenders had been uncovered by whistle-blowers within the group. The strength of affective ties was palpably strong; and some respondents invoked familial metaphors to describe the collective such "brothers in arms," "the family," and "blood ties." A number of comments revealed a visceral emotional response to the breakdown of the group.

To summarize, the decision to co-offend was different for co-offenders bound by affective ties than the other two archetypes. Whereas affective elements may also develop in the other archetypes, particularly organization-serving functional bonds, they are not the reason to commence co-offending as is the case here. In affective bonds, the decision was

born out of a deep personal connection with the co-offender (such as marriage, intimate friendship, or kinship). Trusting behaviors reinforced these bonds and tended to manifest in indifference to regulation and outsiders. This informed dominant rationalizations that involve moral justification (helping friends or family) and misconstruing consequences for others. For fraudsters bound by affective ties, the act of detection frequently occasioned profound feelings of betrayal.

6. Discussion

Although the bulk of prior research on co-offending is focused on juvenile delinquency, we argue that the phenomenon of co-offending is an important key to understanding fraudulent behavior. While we do not claim that the interviewees were a representative sample of fraud perpetrators, almost 60 percent of our respondents committed fraud as a co-offender rather than solo offender. These cases confirm the heterogeneous nature of fraud; and we argue that, within this broad diversity, different concepts are needed to provide insight into the decision to co-offend. Our cross-case analysis points to the importance of the bonds between co-offenders in driving fraudulent activity. In some instances, the bonds themselves made possible an opportunity; elsewhere they provided a mechanism to reinforce motivations and rationalizations. Our central argument is that the decision to co-offend in fraud is tied to the type of bond between co-offenders. Specifically, we identify three archetypes of co-offender bonds that importantly shaped the decision to co-offend. These archetypes reflect particular configurations of qualitative ties and beneficiaries argued to shape the decision to co-offend. These archetypes are simplified models that reveal a range of decision logics (respectively privileging individualistic rewards, organizational benefits, and relationship needs) in the decision to co-offend.

Table 2 summarizes the major features of the three major archetypes. The table focuses on six key dimensions: decision-making logic, group composition, group size, group longevity, dominant rationalization(s), and the nature of trust between co-offenders. We suggest these dimensions provide insights into the question as to why fraud perpetrators choose to co-offend and have been widely identified in prior research as criminologically significant (e.g., McCarthy et al. 1998; von Lampe and Johansen 2004; Warr 1996; McGloin et al. 2008; Carrington 2009; Piquero et al. 2007).

The primary distinction in Table 2 is the nature of the bond between co-offenders. *Individual-serving functional bonds* characterize actors in a relationship bonded together by the view that co-offending offers a structure that provides, or enhances, opportunities for fraud. Here, co-offenders find it in their own individualistic self-interest to cooperate with others in the pursuit of individualistic benefits. As McAndew (2000) concludes, co-offending connections "can lead to sharing new methods of committing crime, identification of potential targets, information about police activities, and opportunities to be part of specific criminal enterprises" (53). This archetype is consistent with the instrumental perspective in that fraud was conducted with a view to maximizing efficiency and minimizing risk, though the decision-making processes involved frequently deviated significantly from highly deliberative rational-choice models. Within this archetype, there was wide variation in the duration of the primary bond and the size of the co-offending group. This archetype comprised examples of co-offenders who had sought each other out for the express purpose of identifying fraudulent opportunities, as well as drawing others into co-offending through adversity, situational crises, or chance encounters. Rationalizations in this archetype tended toward denying the victim or diffusing responsibility (Murphy and Dacin 2011).

Organization-serving functional bonds rest on a larger workplace affiliation and tend to be associated with larger groups than other archetypes. The strong organizational attachment upon which the decision to co-offend is predicated is supported by the theories of social identity and self-categorization in social psychology (see Hogg and Terry 2000).

Broadly stated, these theories suggest that individuals self-categorize themselves as a member of a particular group.[21] This categorization, in turn, leads the individual to identify and assimilate group norms in a process of depersonalization whereby individual behavior is replaced by group-guided collectivistic behavior. Organization-serving functional bonds underscore the importance of workplaces as sites of socialization and point to the criminogenic aspects of some organizational contexts (see Apel and Paternoster 2009; Stolowy et al. 2014). Elements such as firm-level patterns of noncompliance, the communal pursuit of "unreasonable goals" that create a climate of pressure and fear, the collective desire to continue rapid growth or arrest decline, as well as company structures that isolate small groups of employees were all cited by participants as factors that influenced their decision to co-offend. This is consistent with a wide body of corporate crime research (Coleman 1987; Berger 2011; Reed and Yeager 1996; Simpson and Piquero 2002), an emerging stream of critical research in accounting (Free et al. 2007; Free and Macintosh 2008; Gabbioneta et al. 2012; Stuebs and Wilkison 2010; Stolowy et al. 2014), and work on unethical pro-organizational behavior in psychology (Umphress et al. 2010). A notable pattern in accounts under this archetype was the presence of a single leader, or small band of organizational leaders, who played a central role in recruiting and maintaining the co-offending group. This is consistent with Free et al. (2007) who stress the way that leaders at Enron actively recruited and enculturated co-offenders into a stable network (see also Singh 2008). Far from viewing motivation as an individual-level constant, these ties emphasize how the complexities and challenges of organizational life motivate officers, managers and employees to engage in fraud to further the interests of their companies. Rationalizations in this archetype relate to the necessity of action to ensure organizational survival and success (moral justification) as well as the diffusion of responsibility by pointing to the widespread use of similar arrangements in the field.

While many criminologists assume that offending accomplices are selected from a larger pool of deviant peers or criminal associates (Warr 2002), our archetypes point to the organization as well as close personal relations as an important pool of potential accomplices. *Affective bonds* refer to strong emotional attractions between two or more adults. These bonds are most likely to arise when the same actors interact and exchange repeatedly over lengthy periods (see Molm et al. 2007). In contrast with much research in juvenile delinquency, which suggests that co-offending relationships are generally short-lived (Sarnecki 2001; McGloin et al. 2008), fraud perpetrated by co-offenders bonded by affective ties were characterized by long-standing relations. In our interviews, these bonds were often tied to deep friendships and kinship, reflecting wider research in criminology highlighting the role of family relationships in the transmission of crime (Beaver 2012;

21. Social identity theory was originally put forth by Tajfel and Turner (1979) in an effort to better understand identity processes defined as a function of social group membership. In broad terms, according to social identity theory, group memberships define the boundaries of appropriate conduct and social comparisons with out-groups, resulting in favorable attitudes and behavior toward the in-group, higher levels of group cohesion, and members' commitment to the group. Self-categorization theory (Turner 1985) is a development of social identity and attributes group behavior to a "depersonalization of perception, effect, and behavior that is produced by categorizing the self and others in terms of in-group/out-group distinctions." Individuals' beliefs about the value and distinctiveness of group membership have been demonstrated to importantly impact social influence (Turner 1991), small-group processes (Hogg et al. 1993), attitudes (Terry and Hogg 1996), and organizational management (Hogg and Terry 2000). Recently, Nieuwenboer and Kaptein (2008) suggested that this perspective is particularly well suited to examining the dynamics and growth of corruption in group contexts. Nieuwenboer and Kaptein (2008) highlighted the extent to which group membership can both motivate and reward conduct that is divergent from broader, societal norms. They suggest that group members become increasingly isolated from "generally accepted outside norms" and that this results in spirals of divergent norms resulting in the rise of corruption in group settings.

Besemer and Farrington 2012; Hjalmarsson and Lindquist 2011). In this archetype, rationalizations were based on a slightly different type of moral justification: appeals to in-group loyalty. Relative to the other two archetypes, relations here were characterized by high degrees of goodwill trust.

As Table 2 suggests, an understanding of fraud requires a more diverse and heterogeneous mix of explanatory resources than a single factor such as "offender personality" or a "nonshareable financial problem."[22] Most discussion of the fraud triangle evokes images of autonomous individuals pursuing independently chosen goals. The evidence presented here suggests that, as it is currently applied, the fraud triangle is predicated on a conception of a fraudulent actor who is too atomized, rational, and underspecified. As Coleman (1990) tells us, individuals often do not act independently, goals are seldom independently arrived at, and interests are not wholly selfish. In this way, fraud should not be overconnected to neurotic personality (Dorminey et al. 2010), the industrial psychopath (Babiak and Hare 2006), pathological gamblers (Kelly and Hartley 2010), or linked to vice-related traits (Kidder 2005).

Although the phenomenon of co-offending connects with the notion of Wolfe and Hermanson's suggested fourth fraud "diamond" element of capability,[23] we do not advocate the addition of a fourth "side" to the current fraud triangle as has been suggested elsewhere (e.g., Wolfe and Hermanson 2004; Cieslewicz 2010). Rather, we argue that the elaboration of the fraud triangle in the professional standards should place a greater emphasis on co-offending. At a general level, relations between co-offenders provide the means for carrying out some frauds (some opportunities for crime have as much to do with relations between offenders as those between offenders and victim organizations, see Warr 1996). However, the fraud triangle should also acknowledge the role of co-offending groups in providing normative support for misconduct, the means for concealment that minimizes detection, and ready rationalizations for action. We believe that discussion of the fraud triangle in audit standards and elsewhere should be expanded to also include coverage of why some individuals choose to co-offend rather than solo offend in fraud.

The evidence from this paper also has implications for practice, in both fraud detection and prevention. Current audit curricula, programs, and standards could more directly incorporate the phenomenon of co-offending so that auditors can more accurately assess

22. The notion of a "nonshareable financial problem" was considered a necessary precondition for embezzlement in Donald Cressey's (1953) work, *Other People's Money*, which is widely considered to provide the foundation for the fraud triangle. Specifically, Cressey claims that there are three necessary conditions for embezzlement: a nonshareable financial problem, opportunity, and the ability to rationalize the criminal act. According to Cressey, a nonsharable problem refers to a problem or personal crisis that an individual is unable to share with friends and/or colleagues due to the shame the individual associates with the behavior and the consequential effects of legal or social sanctions when the behavior is discovered. Examples of nonsharable problems cited include financial distress, loss of status, and/or admission of fault or poor judgment. While Cressey's intuitive model has importantly influenced the Association for Certified Fraud Examiners (ACFE) and auditing standards throughout the world, it has also been the subject of criticism within criminology (see Donegan and Ganon 2008).

23. Wolfe and Hermanson (2004) introduced the "fraud diamond" model, extending the fraud triangle by adding an additional side, that of the fraudster's capability or competence. According to their model, opportunity is a function of an organizational setting (e.g., weak controls, lack of supervision), while *capability* refers to the capacity of individuals to take advantage of the opportunity. Wolfe and Hermanson elaborate on the capability by delineating traits argued to be essential in the personality of the fraudster including knowledge, skill, position, and ability to handle stress. It is noteworthy that another suggested trait is "coercion," which implies a narrow form of co-offending where one party forces another to participate in fraud. Our analysis opens this category to demonstrate that capability, as conceived, often requires a co-offending team, which can be formed in a number of ways. While the additional capability element has opened up interesting research avenues, in our view the skills and resources of the co-offending group are best considered to be a part of the opportunity side of the fraud triangle.

fraud risk. This should be extended to a nuanced explanation of some of the reasons why individuals choose to engage in co-offending. Drawing attention to the nature of bonds between members of a group of fraudsters draws further attention to the social architecture of the audit environment. Conventional questionnaires used by auditors[24] can be modified to more fully address issues related to subcultures (see Murphy and Free 2013), and brainstorming sessions could explicitly take account of co-offending and provide a thicker view of organization. Whereas "tone at the top" implies one culture within an organization (e.g., Knechel et al. 2007; Landsittel and Rittenberg 2010), our evidence suggests that organizational culture is often not pervasive and that there can be many different subcultures within one organization; there is potentially more than one "tone at the top." This research also draws attention to situational crime prevention policies that minimize the settings that allow co-offenders to converge and work together unimpeded for prolonged periods.

It is noteworthy that the vast majority of frauds in our interview set were uncovered through the action of a whistle-blower. This finding, which is consistent with a number of prior survey-based studies (ACFE 2012; KPMG 2012; Ernst & Young 2003; Kapardis and Kramiba-Kapardis 2004), highlights the importance of social connections for fraud detection. This may be particularly related to the notion of plea bargaining in the United States, whereby individuals seek clemency in sentencing through cooperation with authorities. Auditors were claimed to play a role in the detection of the fraud in only two of our 37 cases. This is due in part to the nature of some of the convictions; however, numerous respondents expressly commented that the audit was poorly equipped to identify fraudulent behavior. For example:

> Initially, I wasn't surprised that we got away with it. Because it wasn't many entries and we were careful. But by the end, I couldn't see how they couldn't detect anything. I spoke to [the CFO] and he said that if they [the auditors] did detect anything, he would say that we would get back to them. And he couldn't believe how they would accept even the flimsiest possible excuse. A note would be sufficient. We were a big, important client for them. . . . They didn't want to rock the boat. . . . They ended up settling for [amount withheld] in a stockholder suit but didn't admit any wrongdoing. (Participant 1)

The audit profession has been eager to publicly acknowledge its limitations with respect to collusion in recent years[25] and circumscribe its responsibilities over fraud (see Humphrey et al. 1992). This has been an important element of the so-called "expectations gap" between what the public and users of financial statements perceive the role of an audit to be and what the audit profession claims is expected of them during the conduct of an audit (see Free 1999; Sikka et al. 1998; Hassink et al. 2009). Given that nearly all recent major frauds have involved extensive collaboration between co-offenders, this would appear to be a significant, albeit understandable from a litigation point of view, abrogation of responsibility "for obtaining reasonable assurance that the financial

24. As Hogan et al. (2008) point out, the experimental literature on the use of checklists and questionnaires to detect fraud is quite mixed. Pincus (1989) finds that the use of such tools was dysfunctional in the fraud case in her experiment such that questionnaire users assessed the risk of fraud to be lower than nonusers. Similarly, Asare and Wright (2004) found that auditors using a standard checklist and standard audit program made lower risk assessments than those without standardized tools.

25. SAS No. 99 in the United States, ASA 240 in Australia, and the international audit standard ISA 240 all distinguish between frauds committed by solo offenders and those involving collusion. These standards all explicitly state that a properly designed and executed audit may not detect a collusive fraud. Implied in these assertions is that fraud involving collusion is very difficult to detect in the prudent conduct of the audit as compared to noncollusive frauds.

statements taken as a whole are free from material misstatement, whether caused by fraud or error" (IAASB 2009). When pressed as to what might have uncovered their frauds earlier, two participants argued that a comprehensive forensic audit would have detected their fraudulent activity, with one participant going further to claim that there should be a mandatory requirement to obtain a forensic audit every three years (over and above the conventional annual audit requirement) in spite of the additional cost and potentially endless scope of an open forensic mandate.[26] Whatever the merits of these claims, future research specifically focused on co-offending and collusion has the potential to generate real benefits for organizations and the audit profession.

7. Conclusion

> No one really acts in isolation on that big of a scale if you really think about it. There might be some desperate acts—and people no doubt have gambling and drug habits and relationship messes—but large-scale fraud is a group of people acting together. (Participant 28)

This study aims to elucidate the rationale for co-offending through an analysis of convicted offenders' own descriptions of their decision-making and co-offending processes. We highlight how different forms of social ties affect the commission of fraud. Each archetype entails a distinct type of connection between the co-offenders perpetrating the fraud. Moreover, the evidence of this paper suggests that individualistic factors often predicated on instrumental motivations provide a unidimensional explanation that does not take us very far in understanding the endlessly complex mixture of factors that may be involved in co-offending. The guiding premise of this paper is that the social nature of fraud is not merely an incidental feature of the crime but is instead a potential key to understanding its etiology and some of its distinctive features.

Although the group nature of some areas of crime such as juvenile delinquency has been well documented (e.g., Klein 1995; McCarthy et al. 1998; McGloin 2005; Klein and Maxson 2006; McGloin et al. 2008; McGloin and Stickle 2011), there is relatively scant research on co-offending in fraud. Seeking to address this void, this paper makes three contributions. First, it draws attention to the phenomenon of co-offending in the area of prosecuted fraud. While we acknowledge that our interview set was limited to those who have been convicted, a biased subset of the total population of fraudsters,[27] we find that the majority of respondents (58.7 percent) were co-offending rather than solo offending in the frauds for which they were convicted. This finding runs counter to much prior research suggesting fraud is typically a solo offender domain (e.g., Ernst & Young 2003; Krambia-Kapardia 2001; Smith 2001), though some more recent survey work has highlighted the growth of co-offending in fraud (KPMG 2012). Our interview analysis reveals that co-offending can provide an important means through which opportunities become apparent to actors. Group norms of loyalty, trust and distrust, and even antagonism toward other parties can cement a group together while providing easy rationalizations for perpetrating

26. As one reviewer noted, an effective forensic audit likely requires a specific question rather than an open mandate. Without specific terms of reference (e.g., "Is the CFO overstating sales by holding the books open for an extra week?"), a forensic audit of a public company would require an enormous amount of resources and time.

27. Our interview set is limited to respondents who have been convicted for fraud. These are frauds that have been deemed sufficient to warrant incarceration (smaller frauds are thus unlikely to be represented) and fraudsters who have been detected and prosecuted (this can be contrasted with a popular view that white-collar criminals are often successful at avoiding detection and sanction, see Croall 2001). It is conceivable that multiperson frauds are more likely to be discovered and prosecuted and that offenders may be more willing to volunteer to discuss frauds involving others rather than where they act alone due to shared blame and diffusion of responsibility.

fraud. This clearly imposes a renewed challenge on managers and audit firms to sharpen their fraud risk diagnostic tools.

Second, we highlight the nature of bonds between members of a fraudulent group and develop three archetypes: (1) individual-serving functional bonds, (2) organization-serving functional bonds, and (3) affective bonds. With attention to bonds rather than to individual psychologies and profiles, these archetypes offer important insights into the social cognitive dimensions of fraud. We highlight differences in the decision to co-offend across fraudulent groups. While conventional fraud research has tended to anchor on explanations based on individual morality, our analysis highlights the social nature of fraud, offering a complement to research approaches based on the psychology of fraudsters. Our archetypes make clear that some individuals often feel a noninstrumental need (i.e., not greed or financial need) to emulate others, while in some instances organizational costs and benefits are more salient to offenders than self-interest.

Third, we offer practical prescriptions with respect to the fraud triangle and fraud prevention. In short, this research suggests that the fraud triangle presents an overly parsimonious explanation of offending. Theories of fraud must incorporate micro and macro elements; considerations that are materialistic, cultural, and affective. Our findings suggest that understanding co-offending is best approached through a study of social ties. Further, our findings draw attention to internal controls that are specifically geared toward unraveling organizational cliques and subcultures. These could include job rotation policies, mandatory holidays with role replacement, surprise audits aimed at uncovering organization-serving practices deeply embedded across the entire firm, and forensic audits that are specifically designed to investigate the social infrastructure of organizations. To this end, it is interesting to note that the two controls associated with the largest reduction in median losses from fraud in the ACFE's (2008) *Report to the Nation on Occupational Fraud and Abuse* were surprise audits and job rotation/mandatory vacation policies (these were also among the least commonly implemented anti-fraud controls in the study).

This study is subject to a number of limitations. Given access limitations, interviewee recruitment in this research was opportunistic, as is the case in a good deal of crime research (Andreson and Felson 2010). There is no way to conclusively understand a participant's thought processes, and persons convicted of a crime often have self-serving motives. Our interviews focus on the subjective view of one person in a co-offending relationship. A more comprehensive approach would consider both sides, as well as the immediate group and broader socio-structural context. Further, in some instances, we were unable to cross-validate information with official records or media reports. Due to the nature of recruiting, we also acknowledge a selection bias. However, we believe that the steps we took to overcome these challenges, such as assurances of confidentiality, eliminating participants who were not forthcoming or claimed to be innocent, broad recruitment protocols, and secondary source verifications wherever possible, mitigate these concerns and provide some assurance as to the trustworthiness of the data (Lincoln and Guba 1985). Further, we believe that the experiences of fraud perpetrators are critical to understanding fraud.

This article seeks to be imaginative and to provoke further consideration of co-offending in fraud. Our knowledge about the actual patterns, structure, and nature of fraudulent co-offending remains relatively clouded and shallow. Further work is required to enhance understanding of co-offending patterns, processes, precursors, consequences, and to further unpack the ties between members of criminal groups and networks engaged in fraud. Given the nature of the field, there appears to be considerable scope for interdisciplinary work. Theoretical and empirical work from criminology (i.e., on the delinquent activities of juvenile gangs), social psychology (i.e., ingroup–outgroup research, social identity theory, moral foundations, obedience to authority), and other sources offer interesting perspectives on fraud. In sum, we believe that a greater concern with co-offending rather than

solo offending would enhance academic research in accounting as well as auditing curricula and practice. As one reviewer noted, "Almost everything we do, we do with others. Why would fraud be different?"

Appendix

Selected quotations revealing differences in primary distinctions

Individual as Primary Beneficiary	**Organization as Primary Beneficiary**
• "I am a career criminal. . . . And when I get out, it is going to be hard not to fall back into the old networks." (Participant 27) • "I had a lot of financial and personal stuff going on and I saw this as the best way for me to get back on track. I never imagined for a second that it would go on for as long as it did." (Participant 33) • "At the start, I always thought I would pay it back but as I got deeper. . . well the realization [that I couldn't] became clear." (Participant 31)	• "The primary factor is that we believed in the company . . . There was an 'us versus the world' mentality. We had a chip on our shoulder. This is a [geographical location] thing; people tend to think of us as less progressive, as less sophisticated, and we wanted to prove that we could be the biggest company in the field." (Participant 1) • "We even budgeted so much money for violations in this category. . . . It was a cost of doing business. I thought it was worth the saved aggravation. We'd pay them off if we got caught I always thought." (Participant 23) • "For us, it was all about beating the market. Our inventory was so disparately located across the world that no one really knew exactly what was where. So we started by overstating our inventory of combat vests. And then things really just went from there." (Participant 26)
Functional Bonds	**Affective Bonds**
• "We were both in positions to ensure that no one could find out. The whole thing was there for the taking if we worked together." (Participant 33) • "We would send the information we had received to an outfit in Russia and then we would buy the credit cards back in plastic form." (Participant 12) • "The leader had an elaborate network of individuals in on the scam. He hired 'straws,' people with a good credit score, 'knockers,' who helped with foreclosures and appraisers and bankers to verify deposits. The leader built a large illegitimate business organization." (Participant 37)	• "He was my oldest friend, my best friend. I trusted him like a brother." (Participant 35) • "We were a family and it was impossible to stay out." (Participant 3) • "It is easy to blame others, but for me the real driver was this girl [respondent's girlfriend]. She introduced me and I got in deep quick. I couldn't get out while we were together." (Participant 7)

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