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Small Retail Business Strategies to Detect and Prevent Employee Fraud

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This is to certify that the doctoral study by

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Abstract

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MSA, Western Michigan University, 2011

BS, University of Buea, 2001

Doctoral Study Submitted in Partial Fulfillment

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Abstract

Small businesses have an important role to play in the U.S. economy. However, employee fraud can jeopardize the sustainability of small businesses. Grounded on Cressey's fraud triangle theory, the purpose of this multiple case study was to explore strategies used by selected managers and owners of small retail businesses to detect and prevent employee fraud. Ten participants from 5 small retail businesses participated in the study. Nine participated in a face-to-face semistructured interview, and 1 participated in a telephone interview. These participants included 5 owners and 5 managers of small retail businesses in the state of Michigan in the United States who have implemented strategies to detect and prevent employee fraud. Through a process of methodological triangulation, casual observations and documentary evidence supplemented data collected through semistructured interviews. Using thematic analysis by coding narrative segments, the research findings included themes of controls and communication, cash register accountability, segregation of duties, monitoring, and action against perpetrators. Managers and owners of small businesses may benefit from the findings of this study by gaining awareness of the need to detect and prevent employee fraud. The implications for positive social change may include the potential to increase appropriate controls over employee fraud, thus enabling owners of small retail business an opportunity to operate effectively and efficiently, which could increase employment opportunities. Increased employment opportunities could create a positive effect on other small retail businesses and allow local communities to prosper.

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Dedication

I dedicate this study to God Almighty, who blessed me with a smooth journey through the program. I also dedicate this study to my loving and supportive parents, Barnabas Anguh Akuh and Francisca Vuwen. To my amazing sisters, Constance Akuh and Meghan Akuh. To my adorable nieces, Tahila-Kay and Zoe. To my extended family and friends for their encouragement. I love you all!

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I would like to thank my Chair, Dr. Roger Mayer, for his generous support, availability, and encouragement. Dr. Mayer, you kept me going. May the LORD continue to strengthen you, keep you in perfect health, and may He make his face shine on you and be gracious to you. Thank you, Dr. Kim Critchlow (second committee member), Dr. Denise Gandy Hackett (URR), and Dr. Freda Turner (retired Program Director) for your motivation and timely feedback on my study. It was a blessing to have such a strong and inspiring committee. I would like to thank Dr. Edgar Jordan, Dr. Rocky Dwyer, and other Walden University instructors, classmates, and staff who contributed to the successful completion of this study. Thank you to all the business owners and managers (participants) who took time off their busy schedule to participate in this study. God bless you!

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Section 1: Foundation of the Study

Business organizations lose approximately $3.7 trillion worldwide each year due to fraud (Association of Certified Fraud Examiners [ACFE], 2016). Employee fraud continues despite various controls put in place by private and government enterprises to mitigate the risk of fraud (Alleyne & Elson, 2013). The motivation for employees to commit fraud comes from different factors (Boumediene, 2014). Some factors that motivate employees to commit fraud include incentive pressure, opportunity, and the rationalization to justify fraudulent activities (Bishop, DeZoort, & Hermanson, 2017). Anand, Dacin, and Murphy (2015) found that individuals and business leaders viewed unethical behavior and fraud differently. Common employee fraud includes corruption, financial statement fraud, and assets misappropriation (Marshall & Cali, 2015). Neguriță and Ionescu (2016) suggested that inadequate internal controls over company assets may increase the likelihood of asset misappropriation within an organization. Small retail businesses are also not immune to employee fraud (Campbell, Butler, & Raiborn, 2014). Thus, the purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud.

Background of the Problem

Employee fraud affects organizations of all sizes (Simser, 2014). In addition, Boyle, Boyle, and Mahoney (2015) reported the increasing concern of the employee fraud rate. Employee fraud is committed by malicious employees who have access to business assets and deliberately misuse the assets to their advantage (Simser, 2014). Soltani (2014) noted that employee fraud includes minor theft and other misappropriation

of business assets. Negurință and Ionescu (2016) indicated that different circumstances within a business could increase the vulnerability of assets misappropriation. Some of the circumstances include inadequate internal controls, inadequate physical security of business resources, and the lack of mandatory employee vacations (Cociug & Postolache, 2014; Negurință & Ionescu, 2016). A well designed, implemented, and monitored internal control is the first line of fraud defense in an organization (Alleyne & Amaria, 2013; Rodgers, Söderbom, & Guiral, 2015). Moreover, background checks can be conducted on potential employees before employment as a strategy for combating fraud (Balashova, 2014; Simser, 2014). Overall, employee misconduct in small businesses is understudied (Ding & Wu, 2014).

Problem Statement

Employee fraud is the most common fraud facing small businesses (Gilmore-Allen, 2015). Approximately 65% of employee fraud relates to the misappropriation of business assets (Omar, Nawawi, & Puteh Salin, 2016). The general business problem is that employee fraud affects small retail business owners resulting in financial loss. The specific business problem is that some small retail business owners lack strategies to detect and prevent employee fraud.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. The targeted population comprised of owners and managers from five small retail businesses located in Michigan who have implemented strategies to detect and prevent employee fraud.

Managers and owners of small businesses can benefit from the results of this study by gaining awareness of the need to detect and prevent employee fraud. The implications for positive social change include the potential to increase appropriate controls over employee fraud and to enable small retail businesses an opportunity to succeed, which could increase employment opportunities. Increased employment opportunities could allow local communities to prosper.

Nature of the Study

When conducting a study, a researcher can use a qualitative, quantitative, or mixed research method (Bernard, 2013). A quantitative study researcher examines relationships or differences among variables (Bernard, 2013; McCusker & Gunaydin, 2015). A quantitative research method was not appropriate for this study because I did not use statistical analysis to examine the relationships or differences among variables. A mixed method researcher combines components from quantitative and qualitative research methods (Landrum & Garza, 2015). Therefore, a mixed method was also not appropriate for this study because I only used data collected using a qualitative method. A qualitative researcher seeks to explore aspects of human behavior to answer questions of *what*, *how*, and *why* (McCusker & Gunaydin, 2015). Hence, the method I chose for this study was qualitative.

Qualitative design approaches include phenomenological, ethnographic, and case study (Kruth, 2015). Researchers using a phenomenological approach focus on the meanings of lived experiences of participants (Kruth, 2015). A phenomenological approach was not appropriate for this study because my goal was not to describe the lived

experience of participants. Researchers who use an ethnographic approach focus on the shared patterns of values of an entire cultural group (Kruth, 2015). Since my goal was not to explore the culture of a group, an ethnographic approach was not appropriate. I chose a case study design and not a phenomenology or ethnography because my goal was to conduct an in-depth exploration of the bounded system of how small business owners can detect and prevent employee fraud. Researchers use a case study design to explore a bounded system in detail by collecting information from a variety of sources over time (Yin, 2014). Based upon my goal, I considered case study design appropriate.

Research Question

The overreaching research question was as follows: What strategies do small retail business owners use to detect and prevent employee fraud?

Interview Questions

1. What strategies do you use to detect and prevent employee fraud within your business?

2. What are some of the policies you have incorporated to detect and prevent employee fraud?

3. What strategies have been most successful for detecting and preventing employee fraud?

4. How do you assess the effectiveness of the strategies for detecting and preventing employee fraud?

5. What principal barriers did you encounter when implementing your strategies for detecting and preventing employee fraud?

6. How did you address the principal barriers to implementing the strategies for detecting and preventing employee fraud?

7. What additional information can you provide regarding strategies to detect and prevent employee fraud?

Conceptual Framework

The conceptual framework for this study was the fraud triangle theory. In 1950, an American criminologist, Donald R. Cressey, developed the fraud triangle theory to illustrate the components that cause an individual to commit fraud (Cressey, 1952). Cressey defined three elements that need to be present for an employee to commit fraud. These elements include (a) an unshareable financial need, (b) rationalization, and (c) perceived opportunity (as cited in Dorminey, Fleming, Kranacher, & Riley, 2012). Although all three elements of the fraud triangle are important in detecting and preventing fraud, I focused on the third element, employee perceived opportunities to carry out fraudulent activities. Internal controls mitigate the risk associated with perceived opportunities. To construct a conceptual framework for my study, I drew on the work of other scholars who have studied strategies needed by small business owners to detect and prevent employee fraud. The reason for using fraud triangle theory for my study was that the theory could enable small business owners to understand the key factors that can induce even trusted workers of the business to involve themselves in fraud (Richardson, Taylor, & Wright, 2014). The fraud triangle theory can be used to understand why employees commit fraud and how to detect and prevent fraudulent activities in an organization (Marshall & Cali, 2015).

Operational Definitions

Antifraud controls: Antifraud controls include policies and procedures established to detect and prevent employee fraud (Henry, 2016).

Asset misappropriation: Asset misappropriation involves employee stealing or misuse of business resources (Glodstein, 2015).

Fraud: Fraud is a dishonest and unethical act with the intention to mislead another party (Policastro & Payne, 2015).

Internal controls: Internal controls are control procedures designed, implemented, and maintained by an entity's management to ensure operating effectiveness and efficiency, financial reporting reliability, and compliance with laws and regulations (Rodgers et al., 2015).

Occupational fraud: Occupational fraud refers to deceitful acts against organizations by employees, managers, or business owners for personal enrichment (Glodstein, 2015).

Small retail business: A small retail business is a profit focused retail organization with less than 50 employees (SBA, 2014).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are concepts that the researcher believes to be true but are unproven (Lips-Wiersma & Mills, 2014; Nkwake & Morrow, 2016). A researcher's assumptions can shape a research (Kirkwood & Price, 2013). A qualitative researcher conducts a research with the assumption that participants are knowledgeable on the phenomenon

(Marshall & Rossman, 2016; Yin, 2014). Some assumptions supported this study in my effort to explore the strategies used by small retail businesses to detect and prevent employee fraud. First, some small retail business owners and managers have developed strategies to detect and prevent employee fraud. Second, selected participants had a clear understanding of employee fraud and honestly answered the interview questions. Finally, employee fraud negatively impacted small retail businesses and the society as a whole.

Limitations

Limitations are flaws within a study that are outside the control of the researcher (Soilkki, Cassim, & Anis, 2014). Researchers must pay attention to these limitations and consider them in their research design (Fan, 2013). As a researcher, some situations were beyond my control. One of the limitations of this study was that participants could withdraw at any point in the study. A participant's perception of employee fraud might influence their response. Additionally, participants' interview responses are subject to bias (Yin, 2014). Other limits of this study might be the possibility of small retail business owner and manager bias.

Delimitations

Delimitations are specific choices and boundaries of a study (Soilkki et al., 2014). The delimitations of a study are within the control of the researcher (Marshall & Rossman, 2016). Delimitations helped me, as the researcher, to limit the scope of this study. Participants in this study consisted of small retail business owners and managers in Michigan. This study focused on employee fraud. This study was limited to five small retail businesses that have all been in business for at least 3 years.

Significance of the Study

Business owners and society can benefit from the results of this study. First, a business owner can develop appropriate internal controls to reduce the risk of fraud. In addition, society can benefit because of the increased financial stability of organizations that have the appropriate controls to reduce the risk of fraud. Financial stability of local businesses helps sustain the economic wellbeing of local communities.

Contribution to Business Practice

Small retail business owners and managers could benefit from the results of this study. The results of this study can provide information on how to safeguard organizational resources. This safeguarding will minimize fraud risk. Asset misappropriation involves fraud where a perpetrator uses deception to misuse business resources to their advantage (Nia & Said, 2015). To implement effective antifraud controls, small business owners and managers need to understand the different types of fraud risk factor that can create an opportunity for assets misappropriation. Small businesses have lower antifraud controls implementation rate compared to large businesses (ACFE, 2016). Owners of small retail businesses need to implement internal controls to achieve business objective of effective and efficient operations, reliable financial reports, and compliance with laws and regulations (Mutnuru, 2016). Findings from this study could provide small retail business owners with additional information on how to develop and implement strategies to minimize fraud risk and reduce fraud loss.

Implications for Social Change

Society could benefit from the results of this study by adding to the strategies small business owners can use to detect and prevent employee fraud. Small business owners are required to be involved actively in ensuring the effectiveness of internal controls (Brucker & Rebele, 2014; Chen, Cumming, Hou, & Lee, 2016; Kulikova & Satdarova, 2016). Strong internal controls increase the likelihood of a business success and thus improve the economic well-being of the surrounding community. When small retail businesses operate effectively and efficiently, they may propel their profits and increase employment, which can create a positive effect on other small businesses and the local community.

A Review of the Professional and Academic Literature

A literature review is a form of study that generates new ideas related to the phenomenon of study (Ishak & Osman, 2016). Researchers conduct literature reviews for different reasons and different audiences (Torraco, 2016). Boell and Cecez-kecmanovic (2015) noted that a literature review on a study is an important aspect of the research because it provides an overview of the existing knowledge on the phenomenon of study. The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. Included in this section is a review of the professional and academic literature on fraud triangle theory as used by other researchers to explore related research topics. To construct a review of literature for this study, I drew on the work of other scholars who had studied strategies needed by managers and small business owners to detect and prevent employee fraud.

The findings of this study may contribute to the gap in small retail business practice regarding strategies owners and managers might use to mitigate the effects of financial and nonfinancial lose as a result of occupational fraud.

Some of the databases and library materials I used to search the literature of this study included ProQuest Central, Accounting, Tax & Banking Collection, Dissertations & Theses at Walden University, Google Scholar, ABI/INFORM Collection, Emerald Management Journals, and Walden University Library. Other sources of literature for this study included Business Source Complete, Academic Search Complete, ScienceDirect, Thoreau Multi-Database Search, and SAGE Journal. I also used the report to the nations on occupational fraud and abuse by ACFE.

Torraco (2016) suggested that researchers should begin the search for literature by listing keywords. Keywords I used to narrow online search included *employee fraud, fraud triangle, fraud diamond, fraud scale, fraud, internal control, occupational fraud,* and *qualitative method*. Other keywords included *small retail businesses, antifraud controls, whistleblower, COSO framework, signs of fraud,* and *asset misappropriation*. In this qualitative multiple case study, I included 242 references. The literature review includes 123 references, with a total of 118 (95.93%) published on or after 2013 (see Table 1). The study in its entirety has 96.28% peer-reviewed references published on or after 2013. To ensure the appropriate use of peer-reviewed journals, I used Ulrichsweb Global Serials Directory website in the Walden University Library.

The Fraud Triangle

The primary theory for this study is the fraud triangle theory. The reason for using fraud triangle theory as the conceptual framework for this study is that small business owners can use the theory to understand the key fraud factors (Pedneault & Kramer, 2015; Richardson et al., 2014). The fraud triangle theory can be used to understand why employees commit fraud and how to detect and prevent fraudulent activities in an organization (Free, 2015; Marshall & Cali, 2015). Bowen, Edwards, and Cattell (2012) suggested that components of fraud triangle theory are dynamic and could be taken into consideration when determining why individuals commit fraud. Perceived pressure is a motivating factor to commit fraud (Dellaportas, 2014), perceived opportunity paves the path of the fraudster to commit fraud (McAfee & Guth, 2014), and rationalization helps the fraudster justify their action (Lokanan, 2015).

In 1950, Cressey developed the fraud triangle theory to illustrate the components that cause an individual to commit fraud (Cressey, 1952). Cressey developed the fraud triangle based on the interview of approximately 250 inmates in various prisons in the United States who were in trusted positions and violated that trust (as cited in Kramer, 2015). Cressey (1952) noticed that the inmates serving time for white-collar crimes possessed common characteristics. Cressey defined three elements that need to be present for an employee to commit fraud. These elements include (a) nonsharable financial problems, (b) perceived opportunity, and (c) rationalization (as cited in Dorminey et al., 2012; Jérémy, Yves, & Henri, 2014; McAfee & Guth, 2014). Cressey hypothesized following an observation that for a person to carry out fraudulent activities, each of the

three elements, perceived opportunity, perceived pressure, and rationalization, must be

present (Cressey,1952). Figure 1 shows the fraud triangle.
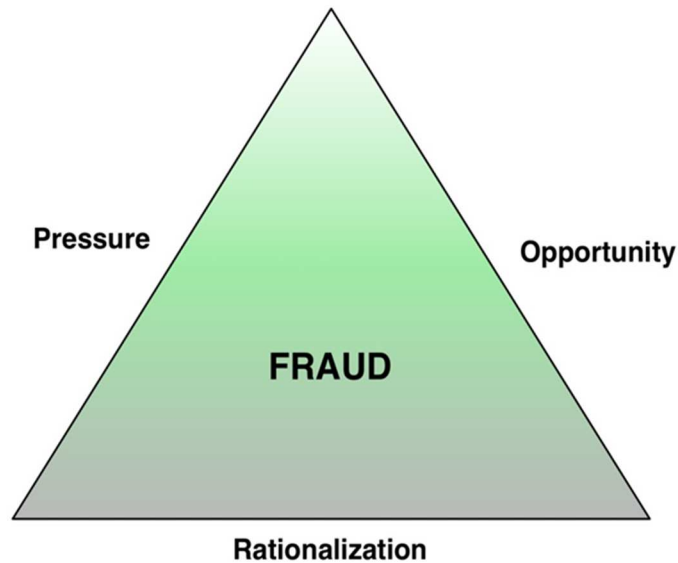
Figure 1. The fraud triangle.

Historical development of the fraud triangle. Business owners use the fraud

triangle to understand how and why employees commit fraud (Kramer, 2015). A clear

understanding and use of the fraud triangle can assist small business owners and

managers in fraud prevention (Andon, Free, & Scard, 2015; Kramer, 2015). Morales,

Gendron, and Gue´nin-Paracini (2014) conducted a study to explore the construction of

occupational fraud around the fraud triangle. Morales et al. discovered that fraud

specialists use the fraud triangle to set fraudulent acts intervention around the morality of

individuals.

Some small business owners who understand the fraud triangle concept design

and implement a sound system of internal controls and ensure that others within the

organization are aware of the controls (Kramer, 2015; Verschoor, 2015). When others are aware of controls in place, the perceived opportunity to commit fraud decreases within the organization (Kramer, 2015; Roden, Cox, & Kim, 2016). Kramer (2015) further explained that small business owners prevent fraud when they focus on the perceived opportunity element of the fraud triangle, by increasing the possible perpetrator's awareness of fraud detection.

Alexander and Michael (2014) iterated that different situations in ones' life can encourage fraudulent activities. Some of the situations include addictions and financial difficulties. Business owners and managers may use the fraud triangle to combat fraud before it occurs (Kramer, 2015). Small business owners and managers who spend time with employees tend to notice changes in attitude and address the changes before the occurrence of fraud (Jérémy et al., 2014; Murphy & Free, 2016). Before committing fraud, employees usually demonstrate behavioral traits that business owners and managers can use to identify their intention (Klein, 2015).

Business owners deploy the fraud triangle to proactively address fraud risk elements (Kramer, 2015; Mohd-Sanusi, Khalid, & Mahir, 2015; Murphy & Free, 2016). Business owners and managers who understand the opportunity component of the fraud triangle are quick to modify and strengthen internal controls (Richardson et al., 2014). It is important for small business owners and managers to ensure strong internal control when using the fraud triangle as an instrument to detect and prevent fraud schemes (Kramer, 2015). With the use of the fraud triangle to minimize fraud occurrence, business

owners and managers ensure strong control environment and monitoring to reduce the perception of the opportunity for fraud (Kramer, 2015).

Business owners and managers who successfully use the fraud triangle substantially minimize the possibility of fraud occurrence within the organization and protect the reputation of both the organization and employees (Roden et al., 2016). Occupational fraud is costly to business owners (Button, Blackbourn, Lewis, & Shepherd, 2015; Rodgers et al., 2015). To reduce financial loss as a result of fraud, some business owners encourage honesty and integrity within the workplace (Kramer, 2015). Business owners who understand the concept of the fraud triangle prioritize fraud prevention to minimize the stress and loss of energy and money that come with detecting fraud (McMahon, Pence, Bressler, & Bressler, 2016).

Business owners adapt the fraud triangle to gain insight into the thinking of individuals and provide training on codes of ethics (Kramer, 2015; Verschoor, 2015). Understanding the fraud triangle, small business owners and managers maintain a positive work environment to mitigate fraud occurrence (Kramer, 2015). Some business owners who familiarize themselves with the fraud triangle provide employees with avenues to share their unshareable financial obligations, thus reducing fraud motivation (Kramer, 2015; Rodgers et al., 2015).

Business leaders who use the fraud triangle as a tool to detect fraudulent activities encourage effective, ethical cultures within the business that support efforts to reduce rationalization of dishonest behavior (Rodgers et al., 2015; Verschoor, 2015). Some small business owners use the knowledge gained from understanding the fraud triangle to

provide employee ethics training related to the business (Verschoor, 2015). Some of the ethics training programs for small businesses include whistleblowing and surveys of employee attitudes (Leifer, 2014).

  Components of fraud triangle. Nonshareable financial pressures exist when an individual is faced with financial obligations and is unwilling to discuss the difficulties with others (Dellaportas, 2014; Lokanan, 2015; Negurişă & Ionescu, 2016). Hidden financial obligations are some of the primary motives of unethical behavior (Negurişă & Ionescu, 2016; Richardson et al., 2014; Soltani, 2014). Nonshareable problems can occur as a result of shame brought about by poor judgment and loss of social status leading to fraudulent activities (Alexander & Michael, 2014; Dellaportas, 2014). The perceived pressure element of fraud triangle could be financial or nonfinancial (Lokanan, 2015; Schuchter & Levi, 2016). Schuchter and Levi (2016) believed that people's motivation to commit fraud change with time and what was considered an incentive could suddenly become pressure to act dishonestly. For fear of social stigma, some individuals may choose not to share their financial problems to get the necessary help (Bishop et al., 2017). With nonshareable financial distress, fraud perpetrators seek to resolve their problems secretly, including stealing from an employer (Dellaportas, 2014). Richardson et al. (2014) noted that perceived pressure comes as a result of a significant financial need leading to unethical deeds. Financial pressure need not be real; once individuals perceive themselves pressured, they can act dishonestly (Lokanan, 2015; Ruankaew, 2016). Financial pressure can be generated as a result of greed, living beyond one's means, and unexpected financial needs like medical emergencies (Hess & Cottrell, 2016; Schuchter

& Levi, 2016). Individuals with addictions might turn to unethical behavior to fund their

habits (Hess & Cottrell, 2016; Schuchter & Levi, 2016). Examples of perceived pressure

from addictions include alcohol, drugs, and gambling habits (Hess & Cottrell, 2016;

Ruankaew, 2013; Schuchter & Levi, 2016). Understanding these facilitators can help

business owners to design, maintain, and monitor more effective internal controls (Mui &

Mailley, 2015; Woolley, 2016). Some people are pressured to commit fraud by the

demands of others like their family members (Omar et al., 2016). When employees fear

they might lose their jobs, they perceive the pressure to commit fraud (Roden et al.,

2016). The greater the perceived pressure of an individual, the more likely they are to

justify the reason for fraudulent activities (Soltani, 2014; Stone, 2015). Verschoor (2015)

pointed out that business leaders use a positive tone at the top to reduce financial

pressure.

Opportunity is the possibility to commit and conceal fraud (Shinde, Willems,

Sallehu, & Merkle, 2015). It is difficult for individuals to commit fraud in the absence of

an opportunity (Alexander & Michael, 2014; Lokanan, 2015). Employees seem to think

that there is a perceived opportunity for them to commit fraud when they believe that

there is no chance for them to be caught committing fraud (Trompeter, Carpenter, Desai,

Jones, & Riley, 2013). The notion of perceived opportunity points out that individuals

will exploit situations that are presented to them (Schuchter & Levi, 2015). Schuchter and

Levi (2015) added that sometimes criminals assume that others are not aware of their

fraudulent actions or that others will not consider their actions to be fraudulent. There is

an increased opportunity for employees to misappropriate assets when they have access

to businesses resources with limited supervision (Mui & Mailley, 2015; Zakaria, Nawawi, & Salin, 2016). Employees also have an increased opportunity to misappropriate business assets when they perceive the absence of internal controls or when management can override internal controls (Roden et al., 2016; Richardson et al., 2014; Soltani, 2014). Roden et al. (2016) noted that addressing the opportunity component of the fraud triangle is the easiest and most effective approach to combat fraud within an organization.

Inadequate segregation of duties is one of the major fraud opportunities with small businesses (Henry, 2016; Omar et al., 2016; Roden et al., 2016). The same individual should not be given the authority to create, implement, and monitor business activities (Henry, 2016). In addition, management should clearly establish and document job description and appropriate authority for each employee (Frazer, 2016). A well designed, implemented, and monitored internal control can lessen an employee's opportunity to engage in fraudulent activities within the organization (Morales et al., 2014; Rodgers et al., 2015). Zakaria et al. (2016) mentioned an inverse relationship between internal control and perceived opportunity to commit fraud. The stronger the internal control of an organization, the less likely employees will perceive the opportunity to commit fraud (Chen et al., 2016; Zakaria et al., 2016). One way a small business owner can minimize employee fraud is to actively engage in internal control oversight (Chen et al., 2016; Kulikova & Satdarova, 2016). Business owners or managers must ensure the continuous reliability of business operating controls (Roden et al., 2016). Internal control oversight comprises of monitoring and identifying errors and

inconsistencies in established organizational policies and procedures that might create an opportunity for dishonest acts (Roden et al., 2016). However, when an individual is in the position of authority, he or she can create opportunities for fraud by overriding strong internal controls (Ramamoorti & Epstein, 2016; Roden et al., 2016; Schuchter & Levi, 2016).

Rationalization is the third element of the fraud triangle in which individuals seek to justify the reason for a fraudulent action before they engage in an unethical behavior (Free, 2015; Lokanan, 2015; Trompeter, Carpenter, Jones, & Riley, 2014). Individuals justify fraud because they do not want to appear morally unacceptable, rather they want to consider themselves as an exception (Trompeter et al., 2013). Individuals carry out dishonest acts and rationalize the consistency with their beliefs and values (Roden et al., 2016). Some employees have an attitude or ethical values that permit them to commit fraudulent activities deliberately (Soltani, 2014). Similarly, some employees justify the engagement in unethical behavior with entitlement to business funds (Hess & Cottrell, 2016; Richardson et al., 2014). Employees who feel cheated may carry out fraudulent activities as revenge towards their employers (Hess & Cottrell, 2016). Individuals tend to justify their dishonest activities with low reward or performance recognition (Hess & Cottrell, 2016). Employees might rationalize fraudulent activities to job dissatisfaction or the feeling that they are underpaid (Negurita & Ionescu, 2016). The rationalization component of the fraud triangle can be addressed within an organization through employee training and fraud awareness (Lokanan, 2015; Rodgers et al., 2015; Trompeter et al., 2014). Employers can also reduce rationalizations by promoting a positive and

honest employee work environment (Rodgers et al., 2015). If appropriately implemented, whistleblowing is an important way of detecting and preventing occupational fraud (Verschoor, 2015). The use of real-world examples of unethical behavior and consequences to both individuals and businesses can help employees better understand how fraud-related loss can impact them (Verschoor, 2015).

Limitations of the fraud triangle. Although Cressey's fraud triangle theory is supported and widely used by regulators and professionals in detecting and preventing employee fraud, it is not without criticism (Dellaportas, 2013; Stone, 2015). Over time, fraud has grown in complexity and fraudsters are advancing in creativity, making it difficult for the fraud triangle to fully cover certain aspects of fraud (Dorminey et al., 2012). Glodstein (2015) noted that every fraud case is unique. Some fraud triangle critics believe that the theory has a narrow interpretation (Morales et al., 2014; Murphy & Free, 2016).

Critics of the fraud triangle argued that the triangle needs other elements like the capability of fraud perpetrators because management cannot observe rationalization and pressure in fraudsters (Roden et al., 2016; Wolfe & Hermanson, 2004). Other critics noted that the fraud triangle addresses the motive of fraud from an individual's perspective where perceived pressure and rationalization cannot be observed and controlled by the organization (Mui & Mailley, 2015; Schuchter & Levi, 2016; Stone, 2015). Verschoor (2015) noted that the perceived pressure and rationalization components of the fraud triangle are more of individual ethical issues and organizational culture and more difficult to observe and influence. The fraud triangle provides

inadequate motive on the actions of individuals capable of committing and concealing fraudulent activities (Ruankaew, 2016).

Wolfe and Hermanson (2004) added a fourth component called capability to the three elements of fraud triangle and believed that capability compared to perceived pressure and rationalization can be observed. Amongst all three elements of the fraud triangle, opportunity is the only element that can be controlled by an organization (Roden et al., 2016). Albrecht, Howe, and Romney (1984) substituted the rationalization element in the fraud triangle with personal integrity. Albrecht et al. as Cressey's critics believed that an individual's decisions and the process of making those decisions are observable compared to rationalization in the fraud triangle.

Clatworthy (2014) indicated that management observant with regards to an employee's integrity could minimize or eliminate financial loss while maintaining company reputation. Maintaining good corporate governance and internal controls can reduce fraud opportunities within an organization (Mui & Mailley, 2015; Ruankaew, 2016; Zalata & Roberts, 2016). In a study, Lokanan (2015) explored the usefulness of the fraud triangle in combating fraud. Lokanan argued that the fraud triangle is an inadequate instrument for detecting and preventing fraud. Lokanan noted that the complexity of fraud makes it difficult to focus on a single theory to explain fraud occurrence. McMahon et al. (2016) added that an organization cannot use the fraud triangle in identifying all incidence of occupational fraud within.

Fraud is embedded in the morality of some individuals and requires the organization to scrutinize individual ethical behavior (Free, 2015; Lokanan, 2015).

Soltani (2014) believed that the fraud triangle model does not shed enough light on occupational fraud. Andon et al. (2015) argued that not all the elements in the fraud triangle need to be present for fraud to occur. Andon et al. (2015) added that for a fraudster who is waiting to use a perceived opportunity to commit fraud considers the fraud triangle element, pressure, as a subordinate to the internal control weakness.

Critics of the fraud triangle like Ramamoorti and Epstein (2016) argued that the fraud triangle does not address certain personalities including narcissists, Machiavellians, and psychopaths. Ramamoorti and Epstein (2016) noted that individuals without conscience do not seek to justify their fraudulent acts. Thus, rationalization as an element of fraud need not be present for that individual to commit fraud (Ramamoorti & Epstein, 2016). Psychopath employees have no conscience and empathy for their employers and desire to satisfy their needs first (Bailey, 2015). Psychopaths are aware of their wrong doings but do not care about the impact of their actions on others (Bailey, 2015). Schuchter and Levi (2016) added that there are individuals who commit fraud without any motivation and rationalization.

Alternative Theory

The fraud triangle is widely used by business owners and fraud examiners to predict the possibility of occupational fraud (Chen et al., 2016). Critics of the fraud triangle believe that there are other elements other than pressure, opportunity, and rationalization that could motivate a fraudster (Schuchter & Levi, 2016). Wolfe and Hermanson (2004) argued that for an individual to commit fraud, the person must be capable in addition to the three elements of fraud triangle. Wolfe and Hermanson (2004)

recommended a fraud diamond to include capability as an additional element in fraud triangle. This study uses both fraud diamond and fraud scale as alternative theories to the fraud triangle. Albrecht et al. (1984) presented the fraud scale as an alternative theory to the fraud triangle. Instead of rationalization, Albrecht et al. (1984) included personal integrity.

  The fraud diamond theory. In 2004, Wolfe and Hermanson presented the fraud diamond theory which was considered an expanded version of the fraud triangle theory. Wolfe and Hermanson (2004) believed that expanding fraud triangle could improve fraud detection and prevention. The fraud diamond consists of an additional element to fraud triangle theory called capability (McMahon et al., 2016). Wolfe and Hermanson (2004) argued that in addition to perceived pressure or incentive, perceived opportunity, and rationalization, fraud is unlikely to occur unless an individual is capable of committing fraud. Thus, without the right skills and ability, an individual is unlikely to engage in fraudulent activities. The fraud diamond theory explains further on how individuals with the capability to commit fraud will exploit perceived opportunities (Sergei, Andrei, & Anastasiya, 2016). Opportunity is the pathway to fraudulent activities (Wolfe & Hermanson, 2004). With a presented opportunity, an individual must have the capability to recognize a control weakness to commit fraud (Omar et al., 2016; Smith & Iacobelli, 2013). Ruankaew (2016) noted that some employees with unshareable financial needs, opportunity, and rationalization would not carry out fraudulent activities because they lack the right capacity. Boyle et al. (2015) emphasized the importance of a person's capability in committing fraud. Ruankaew (2016) added that an individual with the skills

and ability to commit fraud would identify weak internal controls and use it for their

personal gain. Wolfe and Hermanson (2004) identified four observable traits related to

individuals' capability to commit fraud:

- Authoritative position

- Capacity to understand and exploit weak internal control systems

- Ego and confidence that fraudulent behavior will not be detected

- Capability to effectively deal with stress to manage the fraud over an extended

  period.

Figure 2 shows the fraud diamond.
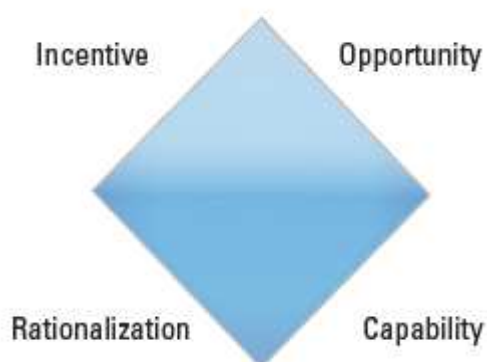
Figure 2. The fraud diamond.

One of the factors that enhance an individual's capability to commit fraud is the

individual's position (Button et al., 2015; McMahon et al., 2016). An individual under

pressure, with an understanding of internal control weakness, and the capability to

commit fraud can coerce other employees to turn the fraud opportunity into reality

(Schuchter & Levi, 2016; Wolfe & Hermanson, 2004). For a person in a position of

authority to commit fraud, the person has to be smart to recognize the opportunity and take advantage of it (Roden et al., 2016; Wolfe & Hermanson, 2004). It is important to frequently monitor employees in authority to mitigate their capability to influence fraud (Boyle et al., 2015).

Most fraudulent activities are carried out by intelligent and creative individuals with the capacity to understand and exploit weak internal control systems (Ruankaew, 2016; Schuchter & Levi, 2016; Wolfe & Hermanson, 2004). An individual with the capability to commit fraud has a strong ego and confidence that their fraudulent behavior will not be detected or if detected, they can easily free themselves (McMahon et al., 2016; Ruankaew, 2016; Wolfe & Hermanson, 2004). Committing and concealing fraud can be stressful. An individual with the right skills and ability to commit fraud must have the capability to effectively deal with stress associated with the fraud over a period of time (Omar et al., 2016; Wolfe & Hermanson, 2004).

The fraud scale theory. In 1984, as an alternative for the fraud triangle, Albrecht, Howe, and Romney developed the fraud scale used personal integrity in place of rationalization in the fraud triangle theory. Albrecht et al. (1984) used information collected from questionnaires distributed to 212 internal auditors who have experienced fraud in their organizations. Free (2015) noted that the fraud scale focuses on the pressure and perceived opportunity components of the fraud triangle as well as the moral standards of individuals. Figure 3 shows the fraud scale.
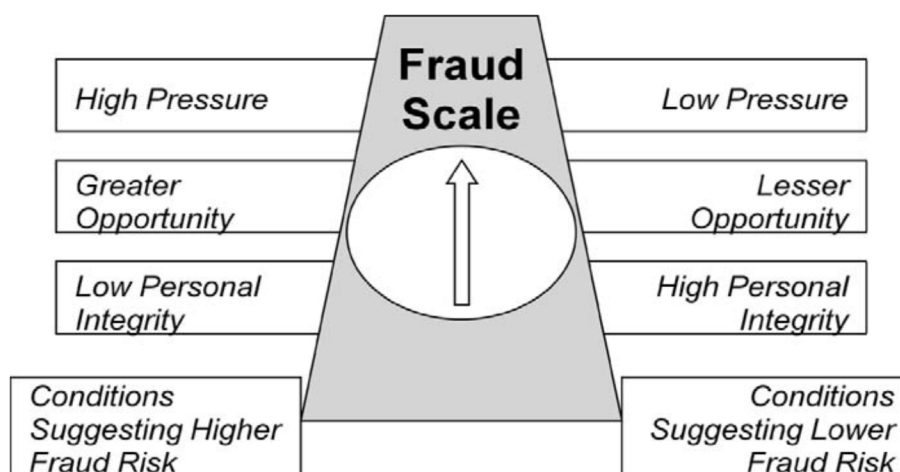
Figure 3. The fraud scale.

The personal integrity element is linked to an individual's ethical behavior (Mohd-Sanusi et al., 2015; Widianingsih, 2013). Albrecht et al. (1984) believed that a person's decisions and the process of making those decisions could determine their personal integrity. Fraud and unethical behavior are likely to be executed by an individual who lacks personal integrity or moral standards (Albrecht, Albrecht, Landau, & Malagueno, 2008). Individuals with high moral standards are still capable of committing fraud, but individuals with low moral standards are more likely to commit fraud under the same condition (Widianingsih, 2013).

Occupational Fraud

Fraud is an intentional dishonest act by an individual or group of individuals towards others that result in a personal gain (Cepeda, Gerardo, Perez, & Rivera, 2015; Herson, 2016). Fraud occurs when an individual knowingly conceals the truth for unlawful gain (ACFE, 2016; Cepeda et al., 2015). Occupational fraud refers to deceitful acts against organizations by employees, managers, or business owners for personal

enrichment (ACFE, 2016; Glodstein, 2015). Abiola and Oyewole (2013) considered employee fraud as a dishonest act carried out by an individual whose position is below management. Pressure, opportunity, and rationalization are considered the factors that motivate employees to commit fraud (Andon et al. 2015). Employee fraud focuses more on misappropriation of assets than financial statement fraud (Abiola & Oyewole, 2013). Cash and assets that can immediately benefit the employee are easy targets for employee fraud (Abiola & Oyewole, 2013; Mui & Mailley, 2015).

ACFE (2016) published a report on a survey in different industries on occupational fraud and abuse. ACFE reports on how occupational fraud occurs and how organizations can detect and prevent relative losses incurred as a result of occupational fraud. Organizations worldwide lose approximately 5% of annual revenue representing a potential annual occupational fraud loss of $3.7 trillion (ACFE, 2016). A business can fail as a result of employee fraud (Arshad, Iqbal, & Omar, 2015). It is essential for management of an organization to understand the different approaches to deter, detect, and prevent employee fraud (Boyle et al., 2015). Soltani (2014) found out that factors that contribute to occupational fraud include inefficient corporate governance, weak internal control, accounting irregularities, lack of core organizational values, and greed.

Approximately 5.2% of occupational fraud offenders have a prior conviction of related crimes (ACFE, 2016). Most fraud perpetrators are first-time criminals (Kramer, 2015; Ilter, 2016). Some fraud perpetrators are aware of the risk involved in committing fraud thus making it difficult for business owners and professionals to detect fraud (ACFE, 2016). People commit fraud for different reasons (Woolley, 2016). A fraudster

knows the risk involved in their reputations and careers (ACFE, 2016). An organization's attitude towards unethical behavior plays a vital role in the implementation of antifraud measures within the organization (McMahon et al., 2016).

Simser (2014) suggested that business owners and managers can adopt cultures that discourage fraud, either through background checks or policies on whistle-blowers. Employee training on what constitute fraud within an organization is an important fraud detection and prevention tool (Kramer, 2015; Peltier-Rivest & Lanoue, 2015). Glodstein (2015) noted that small business owners should create a perception of fraud detection among employees to minimize fraudulent activities. Business owners and managers need to inform employees that they are watching them through surveillance cameras, audio recording, or mere monitoring of their movements (Glodstein, 2015). When employees perceive that employers can catch them when they commit fraud, they are less likely to commit fraud (Glodstein, 2015).

Occupational fraud involves an employee stealing from their employer (Glodstein, 2015). There are three main types of occupational fraud namely asset misappropriation, fraudulent statements, and corruption (ACFE, 2016; Glodstein, 2015; Kummer, Singh, & Best, 2015). Asset misappropriation involves the misuse of business resources (ACFE, 2016; Glodstein, 2015). Corruption involves the misuse of authority for personal benefit (Glodstein, 2015; Kummer et al., 2015). Occupational fraud related to financial statements involves intentional falsification of business financial statements to mislead users (Glodstein, 2015; Woolley, 2016). Asset misappropriation is the most common type of occupational fraud (ACFE, 2016). ACFE (2016) reported more than

83% of occupational fraud cases associated with asset misappropriation. With a constant

increase in the sophistication of technology, occupational fraud is becoming more

difficult to prevent and detect (Negurita & Ionescu, 2016; Simha & Satyanarayan, 2016).

Asset misappropriation involves different types of theft of business assets by one or more

individuals including employees, management, or even third parties like vendors and

customers (ACFE, 2016). Asset misappropriation includes skimming, theft of cash at

hand, using business funds for personal purchases, faking receipts, check tampering, and

creating fictitious suppliers (Glodstein, 2015). Other asset misappropriation schemes

include collecting bribes from vendors, using business credit cards for private purchases,

falsifying expense reimbursement, creating ghost employees, faking time sheets, and

providing unauthorized discounts to friends and family (Glodstein, 2015; Kramer, 2015).

Check tampering schemes and billing schemes are the most common asset

misappropriation (ACFE, 2016; Kramer, 2015).

Impact of occupational fraud in small businesses. SBA (2014) defined a small

business as an independently owned and operated organization. A small business can be

in the form of Limited Liability Company, sole proprietorship, corporation, partnership or

any other legal form of business structure in the United States (Anastasia, 2015). There

are different statuses used to categorize small businesses based on the industry (ACFE,

2016; Godson, 2014). The U.S. Small Business Administration (SBA) establishes the

criteria used to determine a small business in the United States (Anastasia, 2015). SBA

uses the number of employees in the past one year and annual revenue in the past three

years to categorize the size of businesses (SBA, 2014). A small business is considered a

business with fewer than 100 employees (Anastasia, 2015). For the purpose of this study, small business is a privately-owned and operated profit focused retail organization with less than 50 employees.

Small businesses have an important role to play in the economy of the United States (Hayes, Chawla, & Kathawala, 2015). Small businesses represent approximately 99.9% of United States businesses (Hayes et al., 2015). Small businesses contribute 54% of sales in the United States (SBA, 2014). Recently, businesses with less than 50 employees have contributed the most in the job market (SBA, 2014). In 2013, United States small businesses employed 48.0% of private labor force and exported 97.7% of goods from the United States (SBA, 2014). Despite the fast growing rate of small businesses, small business owners still face the fear of business failure (Lacho & Brockmann, 2015). Lacho and Brockmann noted that it is important for small business owners to understand and implement the strategies needed to sustain small businesses. The knowledge and training of small business owners and managers play an important part in the success of a small business (Omri, Frikha, & Bouraoui, 2015).

Employee misconduct in small businesses is understudied (Ding & Wu, 2014). Small businesses struggle to survive in their early stages and may not consider business ethics seriously (Ding & Wu, 2014). Small businesses that plan to succeed and save their businesses for generations tend to focus more on business profitability and less on internal controls (Dimitrijevic, 2015; Ding & Wu, 2014). Some small business owners underestimate fraud damages to the business and other stakeholders (Klein, 2015). Approximately 66% of small businesses survive the first two years of operation (SBA,

2014). The success of small businesses is necessary for the creation of new jobs and economic growth (Omri et al., 2015). Occupational fraud can jeopardize the sustainability of small businesses (Kapardis & Papastergiou, 2016). A struggling business can reach a financial threshold by losing assets as a result of fraud (ACFE, 2016). It is costly for small business owners to design, implement and monitor antifraud measures, but once these measures are in place, there is a reduced loss from fraud risk (Glodstein, 2015; Verschoor, 2015).

Occupational fraud affects small retail businesses in different ways (Bonny, Goode, & Lacey, 2015). A business can lose its reputation in the eyes of vendors, customers, and other stakeholders as a result of occupational fraud (Kramer, 2015; Peltier-Rivest & Lanoue, 2015). The reputation of a business is a major asset to the business (Peltier-Rivest & Lanoue, 2015). The reputation and career of a direct supervisor of a fraud perpetrator are sometimes questionable, which could also affect the performance of the supervisor (Kramer, 2015). Smith and Iacobelli (2013) pointed out the vulnerability of small businesses to fraud as a result of lack of adequate internal controls to safeguard its assets. It is important for businesses to have strategies in place to detect and prevent occupational fraud (Henry, 2016). The impact of occupational fraud is greater in small businesses than larger businesses, although the monetary value might be more in larger businesses (Krambia Kapardis & Papastergiou, 2016). The loss suffered by small businesses as a result of occupational fraud is disproportionately more than occupational fraud suffered by large businesses (Glodstein, 2015). The lack of internal controls in small businesses is one of the reasons for this disproportion (Kramer, 2015).

Skimming, check tampering, cash larceny, and payroll fraud are fraud schemes that are more frequent in small businesses compared to larger businesses (ACFE, 2016). Small businesses are also vulnerable to other fraud schemes like expense reimbursements, non-cash, corruption, register disbursements, and cash on hand (Kramer, 2015; Kummer et al., 2015). Small businesses, unlike large companies, do not have adequate resources to implement controls like accounting personnel and recordkeeping to help prevent and detect fraud (Kramer, 2015).

The role of management in minimizing fraud opportunities and risk. It is not possible to eliminate occupational fraud from an organization (Kramer, 2015). However, it is important for business owners and managers to understand the strategies that are used to minimize fraud risk and accept some level of risk of occupational fraud (Kramer, 2015). Business owners and managers can use fraud prevention strategies to reduce financial loss as a result of fraud (Henry, 2016). According to Henry, establishing a good control environment within an organization is important in the effectiveness of fraud-prevention. Henry added that small business owners and managers need to make antifraud measures visible to all employees and incorporated in everyday activities of the business. When an employee perceives that they are more likely to be caught when they are dishonest in their activities, they will be less likely to carry out dishonest acts (Kramer, 2015; McMahon et al., 2016). Business owners need to ensure the right tone at the top to implement strong internal controls and minimize occupational fraud (Verschoor, 2015).

Business owners and managers should enforce fraud prevention measures at various levels within the organization to safeguard company resources (McMahon et al., 2016). Some of these fraud prevention measures include locking doors, surveillance, asking for proof before signing a check, and assigning different employees to similar tasks (Klein, 2015). Small business owners and managers can create a hotline where individuals can report fraudulent activities (Henry, 2016). Business owners and managers should ensure that all the employees are aware of how the business hotline operates, emphasizing the confidentiality of reporters (Henry, 2016; Peltier-Rivest & Lanoue, 2015).

In the hiring process, business owners and managers can reduce potential fraudsters by conducting background checks, confirming references, or checking certifications (Henry, 2016; Peltier-Rivest & Lanoue, 2015). Inadequate hiring policies can create a conducive environment for occupational fraud (Peltier-Rivest & Lanoue, 2015). Business owners and managers should publish and distribute clear business policies and procedures including codes of ethics to employees (Henry, 2016). During employee training, management should enforce the understanding of antifraud measures to reduce fraud occurrence (Gates, Prachyl, & Sullivan, 2016). To ensure effectiveness, business owners and managers can tailor fraud-related training to individual employee job responsibilities (Peltier-Rivest & Lanoue, 2015). When employees are well-educated about fraud, they can quickly identify potential fraud risk (Henry, 2016).

To limit employees from committing and concealing fraud schemes, small business owners and managers should ensure that no single employee creates,

implements, and monitors a process (Henry, 2016). Simha and Satyanarayan (2016) suggested that business owners and managers can use job rotation and mandatory employee vacation to mitigate fraudulent activities within the business. Segregation of duties should be implemented at all levels within the business (Omar et al., 2016; Roden et al., 2016). However, small businesses usually have few employees, making it difficult to segregate employee duties and implement internal controls (Glodstein, 2015; Krambia Kapardis & Papastergiou, 2016). Employers can hold periodic meetings with employees to reiterate job description and emphasize the effect of fraud on employee jobs and business reputation (Kramer, 2015).

The role of whistleblowers in mitigating occupational fraud. Kummer et al. (2015) noted that management could use whistleblower policies, fraud control policies, and fraud risk registers to mitigate fraud occurrence within a business. A whistleblower is any current or former employee who discloses fraudulent activities to an organization (Greenwood, 2015; Leifer, 2014). Employee fraud is likely to be detected internally by tips from other employees (Verschoor, 2015). Tips are the most common method used by organizations to detect occupational fraud (ACFE, 2016). Organizations with reporting hotlines were 47.3% likely to detect occupational fraud compared to 28.2% for organizations without hotlines (ACFE, 2016). Peltier-Rivest and Lanoue (2015) noted that organizations reduce median fraud losses by 54% when using hotline as an antifraud measure. Individuals who blow the whistle are likely to make fraud reports to their direct supervisor (ACFE, 2016).

In an attempt to reduce employee fraud opportunities, organizations can

encourage whistleblowing and establish a code of ethics with detailed penalties for

violations (Campbell et al., 2014). Despite incentives to encourage whistleblowing,

individuals aware of unethical behavior are reluctant to blow the whistle (MacGregor &

Stuebs, 2014). Employers can institute anonymous fraud hotlines within the business to

provide employees ways to report unusual behavior (Giovino, 2015; Seitz, Oeding, &

Wiese, 2015). Honest employees, vendors, and customers are great assets in detecting

and preventing employee fraud (Kramer, 2015; Pacella, 2016; Verschoor, 2015).

Henry (2016) noted that employees are valuable in achieving organizational

goals. Whistleblowers play a vital role in maintaining good corporate governance (Dixon,

2016; Pacella, 2016). Whistleblowing is an inexpensive and effective antifraud

instrument that small business owners can use to mitigate fraud (Kummer et al., 2015).

Whistleblowing programs could be used to address ongoing fraudulent activities and

mitigate future fraud occurrence (Johansson & Carey, 2016; MacGregor & Stuebs, 2014).

Businesses with anonymous fraud hotline encounter fewer fraud occurrences

(Greenwood, 2015; Hess & Cottrell, 2016). Trompeter et al. (2013) mentioned that these

societal interventions and antifraud measures aim to minimize the impact and probability

of fraudulent activities within an organization. It is important for small businesses to

incorporate training programs that cover what constitutes fraud, its effects, and how to

report unusual activities (Peltier-Rivest & Lanoue, 2015; Verschoor, 2015).

The Sarbanes-Oxley and Dodd–Frank Acts protect whistleblowers against

employer possible retaliation (Cobb & McKenzie-Harris, 2016; Mccormac, 2017;

Pacella, 2016). According to the Dodd–Frank Act, employers may not discharge,

threaten, suspend, or discriminate against any whistleblower (Cobb & McKenzie-Harris,

2016; Mccormac, 2017). Examples of retaliation against whistleblowers include job

stagnation, isolation, acts of intimidation, threats, and blacklisting (Calvasina, Calvasina,

& Calvasina, 2016; Pacella, 2016). It might be challenging for an employee to blow the

whistle and continue to work with the same employer (Archambeault & Webber, 2015).

Verschoor (2015) added that some employees are hesitant to blow the whistle because

they fear that senior management or business owner might not address the reported

unethical behavior. Most employees who act as whistleblowers desire an honest and

transparent work environment (Dussuyer, Armstrong, & Smith, 2015). It is advisable for

employees to seek legal advice from an attorney not related to their employer concerning

their rights and obligations with regards to unethical workplace behavior (Verschoor,

2015). Retaliation against whistleblowers can result in fallacious silence among witnesses

(MacGregor & Stuebs, 2014). If fraud witnesses decide to remain silent, fraud will

intensify within the organization and go undetected (Johansson & Carey, 2016;

MacGregor & Stuebs, 2014).

Internal Control Framework

Internal control is a process designed by the board of directors, management, and

other personnel (Committee of Sponsoring Organizations of the Treadway Commission

[COSO]). Internal controls are designed to provide reasonable assurance concerning the

effectiveness and efficiency of operations, the reliability of reporting, and compliance

with applicable laws and regulations (COSO, 2013; Hari, 2016). Tak (2014) noted that

internal control is an important part of an organization, and when ignored, the

organization tends to lose power over the governance of the entire entity. Mukhina (2015) emphasized the importance of internal control to the growth and success of businesses. Negurița and Ionescu (2016) suggested that inadequate internal controls over company assets may increase the likelihood of asset misappropriation within an organization. Fraudster employees will exploit internal control weaknesses in carrying out deceptive acts and covering their acts (Negurița & Ionescu, 2016). One of the best employee fraud prevention is good internal controls (Campbell et al., 2014). The COSO framework is designed to assist organizations to develop an effective system of internal control (COSO, 2013).

Fraud signs used to strengthen internal control. Small businesses need internal controls (Mutnuru 2016). Mutnuru added that business owners and managers could use internal controls to ensure that policies and procedures are helping the business reach its goals. With limited resources, it is challenging for small business owners to appropriately design and implement internal controls (Al-Thuneibat, Al-Rehaily, & Basodan, 2015; Frazer, 2016). Identifying internal control weaknesses is an early stage of detecting and preventing occupational fraud (Kramer, 2015; Reinstein & Taylor, 2017). Fraud red flags are signs of possible fraud (Kramer, 2015). These signs do not necessarily imply the occurrence of fraud; however, it could indicate a weakness in internal control (Kramer, 2015).

There are typically three factors present when fraud occurs (McAfee & Guth, 2014). These factors include unshareable financial problems, perceived opportunity, and rationalization (Dellaportas, 2014). Fraud red flags from opportunity occur as a result of

weak corporate governance or inadequate internal controls (Brazel, Jones, Thayer, &

Warne, 2015). Fraud red flags vary with business size, individuals, and the type of

organization (ACFE, 2016). Red flags may be different depending on the potential fraud

scheme (Kramer, 2015). It is essential for business owners and managers to understand

the symptoms and red flags of fraud (Yogi, 2016).

There are no perfect systems of internal control (Kramer, 2015). However,

inadequate formal ethical policies and procedures can encourage unethical behavior

among employees (Al-Thuneibat et al., 2015). Before committing fraud, individuals tend

to display warning signs (ACFE, 2016). Some of these warning signs include financial

difficulties and living beyond their means (ACFE, 2016). Most fraudsters tend to

extravagantly spend the gain from fraudulent activities, thus indicating signs of fraud

(Kramer, 2015).

Lack of proper segregation of duties or clear job responsibilities in small

businesses is an internal control weakness that can promote fraud (Frazer, 2016).

Employees who are reluctant to delegate or share their responsibilities might be creating

and concealing fraudulent activities (Kramer, 2015). When an employee gets unusually

close to customers and suppliers, it might be a fraud red flag (ACFE, 2016). Employees

with prior legal problems could be a red flag to potential unethical behavior (Kramer,

2015). A recent divorce, unexpected medical expenses, and other family problems can

cause a trusted employee to act dishonestly (ACFE, 2016). An individual committing

fraud within an organization might tend to be defensive indicating that they have hidden

information (Kramer, 2015).

The absence of management oversight is an internal control weakness in a small business that can lead to occupational fraud (Frazer, 2016). Missing supplier invoices could be an indication of fraud scheme (Kramer, 2015). Vendors without traceable phone numbers and addresses could be fictitious and a sign of fraudulent activities (Kramer, 2015). Inadequate evaluation of information systems can also be an internal control weakness used by employees as an opportunity to commit fraud (Al-Thuneibat et al., 2015). Other fraud red flags include missing checks, cash flow discrepancies, and untraceable expenses (Kramer, 2015). Some fraud perpetrators in using illegal gains will make excuses for their luxurious lifestyle to justify their source of money (Kramer, 2015). Some of the sources of income commonly used by fraudsters include inheritance, withdrawal from retirement plan, and gifts (Kramer, 2015).

The COSO framework. COSO is an independent private sector initiative devoted to assisting organizations to develop effective internal control, deter fraud, and improve the performance of organizations (Kimbell, 2017). COSO is made up of five private sponsoring organizations, namely the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), the American Accounting Association (AAA), the Institute of Management Accountants (IMA), and Financial Executives International (FEI; Kimbell, 2017).

In 1992, COSO issued an integrated framework for internal controls which constituted five components (Kimbell, 2017). COSO components of internal control include control environment, risk assessment, control activities, information and communication systems, and monitoring (COSO, 2013; Mukhina, 2015). The control

environment component of internal controls within an organization is the tone at the top with respect to the effectiveness of internal control (Schmidt, 2014). The tone at the top establishes a significant influence on business ethical practices (Patelli & Pedrini, 2015). The control environment component consists of (a) the organizational structure, (b) authority and responsibility assignment, (c) the integrity and ethical values, (d) human resources policies and procedures, (e) the financial reporting competencies, (f) management's philosophy and operating style, and (g) the board of directors' oversight (COSO, 2013; Rubino, Vitolla, & Garzoni, 2017). Dimitrijevic (2015) stressed the importance of control environment in business to prevent employee fraud successfully.

In assessing risk, management would have to investigate the effectiveness of internal controls and ensure the proper use of business resources (Croitoru, 2014). Conducting fraud risk assessment increases management's awareness of internal control weaknesses and potential fraud opportunities (Dorsey, 2015). Management can consider an individual's opportunity, rationalization, and perceived pressure to commit fraud in relation to fraud policies when assessing fraud risk (Mohd-Sanusi et al., 2015; Murphy & Free, 2016). The information and communication component of COSO describes the importance of generating and sharing quality information to enhance the effectiveness of internal control (De Simone, Ege, & Stomberg, 2015). Weng, Chi, and Chen (2015) pointed out that organizations with internal control weaknesses had less information precision. Business owners can use open communication and regular meetings to strengthen internal controls (Frazer, 2016; Rae, Sands, & Subramaniam, 2017).

The effectiveness of internal control should be monitored on a continuous or separate evaluation to ensure that all five elements of internal control are functioning as expected (Murphy & Free, 2016). The control activities component of COSO denotes the organizational policies and procedures used by management to implement internal controls and ensure the achievement of organizational goals (Dorsey, 2015; Verschoor, 2015). Management should ensure the deployment, modification, and replacement of control activities at all stages of the organization to reduce risk and meet operation objectives (Urbanik, 2016).

Evaluation of internal controls. Business leaders can use the COSO framework to evaluate the effectiveness of an organization's internal controls (Länsiluoto, Jokipii, & Eklund, 2016). Business owners use the monitoring which is one of the components of COSO to assess the quality of internal control (COSO 2013, Länsiluoto et al., 2016). It is important for business leaders to evaluate on an ongoing basis if the designed controls are operating as anticipated to ensure the effectiveness of internal controls (Murphy & Free, 2016). Business owners evaluate the effectiveness of internal control to ensure compliance with laws and regulations (Wang, 2015). With changing factors to business fraud risk, business owners can ensure the effectiveness of internal controls by constant revision of controls and employee moral training (Peltier-Rivest & Lanoue, 2015).

There are some basic steps business owners can use to evaluate internal controls. Firstly, a business owner should have a clear understanding of existing internal controls and how the procedures should function before planning internal control evaluation (Negurita & Ionescu, 2016). Next, a business owner or manager should evaluate the

internal controls of the business as a whole, and then focus on evaluating specific process

internal control (Peltier-Rivest & Lanoue, 2015). In case an employee violates procedures

put in place to mitigate fraud risk, they should be held accountable (Soltani, 2014).

A fraud risk register is an instrument used within an organization to document

fraud risk and occurrence during business operations (Kummer et al., 2015). To increase

fraud detection within a business and revise internal controls, business owners must put

specific fraud policies and fraud assessment instruments in place (Kummer et al., 2015).

The use of a good fraud assessment instrument could help a business owner identify fraud

vulnerable areas in the business (Kummer et al., 2015). In evaluating internal controls, a

business owner can inquire of knowledgeable employees, observe how procedures are

applied, inspect documents, and walkthrough the entire business facility (Henry, 2016;

Kramer, 2015).

Business owners perform internal control assessments to gain insight into the

effectiveness of policies and procedures in achieving business objectives (Peltier-Rivest

& Lanoue, 2015). Small business owners and managers can mitigate fraud occurrence by

overseeing the implementation of business internal controls to ensure they work as

intended (Chen et al., 2016; Kulikova & Satdarova, 2016). Employers can provide

employees with questionnaires to assess the effectiveness of internal controls (Cram &

Gallupe, 2016). Employee involvement in the fraud-risk assessment process can increase

employee fraud awareness and help in fraud prevention (Bonny et al., 2015; Henry,

2016). Business owners can focus internal control evaluation on specific departments

separately or the entire business at once (Peltier-Rivest & Lanoue, 2015). Appropriate

assessment of internal control can help business owners and managers to substantive

improve controls (Cram & Gallupe, 2016).

To update internal controls and procedures business owner need to be vigilant to

potential fraud opportunities among employees (Campbell et al., 2014). Clatworthy

(2014) indicated that management observant with regards to the employee integrity could

minimize or eliminate financial loss while maintaining company reputation. To

effectively manage fraud risk, it is important for small business owners and managers to

set an example by adhering to all policies and procedures put in place to manage fraud

risk (Peltier-Rivest & Lanoue, 2015). Management must show commitment to ethical

behavior for others to follow (Al-Thuneibat et al., 2015). Organizations are responsible

for educating employees on what fraud is and how to protect business assets (Kummer et

al., 2015).

Smith and Iacobelli (2013) noted that small business owners could mitigate fraud

loss by setting an ethical tone at the top and implementing stronger internal controls to

protect business resources. Strong internal controls can only reduce fraud risk, but cannot

eliminate unethical behavior (Frazer, 2016). Management can override appropriately

designed and implemented internal controls (Kramer, 2015). Small business owners and

managers should focus on implementing and evaluating internal controls that are less

likely to be overridden without the right authority (Henry, 2016). Even in the presence of

strong internal controls, two or more employees can collude to circumvent well-

implemented controls (Kramer, 2015). In small businesses, it is sometimes difficult for

owners and managers to segregate duties because of lack of resources to employ more personnel (Frazer, 2016).

Methodologies

In the review of the professional and academic literature section of this study, I drew on the work of other scholars who conducted studies on related research topics. In conducting research, a researcher can use quantitative, qualitative, or a mixed research method to explore or examine a phenomenon (Makrakis & Kostoulas-Makrakis, 2016; Park & Park, 2016). I selected a qualitative research method and a case study design for this study.

Trotman and Trotman (2015) conducted a qualitative study to explore the growing importance of sustainability. Trotman and Trotman (2015) used face-to-face semistructured interviews except one telephone interview to collect data. Similarly, Simser (2014) conducted a qualitative case study to explore the role of the employees in fraud and deception. Manurung, Suhartadi, and Saefudin (2015) conducted a quantitative study with the use of questionnaires to understand the relationship between employee fraud and organizational commitment with moderation effectiveness of internal control. A quantitative study provided new evidence of employee fraud by investigating the connection between fraud occurrence, incentives, and perceived opportunities to act dishonestly (Clor-Proell, Kaplan, & Proell, 2015). Bonny et al. (2015) use a combination of quantitative and qualitative research method to examine and explore employee fraud against employers. Hollow (2014) also carried a mixed research to understand in depth the motives of bank employee fraud at work.

Researchers use qualitative research methods to generate in-depth information on a study that would otherwise be challenging to quantify (Alderfer & Sood, 2016; Hesse-Biber, 2016). Yin (2014) noted that the main reason for a research design in a study is to guide the researcher in the process of data collection, analysis, and interpretation. A researcher uses multiple case study to strengthen the results of the study through different sources of information (Anderson, Leahy, DelValle, Sherman, & Tansey, 2014). Tak (2014) carried out a qualitative case study to explore the effectiveness of internal control in detecting fraud. Tak interviewed management and other company personnel using qualitative open-ended questions. Azmi and Rahman (2015) also used semistructured interview qualitative research method to explore strategies that could help mitigate fraud. The methodology for this study is similar to the methodology used by Azmi and Rahman (2015).

Transition

In Section 1, I provided the background of the problem, problem statement, purpose statement, nature of the study, research question, interview questions, and conceptual framework. I also presented in Section 1, operations of definitions, assumptions, limitations, and delimitations. In Section 1, I discussed the significance of the study and the review of the professional and academic literature on strategies used by small retail business owners to detect and prevent employee fraud.

In Section 2, I described the role of a researcher, participants, and restated the purpose statement presented in Section 1. Section 2 also included the research method, research design, population and sampling, and ethical research. Furthermore, I presented

in Section 2 the data collection instruments and techniques, data organization techniques, and data analysis. I finalized Section 2 with the reliability and validity of the study. In Section 3, I provided a presentation of the findings, application to professional practice, implications for social change, recommendations for action, further study, and reflections on my experience as a researcher.

Section 2: The Project

In Section 2, I discuss the methodology employed to explore strategies used by small retail business owners to detect and prevent employee fraud. Included in this section is the purpose statement, the role of the researcher, participants, qualitative research method, case study research design, and population and sampling. Additionally, Section 2 includes data collection and techniques, data organization techniques, data analysis, and reliability and validity of the study.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. The targeted population comprised of 10 owners and managers of five small retail businesses located in Michigan who have implemented strategies to detect and prevent employee fraud. Managers and owners of small businesses can benefit from the results of this study by gaining awareness of the need to detect and prevent employee fraud. The implications for positive social change include the potential to increase appropriate controls over employee fraud and enable small retail businesses an opportunity to succeed, which could increase employment opportunities. Increased employment opportunities could allow local communities to prosper.

Role of the Researcher

The role of a researcher involves the formulation of a research question, selection of an appropriate research method, collection of data, and data analysis (Khankeh, Ranjbar, Khorasani-Zavareh, Zargham-Boroujeni, & Johansson, 2015; Yin, 2014). A

researcher maintains a clear understanding of the phenomenon of study (Berger, 2015).

As a qualitative case study researcher, my role included involving myself in every phase

of this study, selecting participants, selecting an appropriate research method, collecting

data, transcribing recordings, analyzing data, and writing a report on the outcomes.

Before data collection, a researcher reflects on prior knowledge of the issue

studied (Snelgrove, 2014). The professional experience I gained in accounting increased

my interest in exploring a better understanding of strategies used by small retail

businesses to detect and prevent employee fraud. My professional experience includes 5

years in accounting. I have witnessed the struggles of small retail business owners with

decreased profitability due to employee fraud.

A researcher must have an understanding of ethics and integrity relating to a study

to achieve an excellent research goal (Collins & Cooper, 2014). The Belmont report (U.S.

Department of Health and Human Services, 1979) underlined ethical principles for

researchers working with human subjects; these principles consist of respect,

beneficence, and justice. The use of Belmont Report protocol includes obtaining

informed consent from willing participants and maintaining participant confidentiality.

It is difficult for a researcher to completely avoid bias during a research process

(Malone, Nicholl, & Tracey, 2014). Researchers using a case study research method

should have a prior understanding of the issues studied, which might influence the

interpretation of evidence (Yin, 2014). Some researchers might prefer some research

findings over others because of their prior beliefs (Sheppard, 2015). A researcher needs

to be mindful in every state of the study of possible bias and deliberate on strategies to

mitigate biases (Malone et al., 2014). In my role as a researcher, I reduced bias by maintaining a high ethical standard through honesty, professional competence, and reading articles related to the study. Researchers also focus on self-understanding and the impact of their expectations and biases on their study (Berger, 2015). Hence, to mitigate bias, I maintained an understanding of the topic area and the expectations of a researcher.

An interview protocol guides the researcher in the data collection procedure and increases the reliability of the study (Yin, 2014). A case study researcher can carry out a quality research through training and the development of a protocol to guide the collection of data (Yin, 2014). Qualitative researchers ask exploratory questions that will invite participants to open up and carefully listen to get a deeper understanding of responses from participants (De Ceunynck, Kusumastuti, Hannes, Janssens, & Wets, 2013). After collecting case study evidence, it is important to immediately review the evidence to determine if there is a need for additional evidence (Yin, 2014). A case study researcher can use a protocol to design a trustworthy procedure for data collections, formulate interview questions that focus on the information needed for the study, and outline a report of the case study (Amankwaa, 2016). Thus, I used an interview protocol (Appendix A) to establish trustworthiness within this study. A researcher must avoid or reduce bias (Cope, 2014). By using interview protocol as a researcher, I stayed on track and treated each participant the same, thus reducing bias.

Participants

Researchers must screen participants based upon eligibility criteria (Powell, Wilson, Redmond, Gaunt, & Ridd, 2016). Eligible participants of a qualitative study are

willing individuals from whom the researcher collects relevant data related to the central research question (Yin, 2014). A qualitative researcher is interested in knowledgeable participants that can explore the phenomenon of study in depth (Kaczynski, Salmona, & Smith, 2014; Yirdaw, 2016). The eligibility criteria for participants in this study included owners and managers of small retail businesses with experience implementing strategies to detect and prevent employee fraud and who were willing to participate in the study.

Researchers use specific criteria as a means to gain access to desired participants (Meutia & Ismail, 2015). Gülmez, Sağtaş, and Kahyaoğlu (2016) noted that a researcher must obtain permission from a gatekeeper within an organization to conduct research. A gatekeeper is a person within an organization who controls a researcher's access to research (Gülmez et al., 2016). Gatekeepers should make decisions that respect the interests of individuals and the organization they represent (Whicher, Miller, Dunham, & Joffe, 2015). I requested the gatekeeper to sign a letter of cooperation (see Appendix B) as part of the IRB approval process from Walden University. I used managers and owners of small retail businesses as gatekeepers to gain access to eligible participants. Once a researcher has identified eligible participants, the researcher sends a letter inviting these individuals to participate in the study (Powell et al., 2016). After the gatekeepers granted me the permission to conduct the research, I sent an introductory letter (see Appendix C) to participants inviting them to participate in the study. In the introductory letter, I included the informed consent form, which protects their privacy.

Participants are more willing to participate in a study when they have a good working relationship and confidence in the researcher (Stühlinger & Hackl, 2014). A

working relationship between a researcher and a participant can affect the findings of research (Wallace & Sheldon, 2015). The researcher-participant relationship should be clearly defined, and the outcome of the relationship should be overtly stated (Grieb, Eder, Smith, Calhoun, & Tandon, 2015). To establish and uphold a good working relationship with participants, I explained the purpose of the study, the procedures, the risk and benefits of participating in the study, and the confidentiality of participants. I also ensured that potential participants understood the purpose of the study before they decided to participate.

Research Method and Design

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. Researchers can select a qualitative, quantitative, or mixed research method to explore or understand a phenomenon (Makrakis & Kostoulas-Makrakis, 2016). I selected a qualitative multiple case study design as an appropriate method and design for this study to explore and understand human experience (Yin, 2014).

Research Method

Once a research question is known, it is important for a researcher to select an appropriate research method (Khankeh et al., 2015). To explore the strategies used by small retail business owners to detect and prevent employee fraud, I chose a qualitative research method. Qualitative researchers explore the *how* and *why* of social events involving human experiences (Ingham-Broomfield, 2015). Using a qualitative research method, I gained a better understanding of the issues studied from the experiences of

participants. Adopting a qualitative research methodology involves systematic textual data collection and interpretation from interviews or observations (Khankeh et al., 2015). Researchers use qualitative methods to generate in-depth information that would otherwise be challenging to quantify (Bernard, 2013).

Researchers conduct quantitative studies to examine the relationship or differences among variables (Bernard, 2013). Quantitative researchers use quantifications to understand the existence of a phenomenon (Bristowe, Selman, & Murtagh, 2015). Researchers use the quantitative research method to examine quantities, support judgments, and test hypotheses (Thamhain, 2014). A quantitative research method was not suitable for this study because I did not examine the relationship or differences among variables. Also, I did not use a quantitative research method because I did not test hypotheses and use numeric data.

Researchers use a mixed research method to combine techniques from both the quantitative and qualitative research method (Makrakis & Kostoulos-Makrakis, 2016). A mixed research method is more difficult to perform (Yin, 2014). Mixed method researchers use this method of research to gain complex comprehension of a phenomenon (Chilisa & Tsheko, 2014). I rejected the mixed research method because I did not include numeric data in this study. Instead, I used the qualitative research method to explore and interpret the experiences of participants.

Research Design

The main reason for a research design is to guide the researcher in the process of data collection, analysis, and interpretation (Yin, 2014). A researcher's research design

must be suitable to address the research question (Khankeh et al., 2015). A qualitative

researcher can use different design approaches including ethnography, case study, and

phenomenology (Kruth, 2015).

Researchers use a qualitative multiple case study to strengthen the findings of the

study through replication (Vohra, 2014). Researchers use a case study design to explore a

bounded system in detail by collecting information from a variety of sources over time

(Singh, 2014). Researchers use a qualitative case study to address the *how* and *why*

questions in a study (McCusker & Gunaydin, 2015). Thus, I used a qualitative multiple

case study to explore strategies used by small retail business owners to detect and prevent

employee fraud.

Researchers using a phenomenological design focus on the meaning of

participants' lived experiences (Chan & Walker, 2015). A phenomenological researcher's

attention is to describe *what* and *how* all participants experience a phenomenon

(Robertson & Thomson, 2014). Using a phenomenological design, a researcher seeks to

describe the perspective and interpretation of all participants (Dowden, Gunby, Warren,

& Boston, 2014). My goal was to explore strategies used by small retail business owners

to detect and prevent employee fraud, not to explore participants' lived experiences.

Hence, a phenomenological approach was not suitable for this study.

A researcher using an ethnography design seeks to explore the shared patterns of

a cultural group (Marshall & Rossman, 2016). Researchers using an ethnography design

learn about a particular group by immersion (Cincotta, 2015). Ethnographers spend

extended periods in the field observing and interviewing a given cultural group (Symons

& Maggio, 2014). I intended to explore the real-world viewpoints of individuals and not the shared patterns of a cultural group. Thus, an ethnography design did not align with this study.

The saturation of data depends on the issues studied, the purpose of the study, participants, and the research method and design (Viet-Thi, Raphael, Bruno, & Philippe, 2016). A qualitative researcher reaches data saturation when the data collected does not add new information to the phenomenon explored, and coding is no longer realistic (Fusch & Ness, 2015). A researcher conducting qualitative research uses data saturation to evaluate the quality of the study (Hancock, Amankwaa, Revell, & Mueller, 2016). When a researcher fails to attain data saturation in a study, the quality and the content validity of the study may be hindered (Fusch & Ness, 2015). To reach data saturation, I interviewed small retail business owners and managers until there were sufficient data and information to replicate the phenomenon studied.

Population and Sampling

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. The sample population for this study consisted of managers and owners of small retail businesses in Michigan. Researchers select participants that precisely fulfill the purpose of the research question (Cleary, Horsfall, & Hayter, 2014). A researcher should be able to justify the inclusion of participants for a study (Robinson, 2014). The criterion for selecting participants is a thoughtful decision-making process that reduces the risk of producing inadequate or unmanageable volumes of data (Cleary et al., 2014). Selected participants

should be able to generate relevant information that is rich and focused on the issue of study (Amintoosi, Kanhere, & Allahbakhsh, 2015; Cleary et al., 2014). Thus, the sample population aligned with the research question because the research question was as follows: What strategies do small retail business owners use to detect and prevent employee fraud?

To select participants for this study, I used purposive sampling. The sampling of a study must align with the goals and assumptions of the study (Palinkas et al., 2015). Researchers use sampling to maximize the efficiency and validity of a study (Palinkas et al., 2015; Robinson, 2014). Researchers use a purposive sampling technique to select desired participants with specific criteria (Meutia & Ismail, 2015). The use of purposive sampling in this study enhanced the selection of experienced and knowledgeable managers and small retail business owners who have implemented strategies to detect and prevent employee fraud.

Data saturation occurs when the data collected does not add new information or coding to a study and the data collected can replicate the study (Fusch & Ness, 2015). Data saturation increases the reliability and validity of the results of a study (Fusch & Ness, 2015). Qualitative researchers refrain from interviewing more participants when additional interview information does not generate new insight to a phenomenon (Cleary et al., 2014; Roy, Zvonkovic, Goldberg, Sharp, & LaRossa, 2015). I refrained from collecting additional data when no new ideas emerged from participant interviews. Moonaghi, Mirhaghi, Oladi, and Zeydi (2015), in their study of factors influencing nursing students' clinical education, reached data saturation after interviewing 12

participants. Christenson, Johansson, Reynisdottir, Torgerson, and Hemmingsson (2016) used data saturation approach to determine that data collection became redundant after interviewing 15 participants. Thus, I used the data saturation approach to refrain from collecting additional data after interviewing 10 experienced managers and small retail business owners.

A researcher can use interview settings to increase the quality of information provided by the participant (Cairney & St Denny, 2015). I conducted face-to-face in-depth interviews and one telephone interview. Participants for my study chose a comfortable and safe environment for the interview. When participants feel comfortable and safe in a face-to-face interview, they share more information relevant to the phenomenon of study (Bowden & Galindo-Gonzalez, 2015; Deakin & Wakefield, 2014). Participants are more focused in an environment free of distractions, thus providing higher quality audio recording (Deakin & Wakefield, 2014).

Ethical Research

Informed consent is an integral aspect of ethics in research (Sanjari, Bahramnezhad, Fomani, Shoghi, & Cheraghi, 2014). The main objective of informed consent is to enable eligible participants to decide to participate in a study (Beskow, Dombeck, Thompson, Watson-ormond, & Weinfurt, 2015). The informed consent form provided a brief description of the study, procedures, privacy, discomforts and benefits of being in the study, and my contact information as the researcher. All the willing participants read and signed the informed consent form. Before interviewing participants, I ensured that I obtained appropriate informed consent form that included policies and

procedures to protect the privacy and confidentiality of participants.

A researcher must honor a participant's decision to withdrawal from the research (Melham et al., 2014; Thrope, 2014). An informed consent document includes language that allows a participant to freely withdraw from the study (Beskow et al., 2015; Judkins-Cohn, Kielwasser-Withrow, Owen, & Ward, 2014). I made it known to participants that they were free to withdraw at any point during the study without consequences. They could withdraw by contacting me by phone, email, or in person. Steinmeier (2016) provided no incentives to interviewees during the data collection process in a study to explore how fraud might affect business sustainability. I reiterated to participants that participation in the study was voluntary and there were no incentives for participation.

The real identities of participants of a study can be converted to fictitious identities to protect the confidentiality of the participant (Bromley, Mikesell, Jones, & Khodyakov, 2015; Yin, 2014). To protect names and keep participants confidential, I named participants as PO1, PO2, PO3, PM1, PM2, and PM3 and ensured that I have sole access to the interview information.

Protecting the anonymity and confidentiality of participants is necessary when exposed to sensitive information in research (Johnson, 2014; Yin, 2014). Once the study was complete, I stored the data in a locked file cabinet at my home for 5 years to protect the confidentiality of interviewees. After 5 years of securely storing data, I intend to shred all paper copies and permanently delete electronic copies and adhere to the requirements of Walden University's Institutional Review Board (07-25-17-0438356) guidelines to ensure the well-being of participants.

Data Collection Instruments

In qualitative studies, a researcher is the primary data collection instrument (Yin, 2014). As a primary data collection instrument, a qualitative researcher interacts directly with participants (Da Costa, Polaro, Vahl, & Gonçalves, 2016). Voelkel and Henehan (2016) maintained that qualitative researchers collect data themselves through interviews, study documents, and observation, making them key instruments in a study. As a qualitative researcher, I was the primary data collection instrument for this research study with the use of semistructured interviews.

A qualitative researcher can use semistructured interviews to collect data (Conzelmann & Keye, 2014). I conducted face-to-face semistructured interviews and one telephone interview using open-ended questions to collect data for the study. Researchers who use semistructured interviews engage in in-depth conversations with participants (Cridland, Jones, Caputi, & Magee, 2015). A researcher using semistructured interviews has a predefined list of questions (Hedlund, Börjesson, & Österberg, 2015). The semistructured interviews for the study consisted of seven predetermined open-ended questions that focused on exploring the central phenomenon of the study. Each semistructured interview lasted no more than 45 minutes, and the interviews were audio recorded. During the semistructured interviews, I asked participants valuable interview questions, stayed adaptive, and avoided biases.

A qualitative researcher uses triangulation of multiple data collection methods to enhance the validity, confidence, and accuracy of data findings (Wilson, 2014; Yin, 2014). A researcher using triangulation may use similar or oppose data collection

methods depending on what the researcher plans to accomplish (Burau & Andersen, 2014). Researchers need to be precise about what they intend to gain from triangulation based on the research question (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014). I used method triangulation to strengthen the validity, reliability, accuracy, and credibility of data. As a researcher, I used method triangulation by including documentary evidence and casual observations to supplement my data collected through interviews. Burau and Andersen (2014) described triangulation as the use of two or more data collection methods in the same study with the goal to mitigate, eliminate, or counterbalance the limitations of using one data collection method. The data collection methods I used included casual observation, semistructured interviews using open-ended questions, and a review of documentary evidence. Documentary evidence encompassed written policies, human resource files, and other relevant internal documents.

Member checking is a technique used by qualitative researchers to enhance the accuracy of a study (Marshall & Rossman, 2016). A researcher uses member checking to relay the findings of the data collected to participants (Dubois & Gadde, 2014). To improve reliability and validity of data collection process, a qualitative researcher can employ member checking (Milosevic, Bass, & Combs, 2015). Therefore, I employed member checking to enhance reliability and validity of the data collection process in this study.

A qualitative researcher is the primary data collection instruments and must avoid researcher bias (Cope, 2014). Researchers use interview protocols as a step-by-step approach to guide them through the interview process (Benia, Hauck-Filho, Dillenburg,

& Stein, 2015). A researcher can use interview protocols to gain access to key participants and make precise schedules of activities needed to complete the data collection procedure at a given time (Yin, 2014). A researcher can use interview protocols to reduce the risk of researcher bias (De Ceunynck et al., 2013). I used semistructured interviews using open-ended questions to elicit comprehensive responses from participants. By using an interview protocol (Appendix A), I was able to standardize each interview and thus reduced researcher bias.

Data Collection Technique

Data collection techniques comprise of step-by-step interrelated activities aimed at gathering valuable information related to the phenomenon of interest (Jarkas & Horner, 2015). A researcher can use multiple sources to collect data for the same study (Wilson, 2014). Data collection techniques for this study included face-to-face semistructured interviews and a telephone interview using open-ended questions (see Appendix F), documentary evidence, and casual observations. Researchers use semistructured interviews to explore the perspectives and experiences of participants related to the research question (Agran, MacLean, & Arden, 2016; Kulkarni & Hanley-Maxwell, 2015). A qualitative researcher uses semistructured interviews to give participants the opportunity to contribute to the study (Tweedie & Kim, 2015). As a qualitative researcher, I used semistructured interviews, documentary evidence, and casual observations to explore the strategies needed by managers and owners of small businesses to detect and prevent employee fraud. Before interviewing participants, I ensured that I obtained appropriate informed consent form that included a brief

description of the study, procedures, privacy, discomforts and benefits of being in the

study, and the right to decline at any point during the process (see Appendix D). All the

participants willing to participate in the study read and signed the informed consent form.

I called participants before conducting the interviews to make arrangements on their

venue preferences. I also notified and asked the permission of participants to audio record

the interview.

Researchers use semistructured interviews to stimulate familiarity with

participants and gain a unique understanding of the phenomenon studied (Cridland et al.,

2015). A researcher uses semistructured interviews to gather reliable data (Agran et al.,

2016). Researchers using semistructured interviews have predetermined list of questions

with no uniform established answer option (Andrades, Bhanji, Kausar, Majeed, &

Pinjani, 2014; Yurdakul, 2015). However, a researcher's training and type of questions

used in a semistructured interview can affect the quality of data collected (Agran et al.,

2016). Researchers use casual observation to access the real-world activities of

participants (Lieberman & Lohmander, 2014). Yin (2014) noted that researchers intrude

into the real-world activities of participants when making observations. Thus, I was

aware of the potential intrusiveness of the interview process.

Member checking can be used by a qualitative researcher to give participants the

opportunity to react to the researcher's interpretation of collected data (Andraski,

Chandler, Powell, Humes, & Wakefield, 2014). A researcher can use member checking

to obtain the feedback of participant and enhance the validity of findings (Andraski et al.,

214). Researchers use member checking their interpretation of the data to ensure

credibility (Marshall & Rossman, 2016; Theron, 2015). To add credibility to this study, I presented my write-up to participants with my interpretation of the interview to give them the opportunity to validate the accuracy of my interpretation of the collected data. During member checking process, participants confirmed the accuracy of my interpretation of the interviews.

Data Organization Technique

A researcher uses data organization techniques to make data easily accessible and visible (Wilkerson, Iantaffi, Grey, Bockting, & Simon Rosser, 2014). A qualitative case study researcher uses data organization techniques to mitigate commingling raw data with researcher's interpretation of data (Yin, 2014). Researchers use a reflective journal to help organize data (O'Connell, Dyment, & Smith, 2015). After every interview, I documented my comments in a reflective journal. The notes helped as I organize my collected data. To speedily retrieve information, researchers may use software applications to organize and store electronic data (Rajesh & Ramesh, 2016). To organize and keep track of data, I used Excel spreadsheet. A qualitative researcher can use codes to organize data (Bell & Waters, 2014). I also used coding to facilitate data organization and retrieval.

Researchers can securely store electronic data files in a password-protected computer and keep hardcopy files in a locked cabinet (Khan, 2014; Marshall & Rossman, 2016). Security protects data from unauthorized access, and it is an essential aspect of privacy (Johnson, 2014; Ruivo, Santos, & Oliveira, 2014). A researcher must ensure that data files are confidential, kept securely and responsibly (Marshall & Rossman, 2016).

To maintain the confidentiality of the participants, I stored electronic data in a password protected computer and kept hard copies in a locked file cabinet at my home. All data must have a retention time limit (Ruivo et al., 2014). After 5 years of securely storing participant information, I intend to shred paper copies and permanently delete electronic copies from my computer.

Data Analysis

Qualitative data analysis consists of preparing, organizing, and narrowing data into manageable and meaningful segments (Cridland et al., 2015; Darawsheh & Stanley, 2014). Data analysis is one of the most challenging stages of research for a novice (Yin, 2014). The data analysis process appropriate for this case study research was methodological triangulation. Yin (2014) identified four different types of triangulation including data, methodological, investigator, and theory triangulation. In methodological triangulation, researchers use multiple data collection methods and analysis to explore a phenomenon and increase the validation of collected data (Carter et al., 2014; Fusch & Ness, 2015). Therefore, I used multiple sources of data collection including face-to-face semistructured interviews and a telephone interview using open-ended questions (see Appendix F), documentary evidence, and casual observations to increase the validity of findings in this study.

It is important for a qualitative researcher to provide a logical and sequential process for data analysis (De Massis & Kotlar, 2014). Data analysis process starts immediacy after conducting the first interview (Dierckx de Casterlé, Gastmans, Bryon, & Denier, 2012). A case study researcher should have a strategy to link data to the research

question (Yin, 2014). The data analysis process I used included the following stages after completing my interviews and collecting addition data: (a) transcribe interviews and organize data, (b) code narrative segments into themes, (c) as part of member checking review themes with participants, (d) adjust my interpretation of themes based upon participant comments, and (e) write my final results. After collecting data from participants using semistructured face-to-face interviews and a telephone interview, documentary evidence, and casual observations, I immediately transcribed each interview. Next, I organized data into thematic groups as recommended by (Riera et al., 2015). Coding involves the combination of related concepts into categories (Riera et al., 2015). After coding narrative segments into themes, I presented my write-up to participants to validate themes emerging from member checking. Qualitative researchers interpret data to make the data meaningful (Lynch, Smith, Provost, & Madden, 2016). Lastly, I made adjustments to my interpretation of themes based upon remarks from participants to ensure accuracy, and concluded with a final write-up of the findings.

A researcher can use a computer application in the data analysis phase of a study to locate and retrieve material related to themes and codes (De Massis & Kotlar, 2014; Sotiriadou, Brouwers, & Le, 2014). Qualitative data analysis vendor includes NVivo, HyperRESEARCH, ATLAS.ti, and MAXQDA (Yin, 2014). Researchers use NVivo to analyze, manage, and increase speed for organizing qualitative themes (Blaney, Filer, & Lyon, 2014). A researcher can use NVivo to easily manipulate data and save time by using a text search function (Brennan & Bakken, 2015; Blaney et al., 2014). Therefore, I used NVivo software in the data analysis phase to easily retrieve material and save time.

Researchers use thematic analysis to identify and focus on key themes (Pascoal, Narciso, & Pereira, 2014). A researcher can use thematic analysis to describe how patterns combine into meaningful segments (Pascoal et al., 2014). In correlating key themes with the literature, a researcher can use thematic analysis to detect recurrent concepts (Teruel, Navarro, González, López-Jaquero, & Montero, 2016). A thematic analytic process involves repeated reading of data to become familiar with the data and identify related concepts to the research question (Rohlfing & Sonnenberg, 2016). I used thematic analysis to identify and organize themes related to this study.

Reliability and Validity

The reliability and validity of a study can be used to establish the quality of findings (Yin, 2014). The goal of reliability in a study is to reduce biases (Yin, 2014). In judging reliability and validity of a qualitative study, a researcher can use the following analogous criteria (a) dependability, (b) credibility, (c) transferability, (d) confirmability, and (e) data saturation (Kaczynski, Salmona, & Smith, 2014; Yin, 2014). Researchers use member checking to enhance the validity and reliability of findings in a study (Andraski et al., 2014). I established reliability and validity by using member checking as a technique to improve credibility.

Reliability

Researchers use reliability as a measure of consistency in a research finding (Noble & Smith, 2015). Dependability involves the stability of data over time under different settings (Elo et al., 2014). A researcher establishes dependability to increase the confidence in the results of a qualitative study (Munn, Porritt, Lockwood, Aromataris, &

Pearson, 2014). To assess dependability, researchers use independent auditors to review

their procedures (Connelly, 2016). As a researcher, I maintained an audit trail to enhance

the assessment of dependability of this study. There is a link between quality and

dependability of a study (Munn et al., 2014). To improve the quality of findings, I

employed member checking by presenting my write-up to participants to validate my

interpretation of the data collected during interviews. Theron (2015) suggested a

qualitative researcher use member checking to ensure accurate interpretation of

participant narratives and increase the reliability of findings. Researchers use multiple

data collection methods to explore a phenomenon and increase the reliability and

validation of findings (Carter et al., 2014). Therefore, to increase the reliability and

validity of findings in this study, I also used multiple sources of data collection including

face-to-face semistructured interviews and a telephone interview, documentary evidence,

and casual observations. Documentary evidence encompassed written policies, human

resource files, and other relevant internal documents.

Validity

Gheondea-Eladi (2014) referred to reliability and validity as the most significant

standards for a study. Validity involves the accuracy of data (Noble & Smith, 2015). A

researcher can establish the validity of a research finding by maintaining consistency

(Aravamudhan & Krishnaveni, 2016; Gonzalez, Rowson, & Yoxall, 2015). To establish

the validity of a study, a researcher can ensure credibility, transferability, confirmability,

and data saturation (Connelly, 2016; Yin, 2014).

Credibility. Qualitative researchers can enhance the credibility of findings in a

study by establishing validity from the participant' perspective (Andraski et al., 214; Marshall & Rossman, 2016). Connelly (2016) recommended member checking and reflective journaling as techniques a researcher can use to establish credibility in a finding. The credibility of a study is valid when a participant confirms the findings of a researcher (Milosevic et al., 2015). A researcher can use member checking to gain additional insight into a phenomenon of study (Kornbluh, 2015). To add credibility to this study, I presented my write-up to participants with my interpretation of the interview to allow them to validate the accuracy of my interpretation of the collected data.

Transferability. Transferability refers to the point where a researcher can transmit findings of a study to different settings (Elo et al., 2014). A researcher can use transferability to apply the findings of a study to related research (Anney, 2014). To enhance transferability, it is essential for a researcher to present a clear description of the context of findings (Elo et al., 2014). Future researchers and readers of a study find transferability useful (Elo et al., 2014; Gheondea-Eladi, 2014). I presented adequate information on the phenomenon of study to provide readers and future researchers with transferable findings to their study.

Conformability. Conformability involves the data accuracy of findings as provided by participants (Elo et al., 2014). Kaczynski et al. (2014) referred to confirmability as the neutrality of findings in a study and not researcher's biases or perspectives. A researcher can establish conformability in a study by auditing the research method employed (Anney, 2014; Connelly, 2016). I used methodological triangulation to ensure conformability. In methodological triangulation, a researcher uses

multiple data collection methods to explore a phenomenon (Fusch & Ness, 2015; Greene, 2014). I used different sources of data collection including face-to-face semistructured interviews and a telephone interview, documentary evidence, and casual observations in this study.

Researchers reach data saturation when additional data collected does not generate new ideas to the phenomenon of study (Fusch & Ness, 2015). Data saturation enhances the reliability and validity of the findings of a study (Cleary et al., 2014). After attaining data saturation, a qualitative researcher stops interviewing more participants (Roy et al., 2015). Hancock et al. (2016) focused on data saturation to improve study validity. To ensure data saturation, I continued to interview participants until there was sufficient data to replicate the phenomenon of study.

Transition and Summary

Section 2 includes a comprehensive description of this study. I started section 2 with a restatement of the purpose statement as presented in section 1. Included in section 2 is the role of the researcher, data collection techniques, and data analysis. The section also describes the research method, research design, and population and sampling. Additionally, in section 2 I addressed how I established reliability and validity for this study. In Section 3, I presented the findings and the application of professional practice. I discussed the implications for social change, recommendations for action, further research, and reflections on the research process.

Section 3: Application to Professional Practice and Implications for Change

Section 3 provides a thorough description of the findings of the research study on strategies used by managers and owners of small retail businesses to detect and prevent employee fraud. In this section, I present an overview of the study, which includes the purpose of the study, the presentation of the research findings, and application to professional practice. In this section, I also include implications for social change, recommendations for action recommendations for further studies, a reflection, and a conclusion.

Overview of Study

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. I interviewed 10 participants using face-to-face semistructured interviews and a telephone interview with open-ended questions. Of the 10 participants, five were small retail business owners (PO1, PO2, PO3, PO4, and PO5) and the other five were managers of small retail businesses (PM1, PM2, PM3, PM4, and PM5). Participants signed an informed consent form indicating their willingness to participate in the study. To protect names and keep participants confidential, I named participants as PO1, PO2, PO3, PM1, and PM2, etc. I also used method triangulation by including documentary evidence and casual observations to supplement my data collected through interviews. Documentary evidence included written policies, human resource files, and other relevant internal documents.

The semistructured interview consisted of seven interview questions, lasted no more than 45 minutes, and was audio recorded. I used the NVivo software to analyze,

manage, and organize themes and to retrieve material with ease and save time. As a researcher, I was mindful of possible bias and deliberated on strategies to reduce these biases. I maintained a high ethical standard through honesty and professional competence. Once I interviewed participants, I organized the data collected into thematic groups. I later coded narrative segments into themes and presented my write-up to participants to validate themes emerging from member checking. Lastly, I made a few adjustments to my interpretation of themes based upon remarks from participant to ensure accuracy and preceded to a final write-up of the findings of this study. Some of the themes included (a) controls and communication, (b) cash register accountability, (c) segregation of duties, (d) monitoring, and (e) action against perpetrators. This section of the study includes a comprehensive presentation of the findings, the application of professional practice. In this section, I also discuss the implications for social change, recommendations for action, further research, and reflections on the research process.

Presentation of the Findings

The overarching research question that guided this study was as follows: What strategies do small retail business owners use to detect and prevent employee fraud? The population for this study comprised managers and owners of small retail businesses located in the state of Michigan. Participants had unique codes (PO1, PM1, etc.) to ensure confidentiality.

I conducted face-to-face semistructured interviews and one telephone interview with participants. I used triangulation by including documentary evidence and casual observations to supplement my data collected through interviews and strengthen the

accuracy and credibility of data. The findings from this study extend the knowledge of studies in the literature review. The conceptual framework for this qualitative multiple case study was fraud triangle theory developed in 1950 by Cressey to illustrate the components that cause an individual to commit fraud (Cressey, 1952). Managers and owners of small businesses who use the fraud triangle as a tool to detect dishonest activities develop ethical cultures within the business that support efforts to minimize dishonest behavior (Rodgers et al., 2015; Verschoor, 2015).

The five main themes identified through data analysis included (a) controls and communication, (b) cash register accountability, (c) segregation of duties, (d) monitoring, and (e) action against perpetrators. Different interview questions solicited different themes during the interviews with participants. These emergent themes seemed relevant in exploring strategies needed by managers and business owners to detect and prevent employee fraud. Table 1 shows the interview questions, themes, and percentage of participant references.

Table 1

Interview Questions, Themes, and Percentage of Participant References

Interview questions	Emergent themes	% of participant references
1. What strategies do you use to detect and prevent employee fraud within your business?	Monitoring	100%
2. What are some of the policies you have incorporated to detect and prevent employee fraud?	Controls and communication	100%
3. What strategies have been most successful for detecting and preventing employee fraud?	Cash register accountability	90%
4. How do you assess the effectiveness of the strategies for detecting and preventing employee fraud?	Monitoring	100%
5. What principal barriers did you encounter when implementing your strategies for detecting and preventing employee fraud?	Segregation of duties	70%
6. How did you address the principal barriers to implementing the strategies for detecting and preventing employee fraud?	Controls and communication	80%
7. What additional information can you provide regarding strategies to detect and prevent employee fraud?	Action against perpetrators	70%

Theme 1: Controls and communication. All of the participants I interviewed identified controls put in place to detect and prevent employee fraud. Coston (2015) referred to appropriate controls as the key measures used by managers and business owners to safeguard business assets and promote ethical behavior within the business. Participants acknowledged the importance of educating and training employees on what constitutes fraud and how it can be detected and prevented. Kummer et al. (2015) pointed

out that it is an organization's responsibility to educate its employees on what fraud is and how to protect business assets.

Participants indicated that they have preventive and detective controls to mitigate fraudulent activities. To minimize or eliminate errors or irregularities within an organization, Frazer (2016) noted that small business owners should implement preventive controls and detective controls to investigate errors or misappropriations. The findings revealed that when managers and small business owners design and maintain appropriate controls, there is a reduction in opportunities for employees to perpetrate and conceal fraudulent activities. Controls are essential in mitigating fraudulent activities within a business irrespective of the size of the business.

PO1, PO3, and PM1 emphasized the importance of communicating, educating, and observing employees on various internal control procedures put in place for the effective and efficient running of the business. Participants were concerned about emerging fraud schemes not addressed in existing controls. PO3 revealed that with changing fraud schemes, they amend controls regularly and place the controls in visible areas for employees. PO4 stated, "It is easy to reinforce controls to detect and prevent employee fraud when there is a clear line of communication between the business owner and employees on business fraud policies." Participants noted that one of the ways of communicating written business policies and procedures to employees is to place copies on visible areas and make sure that each employee has a hard copy as well. Through casual observation, I identified policies posted on the walls of some small retail businesses stating what constituted fraud and the consequences of fraudulent activities. In

addition, I determined that some small business owners had employee handbooks with formal fraud policies.

Simser (2014) suggested that management can adopt cultures that discourage fraud through background checks for potential employees. PM1, PM2, PO2, PO3, and PO4 admitted that they conduct background checks, drug testing, and reference checks during the hiring process to minimize the employment of potential fraud perpetrators. PM2 stated, "I will follow-up on the reasons why a potential employee left their former jobs by calling previous employers to make sure that the reasons were not fraud related." PO5, PO3, and PO2 acknowledged the importance of management oversight over controls to detect and prevent dishonest behavior amongst existing employees, which supports the assertions of Frazer (2016) who indicated that the absence of management oversight is an internal control weakness in a small business that can lead to employee fraud.

Theme 2: Cash register accountability. Participants noted that they pay particular attention to an employee whose cash register amount does not reflect the cash register receipts. PM3, PO1, PO3, PM1 indicated that they offer proper employee training on how to handle cash registers including counting back customer change before letting cashiers work with little supervision. All participants interviewed disclosed that a cashier operates a cash register from the beginning of their shift to the end to ensure accountability of any shortages or overages. The drawers are counted at the end of each cashier's shift to ensure that cash collected reconciled with cash register receipts. In some businesses, I saw reviewed documents indicating that cashiers must verify the accuracy

of cash in their drawers at the beginning of their shifts and count out their drawers at the end of their shifts as well. Some of the documents further explained employee responsibilities following cash shortages and overages. Some businesses had forms where employees report daily records such as beginning balance, total cash collected, total checks cashed, coupons redeemed, and cash shortages (overages).

Participants pointed out that cash drawer discrepancy is investigated immediately to determine if it is an error or a misappropriation. PM4 added that if the discrepancy is an error, employees are evaluated to determine if they need further training to minimize such errors. The findings revealed that when employees feel valued by managers and business owners, it is less likely for them to commit fraud. PO1 stated that "when employees are appreciated, appropriately rewarded, and actively involved in decision making, they are less likely to commit fraud." PO1 went ahead to say that "employees will protect business assets when they feel like part of the business."

Participants mentioned the importance of restricting physical access of individuals to certain parts of the business like the cash register, the safe, and the keys of doors with valuable items in an attempt to safeguard business assets. PO2, PO5, and PM2 stated that they have cameras directly above each cash register to monitor employee activities in and out of the cash drawer. They noted that the cameras would show items sold and the time the activity took place to reflect the amount charged to customers for the items. PO5 stated an incident where an employee favored customers by offering unauthorized discounts to family and friends. The participant was able to watch the surveillance camera and determine that the employee did not charge all the items viewed on the

camera. All small retail business owners interviewed admitted that when they oversee any function in the business, there is a reduced perceived opportunity for employees to commit and conceal fraud in that area.

Theme 3: Segregation of duties. Frazer (2016) added that inadequate segregation of duties within small businesses is one of the leading fraud opportunities for employees. PO3, PM4, PO4, and PM5 expressed that segregation of duties seems to be a challenge because their businesses have a limited number of employees and constrained resources. PO3 noted that for the business to save money, it is easier to train an existing employee to complete multiple functions. Before interviewing PO2, I observed the participant complete a payment to a supplier after verifying the receiving report and vendor invoice. The participant completed this task while working with a customer.

Small retail businesses are susceptible to misappropriation of assets due to the limited number of employees carrying on multiple responsibilities. To achieve appropriate segregation of duties and prevent fraudulent activities within small businesses, Locati (2017) confirmed that the responsibilities for processing cash disbursement and cash receipts from start to finish should be handled by different individuals. PM2 and PO5 also indicated that employees who handle cash and other business assets are closely supervised. PO5 noted that one of the ways they overcome the challenges of segregation of duties is to be actively involved in certain employee duties like cash disbursement and invoice approval to reduce or eliminate unauthorized payments.

The findings of the study revealed that the lack of proper segregation of employee duties could result in errors and give a single individual an opportunity to commit and conceal fraudulent activities. As noted by Bain (2017), small businesses do not have enough resources to hire specialized employees. Participants recognized the importance of defining the responsibilities and job descriptions in writing of each employee to ensure accountability. To minimize employee fraud, Chen et al. (2016) indicated that managers and owners of small businesses should be actively engaged in internal control oversight. The findings of the study indicated the importance of management's commitment to ethical behavior for employees to emulate in an effort to mitigate employee fraud.

Theme 4: Monitoring. The importance of using surveillance cameras to monitor employee activities was prominent in interviews with all participants. Participants expressed the need to inform employees that they are been watched through surveillance cameras. Participants' responses supported the findings of Glodstein (2015), who noted that when employees perceive that employers can catch them when they commit fraud, they are less likely to commit fraud. Findings from the study indicated that business owners could minimize fraudulent activities within the business when they are diligent and closely monitor employees. After conducting interviews with participants, I observed that cameras were in different places to monitor employee activities and minimize employee fraud.

PO4 revealed that whistle blowing is one of the effective antifraud instrument used within the business to mitigate fraud. Johansson and Carey (2016) indicated that business leaders could implement whistleblowing programs to address ongoing dishonest

activities and mitigate future fraud occurrence. Dull (2014) added that monitoring

employee activities is an important antifraud measure that could be used by small

business owners to limit employees from committing fraud and covering their track. PO5

stated that "observing the interaction between employees and vendors could determine if

the employee is collecting bribes from the vendor or reporting fictitious invoices to split

the payments made as a result of fraudulent activities." PO5 explained that at the end of

each month, inventory is counted to make sure that the ending inventory matches with the

sales and beginning inventory. The research findings indicated that employees would be

more likely to report fraudulent activities if the business owners made reporting easy and

anonymous.

Scott (2016) explained how important it is for management to monitor the ethical

culture of the organization. PO1, PO3, PO5, PM2, and PM4 discussed the idea of

listening and observing individual employee to ensure that they are not pressured to

commit fraud by their lifestyle. Participants acknowledged that an employee's behavior

or change in behavior could be a potential fraud sign, which supports the findings of

Klein (2015), who indicated that before committing fraud, individuals usually

demonstrate behavioral traits that can be used to identify their intention. Some of the

traits identified by participants included alcohol, living beyond their means, drugs,

gambling, and financial obligations that tied with the perceived pressure component of

the fraud triangle. The conceptual framework for this study was the fraud triangle theory,

with the fraud diamond and the fraud scale as alternative theories. These theories could

be used by managers and owners of small businesses to understand why employees

commit fraud and how to detect and prevent fraudulent activities within the business. PO5 described how they purposefully leave valuable assets and watch the reactions of newly employed employees towards the assets to determine if the new employee will keep the assets to themselves or return them to the owner.

Theme 5: Action against perpetrators. Participants acknowledged the importance of the business reputation to suppliers, customers, potential employees and the community as a whole which corroborates with the findings of Peltier-Rivest and Lanoue (2015) who noted that the reputation of a business is a major asset to the business. PM1 added that employees take internal controls seriously when they are held accountable for their actions. Participants acknowledge the importance of making sure every employee abide by the business policies and procedures by setting an ethical tone at the top for employees to follow. To effectively manage fraud risk, managers and owners of small businesses should set an example by adhering to all policies and procedures put in place to manage fraud risk (Peltier-Rivest & Lanoue, 2015). PO5 indicated that complaints from customers and vendors related to unethical behaviors within the business are also addressed immediately to protect the reputation of the business.

PO3 revealed that when employees exhibit signs of dishonest behavior or when individuals report suspected fraudulent activities, an investigation is immediately conducted to minimize fraud loss. Participants pointed out that they report employees who fail to follow business policies and procedures and carry out fraudulent activities to the police. Before approaching an employee on fraudulent activities, PM1 noted that

thorough investigation and evidence must be in place to back the accusations. In one of the small retail businesses, I observed a manager watch the cameras and make notes. When I asked the manager about the notes, the manager stated that there were incidents that needed to address to avoid potential fraud opportunities.

PM1 stated that "It is important to take action and prosecute employees who act dishonestly so that other employees can know that the business owner takes business policies and procedures seriously." PM2 stated, "If an employee commits fraud, the employees will receive a warning the first time. If the employee continues, we will terminate their employment, report to the police, or seek legal advice on how to recover any financial loss." PO2 indicated that it could be very stressful to handle fraud cases in an amicable way that will maintain the business reputation in the eyes of stakeholders. Findings from the study indicated that when there are clear consequences for dishonest acts and business owners follow up on these consequences, there is a reduced chance for employees to commit fraud and cover their tracks. Among other documentary evidence, I reviewed formal policies related to employee fraud and misappropriation of business assets.

Applications to Professional Practice

The findings from this study are relevant to improved business practice in that the study provides additional information on the strategies used by managers and owners of small businesses to combat employee fraud. The specific business problem is that some small retail business owners lack strategies to detect and prevent employee fraud. Managers and owners of small businesses should enforce antifraud controls at different

levels within the business to safeguard business assets (McMahon et al., 2016). The results of this study can provide managers and business owners of small businesses with information on how to enforce antifraud and safeguard business resources. Safeguarding business resources will minimize fraud risk.

Managers and owners of small retail businesses can adopt cultures that discourage fraud, either through background checks, policies on whistle-blowers, or the implementation of strong internal controls (Frazer, 2016; Simser, 2014). The findings from this study concurred with the fraud triangle theory because small business owners can use the theory to understand key fraud factors. Business owners can use the fraud triangle theory to understand why employees commit fraud, and how to detect and prevent fraudulent activities in an organization (Free, 2015; Marshall & Cali, 2015). The results from this study would provide professional practice of business in that small business owners with relevant information on employee fraud could design and implement sound systems of internal controls to reduce the possibility for employees to commit and conceal a fraud.

Implications for Social Change

The results from this study could benefit small business owners and society by adding to the strategies small retail business owners and managers can use to detect and prevent employee fraud. Designing, implementing, and maintaining strong internal controls could increase the likelihood of small retail business success and improve the economic well-being of the community. The effective operation of small retail businesses could create a positive effect on other small businesses in the community thus, ensuring

individual job security. The findings of this study could provide small business owners with insight on the importance of training employees on what constitutes fraud within an organization, its effects, and how to report unusual activities.

Some small business owners and managers could benefit from the findings of this study and adopt ethical cultures within the business that discourages dishonest behaviors. Small business owners might gain knowledge on the importance of enforcing the understanding of antifraud measures among employees to reduce fraud occurrence. Discouraging dishonest behavior might lead to reduced fraud loss and increased small retail business profitability. With increased profitability, small retail businesses could increase employment opportunities. Increased employment opportunities could allow local communities to grow economically.

Recommendations for Action

The findings of this study noted some recommendations for action for managers and owners of small businesses to detect and prevent employee fraud. Other individuals who need to pay attention to the results of this study include potential small business owners. Some of the recommendations include conducting background checks before employment, implementing sound internal controls, and offering mandatory tailor fraud-related training to individual employee job responsibilities.

Small business owners should consider as part of hiring practices, background checks for potential new employees as a strategy for combating employee fraud. The specifications of background checks should depend on the potential employee's job responsibilities. Based on the casual observation during the data collection process, I

noticed that some small business owners paid less attention to conducting background checks, confirming references, or checking certifications. Some of the participants noted that employees consisted of close family members or individuals referred by close family members, friends, or current employees. Some business owners should ensure by conducting background checks that new hires are who they say they are before entrusting business resources under their supervision.

Another recommendation for action for business owners and managers from the findings of this study include appropriate designing, implementing, and maintaining of internal controls to safeguard business assets. Small business owners should implement internal controls that reduce fraud opportunities within a business. Small business owners with inadequate internal controls over company assets will increase the likelihood of employees misappropriating business resources. Small business owners should ensure proper segregation of duties to lessen an employee's opportunity to engage in dishonest acts. Small business owners should also be actively engaged in the oversight of internal controls to minimize fraudulent activities.

The Small Business Administration is one of the ways to disseminate the results of this study on strategies used by managers and owners of small businesses to detect and prevent employee fraud. To disseminate the findings of this study, I plan to use scholarly journals. Inadequate knowledge on detecting and preventing employee fraud can increase fraud risk and decrease business profitability. Managers and owners of small businesses should attend conferences and seminars that provide employee ethics training related to employee fraud. Business owners should read published articles and reports related to

antifraud measures to reduce fraudulent activities within the organization. One of the reports includes Report to the Nations on Occupational Fraud and Abuse. It reports on how occupational fraud occurs and how organizations can detect and prevent relative losses incurred as a result of occupational fraud.

Business owners should mandate employee training and fraud awareness program as an important fraud detection and prevention tool. Business owners should incorporate training programs that cover what constitutes fraud, its effects, and how to report unusual activities. Managers and owners of small businesses should train employees to use whistleblowing policies as a way to mitigate fraud occurrence within the business. Business owners and managers should tailor fraud-related training to individual employee job responsibilities.

Recommendations for Further Research

The purpose of this qualitative multiple case study was to explore strategies used by small retail business owners to detect and prevent employee fraud. The findings from this study provide researchers with the foundation for future research in exploring other strategies not covered in this study that small retail business owners could use to combat employee fraud. Owners and managers of small retail businesses can also benefit from a further study on how to safeguard business resources from fraud risk.

Participants in this study consisted of managers and owners of small retail businesses in Michigan. Further research may expand the geographical location outside the State of Michigan. It was evident during the data collection process that participants underestimated the effect of employee fraud on small retail businesses. Future research

could focus on increasing awareness of the impact of employee fraud on small retail businesses.

Reflections

In the process of completing this study, I experienced academic growth and gained a better understanding of strategies used by managers and owners of small retail businesses to detect and prevent employee fraud. In my effort to mitigate personal bias or preconceived ideas and values I was mindful in every data collection and analysis process of the study of possible bias. Thus, I used interview protocol to stay on track and ensured that I treated each participant the same.

It was amazing to see how hard the participants work to improve their businesses and stay profitable. The participants were passionate about what they do and willing to participate in the study and share their experiences on implementing strategies to combat employee fraud. After completing the study, I gained substantial insight into participant perspective on employee fraud. Findings from this study could provide managers and owners of small retail businesses with additional information on how to develop and implement strategies to minimize fraud risk and reduce fraud loss.

Conclusion

Some managers and owners of small retail businesses lack strategies needed to minimize or eliminate fraudulent activities within the business and mitigate fraud loss. The purpose of this study was to explore strategies used by managers and owners of small retail businesses to detect and prevent employee fraud. The conceptual framework for this study was based on the fraud triangle theory. The data collection methods I used

included casual observation, semistructured interviews using open-ended questions, and a review of documentary evidence. Documentary evidence encompassed written policies, human resource files, and other relevant internal documents.

The five main emerging themes from data collection included (a) controls and communication, (b) cash register accountability, (c) segregation of duties, (d) monitoring, and (e) action against perpetrators. The implications for positive social change include the potential to increase appropriate controls over employee fraud and enable small retail businesses an opportunity to operate effectively and efficiently and succeed, which could increase employment opportunities. The primary findings from this study revealed the need for managers and owners of small retail businesses to employ strategies to detect and prevent employee fraud. The findings from this study could also help potential and existing managers and owners of small retail businesses understand the importance of developing, maintaining, and monitoring sound internal controls within the business.

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Appendix A: Interview Protocol

Interview: Exploring the strategies managers and small business owners need to detect and prevent employee fraud.

1. I will start with greetings and a brief introduction.

2. I will thank the participant for accepting my invitation to participate in the interview.

3. I will ensure that participants read and understood before signing the informed consent form.

4. I will inform participants that the interview will last no more than 45 minutes, and the interviews will be audio recorded.

5. I will begin interviewing

6. I will explain to participants that as part of member checking, I will present my interpretation of the interviews to them for validation.

7. I will conclude the interview, stop audio recording, and thank the interviewee again for taking part in the interview.

Appendix B: Letter of Cooperation

<Community Research Partner Name>
<Contact Information>
<Date>

Dear Comfort Akuh,

Based on my review of your research proposal, I give permission for you to conduct the study entitled Small Retail Business Strategies to Detect and Prevent Employee Fraud within Michigan. As part of this study, I authorize you to interview managers and the company owner. Individuals' participation will be voluntary and at their own discretion.

We understand that our organization's responsibilities include providing contact information of potential participants and a conference room to conduct private interviews. We reserve the right to withdraw from the study at any time if our circumstances change.

I understand that the student will not be naming our organization in the doctoral project report that is published in Proquest.

I confirm that I am authorized to approve research in this setting and that this plan complies with the organization's policies.

I understand that the data collected will remain entirely confidential and may not be provided to anyone outside of the student's supervising faculty/staff without permission from the Walden University IRB.

Sincerely,
<Authorization Official>
<Contact Information>

Appendix C: Introductory Letter

<Date>

<Address Block>
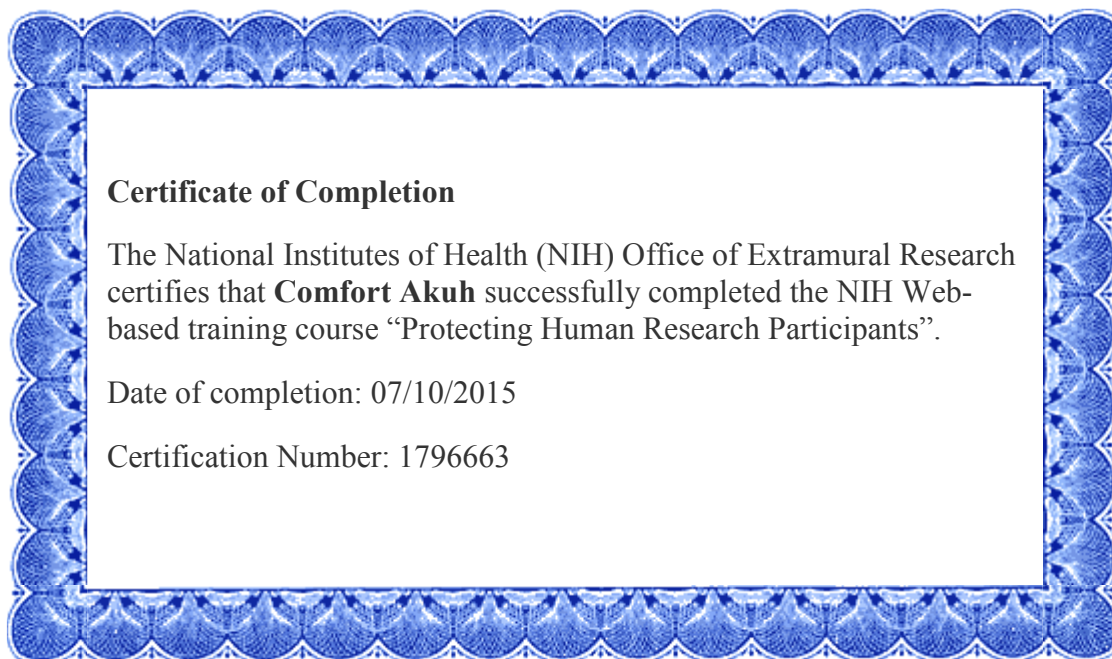
Dear Manager/Business Owner,

I am a doctoral student at Walden University pursuing a Doctorate of Business Administration degree with a concentration in Accounting. As part of my academic research study on exploring the strategies needed by managers and small business owners to detect and prevent employee fraud, I would like to invite you to participate in the study. I believe that your knowledge and experience will make an important contribution to this study.

The eligibility criteria for participants in this study include owners and managers of small retail businesses who have experience implementing strategies to detect and prevent employee fraud and who are willing to participate in the study. Attached is an informed consent form to provide additional information about the study. The semistructured face-to-face interview will last no more than 45 minutes and it will be audio recorded and transcribed. To ensure accuracy of information, I will give you the opportunity to review the interview transcript during member checking. The information provided during the interview will remain confidential.

Please feel free to contact me with any questions or additional information. I look forward to speaking with you and I appreciate your cooperation.

Warmest Regards,
Comfort Akuh

Appendix D: Protecting Human Research Participant Training Certificate

Certificate of Completion

The National Institutes of Health (NIH) Office of Extramural Research certifies that **Comfort Akuh** successfully completed the NIH Web-based training course "Protecting Human Research Participants".

Date of completion: 07/10/2015

Certification Number: 1796663

Appendix E: Interview Questions

1. What strategies do you use to detect and prevent employee fraud within your business?

2. What are some of the policies you have incorporated to detect and prevent employee fraud?

3. What strategies have been most successful for detecting and preventing employee fraud?

4. How do you assess the effectiveness of the strategies for detecting and preventing employee fraud?

5. What principal barriers did you encounter when implementing your strategies for detecting and preventing employee fraud?

6. How did you address the principal barriers to implementing the strategies for detecting and preventing employee fraud?

7. What additional information can you provide regarding strategies to detect and prevent employee fraud?