



Cracking the Fraud Triangle Through Employee Communication

POWERFUL INSIGHTS

It is an unfortunate reality today that fraud is woven inextricably through the fabric of the business environment. Organizations – both public and private – and those that they serve continue to feel the impact that intentional misconduct can cause. Whether it is a simple scheme or sophisticated web of deception, fraud can be a devastating event that affects people, process and reputation.

Issue

The concept of the fraud triangle was originated by Dr. Donald R. Cressey to understand the individual-level dynamics of fraud. Through his research, three factors were defined that are present in every situation of fraud:

- Motive
- Opportunity
- Rationalization

Motive is best described as the incentive or pressure that drives an individual to commit fraud. Often, this is caused by life pressures, illicit activities or lifestyle needs that create personal financial problems. Opportunity is defined as the condition or situation that allows fraud to occur. Both the design and effectiveness of internal controls play a key role in this regard. The final element is the attitude or mindset that enables the individual to rationalize the fraudulent act.

Challenges and Opportunities

Cracking the fraud triangle is critical to fraud mitigation activities. While organizations generally recognize the importance of evaluating, mitigating and monitoring fraud, their level of success differs in their approach to fraud risk management – especially with regard to the role of employee communication.

From an organizational perspective, one of the basic building blocks of an ethical work environment is a code of business conduct or ethics. Organizations can supplement this with specific policies to address fraud along with other illegal acts. Companies should provide periodic and ongoing communication to individuals throughout the organization

as well as related third parties (consultants, partners and vendors). They can accomplish this through multiple mediums, including instructor-led and self-study interactive training, code of conduct affirmations, town hall-style presentations and new-hire orientation materials.

Our Point of View

To help mitigate fraud and misconduct, an organization must first understand the unique nature of its workforce, its morale and the triggers that motivate various groups. With these insights in hand, it can develop a communication plan to educate employees and others about fraud risk awareness along with their roles and responsibilities with regard to fraud prevention, detection and deterrence.

A strong communication plan often features a multitiered approach to training, which enhances knowledge retention. Depending on the roles and responsibilities of the individuals within the company, additional fraud awareness training may be required to achieve the level of depth in a specific functional role. For instance, the internal audit department is often tasked with periodic monitoring of fraud risk. An in-depth approach to training is then required to understand indicators of fraud in specific process workflows. Management, board members, and employees who interact with customers and foreign officials may all require more specialized training on regulatory and compliance issues pertaining to bribery and corruption.

Organizations can establish the first element of control by educating the board of directors, management and key operational personnel. Once that is achieved, organizations should direct communication to all employees to mobilize and empower the workforce to provide the next layer of control.

Companies can enhance the effectiveness of their training programs significantly by incorporating ongoing awareness programs. Continuous communication and training are critical to shaping an ethical culture, reinforcing a positive work environment and encouraging the self-reporting of potential corporate policy and compliance violations.

PROVEN DELIVERY

How We Help Companies Succeed

Protiviti helps clients address fraud risk proactively by understanding where it can occur and implementing strategies to combat it. With our guidance, our clients protect their reputations, improve their bottom lines and achieve their fiduciary and regulatory responsibilities.

A key driver of this approach is the internal communication and training group of Protiviti. We have worked with companies around the world to address their employee communication challenges and introduce a behavioral approach to change management, particularly as it relates to fraud and misconduct. We design communications across an array of mediums, including:

- Print and interactive awareness campaigns that bring policies and strategies to life.
- Interactive training and instructor-led support material that engages employees and ensures they understand their roles, responsibilities and accountabilities.
- Web portals that track the results of a training effort and facilitate communication across the enterprise.

Example

A multi-industry holding company and sovereign wealth fund was seeking to create a proactive governance structure to respond to incidents of fraud, corruption or risk that could damage company assets and reputation.

Protiviti was engaged to develop an incident management framework to help the organization respond swiftly and effectively in the event of an ethical violation. Once the framework was in place, our team designed a print and interactive awareness campaign to promote the new response framework to the broader employee base.

In order to understand the unique culture, we conducted a series of stakeholder interviews. These uncovered a number of insights that formed the brand attributes and pillars for the overall communication campaign. At the core of the message was the need to instill a level of confidence and trust in the workforce that a whistleblower would be protected.

In the end, the number of calls to the hotline in the first three months post-launch exceeded the entire call volume in the previous year – a clear signal that the messaging resonated with the broader workforce.

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About Protiviti

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