

Practical Limitations of the Fraud Triangle Framework in Fraud Prevention

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Abstract : Practitioners charged with fraud prevention and investigation strongly rely on the Fraud Triangle framework developed by Joseph T. Wells in 1997 while analyzing the causes of fraud at business organizations. The Fraud Triangle model explains fraud by elements such as pressure, opportunity, and rationalization. This view is not fully suitable for effective fraud prevention as the Fraud Triangle model provides limited insight into the causation of fraud. Fraud is a multifaceted phenomenon, the contextual factors of which may not fit into any framework. Employee criminal behavior in business organizations is influenced by environmental, individual, and organizational aspects. Therefore, further criminogenic factors and processes facilitating fraud in organizational settings need to be considered in the root-cause analysis: organizational culture, leadership style, groupthink effect, isomorphic behavior, crime of obedience, displacement of responsibility, lack of critical thinking and unquestioning conformity and loyalty.

Keywords : criminogenesis, fraud triangle, fraud prevention, organizational culture

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