

**The Control Environment, Employee Fraud and Counterproductive Workplace Behaviour:
An Empirical Analysis**

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Abstract

The increasing use of technology for both productive and managerial business functions raises new issues related to fraud and internal control. Fraud is on an increasing trend and if left unchecked can cause significant losses to employers. This study therefore investigates the relationship between employees' attitudes toward fraudulent behaviours at workplace and the control environment. A sample 433 employees in Malaysia were involved in this empirical study. Data was gathered via a self-administered questionnaire survey. Results of the regression analyses performed identify elements of the control environment that could influence employees' attitudes towards employee fraud and thus highlight elements that should receive more attention. Ultimately, an organization must put in place an information system that can detect fraudulent behaviours and at the same time develop the right control environment that can prevent fraudulent activities.

Keywords: Employee fraud, control environment, counterproductive work behaviours.

Introduction

KPMG Fraud Survey 2004 (Nguui, 2005) shows 83% of Malaysian public and private limited companies have experienced fraud. This is an increase of 33% from 2002 survey. More than half of the respondents (62%) believed that fraud is a major problem in Malaysia. In terms of losses due to fraud, 36% suffered losses between RM10,001 to RM100,000.

In a more recent study, the PricewaterhouseCoopers Global Economic Crime Survey 2005 (PricewaterhouseCoopers, 2006) reveals that 23% out of 100 Malaysian large companies surveyed have been subjected to fraud, and 70% of the cases reported was committed by employees. A more disturbing finding is that Malaysia seemed to be more vulnerable to corruption and bribery (35%) than the Asia and Pacific region (33%) and the rest of the world (24%). Unfortunately, the study also showed that companies suffering from corruption and bribery regarded this type of fraud as having no or limited impact on their image. In Wright et al. (2006) exploratory study, respondents from the Asia Pacific Region (China, Thailand and Philippines) were found

to regard fraudulent behaviour less seriously than other regions (Europe, Caribbean and North America). These findings document the seriousness of fraudulent behaviours at the workplace especially in the Asia Pacific.

Reported fraud cases only represent the tip of the iceberg. Fraud cases, particularly those in smaller firms and involving smaller sums of money, usually went unreported (Financial Adviser, 2007; Taylor, 2003; Burns, 2000). Incidents of employee theft, customer theft and cheque/credit card fraud were more likely to go unreported, mainly due to the belief that reporting is pointless and achieves nothing (Taylor, 2003).

The role of control environment in controlling employee fraud has been previously investigated, albeit exploratorily. Findings from D'Aquila (1998), for example, support the control environment as having more influence on organisational members' behaviours than existing codes of conducts. Kutz and Jadacki (2006) further reported that fraud and abuse is a result of weak control environment. Hence, this study is conducted to extend the literature by investigating three areas related to employee fraud:

- (1) Employees' attitudes toward fraudulent behaviour at workplace;
- (2) Organisation's control environment as perceived by employees; and
- (3) Elements of the control environment that might influence employees' attitudes toward fraudulent behaviours.

The focus on employee fraud is due to the fact that a majority of fraud cases involves employees (PricewaterhouseCoopers, 2006). This study analyses Malaysian employees' attitudes toward fraudulent workplace behaviours and explains such behaviours in relation to organisations' control environment. The study also highlights elements of the control environment that could influence employees' attitudes and therefore should be given more attention by the management. Taking both perspectives on internal control and deviant workplace behaviours, this study analyses the perceptions of non-audit employees in the managerial, executive and non-executive levels, who make-up the majority of organisational members.

Literature Review

Employee fraud or organisational fraud is defined as a form of employee dishonesty that causes losses to the organisation. All forms of occupational fraud are clandestine, violate the employee's fiduciary duties to the organisation, are committed for the purpose of direct or indirect financial benefit to the perpetrator, and cost the employing organisation assets, revenues, or reserves (Holtfreter, 2004). Holtfreter further argues that employee fraud causes extensive costs related to societal outcomes such as diminished trust in governmental and corporate institutions, reduced consumer confidence and increased prices of commercial products.

Two areas of research most relevant to this study are (i) research on counterproductive workplace behaviours and (ii) studies relating to organisations' internal controls. Nonetheless, thus far, these two areas of research are yet to be bridged. The first group of literature includes employee fraud as a dimension of counterproductive workplace behaviours (hereinafter referred to as CWB). Kwok et al. (2005) regard CWB as occupational crime, in which organisational members misbehave at work for their own benefit, victimising employers and customers. CWB is defined as *any intentional behaviour on the part of an organisation member viewed by the organisation as contrary to its legitimate interests* (Gruys and Sackett, 2003, p. 30). Mikulay et al. (2007) categorise CWB as property-based and production-based violations of acceptable workplace standards (implicit and explicit). The behaviour is voluntary and threatens the well-being of an organisation, its members, or both (Robinson and Bennett, 1995). CWB that have been investigated include theft, drug use, lateness, absenteeism, alcohol abuse, sabotage, substance abuse, work break extension, and food break extension (Lau et al., 2003).

There are two main streams of research when CWB is concerned (Gruys and Sackett, 2003): attempts to determine predictors of CWB and attempts to develop taxonomies of such behaviours. Predictors that have been investigated include personal, organisational factors, work factors, and contextual factors (Lau et al., 2003). Existing literatures on CWB, however, have produced limited suggestions regarding control measures that should be implemented by organisations, and have yet to suggest comprehensive internal controls as a mechanism for controlling CWB.

A number of studies suggest selecting employees on the basis of their personality traits of

conscientiousness, emotional stability, and agreeableness (Colbert et al., 2004; Marcus and Schuler, 2004). Kwok et al. (2005) recommend formal normative controls such as clear guidelines and disciplinary procedures, anonymous reporting systems and stern punishments for offenders. Other research has shown that low levels of supervisory support resulted in increased absence, drinking, and theft (see Lau et al., 2003). On the contrary, Marcus and Schuler (2004) found that organisational efforts (policies, monitoring devices and sanctions) did not predict CWB. The inconsistent findings could be due to the different dimensions of CWB examined. Different dimensions of CWB have been associated with varying antecedents and consequences (Spector et al., 2006; Robinson and Bennett, 1995).

The importance of internal control mechanisms in curbing CWB, specifically employee fraud, has been investigated in the second area of related research. Studies relating to internal controls provide relevant, albeit limited, research concerning employee fraud (see O'Leary's et al., 2006). Employees' perceptions on both certainty and severity of organisational sanctions were found to be related to employee theft in Hollinger and Clark (2001). Holmes et al. (2002) found that whenever top management firmly supports internal control, internal perpetrators and fraud were less likely to occur. Another study found that access to various control mechanism alone does not curb losses due to fraud (Holtfreter, 2004).

The impact of organisational environment on employee fraud has been consistently determined in previous studies. Employee theft has been found to be influenced by organisation's work climate (Weber et al., 2003; Appelbaum et al., 2006; Kulas et al., 2007, among others) and employees attitudes toward honesty (Greenberg, 2002). It has also been determined that organisational variables might be more likely to influence deviance directed at harming organisations (Robinson and Bennett, 1995). Rae and Subramaniam (2008) found the quality of internal control procedures has a moderating effect on the relationship between perceptions of organisational justice and employee fraud. The authors suggest that strategies relating to employee fraud need to focus on organisational factors such as work environment, internal control activities, and training.

Committee of Sponsoring Organizations (COSO) maintains that fraud occurs in organisations especially due to weak control environment (Ziegenfuss, 2001). Within COSO's framework, control environment sets the overall tone of the organisation with regard to the importance of internal

control (Geiger et al., 2004). Respondent auditors in O’Leary et al. (2006) considered control environment as the most important element of internal control. Similarly, in 2005, Smith et al. found that auditors in Malaysia judged the control environment as one of the important fraud indicators.

Based on existing literatures, there seemed to be a close connection between CWB and the control environment. Perhaps CWB could also be explained by the organisation’s internal control environment. The current study hence adds to the existing literature by examining the impact of control environment on employees’ attitudes toward employee fraud, a dimension of CWB.

Theoretical Framework

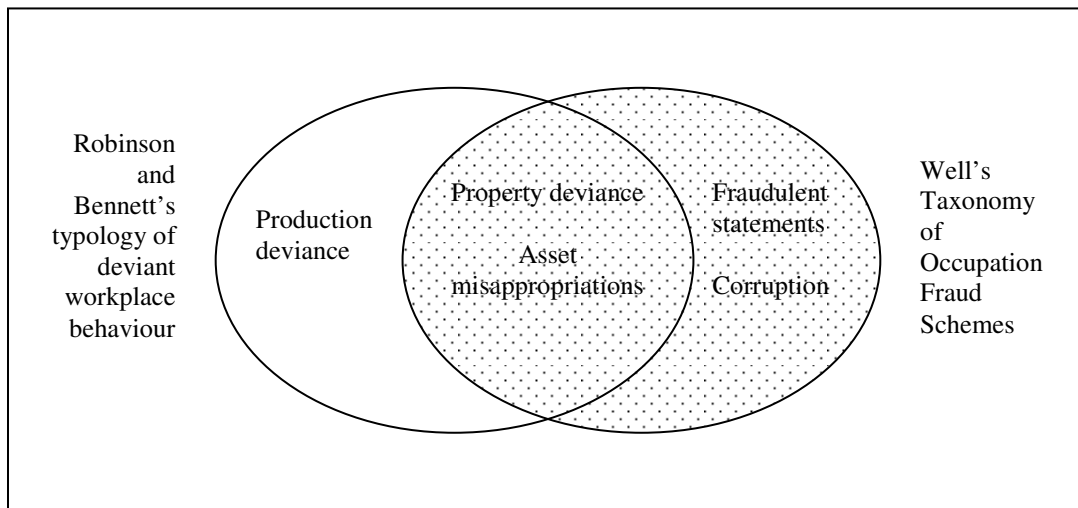
Robinson and Bennett’s (1995) typology of deviant workplace behaviours explains four classifications of such behaviours. Organisational-wise, counterproductive behaviours include (i) production deviance such as leaving early, taking excessive breaks, intentionally working slow, and wasting resources; and (ii) property deviance such as sabotaging equipment, accepting kickbacks, lying about hours worked, and stealing from company.

Interpersonal-wise, counterproductive behaviours include (i) political deviance such as favouritism, gossiping about co-workers, blaming co-workers, and competing non-beneficially; and (ii) personal aggression such as sexual harassment, verbal

abuse, stealing from co-workers, and endangering co-workers. Based on this typology, employee fraud falls under organisational dimension of deviant behaviour. On the basis of the internal control perspective, Well’s Taxonomy of Occupation Fraud Schemes (cited by Wright et al., 2006) consist of (i) fraudulent statements (financial and non-financial); (ii) corruption (e.g. economic extortion, illegal gratuities, conflict of interest, and bribery); (iii) asset misappropriations (e.g. check tampering, expense reimbursement schemes, cash larceny, and misuse of non-cash assets).

When the two typologies are mapped together, there is an overlapping dimension, as depicted in Figure 1. It should be noted that only organisational dimension is included in the mapping. Employee fraud is represented by the shaded area in Figure 1. The employer-employee relationship is best described by the agency theory. Agency theory holds that both employee (agents) and employer (principal) are utility maximisers (Godfrey et al., 2000). Both employer and employee are therefore prone to opportunism (Shapiro, 2005). Employees (agents) will behave opportunistically (deviance) if given the chance. Nonetheless, employers (principals) can reduce deviant behaviours if proper monitoring and controlling mechanisms are installed (Kidder, 2005). Since the control environment has been previously found to influence employee fraud, it is therefore believed that the control environment may also have significant influence towards CWB. Hence, this study is conducted to test this hypothesis.

Fig 1. Deviant Workplace Behaviours and Employee Fraud



Research methodology

A research questionnaire was specifically developed as the main instrument for this study. The instrument elicits data on the perceived control environment, respondents' attitudes towards employee fraud, respondents' demographics and employment information. The control environment measures were developed based on COSO's elements of control environment such as proper definition of roles and responsibility, good internal audit and adequate training.

Attitudes toward employee fraud was gauged based on responses on 13 statements, which were developed from the three dimensions identified in the theoretical framework. Respondents were instructed to rate the seriousness of each behaviour based on a six point Likert scale, ranging from 1, not serious at all, to 6, very serious.

A total of 450 questionnaires were distributed to Malaysians who were employed by business organisations in Malaysia. Main areas of distribution include Kuala Lumpur, Selangor and Melaka. 438 questionnaires were returned and five of these were discarded due to end-piling in the responses. As there were negatively worded statements in the questionnaire, bias was detected in these five responses.

Data and analyses

Responses were received from various levels of employees, ranging from those in the managerial level to the non-executive level. Majority of respondents were below 30 years old (67.2%), male (56.6%), have a bachelor degree (56.4%), and were in the executive position (48.2%). The majority also worked in companies with less than 50 employees (46.2%) and were in the services sector (37.3%). The demographic and employment distribution of respondents is presented in Table 1. Since non-probability sampling is used, the generalisability of the data is limited.

All responses obtained were analysed using the SPSS 15.0. Analyses include frequency analyses, factor analysis and regression. Findings from these analyses were deliberated in the following subsections.

The control environment

The perceived control environment was measured based on seven items. Responses range from 1, strongly disagree to 6, strongly agree. The higher the rating denotes favourable perceptions towards the control environment. Table 2 summarises the responses received on the perceived control environment. Cronbach's alpha reliability test produced satisfactory results ($\alpha = 0.798$). Overall, respondents perceived the organisation they worked for have good control environment.

The highest mean is for the item "the organisation implements secure internal control system" (mean = 4.73). The lowest mean is for the item "it is impossible to commit fraud without being discovered by the organisation" (mean = 4.00). It seemed that although respondents believed that internal controls implemented by their organisations are secure, such controls may not be able to detect fraudulent behaviours committed within the organisation itself.

Respondents' attitudes toward fraudulent behaviours

Table 3 presents the mean, standard deviation and frequencies related to respondents' attitudes toward fraudulent behaviours. The construct validity of the tested items was established through the use of factor analysis. The principal component analysis method was employed and Varimax rotation was applied. The factor analysis for these 13 items produced three factors with the total variance explained of 65.18%. (Keiser – Meyer – Olkin measure of sampling adequacy was considered acceptable at 0.904). Factor loadings of 0.50 and above were considered as practically significant (Hair et. al, 1998). The first factor, (Cronbach's alpha = 0.870) consists of six items. The second factor, (Cronbach's alpha = 0.782) consists of four items and the last factor, (Cronbach's alpha = 0.739) consists of the last three items. Cronbach's alpha for all items is 0.887.

Table 1: Respondents' demographics

		N	Percentage
<i>Age:</i>	25 years and below	151	34.9
	26 – 30 year	140	32.3
	31 – 35 year	51	11.8
	36 – 40 year	26	6.0
	40 – 45 years	20	4.6
	Above 45 years	45	10.4
<i>Gender:</i>	Male	245	56.6
	Female	188	43.4
<i>Academic qualification:</i>	Secondary school/certificate	47	10.9
	Diploma	122	28.2
	Degree	244	56.4
	Post-graduate	20	4.6
<i>Job position:</i>	Managerial level	102	23.5
	Executive	209	48.2
	Non-executive	123	28.3
<i>Size of company:</i>	50 employees and less	199	46.2
	51 – 100 employees	41	9.5
	101 – 500 employees	75	17.4
	501 – 1,000 employees	39	9.0
	Over 1,000 employees	77	17.9
<i>Type of business:</i>	Communications	52	12.0
	Construction	20	4.6
	Manufacturing	88	20.3
	Service	162	37.3
	Retailing	57	13.1
	Transportation	16	3.7
	Wholesaling	26	6.0
	Other	13	3.0

* Variance in N is due to missing values.

Table 2: The perceived control environment

	Mean	Std. Dev.	Frequencies (%)					
			1	2	3	4	5	6
1 The organisation implements secure internal control system.	4.73	0.95	0.5	1.8	8.0	22.1	49.2	18.4
2 It is impossible for employees to commit fraud without being discovered by the organisation.	4.00	1.24	3.0	11.3	16.9	27.9	33.3	7.6
3 The organisation has good internal audit.	4.57	1.02	1.6	3.7	5.1	29.3	46.2	14.1
4 Each employee's roles and responsibilities are very clear.	4.58	1.01	0.7	3.9	9.2	22.5	49.9	13.8
5 There are adequate trainings to improve employees' capabilities within the organisation.	4.49	1.06	1.6	3.9	9.5	26.6	45.7	12.7
6 The management closely monitors the activities within the organisation.	4.50	0.96	0.7	2.5	10.6	28.8	46.5	10.8
7 This organisation has written codes of conducts.	4.68	1.01	0.5	3.9	6.5	24.4	45.4	19.4
<i>Perceived control environment</i>	<i>4.51</i>	<i>0.70</i>						

Note: 1 = Strongly disagree; 2 = Disagree; 3 = Mildly disagree; 4 = Mildly Agree; 5 = Agree; 6 = Strongly Agree

The factor analysis results confirm the dimensions of fraudulent and counterproductive workplace behaviours (Table 3 is referred). Three levels of seriousness can be observed from the derived factors. Behaviours that were perceived as most serious were grouped in Factor 2 (mean = 4.88), which consist of fraudulent statements and bribery. Factor 2 is thus termed "Fraudulent Behaviour". These behaviours were clearly perceived as morally and legally wrong. Paying "additional payment" to a city officer to ensure company's business application is approved was rated as the least serious out of all the items that make up Factor 2 (item mean = 4.39). It is speculated that bribery was perceived as the less serious form of fraudulent behaviour. Perhaps bribery is believed not to hurt any actual person and thus become the "more acceptable" behaviour (see Nagin et al., 2002).

Factor 1, termed as "Theft and Deception", contains measures that can either be classified as property deviance or asset misappropriations. On average, respondents perceived "Theft and Deception" as almost serious ($4 < \text{mean} < 5$). The item "run a side business that may compete with employer's business" was also perceived as a form of theft and deception by the sample respondents. Nonetheless, it should be noted that the least serious theft and deception is for the item "add extra hours to

the actual hours worked for overtime claim" (mean = 4.27). There are two possible explanations for this.

First, respondents may regard falsifying overtime claim does not hurt a real person and the amount may not be regarded as material. Secondly, the amount received from overtime may be perceived as inadequate for the amount of efforts or opportunity costs that they have to bare. Greenberg (2002) found that employees who have been underpaid steal when they have the opportunity. Appelbaum et al. (2006) identified several causes of company theft which included a justification addressing an inequity that employees had suffered. This deviant behaviour (theft) was an attempt to restore balance to a situation where employees feel they have put in efforts above and beyond the compensation they would otherwise have received. This is further enhanced by Appelbaum et al.'s findings that it was more 'fair' to steal from the company than from a co-worker. Therefore, stealing itself is not always considered 'wrong'.

Factor 3 was perceived as the least serious behaviour, termed as “Amoral Behaviour” (mean = 3.88). These behaviours seemed to be regarded as harmless and probably have become standard practices within local organisations. It should be noted that a form of bribery (buying expensive gifts for an officer who is working with a potential customer) was also included in this dimension. Facilities provided by employers may be seen as part and parcel of the employment benefits as can be seen from personal use of company’s properties. Grafts, in fact, are often budgeted for in the form of ‘entertainment allowance’. As such, not only are

they seen as not serious but they are not seen as wrong at all.

This factor thus merits a deeper look, perhaps from a qualitative perspective in future research. This is consistent with the conventional ethics proposed by Kohlberg and fits the characteristic of counternorms (Carrol and Buchholtz, 2000). There could also be a cultural element implicit in this perspective.

Table 3: Attitudes toward fraudulent behaviours

	Mean	Std. Dev.	Frequencies (%)					
			1	2	3	4	5	6
<i>Factor 1: THEFT AND DECEPTION</i>	4.52	0.92						
Bring home company’s inventory for personal use.	4.32	1.21	2.5	5.3	13.6	32.6	28.5	17.5
File for expense claim for lunches with friends.	4.41	1.14	2.3	4.4	10.4	30.9	37.1	15.0
File for travelling expense claim for a personal holiday trip.	4.61	1.14	1.8	3.7	9.2	24.6	38.6	22.1
Add extra hours to the actual hours worked for overtime claim.	4.27	1.25	3.2	4.8	17.3	28.2	29.1	17.3
Run a side business that may compete with employer’s business.	4.69	1.21	2.8	3.2	7.4	24.0	34.1	28.6
Secure sales by making false claims about a product.	4.80	1.11	1.8	3.0	5.5	21.1	40.5	28.0
<i>Factor 2: FRAUDULENT BEHAVIOUR</i>	4.88	0.90						
Pay ‘additional payment’ to a city officer to ensure company’s business application is approved.	4.39	1.18	2.5	4.1	12.6	31.0	32.0	17.7
Falsify accounting records.	5.10	1.04	0.9	2.3	3.9	14.3	35.6	43.0
Falsify managerial reports.	5.00	1.19	1.6	4.4	5.1	13.6	32.0	43.4
Falsify education certificates.	5.04	1.23	3.2	1.6	5.3	15.4	26.9	47.6
<i>Factor 3: AMORAL BEHAVIOUR</i>	3.88	0.95						
Bring home office stationery for personal use.	3.52	1.31	6.2	16.6	25.3	30.6	13.1	8.1
Use office photocopy machine for personal use.	3.42	1.25	7.1	16.1	27.6	30.9	13.4	4.8
Buy expensive gifts for an officer who works for one of the company’s potential customers.	3.72	1.22	4.2	9.7	29.3	31.4	17.3	8.1
<i>Perceived seriousness of fraudulent and counterproductive behaviours.</i>	4.92	0.96						

Likert scale: 1=Not serious at all; 2=Not serious; 3=Could not be serious; 4=Could be serious; 5=Serious; 6=Very serious

The control environment as a predictor of employees' attitudes

In order to understand the influence of control environment on employees' attitudes toward fraudulent and counterproductive behaviours (as resulted from the factor analysis), a series of stepwise regression analyses were performed, using each factor identified in the factor analysis as the dependent variable. The following describes each regression analysis.

(a) Model 1: Attitudes toward theft and deception

The items which explain most the variation in this attitude are close monitoring and effective detection of fraudulent behaviour (Table 4 is referred). The related control mechanisms could initiate fear of being discovered among the employees. This corresponds well with Mishra and Prasad (2006) who tested various internal control features against the possibility of fraud. They found that effective inspection decreases the probability of theft and a relaxed internal controls increases the maximum amount stolen. Greenberg (2002) found that employee theft was greater within the office that had no ethics programme compared to the office that has an ethics programme.

Table 4: Regression 1

Var. *	Unstnsd. coeff.		Stnds coeff.		t (Sig.)
	B	Std. error	Beta		
Constant	18.643	1.380			13.512 (0.000)
Item 6 **	1.420	0.277	0.244		5.132 (0.000)
Item 2 ***	0.507	0.212	0.113		2.388 (0.017)

* Dependent variable: Attitudes toward theft and deception; R Square = 0.084; Adjusted R Square = 0.079

** Item 6: The management closely monitors the activities within the organisation

*** Item 2: It is impossible for employees to commit fraud without being discovered by the organisation.

(b) Model 2: Attitudes towards fraudulent behaviour

Regressing the control environment items against fraudulent behaviour shows a strong correlation of all items at 99% confidence level. Once again close monitoring and effective detection are strong predictors (Table 5 is referred). There is an additional item that explains the differences in attitudes, namely the presence of a written code of

conduct. Weber et al. (2003) found that rules and procedures as well as law and professional codes are important factors in an organizations ethical work climate.

Table 5: Regression 2

Var. *	Unstnsd. coeff.		Stnds coeff.		t (Sig.)
	B	Std. error	Beta		
Constant	13.262	1.048			12.651 (0.000)
Item 2 **	0.569	0.139	0.195		4.103 (0.000)
Item 7 ***	0.441	0.177	0.123		2.497 (0.013)
Item 6 ****	0.431	0.193	0.113		2.245 (0.025)

* Dependent variable: Fraudulent behaviour; R Square = 0.088; Adjusted R Square = 0.082

** Item 2: It is impossible for employees to commit fraud without being discovered by the organisation.

*** Item 7: This organisation have written codes of conducts

**** Item 6: The management closely monitors the activities within the organisation

(c) Model 3: Attitude towards amoral behaviour

Among the three factors derived from the factor analysis, respondents scored this factor as the least serious. The two predictors for amoral behaviour are good internal audit and adequate trainings (Table 6 is referred). The result varies significantly from the previous two factors.

Table 6: Regression 3

Var. *	Unstnsd. coeff.		Stnds coeff.		t (Sig.)
	B	Std. error	Beta		
Constant	6.193	0.744			8.322 (0.000)
Item 3 **	0.527	0.160	0.174		3.284 (0.001)
Item 5 ***	0.448	0.155	0.153		2.889 (0.004)

* Dependent variable: Amoral behaviour; R Square = 0.080; Adjusted R Square = 0.075

** Item 3: The organisation has good internal audit.

*** Item 5: There are adequate trainings to improve employees' capabilities.

McDonald and Nijhof (1999) described organizational ethics training as aiming to stimulate

ethical behaviour within the organization and assisting the employee in behaving in a morally responsible manner. They outlined five dominant conditions to be necessary [1] awareness of formal organisational goals and corresponding informal norms; [2] suitable procedures for decision making; [3] correct distribution of resources; [4] presence of necessary skills; and [5] personal intentions for ethical behaviour. The first condition points to the importance of a written code of conduct which has been found to be important in this factor. All the conditions would require significant thoughts and investment from the management but the finding that more training means a less tolerant attitude towards amoral behaviour promises a bigger payoff.

The other significant predictor, internal audit, is interesting in the sense that it is closely related to close monitoring (item 6) and possibility of detection (item 2). Why then are the other two not significant predictors of amoral behaviours, compared to internal audit? Could it be that an internal audit has firstly a standard setting as well as a feedback mechanism built into it? Certainly a closer look at how an internal audit process can contribute to a healthier work ethics is worth looking into.

Conclusion and future research

Agency theory holds that agents (employees) are self-interested individuals who are prone to opportunism. Opportunism relates to furthering one's immediate interests without regard to basic principles or consequences, therefore self-interest of rational individuals does not necessarily result in opportunistic behaviours (Gomez-Mejia et al., 2005). There are two ways by which an agent's opportunistic behaviours can be reduced: (1) contracting on the outcome of agent's behaviour by using a performance related compensation system; and (2) creating governance mechanism that closely monitor agent's behaviour and thus increases the chances of detection and punishment (Mason & Slack, 2003). These agency theory's postulates could explain employees' behaviours whenever fraud and CWB are concerned, as evidenced in this study.

This study found the control environment has an influence on both fraudulent behaviours and CWB. Ramaswami's (1996) study on marketing employees has determined that both process and output controls are positively associated with counterproductive behaviours. Employees have been labelled as "rational cheaters" who continuously probe their environment in search of ways to increase their welfare and to balance injustice (Nagin et al.,

2002). Penalty is not a deterrent of theft in Mishra and Prasad (2006) although the effectiveness of inspection seemed to reduce the probability of theft.

Fraud and CWB is a form of opportunistic behaviours in the employer-employee relationship. Gomez-Mejia and Wiseman (2007) argued that opportunism itself is a culturally embedded construct that depends on the context in which it occurs. Certain workplace deviant behaviours could be seen as a norm and therefore become an acceptable practice within the organisation. This study documents that small asset misappropriations is one of such behaviours – although, if uncontrolled, could cause significant losses to organisations. This study also shows that adequate codes of conducts and trainings are beneficial in influencing employee's conceptions on the appropriate behaviours. This is because an employee's conception of what is appropriate may not coincide with the desires of the employer due to role ambiguity. Codes of conducts and training thus help to align such conceptions. Two dimensions that are not investigated in this study, but are relevant in explaining employee's deviant behaviours, are employee's degree of conscientiousness and organisational citizenship behaviours. Hence, future studies that include these dimensions would tremendously add to the literature.

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