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Examining the lean management approach to counter fraud: a case study of the way a lean retail organisation manages incidents of fraudulent refund claims

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ABSTRACT

This study investigates the extent to which lean management (LM) counters fraud. It is an exploratory study motivated by reports of fraud towards LM organisations, especially fraudulent refund claims by customers in lean retail organisations. There is very little academic research that investigates the fraud risks and potential flaws of LM. This is despite claims that lean thinking organisations rely on LM systems to counter fraud.

Through a realist case study, this study collects and analyses empirical data on the way one LM retail organisation in the UK counters its problem of fraudulent refund claims from customers and the rationale behind their approach. The data were collected via a pilot study walk-through and observation, and then via semi-structured interviews with staff in four of the organisation's retail stores. These data were thematically analysed.

The findings indicate that the prioritisation and focus on meeting and satisfying customers' demands can often imply a compromise in countering fraud. This study argues that LM thinking would be more complete, and management control systems more robust, if advisors and managers took into greater account the possibility of fraud by employees or customers. The problem lies in the concept of LM as a socio-technical system. Whilst the technical aspects such as visual communications and JIT are widely discussed and implemented, there appears to be a rather idealistic conception of necessarily satisfied employees and customers. However, managers and customers have been shown to exhibit negative behaviours that are inconsistent with LM thinking, including lying, theft and fraud. This has implications in terms of losses of products, time and money that may erode the cost benefits that might be expected from the implementation of LM practices.

DECLARATION

Whilst registered as a candidate for the above degree, I have not been registered for any other research award. The results and conclusions embodied in this thesis are the work of the named candidate and have not been submitted for any other academic award.

Princely Chinwendu Dibia

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ABBREVIATIONS

ACFE: Association of Certified Fraud Examiners

ACCA: Association of Chartered Certified Accountants

CA: Customer Assistants or Advisor

CAQDA: Computer Aided Qualitative Data Analysis

CC: CCTV Operator

CDC: Combination Distribution Centre

CE: Control Environment

CFE: Certified Fraud Examiner

CFS: Counter Fraud Specialist

CIFAS: Credit Industry Fraud Avoidance System

COCA: Co-ordinator and Customer Adviser

COW: Configuration of Work

CS: Customer Service

CSLRO: Case Study Lean Retail Organisation

CSO: Case Study Organisation

DCM: Demand Chain Management

EAS: Electronic Article Surveillance

FCA: Financial Conduct Authority

FP: Fraud Prevention

FPE: Fraud Prevention Efforts

FINTECH: Financial Technology

GAAP: Generally Accepted Accounting Principles

GM: General Merchandise

GSK: GlaxoSmithKline

IC: Internal Control

ICAEW: Institute of Chartered Accountants in England and Wales

ICs: Internal Controls

IFB: Insurance Fraud Bureau (IFB)

ID: Identification

IMVP: International Motor Vehicle Programme

IT: Information Technology

JIT: Just-in-Time

KPI: Key Performance Indicators

KYC: Know-Your-Customer

LB: London Borough

LM: Lean Management

LMT: Lean Management Thinking

LPI: Loss Prevention Indicator

LT: Lean Thinking

LTO: Lean thinking organisation

LTOs: Lean thinking organisations

LTRO: Lean thinking retail organisation

MA: Manager/Refunds desk staff

MAS: Management Accounting System

MC: Management control

MCS: Management control system

NDF: Non-deliverable Forwards

NFA: National Fraud Authority

OC: Organisational control

OCT: Old cathedral town

OMT: Old market town

PDSA: Plan-do-study-act

POP: Point of Purchase

POS: Point of Sale

RCT: Rational Choice Theory

RCSD: Retail Customer Service Desk

RFID: Radio Frequency Identification

RLPM: Regional Loss Prevention Manager

RM: Regional Manager

RPD: Refund Policy Document

RTM: Return to manufacturer

RTW: Return to the warehouse distribution centre

SAS: Statement on Auditing Standards

SBCs: Social behavioural controls

SCM: Supply Chain Management

SEC: Security Exchange Commission

SFO: Serious Fraud Office

SM: Section Manager

SOPs: Standard Operating Procedures

SQC: Statistical quality control

S&D: Soiled and damaged by the customer

TA: Thematic Analysis

TPM: Total Preventive Maintenance

TPS: Toyota Production System

TQM: Total Quality Management

UK: United Kingdom

UPC: Unique Product Code

USA: United States of America

VCM: Visual Control Management

VSC: Value Stream Costing

DEDICATION

To God, who owns life; without whom, I am nothing.

Thank you for the divine mercy and undeserving grace

To my Parents

For their relentless, genuine love, support and encouragement

To my Brothers, Sisters and extended family

God bless you all

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CHAPTER ONE-INTRODUCTION

1.1 Background

There is a problem of fraud towards lean management thinking organisations that seems rarely to be discussed in practice, and about which there appears to be very little research or empirical evidence. There is also a strong implication that lean thinking organisations rely on lean systems rather than counter fraud in tackling this problem. This is because lean management (LM) is meant to prevent losses through waste elimination, within which perhaps lies the implicit assumption that losses from fraud are minimised or nullified. It is also because the lean management philosophy has an implicit assumption that employees within this form of organisational structure take ownership as thinkers and managers of their own activities, and therefore will not defraud the organisation. Also, in LM, the customer is the focus and main priority. Therefore, it is perhaps assumed in lean organisations that ‘the customer is always right’, and that the focus on meeting and satisfying customers’ demands through various waste elimination activities, such as producing quality goods and ensuring quality customer service, should prevent customers from defrauding the organisation.

However, despite these assumptions, there are reports of fraud towards lean organisations. There are also some known issues with LM that indicate that organisations who rely on it for counter fraud expose themselves to risks of losses from fraud, as well as other costs, which include the consequent loss of reputation (Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015). These issues include the customer focus of LM (Cooney, 2002), LM as a socio-technical system and the over-emphasis on the technical aspect (Joosten, Bongers, & Janssen, 2009; Bollbach, 2012; Bhasin, 2015), and behaviours in the social sub-system of LM that pose challenges to the success of LM (Hines, Holweg, & Rich, 2004; Bollbach, 2012; Jadhav, Mantha, & Rane, 2014). However, like the reports of fraud towards lean organisations,

these issues are rarely discussed by LM researchers and practitioners. They problematise LM, and there is very little in the academic literature that problematises LM.

LM is a way of thinking and doing work (Pettersen, 2009). It is a way in which organisations – as entities – act to prevent and control losses from deviant behaviours like fraud (Kennedy & Widener, 2008). These organisations are socio-technical systems and members of a supply chain, and their focus and main priority is meeting and satisfying customers' demands through various waste elimination activities. Waste, in LM, or *muda*, is defined as any activity that does not add value to a product (Womack & Jones, 2003; Lacerda, Xambre, & Alvelos, 2015). In LM, the way waste is eliminated is through various activities of loss prevention and control, such as offering timely and quality customer service (just-in-time [JIT], *kanban* and pull-system), producing quality and non-defective products (total quality management [TQM]), working as teams and involving everyone in waste elimination activities, avoiding and preventing mistakes (mistake proofing), standardising practices (5S), and using visible signs and symbols to control activities throughout the workplace. These waste elimination activities are based on the principles of LM (Womack & Jones, 2003; Shah & Ward, 2007; Liker, 2004; Joosten, Bongers, & Janssen, 2009).

Fraud is a problem with human behaviour and social phenomena that is a cause of losses and damages to an organisation (Wells, 2004; Gottschalk, 2010; Trompeter, Carpenter, Jones, & Riley, 2014). In this study, the elements of fraud include the fraudulent act or scheme, the act of concealment, and the act of conversion (Fraud Act, 2006). The definition of fraud here further includes false representation, failing to disclose information when there is a legal duty to do so, and the abuse of positions of power and trust (Fraud Act, 2006; Button, Gee, & Brooks, 2012). In this study, the perpetrators of fraud against an organisation are customers who either act alone or in collusion with employees to exploit the organisation. The act of fraud is also considered in this study as negative, deviant, or criminal, mostly because of the losses

and damages that accrue to society from its event (see Bierstaker, Brody, & Pacini, 2006; Button, Johnston, Frimpong, & Smith, 2007; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

Fraud is implicated in LM because it is to organisations a form of waste, which is a loss and non-value adding activity, and because it is an act of deviance. However, there are wider socio-economic, legal, and psychological implications associated with fraud and its event in an organisation, other than its violation or deviation from organisational norms and policy and the losses it accrues (Button, Johnston, Frimpong, & Smith, 2007; Murphy & Dacin, 2011; Cooper, Dacin, & Palmer, 2013; Gottschalk, 2012; Morales, Gendron, & Guenin-Paracini, 2014). Also, the uncertainties associated with proving a fraudulent act, especially the intent of the people involved, is another characteristic that distinguishes fraud from other deviant and negative behaviours (Bierstaker, Brody, & Pacini, 2006; Button, Johnston, Frimpong, & Smith, 2007; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

Counter fraud comprises activities in which organisations specifically engage in order to tackle the fraud problem (the behaviour, its incidence and the accruing losses) throughout the organisation, and across their supply chain (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015). These activities, according to most of the counter fraud literature, include forms of detection, prevention, and deterrence aimed at eliminating the risks of and opportunities for fraud (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button & Brooks, 2009; Button, 2011; Dorminey, Fleming, Kranacher, & Riley, 2012; Morales, Gendron, & Guenin-Paracini, 2014; Button, Blackburn, Lewis, & Shepherd, 2015; Lokanan, 2015; Schuchter & Levi, 2016).

Loss prevention and control is characteristic of both LM and counter fraud. LM is also a form of management and internal controls, and counter fraud is primarily concerned with the

effectiveness of controls in organisations. However, the major difference between both systems relates to their purpose. The purpose and focus of LM is meeting and satisfying customers' demands through various waste elimination activities (Womack & Jones, 2003; Lacerda, Xambre, & Alvelos, 2015), while the purpose and focus of counter fraud is tackling the fraud problem and eliminating the risks of or opportunities for its recurrence, through various prevention, detection, and deterrence activities (Trompeter, Carpenter, Desai, Jones, & Riley, 2012).

The important aims of counter fraud in organisations are to counter (prevent, detect, and deter) the damages and losses that accrue to organisations in the event of fraud, to counter the additional costs of dealing with the event of fraud, such as the cost of investigation, suspension and temporary staff replacement (Button, Blackburn, Lewis, & Shepherd, 2015), to secure profits and competitive advantage (Button, Gee, & Brooks, 2011), and to safeguard the going-concern and overall performance of an organisation (Bierstaker, Brody, & Pacini, 2006; Levi & Burrows, 2008; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

Therefore, considering all the above, the research question that this study investigates is the extent to which LM counters fraud. To reach conclusions on this question, this study reviews the organisational literature on loss prevention and control that suggests that LM counters fraud. It also observes (collects and analyses empirical evidence) the way one LM retail organisation counters fraud.

1.2 Rationale for this study

The question which this study investigates is to what extent does LM counter fraud. Empirical evidence for the study is derived from a retail organisation in the UK that adopts and practises LM. The most common type of fraud reported in this organisation is fraudulent refund claims from customers, and data regarding examples of these fraudulent claims were collected via interviews with staff in four of the organisation's retail stores.

There are three main reasons for this study: the first reason is that there is a fraud problem in LM thinking organisations that seems rarely to be discussed in practice, and about which there appears to be very little research or empirical evidence. This is despite media reports of fraud loss in lean thinking organisations GlaxoSmithKline (GSK), in 2012, and Toyota, in 2014, and reports of an increase in shrinkage losses that include fraud towards retail organisations where LM thinking is common practice (Naruo & Toma, 2007; Harris, 2008, Harris, 2010; Lukic, 2012; Beck, 2017). An example of the type of fraud that occurs in these retail organisations is fraudulent refund claims from customers, and this is the case explored in this study.

In 2014, it was reported that Toyota, renowned as the origin of LM, concealed information regarding problems related to floor mats and sticky accelerators. Also, they initially failed to recall products with this problem, and made misleading statements to consumers in an effort to defend their brand image (Muller, 2014; Vlastic & Apuzzo, 2014; Federal Bureau of Investigation, 2014). In 2012, it was reported that GlaxoSmithKline, another lean thinking organisation (Altria, Dufton, & Carleysmith, 2009; Azadegan, Patel, Zangouinezhad, & Linderman, 2013), failed to report safety data, committed acts of bribery, engaged in fraudulent marketing and pricing practices, and rewarded profits instead of compliance and patient safety (Ingram, 2012; Thomas & Schmidt, 2012; BBC, 2012; Kollwe, 2014; Kelton, 2016).

In addition, research studies such as Bamfield and Hollinger (1996), Hollinger and Davis (2001), Beck, Bilby and Chapman (2002), Beck and Chapman (2003), Bamfield, (2004), Bertolini, Ferretti, Vignali and Volpi (2013), and Beck (2017), have revealed cases of shrinkage losses which include fraud towards retail organisations. Some of the cases discussed include supplier, vendor and contractor fraud (Bamfield, 2004; Beck and Peacock, 2009; Beck, 2017); and employee theft and fraud (Caruana, Ramaseshan, & Ewing, 2001; Hollinger & Davis, 2001; Hollinger & Davis, 2006; Mishra & Prasad, 2006). There are also various forms of consumer fraud (Cox, Cox, & Moschis, 1990; Caruana, Ramaseshan, & Ewing, 2001; Beck,

Bilby, & Chapman, 2002; Beck & Chapman, 2003; Bamfield, 2004), and evidence of collusion between employees and customers (Caruana, Ramaseshan, & Ewing, 2001). While only some of these retail organisations actually consider themselves as lean thinking organisations, it is known that LM is common practice in retailing (Naruo & Toma, 2007; Lukic, 2012), and most retailers adopt LM values and practices such as customer focus, TQM, kaizen, continuous improvement and JIT services (Naruo & Toma, 2007; Lukic, 2012).

These cases of fraud are real world problems, and there is access and an opportunity to study and collect primary data on a case of fraudulent refund claims from customers, in a retail organisation that practises LM. The access and opportunity to collect primary data on a sensitive topic like fraud is a secondary reason for this study, as fraud is a sensitive topic, and there is restricted access to data on the actual experiences of parties involved (Hassink, Meuwissen & Bollen, 2010). As such, most empirical studies on fraud use experimental settings, or surveys that focus on obtaining data on the perception of participants, rather than obtaining data on actual fraud cases (Landsheer, Van der Heijden, & Van Gils, 1999; Van der Heijden, Van Gils, Bouts & Hox, 2000; Chapple, Ferguson & Kang, 2009; Hassink, Meuwissen & Bollen, 2010; Ngai et al., 2011; Brooks, 2012; Gilbert, 2015). However, the data in this study were collected through a walk-through and observation, and with semi-structured interviews of 19 staff in a lean thinking retail organisation.

The second main reason for this study stems from the claims, theoretical suggestions, that LM counters fraud, which strongly imply that lean thinking organisations rely on lean systems to counter fraud. However, the reports of fraud concerning LM organisations now question these claims. Also, there appears to be very little academic research that investigates the risks and potential flaws in LM, even though there are some known issues that problematise LM, and these issues may expose to risks and losses from fraud organisations that rely on LM to counter fraud. These known issues are outlined below.

First, LM is a socio-technical system, but there is a problematic overemphasis on the technical aspect (Melton, 2005; Joosten, Bongers, & Janssen, 2009). It is known that the technical arrangement or structure of lean thinking organisations affects the contributions, behaviours and interactions of members of the social system, including their ability to think creatively and provide suggestions for problem-solving and continuous improvement of work processes (Joosten, Bongers, & Janssen, 2009; Bollbach, 2012; Bhasin, 2015). However, little is known about fraud risks associated with this LM's overemphasis on technical systems, especially how it may affect the motivation and contributions of staff and other members of the social sub-system in counter fraud.

Second, there are discussions about how context, which includes behaviours in the social sub-system and the organisational environment, poses a challenge and barrier to the success, adoption, and practice of lean thinking (Bollbach, 2012; Jadhav, Mantha, & Rane, 2014; Dora, Kumar, & Gellynck, 2016).

Third, there is very little in the LM literature that discusses the limitations, negative consequences or risks of the customer focused behaviour and structure of LM. Among the few that do discuss these are Cusumano (1994), Cooney (2002), Hines, Holweg, and Rich (2004), Cox and Chicksand (2005), Joosten, Bongers, and Janssen (2009), and Stone (2012). These studies discuss the limitations of LM and highlight the shortcomings of the JIT and kanban systems of lean organisations, which are structures or processes that symbolise its customer focus values. For instance, the proponents of LM ignore or simply dismiss the fact that the 'how, where and when' value is realised in the manufacturing chain is contingent upon several business conditions, like the structure of social and political institutions and the nature of buyer-supplier market relationships, and not simply based on the existence of just-in-time flow (Cooney, 2002). This suggests that the proponents of LM may ignore or simply dismiss the fact that the 'how, where, and when' value is realised in an organisation (or retail chain) is also

contingent upon having an effective structure and culture for countering fraud loss and behaviour (Rezaee, 2004; Button, 2011). It also suggests that organisations who rely on lean management to counter fraud may expose themselves to the risks and losses from fraud that stem from ignoring or simply dismissing the role and contributions of external social, economic, and political structures and relationships (or, the ‘several business conditions’ as Cooney, 2002 described it).

Fourth, there are also research studies, such as Hines, Holweg, and Rich (2004), Cox and Chicksand (2005), Joosten, Bongers, and Janssen (2009), Stone (2012), and Danese, Manfe, and Romano (2018), that discuss the limitations of LM thinking and highlight the void in the human behavioural and social aspects of the body of knowledge. As Joosten, Bongers, and Janssen (2009) state, the emphasis of LM thinking as an operational and process-oriented idea has directed the focus away from its philosophical and socio-technical aspects. This suggests that there is a void in the knowledge of, or less focus on, human behavioural and social issues like fraud in LM. It also suggests that in LM, events like fraud are mostly viewed as problems with an organisation’s structure and technical system, even though people (individual choices and behaviours in the social sub-system) are known to be a common cause of most of the problems therein (Liker, 2004; Hines, Holweg, & Rich, 2004; Jadhav, Mantha, & Rane, 2014; Lacerda, Xambre, & Alvelos, 2015). This view most likely informs the way LM organisations counter fraud and, due to its shortcomings, may expose to risks and losses from fraud organisations that rely on lean management to counter fraud.

The third main reason for this study is the gap in the counter fraud and LM literature relating to the scale of potential losses from fraud towards lean thinking organisations, the role of LM organisational structures and behaviours in incidents of fraud, and how understanding these roles is important in fraud prevention (Needleman & Needleman, 1979; Vaughan, 1992; Vaughan, 2001; Holtfreter, 2005; Button, Gee, & Brooks, 2011; Gottschalk, 2011; Pan, Seow,

Suwardy, & Gay, 2011; Mackevicius & Giriunas, 2013; Lokanan, 2015; Lokanan, 2018). There is a void in the knowledge and research of these issues, and the underlying question for counter fraud researchers is the extent to which the conditions in and structures and environment of LM organisations create opportunities for fraud. The other question is the extent to which the opportunities for fraud result from disharmonies between the technical and social systems. Awareness of potential fraud risks and opportunities in LM organisations may be crucial for understanding which countermeasures for fraud might be most usefully introduced.

For instance, Holbeche (1998) states that changes in organisational structures due to LM thinking, practice, trends, and reforms are leading to an erosion or loss of staff loyalty, in the form of a lack of commitment in staff. Holbeche (1998) further posits that this loss of loyalty may lead fraud problems in these organisations, which include the manner in which staff safeguard the interests of the company, or not.

All the same, it is known that LM claims to be able to counter fraud, and yet that there is a fraud problem in lean organisations. Furthermore, little is known about the origin of some of LM's problems, and about the fraud risks and losses – specifically the opportunities for fraud and challenges with fraud prevention – associated with adopting into organisations LM thinking and its practices.

Therefore, this research aims to examine these problems through the following research question:

1. To what extent does LM counter fraud?

The reports of fraud and shrinkage losses in LM organisations show that LM itself does not inherently or automatically counter fraud. The reports of fraud also suggest that there may be an issue with LM, because in theory it should prevent fraud. So, where does the problem lie?

- a. Is the issue with the way LM is theorised, practised, or taught?
- b. What does this mean for counter fraud and loss prevention, which are supposed to be forms of management control?

Furthermore, the LM literature is largely situated within organisational studies; consequently, theoretical frameworks address group or organisational behaviours but lack theoretical and empirical evidence about the effects of individual behaviours, of managers, employees, suppliers and customers, on LM operations (Hines, Holweg, & Rich; 2004; Paez et al., 2004; Bollbach, 2012). On the other hand, the counter fraud (fraud prevention) literature is primarily concerned with individual employee behaviour, and the effectiveness of management controls and internal controls in an organisation. The counter fraud literature also lacks theoretical and empirical evidence about organisational behaviours (Holtfreter, 2005, Lokanan, 2015; Morales, Gendron, & Guenin-Paracini, 2014; Lokanan, 2018).

The objective of this study is through exploring the largely separate literature on LM and counter fraud to build a case for them to be examined together. This is achieved by critiquing the current research in LM and identifying how research into fraud concerning lean organisations might be carried out. The other objective is to analyse an actual case of fraud in a lean organisation that has granted access. This is achieved by examining a case of fraudulent refund claims by customers of a lean thinking retail organisation.

Besides exploring fraud towards lean organisations, the objectives set are based on calls from researchers in LM and counter fraud for new insights into organisational and human behavioural issues (Hines, Holweg, & Rich; 2004; Holtfreter, 2005; Berry, Coad, Harris, Otley, & Stringer, 2009; Birnberg, 2011; Trompeter, Carpenter, Desai, Jones, & Riley Jr, 2012; Stone, 2012; Martinez-Jundo & Moyano-Fuentes, 2014; Mala & Chand, 2014; Trompeter, Carpenter, Jones, & Riley Jr, 2014; Danese, Manfe, & Romano, 2018). Button, Johnston, Frimpong, and

Smith (2007) and Button (2011) also call for research studies about fraud in organisations to be diverse and equally evolving, which Trompeter et al., (2012) and Trompeter et al., (2014) propose comes through seeking an understanding of fraud and examining the problem through alternative perspectives and positions of inquiry. For instance, in the counter fraud literature, fraud (an organisation's fraud problem) is mostly viewed as a problem with human behaviours (self-interest, frail morality, individual culpability), even though it is known that there are structural and situational influences on these behaviours (Rezaee, 2005; Morales, Gendron, & Paracini, 2014; Lokanan, 2015; Lokanan, 2018). Consequently, also, most of the studies on counter fraud are from the ethics, criminology, psychology, sociology, and management control perspectives (Ramamoorti, 2008; Trompeter et al., 2014). These perspectives are deeply rooted in the rational choice theory (RCT) which assumes that humans behave rationally – logically, and act of their own free will (Cornish & Clarke, 1986; Smith, 1991; Green & Shapiro, 1994; Hechter & Kanazawa, 1997; Holden & Lynch, 2004; Shover & Hochstetler, 2006; Hoque, 2006). This view also informs the way most auditors, counter fraud professionals, and researchers, study and approach an organisation's fraud problem (Lokanan, 2015). However, by examining the LM approach to counter fraud, this study uses an alternative perspective and position of inquiry to study or observe the way organisations counter fraud. Also, in analysing the empirical data collected, this study looks at the rationale (justifications and motive) behind an organisation's decision to counter, and the neutralisation techniques that they use to excuse and justify a decision not to counter fraud. This approach is used instead of the more common rational choice perspective, which includes neutralisation techniques that enable people to excuse and justify behaviours like fraud, allowing them to drift back and forth between such actions whilst evading any sense of guilt (Sykes & Matza, 1957; Piquero, Tibbetts, & Blankenship, 2005; Gottschalk & Smith, 2011; Harris & Daunt, 2011).

1.3 Prior Works

This study builds on existing research works like Kennedy and Widener's (2008) case study that investigates the control framework which results from adopting a lean manufacturing imitative. It also builds on Caruana, Rameseshan, and Ewing (2001), Tonglet, (2002), Harris (2008), Harris (2010), Harris and Daunt (2011), Harris and Daunt (2013), and Daunt and Harris (2014), who investigate cases of fraudulent returns in retailing, as well as customer deviance and misbehaviour. Other studies on which the current thesis is built are those that have explored lean management in terms of shrinkage and loss prevention in organisations, which typically includes fraud. However, because most of the lean research and practice is focused on production and manufacturing, the discussions on shrinkage are mostly about loss from theft of raw materials, product defects, and wear and tear (see Ohno, 1988, Womack & Jones, 2003, and Liker & Meier, 2006, for instance). In this study, the focus and discussions are about fraud and counter fraud, even though the shrinkage that is experienced in the LM retail organisation examined includes losses from fraudulent claims on goods that have been stolen or illegally acquired, and defective goods that have, in most cases, been deliberately destroyed.

Several research studies, like Bamfield and Hollinger (1996), Hollinger and Davis (2001), Beck, Bilby, and Chapman (2002), Beck and Chapman, (2003), Bertolini, Ferretti, Vignali, and Volpi (2013), and Beck (2018), have discussed shrinkage and loss prevention in retailing. Although these studies do not discuss the topic from a LM perspective, they mention or discuss the use of LM thinking practices, like exception-based reporting or management by exception, in shrinkage and loss prevention (see Hollinger and Davis, 2001). On the other hand, studies like Abernathy, Dunlop, Hammond, and Weil (2000), Evans and Harrigan (2005), Wright & Lund (2006), Naruo and Toma (2007), Reichertz and Holweg, (2007), Lukic (2012), and Shah, Shah, Khanzode, and Khanzode (2017) that explore LM and retailing discuss various practices used for shrinkage and loss prevention in lean retail environments. According to Naruo and

Toma (2007), there are no established lean management concepts in retail, but there are largely similar practices of automation, JIT and kanban, such as supply chain management, demand chain management, franchise systems or in-store merchandising. However, the focus of these studies was not on shrinkage or loss prevention, just as the prior research works on refund fraud and customer deviance which underpin this study (Harris, 2008; Harris, 2010; Harris & Daunt, 2011) do not consider or focus their discussions from a LM perspective, or the perspective of organisations who adopt and practice lean thinking.

Nonetheless, opportunism in supply chains (De Treville, Shapiro, & Hameri, 2004), waste of organisational resources, and other voluntary acts of deviance that accrue losses and violate organisational norms concerning the quality or quality of work done, have been considered in terms of LM thinking and practice (Shingo, 1984; Monden, 1984; Robinson & Bennett, 1995; Womack & Jones, 2003; Nicholas & Soni, 2006; Kennedy & Widener, 2008; Bicheno & Holweg, 2009; Pettersen, 2009; Darrat, Amyx, & Bennett, 2010; Barwick & Hackbarth, 2012; Kalong & Mohd, 2013).

These research studies find LM useful in retailing, especially in the control and prevention of shrinkage losses, which include fraud. In Kennedy and Widener (2008), it is found that LM prevents deviant behaviours like absenteeism, reduces errors in both invoicing and inventory, ensures inventory accuracy, and does not allow for negative inventory balances. These are results of the social and behavioural controls that lean thinking emphasises, and which were absent until the implementation of LM in the case study organisation (CSO) (Kennedy & Widener, 2008).

Despite the links, the subject matter and scope of this thesis is different from the previous research on which it is built on. This is because there are no empirical studies on fraud towards lean thinking organisations, and the studies that explore LM thinking and loss prevention in

retailing mostly focus on shrinkage. Even though shrinkage includes losses from fraud, it is not always the case. The common description for shrinkage is a loss incurred because of errors and, or, misuse, and misappropriation of organisational resources. This shrinkage loss, which is typically inventory or cash, is caused by wastage, error, and crimes like fraud (Hollinger & Davis, 2001; Beck, Bilby, & Chapman, 2002; Beck & Chapman, 2003; Bamfield, 2004; Bertolini, Ferretti, Vignali & Volpi, 2013).

There is no single or general definition for the act of fraud, but, according to the 2006 UK Fraud Act, a person, or organisation, is guilty of fraud when they make a false representation, fail to disclose information when there is a legal duty to do so, and when they abuse their position of power and trust. Also, according to Albrecht, Albrecht, Albrecht, and Zimbelman (2009), fraud is deception that involves an intentional or reckless false representation about a material point, which is believed and acted upon by another party known as the victim, to the victim's damage. Therefore, fraud is technically different from shrinkage, deviance, and unintentional errors, which are the issues that existing research studies on lean management explore.

Still, fraud in organisations is implicated in a number of other negative organisational behaviours, such as shrinkage and deviance from both customers and employees (Cole, 1989; Hollinger, Slora & Terris, 1992; Bennett & Robinson, 2000; Beck & Chapman, 2003; Bamfield, 2004; Ahmad & Norhashim, 2008; Dorminey, Fleming, Kranacher, & Riley, 2012; Robinson, Robertson, & Curtis, 2012; Puri, 2013; Beck, 2018), and this is one of its links to lean management.

1.4 Research Contributions

This thesis makes empirical, methodological, and theoretical contributions to the body of knowledge in LM and counter fraud. LM and counter fraud are part of the wider accounting

and management control research and literature (Berry, Coad, Harris, Otley, & Stringer, 2009; Fullerton, Kennedy, & Widener, 2012; Free, 2015; Lokanan, 2015), and this is an exploratory study that attempts to extend the current research in these areas through its methodological approach and in its choice of research methods.

1.4.1 Empirical contribution

There are media reports of fraud loss in lean thinking organisations GlaxoSmithKline (GSK), in 2012, and Toyota, in 2014, that seem rarely to be discussed in practice, and about which there appears to be very little academic research or empirical evidence (Thomas & Schmidt, 2012; BBC, 2012; Muller, 2014; Federal Bureau of Investigation, 2014). There is also a reported increase of fraudulent refund claims from customers in retail organisations (Harris, 2008; Harris, 2010), where LM is common practice (Naruo & Toma, 2007; Lukic, 2012).

This study consists of findings (observed data) regarding examples of these fraudulent refund claims from customers, and the way one LM retail organisation counters the problem. The data, which were collected via interviews with staff in four of the organisation's retail stores, provide a more robust explanation of the financial, psychological and reputational damages associated with fraud committed against lean management organisations (Gottschalk, 2012; Bonini and Boraschi-Diaz, 2013; Gottschalk and Rundmo, 2014; Lewis, Brooks, Button, Shepherd, and Wakefield, 2014).

Also, there appears to be very little academic research that investigates the risks and potential flaws in LM, even though there are some known issues that problematise LM, and these issues may expose to risks and losses from fraud organisations that rely on LM to counter fraud. These issues relate to i) LM as a socio-technical system and the problematic overemphasis on the technical aspect (Melton, 2005; Joosten, Bongers, & Janssen, 2009), ii) the way context, which includes behaviours in the social sub-system and the organisational environment, poses a

challenge and barrier to the success, adoption, and practice of lean thinking (Bollbach, 2012; Jadhav, Mantha, & Rane, 2014; Dora, Kumar, & Gellynck, 2016), and iii) the limitations, negative consequences or risks of the customer focused behaviour and structure of LM (Cusumano, 1994; Cooney, 2002; Hines, Holweg, & Rich, 2004; Cox & Chicksand, 2005; Joosten, Bongers, & Janssen, 2009; Stone, 2012).

This study consists of findings (observed data) on the fraud risks, opportunities and losses associated with customer focus in LM organisations. These includes the challenges that other behaviours in the social sub-system, such as the lack of the organisation's leadership and management support in counter fraud activities, and customers who fail to properly keep their receipts or maintain their purchased items as instructed, pose to countering the problem of fraudulent refund claims from customers.

Lastly, there is a gap in the counter fraud and LM literature relating to the scale of potential losses from fraud in lean thinking organisations, the role of LM organisational structures and behaviours in incidents of fraud, and how understanding these roles is important in fraud prevention (Needleman & Needleman, 1979; Vaughan, 1992; Vaughan, 2001; Holtfreter, 2005; Button, Gee, & Brooks, 2011; Gottschalk, 2011; Pan, Seow, Suwardy, & Gay, 2011; Mackevicius & Giriunas, 2013; Lokanan, 2015; Lokanan, 2018).

This study consists of observed data that indicate the scale of potential losses from fraud in one LM retail organisation. Additionally, results from the thematic analysis of data collected via interviews with staff in four of the organisation's retail stores reveal the role of the LM customer focus structure and behaviours in incidents of fraudulent refund claims from customers. These findings inform the final discussions about how understanding these roles is important in countering fraud in the case study lean retail organisation (CSLRO).

1.4.2 Methodological contribution

First, the key constructs of this study are LM, fraud, and counter fraud. The logic of enquiry and way which the knowledge of these constructs is commonly acquired is through a functionalist approach. This approach takes an objective view of the world, and seeks structural mechanisms or causal regularities that are observable and govern the behaviour of reality. It is also normative, in the way that it seeks to establish law-like relationships between objects synergy, control, and efficiency, based on the nomothetic science of positivism (Monden, 1983; Inman & Mehra, 1993; Cua, Mckone, & Schroeder, 2001; Fullerton & McWatters, 2001; Fullerton, McWatters, & Fawson, 2003; Shah & ward, 2003; Houshmand & Jamshidnezhad, 2006; Dibia, 2012).

This study continues with the common functionalist approach, but adopts a more realist and empirical perspective (Healy & Perry, 2000; Krauss, 2005; Sobh & Perry, 2006; Blaikie, 2009). This means that instead of looking at things as they are (positivism), or as they ought to be (normative), this study realises that things are as they are, but that people put their meanings on it (Sobh & Perry, 2006; Blaikie, 2009). Put another way, this study looks at what is actually happening in one LM retail organisation, instead of what ought to happen. It collects and analyses data on an actual fraud event, fraudulent refund claims from customers, in one lean organisation, and the way people react to it. This data provides evidence of LM and fraud in an actual workplace.

The theory that links the key constructs and underlying research philosophy is the rational choice theory (RCT). RCT assumes that humans behave rationally and logically, and act of their own free will (Cornish & Clarke, 1986; Smith, 1991; Green & Shapiro, 1994; Hechter & Kanazawa, 1997; Holden & Lynch, 2004). A common research approach is using the RCT to explain the reason people commit fraud towards organisation. This is because it is assumed that a potential offender calculates the costs and benefits of the crime, and selects the alternative

that yields the highest utility (Cornish & Clarke, 1986; Tonglet, 2002). It is also assumed under RCT that crimes like fraud towards organisations will be prevented either by reducing the opportunities for the crime or by increasing the risks of detection (Cornish, 1994; Tonglet, 2002; Holtfreter, 2005; Lokanan, 2015). RCT has also been used to explain the reason organisations adopt and practise lean management, as there is empirical evidence that organisations adopt LM for its optimisation purpose and benefits, which include cost reduction, performance improvements, and profit maximisation (Womack & Jones, 2003; Bhasin & Burcher, 2006; Wan & Chen, 2008; Lukic, 2012; Dibia, Dhakal, & Onuh, 2014; Netland, Schloetzer, and Ferdows, 2015).

This study continues with RCT. However, it uses the theory to explain the findings (observed data) on the rationale behind countering fraudulent refund claims in the CSLRO instead of the rationale behind committing fraud. Specifically, it collects and analyses data on what drives the CSO organisation and its employees to counter, or not to counter, fraudulent refund claims from customers, then considers it against the neutralisation techniques which are tied to RCT. This expands the domain of the theory, as it tests to see the extent to which RCT explains the phenomenon observed.

1.4.3 Contribution to research methods

Fraud is a sensitive topic, and there is restricted access to data on the actual experiences of parties involved (Hassink, Meuwissen & Bollen, 2010). As such, most empirical studies of fraud use experimental settings, or surveys that focus on obtaining data on the perception of participants, rather than obtaining data on actual fraud cases (Van der Heijden, Van Gils, Bouts & Hox, 1997; Chapple, Ferguson & Kang, 2009; Hassink, Meuwissen & Bollen, 2010; Ngai et al., 2011; Brooks, 2012; Gilbert, 2015).

However, this study had the access and an opportunity to study and collect primary data on a case of fraudulent refund claims from customers in a retail organisation that practises LM. The data in this study were collected through a walk-through and observation, and with semi-structured interviews of 19 members of staff in a lean thinking retail organisation.

1.4.4 Theoretical contribution

This study critiques current research in lean thinking and identifies gaps in both the organisational and fraud literatures.

The LM literature is largely situated within organisational studies; consequently, theoretical frameworks address group or organisational behaviours but lack theoretical and empirical evidence about the effects of individual behaviours, of managers, employees, suppliers and customers, on LM operations (Hines, Holweg, & Rich; 2004; Paez el., 2004; Bollbach, 2012). On the other hand, the counter fraud (fraud prevention) literature is primarily concerned with individual employee behaviour, and the effectiveness of management controls and internal controls in an organisation. The counter fraud literature also lacks theoretical and empirical evidence about organisational behaviours (Holtfreter, 2005, Lokanan, 2015; Morales, Gendron, & Guenin-Paracini, 2014; Lokanan, 2018).

This study, by exploring the largely separate literature on LM and counter fraud, builds a case for them to be examined together. This is achieved by critiquing the current research in LM and identifying how research into fraud in lean organisations might be carried out. This study also analyses an actual case of fraudulent refund claims by customers of a lean thinking retail organisation that has granted access.

Prior to this study, the relationship between LM and counter fraud had not been adequately explored. Exploring this relationship shows that fraud, as implicated in the LM way of loss prevention and control, does not clearly include the wider socio-economic, legal, and

psychological implications associated with this behaviour (Hummels & De Leede, 2000; Hines, Holweg, & Rich, 2004; Stone, 2012). It also shows that fraud, as implicated in LM, is not clearly linked to intent, which is an aspect of human behaviour that distinguishes fraud from other deviant and negative behaviours (Bierstaker, Brody, & Pacini, 2006; Fraud Act, 2006; Button, Johnston, Frimpong, & Smith, 2007; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015). Furthermore, it shows that there is a fundamental difference in the purpose and design of LM and counter fraud systems, which is rarely discussed, and which further exposes organisations who rely on lean management for counter fraud to risks and losses from fraud.

Incidentally, exploring the relationship between LM and counter fraud, which are forms of management controls and internal controls, highlights another issue. There appears to be very little research or discussion about the distinctions between management control and internal controls, even though there is a fundamental difference between both subjects, and the study of counter fraud in lean organisations makes it clear. There is abundant research and discussion about management control and internal control, individually. However, there is very little about differences between these systems, and the organisational implication of these differences.

Furthermore, there is very little literature that differentiates LM from other customer-focused systems and organisations, and this raises concerns because customer focus is – in theory – the hallmark of lean management (Womack & Jones, 2003; Liker, 2004; Paez et al., 2004; Kennedy & Widener, 2008; Bicheno & Holweg, 2009). For instance, marketing and retailing are other types of customer-focused systems where consumer behaviour comes first (Grewal & Levy, 2007; Brown & Dant, 2009; Gould, 2015; Finnegan, Runyan, Gonzalez-Padrom & Hyun, 2016). However, there is a large body of knowledge that differentiates LM from other organisations and management control systems (Kennedy & Widener, 2008; Malmi & Brown,

2008; Berry, Coad, Harris, Otley, & Stringer, 2009; Kennedy, Widener, Fullerton, 2010; Fullerton, Kennedy, & Widener, 2012; Bedford & Malmi, 2015).

In this study, the evidence that distinguishes the case study organisation as a lean thinking retail organisation comprises an existing LM literature which identifies it as one, and the LM practices in which the organisation engages, such as JIT, TQM, *kanban*, and their franchise system.

1.5 Interim conclusion

This study is motivated by the reported occurrence of fraud towards LM organisations. A review of the literature from different disciplines shows that few studies consider flaws in lean management thought. There is also little consideration of how organisational and individual behaviours might prevent the philosophy of LM from becoming fully enacted.

This study argues that lean management thinking would be more complete, and management control systems more robust, if advisors and managers took into greater account the possibility of fraud by employees or customers. The problem lies in the concept of LM as a socio-technical system. Whilst the technical aspects such as visual communications and JIT are widely discussed and implemented, there appears to be a rather idealistic conception of necessarily satisfied employees and customers. However, managers and customers have been shown to exhibit negative behaviours that are inconsistent with LM thinking, including lying, theft and fraud. This has implications in terms of losses of products, time and money that may erode the cost benefits that might be expected from the implementation of LM practices.

LM researchers and consultants could benefit from greater understanding of developments in counter-fraud that looks at both the behaviour of fraudsters and the policies and practices that management can put in place to reduce the incidence of such behaviours. Ironically, it appears that LM can create, as well as solve, problems of loss in organisations. Although organisation

might find that further promotion of lean philosophies of customer care, employee empowerment and participation is more attractive in the cause of reducing losses, more empirical research is needed in how social behaviours, including deviance and financial crime, emerge in lean thinking organisations. In addition, more empirical research is needed in how the impact of the implementation of counter-fraud measures, such as a zero-tolerance policy for fraud, a designated fraud officer and monitoring of fraud losses, affects the implementation of LM in organisations. From these types of research, a deeper understanding of both the social aspects of LM and the development of counter fraud as a necessary complement to management control systems is likely to emerge.

1.6 Organisation of the thesis

This thesis comprises six chapters. The first chapter is an introduction to the research study and a review of the rationale and importance of examining the way LM organisations counter fraud. It also reviews the empirical and theoretical gap that this research study intends to fill. The second chapter reviews the literature on the practices of LM and counter fraud in organisations. The third chapter explains and justifies the methodology used in conducting the research study and achieving the findings. Chapter Four reports the findings from the case study investigation, and Chapter Five discusses the findings and their implications, and links these with literature and theory. Finally, the conclusion, Chapter Six, evaluates the extent to which the research questions have been addressed, and identifies the potential contributions of the research study towards knowledge, theory, and practice. It also contains reflections regarding the research process, as it discusses the limitations of the study and makes suggestions for further research.

Chapter Two – Literature review

2.1 Introduction

The previous chapter discussed the rationale for investigating the extent to which lean management (LM) counters fraud. It also claimed that conclusions cannot yet be reached on this research question, for three reasons: there appears to be very little empirical evidence about the reports of fraud towards LM organisations, there is very little research that discusses the shortcomings of LM which may expose organisations who rely on its methods to risks and losses from fraud, and there is a relationship between LM and counter fraud that has not been adequately explored.

The purpose of this chapter is to conduct a literature review into these areas, and this review is structured as follows. Section 2.2 is an introduction to LM, and a discussion of its development, components, objectives and way of doing things. Section 2.3 explores the LM approach to loss prevention, and its claims of preventing losses like fraud. Section 2.4 discusses the loss prevention claims of LM, and identifies a gap in the claims. Section 2.5 explores the LM approach to controlling deviant behaviours like fraud, while section 2.6 critiques this approach by identifying the gaps in the claims and shortcomings of the approach. Next, section 2.7 discusses counter fraud: the way it is done, and its importance in organisations. Section 2.9 explores the relationship between LM and counter fraud, and identifies the gap in the link. Section 2.10 explores the role of organisational structures and behaviours in LM and counter fraud. Section 2.11 discusses the findings and gaps identified from the literature reviewed here, while section 2.12 concludes the chapter problematises LM based on this review and consequent discussions.

2.2 About lean management

2.2.1 History and development

The scarcity witnessed in Japan after World War Two sets the scene for the origin of lean thinking (LT) and its development in business environments (Naslund, 2008; Pepper & Spedding, 2010; Maleyeff, Arnheiter & Venkateswaran, 2012). However, when the concept of LM and its history are discussed, it is the seminal work of Womack, Jones and Roos (1990) that is commonly mentioned, while the origin is attributed to the Toyota Production System (TPS) (Pettersen, 2009; Saurin, Rooke & Koskela, 2013). Research studies like Bhasin and Burcher (2006), Pepper and Spedding (2010) and Saurin, Rooke, and Koskela (2013) discuss more history of LT.

Melton (2005) explains that the original focus of lean and the TPS is on the efficient use and allocation of the available scarce resources, or slack, as it is referred to in LM. This efficiency was especially important after World War Two in Japan, as the country was rebuilding with few resources available for business (Arnheiter & Maleyeff, 2005; Saurin, Rooke & Koskela, 2013; Lorino, 2014). According to Melton (2005), LT aims to create value, by making products and offering services defined by what is needed at the moment, or what the customer wants to buy now. In doing so, it also simultaneously aligns the flow of production as closely as possible to the flow of cash into the business (Emiliani, 1998; Maskell & Baggaley, 2006; Aghdaei, 2012).

However, over time, LT has undergone some notable changes. According to Lorino (2014), the changes in LM are evolutionary. It has come full circle, from the original anti-Taylorian process thinking and purpose, to a Taylorian, ambiguous, ‘representationist’ and non-experimental view of management. This Taylorian view of management promotes the idea that there is ‘one right way’ to do work, and the shift in LM is illustrated in the narrow interpretations of the concept as a practice comprising more output with less input, cost killing

and variance control, instead of the original idea of doing more with less (Lorino, 2014; Bhasin, 2015). Similarly, other authors like Joosten, Bongers, and Janssen (2009) maintain that the understanding of LM has changed considerably, from the original production philosophy and quality system. However, they explain that there is still an extensive use of LM instruments; their summary of the development of LT is presented in Table 2.1 below:

Table 2.1: Periods in the development of LT (Source: Joosten et al., 2009, p. 342).

	1980-1990	1990-mid 1990	Mid- 1990-1999	2000+
Focus on	Production cell and line	Shop-floor	Value stream	Value system
Approach	Highly prescriptive using lean tools	Highly prescriptive, imitating lean organisations	Prescriptive, applying lean principles	Integrative, using different management instruments
Industry sector	Automotive vehicle assembly	Automotive vehicle and component assembly	Manufacturing in general often focused on repetitive manufacturing	High and low volume manufacturing, extension into service sectors
Typical activity in this phase	Application of JIT techniques, 5s, Kanban	Emulation of successful lean organisations training and promotion, TQM	Improving flow; process-based improvement, collaboration in the supply chain	Improving customer value to improve organisational alignment. Decrease variability

They add that LM theory nowadays extends beyond the original focus on operations, and now includes the study of human behaviour as well as the interface between aspects of operations and human behaviour. Also, it is now necessary to combine quality operations systems with quality socio-technical culture for successful LM efforts. However, despite its changes and development, there is still a gap in the research and understanding of human behavioural and social aspects of lean management (Hines, Holweg, & Rich, 2004; Cox & Chicksand, 2005; Joosten, Bongers, & Janssen, 2009; Stone, 2012).

2.2.2 The components and objectives of lean management (*the lean way*)

Lean management is the common phrase used in reference to lean methods, which are essentially the lean way of thinking and doing work – and these include the lean way of leading, planning, organising, managing and controlling (Womack & Jones, 2003; Liker, 2004; Pettersen, 2009; Saurin, Rooke, & Koskela, 2013). These lean methods are based on distinct principles and techniques, most of which are influenced by the Japanese and manufacturing origins of LM and are aimed at realising specific objectives (Womack & Jones, 2003; Liker, 2004; Hines & Lethbridge, 2008; Thirkell & Ashman, 2014; Bamford, Forrester, Dehe, & Leese, 2015). Originally, the TPS was built on two main principles – described as the pillars of LM – that were used to achieve customer satisfaction and business success (Womack & Jones, 2003; Liker, 2004). The first is the JIT production principle, which is to begin work only when there is an actual demand for it, while the second is the *Jidoka* or autonomation principle, which is to stop the flow of work to fix problems as soon as they are noticed (Bicheno & Holweg, 2009). Today, LM is made up of various principles and techniques, as well as other theories and advanced manufacturing initiatives that inform its methods (Pettersen, 2009). According to Liker (2004), 14 main principles constitute the ‘Toyota way’, and these principles can be categorised into philosophy (which is long-term thinking), process (which is waste elimination), people and partners (respect, challenge, and grow them) and problem solving (learning and continuous improvement). For Karlsson and Ahlstrom (1996) and Demeter and Matyusz (2011), the ‘building blocks’ of lean management are elimination of waste, zero defects and just-in-time, continuous improvement, decentralised responsibilities and integrated functions, multifunctional teams, vertical information systems, and systems of production or service based on demand-only pull. For Sharma (2012), the basis of LM is the absolute elimination of waste, and the fundamental idea in LM is to produce exactly the units needed, in the quantities needed, and at the time needed, so that unnecessary intermediate and finished

product inventories can be eliminated. But for Pettersen (2009), LM is a concept that comprises JIT practices, improvement strategies, resource reduction, standardisation, defects control, and supply chain management, as well as other scientific management and bundled techniques, which are all used to realise its set objectives.

The objectives of LM are: to make products with fewer defects to precise customer desires (Womack & Jones, 2003); to reduce waste and improve value (Bicheno & Holweg, 2009); to ensure one-piece flow (Liker, 2004); to ensure customer focus, high quality, low cost, and shorter times of delivery and service (Dennis, 2002); to eliminate waste and reduce costs (Monden, 1998); to improve quality and productivity (Schonberger, 1982); to achieve cost reduction through waste elimination (Shingo, 1984; Pettersen, 2009). These objectives, which can be grouped into efficiency, customer focus and satisfaction, and quality control and assurance objectives, are ultimately to secure patronage, as well as commercial and competitive advantage (Demeter & Matyusz, 2011; Lukic, 2012).

2.2.3 The lean way of doing things – the technique

LM is performative, and lean techniques are specified ways of doing things – doing work, doing control, doing leadership, doing organisations – in lean management. These techniques are consistent with the lean way of thinking, but are essentially specified methods of performance, or ways of accomplishing the objectives of lean management (Hines & Lethbridge, 2008; Thirkell & Ashman, 2014; Bamford, Forrester, Dehe, & Leese, 2015). Bhasin and Burcher (2006) describe these techniques as mechanisms to action the thoughts – the principles and objectives – of LM. Hence, the lean way of doing things includes every system, practice, mechanism, device or tool used, intended or designed to realise lean objectives. Bhasin and Burcher (2006) discuss the techniques of LM in detail, but Pettersen (2009) lists and groups most of the common lean techniques, which are presented in Table 2.2 below.

Table 2.2: Listing and grouping of the various common lean techniques (adopted from Pettersen, 2009).

Common lean management technique (Pettersen, 2009)	
Collective term	Lean technique
Just in time practices	<ul style="list-style-type: none"> • Production levelling (heijunka) • Pull system (kanban) • Takt production • Process synchronisation
Resource reduction	<ul style="list-style-type: none"> • Small lot production • Waste elimination • Setup time reduction • Lead time reduction • Inventory reduction
Human relations management	<ul style="list-style-type: none"> • Team organisation • Cross training • Employee involvement
Improvement strategies	<ul style="list-style-type: none"> • Improvement circles • Continuous improvement (kaizen) • Root cause analysis (5 why)
Defects control	<ul style="list-style-type: none"> • Autonomation (jidoka) • Failure prevention (poka yoke) • 100% inspection • Line stop (andon)
Supply chain management	<ul style="list-style-type: none"> • Value stream mapping/flow charting • Supplier involvement
Standardisation	<ul style="list-style-type: none"> • Housekeeping (5S) • Standardised work • Visual control and management
Scientific management	<ul style="list-style-type: none"> • Policy deployment (hoshin kanri) • Time/work studies • Multi manning • Work force reduction • Layout adjustments • Cellular manufacturing
Bundled techniques	<ul style="list-style-type: none"> • Statistical quality control (SQC) • TPM/preventive maintenance

In this study, Table 2.2 serves as a reference point whenever the principles and techniques of lean management are mentioned or discussed.

Just like its principles, lean techniques highlight the distinctive qualities and objectives of LM. Researchers, such as Hines and Taylor (2000) and Hines, Holweg, and Rich (2004), advise companies who adopt LM to practise most, if not all the lean techniques. This is because LM is also about changing corporate culture, even though it is a methodical attack on waste at all levels and a systematic assault on the factors underlying poor quality products and elementary management problems (Hines & Taylor, 2000; Hines, Holweg, & Rich, 2004). Furthermore,

researchers, such as Bicheno and Holweg (2009) and Pettersen (2009), advise that the principles and techniques of LM are not be treated or practised separately. This is because they are of a common origin and share the same purpose; but represent the different – people and process – aspects of LM (Womack, 2003; Bhasin & Burcher, 2006; Bicheno & Holweg, 2009; Pettersen, 2009). Consequently, thinking the lean way, without acting the lean way is not advised most LM researchers (Bhasin & Burcher, 2006; Pettersen, 2009; Bicheno & Holweg, 2009; Jadhav, Mantha, & Rane, 2014). Also, applying lean techniques without adopting lean principles has been linked to various unsuccessful lean implementation programs and practices (Bhasin & Burcher, 2006; Pettersen, 2009; Bicheno & Holweg, 2009; Jadhav, Mantha, & Rane, 2014). However, as Bhasin (2015) states, most LM practitioners do not consider the advice of these researchers in the LM academic community. This is even though the academic origins of LM are mostly cited by practitioners as key to their belief in the effectiveness of LM.

The lean way of thinking and doing work has been applied across countries and businesses, and in ventures outside production, such as retailing, financial services and healthcare (Bhasin & Burcher, 2006; Lukic, 2012; Lacerda, Xambre, & Avelos, 2015). It has also been applied in every aspect of the value chain, from an organisation's product development, procurement and manufacturing, to its distributional logistics (Karlson & Ahlstrom, 1996; Bhasin & Burcher, 2006; Bicheno & Holweg, 2009). In organisations, it is mostly applied as a strategic move or effort to create value for customers and be very efficient in the process by eliminating every waste – which are described as 'non-value adding activities' (Womack & Jones, 2003). Ultimately this application of LM is to secure patronage, as well as commercial and competitive advantage (Womack & Jones, 2003; Liker, 2004; Lukic, 2012). However, it has been noted that many organisations are yet to formalise their lean efforts through a lean implementation program or initiative, despite including various elements of the lean philosophy in their operations (Boyle, Scherrer-Rathje, & Stuart, 2011).

Other theories that are recognised in the LM domain include systems thinking (Seddon, 2005), the theory of constraints (Nave, 2002; Melton, 2005; Kennedy & Maskell, 2006; Stone, 2012), contingency theory (Hines, Holweg, & Rich, 2004; Kennedy & Widener, 2008; Demeter & Matyusz, 2011), and the joint-optimisation theory, which also explains the socio-technical structure of lean thinking organisations (Clegg, 2000; Hummels & De Leede, 2000; Joosten, Bongers, & Janssen 2009; Bollbach, 2012). These theories inform the LM technique in different ways, and, within the subject domain, they are used to explain the operations or applications of LM. For instance, systems thinking is used to explain the focus of LM in organisations and, to suggest the best way to adopt, practise, or investigate LM in organisations (Seddon & Caulkin, 2007; Bicheno & Holweg, 2009). Kennedy and Widener (2008) use contingency theory to explain how control systems operate in lean organisations, as well as how they ‘fit’ i.e.– match, interact with and are influenced by the internal and external organisational environments. Similarly, in LM, the theory of constraints is implicated in explanations regarding the approach to problem solving and removing barriers or bottlenecks in the system. These theories are related in the way that they perceive an organisation as a system that consists of resources, which are connected by processes with a goal of making products for sale (Melton, 2005). LM and the theory of constraints also converge at two other points: they both share the context and origin of an everyday manufacturing and production system, and they also share foundations in systems thinking, and the philosophy or culture of continuous improvement (Dettmer, 1997; Rahman, 1998; Nave, 2002). Dettmer (1997) states that the theory of constraints is a systems approach to continuous improvement. It is the idea that constraints in a system are not limitations, but opportunities for improvement and higher performance (Rahman, 1998).

Having discussed the history and development of LM, as well as its components, objectives, and techniques, the next section discusses, more specifically, the lean way of loss prevention.

2.3 The lean way of loss prevention

Loss prevention is the main way in which LM purports to prevent waste and shrinkage, which includes fraud. There are several definitions of LM that emphasise its loss prevention potential. For instance, Womack and Jones (2003) describe lean management as a manufacturing strategy that eliminates all sources of waste, – or *muda*, – from production processes, while Maskell and Kennedy (2007) describe it as a system designed to minimise waste and produce quality product first time through. Shah and Ward (2007) share a similar view and describe LM as a system whose main objective is to eliminate waste by concurrently reducing or minimizing supplier, customer and internal variability – also referred to as *mura*. For Wyrwicka and Mrugalska (2017), LM is a manufacturing initiative that is adopted methodically, under the assumption that the elimination of waste, which can be divided into overproduction, motion, waiting, transportation, excess inventory, defects, over processing, non-utilised talent and unsafe or ergonomic working conditions, can be guaranteed by applying a few of the lean techniques in a defined sequence. Todd (2000), meanwhile, describes LM as an ‘initiative’ with a goal to reduce the waste in human effort, inventory, time to market, and manufacturing space, to become highly responsive to customer demand while producing world-class quality products in the most efficient and economic manner. Lastly, Lacerda, Xambre and Alvelos (2015) describe LM as a philosophical approach to management and manufacturing that focuses on customer value creation and maximisation through the elimination of production waste.

Waste, in lean management, or *muda*, is defined as any activity that does not add value to a product (Chen, Li, & Shady, 2010; Lacerda, Xambre, & Alvelos, 2015). According to Ohno (1998), it includes all activities that only increase cost without adding value. It occurs when more resources than necessary are consumed to produce goods or provide the service that customers really want, or when engaging in non-value-adding activities that are both time and

resource consuming and that make a product more expensive than it should be (Lacerda, Xambre, & Alvelos, 2015). In industrial environments, there are typically three types of activities that LM considers. The first kind of activity is the one that adds value to the final product which should be maintained: value creating. The second kind is the non-value-adding but unavoidable activity that should be analysed and reduced whenever possible; this is known as type one waste (*muda*): necessary but non-value-creating. The third is the non-value-adding and avoidable activity that should be eliminated, also known as the type two *muda*, or simply 'waste' (Womack & Jones, 2003; Lacerda, Xambre, & Alvelos, 2015). In LM it is important to identify the activities that add value and those that do not. Hence, the timelines between a customer's order and the product's delivery should be studied, and the associated wastes should be eliminated to reduce the duration of meeting the customer's demand (Ohno, 1988; Lacerda, Xambre, & Alvelos, 2015).

Wastes are costly, and any cost that does not add value, that is unnecessary, or that subtracts from value-added activity and profits, is a loss (Hines, Holweg, & Rich, 2004; Lacerda, Xambre, & Alvelos, 2015). The aim of LM is to reduce these costs by eliminating the wastes and creating value. Value in LM is the ability to provide services or products at the right time, and at the appropriate price, to satisfy the customer's needs (Womack & Jones, 2003). Hines, Holweg and Rich (2004) discuss the relationship between value and cost in LM, and according to them, value is created if internal waste is reduced. Reducing wasteful activities and associated costs increases the overall value proposition for the customer. Value is also increased when additional services or features are offered that are valued by the customer. This could include a shorter delivery circle, or smaller delivery batches, which may not add additional cost, but add to customer value (Hines, Holweg, & Rich, 2004; Oehmen & Rebentisch, 2010).

The lean way of loss prevention can be grouped into resource reduction, defects control, standardisation and JIT practices (Pettersen, 2009). Resource reduction is achieving more with less and eliminating every non-value adding activity in the process. It includes lean activities such as small lot production, setup time reduction, lead time reduction, waste elimination and inventory reduction, all of which are countermeasures against lean wastes (Bicheno & Holweg, 2009).

2.3.1 Defects control

Defects, in LM, are goods with quality problems and manufacturing faults, and production that is scrap or requires rework (Womack, Jones, & Roos, 1990; Liker, 2004; Pettersen, 2009). They are quality problems that often result in complaints from customers, and which could have been previously detected by the inspection and maintenance teams. These problems, which are typically associated with human failure or the lack of standard procedures and quality control systems, have a negative impact on both productivity and production costs (Ohno, 1988; Womack, Jones, & Roos, 1990; Bicheno & Holweg, 2009).

Defects control involves lean activities such as autonomation (*jidoka*), failure prevention (*poka-yoke*), 100% inspection, and line stop (*andon*) (Pettersen, 2009). Autonomation, which means, automation with human intelligence, involves stopping to fix problems immediately they occur (Voss & Robinson, 1987; Im & Lee, 1989). It is also about building quality into a process, rather than inspecting for it at the end, which is a way of preventing defects from reaching customers, even though goods are still inspected at the end of every process. Failure prevention, and visual control and management are also used to ensure built in quality at source and to protect customers from quality problems that often result in complaints (Pettersen, 2009; Lacerda, Xambre, & Alvelos, 2015). Every individual in a lean organisation has the authority, and is in fact required, to stop a process should they discover an abnormality, as this is the way problems and defects are highlighted and actions are taken to correct the problem and solve the

root cause (Voss & Robinson, 1987; Im & Lee, 1989). Lean wastes point to the problems within a system, and they are symptoms rather than the root cause of a problem., while visual control and management are used to highlight these abnormalities (Lacerda, Xambre, & Alvelos, 2015).

2.3.2 Failure prevention (*poka-yoke*)

Poka-yoke, which literally means to prevent an inadvertent mistake, is a lean approach that ensures that mistakes are either impossible or are easily detected and corrected (Robinson, 1997; Fisher, 1999; Tezel & Aziz, 2017). As with failure prevention or mistake proofing, the approach is based on the removal of the causes of defects. Where such removal is impossible, *poka-yoke* advocates for the simple and inexpensive inspection of each item to ascertain that it passes the quality threshold, with no defects (Fisher, 1999). *Poka-yoke* is typically based on six principles or methods: prevention, detection, elimination, replacement, facilitation and mitigation (Farooque & Mohapatra, 2009). But the main goal is to engineer any process so that mistakes can be prevented, through immediate detection and correction, and attention can be drawn to human errors as they occur (Fisher, 1999). As such, a *poka-yoke* mechanism or device typically has two parts: prevention and detection. It either prevents a mistake or defect from occurring, or makes any mistake or defect obvious at a glance (Fisher, 1999; Bicheno & Holweg, 2009; Farooque & Mohapatra, 2009). However, the preventive aspect, which focuses on removing the causes of defect, is more important, as the inspection process is simply a backstop (Fisher, 1999). Also, there is a distinction between mistakes and defects in *poka-yoke*. Mistakes are considered inevitable, as people are human, and cannot be expected always to understand completely the instructions they are given, nor can they be expected to focus at all times. However, defects are completely avoidable, as defects result from allowing a mistake to reach the customer (Fisher, 1999). Having visual indicators on storage or shelves, so that a storekeeper could see replenishment levels, rather than waiting to be reminded by a computer

system or card index, is an example of *poka-yoke* (Fisher, 1999). This is because *poka-yoke* can be implemented as a visual control in processes to guarantee that desired outcomes are met, by eliminating or warning of mistakes and errors through electro-mechanical or physical limitations (Tezel & Aziz, 2017).

2.3.3 Standardisation

Standardisation involves LM activities such as visual management, housekeeping (5S), and standardised work. In LM practice, visual management is implemented by using one or a combination of four kinds of visual tools (Galsworth, 1997; Tezel & Aziz, 2017). The first is the visual indicator, like safety or traffic signs, which provides only information. The second is the visual signal, like traffic lights, which signals or prompts attention for an action. The third kind is the visual guarantee, which facilitates the desired outcome in processes, like the *poka-yoke* system described above, or speed bumps and rumble strips on streets. The fourth kind of visual management is the visual control, which guides and limits processes, like motorways or parking lanes. Human control, which is the ability to ignore given instructions or messages, is considered the highest form of visual signal, but visual guarantees and visual controls allow little to no room for human control (Galsworth, 1997; Tezel & Aziz, 2017).

In lean production, these four types of visual tools are used to create a visual workplace. The first step to creating the visual workplace is implementing a systematic workplace structuring and housekeeping methodology known as the 5S (Osada, 1991; Tezel & Aziz, 2017). The 5S represents the five steps in this methodology that are used to reduce the inefficiency and clutter of any workplace environment. These five steps involve the systematic arrangement or sorting of process items (*seiri*), setting process items in order to achieve a workplace standardisation (*seiton*), systematic cleaning or maintenance checks: shine (*seiso*), standardising the first three steps or Ss (*seiketsu*), and sustaining the methodology (*shitsuke*) (Hirano, 1995; Bhasin & Burcher, 2006; Bicheno & Holweg, 2009; Tezel & Aziz, 2017). After the 5S, the next step is

to place highly visual technical and procedural standards, such as work instructions and specification, close to their point of use (Maskell & Kennedy, 2007; Tezel & Aziz, 2017). This step is known as visual workplace structuring. At this stage, best practice examples, desired behaviours, announcements, process charts, visual aids, end-product samples and important quality practices are integrated into the workplace (Shook, 2008; Tezel & Aziz, 2017). Also, other essential visual information, such as quality and safety issues, key performance indicators, service agreements, standards and policies, should be condensed, made easily understandable, and put on visual display boards that are open to everyone at the workplace (Tezel & Aziz, 2017).

The last step of creating a visual workplace is introducing visual performance boards, visual standards, and more advanced concepts such as visual guarantees and visual controls, into the work environment. Using simple methods and artefacts such as colour coding, coloured cards, and shadowing, visual controls can be used to realise quality control, process control, material logistics control and maintenance control efforts (Ohno, 1988; Tezel & Aziz, 2017). In addition, critical processes that require a higher level of standardisation in terms of safety, processing time or process outcome quality are redesigned with physical or electro-mechanical impositions (Shingo, 1986; Tezel & Aziz, 2017). These impositions, or visual guarantees, can warn operators of unsafe situations or deviations, or can guarantee the outcomes of a process altogether without leaving any options within the operator's control (Fisher, 1999; Tezel & Aziz, 2017).

2.3.4 Just-in-time practice (JIT)

In LM, the just-in-time practice of only beginning work when there is demand for it includes activities such as production levelling (*heijunka*), flexible manpower, pull system (*kanban*), process synchronisation, continuous flow, material supply, and takt production (Pettersen, 2009; Netland, Schloetzer, & Ferdows, 2015; Ruttimann & Stockli, 2016). These activities,

which are also aimed at eliminating waste, and improving quality and relationships with suppliers, are well discussed in Voss and Robinson (1987), Fullerton and McWatters (2001), Bicheno and Holweg (2009), as well as Ruttimann and Stockli (2016). A good example of JIT is *kanban* visual control, which is based on the exchange of specially designed cards – signalling artefacts – among work units. The kanban system is used to control the amount of production, level out the work-in-progress and stocks, and ultimately harmonise pull production (Pettersen, 2009; Ruttimann & Stockli, 2016; Tezel & Aziz, 2017).

Other lean methods that are used in loss prevention are policy deployment (*hoshin kanri*), multi-manning, layout adjustments, and total preventive maintenance. As the foregoing discussions show, these lean techniques and activities often connect, overlap, and function together, because they are built on the same lean principles, and focused on realising the same lean objectives: customer satisfaction, efficiency, and quality control. These techniques are also based on every employee's involvement in the identification, monitoring and elimination of waste (Wyrwicka & Mrugalska, 2017).

2.4 Discussing the loss prevention claim

Lean management is widely adopted and considered useful in loss prevention because of its efficiency objectives and methodology (Bhasin & Burcher, 2006; Lukic, 2012). According to Wan and Chen (2008) and Dibia, Dhakal and Onuh (2014), following the waste elimination methods of LM has brought significant positive impact to various industries; existing open evidence of successful lean implementation in top companies worldwide shows that it results in a more efficient system with better financial performance and improved business processes. There is evidence from various case studies that shows that adopting LM to minimise or eliminate waste has led to cost reduction, performance improvements, and profit maximisation. In Netland, Schloetzer and Ferdows (2015), the findings from a case study of thirty-six plants in a lean manufacturing company show a positive relationship between lean implementation

and improvements in operational performance in the factories. In Dibia, Dhakal and Onuh (2014), the findings from two case studies on lean implementation show improvements on facility optimisation, as well as cost reductions and savings amounting to \$1.2million and \$62 million, respectively. Other case study evidence of benefits accruing from adopting LM's efficiency and loss prevention systems are presented in Table 2.3 below:

Table 2.3: Research showing the loss prevention benefits of lean management (adopted from Hofer, Eroglu, & Hofer, 2012).

Author	Research study	Findings
Inman and Mehra (1993)	A case study of 114 US manufacturing firms adopting JIT	Firms' performance improves as a result of JIT adoption
Fullerton and McWatters (2001)	A case study of 95 US manufacturing firms adopting JIT	Extensive JIT implementation results in greater profitability improvement
Callen, Fader and Krinsky (2000)	A case study of 100 Canadian manufacturing plants	JIT adoption results in lower costs and higher profits
Germain, Droge and Spears (1996)	A study of 200 US manufacturing managers	JIT results in greater financial performance compared to industry peers
Kinney and Wempe (2002)	A case study of US manufacturing firms adopting JIT	Return on assets and profitability improve following the adoption of JIT
Matsui (2007)	Case study of 46 Japanese manufacturing plants	JIT systems contribute to competitive performance outcomes which include lower manufacturing costs
Fullerton and Wempe (2009)	A study of 121 manufacturing executives	LM practices have direct and mediated positive effect on financial performance
Yang, Hong and Modi (2011)	Survey data from 309 lean manufacturing firms	LM has a significant positive impact on financial performance
Norris, Swanson and Chu (1994)	A study of 48 plant managers that use JIT	Lower inventories, as well as greater inventory visibility and accuracy following JIT implementation
Huson and Nanda (1995)	A study of 55 US manufacturing firms	Inventory turnover increases following the adoption of LM
Balakrishnan, Linsmeier and Venkatachalam (1996)	A study of 46 US manufacturing firms	There is a higher inventory turnover in firms that adopt JIT than firms that do not use lean production
Demeter and Matyusz (2011)	An international manufacturing strategy survey	There is a higher inventory turnover in firms that adopt lean practices
Shah and Ward (2003)	A study of 1575 manufacturing plants	The practice of LM has a positive effect on operation performance

LM is also useful in loss prevention across retail organisations, even though most of the

organisations/case study evidence in the table 2.3 above are in manufacturing business. In retailing, there are no established LM concepts, but there are largely similar practices of automation, JIT, and *kanban* present in supply chain management, demand chain management and franchise systems, or in store merchandising (Naruo & Toma, 2007; Lukic, 2012). In retailing, wastes and losses from non-value-adding activities in production, distribution and sale of goods to customers are commonly referred to as shrinkage (Beck, Bilby, & Chapman, 2002; Beck & Chapman, 2003; Beck, 2017). Wright and Lund, (2006), Naruo and Toma, (2007); Lukic (2012) and Noda (2015) discuss in detail the practice of lean management in retailing. Table 2.4 below correlates the manufacturing and retailing viewpoints of LM:

Table 2:4 Manufacturing and retail overview to lean management (adopted from Naruo & Toma, 2007, and Lukic, 2012).

Lean Management		
Manufacturing	Retailing	
Toyota Production System (TPS)	General model and concept	Seven-Eleven key concept
Just-in-time (JIT)	Supply chain Management (SCM)	Combination distribution centre (CDC), Non-deliverable forward (NDF)
Kanban system	Demand chain management (DCM)	Store initiative ordering
Production smoothing	Supply chain management (SCM)	Team merchandising
Shortened setup time	Supply chain management (SCM)	Customer focus
Shortened lead time	Order-delivery	Dominant strategy
Standardisation of operations	Franchise system	Store initiative ordering
Autonomy	In store merchandising	Individual store management
Kaizen (Continuous improvement activities)	In store team meeting	<i>Tanpinkanri</i> (item by item control)

As Lukic (2012) states, the significant economic impact is a major reason the lean approach is applied in many retail formats, such as grocery, convenience, clothing and apparel stores which

is where LM systems are particularly pronounced. Quantitative data from research in practice show that the effects of lean thinking in retail include: reduced inventory by 10 to 30 percent; reduced stockouts by 20 to 75 percent; reduced labour costs by 10 to 20 percent, and increased comparable sales by up to 10 percent (Lukic, 2012). Lukic (2012) also claims that LM significantly contributes to improved customer satisfaction, which in return translates to increased store profitability, such as an increase in the return on equity by 5 to 10 percent (Lukic, 2012). Naruo and Toma (2007) report that a renowned Japanese retail company obtained high business performances which can be attributed to their LM type practices. Wright and Lund (2006), Lukic (2012), and Noda (2015) also reveal that with LM, most retail companies became able to provide products at prices which were less expensive than their non-lean competitors, to deliver products faster, and to be more responsive to market trends. One of the other reported benefits of LM in retailing is that it translates into best practices such as releasing unnecessary stock and offering lower prices to customers in the form of sales and discounts (Lukic, 2012; Noda, 2015). Lukic (2012) and Noda (2015) also claim that LM leads to greater cost efficiency, increased worker productivity, and significant improvement in customer satisfaction and store profitability. More case study evidence and quantitative data on the efficiency and improvement effects of lean management can be found in Abernathy, Dunlop, Hammond and Weil (1999), Wright and Lund (2006), Naruo and Toma (2007), and Lukic (2012).

2.4.1 Gap in the claim that LM prevents losses from fraud

One issue found from the literature reviewed here on the components, objectives, methods and uses of LM is that it does not explicitly discuss losses from fraud. This is despite the loss prevention claims of LM, and the fact that fraud is implicated in shrinkage and LM wastes. This finding problematises LM in the way that it is theorised, practised or taught. More especially, it questions the extent to which LM counters fraud.

Fraud is a costly and non-value adding activity, which is implicated in shrinkage and LM waste (Keenan, 2000; Womack & Jones, 2003; Bierstaker, Brody, & Pacini, 2006; Button, Blackburn, Lewis, & Shepherd, 2015). Fraud is a major cause and part of shrinkage losses and, losses from shrinkage are mostly in the form of inventory and cash. Also, losses from shrinkage are mostly from retailing, where lean management is common practice (Wright & Lund, 2006; Lukic, 2012; Beck, 2017). The common definition for shrinkage is a loss incurred as a result of error, crime – which includes fraud – and wastage, which includes the misuse or misappropriation of organisational resources (Hollinger & Davis, 2001; Beck, Bilby, & Chapman, 2002; Beck & Chapman, 2003; Bamfield, 2004; Bertolini, Ferretti, Vignali & Volpi, 2013). Most of the published reports and surveys on shrinkage typically categorise it into four areas of loss: customer/external theft; employee/internal theft; vendor/supplier fraud; administrative and paperwork error (Beck, 2017; Beck, 2018).

Fraud is also implicated in the wastes – non-value adding activities – that LM claims to eliminate. For instance, Harris (2008), and Harris (2010) report that in retail organisations, incidents of fraudulent refund claims are increasing, as customers are returning and fraudulently claiming refunds on products with manufacturing faults and quality problems: defects. Going by LM standards and principles, returns are largely non-value adding activities, because if the goods produced are exactly what the customer wants, at the quality desired, then there should be no returns (Womack & Jones, 2003; Liker, 2004). Also, when the process of returns is considered, there are various activities that can be described as ‘non-value-adding’, for instance, the staff employed for the return service, the customer/service line or waiting involved, the space required for the returns desk, and the time involved in processing the refunds for customers and nullifying the initial sale (Verhoef, Kannan, & Inman, 2015; Finnegan, Runyan, Gonzalez-Padrom, & Hyun, 2016; Hubner, Holzzapfel, & Kuhn, 2016). There are also the costs that retailers incur returning the goods to a manufacturer for inspection

of the defective products or for repairs, returning the goods to the shop floor for resale, if it is still in a sellable condition, or returning back to the warehouse for storage thereby creating or adding to inventory (Stock, Speh, & Shear, 2002; Stock, Speh, & Shear, 2006; Stock & Mulki, 2009). When this return process is considered along with the possibility that fraud can happen at any point – because it has been known/reported to happen at various points in this process (Harris, 2008; Beck, 2017) – then it is a problem that LM does not clearly consider or include losses from fraud in its wastes.

Losses from fraud are also implicated in lean wastes such as overproduction, excess inventory, and over-processing. The reason is that doing or keeping more than what is needed creates the opportunity for pilfering or asset misappropriation, a common form of fraud that comprises any scheme that involves the misuse of theft of an organisation's asset or resources (Wells, 1997; Wells, 2007). Even over-processing, which includes processing costs and information that are not required to meet actual demands, can be linked to procurement and management fraud (ACFE, 2013).

As stated, this issue – the gap in fraud discussions and research in LM – questions the loss prevention claims of LM, which problematises the subject. It also questions the extent to which LM counters fraud, as do other already known issues with LM. There is for example the 'ideal' image of LM, when in fact, it may not be as efficient, or useful in loss prevention, as it claims to be (Bhasin, 2012; Azadegan, Patel, Zangouinezhad, & Linderman, 2013). The supposition that the strategic adoption and practice of LM prevents losses and leads to organisational and business success may be an ideal. This is because there is no 'one right way' to do work, or manage people, unlike most of the current LM literature suggest (Lorino, 2014; Bhasin, 2015). According to Cox and Chicksand (2005), LM thinking is not always the most suitable approach to managing external relationships and internal processes, and there are various schools of thought that question the operational appropriateness and universal applicability of the lean

approach from a commercial and strategic perspective. For instance, Bhasin (2012) and Azadegan et al. (2013) reveal that despite the qualities and promises, LM operations like waste elimination may not be as rewarding as they need to be in order to justify the investment of organisations interested in implementing them.

Having discussed the loss prevention claims of LM, the next section discusses its organisational and behavioural control claims.

2.5 The lean way of organisation and control

Control is a product of organisations, and organisations emerge when people come together to achieve a common goal. This union consequently develops into a series of relationships, with a shared belief, and division of the work necessary to achieve the goal (Galbraith, 1974; Simons, 2013). In order to maintain the union, organisations ensure the continuous achievement of their goals by means of control, which directs and regulates the relationships and activities (Mintzberg, 1979; Stern & Barley, 1996; Schaad, 2003).

There are a few systems that emerge from the practice of lean thinking, and organisations are one of them, indeed the main one. In LM, organisations are viewed as systems, but from a supply chain perspective (Pettersen, 2009). This means that there is less focus on the internal structure and integration of departments within an organisation, and an emphasis on seeing internal operations as part of a value stream, which comprises a sequence of processes or activities through which a product is transformed and delivered to the customer, who is the main focus of lean organisations (Womack & Jones, 2003; Kennedy & Widener, 2008; Bicheno & Holweg, 2009; Pettersen, 2009). It also means that in LM, the final customer is not the only customer. The customer in LM is the next person and step, process, or organisation in a value stream, or supply chain network (Womack & Jones, 2003; Walters, 2009; Bicheno & Holweg, 2009). As such, a LM work-system is described as an integrated process, where every process is integrated from bottom to top, and every activity is systematically organised to achieve

optimum efficiency in creating value for customers (Wang, Huang, & Dismukes, 2004; Andersson, Erikssoon, & Torstensson, 2006; Nepal, Yadav, & Solanki, 2011).

According to Jones (1992) and Cooney (2002), there are five main components of lean organisations: the use of JIT to eliminate in-process buffers and eliminate waste, the use of visual factory controls, employee involvement in continuous improvements, the organisation in work teams, and the devolution of responsibilities to front-line workers. Also, according to Bicheno and Holweg (2009), there are also twenty-five distinctive qualities of lean organisations. LM organisations are supposedly identifiable by these qualities, as well as by two main structures or systems that typically emerge from the lean way of organising and controlling work: the socio-technical system and the pull-system (*kanban*) (Hummels & De Leede, 2000; Hines, Holweg, & Rich, 2004; Bicheno & Holweg, 2009). These systems condition and direct the behaviour and relationships between members of the LM social system. These LM work-systems and their methods of control are now discussed:

2.5.1 Lean as socio-technical system

The socio-technical system is the way LM purports to control deviant group or organisational behaviour, which includes fraud, and there are several research studies that describe LM organisations as socio-technical systems (Trist, Higgin, Murray, & Pollock, 1963; Trist, 1981; Sugimori, Kusunoki, Cho, & Uchikawa, 1977; Ohno, 1988; Hummels & De Leede, 2000; Womack & Jones, 2003; Liker, 2004; Paez, Dewees, Genaidy, Tuncel, Karwowski, & Zurada, 2004; Shah & Ward, 2007; Joosten, Bongers, & Janssen, 2009; Pettersen, 2009; Hoss & ten Caten, 2013).

LM as a socio-technical system mostly concerns organisational structure and behaviour. As a socio-technical system, a LM organisation consists of humans interacting with technical systems to produce and optimise the desired outcomes and objectives of their union (Genaidy & Karwowski, 2003; Paez et al., 2004; Shah & Ward, 2007). The technical system refers to the

structure and mechanics of the organisation, which include the layout and arrangement of the work-place, the lean techniques, the standard working procedures, and the organisation's overall focus, movement and direction (Cummings, 1994; Pettersen, 2009). According to Paez et al., (2004), the technical system of lean thinking organisations (LTOs) revolves around three major practices: automation (*jidoka*), production smoothing or levelling (*heijunka*), and the *kanban* pull-system.

The social system, which consists of people and their relationships, refers to individuals who engage or deal with the organisation at different levels, such as the employees, suppliers, customers, industry members, and competitors. It also refers to the organisation itself: the existing relationships, the individual and shared values of members, and the overall way of living and doing things throughout the organisation (Huber & Brown, 1991; Genaidy & Karwowski, 2003). Broadly, it also includes reasons the employees choose to work for the organisation, their motivations, expectations and attitudes towards the organisation, the skill levels of employees, the relationship patterns between supervisor and subordinate, and the nature of subgroups within the employee population (Huber & Brown, 1991; Genaidy & Karwowski, 2003). Notwithstanding their definitional heterogeneity, these two systems, technical and social, are integrated and interdependent, as they rely on each other for optimum performance of their respective functions and optimisation of the performance of the organisation as a whole (Klein, 1994; Appelbaum, 1997; Drenth et al., 1998; Clegg, 2000; Bollbach, 2012).

Members of a lean social system use their skill and knowledge of the technical system to accomplish tasks, provide services, and transform raw materials into products for the organisation. The success of lean technical systems and the efficiency of their various tools and techniques depend on how the members of the social system use them (Ohno, 1988; Womack et al., 1990; Wakabayashi, 1996; Liker, 2004; Hummels & De Leede, 2000; Hines, Holweg, &

Rich, 2004; Joosten, Bongers, & Janssen, 2009). According to Liker (2004), humans (employees) are integral to the fulfilment of the objectives of the lean philosophy, and the success of the organisational system. Hummels and De Leede (2000) use the term 'foundation of the organisation' for the same conclusion. The structure of the technical system constrains, just as it facilitates, the operation of the social system, by shaping the behaviours required to operate it (Joosten, Bongers, & Janssen, 2009). Consequently, the degree of integration, communication, decision and control provided for members of the social system becomes a function of the structure or arrangement of the technical system (Huber & Brown, 1991).

All the same, LM organisations are client (customer) driven, as the process and work are designed to meet their product or market orientation (Andersson et al., 2006). This design is known as the pull-system, and it is discussed next.

2.5.2 The pull-system (*kanban*)

As one of the three major practices of LM technical systems, the pull-system exemplifies the customer focus and group responsibility that typifies LM organisations.

The kanban system is based on the principle and practice of JIT, where work only begins at the customer's demand known as *pull*. When work is pulled, everyone in a LM organisation is responsible and involved in creating value, as well as ensuring zero waste and quality in the process (Andersson et al., 2006). These practices, according to Arnheiter and Maleyeff (2005), produce customer satisfaction, as things are done at the right time and place. The practices also ensure that the right product or service is rendered, in the right quantity and, at the right quality and cost, thus encouraging firms to design, schedule and create just what the end customer wants, exactly when they want it (Womack & Jones, 2003; Arnheiter & Maleyeff, 2005; Seddon & Caulkin, 2007; Naslund, 2008).

The focus on customers is the hallmark character of LM organisations, and a strategy that differentiates them and their business from competitors (Kennedy & Widener, 2008). This

focus shapes the organisation's behaviour, because the entire system is built around this critical characteristic, which is the prompt or driver of activities and decisions made throughout the organisation. This prompt, otherwise known as the pull-system, is a structure that exemplifies the lean focus on customers, and the ultimate objective of lean management (Seddon & Caulkin, 2007; Haskin, 2010; Radnor, 2010).

In the context of LTOs, the customer is the next person or step in a value chain or stream (Womack & Jones, 2003; Walters, 2009; Bicheno & Holweg, 2009). As Bicheno and Holweg (2009) state, the customer can be the next process, next company along the demand network or supply chain, the final customer, or the customer's customer. This means that the customer exists at both the micro and macro levels and is either internal or external to the organisation. The customer provides the pull factors that prompt the creation of value and other activities in a lean thinking organisation (LTO) (Bicheno & Holweg, 2009; Scherrer-Rathje, Boyle, & Deflorin, 2009; Chavez et al., 2015).

This focus on customers not only allows the customer 'pull value' from the producer, it also allows the organisation to manage resources and variances in customer demand. It allows them to shape and control the behaviour of staff and suppliers, and the movement of inventory (Hines, Holweg, & Rich, 2004; Andersson, Eriksson, & Torstensson, 2006). Nicholas and Soni (2006) explain this using an instance of a supermarket stocking system driven by the *kanban* 'pull-approach'. This is a customer-driven scheduling system that visibly indicates where deliveries are needed, and the products that need replenishment (Hines, Holweg, & Rich, 2004). The pull-system also ensures that the responsibility for solving problems in a LTO does not rest in a single workplace or department, as workplaces are independent in a value stream, and everybody should be involved in the process (Possel-Doelken, Zheng, & Tang, 2002; Pfohl, Kohler, & Thomas, 2010; Mann, 2005; Andersson, Eriksson, & Torstensson, 2006).

This focus on customers is also how lean thinking organisations purport to prevent shrinkage losses, the misuse of organisational resources, and frauds that could disrupt the value stream.

2.5.3 Other LM practices that imply fraud prevention

Lean management values and practices include building a culture of stopping to fix problems, developing a learning and continuously improving organisation, encouraging transparency in actions and operations by using visual controls so problems cannot be hidden, and equal sharing of workload or group responsibility (Liker & Wu, 2000; Gottfredson & Aspinall, 2005; Pettersen, 2009; Azadegan, Patel, Zangouinezhad, & Linderman, 2013). These can be encapsulated in the phrase ‘doing the right thing and doing things right the first time through’, or, as Azadegan et al. (2013) state, a simpler and more effective organisational culture, which embraces problem detection and problem solving. According to Bicheno and Holweg (2009), culture predominates in LTOs, and in particular, an organisational focus on customers is regarded as a strong culture. This becomes evident in everyday behaviours (Chatman & Cha, 2003; Bicheno & Holweg, 2009; Haskin, 2010) and it is expected that this comes, as Bhasin and Burcher (2006) observe, to include humanity, shared respect and group responsibility as lean cultural values. Emiliani (2008) also agrees that LM encourages respect for leaders and instils humanity towards staff and, more especially, towards customers.

According to Bortolotti, Boscari, and Danese (2014), the profile of a LM organisational culture is high institutional collectivism, a human orientation, a future orientation, and a low level of assertiveness. They also state that LM organisations are characterised by practices such as small group problem solving, training employees to perform multiple tasks, customer involvement, supplier partnerships, and continuous improvement. These are classified as ‘soft’ practices, which concern people and relationships. LM technical and analytical tools are labelled as ‘hard’ practices (Borlolotti et al., 2014).

In addition, even when LM is considered as a philosophy, it is mostly discussed as an advanced manufacturing initiative (Hines, Holweg, & Rich, 2004; Arnheiter & Maleyeff, 2005; Andersson, Eriksson, & Torstensson, 2006). Evidence of this emphasis on the technical aspect of lean management thinking is found when reviewing the operations management literature (Bollbach, 2012). Authors pay attention to production paradigms that are based on socio-technical design principles but give only limited attention to the benefits of socio-technical systems theory when discussing or examining lean implementation and practice. Also, amongst the publications that have adopted a socio-technical perspective on lean thinking, there appear to be no in-depth or extensive studies that assess the relative importance of the lean social sub-system, or studies that elicit the risks and barriers created when there is a mismatch between the social and technical elements in the organisational practice of lean thinking. There is evidence that human and behavioural issues, rather than technical systems failure, cause disruptive events, barriers, lack of success, deviant activities and shrinkage losses in LTOs (Humber & Brown, 1991; Bollbach, 2012).

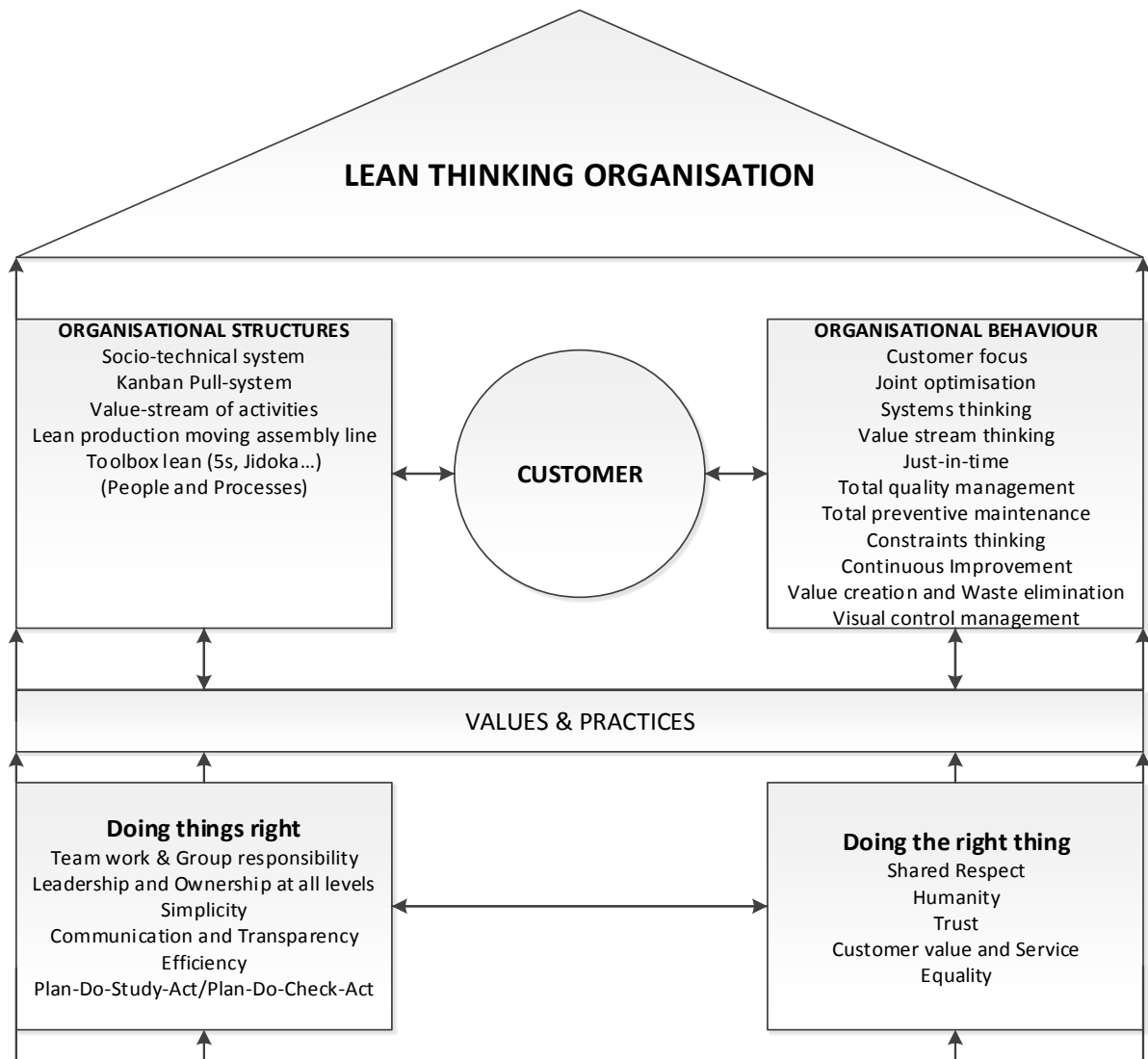


Figure 2.1 An image of a lean thinking organisation and its components, based on this literature review: Source Author

2.6 Discussing the control claim

Kennedy and Widener (2008) and Fullerton, Kennedy, and Widener (2012) provide case study evidence on the usefulness of LM in controlling group and organisational behaviour. Kennedy and Widener (2008) observe that the implementation of LM in a business environment introduced social and behavioural controls that were initially absent, and contributed to the subsequent success of the organisation. The social and behavioural controls that LM provided were standard operating procedures, peer pressure, empowerment, training and visualisation

embedded in the lean control system and environment. The controls identified by Kennedy and Widener (2008), with examples, are presented in Table 2.5 below

Table 2.5: Behavioural and social controls in a lean thinking organisation (Source: Kennedy and Widener, 2008).

Table of behavioural and social controls found in a lean thinking organisation	
Behavioural Controls	
Standard Operating Procedures	<ul style="list-style-type: none"> • SOPs visible in cells and includes pictures of each part of the process • Yellow floor markings indicate flow of material and finished goods
Social Controls	
Empowerment	<ul style="list-style-type: none"> • Formation of cell and VS teams; self-selection of cell team members • Vacation and work schedules • Production scheduling • Quality assurance • Request training • Tracking own measures
Peer Pressure	<ul style="list-style-type: none"> • Cell members pressure one another to perform • Cell members pressure one another to gain additional training and skills • Post responsibility for action items
Visualisation	<ul style="list-style-type: none"> • Yellow marking on the floor indicating layout of machines, tools, and inventory • Cell and value stream metric boards • Flip charts
Training	<ul style="list-style-type: none"> • Skills matrix • Intranet training

Evidence from their findings show that in a lean control environment, behavioural controls include physical control, achievable through directional arrows and markings on the floor, while visual displays, such as skills versatility charts and cell metric boards, provide social controls. Furthermore, the movement of inventory and flow of products is documented with pictures and text openly displayed across the cell-environment for easy reference. These are all done to ensure inventory accuracy and to reduce errors and negative inventory balances. Another one of the social controls present in LTO is empowerment (Kennedy & Widener,

2008). The formation of cells and value stream teams, including the ability to track individual measures of performance through visible charts and metric boards, empowers staff to make management decisions within their groups. But more importantly, Kennedy and Widener (2008) claim that it enables LTOs to monitor and control the deviant behaviours, internally. The instance of deviant behaviour mentioned in Kennedy and Widener's (2008) study is employee absenteeism, and the findings of Kennedy and Widener (2008) are built upon and corroborated in Fullerton, Kennedy and Widener's (2012) study.

2.6.1 Gap in the claim that LM controls behaviours like fraud

The literature on the LM method of organisation and control suggests that employees in LTOs take ownership and, as thinkers and managers of their own activities, would not engage in non-value adding activities or other deviant behaviours like fraud (Kennedy & Widener, 2008; Fullerton, Kennedy, & Widener, 2012). However, the issue is that none of the literature reviewed here explicitly discusses the extent to which it prevents fraudulent behaviours. There is a gap in discussions about fraud, and the literature reviewed here makes no clear statements about fraud prevention, detection, or the punishment of fraud offenders in LM systems. The literature reviewed here also makes no clear statements about how fraud is discouraged or deterred by LM systems. The LM literature does discuss *deviance* in the workplace, and there are clear statements about preventing negative organisational behaviour, or non-value-adding activities. Deviance, by definition, includes fraud, so it is implied theoretically that LM can prevent fraud. No source states this explicitly, however.

Deviance is about right and wrong in the workplace, as stipulated by organisational norms (As (Robinson & Bennett, 1995). It represents a problem with workers' productivity and with organisational control. It has been described as any voluntary behaviour that violates or does not conform to significant organisational norms, policies or internal regulations (Hollinger, Slora & Terris, 1992; Robinson & Bennett, 1995; Appelbaum, Iaconi & Matousek, 2007;

ACFE, 2013; Chiu, Yeh & Huang, 2015). These organisational norms are an aggregate of principles, postulations, language and expected behaviours that enable the workplace to perform at the appropriate pace. However, when the normal or expected work behaviours contradict the norms, the consequences can be pervasive, reaching and affecting organisations in various ways: this includes the productivity, financial costs and the decision-making process (Hollinger, Slora, & Terris, 1992; Robinson & Bennett, 1995; Appelbaum, Deguire, & Lay, 2005; Coccia, 1998; ACFE, 2013; Chiu, Yeh, & Huang, 2015). Consequently, deviance – whether from employees or customers – is considered detrimental to the workplace, and a threat to the wellbeing of the organisation and its members (Robinson & Bennett, 1995; Appelbaum, Iaconi & Matousek, 2007).

Deviant workplace behaviours include counterproductive behaviours such as taking excessive breaks and leaving work early, as well as wasting organisational resources and intentionally working slow. It also includes property deviance such as sabotaging work equipment, lying about hours worked, accepting bribes, and stealing from the company (Robinson & Bennett, 1995; Ahmad & Norhashim, 2008). Fraud is implicated in workplace deviance through asset misappropriation and corruption (Wells, 2004; ACFE, 2013).

Various research studies have defined or described fraud as a deviant behaviour (Cole, 1989; Fuchs & Westervelt, 1996; Ahmad & Norhashim, 2008; Sarwar & Nicolaou, 2012; Fagbohunge, Akinbode & Ayodeji, 2012; Dorminey et al., 2012; Policastro & Payne, 2013; Trompeter et al., 2014; Leasure & Leasure, 2016). Also, in the discussions of fraud in contemporary retailing, Kowalkiewicz, Rosemann and Dootson, (2017) refer to fraud as a deviant behaviour, just as Cole (1989) in an earlier work on fraud in retail environments refers to the behaviours studied as consumer deviance. Understanding fraud simply as an act of deviance includes the notion that violating organisational norms concerning the quality or quantity of work performed is a deviant behaviour. Thus wasting organisational resources,

opportunism in supply chain, abusing customers and other voluntary actions that accrue losses or shrinkage to the production and property of an organisation are considered as deviant (Darrat, Amyx & Bennett, 2010).

However, while fraud in organisations can be understood or described as a deviant behaviour, it is not exactly deviance. Fraud, from a legal, criminal, and forensic accounting perspective, is a criminal behaviour, and not just a deviant behaviour. This means that there are wider socio-economic, legal, and psychological implications associated with this behaviour and its event in an organisation, other than the violation or deviation from organisational norms and policy that are considered in deviance (Button, Johnston, Frimpong, & Smith, 2007; Murphy & Dacin, 2011; Cooper, Dacin, & Palmer, 2013; Gottschalk, 2012; Morales, Gendron, & Guenin-Paracini, 2014). Accordingly, intent and trust are important human behavioural issues that have been considered in relation to fraud (Albrecht, Albrecht, and Albrecht, 2004; Ramamoorti, 2008; Gottschalk, 2012; Morales, Gendron, and Guenin-Paracini, 2014). This is because the intention of the individual (or organisation as an entity) is important in proving that a behaviour is indeed criminally fraudulent (Fraud Act, 2006; Lewis, Brooks, Button, Shepherd, & Wakefield, 2014).

It is intent that distinguishes behaviours that are deliberate or malicious from those done in error. The issue of trust concerns the abuse and exploitation, during the fraud process, of existing relationships in organisations, whether internal, between shareholders and managerial staff, for example, or external, between for example an organisation and its customer or supplier (Cressey, 1953; Cressey, 1973; Sutherland, 1940; Sutherland, 1983; Ramamoorti, 2008; Dorminey, Fleming, Kranacher, & Riley, 2010; Morales, Gendron, & Guenin-Paracini, 2014; Free, 2015). Both issues, intent and trust, are aspects of human behaviour that are scarcely considered in the socio-technical aspects of LM (Hines, Holweg, & Rich, 2004).

Another gap identified in the literature reviewed on LM is that there are no discussions or clear statements about deviant *customer* behaviours. Specifically, there is a gap in discussions and explicit statements about the way LM prevents or controls customer behaviours that are not consistent with LM principles and objectives. Research studies in retailing and customer deviance have revealed that most customers take advantage of organisations that are focused on them (Harris & Daunt, 2011; Harris & Daunt, 2013). Several acts of deviance, including fraud, have been reported in these environments, and the losses incurred as a result have been significant (Harris & Daunt, 2011; Daunt & Harris, 2014). Despite these reports, there is a gap in research and explicit discussions about customer deviance in the LM literature, even though customer deviance is common in retailing – where LM is common practice – and that it is arguably likely in LM systems, because of their customer-focused structure and values.

There is also very little in the LM literature that discusses the limitations, negative consequences or risks of the customer-focused structure and values of LM. Research studies such as Cusumano (1994), Cooney (2002), Hines, Holweg and Rich (2004), Cox and Chicksand (2005), Joosten, Bongers and Janssen (2009) and Stone (2012) discuss the limitations of LM and highlight the shortcomings of the JIT and *kanban* systems of lean organisations, which are structures that embody its customer focus values. For instance, the proponents of LM ignore or simply dismiss the fact that the how, where and when value that is realised in the manufacturing chain is contingent upon several business conditions, like the structure of social and political institutions and the nature of buyer-supplier market relationships, and not simply based on the existence of just-in-time flow (Cooney, 2002). According to Cooney (2002), the proponents of LM simply dismiss the importance of external influences such as the structure of an industry, the types of government regulation of industries and financial markets, and the forms of labour markets and employment relations in their theories, considering them irrelevant in the adoption of LM practice. This is despite empirical

evidence that shows that LM, as well as other production practices, have been adjusted to conform with national and local institutions across the UK, Germany, Japan, and the USA (Lewchuck, 1987; Price, 1994; Turner & Auer, 1996; Cooney, 2002). Cooney (2002) also states that the JIT system of LM is mostly seen as, and assumed to be, a superior value-adding practice that will translate into commercial success. However, as Cooney (2002) argues, its assumed superiority is questionable, because it is unclear whether, and how exactly, the value added by JIT can really be realised in the form of profits in the marketplace. Cooney (2002) also argues that the assumed superiority of JIT system is questionable because there is a range of labour and product market factors that influence the adoption of JIT.

Cooney (2002) further states there are several factors involved in securing market success, and LM ignores the external conditions to which managements must respond when directing a business and making choices about the types of production or service practices that will be adopted in their organisation. Also, Cooney (2002) argues that LM ignores the limitations of its theory, which is based mostly upon the management practices of organisations in manufacturing/production. As Cooney (2002) states, the limitations of LM theory and practice mean that the range of process choices available to management is greater than what lean theory predicts.

These identified gaps problematise LM, in terms of the extent the theory covers and how much is really known or has been explored in the subject area. They also highlight the question that this study investigates, which is to what extent does LM counter fraud, as do other already discussed issues with LM that could that could potentially affect the approach to counter fraud in lean systems.

2.6.2 The problematic emphasis on technical aspects of lean management

The literature reviewed here prompts various questions that problematise LM, as a socio-technical system, and questions to what extent does LM counter fraud.

The technical arrangement or structure of lean organisations affects the contributions, behaviours and interactions of members of the social system, including their ability to think creatively and provide suggestions for problem solving and continuous improvement of work processes (Hummels & De Leede, 2000; Paez et al., 2004; Bollbach, 2012). This impact of the technical system is, however, brought into question when the joint optimisation purpose of socio-technical systems is considered, and when the supposed focus of the LTO's socio-technical system is to add value through processes of continuous improvement and optimisation (Huber & Brown, 1991; Hackman & Wageman, 1995; Paez et al., 2004; Bhuiyan & Baghel, 2005; Naslund, 2008; Lorino, 2014). In the context of LM, value, here, is the ability to deliver the specific service or product the customer wants to buy, now, at an appropriate price (Melton, 2005; Joosten, Bongers, & Janssen, 2009).

The question is how, as a socio-technical system, does a lean thinking organisation encourage the thinking, performance and decision-making of individual members of the social system? How can a LTO empower staff, when the technical system already stipulates and directs the course of actions, and, in interaction with the social system, already shapes the behaviour of individuals, including the ways they use and perform in these systems?

A further question is: how does the technical system (the structure of LTOs) affect the decision-making and problem-solving abilities of individuals in the event of fraud? Does it motivate them to prevent fraud, or does it allow or even encourage them to take advantage of the system? Questions like these are the reason it is important to explore and expand the current understanding of LM philosophy in terms of risks (fraud risks) and potential flaws. Also, one

specific reason for these questions is, according to Bollbach (2012), that if the LTO changes the technical system of the employee, by setting new working standards and handling requirements, or changing the work lay-out and members of a cell group, it is likely that the motivation of the staff and their production output or performance will change.

Furthermore, if the staff are uncomfortable with the new standard or working requirement, such change will likely produce negative results, and create a barrier or problem in the socio-technical system. It is conceivable that a likely problem from such changes in organisational structure could be fraud; this based on Holbeche's (1998) findings on the effect of changes in organisational structure due to LM. This prediction is also consistent with the joint optimisation theory that underlies socio-technical systems. Under the joint optimisation theory, the social and technical systems of an organisation should be optimised simultaneously, and not as independent bodies. This is because in joint optimisation, the aim is to seek the best match between the social and technical aspects of a system (Klein, 1994; Clegg, 2000; Bollbach, 2012).

2.7 Counter fraud

Counter fraud can be described as tackling the fraud problem through the various activities that prevent losses from fraud, and eliminating the risks or opportunities of its recurrence (Button, Johnston, Frimpong, & Smith, 2007; Button, Frimpong, Smith, & Johnston, 2007; Button, 2011; Button, Gee, & Brooks, 2012; Dorminey, Fleming, Kranacher, & Riley, 2012). According to Dorminey, Fleming, Kranacher, and Riley (2012), it comprises efforts aimed at reducing the probability of the fraud path. It has also been described as societal and organisational interventions, consisting of the legal and regulatory environment, internal control, broader elements of corporate governance and external auditing, all of which are aimed at reducing the incidence of fraud (Trompeter, Carpenter, Jones, & Riley, 2014).

The various activities involved in countering fraud include a regular fraud risk assessment exercise which measures the size of the problem and the extent of loss, having a clear counter fraud strategy and policies, creating awareness and developing anti-fraud cultures, and preventing fraud, as well as investigating, prosecuting, and seeking effective sanctions and financial redress (Button, Johnston, Frimpong, & Smith, 2007; Button, Frimpong, Smith, & Johnston, 2007; Button, 2011; Button, Gee, & Brooks, 2012; Dorminey, Fleming, Kranacher, & Riley, 2012). Countering fraud also involves various loss prevention and security activities such as surveillance and intelligence gathering and analysis, as well as human resource recruitment, training, and partnerships in counter fraud (Button, Johnston, Frimpong, & Smith, 2007; Button, Frimpong, Smith, & Johnston, 2007; Button, 2011; Button, Gee, & Brooks, 2012; Dorminey, Fleming, Kranacher, & Riley, 2012).

Dorminey, Fleming, Kranacher and Riley (2012) group these activities into preventive controls, detection procedures, and deterrents; this grouping is used in Table 2.6 below:

Table 2.6: Grouping of counter fraud activities (Source: Author)

Preventive controls	Deterrents	Detection procedures
<ul style="list-style-type: none"> - Internal controls such as segregation of duties or dual custody, independent checks, systems of authorisations, physical safeguards, documentations and recordings (Albrecht, Albrecht, & Dunn, 2001; Albrecht, Albrecht, & Albrecht, 2004; Dorminey, Fleming, Kranacher, & Riley, 2012). - Sensitisation to fraud and setting and ethical culture (Dorminey, Fleming, Kranacher, & Riley, 2012) - Maintaining a corporate fraud policy that should be distinct and separate from a corporate code of conduct or ethics policy (Bierstaker, Brody, & Pacini, 2006; Button et al, 2012). 	<ul style="list-style-type: none"> - Strong tone at the top with management playing their role and setting good examples; appropriate control environment; appropriate hiring; clear organisational structure; meaningful code of conduct; robust ethical culture; whistle-blower hotlines; whistle-blower protection; perpetrator punishment protocols; proactive fraud auditing; employee activity monitoring; monitoring of contractual parties, and open communications with staff, vendors, suppliers, and customers (Albrecht, Albrecht, & Dunn, 2001; Albrecht, Albrecht, & Albrecht, 2004; Dorminey, Fleming, Kranacher, & Riley, 2012). - Increasing the perceived likelihood that an act of fraud of fraud will be detected, reported, and punished (Cornish, 1994; Button et al., 2012). 	<ul style="list-style-type: none"> - Targeted risk assessments, and assessing fraud in a financial statement audit. - Computer analytics or computer assisted audit techniques. - Interviewing and audit inquiries (Rezaee, 2005; Bierstaker, Brody, & Pacini, 2006)

Both inside and outside organisations, counter fraud includes these preventive, deterrent and detective activities (Button & Brooks, 2009; Dorminey, Fleming, Kranacher, & Riley, 2012), even though preventing fraud is the central aspect (Wells, 2004, Bierstaker, Brody, & Pacini, 2006; Button & Brooks, 2009; Dorminey, Fleming, Kranacher, & Riley, 2012). According to Wells (2004) and Bierstaker, Brody and Pacini, (2006), preventing fraud is a more viable strategy since it is often difficult to recover fraud losses once they are detected. As such, the strategic approach to fraud prevention is based upon seven key parts which are: creating an anti-fraud culture; maximum deterrence of fraud; successful prevention of fraud where it cannot be deterred; prompt detection when fraud cannot be prevented; professional

investigation of detected fraud; effective sanctions; and measures to seek redress in respect of monies defrauded (Button & Brooks, 2009).

The structures or entities for counter fraud also come in a variety of designs. According to Button (2011), there are different entities involved in countering fraud. They include organisations that exist in their own right, like the UK's Serious Fraud Office (SFO) and private bodies funded by industry sectors or the service fees they charge, for instance, the UK's Insurance Fraud Bureau (IFB) and Credit Industry Fraud Avoidance System (CIFAS), which is a fraud prevention bureau.

The other entities can be found in organisations, where it is common to have departments like audit, compliance, risk management and security, with multiple functions and a variety of responsibilities which include countering fraud. There are also entities within an organisation where only one person (or very few persons) within a larger department like compliance or audit is responsible for countering fraud. The last type of entity identified happens in organisations where specialist or generalist staff take responsibility for countering fraud, because there is no defined counter fraud department (Button, 2011). According to Button (2011), the treatment and approach to counter fraud in these entities are different, and the latter structures found in organisations are the weakest types of counter fraud entities.

2.8 Counter fraud in organisations

There is no one way to prevent fraud. However, in organisations, a recommended approach is to have a clear counter fraud strategy, to combine the various preventive, deterrent, and detective activities, to share the responsibility of counter fraud and involve every staff member in the organisation, from the top down (Wells, 2004; Bierstaker, Brody, & Pacini, 2006; Button & Brooks, 2009; Brooks, Button, & Frimpong, 2009; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014). According to HM Treasury and National

Audit Office (2004), a vital requirement for the prevention of external and internal fraud is creating an anti-fraud culture where all staff understand the standards of conduct required, the importance of controls, and their personal responsibilities in preventing fraud. This means that counter fraud in organisations should be a collective effort which involves every staff member (Rae & Subramaniam, 2008; Button & Brooks, 2009; Davis & Pesch, 2013).

It is also recommended that organisations have at least one designated person, preferably a counter fraud specialist or trained staff member, whose remit is to deal with counter fraud issues (Button & Brooks, 2009; Button, 2011). This staff member works and liaises with the police, Serious Fraud Office or other counter fraud entity when necessary. This is because joint actions, partnerships and sanctions are required in countering fraud (Brooks, Button, & Frimpong, 2009). The staff member also serves as the 'channel' to broadcast fraud issues throughout the organisation, raise awareness, prevent fraud, and develop an anti-fraud culture. Ultimately, the staff member produces reports on counter fraud issues to the company board, Chief Executive, Finance Director, Chair of the Audit Committee, or Head of Risk or Security (Brooks, Button, & Frimpong, 2009).

2.3.1 The importance of Counter fraud in organisations

Counter fraud is important in organisations for the following reasons:

1- Losses and Damages to the organisation:

Fraud is a major cost to organisations; the consequences are various, and the damages are severe (Bierstaker, Brody, & Pacini, 2006; Button, Johnston, Frimpong, & Smith, 2007; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

In cases of fraud, organisations lose monies which are often difficult to calculate or recover (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

Intangible assets like goodwill are also lost or eroded, as fraud can also damage the reputation of organisations involved. Also, fraud can damage the relationship between organisations and stakeholders. It can ruin the trust shared between organisation and customers, which consequently affects sales and patronage (Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shepherd, 2015). It can also ruin the trust shared between organisations and investors, who would be reluctant to invest in organisations involved in fraud or in organisations with a poor or questionable counter fraud culture (Rezaee, Crumbley & Elmore, 2004; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014; Button, Blackburn, Lewis, & Shepherd, 2015). This is because investors want security and return on investments. Hence, they would most likely choose not to invest in organisations with a poor fraud prevention culture or a history of fraud, because of the threat and even likelihood of fraud occurring. All these risks and damages can lead to economic and financial losses in the business which are very difficult to measure (Lister, 2007; Button, Blackburn, Lewis, & Shepherd, 2015).

Research also shows that there can be psychological damages to staff and other members of the organisations in cases of fraud (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shepherd, 2015). Fraud involves deception, trickery, confidence and betrayal of trust, and an intangible cost of fraud is the impact on the morale of counter fraud staff that deal with the act and its components (Bierstaker, Brody & Pacini, 2006; Levi & Burrows, 2008; Morales, Gendron, & Guenin-Paracini, 2014; Button, Blackburn, Lewis, & Shepherd, 2015). Fraud also has an impact on the morale and trust between staff in the department that a fraudster comes from within an organisation. Research also shows that it may lead to staff sickness and higher labour turnover (Bierstaker,

Brody & Pacini, 2006; Button, Blackburn, Lewis, & Shepherd, 2015). These impacts that affect the performance of staff are often difficult to measure. Ultimately, all these social, psychological and medical damages suggest that fraud is a threat to employee wellbeing and motivation, as well as the overall organisational performance (Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015).

Damages from fraud can be grave, and the losses are mostly incalculable, and several research studies have discussed the gravity of the fraud problem (Bierstaker, Brody, & Pacini, 2006; Levi & Burrows, 2008; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015).

The UK Government, in 2006, reported that fraud is most likely to be the second largest cause of harm from organised crime, after Class A drugs trafficking (Fraud Review Team, 2006; Button, Johnston, Frimpong, & Smith, 2007). The report also states that fraud is nearly as harmful as the damages from human traffickers and smugglers combined (Fraud Review Team, 2006; Button, Johnston, Frimpong, & Smith, 2007). In 2006, the costs of fraud to UK's public and corporate sectors were conservatively estimated as £16 billion and £72 billion, respectively. These costs include £2 billion of benefit fraud, £1.5 billion of insurance fraud, £3.75 billion of Excise fraud, and almost £2 billion of VAT fraud (Fraud Review Team, 2006; Button, Johnston, Frimpong, & Smith, 2007). In 2011, fraud was described as £38 billion problem, which was double British society's loss to Class A drug use, estimated at £15.4 billion (Reuter & Stevens, 2007; Button, 2011; National Fraud Authority, 2011).

2- The additional costs of fraud:

Total fraud loss is described as the initial fraud loss plus the costs of dealing with it (Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015). It is important for organisations to counter fraud because of the additional costs that will be incurred

in the its event. These costs include the cost of investigation, suspension and temporary staff replacement costs, permanent staff replacement costs, internal disciplinary costs, external sanctions costs, and other intangible, miscellaneous, and external costs (Berry et al., 2009; Button, Blackburn, Lewis, & Shepherd, 2015). This miscellaneous and external costs include criminal penalties, fines from regulatory bodies, extra marketing and public relations costs to repair damaged reputation, and in cases of sale of damaged or fraudulent goods, costs of recalls, future certifications and quality assurance (Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015).

3- **Securing profits and competitive advantage:**

With tighter budgets and more competitive markets, organisations are looking for strategies and innovative ways to reduce costs and secure competitive advantage; flatter management structures or LM is one of the various strategies that have been considered (Berry et al., 2009; Button, Gee, & Brooks, 2011). According to Button, Gee and Brooks, (2011), the introduction of appropriate strategies to measure and counter fraud effectively can reduce fraud in organisations with substantial budgets, where a few percentage points reductions in fraud losses can yield substantial financial returns.

There are many organisations that do not know the true extent of their losses from fraud. This is because many frauds are undiscovered and/or hidden from official returns, which means that the recorded statistics reported by the police and related bodies are only suggestions of a larger and more complex issue (Button, Gee, & Brooks, 2011). Fraud losses have been recorded and measured in a range of expenditures and incomes, meaning that there are expenditures being made which do not need to be and which, if discovered and handled, could be released for other services or to provide greater profitability (Button, Gee, & Brooks, 2011).

Regular measurement of the cost of fraud and investment in various counter fraud strategies to reduce the losses incurred can be used to secure competitive advantage (Button, Gee, & Brooks, 2011). Cases in the UK and USA where this approach has proven successful include the UK's Department of Work and Pensions, which successfully reduced its losses in Income Support and Job Seekers Allowance by more than 50 per cent between 1997/1998 (Department for Work and Pensions, 2007; Button, Gee, & Brooks, 2011); the UK's National Health Service, where losses, between 1998 and 2006, were reduced by up to 40 per cent within a short period, and up to 60 per cent in the long run (NHSCFSMS, 2007; Button, Gee, & Brooks, 2011); the US Department for Education, which reduced its losses by 35 per cent across a \$12 billion grant program between 2001 and 2005 (United States Department of Education, 2001, 2005; Button, Gee, & Brooks, 2011).

4- Performance Management:

Organisations must continuously eliminate constraints and other barriers that threaten their optimum performance and the achievement of set goals and objectives, such as profit and sales maximisation. One such barrier or problem could be fraud, because it is typically, in organisations, wasteful and disruptive (Kochan and Budd, 1992; Firozabadi, Tan, and Lee, 1998; Keenan, 200; Lokanan, 2015). Organisations must eliminate such problems because with incidents of skimming or fraudulent refund claims from customers, it becomes difficult for organisations to turnover profits or increase their return on investments (Harris, 2010; ACFE, 2013; Button, Blackburn, Lewis, & Shephard, 2015).

Fraud threatens the going concern and overall performance of an organisation (Bierstaker, Brody, & Pacini, 2006; Levi & Burrows, 2008; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015). Although it is predominantly the management and leading staff members'

responsibilities to protect the organisation from any harm, to manage performance, to secure profits and competitive advantage, and to prevent any loss and additional costs, it is important to involve staff at all levels in counter fraud. As Lister (2007) states, the primary responsibility for the prevention and detection of fraud rests with both the leadership and management of an organisation, but all organisations can benefit from assessing their fraud risks and developing a strong counter fraud culture that includes every staff member; helps prevent fraud and facilitates early detection, provides tangible evidence of a culture of integrity, addresses the concerns of external auditors and the board of directors, limits unpleasant surprises that can affect stock prices, and limits potential class-action lawsuits (Lister, 2007).

2.3.2 Counter fraud culture and the importance of leadership support

Involving every staff member in counter fraud, especially the leadership and management of organisations, is important because of collusive fraud and management overrides, which increase fraud losses dramatically, and are two of the most severe threats to countering fraud (Button, 2011; Dorminey, Fleming, Kranacher, & Riley, 2012). Collusion may involve several individuals inside and outside an organisation, individuals across organisations, multiple organisations, or individuals and organisations in multiple jurisdictions (Dorminey, Fleming, Kranacher, & Riley, 2012). In collusive fraud, internal controls are generally ineffective, because they are circumvented to achieve opportunity for fraud (AICPA, 2005; Dorminey, Fleming, Kranacher, & Riley, 2012). For instance, the primary internal control of segregation of duties separates the custody, accounting, and approval functions, and ensures that no individual controls every aspect of a transaction, but such controls are circumvented in cases of collusion (AICPA, 2005; Rezaee & Riley, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012). Also, in cases of management override, the management essentially self-reports that fraud did not occur, and, as a result conceals their fraud. This is because management override

sets aside and voids control in a specific circumstance to achieve the opportunity for fraud (Dorminey, Fleming, Kranacher, & Riley, 2012).

To counter management overrides and collusive fraud in organisations, the leading staff of organisations – the board of directors and audit committee – must be involved. They must also adopt a proactive counter fraud approach centred on deterrence and detection, which includes creating awareness, and actively search for management overrides and collusive fraud schemes. This reinforces the tone at the top stance on fraud, and sends a positive signal to all management levels, thereby acting as a deterrent to those contemplating a collusive fraud scheme (Rezaee & Riley, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012). Also, the leading staff members must prioritise, support and allocate human and other resources for counter fraud, and must avoid overruling or interfering with counter fraud actions and decisions in the organisation (Button, 2011). For instance, the manager of a counter fraud unit in a London Borough uncovered a major fraud by a senior member of staff in the organisation: the other leading staff of the organisation did not like these findings, so they forced the manager to resign, and the fraud was covered up (Button, 2011). Such actions set a bad example for the other staff in the organisation and, clearly, do not encourage a counter fraud culture.

Several research studies discuss the importance of involving staff at all levels in counter fraud, starting with leadership and setting the tone at the top (see Trompeter, Carpenter, Jones, & Riley, 2014, for a list and detailed review). Although leadership and management responsibilities may vary in organisations, it is important that management, with the oversight of those charged with leadership or governance, places a strong emphasis on counter fraud, as this may reduce opportunities for fraud and persuade individuals not to commit fraud because of the likelihood of detection and punishment (Lister, 2007). Also, involving staff at all levels in counter fraud, especially those charged with leadership and management, can improve stakeholder confidence in the organisation. This, in turn, enhances the organisation's ability to

lower financing costs, maintain customers, and attract investors (Lister, 2007; Trompeter et al., 2014; Button, Blackburn, Lewis, & Shephard, 2015). Counter fraud in organisations must be proactive and reactive (Dorminey, Fleming, Kranacher, & Riley, 2012), and the management must establish the tone that reinforces the organisation's position on fraud. The leadership and management also need to demonstrate how the organisational values are incorporated into everyday business activities. They need to clearly define and consistently apply a disciplinary process for those that violate the organisation's anti-fraud policies and code of ethics. Also, they must ensure that the organisation has implemented sufficient controls to counter the risks of material fraud, and to increase the likelihood of finding fraud if it occurs (Lister, 2007).

Despite these recommendations about importance of counter fraud, most counter fraud researchers reveal that several organisations lack clear counter fraud strategies and policy (Carpenter & Mahoney, 2001; Rezaee, 2005; Bierstaker, Brody & Pacini, 2006; Fraud Review Team, 2006; Bussmann & Werle, 2007; Button & Brooks, 2009; Button, Gee, & Brooks, 2011). Also, more than a few organisations fail to set a tone at the top (Schwartz, Dunfee, & Kline, 2005; Free, Macintosh, & Stein, 2007; Soltani, 2014; Trompeter, Carpenter, Jones, & Riley, 2014; Gottschalk, 2016), and they typically do not involve every staff member in counter fraud, especially the management staff (Button, 2011; Button, Gee, & Brooks, 2011; Dorminey, Fleming, Kranacher, & Riley, 2012; Gottschalk, 2016). This lack of management or leadership involvement is also associated with the poor counter fraud culture found in several organisations (Schwartz, Dunfee, & Kline, 2005; Free, Macintosh, & Stein, 2007; Rezaee & Riley, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014; Soltani, 2014; Gottschalk, 2016).

A 2011 study of UK FTSE 100 companies found that a significant number, 10 of 32, of the organisations surveyed did not have a counter fraud strategy (Button, Gee, & Brooks, 2011). Research also reveals common issues and significant gaps in organisation's strategies to

counter fraud, such as the lack of a counter fraud strategy which includes the key areas expected, a reluctance to accurately measure the size of the fraud problem, a reluctance to report cases of fraud when they are discovered, a lack of resources to counter the fraud problem, and a lack of staff capacity required to counter fraud (Ernst & Young, 2006; Fraud Review Team, 2006; Bussmann & Werle, 2007; Button, Gee, & Brooks, 2011). About £180 billion of the turnover of FTSE 100 companies was at significant risk from fraud. This is based on a research study on FTSE 100 companies and central government bodies that showed limited counter fraud standards in the former (Gee, Button, & Frimpong, 2009; Button, Gee, & Brooks, 2011).

These same sources found gaps in terms of having a designated person responsible for counter fraud, employment of staff to counter fraud, regular fraud risk assessments, and the pursuit of sanctions and development of an anti-fraud culture (Brooks, Button, & Frimpong, 2009; Button, Gee, & Brooks, 2011). The same research also highlighted gaps in measures to develop an anti-fraud culture in the UK's public sector, which includes limitations in staff awareness training and the screening of staff and contractors on counter fraud (Button & Brooks, 2009; Button, Gee, & Brooks, 2011).

Furthermore, according to Button (2011), most structures for counter fraud in organisations are fundamentally flawed and weak. This is because these counter fraud structures are non-resilient to organisational changes and reforms, and are subject to resource and budgetary constraints. It is also because counter fraud entities in organisations lack complete independence, and the decisions about counter fraud are often compromised and interfered with by management. Furthermore, the counter fraud structure and workforce are either missing, undefined, or typically located in a myriad of different departments and generalist staff. This is because the UK organisations investigated by Button (2011) either have an audit, risk, or compliance

department with multiple functions that include counter fraud, or a generalist staff with various responsibilities that include counter fraud.

Research also reveals that more than a few organisations focus and rely solely on internal control activities, like segregation of duties, dual custody, systems of authorisation and independent checks, for counter fraud (Smith, Tiras, & Vichitlekarn, 2000; AICPA, 2005; Bierstaker, Brody, & Pacini, 2006; Wells, 2007; Rezaee & Riley, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012). According to Dorminey, Fleming, Kranacher and Riley (2012) many organisations pick and choose the preventive controls believed to provide the greatest benefits, ignoring the deterrent and detective aspects of countering fraud. For instance, Bierstaker, Brody and Pacini (2006) reveal that more than a few organisations relied on the red flag approach to counter fraud. This means that they relied on having a checklist of fraud indicators, ignoring the fact that red flags may be associated with fraud, but the association is far from perfect. They also ignored the fact that fraud indicators focus on specific cues, which inhibits the identification of other reasons, internal or external, that could cause fraud to occur (Krambia-Kardis, 2002; Bierstaker, Brody, & Pacini, 2006). Also, many executives believe that having a whistle blower hotline and a code of conduct that must be signed by new staff is enough for counter fraud (Bierstaker, Brody, & Pacini, 2006; Lister, 2007; Dorminey, Fleming, Kranacher, & Riley, 2012).

However, organisations cannot depend on internal control alone to discourage fraud (Apostolou & Apostolou, 2012; Dorminey, Fleming, Kranacher, & Riley, 2012; Lokanan, 2014; Trompeter, Carpenter, Jones, & Riley, 2014). This is because fraud is a social phenomenon, not an accounting dilemma, nor an issue with organisational controls (Wells, 2004; Trompeter, Carpenter, Jones, & Riley, 2014; Lokanan, 2015; Morales, Gendron, Guenin-Paracini, 2014). Also, whilst the recommended counter fraud approach of setting the tone at the top and involving staff at all levels in the prevention, deterrence, and detection activities

can discourage and decrease losses from the crime, it cannot absolutely assure that an organisation will not be a victim of fraud (Lister, 2007; Trompeter, Carpenter, Jones, & Riley, 2014; Lokanan, 2015). Therefore, no single method can effectively counter fraud, or provide absolute assurance against its occurrence in organisations, not even internal control, which is only part of, but not equal to or above, the counter fraud systems in organisations (Wells, 2004).

Also, even though they are part of the counter fraud strategy, internal controls are not comprehensive and entirely effective for countering fraud (Bierstaker, Brody, & Pacini, 2006; Dorminey, Fleming, Kranacher, & Riley, 2012; Lokanan, 2014; Trompeter, Carpenter, Jones, & Riley, 2014). This is because they deal primarily with preventing opportunities for fraud but do not completely deter the act (Wells, 2004; Bierstaker, Brody, & Pacini, 2006; Dorminey, Fleming, Kranacher, & Riley, 2012; Lokanan, 2014; Lokanan, 2015). Hence, even when controls cannot be circumvented by a single individual, they can be bypassed through collusion and management overrides. This is equally possible even if the internal controls are current, well designed and implemented effectively (Dorminey, Fleming, Kranacher, & Riley, 2012; Lokana, 2014).

Such findings in the extant literature problematise counter fraud in organisations, and imply that there may also be issues with LM organisations. This is because little is known about counter fraud in lean organisations, and lean organisations are known to emphasise and rely on its technical aspects for loss prevention and the control of deviant group or organisational behaviours.

2.9 The link between lean management and counter fraud:

What connects lean management and counter fraud is loss prevention and control. LM is also a form of management and internal control (Berry, Coad, Harris, Otley, & Springer, 2009), and counter fraud is primarily concerned with the effectiveness of management control systems

(Holtfreter, 2005). To understand the relationship between LM and counter fraud, the link between LM, management controls, and internal controls is discussed below.

Management control is a set of processes and interrelated mechanisms that managers use to influence the behaviour of individuals and groups towards predetermined objectives (Flamholtz, Das, & Tsui, 1985; Langfield-Smith, 2007; Spekle, 2001; Bedford & Malmi, 2015). It includes any system, device, value, rule, practice or activity that managers implement or use to control or direct employee behaviour and, ensure that the decisions of their staff are consistent with the organisation's strategies and objectives (Malmi & Brown, 2008). Management controls are also used to provide information to assist managerial decision making and furnish individuals with power to achieve their own ends (Chenhall, 2003), which includes searching for opportunities and solving problems (Mundy, 2010).

Internal control is a process consisting of ongoing tasks and activities effected by people working together to provide reasonable assurance that an organisation will achieve its set mission and objectives (Hevesi, 2005; DiNapoli, 2007; D'Aquila, 2013). This process, which as DiNapoli (2007) states, ensures that the right people are using the right systems to achieve the right thing in the right way, is effected by the organisation's board of directors, management, and other staff (DiNapoli, 2007; D'Aquila, 2013). Internal controls are also used in organisations to prevent loss of funds or other resources, to reduce opportunities for fraud, to preserve integrity, and to ensure compliance with policies, procedures, laws and regulations (Hevesi, 2005; DiNapoli, 2007). As DiNapoli (2007) states, internal control is the best mechanism and first line of defence that an organisation has in safeguarding its assets and resources, even though it only provides reasonable, but not absolute, assurance. Internal control also ensures the efficient use of organisational resources, serves as the check and balance that supports an organisation's mission, and helps them prevent fraud, waste and abuse (DiNapoli, 2007). However, despite its multiple uses, the main purpose of internal control is helping an

organisation to achieve its mission and set objectives (Hevesi, 2005; DiNapoli, 2007; D'Aquila, 2013). In line with achieving this mission, which is described as the reason for an organisation's existence, there are three other types of objectives which distinguish internal controls: the operations objectives, the reporting objectives, and the compliance objectives (DiNapoli, 2007). The internal control objective which addresses fraud prevention is the operations objectives (DiNapoli, 2007). Also, D'Aquila (2013) states that out of the 17 internal control principles, the one that is relevant to fraud prevention is risk assessment.

As a form of management and internal control, LM is a collection of practices that operate as a package or set of interrelated mechanisms (Pettersen, 2009). Besides, like management control and internal control systems, LM also claims to reduce costs, to prevent losses, to direct organisational behaviour and to control deviance in the workplace (Womack & Jones, 2003; Liker, 2004; Bicheno & Holweg, 2009). However, LM is more comprehensive than most management and internal control systems (Womack & Jones, 2003; Kennedy & Widener, 2008; Malmi & Brown, 2008). This is because it includes quality and inventory controls that extend to stakeholders, partners and other actors in a value-chain (Malmi & Brown, 2008). These controls are built into activities and processes such as JIT management and statistical quality control (Chenhall, 2003) and these make LM a form of organisational control. Also, LM possesses its own control components that alter the traditional focus of performance management systems, and instead focus on human behaviour and social relationships (Kennedy & Widener, 2008; Fullerton & Wempe, 2009; Fullerton, Kennedy, & Widener, 2012). In addition, there are unique accounting systems that discontinue cost allocation, favour actual cost, eliminate standard cost and reduce the steps in transaction processing (Kennedy & Widener, 2008; Fullerton & Wempe, 2009; Kennedy, Widener, & Fullerton, 2010; Fullerton, Kennedy, & Widener, 2012). As with value stream costing, the report of the information (both financial and non-financial) for decision making is visual and supposedly visible to every

member of the shop floor (Kennedy & Widener, 2008; Fullerton & Wempe, 2009; Kennedy, Widener, & Fullerton, 2010; Fullerton, Kennedy, & Widener, 2012). The information derived from these control mechanisms drives behaviour and supports strategic decision making in the 'lean way' throughout the organisation (Kennedy & Widener, 2008; Liker & Hoseus, 2008; Fullerton, Kennedy, & Widener, 2012).

Nevertheless, the similarities identified between LM and counter fraud, which in effect includes management and internal controls, are:

Fraud Prevention: Fraud prevention is the central aspect or focus of counter fraud. However, it is mostly implicated in management controls, and just a part or aspect of internal controls. Management controls are designed to prevent deviant or negative organisational behaviours. Their purpose or focus is not to prevent fraud. However, through its various control systems, especially its value system and informal controls, it can influence employee behaviour and prevent fraud. The behaviours that management controls aim to prevent are those that are not consistent with the organisation's goals or objectives (Otley, Broadbent, & Berry, 1995; Langfield-Smith, 1997; Chenhall, 2003; Merchant & Van Der Stede, 2007; Merchant & Otley, 2007; Malmi & Brown, 2008). This implicates fraud, because fraud is not consistent with organisational objectives like profit or sales maximisation. Fraud is also a threat to an organisation's going concern and reason for existing, as evidenced in notable cases like ENRON (Free, Macintosh, & Stein, 2007).

On the other hand, internal controls are a part of counter fraud, and they can be effective for fraud prevention and detection (Albrecht, Albrecht, & Dunn, 2001; Albrecht, Albrecht, & Albrecht, 2004; D'Aquila, 2013). However, preventing fraud is not the main or overall purpose of internal controls and, it is only a part of their operational objectives (DiNapoli, 2007). The

main purpose of counter fraud is tackling the fraud problem by preventing losses from fraud, as well as eliminating the risks or opportunities of its recurrence.

Loss prevention: Through budgeting and costing activities, management/managers control cost and prevent losses (Malmi & Brown, 2008; Bedford & Malmi, 2015). Internal controls are also used to ensure efficiency, prevent loss of funds, and safeguard resources against losses due to mismanagement, waste, abuse, errors and fraud (DiNapoli, 2007). Counter fraud is also used to prevent losses from fraud, as well as reduce the additional costs of dealing with it in its event (Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shephard, 2015).

Control: In organisations, management controls, internal controls, and counter fraud all involve control activities. They include policies and procedures that specify how tasks or behaviours are to be performed or not performed, or the limits of allowable behaviours (Simons, 1987; Bierstaker, Brody & Pacini, 2006; DiNapoli, 2007; Malmi & Brown, 2008; D'Aquila, 2013; Bedford & Malmi, 2015). Expectations are established (D'Aquila, 2013), and control activities are designed to prevent or reduce the risk of an unfavourable event (DiNapoli, 2007). They also include various forms of monitoring activities (Albrecht, Albrecht, & Dunn, 2001; Albrecht, Albrecht, & Albrecht, 2004; Bierstaker, Brody & Pacini, 2006; DiNapoli, 2007; Malmi & Brown, 2008; Button & Brooks, 2009; Bedford & Malmi, 2015).

It can be argued that counter fraud systems are part of management control. This is because management controls are made up of an extensive array of constructs, which include various control activities that operate as a package or set of interrelated mechanisms (Chenhall, 2003; Kennedy & Widener, 2008; Malmi & Brown, 2008; Bedford & Malmi, 2015). However, despite the array of constructs, management control does not include systems for punishment

or deterrence; this is the feature or system that distinguishes counter fraud (Holtfreter, 2005; Holtfreter, Piquero, & Piquero, 2008; Button, Lewis, Shephard, Brooks, & Wakefield, 2012).

Management controls include remuneration or reward systems (Norris & O'Dwyer, 2004; Malmi & Brown, 2008; Bedford & Malmi, 2015), which as incentives could discourage fraud (Albrecht, Albrecht, & Albrecht, 2004). As Albrecht, Albrecht and Albrecht (2004) and Xu and Ziegenfuss (2008) reveal, remuneration and reward systems are used as preventive mechanisms to address the agency problem, which is described as a problem of lack of trust; they are also used to exercise control in organisations and prevent the abuse of power. Additionally, they are used to motivate and help employees feel they belong to the organisation, as well as to discourage them from exploiting their positions for personal gain, and to encourage them to report any information on fraud in the organisation (Jensen & Meckling, 1976; Watts & Zimmerman, 1990; Beasley, 1996; Albrecht, Albrecht, & Albrecht, 2004).

Both management and internal controls are also made up of policies and procedures that are categorised as behaviour and action controls that can restrict individual discretions or specify boundaries of acceptable conduct when tasks are non-routine or the context is intrinsically uncertain (Ouchi, 1977; Merchant & Van der Stede, 2012; D'Aquila, 2013; Bedford & Malmi, 2015). However, as cases of management fraud, retail fraud, and fraudulent refund claims show, reward systems fall short and can be limited in preventing or countering fraud (Beck, Bilby, & Chapman, 2002; Bierstaker, Brody, & Pacini, 2006; Free, Macintosh, & Stein, 2007; Harris, 2008; Levi & Burrows, 2008; Harris, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012; Beck, 2017). The increase in fraudulent refund claims from customers and reports of fraud towards LM organisations also indicate that the policies and procedures designed for management and internal control purposes can fall short and be limited in countering fraud (Schwartz, Dunfee, & Kline, 2005; Bierstaker, Brody, & Pacini, 2006; Free, Macintosh, & Stein, 2007; Harris, 2008; Harris, 2010; Lokanan, 2014; Soltani, 2014). Therefore, it can be

argued that to counter fraud towards a lean thinking organisation, LM, which is a form of management control and internal control systems, would be more robust if it included policies and procedures designed for the purpose of countering fraud. This is because policies and procedures designed specifically for counter fraud have been found effective in reducing the incidents of fraud towards organisations (Carpenter & Mahoney, 2001; Rezaee, 2005; Bierstaker, Brody, & Pacini, 2006; Fraud Review Team, 2006; Bussmann & Werle, 2007; Button & Brooks, 2009; Button, Gee, & Brooks, 2011; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014). Also, it can be argued that LM would be more robust if it included and combined reward systems with punishment systems designed to counter fraud. This is because, individually, reward and punishment systems have been found effective in countering fraud (Albrecht, Albrecht, & Dunn, 2001; Albrecht, Albrecht, & Albrecht, 2004; Xu & Ziegenfuss, 2008). Lastly it can be argued that to counter fraud, LM organisations could be more effective if they had purposefully designed structures for counter fraud. This means that they could consider having a clear counter fraud strategy, combining the various preventive, deterrent, and detective activities, sharing the responsibility of counter fraud and involving every staff member in the organisation, from the top down (Wells, 2004; Bierstaker, Brody, & Pacini, 2006; Button & Brooks, 2009; Brooks, Button, & Frimpong, 2009; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014). Also, they could consider having at least one designated person, preferably a counter fraud specialist or trained staff member, whose remit is to deal with counter fraud issues (Button & Brooks, 2009; Button, 2011). This is instead of having management and internal control systems that are fundamentally designed for various function that happen to include counter fraud. This argument is based on Button (2011)'s claims that any system designed with multiple functions – of which fraud prevention is only a part – is a weak counter fraud structure.

2.9.1 Gap in the link between lean management and counter fraud

The literature reviewed here on the link between LM and counter fraud suggests that loss prevention and control is the characteristic that connects both subjects. LM is also a form of management and internal controls, and counter fraud is primarily concerned with the effectiveness of controls in organisations. However, the major difference found between both systems relates to their purpose. The purpose and focus of LM is meeting and satisfying customers' demands through various waste elimination activities (Womack & Jones, 2003; Lacerda, Xambre, & Alvelos, 2015), while the purpose and focus of counter fraud is tackling the fraud problem and eliminating the risks of or opportunities for its recurrence, through various prevention, detection, and deterrence activities (Trompeter, Carpenter, Desai, Jones, & Riley, 2012). This fundamental difference between LM and counter fraud questions the extent to which LM counter fraud.

Research shows that more than a few organisations do not actively pursue counter fraud, because they have management and internal control systems in place (Kranacher & Stern, 2004; Bierstaker, Brody, & Pacini, 2006; Free, Macintosh, & Stein, 2007; Button & Brooks, 2009; Button, 2011; Dorminey, Fleming, Kranacher, Riley, 2012; Trompeter, Carpenter, Desai, Jones, & Riley, 2012; Lokanan, 2014; Soltani, 2014). These same sources find that many organisations rely on the policies and procedures of these systems to counter fraud, disregarding, or potentially not knowing the fact that the design and purpose of these systems is not essentially to counter fraud. This situation problematises LM, and questions the extent to which LM counters fraud. This is because little is known about counter fraud in LTOs, and LTOs are known to emphasise and rely on its technical aspects for loss prevention and the control of deviant group or organisational behaviour, which includes fraud (Hummels & De Leede, 2000; Womack & Jones, 2003; Hines, Holweg, & Rich, 2004; Paez et al., 2004; Joosten, Bongers, & Janssen, 2009; Pettersen, 2009).

Lastly, exploring the link between counter fraud, management controls, and internal controls in this section highlights another issue: there appears to be very little research or discussion about the distinctions between management control and internal controls, even though there is a fundamental difference between both subjects, as study of counter fraud in organisations makes clear (Bierstaker, Brody, & Pacini, 2006; Free, Macintosh, & Stein, 2007; Button & Brooks, 2009; Button, 2011; Dorminey, Fleming, Kranacher, Riley, 2012; Trompeter, Carpenter, Desai, Jones, & Riley, 2012). There is abundant research and discussion about management control and internal control, individually. However, there is very little about differences between these systems, and the organisational implication of these differences. This gap in the literature and research matters to this study's inquiry because of the existing relationships between LM, counter fraud, management controls and internal controls, and the roles they all play in countering fraud towards organisation.

2.10 The role of organisational behaviour and structures in counter fraud

There is little in the organisational literature about how differences in organisational settings contribute to types of fraud committed. Holfreter (2005) contends that this is because research findings fail to identify criminal behaviours that are more frequent or probable in specific organisational environments, such as religious institutions and charities. In a seminal study by Smigel (1956), which investigated public attitudes towards and perceptions of criminal behaviours against organisations that varied in size and type, the survey participants, approved of theft from very large organisations with high levels of bureaucracy (Cox, Cox, & Moschis, 1990; Hollinger & Davis, 2006). This finding, supported by subsequent studies, like Hollinger and Clark (1982) and Purnamasari and Amaliah (2015), led to a general theory that suggests that a particular crime may be more likely to occur in certain types of organisation. Hollinger and Clark (1982) studied employee deviance across retailing and manufacturing organisational settings and found that one-third of employees in each sector admit to committing criminal acts

against property, which includes the misuse and theft of company property, including cash or inventory. A more recent study by Purnamasari and Amaliah (2015) find that organisations with clearly signalled religious and spiritual values have less fraud, as the values act as a control on behaviour.

In terms of an organisation's control environment, Mackevicius and Giriunas (2013) identifies various conditions necessary for fraud perpetration in organisations. These conditions include, the organisational structure the organisation of activities, the accounting and auditing, and internal control system, the financial condition and operating results of the organisation, the honesty, competence, style and action of the management of the organisation, the employees of the organisation, and the external conditions. According to Mackevicius and Giriunas (2013), these conditions create opportunities for fraud and encourage potential offenders. Conversely, if opportunities are controlled, potential offenders will be discouraged from the act of fraud. Similarly, Schuchter and Levi (2015) find that an excessively complex or unstable organisational structure can encourage fraud. They note that an inappropriate tone at the top, a shortage of staff, lack of audit trail, irresponsible corporate governance, little awareness or staff training, missing knowhow, negligence or failure to discipline fraud perpetrators, are other equally complex, and unstable circumstances that can encourage fraud in organisations (Gottschalk, 2016).

Vaughan (1999) and Simpson and Piquero (2002) state that most theorists on fraud uniformly agree that structures, tasks, and processes, are opportunity structures for behaviours like fraud because they provide: (1) normative support for such behaviours, (2) the means for perpetrating violations, and (3) the act of concealment that minimises detections and sanctioning. Therefore, while some degree of self-interest may correlate with or cause offending decisions, fraud cannot be reduced to individuals and their characteristics, especially in organisations. The reason is that individuals and organisations are symbiotic, hence employees are affected by,

and in turn contribute to, the structure and culture of an organisation (Yeager & Reed, 1998; Simpson & Piquero, 2002).

Behavioural research in organisations is concerned generally with the behaviours of individuals in organisations, small work groups within organisations, and the organisation as an entity. It also concerns the study of the socio-economic environmental conditions, within which these units interact. (Birnberg, Hoffman, & Moser, 1998; Vaughan, 1999; Angay, 2010; Birnberg, 2011; Mala & Chand, 2014). However, theories on fraud in organisations typically concern only *how individuals in the organisation* behave or should behave (Coleman, 2001; Ritzer, 2007; Cromwell & Thurman, 2003; Ramamoorti, 2008; Association of Certified Fraud Examiners, 2010; Morales, Gendron, & Guenin-Paracini, 2014; Trompeter et al., 2014; Campana, 2016; Huber, 2017). This includes theories on how managers as individuals or a group of individuals in the organisations behave, and concern about ‘tone at the top’, giving particularly normative examples of how a strong ethical culture ‘from the top, down’ can be maintained (Cressey & Moore, 1983; Durbin, 2006; Martin, 2007; Ramamoorti & Olsen, 2007; Dorminey, Fleming, Kranacher, & Riley, 2010; Gottfredson, 2011; Trompeter et al., 2014; Omar, Johari, & Hasnan, 2015; Campana, 2016; Huber, 2017).

Case studies in this area tend to focus on moral wrongs or wrongdoings that are consistent or inconsistent with organisational and societal norms (Wells, 1997; Martin, 2007; Dorminey, Fleming, Kranacher, & Riley, 2010). In the USA, in particular, there is an emphasis on individual employee fraud against the organisation and the internal controls that should be in place to reduce opportunity or rationale for deviant behaviour. This is often explained in terms of the fraud triangle, used to explain and analyse the behaviours of individuals who commit fraud in an organisation, based on subjective analysis of their opportunities, motivations, and rationalisations (Morales, Gendron, & Guenin-Paracini, 2014; Schuchter & Levi, 2015; Schuchter & Levi, 2016; Huber, 2017). The underlying assumption in studies using the fraud

triangle is that an organisation that ‘creates or increases the perception of detection’ should deter potential offenders (Holtfreter, 2005, p. 356). The fraud triangle derives from rational choice theory, which supposes that individuals in an organisation are rational thinkers, who balance the probabilities of gains and losses, and benefits and punishments, in their motivation to exploit opportunities for fraud (Clark & Hollinger, 1980; Hollinger & Clark, 1983; Holtfreter, 2005; Berger, 2011). To deter individuals and groups within the organisation from committing fraud, the prescription is that organisations should create internal controls and structures that minimise opportunities for fraud (Vaughan, 2005; Benson, Madensen, & Eck, 2009; Davis & Pesch, 2013; Morales, Gendron, & Guenin-Paracini, 2014). The concept of the fraud triangle is flawed, though, because it assumes that fraud is only a product of individual choice and frail morality and, fails to consider the effect of wider societal influences (Rezaee, 2005; Morales, Gendron, & Guenin-Paracini, 2014; Lokanan, 2015). The fraud triangle is also flawed because it does not consider how organisational behaviour deters individuals other than employees, for instance suppliers and customers, from fraudulently exploiting the organisation. The following cases taken from the academic literature illustrate this point.

2.10.1 The Holbeche reports

Holbeche (1998) found that the adoption of LM practices actually led to an erosion of loyalty, and that staff exhibited a lack, rather than an increase, of commitment. Holbeche (1998) posits that loss of loyalty may lead to fraud problems in these organisations, as staff may be less interested in safeguarding the interests of the company. For instance, in a company that had adopted LM practices, a member of staff who previously had arrived at an airport on time to use the long-term car park for business trips, had decided to prioritise self-interest, and started parking in more expensive short-term car parks, regularly. Another organisation that had shifted to LM, discovered through increased checks on staff expenses that employees had been using the most expensive options offered in the staff finance procedures. In a third case, of computer fraud, an organisation had outsourced the skills required to manage a project. Even

though the contractors could not be expected necessarily to be loyal to the organisation in this scheme, it was a former member of staff of the organisation – who now worked for the contractors – that blew the whistle (Holbeche, 1998).

There are two more incidents of fraud in LM organisations that bring to light the possible weaknesses in LM thinking as a system that prevents fraud. These are followed by a brief overview of other cases reported in the organisational literature.

2.10.2 Toyota

Toyota is renowned as the origin of LM (Womack, Jones, & Roos, 1990; Emiliani, 2006; Baines, Lightfoot, Williams, & Greenough, 2006; Pettersen, 2009; Saurin, Rooke, & Koskela, 2013). However, in 2014, it was reported that Toyota concealed from government officials, consumers, and the public at large information regarding safety defects that caused sudden, unintended acceleration in several of its car models (Muller, 2014; Vlastic & Apuzzo, 2014; Federal Bureau of Investigation, 2014). Toyota also failed, initially, to recall these products. The company also made misleading statements to consumers in efforts to defend their brand image (Muller, 2014; Vlastic & Apuzzo, 2014; Federal Bureau of Investigation, 2014).

Defending their brand image with misleading statements, even after the reports of fraud, suggests that Toyota was aware of consumers' loyalty to the brand, which is founded on their reputation and on lean management thinking values of customer focus, as well as ensuring quality products and zero defects the first-time-through (Womack, Jones, & Roos, 1990; Womack & Jones, 2003; Liker, 2004; Melton, 2005). Yet they abused the brand loyalty and trust of customers with their actions, and sought financial gain from the sale of, and failure to recall, the products with these defects (Muller, 2014; Vlastic & Apuzzo, 2014; Federal Bureau of Investigation, 2014).

Toyota's actions in this case of fraud also suggest that the awareness of their brand and reputation for doing things right through lean management systems, and the practice of standardised processes, total preventive maintenance, and total quality management, potentially developed into a culture of complacency and a lack of commitment to fraud prevention in the organisation. Such an attitude towards the prevention of fraud and fraud losses, which can include brand damages and loss of goodwill (Agrawal, Jaffe, & Karpoff, 1999; Farber, 2005; Gottschalk, 2013; Chakravarthy, Dehaan, & Rajgopal, 2014), demonstrates, equally, a lack of commitment to safeguarding assets and to stewardship (Agrawal, Jaffe, & Karpoff, 1999; Farber, 2005; Chakravarthy, Dehaan, & Rajgopal, 2014; Gatzert, 2015). In this case, Toyota was fined \$1.2 billion (approximately £900 million) for their actions, and the company's reputation suffered from the recall to an arguably greater extent than the financial penalties.

2.10.3 GlaxoSmithKline (GSK)

In 2012, fraud was reported in GSK (Ingram, 2012; Thomas & Schmidt, 2012; BBC, 2012; Kollwe, 2014; Kelton, 2016), another organisation that practises lean management thinking (Altria, Dufton, & Carleysmith, 2009; Azadegan et al., 2013). According to these reports, the organisation targeted teenagers with an antidepressant product that was approved for adults only. They also marketed another drug product, Wellbutrin, for uses for which it was not approved, while they distributed misleading promotional material, and provided doctors with bribe in the form of meals and spa treatments. GSK also reportedly failed to provide regulatory bodies with safety data concerning another of their products (Ingram, 2012; Thomas and Schmidt, 2012; BBC, 2012; Kollwe, 2014; Kelton, 2016). Just as in the Toyota case, the actions of GSK exemplify an abuse of the loyalty and trust of members of the public to a brand that claims to provide quality products that meet customer's needs. These actions cost GSK

£1billion in criminal fines and \$2billion in civil fines – a total of \$3billion (£1.9billion) (BBC, 2012) – and led to the subsequent resignation of the Chief Executive Officer (Kelton, 2016).

2.10.4 Other instances of fraudulent behaviour

Other research studies investigate cases of fraud from shrinkage in retail organisations that consider themselves to be lean thinking organisations. These include examples of supplier, vendor or contractor fraud (Bamfield, 2004; Beck & Peacock, 2009; Beck, 2018) and employee theft and fraud (Caruana, Ramaseshan, & Ewing, 2001; Hollinger & Davis, 2001; Hollinger & Davis, 2006; Mishra & Prasad, 2006). There are also various forms of consumer fraud (Cox, Cox, & Moschis, 1990; Caruana, Ramaseshan, & Ewing, 2001; Beck, Bilby, & Chapman, 2002; Beck & Chapman, 2003; Bamfield, 2004), and evidence of collusion between employees and customers (Caruana, Ramaseshan, & Ewing, 2001).

Fraudulent returns constitute the most prevalent form of illegitimate behaviour and complaints in retail environments, and research into fraudulent returning suggests that this incidence which can have a profound financial impact on retail organisations is increasing (Wilkes, 1978; Dodge, Edwards, & Fullerton, 1996; King, 2004; Harris, 2010). Returns in retailing are mostly classified into receipted and non-receipted, and the risk of fraud exists in both return situations (Harris, 2010; Consumer Returns in the Retail Industry, 2014). In 2015, the estimated loss from return fraud in the US retail industry was \$10.9 billion (£6.9 billion) (National Retail Federation, 2014; The Retail Equation, 2014), and other reports show that 12.01% of 14.1% non-receipted returns and 1.53% of 85.9% receipted returns are fraudulent (National Retail Federation, 2014; The Retail Equation, 2014). In addition, the National Retail Federation (2014) reports that in the US, 3.5% of the returns to physical stores from online purchase are fraudulent. Of these returns, 25.5% involve the use counterfeit receipts, while 18.2% use fraudulent e-receipts.

In these cases, consumers exploit the loyalty, goodwill and trust of retailers for self-interested gains (Beck & Chapman, 2003; Harris, 2008; Harris, 2010; Harris & Daunt, 2011; Harris & Daunt, 2013; Al-Khouri, 2014). A common practice is where retail staff intentionally collude with customers to not record sales items or deliberately authorise illegitimate refund requests (Caruana, Ramaseshan, & Ewing, 2001). An example is issuing full price refunds to customers, typically friends or family members, for stolen goods returned, or goods purchased on discounts. These schemes are known as receipt fraud and price switching (Cole, 1989; Speights & Hilinski, 2005; Association of Certified Fraud Examiners, 2014). Customer-focused retailers do not always adopt fraud prevention practices or communicate the challenges they experience with fraud and fraud prevention, for the fear of losing their customer's loyalty and patronage (Al-Khouri, 2014; Andrews, Goehring, Hui, Pancras, & Thornswood, 2016).

2.10.5 Gap in the role of organisational structures and behaviour in counter fraud

The cases above were used to illustrate the flaw in the fraud triangle: which is that it does not consider how organisational behaviour deters individuals other than employees, for instance suppliers and customers, from fraudulently exploiting a LTO. Also, the cases above were used to illustrate two other main points: first, that there is a fraud problem in LM organisations, and the perpetrators of fraud against LM organisation are customers who either act alone or in collusion with employees to exploit the organisation. second, the cases above indicate that there is a link between LM and fraud, however the exact nature and extent of the relationship is unknown. This means that it is unknown whether these LM organisations are simply associated with these cases of fraud (correlation or associative link), or if the fraud reported in these organisations were consequences of their adoption of LM (causative link). For instance, is it, Toyota was a LM organisation and it experienced fraud, or, Toyota was a LM organisation so it experienced fraud?

The nature and extent of this relationship between LM and fraud is unknown because there is very little literature and research that explores the subject, and the literature reviewed here fail to state clearly what the existing relationship between LM and fraud. This gap in literature problematises both LM and counter fraud, and questions the extent to which LM counters fraud. However, for the purpose of this study, it is assumed that there is an associative link between LM and fraud, as the above cases indicate. Also, the way this study addresses the research questions, which is to what extent does LM counter fraud, is by collecting empirical data on the way one LM retail organisation counters its problem of fraudulent refund claims from customers.

2.11 Discussion

The concept that LM systems reduce losses does not fully take into consideration losses from fraud, and this appears to be due to the emphasis on technical rather than social elements of the system. From the cases found in the literature, there are financial and reputational losses from fraud in companies that have adopted lean management philosophies and practices. Specifically, the frauds involve management and customers. LM thinking tends to concentrate on those within the technical system who are producing goods and services. Customers tend to be portrayed as homogeneous, necessarily satisfied with their experience of the lean system. Whilst customer requirements are addressed, customer behaviour appears not to be considered. Similarly, management roles in LM systems are set out along with expected behaviours, but there is little research on how managers actually behave in lean management organisations.

Therefore, considering fraud and LM together opens up inquiry into how the behaviour of managers and customers affects and is affected by the presence of a lean management system. In the Toyota and GSK cases, there is a deliberate choice by management to mislead customers. This is a contradiction of basic LM 'customer first' principles, but also indicates very poor corporate governance and management control. Similarly, in the cases reported by Holbeche

(1998), there appears to be less loyalty to the organisation, or at least, less adherence to the principles of LM, by managers who exploit expenses systems. In the other cases given in outline, instances of employee fraud including those that involve collusion with suppliers and customers indicate that the loyalty and trust supposedly implicit in LM systems that function well may be insufficient to prevent fraud.

Fundamentally, the cases of fraud in the LM literature demonstrate that this appears to be the issue with LM systems: the implicit assumption that the prevention of waste and loss is also a prevention for fraud loss is insufficient.

2.12 Interim Conclusion

This chapter reviewed literature on LM and its approach to preventing losses and deviant behaviours like fraud. The chapter also reviewed literature on the practice of counter fraud in organisations, and the relationship between LM and counter fraud. Lastly, the chapter reviewed literature on the role of organisational structures and behaviours in LM and counter fraud, and the reports of fraud towards LM organisations.

The findings from the literature reviewed in the above areas suggest that conclusions about the extent to which LM counters fraud cannot securely be reached because of gaps in the LM and counter fraud research. The gaps identified are as follows: One, the literature reviewed here on LM and counter fraud suggests that fraud, as implicated in the LM way of loss prevention and control, does not clearly consider or include the wider socio-economic, legal, and psychological implications associated with this behaviour. Two, the literature reviewed here on the relationship between LM and counter fraud suggests that there is a fundamental difference in the purpose and design of both systems, which potentially exposes organisations who may rely on LM systems for counter fraud to risks and losses from fraud. This is because LTOs are known to emphasise and rely on the technical aspect of their socio-technical system for loss

prevention and the control of deviant group or organisational behaviour, which includes fraud. However, the literature reviewed on counter fraud suggests that countering fraud in organisations would require an equal emphasis on the social aspect of organisational systems, which involves every member of staff from top-down, as well structures that are purposefully designed to deter and detect fraud. These structures include policies, procedures, and teams that are purposefully put together to prevent, deter, and detect fraud. This is because fraud is human behavioural problem. It is also because internal controls, which are an integral part of the LM's technical systems, have been found insufficient in more than a few cases of counter fraud (Schwartz, Dunfee, & Kline, 2005; Bierstaker, Brody, & Pacini, 2006; Free, Macintosh, & Stein, 2007; Harris, 2008; Levi & Burrows, 2008; Harris, 2010; Dorminey, Fleming, Kranacher, & Riley, 2012; Lokanan, 2014; Soltani, 2014). Third, the literature reviewed here on the relationship between LM and counter fraud suggests that organisational structures and behaviours may play an important role in the fraud incidents reported in LM organisations. However, there is little known about fraud towards LM organisations, and the relationship between LM and fraud. This means that it is unknown whether there is an associative or causative link between LM, and the known cases of fraud reported in LM organisations that were reviewed in this chapter.

In all, this chapter attempted to explain the relationship between LM and counter fraud, and the shortcomings of LM which potentially expose organisations who rely on LM for counter fraud to the risks and loss from fraud. These shortcomings include the emphasis on the technical aspect of LM, which ignores employee autonomy and other behaviours in the social sub-system, the focus on meeting customers' demands, which ignores customer misbehaviour, and, more generally, the concentration on processes and an idealistic image of the people enacting those processes. These issues problematise LM and question the theoretical implications that it counters fraud.

However, there is very little empirical evidence to support these critical claims. The next chapter of this thesis discusses the methods used in collecting and analysing data on the way a LM retail organisation counters its incidents of fraudulent refund claims. These methods are based on the belief that the fraud, counter fraud, and LM constructs are tangible structures that can be observed. It is also based on the belief that information which will help answer the research question is ‘out there’ waiting to be discovered.

Apart from Holbeche (1998), most of the reports on fraud towards LM organisations obtained were derived from online media articles and the retail industry’s loss prevention and security reports (National Retail Federation, 2014; The Retail Equation, 2014). Furthermore, the shrinkage and loss prevention reports are mostly based on surveys due to the sensitive nature of the fraud topic (Hassink, Meuwissen, & Bollen, 2010), and there are very few authors that discuss issues of fraud in retailing, including fraudulent refund claims from customers, even though it is a lingering problem (Harris, 2010; Yan, Chen, Chen, & Chen, 2017; Amasiatu & Shah, 2018; Dailey & Ulku, 2018; Ulku & Gurler, 2018). This study has the access to collect primary data on incidents of fraud in one LM organisation, and to interview staff about the ways they manage these incidents.

CHAPTER THREE- RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses why a case study with semi-structured interviews founded on the realist philosophy is the research methodology for this thesis. The study adopts the methodology of some of the existing research in lean management (LM), fraud, and counter fraud. The research methodology is also chosen due to a) the exploratory nature of the research topic, b) having access to primary data on actual fraud incidents, and c) the specific nature of the type of case study organisation, the lean thinking organisation (LTO).

In this study, it is assumed that the extent to which lean management counters fraud against organisations is a tangible and relatively immutable construct which can be observed, albeit indirectly. It is assumed that the knowledge of the phenomenon is ‘out there’ waiting to be discovered, and that it can be identified and communicated. It is also assumed that this knowledge can be obtained by studying an organisation that practises LM: walking through, observing, taking notes, and interviewing the people responsible for countering fraud in these organisations, collecting data on the incidents of fraud they have experienced and managed, and comparing this information against what is already known about LM, fraud, and counter fraud.

The ontological position of existing research on LM, fraud, and counter fraud is realism, and the shared belief is that knowledge of the characteristics, effects, and existence of these constructs can be objectively acquired and explained without the direct involvement or experience of a researcher. This study adopts this research philosophy, but unlike most of the existing research on LM, fraud, and counter fraud, it does not quantify the constructs or elicit perceptions and interpretations of them. Rather, it *sets aside* assumptions about the constructs, investigating and describing the empirical experience of people responsible for countering fraud, specifically staff managing fraudulent refund claims, in a retail organisation where LM

is common practice (Groenewald, 2004). This means that the intention of this study is not to debate or deconstruct the idea of the LM, fraud and counter fraud constructs, but to investigate their occurrence in the real world through the experiences of certain practitioners.

This chapter is organised as follows: Section 3.2 reviews research in organisations. Section 3.3 discusses the research philosophy of this study. Section 3.4 discusses the difference between the research methodology and methods used. Section 3.5 discusses the process of choosing the research philosophy, as well as the key constructs, and underpinning theory of this study. Section 3.6 contains discussions of the methods of data collection and analysis used in this study.

3.2 Research in organisations: a review

Until the seminal work of Burrell and Morgan (1979), research into organisations, businesses, and management had not been specific about what a researcher's view (philosophical position) on the nature of reality could be, or the form of what a researcher should regard as 'acceptable knowledge' of this reality that can be acquired. However, by categorising previous organisational research and analysis into four paradigms, authors – Burrell and Morgan summarised an approach for understanding and examining these philosophical views, along with the social phenomena under observation. They also offered methodological procedures for analysing resultant theories from the phenomena observed. The four paradigms are the interpretive, the functionalist, the radical humanist, and the radical structuralist, all of which have been further explained and analysed by other researchers (Brand, 2009; Hartley, 2010; Cohen, Manion & Morrison 2011; Alvesson & Willmott, 2012). Alvesson and Deetz (1996) and Hardy and Clegg (1997) propose four different approaches to organisational research study: however, their system, which comprises the normative, interpretive, critical, and postmodern – dialogic research approaches, is arguably similar to Burrell and Morgan's, as they share the same scientific base and philosophy.

There are two ontological orientations available to researchers, which these two paradigm systems share. They are the objective stance on reality and the subjective orientation. The functionalists, or structuralists, typically take an objective stance, while the humanists maintain a subjective orientation and view of reality. Ultimately, like the prefixes suggest, the last two of the four paradigms – the radical structuralist and the radical humanist – take a more radical approach to the objective and subjective ontological orientations (Burrell & Morgan, 1979; Brand, 2009; Ardalan, 2011).

3.3 Research philosophy

It is evident that there are different approaches to research in organisations and that these approaches are founded on the different philosophical positions of researchers, their beliefs about and perceptions of the nature of reality (what it is and what it could be) and how it should be defined. This ‘belief’ is typically referred to as the research philosophy: it governs the researcher’s view of the world, which is understood as the research topic under study. The research philosophy also comprises the epistemology, which comprises what is known about the reality or research problem and topic in view, and especially how knowledge of this reality is acquired. In detail, epistemology refers to the type of knowledge that can be acquired about a phenomenon, the constituents of such knowledge, and the type of knowledge that is regarded as valid, or acceptable within a domain i.e. a knowledge development area or field of study (Laughlin, 1995; Ryan et al., 2002; Bryman & Bell, 2011; Collis & Hussey, 2003).

A well-determined research philosophy informs a researcher’s choice of research strategies and methods for a topic. In the management research area, the most discussed research philosophies are positivism, realism, interpretivism and pragmatism (Creswell, 1998; Pleasants, 2003; Humphrey & Lee, 2004; Hoque, 2006; Cohen et al., 2011). Saunders et al. (2009) discuss and distinguish these different philosophies. The two research philosophies considered for this research study were positivism and realism (Blaikie, 2009). Having considered the phenomena

under study, the research aims and objectives of this study, and the different philosophical positions of researchers in the individual subject areas, the chosen philosophical position for this research study is realism.

3.3.1 Realism

The philosophical position and belief that entities exist independent of the human mind, and its sensations, perceptions and theories about such entities, is the substratum of realism (Blaikie, 2007; Blaikie, 2009). It abandons the relatively simple perspectives of research, including the recognisable boundaries of ideas and thinking, for a more complicated worldview. In realism, real is not only what is known or what can be known: it is what exists. It includes abstract thoughts or subjects about existence, causality, or truth: metaphysics, which may also be one of the objects of enquiry. Furthermore, it acknowledges that existence of different perceptions of reality, due to diverse social conditions (Yeung, 1997; Ryan, Scapens, and Theobald, 2002; Bryman & Bell, 2011; Makrygiannakis, 2013, p.43).

Realism is typically scientific in its approach towards the development of knowledge, epistemology, because it is systematic, sceptical, and ethical in its design and enquiry (Robson, 2011). According to Robson (2011, p.15), this scientific approach is valuable to the social world of business and management, as it provides explanations for the real world, problem-based research in this field of study. However, as Blaikie (2009) reveals, realism as a research philosophy encompasses many approaches. According to the author, realism is a diverse research philosophy. Hence, one can be more realist in some areas, and less in others, but can still be able to make claims of being a realist and following a realist approach. The author further provides an instance of two type of realists, the deductive scientific realists, who are often misjudged as positivists, and the critical realists who oppose deductivists but are still regarded as realists (Bhaskar, 1998; Sobh & Perry, 2006; Blaikie, 2009; Makrygiannakis, 2013).

Realism is commonly associated with six different problem areas. The first is the problem of ontology. The question here is ‘which entities are real?’ Is there a mind-independent world? The second problem is semantic: is truth an objective language-world relation? The third problem concerns epistemology: is knowledge about the world possible? The fourth problem relates to methodology: what is the best method for examining knowledge? The fifth and sixth problems concern axiology and ethics, respectively. Axiology prompts the question: ‘is truth one of the aims of an enquiry?’, while ethics prompts the question of: ‘do moral values exist in reality?’ (Niiniluoto, 1999; Makrygiannakis, 2013).

According to Makrygiannakis (2013), different positioning within the above problem areas result in different versions of realism. However, despite the complexity presented by the issues with positioning, the proposed minimum requirement for a realist is to be an ontological realist. This suggests that regardless of the research approach employed, or the position and choice within the other five problem areas, a researcher is a realist if they accept, at minimum, that some part of reality is ontologically independent of the human mind (Bhaskar, 1998; Niiniluoto, 1999; Sobh & Perry, 2006; Blaikie, 2009). As such, the claim that reality is totally independent of the human mind, and its observations and interpretations, is only a stronger version of realism (Baert, 1996; Baert, 2003; Sobh & Perry, 2006).

An important perspective on ontological realism that can be derived from critical realists is the stratification of reality and the dimensions, or their theory, of knowledge (Blaike, 2009). According to Bhaskar (1998), reality consists of the real, actual, and empirical domains, and they are also known as the ‘objects of study’. The real refers to ‘what is’, which are the structures, objects, and powers that exist, and may or may not produce events. The actual refers to events and powers produced by the real, while the empirical refers to experiences: that which the human senses successfully perceive, which is contingent upon the real and the actual (Georgoulis, 2000; Makrygiannakis, 2013). This is consistent with Plato’s idea that some parts

of reality are accessible, visibly and empirically, while others are not logically accessible through the senses. Consequently, critical realists believe that the other dimension of knowledge, the transitive dimension, refers to what is known about these 'objects of study'. These are the scientific theories, discourses, tools, and methods that concern 'objects of study' (Georgoulis, 2000).

From Bhaskar's point of view, the approach of stratifying reality defends the reality of objects of study, and also explains how different theories can result in different conclusions. Therefore, the question of 'what is?' cannot be 'what can be known?' The reason is that what is known or thought to be known is separate from what actually exists, because what actually exists is stratified: therefore, human experiences are never the whole story (Bhaskar, 1998).

Realism is consistent with the exploratory nature of the ongoing research enquiry. It also allows for the use of a variety of research methods in acquiring knowledge about a subject, even though it is commonly argued not to (Pleasants, 2003; Sobh & Perry, 2006; Bryman & Bell, 2011).

Consequently, the realist approach suggests that by using the appropriate research methods, reality can be understood through observable events. However, this objective stance does not mean that the study will not fully recognise the influence of underlying social structures on the events under study (Sobh & Perry, 2006; Blaikie, 2009). Neither does it mean that the conclusions drawn from using a realist approach will be superficial, as the criticisms of realism have often held (Bryman, 2012). Rather, it means that realism, using an objective approach based around observable facts (Horwich, 1996; Sobh & Perry, 2006), would enable the researcher to reach practical conclusions and recommendations that resonate amongst those working in lean thinking organisation (LTO). More specifically, it would resonate amongst the staff tasked with the responsibility of handling and preventing fraud in organisations built

around the customer. This is because this study looks at what is actually happening in one LM retail organisation, instead of what ought to happen (House, 1991; Laughlin, 1995; Krauss, 2005; Sobh & Perry, 2006). A LM organisation is a ‘customer-focused socio-technical system’ (Womack & Jones, 2003; Paez et al., 2004), and this study collects and analyses data on an actual fraud event, fraudulent refund claims from customers, and the way people react to it in one of this type of organisation. Consequently, the study provides evidence of lean management and fraud in an actual workplace.

Another reason why this research study is better situated in the philosophical realm of realism is that it sets out to explore, gather information and possible explanations about fraud and counter fraud in LM environments. This is regardless of the various instances in this study where the deductive research approach is employed, an approach which makes realism similar to the realm of positivism. However, unlike positivism, this study does not seek to deduce cause and effect patterns. Also, realism concerns multiple perceptions about a single and mind-independent reality, unlike positivism which addresses an external single concrete reality, and interpretivism which concerns multiple realities (Healy & Perry, 2000; Krauss, 2005; Blaikie, 2009). Like positivism, realism accepts that reality exists outside the mind and imagination but, unlike positivism, it addresses a stratified and not flat empirical reality (Healy & Perry, 2000; Krauss, 2005; Makrygiannakis, 2013). The aim of realism is to produce knowledge that is as close to reality as possible, while recognising human limitations and that all empirical research will be partial (Laughlin, 1995; Laughlin, 2004; Makrygiannakis, 2013). At an epistemological level, realism accepts that reality is probabilistically and imperfectly apprehensible, while positivism addresses reality as able to be objectively acquired (Guba & Lincoln, 1994; Sobh & Perry, 2006). This study investigates actual events of fraud and counter fraud in one LM retail organisation but accepts that the data collected and analysed may contain some information of

what ought to happen or why it is happening. This position is contrary to the realm of realism, and this is the reason why this study is better situated in the philosophical realm of realism.

In addition, this study duly considers the various instances of subjectivity in the data collected and analysed. This includes the 'explanations' in the data collected, from interviews, and in some of the literature used. Both of these data sources likely contain opinion based information, and some bias, especially the interviews, which are explanatory statements from one side of, at least, the two different parties involved in the fraud case that is studied. Besides, the present axiology of the researcher is equally value cognisant towards the subject matter (Krauss, 2005). Hence, it is arguably not free from its own bias and subjectivity. Together, these different levels of subjectivity and state of belief are contrary to the philosophical realm of positivism, and thus this study is better situated in the realm of realism.

Furthermore, this research study is not suitable for the philosophical realm of interpretivism. The reason is that most of the data collected are a collection of ideas and experiences that are not necessarily treated as facts, but as information sufficient to provide knowledge and provoke questions that will cause further inquiry and research (Krauss, 2005; Sobh & Perry, 2006; Blaikie, 2009). They are treated with due consideration of the inherent subjectivity, but without deliberate intentions to search for any intrinsic meaning that may address 'why' questions such as 'why is fraud happening in a LM organisation?'. Rather, the interviews, pilot study, and observations are treated as explanations on the subject matter, where the key and common themes observed are linked to the literature to reach sufficient recommendations and conclusion on the issue.

Having discussed the different approach to organisational research, and demonstrated an awareness and understanding of ontology, epistemology, and their presence in the different research philosophies available to researchers, the next section discusses the researcher's

process, thoughts and considerations, now informed by the above reflection on research philosophy, in choosing the research philosophy for this research study.

3.4 Difference between the methodology and methods

The rationale behind inquiring to know the extent to which lean management counters fraud is based on certain assumptions known as the research philosophy. The research philosophy mostly includes assumptions about Ontology, which concerns the nature of reality or existence of things, and Epistemology, which concerns the nature of knowledge, and the validity and limits of inquiry (Holden & Lynch, 2004; Krauss, 2005; Sobh & Perry, 2006; Blaikie, 2009). The rationale and philosophy underpinning this research, and the logic of enquiry, which is the point a research process begins and the way it proceeds (Blaikie, 2007), both make up the methodology of this study. This methodology informs the research methods (Hoque, 2006; Sobh & Perry, 2006). Here, the research methods are the tools and devices, such as the case study, which involved in depth semi-structured interviews, used in collecting and analysing data for the study (Hoque, 2006).

Methodology, as used in this study, refers to the theory of how research should be undertaken, while the research methods are the techniques or tools used to collect and analyse data (Hoque, 2006). Methodology connects the philosophical and theoretical assumptions of a study with the research methods employed in it (Chua 1986; Ryan, Scapens, & Theobald, 2002). It is described as a chain that keeps the connection between the philosophical and empirical links of any enquiry and the overall way of thinking and doing research (Collis & Hussey, 2003; Sobh & Perry, 2006). It is also described as the theoretical and philosophical assumptions upon which a research is based, including the theory of how research should be undertaken and the implications for the method or methods adopted (Chua 1986; Hoque, 2006; Makrygiannakis, 2013). In sum, methodology is concerned with the entire process of doing research, and

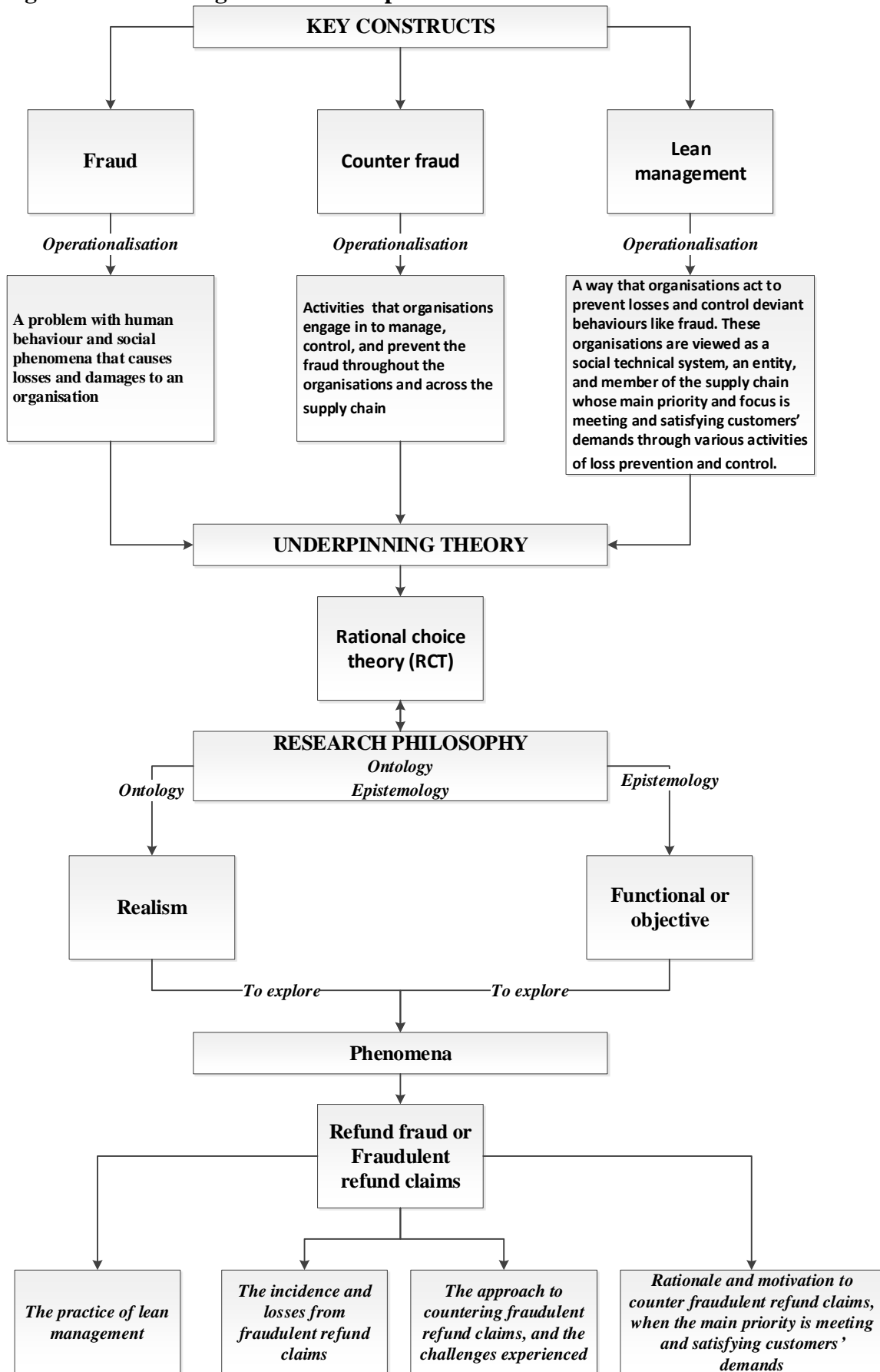
methodological assumptions indicate the research methods that are appropriate for gathering valid evidence in a study (Chua 1986; Makrygiannakis, 2013).

3.5 Applying the research philosophy

The ontological position of this study is realism, and like most of the existing research on fraud, counter fraud, and LM, this study adopts a functional or objective approach to the way knowledge of the phenomena under study is acquired (Chua 1986; Holden & Lynch, 2004). Also, a key theory that links fraud, counter fraud, and LM is rational choice theory (RCT) because in the respective constructs it is assumed that humans behave rationally i.e. logically, and act of their own free will (Cornish & Clarke, 1986; Smith, 1991; Green & Shapiro, 1994; Hechter & Kanazawa, 1997). As Holden and Lynch (2004) state, most of the research in organisational science assume that reality is objective and outside, waiting to be discovered, and knowledge of this reality can be identified and communicated. Most business research has also been conducted from a rational view of society (Burrell & Morgan, 1979; Holden & Lynch, 2004).

In choosing the research philosophy, the key constructs (phenomena under investigation) of this study are operationalised, the common theory which links and underpins them is identified, and the underlying ontological and epistemological positions of existing research on the key constructs and theory are adopted. Figure 3.1 below is a diagrammatic representation of this process and the research design to which it leads.

Figure 3.1: Diagrammatic representation of the research methodology



3.5.1 Key constructs

The main constructs of this study are fraud, counter fraud, and LM. In this study, fraud is operationalised as a problem with human behaviour and social phenomena that is a cause of losses and damages to an organisation (Wells, 2004; Gottschalk, 2010; Trompeter et al. 2014). Counter fraud is operationalised as the activities in which an organisation engages to tackle the problem of fraud (the behaviour, its incidence and the accruing losses) throughout the organisation, and across its supply chain (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button, Blackburn, Lewis, & Shepherd, 2015). These activities, according to most of the counter fraud literature, include forms of detection, prevention, and deterrence aimed at eliminating the risks and opportunities for fraud (Bierstaker, Brody & Pacini, 2006; Levi et al., 2007; Levi & Burrows, 2008; Button & Brooks, 2009; Button, 2011; Dorminey, Fleming, Kranacher, & Riley, 2012; Morales, Gendron, & Guenin-Paracini, 2014; Button, Blackburn, Lewis, & Shepherd, 2015; Lokanan, 2015; Schuchter & Levi, 2016). LM is operationalised as the way an organisation, as an entity, acts to prevent and control losses from deviant behaviours like fraud (Womack & Jones, 2003; Kennedy & Widener, 2008). A lean organisation is a socio-technical system and member of a supply chain, and its focus and main priority is meeting and satisfying customers' demands through various waste elimination activities (Hummels & De Leede, 2000; Womack & Jones, 2003; Hines, Holweg, & Rich, 2004; Pettersen, 2009). Waste, or *muda*, in LM is defined as any activity that does not add value to a product (Chen, Li, & Shady, 2010; Lacerda, Xambre, & Alvelos, 2015). In LM, the way waste is eliminated is through various activities of loss prevention and control such as offering timely and quality customer service (JIT, *kanban* & pull-system), producing quality and non-defective products (TQM), working as teams and involving everyone in the waste elimination activities, avoiding and preventing mistakes (*mistake proofing*), standardising practices (5S), and using visible signs and symbols to control activities throughout the

workplace (Womack & Jones, 2003; Pettersen, 2009; Bicheno & Holweg, 2009). These waste elimination activities are based on the principles of lean management (Womack & Jones, 2003; Shah & Ward, 2007; Liker, 2004; Joosten, Bongers, & Janssen, 2009). A lean thinking organisation is also defined here as a socio-technical system that is focused on customers and, adopts the various lean management thinking values (and practices) in its operation, configuration and management of work, relationships, and other events throughout the system (Hummels & De Leede, 2000; Genaidy & Karwowski, 2003; Joosten, Bongers, & Janssen, 2009). These operationalisations are based on explanations of fraud, counter fraud, and lean management synthesised from the literature review, as there are no singular or generally accepted definitions of each construct. They inform the way data is collected and analysed, which includes the way the interview questions are designed and the way the responses from the interview are coded.

This thesis uses a definition of ‘construct’ by Edwards and Bagozzi (2000). There are other definitions considered, such as Nimako and Ntim (2013), but the definition provided by Edwards and Bagozzi (2000) represents a realist perspective, which is the ontological position of this study. A construct is a phenomenon that is not directly observable. It is described as a social construction that is represented by a group of intellectually-derived measures which are not inherently ‘true’ or self-evident (Nimako & Ntim, 2013). It is also an abstract or conceptual term used to describe a phenomenon (an occurrence or subject) of theoretical interest (Edwards & Bagozzi, 2000). According to Edwards and Bagozzi (2000), research constructs refer to phenomena that are real and exist separately from the interpretation and awareness of the researcher and the persons under study. They are used to describe the largely unobservable, and they serve as verbal surrogates for the phenomena of interest that the construct names (Edwards & Bagozzi, 2000; Freeze & Raschke, 2007). In sum, constructs are attempts to describe real phenomena, while recognising that these phenomena cannot be observed directly

or known with complete accuracy because of measurement errors and the imperfect epistemological lens that a construct offers (Edwards & Bagozzi, 2000).

The ways which these constructs have been explained (theorised/conceptualised) and, examined (either empirically or not) in previous research are now shown in Table 3.1 below. This is to demonstrate the rationale behind the operational definition of the constructs, as well as the choice of research methodology and methods.

Table 3.1 Rationale behind the choice of operational definitions, research philosophy, and methods

Key constructs	Rationale behind operational definition		Research approach (Main logic of social enquiry as defined by Blaikie, 2010)		Research Methods	
	<i>Other common views of the constructs</i>	<i>Reason for not choosing the view</i>	<i>Approach</i>	<i>Examples</i>	<i>Method</i>	<i>Examples</i>
Lean management	Operations research perspective (Hoss & ten Caten, 2013)	1.Process oriented. Focuses on the technical aspect of lean management. Does not fully consider the socio-philosophical and people aspect (Hines, Holweg, & Rich, 2004) 2.Fraud, the subject under investigation in lean systems, is not just a technical or process problem (Wells, 2007)	Functionalist. Takes an objective view of the world and, seeks structural mechanisms or causal regularities that are observable and govern the behaviour of reality. Normative, seeking to establish law like relationship between objects synergy, control, and efficiency based on the nomothetic science of positivism.	(Monden, 1983; Inman & Mehra, 1993; Cua, Mckone, & Schroeder, 2001; Fullerton & McWatters, 2001; Fullerton, McWatters, & Fawson, 2003; Shah & ward, 2003; Houshmand & Jamshidnezhad, 2006.)	Case studies, Surveys, Questionnaires. They quantify the lean management construct and, use statistics and mathematical models to relate findings in impersonal terms (Bollbach, 2012; Dibia, 2012).	(Cua, McKone, & Schroeder, 2001; Fullerton & McWatters, 2001; Fullerton, McWatters, & Fawson, 2003)
	Advanced manufacturing initiative (Saurin, Rooke, & Koskela, 2013)					
	Systems engineering perspective (Hoss & ten Caten, 2013)					
Fraud	Behavioural perspective (Hansen, 2009; Gottschalk, 2010)	1.Focus is solely on the individualistic, or the organised and structural aspects of fraud. 2. Most theorists on fraud uniformly agree that structures, tasks, and processes, are opportunity structures for behaviours like fraud because they provide (1) normative support for such behaviours, (2) the means for perpetrating violations, and (3) the act of concealment that minimises detections and sanctioning. Therefore, while some degree of self-interest may correlate with or cause offending	Functionalist. Takes an objective view of the world and, seeks structural mechanisms or causal regularities that are observable and govern the behaviour of reality.	Connolly, Lentz, & Morrison, 2006; Skousen, Smith, & Wright, 2009; Yung & Long, 2009; Dellaportas, 2013;	Most empirical studies on fraud use experimental settings, or surveys that focus on obtaining data on the perception of	(Landsheer, Van der Heijden, & Van Gils, 1999; Van der Heijden, Van Gils, Bouts & Hox, 2000;
	Organisational perspective (Hansen, 2009;					

	Gottschalk, 2010)	decisions, fraud cannot be reduced to individuals and their characteristics, especially in organisations (Vaughan, 1999; Simpson & Piquero, 2002). The reason is that individuals and organisations are symbiotic, hence employees are affected by, and in turn contribute to, the structure and culture of an organisation (Yeager & Reed, 1998; Simpson & Piquero, 2002).		Mackevicius & Giriunas, 2013; Schuchter & Levi, 2015; Roden, Cox, & Kim, 2016.	participants, rather than obtaining data on actual fraud cases. They also use surveys and questionnaires for data collection. The common reason stated for this choice, is the sensitive nature of the topic and, or, the non-invasive form of the methods. These methods are also a common choice because of the reach, population and participants the research methods cover (Finnegan et al., 2016).	Chapple, Ferguson & Kang, 2009; Hassink, Meuwissen & Bollen, 2010; Ngai et al., 2011; Brooks, 2012; Gilbert, 2015; Hassink et al., 2010; Davis & Pesch, 2013; Lewis, Brooks, Button, Shephard, & Wakefield, 2014; Button, Blackburn, Lewis, & Shepherd, 2015)
	Managerial perspective (Hansen, 2009; Gottschalk, 2010)					
Counter fraud	Focus solely on individuals (Self-control)	3. These perspectives do not include or consider or the view that organisations are open systems and members of a supply chain who are focused on meeting and satisfying customers' demands, and that any of the other members can act, alone or in collusion with an employee, to fraudulently exploit an organisation. This view includes the consideration that organisations are/can be victims of fraud (Harris & Daunt, 2013; Daunt & Harris, 2014; ACFE, 2014). It also includes the consideration that an organisation, by virtue of its culture and structure, can provide support and opportunities for members of the supply chain – manufacturers, supplier, retailer, and customers, to engage in the act of fraud which can be detrimental to the organisation.		(Bierstaker, Brody, & Pacini, 2006; Button, Johnston, Frimpong, & Smith, 2007; Button, Frimpong, Smith, and Johnston, 2007; Button & Brooks, 2009; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Gee, & Brooks, 2012)		
	Focus solely on structures (Control environment)					

3.5.2 The underpinning theory

A theory that underpins LM, fraud, and counter fraud constructs is rational choice. It is a common theory that has been used to explain each construct. RCT is founded on the premise of individual self-interests and utility maximisation (Hechter & Kanazawa, 1997; Gottschalk, 2010). This is the idea that all action is fundamentally rational in character (i.e. there is a reasoning behind every action), and that people calculate the potential benefits and costs of any action before deciding what to do (Cornish & Clarke, 1986; Smith, 1991; Green & Shapiro, 1994; Hechter & Kanazawa, 1997). A rational behaviour, according to the rational choice theory, is mostly a goal-oriented, evaluative (reflective), and consistent behaviour (Green & Shapiro, 1994; Gottschalk, 2010). Rational choice is the idea that people, including organisations, make choices based on their own preferences and the constraints, or set of choices, that confront them (Coleman, 1990; Smith, 1991; Hoque). As Levin and Milgrom (2004) state, it is the process of determining available options, and then choosing the most preferred one based on some consistent criterion. The most preferred option is seen in most cases as the optimal option, or that which maximises a rational agent's utility, including their profit. From this perspective, the RCT can also be viewed as an optimisation-based approach (Levin and Milgrom, 2004; Hoque, 2006).

RCT is common to many disciplines. For instance, in management, it is assumed that a rational agent, which can be an individual, group or organisation, defines their objective, identifies possible courses of action, assembles data relevant to the decision, assesses such data to reach a decision, implements the decision, and monitors the effects of the decision (Green & Shapiro, 1994; Hatch, 1997; Hechter & Kanazawa, 1997; Hoque, 2006). Similarly, the core of LM is in the process followed to achieve its objective of meeting and satisfying customers' demand through a future-oriented analysis of defect causes and improvement actions. As Lorino (2004) states, the Toyota way (lean management) is the result of many cycles of plan-do-check-act

(PDCA or PDSA), which can be summarised in three main practices: *mura*, which is to continuously analyse and control the variability and content of demand, *muri*, which is removing equipment and staff overload, and *muda*, which is eliminating waste. LM is associated with doing things right and doing the right thing. In LM, it is assumed that people, groups or organisations that/who follow its principles and apply its various technique would overtime, obtain benefits such as customer satisfaction, waste elimination, loss prevention, cost reduction, joint-optimisation, and profit maximisation (Klein, 1994; Clegg, 2000; Womack & Jones, 2003). It is also assumed that organisations who adopt LM seek continuous improvement, do not engage in non-value adding activities, and that the actions of their staff are consistent with their objectives (Womack & Jones, 2003; Bicheno & Holweg, 2009; Kennedy & Widener, 2008). These assumptions, as do most of the literature reviewed on LM in Chapter two of this thesis, suggest that LM practitioners, including LM organisations and people in LM organisations, are rational thinkers who consistently seek to the optimal option which maximises their utility or profits. The LM philosophy also has the implicit assumption that people, especially employees, within its form of organisational structure take ownership and therefore will not defraud the organisation, or make decisions and act in ways that cause and accrue losses to the LM organisation.

RCT is also thought to explain more than a few crimes of different variations, across time, space populations and individuals (Cornish & Clarke, 1986; Cornish, 1994; Young, 1994; Tonglet, 2002; Hayward, 2007; Morales, Gendron, & Guenin-Paracini, 2014; Free, 2015; Lokanan, 2015; Murphy & Free, 2015). In fraud and counter fraud, it is assumed that human beings are rational and calculating creatures who take actions to avoid pain and produce pleasure (Green & Shapiro, 1994; Hatch, 1997; Hechter & Kanazawa, 1997; Shover & Hochstetler, 2006). It is also assumed that a majority of people who commit fraud do so after calculating the risks of detection and punishment, including the rewards of perpetrating the act

successfully (Cornish & Clarke, 1986; Cornish, 1994; Young, 1994; Tonglet, 2002; Hayward, 2007; Gottschalk, 2010). Furthermore, it is assumed that people who commit fraud will attempt to maximise the utility of the criminal behaviour, and that offenders are more responsive to changes in the chance of being caught (Cornish & Clarke, 1986; Cornish, 1994; Tonglet, 2002; Holtfreter, 2005; Holtfreter, Piquero, & Piquero, 2008). More than a few researchers in fraud and counter fraud believe that the probability of being caught influences behaviour in a desired direction (Cornish & Clarke, 1986; Cornish, 1994; Hayward, 2007; Gottschalk, 2010; Gottschalk & Smith, 2011; Gottfredson, 2011). Therefore, when punishment is not only uncertain but completely improbable, crimes like fraud supposedly rise precipitously (Hollinger & Clark, 1983; Holtfreter, 2005; Holtfreter, Piquero, & Piquero, 2008). As Tonglet (2002) states, the RCT of crime implies that criminal choices are similar to other behavioural choices. In the context of this thesis, this suggests that fraudulent refund claims from customers results from the decisions and choices made in the LM retail environment, and it could be argued that such fraudulent behaviour shares certain similarities with 'normal' consumer behaviour, in that it results from the coincidence of three factors: a motivated consumer, a desirable product and the opportunity to claim fraudulent refunds on them (Felson, 1994; Young, 1994; Hayes, 1999; Tonglet, 2002). It could also be argued that fraudulent refund claims from customers result from a LM organisation's rational choice or decision to counter, or not to counter fraud. This prompts the question of: 'what motivates a LM organisation to counter, or not to counter fraud?'

Across the various constructs, individual actions and decision-making are viewed as a process of cognition and consideration, in which agents pursue desired goals, weigh the likely consequences, and select from the options available (Hoque, 2006; Mala & Chand, 2015). The rational agent or entity is assumed to consider all available information, as well as the probability of events and the likely costs and benefits in determining preferences, and to act

consistently in choosing the self-determined best choice of action (Hoque, 2006). These assumptions are not, however, completely safe; it is known that there is simply no way for people to reason through every decision because of their limited cognitive capacity (Simon, 1991; Levin & Milgrom, 2004; Kalantari, 2010). People do not always act rationally. It is also known that more than a few people rely on intuition and make instinctive judgements which often mimic preference maximisation, especially in familiar environments (Levin & Milgrom, 2004; Hoque, 2006). *Bounded rationality* is the view that when people make decisions, they often seek the satisfactory options rather than optimal ones. This is because rationality is limited by, or bounded by the failures of omniscience, which are “largely failures of knowing all the alternatives, uncertainty about relevant exogenous events, and inability to calculate consequences” (Simon, 1979, p. 502; Kalantari, 2010). As Simon (1997, p.332) states, the bounded rationality theory is derived “from the assumption that rationality is, at least in some important respects, bounded. Human computational limits do matter, and postulating them is essential to explaining the phenomenon”.

Therefore, the implication of the ‘tension’ or contention between the ‘pure’ rational choice theory and bounded rationality for this study is that: a) the common assumption across the LM, fraud and counter fraud constructs that people act rationally may not always be the case, b) the assumption that employees in LTOs take ownership and, as thinkers and managers of their own activities, would not engage in non-value adding activities or other deviant behaviours that causes losses like fraud, may not always be the cases, c) the assumption that the rational choice for a LM organisation in the situation of fraudulent refund claims from customers is to counter fraud, may not always be the case, too. Therefore, if it may be that the rational choice for LM organisations is not always to counter fraudulent refund claims from customers, the question for this study – which investigates to what extent does lean management counter fraud – is: what motivates LM organisations, or employees in LM organisations, to counter fraudulent

refund claims from customers? What is the rationale behind counter fraud activities in a LM organisation, and how do LM organisations justify their decisions to not counter fraud?

3.5.2.1 Neutralisation

In fraud and counter fraud, it is commonly believed that people rationalise and justify their actions using techniques such as neutralisation. The techniques of neutralisation, as proposed by Sykes and Matza (1957), offer an applicable basis with which to study the behaviour, justifications, and motives of fraud offenders (Harris & Daunt, 2011). As Piquero, Tibbetts, & Blankenship (2005) state, neutralisation techniques enable people to excuse and justify behaviours like fraud, allowing them to drift between such actions whilst evading any sense of guilt. Sykes and Matza (1957) propose that five distinct psychological tactics can be used by individuals to neutralise and dissipate any remorse associated with committing crimes like fraud. These tactics include:

- 1- denial of responsibility;
- 2- denial of injury;
- 3- denial of victim;
- 4- condemnation of condemners;
- 5- appeal to higher loyalties.

In denial of responsibility, the person committing an act like fraud rationalises that the action is not their fault, as the action in question is beyond their control. In denial of injury, the person/offender rationalises their action by minimising the harm it causes. In denial of victim, the person involved rationalises their action by altering the perception of who is seen as the victim in the situation, based on the premise that the injured party ‘deserved’ their actions and ‘had it coming’. This neutralisation technique is an attempt to portray the victim of a fraudulent action as a contributing actor and perpetrator. In condemnation of the condemners, the person

involved equally rationalises their action by blaming the targets or victims of the action. The person transfers the focus of attention away from their actions by questioning the ethical righteousness of those who condone or condemn such behaviour. An example is an offender who argues that a system, police or judiciary is also corrupt. Lastly, the appeal to higher loyalties portrays a situation where an offender remains loyal to the norms of a subgroup above that of the wider society. For instance, in an organisational context, an employee may argue that they have committed fraud or other crimes in order to get a job done (Harris & Daunt, 2011; Gottschalk & Smith, 2011).

Although Sykes and Matza's (1957) neutralisation techniques are widely used and accepted within the literature, subsequent research like Klockars (1974), Minor (1981), Henry and Eaton (1989), Coleman (1994), Cromwell and Thurman (2003), and Moore and McMullan (2009) has identified eight additional forms. Gottschalk and Smith (2011), as well as Harris and Daunt (2011) discuss, these additional forms of neutralisation in detail, including the critique of the techniques.

Neutralisation has been widely applied within criminal and deviance research areas (Harris & Daunt, 2011). Researchers in this area have studied the way students, customers, employees, and organisations in corporate and organised crimes have rationalised and justified their fraudulent actions by means of neutralisation. However, compared to the overall volume of research, the application of neutralisation techniques within the counter fraud discipline is underdeveloped (Gottschalk & Smith, 2011). For instance, Rosenbaum and Kuntze (2003) investigate the use of neutralisation in fraudulent returning, while Cromwell and Thurman (2003) investigate neutralisation in shoplifting. But these studies were from a retail and marketing perspective, and they did not consider the reason why an individual, or the victim organisations in their case, may choose to counter or not to counter the fraud problem. Nevertheless, by investigating and reporting on the motive and rationale behind counter fraud

in an organisation that practises LM, this study contributes further to the RCT that underlies these constructs. It is a common approach to explain these constructs in terms of the rational calculations made by self-interested individuals.

3.6 Research methods

3.6.1 The research approach

This research study uses both the inductive and deductive reasoning approach at various stages in the process of enquiry (Reichertz, 2004; Robson, 2011; Reichertz, 2013). One reason for using both the inductive and deductive approaches is for triangulation and complementarity (Campbell & Fiske, 1959; Webb, Campbell, Schwartz, & Sechrest, 1966; Jick, 1979; Oppermann, 2000). A further and more significant reason is founded on the research philosophy guiding this research, realism. Realists such as Perry, Riege and Brown (1999) propose a combination of deduction and induction in research. This is because pure deduction might prevent a researcher from developing new and useful theory, while pure induction might prevent the researcher from benefitting from existing theory. In this study, both the inductive and deductive approaches are used at various stages to explore and gather explanatory data that helps to fill the gap in literature and contributes to the existing knowledge in the subject area. The intention is to extend the limits of what is already known and provide an opportunity for others with an interest in this field of study to adopt the findings, and spur further research (Makrygiannakis, 2013).

According to Hathaway (1995), choosing the research approach is a deliberation about research methods. It is not an issue that concerns the research philosophy, either at the ontological or epistemological levels. Here, the inductive and deductive approaches are used to obtain an insider's perspective, by exploring the staff explanatory statements and experiences on countering fraudulent refund claims from customers in one LM retail organisation environments. Also, since this is an exploratory research study, flexibility is required in the

research approach (Mason, 2002). Consequently, the realist approach is appropriate, as it is sensitive towards unexpected findings or events, and allows modification of the research questions to new ideas and issues as they emerge (Perry, Riege, Brown, 1999; Krauss, 2005; Sobh & Perry, 2006). Also, through the use of this research approach, the observable and measurable data derived from the quantitative, and otherwise ‘scientific’ approach, are given context, as they allow for the researcher to investigate ‘influences’ on the research topic, including human and social behaviour, culture, attitude, experiences, and expectations. These are issues that are sometimes considered intangible, but are no less important (Holden & Lynch, 2004).

3.6.2 The research strategy

Blaikie (2009) and Saunders et al. (2009) provide detailed discussions about research strategy, which is the general orientation and plan of action used in conducting a research enquiry and addressing the research questions.

Selection of the research strategy can be based on the research approach adopted. However, the choice of research strategy is also guided by a few other considerations, which include the research questions, the aims and objectives of the study, the research area, the extent of existing knowledge, and the available amount of time for the research, as well as the philosophical underpinnings (Bryman & Bell, 2011).

The research strategy for the ongoing enquiry is a case study. The main method of data collection was by semi-structured interview involving different operations and management level staff in the organisation, supported by documentary evidence and observation visits. In addition to the considerations mentioned above, other issues have influenced this strategic choice. These issues are historical, referring to the previous research studies on the individual subject areas of the ongoing enquiry, and evidential, referring to the different expectations of both the academic and managerial audiences for research study (Bryman & Bell, 2011).

Following Yin's (2014) suggestions on case studies, the next phase of this research enquiry involves selecting cases and designing the data collection protocol. In selecting the case study LM organisation for this research, and subsequently in analysing the data collected therein, the type of business or trading activity in which the case study organisation is involved was duly considered. This was necessary because an organisation's business activity has been known to affect the way LM is operationalised (Naruo & Toma, 2007; Kennedy & Widener, 2008). This means that the form LM takes, or the way it manifests in the manufacturing business, from where LM originates, is different from the way it is in the service business or retailing where it is common practice. For instance, in retailing, there are no established LM concepts, but there are largely similar practices of automation, JIT, and *kanban* present in supply chain management, demand chain management, franchise systems or in-store merchandising (Naruo & Toma, 2007; Lukic, 2012) (*table 2.4 in the literature review chapter shows this in detail*). Also, in retailing, wastes and losses from non-value adding activities in production, distribution and sale of goods to customers are commonly referred to as shrinkage, and this includes fraud (Beck, Bilby, & Chapman, 2002; Beck & Chapman, 2003). Furthermore, it is known that LM, is adopted only partially or piecemeal in some organisations (Bicheno & Holweg, 2009) while in other instances, organisations have been found to adopt certain LM practices without their knowing or recognising it (Naruo & Toma, 2007; Bicheno & Holweg, 2009; Lukic, 2012).

In addition, the business activity of an organisation is associated with the form that fraud takes, or the way it manifests in an organisation. For instance, in an insurance business, a fraudulent claim could happen when a person deliberately under-insures to reduce a premium, or provides false information to an insurance company to get insurance cover on more favourable terms (Derrig & Zicko, 2002; ACFE, 2013). A false insurance claim could also be when a person makes more than one claim for the same thing, or claims they have lost more than they really have (Derrig & Zicko, 2002; ACFE, 2013). However, in a retail business, a fraudulent claim

could involve a customer buying discounted goods, withholding the receipt, and then returning an item to claim its full price value. Alternatively, it could involve staff claiming reimbursements on expenditures not made, or suppliers making payment claims for goods or services that were not delivered or were inferior to the specifications of an order (Harris, 2008; Harris, 2010; ACFE, 2013). Therefore, in selecting the case study organisation used in this research, these matters were duly considered, knowing that the claim that the case study organisation is indeed a LM organisation is crucial to this thesis. This study explores to what extent does LM counter fraud by generating and analysing empirical data about the approach to counter fraud in one LM retail organisation.

Also, in selecting a case study, which Yin (2014) refers to as the ‘unit of analysis’, samples and sampling are considered. Samples are units from a population of interest. These units can in this context be people or organisations, and sampling is deciding who or which amongst this population will participate in the research project (Bryman, 2012). However, in making this decision, one of two sampling strategies are typically adopted: non-probability or judgemental sampling, and probability or representative sampling. Kumar (2014) explains and differentiates both strategies. For this research, two types of the non-probability sampling technique are adopted: convenience non-probability sampling, and purposive non-probability sampling (Kumar, 2014).

3.6.3 Selecting the case study lean organisation

After identifying the ‘population of interest’, which is the prospective case study LM business environment, one LM retail organisation that had granted access was selected for enquiry and data collection. According to Kumar (2014), this method of sampling is referred to as convenience non-probability sampling. It is achieved by communicating with known contacts who have shown interest and agreed in principle to participate in a research study.

The population of interest (i.e. LM organisations, especially those in the manufacturing and retailing business) was identified through the network of the researcher's academic supervisory team, and research proposals were shared with the organisations who had shown interest in participating in the study. Also, at some of the conferences attended during the research period, the researcher established contacts with experts and practitioners in LM business or research environments, some of whom expressed interest in the research topic and in participating in the case study and data collection process.

Eventually, one LM retail organisation that allowed and approved access was selected. Subsequently, through a gatekeeper (Groenewald, 2004; Creswell, 2013), corporate level introduction to the organisation was secured.

The other potentially useful LM organisations that were approached did not respond after the research proposals were made, and they did not give any reason for their non-response. On reflection, a plausible reason for the eventual response and sample size is the sensitive nature of the research topic. It is well documented that organisations, regardless of their interest or ethical assurance by the researcher have refused access on other sensitive organisational research enquiries and topics, like 'trust' (Hassink, Meuwissen, & Bollen, 2010). However, the apparently limited nature of the organisation sample here is misleading, because the case study organisation selected is a multinational, retailing organisation with over four hundred international stores, and approximately 1000 UK stores. Thus access to this organisation provides an opportunity to compare findings across different stores and locations. Such comparison is potentially beneficial because it allows a synthesis and analysis of the patterns, similarities and differences in the data collected across the different stores, in a way that produces insightful knowledge about the approach to counter fraud in the case study LM organisation (Kaarbo & Beasley, 1999; Yin, 2014).

The purposive non-probability sampling method was utilised in adjudging whether the organisation selected could provide valuable information to answer the research question. This value was adjudged by examining the history of the organisation, and whether the organisation practises LM. The idea of examining whether an organisation is indeed lean, and can be identified as such, is common in case studies of LM and lean thinking organisations (Kennedy & Widener, 2008; Bollbach, 2012).

To identify whether the case study organisation practises LM, the researcher established two criteria, based on the definition of LM organisations reached in this thesis, a definition that was itself derived from findings from the literature. These criteria were:

1. The organisation clearly states and recognises LM as its organisational philosophy. Where the organisation does not clearly state LM as its governing philosophy, its business environment must be characterised by the various LM principles discussed in Chapter Two (*See pages 27-29, and table 2.2. See also the operationalisation of the LM construct in page 104 of this Chapter Three*).
2. The organisation is a retailing or manufacturing business, because LM is common practice in these sectors (Voss & Robinson, 1987; Wright & Lund, 2006; Naruo & Toma, 2007; Lukic, 2012).

The CSO met these criteria, and the evidence that it is indeed a LM organisation was collected at four different stages of the investigation, through various media. The first stage was before the pilot study, walk through and initial contact with the CSO. A review of the CSO's website and profile indicated that they practised LM, as they had clearly stated and identified with some of the core LM values such as: 'a focus on customers', and a heritage of ensuring quality service and products based on customers' demands. Their statement, and profile, coupled with the fact that they are a retail organisation (a common LM business environment), were the first

indicators that the CSO is a LM organisation. Also, before the pilot study, further evidence that the CSO is indeed a LM organisation was collected during the initial email communication and introduction, where the gatekeeper was asked and had confirmed that the CSO is a LM organisation. Lastly, an existing research work on LM clearly identifies the CSO as a LM organisation. More evidence that the CSO is a LM organisation was collected during the pilot study and main case study, discussed hereafter. This information about the ‘lean management’ nature of the CSO is crucial to the findings and claims of this thesis. This information is crucial, because choosing a CSO that practises LM provides the foundation for the authenticity of the information derived from it, especially on the reports of fraud and the approach to counter fraud in the organisation.

Another criterion for adjudging the value of the case study organisation is the enquiry on fraud. In investigating to what extent does LM counter fraud, it is necessary to collect empirical evidence and report on the ‘case’ of fraud in the organisation. Therefore, the availability of and access to study a case of fraud was also a reason for the selection of the CSO. The organisation, upon initial contact made clear that it has a fraud problem that it was trying to tackle. The gatekeeper also discussed the organisation’s focus on ‘doing the right thing’ that reflected their continuous effort to prevent, or reduce, the incidence of fraud, and its losses. Furthermore, the researcher and academic supervisory team were made privy to confidential information on estimates of the fraud losses incurred by the organisation. Thus, the organisation was adjudged fit for the purpose of the research, as the information that had already been shared indicated valuable contributions that would accrue from exploring the organisation further.

This research is a case study, and it should be stated that the organisation selected is not meant to statistically represent the general population of LM organisations (Orum, Feagin, & Sjoberg, 1991; Kaarbo & Beasley, 1999; Humphrey & Lee, 2004; Hoque, 2006; Creswell, 2013; Yin, 2014). The reason is that the population of interest is specific, and the aim of the research

inquiry and case study remains to explore and gather information. Consequently, the case study or purposive sample selected allows the researcher to achieve these aims (Hoque, 2006; Tongco, 2007; Creswell, 2013; Yin, 2014; Etikan, Musa, & Alkassim, 2016). It provides an opportunity to interview and collect data on individual members of the sample and population of interest, who would otherwise be difficult to identify. The purposive selection of the case study organisation allows for the examination of a complex problem, but not for the generalisability of the findings.

Moreover, the sample is also informative, allowing for the documentation of individual and possibly contradicting views and experiences of the sub units embedded in the sample selected. According to Miles and Huberman (1994), the sub units should add confidence to the findings, as findings are more robust when a discovery made in one setting holds in another similar and comparable setting.

3.6.4 The sample

The sample in this case study is one LM retail organisation. However, the inquiry happens at four of the organisation's stores, at different locations, with a variety of staff serving customers and handling the cases of fraudulent returns. The stores and staff at the different locations are the sub-units. The contextual differences, and diversity in the staff members present across these sub units can reveal different salient aspects of the approach to countering fraudulent refund claims from customers in this LM organisation (Orum, Feagin, & Sjoberg, 1991; Kaarbo & Beasley, 1999; Humphrey & Lee, 2004; Hoque, 2006; Creswell, 2013; Yin, 2014). This, in turn, will give the researcher the chance to identify themes and conduct a cross-case analysis of the findings. Ultimately, these cases and sub units should provide more information and insight on the research problem, and could potentially also lead to more effective recommendations (Kaarbo & Beasley, 1999; Yin, 2014).

3.6.5 Research choices

In choosing a research method, a researcher also has to decide between using either a single or multiple data collection technique (Humphrey & Lee, 2004; Hoque, 2006; Saunders et al. 2009). The reason is that: a) qualitative or quantitative research methods do not exist in isolation, b) both research methods have their positive and negative qualities (Humphrey & Lee, 2004; Hoque, 2006; Saunders et al. 2009). Therefore, whether or not a researcher strictly chooses one or the other method of inquiry, it is possible to employ multiple methods of data collection, even though some of these data collection techniques may be commonly assigned to or associated with a particular research method (Mason, 2002; Hoque, 2006).

An advantage of conducting a case study is that it typically allows multiple methods of data collection (Humphrey & Lee, 2004; Hoque, 2006; Yin, 2016). Besides, as discussed earlier, the realist approach adopted for this research enquiry allows for a variety or combination of different methods of data collection.

3.6.6 Time horizon

The time horizon refers to the duration of a research enquiry. Typically, a research study can either be cross-sectional or longitudinal (Bryman & Bell, 2011). However, the ongoing enquiry is cross-sectional, as it documents the event under study at a particular point in time.

The research study started in February 2014, and primary data collection began in November 2015, and lasted until March 2016. Between these periods, the pilot study and main case study of the LM retail organisation were concluded.

3.6.7 Data collection

In this case study, the primary sources of data collection are participant observation and semi-structured interviews conducted across the different stores of the organisation. Prior to this came the pilot study that included a walk through, observation, and discussion with the gatekeeper and regional loss prevention manager of the organisation, in which the supervisory

team participated in as primary and secondary observers. The reason for the participation of the academic supervisory team, aside from taking notes of the events that occurred during the study, was to serve as guides in the researcher's practice of the interviews (Saunders et al. 2009).

The sub-sections below discuss, in more detail, the data collection process, and different methods employed. The discussion will begin with a review of the case study proposal and data collection document (see Appendix 3.1.1 & 3.1.2).

3.6.8 Case study and data collection proposal

As stated earlier, during the sampling periods, the research topic and design was introduced to the organisation's gatekeeper. The researcher and supervisory team informed the contact about the idea and purpose of the research study, which is to investigate to what extent does LM counter fraud, and to collect and analyse data on the approach to counter fraud in this LM retail organisation.

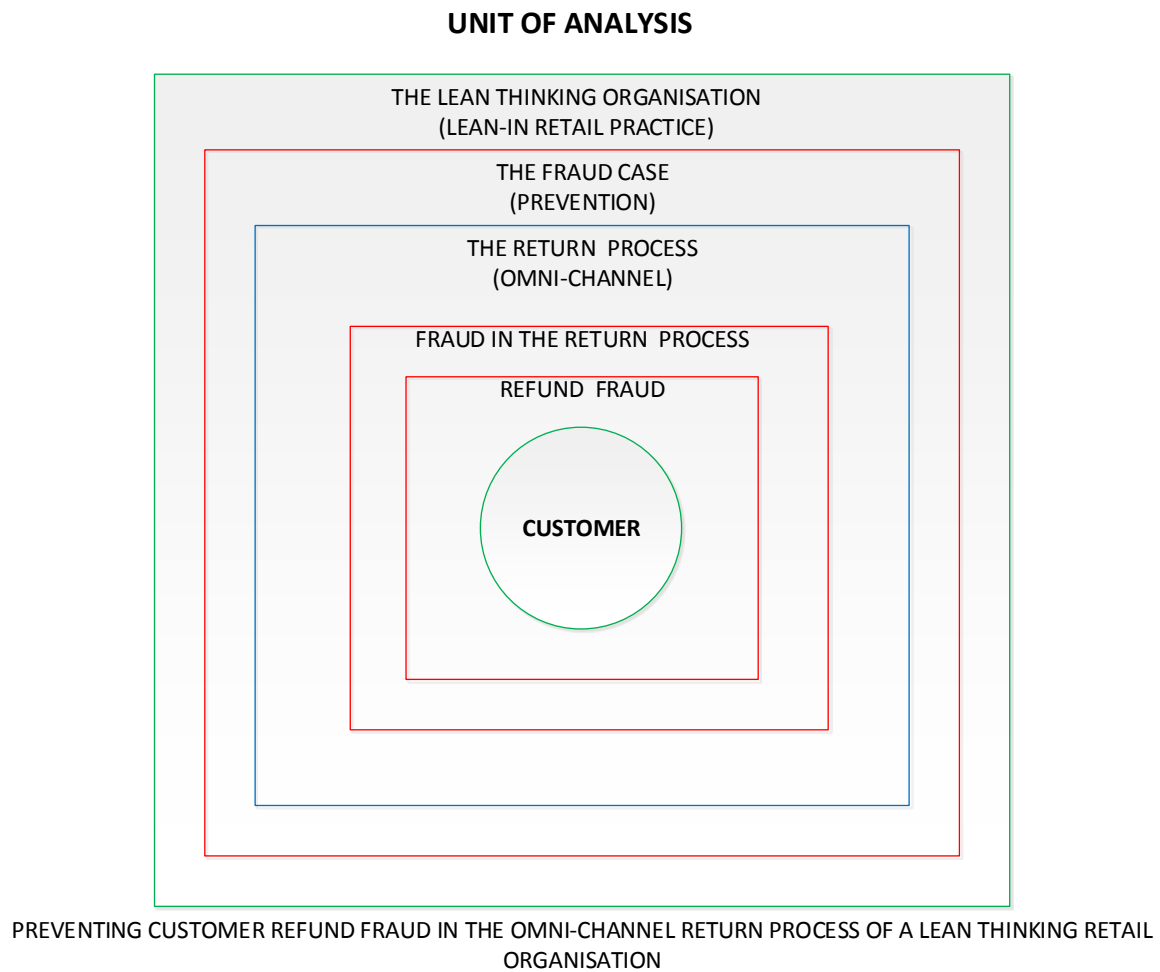
Following this information, the gatekeeper forwarded documents about the retail organisation, the industry, and the company and industry's current efforts to prevent fraud and its accruing losses. These documents provided detailed secondary data on the nature and depth of the retail fraud problem, including prospects for research and solutions.

The researcher needed to review this secondary data on the retail fraud problem to gain a practical knowledge and perspective on the research problem. Reviewing the data was useful in developing another refined design that captured the fraud problem in retail organisations. It was also useful in applying the core ideas guiding the research inquiry, and in the operationalisation of the key constructs of this study.

Lastly, the review of the secondary data on fraud and counter fraud in omni-channel retail environments was important in establishing a scope for the fraud case study in the LM

organisation. It was these documents that introduced the researcher to the problem of fraud in the returns process of omni-channel retail organisations, while the focus also created another unit of analysis for the case study (see Figure 3.2).

Figure 3.2: Unit of analysis (Source: Author)



In terms of style, the design of the case study proposal is similar to Yin's (2014) description of a research protocol. According to the Yin (2014), the development of research protocol improves the validity and reliability of the data collected in a case study. However, it must be clearly stated that the data collection proposal discussed here did not contain the interview questions, but only the procedure and requirement for the pilot study. A copy of this proposal document is attached in Appendix 3.1.1 & 3.1.2.

3.6.9 Pilot study

The pilot study facilitated the refinement and conclusion of plans for the main data collection and inquiry. This included the plans for the main observation and interviews, and the procedures that were followed. A pilot study is typically not aimed at gathering conclusive data (Creswell, 2013; Yin, 2014). The main purpose of the pilot study was to clarify concepts

relevant to the research design, and to assess whether the research protocol was realistic and workable (Baker, 1994; van Teijlingen & Hundley, 2001; Arain, Campbell, Cooper, & Lancaster, 2010). This includes gaining more insight into the research problem, and reframing the research questions if necessary. It also involved developing and practising the interview questions and situations (Yin, 2014). Moreover, the pilot study facilitated a better understanding of the research problem, and provided the important training, or simulation, necessary for conducting interviews in the main study (Baker, 1994; van Teijlingen & Hundley, 2001). The pilot study also helped ascertain the geographic proximity, accessibility, and convenience of the research site, which is the CSO. Creswell (2013) and Yin (2014) provide detailed guidelines regarding what a pilot study should entail. In detail, the role of the pilot study was:

- 1- to ascertain whether the CSO was indeed a lean organisation, and to observe and take note of their LM practices, the systems, their values and the principles they follow. For instance, in the pilot study it was discovered that the CSO operates a JIT system, and that they employ the use of visual control on the shop-floor area. The organisation valued customer service and goodwill, and their focus and main priority was meeting and satisfying customers' demands through timely and quality service and, producing quality and non-defective products. This information was also found in copies of the CSO's customer service and refund policy document, which was issued at the pilot study
- 2- to ascertain the fraud problem in the CSO, specifically the type of fraud they experienced, the problem area, the processes involved, and the people responsible for managing the fraud problem. For instance, in the pilot study it was discovered that a common case of fraud experienced in the case study LM organisation is fraudulent refund claims, especially from customers. The problem area was the refund process, for

which a team of customer service assistants is responsible. This team is also the first point-of-contact, responsible for managing the incidents of fraudulent refund claims from customers. The pilot study also provided information about the common ways this type of fraud was perpetuated: the form it took and the way it manifested

- 3- to obtain a working knowledge of the CSO's business activities, their policies, processes and value stream
- 4- to ascertain whether interviewing was indeed the best method for data collection, and if it was, to ascertain the best location or work space for the interviews, and to identify the participants and the most convenient time for interviewing.
- 5- to help develop and practise the interview process and questions. The pilot study provided the important training and simulation necessary for conducting effective interviews, and this interview process was observed by members of the supervisory team. Considering the sensitive nature of the topic under investigation, the research and supervisory team, who understood the ethical implications of the study, were present at the pilot study to observe the researcher's demeanour, line of questioning and overall technique employed. This entire process was to test the interviewing method and case study approach
- 6- to know the best way to operationalise the key constructs of the research and frame the interview questions so they would be understood by participants
- 7- to get acquainted with the workplace design and structure: this could be effectively achieved from the pilot visit to just one site because most of the other stores reportedly followed a similar design
- 8- to ascertain the location of the other retail stores/sites, and to plan for the visiting of these sites

The pilot study was conducted at the Portsmouth (Hampshire, southern England) store of the CSO, in November, 2015, in a period that the gatekeeper identified as the season for large retail sales, discount prices, and a harbinger for a subsequent surge in returns. It was conducted with the Regional Manager (RM) of the case study organisation's Loss Prevention Department in the U.K. The November pilot study informed the plan to schedule and conduct the main interviews and case study later, in March 2016, which was the period following the surge in returns. This later period, according to the RM, would be more convenient for the organisation and its staff, and it would allow the collection of more insightful data. This is because the staff responsible for managing the refund process and incidents of fraudulent refund claims would have less returns to manage, thus more time to spare, sit, reflect and share their more recent experiences.

The pilot study consisted of two visits to the CSO. The first visit comprised an initial, formal meeting and discussion held with the RM, which preceded a guided walk through the store and an explanation of their returns and reverse logistics process. Specifically, the walk through covered the main shop floor, storage unit and customer service sales and returns department, where the various members of staff present were introduced and engaged in discussions about their job functions and processes. These conversations were not audio-recorded, but the researcher and supervisory team took notes during the conversations, and the members of staff, upon introduction, were clearly informed about the purpose of the study and walk-through. Before the meeting, ethical approval from the University of Portsmouth had been sought and acquired (see Appendix 4.1), and these ethical standards were strictly followed by the research team.

Also, during the first visit of the pilot study, there were no structured questions asked. This means that some members of staff were interviewed, but the researcher did not use a structured approach when doing so. There was a list, however, of the data required from the organisation

and some topics in the research area to investigate and discuss. This list, an extract of the case study proposal (see Appendix 3.1), guided the meetings, conversations, and data collected during the study.

The second pilot study visit to the CSO was conducted by the researcher, alone, and it involved interviewing the RM using pre-designed questions and schedule, in order to test how well the questions and schedule would work.

After the visits, the field notes of findings and pilot interviews informed the strategy and plan for the main interviews and data collection. The field notes and pilot interview findings also informed the design and content of the main interview questions. For instance, it was noticed during the walk-through that the staff handling the fraud cases were predominantly female. These were the prospective interviewees, as they were the direct contact between the organisation and its customers, who rendered the services provided, and managed the returns and refund process, daily. Therefore, the researcher, with the supervisory team, agreed to conduct the main interviews in an open and accessible area within the organisation: a meeting room, where the interviews can be held privately, but the interviewee is unrestricted to come and go, as they desire, in case they withdrew their consent and decided to no longer participate in the study at any time (Rubin & Rubin, 2012). This plan was communicated and agreed with the gatekeeper. It was also strictly upheld, in every store visited during the case study.

The pilot study was important for the reasons presented in Table 3.2, below:

Table 3.2: Significance of pilot study (Source: Author).

SIGNIFICANCE OF PILOT STUDY	
<i>Contribution and impact on the research study and design</i>	<i>The how</i>
<p>Provided information and insight regarding the research problem, design and investigation.</p>	<ul style="list-style-type: none"> • It fulfilled the first case study objective of gaining access to a LM organisation to investigate their approach to counter fraud. It also launched the case study exploration and gathering of information about the research problem. • Clarifying concepts relevant to the research design and investigation – Facilitated the discovery and understanding of the type of lean thinking organisation and incidence of fraud of fraud in the organisation. It also facilitated the discovery and understanding of the LTO’s business activities, especially the Omni-channel retailing experience in the case study organisation. • Field notes of the findings, compiled by the researcher and supervisory team during the pilot study walkthrough and observation, informed the strategy and plan for the main interviews and data collection. • The findings from the pilot study were developed into the main themes for investigation in the interviews and main case study. For instance, a major finding in the pilot study was that the most common type of fraud in the CSO is fraudulent refund claims from customers. This finding became a main theme for investigation in the main case study, as the interview involved questions about the approach to countering fraudulent refund claims from customers in the LTO.
<p>Provided information and insight about the case study organisation.</p>	<ul style="list-style-type: none"> • It revealed the common case or incidence of fraud in the case study organisation. • It revealed the type of lean thinking organisations, including their lean thinking values and practices. • It revealed the settings and structure of the organisation, and the configuration of the retail stores. The pilot study walkthrough and observation also provided information about the configuration of work in the stores, the value streams, staffing, including the returns and refund process. • It revealed that the case study LTO was keen on preventing, or reducing the incidents and loss from fraud.

3.6.9.1 The role of the pilot study in developing the interview guide

Field notes made by the researcher and supervisory team, who were present as secondary observers, were analysed and developed into a preliminary interview guide for the main interview and case study. This guide contained the main themes mentioned in the pilot study, including the key words used in conversations. Examples of such key words are ‘manufacturing fault’, referring to defective products returned, ‘stock accuracy’, ‘GM’, referring to general merchandise, ‘CA’, meaning customer assistant or advisor, and ‘dump codes’ referring to items sold without scanning the barcodes or labels. In the interviews for the main study, keywords like these were used to guide the lines of questioning and conversation, when the interviewees did not speak of themes spontaneously, or when the question asked may have sounded very theoretical and abstract. These keywords were used to make the research topic and questions asked more practical, familiar, and relevant to interviewees’ day-to-day practices. The keywords also allowed for the use of a less academic and technical language, which facilitated the communication between the researcher and interviewee (Kvale, 1996; Groenewald, 2004; Rubin & Rubin, 2012; Creswell, 2013). For instance, in the pilot study, the main themes discussed were the incidents of fraud in the organisation, the most common cases, the process and people involved in these incidents, and the way the CSO sought to counter these incidents. From these discussions, it was found that fraudulent refund claims from customers were the most common incident of fraud experienced in the organisation. As such, the customers, and refunds team, made up of customer assistants and managers across the customer service department, were the people mostly involved in these incidents. The main methods that customers who are fraudulent have used in perpetrating fraud against the organisation were:

- 1- ‘acquiring’ goods on discount but, returning to claim a full-price refund without a receipt. According to the RM, these goods are typically acquired when they are 20% off the full price and, returned when they are priced again in full

- 2- claiming manufacturing fault and cash refunds on items that have been deliberately damaged.

In addition, discussions in the pilot study revealed that in the CSO's efforts to counter the problem of fraudulent refund claims, they had employed security personnel and installed surveillance equipment, and designed a key performance indicator for losses associated with refunds and shrinkage known as the LPI (Loss Prevention Indicator), both of which were visible around the stores, and of which the employees were aware. The CSO had also reportedly empowered members of the refunds team to deny any suspicious or fraudulent refund claim from customers. During the refund process, the customers are served by a member of, known as the CA (Customer Assistant), at the refunds desk. When serving the customer, the CA works individually, and does not work according to a 'script'. The managers do not use the tills much, unless the CA is dealing with a fraudulent or suspicious customer and needing some help or, the CA has encountered some other difficulty while processing refunds. So, if a customer had, for instance, purchased an item via electronic payment but demanded a cash refund without a receipt or the card in question, then the CA may prompt the manager and request their approval to process the transaction. The CSO also has a refund policy, and altogether, these are the some of the kinds of information that the employees are expected to 'bear in mind' in the organisation's effort to counter the problem of fraudulent refund claims.

With this type of information, the interview guide for the main case study was developed. For instance, in discussing the CSO's approach to countering the refund fraud problem in the main interview, the CA's were asked questions like "*what do you bear in mind when dealing with customers who acquire goods on discount but, return them to claim a full-price refund without a receipt?*", or "*How do you handle customers who acquire goods on discount but, return them to claim a full-price refund without a receipt? Where do you get information to handle these types of incidents?*".

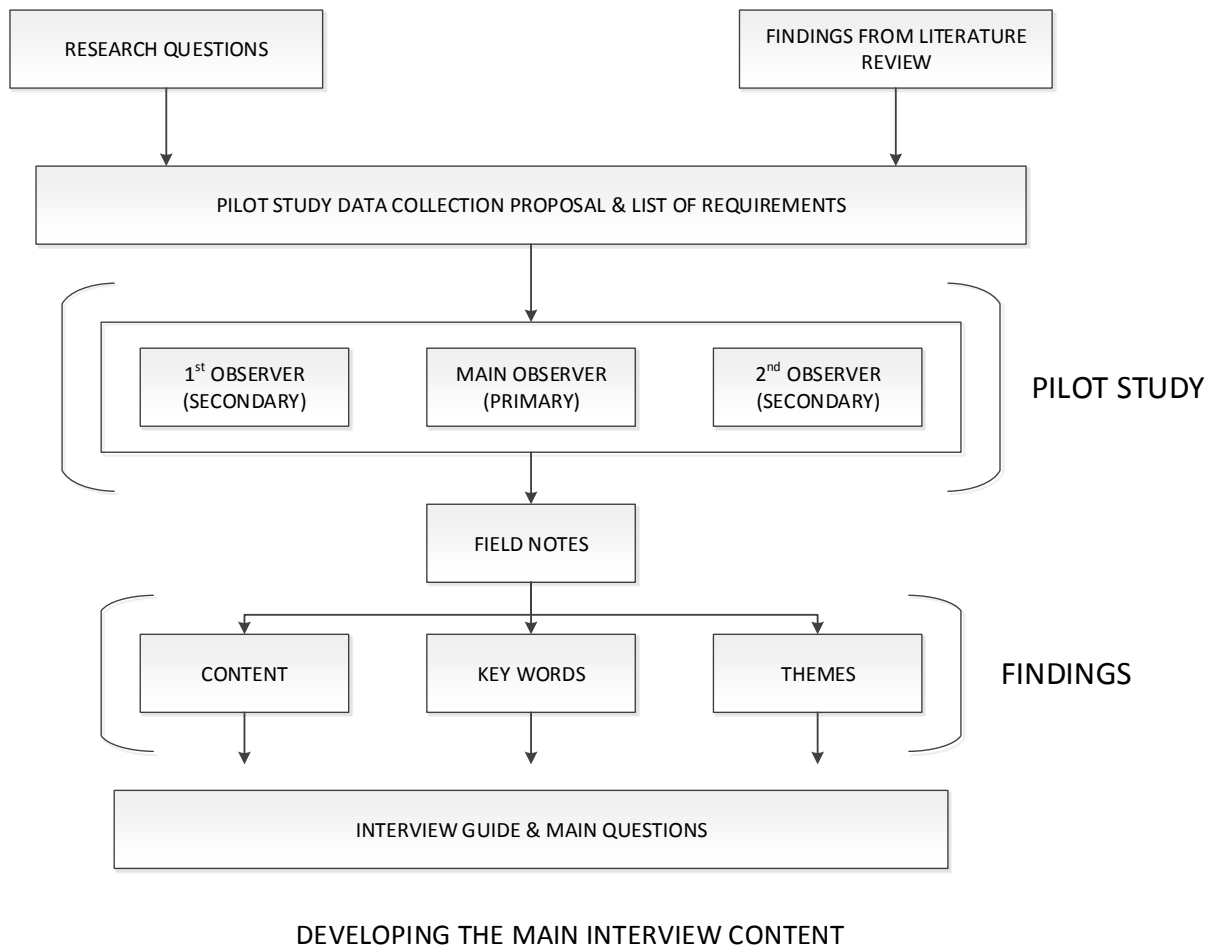
The interview guide was also developed from the research question and findings from the literature review, both of which informed the pilot study data collection proposal and list of requirements (Mason, 1996; Groenewald, 2004). For instance, interview questions like “*where do you get the information on how to handle customers who acquire goods on discount but, return them to claim a full-price refund without a receipt?*”, or “*what would you say is your main aim when handling customers that claim manufacturing fault and cash refunds on items that may have been deliberately damaged?*”, or “*what/do you see anything around the refunds area, shop-floor, or store during these incidents that informs how you handle the customers?*”, were developed from findings from the literature reviewed which suggested that practices such as meeting and satisfying customers’ demands in a timely manner, having visual controls, manufacturing quality products, as well as regular housekeeping and standardisation of systems and processes, prevents and controls losses from deviant behaviours like fraud (Womack & Jones, 2003; Liker, 2004; Bicheno & Holweg, 2009; Pettersen, 2009). These findings were derived from exploring to what extent does LM counter fraud in the literature reviewed in Chapter Two.

It is based on these findings that the pilot study data collection proposal was written. The proposal was also based on considerations of reports of fraud towards LM thinking organisations that seem to be rarely discussed in practice, and about which there appears to be very little research and empirical evidence. For instance, in the data collection proposal, an observation was proposed of the way visual controls (where information is communicated in ways other than text, such as labels, flags on systems, images or colours, Tezel & Aziz, 2017) are used by lean organisations in preventing losses and controlling deviant behaviours like fraud. An observation of the lean way of organising and doing work (which involved creating environments in which tasks are ‘done right the first time’, and everyone is included in making improvements (Womack & Jones, 2003; Liker, 2004; Bhasin & Burcher, 2006) was also

proposed (see Appendix document 3.1). Also, an observation of the CSO's refund process was proposed, as literature findings suggest that fraudulent returns constitute the most prevalent form of illegitimate behaviours and complaints in retail environments where LM is common practice (Harris, 2010). The literature suggests that the incidence of fraudulent refunding is increasing, especially refund claims without receipt, which has had a profound financial impact on retail organisations (Harris, 2008; Harris, 2010; Amasiatu & Shah, 2018; Dailey & Ulku, 2018; Ulku & Gurler, 2018). As such, in the pilot study list of requirements, information on the incidence of fraud, as well as the LM controls and best practices in place for counter fraud in the CSO, were requested (see Appendix 3.1).

Figure 3.3 reveals the pilot study's contribution to the research design and main case study investigations.

Figure 3.3: Process of developing the main interview Content (Source: Author).



The main content that guided the case study interviews was the most common case of fraud found during the pilot study, fraudulent refund claims from customers. It was a recurrent theme found in the discussions in the pilot study. Thus, in the main study, when information on FP in the organisation was sought, the common case revealed in the pilot study was operationalised into interview questions that encouraged the staff to share information about their actual experiences in handling fraud within the organisation. According to Hassink et al. (2010), there is restricted access to such information about ‘actual experiences’ in fraud or related topics, which poses a limitation to research studies in the area.

3.6.9.2 Operationalisation

In the interview questions, the term ‘fraud’ was carefully avoided. This was achieved by replacing the word fraud with instances that describe the event in the organisation. The

instances used in the main study's interviews were actual cases, being the common cases found in the pilot study. The main reason for the operationalisation, i.e. avoiding the term fraud, is the sensitivity a word like fraud is likely to provoke, which cannot entirely be accounted for in the findings of the already sensitive research inquiry. Thus, rephrasing a sensitive question such as "Have you handled any case of fraud in this organisation? Can you tell about the cases of fraud you have handled?", as "Have you handled any situation where items bought on discount are returned for full price refunds, without a receipt? Can you tell about an instance, or an experience?" arguably elicits more explanatory responses than sensitive ones. This is because it offers the possibility of examining different respondent's view of the a 'uniform' situation, and may allow situational contexts to be explored and elucidated upon (Barter & Reynold, 1999). According to Van der Heijden, Van Gils, Bouts, and Hox (2000), cases of fraud, like the concept, are not straightforward. Thus, it is not uncommon for respondents to fraud questions to have different understandings of the topic.

It should be clearly stated that the use of operationalisation in the main interview questions is different from the common use in surveys, which is to elicit quantifiable data from variables that are typically immeasurable (Patring, 2012).

Operationalisation in the main interview questions informs two other functions. First, it carefully introduces the interviewee to the main topic of the interview. Then it ensures, at the beginning of the interview, that the staff engaged have experienced and, importantly, handled a case of fraud in their employment. This ensures that they have sufficient knowledge to provide relevant information for the research inquiry (Patring, 2012).

3.6.8 Interviews

Interviewing is the main method of data collection for this research inquiry. Thus, more information about the choice, process, and literature informing the method will now be discussed.

Interviewing as a method of data collection is regarded as one of the most important sources of evidence in a case study (Groenewald, 2004; Humphrey & Lee, 2004; Yin, 2014). According to Bryman and Bell (2011), the reason for such importance is the aid it provides researchers in gaining detailed and insightful data about the subject under investigation. Interview questions in case studies typically resemble guided conversations; this suggests that they are more fluid than structured queries (Kvale, 1996; Groenewald, 2004; Humphrey & Lee, 2004; Rubin & Rubin, 2012). It should be clearly stated that the interview questions were semi-structured, and they were developed from the research question and objectives, as well as the findings of the pilot study and the literature reviewed.

During the case study, Yin's three types of interviews were simultaneously used (Yin, 2014). Survey type interviewing was used to obtain bio-data, and other vital background information concerning the interviewees, such as their job functions and years of experience. However, evidence of the other two Yin-types of case study interviews, the prolonged and shorter type, are present in the interview sessions with the both RM and the other staff members of the refunds team.

There were two formal meetings and questionings held with the RM. Even though only one of these meetings was formally recorded, they lasted, in aggregate, approximately two hours and thirty minutes. The first meeting was during the pilot study. Yet, although the questions asked were about the organisation, processes, including the research topic and objectives, the respondent also provided opinions and interpretations about certain events. These included a timeline and stories about different fraud cases, the FP practices, and the different people involved. In terms of the latter, the respondent spoke about the actors, staff, customers, and police, for instance, in different cases of fraud experienced, and also suggested the employees for interviews, who could provide more information about their experiences and the cases discussed. Also, some of these other staff respondents assisted more in a manner where they

could be described as research informants (Groenewald, 2004). The reason was that they not only shared their own experiences, but they also referred the researcher to other staff members whom they considered more experienced and able to provide more insight on the inquiry (Groenewald, 2004). Such referrals were also made to members of staff who they thought could either corroborate their stories or could provide contrary or more substantial evidence. According to Yin (2014), such ‘informant respondents’ are critical to the success of a case study.

However, the choice of conducting an interview was not without consideration for the other available methods of data collection in a case study. During the literature review process, it was observed that self-reports and surveys are equally common methods of data collection in most empirical research studies on fraud, or other sensitive topics (Landsheer, Van der Heijden, & Van Gils, 1999). These methods, as research texts like Saunders et al. (2009) already discuss, have their own individual qualities, when compared with interviews. Similarly, as other research studies on fraud reveal, there are several reasons why these methods are preferred, or are arguably better choices in case studies, compared to interviews (Hassink et al., 2010; Friesen & Gangadharan, 2013). Two of these reasons are to increase the response rate or limit response bias. As Van der Heijden et al. (2000) reveal, self-reports are one of the standard approaches to acquiring sensitive information, even though, as the authors illustrated with case study examples, this method tends to produce poor results in general (Landsheer, Van der Heijden, & Van Gils, 1999; Van der Heijden et al., 2000; Hassink et al., 2010; Friesen & Gangadharan, 2013). However, according to Hassink et al. (2010), due to the low frequency of detected fraud cases, it is difficult to collect actual explanatory statements of an event. This reason is plausible, because if an act is not detected or proven to be a case of fraud, then it is possible to dispute that such act is ‘actually’ fraud (Fraud Act, 2006; Button, 2012; Lewis et al., 2014). Similarly, the validity of data about such an act is questionable and can be deemed

limited. Besides, even if such act is detected, or proven, it is still arguable, as findings from various literature reveal that the notion and understanding of the act is diverse (Firozabadi, Tan, & Lee, 1993; Button, 2012; Albrecht et al., 2009; Lewis et al., 2014; Free, 2015). These contentions are plausible reasons why empirical research studies on fraud focus on individual perceptions, rather than actual cases, as their sources of data (Hassink et al., 2010).

The above contentions are not completely relevant to the ongoing fraud inquiry. The reason is that the focus of this thesis is on acts ‘before the event’ of fraud. These are the acts of counter fraud, which mainly comprises of prevention and deterrence (*see the literature reviewed on counter fraud in Chapter Two*). Thus, the core of the case study and the data collected and analysed are regarding these acts ‘before the event’. This is the case even though the RM reveals that the cases discussed, some of which the main study interviews were based on, are actual cases of fraud. According to the RM, some of the actors involved in these cases were apprehended, charged to court, sentenced, and punished for their crimes. In these cases, some of the legal remedies obtained included injunctions, where the culprits were prohibited from the store or the immediate environment. The local police and security in these areas were also involved, as they assisted in enforcing these sanctions, after receiving and circulating the photographs of these offenders. Subsequently, during the main interviews, these revelations by the RM were corroborated by other staff respondents, without questioning, in their own sharing of their customer refund fraud experiences.

3.6.8.1 Choice of interviewees

From the pilot study experience, the researcher became aware that most of the target interviewees would be the customer service assistants who work at the refunds desk. This group includes staff who may have worked in this role at any time during their employment. Staffing in this role is typically rotated: however, regarding the choice of interviewees, it was more pertinent to the researcher that the respondents were employees with a good level of knowledge

and experience in handling the common cases of fraud discovered in the organisation. Consequently, this included other staff who might not have necessarily worked at the refund desk, but were involved in the controlling and preventive efforts against fraud. This ensured coverage, avoided bias, and fostered the intention to gain a varied understanding of the issue under investigation. It was equally important that the staff had a good knowledge of the case study LT organisation, their values, control practices and policy. Besides, it is supposed that in LT environments, employees work as a team, in cells, and there is reduced emphasis on hierarchy, which suggests that everyone is involved in the CSO's efforts to counter fraud (Womack & Jones, 2003; Liker, 2004; Emiliani, 2008; Berry, Coad, Harris, Otley, & Springer, 2009).

The lead contact (the RM), whom was made aware of the requirements stated above, recommended the staff respondents. The word 'recommend' is used, instead of 'choosing', as staff after 'recommendation' had the choice to accept or decline the interview requests. Subsequently, as the findings will report, a number of these members of staff declined the interview requests, while some, who had previously volunteered and agreed to participate, rescinded their acceptance during the interview and exited the interview room. These interviewees were all from one of the stores.

3.6.8.1.1 Implications

Allowing the staff respondents to decide whether they want to participate in the interview leads to a research methods problem known as self-selection bias (Braver & Bay, 1992; Karney et al., 1995; Costigan & Cox, 2001; James, 2006; Robinson, 2014). The problem with giving interviewees a choice to accept or decline the interview requests is that they may choose to participate or not in the study for reasons that are systematically related to attributes or behaviours under study (James, 2006; Robinson, 2014), which in this case is the approach to counter fraud in the CSO, or, more specifically, the way the staff manage and prevent incidents

of fraudulent refund claims from customers in the case study LM organisation. As Costigan and Cox (2001) and Robinson (2014) state, the problem with self-selected interviewees increases when the selection or choice to participate in the study is driven by unmeasured effects that influence the phenomenon under study and other issues the researcher wants to learn about, instead of a predetermined or exogenous criterion that is under the researcher's control. This means that when a respondent volunteers to participate in a study, instead of the study choosing the respondent, they may choose to do so based upon some predetermined, observable characteristics or based upon some characteristic that is determined by the respondents themselves (Braver & Bay, 1992; Karney et al., 1995; Costigan & Cox, 2001; James, 2006; Robinson, 2014). For instance, in this study, the staff members who most likely agree with the approach to counter fraud in the case study LM organisation are more likely to participate and are more likely to share their positive experience of the job. This category includes upper level staff, or more specifically the management staff of the refunds team, who perhaps agree with the way the case study LM organisation manages the problem of fraudulent refund claims. Another example of such respondents are those that choose to participate in the study, because they perhaps agree or believe that an investigation of the way the case study LM organisation manages fraudulent refund claims should be conducted. This entire notion, and examples, of self-selection is based on the idea that individuals have some control over their actions, the organisations they choose to associate with, or the way they are classified by researchers interested in understanding their behaviours or attitudes (James, 2006). However, it is known, from the LM literature reviewed in Chapter Two (*see page 27 – 51*), that LM organisations have their own objectives and way of thinking and doing work. It is also known, from the LM literature reviewed in Chapter Two, that in LM organisations, the technical system stipulates and directs the course of actions in the social sub-system, and shapes the behaviour of individuals, including the ways they use and perform in these systems (Bollbach, 2012;

Hasle et al., 2012). These findings from the LM literature prompts questions about 'self-selection bias' in LM research and the study of LM organisations. For instance, as self-selection is based on the idea that individuals have some control over the organisations they choose to associate with, does this perhaps mean that employees, as members of LM organisations, have chosen, perhaps deliberately, to associate with the objectives of LM? Or, are there other explanations for their choice? There appears to be very little academic literature and research that investigates self-selection bias in LM research and the study of LM organisations. However, the purpose of this thesis is not to conduct this investigation, therefore the idea is not explored any further.

The problem of self-selection (self-selection bias) occurred at three levels in this study. The first is the CSO's choice to participate in this research, which is a result of the rather specific nature of LM organisations and the CSO's interest in the research purpose and phenomenon under study: the LM approach to counter fraud. The second level of self-selection bias comprises the members of staff who are involved in the case study LM organisation's counter fraud efforts that chose to participate in the study. The third level of self-selection bias occurred when the staff who had previously volunteered and accepted to participate, withdrew their consent during and after their interview. The implications of these self-selection biases are that findings from this study cannot be generalised to a larger population that includes the interviewees that withdrew their consent and the organisations that did not volunteer. Another implication is that any conclusions drawn from studying this LM retail organisation and interviewing the staff responsible for managing the incidents of fraudulent refund claims must contain some bias. However, as Robinson (2014) states, it is not possible to avoid the self-selection bias in interview-based research, as voluntary participation is essential to good ethical practice.

3.6.8.2 Justifying the choice of interviews

Apart from interviews, the other method of data collection considered in this case study was focus groups. Focus groups were considered because they would allow the interviewees, who are mostly members of the refunds team, to come together to share their views and experiences (Merton & Kendall, 1946; Morgan, 1988; Kitzinger, 1994; Gibbs, 1997) of managing incidents of fraudulent refund claims. This method, as Kitzinger (1995) states, is suited for observing interactions between participants in a group, which often produces insightful data. However, bringing the refunds team members together at the same time was not possible, because they had a limited staff resource, and the refunds desk and shop-floor could not be left unmanned. Another shortcoming with this method is that the research topic may be too sensitive for the participants to discuss in a focus group (Gibbs, 1997; Smithson, 2000).

Vignettes, which Finch (1987) describes as short stories about hypothetical characters in specified circumstances, to whose situation an interviewee is invited to respond, were not considered in this study because her purpose and method are not consistent with the research philosophy of this study, which assumes that the phenomenon under study exists separately from individual perceptions and excludes any reference to the intangible or subjective (Giddens, 1976; Holden & Lynch, 2004). Vignettes, a common method used in research on deviant behaviour, are mostly used to elicit opinions, perceptions, beliefs and attitudes, from an interviewee's response to stories depicting scenarios and situations (Hughes, 1998; Barter & Renold, 1999; Hughes & Huby, 2004; Bradbury-Jones & Herber, 2014). As Barter & Renold (1999) state, they are used to explore situational contexts, interpret actions and occurrences, and clarify individual judgments, mostly in relation to moral dilemmas. However, this study is more concerned with investigating a real-world problem, fraud towards LM organisations, which is rarely discussed, and with collecting data from the people who have experienced and managed these situations (Groenewald, 2004). The data sought and collected are mostly staff

respondents describing or recounting the incidents of fraudulent refund claims they have experienced and, explaining the how – their approach to managing them.

Considering the above, interviews are the choice method of data collection used in this case study. Although supplemented by observation and documentations, interviews are useful for conducting in-depth investigations and obtaining insightful information about individual experiences which are probably not accessible using other techniques (Kvale, 1996; Groenewald, 2004; Robson, 2011; Rubin & Rubin, 2012). As Blaxter, Hughes, & Tight (2006) state, interviews are not merely a data collection tool, rather they are a natural way of interaction, which is useful in obtaining information on sensitive topics that individuals may feel uncomfortable discussing in a focus group.

3.6.8.3 Weaknesses of interviews

According to Yin (2014), interviews pose a number of possible weaknesses, including response bias, inaccuracies due to poor recollection of events, and reflexivity, where respondents state what they think the interviewer wants to hear. Response bias, although common in interviews, is not peculiar to this method of data collection, as earlier deliberations on self-reports illustrate.

However, in terms of reflexivity, or respondents stating what they think the researcher would like to hear, the researcher acknowledges that the interview responses and evidence could be products of impression management, and hence, bias (Riach, 2009). The respondents could be following instructions and/or, dominant discourses that are part of their organisational and social environment. This reason is particularly important, considering the staff work as a team. Thus, it is not implausible to think that some of their responses in questioning can be influenced by their relationship with peers and team members. During the interviews, the staff mostly revealed information about their refund fraud experience with customers, and barely mentioned any incident involving a fellow colleague. This was the case even though findings from the

pilot study revealed that some of the refund fraud incidents involved staff collusion with customers, friends and family.

In addition, the above consideration becomes more plausible with an equal consideration that the RM, a leader in the organisation, recommended some staff for interviewing. However, even with the staff members that were not recommended, but simply encouraged to participate and provide support for the research inquiry, it is likely that they felt some type of pressure or duty to comply, even though every respondent was clearly informed that their participation was voluntary.

The researcher also acknowledges that some of the respondents may have had more information than they provided during the interview (Kvale, 1996; Groenewald, 2004; Nunkoosing, 2005; Riach, 2009). This unwillingness or inability to divulge more information might be for the reasons above, or simply out of respect for the organisation and confidentiality. However, there were other respondents who may have been more informed about the subject discussed, but perhaps did not care enough about the research to have contributed more than they did. Nevertheless, during the interviews, the researcher did not notice the respondents' 'degree of openness' (Kvale, 1996; Ollivier, 2008; Peredaryenko & Krauss, 2013) reduce at any time. Especially since the staff participated voluntarily, and the voluntary participation was equally evident in how they shared their stories, after the researcher had introduced the subject and questions. However, due to the sensitive nature of the inquiry, which plausibly amplifies the foregoing concerns, it is unlikely that the respondents did not have any reservations during the questioning. Moreover, some respondents clearly stated these reservations during the conversation.

The above deliberations and the consequent likelihood of bias were duly considered during the analysis of the interview data. Yin (2014) recommends, the interview data should be

corroborated with information derived from other sources, to deal with the weaknesses of this method. This process is also known as data triangulation. Accordingly, a pilot study was conducted prior to collecting interview data, which involved field notes documented by secondary observers. These field notes, including the researcher's notes during the pilot study, were all different sources of information used in analysing and to some extent corroborating the main interview data. However, during the main interviews, the researcher avoided note-taking, to prevent distractions and allow for active listening (Kvale, 1996; Bryman, 2004; Rubin & Rubin, 2012). Besides, the interviews were recorded, and transcribed almost immediately in the days afterwards. These actions were undertaken to circumvent potential inaccuracies arising from poor recall of the exact events, and other natural limitations of memory. They were also done to avoid placing intuitive glosses on the statements of the respondents, and allow for repeated review and evaluation of the original data (Bryman & Bell, 2011; Rubin & Rubin, 2012).

3.6.8.4 Structure of interviews and influences

For the main inquiry, the researcher originally conducted 22 interviews, across four retail stores in the case study LTO. These stores are located in "The market town", "London Borough", "The old cathedral town", and "The new city", all in the south east region of the UK.

During the interviews, three of the respondents withdrew their consent and chose no longer to participate in the study. They also requested that their interview recordings should be deleted in their presence. The researcher obliged these requests, and thanked these staff for their participation. This event happened at one particular store, and began when one of the managers in the refunds team had opted out of their individual interview: midway into the interview, for no exact, given reason, the manager stood up, apologised, and requested that the recording should be stopped and deleted. The respondent also withdrew their earlier consent, requested for the document, then demanded and witnessed its destruction before leaving. However,

following this event, two of the respondents that have been interviewed earlier, returned, withdrew their consent, and requested that the researcher treat their interviews, recordings and consent form in the same way as their manager's. Also, following the manager's withdrawal, two other members of the particular refunds team chose to participate in the study. The remaining members of the refunds team who had been scheduled for the interview refused to attend.

Nevertheless, at the end of the main study, the researcher was able to collect 19 interview recordings. The duration of these interviews varied from thirty minutes to an hour and thirty minutes, and the interviews were held during working hours. Hence, to avoid the disruption of business activities, the researcher and staff had agreed that the respondents should take turns, each substituting for the other in their absence, to participate in the interviews. In effect, this also ensured that 'manning' at the refund desk was always complete. Moreover, during the pilot interview, the RM or RLPM had stated that:

"... There's been a big reduction in staffing. So, the Customer Assistants won't have a lot of time..."

Hence, as stated earlier, the structure of the interviews was flexible. Furthermore, considering the gender and inter-cultural dynamics, which could possibly have influenced the interviews, the researcher made conscious efforts to maintain a friendly and relaxed atmosphere during the interviews, and to be calm, clear and an active listener, which are valuable qualities that can encourage respondents to open up (Kvale & Brinkmann, 2009).

3.6.8.5 Justifying the number of interviews conducted

In the research proposal and case study protocol, the number of interviews budgeted for – and approved by the University of Portsmouth (UOP) ethics review committee – was at least six across five of the case study LM organisation's retail stores. However, after the interviews

conducted at the fourth store, the researcher observed from the memoirs and notes written immediately afterwards that there was no recognisable new information and no new themes in the data collected (Glaser & Strauss, 1967; Groenewald, 2004). Therefore, after consultations with the research supervisory team and later the CSO, the researcher decided to conclude the interviews at this point and forfeit the inclusion in the case study of the fifth store. However, the CSO was informed of a possibility of returning for further study, if findings from the data analysed suggested the need, and the CSO – through the gatekeeper and RM – agreed.

The number of participants and interviews budgeted for this research is consistent with Bertaux (1981), Morse (1994), Creswell (1998) and Groenewald's (2004) recommendations for a phenomenological study of this type. Bertaux (1981) recommended 15 interviews, while Morse (1994) recommended at least six, and Creswell (1998) recommended between 5 and 25 interviews for a phenomenological study. These studies did not present any evidence for their recommendations (Guest, Bunce, & Johnson, 2006), but, as Morse (1995, p.147) states, "saturation is the key to excellent qualitative work", and there are no tests of adequacy or published guidelines for estimating the number of interviews required to reach 'saturation'.

3.6.9 Ethical issues and consideration

Considering the sensitivity of fraud, the issue of ethics was very important to this research study. Ethical issues were considered at all phases in this research, as against the common misconception that it should only arise at the data collection phase (Hoque, 2006; Creswell, 2013). According to Hoque (2006), three general principles should found and guide ethical research actions and procedures. They include, respect for individuals as autonomous agents, and an obligation of beneficence and justice, which involves minimising possible harm and addressing issues regarding who receives benefits and bears the burdens. Also, the ethics policy of the UOP requires that great care is taken to ensure the safety of research participants involved

in the study, circumventing any harm, monitoring the research as it proceeds and ensuring that the information available is used to make an appropriate assessment (see Appendix 4.1).

Consequently, in accordance with these principles, separate ethical approvals were obtained for the pilot and main case studies (see Appendix 4.1). To protect and maintain confidentiality and anonymity, the respondents were required to sign a consent form before participating in the research study. The content and details of this form were described in writing and fully explained to them. Also, where required, additional information, like how the data collected will be used, was discussed, and the participants were allowed adequate time before the start of the interviews to decide whether they still wanted to participate, especially after the fraud topic and case study was introduced. The respondents who completed the interviews were guaranteed anonymity for their recordings, transcripts, and subsequent research disseminations. Consequently, when quotations were used in the text, the identity of the respondent making the statement was disguised in an abbreviation of their role or job function in the organisation. Similarly, the location of the stores was disguised in pseudonyms. For instance, the case study organisation is referred to in subsequent discussions as the Goodwill organisation. Moreover, when the report of findings was completed, it was reviewed by the supervisory team to ensure that any sensitive information about the organisation, or information that might encourage or equip customers with more knowledge to exploit retailers through fraudulent refunds claims, was removed completely.

3.6.9.1 Reflecting upon events in the interviews and their ethical implications

The way the interviews were conducted was mainly informed by:

- 1- the decision of the UOP research ethics committee and the terms on which they granted a favourable ethical opinion for the conduct of this study, which was subsequently approved by the host case study organisation. These terms are described in the ethical

review documents which include a checklist and application form, the case study and interview protocol, as well as the participant information sheet and consent forms. These documents were reviewed by the UOP research ethics committee, and are attached in the Appendix 4.1.

2- The research philosophy and design of this study

3.6.9.1.1 The decision of the ethics committee

The UOP research ethics committee requires that prior to any research interview, all potential interviewees should be well informed of the aims of the study, of the voluntary nature and what participation entails, of how anonymity is safeguarded, and any other information that will help the interviewees reach an informed, consensual decision to participate, prior to any agreement to participate. Following these requirements, the researcher had verbally informed the participants of their rights, the purpose of the study, the procedures to be undergone, and the potential risks and benefits of participation, at the start of every interview. The researcher had also provided the participants with an information sheet and consent form containing this information, which they were allowed time to read, ask questions about, and sign if they agreed.

One crucial condition on which the interviews were approved and conducted was that the participants reserved the right to withdraw their consent and opt out of the study at any time. This condition, which is clearly stated in the consent form, reads “*I understand my participation is voluntary and that I am free to withdraw at any time without giving any reason, up to the point where data are being analysed.*” Therefore, during the interviews, when three of the respondents withdrew their consent and chose no longer to participate in the study without reason, the researcher obliged in accordance with the ethical requirement and agreements made before the interviews started. No questions were asked, and the researcher thanked these staff for their participation.

3.6.9.1.2 The research philosophy and design

Shaw (2003) and Allmark et al., (2009) state that the philosophical position a researcher adopts has various ethical implications. The ontological position of this study is realism, and it adopts a functional or objective approach to the way knowledge of the phenomena under study is acquired (Guba & Lincoln, 1994; Hoque, 2006; Sobh & Perry, 2006). As an objective researcher, the methods employed and procedures undergone during the interviews were relatively formal and impersonal (Hoque, 2006). The researcher's role was 'neutral' and mostly related to data collection (Hoque, 2006; Allmark et al., 2006). Professional boundaries were created to avoid attachment of any sort that may have tainted the interviews and subsequent findings. Also, there was no contact or relationship between the researcher and the interviewees, before or after the interviews, except through the gatekeeper, and until the day of the interview where the researcher obviously had to meet interviewees and develop some rapport.

The ethical requirement of this research and the underlying research philosophy constitute the basic premise upon which the interviews were conducted. The successful completion of the 19 fully conducted interviews is perhaps an indication that interviewing methods employed were maybe suitable to an extent. However, upon reflection on the participant-withdrawal incident that occurred in store two, during interviews, here follow decisions and actions that may have been taken and performed differently.

- 1- A contingency plan: Considering the sensitive nature of the research topic, the researcher should have planned strategies in advance of the interview and data collection process, to manage potential difficulties (Allmark et al., 2009). Such strategies include abandoning lines of investigation if the participants' gestures or words seem to set or create boundaries around an issue (Frost & Stablein, 2002; Humphrey & Lee, 2004; Allmark et al., 2009). The researcher, following the

requirements of the UOP research ethics committee, had taken measures to deal with risks, (physical or other, including reputational) arising from conducting or taking part in this research (see Q14 and Q15 of ethical approval form), but Allmark et al., (2009) state that it is good practice to also have such emergency plans, because of the sensitive nature of interviews. In retrospect, such plans should have been made notwithstanding that the respondents who opted out of the interviews did not give any reason, show any emotion, or make any gesture that suggested that they were tense, dissatisfied, or uncomfortable with the interviews or lines of questioning, meaning that such a contingency plan may in any case have been ineffective.

- 2- Continuous consent: After obtaining informed consent from interviewees, prior to the start of interviews, and letting them read the confidentiality and privacy rules before agreeing to the interview, Byrne (2001), Nunkoosing (2005), and Richards and Schwartz (2002) recommend a model of continuous consent, where a researcher reaffirms consent throughout the research process. Although this model has been critiqued by Mason and Allmark (2000) and Allmark (2003), Allmark et al. (2009) state that it is good practice to continuously remind interviewees that the conversations are private and confidential. On reflection, this is another action that could have been performed, when the respondents decided to opt out of the interviews. However, Allmark et al., (2009) notes that such actions may make a respondent feel obliged to continue with the interviews, which taints the research process, being procedurally and ethically troubling especially in research concerning sensitive issues, as here.
- 3- The research design and method: Considering the sensitive nature of the topic, the researcher should have opted for a philosophical position and consequent research methods that would allow for more involvement in the interviews. The researcher could have considered undertaking a dual role as ‘scientist and therapist’ or ‘reporter and

evangelist', (not just the singular role of scientist which was taken in this study), using counselling techniques to positively manage participants and incidents during an interview (Oakley, 1981; Ribbens, 1989; Finch, 1993). Of course, undertaking a dual role exposes the research, researcher and interviewees to the danger of over-involvement (Wolcott, 2002). However, Tillmann-Healy (2003) states that some level of involvement, albeit friendship, is desirable, and perhaps necessary in interviewing. Tillmann-Healy's (2003) statement prompts a question: "what qualities do being more involved and friendly enhance in the investigation of a sensitive topic like fraud?". Also, how, or to what extent, does being more involved and friendly with interview participants enhance reliability and validity in the investigation of a sensitive topic like fraud?". Conclusions could not be reached on these questions because: a) the participant-withdrawal incident did not seem to be a case of a lack of friendship, or involvement, b) the participants who withdrew did not give any reasons for doing so, c) the respondents who participated in the study did not seem to have any reservations with the way the interviews were conducted, d) Tillman-Healy (2003) does not exactly provide any empirical evidence as to the way involvement and friendship may enhance the validity and reliability in the investigation of a sensitive topic like fraud, and e) it is likely that 'some level of involvement and friendship' with the interview participants may have tainted the interviews and subsequent findings.

- 4- Better judgment and boundary management: The qualities necessary in the recommendations and actions one, two, and three above are intuition and better judgment (Richards & Schwartz, 2002; Shaw, 2003; Cowburn, 2005). Considering the sensitive nature of the research topic, and the equally sensitive nature of interviews, the researcher could have been more emotionally involved and aware to pick up on when the manager – who was the first to withdraw consent and mostly likely the person who

influenced the CAs to return and withdraw their consent – possibly became disinterested in the study. However, this is mostly speculative reasoning, as the participants did not make any complaints to the researcher; they simply withdrew their consent, and the researcher obliged without asking why. Also, the participants did not make any complaints about the interviews to the store manager or gatekeeper about the interview process. The researcher informed the gatekeeper of the events but did not ask for a reason, which could amount to pressuring the participants in some way. The deduction on the manager's influence was only made based on the sequence of events and the remarks of the three CAs when they returned to request deletion of their recordings too.

- 5- Feedback: Upon reflection, the researcher could have obtained information on the reasons the interviewees chose to withdraw their consent by designing a formal method for feedbacks. Although none of the literature reviewed on research ethics and the ethics of conducting interviews expressly states or recommends this action, the literature on self-selection bias recommends identifying observable reasons why some people may choose not to participate in a study (Olsen, 2008). The idea of feedback is also consistent with the training recommendations and requirement for researchers conducting interviews (Parkes, 1995; Richard & Schwartz, 2002). The only way that this may be possible in an interview is by designing a feedback document (formal feedback instrument), which would have been issued to the interviewees at the end of their interviews. Such practice would have helped the researcher improve, and it would have also served as evidence to know what may have gone 'wrong' in the interviewing the participants that withdrew, and what may have been done 'right' in the fully conducted interviews. Although the researcher made notes after every interview and,

informed the supervisory team of the interview proceedings, which is consistent with the ethical requirements, this would have been an added good practice.

Having stated these, there is little offered in the research ethics literature, by way of recommendation, to address ethical concerns and issues that arise during interviews (Shaw, 2003; Allmark et al., 2009) Also, much of the literature reviewed on research ethics and the ethics of conducting interviews is cautious about giving recommendations for practice (Rosenblat, 1999; Shaw, 2003). As Rosenblat (1999) states, ethical guidelines are co-constructed as an interview progresses, and there is no single trustworthy ethical formula that can be applied to a research interview. However, Shaw (2003) and Cohn and Lyons (2003) recommend that researchers respond sensitively to the needs of participants and, engage in ongoing reflectivity, which has been done here. Going forward, for future research purposes, the issues discussed in this section will be duly considered.

3.6.10 Data analysis

The data collected for this research were thematically analysed, manually (Basit, 2003; Braun & Clarke, 2006). Other data analysis methods like content analysis (Lasswell & Casey, 1946) and narrative analysis (Riessman, 1993) were considered. However, content analysis was discounted because the focus of its analysis is mostly at the micro-level - the unit of analysis tends to be a phrase or word - and the themes are typically quantified (Ryan & Bernard, 2000). The use of narrative analysis was also discounted because different manifestations of the method exists, hence it is difficult to make a choice (Murray, 2003). The rationale for choosing thematic analysis (TA) is the flexibility it allows, and the accessible form of analysis it offers early career qualitative researchers (Braun & Clarke, 2006). TA offers a means to access and analyse the various participants' responses to the interviews, so that they can be integrated into a structure that seeks to explain the phenomenon under study (Boyatzis, 1998; Braun & Clarke, 2006). TA is a realist method that is useful in identifying, analysing and reporting patterns or

commonly recurring themes within the experiences and reality that participants share in an inquiry (Bruan & Clarke, 2006). As Bruan and Clarke (2006) state, the method is useful in organising and describing in rich detail the data collected.

3.6.10.1 The process

There were three major engagements with the data after the semi-structured interviews were completed. The first was at each day's end during the case study and interviews, when reflective notes were written about the findings from the visit, and a quick coding and thematic analysis of these findings was conducted. The second engagement was during the verbatim transcription of the interview recordings after the visit. The texts of key statements in the interview, which were subjectively selected, were written in **bold**, while new memos for patterns, ideas and other key themes observed were also written: Groenewald (2004) describes this process as the grouping of meaning into themes. Also, during the writing of the findings chapter in subsequent months, the transcripts were read, and extracts that were considered relevant, based on how they answered the interview or research question, were highlighted. The notes from the previous engagements with the data were also read while new notes and ideas were underlined. Ultimately, due care was taken to ensure that all information from the interview was considered. Parts of the transcripts were crossed out once they had been incorporated into the analysis (Basit, 2003; MacQueen, McLellan, Kay, & Milstein, 1998; Groenewald, 2004). There were mainly four types of field notes and memos made in this study, and they are: a) the observational notes, which includes the 'what happened during the interview and case study notes' that the researcher deemed important to make, b) the theoretical notes, which includes the researcher's thoughts and reflections on the case study experience, as well as 'attempts to derive meaning' from the data collected, c) the analytical memos, which includes research progress reviews and end-of-a-field day summary, and d) the methodological notes, which includes 'reminders, instructions or critiques' of one's self during the data

collection and analysis process (Groenewald, 2004). The field note-making method employed in this study is similar to Groenewald (2004) which is based on a model developed by Leonard Schatzman and Anselm Strauss supplemented by Robert Burgess.

The thematic analysis process began at the early stages of the data collection process, when the researcher started to notice, and search for, issues of potential interest and patterns of meaning in the data. These issues of interest and patterns of meaning are known as themes, and the endpoint of the analysis was the reporting of the content and meaning of these themes (Braun & Clarke, 2006). There are no rules for thematic analysis (Boyatzis, 1998; Braun & Clarke, 2006). However, between the start and end of the data analysis process, the researcher repeated Braun & Clarke's (2006) six steps of thematic analysis, at different stages and in no order. This is because, according to Braun and Clarke (2006), data analysis, or thematic analysis to be exact, is an iterative and continuous process. Even the last stage of the process, producing the report of findings, was repeated upon the initial examination and correction of this thesis.

The interview guide consisted of ten open-ended questions. All the interviewees were asked similar questions in the same sequence, but they were probed inductively on key responses (Guest, Bunce & Johnson, 2006). The interview guide was divided into four main domains of inquiry: the incidents of fraudulent refund claims the respondents have experienced, the way these situations are managed, the information used in managing these situations, and the rationale behind managing these situations. The inquiry into the 'rationale behind managing these situations' was aimed at collecting, and subsequently analysing, data on the motivations or drivers of counter fraud in the case study LM organisation. (see Appendix 3.1 for sample interview guide and questions).

Figure 3.4 below shows the development of the domains of inquiry from the research questions:

Figure 3.4: Development of the interview domains of inquiry



In analysing data generated from the transcripts of the main interviews, the participants' responses were not coded according to any pre-existing coding frame, or grouped according to any predefined categories, such as the domains of inquiry, the specific interview questions that were asked of the participants, or the key constructs and theoretical interests of this research (Lincoln & Guba, 1985; Braun & Clarke, 2006). Rather, the data collected were initially coded and categorised inductively. This means that the first set of themes identified were strongly linked to the data themselves (see example in Table 3.3 below, and further example in Appendix 5.1) (Patton, 1990; Braun & Clarke, 2006); they were grouped according to categories of meaning, and the relationships between these categories were derived from the data itself, through a process of inductive reasoning. This initial approach was to ensure that the thematic analysis was not solely driven by the researcher's analytical interest in the research question and broader theoretical assumptions (Braun & Clarke, 2006). It was also to ensure that there were categories of meanings and links that emerged from an understanding of the participants' own experience and language, before identifying the categories that are important to this study's focus of inquiry. The rationale behind using both the inductive (data-driven) and deductive approaches (theory-driven) to coding and analysing the themes is based on Ely, Vinz, Downing and Anzul's (1997) statement that themes mostly emerge from thinking about data and creating links based on the understanding derived from them. The list of codes and themes generated from both approaches is attached in the Appendix 5.1.

All the same, the thematic analysis involved deconstructing the data into discrete units or incidents and coding them to categories. Coding is identifying features of the data that appear interesting, giving them a name or label that effectively describes what is being said, and organising them into meaningful groups (MacQueen, McLellan, & Milstein, 1998; Basit, 2003; Braun & Clarke, 2006). The coding was done by comparing specific units or incidents in the data, identifying their features, exploring the relationships between them, and integrating them

into an understandable explanatory format (Taylor & Bogdan, 1984). Each category underwent definition and content changes, as incidents and units were compared and categorised, and as both the understanding of the features and relationship between categories were developed and refined through the course of the analytical process. An example of the data extract with codes applied is presented in Table 3.3, below. Also, extended copies of these documents are attached in Appendix 5.1.

Table 3.3 Example of data extract with codes applied (adapted from Braun and Clarke, 2006)

Data extract from notes written after interviews	Coded for
Customers know they can override a decision by asking to see the store manager – so manager support is needed	1. Customers 2. Override 3. Manager support

Data extract interview transcript	Coded for
Interviewee 09- "... Because that isn't good customer service. Because customers do genuinely lose their receipts. You know, get an old lady with her bag, or a busy mum or a forgetful gentleman. You know? The genuine, honest people lose their receipts. And that's why the no receipt, no refund isn't appropriate for our customers, because it's not the real world that we live in. Sadly, the dishonest people make it difficult for the honest people , because people do lose receipts. We also have a policy, that our policy also says that even with a valid receipt. Even with a receipt that is now in, invalid, because it's past the 35 days..."	1. Customer service 2. Customers 3. Receipts 4. Policy 5. Reference to real word 6. Genuine

The coding began from the note taking processes, where different and interesting ideas, perceptions, and patterns relating to the research objectives were identified; coding was continuous and evolving from the data analysis process through to the report of findings. The coding was done manually, and as shown in Appendix 5.1 it was done by using coloured pens to underline and write notes on the texts being analysed, to indicate potential patterns and identify segments of data. These codes, once identified, were collated and matched with the data extracts that demonstrate them (see Appendix 5.1 for an example).

During the data analysis process, coding and organising the data with the use of computational software like NVivo was considered. Computer Aided Qualitative Data Analysis (CAQDA) methods were also considered, as they can be useful for analysing interviews and other audio-visual data. However, the data was instead analysed manually following advice from the major review board and considering the eventual number of interviews. The main reason for using this method was to enable an intimate knowledge of the data, and derive a holistic understanding of the structure and contexts from which the different views on the subject under investigation were expressed. Context, in this instance, includes the respondents' roles and positions in the organisation (Alvesson, 2011; Creswell, 2013).

However, the challenge experienced with the manual approach to coding, categorising the evidence and extracting main themes, is that it is time consuming (Basit, 2003). Additionally, managing the data movements and coding patterns, as well as mapping the conceptual categories and overall thought progression, can be challenging (Fielding, Lee, & Lee, 1998; Welsh, 2002; Basit, 2003; Jones, 2007).

3.6.11 Research evaluation

The significance of a research study is typically adjudged in terms of its validity and reliability. These are terms that are associated with the integrity of conclusions derived from a research enquiry. The terms refer to the extent to which the research study genuinely reflects the social phenomenon being observed, and the extent to which results of the study can be reproduced over time, using the same methodology. Considerations of validity and reliability have been mentioned at different instances in the preceding discussion of the research methods, including considerations of credibility, reflexivity, trustworthiness, and transferability, which are terminologies used to engender trust and confidence in the research methods and findings (Golafshani, 2003; Riege, 2003; Creswell & Miller, 2000).

The criteria for evaluating the quality of research methodologies, differ among different epistemologies (Miles & Huberman, 1994). However, the fact that this research enquiry is founded on realism means, according to Riege (200), that issues concerning internal validity, external validity, construct validity and reliability have to be addressed. The evaluation techniques used for this study are presented in Table 3.4:

Table 3.4: Research evaluation techniques (Source: Author).

	Evaluation techniques used
	<ul style="list-style-type: none"> • Selection of case study organisation - In order to ensure credibility, the case study organisation was carefully selected following criteria derived from findings and propositions in the literature review (see detailed discussion in section 3.6.3 of this chapter). This action, as with the triangulation of methods of data collection and analysis, also addresses the issue of credibility (Wahyuni, 2012). Credibility is also ensured and demonstrated by following various standard and verifiable research procedures, such as obtaining ethical approvals at each stage of the research enquiry into the sensitive fraud research topic (Bryman & Bell, 2011).
	<ul style="list-style-type: none"> • Triangulation of data collection and analysis – Different data sources were combined in this research study. During the preliminary investigations of the research problem, various literature and theories from different subject groups are reviewed and used as points of reference. Also, during the case study, multiple respondents were interviewed at the different stores of the case study LTO. Furthermore, the findings from pilot study and main case study were triangulated. Besides, as stated in section 3.6.1, these findings were analysed both inductively and deductively (Webb, Campbell, Schwartz, & Sechrest, 1966; Jick, 1979; Perry, Riege, & Brown, 1999; Oppermann, 2000)
	<ul style="list-style-type: none"> • Evaluator triangulation – At each stage of this research study, the developments and findings from the enquiry were presented and discussed across various academic groups and research conferences (see section on dissemination of research). These discussions about the research study, which also informed the research design and choices at various points, were held with experts and peers across different subject groups. Also, the research study was regularly discussed with the research supervisory team. This team were also secondary observers during the pilot study and walk-through (see details in Appendix 3:1). During the study, they compiled individual field notes, these field notes were triangulated and analysed. Consequently, the foregoing actions also address the issue of confirmability. This is as it ensured that the results of the research study reflects the experiences and understandings from the case study and interviews, rather than the researcher’s individual preferences (Creswell & Miller, 2000; Riege, 2003).
	<ul style="list-style-type: none"> • Rich and thick description - Ensuring rich and thick explanations of the case study LTO, including the characteristics and settings of the organisation, was used as a means of addressing the issue of transferability. According to Wahyuni (2012), transferability resembles external validity. Also, the research was designed in such a way that it is not impossible to apply in a different lean thinking organisational setting. As evidence, a copy of the case study research proposal for an investigation of the research problem in a LT manufacturing environment is attached in Appendix 3:1:1 and 3.1.2. Furthermore, the connection of findings to prior theories was also used as a means of addressing issues with external validity in this study (Miles & Huberman, 1994).
	<ul style="list-style-type: none"> • Documentation – The data and progress of this research study are well documented and carefully kept. Through the use of research memos and reports at different stages of the study, it is ensured that there is an audit trail, which should enable the examination of the research process and outputs (Wahyuni, 2012). Also, events and considerations at crucial stages of the research process are well discussed and documented at various points in this thesis to enable confirmability. This includes refinements in the research questions and design based on peer reviews or findings from the literature reviewed and case study data.

3.6.12 Limitations

Choosing to conduct a case study founded on realism limits this research study in some ways.

First, there is the issue of objectivity which limits this research, even though such issues are a more important part of the positivist than the realist epistemology (Healy & Perry, 2000; Riege, 2003; Wahyuni, 2012). In fact, realism acknowledges that every description of reality is essentially a theory about reality. It also acknowledges that research studies, which includes this thesis, are not totally independent of subjectivity. Such subjectivity is mostly implemented and present in form of the researcher’s understanding and interpretation of the research problem. Nevertheless, the research design, including efforts towards reliability and validity,

should enable the provision of truth statements and theories that are as close as possible to the reality of the research problem. Also, since the methodology used is founded on realism, it is limited in its ability to provide an extensive and rich account of the multiple realities of the case study and research problem. Lastly, there is no type of statistical generalisation or claim made in this research study. This is due to the nature of the case study organisation (see section 3.6.3 for details), and because qualitatively-based case studies are typically considered as the best method to extract theoretical type generalisations, rather than statistical types.

3.6.13 Conclusion

The main discussion in this chapter is focussed on the choice of research methodology. This research study adopts a realist approach to the case study of fraud and fraud prevention in lean thinking organisations for three main reasons. First, considering the exploratory design of the research study, the realist approach is used to gather information and provide insight into the research questions, which it also refines. Also, considering the sensitive nature of the fraud research topic, the access to study actual incidents of fraud, and the distinct or specific nature of the case study LTO, the realist approach allows the use of a combination or variety of research methods in investigating the fraud problem. The realist approach also allows flexibility, triangulation, and complementarity in this enquiry, and semi-structured interviews are used as the main method of data collection in the case study. Finally, the realist approach is used with the aim of contributing knowledge and addressing the gap in the literature on fraud and fraud prevention in LTOs. The findings of this case study are discussed in the next chapter.

Chapter Four – Findings

4.1 Introduction

In the early chapters (Chapters One and Two), conclusions could not be reached on the extent to which lean management (LM) counters fraud because there is very little empirical evidence that corroborates the reports of fraud towards LM organisations and the approach to counter fraud in LM.

However, in this study, it is assumed that the empirical evidence to reach conclusions on the research question is ‘out there’. It is also assumed (as a realist researcher who adopts the functionalist approach of most of the existing research on fraud, counter fraud, and LM) that this evidence can be observed and acquired objectively through a case study of the way a LM retail organisation counters fraud, which in this case includes interviews with the people who manage the case study organisation’s (CSO) incidents of fraudulent refund claims (see Chapter Three).

The purpose of this chapter is to report the findings from this case study. It begins with reporting findings that identify the CSO as a LM organisation – a claim which is essential to this study (Section 4.2). Then, it reports the findings on the refund fraud problem in the case study lean retail organisation (CSLRO), as well as its counter fraud efforts, most of which involve the refunds team staff of customer service assistants, and the use of a Loss Prevention Indicator (LPI) (Section 4.3, & 4.4). This chapter also reports findings on the challenges to these counter fraud efforts in the CSLRO (Section 4.5). Section 4.6 reports findings on the approach to counter fraud in case study LM organisation, while Section 4.7 reports the findings on the behaviours of the customers in this CSO, as told by the employees, and Section 4.8 concludes this chapter.

Out of the 22 interviews conducted, 19 have been analysed and reported here as findings. The duration of these interviews varied from thirty minutes to an hour and thirty minutes, and the interviews were held during working hours. These 19 interview recordings were collected across four retail stores in the case study LM organisation.

Here, the four stores are referred to as the considerate store (store one), the compliant store (store two), the goodwill store (store three), and the inconsistent store (store four), because of their distinct approaches to managing the fraud problem, which are discussed later in this chapter and beyond. Store one, which is located in the ‘old market town’ (OMT), had five participants. The details of these participants’ interviewees are presented in the table below:

Table 4.1: Details of interviewees or respondents in Store One.

Name	Respondent and Job Function	Identifier
Participant 01	Customer Adviser/Refunds desk staff	CA01
Participant 02	Customer Adviser/Refunds desk staff	CA02
Participant 03	Customer Adviser/Trainer/Recruiter	CA03
Participant 04	Section Manager	SM04
Participant 05	Section Manager	SM05

Store two, which is located in a London Borough (LB), had three participants, as shown in Table 4.2 below:

Table 4.2: Details of interviewees or respondents in Store Two.

Name	Respondent and Job Function	Identifier
Participant 06	Customer Adviser/Refunds desk staff	CA06
Participant 07	Customer Adviser/Refunds desk staff	CA07
Participant 08	CCTV Operator	CC08

Store three, which is located in ‘the old cathedral town’ (OCT), had four participants.

Information on these respondents is presented in the table below:

Table 4.3: Details of interviewees or respondents in Store Three.

Name	Respondent and Job Function	Identifier
Participant 09	Co-ordinator and Customer Adviser	COCA09
Participant 10	Manager/Refunds desk staff	MA10
Participant 11	Customer Adviser/Refunds desk staff	CA11
Participant 12	Customer service adviser, coach and trainer	CA12

Store four, which is located in ‘the new city’, had six participants. The details of these participants are presented in the table below:

Table 4.4: Details of interviewees or respondents in Store Four.

Name	Respondent and Job Function	Identifier
Participant 13	Manager/Refunds desk staff	MA13
Participant 14	Customer Adviser/Refunds desk staff	CA14
Participant 15	Manager/Refunds desk staff	MA15
Participant 16	Customer Adviser/Refunds desk staff	CA16
Participant 17	Customer Adviser/Refunds desk staff	CA17
Participant 18	Customer Adviser/Refunds desk staff	CA18

4.2 About the case study organisation

4.2.1 An overview

The CSO is a multinational retailing organisation with over four hundred international stores outside the UK, and approximately 1000 U.K stores. All stores, including those outside the UK, serve over thirty million customers per annum, and have thousands of employees. Founded over 100 years ago, the CSO, in a ‘research journal’ that identifies them as a LM organisation, is described as a leading retail organisation and a prime example of the total quality management approach. This ‘research journal’ is not directly cited or referenced in this study, to protect the identity of the CSO. Information from the ‘research journal’ has only been used in this section (4.2.1) to support this study’s finding that the CSO is indeed a LM organisation.

According to the 'research journal', the CSO's reputation for selling high quality products and giving customers great value for their money is founded on their culture of continuous improvement. The research journal further claims that the sustained competitive advantage is also based on this culture, as well as understanding their chosen markets, and listening to their customers so that they are always in a position to lead whenever customers' perceptions change. According to the journal, yet another essential part of the company's successful culture is communicating and empowering staff and managers to make decisions and act based on their knowledge of the business and its processes. Today, the company, as the reports, has reached a level of internal quality and sophistication that means that it knows almost immediately which of its various stores has too many or too few stocks on their shelves.

Also, according to the 'research journal', the CSO – as a LM organisation – invests well above the retail industry's 'norm' in the development of its staff. This is because it understands the constraints of its business, including the role of people and processes in the organisation of the company. Also, the management and operations of the organisation are founded on the principles of continuous improvement, and this search for continuous improvement to gain competitive advantage in every aspect of its operations has led it to 'invest comprehensively' in research, training, automation, and extending its range of influence beyond the borders of its own operations.

The information reported in the two preceding paragraphs are from the 'research journal' that identifies the CSO as a LM organisation. Indeed, it can be argued that more than a few of the qualities and practices mentioned therein can be associated with other organisations, especially in the retail business. However, the 'research journal' claims that these are the qualities that define the CSO as a LM organisation. Also, most of the qualities mentioned in the 'journal', such as the TQM approach, the customer focus, continuous improvement, empowerment of staff as managers of their own activities, *Kanban* and inventory management, and automation,

are consistent with a majority of the LM literature's description and definition of LM systems (see Ohno, 1988; Hummels & De Leede, 2000; Womack & Jones, 2003; Liker, 2004; Paez et al., 2004; Bhuiyan & Baghel, 2005; Bhasin & Burcher, 2006; Shah & Ward, 2007; Kennedy & Widener, 2008; Naslund, 2008; Joosten, Bongers, & Janssen, 2009; Pettersen, 2009; Kennedy, Widener, & Fullerton, 2010; Hoss & ten Caten, 2013). The issue, however, is there appears to be very little literature that distinguishes LM systems from other organisations or management systems that share similar qualities, such as retailing. This issue was identified earlier in the literature review (see Chapter Two).

This background information of the CSO already indicates that it is a LM system, but access to this organisation provided an opportunity to ascertain as well as study and collect primary data regarding the fraud problem and counter fraud efforts at four of its stores. The pilot study revealed the following data which further identify the case study organisation as a LM retail system.

4.2.2 Identifying the case study organisation as a LM retail system

The case study organisation does not identify itself as a 'lean thinking organisation'. It also does not identify its practices as being informed by 'lean thinking'. However, findings from the pilot study and interview reveal that the organisation is fundamentally a lean thinking organisation, because of its values, practices and organisational focus. The organisation's focus and main priorities are customers and customer service. They are also renowned for and focused on ensuring quality products for their customers. The customer service and quality branding of the organisation has been its culture and strategy for securing sales and patronage. As such, the organisation operates a just-in-time system, which focuses on the accuracy and availability of stock for customers. According to the Regional loss prevention manager (RLPM):

“...Customer service is a really big KPI for the stores, and we’ve got a lot of heritage in having good customer service, and being known for good customer service... It’s a big focus, it’s a big part of the training for people when they first start in the company...they’ve got like rewards that they give out for good customer service, as well... And also the bonus that customer advisers get is linked to their customer service scores, as a store... And the customer advisers know that...”

The customer assistants (CA) interviewed in the main study also revealed the value of quality branding, as well as respect and services to customers, in the organisation. According to SM05 and CA14:

SM05:

“... It's always about customer service. "The organisation" is all about customer service...”

CA14:

“...over the years that "the organisation" has stood for good quality branding...”

The other LM values and practices identified are, humanity and respect for people, especially customers, teamwork and partnership, visual control, management by exception, and ‘town centre’ meetings as means of communication (see Appendix 5.1 and Chapter Two, page 29, and Hummels & De Leede, 2000; Womack & Jones, 2003; Liker, 2004; Bicheno & Holweg, 2009). These values and practices are presented in Table 4.5 below, and are discussed in detail in the subsequent report of findings on the counter fraud efforts in the organisation.

Table 4.5: Findings on practices and values that identify the CSO as a LM organisation.

Findings that identify the CSO as a LM organisations	Corroborating interview extract
Empowerment	<p>“They feel a lot more empowered to actually do something...” RLPM</p> <p>“...I have been on the customer service desk for some time, so I have a reasonable amount of experience. If I had any doubts, I would ask a colleague or my line manager...” CA01</p> <p>“...I tend to watch the manager quite a lot, because I learn, you see, from her...” CA02</p> <p>“...The customer assistants only call us if they can't resolve the problem. Because we do like to empower them to make their own decisions and we wouldn't tell them off, if they, if we think they have made a wrong decision...” MA15</p>
Awareness	<p>“...sharing your knowledge with that person on the desk. Share your knowledge and make them more aware. Give them more tools to think that actually it can be done. And it doesn't have to be hard... You use your discretion but it's knowledge over the years that kind of you build up...” SM04</p> <p>“...I am absolutely aware that our highest spenders, are also our highest refunders. So we need to be very careful that we don't compromise the customers that are genuine...” SM05</p> <p>“...It's making more people aware. So then, it helps us in the long run. It stops them, keep coming in to this store...” SM04</p> <p>“...It just makes them more aware of it. I think they feel a lot more empowered to actually do something with it...” RLPM</p>
Visual controls	<p>“...There is a sign over at the customer service desk...” SM04</p> <p>“...Not manning a particular service area. Like that, early in the morning and last thing at night, but directing the customer to the main till point...” SM05</p>
Altruistic values	<p>“...The incentive is just that they know they are doing the right thing...” RLPM</p>
Teamwork	<p>“...team work is really important, actually. We are a good team down here. We all have each other...” CA02</p> <p>“...Having a good guarding team. That are aware of people's that have offended and asking them to leave, is something that works...” CC08</p> <p>“...We've got a very good team at the customer service desk...” CC08</p> <p>“...we have got quite a small team that the beauty of having one area for refund and customer service is that it's a fairly small team. And that generates quite good team spirit, and comradeship...” COCA09</p>
Respect for people	<p>“...You know they are still a customer, and you've still got to treat them with respect. And they are still valued as a customer regardless of what, you may be seeing. So we still treat them politely... be firm, but fair...and be very careful with my words. Not to accuse them, or try and put them down in anyway...” CA02</p>

	<p>“...if a staff like rung me up and said "I have got a customer, she is. It's faulty, but I think she's unpicked it." We can't say that in front of the customer, because then we are accusing them of picking their garment...”MA13</p> <p>“...I look at the person, look at the problem with it. If I believe, put myself in the customer's shoes. Do I believe that's a genuine fault? You know? Has it ever happened to me? Is it likely to happen? ...”MA15</p>
Customer service	<p>“...Customer service is a really really big KPI for the stores, and I think we've got a lot of heritage in having good customer service, and being known for good customer service...” RLPM</p> <p>“...Customer advisers on the sales floor, so they would do service checks. They would just watch customer advisers and they would like do a check list of all the polite and be friendly, all of those kinds of things. You would see they've got like rewards that they give out for good customer service, as well. So it's very much a big thing, that they talk about. And also the bonus that customer advisers get is linked to their customer service scores, as a store. So it will have a direct impact on their bonus... They know that their bonus is linked to the customer service score for the store...” RLPM</p> <p>“...But as company, I work for the company and for good customer service, most of the time I would take it back without a receipt...” SM05</p> <p>“...Our main thing here, we are supposed to give, try to give good customer service...” CA07</p> <p>“...And at the end of the day our service policy is to promote good relationships with our customers... We would always want to make sure that the customer still value our brand...” MA10</p> <p>“...I have to bear in mind that I have to give the best customer service that I can, whilst maintaining the integrity and good name of "the organisation" ...CA01</p> <p>“...Ultimately, our aim is to give good customer service and, yeah. It's good for the company, it's good for the customers. And it's sort of better for our working environment. Really. And it works...” CA03</p> <p>“... Customer is 100 percent at my focus. Even if I feel like the customer isn't genuine, and what they are bringing back. With my organisation head on, and my training I would almost go above and beyond and be nice and polite to that customer. So, it's always service. Always... absolutely. Good customer service...” SM04</p>
Humanity	<p>“...To give my best customer service, whilst maintaining the integrity and good name of the organisation. In other words, being fair. To be fair. You've got to be honest and open. How you do the transaction it's got to be legal. But just trying to remember that you are dealing with another human being. So, "the organisation", is a caring organisation...” CA01</p> <p>“...I am so nice. I am so polite, and so nice...”SM04</p>

4.3 Findings on the fraud problem in the case study organisation

The fraud problem reported in the case study lean retail organisation is refund fraud. This refund fraud is perpetrated by employees (*type 1*), customers (*type 2*), or customers and employees in collusion (*type 3*). The refund fraud by employee is mostly of two kinds. The first kind is the case of employees colluding with friends and family to process and claim fraudulent refunds on goods (*type 1a*). The second kind of employee refund fraud reported is the case of employees abusing staff discounts (*type 1b*). Employee theft was also reported in the case study organisation, and according to a respondent, there are cases of money stolen from the till around every two weeks. Another respondent in the pilot study also revealed that four of the organisation's staff had been dismissed because they colluded to process and claim fraudulent refunds (the *type 3* refund fraud).

Both types of employee refund fraud can be perpetrated in three different ways:

- a. Refunding goods without scanning them
- b. Issuing duplicate credit vouchers: CAs are allowed to reprint credit vouchers, in cases where the initial voucher issued has been damaged. However, in this case of employee fraud, the CAs issues and spends a duplicate credit voucher, and the customer only realises when their credit voucher is refused.
- c. Issuing general refunds to self, or to a manager. This is realised by typing the Unique Product Code [UPC].

There was also an incident where a senior manager at one store had printed the online shopping basket of items, and got a refund from the CA by applying their managerial discretion and overriding the system.

Refund fraud by customers is typically of two kinds. The first comprises customers who claim manufacturing fault and cash refunds on items that have been deliberately damaged (*type 2a*),

while the second happens when customers who ‘acquire’ goods on discount, but return to claim a full-price refund without a receipt (type 2b). These are typically expensive goods that are acquired when they are being sold at a discount rate, such as a 20% price reduction, and returned when they are once again being sold at full price without discount.

The pilot study revealed that both cases of customer refund fraud are typically perpetrated without a receipt, which is the main evidence of payment. In the absence of a receipt, which represents the evidence of payment and period of purchase, the refunds are issued at the current selling price.

4.3.1 The most common type of refund fraud

In the main study, the employees interviewed reported that refund fraud by customers, type 2 fraudulent refund claims, is the most common fraud incident in the organisation. As CA14 remarks, this type of fraud is a “*daily occurrence*”. The interview participants at each store shared their experience with these incidents, and these are some of the descriptions provided of type 2a – *manufacturing fault claims* - and type 2b – *claiming full price refunds on items bought on discount* – customer refund fraud. According to the respondents:

Type 2a

COCA09:

“...Example would be where people deliberately damage goods and return them to us. Which would be a faulty good, which then entitles them to a cash refund. According to our policy and the law. So, that's the other area that is quite commonly used by fraudulent customers. They steal goods, they damage them deliberately and they cleverly damage them, so that there might be an element of doubt that it's, that it's been deliberately damaged. And then they bring it back to us for a refund. They

normally do that with quite high priced goods. I mean suits is an example. Ladies coat is an example. So quite high priced goods...

Type 2b

CA06:

"...Okay, so when something is reduced. So, it's reduced for a short period only. Offer. And then, the offer finishes. They buy it reduced, and then they don't bring their receipt back. And when they come back, they get full price for it, rather than they get the reduced price for it. And when we pull the history up, it doesn't give us when it was reduced or not reduced. It will just give us back the full price for that. So, they make the difference on the offer... They normally buy it reduced and then get it for full price or on a voucher... get the full price back on an offer. That's the most common one. Also... for example when you do an offer, as in you buy a suit and get a free shirt and tie. They will bring the shirt and tie, without the receipt, and then they will get the shirt and tie money. And we can't say to them, "we've just had an offer on those." we don't know who's bought it or who hasn't bought it. So, that's another thing that they do..."

CC08 also states:

"...fairly recently is where people make a purchase with a discount voucher, and they bring the item back without a receipt. Which means that they get the full value price back. Not the discounted price that they paid..."

However, the employees from store two specifically stated that the type 2a fraudulent manufacturing fault claims by customers is the most common fraud problem they experience. According to them, when customers 'ordinarily' return items to the store for refund, without their receipts, they receive a goodwill refund. This happens when or whether the staff think it

is a suspicious claim, or just another typical refund claim without receipt. However, “nine times out of ten”, as CA06 articulates, the customers who are fraudulent at this store would not simply return the items without receipts to claim refunds. They are typically known to damage the items and demand the statutory cash refund associated with manufacturing fault claims (which the CSO commonly refers to as RTM, meaning Return to manufacturer), instead of accepting goodwill refunds, which include credit vouchers and gift receipts. According to the staff respondents, the reason they, the staff, know this is that fraudulent or suspicious customers typically return to claim for manufacturing fault cash refunds if their previous ‘ordinary’ refund claims or requests without receipts are denied. For the respondents, all three of them at this store, this is a common event in the store, which also suggests that when the ‘ordinary’ refund claims of customers acting fraudulently are denied, such customers would deliberately damage the items, then return to claim for manufacturing fault on the goods. In the words of CA06:

“...If it is RTM, return to manufacturer, because it's a fault, they get cash. If it is goodwill, as in it's old, or we don't think it is a genuine fault, they get a credit voucher back. But 9 times out of 10 they want a cash back. Because they want it to be full....So, they damage the merchandise...So...it's just, give them back the money. And if we don't give them back the money, they will damage it, and then they will get the cash back. They know that if it is damaged then they will get the cash back, rather than just the credit voucher. So, sometimes they cut a seam, or pick a seam. But we can't say to them that's what they have done... and then we give them back cash. That's customer service. That's the refund policy on damaged goods...”

The respondents at store two also revealed that the customers who make fraudulent refund claims here are typically known to steal the items they return. As CC08 states:

“...the other fraud that we get a lot of is where items are taken from the sales floor directly to the customer service desk for a refund, and presented. If they haven't damaged the product, which is like a gift receipt, sort of thing. They will get cash because they have damaged the item. By picking the stitching. Breaking the zip. Or anything like that to generate a genuine reason for refunding or bringing the item back. So, yeah. That's the main one that happens...”

CCO8 also reveals that this regularity of manufacturing claims and theft at this store affects their approach to countering the refund fraud problem:

“...It's proven the refund is the difficult part. And there is no way of proving it unless you see the person. Or you know the person has stolen. So, for instance. You might get information to say that there has been a bulk theft. And then someone brings back one of those dresses from a bulk theft. But again, you know that the store's had the bulk theft, you know that they have lost those dresses, but is that the person who's stolen them? Or is it just another genuine customer who's lost their receipt?...”

This statement is corroborated by other respondents at store two, and is discussed in detail, subsequently, along with findings on the approach to counter fraud at the other stores. However, before then, the findings on the effects and severity of the refund fraud problem in the case study LRO are now reported.

4.3.2 The severity of the refund fraud problem in the case study lean retail organisation

Valued at around £700 million pounds per year, refunds account for twenty percent (20%) of transactions in the case study organisation and, approximately 20% of returns are without receipts, which is the proof of purchase and assurance that the returned item has been paid for. In terms of monetary loss, the CSO, according to the RLPM loses about £10 million pounds

“or much higher”, from refund fraud. Also, as CC08 revealed, customers could typically amass up to “four hundred pounds a day” from fraudulent refund claims in either cash or credit vouchers. The CSLRO also experiences stock loss, which can also result from incidents of refund fraud. According to RLPM:

“...when you do go and do the count to correct the stock file, we get stock loss, because once we have got the money for the item, cause it has gone through the till and been sold and we are assuming we’ve got the correct money, when you go to count that item, that doesn’t translate with the sale, therefore we will get a stock loss...”

However, the monetary and stock losses are not the only consequences of this refund fraud problem in the organisation. The employees in the refunds team, who manage the returns and refund process, also reveal that the fraud problem causes psychological stress and unfavourable working conditions. According to them, customers while seeking to exploit the refund process are typically aggressive, intimidating, and manipulative. They also report that the frequency of fraudulent refund claims from customers, coupled with the lack of the organisation’s leadership support in countering the fraud problem, make them feel unfit to perform their roles. According to CA14:

“...There are sometimes, you probably, with... handling a customer and you probably want to give a no, and the manager can come in and say you should give a yes. That's happened quite a lot. Quite a lot. Yes. Which I did asked to be moved, departments. Because there's... you are just fighting a losing battle. It's like well, "we say no, the manager says yes. So, what is the point of us being there? full stop" So, you know if you get overridden all the time, then, you know, we are obviously not deemed to be fit enough to be on there and run that department...”

These findings, on the aggressive and manipulative behaviour of some customers attempting fraud, as well as the reported lack of manager support, are discussed in detail later in this chapter.

The respondents in the CSLRO also reveal that the fraud problem has caused some reputational loss and damages to the organisation. As they state, the organisation is now known or perceived amongst its customers as an easy target to obtain refunds, fraudulently, and this reputation has also posed a challenge to their counter fraud efforts. The respondents make these statements with various examples of refund situations where customers have shown or communicated their view of the organisation. According to CA11, CA16, and CA17:

CA11:

“...I think we are easy.... Some people bring back products that are two years old. It's gone off the system, and... that product code they are bringing something back is something else. But they go, "Oh, you know 'the organisation' have always been renowned for taking things back." and I will say "No, it's two years old, we can't take that back." I mean, to be honest, unless I have really got to I don't involve the manager. Unless they really demand it, because, well...Two years old. And they still, they expect to come back and get their money back...”

CA16 adds

“...I will give you another example. Yesterday, a customer came in with an item. No receipt. And she said "Oh, well I just thought "the organisation" take back anything. Could do with anything." I said "no. I said our policy is under review, it won't be the case. No" So, to me that mental concept is out there with people... I think they see it as easy. The organisation. I think we are seen as an easy target...”

According to CA17:

“...No. I think that the problem is worse now... Because, now, the company doesn't want us to man fitting rooms, and that's where a lot of our losses go... If they just pick something up, they can take it up it to the desk, and they will get a refund. And it's a credit voucher. So, what does that say? It's quite easy for people to exploit the system...”

As these reports show, the fraud problem in the CSLRO can be costly and damaging to the organisation, its business and its employees. The organisation is aware of these losses, and has made certain efforts to manage and counter this refund fraud problem. However, before reporting the findings on these counter fraud efforts, as well as other findings on the refund fraud problem, the returns and refund process as described in the CSO is presented below. The purpose of this section is to provide a basic understanding of the area in the organisation where the fraud problem occurs.

4.3.3 The problem with the returns and refund process

The returns and refund process starts as the customer arrives the store and visits the refunds desk with the product, then the customer makes a refund claim and states the reason for returning the item. After that, the customer assistant or adviser asks the customer for the receipt for the returned item, the customer is supposed to present a receipt at this point, the member of staff refunds the value of the returned item in cash or a credit voucher, or exchanges the item for another of same value, then the customer exits the refund desk and store. Eventually, when the refund process is completed, the member of staff either replaces the returned items back into the display in the shop floor, or they are returned to the stock room, the warehouse distribution centre (RTW), or the manufacturer (RTM), in cases of faulty goods; this completes

the returns process. This process and a key problem with it, which is discussed subsequently, is illustrated in Figure 5.1, below:

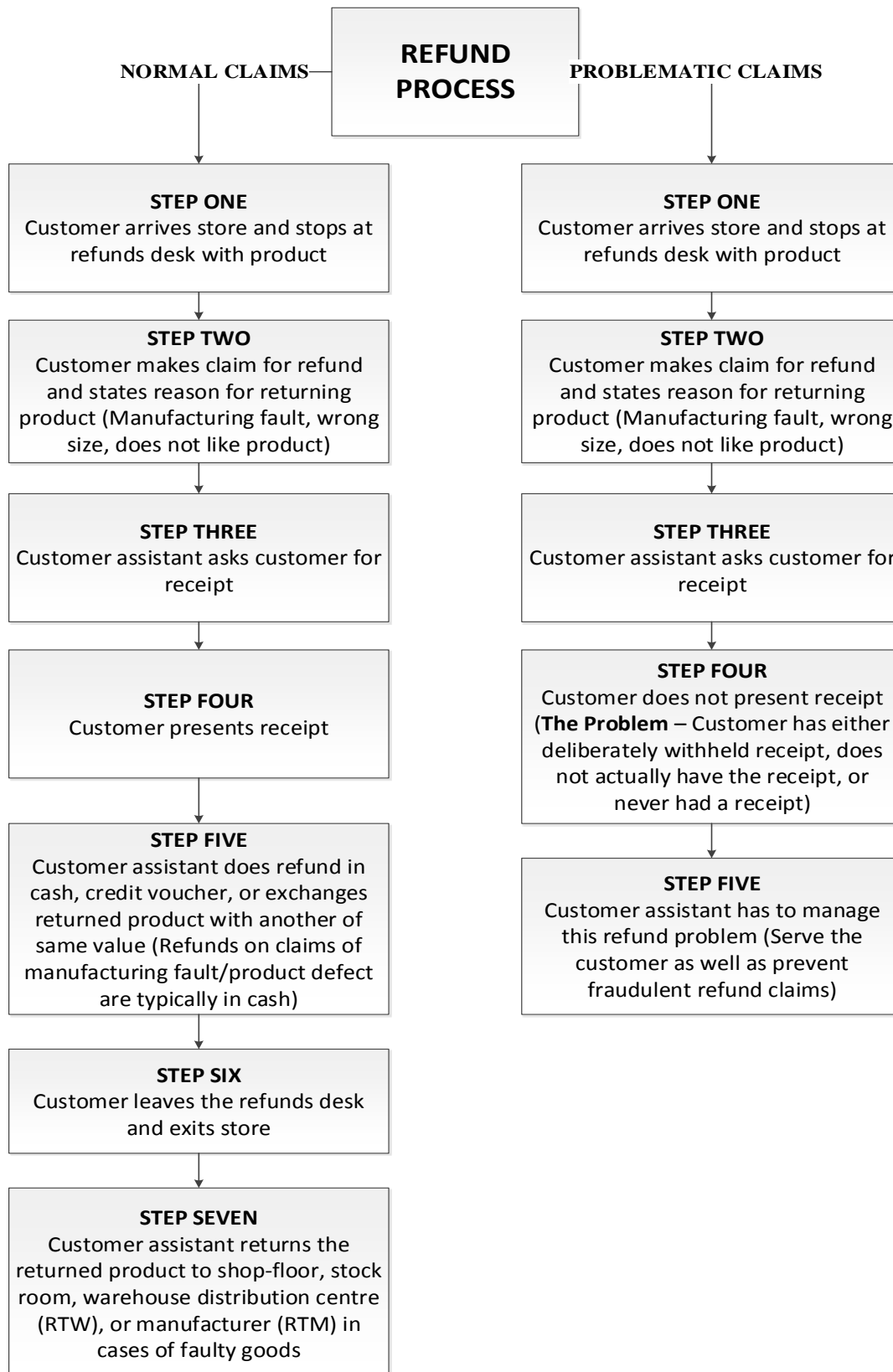


Figure 5.1 Diagrammatic representation of the refund process in the case study LM retail organisation

Figure 5.1 Diagrammatic representation of the refund process in the case study LM retail organisation

As findings from the case study reveal, this returns and refund process is relatively simple and easily managed. However, the problem – as revealed by a majority of the respondents – is that in more than a few cases, customers request refunds without their receipts, and this prompts or causes doubts and uncertainties regarding the authenticity and legitimacy of their refund claims. Some of these uncertainties include whether the item returned without receipt was indeed purchased and legitimately acquired, and whether any evident fault was indeed a defect from the manufacturer, or in fact a case of deliberate damage by the customer. Receipts are the main proof of purchase and assurance that the returned item has been paid for. Withholding the receipts in either type 2a or type 2b cases of customer refund fraud could be done to conceal the actual cost price of the item, or to force a cash refund in claims of manufacturing fault.

However, not every customer who makes a refund claim without their receipt is seeking to exploit the refund process. As the staff respondents reveal, there are cases where the customers may have, in error, genuinely misplaced or forgotten their receipts, but are dissatisfied with their product and want a refund. These cases are referred to as the ‘exceptional cases’. COCA09 and CA03 shared their experience with such cases, and as COCA09 stated in the end:

“...Customers do genuinely lose their receipts, you know...”

The lack of receipt causes a problem for the refunds team customer assistants, who are responsible for serving customers within the CSO’s highly customer-focused culture at the same time as countering (managing and preventing) incidents of fraudulent refund claims in the organisation.

Thus, considering the uncertainties present in refund situations, the question arises of how these staff identify the fraudulent refund claims. This is an important question, considering the case study does not only seek to investigate, take account of and report the fraud problem in this LRO, but seeks equally to investigate and report the findings on the approach to counter fraud

in the CSLRO, and the various activities involved. Also, since the pilot study identified the staff as the “best way” (RLPM) to prevent these events of fraud, then, information regarding how they identify fraudulent refund claims is equally relevant to findings regarding how they manage and prevent them. The next section reports the findings on the various activities that in which the CSLRO engages to counter the refund fraud problem.

4.4 Findings on the counter fraud efforts in the case study LM organisation

The case study LRO engages in a number of activities to counter the refund fraud problem. However, as the RLPM claims, the organisation’s “best way” of countering the type *one* and type *three* refund fraud by employees is through a Key Performance Indicator (KPI) report for losses in the returns and refunds process (R&RP), known as the Loss Prevention Indicators (LPI) report. Similarly, the RLPM and most of the members of staff interviewed reveal that the organisation’s “best way” of countering the more common type *two* refund fraud by customers is through the refunds team staff members. Although the refund fraud problem lingers in this organisation, these two methods are described by a majority of respondents as the “best ways” because they have been the most useful, as subsequent reports will show, in managing, preventing, and reducing the losses from refund fraud. However, before reporting in detail the findings on these “best ways”, other systems and practices that the RLPM claims are used in the counter fraud efforts of this CSLRO are presented in Table 4.6, below:

Table 4.6: Counter fraud activities reported in the CSLRO

Field note of counter fraud activities reported in the CSO	
1.	Stock taking by third parties twice a year, and more regular instore counts. Store counts of items are conducted twice a week, and only a 5% discrepancy is allowed. Anything more than the 5% and the staff are requested to look for the items (RLPM)
2.	A fraud investigator employed by a third party, security firm (RLPM)
3.	Manning the shop-floor, and the use of security guards to monitor and control store and customer activities
4.	The use of data mining systems to find and report exceptions
5.	The use of scanning guns to control inventory
6.	The use of CCTV. The loss prevention department send emails to stores requesting for CCTV footage in cases like bulk theft
7.	Members of staff use various internal social and communication media, such as noticeboards and Yammer, a software client, to discuss and create awareness about activities and events at the store which include the refund fraud problem
8.	The CSO publish security bulletins, distributed around every store picturing top offenders
9.	Most of the items have identification labels and unique product codes (UPC) that identify goods of the same style, size, and colour
10.	Tagging and the use of Electronic Article Surveillance (EAS)
11.	The CAs, according to the RLPM, utilise a loss prevention manager, or any other figure of authority, visible at the refunds desk during refund situations. The RLPM also travels around stores regularly to create awareness
12.	Team briefings, which also create awareness and build the culture of loss and refund fraud prevention
13.	Fraud prevention action. Customers caught shoplifting may be issued a trespass notice and asked to leave the store. This action, according to the RLPM and CC08, serves as a deterrent to offenders in some cases
14.	There are internal auditors employed in the organisation
15.	The refunds policy
16.	A refunds team of customer advisers
17.	The Loss Prevention Indicator

As the table 4.6 above shows, the CSLRO engages in various activities to manage and prevent the incidents and losses from refund fraud. However, none of these systems or practices have, according to the RLPM and a majority of the respondents, been better at reducing the incidents of and losses from refund fraud than the LPI and refunds teams. Therefore, the next sections discuss in the detail findings concerning the LPI and the refunds teams.

4.4.1 The Loss Prevention Indicator Report

The LPI is a visual key performance indicator for losses incurred in the retail forward and backward logistics and distribution process. The LPI report is based around the number of price corrections done, and the credit vouchers issued. The report also provides an estimate of the

loss (i.e. shrinkage, which according to the RLPM includes fraudulent refund claims from customers) for an item, daily, weekly, monthly and the overall impact over the year, in all of the organisation's stores. The LPI report is an improvement on the Store Weekly Exception Reports (SWER), which highlighted the cash refunds done, the staff that issued them, and the number of items processed using 'dump codes' – these are items sold without scanning the barcodes or labels. The LPI uses data mining systems to find and report these exceptions, and logs are made of how returns and refunds cases are dealt with. As the RLPM explained:

“...So, the LPI is the Loss Prevention Indicators Report. It uses data mining of mostly our till transactions to highlight where there have been exceptions. So, transactions that are slightly abnormal, which would indicate that something hasn't been processed correctly and so needs further investigation. So, something that has caused us a loss...”

About the units of measurement and content of the LPI, the RLPM explained that:

“...So on the LPI report, it gives a column that talks about... the size of the loss, the monetary value of the loss. If the member of staff had done it...it gives the person... because I think if you tell a person that they have done a transaction wrong on the till, they don't really understand that. Amplify that across all of our store, every week. That could be a lot of money. That could be a big loss for us, so... that's on the LPI report to try and help people to understand that, the impact of what they've done and therefore hopefully help them to make the right decision, the next time...”

“...It's part of the KPIs for the store's management team; the score that they get on the LPI report. So, I would be surprised if there is a store out there that doesn't look at it, because it's part of their KPI measure...”

Regarding the communication of the LPI across staff in the organisation, the RLPM stated that the report is uploaded on the organisation's intranet, and communicated by managers in team briefings. the RLPM notes that the notice boards and visual colour coding of the LPI measures are key to understanding the report:

“...There are various notice boards around the store...There isn't an official notice board for the LPI so it varies from store to store... They are a key to understanding the measures ...”

“...you would see we have colour coded it so it has red and green... So, you would want to be green, basically...if it is going well. You score well, then you are green... So they don't necessarily need to worry... But for these two metrics, they were red, they would need to worry about those...”

According to the RLPM, the primary users of the LPI report are the management team, section managers and managers. They are expected to know it, and consider the report in their work, including the handling of refund situations. The RLPM revealed that the customer assistants, on the other hand, are not expected to understand the LPI report, especially not in the same manner as the managers do; the RLPM only “hopes” that they consider it when handling refund situations with customer. This was an interesting finding, because (as noted above) the respondent had earlier stated that the LPI is part of the KPI measure for stores, which suggested that it would be an important consideration for *every* user in their handling of refund fraud situations across the organisation. However, as the RLPM later reveals, the LPI is a part of the KPI, but not a significant part. Therefore CAs are discouraged from considering the LPI scores or loss prevention as the main motivation when handling refund situations. The RLPM added that even though there is an individual LPI for the customer advisers, the staff are not appraised by it. Consequently, any shortcomings recorded in individual performances towards loss

prevention would only be communicated as a general feedback to the respective staff. The following are extracts from the RLPM's statement:

Regarding the use of the LPI in the organisation:

“... It would highlight areas where there is risk. Where it looks like something hasn't happened correctly. The management team gets it once a week, they can see which transactions have caused a problem... Then they can investigate those transactions, and they can coach the staff if it is just a training issue, who didn't realise that what they were doing is incorrect... Or it might be malicious activity that maybe a member of staff has purposely done something. So they would have to investigate that...”

The desired outcome is that there is as few exceptions as possible. Though there would be sometimes where you have to process things differently on the till because there is an abnormal situation that you just have to deal with... The aim is to get the best score that you possibly can... which will in turn reduce our loss...”

Regarding the users of the LPI, and the expected level of understanding and compliance demanded of these users, the RLPM stated:

The users:

“... The section management team, definitely...But to a customer adviser that doesn't mean very much. I don't think they are really bothered about the LPI score. I doubt they would be really would understand it to the same degree that a manager would...”

The LPI by adviser and its appraisal:

“.... So we’ve got a report now that shows by adviser how many dump codes¹ they have done... So you can see that, which could be useful. So when the customer adviser has, like, annual appraisal, the section manager, or their line manager that does that appraisal with them could access that information ... but only as general feedback...”

The dump codes mentioned above are transactions processed without scanning or recording a product’s original or actual identification. As the RLPM explains:

“...if you are buying a food item and you can’t find a bar code on it and you can’t find the number to type it in or you can’t read the number to type it in, you just put it under a dump code, basically on the till, just to get it through... So, obviously, we’ve got the money for it, as a company. We assume we’ve got the correct money but we don’t know. Cause we don’t know what it was meant to be. So we are not really sure... but the bigger problem really with it is that... the stock file is inaccurate. So, it might be a loaf of bread, for instance, this stock file won’t be correct because the system doesn’t know that we sold that loaf of bread because it has been put under a dump code. Rather than taken off from the correct bar code. So, when that happens, you won’t get replenishment for it in store or the correct level of replenishment in store, because the system doesn’t think that you have sold it. The system thinks that you’ve still got it...”

Since the staff are not appraised by the LPI, or by the amount of ‘exceptional transactions’ they process – dump code transactions that as the RLPM explained in the statement above cause shrinkage and stock inaccuracy – three questions seem significant at this point a) what

¹ Definition of dump codes: *“if you are buying a food item and you can’t find a bar code on it and you can’t find the number to type it in or you can’t read the number to type it in, you just put it under a dump code, basically on the till, just to get it through.”* RLPM

then is the value of the LPI?, b) why should the CSLRO's stores and refunds staff use the LPI or pay attention to its scores? And c) how does the CSLRO monitor and ensure compliance with the LPI amongst the staff and stores. In response, the RLPM revealed that the required motivation for the use of the LPI is, and should be, customer service and stock accuracy. According to the RLPM:

"...The score shouldn't be the driver, necessarily. It's...serving the customer in the right way and making sure that we stay as stock accurate, as possible. And we don't lose monies... those are the key drivers, not the LPI score..."

The RLPM also explained that monitoring and compliance with the LPI is achieved and ensured through naming and shaming, sanctions and apprehensions of dismissal, and altruistic values. According to the RLPM:

Name and shame:

"...as a store...you just try and drive the number down. So that's kind of the biggest incentive... you wanna have the best KPIs. You gonna get named and shamed on that conference call, each week. If you've not done a good job... and you don't wanna be embarrassed in front of all of your peers... That's the biggest driver..."

Sanctions and the apprehension of dismissal:

"...Some will use it when it comes to completing people's appraisals... Otherwise...it will just purely be a case of the section manager would know if they have had lots of conversations with the customer adviser and they keep happening to have the conversations every week. It will get to the point where they would all formally follow it up. So, these follow up conversation are documented... But if they continue to do it then... They will be issued performance improvement notice,

and if they fail to improve again, then it could result in a written sanction... If that keeps going on, ultimately it leads to the dismissal. And... if you are on a written sanction then you don't get bonus, you don't get pay rise. So you lose those kinds of perks..."

Altruistic values:

"...The incentive is just that they know they are doing the right thing...They can see that we are very generous in what we give out as a company... So, they want to feel like they are doing everything they can to protect the company profit..."

Since stock loss and inaccuracy has already been associated with the refund fraud problem in this CSLRO, the findings above suggest that the basic requirement and motivation for stores and refunds team staff in their efforts to counter the refund fraud problem is also customer service and stock accuracy. This suggestion is corroborated by the refunds team staff who also revealed in their interviews that customer service is the more important consideration when managing or processing problematic refund claims. According to them, customer service is more important than the LPI or stock accuracy, and when dealing with problematic refund claims, the CAs are not encouraged to think about preventing the potential loss from fraudulent fraud claims. These findings also suggest that loss prevention, or more specifically, countering the organisation's refund fraud problem and the losses it accrues, is not the primary objective of the stores and refunds team staff when dealing with problematic and potentially fraudulent refund claims. However, since the LPI was reported earlier as the CSLRO's "best" way of reducing the incidents and losses from refund fraud, the question at this point is how it has been able to accomplish this purpose. The RLPM claimed that the use of the LPI report has been effective in creating awareness amongst staff about the refund fraud problem in the CSLRO, and empowered CAs to handle refund situations better than they did before its introduction. The use of the LPI report, as the RLPM claims, has also led to improved authorisation and

controls of exceptional transactions and better communication about the problem, all of which has led to a reduction in stock loss. According to the RLPM:

Awareness:

“...It’s helped from the point of view that we are now talking about these things in store, a lot more. So, before the LPI report...and before it was made a KPI, I don’t think these things were discussed in huge amounts...”

Empowerment:

“...It just makes them more aware... They feel a lot more empowered to actually do something. But, before the LPI, because the focus was all about customer service, they didn’t really feel like they were able to challenge customers...”

The awareness that the LPI creates has also reportedly led to the organisation creating different levels of authorisation, as the RLPM explained:

“... I have certainly heard of things such as different authorisation levels on the till being changed... I have heard a lot about people... because of the LPI have gone back and reviewed their ‘who’s got what’ authorisation level on the till, to make sure that’s kept to a minimum... So, I know that’s changed...”

The awareness which the LPI creates has also reportedly led to an improvement in the control of exceptional transactions and the use of dump codes. As the RLPM revealed:

“... A lot’s changed in terms of using the dump codes. So the bucket codes in the departmental sales. So, prior to it being on the LPI, people quite freely would just use those dump codes and not worry about it. Because they would be...were thinking, “The business is getting the money, because the customers pay us for the items, so it’s not really a loss”. They didn’t understand that it still generated us a loss, and things. So, that’s definitely changed...”

Lastly, the RLPM argued that using the LPI in the CSLRO has led to a significant reduction in stock loss, which includes losses from refund fraud, and is typically difficult to compute.

According to RLPM:

“...The reduction on loss has been very good. So, with bucket codes... that is an example... where we have made a really big difference. Because, beforehand...bucket codes we were doing 35 thousand, a week. And, it came down to 10, to 3 thousand. And departmental sales, which is the equivalent of dump codes for general merchandise; so clothes and things, we were doing 10 thousand a week but it came down to 2 thousand and five (2500). So... that would... I don't know what the actual value of that would be. But that's the significant reduction, which would be driven by the LPI report...”

The findings above appear to indicate that the LPI has been relatively successful in reducing stock loss, which is often a result of the refund fraud problem, in the CSLRO, , and in reducing the opportunity for employees to exploit the refund process. However, the refund fraud problem still lingers in the CSLRO, and as the above reports show, the LPI has not been completely useful (i.e. without waste or loss) or successful in countering the more common problem of fraudulent refund claims from customers. This is because the awareness which LPI report creates has only, according to the RLPM, led to controlling the number of staff that can process receipt-less transactions, and empowering the refunds team staff to refuse suspicious or fraudulent refund claims. Based on these case study findings, the limitations of the LPI are discussed below:

4.4.1.1 Limitations with the Loss Prevention Indicator

Based on the findings reported above there are two main limitations which have been identified with the CSLRO's use of the LPI report in countering the refund problem in the organisation.

The first limitation is that the information from the LPI about loss in the organisation – which is mostly caused by refund fraud – is mainly used and considered by the management team and the loss prevention department. The refunds teams of CAs, who handle the refund situations regularly, are reportedly not obliged to consider, use, or strictly pursue the loss prevention objective in these situations. Furthermore, the only incentives to use the LPI in this CSLRO, and to actively pursue the prevention of losses from the refund problem, are the fear of being of being named and shamed in front of peers, the apprehension of sanctions and dismissal, and the altruistic feeling of doing the right thing. The CSLRO also values and rewards customer service, and the refunds team staff who are also customer service assistants are advised to focus and prioritise customer service, rather than the LPI and loss prevention, when managing problematic and potentially fraudulent refund situations.

The other limitation with the LPI is that it is more internally focused in its control. This observation is based on the findings that show that it controls the actions of staff, and prevents them from processing the known exceptional items and transactions that generate losses for the organisation. Consequently, the LPI is mostly useful in preventing staff from processing fraudulent refunds for themselves or, to an extent, for customers with whom they may have colluded. However, the more common case of refund fraud reported in the CSLRO are fraudulent refund claims from customers. The accruing losses from such events arise also from customers alone exploiting the refund system, without necessarily including staff. Although the use of the LPI report controls what the refunds staff do, it does not control the actions of the customers.

So much for the limitations of the LPI. The RLPM and most of the staff interviewed believed that the organisation's "best way" of countering the more common type *two* refund fraud by customers is through the refunds team staff who also work as customer service assistants. The next section now reports and discusses these findings.

4.4.2 The refunds team of customer advisers

It has already been disclosed here that the most common refund fraud incident recorded in the CSLRO comprises fraudulent refund claims by customers, which is an act mainly perpetrated without receipts. It has also been disclosed here that the refunds team staff of the CSLRO are strongly advised and trained to prioritise customer service in problematic refund situations where customers make claims without their receipts, even though they are reportedly the organisation's "best way" of managing and preventing the fraudulent refund claims from customers. This simply means that the staff should seek to serve the customer and meet or satisfy their demands, first, before thinking about or seeking to prevent the fraud problem in these situations – even though preventing fraudulent refund claims is part of their job responsibility, and they are currently the organisation's "best" means of countering this type of the refund fraud problem. Furthermore, the CSLRO operates a 'goodwill' refund policy, which leaves the management of fraudulent or suspicious refund claims to the discretion of the staff, or store. As the employees interviewed state:

SM05:

"...our policy is a goodwill refund policy... we can't say just because you haven't got a receipt, I won't give you a refund. So, it is a goodwill refund policy. And we would take anything back providing it is re-sellable... it is a goodwill refund policy, and it's at my discretion as to whether I give you a credit receipt."

CA14 also states:

"...You know each individual store will make that decision as to whether or not we will give that customer a refund. Whether it be by credit voucher or by cash... so I do tell them, actually, if you have no receipt or proof of purchase, you are under the discretion of the store..."

A subsequent review of the CSLRO's refunds policy also corroborates these statements. The following is a verbatim extract of the refund policy document (RPD), edited only for sensitive information and details about the organisation:

Note one – Refund policy document

Refund Policy Document [RPD] Extract

[Note one]

“The different elements that make up our Refund Policy are: Customer refunds. Our standard 35 days refund policy which encompasses Goodwill...CIK refund policy is a Goodwill refund policy. The CIK refund policy is over and above the statutory rights of the consumer and it therefore constitutes a Goodwill Refund Policy legally...Where a customer remains adamant that the merchandise has a manufacturing fault, despite your conclusion that there is no manufacturing fault, you may decide to offer a goodwill refund...The goodwill policy is designed to be used in order to resolve the customer issue at first point of contact, and prevent the issue escalating to the Retail Customer Services.”

A majority of the refunds team staff also revealed that they typically refer to this document when they are in doubt. But mostly, in these refund situations, they act alone or consult team members, and do not work according to a “*script*” (CA01; CA02; CA03; COCA09; RLPM). Consequently, two important questions at this stage of the enquiry arise: how do the refunds team staff manage these problematic refund situations? and how do they prevent fraudulent refund claims from customers? The first action they take is trying to separate the fraudulent refund claims without receipt from the genuine ones. This is achieved by looking for various signs and recognising the various methods that customer use to exploit the refund process, and this includes withholding their receipts.

4.4.3 Identifying fraudulent refund claims – the signs

According to a majority of the refunds team staff interviewed at each of the CSLRO's stores, it takes more than just observing that a customer regularly returns items without receipts to consider or state that their refund claim is suspicious or fraudulent. Although such observation of regularity is one of the signs considered, the staff respondents revealed several others. They include the customer's mannerisms, like talkativeness and aggression, cash refund requests, refund requests during sensitive hours, refund requests without receipts, refund requests on high-valued items, and refund requests without any information - stories that legitimise ownership or purchase - corroborating their claims -. These customer behaviours and actions, amongst several others which are presented in Table 4.7, below, were all identified as visible signs indicative of suspicious or fraudulent refund claims. According to the refunds team staff interviewed, whenever they are managing problematic and potentially fraudulent refund situations, the first action they take is to look for and identify these signs. The thematic analysis and store-by-store findings of these signs are also attached in Appendix 5.1

Table 4.7: Signs of fraudulent refund claims from customers

The signs	Corroborating data extract
Customers' Mannerisms	“...Body language is a really big one... And then the other thing I look at is, are they very talkative? Those are the initial signs...” SM05
	“...they just look very nervous and very hesitant, and they are quite fidgety, and they talk loads...” CA02
	“...when they are trying to be fraudulent, they will often be on the telephone. And, they won't give you eye contact...” SM05
	“...They don't give me eye contact...” CA02
	“...The mannerism of the customer when they first come in. You find that the customers that don't have the receipts, that the item is stolen, they tend to be very chatty...” CA14
	“...When they are not genuine, they get extremely agitated, and they starting getting cross, and angry, and start arguing and shouting. What they are trying to do is intimidate you, so that you would then change your mind. Because there would be other people listening...” SM05
	“...just their general demeanour really. They sort of wander up and down the store...” CA14
	“...Body language is a big tale-tell sort of it. Also, the fact that when they are on the phone...They behave like a shoplifter. A bit fidgety...” CC08
Customers' Actions	“...And ...it's always very expensive items that they bring back. And they always damage them...” SM05
	“...In some cases we can see their phone. And they will send a text a message to say that "look, they are just going round. They are checking up on me. I am nervous." to whoever they are working with...” CC08
	“...where people have bought items back that have clearly been worn or they claim they are faulty. When you can see they have been holed, like the seam has been pulled or even cut. And it usually quite expensive items. Instances where they have got whole load of clothes and it's all different sizes.... They have sown label, different labels on. So you have got to check, both labels inside and out.” CA11
	“...There are some customers that insist on being given cash. As a refund. Sometimes that triggers an alert...” CA12
	“...Cause most people if you buy something expensive, you keep the receipt. Don't you? It's kind of like normal to do that? Isn't it really? So, when they said they have only bought it recently and they haven't got a receipt, alarm bell starts ringing...” CA02
	“...Expensive items are the things that people wanna bring back mainly without a receipt, or anything from fifty pound upwards where they can get a decent credit vouchers...” CA16
	“...It's judging character as well... It's like if somebody comes and they have a certain way about them, and they are giving you something back they want to return. And it smells of washing powder. and they say "oh, I haven't worn this." You know instinctively...” CA03
	“...Their behaviour can alert you from the start...” CA03
Customers' Appearance	“...One thing I always do, I look at people's hands... A genuine "the organisation" customer will not have really bad skin... I am talking about their hands. So they are cracked. They have dirty finger nails and things like that. If they are bringing back a hundred pound dress. You know, their appearance doesn't fit to what they are bringing back...” CC08
	“...Just have a quick look at what are they wearing? Are they likely to be in possession of this particular item? With that... are they likely to have paid for an item with this price? Well... often, shoes. So, I would just check the shoe. Because if their shoes are scruffy or whatever, are they likely to have purchased a jacket at £159 pound? It's unlikely. It could happen... but it's unlikely...” SM05

The findings on the ways that the refunds team identify fraudulent refund claims also provide insight into the methods customers use to exploit the refund process. The findings on these methods are reported next.

4.4.4 Common methods used in exploiting the refund process

Along with the withholding or lack of receipts and any other evidence of payment, the employees at each store also revealed various techniques that customers use to exploit the refund process. They include: false claims, intimidation, manipulation, distraction, stealing, and damaging the items. However, the finding that is most relevant to this study is the way customers use their knowledge of the organisation, and its values and customer service policy, to exploit the refund process. This finding is presented in Table 4.8 below, while the tables in Appendix 5.1 group and show the store by store findings on the various methods that customers use to exploit the refund systems.

Table 4.8: Use of customers’ knowledge to exploit the refund process

Customer knowledge	Corroborating interview extract
Using the knowledge of the organisation and its refund policy	“...People who do it a lot, tend to know either the busy times, when we are, you know, rush through the refunds. They also know there is inexperienced staff. Sort of wait, until they are on, to do things like that...”CA18
	“...our customers, some of them are very cunning, and they have educated themselves, and they know how to get a refund. You know? They know how to work the system. There are so clever people out there...”CA02
	“...They know the refund laws. They know that if it is damaged, that it is faulty merchandise, not fit for the purpose, they get their cash back...You know. It's their job to work out the offers and to get it back full price in a voucher...Yeah, they know how to work the system...”CA06
	“The ones that know their rights, in the sense that they point to the wall at the back of the customer service desk and say that "it says there that I can get a refund". If they are very quick at doing that, it is very difficult for a manager to actually say "we are not prepared to give you a refund...”CC08

	<p><i>“...There are also genuine customers that exploit the system, because sometimes they feel entitled...They feel because they are, “we are shareholders” well, so we are entitled to just get...” Oh yeah! They say it all the time, especially loyalty holders. Yeah. “We are shareholders.” so, “we keep you in jobs...”CA11</i></p>
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The customers’ knowledge of the organisation and its refund process also poses a major challenge to the counter fraud efforts; this is discussed in later sections of this chapter. The next section reports the findings about other activities in which the refunds team staff engage to manage problematic or suspicious and fraudulent refund situations.

4.4.5 Managing refund situations and fraudulent refund claims

The employees interviewed in the CSLRO revealed that there is no singular or straightforward method or control practice that fits and handles every refund situation adequately. According to the respondents, control methods and practices differ, and depend on the case. Thus, context is important in managing refund situations and preventing fraudulent refunds.

According to CA01:

“...It very much depends on the situation and who you are dealing with... think out the box. Be sympathetic, but be thorough... Most people are honest, but you have to be aware that some people aren’t...”

As SM05 includes:

“...it's never, it's not always black and white. It's sometimes, there is a bit of a grey area...”

In managing these refund situations, it is also important to consider the customers who may have genuinely lost their receipts. According to the respondents, there is no “*hard and fast rule*”, and the fraudulent refund customers could be anybody, regardless of the signs or suspicions. Thus it is equally important that they manage every case differently, as no one case is the exactly the same. As CC08 articulates:

“...You know, you get to know your genuine customers. But then you also get the middle aged ladies, who would fit into "the organisation" very well, who we have caught doing refund fraud. You know. So... it's not a hard and fast rule...”

An analysis of the interview data reveals several other ways and activities that the CSLRO's refunds team staff use to manage and prevent fraudulent refund claims from customers. These activities begin with the setup of the refunds desk and team. According to a majority of the respondents, having a specific area and team of staff responsible for refunds has been a useful means of controlling fraudulent or suspicious refund claims and customers. The visual layout and strategic positioning of the refunds desk (i.e. having a specific, or marked and controlled area on shop-floor for refunds) allow the same group of staff in the refunds team to manage refund claims and customers, every day. The team's activities include: strategic placement and movement of people, shop items, and noticeboards on the shop floor; inspecting returned items and refund tills; transferring experienced staff to susceptible stores; communication between staff across the various stores; applying technical knowledge of the refund process; monitoring the movements of suspicious customers; keeping records of regular offenders, interviewing suspicious customers; working with the teammates, the local community and police to manage refund situations and incidents of fraudulent refund claims.

These activities are presented in Table 4.9 below, along with data extracts that corroborate them.

Table 4.9: Activities which the refunds team staff use to manage and prevent fraudulent refund claims from customers

Refunds team actions taken to manage fraudulent refund claims from customers	Corroborating data extract
The refunds desk and team	<p>“...The customer service desk, and that is the only area for refunds, you do start to potentially see the same faces. And those same faces don't have receipts. So, that is the benefit for having one area for refund. With a small team...” COCA09</p> <p>“...Something in place that does deter some refunders, is our staff and the customer service desk...” CC08</p>
Visual controls (strategic placement and movement of people, items, and symbols)	<p>“...She just gradually moved him away from the main point where he could have got a refund. So, in a way, she's sort of subconsciously saying to him, "You're not going to get a refund. I am going to move you away from it now. 'Cause, this is the refund place, we are going to go over here...." CA02</p> <p>“...Not manning a particular service area. Like that, early in the morning and last thing at night, but directing the customer to the main till point...” SM05</p> <p>“...we mark them to say refunded...” CC08</p>
Monitoring and surveillance	<p>“...Keeping record of people... we keep those up to date. And if we see them in the store then record that they have been in the store and roughly what they have done. Just a sentence, or a date and a time that they have been in the store... You can watch people, you can pull photographs off. And then you can link. We have data protected guidelines for retaining photographs. So, if we look for a photographic book. See the person. And obviously we can record that incident...” CC08</p> <p>“...If I think they are a bit dodgy, but I have never seen them before, I would say, I would do it on this occasion, but I would always be looking for them again, because if they have done it once, they will do it again...” MA15</p> <p>“...I have alerted management and security about this person. So they would look out for her...” CA17</p> <p>“...we have CCTV in the store...” SM04</p>
Inspections	<p>“...You sometimes get people bringing things back. And it's very borderline, as to whether it's wear and tear. Or whether it's been done. You know. Seam has been opened up. Sometimes, it's very cleverly done, and you just get a manager to sort of say "Look. Are we taking this back or not?"...” CA02</p> <p>“...You are able to look up on the system... You know we would look at it. And you are able to look up the price inquiry, and it shows you the history of the garment. So, you can see that it is current stock, and, I mean, it had all the labels on it...” CA03</p> <p>“...There are also members of the management team that look at the transactions that we have done...” CA12</p>

Issuing credit card vouchers and gift cards	<i>"...If it goes back on a gift card, that's great for "the organisation", because the money still stays in "the organisation", I can put it on to a gift card, or a credit voucher..."CA02</i>
Interviewing the customer	<i>"...Try to get information out of them. I tend to direct the conversation. So, I will ask, "Have you got a receipt?"...also, I would say "How much did it cost you? That jacket, when you bought it, do you know how much it cost you?" and they just tend to give out any information..." CA02</i>
	<i>"...I always ask, when did you buy it..." SM05</i>
	<i>"...I will try and get some information from them, like their name and address, and if they not genuine they don't wanna leave their information..."MA15</i>
Applying knowledge from experience	<i>"...often when you tell the customers that it's going to be returned to the manufacturer, the fraudulent ones just back down. Yeah, some will. Because they will have to give you a name and their home address, to be contacted regards to that item..."CA16</i>
	<i>"... if you tell them the item has gone on down on sale, they will take the item back. Because they don't want to lose money..."CA14</i>
	<i>"...There are certain procedures that you have to do, if you are sending back. If you don't feel that you want to make that decision, you sort of say well...it looks like wear and tear, but I would like the company to look into this, because if they are making a lot of these, they need to be aware that this is a manufacturing fault, and then there is quite a lot of paper work to fill out. And they have to make the claim, rather than you. You send it off, but you don't refund anything physically, there and then. They have to fill in the whole form. So, it's just experience and learning..."CA03</i>
Transferring experienced staff	<i>"...I have come from store two, and I have got the mind set of those people. And I think sometimes, in the smaller out of town stores, they are easy pickings. Because the girls aren't so clued-up...I worked in store two for 18 years. Store two was a big store. A lot of my knowledge that I built up over, probably 18 years, I then brought to store one..."SM04</i>
Teamwork	<i>"...We work all quite closely together...you usually rely on each other. A bit like a police force, I suppose..." CA03</i>
	<i>"...To have an authoritative figure present is usually positive. Generally, having a manager present makes a more positive outcome... If I had any doubts, I would ask a colleague or my line manager..."CA01</i>
	<i>"...It helps when there is a manager or when there is two of you...if it is two of you standing there, and there is one of them, I think that changes the outcome...Team work is really important. We are a good team down here. We all have each other..."CA02</i>
	<i>"We've got a very good team at the customer service desk... So, they phone down. They would tell us about what the person is bringing back. If it is damaged or not damaged. So, we would then say whether we recognise them</i>

	<i>or not recognise them. If we look for a photographic book. See the person. And obviously we can record that incident. Or if there has been other incidents, then make management aware. If the person is known to us. We obviously get a guard out there and ask them to leave the store. Other than that, we call the duty manager to make a decision whether or not it is a manufacturing fault, or it's been deliberately picked. So that's what our normal process is..."CC08</i>
Communication	<i>"... We communicate really well, between the group of us, and the managers..."CA02</i>
	<i>"...We have database that is governed by our head office and a "third party". That information then comes out as a bulletin. So, it's an alert, saying that this person has been going around. We have a town centre meeting, as well. Once a month. So again, information on shoplifters are shared like that. And that also has a database that we can access from store, which again shows you shoplifting faces as well fraud incidents, and obviously communication by phone with other stores..."CC08</i>
Community and collective effort	<i>"...It's about putting the network in place...you can watch people, you can pull photographs off. And then you can also link up with town centre management, security guards, and then you can also link up with police as well..."SM04</i>
Refund stop	<i>"...We have this system called refund stop. So people that we know, repeat offenders. People that have come out on a bulletin. We can refuse those, because we have the evidence to prove it, that what they have done previously in "the organisation" is either dishonest or fraudulent..."CC08</i>

4.4.5.1 Customer service

As reported earlier, customer service (CS) is the CSLRO's main priority and focus in managing problematic refund situations, which include fraudulent refund claims from customers. CS includes acting politely and treating customers with respect and empathy. According to the respondents, regardless of suspicions or appearances, nothing is really certain in these 'without receipt' refund situations. Thus, they cannot accuse the customers, even if they believe the refund claim is not genuine. Also, regardless of suspicions and appearance, customers and claimants alike are human beings first. Thus, these situations are sensitive. Hence, to manage and prevent fraudulent refund claims, the staff, according to CA01 have to...:

"...bear in mind that I have to give the best customer service that I can, whilst maintaining the integrity and good name of "the organisation". In other words, "being fair". To be fair... Just trying to remember that you are dealing with another human being. So, "the organisation", is a caring organisation. So, you just take that into account..."

For SM05:

"... It's always about customer service. "The organisation" is all about customer service..."

Moreover, as SM04 concludes:

"...Oh, always. Customer service... Customer is 100 percent at my focus. Even if I feel like the customer isn't genuine, and what they are bringing back. With my "the organisation" head on, and my training, I would almost go above and beyond and be nice and polite to that customer. So, it's always service. Absolutely. Good customer service."

Also, illustrating the sensitive nature of refund situations and the need for customer service, CA02 narrated an incident where a lady who was looking very sickly and confused had accused the refunds team of treating her unlike a "normal customer" because of her condition. However,

the refunds team assured her that she is a “*valued customer*”, and reminded her that the refund was denied because she returned the item without a receipt. Upset, the lady left the store, leaving her shopping bag on the till. Later in the day, she returned to collect the bag, and that was when the refunds team realised she had a drug problem. As CA02 said “...*The other lady. Who, bless her heart, I think was on drugs, actually...One of the other girls brought the bag over to me, and it had loads of, like syringes in it. And obviously she didn't want to pick it up. So, we just, you know, put it in another plastic bag...Cause, you know they are still a customer, and you've still got to treat them with respect. And they are still valued as a customer. You know, regardless of what, you may be seeing. So we still treat them politely... be firm, but fair...and be very careful with my words. Not to accuse them, or try and put them down in anyway...*”.

However, for SM04, a manager with 29 years' experience as at the date of the interview, treating customers with care and respect can be used as a control technique to keep them under surveillance. The respondent said:

“...If you know that they are kind of up to something, you go over and above to give them help and support. "Is there anything else you need? Because the more times you are going in and out of the fitting room, they feel totally uncomfortable. So, sometimes it's not about catching them, it's almost diffusing the situation...”

Nevertheless, the respondent maintained that:

“...I am always polite. I am never rude to those people...”

In addition, MA10 explained that in managing these refund situations, the CAs are aware that the organisation could possibly sell items of poor quality. They are also “*mindful of the other customers witnessing the transaction at the same time*”. Moreover, with the advent of social media, if they deliver bad service, it could lead to a broadcast that could damage the reputation

of the brand. Thus it is important to promote the good customer relations, and ensure that customers continue to value the brand. However, unlike the other stores surveyed, the CAs at store three reveal that they, as individuals, perhaps do not value CS as much as the organisation does. According to them, the CAs, they do it simply because it is what they are trained and told to do, and regardless of whether they think or can tell that the customer is attempting something fraudulent. CA06, a refunds team member of staff at store three, perceived the requirement for service and respect for customers as ‘acting timid’:

“...We are told to give them back the cash and act timid, and that's what we do...”

Despite the various activities in which the CSLRO through its refunds teams – engages to manage and prevent fraudulent refund claims from customers, the refund fraud problem still lingers throughout its system. As findings from the case study reveal, this refund fraud problem lingers for a number of reasons, a majority of which involve, and are categorised here – based on the LM and counter fraud literature reviewed – as, the organisation’s focus on customer service, as well as their ‘failing to do things right’, and ‘failing to do the right things’ consistently. However, before discussing these reasons in detail, further challenges which the refunds team reportedly experience in managing and preventing the fraudulent refund claims from customers are discussed now.

4.5 Findings on the challenges with counter fraud in the CSLRO

The employees interviewed across the four stores of the CSLRO (especially the refunds team members) revealed that they experience various challenges in their efforts to manage and prevent fraudulent refund claims from customers. These challenges include uncertainties regarding the authenticity of refund claims, the perceived lack of organisational and leadership support for counter fraud activities and the organisation’s focus on customers, as well as their

‘failing to do things right’ and ‘failing to do the right thing’ which includes the ambiguity of the refund policy.

4.5.1 Uncertainties about fraudulent refund claims

In the common type 2a and type 2b cases of customer refund fraud, uncertainties arise about whether the customer deliberately damaged the goods returned for faulty claims, and/or whether the customer deliberately returned the items without receipt to claim a higher price refund. Despite such uncertainties, some respondents argued that it is possible to recognise a suspicious or fraudulent refund claim, but that without evidence or other convincing information to corroborate their suspicions, like visual confirmations in the cases of theft, they are left with just suspicion and more uncertainties. Also, in most cases, without evidence, even if they deny the refund claims, they cannot retain the items that the customer is attempting to return, or apprehend the customer. As CA06 stated:

“...we know that they've recently been an offer, we know the garments that are in the offer, and we know they have got no receipts, but there is nothing we can do. Because, we can't say they've got it reduced or not paid for it... It's a big problem! ...”

CC08 similarly emphasises:

“...it's very difficult to take the items from them that they have presented for refund, because we don't have the evidence to prove that those items that they have presented have been stolen or not...”

4.5.2 Ambiguity of the refund policy

The findings reveal that the refund policy is ambiguous. According to the respondents, the refund policy allows the staff to manage refund situations and apply the policy as they ‘will’. As they reveal, the staff members’ understanding of the refund policy is often different from a

customer's understanding. Furthermore, they reveal that the content of the refund policy document is different from a 'visible sign of the refund policy extract', which is strategically placed behind the refunds desk for the reference of both staff and customers in refund situations. This difference, according to a majority of the respondents, is one reason customers have different interpretations and understanding of the refund policy. For these group of respondents, this reason is particularly important, because as they state, the 'visible refund policy extract' is typically the relevant refund policy during refund situations. However, this refund policy extract is mostly interpreted the customer's favour. As findings reveal, the 'visible refund policy extract' behind the refunds desk does not support any staff member intending to prevent or completely discourage fraudulent or suspicious refunds. Rather, it only supports staff intending to manage such situations and mitigate the losses. Three respondents' views on this issue are presented here:

SM05 articulates:

"...There is a statement that says, "We are happy to give you a refund, and if you haven't got a receipt, we will give you a credit receipt. So, it actually says that is what we will, it is a statement. They need to word it differently. So that our customer doesn't demand cash, or doesn't demand it back on their receipt, or on their card. Because most of customers will then, if we say I am not going to give you a refund because you don't have the receipt, they would say, "It says it up there that if I don't have my receipt, you will give me a credit receipt." It's black and white. That's very hard to argue. I then say, I am sorry, it is a goodwill refund policy, and it's at my discretion as to whether I give you a credit receipt. But that's not what it says on there. So, yeah. That's when the customers, if they are adamant, they want a refund they will then intimidate. That's when they would shout and that's when they will point. And of course all the other customers are watching

and as "the organisation" employee, an employee of "the organisation", do you want a fuss at the till point? No..."

As CA12 also states about the refunds policy extract behind the refunds desk:

"...It doesn't give any reference to any situations where we might refuse it due to our own judgment. It doesn't mention anything like that. 'Cause certain situations where we have to explain that to the customer. And it is annoying for members of staff, because we can see that it doesn't give any reference to making our own judgment. So, it can be difficult to justify our actions when on the wall, there is this official wording from the "organisation" business...it doesn't list all of the terms and conditions on our refund policy. But of course for customers they see that, and to them, that is our refund policy in its entirety"

Also, CA16 states:

"I don't think our policy is strong enough to turn around and say to them, "I am not taking that back, without the receipt..."

These findings were confirmed at the refund' desk, where the wording of the sign was noted. In verbatim, the signage reads:

Note two

Visible refund policy extract behind the refunds desk

Note two:

"... We're happy to exchange or refund items returned to us in a saleable conditions, with a receipt, within 35days of purchase. If you don't have the receipt we'll exchange, or give a credit receipt, for the current or last selling price. Gift receipts are now available at all tills. A credit receipt or exchange will be given for items brought back with a gift receipt. After 35 days you may still be entitled to a refund in accordance with your legal rights."

The finding that the refund policy does not support refund fraud and loss prevention efforts is not completely new from the CA respondents. The RLPM had during the pilot interview already identified this issue, and provided a reason, stating that the document was drafted by the customer service team and intended to encourage and increase service, sales, and patronage, an aim which is consistent with the overall organisation's focus. According to the RLPM:

“...Well, if you look at it from loss prevention perspective, it's negative... It's very negative. So they are more likely to just think well, we'll give the refund in this situation, we'll go ahead and do it, for the sake of good customer service, we would do it...so I think it's very negative from that point of view. That happens. I think generally the policy itself is negative from a loss prevention perspective, because it allows people to abuse the system very easily. And that policy is driven by the customer service team, as opposed to loss prevention. We don't own the refund policy, that's, the customer service team owns it. So they've written the policy from the point of view of the, you know their key focus is good customer service. Yes, they are considering business profit, but it's mostly from a...the customer service perspective, really. Yeah, negative from loss prevention, but it's positive because we do, we get a lot of loyalty from our customers. So, it is positive from that point of view...”

From the above statement, it can be inferred that the refund fraud and loss prevention objective is not entirely consistent or aligned with the overall organisational focus. Furthermore, it can equally be supposed that the management and prevention of fraudulent refund claims in the CSLRO is solely the responsibility of the loss prevention department, and, in part, the responsibility of the refunds' team who deal with these customers daily. Considering the common view of the counter fraud literature on the 'best practices' to counter fraud in

organisations (see Chapter Two), these findings on the CSO's counter fraud structure and culture can be questioned.

The challenge that the ambiguity of the refund policy poses to countering the refund fraud problem in the CSLRO, especially the fraudulent refund claims from customers, was further evident in store two. The respondents in store two revealed that the managers at the store have instructed their staff to approve refund claims, whether suspicious or not. The reason, as the CAs assert, is that the understanding and application of the refund policy at this store is to approve the refund claims of customers, regardless of their suspicions. This approval, in effect, is that the staff should pay the refund claims, "*give them back them*", in credit vouchers (CA06; CA07). These CAs, like a majority of the CAs interviewed, also maintain that the refund policy document retains the management of these situations to their discretion. This means that the provisions of the CSO's refund policy allows them, the refunds team, to manage these refund situations as they will or deem fit. As CA06, a refunds team member of this store, said:

"...They come up without a receipt, and we are told to give back a voucher. That's just standard..."

However, even though this manner of application is acceptable under the organisation's goodwill refund policy, the findings on the lingering problem of fraudulent refund claims from customers in the CSO and the accruing losses from its events are an indication that this approach has not been completely 'useful', i.e. without losses, at countering fraudulent refund claims from customers. Also, having a policy that the staff can use and apply as they will is arguably a matter of compromise or 'failing to do things right'. The refund policy is arguably prone to abuse by the staff. It is also used by customers with fraudulent or suspicious claims to corroborate those claims. However, despite the lax nature of the refund policy, CC08 believes

that a strict refund policy may upset the customers and totally contradict the organisation's culture and reputation of customer service.

The refund policy

"...The refund policy has been the same. I have been with the company thirteen years and I don't recall it changing. We need a more robust policy..." [MA15].

According to the respondent above, despite the problem of fraudulent refunds, the refund policy has been the same in the last thirteen years of employment within the organisation. This statement highlights the duration of the problem, and perhaps the gravity and accruing losses from this challenge, and how long the staff have had to deal with these difficulties.

4.5.3 Lack of organisational and leadership support in countering the fraud problem

Closely related to the issue identified above is the lack of leadership and organisational support in fraud prevention efforts. As the respondents reveal, the main organisational focus is on customer service, which is serving and meeting customer's demand at potential costs. As SM04 articulates:

"...With my 'the organisation' head on, and my training, I would almost go above and beyond and be nice and polite to that customer. So, it's always service. Always..."

Consequently, as findings reveal, one such cost is the loss accruing from fraudulent refund claims. As the staff reveal, the organisation is disposed to incurring losses from fraudulent refund claims, provided that they uphold and are seen to uphold, service to their customers. This service to customers is a major part of the CSLRO's "goodwill" brand and reputation:

According to CA03:

"...when you do a good will. It's kind of a loss that the company has to take. Because either it can't go back out on the sales floor, or it can't be returned to the manufacturer..."

As MA10 stated:

“...In terms of monetary loss to the business there is not an overemphasis from “the organisation” in terms of money that is being lost through that type of refund. Because they want to basically protect the brand...”

CA16 also stated:

“...But, then the company we are told have this, attitude. They expect to have a loss. They expect a loss of things...”

Also, CC08 reveals that the lack of proof in fraudulent or suspicious refund situations is the reason the organisation and its leadership do not focus on managing and preventing the problem. This respondent stated:

“...I got told that if we could prove the certain percentage of our customers who are dishonest, the business might do something about it. But, based on ninety nine percent 99% of our customers being genuine, or perceived to be genuine. It's only a small percentage of customers who we could say are fraudulent refunding...”

As the statement above indicates, senior staff, or leaders in the CSLRO, are of the belief that the majority of the organisation's customer are genuine; this disposition limits the extent to which they support fraud prevention efforts. COCA09, who is a coordinator in the refunds team, and CA12 express this belief:

COCA09:

“...It's a small number of people in comparison that are dishonest and trying to fraudulently refund in comparison to how many customers we serve with, there is only a small number that are not honest. However, it's a big business. It is a big business for those people that are dishonest people, who steal and refund...”

CA12:

“...I am confident that a lot of people who come to us without receipt are still genuine...”

However, it is not only the disposition of leadership in the organisation that is identified as a challenge with the stores’ efforts at managing fraudulent refund claims. The findings also reveal that the refunds team staff uphold some personal beliefs that plausibly affect how they manage these refund situations.

Some of the respondents also suggest that in cases of fraudulent or suspicious refund claims, if an aggrieved customer seeks a higher authority within the organisation when the CA or refunds team manager denies their claim, the authority would most likely overturn the denial. According to a majority of the respondents, it is now common knowledge that their leaders override their decisions in these events, and it is a situation that of which they, in the refunds team, are accepting. As the section manager SM05 explained, when aggrieved customers call the Retail Customer Service Desk [RCSD], they override the decisions made by the refunds team. They would refer the customers back to the refunds team, stating...

“..... "They will give you a refund." but if you ring customer services yourself and say "but you weren't here, why have you told that person they could have a refund?" "You have to give them a refund"....they have done that in the past. On numerous occasions. So, sometimes you think as soon as they say "I am gonna ring customer services." You almost think it's not worth it. Because if they ring the Chairman's office, they will absolutely get a refund. The chairman's office will always give them a refund...”

MA10, a manager, also stated:

“...If we do sort of follow up things with our customer services at head office, they would always lean towards refunding for the customer...”

Similarly, the RLPM had also acknowledged the challenges that ‘higher authorities’ pose to refund fraud and loss prevention efforts:

“...We also have retail customer services, so, it’s like a call centre, I suppose. That deals with complaints and things like that, and lots of people that don’t get refunds would complain to retail customer services, and there are times where the retail customer service team, will override what the store said, and they would instruct the store to give a refund. And, it’s, so, nobody wants to be in that position either, where something like that happens. So, yeah, I think it makes customer advisers and managers nervous about not giving refunds...”

As the statement above reveals, the lack of leadership support for countering fraudulent refund claims from customers influences the disposition of the staff managing these refund situations. It also indicative that the leadership perhaps lacks ‘respect’ for the CAs and refunds team, i.e. when considered against the type of ‘respect for employees in LM organisations’ which the literature reviewed on LM claims (see Chapter Two and Sugimori, Kusunoki, Cho & Uchikawa, 1977; Spear & Bowen, 1999; Mann, 2005; Bhasin & Burcher, 2006; Kennedy, Widener, & Fullerton, 2010; Radnor, 2010). In corroboration, some of the employee interviewees claimed that, despite their having made several efforts, the leaders in the CSLRO do not listen to their suggestions regarding the issue of managing fraudulent and suspicious refunds claim. This issue reportedly causes psychological stress and unfavourable working conditions for some of the staff in the refunds team. CA17 recounts a stressful incident with a customer. According to CA17, a customer once visited the store to return an item, claiming that it had a manufacturing fault. However, when CA17 asked to examine this item, the

customer refused. CA17 had already noticed that there were lumps in the shirt's collar, and the "...shirt smelt like it had been washed..." and ironed, because "... it had a bit of like a sheen to it...". Now suspicious, CA17 reached out again, asking the customer to pass over the item for a proper examination. Instead, the customer pulled the item away from CA17, went outside the store, and started crying and complaining that CA17 had treated her poorly. Shortly, the management team at the store received news of the incident, called the lady back into the store, and gave her a cup of tea and credit voucher for the value of the item returned. Thus they ignored and over-rode CA17's initial decision to deny the refund claim that was suspicious. In the words of CA17:

"...She pulled it away from me. And then she went out. Started crying. Saying how awful I was to her and what have you. Which I didn't do anything. And what management done was take her into the canteen and give her a cup of tea. And a voucher. And an apology. And I thought why have they done that for? You know. I was just doing my job. She's saying that it was faulty, so I wanted to see where the fault was. She won't let me touch it. So, that to me was suspicious... So, this is how management was working... The thing is. If the customer asks to speak to a manager, you have to get a manager. That's it. You see. Cause customers know... If they, if the customer creates a scene, you see, and he wants to speak with the manager. A manager will just override it. 'Cause it's always the customer is right, at all times..."

Corroborating the incident above, CA11 also states that customer assistant members of the refunds team often ignore suspicious and potentially fraudulent refund claim, and approve them because they know if they call a manager, the manager would override any decision not to give a refund on the basis of goodwill and customer service. As CA11 states:

“...It’s your world against theirs, and nine times out of ten, if you call a manager, the manager will overturn what you probably said, and will suggest a goodwill...”

However, as CA18 acknowledges, the managers had recently started to make some improvements on the issue:

“...the managers are getting very good at backing us up now. Which is something that has previously lacked, in other managers...”

Findings from the interview with a manager at the store corroborate the above claims. According to the respondent, they are aware that in these refund situations, the CAs typically require their support when they intend to deny a refund claim that they may think is fraudulent. However, the respondent stated, they try, but it is not always possible to support the CAs decisions. This is because it is typically a choice between supporting the CAs in their FP effort, and providing good customer service. Ultimately, the choice, and their main priority, is to provide good customer service, which favours the customers. These findings pose a major challenge for loss and fraud prevention efforts in the organisation. Other reports on the perceived lack of the CSLRO’s leadership and organisational support in countering the refund fraud problem are presented in the Table 4.10 below:

Table 4.10: Reports on the lack of leadership support in CSLRO’s efforts at countering the refund fraud problem

The leadership and organisation	
1	There are no head office campaigns to reduce the losses from refund fraud across the organisation. The only available campaigns are at store level.
2	Loss prevention is sometimes considered as a hindrance to sales and selling campaigns. For instance, a fraud prevention campaign against discount abuse is considered as a campaign against sales incentives and offerings of discount prices. Consequently, the reduction in losses from refund fraud is not a priority at business level.
3	The management did not monitor the LPI, until it became a key performance indicator.

4.5.4 Staffing and other resource constraints

The employees interviewed emphasised that the CSLRO's best way of managing and preventing fraudulent refund claims is through its staff, especially the members of the refunds teams. However, they also revealed that temporary and intermittent staffing in the refunds teams affect the organisation's efficiency at managing fraudulent or suspicious refund claims. According to them, having temporary or intermittent staff manage refund situations fosters the uncertainties surrounding the management of the problem. As COCA09 stated, "*...if people are on and off and on, and don't generally work on that refunds area then there might be an element of doubt...*". More than a few of the employees interviewed also reveal that the CSLRO now has now more part-time staff working in the refunds teams, fewer staff to man the fitting rooms where most of the deliberate damage to items is perpetrated, and a smaller security staff manning the vantage points of the stores. Consequently, this finding, when considered in relation to another finding, that staff at the refunds desk are typically outsourced or transferred from other departments in the store to support in the management of refund claims during sales and busy periods, questions the efficacy of the refunds teams in managing the problem. Efficacy in this case means how well the refunds teams, who are reportedly the CSLRO's best way of countering fraudulent refund claims, would be able to control or reduce its incidence and losses. Moreover, the RLPM revealed there is a shortage of staff in the refunds teams, and as CA11 reveals, the part time and inexperienced staff are targets for fraudulent refund customers: *... "will think they probably pick on the less experienced staff as well... Well, maybe the younger people... That's the young, maybe the young, you know that maybe only work there part-time..."*. This issue of inexperience can also be considered as difficulties encountered in the management process due to lack of experience and training. In sum, a majority of the employees interviewed revealed that resources available for managing

and preventing fraudulent refunds are limited. Details and instances of other resource constraints reported across the four stores in CSLRO are reported in Table, 4.11 below:

Table 4.11: Other examples of issues regarding resource constraints reported in the CSLRO

Resource constraints	
1.	The regional loss and loss prevention managers across the various regions and stores of the organisation reportedly travelled around the different locations regularly, creating awareness on loss and fraud prevention. Their visible presence in the respective stores was also reported as an effective contribution to the fraud and loss prevention efforts of the organisation. However, due to staff reductions, there is no longer enough time for the current number of RLPM staff to travel, create awareness, train, or be visible around the various stores of the organisation.
2.	Budgets cuts to security guards and staff, which includes the refunds desk team
3.	The respondents reported challenges with the organisation's information technology [IT] platform.
4.	The organisation conducted a trial of the Radio Frequency Identification [RFID] technology on returned items, to ascertain whether they had been paid for or not. However, the technology is expensive, hence, it was discontinued after the trial. It is noteworthy to state that the staff were not informed about this trial.
5.	There is not enough storage space for the high volume of products delivered. This results in stock losses, as stock may be stored inappropriately or become damaged.

4.5.5 The cost of managing manufacturing fault claims

According to a few of the respondents, it is good practice to return items to manufacturers, or send damaged items to technologists who are experts at resolving contentious issues regarding whether an item was deliberately damaged or not. However, as the respondents noted, it is costly to employ these services. Specifically, they state that the cost of “...*sending these damaged items off...*” is typically more expensive than the actual price or value of the item in contention. Hence, they often compromise on this good practice by approving the suspicious or fraudulent refund claims instead, which for the store and organisation saves costs and helps them maintain good customer service. As CA16 stated:

“...the other thing with that, if you look at it as an expense, I am told that each time we send off to a technologist, that's seventy five pound. That item, you are taking back could be a lot lesser than that. I mean, I do the technology thing. I

have done that a few times. But, I just think, why are you? Are we losing out more money there, because you are paying seventy five pound. If this figure is correct, to send it off to a technologist and are those people nine times out of ten, or ten times out of ten getting a refund as well? So, you have paid that seventy five pound to send it off, plus if that item is forty, fifty pound, and they give it back anyway...”

4.5.6 The exceptions and discretion allowed in the refund process

The exceptions and discretions allowed in the refund process pose a major challenge to managing the incidents and losses from the refund fraud problem found in the CSLRO. The various stores of the CSLRO surveyed, and their refunds teams of staff, are allowed to make exceptions to the refund process for the sake of customer service because of the uncertainties associated with refund claims without receipts. They are also allowed to manage the problematic situations in this process, which include fraud, as they will. The refunds policy also supports the exceptions in the refunds process, as well as the stores’ and staff members’ discretion in managing the problematic and fraudulent refund situations. However, they are required and trained to prioritise customer service and goodwill in these situations. Consequently, due to these exceptions and discretions allowed, there is no “one way” or singular approach to countering or managing the refund fraud problem, except prioritising customer service, and the stores and refunds team are inconsistent in the ways they handle most refund situations, including the similar types. This inconsistency means that on most occasions, they ‘fail to do things right, or they fail to do the right things’ to prevent the losses and control the incidence of fraudulent refunds.

According to a majority of the employees interviewed, despite the signs and patterns identified in the typical fraudulent or suspicious refund claims, it remains relatively difficult to recognise a fraudulent refund claim. The reason is that a genuine refund claim could contain every

fraudulent pattern and visible sign of suspicion, and, yet remain genuine. Consequently, the majority of the stores in the CSLRO do not manage every refund situation in the same manner. They also do not regularly uphold the same standard control practice of denying suspicious refund claims without receipts. This inconsistency is illustrated in two similar incidents reported by CA16, where the respondent had equal reasons to deny a suspicious refund claim, but approved one of the two instead.

According to CA16, a customer visited the store to return and claim refunds on a very expensive item, without her receipt. This item, which CA16 recognised, had recently been on sale, at a forty-five percent discount, and had only just been returned to its full price, of £99. CA16 also recognised the customer from somewhere. But when the customer was asked for the receipt, she claimed it was a gift from her partner, who was now in another country, hence she could not contact him for the receipt, and she did not have a gift receipt either. As CA16 stated, this was a typical suspicious and fraudulent refund claim problem. When CA16 consulted on this incident with other members of the refunds team, CA16's colleagues recommended that the refund claim be denied, as the story the customer told about the item being a gift from someone who is unavailable was a typical fraudulent refund claim. Besides, the lack of receipt, the value of the item and the fact that it had recently been on discount, were all visible signs of most refund fraud situations, which increased suspicions. Consequently, for these reasons, CA16 denied this refund claim, and asked the lady to please leave and "*...try and get a hold of the receipt from her boyfriend...*".

However, in another example, CA16 chose to approve the refund claim, even though it was as suspicious as the incident above and CA16 had similar reasons to deny the customer's refund claim. According to CA16, "*..., I said to this particular customer ..."I can take it back this time. But, in future we do need a receipt." That's probably a little bit incorrect of me saying that...*". As this statement shows, CA16 recognises the inconsistency shown in managing the

two similar incidents reported. However, even though CA16 does not provide an exact reason for approving the refund in the second instance, the finding that is relevant, and consistent with majority of the other respondents' explanations for managing characteristically fraudulent or suspicious cases differently, is the nature of the organisation's goodwill refunds policy, and the discretion it allows. As CA14 states

“...as you know each individual store will make that decision as to whether or not we will give that customer a refund...”

Similarly, a majority of the respondents reveal that the staff and store manage fraudulent or suspicious refund claims as they will. The reason, as they claim, is to prevent suspicious refund customers from using the organisation's goodwill refunds policy or other consumer laws, which mostly support and protect the rights of customers in these refund situations.

4.5.7 'Failing to do things right and failing to do the right thing'

The findings reported in Sections 4:5:2, 4:5:3, 4:5:4, and 4:5:6 above can be categorised, based on the LM literature on loss prevention and control, and the counter fraud literature on countering fraud in organisations, as challenges arising from the case study LM organisation's 'failing to do things right and failing to do the right thing' to counter the problem of fraudulent refund claims from customers (see Chapter Two).

Also, a majority of the respondents, in their respective interviews, reveal that the CSO already has various loss prevention, security, and control systems in place, as well as procedures for preventing fraudulent refund claims from customers (see Table 4.6 earlier in this chapter), which are not being consistently implemented or followed. These respondents believe that if these systems are consistently implemented and followed, they, the CAs, can better manage the incidents of fraudulent refund claims from customers, and that the accruing losses from its event could potentially reduce. The LM and counter fraud literature reviewed in this thesis also claim that these systems can help prevent and control losses from incidents of fraud. However,

findings from the case study strongly indicate that the CSLRO and a majority of its customers, according to the respondents interviewed, fail to implement these systems or follow procedures, and this poses a challenge to countering the fraud problem in the organisation.

The findings regarding the issue of ‘failing to do things right and failing to do the right things’ as a challenge to the CSLRO’s fraud prevention efforts are twofold. Firstly, findings reveal that the organisation fails to do or to uphold certain practices that could control or reduce incidents and losses from fraudulent refunds. Secondly, a majority of the respondents revealed that it is common for customers to make refund claims without their receipts, and some of the CAs believe that most customers fail to read or keep their receipts, or they are too lazy to find them. These respondents also claim that in their experiences, they have also found that more than a few customers fail to read the instructions and follow specifications or recommendations on usage of the products, and then they return the items when they are worn or torn from their personal error. Together, these practices contribute to the challenges experienced with managing fraudulent or fraudulent refund claims: As CA02 claimed while discussing the refund policy extract behind the refunds’ desk:

“...People don't even read their receipts... people don't like to sit and read lots of stuff, do they? They haven't got time...”

As CA14 claims:

“...If they are a genuine customer then they will likely say "O'well, I will take the item back and I will find the receipt. Sometimes it's just a bit of laziness on the customer's part...”

As CA11 claims:

“...There are also genuine customers that exploit the system, because sometimes they feel entitled...The times they have brought a jumper and they have clearly

washed it on too much hot. Or washed and it shrunk and they haven't followed the washing instructions..."

SM04 also stated:

"...we have CCTV, in the store. But our CCTV in 'OMT' isn't as updated as... we have very antiquated equipment to work with here..."

As the statement above shows, there are certain useful practices that the organisation has, which they seem not always or everywhere to update and maintain. These are also actions that are supposed to manage or prevent losses and incidents of refund fraud. For instance, the findings reveal that the CSO fails to adopt and comply with current industry standards on the loss prevention and control of fraudulent refund claims, but, conforms to industry improvements and practices that improve customer service and increase sales. As a few of the interviewees state, this failing to adopt or comply with these industry standards on loss prevention and control of fraudulent refund claims from customers, is also the CSO's strategy for improving their focus on customer service and securing patronage.

As SM04 articulates:

".... Also, something that I think "the organisation" should do, is like other retailers, and I feel quite passionate about this, if you haven't got your receipt, they won't change the goods. And I really think that we should follow suit really. I mean, over the years, we have changes, we have changed our refund policy. It was 3 months, and we changed that to 35days. Why don't we just pull it in line with what the other retailers do? Because, in the long run, it will save the organisation money..."

As CA11 states:

“...We are the longest for 35 days in the, compared to "the other major retail organisation". They are about 28 days, and they [the customers] still moan...”

MA10 also claims that the CSLRO’s lengthy refund period has affected their profit margin:

“...They had much longer length of time for garments to come back. Therefore, when it came back into the store, it was at a cheaper price. Therefore our profit margins were being reduced...”

In addition, SM04 states that unlike other retailers who operate a 28 days return policy, the CSLRO offers a 35 days return policy. Also, when a refunds customer returns an item without the receipt, they accept, and issue a credit voucher on its value, which SM04 thinks is not a good idea, because they still lose money. As MA10 states, if they denied a refund claim because the receipt is out dated, it is likely that a customer would choose to discontinue their patronage with the CSLRO. In the words of MA10:

“...Say if your receipts are out of date by a couple of days, we may well say that we can't refund. But we will, probably do it. We will probably do it because, basically, if it went through the process of going to head office, head office will come back and say yes. So, we don't do that, we just deal with it in store. Because at the end of the day we always work towards the customer's view on getting a refund. Yeah, and we don't want to make it a painful process and it's very competitive on the high street that we want people to know that "the organisation" can be trusted and they will come back to us. So we don't want that to be an anguish process... So, for us, we want to make it as, I won't say easy, but as, I suppose easy is the right word. Easy and as comfortable as possible so they trust our brand...”

CA07 also adds:

“...if you think something isn't right, or difficult, you obviously don't want the customer to do it, to do it again. But I suppose they would just go to another branch, or, yeah. Just move on. If it became difficult here. But that, I think now, they are not over difficult here. You know, if you look, if there is any margin of that it is faulty, you know, they will take it back...”

Apart from these actions, other systems and actions that the CSLRO reportedly fails to do or do well to manage and prevent losses and incidents of fraudulent refunds are presented in Table 4.12, below:

Table 4.12: Actions to manage and prevent losses and incidents of refund fraud which the CSLRO reportedly fail to do or do well

1.	<p>Logistics: The store operations team are supposed to take the delivery of items. They are supposed to check that the delivery vehicle is sealed, and check and compare the items delivered against the delivery note order, before signing off the paperwork. However, the findings reveal that the team do not check the items delivered against the delivery note order before signing off. The reason is that the stocks are centrally distributed, therefore it is expected that the delivery would not always accurate.</p> <ol style="list-style-type: none"> a. Also directly linked to the above problem, the findings reveal that the organisation operates a just-in-time [JIT] system. However, this system is managed centrally. Consequently, stores receive high volumes of stock that were or would not have been ordered. This system completely contradicts the proposed lean thinking control and efficiency practice of pull-demand. b. Stock is sometimes stored inappropriately, which leads to damages. c. Outsourcing: Findings reveal that the organisation experiences problems over the accuracy of deliveries. The distribution and delivery of the organisation is handled by a third party logistics company who on occasions have delivered goods to the wrong store. d. They do not know or measure the value of stock losses, due to the delivery issues.
2.	<p>There are internal auditors employed in the organisation. However, according to the RLPM, the internal auditors are not seen often.</p>
3.	<p>Training: Cut backs in loss and fraud prevention training were found to have affected the reduction and prevention of refund fraud. According to the respondents, when the training programme was in practice, there were fewer losses from refund fraud. However, currently, at the time of research inquiry, the organisation only provides 20 minutes training for customer assistants on the refund desk tills. After that, the newly employed staff are required to ‘buddy up’ i.e. to pair with an experienced member of staff. This practice is reported to vary in stores.</p>
4.	<p>There is a lack of visible signs, symbols, markings or prompts in stores to alert and remind both staff and customers of the policies, control practices, or security facilities, like the CCTV present in the environment. The pilot study findings reveal that there are no other CCTV signs, except the sign at the entrance of the store four.</p>
5.	<p>There is no specific measure to prevent the damage of stock.</p>
6.	<p>Electronic Article Surveillance [EAS] is only used in about 30-40% of the goods in the stores that have it. This suggests that it is not available in every store</p>
7.	<p>Every item on the shop floor is tagged, except the items on sale.</p>
8.	<p>The use of technologists who check whether an item has deliberately been damaged, or is indeed a manufacturing fault, was discontinued. The findings reveal that the organisation discontinued this practice, as the services of these experts were</p>

	considered expensive. Currently, the staff conduct these checks in store, but there was no mention regarding their level of expertise, or whether they were provided with training to enable them execute this responsibility.
9.	After receiving reports of exceptions, inaccuracies, losses and other anomalies, the management does not 'follow up', pursue or track, on these issues. According to the RLPM, they just cannot track all items, offers and deals, cost effectively.
10.	CCTV technology is only available in certain stores, the 'big city' stores, precisely. Also, the staff awareness of fraud is reportedly only high at such stores and locations.
11.	The staff in stores can check the history of transactions when there is any doubt. For the respondents, this process is considered time consuming, thus, it is not often used.
12.	The fitting rooms are not manned by staff. Also, the items taken into the rooms are neither scanned nor checked due to 'customer service concerns'.
13.	Sustainability. Fraud prevention measures may have been effective initially, but have become less effective in the long run. It is plausible that this is a reason for reviewing the LPI
14.	A fraud and loss prevention culture is not followed across all stores.
15.	There is little source tagging, as most of the goods are branded by the organisation.

An extract from the interview with CA16 that summarises most of these ‘failings’, neglect, and wastes at the CSLRO is presented below:

“...I don't think there is anything in the environment at the moment that discourages fraudulent customers... Things aren't tagged. There is not enough staff. We are not alarmed with things. The camera is not being looked through. I think, to me those are deterrents.”

In addition to the above findings, the employees interviewed, especially members of the refunds team, reveal that they are exposed to various physical threats, and there are other fears that they have to cope with, due to the CSLRO's failing to uphold the practices that ensure security and prevent incidents of theft and fraudulent refunds at the stores.

4.5.8 Customers

The customers are, according to a majority of the respondents, the biggest challenge to counter fraud efforts in the CSLRO and, based on thematic analysis of the interviews, these are some of the findings on the topic:

4.5.8.1 Maintaining the organisation's customer service and goodwill brand and reputation

A majority of the employees interviewed reveal that CSLRO makes compromises on its control practices, for customer service. In most cases, they ignore the visible signs of suspicion, due to the uncertainties surrounding the authenticity of the refund claims. But more importantly, they ignore these signs as an act of goodwill, to secure the customer's loyalty and patronage. As CA11 states, sometimes, people are not entitled to a refund, because there are visible signs that show that the returned item has been illegally or fraudulently acquired. For instance, they can smell that the item been washed, and they can “... *smell the fabric conditioner on it... Or, they bring back something that's got a hole in it, and it's obviously been cut...*” However, regardless of these signs or their suspicions, more than a few of the respondents claim that they cannot

accuse the customer of fraud or openly call them a liar. This is because most of these refund customers are regular shoppers, or customers that spend lots of money at the shop, regularly. There are no exceptions to the customers because, as the respondents claim, ... *“there is no hard and fast rule...”* and *“it could be absolutely anybody”* who makes a fraudulent refund claim (CC08; SM04). This includes customers who are suspected of, or those who may have attempted to commit fraud at some point. This is because, unless they have been previously prosecuted for the offence, or there is evidence that it was their intention to make fraudulent refund claims, they cannot be accused. Hence, they ignore these signs, and approve the refund claim. In the words of CA11:

“...Especially if there are customers that... You can tell if they are customers that have spent a lot of money in the store and they are repeated customers, then you tend to do a bit of goodwill because they shop regularly...”

SM05 also states:

“...I am absolutely aware that our highest spenders are also our highest refunders. So we need to be very careful that we don't compromise the customers that are genuine...”

4.5.8.2 Customer satisfaction and expectation for loyalty to the organisation

Another difficulty encountered in the managing of fraudulent or suspicious refund claims in the case stores is the customer's expectation and satisfaction. According to a majority of the respondents, the customers expect a certain level of service, which is ‘over and beyond their competitors’. The respondents claim that most customers expect this service, at all times, and at any cost. Similarly, some of these customers believe that they are entitled to refunds, as reward for their patronage and loyalty. Thus, despite the compromises and goodwill of the organisation, the customers are still not satisfied. Consequently, also, this issue poses a major

problem, because the store continues to make more compromises, typically at the cost of loss prevention and the focus on preventing fraudulent or suspicious refund claims. As CA11 states:

“...There are also genuine customers that exploit the system, because sometimes they feel entitled...They feel because they are, "we are shareholders" well, so we are entitled to just get..." Oh yeah! They say it all the time, especially loyalty holders. Yeah. "We are shareholders." so, "we keep you in jobs..."

According to more than a few of the employees interviewed, most customers of the CSLRO understand the ‘goodwill’ as a reward for their loyalty and patronage. These respondents claim that for some of the customers, the ‘genuine’ ones, goodwill suggests that they are entitled to refunds from the store at any cost. This includes whether the return item with their receipts or not; as long as they are regular shoppers at the store, then they are entitled to refunds. The respondents also claim that for the other group of customers, the ‘not genuine’ ones, goodwill suggests that the store is vulnerable, an “easy target”, for fraudulent refund claims. For both group of customers, they expect the store to do whatever they want, just as they expect and know the store would make compromises for their sake. Moreover, these expectations are not completely inconsistent with the organisation, the brand and service they promote.

4.5.8.3 “Customer is always right”

Another major difficulty found, which is closely related to the lack of leadership support, is the organisation’s disposition towards the management and prevention of fraudulent refund claims. According to a majority of the respondents, the organisation’s attitude towards fraudulent refund claims is encouraging, accepting, and accommodating. As the respondents revealed, the control environment is visibly lax, and easy for any customer that intends to exploit the

organisation through its refund system. As CA16 stated, the layout of the store is visibly open for customers to walk in and steal items, and they are told the company has a certain “*attitude. They expect loss. They expect a loss of things*”. Similarly, CA17 states:

“...It's always the customer is right, at all times. Which they are not...” Customers know like if they kick up a stink, they get what they want... If they ask for a manager, they know they will get what they want. So, I think a lot of that, management needs to, toughen up a bit and learn to say "No" to a customer. But they don't. Because it's all money isn't it? They want monies. And they want their service all the time. Whether, they are dodgy or not... So, it doesn't matter to them. So, I think yeah. It is exploited, and I think management needs to stand up and realise this...”

4.5.8.4 Customers’ perception

More than a few of the staff respondents claim that the customers perceive the organisation as “*easy*”. They claim that the organisation is considered vulnerable and an easy target for obtaining refunds, fraudulently. They further state that they believe that the customers maintain this perception because the organisation continues to encourage it with the regular compromises offered under goodwill and customer service. As CA17 states, “*...It’s quite easy for people to exploit the system...*”. CA16 uses an example to illustrate some customers’ perception of the CSLRO’s reputation.

“...I will give you another example. Yesterday, a customer came in with an item. No receipt. And she said "Oh, well I just thought "the organisation" take back anything. Could do with anything." I said "no. I said our policy is under review, it won't be the case. No" So, to me that mental concept is out there with people... I

think they see it as easy. The organisation. I think we are seen as an easy target. Because... and that does... Yeah, I think that does come across...

CA11 also stated:

“...I think we are easy... Some people bring back products that are two years old. It's gone off the system, and it's a complete... that product code they are bringing something back is something else. But they go, "Oh, you know 'the organisation' have always been renowned for taking things back." and I will say "No, it's two years old, we can't take that back." I mean, to be honest, unless I have really got to I don't involve the manager. Unless they really demand it, because, well...Two years old. And they still, they expect to come back and get their money back...”

The staff respondents also stated that the CSLRO encourages this customer belief by their failing to do things right and failing to do the right thing, which includes a failing to educate the customers on the actual meaning of their goodwill refund policy and practice.

4.5.8.5 Repeat offenders

Some of the respondents said they knew, from experience, that it is mostly the same group of people that regularly return items without receipts and/or claim manufacturing fault refunds on goods. According to the respondents, these fraudulent refund customers are repeat offenders by nature. Apart from their regular fraudulent refund claims, some of these customers are also known to travel from store to store. As CC08 reveals, some of these customers are even known to making a living off these fraudulent refund claims. According to CC08:

“...Over the years, we have seen lots of faces. Some may have travelled around... because they can make a living out of it. You know, and it doesn't take much to be able to present for a refund, and pay for your weekly shopping, pay for a new

dress that you want. You know, but I say, there's been a few people over the years that I have known, and now, it's just a way of life for them. You know, and they travel around, they travel around the country. You know, doing bits and pieces. Big business!"

In explaining the recidivist nature of some fraudulent refund customers, CC08 also discusses an example of an individual who has been known and involved in several thefts and fraudulent refunds across the CSLRO's stores since 1999. According to the respondent, the individual has been banned from the stores, multiple times. She has also been arrested received several custodial sentences. In the words of CC08:

"... I have arrested a lady God knows how many times, and she's been involved in all sorts of shoplifting in "London borough". And I have known her since 1999. She's still shop lifting till the day. Alright? Now, she's been upstairs to our customer service desk. She's been multiply trespassed, alright? She's been banned loads of times, she's been arrested, she's gone to prison for stealing from "the organisation". But she will still come in and present and asking for a refund, or come in to steal an item. To test, to see whether or not..."

These findings on the nature of fraudulent refund customers or offenders pose a challenge for the fraud prevention in the organisation. The main findings on the challenges that customers pose to countering fraud in the case study LM organisation are presented in Table 4.13 below, along with interview extracts:

Table 4.13: Findings on the challenges that customers pose to countering fraud in the CSO

Findings	Interview extracts
Customer behaviour	<i>"...And, this person brought it back, didn't have the receipt, and the jumper haven't gone in the sale and it was now 99 pounds. No receipt, no nothing..." MA15</i>
	<i>"...I think, by having no receipt, no refund, what will happen is there will be more faulty items coming back. And the faulty items would be like a bit of stitching unpicked. And they know then, if it's faulty, even without receipt they will get full price, and they will get cash..." CA18</i>
	<i>... it is brand reputation...I would imagine that over the years that "the organisation" has stood for good quality branding. People don't think that our products are gonna be, you know, faulty. But, in the same respect, you have some customers that because it "the organisation" they have only had it 10 years, but they don't feel that it's quality for "the organisation". So, you know. They feel that they need a refund. Because their shoes have got no soles on them, now. But they have only had them ten 10 years"...</i> CA14
	<i>"...the times they have brought a jumper and they have clearly washed it on too much hot. Or washed and it shrunk and they haven't followed the washing instructions..." CA11</i>
	<i>"...but there are also genuine customers that exploit the system, because sometimes they feel entitled...They feel because they are, "we are shareholders" well, you know that's what we get. "we are shareholders, so we are entitled to just get a refund..." They say it all the time, especially loyalty holders. Yeah. "We are shareholders." so, "we keep you in jobs..." CA11</i>
	<i>"...like a situation we had, a pillow had been returned that was 4 years old. The customer had washed it, didn't have it tumble drier, dried it somewhere in their home, came into store and said the pillow was lumpy. Now on the label it basically said that the item needed to be, tumble dried, customer said they didn't have a tumble drier, it's probably reasonable to expect, not for every customer, but for some customers that they want a pillow to last a length of time. Therefore, we spoke to customer services and they wanted us to do a refund..." MA10</i>
Customer focus	<i>"...And basically when we do sort of follow up things with our customer services at head office, they would always lean towards refunding for the customer..." MA10</i>
	<i>"...As a company, we always give more than anyone else. So, in terms of refunds, we give a 35 day policy. Whereas most stores are twenty eight. So, "the organisation" has to go one better..." MA15</i>
	<i>"...these fraud I think they are becoming increasing. And because we are doing more offers, there is more opportunity for people to do that. and that because they don't have to have a receipt, to have a refund. I think it's increasing. The company environment makes people want to come and exploit it..." CA18</i>
	<i>"...they want to give that impression of great service. Yeah, "you have got a faulty item? Come back to us, no problem." "You lost your receipt? No problem." So, the whole culture of, surrounding refunds..." CC08</i>
	<i>"...Our service policy is to promote good relationships with our customers...and we would always want to make sure that the customer still value our brand. Or would come in to want to return and purchase items with us..." MA10</i>

	<i>"...I think it's a really good way to abuse our system is knowing that we worry about customer service..." RLPM</i>
The belief that customer is always right	<i>"...Cause it's always the customer is right, at all times. Which they are not. You see..." CA17</i>
	<i>"...I am confident that a lot of people who come to us without receipt are still genuine, for one reason or another they have forgot it, or they have lost it. Or someone else bought the item for them, and they haven't been given a gift receipt for it..." CA12</i>
	<i>"...You know, you get to know your genuine customers. But then you also get the middle-aged ladies, who would fit into the organisation very well, who we have caught doing refund fraud. You know. So, it's not a hard and fast rule..." CC08</i>
	<i>"...but there are also genuine customers that exploit the system ..." CA11</i>
	<i>"...I got told that if we could prove the certain percentage of our customers who are dishonest, then the business might do something about it. But, based on ninety nine percent 99% of our customers being genuine, or perceived to be genuine. It's only a small percentage of customers who we could say are fraudulent refunding..." CC08</i>

4.6 About the CSLRO and its approach to counter fraud

The approach to countering the refund fraud problem in the CSLRO is founded on and driven by customer service. Customer service is the CSLRO's main focus and priority. It is part of the organisation's goodwill brand and reputation, which includes the assurance of quality products. It is also the organisation's strategy for securing sales and patronage. According to the employees interviewed, the CSLRO views the refund fraud problem as a cost of doing business. More than a few of the staff respondents claim that the leadership and management of the CSO think the customer is always right and believe that a majority of their customers are genuine; some of the staff respondents state that they also share in this belief. Based on this belief, the CSO, according to a majority of the respondents, are disposed to incurring losses from refund fraud, especially from the more common fraudulent refund claims from customers, by 'failing to do things right and failing to do the right thing' to manage, control, and counter its incidence. The respondents claim that the CSO fails to support the loss prevention, security and refunds team staff in their efforts to manage and reduce losses from fraudulent refund claims. They claim that, the CSO, also fails to adopt current industry standards of retail loss prevention and control. They also claim that the refund policy, which has been unchanged for over a decade despite the increasing problem of refund fraud, is intended to improve customer service, secure patronage, and increase sales, but at the detriment of loss prevention and countering the fraud problem. According to the respondents, the refund policy is ambiguous and open to interpretations that mostly favour the customer in refund claims without receipt, which are likely to be fraudulent. It also leaves the prevention of suspicious and fraudulent refund claims to the discretion of the respective stores and their refunds team staff members, even though this is not stated clearly in the refunds policy extract available to customers at the point of refund. In addition, the CSLRO rewards customer

service, but there are no rewards or incentives for managing or preventing the incidents of and losses from fraudulent refunds.

The main methods that are used to prevent losses from refund fraud and control its incidence in the CSLRO are the LPI and the refunds teams of customer advisers. These methods are also reportedly the CSLRO's best ways of countering the fraud problem. The LPI contains information about stock loss in the organisation, which includes losses from refund fraud. It is part of the KPI of stores and staff in the CSLRO, even though they are not appraised by it. The LPI has been used by the CSLRO to create awareness about the refund fraud problem, which has reportedly led to the creation of different levels of authorisation at the points of refund, improving the control of exceptional transactions and the use of dump codes, and empowering the refunds team staff to challenge fraudulent refund claims from customers. However, the LPI is internally focused, and by design it mainly controls the actions of staff, and prevents them from processing exceptional items and transactions, which include fraudulent refunds, for themselves. It does not control or prevent the losses from the more common incident of fraudulent refund claims from customers, and the extent to which it prevents the collusion between staff and customers is questionable. This is because staff, especially the management staff, reportedly override the refunds system to process suspicious or fraudulent refund claims from customers, for the sake of customer service and goodwill. Furthermore, the information from the LPI is mainly used by the management team and loss prevention department, even though the refunds teams of CAs are the frontline staff who are responsible for managing the more common incident of fraudulent refund claims from customers.

In the CSLRO, countering the refund fraud problem is largely the responsibility of the loss prevention, security, and refunds team staff, who also function as customer service assistants. These members of staff formed the majority of those interviewed for this study, and they

reveal that in managing fraudulent or suspicious refund situations, there are a number of variables and considerations, and the job is about finding a balance between these variables and deciding what matters most. Some of the considerations and variables are as follows. First, there is the person making the claim. They consider the appearance of the person, whether they are a regular customer, whether they are “big spenders”, and whether they fit the description of the organisation’s typical customer.

They also consider the information derived from the individual, and they consider the visible signs of suspicion. More so, they consider preventing the losses from fraudulent refund claims, and this is exemplified in issuing credit vouchers and seeking to retain the ‘money’ or loss within the organisation. However, in all these considerations and variables, the main priority is customer service, and it is the matter that decides whether they approve a refund claim or not. The other variables that they consider nearly as important as customer service in these refund situations are the price of the item, the beliefs of the refunds staff managing the claim, and the organisation’s reputation. Also, according to the employees interviewed, variables that are less important in these refund situations are the LPI, the refunds policy, and the losses from fraudulent refunds. The thematic analysis and store-by-store findings about these considerations are presented in Table 4.16 later in this chapter, and in the Appendix 5.1.

4.7 The customers know

Customer service, which is the most important consideration for the CSLRO, is equally its major challenge in managing fraudulent or suspicious refund claims. As earlier discussions in this chapter reveal, it is reported as the reason the organisation compromises on their loss prevention and control practices. It has been suggested as the reason they ‘fail in doing things right and doing the right things’.

However, these are not the only reasons customer service focus poses a major challenge to managing the fraud situation in the case study store. As the findings also reveal, the customers know they are the most important consideration, not just in refund situations, but in the organisation, entirely. They know they are the organisation's focus and they know the organisation values its service to customers. Thus, they are aware of the organisation's values and disposition, just as they are aware of its control environment.

They are aware, so they target sensitive working hours, like "*Just before closing*" and periods with high refund traffic – 'rush hour' to make refund claims (CA03; SM04; MA15). They target and are able to identify the new staff. They point towards the refund policy in corroboration of their claims. They demand cash for faulty good refunds. They are also able to identify the "*smaller*" stores with less security. These are different instances that demonstrate the customer's knowledge of the organisation and its control environment. They are also instances that illustrate their use of this knowledge in exploiting the organisation through its returns and refund system. However, the knowledge exploited the most, is knowing they are the most important consideration for the organisation, and that the organisation seeks and visibly favours them. As the RLPM stated:

"...O'yeah, absolutely. It's a huge consideration when somebody is deciding whether they are gonna do a refund or not. If they are gonna give a customer a refund or not. And, and the customers, slash thieves, I suppose you call them, they know that. They know that if they position themselves in a certain way when they come into the store. So if they look smart, If they speak well, then, I, and if they are polite, and then they would, it would probably more likely to get a refund from us, if they haven't got a receipt, versus somebody that comes in looking scruffy, looks like they aren't really a typical customer of the organisation. So, I think

people know that we would be scared to not give good customer service. I think it makes customers advisers and managers nervous about not giving refunds, and I think it's a really good way to abuse our system is knowing that we worry about customer service..."

On knowledge of the refunds system, MA10 states:

"...Most people are more refund savvy nowadays. You know... They understand that there is a sale of goods act. They understand that you can return something if it's got a fault. It doesn't matter if you have got a receipt. A lot of those things are already known to customers..."

Similarly, COCA09 states:

"...They exploit the fact that.... They know our refund policy, and they know the law... that if something is faulty they are entitled to a refund, and they will push on that..."

In addition, a common word used by more than a few of the respondents in describing the fraudulent or suspicious customers and their methods is 'clever'. The word is also used in the explanatory statements of a number of the incidents reported earlier. CA02 articulates:

"...our customers, some of them are very cunning, and they have educated themselves, and they know how to get a refund... They know how to work the system. There are so clever people out there..."

Ultimately, in aggregate, the findings reported in this section are the reasons that customer service, according to a major of the members of staff interviewed, pose the major challenge for fraud prevention in the case study LM organisation. Customer service is also found as a reason for the organisation's losses and 'failings' (i.e. compromises) at preventing or managing the fraud problem.

4.8 Interim Conclusion

To reach conclusions on the extent to which LM counters fraud, the empirical evidence derived from a case study of the way a LM retail organisation counters incidents of fraudulent refund claims was reported in this chapter. The data reported here, which was analysed thematically, further identifies the case study organisation as an LM retail organisation and reveals the severity of the refund fraud problem that they experience. The data reported also shows the counter fraud efforts in the CSLRO, and the shortcomings of these efforts.

The fraud problem in the CSO is fraudulent refund claims. The case study LM retail organisation engages in several activities to counter this refund fraud problem. But, the organisation's two main ways of tackling the problem are using a Key Performance Indicator (KPI) report for losses in the returns and refunds process, known as the Loss Prevention Indicators (LPI) report. The other way is through the case study LM retail organisation's refunds team staff members, who also work as customer service assistants.

The LPI is an internal system of control, which reportedly creates awareness of the refund problem in the CSLRO. It has led to the creation of different levels of authorisation at the points of refund, improving the control of exceptional transactions and the use of dump codes, and empowering the refunds team staff to challenge fraudulent refund claims from customers. The refunds team staff are the CSLRO's line of defence against fraudulent refund claims from customers. They engage in various activities, such as offering quality service to customers, monitoring the movements of suspicious customers, keeping records of regular offenders, and interviewing suspicious customers, as well as working with the refunds team mates, the local community and police to manage refund situations and incidents of fraudulent refund claims. The actions of the refunds team are based on their training and the organisation's refund policy, which authorises them to use their discretion while managing these refund situations, but requires them to focus and prioritise customer service. Customer service is the CSLRO's focus

and main priority. It is part of the organisation's goodwill brand and reputation, which includes the assurance of quality products. It is also the organisation's strategy for securing sales and patronage.

The case study data show that using the LPI and the refunds team staff to counter fraud has been relatively successful in a) reducing stock loss in the CSLRO, which is often a result of the refund fraud problem, and b) reducing the opportunity for employees and customers to exploit the refund process. However, the data also shows that the refund fraud problem, especially from customers, lingers in the CSLRO for several reasons, which include: an ambiguous refund policy that does not support counter fraud, managers overriding the control systems, the lack of leadership support, and an overall organisational disposition that sees fraud as a cost of doing business, and believes that the customers cannot do wrong. In sum, the CSLRO fails to do things right and do the right thing to counter fraud, because of their focus and prioritisation of customer service. The customers also reportedly know that customer service is important to the CSLRO, so some exploit the organisation through fraudulent refund claims.

Having reported in this chapter the findings from the thematic analysis of the case study data, the next chapter presents a detailed discussion of these findings in terms of the reports of fraud towards LM organisations and the literature on the lean management way of preventing and controlling loss. These discussions involve a consideration and comparison of the case study findings with the theoretical suggestions that LM counters fraud, the shortcomings of the LM system which exposes its organisations to events of and losses from fraud, and the relationship between LM and counter fraud.

CHAPTER FIVE-DISCUSSION OF FINDINGS

5.1 Introduction

In Chapter One, an increase in incidents and losses from fraudulent returns, and other reports of fraud towards lean management (LM) organisations such as Toyota and GlaxoSmithKline (GSK), were stated as a reason for this study. In Chapter Four, it was reported that the loss and damages from the fraudulent refund claims in the case study lean management retail organisation are severe (CSLRO). It was also reported that the CSLRO focus and prioritisation of customer service is a main reason they ‘fail to do things right’ and ‘fail to do the right thing’ to counter this refund fraud problem.

To reach conclusions on the extent to which LM counters fraud, the findings from the case study reported in the Chapter Four are now considered against the reports of fraud towards LM organisations, as well as the known issues that problematise the LM way of preventing and controlling loss. These shortcomings include a fundamental difference between LM and counter fraud systems, LM as a socio-technical system, and the emphasis on the technical aspect of LM, which ignores employee autonomy and other behaviours in the social sub-system. It also includes the LM focus on meeting customers’ demands, which ignores customer misbehaviour, and, overall, the concentration on processes and an idealised image of the people enacting those processes. These issues question the theoretical suggestion that LM management counters fraud. The issues also potentially expose organisations who rely on it to risks and losses from fraud.

This chapter is organised as follows: Section 5.2 discusses the findings on the fraud problem in the case study LM organisation. Section 5.3 discusses the findings on the approach to counter fraud in the case study LM organisation. Section 5.4 discusses the findings on the counter fraud efforts in the CSLRO. Section 5.5 discusses the findings on the challenges to counter fraud in the case study LM organisation, while section 5.6 discusses the salience of the case study’s

findings. Section 5.7 summarises and concludes the discussion of findings in this chapter, while section 5.8 discusses the implications of the findings and suggestions for further research.

5.2 Discussing findings on the fraud problem in the case study LM organisation

There are four main suggestions regarding fraud towards LM organisations, from the literature reviewed in Chapter Two. First, the suggestion that the problem of fraudulent refund claims from customers is increasing in retail organisations, where LM is common practice (Wright & Lund, 2006; Harris, 2008; Harris, 2010; Lukic, 2012; Amasiatu & Shah, 2018; Dailey & Ulku, 2018; Ulku & Gurler, 2018). Second, the suggestion that the perpetrators of fraud against LM organisation are customers who either act alone or in collusion with employees to exploit the organisation (see Chapter Two, pages 84 - 88). Third, the suggestion that fraud is a major cost to organisations; the consequences are various, the damages can be severe, and the losses are mostly incalculable (Bierstaker, Brody, & Pacini, 2006; Button, Johnston, Frimpong, & Smith, 2007; Brooks, Button, & Frimpong, 2009; Button, 2011; Button, Blackburn, Lewis, & Shepherd, 2015). Fourth, the suggestion that there is a link between LM and fraud, even though the exact nature and extent of the link, or relationship, is unknown (Holbeche, 1998). For instance, it is unknown whether the reports of fraud in, or toward, LM organisations are consequences of LM practices, or whether the LM organisations are simply associated with the cases of fraud reported. This gap in knowledge is because there appears to be very little academic research that investigates the reports of fraud towards LM organisations, as well as the potential fraud risks and opportunities present in the LM control environment, despite the claims that LM counters fraud.

This study finds that there is, indeed, a problem of fraudulent refund claims from customers in one LM retail organisation. This study also finds that losses from fraudulent refund claims from customers are mostly incalculable, but they can include monetary loss, stock loss and theft of goods, psychological stress and unfavourable working conditions for the employees who

manage these claims, less motivation for employees to counter fraud in the organisations, and some reputational loss and damages in the case study LM organisation. The finding on the losses from fraud in the case study LM organisation is consistent with suggestions in the literature reviewed that a) total fraud loss in organisations includes non-monetary losses which are mostly difficult to calculate (see Chapter Four, page 191), b) apart from the total fraud loss, which is mostly in estimates, there is an additional cost of dealing with the problem of fraud towards organisations (Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shephard, 2015), and c) theft of goods is implicated in some cases of fraudulent refund claims, and fraud loss is a part of shrinkage in retail organisations (Caruana, Ramaseshan, & Ewing, 2001; Bamfield, 2004; Beck & Peacock, 2009; ACFE, 2013; Beck, 2017; Beck, 2018).

Button, Blackburn, Lewis and Shephard (2015) describe total fraud loss as the initial fraud loss plus the costs of dealing with it. However, this thesis' findings on the additional cost of fraud is more similar Bierstaker, Brody and Pacini's (2006) discussion about the cost of employing the services of fraud experts. According to Bierstaker, Brody and Pacini (2006), counter fraud methods with high ratings of effectiveness, which include the use of forensic accounting experts, data mining and digital analysis software, are the least used in most organisations. The minimal usage is attributed to a lack of resources, or the hesitation of organisations and management to invest in effective fraud control methods (Holtfreter, 2005; Bierstaker, Brody, & Pacini, 2006). Kim and Kogan (2014) also corroborate the foregoing claim, and explain the reason organisations are hesitant to invest in counter fraud methods that are considered more effective.

This thesis finds that when dealing with a type 2a suspicious or fraudulent manufacturing fault claim from customers, which includes the possibility that the item returned for refund may have been deliberately damaged by the customer, it can be more costly to return the item to a

manufacturer or expert who can verify the claim. According to more than a few of the respondents interviewed, in these situations, approving the suspicious or fraudulent refund claims instead saves costs and helps them maintain good customer service for the case study LM organisation. This finding prompts a question that underlies the main theme and finding from the case study: if approving suspicious or fraudulent refund claims from customers ‘saves cost’ and helps maintain customer service, then is it a problem that the case study LM organisation chose this approach instead of actively seeking to prevent, deter, and detect the fraud problem and to eliminate the risks or opportunities of its recurrence? This question is discussed in detail, subsequently, in this chapter.

Also, regarding the link between LM practices and the cases of fraud reported in LM organisations, this study finds that there is, at least, an associative link in the case study LM organisation. More than a few of the respondents interviewed in the case study LM organisation believe that most customers who claim fraudulent refunds do so because the focus and priority of the CSO is meeting and satisfying customers’ demands. These respondents claim that the CSO visible favours the customers, and that most customers know and exploit this knowledge. As is discussed subsequently in this chapter, there are studies that indicate that customers fraudulently exploit or take advantage of customer centric organisations, like LM organisations (Chu, Gerstner, & Hess, 1998; Caruana, Ramaseshan, & Ewing, 2001; Harris & Daunt, 2011; Harris & Daunt, 2013; Daunt & Harris, 2014). There are also more than a few research studies that suggest that the behaviour and structure of an organisation can motivate or cause opportunities for fraud (Yeager & Reed, 1998; Vaughan, 1999; Simpson & Piquero, 2002; Holtfreter, 2005; Dorminey, Fleming, Kranacher, & Riley, 2010; Morales, Gendron, & Guenin-Paracini, 2014; Trompeter et al., 2014).

However, the consistency of this finding is arguable. The reason is that the focus of this study was not to investigate the associative or causative link between LM and fraud, but to investigate

the approach to counter fraud in one LM retail organisation. Also, it is still relatively uncertain whether the common case of fraud found and studied in the case study LM organisation was caused by the customer service nature of the organisation, the nature of the organisation’s retail business, or the access to study this particular case of fraud.

Nevertheless, the finding, based on the case study and empirical data analysis, is that the fraud problem in the LTO persists at least partly due to the value system and customer service nature of the organisation.

5.2.1 The Act

The case study findings about the act of fraudulent refund claims from customers are consistent with the literature reviewed on retail loss prevention and consumer fraud (see chapter two). But the majority of these research studies are quantitative, and their primary methods of data collection are typically surveys. Also, the focus of a majority of the literature reviewed in Chapter Two was not investigate fraud in a LM organisation. The literature reviewed on fraudulent refund claims from customers were from a retailing perspective, as well as the loss prevention and shrinkage perspectives. This is because there appears to be very little academic research that investigates and reports on these fraudulent acts, or the management and prevention of these acts, in an LTO.

5.2.2 The issues regarding the act of fraud

Table 5.1: Issues regarding the act of fraud.

Literature review findings	The issue of intent.
Case study findings	Whether the claim is “genuine” or not, how and when the returned item was acquired, whether the receipt of the item was deliberately withheld or not, and whether the item was deliberately damaged or not.

There appears to be very little research that investigates and reports on the uncertainties or issues regarding the act of fraud in LTO. However, based on the review of literature on the

various notions and understanding of fraud in organisations, it was supposed that ‘intent’ would be a major theme to consider in the fraud case study of the LTO (Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Button, Blackburn, Lewis, & Shephard, 2015). In the review, the issue of intent featured in a majority of the variant notions of fraud, or other negative behaviours, considered in an organisation’s business environment (see thematic analysis in Appendix 2.1.3). Intent is not only a feature of employee deviance. However, the literature on employee deviance discusses voluntary behaviour and the issue of shrinkage to production and property in organisations, while the reviewed research studies on shrinkage discuss and consider fraud as a malicious and intentional act against organisations, which causes losses (Bamfield, 2004; Beck & Peacock, 2009). Daunt and Harris (2014), in their research study of employee deviance, discuss intent and findings on customer misbehaviour that include the damaging and vandalising of organisational property.

Findings from the case study reveal that a major difficulty experienced in the management and prevention of fraudulent refund claims from customers in the LTO is the uncertainty about whether the acts in the refund claims are ‘genuine’ or not. By ‘genuineness’, the respondents interviewed refer to uncertainties regarding the intentions behind the acts in the refund claims. According to the respondents, they are mostly unsure whether the acts of claiming refunds without receipts and/or claiming manufacturing fault on items returned are ‘deliberate’ and intended to exploit the organisation and its refund process. Besides, even when these actions are suspicious and they are able to recognise them, they are mostly unable to prove their suspicions regarding the intentions of the customers. Without evidence of the intentions behind these actions, the respondents reveal that they cannot accuse the customers who behave in this manner, or comprehensively state that customers who behave in this manner are essentially fraudulent. This statement is supported with various instances in the case study findings.

As stated, the difficulty posed by the inability to prove the motive or intention behind characteristically fraudulent actions is well-documented in literature (Fraud Act, 2006; Levi & Burrows, 2008; Button, Gee, & Brooks, 2011; Dorminey, Fleming, Kranacher, & Riley, 2010; Lewis et al., 2014; Trompeter et al., 2014; Button, Blackburn, Lewis, & Shephard, 2015; Free, 2015; Lokanan, 2015). The current findings of this case study contribute to this literature, and account for similar difficulties experienced in managing the problem of fraud, in this case in an LTO. This difficulty was not considered in the initial review of the literature on LT control environments and the proposed efficiency of these environments in addressing the challenges experienced with FP in organisations.

The issue of intent, and the difficulty involved in observing intent in actions, is arguably a reason that research studies tend to focus on the other types of similar negative and deviant behaviours towards organisations, like shrinkage and employee and customer deviance. In shrinkage and deviance, intent is a common feature or theme, but the subject is perhaps not as significant as it is in cases of fraud. This is especially when the case of fraud is understood as a crime, or reviewed in a legal context (Fraud Act, 2006; Lewis et al., 2014 see also, Appendix 2.1.3). For instance, research studies and deliberations on shrinkage are mostly focused on losses, retail loss and loss prevention, just as deviance is mostly concerned with organisational norms, and violation is mostly concerned with obligations and trust (Robinson & Bennett, 1995; Appelbaum, Iaconi & Matousek, 2007; ACFE, 2013; Becks, 2017; Becks, 2018). There is not much deliberation of intent within these notions and contexts. This issue of the difficulty in observing or investigating intent is plausibly also why economic games and other experimental research studies focus on acts of deception, cheating, or deliberately withholding information, as in ‘cheap talk’ communication games (Crawford & Sobel, 1982; Crawford, 1998; Gneezy, 2005; Bicchieri & Xiao, 2009; Gneezy, Rockenbach, & Serra-Garcia, 2013; Dai, Galeotti, & Villeval, 2016). These experiential research studies also investigate and report

on the beliefs of the research participants, but they adopt a scientific approach in studying these actions and providing these reports, in a controlled environment where variables can be measured and controlled (Gneezy, 2005; Bicchieri & Xiao, 2009; Gneezy, Rockenbach & Serra-Garcia, 2013).

The main focus of this study is to investigate and report on actions before the event of fraud, and not the event of fraud itself. Collecting data on fraud is only necessary because a fraud case or problem is required in analysing, and potentially understanding, the approach to countering fraud in a LM organisation. The findings on the case of fraudulent refund claims in the case study LTO suggest that organisations, and research studies in organisations, should focus and deliberate more about fraud cases which are, or can be, directly associated with the organisational structure, value system and business strategy and/or policies. In this case, it is found that the customer-focused structure and value system of the LTO are linked to the fraud experienced in the business environment. Another reason why LM and counter fraud research studies should investigate the role of organisational structures and behaviours in countering fraud is that these are conditions that are, arguably, more directly within the control of the business and its organisations. Research studies like those of Holtfreter (2005), Koerber and Neck (2006), Mackevicius and Giriunas (2013) and Purnamasri and Amaliah (2015) already recognise and discuss how an organisational structure, like LTO or otherwise, could be a favourable condition for fraud perpetration.

5.3 About the CSO and its approach to counter fraud

This study finds that the way one LM retail organisation counters fraudulent refund claims from customers is through customer service and goodwill. This means that when managing fraudulent or suspicious refund claims from customers, the focus and main priority of the CSO is meeting and satisfying the customers' needs. As SM04 puts it “.... *Customer is 100 percent at my focus. Even if I feel like the customer isn't genuine, and what they are bringing back.*

With my organisation head on, and my training I would almost go above and beyond and be nice and polite to that customer. So, it's always service. Always... absolutely. Good customer service..." (Section 4.4.5.1 and 4.6 in Chapter Four, reports in detail the findings on this approach). According to the respondents interviewed, the rationale behind this approach is that the CSO believes that approving fraudulent or suspicious refund claims from customers, as well as the losses and damages that accrue to the CSO as a result, is a reasonable price to pay for securing the patronage of their customers and maintaining their customer service reputation and goodwill. As MA10 put it *"...in terms of monetary loss to the business, there is not an overemphasis from "the organisation" in terms of money that is being lost through that type of refund. Because they want to basically protect the brand. In the bigger picture of the company, the damage to the company over a 30 pound dress or a 50 pound handbag, is minor..."*. More than a few of the respondents interviewed also claim that, in most cases, investigating a fraudulent or suspicious refund claim from customers can be more costly than the actual price or value of the item in contention. Therefore, in the CSO, they often compromise on this good practice by approving the suspicious or fraudulent refund claims instead, which for the store and organisation saves costs and helps them maintain good customer service. Now, the question for discussion at this point is: if approving suspicious or fraudulent refund claims from customers 'saves cost' and helps maintain customer service, then is it a problem that the case study LM organisation chose this approach instead of actively seeking to prevent, deter, and detect the fraud problem and to eliminate the risks or opportunities of its recurrence?

Based on the LM and counter fraud literature reviewed in this thesis, the case study LM organisation's approach to countering fraudulent refund claims from customers can perhaps be seen as a problem. Also, based on a majority of the LM and counter fraud literature reviewed in this thesis, the findings on the reason for the lingering problem of refund fraud in the CSO,

and the challenges to counter fraud in the case study LM organisation can be categorised as ‘failing to do things right’ and ‘failing to do the right things’.

This is because LM organisations are socio-technical systems and, in LM, it is assumed that the way to prevent losses and control deviant behaviours like fraud is to prioritise and focus on meeting and satisfying customers’ demands, through various waste elimination activities (Hummels & De Leede, 2000; Womack & Jones, 2003; Hines, Holweg, & Rich, 2004; Liker, 2004; Paez et al., 2004; Shah & Ward, 2007; Joosten, Bongers, & Janssen, 2009; Pettersen, 2009; Hoss & ten Caten, 2013). Quite similarly, in counter fraud, it is mostly assumed that eliminating the ‘pathway’ or opportunities for fraud, through various activities that deter, prevent, and detect its potential occurrence, should be an organisation’s priority (Dorminey, Fleming, Kranacher, & Riley, 2010; Morales, Gendron, & Guenin-Paracini, 2014; Trompeter et al., 2014; Free, 2015). In addition, in LM, the focus of a majority of its literature and practice is on the technical aspect, which concerns waste elimination and control (Hummels & De Leede, 2000; Hines, Holweg, & Rich, 2004; Stone, 2012). Bortolotti, Boscarri and Danese (2015) describes this technical aspect as the hard practices of LM, and it includes practices such as *kanban*, JIT, statistical process control, automation (see Chapter Two, pages 28 – 50 for details). Quite similarly, in counter fraud, it is known that organisations rely on internal controls to counter fraud, even though fraud is a social phenomenon and problem with human behaviour, and not an accounting dilemma, nor an issue with organisational controls (Wells, 2004; Trompeter, Carpenter, Jones, & Riley, 2014; Lokanan, 2015; Morales, Gendron, Guenin-Paracini, 2014).

However, it is known that the Taylorian view and functionalist approach to LM, which promotes the idea that there is ‘one right way’ to do work and can imply that LM is an ‘either/or’ concept, is one issue that problematises LM (Lorino, 2014; Bhasin, 2015). It is also known that the overemphasis on the technical aspects of LM, is another issue that problematise

LM. Lastly, it is known that relying on internal controls, which includes the LM technical and analytical tools, to counter fraud can expose LM organisations to potential risks and losses from fraud (see Chapter Two for a detailed discussion of these issues).

Therefore, instead of viewing and analysing these findings on the case study LM organisation's approach to countering fraudulent refund claims from customers as it ought to be, an alternative approach could be to view and analyse this phenomena as it is, from a realist perspective, which is the underlying research philosophy of this study.

From a realist perspective, two questions seem significant to discuss at this point. The first question is: do findings on the case study LM organisation's approach to countering fraudulent refund claims from customers imply that it, the CSO's customer service and goodwill approach, is perhaps 'inefficient' or wasteful?

Perhaps; and for the following reasons: a) the findings from the case study show that CSO records actual losses and often makes compromises as a result of this approach, b) the case study's findings also indicate that there are existing or actual controls and practices that can be maintained or improved upon in the CSO, which can serve the CSO's customer service objective as well as the help manage incidents of fraudulent refund claims from customers. For instance, ensuring quality products and making sure that less defective items on sale, and employing more members of staff to serve customers, as well as to man the shop-floor areas and refunds desk, can serve both the customer service objective and help counter fraudulent refund claims from customers. And c), when considered against the LM and counter fraud literature reviewed in this thesis, the CSO's approach to counter fraud can be seen as 'wasteful'. However, considering that this approach saves cost for the CSO in some occasions, and that the CSO views the losses from fraudulent refund claims from customers as a reasonable price to pay for securing the patronage of their customers and maintaining their customer service

reputation and goodwill, then it cannot be stated unequivocally that they are ‘actually’ wasteful. Besides, value in LM is described as the ability to provide services or products at the right time, and at the appropriate price, to satisfy the customers’ needs (Womack & Jones, 2003). Therefore, if the CSO believes that that the loss from fraudulent refund claims from customers are an appropriate price to pay to meet and satisfy customers’ needs, then it can perhaps be said that they are creating LM value.

The second question to discuss at this point is, do findings on the case study LM organisation’s approach to counter fraud imply that they are ‘failing to do things right and failing to the right things’?

Again, perhaps, and this depends on what ‘right’ is. As findings from the case study reveal, the refund fraud problem lingers for a number of reasons, a majority of which involve, and can be categorised here as the CSO’s focus on customer service, as well as their ‘failing to do things right’, and ‘failing to do the right things’ consistently. This categorisation is based on the LM and counter fraud literature reviewed in this thesis. Also, when considered against the literature reviewed in this thesis, as well as the assumptions discussed earlier in this section, the findings on the challenges to counter fraud in the CSO can also be categorised as consequences of the CSO’s ‘failing to do things right and failing to do the right things’ consistently. Furthermore, in the CSO, the customer service assistants (CSAs) are considered as the ‘best’ way to counter fraudulent refund claims from customers. However, as the findings from the case study show, the CSAs can be prejudiced and inconsistent in the way they manage these often, similar refund situations (see Table 4.6, page 196). The CSAs typically judge customers by their appearance, and they handle most situations based on their beliefs and perception of the customers, because the refunds policy gives them the discretion to manage these situations as they will (see Chapter Four). When the inconsistency of this method is considered against the LM and counter fraud literature reviewed in this thesis, as well as the possible ‘moral wrongness’ involved, it can be

argued that the CSO does not exactly ‘do things right or do the right things’ to counter fraud (Simon, 1991; Kalantari, 2010; see also Chapter Three, section 3.5.2).

However, if ‘right’ is, for instance, making humane, empathetic and trusting treatment of all customers more important than reducing losses from fraud, then it can be stated that the CSO is succeeding at ‘doing things right and doing the right thing’. Afterall, the focus of LM is meeting and satisfying customers’ demands, and customer service is described as the hallmark of LM (Kennedy & Widener, 2008). Also, humanity and respect for people is at the core of the LM cultural values (Bhasin & Burcher, 2006; Shah & Ward, 2007). Besides, there is a social aspect to LM, which is often underemphasised because of the focus on the technical aspect. As Bortolotti, Boscari and Danese (2015) state, this aspect of LM is characterised by a lower level of assertiveness, higher institutional collectivism, future orientation, and a humane orientation that encourages and reward individuals for being friendly, fair, altruistic, generous, caring and kind to others.

Furthermore, as more than a few respondents in their interviews reveal, there is no one way to counter fraudulent refund claims from customers. This statement is consistent with the view held by many of the counter fraud literature on countering fraud towards organisations (see Chapter Two, page 62. See also Wells, 2004; Bierstaker, Brody, & Pacini, 2006; Button & Brooks, 2009; Brooks, Button, & Frimpong, 2009; Dorminey, Fleming, Kranacher, & Riley, 2012; Trompeter, Carpenter, Jones, & Riley, 2014). Therefore, what can perhaps be learned from the findings in this case study is that instead of focusing on what a LM organisation ought to do to counter fraudulent refund claims from customers, or ‘what is right’ for LM and ‘the right way’ to counter fraud, both the LM and counter fraud literature can perhaps learn from each other. LM organisations could consider actively pursuing counter fraud and implementing counter fraud polices, while counter fraud practitioners can consider more human approaches

to counter fraud, like customer service and respect for people, instead of the focus on internal controls and deterrence systems.

In addition, the findings on the challenges to counter fraud in the CSO can also be viewed and categorised as consequences of behaviours in the LM social sub-system. This view and categorisation are based on the claims in the LM literature reviewed that the social aspect of LM is often underemphasised, and that behaviours in the social sub-system pose a challenge and barrier to the success, adoption, and practice of LM (Bollbach, 2012; Jadhav, Mantha, & Rane, 2014; Dora, Kumar, & Gellynck, 2016; Lodgaard, Ingvaldsen, Gamme, & Aschehoug, 2016). According to Lodgaard, Ingvaldsen, Gamme, and Aschehoug (2016), many organisations still struggle to achieve success with LM because of both organisational and technical barriers, such as poor involvement of employees, a lack of management support and commitment, and excessive confidence in LM tools and practices. This view is quite consistent with this thesis' findings on behaviours that pose a challenge to counter fraud in the case study LM organisation, such as the customer focus of the CSO, the lack of organisational and leadership support in countering the refund fraud problem, as well as the customers that claim fraudulent refunds. According to more than a few of the CAs interviewed, the CSO's focus on meeting and satisfying customers' demands often causes less motivation for employees to counter fraudulent refund claims from customers.

Therefore, another lesson that perhaps can be learned from the findings in this study is, instead of the current LM and counter fraud focus on the motivations and reason that people commit fraud, LM organisations, and indeed, counter fraud practitioners, could perhaps focus more on the rationale and motivations behind counter fraud as was attempted in this thesis. This is because, there is a common view between the LM and counter fraud literature reviewed in this thesis that fraud is a social phenomenon and a human problem. There is also a common view that humans are essential to countering the problem of fraud towards LM organisations, and as

findings in the case study show people can LM organisations can indeed be the ‘best way’ to counter fraud. Therefore, focusing more on the rationale and motivations behind counter fraud, as well building a strong counter fraud culture in LM organisations, could perhaps be of equal cost-saving benefit to LM organisations, as the current focus on customer service. Besides, a focus on customer service, does not mean that LM organisations cannot simultaneously focus on loss prevention and control, as well as counter fraud.

5.4 Discussing findings on the counter fraud efforts in the case study LM organisation

Table 5.2: Exploring lean thinking organisations and control environment.

Exploring lean thinking organisations and control environment	
Literature review findings on lean thinking organisations and control environment.	An organisation focused on, and driven by, customers and their behaviour. The organisation is an integrated socio-technical system, where the social aspects involve people and society, and the technical aspect involves machine and technology. It is an organisation with its own unique structure, style of management, beliefs, strategic initiatives and control practices, all of which constitute the proposed value system.
Case study findings on a lean thinking retail organisation and control environment.	An organisation focused on, and driven by, customers and their behaviours. The case study LTO organisation comprises an integrated socio-technical system, founded on a value system which includes a heritage of customer service, ensuring quality, and ‘doing the right thing’.

The proposed social-technical system of LTOs is exemplified in the case study findings on the structure and relationships between the refunds desk, the refunds team, and the visual control management practices. As the case study findings reveal, the having a specific and controlled area for refunds enables the refunds team and the best practices employed in managing fraudulent or suspicious refund claims. This structure and strategic placement of the refunds desk and team is consistent with suggestions in the LM literature about behavioural controls,

and the integrated and interdependent relationship between the technical and social systems, in LTO (Shah & Ward, 2007; Pettersen, 2009; Hasle et al., 2012). According to these authors, the technical system aligns and shapes the behaviour of members of the social system, while allowing them to use their skill and knowledge to accomplish tasks. However, while this literature does not account for the ‘alignment’, or management and control, of fraud and fraudulent behaviours, nor the ‘alignment’ of fraudulent behaviours of customers who are arguably outside the social system they consider, the current case study findings do illustrate these management functions. This study illustrates that the socio-technical system allows the accomplishment of tasks beyond the typical lean manufacturing or production value streams, and extends to the control of fraud within the returns and reverse logistics process (Chan, Yin, & Chan, 2010).

5.4.1 Lean thinking value system

Table 5.3: Lean thinking value system.

Literature review findings	An organisation focused on customers. The common features of the proposed lean thinking value system include teamwork and group responsibility, efficiency, transparency, a learning environment, customer value and service, leadership at all levels, equality, trust, relationships, humanity, respect and reciprocity. Simplicity is also a notable feature of this value-system.
Case study findings	A heritage of goodwill, respect and service to customers. The organisation also values quality, in products and services rendered, just as it believes in teamwork, information sharing and communication and doing the right thing for its customers.

5.4.2 Lean thinking control environment

Table 5.4: Lean thinking control environment.

Literature review findings	Lean management claims to prevent losses and control behaviours like fraud. It is a supposedly efficient control environment. The findings from the literature review also suggests that it is a value-based control environment focused on customers. According to the case study findings of Kennedy and Widener (2008), it comprises social and behavioural controls that encourage efficiency in the organisation. These controls include standard operating procedures [SOPs], empowerment, peer pressure, visualisation and training. They are also supposed to manage and discourage inefficient or the deviant organisational activities and behaviours. There are appears to be very little academic research that investigates fraud towards LM organisations (see Chapter Two for details).
Case study findings	It is a value-based control environment focused on customers. It comprises social and behavioural controls, as the case study accounts for empowerment, awareness, visualisation and VCM, altruistic values, sanctions and apprehension of dismissal, name and shame, and other loss prevention and control based practices such as ‘different authorisation levels’ and managing exceptional transactions, both of which can be classified as SOPs. There are several other loss prevention and control based practices equally found in the control environment [see Table 4.15 and Appendix 5.1]. Other control practices found in the case study LM organisation include teamwork, respect and service to customers, humanity, and information sharing and communication. These practices are used by the refunds team in the case study LM organisation to counter fraudulent refund claims from customers.

The tables 5.3 and 5.4 above compares generalisations about LM from the literature reviewed in Chapter Two with the findings or reality of LM in the case study organisation. From this comparison, there a number of inconsistencies found between the suggestions of the literature review on LTO and its control environment and the case study findings on the topic. These are illustrated below:

Table 5.5: Inconsistencies between literature review on LTO and its control environment compared to case study findings.

Literature review findings	There are claims, theoretical suggestions, that LM counters fraud (see Chapter Two). Lean thinking organisations are a supposedly efficient value based control environment that discourages deviant and negative behaviours like fraud.
Case study findings	The findings suggest that the lean thinking value-based control environment encourages efficiency internally amongst staff, and may be efficient to an extent in managing and preventing staff from colluding with customers for fraudulent refund claims. However, it does not efficiently discourage fraudulent refund claims from customers. The findings from the literature reviewed, and the case study of the way one LM organisation counters fraud suggest that LM can, perhaps, prevent fraud. However, the extent to which it deters and detects fraud is questionable and, as findings from the case study indicates, not without consequences.

5.4.3 The loss prevention and control claims of LM

Based on findings in the literature review, there were three suppositions guiding the efficiency, or loss prevention and control claims, of LTOs. The first supposition was that LTOs are a value-based control environment focused on customers. Findings from the case study corroborate this claim, and evidence that the CSO is indeed a LM retail organisation that is focused on meeting and satisfying customers' demands has been reported in Chapter Four (see section 4.2, section 4.4.5.1, section 4.5.8 and section 4.6 in the Findings Chapter). Table 5.4 above contains a summary of some practices that identify the CSO as a LM organisation.

The second supposition was that the control environment of LTOs is efficient (i.e. does not compromise on loss prevention and control). Also, based on the literature review's findings on this supposed efficiency, it was further supposed that such an efficient control environment discourages wasteful activities and other deviant or negative behaviours, like fraud. However, as the empirical evidence and findings from the case study reveal, there are a number of inconsistencies with the foregoing suppositions regarding the control environment of LTOs.

The suppositions from the literature review were derived by comparing the various claims of the supposed efficiency (i.e. the loss prevention and control claims of LM) and value system of LTO control environments with findings on the challenges with FP in organisations (see Appendix 1.1). When compared, the various LT suppositions were found to be consistent with the suggestions regarding the management of these issues or challenges. Consequently, based on these findings, it was suggested that LM, which is the value-based control environment focused on customers, could counter fraud towards organisations. Accordingly, one of the literatures reviewed in Chapter Two which suggests that LM counters fraud is Kennedy and Widener (2008). Their research study is actually crucial to this entire research inquiry, because it considers LT and the management of negative behaviours, like fraud in the current case study. According to the empirical findings of their case study, the social and behavioural controls in LT control environments are efficient in the alignment, management and prevention of deviant or negative behaviours in the organisation.

The findings from the current case study corroborate suggestions in the LM literature reviewed that there are social and behavioural controls present in LT control environments. However, as the findings equally reveal, these controls are not as effective in aligning or managing deviant behaviours internally, as the LT literature suggests. This study also finds that they can be useful and effective in managing and preventing fraudulent or suspicious refund claims from customers (see Tables 5.4 and Appendix 5.1 for a list of these controls). On the contrary,

however, the case study findings reveal that the LTO control environment does not completely prevent losses or control deviant behaviours within the organisational environment. Furthermore, there is a limit to LM's supposed internal efficiency - or loss prevention and control quality, as findings also reveal that it discourages staff members, to an extent, from colluding with customers for fraudulent refund claims. Ultimately, the case study findings reveal that the supposedly efficient LTO control environment does not efficiently counter fraudulent refund claims from customers. This means that the findings from the literature reviewed in this thesis, and from the case study of the way one LM organisation counters fraud, suggest that LM can perhaps prevent fraud. However, the extent to which LM deters and detects fraud is questionable and, as findings from the case study indicates, not without consequences. Some of these consequences can be categorised as waste in LM (see Chapter Two, page 32).

The reasons for the losses and LM wastes recorded in the case study LTO environment are discussed in detail below. However, prior to that discussion, it is useful to explore the inconsistencies between the findings from the literature review and the evidence of this case study, because these inconsistencies pose a number of questions for deliberation. The first question is 'are customers not considered in the organisational structure or implementation of LT and its strategies in organisations?', or alternatively, 'do LTOs not consider the control or alignment of customer behaviour in their business environment?' The premise of LT is its customer focused nature and structure. Apart from reasons of efficiency, LT is typically adopted in organisations as a strategy to gain competitive advantage while securing the patronage of its customers (Garbarino & Johnson, 1999; Womack & Jones, 2003; Seddon & Caulkin, 2007). Thus, based on the foregoing statements, it cannot be supposed that LTOs do not consider their customers or the control and influence of their customers' behaviour. However, there is another question, since there is research and literature evidence that perhaps answers the foregoing questions. The question is, 'do LT organisations and business

environments not consider the control or alignment of deviant and negative behaviours from their customers?’ This is the more likely question for deliberation, as findings from the current research inquiry reveal that the leadership and management of the case study LTO is accommodating of fraud and fraudulent behaviours from its customers. As the respondents reveal, they compromise on the efficient (i.e. loss prevention and control) practices in the control environment, and accept the losses from fraudulent refund claims as goodwill and a price to pay for serving customers and securing their patronage.

However, these findings, although unexpected in the context of LT research and business environments, are not completely new or undocumented in other literature. The literature reviewed on fraud retail environments showed that fraudsters in retailing environments are increasingly taking advantage of the goodwill of retailers (Harris, 2010; LexisNexis, 2016; Yan, Chen, Chen, & Chen, 2017; Amasiatu & Shah, 2018; Dailey & Ulku, 2018; Ulku & Gurler, 2018). Moreover, as such research studies also reveal, retailers are aware of these fraud situations, just as they are aware that their focus and service to customers through the current retailing structure are associated with shrinkage losses and opportunities for fraud. Yet despite their awareness, Al-Khouri (2014), Andrews et al. (2016) and Hubner et al. (2016) claim that more than a few retailers deliberately fail to communicate these difficulties experienced in serving customers through the omni-channel customer focused structure. Al-Khouri (2014), Andrews et al. (2016) and Hubner et al. (2016) also claim that more than a few these omni-channel retailers also fail to do the right things to prevent fraud, for the sake of patronage and fear of annoying or alienating their customers.

Nevertheless, as the above case study findings and discussion on LTOs and control environments illustrate, there are behavioural and social control benefits to LT practice in organisations. These controls, as the current case study finds, are equally effective to an extent in managing and preventing the case of fraud examined and fraudulent refund claims from

customers. However, when adopting or practising LT, organisations and practitioners should equally consider the alignment of customer behaviour to LT values and practices. This alignment is achievable by doing the right thing in these situations, such as communicating these difficulties (i.e. the challenges and shrinkage or loss opportunities associated with serving customers through multiple channels), which include the fraud problem and challenges with preventing fraud, to the customers, and creating awareness. Such awareness should also include encouraging customers do the right thing. However, these are actions that some retailers perhaps do not consider or choose to do, a finding that is consistent in the literature and current case study.

This case study's findings on the difficulties experienced in managing fraudulent refund claims due to the LTO customer focus structure and the nature of the retail business are discussed in detail subsequently.

5.4.4 Visual control management

One of the findings on the management and prevention of fraudulent refund claims from customers in the case study LTO is visual control management [VCM] and its practices. According to the findings, the shop floor layout, and strategic positioning of goods and human resources in the control environment, enable several other control practices, which are reportedly efficient in managing the fraud problem. As stated earlier, findings on the VCM are consistent with the proposed social and behavioural controls in LT environments, as well as the efficiency imposed by the socio-technical structure of LTOs. However, even though these practices were not found in this study to be completely without loss in preventing fraudulent refund claims from customers, one significant finding is the efficiency it reportedly ensures within the organisation and its staff. As Kennedy and Widener (2008) note, one of the social controls present in LTO is empowerment. The formation of cells and value stream teams, including the ability to track individual measures of performance through visible charts and

metrics board, empowers staff to make management decisions within their groups. More importantly, it enables them to monitor and control the deviant behaviour internally, like the case of absenteeism mentioned in the study, and the performance of each staff team member. Almost similarly in the current case study, findings reveal that the loss prevention indicator (LPI), which is a visible KPI or metric for losses from exceptional transactions, creates an awareness of the losses from fraudulent refund claims from customers in the organisation, and of the severity of the refund problem. Consequently, it also encourages and empowers the refunds team staff in their efforts to prevent fraudulent refund claims from customers. This was the reported finding in the pilot study, but even though the refunds team staff in the main interviews state that they are aware of the LPI, it does not empower, control or influence their decisions to manage the fraud problem. Nevertheless, as the RLPM states, the major benefit of the LPI is the awareness of the problem that it creates. Thus, even though the staff contend its empowerment benefits, the agreement on the awareness it creates is, arguably, valuable to the efficiency of control environment against fraud. According to Gottschalk (2016), an awareness of the fraud problem is essential to discouraging fraud in organisations.

5.5 Discussing findings on the challenges to countering fraud in the CSLRO

This section discusses the case study and literature review findings on the challenges of FP organisations.

Table 5.6: Challenges with fraud prevention (Source: Author).

Challenges with fraud prevention	
Literature review findings	<ul style="list-style-type: none"> • Issues with the organisational culture • Issues with the organisational structure and coordination of work • Issues with the control environment • Issues with leadership • Issues with teamwork • Issues with the management • Issues with the accounting system • Issues with information and communication • Issues with decision making • Issues with cost (see Appendix 1.1.4)

Table 5.7: Challenges with lean thinking practices and implementation in organisations (Source: Author).

Challenges with lean thinking practice and implementation in organisations	
Literature review findings	<ul style="list-style-type: none"> • The piecemeal practice and adoption of lean thinking is a barrier to successful lean implementation and the efficiency of lean thinking control environments. • There may be an unrealistic expectation of what lean thinking should be and what the results of a successful lean implementation portend (Cox & Chicksand, 2005). This is because there is no ‘one right way’ to do work, or manage people, unlike most of the current LM literature suggest (Lorino, 2014; Bhasin, 2015). There is the ‘ideal’ image of LM, when in fact, it may not be as efficient, or useful in loss prevention, as it claims to be (Bhasin, 2012; Azadegan, Patel, Zangouinezhad, & Linderman, 2013).
Case study findings	<ul style="list-style-type: none"> • The organisation is fundamentally lean thinking. This is found in its philosophy and value systems. It is equally found in its customer focused organisation and most of its practices. • The findings on the wasteful practices (i.e. the CSO’s ‘failing to things right and failing to do the right things’ consistently to counter fraudulent refund claims from customers), and the lack of leadership and organisational support in counter fraud efforts in the case study LTO are identified as challenges in the organisation’s efficiency and efficacy in managing and preventing the fraud problem.

Table 5.8: Challenges with fraud prevention in omni-channel retailing organisations (Source: Author).

Challenges with fraud prevention in retailing organisations	
Literature review findings	<ul style="list-style-type: none"> • The multiple service channels creates complexities as there are several touchpoints present in the logistics, distribution, and service aspects that create opportunities for fraud. • Retailers are aware of these complexities but deliberately refund to communicate them to the customers. • In omni-channel retailing, LM is typically applied or practised in piecemeal. It is mostly used to simplify the processes and to integrate the multi-channels. • The retailer’s dilemma – the choice between doing the right things to prevent fraud and doing the right things for customer service. • Typical retailing activities would affect LM practices in terms of fraud (see Grewal & Levy, 2007; Harris, 2008; Brown & Dant, 2009; Harris, 2010; Al-Khour, 2014; The Retail Equation, 2014; Agilence, 2015; Verhoef et al., 2015; Netland, Ferdows & Sanchez, 2015; Gong & Janssen, 2015; Zambonini, 2015; Ahsan & Rahman, 2016; Farshidi 2016; Finnegan et al, 2016; LexisNexis, 2016; Stolze, Mollenkopf & Flint, 2016; Weichert, 2017).

Also, the common challenges experienced in managing the fraud problem, as identified in the case of fraudulent refund claims from customers are presented in Table 5.9, below.

Table 5.9: The common case study findings on challenges with fraud prevention [All four stores].

The common case study findings on challenges with fraud prevention	
Uncertainties	<ul style="list-style-type: none"> • Uncertainties with proving the act or intent behind the act
‘Inefficient’ practices identified	<ul style="list-style-type: none"> • Ambiguity of the refund policy • Compromising or failing to do the right thing • The issue with fitting, sizing and outsourcing • Staffing constraints • Negligence – the lack of duty of care from both customers and the organisation
The nature of the retail business and challenges with omni-channel retailing structure	<ul style="list-style-type: none"> • Goodwill and customer service • Omni-channel retailing structure – customer focus through multiple touch points • The bag situation • The nature of the retail business • The size issue • Social media and its challenges
Customers	<ul style="list-style-type: none"> • “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims • Customer negligence • The recidivist nature of fraudulent refund customers • Customer perceives the organisation as easy • Customer satisfaction and expectation for loyalty to the organisation
Issues with the leadership and the organisation	<ul style="list-style-type: none"> • “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims
Goodwill and customer service focus	<ul style="list-style-type: none"> • Being considerate • Goodwill • Customer service focus

5.5.1 The reasons for the persistence of the fraud problem in the CSO

Based on a literature review and analysis of the challenges with FP, it was concluded and proposed that the major challenge and reason for these challenges include.

Table 5.10: The supposed reasons in the literature.

Findings on potential challenges to countering fraud in a LM organisation	
Literature review findings	<ul style="list-style-type: none"> • The problem of autonomy. The technical system of LM organisations determines the behaviours in the social sub-system • LMO rely on the technical systems for controls. This excessive reliance and confidence on LM tools and practices creates a problem where the socio-aspect is often underemphasised or ignored • The focus on customers • The scientific nature of LM. LM is functionalist in approach, and a majority of the LM literature talks about doing the ‘right’ thing and doing things right. This often suggests that there is one right way of doing things • According to the literature, there is a fundamental difference between LM and counter fraud systems. This difference could perhaps expose organisations who rely on LM to counter fraud, to risks and losses from fraud • There is very little in the LM literature that discusses the limitations, negative consequences or risks of the customer focused behaviour and structure of LM • There are discussions about how context, which includes behaviours in the LM social sub-system and the organisational environment, poses a challenge and barrier to the success, adoption, and practice of LM. According to Lodgaard, Ingvaldsen, Gamme, and Aschehoug (2016), many organisations still struggle to achieve success with LM because of both organisational and technical barriers, such as poor involvement of employees, a lack of management support and commitment, and excessive confidence in LM tools and practices • Very little is known about the relationship between LM and counter fraud, as there appears to be very little literature that investigates the reports of fraud towards LM organisations • There is very little known about the role of organisational structures and behaviours in countering fraud in LM organisations • There appears to be very little discussions about customer deviance in the LM literature, which problematises LM because customers are known to fraudulently exploit and take advantage of organisations that are focused on them

Similarly, based on an analysis of the case study findings, these are the major challenges to counter fraud identified, and the common reasons for difficulties experienced in managing and preventing fraudulent refund claims.

Table 5.11: The major challenges and common reason for difficulties experienced in fraud prevention.

The major challenges and common reason for difficulties experienced in fraud prevention	
Case study findings	<ul style="list-style-type: none"> • Being considerate –customer service really matters • Doing the right things for reasons other than preventing and managing the fraud examined. • Uncertainties in refund situations. • Goodwill – customer service focus. The brand image and strategy for securing patronage. • Confliction and inconsistencies – failing to do the ‘right’ thing that manage and prevent fraud, consistently. Inefficiencies (i.e. incurring losses) and making compromises for the sake of goodwill, customer service, and patronage. • ‘Customers know’. Customers know that the case study LTO visibly favours them, and they reportedly use this knowledge to exploit the organisation.

As stated, a number of challenges with the counter fraud efforts in LM organisations were identified in the literature review on FP, organisational control, and MCS (see Table 5.7). However, from further review and analysis of these challenges, it was concluded and proposed that there are a number of issues and reasons for the difficulties experienced with managing and preventing fraud in organisations. These issues, as presented in Table 5.10, are the main subjects in this discussion of the case study findings. The reason is that recommendations on the majority of the issues identified in Table 5.8 have already been discussed in the literature review, before the comparison against findings on the proposed lean thinking value system (see Appendix 1.1 & 2.1 for coding tables). However, where necessary, any of the individual challenges identified in Table 5.8 are mentioned and discussed.

The other relevant case study literature findings discussed are the challenges with LT practice and implementation in organisations (Table 5.9), including the findings on FP in retailing organisations (Table 5.10).

5.5.2 Case study findings

The case study reveals that the various lean thinking practices in the case study LM organisation's control environment are effective, to an extent, in managing and preventing the case of fraudulent refund claims in the organisation. However, the difficulties the CSO experiences while ensuring these practices are the major reason for the persistence of cases of fraudulent refund claims from customers in the organisation, and the reason that the extent to which LM counters fraud is questionable. Also, when compared against the literature reviewed in this study, the reality of countering fraudulent refund claims from customers in one LM organisation is different from what a majority of the literature supposes. These difficulties are now discussed.

5.5.2.1 Compromises on countering fraud

These include 'failing to do the right things, failing to do the right things' consistently, and doing the right things for reasons other than managing or preventing the case of fraud examined in the LTO organisation.

At the beginning of the research inquiry, it was supposed that a LTO would not compromise on loss prevention and control (i.e. waste elimination) in their control environment. The reason is that loss prevention and control is a core LT value, and a common premise or reason for its adoption in organisations and business environments. When loss prevention and control in LT is discussed, there a number of theories and several efficiency-based practices that are or can be considered (see Chapter Two; Emiliani, 2006; Bicheno & Holweg, 2009; Pettersen, 2009; Lorino, 2014). These include the zero tolerance for waste, JIT philosophy and practice, the TQM, standardisation in 5S (see Table 2.2 in Chapter Two). Loss prevention and control in

LM also includes the typical LT customer focused ‘pull-system’ structure, which is fundamentally designed to prevent wastes in the organisational environment, as well as the socio-technical structure of the organisation, which is supposed to align staff and organisational behaviour, just like the social and behavioural controls identified by Kennedy and Widener (2008).

The case study findings reveal that, the LTO experiences the same challenges with loss prevention and control as those which were identified and considered a challenge in the FP efforts of organisations that are *not* fundamentally ‘lean thinking’ (see Appendix 1.1.4; 1.1.5; 1.1.6; 1.1.7 for details). ‘Lean thinking’ here means organisations that are not primarily focused on meeting and satisfying customers’ demands through various loss elimination activities such as JIT, TQM, *Kanban*, 5s.

In the literature review on FP in organisations, it was identified that there are several control systems and practices available for organisational control and FP (see Appendix 1.1.4; 1.1.5; 1.1.6; 1.1.7 for details). These include Malmi and Brown’s (2008) description of management control systems, and the formal and informal control systems discussed in the literature review, including the Rezaee (2005) and Trompeter et al. (2012) strategies and anti-fraud measures reviewed. Consequently, it was deduced and supposed that the major difficulty experienced in managing and preventing fraud in organisations is not the lack of available control systems, but their inefficient use (i.e. compromises in the systems). Similarly, it was supposed that the complexities recorded in management control systems, such as the combination of the various types of control systems and practice and the challenge of understanding how these systems work together as an inter-related whole (Abernethy & Brownell, 1997; Malmi & Brown, 2008), would not be found in LT control environments, where there is, or ‘should be’, simplicity in processes and practice (Schonberger, 1982; Womack & Jones, 2003; Bicheno & Holweg, 2009; Pepper & Spedding, 2010).

This finding, of the ambiguity of the refunds policy and the complex nature of the returns process in the CSO, was unexpected, as it had been supposed that there would be fewer or no complexities or ambiguities in LT environments, and fewer or no issues with product specifications and quality. More importantly, it was supposed that since LT is a 'way of life' - what everyone does every day without being told (Bicheno & Holweg, 2009) - and characterised by a culture of stopping to fix problems, doing the right thing, and seeking quality the first time through (Saurin et al., 2013), then compromises on loss prevention and control would not, or should not, be a challenge expected in the FP efforts within this case study LM control environment. Consequently, when instances such as failure to do the right thing, product quality issues, and ambiguity in the refund policy are reported as difficulties experienced in the case study LTO, it is contrary to expectations, and more importantly, inconsistent with the literature and research studies on LTO.

As the respondents of the case study LTO reveal, one reason for their failing to do the right thing in managing and preventing fraudulent refund claims from customers is a lack of support from the managers and leaders of the organisation. These claims of a lack of leadership support was unexpected and inconsistent with a majority of the research studies on LTOs and control environments, because supposedly, lean thinking encourages leadership at all levels (Mann, 2005; Bhasin & Burcher, 2006), resolving the management problem that can arise from a focus on power and control at the centre (Verick, 2013; Ngai, 2014). It is also inconsistent with Trompeter et al's (2013) recommendation for administrative support in ensuring ethical conducts within organisations. However, the case study findings reveal that managers and other customer service assistants work together in the LM 'cell structured-like' refunds team where they manage and make decisions regarding fraudulent or suspicious refund claims. Thus, the FP efforts are not reserved for the management or managers. However, the findings also reveal that fraud or 'loss prevention' is a responsibility reserved for a particular department, and there

is no holistic, systems thinking approach to managing the fraud problem. This finding suggests that not every member of the organisation is involved or aligned with the FP objective, which, in effect, is inconsistent with the recommended 'top-down' approach to counter fraud in organisations (Morales et al., 2014). It is equally inconsistent with the supposed systems thinking approach to loss prevention and control and the management of constraints in LTO (Dettmer, 1997; Seddon & Caulkin, 2007; Bicheno & Holweg, 2009). It was also found that the managers typically override the decisions made by the lower-level staff, for the sake of customer service. Furthermore, the refunds team respondents discuss instances where they have complained about the difficulties experienced in managing the fraud case examined, but where the leaders of the organisation have ignored their suggestions and complaints. As MA13 puts it "...as a company, well, we have expressed loads of times that there should be no refund without a receipt. That you need you receipt for your refund, because that's your proof of purchase. But they haven't listened...". This action is inconsistent with the supposed equality, respect and reciprocity between staff of all levels in LTOs. Furthermore, the action is inconsistent with both the LT research studies that encourage employee suggestion as a control tool in the organisation (Liker, 2004; Imai, 2015) and the FP literature where staff suggestions are encouraged to enable FP and detection.

In addition, the other matter regarding compromise in loss prevention and control that is reported in the case study findings is the issue of staffing. The respondents reveal that there is a shortage of human resources, which is recognised as the most efficient FP resource in the control environment. They state that the organisation in its efforts to reduce the cost of operations resorts to employing fewer members of staff than are required for managing fraudulent refund claims, discharging or outsourcing, or employing part-time staff. As they reveal, these part-time staff are a target for fraudulent customers who recognise their inexperience and, arguably, lack full commitment to the organisation, due to the nature of their

contracts. Nevertheless, under-staffing an organisation (where it is recognised that human resources and manning of strategic positions are the most efficient means of preventing fraud) is not efficient or ‘doing more with less’, which is typically touted as a LT philosophy. As Lorino (2014) states, ‘doing more with less’ in LT does not mean more output with less input. On the contrary it means doing more with the required resources through continuous improvement and optimisation. Besides, as a socio-technical system, the human resources are essential to LT practices, and recognised as such. This is despite the fact that, as Hines et al. (2004), Stone (2012) and Danese, Manfe and Romano (2018) note, there are limited research studies and attention on this human aspect of the LT subject.

It was not only the staff or the LTO who were found making compromises in their failing to do the right thing. As the findings equally reveal, the customers fail in doing what is right and required to enable or complement the services rendered by the organisation. In failing to keep their receipts, or use and care for products as instructed, the negligence of the customers poses challenges for ensuring loss prevention and control in the LT environment and countering fraudulent refund claims. However, to the extent of the literature reviewed, and to the extent of the researcher’s knowledge, there are no ‘lean thinking’ research studies that discuss ‘customers doing the right thing’ as a loss prevention and control practice, or supposition for loss prevention and control in the LTO. This issue is discussed in more detail subsequently, under the other challenges that customers pose to FP in this customer focused LT environment.

5.5.2.3 Findings on the challenges customers pose to counter fraud in the CSO

The case study findings on the difficulty customers pose to the management and prevention of fraud in the case study LTO are discussed here under three major categories: findings on the customer behaviour, findings on the customer-focused organisation of LTOs, and findings on the belief that the customer is always right (see Chapter Four, sections 4.5.8, 4.4..5.1 and Table 4.13 for evidence of these findings).

As stated in the conclusion of the findings chapter, apart from the compromises made in its practices of loss prevention and control, the major reason why the supposedly efficient LTO perhaps fails to prevent and control loss the fraud problem and the accruing losses, is the customers. According to the respondents, their consideration and service to customers, and goodwill to customers and ‘doing the right thing’ for customers are the reasons they make compromises on their management practices. It is also reported as the reason the organisation is perhaps compromising on preventing the fraud problem (see Tables 5.9 and 5.10).

The implications of these findings are mostly discussed here in relation to the supposed efficiency of LT organisational environments, their efficient management of deviant or negative behaviours internally, and the current thesis supposition of LT’s efficiency in discouraging or managing fraud.

Customer behaviour

Table 5.12: Efficiency purpose between Customer and LTO (Source: Author).

Efficiency purpose	Customer	LTO
Literature review findings	There appears to be very little academic research that investigates and discusses the management of deviant, negative or fraudulent customer behaviour in LM	Do the right thing. Do the right thing for customers.
Case study findings	A majority of the staff in their interviews claim that some customer do not do the right thing. These respondents also believe that many customers take advantage of the favourable environment of the LM organisation	Do the right thing for customers. Compromise on doing the right, for customers

The case study findings reveal that the behaviour of customers in the LTO also poses a challenge to its efficiency in managing and preventing fraudulent refund claims. According to the staff respondents, some customers also fail in doing the right thing. As stated earlier, some customers fail to keep their receipts, or use the acquired items as instructed. They also typically fail to bring their receipts when returning items and/or claiming refunds, and fail to bring the item in its original packaging, which is the preferred and standard manner of claiming refunds, even though the organisation's refunds policy allows the customers to do otherwise. Consequently, these behaviours, which according to the refund staff are repeated and equally typical with both 'genuine' and suspicious customers, make it difficult to manage fraudulent refund claims. More specifically, it makes it difficult to recognise or prevent customers who intend to claim fraudulent refunds.

The implications

With customers failing to do the right thing, it becomes difficult to manage and prevent the type of customer focused fraud experienced in the customer-focused business, even when the 'lean thinking' organisation and its staff do the right thing, where 'lean thinking' in the preceding statement represents the supposed efficiency in the organisation. For instance, with the available social and behavioural controls in the case study LTO control environment, such as the LPI which visually controls and monitors the exceptional transactions processed by refunds staff, if customers, whether genuine or not, continue the typical behaviour of returning items and claiming refunds without receipts, it becomes difficult for these controls to be efficient against fraud. The reason is, as the case study findings reveal, that with these typical negligent or negative behaviours, the organisation and its staff are then required to make compromises and exceptions to their standard LT efficiency-based management practices. These are practices which otherwise, arguably, would have prevented or managed exceptions

to the normal and expected behaviour, if the normal or typical behaviour in these cases were not negative or deviant.

Above, the LPI example is used to illustrate LTOs doing the right thing to control deviant behaviour; it is similar to the internal social and behavioural controls (SBCs) proposed and already recognised in the LT literature (Kennedy & Widener, 2008), since there appears to be very little academic research that investigates and reports on the SBCs used to align customer behaviour, until the current findings of this case study.

Another challenge to the efficient management and prevention of fraud in the case study LTO is the recidivist nature of the ‘typical, offending’ fraudulent refund customer. Although this is a challenge that is more directly associated with the retailing subject of this case, it is relevant to the case study and account of fraud in LTOs, for two reasons. Firstly, the typical offenders share the negligent behaviour of customers discussed above, and they exploit the prevailing common nature of this behaviour. Secondly, the findings on recidivism challenge the supposed deterrence approach to preventing fraud in organisations. Deterrence is equally the supposed approach to FP in the current case study, mostly because it is the common approach proposed in the forensic accounting and FP literature. The theory suggests that an increased perception of detection in a control environment would ‘deter’, understood and applied in this thesis as ‘discourage’, fraud in the organisation. Consequently, it was supposed that LT environments, with the supposed prevalence of their visual control management systems, would provide the heightened sense or perception of detection that discourages fraud in organisations. However, as the case study findings reveal, the LTO control environment does not, perhaps, discourage fraudulent refund claims from customers. Rather, the findings suggest that the LTO has a *favourable* control environment for customers who intend to exploit the organisation through its refund system. As CA18 puts it “...*The company environment makes people want to come and exploit it...*”. Also, as CA16 states “...*I don't think there is anything in the environment at*

the moment that discourages fraudulent customers... ”. The RLPM also adds that “...I think it’s a really good way to abuse our system is knowing that we worry about customer service... ”.

According to a majority of the respondents, the conditions of the control environment, such as its customer-focused structure, the goodwill nature, and the organisation’s readiness to compromise on its efficient control practices for the customers, are all situations that can encourage customers to exploit the organisation. Therefore, instead of finding a control environment that discourages fraud, the case study found a control environment that can encourage fraud or deviant behaviours from customers, which is consistent with Henle’s (2005) propositions on situation-based deviance.

Despite these findings from staff respondents in the LTO, the extent to which the LTO control environment deters fraudulent refund claims from customers remains questionable. It remains questionable because unless a researcher questioned every customer leaving the store, and asked if they had intended to make a fraudulent refund claim, but had been discouraged by something present in the LM control environment, then it cannot be stated with certainty here that the LM control environment does not discourage fraudulent refund claims from customers.

Table 5.13: Value based control environment focused on customers (Source: Author).

Literature review findings	A value based control environment focused on customers ‘discourages’ fraud.
Case study findings	A value based control environment focused on customers does not, perhaps, ‘discourage’ fraud, as it is visibly favourable to customers

Customer focus – the structure

In the preceding sections, a common explanation of and conclusion about the issues discussed is the ‘customer focused nature of lean thinking organisations’. However, prior to this case study’s findings on ‘customer focused type fraud’ in the LTO, the typical suppositions regarding customers in lean management research studies were:

- Customers are the hallmark and focus of LTOs (Kennedy & Widener, 2008).

- LTOs are driven by customers – pull-system (Hummels & De Leede, 2000; Seddon & Caulkin, 2007; Hines et al., 2004).
- Through efficiency, LTOs maintain their focus on customers (Arnheiter & Maleyeff, 2005).
- LTOs efficiently align the behaviour of staff and the movement of inventory to meet the customer's pull or demand. (Hines et al., 2004).

The list above illustrates a number of the common propositions about customers in LT research studies. However, based on the literature review, and to the best of the researcher's knowledge, there appears to be very little research that investigates fraud (i.e. the potential fraud risks and opportunities) in LM organisations, or, more specifically, the extent to which LM counters fraud. Also, based on the literature reviewed in Chapter Two, there appears to be very little academic research that investigates negative and deviant customer behaviour in LT organisational environments. Consequently, prior to the case study findings, it was supposed that the customer focused-structure and nature of LTOs is efficient, just as it was supposed that the structure offers various strategic and competitive advantages for organisations where LT is practised, especially in retailing (Hines & Lethbridge, 2008; Bamford et al., 2015).

Thus, considering the above suppositions, it is an unexpected and key finding that the customer-focused nature of LTOs perhaps does not discourage fraud in their business and control environments. It is recognised that FP research studies like Mackevicius and Giriunas (2013) do state that the structure of an organisation and the coordination of its activities could be either favourable or unfavourable conditions for fraud. Notwithstanding, there appears to be no such equivalent statements regarding the structure of LTOs in the research studies and literature reviewed. Arguably, the reason for this gap in literature may be due to the supposed efficiency in these organisational environments, like the premise of the current research inquiry and case study. Alternatively, it may be that the efficiency supposed in these environments and

their style of management is more focused on the alignment of staff behaviour and movement of inventory than the customers on whom the organisation is supposedly focused. These issues, such as the Gemba floor arrangement, inventories, and the alignment of the staff's productivity behaviours in the factories, are the well-documented concerns of the classic LT and manufacturing research studies (Ohno, 1988; Womack & Jones, 2003). It is rather an unexpected finding that a supposedly efficient organisation that is driven by customers has very little research that discusses or investigates the 'alignment' of customer behaviour with its efficiency purpose and philosophies.

If LT has really evolved (Womack & Jones, 2003; Pepper & Spedding, 2010; Maleyeff et al., 2012), and if it is being adopted by organisations as their governing philosophy and strategy (Lukic, 2012; Noda, 2015), and if it is as holistic as it is currently supposed (which, according to Bicheno & Holweg, 2009, implies that it applies to the entire organisation), then the implication of this customer focus structure for the fraudulent behaviour of customers should be considered. The reason it should be considered, and more deliberated, is because the current case study findings indicate that this customer focused organisational structure and philosophy encourages exploitation and fraud from the very same people on whom it is focused: customers. It should also be considered because research studies in marketing and consumer behaviour account for findings on deviant or fraudulent customer behaviour, which are similar and consistent with the current case study findings. This is despite the fact that there appears to be very little lean management research studies that investigate and report on the implication and effect of its customer-focused organisation and philosophies on negative, deviant, or fraudulent behaviour of customers, at least until the current case study. For instance, Daunt and Harris (2014), in discussing deviance in organisations, recount that customer-focused processes and service guarantees are known unintentionally to result in 'deviant' and other dysfunctional customer behaviour. Similarly, the authors in their 2011 study (Harris & Daunt, 2011) review

various research studies discussing topics on customer deviance such as the eight forms of deviant customer behaviour, the consequences of consumer deviance, and the drivers of the respective forms of consumer misbehaviour. Notably, some of the findings of the research studies reviewed in these topic areas are similar to the findings of this current case study. However, the main conclusion of Harris and Daunt (2011) and Daunt and Harris (2014), which is relevant and consistent with the findings of the current thesis study, is that customer-focused organisational structures, including the belief that the customer is king and that the customer is always right, can encourage deviant and negative behaviours from customers. The thesis findings about customer beliefs is discussed next.

Customer is always right – the belief

The case study reveals that customer service, and the organisation's disposition towards the fraud problem, pose a major challenge in managing and preventing fraudulent refund claims from customers. Arguably, customer service is founded on the belief that the customer is always right. It is also the belief that customers would do the right thing, as the case study findings indicate. Based on these beliefs, the respondents reveal that ensuring good customer service relations with the customer is more important than preventing fraudulent refund claims. Similarly, the organisation believes that a majority of its customers are genuine. They believe that the majority of their customers have good intentions and are not fraudulent. Thus, maintaining the service, goodwill, and patronage of these customers is more important to them than preventing fraudulent refund claims.

However, as the case study findings equally reveal, the customers are *not* always right; and not always genuine. Besides, occasionally, even genuine customers reportedly exploit their patronage. They take advantage of the organisation's goodwill, and exploit a control environment that visibly favours them. Furthermore, the respondents reveal that customers mostly perceive the organisation as 'easy', just as they state that the customers consider the

customer service and goodwill actions of the organisation as an entitlement and reward for patronage and loyalty.

These findings were unexpected for two reasons. First, in investigating fraud and FP in an LTO, the researcher did not suppose customers would be an issue, based on the literature review findings. The researcher did not expect that customers would be a challenge to the LTO's FP efforts and a reason for the organisation's inefficacy in preventing fraud, as the case study findings reveal. Besides, there appears to be very little research that investigates and reports on customer behaviour, or expectations of customer behaviour, within the lean management subject, and the literature reviewed. These are excluding the statements that they ensure quality and value-added services that meet their customer's satisfaction. Although there are discussions on customer behaviour and the retailer's belief (or dilemma) in the fraud and omni-channel retailing literature reviewed, the researcher did not suppose that these behaviours and beliefs would be the same in the case study LTO, notwithstanding its involvement in the retailing business. This is because, based on the literature reviewed in this thesis, the researcher assumed that there is a fundamental difference between LM organisations and other business environments.

These findings on the inconsistency in, or contradiction between, the actions, expectations and beliefs of the organisation and its customers pose a challenge for the supposed efficiency of the LTO organisation. More importantly, they pose a challenge to the LTO's efficiency in managing and preventing fraud from its customers, on whom its design and organisational structure focus. These findings also prompt some more questions regarding other related findings and discussions in this case study. Specifically, it prompts questions regarding the identified lack of LT management research studies and discussions on the alignment of customer behaviour. Thus, it prompts a question about whether there is an underlying or implicit supposition that the 'customer' referred to in lean thinking management and

organisations is a 'genuine' customer: a customer with good intentions and without bad or 'negative' behaviours. Is this the implied supposition, and the reason there appears to be very little discussions or research studies in this subject area? Or is it that there is an implicit acceptance of this negative behaviour, just as there is a documented acceptance of the accruing losses from such behaviour? These are important and plausible questions arising from these findings, especially as the findings of research studies in other subject areas, such as consumer behaviour and marketing, suggest that customers are known to be deviant in customer focused organisational environments (Daunt & Harris, 2014). The lack of LM research studies in customer behaviour or misbehaviour and beliefs is further corroboration of statements on the scarcity of research that investigates and reports on the human aspect of LT.

It is important that the implication of these findings are further investigated, as information on customers and customer behaviour, or deviant customer behaviour, is arguably also important for balanced management and decision making in LT environments. As the majority of the respondents interviewed suggest, educating the customer, and creating awareness in the customer community, which are actions that could align customer behaviour, would be beneficial in efficiently resolving the fraud problem in the LT organisation.

5.6 Salience of findings

Considering the discussions of the findings so far, there is one question to discuss at this point is: if the case study organisation was not a LM organisation, but merely a customer-focused approach, how does this change the salience of findings?

One of the limitations of this study is the gap in research and literature that explores the relationship between LM and counter fraud. There appears to be very little academic research that investigates fraud, or the potential fraud risks and opportunities in LM organisations. This is despite the reports of fraud towards LM organisations, and the claims the LM counters fraud

(see Chapters One and Two for a detailed discussion of the gaps identified, the reports of fraud towards LM organisations, and the claims that LM counters fraud. See also Womack & Jones, 2003; Liker, 2004; Kennedy & Widener, 2008; Altria, Dufton, & Carleysmith, 2009; Kennedy, Widener, & Fullerton, 2010; Ingram, 2012; Thomas & Schmidt, 2012; British Broadcasting Corporation, 2012; Azadegan, Patel, Zangouinezhad, & Linderman, 2013; Muller, 2014; Vlastic & Apuzzo, 2014; Federal Bureau of Investigation, 2014). This gap in literature and research is the reason this study's approach to investigating the research question, which is 'to what extent does LM counter fraud?', is by collecting and analysing data on the way one LM organisation counters fraudulent refund claims from customers, and the rationale behind the CSO's approach.

Having stated the above, there is evidence in the literature reviewed in this thesis that the CSO is a LM organisation. Section 3.6.3 in Chapter Three discusses in detail the criteria for selecting the case study LM organisation. Section 4.2, in Chapter Four, also reports the some of the findings in the case study that identifies the CSO as a LM retail organisation. The literature that identifies the CSO as a LM retail organisation has deliberately been excluded from this thesis, in citation and references, as an extra ethical precaution to protect and maintain confidentiality and anonymity of the CSO. However, LM is a common practice in retailing (Wright & Lund, 2006; Naruo & Toma, 2007; Lukic, 2012). Also, during the pilot and main studies of this research, data on the LM practices in the CSO were collected and subsequently analysed. The analysis was done by comparing the practices found in the CSO, against the practices and characteristics of LM organisations in the LM literature reviewed for this study. Some of the LM practices that were reported in the CSO are JIT, customer service, management by exception, TQM, franchise systems, visual control, and preventive maintenance. Other practices that were identified by coding the interview data were, humanity and respect for people, town hall meetings, housekeeping, 5S, and Manning (see Table 2.2, and pages 27 – 50

in Chapter Two; see also Womack & Jones, 2003; Liker, 2004; Kennedy & Widener, 2008; Bicheno & Holweg, 2009; Pettersen, 2009). In the case study LM organisation, customer service is their focus and main priority and, according to Kennedy & Widener (2008), customer service is the hallmark of LM.

Therefore, if, for example, the CSO were simply a customer focused organisation, the salience of the findings would not change significantly for the following reasons. The data collected and analysed for this study are actual findings on a fraud problem in an organisation whose focus and main priority is customer service. It is a real world problem, and the respondents interviewed shared the incidents of fraudulent refund claims from customers that they have experienced, and the way they have managed these incidents. This means that if, perhaps, the CSO is more of a customer-focused approach than a LM retail organisation, it does not really change the experience of the people managing fraudulent refund claims from customers in an organisation where customers are the focus and main priority. Also, if the CSO were more of a customer-focused approach than a LM retail organisation, they could still possibly learn from the findings of this study, which are actual experiences of people dealing with a fraud problem, in an organisational environment that shares a similar, or near similar, practice and belief. The findings from this study could also serve as a reference point and information for non-LM organisations who seek to adopt, or are adopting similar or near similar values and practices to those found in the CSO.

There appears to be very little academic research that investigates the possible difference between the customer focus in LM organisations, and the customer focus in other systems and organisations, such as marketing and retailing, where customers are also the focus and main priority (Grewal & Levy, 2007; Brown & Dant, 2009; Dorman, 2013; Gould, 2015; Pawar & Sarmah, 2015; Finnegan, Runyan, Gonzalez-Padrom & Hyun, 2016; Chopra, 2016). This gap raises concerns because customer focus, in theory, is the hallmark of LM (Womack & Jones,

2003; Liker, 2004; Paez et al., 2004; Kennedy & Widener, 2008; Bicheno & Holweg, 2009; Pettersen, 2009). However, there is a large body of knowledge that differentiates lean management from other organisations and management control systems (Kennedy & Widener, 2008; Malmi & Brown, 2008; Berry, Coad, Harris, Otley, & Stringer, 2009; Kennedy, Widener, Fullerton, 2010; Fullerton, Kennedy, & Widener, 2012; Bedford & Malmi, 2015). The way these research studies differentiate LM from the other types of organisations and management control systems is through practices such as JIT, *Kanban*, TQM, TPM, and visual controls, which were identified in this case study.

Also, as Harris and Daunt (2011), Harris and Daunt (2013), Pawar and Sarmah (2015), Verhoef, Kannan and Inman (2015), Chopra (2016) and Finnegan et al. (2016) state, the focus on meeting and satisfying customers' demands is a value that more than a few retail organisations share. Therefore, if the CSO were more of a customer-focused approach than a LM retail organisation, they could still possibly identify with and learn from the findings of this study.

Furthermore, the findings from this study, regarding the challenges to counter fraud in one LM retail organisation, are quite similar to the findings of other studies that have investigated fraud and counter fraud in retailing, as well as other organisations that are not fundamentally 'lean thinking' (see Appendix 1.1.4; 1.1.5; 1.1.6; 1.1.7 for details). The difference between this study and the existing research in this area, however, is the type of organisation that is investigated and the research approach.

There is a lesson that could be learned from the findings of this case study, and it is: to adopt LM means to essentially focus and prioritise customers. This means that in situations such as when managing fraudulent or suspicious refund claims from customers, decisions would have to be made considering the customers, and a number of these decisions could come at a cost.

Therefore, managers should be aware of this when considering or adopting this management philosophy and system.

5.7 Summary and conclusion

The discussions in this chapter include, the customer-focused type of fraud identified in the case study LTO, the social and behavioural controls identified and their relative efficiency in discouraging fraud internally, and findings on the reasons the LTO compromises in discouraging fraud from its customers.

Notably, at the core of these findings and discussions, is one topic: 'the customers'. The customers are reportedly the major reason for the LTO's compromises and failing to do the right thing in its FP efforts. They are as argued to be the reason the fraud problem persists, and some of them are the people who take advantage of this organisational environment that visibly favours them. In summary, the findings suggest that if it were not for the behaviour of some customers, the supposedly efficient value-based control environment focused on customers would discourage fraud in its organisational environment.

However, while the findings and discussions above are worthy of remark, it must be remembered that this investigation and report on fraud and FP in the LTO are exploratory, and the case study LTO is just one of many others. Thus, as stated in the methodology chapter, the findings of this research study are not meant to be statistically representative of the general population. Besides, when compared to the actual size of the organisation studied, the respondents interviewed and stores visited are equally a very small size. Also, it is important to remember that it was relatively unlikely that staff in their interviews would discuss internal fraud cases or cases of fraud that they are implicated in. Thus, the reports about the customers could arguably be a biased, or subjective representation of the actual fraud problem in the organisation.

Nevertheless, these are some of the reasons why further research studies into the topic and its findings are important. Other reasons and suggestions for further research are discussed below.

5.8 Suggestions for further research

Further inquiry into the research topic area and the findings is important for the following reasons.

As stated, the findings suggest that the customers of the LTO take advantage of an organisation that visibly favours them. However, these are based on the claims or explanatory statements of the staff. Thus, it is especially important to test the validity of this finding, by obtaining and comparing the explanations of customers, using either the same or other research methods.

A plausible dispute regarding this research study is whether the findings are a direct result of the *nature* of the LTO, or whether they are a consequence of its retail *business*. As such, a case study into another LT business environment, in manufacturing for instance, could test the validity of the current research findings. Additionally, further inquiry into fraud and FP in a value-based control environment and customer-focused organisation would also be beneficial.

In addition, despite, there is also, with the exception of the current thesis account of fraud and FP in an LTO, a remarkably clear gap in literature and research studies on the topic. In particular, as the findings of this case study indicate, there is a gap in lean management research studies that investigate and report on the management, or alignment, of negative or deviant customer behaviour with the efficiency purpose and value of the organisation. There is also a gap in knowledge of LT beliefs about customer behaviour. Therefore, research studies into these topic areas would a beneficial contribution to the knowledge of lean management thinking, and the supposed efficiency of its organisations.

CHAPTER SIX -FINAL DISCUSSION AND CONCLUSION

6.1 Introduction

In this final chapter, the findings are summarised and conclusions drawn regarding this thesis' investigation of to what extent does lean management (LM) counter fraud. The chapter revisits the research questions and reviews the research process, while discussing findings and evidence gathered at each stage of the investigation. Finally, the contributions, implications, and limitations of the research study are discussed.

This chapter is organised as follows: Section 6.2 reviews the research process and findings. Section 6.3 discusses the research contributions, and it includes sub-sections that discuss the implications for practice and research. Section 6.4 discusses the limitations of this research study, while section 6.5 contains the reflexivity and evaluation of the research process. Section 6.6 concludes the thesis with final comments.

6.2 A review of the research process and findings

The aim of this research study was to investigate to what extent does LM counter fraud. The empirical evidence for the study was derived from a retail organisation in the UK that adopts and practises LM. The common type of fraud found in this organisation is fraudulent refund claims from customers, and data regarding examples of these fraudulent claims were collected via interviews with staff in four of the CSO's retail stores.

There were three main reasons for this study: The first is the fraud problem in LM organisations that seems rarely to be discussed, and about which there appears to be very little research and empirical evidence. A secondary reason to the first is that this study had the access and opportunity to collect primary data on a sensitive topic like fraud, where there is restricted access to data on the actual experiences of parties involved. The second main reason for this study stemmed from the claims that LM counters fraud, despite the reports of fraud towards LM organisations. Also, there appears to be very little academic research that investigates the

risks and potential flaws in LM. This is despite the fact that there are some known issues that problematise LM, and that these issues may expose to risks and loss from fraud, organisation that rely on LM to counter fraud. These reasons are discussed to some detail in Chapter One, which also presents the research question and objectives of this study, and begins the investigation.

In Chapter Two, the literature review for this study is conducted and the inquiry into to what extent does LM counter fraud is continued. This review explored LM and counter fraud in organisations, and critiqued the LM approach to loss prevention and control by identifying the gaps in claims that LM counters fraud. This chapter also explored the role of organisational structures and behaviours in LM and counter fraud, and it was concluded by problematising LM based on the review and consequent discussions.

The research methodology for this study is discussed in Chapter Three. Chapter Three discussed why a case study with semi-structured interviews founded on the realist philosophy is the research methodology for this study. In the discussions of this Chapter, the process of choosing the research philosophy, the key constructs and underpinning theory of this study, and the methods of data collection and analysis are all addressed.

In the next chapter, Chapter Four, the research inquiry continued with an empirical investigation into the preceding literature review findings and suggestions. As such, it sought to inquire to what extent does LM counter fraud, by collecting and analysing data on the approach to countering fraudulent refund claims from customers in one LM retail organisation.

The empirical findings from the case study revealed that LM can perhaps prevent fraud, but the extent to which it deters and detects fraud is questionable, and not without consequences. This means that the prioritisation and focus on meeting and satisfying customers' demands can often imply a compromise in countering fraud. For instance, in this case study, the prioritisation

and focus on meeting customers' demands often implied that the LM organisation had to approve fraudulent or suspicious refund claims from customers. This means that they, the CSO, had to bear the losses from fraud, which can often include monetary loss, stock loss and theft of goods, psychological stress and unfavourable working conditions for the employees who manage these claims, less motivation for employees to counter fraud in the organisations, and some potential reputational loss and damages in the case study LM organisation. The empirical findings from this case study also suggested that the LM organisation, in its focus on meeting and satisfying customers' demands, does not discourage fraudulent refund claims from customers.

However, there are a number of other findings from this case study. First, it revealed that there are different notions and understandings of fraud in the LTO organisation. However, the common finding in these notions is the belief that the customer is 'genuine'. According to these findings, the LTO and its staff believe that their customers are genuine, or trustworthy. Hence, they do not consider the loss prevention and control of fraudulent refund claims from customers as important as meeting and satisfying customers' demands. Yet, this finding is just one of the reasons the LTO compromises on counter fraud, and does not, according to the respondents interviewed, discourage fraudulent or suspicious refund claims from customers.

As the case study revealed, the compromises that LTO makes in countering fraud, which includes failing to discourage fraudulent or suspicious refund claims from customers, is not necessarily due to a lack of resources or an absence of loss prevention and control systems. On the contrary, there is a presence of social and behavioural controls in the environment, which include an effective visual control management system. The compromises of the LTO in its FP efforts is mostly due to its considerate nature, its values, and its respect and service to customers. This finding is exemplified in the case study of the first store. Also, as the findings from the case study in store two illustrate, the compromises in countering fraud is equally due

to the LTO doing the right things for reasons other than or contrary to its efficiency and FP purpose. These reasons are emphasised in the findings of the third case study store, where the organisation directly compromises or fails to do the right thing in order to secure the patronage of its customers and preserve the goodwill of the organisation. However, as the findings in the fourth case study illustrate, the major reasons the supposedly efficient organisation is not effective in managing and preventing fraud are twofold: first, the LTO fails to do the right thing consistently, and second, there is a conflict between the organisation's value and focus on customers and its efficiency or loss prevention and control purpose. The loss prevention and control purpose in this case is doing the right thing to discourage fraud or other negative customer behaviour, and their consequent losses. Ultimately, the case study findings reveal that the customers are aware of these compromises and 'failings', including the customer-focused nature of the organisation, and they take advantage of the LTO, as it visibly favours them.

However, as discussed in the previous chapter, these case study findings are mostly based on the report of the LTO staff, who could be biased. Besides, the omni-channel retailing structure and business is equally a dominant factor in the case study and its findings. Yet, even though this thesis investigates and reports on fraud and FP in LTOs, it is exploratory. Thus, the research topic and its findings require further inquiry into more LTOs, preferably in other businesses aside from retailing. An inquiry into the finding that a customer focused organisation encourages fraud, and the suggestion that customers take advantage of such LTO organisations that visibly favour them would be equally valuable future research.

6.3 Research contributions

As stated at the beginning of the thesis, there appears to be very little academic research that investigates fraud in LM organisations, and this includes the potential fraud risks and opportunities in its control environment. Also, as stated in the methodology chapter, there are very few empirical research studies on forensic accounting and the investigation of fraud in

LM organisations. Amongst these, few research studies use qualitative and realist methodologies, and many fewer of these account for actual cases of fraud, due to the sensitivity of the topic.

Thus, in investigating and reporting on fraud and FP in a LT retailing organisation, this thesis fills a gap in the counter fraud and LM literatures, through its interdisciplinary approach that includes the analysis of previously unrecorded empirical data.

Within the research and knowledge development area of counter fraud, this thesis considers one LM retail organisation and control environment. It explores and examines this organisation, and by so doing, challenges its supposed loss prevention and control objective, style of management, and organisational behaviour.

In recent years, LM, including its various loss prevention and control based practices such as TQM and six-sigma, has been touted as a premium organisational initiative and business strategy. Amongst practitioners and academics alike, it is typically renowned for its zero tolerance for waste, optimisation of organisational resources, and a management style used for securing competitive advantage in organisations where it is practised and adopted. Also, as the literature review findings reveal, LTOs are behaviour driven, a socio-technical system with social and behavioural controls. Yet, there are but few research studies that investigate and discuss the social or human aspect of this system. There also appears to be very little research that investigates and reports on fraud, or the management and prevention of fraud and other fraudulent behaviour in LM organisations. In addition, there appears to be very little academic research that investigates and reports on the management or prevention of waste, or losses that are likely to accrue from cases or acts of fraud in LM organisations.

Fraud is a problem for organisations, and counter fraud remains a challenge. This is despite the incalculable, yet accruing losses from the problem, including the various organisational

resources, research studies and theories into its management and prevention over the years. Yet, despite the clamour from practitioners and academics for varying perspectives and solutions to this problem, the supposed efficiency (i.e. loss prevention and control purpose) of LTOs and their management principles have not been considered previously in relation to fraud and FP.

6.3.1 Contributions to knowledge

This thesis makes empirical, methodological, and theoretical contributions to the body of knowledge in lean management and counter fraud, which are part of the wider accounting and management control research and literature (Berry, Coad, Harris, Otley, & Stringer, 2009; Fullerton, Kennedy, & Widener, 2012; Free, 2015; Lokanan, 2015). It is an exploratory study that attempts to extend current research in these areas through its choice of research methods and methodological approach.

Empirical contributions

This study makes empirical contributions to the reports of fraud loss in LM organisations (Thomas & Schmidt, 2012; BBC, 2012; Muller, 2014; Federal Bureau of Investigation, 2014), and the reported increase of fraudulent refunds claims from customers in retail organisations where lean management is common practice (Naruo & Toma, 2007; Harris, 2008; Harris, 2010; Lukic, 2012). These reports seem rarely to be discussed in practice, and there appears to be very little academic research or empirical evidence in these areas. This study consists of findings (observed data) regarding examples of these fraudulent refund claims from customers, and the way one lean management retail organisation counters the problem. The data, which were collected via interviews with staff in four of the organisation's retail stores, provide a more robust explanation of the financial, psychological and reputational damages associated with fraud committed against lean management organisations (Gottschalk, 2012; Bonini and

Boraschi-Diaz, 2013; Gottschalk and Rundmo, 2014; Lewis, Brooks, Button, Shepherd, and Wakefield, 2014).

Apart from Holbeche (1998), most of the literature reviewed on the reports of fraud towards LM organisations were derived from online media articles and the retail industry's loss prevention and security reports (National Retail Federation, 2014; The Retail Equation, 2014). Furthermore, the shrinkage and loss prevention reports are mostly based on surveys due to the sensitive nature of the fraud topic (Hassink, Meuwissen, & Bollen, 2010), and there are very few authors that discuss issues of fraud in retailing, including fraudulent refund claims from customers, even though it is a lingering problem (Harris, 2010; Yan, Chen, Chen, & Chen, 2017; Amasiatu & Shah, 2018; Dailey & Ulku, 2018; Ulku & Gurler, 2018). This study had the access to collect primary data on incidents of fraud in one LM organisation, and to interview staff about the ways they manage these incidents.

Also, there are some known issues that problematise lean management. But there appears to be very little academic research that investigates the fraud risks and potential flaws in lean management, even though these issues may expose to risks and losses from fraud organisations that rely on LM to counter fraud. The known issues with LM relate to a) the limitations, negative consequences or risks of the customer focused behaviour and structure of LM (Cusumano, 1994; Cooney, 2002; Hines, Holweg, & Rich, 2004; Cox & Chicksand, 2005; Joosten, Bongers, & Janssen, 2009; Stone, 2012), b) LM as a socio-technical system and the problematic concentration on the technical aspect (Melton, 2005; Joosten, Bongers, & Janssen, 2009), c) the way context, which includes behaviours in the social sub-system and the organisational environment, poses a challenge and barrier to the success, adoption, and practice of lean thinking (Bollbach, 2012; Jadhav, Mantha, & Rane, 2014; Dora, Kumar, & Gellynck, 2016), and d) narrow interpretations of LM, and the Taylorian view that can promote the idea that there is 'one right way' to do work and an 'ideal' image of LM, when in fact, it may not

be as efficient, or useful in loss prevention, as it claims to be (Cox & Chicksand, 2005; Bhasin, 2012; Lorino, 2012; Azadegan, Patel, Zangoueinezhad, & Linderman, 2013).

This study consists of findings on the fraud risks, opportunities and losses associated with customer focus in LM organisations. These include the challenges that other behaviours in the social sub-system, such as customers who fail to properly keep their receipts or maintain their purchased items as instructed, allowing staff to manage refund claims as they wish, and the lack of the organisation's leadership and management support in counter fraud activities, pose to countering the problem of fraudulent refund claims from customers.

In addition, this study consists of findings on counter fraud practices in a LM retail organisation. Research studies such as Kennedy and Widener (2008), Fullerton and Wempe (2009) and Fullerton, Kennedy and Widener (2012) identify various social and behavioural controls in LM organisations, and Wright and Lund (2006), Naruo & Toma (2007) and Lukic (2012) identify loss prevention and control practices in LM retail organisations. However, there appears to be very little literature that investigates and reports on the counter fraud practices in a LM organisation. This study consists of empirical findings that strongly suggest that social and behavioural controls such as visual control, employee empowerment, customer service and respect for people (Emiliani, 2008), and teamwork can also be used to manage and control fraudulent refund claims from customers in a LM retail organisation.

Furthermore, Harris (2008) investigates and reports on various factors associated with customers' fraudulent refund proclivity in retail organisations. In Harris' (2008) research, customers' knowledge of organisational returns and refund policies, as well as existing legal rules, regulations and policies about the returning products, were identified as a method that can be used to claim fraudulent refunds. This thesis consists of empirical findings that also

suggest that customers can exploit their knowledge of an organisation and its refund policy to claim fraudulent refunds in a LM retail organisation.

Lastly, the empirical evidence collected in this study helps to fill a gap in the counter and LM literature relating to the potential losses from fraud in LM organisations, the role of LM organisational structures and behaviours in incidents of fraud, and how understanding these roles is important in countering fraud (Needleman & Needleman, 1979; Vaughan, 1992; Vaughan, 2001; Holtfreter, 2005; Button, Gee, & Brooks, 2011; Gottschalk, 2011; Pan, Seow, Suwardy, & Gay, 2011; Mackevicius & Giriunas, 2013; Lokanan, 2015; Lokanan, 2018). It consists of findings that indicate the losses from fraud in one LM retail organisation. The results from a thematic analysis of the data collected also shows the role of LM customer focused behaviour and structures in incidents of fraudulent refund claims by customers.

Methodological contribution

This study adopts a realist and empirical approach to acquiring knowledge about the key constructs under study. The key constructs of this study are LM, fraud and counter fraud, and the way which the knowledge of these constructs is commonly acquired is through a functionalist approach (Monden, 1983; Inman & Mehra, 1993; Cua, Mckone, & Schroeder, 2001; Fullerton & McWatters, 2001; Fullerton, McWatters, & Fawson, 2003; Shah & ward, 2003; Houshmand & Jamshidnezhad, 2006; Dibia, 2012). This study continues with the common functionalist approach, but instead of looking at things as they are (positivism), or as they ought to be (normative), this study realises that things are as they are, but that people put their meanings on it (Healy & Perry, 2000; Krauss, 2005; Sobh & Perry, 2006; Blaikie, 2009). This study looks at what is actually happening in one LM retail organisation, instead of what ought to happen. It collects and analyses data on an actual fraud event, fraudulent refund claims from customers, in one lean organisation, and the way people react to it. This data provides evidence of lean management and fraud in an actual workplace.

The theory that links the key constructs and underlying research philosophy of this study is the rational choice theory (RCT) (Cornish & Clarke, 1986; Smith, 1991; Green & Shapiro, 1994; Hechter & Kanazawa, 1997; Holden & Lynch, 2004). RCT has been used to explain the reason organisations practise LM, as there is empirical evidence that organisations adopt LM for its optimisation purpose and benefits, which include cost reduction, performance improvements, and profit maximisation (Womack & Jones, 2003; Bhasin & Burcher, 2006; Wan & Chen, 2008; Lukic, 2012; Dibia, Dhakal, & Onuh, 2014; Netland, Schloetzer, and Ferdows, 2015). RCT has also been used to explain the reason people commit fraud towards organisation. For instance, studies like Tonglet (2002), Cromwell and Thurman (2003), Rosenbaum & Kuntze (2003), and Harris and Daunt (2011) use RCT in investigating the rationale behind deviant customer behaviours which include fraudulent refund claims in retail organisations, and the neutralisation techniques that offenders can use in justifying their actions. However, there appears to be very little research that investigates or uses RCT to explain the motivation and rationale behind countering fraud in LM organisations.

This study continues with RCT. However, it uses the theory to explain the findings (observed data) on the rationale behind countering fraudulent refund claims in the CSLRO instead of the rationale behind the fraud committed in these environments. Specifically, this study collects and analyses data on what drives the CSO organisation and its employees to counter, or not to counter, fraudulent refund claims from customers, then considers it against the neutralisation techniques which are tied to RCT. This expands the domain of the theory, as it tests to see the extent to which RCT explains the phenomenon observed.

Furthermore, the findings of this thesis could also be considered as an assessment for the case study organisation that participated in this research inquiry. It should enable it to review its policies, practices, values, and focus as an organisation, especially as it concerns the management and prevention of the fraud problem in the organisation. As a majority of the

respondents suggest, considering the customer-focused nature of the organisation, educating the customers about the fraud problem could be the most efficient (waste elimination) means of controlling the issue as it is. This suggestion, as discussed earlier, is consistent with the literature review findings on the contributions to the fraud problem and wastes caused by a lack of communication and the 'alignment' of customer behaviour in LTOs. Thus, it should be duly considered by LT and customer-focused organisations dealing with fraud problems. This is because it should, ideally, enable them to reduce cases of fraudulent refund claims from customers, and the consequent losses. However, more practically, aligning customer behaviour by educating and creating awareness amongst them should enable these types of LTO or customer focused organisations to reduce the number of cases and thus the losses from negligent customer behaviour.

6.3.2 Visual control management as a tool for fraud prevention

Even though it not discussed as a contribution in this chapter, the research study findings on visual control management (VCM) are significant and worthy of further discussion.

A number of visual control management practices of FP were identified in the case study LTO (see Appendix 5.1). However, these practices, although useful in loss prevention and control, did not, according to the respondents interviewed, deter fraudulent refund claims from customers in the LTO. This was the same finding for other LT loss prevention and control based practices identified in the case study LTO. Even though the focus of this study was not to investigate the extent to which VCM counters fraud, the importance of VCM in FP cannot be overlooked, as it is the layout and strategic positioning of the refund desk in a visibly controlled environment that facilitates the majority of other FP practices in the case study LTO. These practices include manning and inspections at the refunds desk, including the CCTV surveillance. The case study findings also reveal that the LPI, which is a visual representation of abnormal and exceptional transactions at the refunds desk that result in losses and shrinkage,

is effective in creating awareness regarding the problem of fraudulent refund claims in the organisation. It is also reportedly effective in discouraging staff from processing fraudulent refund claims for themselves, or colluding with customers to process such claims.

Visualisation is a topic that traverses management control and accounting systems, even though there appears to be very little research that investigates the topic in the respective subject groups (Davison et al., 2012; Davison, 2015). The case study findings on the VCM practices for FP are consistent with the two- and three-dimensional visual forms identified by Davison (2015). However, even if these findings do not contribute significantly to the existing knowledge in the subject area, they could potentially encourage further investigations and research studies on the topic.

6.3.3 Implications for practice

The research study findings suggest that the customer-focused nature of LT does not discourage fraud in its organisations. Therefore, for practitioners and organisations looking to adopt LT for its loss prevention and control purpose, and as a management and business strategy for securing competitive advantage, there is a lesson. They should be aware that such organisations and control environments are susceptible to fraud that is directly related to their values and focus as an organisation, which in this case of LTOs is the customer. However, if they intend to continue practising LT, then they should be aware of the potential compromises in countering fraud. They should also seek, as much as possible, to do the ‘right things’, and do the right things consistently to counter fraud. They could begin by ensuring simpler and clearer process policies, which in this case study is for the returns and refunds process. The customer service policy, as previously discussed, should also encourage customers to do the ‘right thing’ to help counter fraudulent refund claims. Accordingly, they could consider some sort of ‘punishment’ or cost attached to the customers’ failing to do the right thing, especially if such negligent behaviour would directly lead or contribute to fraud and its consequent losses.

However, the foregoing proposition is arguably an ideal that will not be practical in the ‘real world’, or more specifically, in a customer-focused organisation and control environment. Besides, as this research study and its findings further suggest, intent is crucial in fraud and FP. Thus, the issue of punishment for negligent customers is not completely advisable. Nevertheless, these customer focused organisations, like the case study retail stores for instance, could do the right thing by upholding bans and ensuring that known offenders are prohibited from receiving refund claims, especially without their receipts. Also, they could consider a refunds system where customers who return with their receipts receive, for example, loyalty points, or vouchers that can be spent in store. This is arguably a better option than costing or deducting loyalty points from customers who fail to return items with their receipts.

Furthermore, as LTOs, organisations in the retail business like the case study should focus on ensuring quality products the first time through. This is a fundamental LT principle where there should be more focus and resources on doing it right, especially if the common reasons for returns is due to wrong sizing, product defect, or manufacturing faults. Also, in the case of omni-channel retailing, LTOs who intend to discourage fraudulent refund claims from customers, or fraud in the reverse logistics process, should ensure fewer touch-points for customers. This is because the case study findings corroborate the theory that the omni-channel retailing structure creates more opportunities for fraud. However, considering the seamless nature of modern day retailing, a better suggestion than the foregoing would be to first focus on what can be directly controlled, which is producing quality products. Then, the LT retail organisations should consider optimising the resources and controls for these touch points. Moreover, since the case study findings reveal that man-power is still one of the best ways to manage and prevent cases of fraud, there should be fewer staff cuts and more training of staff in fraud and FP.

Finally, LTOs in the retail business should also consider providing more access to primary data and research studies on fraud and shrinkage problems. Such actions would, equally, facilitate their efforts in creating awareness regarding the problem, and aligning the behaviours of customers. Hence, since retailing is arguably part of everyday life, these researchers would be naturally interested or invested, and during the course of their research studies could conceive of or find more efficient solutions to the problem.

6.3.4 Implications for research

This study, being of an exploratory nature, raises a number of opportunities for future research especially in terms of theory development. In fact, more research will be necessary to further elaborate and refine the findings of this study.

First, while this study has generated a number of findings from the thematic analysis of interview data, obtained from examining the way one LM retail organisations counters its problem of fraudulent refund claims from customers, very little can be said of the way a larger population of LM retail organisations approaches similar problems in their organisations. Therefore, this study could be extended in search of statistical (rather than analytical) generalisability, as was sought here. This study could also be extended by investigating the way other LM organisations, involved in a different business or industry, such as aviation or manufacturing, counter the problems they experience.

Second, this study offers the opportunity to refine the data collection methods used in this study. The data for this study were collected via interviews with staff members in four of the organisation's retail stores, and during the interview process, three of the respondents withdrew their consent and chose no longer to participate in the study (see Chapter Three, page 144 for the report). Therefore, considering this experience and the known sensitive nature of the fraud

topic, future research may consider presenting vignettes or short stories to interviewees, which is a common approach when studying deviant behaviours like fraud.

Third, this study offers the opportunity to refine and validate the themes (findings) that emerged from the inductive (data-driven) and deductive approach (theory-driven) to coding and analysing the interview data. For instance, the finding that suggests that customers take advantage of the favourable customer focused structure and behaviour of LM organisations will need further refinement and elaboration. One could ask whether and to what extent do customers take advantage of lean management's customer-focused behaviour and structure, so that further empirical data regarding this phenomenon can be collected and analysed.

The findings on the case study organisation's LM practices reported in Chapter Four, could also be used to generate a number of hypothesis for further empirical testing using quantitative research methods and a broader sample. The questions for such study could include the following:

- 1- Is there a statistical correlation between LM practices such as customer service, TQM and visual control, and the incidents of fraud reported in LM retail organisations?
- 2- Is there a statistical correlation between the visual reporting of losses from shrinkage and fraud, and the incidents of fraud reported in LM retail organisations?

Also, this study could be extended as an economic game or experiment. An experiment could be valuable for future research because the findings from the case study, especially the main findings on fraud and customer behaviour, were obtained from the staff of the CSO. Hence, they are arguably biased. Also, the nature of retailing business, which the case study LTO is involved in, was a likely an influence in the final conclusions derived. This is because it was implicated in the research findings. Therefore, continuing the research enquiry through an experiment would triangulate and test the validity of these findings. Furthermore, based on the

literature reviewed in this research study, there are appears to be very little academic discussions and experimental studies founded on a realist case study of fraud in LTOs. Besides, experiential research methods are scarcely used within the counter fraud, accounting and forensic accounting subject groups (Birnberg, 2011). Therefore, using the same fraudulent refund claim scenario reported in the findings chapter, where “customers acquire goods on discount, then return it for a full price refund, usually without the receipt and with knowledge of the current store price”, future research could consider an experiential study that tests if “customers take advantage of a situation that visibly favours them, even if they have to lie”. The “lie” in the context examined suggests making a false refund claim, and this could be modelled after Gneezy’s (2005) cheap-talk sender receiver game experiment, or after Gneezy, Rockenbach and Serra-Garcia’s (2013) experiment. Based on the case study findings, the typical outcome of this scenario or event is an increase in the customer’s wealth at the expense of the organisation. An experiential study could also measure the role of reciprocity in these refund situations. For instance, if a retailer extends the refunds period, would it affect the fraudulent behaviour of customers?

Finally, this study could also be extended by examining the perspectives of customers, as well senior managers and the leadership of LM organisations, on the topic of counter fraud, considering the customer-focused structure and behaviour of LM organisations. For instance, for customers, would an LM retail organisation whose focus and main priority is customer service and goodwill deter or encourage them to request for fraudulent refund claims?

6.4 Limitations of the research study

The findings of this research study are limited in terms of statistical generalisability. This limitation is quite deliberate, in that the research study sought to explore and understand a complex human issue of fraud and FP in LTOs, which is considered more important than the generalisation of results to a population. Some of the limitations of this research study have

been discussed earlier (see discussion chapter). Other limitations of this research include the following:

- Due to the scarcity of research studies that investigate and report on the management and prevention of fraud or other negative behaviour in LTOs, it was not possible to compare the current research findings with any other study, except Kennedy and Widener (2008), which is the closest empirical study on a near similar topic.
- A majority of the LM literature reviewed in this thesis concentrate on the technical aspects of the subject, and promote view that there is ‘one right way’ to think and do work (Cox & Chicksand, 2005; Bhasin, 2012; Lorino, 2012; Stone, 2012; Azadegan, Patel, Zangouinezhad, & Linderman, 2013; Hoss & ten Caten, 2013). This research approach limits this study because there appears to be very little literature to compare the discussion and findings of this thesis which investigates the social and human behavioural problem of fraud.
- As stated, the case study of the four retail stores of one LTO is considered as another limitation of the research study. Although these stores are mostly similar due to the integrating nature of the prevailing omni-channel retail structure in the organisation, the fraud situations or events, and the manner in which they are managed, differ from store to store.
- Even though it was a specific sample of staff who directly managed the cases of fraudulent refund claims from customers, daily, the staff respondents interviewed are very few, compared with the workforce and size of the organisation.
- There are no data or explanatory statements from customers to compare, corroborate, or dispute the claim that they take advantage of the LTO, as it visibly favours them.

- This research study uses semi-structured interviews and other methods of data collection that typically have their limitations and biases, as discussed in the methodology chapter.

6.5 Reflexivity and evaluation of the research process

As the main research instrument of this research study, the researcher recognises his role, and the consequent bias or limitations posed by this role, in influencing the research outcome, due to prior experiences, interests, and assumptions. Even though the researcher was aware of these factors and actively sought to avoid them, it is still possible that the researcher's background and experiences could have influenced certain interpretations and decisions made during the research study.

The researcher recognises these factors and admits that there are certain actions and approaches to the research which may have been done differently. Some of these actions include:

- The researcher could have simply explored a particular LT or management practice. For instance, examining the visual control management only as a tool for FP. This approach is, arguably, a reductionist approach to the inquiry, which is also against the recommended systems thinking and holistic consideration or application of LT, or 'a piecemeal approach', as the lean management practitioners describe it. However, if the researcher had chosen this approach, it would have arguably made for a more thorough research inquiry into the research problem of fraud and FP in LTO. Such an approach is consistent with Parker (2003) and Shah and Ward's (2007) recommendation to select and specify the exact aspect of LT and management that is being studied, in order to make more secure claims regarding the subject and results from its study.
- The researcher could also have designed and tested a particular framework. Even though this was partially done throughout the research study with the various suppositions and value system designs, these suppositions could equally have been the

direct or single framework used to analyse study findings and reports. This would have been an alternative to analysing the data on both the semantic and latent levels.

- Finally, the researcher could have used a leading theory in the conceptual framework to examine the fraud problem and research questions, as well as testing the findings. However, it is arguable that this approach was indeed employed, as the literature review finding and supposition that ‘lean management counters fraud’ was used to examine the research problem and case study findings.

6.6 Final comments

This thesis sought to investigate to what extent does LM counter fraud. It investigates some known issues that problematise LM, and can potentially expose to risks and losses from fraud organisations that rely on LM to counter fraud. This thesis also consists of findings regarding examples of these fraudulent refund claims from customers, and the way one lean management retail organisation counters the problem.

To understand fraud and FP in organisations, researchers need to observe already existing accounts and perspectives, but also consider newer or different approaches and organisational environments to study the problem. This thesis can be taken as an example, or cautionary tale, where fraud and the FP challenge of failing to do the right thing is found in a supposedly efficient organisation and control environment. Similarly, the customer focused structure and strategy of the organisation, which is mostly renowned for its benefits, has been found to contribute to the persistence of the fraud problem. Consequently, there are lessons for organisations and businesses that follow management control trends, adopting strategic initiatives without considering the overall implications, which in reality could be varied and even counter-productive. Like this case study, the implications include challenges to FP efforts, and susceptibility to, and potential or consequent losses from, fraud.

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APPENDICES

Appendix 1.1: Thematic analysis of the literature and codes

Appendix 1.1.1: From fraud prevention literature

Authors	Proposition	Proposition	Components
Albrecht, Albrecht and Dunn, 2001; Wells, 2007; Ilter, 2009; Gottschalk, 2010.	Proposition 1	An effective control framework eliminates or controls any angle of the fraud triangle, especially the opportunities and pressure.	Pressure, Opportunity and Rationalisation.
Mackevicius and Girunas, 2013	Proposition 2	Fraud prevention systems focus on prevailing conditions that allow or prevent opportunities for fraud, as well as the likely methods of perpetration.	The organisational structure. The organisation of activities. The accounting, auditing and internal control system, The operating results of the organisation. The honesty, competence, style and action of the management of the organisation. The employees of the organisation. The external conditions.
Gottschalk, 2016	Proposition 3	Examining fraud requires the knowledge of issues concerning the organisational culture, procedures, rules and the responsibility of the executives.	Organisational culture, procedures, rules and the responsibility of the executives.
Albrecht, Albrecht and Zimbelman, 2012; ACFE (2013)	Proposition 4	The key aspects of an organisations to consider in a fraud prevention study are the organisation's control environment, the control activities, the fraud prevention schemes and the accounting system	Organisation's control environment. The control activities. The fraud prevention schemes and the accounting system.
Otley, 1994; Flamholt, 1996; Otley, 1999; ACFE, 2014	Proposition 5	Increasing the perception of detection in fraud prevention systems is effective for deterrence.	Fraud prevention systems; organisational control, management control systems, control environment and other fraud control frameworks and strategies.
Wells, 2004; Hooks et al., 1994; Dorminey, Fleming, Kranacher and Riley, 2010; Omar and Bakar, 2012.	Proposition 6	Fraud is a social phenomenon, not an accounting dilemma or an issue with organisational controls. Fraud prevention is a different endeavour from internal control, and no single method can prevent fraud or provide absolute assurance against its occurrence. Therefore, internal control is part of, but not equal to or above fraud prevention systems.	Fraud prevention systems are a combination of control systems and activities, including social control systems.
Schaad & Moffett, 2002; Schaad, 2003; Albrecht, Albrecht, and Albrecht, 2004; Albrecht, Albrecht, Albrecht, & Zimbelman, 2009. Bierstaker et al., 2006.	Proposition 7	Decentralised systems: Separate ownership from control. Division of work. Team work and dual custody. Systems of authorisation. Independent checks and monitoring. Fraud prevention should not be the exclusive function of management or specific departments. Fraud prevention should be a coordinated effort. Actions of employees are aligned with management.	Systemic effort and systems thinking. Team work.
Beasley, 1996; Mallin, 2013.	Proposition 8	Rewards: Reward systems are used to prevent agency problems, or problems of lack of trust. Incentives to reduce pressure. Remuneration for performance, linked to achievement of specific objectives. Reward for whistleblowing.	Reward systems: discounts, rebates.

Appendix 1.1.1 (continuation): From fraud prevention literature

Authors	Proposition	Components
Table two		
Mallin, 2013; Trompeter et al. 2012.	Proposition 9	Leadership with strong ethical and moral foundations.
Malmi & Brown, 2008; Kennedy and Widener, 2008	Proposition 10	Understanding the culture of the organisation is essential to social and behavioural controls.
Authors: D'Aquila, 1998; Ramos, 2004; Ramaswamy, 2005; Ahmad and Norhashim, 2008; Rae and Subramaniam, 2008; Hermanson, Smith and Stephens, 2012; Dabbagolu, 2012.	Proposition 11	An effective control environment is recommended for fraud prevention.
Rezaee, 2005; D'Aquila, 2013; Albrecht et al., 2012; Tessler and Otley, 2012; ACFE, 2014; CIMA, 2008; Omar and Bakar, 2012.	Proposition 12	Purposefully designed systems for fraud prevention. These are standard requirements, frameworks and strategies suggested for fraud prevention systems: Strategies for fraud prevention Committee of Sponsoring Organisations (COSO) Framework. Albrecht Control Framework. Simons' Levers of Control. Fraud risk assessments
Norris and O'Dwyer, 2004; Carens, 2012; Malmi and Brown, 2008. Langfield-Smith,	Proposition 13	Organisational control is a collection of several types of control systems or mechanisms, and each control system has its own distinct characteristics. These systems of control are interdependent, and the effectiveness of either of them is dependent on the other. The current practice is combining the use of formal systems, which possess quantitative and qualitative indicators, with informal systems.
Flamholtz, Daz and Tsui, 1985; Flamholtz, 1996; Malmi and Brown, 2008; Berry et al., 2009.	Proposition 14	Organisational culture influences and controls behaviour.
Akers, 1990; Holtgreter, 2005; Ward, Stafford and Gray, 2006.	Proposition 15	Organisational practices of internal control and policy are motivated by the theory of crime that suggests that if the pain or punishment to a crime is considered higher than its gains, rational individuals, on instinct, are most likely to seek their pleasure, weigh consequences and subsequently deter from fraud.
Green and Welsh, 1988	Proposition 16	Effective control manage and optimise the scarce and limited resources of an organisation by preventing losses
Wells, 2004; Bierstaker et al., 2006;		Internal control, enforcement and compliance.

Appendix 1.1.2: Code

	Key aspects discussed.	Relevant propositions
Proposition	Conceptual framework for fraud prevention systems in organisations	Components
P10	Culture	P10. P3. P12. P13. P14. P6. P7. P2.
P7	Organisational structure & Configuration of work	P7.P2. P11. P13. P6. P7.
P11. P4.	Control environment	P11. P4. P12. P13. P6. P7. P5.
P2.P4.	Accounting system	P2. P4. P13. P11. P12. P15. P6. P7. P8.
P3. P4.	Knowledge, skill and training	P13. P6. P7. P11.
P7.	Teamwork	P13. P6. P7. P11.
P9.	Leadership	P9.P11. P13. P6. P7. P3.
	Information and communication	P11. P12. P13. P6. P7.
P7. P11.	Corporate governance and external regulatory structure	P13. P6. P7. P9. P11. P12.
	Visualisation	P13. P14. P6. P7. P11.
P4. P6. P12. P5.	Fraud prevention control systems and framework	P4. P6. P12. P5. P13. P8. P6. P7.
P13	Management Control systems	P13. P6. P7. P5. P10.
P8	Reward systems	P15. P13. P2. P6. P7.
P15. ..P5/P12	Deterrent or Punishment systems	P5.P13. P15. P6. P7. P12
	Globalisation and other external conditions	P11.
P16. P15. P5.	Internal control enforcement and compliance	P15. P5. P8. P7. P13. P11. P12.
	Management	P2. P3. P5. P7. P11. P12. P13. P7.
	Employees	P2. P7. P11.
	Codes of conduct and Policy	P11. P13.
	Social and behavioural controls	
	Symbols	

Appendix 1.1.3: Thematic analysis of control environment

Authors	D'Aquila (1998), Ramos (2004), Ramaswamy (2005), Ahmad and Norhashim (2008), Rae and Subramaniam (2008), Hermanson, Smith and Stephens (2012) and Dabbagolu (2012)
Common themes	Key words and Information
Management	Compliance. Integrity and ethical value. Operating philosophy. Commitment. Tone at the top. Competence. Monitoring of activities and operations. Ethical values and judgement. Quality. Mentality. Participatory democracy. Quality, accuracy and financial reporting. Style and value judgement. Overall attitude, awareness and actions. Override of control is documented. Behavioural standards. Appropriate response to violations.
Information and communication	Clear statements. Codes of conducts. Policies. Guidelines. Written codes of conducts. Detailed set of guidelines. Effective lines of communication. Communicates with words and actions. Timely.
Work environment	Positive work environment. Good control environment. Operating philosophy. Ethical.
Monitoring	Activities. Operations. Vigilant Oversight.
Control activities	Policies and Procedures. Activity level controls. Transparent and discovery control system. Control procedures. Identifying areas of risk. Investigating anomalies. Regular assessment. Sanctions are determined. Merits are considered. Override of controls.
Audit	Internal audit. Internal audit activities. Audit mechanisms. Audit committee. Audit department. Documentation of control overrides.
Knowledge, Skill and Training	Adequate training. Knowledge and experience. Knowledge and skill. For the executive function. For the members of the board. For employees to perform their job. Orientation and human resource practice are based on training. Use of forensic accountants.
Organisational structure, roles and responsibilities	Clear employee roles and responsibility. Management and supervisors carry out responsibilities effectively. Understanding roles and carrying out responsibilities. Authorities and responsibilities are clearly described. In accordance to the principle of segregation of duties. Business functions in a harmonious organisational structure.
Executives/Leadership	Executive function. The board and audit committee. Tone at the top. Sufficient knowledge. Regular assessment of tone at the top.
Systems	Good accounting and Reporting system. Internal control system.
Ethics	Ethical work environment. Integrity and ethical values of management. Ethical behaviour. Code of ethics. Ethics and integrity. Clearly stated ethical dealings. Employees understand the expectations of management regarding ethics.
Internal Control	
Employees	Expectations. Consequences. Knowledge. Skill. Ethics. Policies and codes of conduct.

Appendix 1.1.4: Issues with current fraud prevention in organisations (based on the aspects of organisational control in the literature examined)

	Issues with current fraud prevention practice	Source/Authors
Leadership (L)	<ol style="list-style-type: none"> Control as a central function, the issue of power. Should possess a value system with thorough moral foundations. Support for building a morally founded control environment, and maintaining an ethical and honest tone at the top. Support for the control environment & fraud prevention efforts. Personal values of leaders significantly reduces situations or opportunities for deviant behaviours. 	Cressey and Moore, 1983; Rueschemeyer, 1986; Kreie and Cronan, 2000; Schaad, 2003; Zhao and Chen, 2008; Berry et al., 2009; Klasing, 2013; Free, Macintosh and Stein, 2007; Trompeter et al., 2013; Morales, Gendron and Guenin-Paracini, 2014. Liu and Li (2015), Lord (2015) and Cronin (2016)
Management (M)	<ol style="list-style-type: none"> Monitoring and motivating performance by linking reward systems to good-compliant behaviour and fraud prevention efforts. Fraud prevention efforts in the control environment are typically reserved for the management, and managers. The literature on control environments are tailored towards management functions and commonly starts recommendations on prevention and control with 'management should...' 	Norris and O'Dwyer, 2004; Borg, 2000; Miller and Thomas, 2005; Xu and Ziegenfuss, 2008; D'Aquila, 1998; Ramos, 2004; Ramaswamy, 2005; Ahmad and Norhashim, 2008; Rae and Subramaniam, 2008; Hermanson, Smith and Stephens, 2012; Dabbagolu, 2012. Verick (2013), Ngai (2014); Bryer, 2013;
Information and Communication (I&C)	<ol style="list-style-type: none"> Recommended transparency in reporting. Visual control and disclosure of information crucial for decision making in fraud prevention efforts. Transparency and visual control of information to avoid manipulation and whimsical usage of such crucial organisational information by individuals in positions of power. Clear and visible statement of policy and objectives. The issue of visualisation in management control and accounting systems. 	Fishman and Hagerty, 1990; Hooks, Kaplan, Schultz and Ponemon, 1994; Schultz and Hooks, 1998; Maines and McDaniel, 2000; Norris and O'Dwyer, 2004; Rezaee, 2004; Rezaee, 2005; Ramaswamy, 2005; Adams, Campbell, Campbell and Rose, 2006; Tene and Polenetsky, 2012; Kassem, 2012; Lobo and Zhou, 2001; Argyriou, Sotikraki and Symvonis, 2013; Clor-Proell, 2009; Hrasky, 2012; Davison, 2015; Bell and Davison, 2013; Davison, Mclean, and Warren, 2012; Bryer, 2011; Beattie, 2014; Leung, Parker, and Curtis, 2015; Hirsch, Seubert, and Sohn, 2015; Tregidga, Milne, and Lehman, 2012.
Accounting systems (A)	<ol style="list-style-type: none"> Accounting systems are typically for detection; audit trails, not prevention. Even though the MCS is largely based on accounting practices. Use of accounting information for decision making. Failure to report crucial financial or non-financial information in an understandable way for users. Literacy, language and lack of technical knowledge of the information reported can have an effect on fraud. Challenges in measuring losses from fraud. Use of estimates, instead of actual cost. 	Otley, Broadbent and Berry, 1995; Button, Gee and Brooks, 2011; Maines and McDaniel, 2000; Nigrini and Johnson, 2008; Alon and Dwyer, 2010; Wood, 2012; Ngai et al., 2011; Seow, 2009; Huerta, Glandon and Petrides, 2012; Dilla and Raschke, 2015; Gullkvist and Jokipii, 2013; Ramamoorti, 2008; Lokanan, 2014; Clor-Proell, 2009; Albrecht, Albrecht and Zimbelman, 2009;
Configuration of work (COW or OS)	<ol style="list-style-type: none"> Limiting the management role-function and responsibility of fraud prevention to specific departments. The structure: how work – roles and responsibilities and the work environment are organised can affect fraud prevention efforts. Vertical structuring. The planning, managing and monitoring of such work can equally affect fraud prevention efforts. The combination and strategic deployment of management control systems can influence fraud prevention efforts. 	Verick, 2013; Ngai, 2014; Liu and Li, 2015; Lord, 2015 and Cronin, 2016; Hemraj, 2003;
Control environment (CE)	<ol style="list-style-type: none"> Lack of resources. Cost of fraud prevention efforts and hesitation of organisations to invest in effective fraud control methods. A 'highly visible' internal control can serve as a general deterrent for fraud. 	Bierstaker, Brody and Pacini, 2006; Holtfreter, 2005; Dorminey, Fleming, Kranacher and Riley, 2010;
Decision making (DM)	<ol style="list-style-type: none"> Ensuring the staff are aligned with management goals and objective. In this case, ensuring both management and staff are in accord on the fraud prevention objective. The quality of decisions made by individual or group in the organisation and determinants of the quality decisions. Person, task and environmental variables are major determinants in situations of decision making in fraud prevention endeavours. Choice – strategic choice for management to make an organisational decision to prevent fraud as against other business decisions. Strategic choice for management to allow favourable conditions for fraud in organisation. Uncertainty in decision making. Accounting for person, task, and environmental factors, or variables, if any. 	Cardinaels, 2008; Bell and Carcello, 2000; Eining, Jones and Loebbecke, 1997; Glover, Prawitt and Spilker, 1997; Kennedy, Widener and Fullerton, 2010; Garrett, 2016; Bimberg, 2011; Angay and Ersoy (2010); Jenkins, Deis, Bedard and Curtis, 2008; Trotman, Tan and Ang, 2011; Carpenter and Reimers, 2013; Bonner, 1999; Chand and Mala, 2014; Bastian, 2007; Burchell, 1980.
Peers (P)	<ol style="list-style-type: none"> Support from peers in decision making during fraud prevention efforts. Influence of peers in encouraging good and non-deviant behaviours. 	Garrett, 2016; Cardinaels, Dierynck and Zhang, 2016; Chung, Harrison and Reeve, 2009; Borg, 2000; Miller and Thomas, 2005; Xu and Ziegenfuss, 2008.
Culture (C)	<ol style="list-style-type: none"> Lack of understanding of an organisation's culture. This can affect social or behavioural interventions, regulation or other controls for fraud prevention. 	Trompeter et al., 2013.

Appendix 1.1.5: Recommendations on preventing or resolving the challenges with fraud prevention

Recommendations on preventing or resolving the challenges with fraud prevention as discussed or mentioned in the literature review

1. Decentralisation of responsibilities, leadership, and management function (Albrecht, Albrecht, & Albrecht, 2004; Albrecht, Albrecht, Albrecht, & Zimbelman, 2009) *see Chapter two, section 2.6.1.1*
2. Dual custody, team work, checks and balance of power. (Rezaee, 2005; Albrecht, Albrecht, Albrecht, & Zimbelman, 2009)
3. Effective reward and punishment systems. (Xu & Ziegenfuss, 2008) *see Chapter two, section 2.6.2 and 2.6.3*
4. A fraud prevention system that meets the standards, available strategies and frameworks of fraud prevention in organisations. (see table 2.1 in Chapter two)
5. An efficient and effective configuration of work. (Verrick, 2013; Ngai, 2014, Liu & Li, 2015) *see section 2.8.1*
6. An efficient control environment. (Bierstaker, Brody, & Pacini, 2006; Dorminey, Fleming, Kranacher, & Riley, 2010) *see section 2.8.2*
7. Internal controls (Holtfreter, 2005) *see section 2.8.3*
8. Investment in effective fraud control methods. (Bierstaker, Brody, & Pacini, 2006)
9. Deterrent systems; highly visible and increasing the perception of detection. (Holtfreter, 2005)
10. Good leadership and tone at the top. (Trompeter et al., 2012) *see section 2.9*
11. Understanding the organisation's culture before launching any social or behavioural intervention. (Trompeter et al., 2012) *see Chapter two*

Appendix 1.1.6: Lean thinking propositions (Code - LP)

LEAN THINKING – KEY LITERATURE REVIEW PROPOSITIONS

Lean thinking proposes:

1. Efficiency - Doing more with less without compromising on quality and value. Reducing losses, by creating value and eliminating waste or non-value adding activities. Standardisation of processes. Sustainability and continuous improvement of the entire process. LP1
2. A practice that combines quality operations system with quality socio-technical culture. LP2
3. A collection of efficiency and quality based principles, practices and other advanced manufacturing and strategic initiatives. LP3
4. A socio-technical system with unique features, techniques and practices that are embodied, exemplified and executed by the humans. LP4
5. Unique style and configuration of work that discourages behaviours contrary to the organisational style and standard, which should also discourage and prevent fraud. LP5
6. The focus on customers is the hallmark character of lean environments, and a strategy that differentiates them in their business with competitors. LP6
7. A customer driven scheduling systems that signals and visibly indicates where control is necessary, and supports decision making for individuals in the performance of their tasks and responsibilities. It ensures that the individuals do not deviate from the job assignment, and consequently the organisational objective and common goal. It also prevents shrinkage – waste of inventory, theft and misappropriation of organisational resources and other losses, by ensuring that only the resources required are available for usage. Thus accounting for the actual resources required and used, and discouraging procurement or other forms of billing fraud. LP7
8. Maintaining low levels of inventory to avoid theft and other asset misappropriation. LP8
9. Team work and group responsibility. In a value stream of interdependent workplaces, the pull system ensures that responsibility for solving problems do not rest in a single work place or department. LP9
10. Group responsibility and support in decision making. LP10
11. Information on activities and cost necessary for decision making are aggregated to the value stream level, simplified, visually reported and controlled. LP11
12. The use of actual cost accounting system that removes the focus of traditional or standard system of accounting on computing and reporting variances between actual and budgeted costs. This should discourage creative accounting, false reporting and other billing fraud. LP12
13. A value stream accounting system that provides information that is simple, timely, easy to understand, and motivates the right behaviour- aligned with the organisational objective. LP13
14. Visual representation of financial and non-financial information to support decision making. LP14.
15. Clear statement of organisational values and communication at all levels of the organisation. LP15.
16. Teamwork. The cells are 'work teams', connected in time, space and information. LP16.
17. Leaders - Leaders are acknowledged, and there is an according respect for everyone and the role they play in the organisation. LP17
18. Leadership at all levels. This is exemplified by decision making at the lowest levels and a clear assignment of responsibilities. Simultaneously, it develop relationships, mutual trust and a sense of commitment across the organisation. LP18
19. The relationships, mutual trust and a sense of commitment across the organisation nurtures an equal and healthy working and learning environment. LP19
20. The relationships developed in the working environments are aligned with the lean focus on customers. LP20
21. General visual management and other lean tools, transparency and accountability are promoted, inefficiency is reduced, and an order, which is interpreted as a 'stability in control', is promoted throughout the environment. LP21.
22. Gaining competitive advantage, which can be in form of reduced pricing – a product of its efficiency. As well as improved customer relations, which is a product of its value creation. LP22.
23. Lean thinking proposes improved customer relations, promotes trust and commitment in business environments. It offers the customers and other individuals (actors) –stakeholders a sense of belonging, which often translates to a loyal patronage and long term success for the organisation. LP23.
24. Lean proposes humanity and respect as the cultural values. The organisation is considered a 'family', and this is visible in the organisational structure of cells, which encourages team work. LP24.
25. A reduced emphasis of hierarchies, for work flow and attainment of goals, based on the value of respect. LP25.
26. Configuration of the work system into a horizontal, non-hierarchical thinking structure. Thus, encouraging the people to coordinate, participate and work as a team. LP26.
27. Respect and focus on customers are ensured through upholding these stated values, and maintaining the various efficiency practice of continuous improvement in cost, design, quality of product or service and delivery.

IN SUM, Lean Thinking PROPOSES: "An efficient, customer focused, value-based control environment with unique features".

Appendix 1.1.7: Lean value system

Influences	Authors
Lean thinking	Womack and Jones, 2003; Shah and Ward, 2007; Liker, 2004. Emiliani, 2006
The Pull system	Kimura & Terada, 1981; Nicholars and Soni, 2006; Seddon and Caulkin, 2007.
The value stream	Seth* and Gupta, 2005; Kennedy, Widener and Fullerton, 2010.
The socio-technical system	Shah and Ward, 2003; Pettersen, 2009.
Customer- centred thinking	Seddon and Caulkin, 2007; Naslund, 2008; Kennedy and Widener, 2008.
Systems thinking	Seddon, 2005; Bicheno and Holweg (2009).
Theory of constraints	Nave, 2002; Melton, 2005; Kennedy and Maskell, 2006.
Contingency theory	Hines, Holweg and Rich, 2004; Demeter and Matyusz, 2011.
Lean Philosophy	Bhasin and Burcher, 2006; Joosten, Bongers and Janssen, 2009.
Confucianism	Hines, Lethbridge and O'Grady, 2007; Chen, 2008; Yang, 2012.
VALUE SYSTEM	Mann, 2005; Hines, Holweg & Rich, 2004; Badurdeen, Wijekoon & Marksberry, 2011
Attributes	
Efficiency; 5S, V.C, W.E and C.I	Emiliani, 2006; Pettersen, 2009; Badurdeen, Wijekoon and Marksberry, 2011
Teamwork & Group responsibilities	Bidanda, Ariyawongrat, Needy, Norman and Thammaphomphilas, 2005.
Humanity, Respect and Reciprocity	Sugimori, Kusunoki, Cho and Uchikawa, 1977; Bhasin and Burcher, 2006.
Trust (mostly supply chain)	Bhasin and Burcher, 2006; Juan Ding, Jie, Parton, Matanda, 2014.
Communication and Transparency	Klotz, Horman, Bi and Bechtel, 2008; Kennedy, Widener and Fullerton, 2010.
Equality (equal working)	Sugimori, Kusunoki, Cho and Uchikawa, 1977; Convis, 2011;
Learning environment	Spear and Bowen, 1999; Bhasin & Burcher, 2006; Staats, Brunner & Upton, 2011
Relationships (mostly supply chain)	Angelis, Conti, Cooper & Gill, 2011; Maleyeff, Arnheiter & Venkateswaran, 2012
Customer value and service	Hines et al., 2004; Teehan and Tucker, 2010; Staats, Brunner and Upton, 2011
Leadership at all levels	Spear and Bowen, 1999; Mann, 2005; Bhasin and Burcher, 2006; Radnor, 2010
	The attribute of 'Simplicity' by Schonberger (1982) da Siveira (2006) was also considered.
Other key lean literature – Fullerton and Mcwatters (2002), Cua, McKone and Schroeder (2001).	

Appendix 1.1.8: Keys to the value system

VALUE SYSTEM	Mann,2005; Hines, Holweg & Rich,2004; Badurdeen,Wijekoon &Marksberry,2011
Attributes	
Efficiency; 5S, V.C, W.E and C.I (e)	LP1; LP3; LP6; LP19; LP20; LP21; LP22; LP23; LP11; LP8; LP7; LP13; LP15; LP21; LP16; LP12; LP5; LP4; LP2.
Teamwork & Group responsibilities (tgr)	LP9; LP10; LP16; LP18 ; LP11; LP7; LP5; LP24; LP25; LP26; LP6.
Humanity, Respect and Reciprocity (hrr)	LP24; LP25; LP17; LP6.
Trust (mostly supply chain) (t)	LP23; LP19; LP18; LP6
Communication and Transparency (ct)	LP21; LP18; LP16; LP15; LP14; LP13; LP11; LP7; LP10; LP24; LP6.
Equality (equal working) (eq)	LP19; LP25; LP6.
Learning environment (le)	LP19; LP6.
Relationships (mostly supply chain) (r)	LP20; LP19; LP18; LP6
Customer value and service (cvs)	LP23; LP22; LP20; LP15; LP7; LP6;
Leadership at all levels (l)	LP17; LP18; LP6.
	The attribute of ‘Simplicity’ by Schonberger 1982 was also considered. LP13; LP11

Appendix 1.1.9: Issues with current fraud prevention and LT proposed solutions (Codes)

	Issues with current fraud prevention practice	Lean proposes
Leadership (L)	<ol style="list-style-type: none"> 1. L1. 2. L2. 3. L3. 4. L4. 5. L5. 	<ol style="list-style-type: none"> 1. LP17. 2. LP18. 3. LP6.
Management (M)	<ol style="list-style-type: none"> 1. M1. 2. M2. 	<ol style="list-style-type: none"> 1. LP7. 2. LP8. 3. LP9. 4. LP13. 5. LP21. 6. LP26. 7. LP6.
Information and Communication (IC)	<ol style="list-style-type: none"> 1. IC1. 2. IC2. 3. IC3. 4. IC4. 	<ol style="list-style-type: none"> 1. LP11. 2. LP13. 3. LP14. 4. LP15. 5. LP16. 6. LP21. 7. LP24. 8. LP6.
Accounting (A)	<ol style="list-style-type: none"> 1. A1. 2. A2. 3. A3. 	<ol style="list-style-type: none"> 1. LP11. 2. LP12. 3. LP8. 4. LP13. 5. LP14. 6. LP21. 7. LP6. 8.
Configuration of work (COW)	<ol style="list-style-type: none"> 1. COW1. 2. COW2. 3. COW3. 4. COW4. 	<ol style="list-style-type: none"> 1. LP16. 2. LP10. 3. LP5. 4. LP7. 5. LP9. 6. LP2. 7. LP24. 8. LP25. 9. LP26. 10. LP6.

	Issues with current fraud prevention practice	Lean proposes
Control environment (CE)	<ol style="list-style-type: none"> 1. CE1. 2. CE2. 3. CE3. 	<ol style="list-style-type: none"> 1. LP1. 2. LP3. 3. LP6. 4. LP5. 5. LP19. 6. LP20. 7. LP21. 8. LP22. 9. LP23. 10. LP11. 11. LP8. 12. LP7. 13. LP13. 14. LP15. 15. LP21. 16. LP16. 17. LP12. 18. LP4. 19. LP24. 20. LP25. 21. LP26. 22. LP6.
Decision making (DM)	<ol style="list-style-type: none"> 1. DM1. 2. DM2. 3. DM3. 4. DM4. 5. DM5. 	<ol style="list-style-type: none"> 1. LP5. 2. LP7. 3. LP18. 4. LP11. 5. LP10. 6. LP13. 7. LP14. 8. LP6.
Peers (P)	<ol style="list-style-type: none"> 1. P1. 2. P2. 	<ol style="list-style-type: none"> 1. LP9. 2. LP10. 3. LP16. 4. LP24. 5. LP6.
Culture (C)	<ol style="list-style-type: none"> 1. Lack of understanding of an organisation's culture. This can affect social or behavioural interventions, regulation or other controls for fraud prevention. 	<ol style="list-style-type: none"> 1. LP6. 2. LP15. 3. LP24. 4. LP25 5. A value based control system.

Appendix 2.1: Summary of findings from the literature reviewed

Appendix 2.1.1: Summary of findings from chapter two

FINDINGS FROM FRAUD PREVENTION

Key findings from this chapter

1. There are several control systems and methods available, including a lot of resources and information on fraud prevention in organisations. However, the information is mostly reserved for management, and the resources are not used properly; efficiently or effectively.
2. Fraud prevention is not practised as recommended, as a collective, systemic effort.
3. Organisational control is proposed to be a combination of several control systems, and so is fraud prevention. However, there are complexities found in this type of organisational control system, which are supposedly caused by the combination and lack of actual knowledge about the relationships and how they function together as one.
4. Staff other than management are not informed or provided with the required knowledge; technical or otherwise, to execute their daily responsibilities specific to the wider function of control. Empowering staff with the necessary information and expertise in their daily functions should contribute to control activities in the organisation, which should also prevent fraud in the process.
5. The common theory on fraud prevention is that increasing the perception of detection deters fraud.

Appendix 2.1.2: Summary of findings from the literature reviewed

FINDINGS FROM EXPLORING LTO SYSTEMS

Key findings from chapter three

1. It is a value based control environment
2. It is an organisation that is focused on customers, which eventually makes the organisation a value based control environment focused on customers
3. It has social and behavioural controls. But, above all, the practice of LT proposes a unique control system with several practices that discourages; prevents, problems like fraud. This proposition is supported by the case study conducted by Kennedy and Widener (2008). Also, results, from the synthesis and thematic analysis of the literature reviewed, indicate that the LT practice and control environment is equally able to address the identified issues with fraud prevention in organisations.
4. One of the core values it promotes is 'efficiency' which has been identified as a challenged with fraud prevention.
5. It is a system thinking environment; amongst the other influences that constitute the value system. This suggests that the work done in the environment, including the control activities, is a collective effort of the people and systems.
6. Other findings include that there are no prior notable accounts of fraud and fraud prevention in the context of lean, or in lean thinking environments, to be exact.

Appendix 2.1.3: Summary of findings from the literature reviewed

Theme one

FINDINGS FROM PRELIMINARY DISCUSSION OF THE CASE STUDY: Omni-channel retailing

Key findings from chapter four

1. The multi-channels; better still, the complexities and several touch-points present in the multi-channel logistics, distribution, and service aspect of Omni-channel retailing, create opportunities for fraud.
2. The retailers are aware of [know] these complexities, but deliberately refuse to communicate them to the customers.
3. In Omni-channel retailing, lean is only applied; practised, in piecemeal. It is used to simplify the processes and to integrate the multi-channel systems.
4. The retailer's dilemma. The choice between doing what is right to prevent fraud, and what is right by the customer. There are several loss prevention practices, systems and tools. Retailers can be hesitant to enforce these practices, for the fear of losing their customers. This dilemma poses a greater challenge for fraud prevention in lean organisations where the organisation; structure and control environment is focused on customers.
5. The business; trading activities, affect lean practices in terms of fraud.

Theme two

FINDINGS FROM THE REVIEW OF LEAN IN RETAIL AND LEAN RETAIL

Key findings from chapter four

1. The review of lean in this particular business environment, finds qualities that are similar to the earlier review on lean thinking organisations. Consequently, this provides more evidence and support on the proposed value system and features of lean thinking practice.
2. Findings in this review reveal that the piecemeal practice of lean; lean-in, has been identified as a barrier to the success of lean implementation and practice in organisations. The findings also reveal that the piecemeal practice presents a barrier to the efficiency of lean thinking control environment and systems.
3. Some deliberation and analysis reveal that there may be some unrealistic expectation of what lean thinking should be. The discussion also suggests an equally unrealistic expectation of what the results of a successful implementation should portend and reveal.

Theme three

NOTION OF FRAUD: WHAT IS THE UNDERSTANDING OF FRAUD IN ORGANISATIONS, AND WHAT IS THE UNDERSTANDING OF FRAUD IN LEAN ORGANISATIONS?

FINDINGS:

Key findings from chapter four

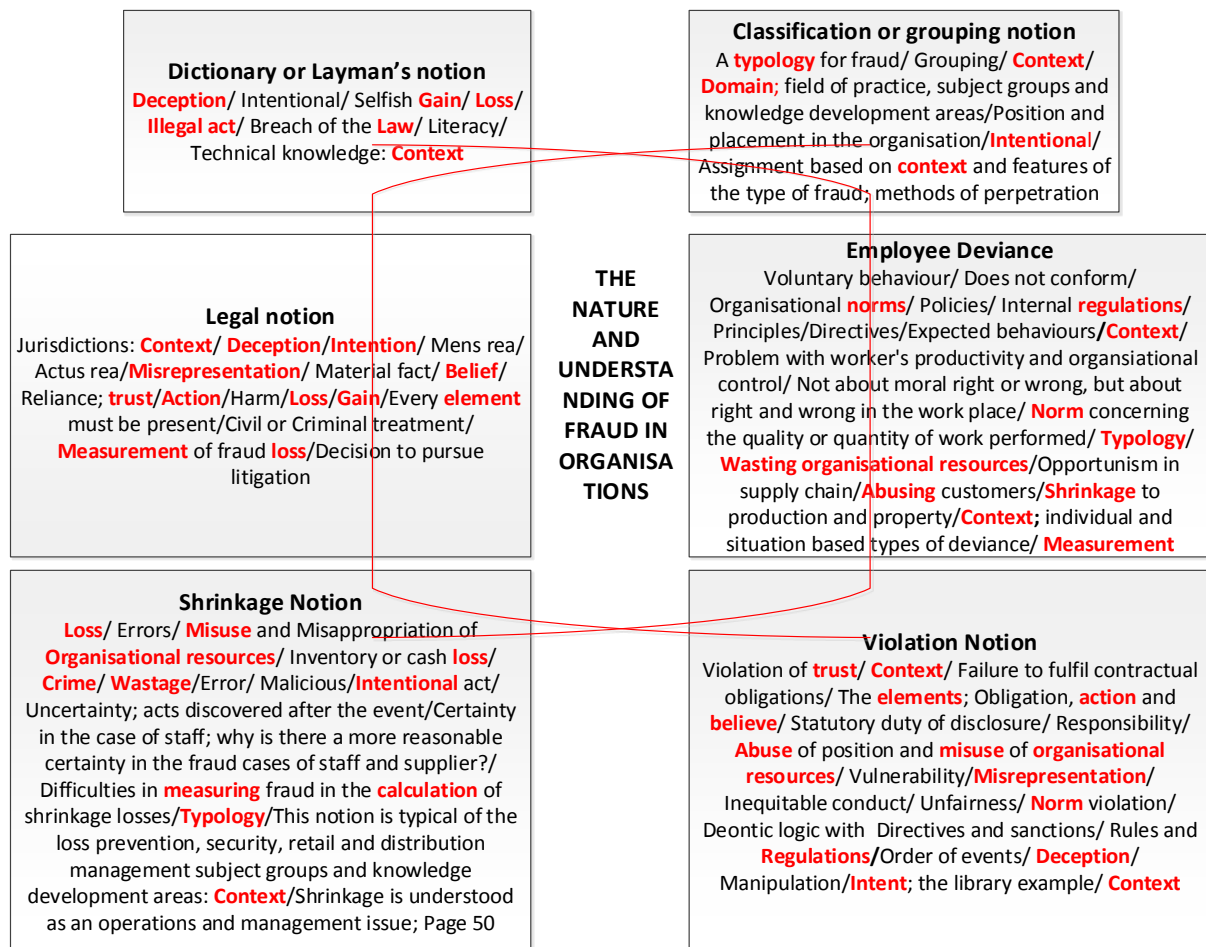
1. There are different notions of fraud in organisations. But from a thematic analysis of these notions, the key factors to consider are the 'intent' and 'context'. These are the key factors found to influence the various, and individual understanding of fraud in organisations.
2. The understanding of fraud in lean organisations: Based on the review, fraud in lean organisations can be understood either in the context of the type of business the organisation is involved in, or by the nature of lean organisation. The first is fraud in the business or trading activity; retail fraud, manufacturing fraud, production, and any other variance of fraud experienced in typical lean business. The second is defined by the nature of lean organisations; the focus on customers. Thus, it can be proposed that fraud in lean organisation, regardless of the type of business will be some form of customer fraud: Or related to customers in some way.

Based on the above understanding, from a broader perspective, it can be proposed the common type of fraud in organisations is determined by the value system, and the focus of the control environment and organisational structure. However, between both context, fraud also can be any variant notion of; understood or interpreted as a crime, shrinkage, fraudulent reduction or theft of inventory, production deviance, and violation of regulation or policy.

3. Derived from the second, an analysis of the various notions reveals that fraud can be determined by whatever context; part of the organisation that is being examined. An examination of fraud in the production line will prompt the thoughts of deviance or shrinkage, while other areas examined can present other variants. Similarly, it depends on who; the staff, examined about their understanding of fraud. The staff's understanding is equally contextually dependent on their level of literacy, expertise or position in the organisation.

The Nature and Understanding of Fraud of Fraud in Organisations (Source: Author).

KEY ■ The color red is used to indicate the relationship between the various notions



KEYS

NOTION	FEATURES
Layman or Dictionary notion	Deception/ Intentional/ Selfish Gain/ Loss/ Illegal act/ Breach of the Law/ Literacy/ Technical knowledge
Legal notion	Jurisdictions; the context/The Law/ Deception/Intention/ Mens rea/ Misrepresentation/ Material fact/ Belief/ Reliance/Action/Harm/Loss/Gain/Every element must be present/Civil or Criminal treatment/Measurement of fraud loss/Decision to pursue litigation
Classification or grouping notion	A typology for fraud/ Grouping/ Context/Domain/Position and placement in the organisation/Intentional/Assignment based on context and features - characteristics of the type of fraud ; methods of perpetration
Violation notion	Violation of trust/ Context/ Failure to fulfil contractual obligations/ The elements; Obligation, action and believe/ Statutory duty of disclosure/ Responsibility/ Abuse of position and misuse of organisational resources/ Vulnerability/Misrepresentation/Inequitable conduct/ Unfairness/ Norm violation/ Deontic logic with directives and sanctions/ Rules and Regulations/Order of events/ Deception/Manipulation/Intent; the library example/Context
Shrinkage notion	Loss/ Errors/ Misuse and Misappropriation of Organisational resources/ Inventory or cash loss/ Crime/ Wastage/Error/ Malicious/Intentional act/Uncertainty; acts discovered after the event/Certainty in the case of staff; why is there a more reasonable certainty in the fraud cases of staff and supplier?/ Difficulties in measuring fraud in the calculation of shrinkage losses/Typology/This notion is typical of the loss prevention, security, retail and distribution management subject groups and knowledge development areas: Context/Shrinkage is understood as an operations and management issue; Page 50
Employee Deviance	Voluntary behaviour/ Does not conform/ Organisational norms/ Policies/ internal regulations/ Principles/Directives/Expected behaviours/Context/Problem with worker's productivity and organisational control/ Not about moral right or wrong, but about right and wrong in the work place/ Norm concerning the quality or quantity of work performed/ Typology/Wasting organisational resources/Opportunism in supply chain/Abusing customers/Shrinkage to production and property/Context; individual and situation based types of deviance/ Measurement

Appendix 3.1: Case study protocol

Appendix 3.1.1: Case study research proposal for investigation of fraud and fraud prevention in a lean thinking retailing business environment

Business case

Research title: Return fraud in an Omni-channel retail environment.	Researcher: Princely Dibia (princely.dibia@myport.ac.uk)
Project Duration: 4months	Research Supervisors: Professor Lisa Jack (lisa.jack@myport.ac.uk) Alan Graham (alan.graham@myport.ac.uk)

PROBLEM: Shrinkage and loss relating to return fraud in retail environments.

According to the National Retail Federation's 2014 Return Fraud Survey, the industry will in estimate, lose \$10.9 billion-£6.9 billion pound, to return fraud in 2015.

The report 'Consumer Returns in the Retail Industry 2014' classifies returns into receipted and non-receipted. The risk of fraud exists in both return situations: 12.01% of 14.1% non-receipted returns and 1.53% of 85.9% receipted returns are fraudulent. Furthermore, 3.5% of the returns to physical store from online purchase are fraudulent. Of these returns, 25.5% involve the use counterfeit receipts, while 18.2% use fraudulent e-receipts.

On the positive side, retailers give a score of 3.31 for the current policies and systems in the return process, measured on a scale of 1-5, for effectiveness in preventing fraud. Counterfeit receipt fraud in the return process was eliminated by 13%, through the enforcement of a show of ID card along with receipts. However, there is still significant scope for improvement in margins through reduction in these losses.

Management and operations of returns are process heavy and 26% of retailers do not enforce requirements for prevention and control, according to another report. There is scope for leaner operations which in turn reduce shrinkage through fraud and other means.

Lean management means fewer touch points, fewer steps and fewer transactions in the return process. The fewer steps involved, the less scope for error, and the more narrow the opportunities available for fraudsters to exploit. Fewer control points increases the focus of surveillance, and concentrates controls and resources for fraud prevention. In addition, lean management incorporates visual signs, and makes processes transparent through visual display and communication of transactions plus

events. Research shows that people pay more attention, adhering to visual processes than they do with written instructions. In lean management, the use of coloured and electronic tags in manufacturing processes has been shown to reduce losses. This is similar to retail practices such as visible source tagging (VST) or electronic article surveillance (EAS), as examples of techniques that according to The Global Retail Theft Barometer Report have improved the visibility and tracking of products and led to a decline in shrinkage.

Therefore:

- The purpose of this project is to observe, study, investigate and gather knowledge on the problem, using simulations, making observations; taking notes and pictures, conducting interviews with key members of staff, with the aim of understanding the problem and recommending possible solutions.
- The result of the research will be helpful for retailers seeking to reduce losses from return fraud; which includes financial provisions made to offset and cover the losses, and also recommend ways to improve the already existing controls.
- The project aims to produce tangible and actionable recommendations/solutions that retailers can adopt and implement to improve sales and reduce losses/wastes from the problem.
- The observations and results from the research study will be strictly confidential- there will be no divulging of any retailer-specific data.

Research proposed

Consequently the purpose of this project is to observe, study, investigate and gather knowledge on the general return fraud problem, with a specific consideration for what best practices and controls can encourage customers to desist from fraudulent return acts, such as;

- Where customers buy goods online, with fraudulent/stolen credit cards, gifts cards or other tenders, and return them to physical stores for the cash equivalent, with or without receipts.
- Requesting refunds from online delivery on false claims that it was not delivered.
- Returns of stolen goods for cash.
- Issues where customers fraudulently liquidate gift cards at point-of-returns.
- Fraudulent returns, using e-receipts.

There could be a solution here

We think that lean management approaches offer solution using visual and cultural controls, and improves the already existing system/practices. Visual controls are where information is communicated in ways other than text, such as labels, flags on systems, images or colours. Cultural controls include creating environments in which tasks are done right first time, and that everyone is included in making improvements. Furthermore, lean practices simplify processes, and focus controls on vulnerable points in the systems around returns.

Why?

Here are some examples of successes from similar lean initiatives;

- An Indian manufacturer in 2011, implementing visual controls as part of a lean initiative, saw reductions in losses from employee deviance and other incidents by 3.4%, which resulted in organisational savings of Aus\$2million (£940,000).
- A Health care enterprise in 2014 saved US\$75,000 (£48,000) from linen losses, in the first 6 months of implementing the lean initiative.
- An electronic power distribution company in 2010 reported a 20% commercial loss from customer abuse was reduced upon the implementation of lean.
- An Indian steel company in 2004 also reported that lean practices resulted to a reduction of production costs, equal to 8% of turnover.
- On 5th August 2015, Cainiao, an affiliate of Alibaba, stated their success in reducing food losses, resulting from “*unscrupulous activities of vendors and customers*”, through just-in-time initiatives.

How?

When applied to the return problem, we think there are possibilities for:

1. Having visual data available for goods frequently returned or lost in transit by who, when, where, how and why. This can help with the problem above where; ***customers request refunds from online delivery on false claims that it was not delivered.***
2. Visually monitoring the return environment, and creating a strong perception of detection, from *visual log and display* of all activities within the return process and points of return. The system makes it clear and ensures that the goods are not stolen but are taken back to the inventory.
3. Handling the return process more efficiently by visually monitoring, sharing and communicating return transactions logs, this can allow for audit and identification of errors if any and also, provide documentation and information for subsequent decision making.
4. Ensuring there are fewer returns, no returns, or dealing more effectively with the returns, when they occur by ensuring no mistakes in logging it back into the system. This however still leaves chance for “retail borrowing” or “non-defective returns”, but, if everything is done right, the first time, and the information at these stages are rightly logged and visually displayed and shared, between the retailers, consumers, and central monitoring system.

Benefits

- The result of the research will be helpful for retailers seeking to reduce losses from return fraud; which includes financial provisions made to offset and cover the losses, and also recommend ways to improve the already existing controls.

- The project aims to produce tangible and actionable recommendations/solutions that retailers can adopt and implement to improve sales and reduce losses/wastes from the problem.

Confidentiality

- The observations and results from the research study will be strictly confidential- there will be no divulging of any retailer-specific data.

Scope

- a. The Omni-channel retail environment.
- b. Lean retail environment.
- c. Customers.
- d. Employees.

Research questions

- a. What are the causes of return fraud?
- b. Where do they occur most frequently, and how? Study of methods, channels and frequency.
- c. Can solutions be found in improving visual representations used in return systems?
- d. Can solutions be found in adopting practices and principles from lean management?

Method proposed

1. PHASE ONE:
 - a. Access to your organisation and information to commence and support the research.
 - b. Observation and documentation of the control environment related to the processes examined.
 - c. Identification of the functions, purpose and use of visual representations within the system/environment.
 - d. Put in a form for Pareto analysis, Information on/ to find out root causes
2. PHASE 2: Case study.
 - a. Conduct one or more of the following, subject to discussion: computer-based simulation, experiment, survey, interviews, action research.

Cost

The estimated costs for the company to support this research are;

1. To provide a meeting place.
2. To provide a lead contact within the organisation, who will support the project, provide access to data, interviews and the site visits required.
3. Time: A 2 hour kick off meeting, followed by site visit and interviews (on the same or subsequent date, around 45-90 minutes each) with key employees and selected experts from your organisation, to be identified at the commencement of the project.

- This could include representatives from operations; staff at point-of-return, point-of-sale staff, stock and inventory replenishment, accounts and finance, trading and loss prevention.
- A meeting at the end of the pilot study (4-6 weeks after the kick-off meeting), and every 4-6 weeks if the project continues with the company after the pilot.
- The whole project (Phases 1 and 2) is likely to be 6-8 months depending on the methods chosen.

What are the deliverables?

1. A project report, in Microsoft Word or Excel document, with details and insights on the observed best practices that will help you.
2. A seminar and final presentation delivering the results, implications and recommendations of the research study to your organisation.

What data will be required?

The researcher will develop a data request at the beginning of the project.

Possible data will include some or all of the following, subject to discussion:

1. A critical incident research or Pareto analysis on the root causes of the problems; including the channels, methods and frequency of occurrence and the accruing costs.
2. Data on the transaction logs and return entries.
3. Data on shrink, losses and waste at the lowest available level of granularity.
4. Data on the controls and best practices available.
5. Data on the store and items; sales volumes, audit and risk assessment report and forecast data.

What are the potential/expected benefits?

- Encouraging desistance from return fraud amongst employees and customers as they may be detected and identified by visual controls.
- Improving the return process and reducing the common errors encountered in logging and recording the incidents/transactions.
- Recommendations on reducing the losses and provisions for the losses, by potentially saving your company a 5% maximum or minimum of the monetary value.
- Reduce incidents of return fraud, and the accruing losses and shrinkage by identifying and addressing the roots causes without negative sale impact.
- Reduce and divert the provisions made to cover losses from return fraud, and invest the sum of improving already existing controls, based on the recommendations and result of the research study.
- Provide data and documentation on customers who frequently return non-defective products and goods frequently returned, on which decisions can be made.

- Recommend lean tools for improvement and practice.
- Help to identify and improve areas of best practices in the organisation.

Way ahead: proposed for next steps:

- Initial discussions with interested organisation(s) facilitated by ECR (Europe).

People

Profile of researcher and supervisors:

- Professor Lisa Jack is a qualified accountant and former auditor, with extensive experience in systems audit, and now specialises in research in accounting for the food industry and forensic accounting. Previous research-consultancy projects include a project on establishing a commercial court in the BVI (led by University of Essex) and an NSF International/FSA project on developing a model to help retailers ‘think like a criminal’ when dealing with food fraud. She is currently carrying out research in food fraud.
- Alan Graham heads the MSc Forensic Accounting programme at Portsmouth Business School and is a qualified Chartered Accountant and certified fraud examiner (ACFE). He has extensive experience as a management accountant in industry before joining University of Portsmouth.
- Princely Dibia is a second year PhD research student in Accounting and Financial Management, with the University Of Portsmouth. He is also a certified fraud examiner (ACFE), with a Masters in Forensic Accounting and Fraud Investigation, from the University of Portsmouth. His background is in accounting, and he has previously worked as an auditor and internal control staff, in the audit and pension management industries, respectively, before embarking on his post-graduate studies.

Main interview questions guide

CASES: - The incidents

1. Claiming a manufacturing fault on items stolen on found (typically done with no receipt) example; deliberately ripping and making holes in expensive items for refund after wearing.
2. **Items bought on discount and returned at full price with claims for cash - Most Common. Buying on discount (20%) but returning to claim full amount back (Common case)**
3. Main Employee Fraud: Collusion between CA and friends and family; refunding GM items; not scanning items. Do able through dump-code sales.
4. Issuing duplicate credit voucher (facility to allow for reprints if first one is spoiled) and spending – the customer finds out when their credit voucher is refused (the credit vouchers are meant for customers).
5. Issuing general refunds to self or to a manager; typing in UPC. (Unique Product Code)
6. Abusing staff discount.

FACTORS:

1. LPI as a KPI, performance measurement score for the stores. Major objective of the loss prevention department.
2. Organisational culture and Heritage of serving the customer in the right way – Good customer service. Major KPI. Performance management for the organisation.
3. Confrontation with customers (linked to good customer service).
4. Making sure you stay as stock accurate as possible (loss prevention and store objective)
5. Team briefs, follow up conversations from line managers, weekly conference calls between managers (Monitoring).
6. Overruling the refund refusal decision by the customer service retail desk.

What do you want to know?	Questions
I want to know what factors affect the case/incidents in view.	<ol style="list-style-type: none"> 1. Have you had an experience of one of these types of incident? 2. What do you bear in mind when dealing with this type of incident? 3. What is the main thing you have learned about handling this type of incident since you have worked on the refunds desk? Or, what have you learned from handling these incidents? 4. Where do you get information from about how to handle these types of incidents? 5. What changes have been made by the organisation to deal with this type of incident?

How they affect the incidents.	<ol style="list-style-type: none"> 1. How has the changes affected the incidents? 2. How/Does seeing, or having the manager present affect these incidents/your handling of this incident? 3. Can you give me an example of an occasion where a conversation with the manager or team affected how you (the customer adviser, in case of the Manager) handle this type of incident? 4. What would you say is your main aim when handling this type of incident? or What would you say is your main purpose in dealing with/reducing this type of incident? 5. In this situation, how do the customers react when they see the manager?
How they handle these incidents...	
What they bear in mind when they handle these incidents	
I want to know what happens in reaction to these incidents – focus is the behaviors.	
I want to know how the factors considered in the research – LPI and Customer service culture – affect the handling of the incident in view.	

Line managers:

1. When you approach the till to handle/assist in this incident, what do you bear in mind, and how do you handle it?

Since you became aware of this incident what have you done?

Appendix 3.1.2: Case study research proposal for investigation of fraud and fraud prevention in a lean thinking manufacturing business environment

Business case

Research title: <i>Fraud Prevention in a Lean environment: A study of shrinkages and loss relating to fraud in manufacturing environments.</i>	Researcher: Princely Dibia (princely.dibia@myport.ac.uk)
Project Duration: 4months	Research Supervisors: Professor Lisa Jack (lisa.jack@myport.ac.uk) Tel: 02392844136 Alan Graham (alan.graham@myport.ac.uk)

PROBLEM: Shrinkage and loss relating to fraud in manufacturing environments.

According to a survey conducted by the Kroll Advisory Solutions Global Fraud Report (2015), each year, nearly 9 out of 10 (87%) of manufacturing businesses are affected by fraud. In addition, a seminal research study by Hollinger and Clark reveal that one third (1/3) of employees in manufacturing have conducted acts against property/production deviance.

The common incidents of fraud recorded are;

- *Taking production raw materials, physical assets or stock (14%),*
- *Suppliers, contractors and vendors intentionally submitting invoices that are intentionally altered, duplicated or inflated, for services that were not provided. That is vendor, supplier or procurement fraud (11%)*
- *Regulatory and compliance breach by accepting non-compliant and low quality goods or services from suppliers (14%)*
- *Charging for higher quality items than are provided.*
- *Employees taking knowledge of a company's operations, manufacturing methods, pricing policies and customers, when they leave for another company. This is mostly attributed to high staff turnover, and an increase in outsourcing and offshoring, a common route for IP theft.*

In addition, there are incidents where requests are intentionally altered and submitted to receive pay for more hours than worked, or to receive more than the money spent as reimbursement on business expenses.

On the positive side, enforcement of the current policies, strategies, resources and best practices are said to have facilitated the prevention of some of these incidents. However, there is still significant scope for improvement in margins through reduction in these losses.

The inputs and outputs of manufacturing organisations are hypothetically easier to spot, track and measure than with service companies. However, the management and operations of these variables are process heavy and some manufacturers do not enforce requirements for prevention and control, according to another report; ECR Europe Shrinkage and On-shelf Availability Group (2015). Hence, there is scope for leaner operations which can in turn reduce shrinkage through fraud and other means.

Lean management means fewer touch points, fewer steps and fewer transactions in processes. The fewer steps involved, the less scope for error, and the more narrow the opportunities available for fraudsters to exploit. Fewer control points increases the focus of surveillance, and concentrates controls and resources for fraud prevention. In addition, lean management incorporates visual signs, and makes processes transparent through visual display and communication of transactions plus events. Research shows that people pay more attention adhering to visual processes than they do with written instructions. In lean management, the use of coloured and electronic tags in manufacturing processes has been shown to reduce losses. This is similar to retail practices such as visible source tagging (VST) or electronic article surveillance (EAS), as examples of techniques that according to The Global Retail Theft Barometer Report have improved the visibility and tracking of products and led to a decline in shrinkage.

Therefore:

- The purpose of this project is to observe, study, investigate and gather knowledge on the problem, using simulations, making observations, taking notes and pictures and conducting interviews with key members of staff, with the aim of understanding the problem and recommending possible solutions.
- The result of the research will be helpful for manufacturers seeking to reduce losses from return fraud; which includes financial provisions made to offset and cover the losses, and also recommend ways to improve the already existing controls.
- The project aims to produce tangible and actionable recommendations/solutions that manufacturers can adopt and implement to improve sales and reduce losses/wastes.
- The observations and results from the research study will be strictly confidential- there will be no divulging of any manufacturer-specific data.

Research proposed

Consequently, the purpose of this project is to observe, study, investigate and gather knowledge on the general fraud problem, with a specific consideration for what best practices and controls can do to encourage customers to desist from fraudulent return acts, as mentioned above.

There could be a possible solution here

We think that lean management approaches offer solutions using visual and cultural controls and improves the already existing system/practices. Visual controls are where information is communicated in ways other than text, such as labels, flags on systems, images or colours. Cultural controls include creating environments in which tasks are done right first time, and that everyone is included in making improvements and ensuring quality. Furthermore, lean practices simplify processes, and focus controls on vulnerable points in the systems around manufacturing.

Why?

Here are some examples of successes from similar lean initiatives;

- An Indian manufacturer in 2011, implementing visual controls as part of a lean initiative, saw reductions in losses from employee deviance and other incidents by 3.4%, which resulted in organisational savings of Aus\$2million (£940,000).
- A Health care enterprise in 2014 saved US\$75,000 (£48,000) from linen losses in the first 6 months of implementing the lean initiative.
- An electronic power distribution company in 2010 reported a 20% commercial loss from customer abuse, which was reduced upon the implementation of lean processes.
- An Indian steel company in 2004 also reported that lean practices resulted in a reduction of production costs, equal to 8% of turnover.
- On 5th August 2015, a diversified Asian Group of Companies stated their success in reducing food losses resulting from “*unscrupulous activities of vendors and customers*”, through just-in-time initiatives.

How?

When applied to the manufacturing problem, we think there are possibilities for:

1. Having visual data available for goods taken fraudulently, frequently or lost in transit by whom, when, where, how and why. This can help with the problem of false claims and delivery issues.
2. Visually monitoring the manufacturing environment, and creating a strong perception of detection, from a *visual log and display* of all activities within the manufacturing process. The system makes it clear and ensures that the goods are not stolen but are properly handled.
3. Handling the manufacturing process more efficiently by visually monitoring, sharing and communicating process or transactions logs can allow for audit and identification of errors, if any, and also provide documentation and information for subsequent decision making.
4. Ensuring there are fewer returns, no returns, or dealing more effectively with the returns when they occur by ensuring no mistakes in logging them back into the system. This however still leaves chance for “retail borrowing” or “non-defective returns”, but, if everything is done right

the first time and the information at these stages is correctly logged and visually displayed and shared, between the manufacturers, retailers, consumers and central monitoring system, then this would help.

Benefits

- The result of the research will be helpful for manufacturers seeking to reduce losses and shrinkages from fraud from the types of incidents mentioned above, which include financial provisions made to offset and cover the losses. Also to recommend ways to improve the already existing controls.
- The project aims to produce tangible and actionable recommendations/solutions that manufacturers can adopt and implement to improve production and reduce losses/wastes from the problem.

Confidentiality

- The observations and results from the research study will be strictly confidential- there will be no divulging of any manufacturer-specific data.

Scope

- a. Lean manufacturing environment.
- b. Suppliers.
- c. Customers
- d. Employees.

Research questions

- a. What are the causes of fraud; the incidents?
- b. Where do they occur most frequently and how? Study of methods, channels and frequency.
- c. Can solutions be found in improving visual representations used in return systems?
- d. Can solutions be found in adopting practices and principles from lean management?

Method proposed

1. PHASE ONE:
 - a. Access to your organisation and information to commence and support the research.
 - b. Observation and documentation of the control environment related to the processes examined.
 - c. Identification of the functions, purpose and use of visual representations within the system/environment.
 - d. Put in a form for Pareto analysis, Information on/ to find out root causes
2. PHASE 2: Case study.

- a. Conduct one or more of the following, subject to discussion: computer-based simulation, experiment, survey, interviews, action research.

Cost

The estimated costs for the company to support this research are;

1. To provide a meeting place.
2. To provide a lead contact within the organisation, who will support the project, provide access to data, interviews and the site visits required.
3. Time: a two hour kick off meeting, followed by site visit and interviews (on the same or subsequent date, around 45-90 minutes each) with key employees and selected experts from your organisation, to be identified at the commencement of the project.
 - This could include representatives from operations, staff at point-of-return, point-of-sale staff, stock and inventory replenishment, accounts and finance, trading and loss prevention.
 - A meeting at the end of the pilot study (4-6 weeks after the kick-off meeting), and every 4-6 weeks if the project continues with the company after the pilot.
 - The whole project (Phases 1 and 2) is likely to be 6-8 months depending on the methods chosen.

What are the deliverables?

1. A project report, in Microsoft Word or Excel document, with details and insights on the observed best practices that will help you.
2. A seminar and final presentation delivering the results, implications and recommendations of the research study to your organisation.

What data will be required?

The researcher will develop a data request at the beginning of the project.

Possible data will include some or all of the following, subject to discussion:

1. A critical incident research or Pareto analysis on the root causes of the problems; including the channels, methods and frequency of occurrence and the accruing costs.
2. Data on the transaction logs and return entries.
3. Data on shrink, losses and waste at the lowest available level of granularity.
4. Data on the controls and best practices available.
5. Data on the store and items, sales volumes, audit and risk assessment report and forecast data.

What are the potential/expected benefits?

- Encouraging desistance from return fraud amongst employees and customers as they may be detected and identified by visual controls.

- Improving the manufacturing process and reducing the common errors encountered in logging and recording the incidents/transactions.
- Recommendations on reducing the losses and provisions for the losses, by potentially saving your company a 5% maximum of the monetary value.
- Reduce the incidents of fraud above and the accruing losses and shrinkage by identifying and addressing the roots causes without negative sale impact.
- Reduce and divert the provisions made to cover losses from the incidents of fraud, and invest the sum of improving already existing controls, based on the recommendations and result of the research study.
- Provide data and documentation on suppliers who frequently deliver low quality products and customers who frequently return non-defective products and goods frequently returned, on which decisions can be made.
- Recommend lean tools for improvement and practice.
- Help to identify and improve areas of best practices in the organisation.

Way ahead: proposed for next steps:

- Initial discussions with interested organisation(s) facilitated by ECR (Europe).

People

Profile of researcher and supervisors:

- Professor Lisa Jack is a qualified accountant and former auditor, with extensive experience in systems audit, and now specialises in research in accounting for the food industry and forensic accounting. Previous research-consultancy projects include a project on establishing a commercial court in the BVI (led by University of Essex) and an NSF International/FSA project on developing a model to help retailers ‘think like a criminal’ when dealing with food fraud. She is currently carrying out research in food fraud.
- Alan Graham heads the MSc Forensic Accounting programme at Portsmouth Business School and is a qualified Chartered Accountant and certified fraud examiner (ACFE). He has extensive experience as a management accountant in industry before joining University of Portsmouth.
- Princely Dibia is a second year PhD research student in Accounting and Financial Management, with the University Of Portsmouth. He is also a certified fraud examiner (ACFE), with a Masters in Forensic Accounting and Fraud Investigation, from the University of Portsmouth. His background is in accounting, and he has previously worked

as an auditor and internal control staff, in the audit and pension management industries, respectively, before embarking on his post-graduate studies.

Appendix 4.1: Ethical approval documents

Appendix 4.1.1: Company participant information sheet for pilot study

Research Student: Princely Dibia,
Portsmouth Business School Postgraduate Centre,
University of Portsmouth,
Portland Building, Portland Street,
Portsmouth, PO1 3AH.
Tel: 02392844831
Email: princely.dibia@myport.ac.uk

First supervisor: Professor Lisa Jack,
Accounting and Financial Management,
Portsmouth Business School, University of Portsmouth,
Richmond Building, Portland Street,
Portsmouth, PO1 3DE.
Tel: 023 9284 4136
Email: lisa.jack@port.ac.uk.



Participant Information Sheet

Study Title: Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail/manufacturing/service environments.

REC Ref No:

I would like to invite your organisation to take part in the exploratory research for my PhD research. Before you decide, I would like you to understand why this research is being done and what it would involve for you and your organisation. Please feel free to discuss this with colleagues and please contact me if there are any points that are not clear.

What is the purpose of this research?

The purpose of this research is to study whether lean management environments reduce losses from return. Our approach to this exploratory study is to observe, investigate and gather knowledge on the general return fraud problem in retail/manufacturing/service organisations, with a specific consideration for what best practices and controls are needed to encourage customers to desist from fraudulent return acts, such as:

- customers buying goods online, - using fraudulent/stolen credit cards, gifts cards or other tenders, and returns to stores for the cash equivalent with or without receipts,
- requesting refunds from online delivery on false claims of no delivery,

- returns of stolen goods for cash,
- events where customers fraudulently liquidate gift cards at point-of-returns and
- fraudulent returns, using e-receipts.

Subject to the granting of access, observation and documentation of the control environment related to the returns process will be conducted. Also, I am interested in identifying and examining lean tools of control and their roles and functions with a focus on the visual forms/systems already in evidence. The opinions of staff engaged in loss prevention on potential types of fraud will be sought.

Why has my organisation been invited?

Your company is one of the leading multi-channel retail stores in the United Kingdom, with over 852 stores. I am also interested in working with an organisation which places a clearly stated value in reducing waste, quality, innovation and doing things right first time.

Does my organisation have to take part?

If you agree, I will explain the study and will request you to sign a form of consent on behalf of the organisation. Furthermore, I will request your assistance in identifying and contacting key personnel within the organisation to participate in the research study. Their consent to participate will be required before any discussion takes place.

Please note, that participation in this research is purely voluntary. Both the individual participants and the company may withdraw at any stage prior to the data analysis at no detriment to themselves.

What will happen to the organisation and our staff if we take part?

I will request the organisation to arrange a place to meet with a lead contact provided by the organisation to participate in the study. The lead contact will serve as an intermediary between the organisation and I, and will support the project providing access to data, interviews and the site visits required.

I will also submit a form for a visual- value stream mapping and Pareto analysis of the retail return process and environment and will develop a jointly agreed data request at the beginning of the project of the possible data needed, including some or all of the following:

- a critical incident research or Pareto analysis on the root causes of the problems, including the channels, methods and frequency of occurrence and the accruing costs,
- data on the transaction logs and return entries,
- data on shrink, losses and waste at the lowest available level of granularity,
- data on the controls and best practices available,
- data on the store and items, sales volumes, audit and risk assessment report and forecast data.

A short, escorted tour of the retail environment will be conducted to understand the value stream, control and practices surrounding the focus return process and environment. This will also involve taking notes, to account and document the information provided. Furthermore, I

may need to gather knowledge on the general shrinkage problems relating to deviant fraudulent return, with a specific consideration for what best practices and controls are known or in place to encourage customers to desist from deviant fraudulent return acts.

The information provided will be discussed to check understanding and issues. If the organisation is interested, more interviews and action research which is to work further with the retailer can be conducted. However, the proposed next course of action will be to use the information obtained to conduct a computer simulation or experiment to test when customers or employees are likely to desist from deviant fraudulent return behaviours. Subsequently, our results should help you further test, benchmark or improve your existing systems.

The information sheets and consent forms provided are specific about information sharing. They both emphasise that for academic purposes, information may be shared with authorised people. As such, the collected data will be anonymised and transferred to a secure University computer drive. The computer is password-protected, as well as all files transferred in it. Information will be kept securely for up to 10 years or until all publications (journal, PhD thesis, book chapters, articles, and conference presentations) are complete, whichever is longer, after which it will be securely destroyed.

Furthermore, the company will be provided with a short report of my results. In the report, my PhD thesis or any other academic publication, the individual participants will not be identified, either by name or job title. Also, in all publications, the company's name and its brands will be disguised.

Expenses and payments

Every activity towards the research study and data collection, meetings, walk-through, pilot study, interviews and other data collection will be scheduled, communicated and agreed between all parties. It will take place at locations and times convenient for participants. I will supply the organisation with two copies of my project report and in Microsoft Word or Excel, with details and insights on the observed best practices that will help you. Also, I offer a seminar and final presentation delivering the results, implications and recommendations of the research study to your organisation.

What will the company and staff have to do?

If the company returns the signed consent form, or makes a statement of acceptance in an email or letter, I will contact them to arrange dates and times of visits to commence the research.

You have been provided with a full proposal for the project separately.

What are the possible disadvantages and risks of taking part?

There are no foreseeable risks of participating in this research.

Will our participation be kept confidential?

The company will be treated as anonymous in all publications, to ensure the protection of its reputation, staff and brand. In all reports, the organisation, its brands and staff will not be identified. Furthermore, the names and job titles of every individual participant in the research project will not be identified or made available in any report. To ensure further safety and confidentiality of company and staff, all data collected (included any notes taken) will be held

securely. The data will be transferred onto a secure drive on the University computer and all the computer files will be password-protected. It will be stored and then erased in accordance with the University of Portsmouth Data Management Policy.

Although the researcher will not be conducting a fraud audit, investigation or risk assessment on current practices, research participants may raise concerns about current controls and working practices. Therefore, the researcher, in collaboration with management of the organisation, will work to establish a secure and confidential means for participants to report such concerns, if any. This arrangement will be done prior to the commencement of the research. The researcher will ensure that such information is not included or disclosed in the research, in any way.

What are the possible benefits of taking part?

The possible benefits of this research are that we will have an account and document of how wastes in form of shrinkage from fraud are controlled and prevented in a lean environment. The research study will account for what is done, and provide understanding of what practices or systems implemented in lean environments encourage desistance from deviant fraudulent acts.

For the company this will also allow reassessment of fraud prevention objective, policy, strategy and other efforts undertaken towards reducing the various incidents and losses. Consequently, there may be an opportunity to improve the already existing controls and best practices, which can be an advantage in a highly competitive industry.

What will happen if the company or any individual does not want to carry on with this study?

In this event, even if you have given a prior consent, you may withdraw your consent for company or participants at any time, prior to the analysis of the results. All the information provided will be deleted on leaving the study and you will not be compelled to provide a reason for your choice to leave.

Upon leaving, the information provided will be deleted, and you will not be compelled to provide reasons for leaving.

What if there is a problem?

If you have a concern about any aspect of this study, you should speak to my supervisor Professor Lisa Jack (023 9284 4136/ lisa.jack@port.ac.uk) who will do her best to answer your questions. If you remain unhappy and wish to complain formally, you can contact Dr. Judy Rich, Faculty Research Degree Coordinator (023 9284 4048 / judy.rich@port.ac.uk) or Ms Samantha Hill [the University's Information Disclosure and Complaints Manager](#) (02392843642/ Samantha.hill@port.ac.uk). You can also contact the researcher Princely Dibia (princely.dibia@myport.ac.uk).

What will happen to the results of the research study?

The results of the research study will be published in a PhD thesis and made available at the University library. Also, it is anticipated that the results will produce journal articles, academic conference presentations and book chapters, which again, will be available via the library electronic resources.

Who is organising and funding the study?

This research is sponsored by the University of Portsmouth.

Who has reviewed this study?

In the University, research is overseen by an independent group of people, the Research Ethics Committee, to protect your interests. This study has been reviewed and given a favourable opinion by the Portsmouth Business School Research Ethics Committee.

If your organisation has its own ethics procedure which would relate to this research, please contact the researcher, Princely Dibia, by email (princely.dibia@myport.ac.uk) so that we can discuss how to apply for the appropriate company approvals prior to any research starting.

Further information and contact details

If you would like to know the further details of research in the University, please follow the following link to the University of Portsmouth research website: <http://www.port.ac.uk/research/>

If you would like details on the research carried out in the Portsmouth Business School, please follow the following link to the Portsmouth Business School research website;

<http://www.port.ac.uk/departments/faculties/portsmouthbusinessschool/research/>

If you would like further information about this project, please contact the researcher;

Princely Dibia, **Email:** princely.dibia@myport.ac.uk

Thank you for taking the time to read this document. Hopefully it has answered all of your questions, but if not please get in touch. If the company decides to participate in this research you will be given a copy of this information sheet to keep and you will be asked to sign a consent form.

Appendix 4.1.2: Consent form for organisation for pilot study

Research Student: Princely Dibia,
Portsmouth Business School Postgraduate Centre,
University of Portsmouth,
Portland Building, Portland Street,
Portsmouth, PO1 3AH.
Tel: 023 9284 4831
Email: princely.dibia@myport.ac.uk.

Company Code



First supervisor: Professor Lisa Jack,
Accounting and Financial Management,
Portsmouth Business School, University of Portsmouth,
Richmond Building, Portland Street,
Portsmouth, PO1 3DE.
Tel: 04423 9284 4136
Email: lisa.jack@port.ac.uk.

Consent Form: Organisation

Study Title: Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail/manufacturing/service environments.

REC Ref No:

Name of Researcher: Princely Dibia
box

Please initial

I confirm that I have read and understood the information sheet dated xx/xx/2015 for the above study. I have had opportunity to consider the information, ask questions and have these answered satisfactorily.

I understand participation is voluntary and that I am free to withdraw company consent at any time without giving any reason, up to the point where the data is being analysed.

I understand that all data collected will be anonymised and that we will do our best to ensure confidentiality at all times, and agree that the information collected during the study can be shared with authorised people for academic purposes.

I agree to the data I contribute being stored securely in accordance with the University of Portsmouth Data Management Policy.

I confirm that I have the authority to give consent for the company to participate in this research.

I confirm that I have discussed with the researcher company policies for fraud prevention and control and have agreed a secure and confidential procedure for employees to utilise during the research study.

I agree to the company (insert name) taking part in the above study.

Name of Participant:

Signature: **Date:**

Name of person taking consent:

Signature: **Date:**

(When completed, one copy to be retained by participant; 1 copy for researcher's file)

Appendix 4.1.3: Ethical approval document for phase one – pilot study

Ethical Review Checklist – Staff and Doctoral Students

This checklist should be completed by the researcher (PhD students to have DoS check) and sent to Sharman Rogers who will coordinate Ethics Committee scrutiny.

No primary data collection can be undertaken before the supervisor and/or Ethics Committee has given approval.

If, following review of this checklist, amendments to the proposals are agreed to be necessary, the researcher must provide Sharman with an amended version for scrutiny.

1. What are the objectives of the research project?

This project is in two phases. I am seeking ethical approval for Phase 1 (Exploratory Study). It is not possible to design Phase 2 until the pilot has been undertaken. Ethical approval is being sought as the organisations that have expressed a willingness to provide access for an exploratory study require assurances of confidentiality and informed consent for this phase.

There are two research questions covering the whole project: “To what extent do the visual representations used in lean management reduce losses incurred through occupational and/or consumer fraud?” and “To what extent do the cultural practices of waste elimination and continuous improvement, used in lean management reduce losses incurred through occupational and/or consumer fraud?”

Phase 1 is the pilot study. It involves gaining access into one or more retail or manufacturing or service organisations for data to support the research design. It includes direct observation and documentation of the control environment related to the process examined, identification of the functions, purpose and use of visual representations with the system/environment and issuing a form for Pareto analysis, which provides information on the root causes of the fraud issue.

Phase 2 will involve conducting any one or more of the following; computer based simulation, experiment, survey, interviews, action research. This will be subject to discussion and the results of Phase 1.

2. Does the research involve *NHS patients, resources or staff*? YES / **NO** (please circle).
3. Does the research involve *MoD staff*? YES / **NO** (please circle).
4. Do you intend to collect *primary data* from human subjects or data that are identifiable with individuals? (This includes, for example, questionnaires and interviews.) **YES** / NO (please circle)

If you do not intend to collect such primary data then please go to question 15.

If you do intend to collect such primary data then please respond to ALL the questions 5 through 14. If you feel a question does not apply then please respond with n/a (for not applicable).

5. How will the primary data contribute to the objectives of the dissertation / research project?

The data from Phase 1 will be used to design Phase 2 of the research, ensuring that any simulations or experiments, for example, are feasible and based on realistic scenarios.

6. What is/are the *survey population(s)*?

Not applicable (see 8).

7. How big is the *sample* for each of the survey populations and how was this sample arrived at?

Not applicable (see 8).

8. How will respondents be *selected and recruited*?

Access to retailers and to the lean management centre in Nyenrode University in The Netherlands is being negotiated through the PhD supervisor. She has used a contact in the ECR Europe Shrinkage Group (<http://ecr-shrink-group.com/>) who sent the attached proposal to members of the group. For the Lean Management Centre in Nyenrode, she has contacted colleagues in the University who have facilitated the ongoing negotiations.

Within the organisation contacted in this way, we are reliant on the organisation to provide access to whichever members of staff they are willing to provide to help the pilot study in Phase 1. As this is a mapping and initial data collection exercise, there is no valid sample as such.

9. What steps are proposed to ensure that the requirements of *informed consent* will be met for those taking part in the research? If an Information Sheet for participants is to be used, please attach it to this form. If not, please explain how you will be able to demonstrate that informed consent has been gained from participants.

Also, organisational consent will be sought from companies and/or the Lean Management Centre at Nyenrode to participate in Phase 1; data gathering, of the research. This will be followed by a separate request for Phase 2; development, experiment and computer simulation, action research, if the organisation wish to continue their involvement in the research

As individual participants in Phase 1 will be nominated by their organisation, I will seek verbal consent from them and ensure that they have been provided with the information sheet. I will remind them of the study aims, and assure them of confidentiality and anonymity, at the start of each discussion.

10. How will *data be collected* from each of the sample groups?

Primary data will be collected from organisations. At the moment, we are in contact with retail environments which either practice lean management or are planning to introduce lean practices, in the United Kingdom, and a lean research centre containing a realistic working environment in the Netherlands.

The primary data will be gathered from a visit of these environments, and will be documented in notes from direct observations, photographs (when and where permission is given), documents and discussions with key members of staff, where available. Primary data will also include the information provided by a key contact who will conduct a walk-through the facility with us. Specifically, it should include a value

stream map that identifies and specifies the roles and functions of each variable in the overall process and achievement of the fraud prevention objective.

Essentially, Phase 1 is a process-mapping exercise augmented by the opinions and observations of managers directly involved in loss prevention.

The primary data obtained in the phase 1 of the research will contribute to the objectives of the research by providing first-hand experience and accounts of how fraud is prevented and managed in retail environments (see research area 1:1, above); to obtain information on the use of visual controls (see research area 1:2, above) and to account for any existing lean cultural practice of control, and how they reflect/exercise continuous improvement and waste elimination.

The research design for Phase 2 be developed in collaboration with organisations involved in Phase 1. In the case of an experiment or computer simulation, scenarios will be based on the processes documented and information provided in Phase 1.

11. How will *data* be *stored* and what will happen to the data at the end of the research?

All digital information obtained will be downloaded and securely stored on the university N drive.

Until the end of the research study, hand written notes and photographs will be stored in a secure, locked location, within the University of Portsmouth premises, from where they will also be scanned and stored on the N drive. Hard copies will then be sent for secure disposal using the University secure shredding service.

All data will be stored for 10 years in accordance with the University Data Management Plan or until the publication of the PhD thesis and other academic publications, including journal articles, book chapters and conference presentations are finalised, whichever is longer. This will also form part of the organisational and individual consent obtained from participants.

Due to the sensitive nature of the research, which also includes its commercial value, it is inappropriate to allow an open access availability of data.

12. What measures will be taken to prevent unauthorised persons gaining access to the data, and especially to data that may be attributed to identifiable individuals?

In place of names, all company participants will be identified in notes and on diagrams using codes. The copies of consent forms that contain the codes provided, and other identifying data, will be stored in separate files on the N drive. This is done in order to assist the security of individual participants and the company.

Raw data will be made available only to the researcher, PhD supervisors (Prof Lisa Jack and Alan Graham), and the PhD examiners, on request. All data will be stored securely on the University N drive.

13. What steps are proposed to safeguard the *anonymity* of the respondents?

All companies and individual participants will be allocated specific codes, which will be used instead of names.

The copies of consent forms that provide both codes and identifying data will be stored in separate files on the N:// drive from all other data to facilitate the security of companies and individuals.

Also, the research will assume and uphold a duty of care in preserving the anonymity of individual participants in reports to the organisation and its gatekeepers. I will present only anonymised data, which include removing names and job titles, including that of the organisation. Furthermore, I will only consider the use of verbatim quotes, where it would not jeopardise the anonymity of the organisation or individual participants.

14. Are there any *risks* (physical or other, including reputational) *to respondents* that may result from taking part in this research? **YES** / NO (please circle).

If YES, please specify and state what measures are proposed to deal with these risks.

It is anticipated that companies will consider and perceive the topic of study as a very sensitive matter. Their perceptions bother on issues relating to reputational and commercial risks, associated with the study and information provided. Hence, this will be managed by an ethical assurance of confidentiality and anonymity. This also includes an appropriate storage of all data.

For individuals, the risks perceived relate to measurement of performance, and/or security of employment; which can occur in situation where the individual does not want to participate in a research supported by their management. This risk will be managed by ensuring the informed consent at the organisational and individual level, will clearly stipulate the voluntary nature of participation in the research study.

The risks in study participation are also anticipated, as individuals may regard the information they possess as controversial and/or potentially damaging to the company's reputation. Participants will be advised that any allegations should be made to through company's secure whistleblowing system or internal audit committee and that the purpose of the data collection is about understanding processes and hypothetical situations. Where anecdotes or details of existing cases are shared, I will enquire whether these are in the public domain and request that names are not divulged.

Accordingly, this risk will be managed with assurance of anonymity to every individual participant. The assurance, obtained by gaining a fully informed consent for study participation, covers reports to the company concerned and any academic publication.

15. Are there any *risks* (physical or other, including reputational) *to the researcher or to the University* that may result from conducting this research? **YES** / NO (please circle).

If YES, please specify and state what measures are proposed to manage these risks.²

If YES, please specify and state what measures are proposed to manage these risks.³

² Risk evaluation should take account of the broad liberty of expression provided by the principle of academic freedom. The university's conduct with respect to academic freedom is set out in section 9.2 of the Articles of Government and its commitment to academic freedom is in section 1.2 of the Strategic Plan 2004-2008.

³ Risk evaluation should take account of the broad liberty of expression provided by the principle of academic freedom. The university's conduct with respect to academic freedom is set out in section 9.2 of the

The topic of research-fraud is mostly perceived and received with sensitivity and apprehension, by individuals and organisations. The data collection on the fraud prevention practices may involve examples, discussions and cases of incidents experienced in the organisation. It is anticipated that the researcher may be considered a risk, in fear of discovering and/or exposing any company secret, buried within this cases.

This risk will be managed by continuously reminding the company and individual participants of the nature of the study and the ethical assurance of anonymity and confidentiality. It will be clearly stated that it is not a fraud inspection exercise, and violation of my statement could pose a reputational risk to the University and myself.

Also, risks of physical nature, such as travelling and working late will be managed by ensuring that university staff and family members are informed of my travel and work plans. Thus, appropriate travel and accommodation arrangement will be made, and a safe working practice will be ensured.

Other physical risks (such as travelling alone, working late etc.) will be managed by taking appropriate measures to fully inform university staff / family members of travel and work plans, and by making appropriate travel and accommodation arrangements to ensure safe working practices.

Furthermore, certain risks also exist in interview situations where participants may disclose concerns about the fraud prevention culture and practices, within the organisation. A mismanagement of such situations could pose a reputational risk to the University and me.

The researcher will also be accompanied by one or both supervisors on the exploratory visit, and can seek their advice in risky situations. Going as a team is both from a training point of view for the PhD student, and because the research project is reliant on the first supervisor's networks and contacts.

16. Will any *data* be obtained from a company or other organisation. **YES** / NO (please circle) For example, information provided by an employer or its employees.

If NO, then please go to question 19.

17. What steps are proposed to ensure that the requirements of *informed consent* will be met for that organisation? How will *confidentiality* be assured for the organisation, such that unauthorised persons will be prevented from accessing the data?

A full, written informed consent will be sought and obtained from the management of the organisation, for the research to be conducted in the organisation, and for their participation. This will be obtained by providing the information sheet attached and bringing specific attention to the anonymity, confidentiality, security and favourable opinion from the Ethics Committee, and requesting a written response from the organisation that states that they understand the requirements of informed consent as set down in the information sheet and are willing to participate. An informed consent form will be provided but the organisational signatory will have the option of returning the

Articles of Government and its commitment to academic freedom is in section 1.2 of the Strategic Plan 2004-2008.

form or stating in an email or letter that they are happy to proceed in accordance with the form.

Part of the consent process requires a clarification of authority with the gatekeeper. The clarification is done to know if additional approval is required, or if they have an authority to sign the informed consent form.

18. Does the organisation have its own ethics procedure relating to the research you intend to carry out? YES / NO (please circle). **Not known at this time**

If YES, the University will require written evidence from the organisation that they have approved the research.

Should an ethical process be indicated, then a change of approval form will be submitted.

19. Will the proposed research involve any of the following (please put a √ next to ‘yes’ or ‘no’; consult your supervisor if you are unsure):

27.	28.	Vulnerable groups (e.g. children) ?	29.	YES	30.	31.	32.	NO	33.	✓	
41.	42.	Particularly sensitive topics ?	43.	YES	44.	✓	45.	46.	NO	47.	
55.	56.	Access to respondents via ‘gatekeepers’ ?	57.	YES	58.	✓	59.	60.	NO	61.	
69.	70.	Use of deception ?	71.	YES	72.		73.	74.	NO	75.	✓
83.	84.	Access to confidential personal data ?	85.	YES	86.		87.	88.	NO	89.	✓
97.	98.	Psychological stress, anxiety etc ?	99.	YES	100.	✓	101.	102.	NO	103.	
111.	112.	Intrusive interventions ?	113.	YES	114.		115.	116.	NO	117.	✓

If answers to any of the above are “YES”, how will the associated risks be minimised?

118. Sensitive topics: The topic of research involves fraud, and this may be perceived as a sensitive topic, by the organisation and individuals concerned in the research study. As discussed in question 14, the risk will be managed with clear statements of the nature of the research. Also, assurance of data anonymity will be given and explained. Hence, companies, brands, individuals’ names and locations will not be mentioned in academic publications or reports to the company concerned. The assurance will be further met by ensuring that organisations and individual participants are met with a fully informed consent.

119. Access to respondents via gatekeepers: It is anticipated that some participants may perceive a risk in their participation or refusal to participate, in the research. Hence, as discussed in question 14, the researcher intends to manage this risk by ensuring that all participants; including gatekeepers, obtain and receive a fully informed consent.

120.

121. The fully informed consent will clearly state and emphasise the voluntary nature of participation in the study. This will also be supported by the verbal and written consent, recorded and obtained during meetings and interviews, if any.

122.

123.


124. Psychological stress, anxiety etc.: The perceived pressure to participate and/or the sensitive nature of the topic, as discussed above, may result to psychological stress or anxiety. The risks will be managed with the same methods stated above.

125. Are there any other ethical issues that may arise from the proposed research?

At this time, there is none anticipated, other than those discussed above, in this ethical approval document.

Details of applicant

The member of staff undertaking the research should sign and date the application, and submit it directly to the Ethics Committee. However, where the researcher is a supervised PhD candidate, the signature of the Director of Studies is also required prior to this form being submitted.

	Name	Signature
Researcher	Princely Dibia	
Director of Studies	Lisa Jack	
Date	26/10/2015	28/10/2015

Approval by Ethics Committee

I/We grant Ethical Approval

126. FREC

~~127.~~

130.

131.

132. Date

AMENDMENTS

If you need to make changes please ensure you have permission before the primary data collection. If there are major changes, fill in a new form if that will make it easier for everyone. If there are minor changes then fill in the amendments (next page) and get them signed before the primary data collection begins.

CHANGES TO ETHICS PERMISSION

VERSION: _____

Please describe the nature of the change and impact on ethics:

Please print the name of:

I/We grant Ethical Approval

133. Researcher	134. _____	135. FREC	136. _____
137. Signed:	138. _____	139. (Signed)	140. _____
141.	142. _____	143.	144. _____
145. Date	146. _____	147. Date	148. _____

(please cut and paste the next section, together with the heading at the top of this page, as many times as required)

VERSION: _____

Please describe the nature of the change and impact on ethics:

Appendix 4.1.4: Ethical approval for phase one-pilot study



Portsmouth Business School
University of Portsmouth
Richmond Building
Portland Street
Portsmouth
United Kingdom
PO1 3DE

T: +44 (0)23 9284 8484
W: www.port.ac.uk/pbs

13 November 2015

Princely Dibia

PhD Student

Portsmouth Business School

Dear Princely

Study Title:	Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail environments
Ethics Committee reference:	E367

Thank you for submitting your documents for ethical review. The Ethics Committee was content to grant a favourable ethical opinion of the above research on the basis described in the application form, protocol and supporting documentation, revised in the light of any conditions set, subject to the general conditions set out in the attached document.

The favourable opinion of the EC does not grant permission or approval to undertake the research. Management permission or approval must be obtained from any host organisation, including University of Portsmouth, prior to the start of the study.

Summary of any ethical considerations

-

Documents for potential participants' consumption i.e. consent form and information sheet:

Documents reviewed

The documents reviewed by Debbie Reed [LCM] + PBS Ethics Committee:

<i>Document</i>	<i>Version</i>	<i>Date</i>
Ethical Review Application	1	28 Oct 2015
Company Participant Information Sheet	1	28 Oct 15
Consent form for Organisation	1	28 Oct 15
Data Research proposal	1	28 Oct 15
Individual Consent Form for Ethical Approval	1	06 Nov 15
Company Participant Information Sheet – Amended	2	06 Nov 15

Statement of compliance

The Committee is constituted in accordance with the Governance Arrangements set out by the University of Portsmouth

After ethical review

Reporting and other requirements

The attached document acts as a reminder that research should be conducted with integrity and gives detailed guidance on reporting requirements for studies with a favourable opinion, including:

- Notifying substantial amendments
- Notification of serious breaches of the protocol
- Progress reports
- Notifying the end of the study

Feedback

You are invited to give your view of the service that you have received from the Faculty Ethics Committee. If you wish to make your views known please contact the administrator, Sharman Rogers.

Please quote this number on all correspondence E367

The Ethics Committee wished to record thanks for an exemplary review.

Yours sincerely and wishing you every success in your research

A handwritten signature in blue ink that reads "Lisa Jack". The signature is written in a cursive style with a large initial 'L'.

Chair

Email:

Enclosures: *"After ethical review – guidance for researchers"*

Copy to:

After ethical review – guidance for researchers

This document sets out important guidance for researchers with a favourable opinion from a University of Portsmouth Ethics Committee. Please read the guidance carefully. A failure to follow the guidance could lead to the committee reviewing and possibly revoking its opinion on the research.

It is assumed that the research will commence within 3 months of the date of the favourable ethical opinion or the start date stated in the application, whichever is the latest.

The research must not commence until the researcher has obtained any necessary management permissions or approvals – this is particularly pertinent in cases of research hosted by external organisations. The appropriate head of department should be aware of a member of staff's research plans.

If it is proposed to extend the duration of the study beyond that stated in the application, the Ethics Committee must be informed.

If the research extends beyond a year then an annual progress report must be submitted to the Ethics Committee.

When the study has been completed the Ethics Committee must be notified.

Any proposed substantial amendments must be submitted to the Ethics Committee for review. A substantial amendment is any amendment to the terms of the application for ethical review, or to the protocol or other supporting documentation approved by the Committee that is likely to affect to a significant degree:

- (a) the safety or physical or mental integrity of participants
- (b) the scientific value of the study
- (c) the conduct or management of the study.

A substantial amendment should not be implemented until a favourable ethical opinion has been given by the Committee.

Researchers are reminded of the University's commitments as stated in the [Concordat to Support Research Integrity](#) viz:

- maintaining the highest standards of rigour and integrity in all aspects of research
- ensuring that research is conducted according to appropriate ethical, legal and professional frameworks, obligations and standards
- supporting a research environment that is underpinned by a culture of integrity and based on good governance, best practice and support for the development of researchers
- using transparent, robust and fair processes to deal with allegations of research misconduct should they arise
- working together to strengthen the integrity of research and to reviewing progress regularly and openly

In ensuring that it meets these commitments the University has adopted the [UKRIO Code of Practice for Research](#). Any breach of this code may be considered as misconduct and may be investigated following the University [Procedure for the Investigation of Allegations of Misconduct in Research](#).

Researchers are advised to use the [UKRIO checklist](#) as a simple guide to integrity.

Appendix 4.1.5: Main case study consent form for company

Research Student: Princely Dibia,
Portsmouth Business School Postgraduate Centre,
University of Portsmouth,
Portland Building, Portland Street,
Portsmouth, PO1 3AH.
Tel: 023 9284 4831
Email: princely.dibia@myport.ac.uk.

Company Code



First supervisor: Professor Lisa Jack,
Accounting and Financial Management,
Portsmouth Business School, University of Portsmouth,
Richmond Building, Portland Street,
Portsmouth, PO1 3DE.
Tel: 04423 9284 4136
Email: lisa.jack@port.ac.uk.

Consent Form: Organisation

Study Title: Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail/manufacturing/service environments.

REC Ref No:

Name of Researcher: Princely Dibia
box

Please initial

I confirm that I have read and understood the information sheet dated xx/xx/2016 for the above study. I have had opportunity to consider the information, ask questions and have these answered satisfactorily.

I understand participation is voluntary and that I am free to withdraw company consent at any time without giving any reason, up to the point where the data is being analysed.

I understand that all data collected will be anonymised and that we will do our best to ensure confidentiality at all times, and agree that the information collected during the study can be shared with authorised people for academic purposes.

I agree to the data I contribute being stored securely in accordance with the University of Portsmouth Data Management Policy.

I confirm that I have the authority to give consent for the company to participate in this research.

I confirm that I have discussed with the researcher company policies for fraud prevention and control and have agreed a secure and confidential procedure for employees to utilise during the research study.

I agree for data to be collected by the researcher through recorded interviews.

I agree to the company (insert name) taking part in the above study.

Name of Participant:

Signature: **Date:**

Name of person taking consent:

Signature: **Date:**

(When completed, one copy to be retained by participant; 1 copy for researcher's file)

Appendix 4.1.6: Main case study consent form for individuals

Research Student: Princely Dibia,
Portsmouth Business School Postgraduate Centre,
University of Portsmouth,
Portland Building, Portland Street,
Portsmouth, PO1 3AH.
Tel: 023 9284 4831
Email: princely.dibia@myport.ac.uk.

Participant Code :

First supervisor: Professor Lisa Jack,
Accounting and Financial Management,
Portsmouth Business School, University of Portsmouth,
Richmond Building, Portland Street,
Portsmouth, PO1 3DE.
Tel: 023 9284 4136
Email: lisa.jack@port.ac.uk.



Consent Form: Individuals

Study Title: Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail environments.

REC Ref No:

Name of Researcher: Princely Dibia
initial box

Please

I confirm that I have read and understood the information sheet dated xx/xx/2016 for the above study. I have had opportunity to consider the information, ask questions and have these answered satisfactorily.

I agree to my interview being audio recorded, and to being quoted, using my original words, in reports of the research.

I understand my participation is voluntary and that I am free to withdraw at any time without giving any reason, up to the point where the data is being analysed.

I understand that all data collected will be anonymised and that confidentiality will be ensured at all times.

I agree that the information collected during the study can be shared with authorised people for academic purposes.

I agree to the data I contribute being stored securely, until all academic publications (PhD thesis, journal articles, book chapters and conference presentations) have been completed.

I agree to take part in the above study.

Name of Participant:

Signature: **Date:**

Name of person taking consent:

Signature: **Date:**

(When completed, one copy to be retained by participant; 1 copy for researcher's file)

Appendix 4.1.7: Ethical Approval document for phase two – main case study

Ethical Review Checklist – Staff and Doctoral Students

This checklist should be completed by the researcher (PhD students to have DoS check) and sent to Sharman Rogers who will coordinate Ethics Committee scrutiny.

No primary data collection can be undertaken before the supervisor and/or Ethics Committee has given approval.

If, following review of this checklist, amendments to the proposals are agreed to be necessary, the researcher must provide Sharman with an amended version for scrutiny.

1. What are the objectives of the research project?

This project is in two phases. I have conducted Phase 1 (Pilot, Exploratory Study). I am now seeking ethical approval for Phase 2 (Case study). Potentially, there might be a Phase 3 (experiment), for which I will seek a separate approval for. Ethical approval is being sought as the organisation has expressed a willingness to provide access for further exploratory study, and require assurances of confidentiality and informed consent for this phase.

There are two research questions covering the whole project: “To what extent do the visual representations used in lean management reduce losses incurred through occupational and/or consumer fraud?” and “To what extent do the cultural practices of waste elimination and continuous improvement, used in lean management reduce losses incurred through occupational and/or consumer fraud?”

Phase 1 was the pilot study that involved gaining access into retail organisation for data to support the research design. The Ethical review and approval reference number is **E367**.

Phase 2 will involve collecting primary data through conducting interviews. The extent of the interview is still subject to discussion and consent of the organisation. We proposed conducting a 15-20minutes interview, with 3-5 store members, which adds up to an estimated 2 hours at possibly 5 or 6 stores. However, we are open to a convenient arrangement with the organisations, where we can visit a variety of its branches, based on their availability. Where we can also interview the staff available, knowledgeable and willing to participate, without disrupting the daily business activities.

2. Does the research involve *NHS patients, resources or staff*? YES / **NO** (please circle).
3. *Does the research involve MoD staff*? YES / **NO** (please circle).
4. Do you intend to collect *primary data* from human subjects or data that are identifiable with individuals? (This includes, for example, questionnaires and interviews.) **YES** / NO (please circle)

If you do not intend to collect such primary data then please go to question 15.

If you do intend to collect such primary data then please respond to ALL the questions 5 through 14. If you feel a question does not apply then please respond with n/a (for not applicable).

5. How will the primary data contribute to the objectives of the dissertation / research project?

The data from Phase 1 has been used to design Phase 2 of the research. Thus, ensuring that the inquiry; design of questions for the interview are more focused. Prospectively, the primary data from the interview will further inform the research study towards

achieving its set objectives, and any simulations or experiments (Phase3), for example, are feasible and based on realistic scenarios.

6. What is/are the *survey population(s)*?

The research population comprises Retail stores in the United Kingdom.

7. How big is the *sample* for each of the survey populations and how was this sample arrived at?

An estimate of 6 Retail store chains is chosen for the case study. A purposive and convenience sampling is adopted in selecting the sample of retail stores.

8. How will respondents be *selected and recruited*?

Further access to the retail organisation is being negotiated by the researcher in collaboration with both supervisors (the 1st and 2nd). We have maintained communication, by continuing correspondence with the lead contact in the organisation that facilitated the pilot study.

With the organisation being contacted in this way, we are reliant on their provision of access to whichever members of staff they are willing to provide to help in furtherance of the study.

9. What steps are proposed to ensure that the requirements of *informed consent* will be met for those taking part in the research? If an Information Sheet for participants is to be used, please attach it to this form. If not, please explain how you will be able to demonstrate that informed consent has been gained from participants.

This is a separate request for the Phase 2 of the study. Following the pilot study, this work is being further developed to collect primary data through in depth interviews, if the organisation wish to continue their involvement in the research

As individual participants in Phase 2 will be nominated by their organisation, the researcher will ensure they are provided with the consent form and information sheet. I will remind them of the study aims, and assure them of confidentiality and anonymity, at the start of each discussion.

10. How will *data be collected* from each of the sample groups?

Primary data will be collected from organisations. At the moment, we are in contact with the retail organisation to conduct further visits to the environment. This will also, possibly include visits to any other of its selected branches, which adopt and practice a form of lean management, in the United Kingdom.

The primary data as aforementioned will be gathered from further visits to these environments, and will be documented in recorded interviews, notes from direct observations, photographs (when and where permission is given), documents and discussions with key members of staff, where available. Primary data will also include

the information provided by a key contact who will conduct a walk-through the facility with us.

The primary data obtained in this phase 2 will further contribute to the objectives of the research by providing first-hand experience and accounts of how fraud is prevented and managed in retail environments (see research area 1:1, above); to obtain information on the use of visual controls (see research area 1:2, above) and to account for any existing lean cultural practice of control, and how they reflect/exercise continuous improvement and waste elimination.

The research design for this Phase 2 is being developed in collaboration with organisation, who was involved in Phase 1. In the case of an experiment or computer simulation (Phase 3), scenarios will be based on the processes documented and information provided in both Phase 1 and 2 of the exercise.

11. How will *data* be *stored* and what will happen to the data at the end of the research?

All digital information obtained will be downloaded and securely stored on the university N drive.

Until the end of the research study, hand written notes and photographs will be stored in a secure, locked location, within the University of Portsmouth premises, from where they will also be scanned and stored on the N drive. Hard copies will then be sent for secure disposal using the University secure shredding service.

All data will be stored for 10 years in accordance with the University Data Management Plan or until the publication of the PhD thesis and other academic publications, including journal articles, book chapters and conference presentations are finalised, whichever is longer. This will also form part of the organisational and individual consent obtained from participants.

Due to the sensitive nature of the research, which also includes its commercial value, it is inappropriate to allow an open access availability of data.

12. What measures will be taken to prevent unauthorised persons gaining access to the data, and especially to data that may be attributed to identifiable individuals?

In place of names, all company participants will be identified in notes and on diagrams using codes. The copies of consent forms that contain the codes provided, and other identifying data, will be stored in separate files on the N drive. This is done in order to assist the security of individual participants and the company.

Raw data will be made available only to the researcher, PhD supervisors (Prof Lisa Jack and Alan Graham), and the PhD examiners, on request. All data will be stored securely on the University N drive.

13. What steps are proposed to safeguard the *anonymity* of the respondents?

All companies and individual participants will be allocated specific codes, which will be used instead of names.

The copies of consent forms that provide both codes and identifying data will be stored in separate files on the N:// drive from all other data to facilitate the security of companies and individuals.

Also, the research will assume and uphold a duty of care in preserving the anonymity of individual participants in reports to the organisation and its gatekeepers. I will present only anonymised data, which include removing names and job titles, including that of the organisation. Furthermore, I will only consider the use of verbatim quotes, where it would not jeopardise the anonymity of the organisation or individual participants.

14. Are there any *risks* (physical or other, including reputational) *to respondents* that may result from taking part in this research? **YES** / NO (please circle).

If YES, please specify and state what measures are proposed to deal with these risks.

It is anticipated that companies will consider and perceive the topic of study as a very sensitive matter. Their perceptions both on issues relating to reputational and commercial risks, associated with the study and information provided. Hence, this will be managed by an ethical assurance of confidentiality and anonymity. This also includes an appropriate storage of all data.

For individuals, the risks perceived relate to measurement of performance, and/or security of employment; which can occur in situation where the individual does not want to participate in a research supported by their management. This risk will be managed by ensuring the informed consent at the organisational and individual level, will clearly stipulate the voluntary nature of participation in the research study.

The risks in study participation are also anticipated, as individuals may regard the information they possess as controversial and/or potentially damaging to the company's reputation. Participants will be advised that any allegations should be made to through company's secure whistleblowing system or internal audit committee and that the purpose of the data collection is about understanding processes and hypothetical situations. Where anecdotes or details of existing cases are shared, I will enquire whether these are in the public domain and request that names are not divulged.

Accordingly, this risk will be managed with assurance of anonymity to every individual participant. The assurance, obtained by gaining a fully informed consent for study participation, covers reports to the company concerned and any academic publication

15. Are there any *risks* (physical or other, including reputational) *to the researcher or to the University* that may result from conducting this research? **YES** / NO (please circle).

If YES, please specify and state what measures are proposed to manage these risks.⁴

⁴ Risk evaluation should take account of the broad liberty of expression provided by the principle of academic freedom. The university's conduct with respect to academic freedom is set out in section 9.2 of the Articles of Government and its commitment to academic freedom is in section 1.2 of the Strategic Plan 2004-2008.

The topic of research-fraud is mostly perceived and received with sensitivity and apprehension, by individuals and organisations. The data collection on the fraud prevention practices may involve examples, discussions and cases of incidents experienced in the organisation. It is anticipated that the researcher may be considered a risk, in fear of discovering and/or exposing any company secret, buried within this cases.

This risk will be managed by continuously reminding the company and individual participants of the nature of the study and the ethical assurance of anonymity and confidentiality. It will be clearly stated that it is not a fraud inspection exercise, and violation of my statement could pose a reputational risk to the University and myself.

Also, risks of physical nature, such as travelling and working late will be managed by ensuring that university staff and family members are informed of my travel and work plans. Thus, appropriate travel and accommodation arrangement will be made, and a safe working practice will be ensured.

Other physical risks (such as travelling alone, working late etc.) will be managed by taking appropriate measures to fully inform university staff / family members of travel and work plans, and by making appropriate travel and accommodation arrangements to ensure safe working practices.

Furthermore, certain risks also exist in interview situations where participants may disclose concerns about the fraud prevention culture and practices, within the organisation. Also, since the interviews will potentially be conducted on breaks during working hours, it will be set in an open area, visible and without obstructions to exit. This is to provide a safe and conducive environment, especially for the female participants. A mismanagement of such situations could pose a reputational risk to the University and me.

The researcher will continuously correspond with both supervisors on these visits, and will seek their advice in risky situations.

16. Will any *data* be *obtained from a company or other organisation*. YES / NO (please circle) For example, information provided by an employer or its employees.

If NO, then please go to question 19.

17. What steps are proposed to ensure that the requirements of *informed consent* will be met for that organisation? How will *confidentiality* be assured for the organisation, such that unauthorised persons will be prevented from accessing the data?

A full, written informed consent will be sought and obtained from the management of the organisation, for the research to be conducted in the organisation, and for their participation. This will be obtained by providing the information sheet attached and bringing specific attention to the anonymity, confidentiality, security and favourable opinion from the Ethics Committee. Also, it will request a written response from the organisation that states that they understand the requirements of informed consent as set down in the information sheet and are willing to participate. An informed consent form will be provided but the organisational signatory will have the option of returning the form or stating in an email or letter that they are happy to proceed in accordance with the form.

Part of the consent process requires a clarification of authority with the gatekeeper. The clarification is done to know if additional approval is required, or if they have an authority to sign the informed consent form.

18. Does the organisation have its own ethics procedure relating to the research you intend to carry out? YES / NO (please circle). **Not known at this time**

If YES, the University will require written evidence from the organisation that they have approved the research.

Should an ethical process be indicated, then a change of approval form will be submitted.

19. Will the proposed research involve any of the following (please put a √ next to 'yes' or 'no'; consult your supervisor if you are unsure):

27.	28.	Vulnerable groups (e.g. children)?	29.	YES	30.	31.	32.	NO	33.	✓			
34.	35.	41.	42.	Particularly sensitive topics?	43.	YES	44.	✓	45.	46.	NO	47.	
48.	49.	55.	56.	Access to respondents via 'gatekeepers'?	57.	YES	58.	✓	59.	60.	NO	61.	
62.	63.	69.	70.	Use of deception?	71.	YES	72.		73.	74.	NO	75.	✓
76.	77.	83.	84.	Access to confidential personal data ?	85.	YES	86.		87.	88.	NO	89.	✓
90.	91.	97.	98.	Psychological stress, anxiety etc?	99.	YES	100.	✓	101.	102.	NO	103.	
104.	105.	111.	112.	Intrusive interventions?	113.	YES	114.		115.	116.	NO	117.	✓

If answers to any of the above are "YES", how will the associated risks be minimised?

118. Sensitive topics: The topic of research involves fraud, and this may be perceived as a sensitive topic, by the organisation and individuals concerned in the research study. As discussed in question 14, the risk will be managed with clear statements of the nature of the research. Also, assurance of data anonymity will be given and explained. Hence, companies, brands, individuals' names and locations will not be mentioned in academic publications or reports to the company concerned. The assurance will be further met by ensuring that organisations and individual participants are met with a fully informed consent.

119. Access to respondents via gatekeepers: It is anticipated that some participants may perceive a risk in their participation or refusal to participate, in the research. Hence, as discussed in question 14, the researcher intends to manage this risk by ensuring that all participants; including gatekeepers, obtain and receive a fully informed consent.

120.

121. The fully informed consent will clearly state and emphasise the voluntary nature of participation in the study. This will be documented in the consent form, which will be provided with for review and signature of participants during the interviews.

122.

123.

124. Psychological stress, anxiety etc.: The perceived pressure to participate and/or the sensitive nature of the topic, as discussed above, may result to psychological stress or anxiety. The risks will be managed with the same methods stated above.

125. Are there any other ethical issues that may arise from the proposed research?

At this time, there is none anticipated, other than those discussed above, in this ethical approval document.

Details of applicant

The member of staff undertaking the research should sign and date the application, and submit it directly to the Ethics Committee. However, where the researcher is a supervised PhD candidate, the signature of the Director of Studies is also required prior to this form being submitted.

	Name	Signature
Researcher	Princely Dibia	
Director of Studies		
Date	25/02/2016	

Approval by Ethics Committee

I/We grant Ethical Approval

126. FREC

~~127.~~

130.

131.

132. Date

AMENDMENTS

If you need to make changes please ensure you have permission before the primary data collection. If there are major changes, fill in a new form if that will make it easier for everyone. If there are minor changes then fill in the amendments (next page) and get them signed before the primary data collection begins.

CHANGES TO ETHICS PERMISSION

VERSION: _____

Please describe the nature of the change and impact on ethics:

Please print the name of:

I/We grant Ethical Approval

133. Researcher	134. _____	135. FREC	136. _____
137. Signed:	138. _____	139. (Signed)	140. _____
141.	142. _____	143.	144. _____
145. Date	146. _____	147. Date	148. _____

(Please cut and paste the next section, together with the heading at the top of this page, as many times as required)

VERSION: _____

Please describe the nature of the change and impact on ethics:

Appendix 4.1.8: Ethical approval for phase two – main case study



Portsmouth Business School
University of Portsmouth
Richmond Building
Portland Street
Portsmouth
United Kingdom
PO1 3DE

T: +44 (0)23 9284 8484
W: www.port.ac.uk/pbs

01 March 2016

Princely Dibia
PhD Student
Portsmouth Business School

Dear Princely

Study Title:	Fraud Prevention in a lean environment: A study of shrinkages and loss relating to return fraud in retail environments.
Ethics Committee reference:	E367 Phase 2

Thank you for submitting your documents for ethical review. The Ethics Committee was content to grant a favourable ethical opinion of the above research on the basis described in the application form, protocol and supporting documentation, revised in the light of any conditions set, subject to the general conditions set out in the attached document.

The favourable opinion of the EC does not grant permission or approval to undertake the research. Management permission or approval must be obtained from any host organisation, including University of Portsmouth, prior to the start of the study.

Summary of any ethical considerations

Ethics Committee grants you a favourable ethical opinion, but with the recommendation that the documentation is amended to address the following points:

1. The peculiar layout of the right hand columns in the individual consent form
2. (Q15 - Approval Form) The impossibility of guaranteeing absolute confidentiality in relation to disclosure of fraud. Whilst the applicant is not under an obligation to inform the

police of any criminal offence under the Fraud Act 2006, they may, like anyone else, receive a subpoena in the future if the matter comes to the courts via another route. This does not prevent the applicant from making assurances that they are not carrying out a fraud investigation exercise or from directing persons concerned about fraud to relevant law enforcement agencies. It does require the applicant to be aware of this possibility and to recognise that confidentiality can't be fully assured in these circumstances.

3. The reference to "academic purposes" on the organisational consent form could be clarified/explained as it may not be immediately obvious to an organisation what "academic purposes" entails.

4. The individual consent form indicates that the participant agrees "to being quoted". In light of the sensitive nature of the topic, it is advisable that an assurance is given in the consent form similar to what is stated in the approval form that - quotes will only be used where it would not jeopardise the anonymity of the individual participants and any contextual information capable of identifying the individual is disguised/anonymised. It is appreciated that anonymity is addressed at a further point in the consent form, but it might be helpful to clarify to the participant how the use of quotes will not jeopardise anonymity.

Provided these issues are addressed, then you do not need to resubmit a further amended ethics form to Ethics Committee for approval, although it is requested that you lodge a copy of the ethics and consent forms with Ethics Committee that address the above points.

We wish you good luck in your research and thank you for an impressive application.

Documents reviewed

The documents reviewed by Daniel Bedford [LCM] + PBS Ethics Committee

<i>Document</i>	<i>Version</i>	<i>Date</i>
Ethical Review Check List	1	25 Feb 2016
Consent Form for Organisation	1	25 Feb 2016
Consent Form for Individuals	1	25 Feb2016

Statement of compliance

The Committee is constituted in accordance with the Governance Arrangements set out by the University of Portsmouth

After ethical review

Reporting and other requirements

The attached document acts as a reminder that research should be conducted with integrity and gives detailed guidance on reporting requirements for studies with a favourable opinion, including:

- Notifying substantial amendments
- Notification of serious breaches of the protocol
- Progress reports
- Notifying the end of the study

Feedback

You are invited to give your view of the service that you have received from the Faculty Ethics Committee. If you wish to make your views known please contact the administrator Christopher Martin.

Please quote this number on all correspondence: E367 Phase 2

Yours sincerely and wishing you every success in your research



Chair

Email:

Enclosures:

“After ethical review – guidance for researchers”

Copy to:

Professor Lisa Jack

Appendix 1

After ethical review – guidance for researchers

This document sets out important guidance for researchers with a favourable opinion from a University of Portsmouth Ethics Committee. Please read the guidance carefully. A failure to follow the guidance could lead to the committee reviewing and possibly revoking its opinion on the research.

It is assumed that the research will commence within 3 months of the date of the favourable ethical opinion or the start date stated in the application, whichever is the latest.

The research must not commence until the researcher has obtained any necessary management permissions or approvals – this is particularly pertinent in cases of research hosted by external organisations. The appropriate head of department should be aware of a member of staff's research plans.

If it is proposed to extend the duration of the study beyond that stated in the application, the Ethics Committee must be informed.

If the research extends beyond a year then an annual progress report must be submitted to the Ethics Committee.

When the study has been completed the Ethics Committee must be notified.

Any proposed substantial amendments must be submitted to the Ethics Committee for review. A substantial amendment is any amendment to the terms of the application for ethical review, or to the protocol or other supporting documentation approved by the Committee that is likely to affect to a significant degree:

- (a) the safety or physical or mental integrity of participants
- (b) the scientific value of the study
- (c) the conduct or management of the study.

A substantial amendment should not be implemented until a favourable ethical opinion has been given by the Committee.

Researchers are reminded of the University's commitments as stated in the [Concordat to Support Research Integrity](#) viz:

- maintaining the highest standards of rigour and integrity in all aspects of research

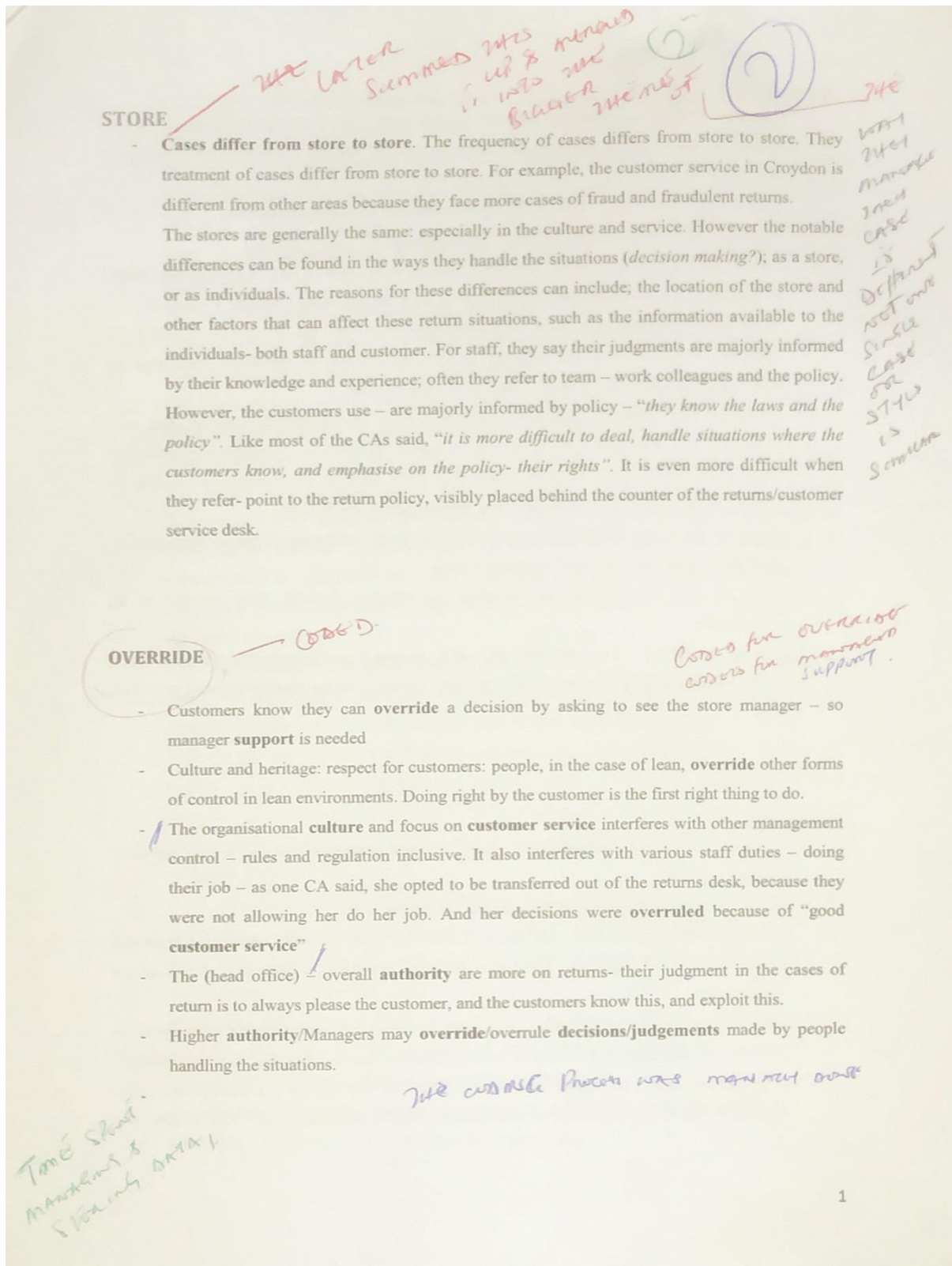
- ensuring that research is conducted according to appropriate ethical, legal and professional frameworks, obligations and standards
- supporting a research environment that is underpinned by a culture of integrity and based on good governance, best practice and support for the development of researchers
- using transparent, robust and fair processes to deal with allegations of research misconduct should they arise
- working together to strengthen the integrity of research and to reviewing progress regularly and openly

In ensuring that it meets these commitments the University has adopted the [UKRIO Code of Practice for Research](#). Any breach of this code may be considered as misconduct and may be investigated following the University [Procedure for the Investigation of Allegations of Misconduct in Research](#).

Researchers are advised to use the [UKRIO checklist](#) as a simple guide to integrity.

Appendix 5.1: The process of the manual thematic analysis of empirical data
Step One – Note taking immediately after interviews and generation of initial codes and themes

Evidence - Coded notes after interview visits



Step Two – Transcription and note taking during transcription

Evidence – Transcribed interviews and notes taken during the process

Interviewer - Why do you think the organisation is not firm on the no receipt, no refund policy?

Interviewee 09- **Because that isn't good customer service. Because customer's do genuinely lose their receipts. You know, get an old [00:08:40] with her bag, or a busy mum or a forgetful gentleman. You know? The, the... genuine, honest people lose their receipts. And that's why the no receipt, no refund isn't appropriate for our customers, because it's not the real world that we live in.** Sadly, the dishonest people make it difficult for the **honest people**, because people do lose receipts. We also have a policy, that our policy also says that errrrm, even with a valid receipt. Errr, even with a receipt that is now in, invalid, because it's past the 35 days. The, they, therefore refund it in a particular way. So they are refunded, so if they paid with a card, or with cash, they would then, **errrr, be refunded with a credit voucher at the price that it is today. So if the price has gone down in price, so that does cause frustration for customers because, the customer may have a receipt that is now no longer valid because the 35 days is past. That, then, we would refund them, but we would refund them in the credit voucher. However, if it's gone down, like we have had a sale start this week. If it is now no longer the price that it was, that it was paid. That does potentially cause frustration.** But we are always allowed to, that is the policy; exceptions are made. (referring to the policy)

(the interviewee is of the opinion that strict enforcement of policy is not good customer service. the interviewer also presented a reverse scenario, where customers buy goods at full price, but are returning and requesting for a refund, without receipt, when the goods are now on discount)

Interviewer - So what changes have been made in the organisation in, because of these incidents, in dealing with them?

Interviewee 09 - What changes?

Interviewer - Have the organisation made in trying to deal with this situation of refund fraud?

Interviewee 09 - Well, ermm, in the time that I have worked for the business, errmm, they, they have changed the refund policy timescale. So what we used to do as a business was we would refund a customer at anytime for anything. Now, there is a 35 day refund policy. That was changed a few year, a number of years ago, now. But errmm, it is still a very generous refund policy, because most other retailers have an. either an 28 day, or even less, a 14 day refund policy.

Errrrmm, so, that is, it is a better, a **more generous refund policy, but errmm, some of our customers still find that that's, not very many, to be honest, errr, errr, errr, only a very few people challenge that. Most people accept that, that the 35 days is an acceptable period of time.**

(An idea of examining the profit or sales of retail organisations with strict refund policies against the case study organisation, to study and test if good customer service or strict enforcement of policy really affects and produces

Step Three – Reviewing interview transcripts, note taking, coding and highlighting of key points

Evidence – Transcribed interviews with notes taken and initial codes

Receipt: They approve refunds for vouchers, but immediate credit vouchers present in the old. The focus on customers.

Interviewer - Okay. So do you think they take advantage of that too, when...

Interviewee 09 - The fraudulent refunders do. Yes. Definitely. Definitely!

Interviewer - Why do you think the organisation is not firm on the no receipt, no refund policy?

Interviewee 09 - Because that isn't good customer service. Because customer's do genuinely lose their receipts. You know, get an old [00:08:40] with her bag, or a busy mum or a forgetful gentleman. You know? The, the... genuine, honest people lose their receipts. And that's why the no receipt, no refund isn't appropriate for our customers, because it's not the real world that we live in. Sadly, the dishonest people make it difficult for the honest people, because people do lose receipts. We also have a policy, that our policy also says that errmm, even with a valid receipt. Errr, even with a receipt that is now in, invalid, because it's past the 35 days. The, they, therefore refund it in a particular way. So they are refunded, so if they paid with a card, or with cash, they would then, errrr, be refunded with a credit voucher at the price that it is today. So if the price has gone down in price, so that does cause frustration for customers because, the customer may have a receipt that is now no longer valid because the 35 days is past. That, then, we would refund them, but we would refund them in the credit voucher. However, if it's gone down, like we have had a sale start this week. If it is now no longer the price that it was, that it was paid. That does potentially cause frustration. But we are always allowed to, that is the policy. Exceptions are made (referring to the policy)

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Interviewee 09 - Well, ermm, in the time that I have worked for the business, ermm, they, they have changed the refund policy timescale. So what we used to do as a business was we would refund a customer at anytime for anything. Now, there is a 35 day refund policy. That was changed a few years, a number of years ago, now. But ermm, it is still a very generous refund policy, because most other retailers have an, either an 28 day, or even less, a 14 day refund policy. Errrrmm, so, that is, it is a better, a more generous refund policy, but ermm, some of our customers still find that that's, not very many, to be honest, errr, errr, errr, only a very few people challenge that. Most people accept that, that the 35 days is an acceptable period of time. Even with a generous refund policy, some customers still challenge it.

(An idea of examining the profit or sales of retail organisations with strict refund policies against the case study organisation, to study and test if good customer service or strict enforcement of policy really affects and produces greater losses that those incurred from fraud - however inaccurate the data may be, as it is based on estimates. Basically, is it worth

The interviewee discusses an interesting case: where customer buy an item at full price. Returns for refund with a valid receipt. A valid but distorted receipt. At the 30 day period, and during a discount period.

Handwritten notes:
 - Familiarity Refunders. They take advantage of the Refund Policy.
 - States that a strict no receipt, no refund policy is not good customer service. A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.
 - Dishonest people make it difficult for honest people.
 - Unlike other retailers...
 - This is an interesting case.
 - Every case is different. Cases are not similar. And so is their treatment.
 - A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.
 - The price that it is today.
 - That (17.15, today)
 - Important
 - Genuine honest people lose their receipts
 - A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.
 - This is an interesting case.
 - Every case is different. Cases are not similar. And so is their treatment.
 - A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.
 - The price that it is today.
 - That (17.15, today)
 - Important
 - Genuine honest people lose their receipts
 - A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.
 - This is an interesting case.
 - Every case is different. Cases are not similar. And so is their treatment.
 - A strict no receipt, no refund policy is not appropriate for customers in the real world that we live in.

Step Four – Further development of codes and themes (categorisation into larger groups)

Evidence – Grouping of themes and interview extracts

STORE 02

STORE 02 – COMPILED REPORT OF THEMES AND FINDINGS

THE CUSTOMER'S STORY/HISTORY (T1)

- Interviewee 06/Page 39: Talks about the purchase history.

CASE

- ✓ - Interviewee 06/Page 39: Customers buying goods on discount and returning it for full price refund without a receipt. To Interviewee 06, it is the most common case of fraud. Also mentions case of fraud where "they will buy a suit, that comes with a free shirt and tie. Then return the shirt and tie at the end of the offer, without a receipt, for a refund."
- Interviewee 06/Page 40: Staff get their **knowledge of handling** these situations from **experience**.
- ✓ - Interviewee 08/Page 45: Gives a good **example/case** about how shoplifting can turn to **fraud**.
- Interviewee 08/Page 45: Between the CCTV respondent, and the interviewee 05/the manager, they provide a detailed narration of what happens between the period a customer assistant **calls the manager** for assistance in **handling a situation**.
- ✓ - Interviewee 08/Page 47: Also says "there is **no hard and fast rule**", every case is **different**.
- ✓ - Interview 08/Page 48: Provides an example/instance of a **complicated situation**, a very **complicated situation and exceptional case**.
- ✓ - Interviewee 08/Page 50: Despite the method, type, or how, the **common denominator** in cases of **refund fraud claim** is the "**receipt**". The lack of presence there of.
- Interviewee 08/Page 52: reveals and provides an **example** illustrating that the **visible refund policy and sign** behind the refunds desk acts to the **advantage of customers**.
- Interviewee 08/Page 53: Talks again about the "**ideal situation**".
- Interviewee 08/Page 54: Talks about an **ideal situation of fraud prevention**.
- Interviewee 08/Page 54: Talks about an **ideal situation of fraud prevention**. However, the respondent does not think this situation is possible. His reason is similar to the previous respondent who said that they think it would interfere with **the good customer service** they promote, portray and supposedly give.
- Interviewee 08/Page 56: Provides an instance **why punishment may not be a strong deterrent** – use this to argue for desistance. Especially when you consider long term-**recidivist offenders**. Also, use it argue for recurring and repetitive offenders.
- Interviewee 08/Page 56: Talks about the **gift receipt scam**. Another instance of fraud.

EXCEPTIONAL CASE

- ✓ Interview 08/Page 48: Provides an example/instance of a **complicated situation**, a very **complicated situation and exceptional case**.
- Interviewee 08/50: Discusses another **exceptional refund fraud claim case**, which describes their **methods and illustrates how clever** they offenders are,
- ✓ Interviewee 08/Page 51: Discusses another very **peculiar case** of refund fraud, and how customers move from **till to till**, instead of the refunds desk.
- ✓ Interviewee 08/Page 51: Provides a very **good case** that illustrates how severe a refund fraud case can be. Reveals **how offenders can amass about £400 pounds** in a day.

1

Complications for store one

the a handle context of and find out for store

DRAFT THEMATIC ANALYSIS

FINDINGS	KEYWORDS
AO1	
"ONE SIZE DOES NOT FIT ALL". CONTEXT IS A VERY IMPORTANT VARIABLE IN FRAUD SITUATIONS. EVERY CASE IS DIFFERENT .	SITUATION. VARIABLE. CONTEXT. DIFFERENT.
Treat/Handle/Deal every case and every individual differently.	TREAT. HANDLE. DEAL. CASE. DIFFERENT.

USE PAGE NUMBERS TO CONTEXT, INSTEAD OF SEE-DON'T

suggestions → KEEP THE PAGES SIMPLE → STORE ONE (12)

SITUATION – CASES

- Has that handles* ✓ 01: One size does not fit all. Context is a very important variable in understanding fraud situations, and every case is different. P46
- Managers* ✓ 01: Treat, Handle, Deal with every case and every individual differently. Situations are different, and every situation- fraud case is not the same. : A different case requires a different approach. P46
- Blank and write* ✓ 03/L9: Situations are always changing. Both the approach to fraud prevention, the policies and practices, including the customer service requirements are always changing. Hence, it is important for staff to ask questions. Especially those who do not man the refunds desk regularly. Like her who works as a trainer and recruiter. 32
- ✓ 03: Mentions exceptional cases where refunds have been issued, despite opposing evidence or information that should dissuade you from allowing refund. L11 35
- ✓ 04: Suggests that every situation should be treated differently. However, every customer, regardless of suspicions, conviction, or the situation should be treated with respect. L9
- ✓ 05: According to her, she believes that fraud prevention & fraud cases are not straightforward. They are not black and white. Therefore, no structure can adequately account for every variable. Neither can the already existing structure control every actual and likely situation. L7
- Team work* ✓ 01: Social variables and Human factors like feelings, mood, emotions, and empathy are very important and relevant variable in handling every case/fraud situation.
- Pages support decision making* ✓ 01: There is no straightforward approach to fraud prevention. Similarly, as there is no straightforward, "general, one way" approach to handling these cases, there is a good presence of decision making, judgment calls, and consideration for both organisational, social and human variables. L7
- Exp and* ✓ 01/10: When cases are escalated to higher authorities, interviewee 01 does not know of any instance where the customers have returned.
- 03/L5: Talks about the value of experience in handling cases.
- 03/L7: Talks about how training, formal training, cannot prepare you always for real life; actual scenarios/situations.
- 04/L16: Polite customer service is paramount in any the treatment and decision making of any situation.
- 05/L05: "Careful". Politeness": These are common phrases in this interview. The interviewee discusses handling the situation with care, and considering the variables of the case "carefully", before making a decision. Politeness is RESPECT FOR CUSTOMERS.

what is common is, THE CUSTOMERS ALWAYS HAVE A STORY. AND THEY ALWAYS MAKE THEIR CLAIMS, WITHOUT A RECEIPT 13

Step Five – First draft of findings report

Evidence – Extract of draft report of findings

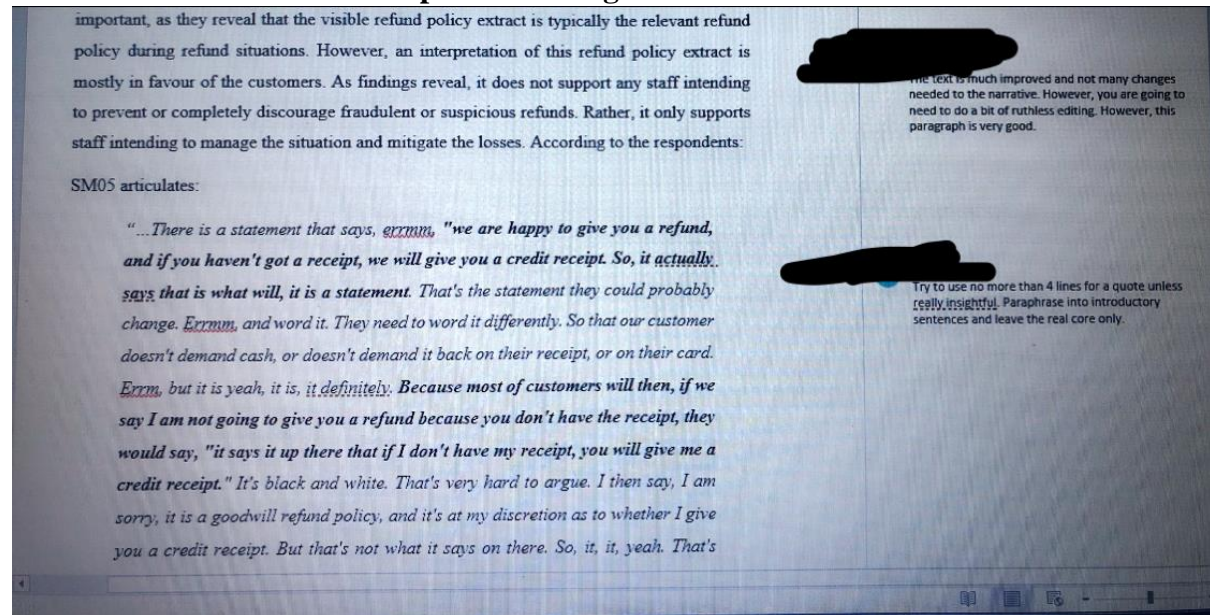
important, as they reveal that the visible refund policy extract is typically the relevant refund policy during refund situations. However, an interpretation of this refund policy extract is mostly in favour of the customers. As findings reveal, it does not support any staff intending to prevent or completely discourage fraudulent or suspicious refunds. Rather, it only supports staff intending to manage the situation and mitigate the losses. According to the respondents:

SM05 articulates:

“...There is a statement that says, errmm, “we are happy to give you a refund, and if you haven't got a receipt, we will give you a credit receipt. So, it actually.. says that is what will, it is a statement. That's the statement they could probably change. Errmm, and word it. They need to word it differently. So that our customer doesn't demand cash, or doesn't demand it back on their receipt, or on their card. Errm, but it is yeah, it is, it definitely. Because most of customers will then, if we say I am not going to give you a refund because you don't have the receipt, they would say, “it says it up there that if I don't have my receipt, you will give me a credit receipt.” It's black and white. That's very hard to argue. I then say, I am sorry, it is a goodwill refund policy, and it's at my discretion as to whether I give you a credit receipt. But that's not what it says on there. So, it, it, yeah. That's

The text is much improved and not many changes needed to the narrative. However, you are going to need to do a bit of ruthless editing. However, this paragraph is very good.

Try to use no more than 4 lines for a quote unless really insightful. Paraphrase into introductory sentences and leave the real core only.



Step Six – Pilot study findings and main findings from each store

Evidence – Table of findings and main themes

Pilot study findings

Important findings from the pilot study	
	The case of fraud in the lean thinking organisation is customer focused.
	Pilot study findings indicate that the case LTO does not consistently practice doing the right thing to prevent and manage the case of fraudulent refund claims from customers. The practice of lean thinking is in piecemeal.
	The LPI visual control management practice reportedly empowers staff, the human resource, and creates awareness which consequently controls the fraud problem in the organisation. However, the LPI also reportedly does not really matter to the staff managing fraudulent refund claims and refund situations.
	The human resource, whoever is handling the customer, is able to provide the ‘best way’ of managing and preventing cases of fraudulent refund claims from customers.
	Findings indicate that the customer service focus is an important consideration that equally affects the practice of doing the right thing to manage and prevent fraudulent refund claims from customers.
	Motivations for managing and preventing fraudulent refund claims and the accruing losses from customers include, naming and shaming, sanctions and the apprehension of dismissal, and altruistic values and practice of humanity in LT.
	Internal, social and behavioural, controls found include Empowerment and Awareness. The LTO also reportedly uses different levels of authorisation and management by controlling exceptional transactions to control fraudulent refund claims.
	The pilot study findings indicate that the challenges to the LTO’s prevention efforts include, the uncertainties in cases of fraudulent refund claims and the exceptions to the policy, inconsistency in the practice of doing the right thing in refund situations, the challenges with Omni-channel retailing, resource constraints, and the leadership of the organisation.

Store one main findings

Store One – The market town	
Fraud prevention efforts [FPE]	Challenges with fraud prevention
THE HUMAN ASPECT	
Humanity and Service	Lack of organisational and leadership support
Interviewing the customer	Compromising or failing to do the right thing
Applying knowledge from experience	Negligence
Transferring the experienced staff to smaller stores to become managers	Uncertainties with proving the act or intent behind the act
Teamwork – support from colleagues and managers	‘Customers know’
Community effort – it takes a community to prevent fraudulent refunds.	
Issuing credit vouchers and gift vouchers	
THE TECHNICAL ASPECT	
The refunds desk and team.	Ambiguity of the refund policy
Visual control management – Visual layout and strategic positioning of the refunds desk. Strategically manning the refunds desk. Moving away from the refunds desk. Visible refunds team.	The nature of the retail business and Omni-channel retailing structure.
The identification & recognition of regular offenders and suspicious customers.	The issue with fitting, sizing, and outsourcing
Inspecting the returned items.	The bag situation

Store two main findings

Store Two – The ‘London Borough’ store	
Fraud prevention efforts [FPE]	Challenges with fraud prevention
THE HUMAN ASPECT	
Humanity and customer service	The leadership and organisational disposition towards the problem of refund fraud
Teamwork – support from colleagues and managers	Doing the right thing for reasons other than fraud prevention
Community effort – it takes a community to prevent fraudulent refunds.	Recidivism
	Uncertainties with proving the act or intent behind the act
	‘Customers know’
THE TECHNICAL ASPECT	
The refunds desk and team.	Ambiguity of the refund policy
Visual control management – Visual layout and strategic positioning of the refunds desk. Visible refunds team and surveillance.	The nature of the retail business and Omni-channel retailing structure.
Information sharing and media communication	The issue with fitting, sizing, and outsourcing
Issuing credit vouchers and gift vouchers	The bag situation
The refund stop policy	

Store three main findings

Store Three – The old cathedral town	
Fraud prevention efforts [FPE]	Challenges with fraud prevention
THE HUMAN ASPECT	
Respect for customers, service and humanity	Staffing issues
Interviewing and listening	The uncertainties associated with the management and prevention of fraudulent refund claims.
Human resources and teamwork – the refunds' team	Customer satisfaction and expectation for loyalty to the organisation.
	Customers know [The customers' knowledge].
	Customer service – the organisation's goodwill reputation and business strategy.
	The organisation's disposition towards fraud prevention.
	Lack of leadership and organisational support
	Reputation for being 'easy'
THE TECHNICAL ASPECT	
The refunds desk	Ambiguity of the refund policy
Shorter refund periods	The nature of the retail business and Omni-channel retailing structure.
Inspection from members of the management team	The refunds period – failing to comply with the best practices of fraud prevention in the industry.
Visual control management – strategically moving away from the refunds desk	Social media and its challenges

Store four main findings

Store Four – The new city	
Fraud prevention efforts [FPE]	Challenges with fraud prevention
THE HUMAN ASPECT	
Humanity and customer service	Staffing constraints
Interviewing and collecting personal information discourages fraudulent customers	The uncertainties associated with the management and prevention of fraudulent refund claims.
Intuition and applying knowledge from experience	Recidivism
Politely denying refunds or applying the refund stop policy	Customers know [The customers' knowledge].
Monitoring and being watchful – surveillance	Customer service – the organisation's goodwill reputation and business strategy.
	The organisation's disposition towards fraud prevention.
	Lack of leadership and organisational support
	Failing to do the right consistently.
	Customer's perception
	Customer negligence – failing to do the right thing
	Conflicts and inconsistencies in practices.
THE TECHNICAL ASPECT	
The refunds desk and team	Ambiguity of the refund policy
Inspecting the returned items	The nature of the retail business and Omni-channel retailing structure.
Teamwork	The refunds period – failing to comply with the best practices of fraud prevention in the industry.
Issuing credit vouchers	The cost of managing manufacturing fault claims.
The use of technologists	

Step Seven – Grouping of main findings from each store

Evidence – Table of findings and main themes

Table: Case study findings about the stores (Source: Author).

About the store	Store One – The market town	Store Two – The London Borough	Store Three – The Old Cathedral Town	Store Four – The new city
Their approach to Fraud prevention	Being Considerate	Being Compliant	Goodwill	Conflicted and Inconsistent
The stores' values and considerations in refund situations	<ul style="list-style-type: none"> • Respect and service to customers matters the most • Their belief matter • Appearance matters • The price matters • The LPI does not matter • The refund policy does not matter • The lack of receipt does not really matter. 	<ul style="list-style-type: none"> • Patronage really matters to the store • Customer service is really important • The organisation's reputation is really important • The staff belief is equally important • Appearance is important • The price of the returned item is important 	<ul style="list-style-type: none"> • Customer service is important • Price matters • Losses from refund fraud do not really matter • Their Belief matters • The appearance of the customers do not matter as much as the appearance of the organisation • Patronage matters 	<ul style="list-style-type: none"> • Price matters • Staff belief matters • Quality of staff matters • Receipts do not really matter • Appearance of customers do not really matter
Store's suggestions for improvement	<ul style="list-style-type: none"> • Checking tags • Making the refund policy simpler and clearer • Educating the customers and creating awareness in the community 	<ul style="list-style-type: none"> • Finding a balance • Educating the customers on the content of the refunds policy and making it clear • Collecting the customer's personal details and information when processing refund claims • Using loyalty cards instead of receipts • The use of tags 	<ul style="list-style-type: none"> • Clarifying the refund policy 	<ul style="list-style-type: none"> • Making the refund policy clear • Following and adopting the best practices of refund fraud prevention in the retail business
Common understanding of fraud at the stores	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine

Table: Identifying fraudulent refund claims-the signs from the stores (Source: Author).

IDENTIFYING FRAUDULENT REFUND CLAIMS – THE SIGNS			
Store one	Store two	Store three	Store four
Customer Mannerisms: Talkativeness. Regular phone usage, talking and texting. Lack of eye contact. Agitation. Fidgeting.	Customer Mannerisms: Aggression and Tantrums, Use of mobile phones, and the customer's appearance.	Customer Mannerisms: Aggressive, loud, disrespectful or overly friendly customers.	Customer body language or mannerisms: Talkativeness. Customers "wandering up and down" the store.
Cash refund requests	Forceful and adamant demand for cash refund	Regularly returning items without receipts	The return of high-priced goods, typically suits and jackets
Refund requests during sensitive hours	Demanding refunds at sensitive business hours.	Returning damaged high-priced goods	Customers returning goods of different sizes.
Refund requests without receipts	Returning items that are not 'reasonably' within their size range.	Demanding cash refunds	Customers with no history or verifiable information regarding the purchase of the item or where it was acquired.
Refund requests on high-valued items	Telling stories that cannot be corroborated	False claims and stories that cannot be corroborated	Customers who "always have a story to tell"
Refund requests without information corroborating their stories or claims	Making false allegations against the refunds staff.	Claiming the item was a gift from distant family members or friends	Typical offenders claim the returned items are gifts from their "Nan", or other member of their family.
Refund requests without information legitimising ownership or purchase	Refusing to allow the staff collect the returned item and return to manufacturer.	Returning a group of same item in different sizes	The smell or texture – "feel" of the returned item.
		Returning items that are not reasonably within the customer's size range	
		Returning items that have been visibly worn, or with faults that should be reasonably identified during purchased	

Table: Methods of exploiting the refund process from each of the case study store (Source: Author).

METHODS OF EXPLOITING THE REFUND PROCESS			
Store one	Store two	Store three	Store four
Intimidation	Working in groups and syndicates.	Customers using their knowledge or interpretation of the refunds' policy to exploit the system	Targeting young and inexperienced staff in the refunds' team
Wrongful claims of legal right to refund to cajole staff	Using the visible refund policy extract at the refunds desk to manipulate the situation.	"Aggressively" referring to the visible refund policy extract behind the refunds' desk to corroborate their false claims.	Targeting sensitive business hours of the store to fraudulently claim refunds.
Telling uncorroborated stories	Customers match receipts with stolen or fraudulently acquired items	Manipulating the situation, either by causing arguments or deliberately misconstruing whatever the staff says.	Causing and using visual distractions
Claiming the returned item is a gift.	Deliberately target younger staff	Deliberately targeting the less experienced, younger, or part-time working staff for their refund requests.	Throwing tantrums and making false allegations against staff to manipulate the refund situation.
Stealing, cutting, or slitting the seam.	Legitimising the purchase of a fraudulently acquired item by exchanging any two similar items of close but different prices at the tills and paying for the price difference between the items		Damage the item by picking or slitting the seam and, or, removing the tags in the fitting room.
Timing, by targeting sensitive working hours and periods of high refund traffic.	Creating and using visual distractions		Collecting branded items from charity shops and returning them to the main store for refunds.
Targeting specific and preferably smaller stores	Buying items on stolen cards		Calling retail customer service in refund situations to either collect information on the item which is likely stolen or to manipulate the refund situation using the higher authority of the retail customer service desk.
Returning items purchased at charity shops to the main store.	The gift receipt scam	Customers know: Customers using and exploiting their knowledge of the organisation, its values, control environment, and refunds policy.	Customers know: Customers using and exploiting their knowledge of the organisation, its values, control environment, and refunds policy.
Creating and using visual distractions	The allergy scam		
Customers know: Exploiting their knowledge of the organisation, its values, control environment, and refunds policy.	Travelling and targeting local or vulnerable stores		
Targeting specific staff.	Deliberately damaging the items		
	Theft of goods.		

Coding of challenges to fraud prevention in the case study organisation

Challenges with fraud prevention	
Pilot study Findings	<ul style="list-style-type: none"> • The uncertainties • Inefficient practices identified – things not done well • Challenges with Omni-channel retailing • Resource Constraints • Issue with the leadership and organisation

Case study findings	
Store One	<ol style="list-style-type: none"> a) Ambiguity of the refund policy b) Lack of organisational and leadership support c) Compromising or failing to do the right thing d) The nature of the retail business and Omni-channel retailing structure e) The bag situation f) The issue with fitting, sizing and outsourcing g) Uncertainties with proving the act or intent behind the act h) Negligence – the lack of duty of care from both the customers and the organisation
Store Two	<ol style="list-style-type: none"> a) The uncertainties and proving the case of fraud b) Ambiguity of the refund policy c) The bag issue – challenges from the retail business d) The recidivist nature of fraudulent refund customers
Store Three	<ol style="list-style-type: none"> a) Ambiguity of the refund policy b) The refunds period – failing to comply with the best practices of fraud prevention in the industry c) Customer service – the organisation’s goodwill reputation and business strategy d) The nature of the retail business e) Customer satisfaction and expectation for loyalty to the organisation

	<ul style="list-style-type: none"> f) The size issue g) Lack of leadership and organisational support h) Reputation for being easy i) Social media and its challenges j) The organisation's disposition k) Staffing issues
Store Four	<ul style="list-style-type: none"> a) Ambiguity of the refund policy b) Lack of leadership support c) "Customer is always right" – the organisations disposition towards preventing fraudulent refund claims d) The Goodwill brand e) The refund period f) The cost of managing manufacturing fault claims g) Staffing constraints h) Customer Negligence i) Recidivism j) Customer perception

Challenges with fraud prevention	Store One (a – h)	Store Two (a – d)	Store Three (a – k)	Store Four (a – j)
The uncertainties	1g. 2a.			
Inefficient practices identified – things not done well	1a.c.f.h.	2b.	3a. 3b.k.	4a.4e.
Challenges with Omni-channel retailing	1d. e.	2c.	3d. 3f. 3i.	

Resource Constraints				4f.
Issue with the leadership and organisation	1b.		3g. 3j.	4b
Customers <i>Recidivism</i> <i>Negligence</i> <i>Satisfaction and expectation for loyalty to the organisation</i> <i>Perceiving the organisation as easy</i> <i>Customer is always right</i>		2d.		4i. 4j. 4c.
Goodwill and customer service focus			3c.3h.4d.	

The common case study findings on challenges with fraud prevention	
Uncertainties	<ul style="list-style-type: none"> • Uncertainties with proving the act or intent behind the act
Inefficient practices identified	<ul style="list-style-type: none"> • Ambiguity of the refund policy • Compromising or failing to do the right thing • The issue with fitting, sizing and outsourcing • Staffing constraints • Negligence – the lack of duty of care from both customers and the organisation
The nature of the retail business and challenges with Omni-channel retailing structure	<ul style="list-style-type: none"> • Goodwill and Customer service • Omni-channel retailing structure – customer focus through multiple touch points • The bag situation • The nature of the retail business • The size issue • Social media and its challenges

Customers	<ul style="list-style-type: none"> • “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims • Customer Negligence • The recidivist nature of fraudulent refund customers • Customer perceives the organisation as easy • Customer satisfaction and expectation for loyalty to the organisation
Issues with the leadership and the organisation	<ul style="list-style-type: none"> • Customer is always right” – the organisations disposition towards preventing fraudulent refund claims
Goodwill and customer service focus	<ul style="list-style-type: none"> • Being considerate • Goodwill • Customer service focus

The common case study findings on challenges with fraud prevention [All 4 stores]	
Uncertainties	<ul style="list-style-type: none"> • Uncertainties with proving the act or intent behind the act
Inefficient practices identified	<ul style="list-style-type: none"> • Ambiguity of the refund policy • Compromising or failing to do the right thing • The issue with fitting, sizing and outsourcing • Staffing constraints • Lack of leadership support in fraud prevention efforts • Negligence – the lack of duty of care from both customers and the organisation
The nature of the retail business and challenges with Omni-channel retailing structure	<ul style="list-style-type: none"> • Goodwill and customer service • Omni-channel retailing structure – customer focus through multiple touch points • The bag situation • The nature of the retail business • The size issue • Social media and its challenges
Customers	<ul style="list-style-type: none"> • “Customer is always right” – the organisation’s disposition towards preventing fraudulent refund claims • Customer negligence or failing to do the right thing • The recidivist nature of fraudulent refund customers • Customer perceives the organisation as easy • Customer satisfaction and expectation for loyalty to the organisation
Issues with the leadership and the organisation	<ul style="list-style-type: none"> • “Customer is always right” – the organisation’s disposition towards preventing fraudulent refund claims
Goodwill and customer service focus	<ul style="list-style-type: none"> • Being considerate • Goodwill • Customer service focus

Other LM practices identified in the CSO

A number of lean thinking values and control practices were identified in the findings from the pilot study. Apart from the already classified socio-technical aspect above, the findings can be further categorised into:

Value system and visual control practices (Source: Author).

VALUE SYSTEM [identifier]	VISUAL CONTROL PRACTICES [identifier]
Human resource, Respect & Humanity [FPE1]	Manning – Human resource [FPE5]
Equality and Fairness [FPE2]	Visual control [FPE6]
Efficiency practice – Housekeeping [FPE3]	Visual control [FPE8]
Team work and empowerment [FPE7]	Visual control – Cognitive functioning [FPE9]
Efficiency practice – 5S [FPE11]	Visual control [FPE10]
Efficiency practice – [FPE18]	Visual control [FPE13]
	Visual control practice [FPE16]
	Visual control [FPE17]
	Visual control [FPE19 – 26]

While FPE 12, 14, and 15 can be simply classified as Efficiency practices, they cannot be directly associated with any known lean thinking practice.

Figure 4.2: Store-by-store case study findings on challenges with fraud prevention efforts

Case study findings	
Store One	<ul style="list-style-type: none"> a) Ambiguity of the refund policy b) Lack of organisational and leadership support c) Compromising or failing to do the right thing d) The nature of the retail business and Omni-channel retailing structure e) The bag situation f) The issue with fitting, sizing and outsourcing g) Uncertainties with proving the act or intent behind the act h) Negligence – the lack of duty of care from both the customers and the organisation
Store Two	<ul style="list-style-type: none"> a) The uncertainties and proving the case of fraud b) Ambiguity of the refund policy c) The bag issue – challenges from the retail business d) The recidivist nature of fraudulent refund customers
Store Three	<ul style="list-style-type: none"> a) Ambiguity of the refund policy b) The refunds period – failing to comply with the best practices of fraud prevention in the industry c) Customer service – the organisation’s goodwill reputation and business strategy d) The nature of the retail business e) Customer satisfaction and expectation for loyalty to the organisation f) The size issue g) Lack of leadership and organisational support h) Reputation for being easy i) Social media and its challenges j) The organisation’s disposition k) Staffing issues
Store Four	<ul style="list-style-type: none"> a) Ambiguity of the refund policy b) Lack of leadership support c) “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims d) The Goodwill brand e) The refund period f) The cost of managing manufacturing fault claims g) Staffing constraints h) Customer Negligence i) Recidivism j) Customer perception

**Table of case study findings from all four stores combined:
Important findings from the pilot study (Source: Author).**

Important findings from the pilot study of the case study LM organisation

Important findings from the pilot study	
	The case of fraud in the lean thinking organisation is fraudulent refund claims from customers
	Pilot study findings indicate that the case LTO does not consistently practice doing the right thing to prevent and manage the case of fraudulent refund claims from customers.
	The LPI visual control management practice reportedly empowers staff, the human resource, and creates awareness which consequently controls the fraud problem in the organisation. However, the LPI also reportedly does not really matter to the staff managing fraudulent refund claims and refund situations.
	The human resource, whoever is handling the customer, is able to provide the ‘best way’ of managing and preventing cases of fraudulent refund claims from customers.
	Findings indicate that the customer service focus is an important consideration that equally affects the practice of doing the right thing to manage and prevent fraudulent refund claims from customers.
	Motivations for managing and preventing fraudulent refund claims and the accruing losses from customers include, naming and shaming, sanctions and the apprehension of dismissal, and altruistic values and practice of humanity in LT.
	Internal, social and behavioural, controls found include empowerment and awareness. The LTO also reportedly uses different levels of authorisation and management by controlling exceptional transactions to control fraudulent refund claims.
	The pilot study findings indicate that the challenges to the LTO’s prevention efforts include, the uncertainties in cases of fraudulent refund claims and the exceptions to the policy, inconsistency in the practice of doing the right thing in refund situations, the challenges with omni-channel retailing, resource constraints, and the leadership of the organisation.

Challenges with fraud prevention from pilot study.

Challenges with fraud prevention	
Pilot study Findings	<ul style="list-style-type: none"> • The uncertainties • Inefficient practices identified – things not done well • Challenges with omni-channel retailing • Resource Constraints • Issue with the leadership and organisation

The common case study findings on challenges with fraud prevention.

The common case study findings on challenges with fraud prevention	
Uncertainties	<ul style="list-style-type: none"> • Uncertainties with proving the act or intent behind the act
'Inefficient' practices identified	<ul style="list-style-type: none"> • Ambiguity of the refund policy • Compromising or failing to do the right thing • The issue with fitting, sizing and outsourcing • Staffing constraints • Negligence – the lack of duty of care from both customers and the organisation
The nature of the retail business and challenges with omni-channel retailing structure	<ul style="list-style-type: none"> • Goodwill and customer service • Omni-channel retailing structure – customer focus through multiple touch points • The bag situation • The nature of the retail business • The size issue • Social media and its challenges
Customers	<ul style="list-style-type: none"> • “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims • Customer negligence • The recidivist nature of fraudulent refund customers • Customer perceives the organisation as easy • Customer satisfaction and expectation for loyalty to the organisation
Issues with the leadership and the organisation	<ul style="list-style-type: none"> • “Customer is always right” – the organisations disposition towards preventing fraudulent refund claims
Goodwill and customer service focus	<ul style="list-style-type: none"> • Being considerate • Goodwill • Customer service focus

Fraud prevention efforts from all four stores.

Fraud prevention efforts [FPE]			
Store one – the market town	Store two – the London Borough	Store three – the old Cathedral town	Store four – the new city
THE HUMAN ASPECT			
Humanity and Service	Humanity and customer service	Respect for customers, service and humanity	Humanity and customer service
Interviewing the customer	Teamwork – support from colleagues and managers	Interviewing and listening	Interviewing and collecting personal information discourages fraudulent customers
Applying knowledge from experience	Community effort – it takes a community to prevent fraudulent refunds.	Human resources and teamwork – the refunds' team	Intuition and applying knowledge from experience
Transferring the experienced staff to smaller stores to become managers			Politely denying refunds or applying the refund stop policy
Teamwork – support from colleagues and managers			Monitoring and being watchful – surveillance
Community effort – it takes a community to prevent fraudulent refunds.			
Issuing credit vouchers and gift vouchers			
THE TECHNICAL ASPECT			
The refunds desk and team.	The refunds desk and team.	The refunds desk	The refunds desk and team
Visual control management – Visual layout and strategic positioning of the refunds desk. Strategically manning the refunds desk. Moving away from the refunds desk. Visible refunds team.	Visual control management – Visual layout and strategic positioning of the refunds desk. Visible refunds team and surveillance.	Shorter refund periods	Inspecting the returned items
The identification & recognition of regular offenders and suspicious customers.	Information sharing and media communication	Inspection from members of the management team	Teamwork
Inspecting the returned items.	Issuing credit vouchers and gift vouchers	Visual control management – strategically moving away from the refunds desk	Issuing credit vouchers
	The refund stop policy		The use of technologists

Case study findings about the stores.

About the store	Store One – The market town	Store Two – The London Borough	Store Three – The Old Cathedral Town	Store Four – The new city
Their approach to Fraud prevention	Being considerate	Being compliant	Goodwill	Conflicted and inconsistent
The stores' values and considerations in refund situations	<ul style="list-style-type: none"> • Respect and service to customers matters the most • Their belief matter • Appearance matters • The price matters • The LPI does not matter • The refund policy does not matter • The lack of receipt does not really matter. 	<ul style="list-style-type: none"> • Patronage really matters to the store • Customer service is really important • The organisation's reputation is really important • The staff belief is equally important • Appearance is important • The price of the returned item is important 	<ul style="list-style-type: none"> • Customer service is important • Price matters • Losses from refund fraud do not really matter • Their belief matters • The appearance of the customers do not matter as much as the appearance of the organisation • Patronage matters 	<ul style="list-style-type: none"> • Price matters • Staff belief matters • Quality of staff matters • Receipts do not really matter • Appearance of customers do not really matter
Store's suggestions for improvement	<ul style="list-style-type: none"> • Checking tags • Making the refund policy simpler and clearer • Educating the customers and creating awareness in the community 	<ul style="list-style-type: none"> • Finding a balance • Educating the customers on the content of the refunds policy and making it clear • Collecting the customer's personal details and information when processing refund claims • Using loyalty cards instead of receipts • The use of tags 	<ul style="list-style-type: none"> • Clarifying the refund policy 	<ul style="list-style-type: none"> • Making the refund policy clear • Following and adopting the best practices of refund fraud prevention in the retail business
Common understanding of fraud at the stores	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine	A deliberate act of customers that are not genuine

Identifying fraudulent refund claims-the signs from the stores.

IDENTIFYING FRAUDULENT REFUND CLAIMS – THE SIGNS			
Store one	Store two	Store three	Store four
Customer mannerisms: talkativeness, regular phone usage, talking and texting, lack of eye contact, agitation, fidgeting.	Customer mannerisms: aggression and tantrums, use of mobile phones, and the customer’s appearance.	Customer mannerisms: aggressive, loud, disrespectful or overly friendly customers.	Customer body language or mannerisms: talkativeness. customers “wandering up and down” the store.
Cash refund requests	Forceful and adamant demand for cash refund	Regularly returning items without receipts	The return of high-priced goods, typically suits and jackets
Refund requests during sensitive hours	Demanding refunds at sensitive business hours.	Returning damaged high-priced goods	Customers returning goods of different sizes.
Refund requests without receipts	Returning items that are not ‘reasonably’ within their size range.	Demanding cash refunds	Customers with no history or verifiable information regarding the purchase of the item or where it was acquired.
Refund requests on high-valued items	Telling stories that cannot be corroborated	False claims and stories that cannot be corroborated	Customers who “always have a story to tell”
Refund requests without information corroborating their stories or claims	Making false allegations against the refunds staff.	Claiming the item was a gift from distant family members or friends	Typical offenders claim the returned items are gifts from their “nan”, or other member of their family.
Refund requests without information legitimising ownership or purchase	Refusing to allow the staff collect the returned item and return to manufacturer.	Returning a group of same item in different sizes	The smell or texture – “feel” of the returned item.
		Returning items that are not reasonably within the customer’s size range	
		Returning items that have been visibly worn, or with faults that should be reasonably identified during purchased	

Methods of exploiting the refund process from each of the case study store.

METHODS OF EXPLOITING THE REFUND PROCESS			
Store one	Store two	Store three	Store four
Intimidation	Working in groups and syndicates.	Customers using their knowledge or interpretation of the refunds policy to exploit the system	Targeting young and inexperienced staff in the refunds team
Wrongful claims of legal right to refund to cajole staff	Using the visible refund policy extract at the refunds desk to manipulate the situation.	“Aggressively” referring to the visible refund policy extract behind the refunds’ desk to corroborate their false claims.	Targeting sensitive business hours of the store to fraudulently claim refunds.
Telling uncorroborated stories	Customers match receipts with stolen or fraudulently acquired items	Manipulating the situation, either by causing arguments or deliberately misconstruing whatever the staff says.	Causing and using visual distractions
Claiming the returned item is a gift.	Deliberately target younger staff	Deliberately targeting the less experienced, younger, or part-time working staff for their refund requests.	Throwing tantrums and making false allegations against staff to manipulate the refund situation.
Stealing, cutting, or slitting the seam.	Legitimising the purchase of a fraudulently acquired item by exchanging any two similar items of close but different prices at the tills and paying for the price difference between the items		Damage the item by picking or slitting the seam and, or, removing the tags in the fitting room.
Timing, by targeting sensitive working hours and periods of high refund traffic.	Creating and using visual distractions		Collecting branded items from charity shops and returning them to the main store for refunds.
Targeting specific and preferably smaller stores	Buying items on stolen cards		Calling retail customer service in refund situations to either collect information on the item which is likely stolen or to manipulate the refund situation using the higher authority of the retail customer service desk.
Returning items purchased at charity shops to the main store.	The gift receipt scam	Customers know: customers using and exploiting their knowledge of the organisation, its values, control environment, and refunds policy.	Customers know: customers using and exploiting their knowledge of the organisation, its values, control environment, and refunds policy.
Creating and using visual distractions	The allergy scam		
Customers know: exploiting their knowledge of the organisation, its values, control environment, and refunds policy.	Travelling and targeting local or vulnerable stores		
Targeting specific staff.	Deliberately damaging the items		
	Theft of goods.		

UPR16 Form: Research ethics review checklist



FORM UPR16

Research Ethics Review Checklist

Please include this completed form as an appendix to your thesis (see the Postgraduate Research Student Handbook for more information)

Postgraduate Research Student (PGRS) Information		Student ID:	UP671920
PGRS Name:	Princely Chinwendu Dibia		
Department:	Accounting and Financial Management	First Supervisor:	Professor Lisa Jack
Start Date: <small>(or progression date for Prof Doc students)</small>	01-02-2014		
Study Mode and Route:	Part-time <input type="checkbox"/>	MPhil <input type="checkbox"/>	MD <input type="checkbox"/>
	Full-time <input checked="" type="checkbox"/>	PhD <input checked="" type="checkbox"/>	Professional Doctorate <input type="checkbox"/>

Title of Thesis:	Examining the lean management approach to counter fraud: a case study of the way a lean retail organisation manages incidents of fraudulent refund claims
Thesis Word Count: <small>(excluding ancillary data)</small>	87833

If you are unsure about any of the following, please contact the local representative on your Faculty Ethics Committee for advice. Please note that it is your responsibility to follow the University's Ethics Policy and any relevant University, academic or professional guidelines in the conduct of your study

Although the Ethics Committee may have given your study a favourable opinion, the final responsibility for the ethical conduct of this work lies with the researcher(s).

UKRIO Finished Research Checklist:

(If you would like to know more about the checklist, please see your Faculty or Departmental Ethics Committee rep or see the online version of the full checklist at: <http://www.ukrio.org/what-we-do/code-of-practice-for-research/>)

a) Have all of your research and findings been reported accurately, honestly and within a reasonable time frame?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
b) Have all contributions to knowledge been acknowledged?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
c) Have you complied with all agreements relating to intellectual property, publication and authorship?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
d) Has your research data been retained in a secure and accessible form and will it remain so for the required duration?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
e) Does your research comply with all legal, ethical, and contractual requirements?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Candidate Statement:

I have considered the ethical dimensions of the above named research project, and have successfully obtained the necessary ethical approval(s)

Ethical review number(s) from Faculty Ethics Committee (or from NRES/SCREC): E367

If you have not submitted your work for ethical review, and/or you have answered 'No' to one or more of questions a) to e), please explain below why this is so:

Signed (PGRS):		Date: 10-05-2019
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