INTERORGANIZATIONAL FRAUD MANAGEMENT – A MEASUREMENT TOOL DEVELOPMENT

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Abstract – Inter organizational fraud is a critical component of supply chain fraud and supply chain relational risk. Despite being largely a hidden phenomenon, inter organizational fraud can have major implications for supply chain performance. To date, this area of risk has been largely unexplored. Using the theory of the Fraud Diamond, a model for measuring the supply chain's exposure to losses from inter organizational fraud is developed. The measurement model includes the four dimensions of the Fraud Diamond: opportunity, pressure, rationalization, and capability. Supply chain measures for the dimensions of the Fraud Diamond are developed based on previous literature on fraud and supply chain opportunism. Survey data suggests that supply chains experience significant losses from inter organizational fraud. Using a two-step Generalized Method of Moments (GMM) technique for estimation, we find evidence suggesting that supply chain opportunity, supply chain pressure, and supply chain capability are positively related to losses from inter organizational fraud within a supply chain, and that supply chain capability serves as a key moderator of the relationships between supply chain opportunity and supply chain pressure and losses from inter organizational fraud.

Keywords – Inter organizational Fraud, Supply Chain Relational Risk, Fraud Diamond, Opportunism, Behavioral Supply Management, Ethics.