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Fraud Control Practices Adopted by Small and Medium Scale Enterprises for Business Sustainability in Enugu State, Nigeria

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Abstract

The study's primary focus is on the strategies small and medium-sized businesses in Enugu State employ to combat fraud. The study was produced using a descriptive survey research methodology. 104 SME managers participated in the survey, which was conducted in the state of Enugu. A questionnaire was employed as the data collection tool. Three experts in the field validated the gadget. Twenty copies of the questionnaire were distributed to respondents who possessed the same features in order to determine the internal consistency of the instrument in Anambra State. Cronbach's alpha was then used to assess the results. Together, the four instrument clusters' dependability coefficient was 0.979. The data that the respondents gave was analyzed using the Statistical Package for the Social Sciences (SPSS). According to the report, fraud makes it difficult for small and medium-sized enterprises (SMEs) to grow and survive because it encourages dishonest activity, including account manipulation and theft, which are typically followed by theft cover-ups. The paper provides guidance on effective and remedial fraud control procedures for long-term economic viability for managers of small and medium-sized enterprises (SMEs). These managers should also strategically disseminate the necessary ICT warnings around their workplace to demonstrate their intention to prevent the complexity and difficulties of business activities.

Keywords: *Fraud; Control Practices; Small and Medium-Sized Businesses; Sustainability*

Introduction

Small and medium-sized enterprises (SMEs) are essential to economic growth and lay the groundwork for a nation's advancement. SMEs come in a variety of shapes and sizes,

contingent on the country's state of development. The susceptibility of SMEs to fraud has impeded the expansion and viability of international small businesses (Mho, 2019). SMEs are defined as small and medium-sized enterprises (SMEs) by Nikoli, Dharmo, Schulte, Mihajlovi, and Kume (2015) as companies that operate independently of their legal status. According to Oliyide (2012), small and medium-sized enterprises (SMEs) are divided into four divisions by the European Union: micro-firms, small businesses, medium-sized enterprises, and medium enterprises. Small enterprises are described as having between 10 and 100 employees, while micro-firms are classified as having between 0 and 100 employees.

In Nigeria, a small business is one that employs 11 to 100 people and has total expenses of N15 million or less, which includes working capital but does not include land costs. According to Oliyide (2012), a medium-sized company is one that employs 101 to 300 people and whose total expenses—including working capital but excluding land costs—are greater than N50 million but less than N200 million. As demonstrated in the above statement, all SMEs usually have a cap on their working capital, which does not include the cost of land or the number of employees. The person in charge of operating, overseeing, and managing SMEs is referred to as the owner, manager, CEO, or business operator.

A continuous, long-term profit is the primary goal of SMEs, which are defined as businesses owned or operated by a company manager (a single individual) or partners (2017). A SME owner is defined by Sahut and Peris-Ortiz (2014) as an individual who establishes and manages a business primarily for personal goals (such as providing for their family) and whose primary source of income occupies the majority of their time and resources. This research defines SME owners as those who assume risk in order to maximize profits from any business activity. SME's are significant from both an economic and social perspective. Nikoli, Dharmo, Schulte, Mihajlovi, and Kume (2015) state that SMEs provide a number of functions, including. Nikoli, Dharmo, Schulte, Mihajlovi, and Kume (2015) state that SMEs have a number of functions, such as creating jobs and selling locally produced goods, encouraging innovation, implementing business ideas, promoting regional economic integration, and upholding social stability.

Statement of Problem

Small and medium-sized businesses, or SMEs, are widely recognized as the main forces behind economic growth and job creation. Insufficient fraud control protocols negatively impact small and medium-sized enterprises in Enugu State. The expansion and profitability of SMEs have been put in danger by the rapid development of the digital economy in the twenty-first century, the widespread use of online transaction systems, and the lack of knowledge and experience needed to protect against cybercriminals. A weak organizational structure and a lack of managerial experience used to supervise internal processes are common causes of fraud. SMEs must have greater faith in their employees because of their limited ability to adopt consistent fraud control measures through internal control and internal audits. Small and medium-sized businesses frequently use fewer anti-fraud procedures than larger organizations, making them more vulnerable to fraud, as per the 2018 report from the Association of Certified Fraud Examiners. It is challenging to gauge the extent of fraud in SMEs since many of its causes are either overlooked or not disclosed. Managers need to have a basic awareness of fraud control methods because employees commit the majority of fraud.

Many managers from small- and medium-sized businesses (SMEs) in Enugu State have been duped and deceived by fraudulent calls purporting to obtain critical information from account holders. The issue of a fake notice from crafty clients comes up in another scenario. Most of the time, SMEs' employees collaborate with customers to steal and hide these dubious actions

by forging invoices and inflating product costs in an effort to trick other customers and profit third parties. These kinds of things happen when ICT devices—like security cameras, closed-circuit television, alarm systems, and the like—are not regularly and thoroughly watched over. These observations have caused numerous SMEs to incur irreversible losses, necessitating their complete closure.

In order to reduce the impact of fraud and its risk, analyze the impact, and offer helpful recommendations for how to identify, detect, and prevent it, this study aims to identify fraud control practices, such as operating internal fraud control practices, employees' code of conduct fraud control practices, information communication and technology (ICT) fraud control practices, and insurance fraud control practices, for the sustainability of SMEs in Enugu State.

Literature Review

Conceptually, according to Olorunsegun (2010), fraud affects all facets of the economy and is a significant concern for the corporate community. Adeoti (2011) offered proof that fraud is an issue for many economic sectors and is not limited to small and medium-sized enterprises. According to Dunne (2014), fraud is characterized as a purposeful act of deceit committed by an individual, a group of individuals, or staff members and management of a business who have the necessary skills to fabricate financial reports. Other forms of fraud control methods include employee codes of conduct, insurance policy fraud, internal fraud, and fraud involving information and communications technology.

The idea of internal control is frequently used in operational contexts as a component of management's efforts to guarantee the efficacy, dependability, and efficiency of corporate operations. Internal controls are policies, practices, or processes used within the accounting cycle to stop, identify, or address fraud and error, according to Turner and Weickgenant (2013). Internal control is a process-oriented discipline that prioritizes company processes over their results, according to Provasi and Riva (2015). Studies by Edori and Ogaluzor (2018), Cerrone (2012), Hopwood, Leiner, and Young (2012), The Treadway Commission's Committee of Sponsoring Organizations (COSO) (2013), Yuniarti and Ariandi (2017), Hamdani and Riski (2016), and others have shown that commercial organizations generally utilize internal control systems to monitor operational operations only to avoid the misuse of the organization's resources to protect themselves.

The development of awareness and procedures, along with a well-defined set of laws and regulations, moral principles, and policies, are necessary for fraud control techniques and employee codes of conduct. Thus, research by Nwankwo (2012), Kinyua (2013), Kombate (2016), Onyeonuru, Omolawal, and Okunola (2019), Rahaman, Gupta, Ali, Ali, and Taru (2021), and others discovered some clever ways to lessen the extent to which employees control their fraud. These methods include educating staff members about ethical protocols, standards, and value systems; allocating responsibilities in accordance with competence; outlining regulatory codes of conduct; and evaluating reports and performance.

The Committee of Sponsoring Organizations of the Treadway Commission Small and medium-sized enterprises also use information and communication technology (ICT) as a fraud prevention technique to make sure their operations survive in the digital economy. ICT adoption, including the use of computer, communication, and media technologies, has a significant impact on the performance of SMEs, according to research and reports by Seyal, Rahim, and Rahman (2000), the Association of Certified Fraud Examiners (2012), Shanmugam, Haat, and Ali (2012), Hibbert (2012), Oluwatayo (2013) (Odusina and

Fowosire, 2014), Oluwatayo (2014), and Stone (2016). It was concluded as a result that adopting and being aware of specific security techniques will lower technical crimes. Hamdani and Riski (2016), Yuniarti and Ariandi (2017), COSO (2013), and further sources.

Getting insurance coverage is just another method of preventing fraud. Sunday and Fidelis (2017) assert that the amount of SMEs' transactions and their contributions to economic growth make it imperative to carefully consider the creation and implementation of an effective system for reducing the risk of fraud. It is essential to plan for the avoidance of any activity that can jeopardize the organization and to implement appropriate operational processes to guarantee its efficient operation. 102 Tendai. Adeyele and Maiturare (2012), Sunday and Fidelis (2017), Iso (2009), Adeyele, Osemene, and Olubodun (2017), and Rosliana, Elliany, and Handayani (2022) explored different kinds of risk and provided insight into the steps that should be taken to reduce them.

The study's objectives

The main objective of the study is to identify the fraud prevention techniques employed by small and medium-sized businesses in the state of Enugu in order to secure their survival. The purpose of this study's specific goal is to discover employee fraud prevention processes and internal fraud control procedures, and information and communication technologies (ICT) fraud prevention procedures that small and medium-sized businesses in Enugu State have put in place to ensure the sustainability of their businesses.

Research questions

The study will be guided by the following research question:

1. Which internal fraud control measures do small and medium-sized enterprises in Enugu State use to make sure their operations survive?
2. What fraud prevention strategies are included in the employee codes of conduct of small and medium-sized firms in Enugu State?
3. In Enugu State, what ICT (information and communication technology) fraud protection techniques have small and medium-sized enterprises implemented?
4. What fraud prevention strategies have Enugu State's small and medium-sized enterprises used to stop insurance policy fraud?

Methodology

The research design used for this study was a descriptive survey. Osuala (2010) states that a descriptive survey study design entails gathering public opinion on phenomena that currently exist with the intention of defending the circumstances or practices in order to develop better strategies for enhancing the phenomenon. Nworgu (2015) defines a descriptive survey research design as one in which a sample of people or things is examined and determined to be typical of the complete group. Thus, the purpose of this study was to learn more about small- and medium-sized business owners' perceptions of Enugu State's fraud prevention initiatives.

The study's primary goal is to determine the fraud prevention strategies used by Enugu State's small and medium-sized businesses to ensure their survival. This study aims to precisely identify employee fraud prevention processes, internal fraud control procedures, and information and communication technologies (ICT) fraud prevention procedures that small and medium-sized businesses in Enugu State have put in place to ensure the sustainability of their businesses.

174 managers from 104 small and medium-sized businesses in Enugu State who were registered as participants in the survey made up the population. Source: Mining, industry, and agriculture were all included in the Nsukka Chamber of Commerce (2022). Since the population was under control, the whole group was chosen. Consequently, it was not possible to take a sample of the entire population. The instrument the researchers used to collect data was the "Identifying Fraud Control Practices Adopted by Small and Medium-Scale Enterprises for Business Sustainability in Enugu State" (IFCPASMSEBSQ) questionnaire. There is only one section and one phrase with twenty-four items.

The study's sole goal of gathering data on the four research topics has led to their grouping into four clusters, which are numbered 1 through 4. The research that was found through the review of related literature was used to design the questionnaire items. In order to assess the internal fraud control strategies employed by small and medium-sized businesses for business sustainability in Enugu State, Cluster 1 consists of six (6) item statements (1-6). There are six (6) item statements (1-6) that make up Cluster 2. Their purpose is to gather data regarding the fraud prevention tactics and employee conduct policies employed by small and medium-sized businesses in Enugu State. Cluster 3 was comprised of six (6) item statements (1-6) designed to provide additional insight into the ICT (information and communication technology) fraud protection strategies used by small and medium-sized businesses in Enugu State. Six (6) item statements (1-6) in Cluster 4 sought information on the tactics small and medium-sized enterprises in Enugu State employ to thwart insurance policy fraud in order to preserve the viability of their operations. Cluster survey questions 1, 2, 3, and 4 have a four-point rating system: "strongly disagree" is worth one point, "agree" is worth three, "strongly agree" is worth four, and "disagree" is worth two for each. The appropriate item can be checked in the blank places provided to the respondents.

In order to enhance the efficacy and efficiency of the questionnaire in evaluating its objectives, three experts from the Department of Business Education at the University of Nigeria evaluated the instrument in person. To aid in accurate validation, the questionnaire was distributed to the experts along with the purpose and research questions of the study. They were asked to rate the tool according to its thought flow, language, relevancy, and content. Their modifications and recommendations were taken into account while creating the final version of the document that certifies it. Twenty small and medium-sized businesses in Anambra State participated in the tool's trial. This is due to the comparable geographic location of Anambra State, which is not covered in this study. Using the Cronba alpha approach, an overall coefficient of 0.979 was obtained.

A number of research assistants with knowledge of Enugu State's past delivered the survey to 104 managers of small and medium-sized businesses. The research assistants' job is to make it easier for respondents to complete and return the questionnaire. The researcher provided guidance to the research assistants on how to conduct a polite and professional administration of the instrument to the respondents. The questionnaire had to be fully filled out by the respondents before the researcher and research assistants could administer the instruments and gather the data. Having a high return rate is the goal. To examine the data gathered for

this study, the mean and standard deviation were employed. To examine the data, the mean and standard deviation were applied. Using SPSS, a statistical tool for social science, the reliability coefficient of the questionnaire was also ascertained and gathered for this inquiry.

The obtained data were subjected to the mean and standard deviation in order to address the problem of the study. Following analysis, the data were assessed using the data's statistical real limit. An item will be classified as very agreeing in the mean computation if its mean score is between 3.50 and 4.0, and agreeing if it is between 2.50 and 3.49. Items with mean values between 1.50 and 2.49 are classified as disagreeable, and strongly disagreeable items have mean scores between 1.00 and 1.49. Therefore, a mean score of 3.50 to 4.00, agreement of 2.50 to 3.49, disagreement of 1.50 to 2.49, and major disagreement of 0.50 to 1.49 all imply good agreement. Considering the four research topics that formed the core of the study, the results are displayed in tables.

Result

RQ1: What internal fraud control procedures do small and medium-sized businesses in Enugu State use to ensure the survival of their operations?

S/NO	Item Statement	X	Std. Dev	Remark
1.	Creating a Business Organization	3.64	0.63	SA
2.	appropriate locks for security in inventory warehouses	3.56	0.67	SA
3.	Setting up criteria for quality	3.62	0.67	SA
4.	Problem solving as it happens	3.35	0.70	SA
5.	Regular evaluation of the internal control protocol	3.34	0.90	A
6.	appropriate familiarity with internal control systems	3.63	0.66	SA
Grand Mean and Standard Deviation		3.57	0.71	SA

Key: X is the mean, SD is the standard deviation, A is for agree, A is for agree, D is for disagree, and SD is for strongly disagree.

In Table 1, the data showed that five items had means that fell between 3.50 and 4.00 real, indicating that the item was 'strongly agree' with internal fraud control measures for the sustainability of small and medium-sized businesses in Enugu State. Furthermore, one item 'agrees' with internal fraud control systems, as evidenced by its mean value falling within the genuine range of 2.50–3.49. This is in addition to taking into account the sustainability of small and medium-sized firms in Enugu State. With a standard deviation ranging from 0.63 to 0.90, the study also discovered that the respondents' responses were quite similar to one another and were within a respectable range of the mean. With a standard deviation of 0.71 and an overall mean score of 3.57, Enugu State's small and medium-sized enterprises rely on international fraud control.

RQ2: What policies and procedures have small and medium-sized businesses in Enugu State put in place to prevent fraud and ensure the long-term viability of their operations?

Table 2 shows the average answers to questions about the employee codes of conduct and fraud prevention strategies used by small and medium-sized businesses in Enugu State.

S/NO	Item Statement	X	Std. Dev	Remark
1.	Assigning tasks according to proficiency	3.55	0.70	SA
2.	particular regulatory standards of behaviour	3.63	0.64	SA
3.	daily evaluation of reports and the performance of staff	3.53	0.74	SA
4.	Employee training that is consistent	3.34	0.90	A
5.	requiring workers to take accountability for their acts	3.48	0.74	A
6.	reporting fraud as soon as possible.	3.64	0.65	SA
Grand Mean and Standard Deviation		3.53	0.73	SA

Key: X is the mean, SD is the standard deviation, A is for agree, A is for agree, D is for disagree, and SD is for strongly disagree.

In Table 2, data revealed that four items had means that fell between the actual range of 3.50 and 4.00, meaning that the item was classified as "strongly agree" with the fraud prevention measures and workers' code of conduct that small and medium-sized businesses in Enugu State had implemented. Two more replies received mean values ranging from 2.50 to 3.49, suggesting that the respondents seemed to 'agree' with the rules and employee code of conduct regarding fraud prevention for small and medium-sized firms in Enugu State. Furthermore, the study's findings showed that the standard deviation ranged from 0.64 to 0.90, suggesting that respondents' answers were quite close to one another and within the mean. Despite their agreement that small and medium-sized enterprises in Enugu State use fraud prevention techniques and employee codes of conduct to maintain their sustainability, the respondents' aggregate mean score of 3.53 and standard deviation of 0.73 indicated otherwise.

RQ3: How do small and medium-sized businesses in Enugu State prevent fraud using information and communication technology (ICT) in order to save their operations?

Table 3 displays the respondents' typical responses when asked about the small and medium-sized firms in Enugu State's usage of information and communications technology (ICT) to combat fraud.

S/NO	Item Statement	X	Std. Dev	Remark
1.	reporting any threats related to the transfer of money	3.66	0.63	SA
2.	Software for effective internet security, including firewalls and email security, among others.	3.65	0.68	SA
3.	Installing security devices	3.65	0.67	SA
4.	Software programs for keeping track of purchases and scales	3.68	0.60	SA
5.	Reliable data backup for previous transactions with consumers	3.66	0.65	SA
6.	Information and communication technology	3.62	0.65	SA
Grand Mean and Standard Deviation		3.65	0.64	SA

Key: X is the mean, SD is the standard deviation, A is for agree, A is for agree, D is for disagree, and SD is for strongly disagree.

The results shown in Table 3 indicate that the respondents strongly agree' that small and medium-sized enterprises in Enugu State should use information and communications technology (ICT) to combat fraud, since the averages of all six items fell between 3.50 and 4.00. The survey also revealed that the standard deviation varied between 0.63 and 0.68, indicating that the respondents' answers were generally in line with the mean and with each other. Although the respondents' overall mean score was 3.65 with a standard deviation of 0.64, they did agree that small and medium-sized enterprises' (SME) adoption of information and communications technologies (ICT) fraud prevention techniques was crucial to the sustainability of the business in Enugu State.

RQ4: What steps have small and medium-sized enterprises in Enugu State taken to prevent insurance policy fraud in order to guarantee the long-term profitability of their operations?

The average responses from the respondents about the strategies small and medium-sized companies in Enugu State employ to stop insurance policy fraud are displayed in Table 4.

S/NO	Item Statement	X	Std. Dev	Remark
1.	Determining operational and performance risk	3.62	0.67	SA
2.	reimbursement from the insurance provider for lost or stolen goods	3.60	0.68	SA
3.	obtaining a sufficient insurance certification	3.62	0.66	SA
4.	Evaluation of an insurance contract	3.64	0.62	SA

5.	reduction of the risk associated with fraud	3.56	0.71	SA
6.	Regularly renewing the insurance deposit	3.56	0.67	SA
Grand Mean and Standard Deviation		3.60	0.69	SA

Key: X is the mean, SD is the standard deviation, A is for agree, D is for disagree, and SD is for strongly disagree.

In Table 4, all six items had averages between 3.50 and 4.00, indicating that the item strongly agreed' with the steps taken by Enugu State's small and medium-sized firms to prevent insurance policy fraud. In addition, one item's mean value varied from 2.50 to 3.49, indicating that the respondent 'agreed' that internal fraud control procedures are essential to small- and medium-sized businesses' survival. Furthermore, the survey's standard deviation, which ranged from 0.62 to 0.71, showed that the majority of respondents' responses fell within acceptable bounds and did not substantially depart from the mean. However, the average score for all respondents showed that most believed small and medium-sized businesses in Enugu State should use fraud-control techniques for insurance policies, with standard deviations of 3.60 and 0.69.

Following Discussion of the Results

The results of the study were discussed in accordance with its particular objective. The results of the study (Table 1) indicate that in order to ensure the survival of small and medium-sized businesses, respondents from Enugu State are in favour of internal fraud control procedures like establishing quality standards, putting in place secure locks on inventory warehouses, forming a business structure, addressing problems as they come up, routinely reviewing internal control policies, and having a thorough understanding of internal control systems. The study's outcomes are consistent, according to Shanmugam, Ali, Hassan, and Haat (2012), Internal control, risk management, and fraud prevention approaches for SMEs: reliability and validity of research tools. It was discovered that managers had reported a relatively low incidence of fraud and that the overall amount spent was still within budget.

The study's findings also align with a 2018 investigation by Umar and Umar-Dikko on the effectiveness of internal fraud control at commercial banks in Nigeria. The study found a significant and positive relationship between the bank's performance and the four internal control components (risk assessment, monitoring, and control actions). It is related to their study as it relates to internal fraud control practices on SMEs in Enugu State, even though the study supports the need for internal fraud control practices to include establishing business structure, proper security locks on inventory warehouses, establishing quality standards, correcting issues as they arise, routinely reviewing internal control policies, and having a proper understanding of internal control systems.

The results of the survey, which are presented in Table 2, indicate that respondents are in favour of fraud control procedures and staff conduct rules for the long-term survival of SMEs. This process ensures that very little fraud occurs, even among SMEs' staff. The investigation's findings corroborate those of Onyeonoru, Omolawal, and Okunola (2019), who examined the different dishonest business tactics employed by Ibadan, Nigeria's small and microbusinesses. Theft, consumer fraud, tax evasion, the selling of tampered-with or expired goods, tampering with measurement scales, bribery, and inadequate service delivery are a few examples of these corrupt behaviours.

The results of the study also support a study by Rahaman, Gupta, Ali, Taru, and Ali (2021) on the factors that influence the performance of SMEs' employees. That study found that SMEs now place a high value on the contributions that their employees make to the

expansion and sustainability of their businesses. The study discovered that in order to prevent employee fraud and ensure the survival of small and medium-sized businesses, a number of proactive measures are necessary. These include job assignments based on competence, comprehensive regulatory codes of conduct, daily reviews of employees' performance and reports, regular employee training, holding employees accountable for their actions, and timely reporting of fraud.

The responses given were in line with the ICT (information and communication technologies) fraud control strategies used by small and medium-sized businesses to preserve operating sustainability, according to the results of the third study question. These strategies include reporting any threats associated with money transfers, installing security devices, installing effective internet security software (firewall, email security, etc.), keeping track of sales and purchases through software, effectively backing up customer data, and disseminating information using ICT. The results of this study are in line with those of Oluwatayo (2013), who looked at how certain small businesses in rural southwest Nigeria used information and communication technology to propel their growth.

The results of survey question number four indicate that respondents thought the strategies employed by small and medium-sized enterprises to stop insurance policy fraud were suitable. These include determining the risks associated with operations and performance, confirming that the insurance company would cover lost or damaged property, obtaining sufficient insurance certifications, evaluating the insurance policy, reducing the possibility of fraud, and periodically renewing the insurance deposit. The study's conclusions are consistent with those of Yusuf, Ajemunigbohun, and Alli (2017), who carried out an empirical investigation into the management of insurance claims within a particular group of insurance companies and discovered that insurance assistance significantly influenced the way insurance companies handled claims.

The identification of performance and operational risk, the assessment of the insurance policy, the acquisition of the required insurance certifications, the insurance company's reimbursement of lost or stolen property, and the regular renewal of insurance deposits are among the factors that determine the industry's sustainability, as per a systematic review of the available data. The present research supports the findings of Falkner and Hiebl's (2015) study on risk management in SMEs.

Conclusion

A persistent and widespread issue, fraud has had a detrimental impact on businesses worldwide, especially those that are small and medium-sized. Small and medium-sized firms (SMEs) are particularly vulnerable to the fraud problem because fraudulent activities usually involve acts of corruption such as theft and account manipulation, which are frequently followed by theft cover-ups. We asked small and medium-sized businesses in Enugu State to identify the fraud control strategies they use in order to preserve the lifespan of their operations for this study. The research revealed that small and medium-sized enterprises in Enugu State used internal fraud control protocols, employee codes of conduct, ICT fraud control protocols, and insurance policy fraud control protocols to ensure the sustainability of their operations.

It is therefore, advised that:

1. The management of small and medium-sized enterprises has to become knowledgeable about the different types of fraud that occur in their establishments in order to put into place effective and corrective fraud control processes that guarantee the long-term survival of their companies.
2. To secure the longevity of their operations, small and medium-sized businesses should implement recognized fraud control techniques after understanding the many kinds of fraud that happen in their particular industries.
3. To guarantee the survival of the firm, small and medium-sized enterprises need to assess the police and the effectiveness with which these fraud control measures have been implemented.
4. It is advisable for small and medium-sized businesses to endeavour to implement the appropriate ICT security measures in critical, high-traffic areas of their workplace.
5. Employee behaviour norms should be clearly defined in order to avoid misunderstandings and the complexity of business operations.

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