

## DISHONESTY IN THE RETAIL STORE ENVIRONMENT – PART 3

by Linda Carter

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### **SURPRISE! YOU HIRED A THIEF**

Some of the most likable people you'll ever meet may have few morals and little or no integrity. Employee theft usually comes as a "complete surprise" to co-workers and business owners. "He (or she) always seemed so nice and energetic; I never dreamed I'd hired a thief," lamented a business owner. Obviously, no employer wants to believe they have hired and trusted someone who would even consider stealing from them but facts from law enforcement tell a different story. Furthermore, most employers believe that all of their employees have the same views of what theft is as they do. The sad truth is they do not.

A thief is someone who takes property by stealth belonging to another without consent of the other. Part one of the theft psyche is the conscious choice to take something belonging to someone else. This excludes the employee who carries the occasional pencil (one) home in a pocket but clearly nails the employee who carts home 2 boxes of number 2 pencils when school starts or the employee who wears the store's newest polo shirt home.

Further, a thief takes without consent. While this seems very clear-cut, many employees do NOT consider unauthorized "borrowing" to be stealing. I was appalled by the number of people who felt that an employee who "borrowed" (without permission) money from the till then replaced it a few weeks later, was not doing anything wrong. Many responses to this woman's complaint against her employer was that the employer needed to have compassion. This particular article spoke of a woman who had been "borrowing" from cash deposits for years whenever she found herself short of money and then paying the money back on payday. She was not caught until she fell behind and was not able to replace everything she had borrowed one month. So, talk with your employees TODAY. Be sure your employees know that borrowing without permission FOR ANY REASON is stealing!

While this addresses the theft of merchandise and supplies, a store owner must also be vigilant about time theft. Those long lunches or short days or personal business on company time, also take a big bite out of company profits. Some authorities on the subject estimate that the cost of time theft is comparable to that of merchandise theft. While all employees have the occasional emergency to deal with, as an employer, be diligent to protect your business from this theft.

*"A thief believes everybody steals."*

Edgar Watson Howe, American Editor, Novelist and Essayist

So, why would an employee steal from you?

Sociologists have laid out three general reasons.

1. The employee experiences some catastrophic occurrence -loss of major personal relationship (to death, divorce or break-up), illness, natural disaster (like a tornado or flood) etc. One of the contributors added that this would be a catastrophic occurrence to the employee, but not necessarily to anyone else. One such example was an employee with a car that needed new tires and the employee was short of the

necessary funds to purchase them. While you and I do not consider this a catastrophe, at least one employee in America did. This type of theft is usually out of the employer's control.

2. The employee feels unappreciated or slighted in some way. This also is out of the control of the employer. Some employees may feel slighted for completely illogical reasons. "I took vacation and did not receive the holiday bonus given to those working Black Friday." While the employee made the choice to take vacation on a day he or she was needed, the employee still felt entitled to the same bonus given to those who worked. A different example was the man who worked for at a grocery store for many years, but "fell through the cracks" and was not given regular performance reviews. For 5 years this employee did not receive a performance review or a raise in pay, and he felt entitled to the free merchandise he took home each day.
3. The final reason, and according to police the most important, is opportunity. No crime can occur without the physical opportunities to carry it out. This is also the most prevalent reason employees gave for stealing. The employer has the responsibility to be diligent to prevent theft opportunity. Any store that makes stealing easy allows (the police author used the word "causes," not "allows") more crime to occur in two ways: by encouraging more people to participate in crime and by helping each thief to be more efficient as a thief. On the other side of the coin, stores that have thwarted theft with careful design and good management reduce the problem by producing fewer thieves and cutting the efficiency of each offender.

According to a Police and Crime Reduction Unit research project, for a crime to happen three minimal elements must come together: a possible offender, a suitable target (your merchandise), and the absence of a capable guardian against crime (also known as opportunity). Offenders have goals when they steal, even if these goals are short sighted and take into account only a few benefits and risks at a time.

Here is another interesting fact of a retail employee poll. Psychologists learned that of those employees in their 1976 survey who admitted to stealing from their employers, over half felt no guilt. Many said they did not feel they were stealing because if they were, their employer would do "something" to stop it. 38% of the takers also felt that "everyone" does it.

*"Doesn't the fight for survival also justify swindle and theft?  
In self defense, anything goes."*

Imelda Marcos, former first lady of the Philippines

While no employer can completely eliminate every opportunity for employee theft, there are several things to do to allow fewer opportunities.

What kind of internal controls do you have? Do you, the storeowner who built and babied this business, ever perform surprise audits at the cash register? Do you ever show up during your scheduled day or evening off to "help" the employees closing or opening? Observation is a great motivator on both sides. An Ernst & Young report said that many employees are aware of theft in their workplace but do not report it to the employer. Do you have a method in place for employees to tell you of co-workers who may be stealing? Is the reporter's identity protected?

Are you still not convinced that you, too, could have hired a thief? Here are some statistics that tell a different story. Consider the following:

- The U S Retail Industry loses \$53.6 Billion a year due to employee theft.
- On a per case average, dishonest employees steal approximately 6.6 times the amount stolen by shoplifters.
- The U.S. Chamber of Commerce reports that 30% of all businesses fail due to internal theft.
- According to an Ernst & Young Report, as a rule of thumb, a company loses 1% to 2% of its total sales to crime -- most committed by or in collusion with employees.
- According to K.C. Bettencourt, an undercover investigator, one in three employees steal and it's rising 5% a year.
- Bettencourt's studies also showed that 20-25% of the work force will cheat when the stakes are high and supervision is low either by stealing merchandise, supplies or time. Furthermore, about 10% will cheat no matter what.
- The Wall Street Journal reported that up to 75% of all employees have stolen at least once.
- On the average, 43% of retail workers admitted they have stolen from their employer.
- The FBI reports that employee theft is the fastest growing crime in the U.S.
- 20% of employees are currently aware of theft at their work place but do NOT report it.
- The average time it takes an employer to catch a fraud scheme is 18 months-enough time to do a lot of damage.
- Here's an interesting statistic to close with. 44% of employees say their employers could do more to reduce employee theft and their employer *chooses* not to.

So, if you do have honest employees, what are you doing to protect them and their honesty?

*"He who holds the ladder is as bad as the thief."*

German Proverb

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