



How to Prevent Employee Theft

By John Towler

The following is a true story. Only the names have been changed to protect the guilty and the organization that hired them. Some time ago, a retailer hired a sales clerk. This company knew that employee theft was a problem; they had attended an anti-theft conference and spent thousands on sophisticated surveillance equipment for their stores. But they continued to hire anyone willing to work for them. They did not screen applicants and said they were not interested in doing so.

They discovered that one recently hired employee had stolen some 8,000 items over three months for a total loss of almost \$200,000. This smart crook was able to circumvent the theft protection systems and, well, rob them blind. The executives at this organization knew there were tools and instruments that could weed out dishonest applicants and identify dishonest employees already on the payroll. They didn't use them and weren't interested. "We have spent thousands on sophisticated electronic systems. That's all we need," was the usual response whenever the issue of employee theft was raised. They were wrong and it cost them \$200,000.

Employee theft has reached staggering proportions everywhere. The Retail Council of Canada reports that losses from employee theft have grown to more than \$2 million a day or 31 per cent of all losses. This means retailers can expect to lose nearly two per cent of their total sales from internal theft. Employee theft in the USA accounts for 44.5% of all losses, which is equivalent to \$13.2 billion a year. Employee theft is much more costly than shoplifting. The average loss from a dishonest employee is \$1023, while the average shoplifter steals goods worth \$128. No matter which side of the border you are on, the costs are staggering and are increasing every year. Theft protection systems, alarms, drop safes, silent alarms and mystery shoppers all help, but no method is 100 percent effective and there will always be somebody who can outsmart the smartest system.

There is one simple solution to this problem: Don't hire dishonest people. Far too many firms hire people without first finding out as much as they can about them. Security firms selling electronic anti-theft devices are unlikely to tell you how to identify dishonest employee yet it can be done easily and inexpensively. But why do people steal? It's not because they are poor and need the money. It's because they are predisposed to steal and see little or nothing wrong with it. Thieves who are caught explain their behavior by saying such things as:

- I'm under paid and take only what I deserve.
- Everyone does it. I'm no different from the others.
- The company expects it and just writes it off.

- The company makes huge profits, so they can afford it.
- The company makes me mad and this is my way of getting even.

Strange as it may seem, people with this kind of mindset steal because they see nothing wrong with it. This makes it easy to use simple, inexpensive assessment instruments that will weed them out. A typical pre-employment screening instrument can measure honesty, dependability, optimism and customer-service orientation. Applicants complete a multiple-choice test that is designed to identify applicants who try to fake their way through it. Another test measures honesty, how likely the applicant will stay with the firm, attitudes towards customers, work values, attitudes about being supervised and whether the applicant has attempted to distort the results. Other short tests can be used to make sure honest people aren't disqualified by accident. This test can be structured to differentiate between those who have internalized honesty and those who can fake it and give the outward appearance of honesty.

Tests like these enable you to pre-screen applicants and weed out the ones who are most likely to steal. Not hiring these people will significantly reduce the risk of theft. Of course this does not deal with the issue of any theft-prone employees you may already have on the payroll. The best way to handle this is by using a carefully designed, anonymous, confidential survey. Given to all employees, the survey should collect information about gaps and weaknesses in your security system. It should also identify the amount and kinds of theft currently taking place. Assessing applicants before you hire them is not just common sense; it is essential. No one should ignore employee theft. It would be mean-spirited to say that the ones that do deserve what they get, but those who refuse to use the tools available will certainly suffer the

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