CAUSES OF EMPLOYEE THEFT AND STRATEGIES THAT HR MANAGERS CAN USE FOR PREVENTION

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Business losses due to employee theft are estimated to approach $200 billion annually. Why do employees steal? Experts propose many reasons for employee theft, but provide few prevention strategies for human resource managers. In this article, the authors explore the various causes of employee theft, from employee personality characteristics, to the social environment, to flaws in the organization's control system. From this analysis, guidelines for theft prevention strategies are offered. Since strategies may involve top-down control or trust-building experiences for employees and managers, HR managers are encouraged to implement those strategies that fit their organization.[1] © 2000 John Wiley & Sons, Inc.

Introduction

The costs of employee theft in American industry have been estimated to approach $200 billion annually (Murphy, 1993), making theft one of the most prevalent and costly problems confronting businesses today (Giacalone & Greenberg, 1997). Employee theft is ten times more costly than the nation's street crime and has been blamed for 30 to 50% of all business failures (Bullard & Resnik, 1993). Further statistics reveal that these figures do not stem from a few isolated cases of grand theft (Emshwiller, 1993) but from repeated instances of minor theft which, when accumulated over time, sum to massive totals (Lipman & McGraw, 1988). It has been reported that approximately 75% of all employees have stolen from their employers on at least one occasion (McGurn, 1988) and that many engage in theft as a regular part of their workplace behavior (Delaney, 1993). In a study of the retail industry, it was found that employee theft averaged $513.22 per case in 1992, while consumer shoplifting averaged $64.24 (Randle, 1995). Recent studies suggest the problem appears to be getting worse (Washburn, 1997).

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Organizational leaders are well aware of these staggering costs and seek practical guidelines from researchers that will help them prevent employee theft. Research on employee theft has been somewhat muddled by the fact that there are different forms, degrees, and causes of theft. Greenberg (1997) defined employee theft as "any unauthorized appropriation of company property by employees either for one's own use or for sale to another" (p. 86). Thus, theft may range in degree from taking home office supplies to selling information on technological innovations. Hollinger and Clark (1983) discussed five general causes of theft: (1) *economic pressure* (e.g., people steal from the company because they have financial problems), (2) *demographics* (e.g., people steal because they come from an identifiable group that has a propensity to steal), (3) *opportunity* (e.g., all people will steal if they are given the chance), (4) *attitudinal* (e.g., people steal because they are dissatisfied with some aspect of the company), and (5) *social norms* (e.g., people steal because they see the behavior as acceptable in the social system). While these categorizations are helpful, they give managers little guidance for theft prevention.

The purpose of this article is to help managers understand theft's various causes and to provide guidelines and strategies for preventing employee theft. We have developed a taxonomy that integrates multiple views of the causes of employee theft and identifies prevention strategies. This article first provides a detailed definition of what is considered to be employee theft. Second, it discusses the causes of employee theft as they apply to three levels of analysis in organizations: (1) the personal level, (2) the social level, and (3) the systemic level. Finally, the article identifies theft prevention strategies at each level of analysis, incorporating both procedural and interactive strategies.

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Definition of Employee Theft

Employee theft is included in the general class of "deviant behaviors" in organizations, but the study of theft has suffered due to the variety of approaches and definitions of the concept (Robinson & Greenberg, 1998). For the purposes of this article, theft is considered to be intentional acts by insiders (i.e., employees) that are targeted at the organization rather than at individuals. Thus theft from another employee will not be considered, but theft of spare parts or tools is included. In addition, Robinson and Bennett (1995) distinguished between *production deviance*, which includes work slow downs or "time theft," and *property deviance*, which refers to the appropriation of an organization's tangible assets. The concern in this article is property deviance, not production deviance. Finally, theft differs in terms of degree or consequences. A one-time theft of pads of paper and pens is viewed as vastly different from theft of reams of computer paper on a regular basis (Grover, 1997; Robinson & Bennett, 1997). This article is concerned with nontrivial theft.

Why Does Employee Theft Occur?

Researchers have viewed employee theft through many different lenses, each focused on a different paradigm. Psychologists, criminologists, and sociologists focus on the *individual* level, seeking to determine a profile of an employee who would steal from the company. Social psychologists examine the relationship between the employee and management as the source of theft, with emphasis on the *social exchange relationship* or the perceived psychological contract between them, as well as group norms and dynamics. At a *systems level*, organization theorists, economists, and accountants have viewed the effects of compensation and control systems as the primary sources of employee theft. To understand why theft occurs, it is necessary to examine the relevant research at each of three levels of analysis: personal, social, and systemic.

Employee Theft at the Personal Level

When considering the question of why employees steal, researchers focusing on the personal level have attempted to develop demographic or personality predictors of theft. Criminologists, by examining the personal determinants of theft, seek to develop a profile of individuals who are inclined to steal. Employees prone to engage in theft are generally young, face economic pressures, and are emotionally unstable (Hollinger & Clark, 1983). Individuals with few ties to the organization or community are more likely to steal than those with more extensive linkages (Frank, 1989). Research has also found that workplace thieves are generally new, part-time, or unmarried employees (Murphy, 1993). Hollinger and Clark (1983) suggest that property deviance is more common in low-paying, low-status jobs. In addition, employment in small firms is another salient characteristic, as small firms are more likely to have only one person performing multiple duties involved with merchandise or money, with no checks or balances on such duties (Pedone, 1998). Finally, research suggests that some people steal because they view it as exciting (Hogan & Hogan, 1989) or do so because of emotional instability (Frank, Lindley, & Cohen, 1981).

Research has also explored behavioral predictors of employee theft indicating that individuals involved in employee theft are likely to be involved in other deviant behaviors such as alcohol, and/or drug abuse, and/or gambling (Hollinger & Clark, 1983). Individuals who are rule breakers enjoy dangerous, forbidden activities and are more likely to steal (Hogan & Hogan, 1989). Security experts suggest that problem behaviors are repetitive and related, e.g., people who pass bad checks are likely to steal (Weintraub, 1998). Individuals who associate closely with others who steal may themselves be more likely to steal (Paajanen, 1988). Indeed, gang operations are now infiltrating organizations and promoting merchandise pilferage (Negley, 1996).

Employee Theft at the Social Level

At this level, theft may be viewed as: (1) a behavioral response to unfair treatment by one's manager or other organizational representatives or the perceived violation of one's psychological contract with the company, or (2) compliance with informal group norms. The literature on workplace fairness considers both *distributive* and *procedural* forms of justice (Greenberg, 1990a), but the primary concern at the social level is with the procedural form. Distributive justice issues concern compensation and perceptions of pay and will be considered at the systemic level. Procedural justice refers not only to the formal procedures that are applied in the decision making process but also to the interpersonal treatment received by the employee from management (Greenberg, 1990a; Tyler & Bies, 1990). For example, when a resource allocation decision is implemented inconsistently across employees or is based on inaccurate or biased information, and no formal avenue exists for correcting possible mistakes (i.e., no grievance process exists), an employee's sense of procedural injustice is stirred (Greenberg, 1997).

When employees perceive that justice prevails, they are likely to be satisfied with and committed to the organization (Folger & Konovsky, 1989). When employees perceive unjust treatment, however, dissatisfaction and lack of commitment emerge, as well as the likelihood for retaliatory behaviors (Skarlicki & Folger, 1997). To have one's voice ignored or to be treated without respect or dignity, brings expressions of dissatisfaction either through words or actions (Greenberg, 1990a; Tyler & Bies, 1990). As the employees perceive the magnitude of such treatment to exceed their threshold of acceptance, they see theft as a valid retaliatory response (Greenberg & Scott, 1996).

Recent work on psychological contracts also offers an explanation for why employee theft occurs. The psychological contract is defined as one's belief regarding the terms, conditions, and obligations surrounding the reciprocal exchange between the individual and another party (Rousseau, 1989; Rousseau & McLean Parks, 1993). When either employee or employer perceives that the other has failed to fulfill one or more of the expectations of the psychological contract, there is a breach of contract. If the breach is significant, it constitutes a violation (Morrison & Robinson, 1997). Thus violation is cognitive in nature based on a calculation of the equity between what was received and what was promised. Violation involves a strong emotional experience or "feelings of betrayal and deeper psychological distress," resulting in anger, resentment, a sense of injustice and harm (Rousseau, 1989). Such feelings, in turn, set the stage for revenge or retaliation such as sabotage, theft, or aggressive behavior (Greenberg, 1990b). Theft is viewed as resulting from employee efforts to cope with their frustrations and to compensate for the unfairness they perceive in their own situation by striking back at the organization (Giacalone & Greenberg, 1997).

Employee theft is also influenced by group norms that may condone, encourage, or fail to discourage such behavior (Greenberg, 1997). Informal norms have been shown to have a stronger influence on employee theft than formal rules and regulations (Giacalone & Greenberg, 1997). New employees may not only feel encouraged to, but compelled to steal, depending on the strength of the norms in the group. Greenberg (1998) noted that group norms may not only reinforce theft behavior but can also dictate what is to be stolen, what is not to be stolen, how much should be stolen, when to steal, and how to steal from the organization (Greenberg, 1997; Hawkins, 1984). Research has found that group-enforced sanctions on employees who stray from norms are seen as more influential than any threat of sanctions from management (Hollinger & Clark, 1983).

Employee Theft Issues at the Systemic Level

The influence of the organization's policies on employee theft centers on two primary systems: compensation and control. While a variety of motivation theories could be used to explain employee theft (Taylor & Prien, 1998), the impact of the compensation policy is a clear application of equity theory (Adams, 1965) or relative deprivation theory (Crosby, 1984; Martin, 1981). Inequitable pay, or distributive injustice, has long been cited as an antecedent to employee dissatisfaction and lack of motivation (Adams, 1965; Greenberg & Scott, 1996). Equity is judged on the basis of an employee's comparison of perceived outcomes-to-inputs ratios between themselves and a comparable person or model. Greenberg (1990b, 1993) found that stealing is in fact a response to unfair pay systems. Laboratory study participants who perceived their agreed-upon pay to be equitable, when given the opportunity to pay themselves, took precisely the agreed-upon amount, but "inequitably paid" participants took more than their share (Greenberg, 1993). In a field setting, he found that a temporary 15% pay cut led to employee theft rates as much as 250% higher than those under normal pay conditions (Greenberg, 1990b).

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While equity theory explains people's responses to the fairness of their own outcomes compared to others in similar conditions, relative deprivation theory (Crosby, 1984; Martin, 1981) provides an explanation for why one may sense injustice on the basis of group membership. "Fraternal deprivation" refers to the belief that one's entire class is being deprived of a valued outcome (Martin, 1981). For example, if a blue collar worker is concerned about his pay relative to that of another blue collar worker, this is basically an equity issue. If the worker is unhappy because of comparisons to dissimilar white collar workers, it is an issue of fraternal deprivation. In the latter case, the blue collar worker likely sees a class distinction. Martin (1981) noted that fraternal deprivation can result in more dramatic effects than simple equity disputes, ranging from political attempts to alter the system to violence. Theft would be one of the many behavioral responses to feelings of frustration brought on by fraternal deprivation.

While the inadequacy or inequity of compensation influences employee theft through feelings of deprivation, poor internal control systems often provide employees with the opportunity to steal. Some theorists believe that most people will steal if given a chance (Hollinger & Clark, 1983). There is some research support for this position, since findings indicate that the perceived chance of getting caught is the single best predictor of employee theft (Hollinger, 1989). This explanation is popular with criminologists and security experts who maintain that failure to follow deterrent procedures presents unfair temptations that could make thieves out of normally honest employees (Greenberg, 1997). For example, Cheryl Cwiklinski, president of CCB Services, a Chicago-based personnel and computer-training firm, found that failure to follow deterrent procedures with her bookkeeper cost her company thousands of dollars in embezzlement losses (Randle, 1995).

In a survey of 330 top companies, a study by KPMG Peat Marwick found that 76% of the participants revealed that fraud had occurred in their organizations within the past year, and that the majority of fraud was due to poor internal controls (KPMG Peat Marwick, 1993). Generally, theft opportunities exist because management allows employees access to equipment and other company assets with no controls in place or because record keeping involving cash or other assets is poorly designed and/or carried out. Brewery Inc. found that simply banning coats and bags from inventory storage areas saved $40–50,000 a year in "shrinkage" (Weintraub, 1998). Employees may be in positions where they have access to assets as well as the responsibility for the record keeping function for those assets. Many companies suffer because internal auditing procedures that might detect theft and fraud are either inefficient or nonexistent. Taco Bell restaurant chain lost an average of $95,000 per restaurant in "shrinkage" until "price confirmation boards" were installed (Drinkard, 1996).

A Taxonomy of Employee Theft Prevention

There are many strategies that emerge from the literature discussed above, pointing to a variety of human resource activities, as well as accounting and careful business practices for preventing or reducing employee theft. After examining the research from the three levels, it is apparent that one's preferred method for preventing employee theft may be dependent on one's approach to understanding theft. Personal level theories attribute theft to individual employees, whereas social theories place blame on the relationship between management and employees. At the systemic level, theft is the result of poorly devised and implemented organizational policies and procedures.

To develop a taxonomy of theft prevention strategies, it is necessary to account for the differences across levels. Theft prevention strategies can be categorized as either procedural or interactive. Procedural strategies are designed by management to treat all employees or potential employees in a fair, yet controlled manner. Processes are devised that control, among other things, who to hire, how new employees are treated, what company literature they are given to read, and who has access to assets. Interactive strategies, on the other hand, are less controlling, and may require input from employees. Where procedural strategies set the tone for employee characteristics and behavior, interactive strategies focus on employee development, building and maintaining trust, or work design issues. Figure 1 shows the taxonomy of theft prevention strategies, integrating strategies across levels of analysis and form.

Procedural Theft Prevention Strategies

Procedural Strategies at the Personal Level. At this level, strategies focus on the selection process. This approach has been favored by criminologists and proposes devising a profile of individuals who are prone to steal (Murphy, 1993). Theft is thus controlled through

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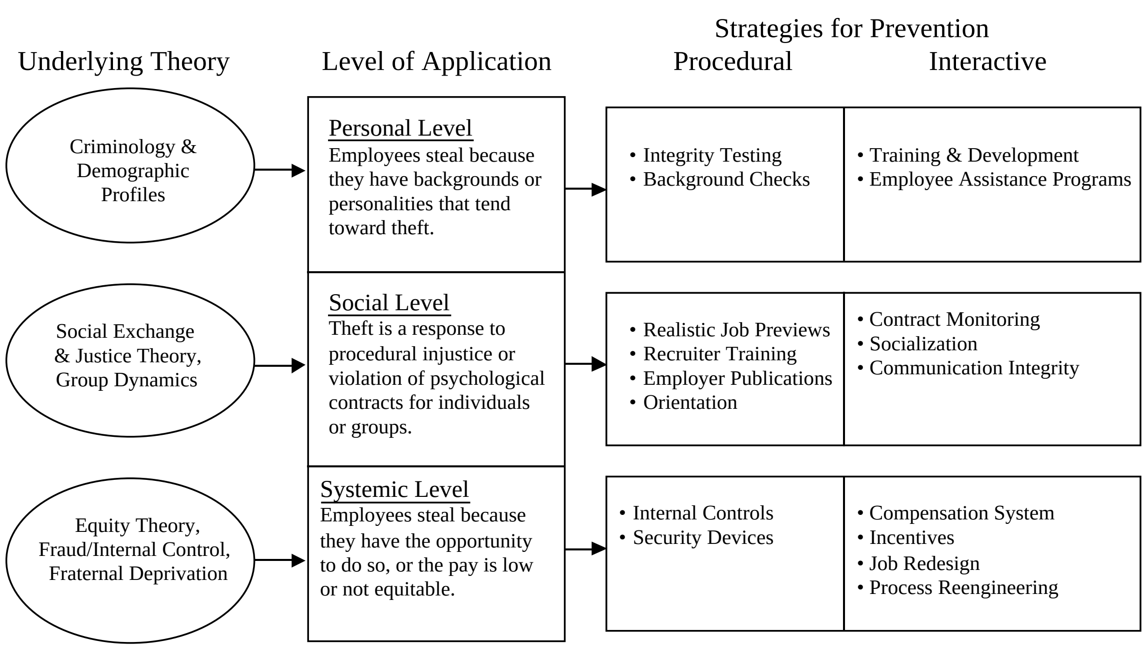

FIGURE 1. Taxonomy of theories of employee theft, levels of application, and strategies for prevention.

testing candidates in the interview process and rejecting those who fit the profile of theft proneness. Techniques include the use of integrity tests and careful background checks.

Integrity Testing. Proponents for the use of pre-employment integrity tests include researchers and security experts alike. Honesty tests successfully predicted theft by a group of convenience store employees (Bernardin & Cook, 1993). Companies that develop such tests claim that their instruments are valid and able to discriminate between honest and dishonest candidates (Lissy, 1995). On the other hand, recent comprehensive reviews of the literature have shown that the ability to predict theft behavior on the basis of various personal variables is limited (Dalton, Metzger & Wimbush, 1994; Ones, Viswesvaran, & Schmidt, 1993). Some of the limitations are attributed to the psychometric properties of the measurement instruments (Ones et al., 1993). Experts suggest that care be taken in selecting tests that have been validated, and that the instruments have been screened by Equal Employment Opportunity officers, as they could discriminate against protected groups. Franklin (1995) suggested that the use of honesty tests can create a trusting atmosphere among workers who are hired, since they recognize that they are less likely to be put into uncomfortable dilemmas of whether or not to report theft behaviors. Thus, while the idea of screening out dishonest candidates is appealing, care should be taken in the use of honesty tests. Careful use of pre-employment tests is urged since they are limited to after an employment offer has been made in many cases (Bennett-Alexander & Pincus, 1998). Courts have granted employees large settlements if pre-employment tests probe nonjob-related issues (*Thompson v. Borg-Warner*, 1994). There is a need for further development if they are to be used with confidence.

If care is taken to establish clear expectations, employees may be less likely to engage in theft behaviors due to frustrations with broken promises.

Background Checks. Checking references and candidate work history have been advised in accounting and employment law publications as the primary means for controlling fraud (Bennett-Alexander & Pincus, 1998; KPMG Peat Marwick, 1993). Background checks for selection purposes are limited by law under Title VII of the Civil Rights Act of 1964 and the Fair Credit Reporting Act. Certain information is not available to employers and is protected by state law. In many states, it is illegal to question job candidates about their arrest records. Such questions may result in disparate impact discrimination, a violation of Title VII, if members of one protected class are arrested more frequently than others. The Fair Credit Reporting Act requires that an employer notify an applicant of intention to conduct an investigative consumer credit analysis and of the information sought. The most effective way to avoid these problems is to request that the applicant sign a statement releasing former employers from liability for submitting reference information concerning the applicant. In some states, laws make this step unnecessary. Hardee's restaurant chain, which runs background checks on all job applicants, claims to eliminate 7% of their applicant pool for undisclosed criminal activity, and another 3 to 5% for potential use of prohibited substances (Drinkard, 1996).

Procedural Strategies at the Social Level. At the social level, strategies are geared toward helping new and prospective employees establish clear and realistic expectations for the job and instilling in them a sense of the organization's values. If care is taken to establish clear expectations, employees may be less likely to engage in theft behaviors due to frustrations with broken promises. These strategies include using realistic job previews, orientation programs, employer publications, and socialization efforts.

Realistic Job Previews. Realistic job previews (RJPs) are utilized to address problems with employees having inaccurate or incomplete expectations of the actual job (Wanous, 1992). Many companies present the job to prospective employees as less stressful or complex than it actually is, fearing that a talented and informed person might not take the job. As a result, implied contracts are often broken, employees become frustrated, and may opt to "take what is rightfully theirs". The objective of RJPs is to present the potential employee with an accurate preview of the job and employer so that his/her expectations will be closer to reality. Research has shown that when used on appropriate jobs, RJPs increase job satisfaction and reduce turnover (Wanous, 1992). While the linkage between RJPs and employee theft has yet to be pursued by researchers, it is clear that expectations formed by the employee at hire will remain as part of the psychological contract (Rousseau & McLean Parks, 1993).

Orientation Programs. Orientation programs introduce new employees to the job, organization, and work environment (DeSimone & Harris, 1998). Objectives of orientation programs include the reduction of newcomer stress, turnover and training time, and assistance for the newcomer in learning about the organization's values and expectations concerning work, and the new employee's work group members and their norms. Well-designed orientation programs should specify the organization's code of ethics, if one exists. In one case, researchers reported that hospitals where a new-employee orientation program included an anti-theft module experienced 15 to 20% less theft than prior to the inclusion of the module (Taylor & Prien, 1998). Guidelines for ethical behavior need to be clearly communicated to new employees and followed to the letter by upper management. Orientation programs should also inform new employees about formal procedures that are in place if problems should occur (i.e., grievance process, hotline for reporting unethical activity, or ombudsperson), giving employees an avenue for dealing with any "contract disputes". In addition to such procedural guidelines, it is also important to set a trusting tone in orientation. Weintraub (1998) noted that the goal is not to create a police state, and that kindness to employees can go a long way in theft prevention.

Employer Publications. Employer publications (i.e., handbooks, marketing information, or procedure manuals) may also influence the development of employee expectations. Employer publications represent a standard for comparison between expectations and reality. Extreme care must be exercised to ensure that such publications do not create false expectations, perceptions of unfairness, or a basis for legal action (Rousseau, 1995).

Procedural Strategies at the Systemic Level. Systemic level procedural strategies reflect the desire of the organization to control employee access to information and assets. They include organizational policies and procedures implemented to reduce employees' opportunity to steal. Opportunities to steal are minimized through the creation of tighter internal control structures and security systems.

To assist managers, Singer (1996) listed twelve danger signs, or "red flags", that may indicate potential embezzlement of funds.

Internal Control Structures. Internal control structures include the methods and recording procedures associated with the accounting system. They also include organizational policies that address such issues as proper authorization for utilizing equipment or having access to cash, segregation of duties, maintaining documentation and records on all transactions, controlling access to records, and holding independent checks of records (Kell & Boynton, 1992). Stewart (1997), noting that 70 to 80% of physicians will be victimized by embezzlers in their medical careers, outlined numerous accounting and operating procedures designed to deter theft. To assist managers, Singer (1996) listed twelve danger signs, or "red flags", that may indicate potential embezzlement of funds. These danger signs are shown in Table 1.

Security Systems. In addition to internal accounting controls, there are numerous security devices that can be installed to deter theft and catch thieves if the deterrents fail (Murphy, 1993). There are numerous options here, from installing security cameras, lighting systems, and using internal accounting control systems, to surprise inventory checks, security locks, limited access to restricted areas, exit surveillance as employees leave the workplace and taking out fidelity bonds for employees who deal with company funds. Long John Silver's restaurant installed security cameras resulting in a significant increase in sales revenues and a reduction in food costs (Price, 1995). Ace Hardware Corporation hired a loss prevention consultant to

TABLE I Danger Signs That May Indicate Embezzlement.

1. Rewriting records for the sake of "neatness"
2. Refusing to take vacations; never taking personal or sick days
3. Working overtime voluntarily and excessively and refusing to release custody of records during the day
4. Unusually high standard of living, considering salary
5. Gambling in any form beyond ability to withstand losses
6. Refusal of promotion
7. Replying to questions with unreasonable explanations
8. Getting annoyed at reasonable questions
9. Inclination toward covering up inefficiencies and mistakes
10. Pronounced criticism of others (to divert suspicion)
11. Frequent association with, and entertainment by, a member of supplier's staff
12. Excessive drinking or associating with questionable characters

Source: Singer, T. (1996). Stop thief! Are your employees robbing you blind? Entrepreneur, January, 148–153.

establish an internal security system aimed at reducing theft (Lowe, 1996). "Point-of-sale" electronic monitoring systems have been implemented in numerous retail establishments, including Safeway grocery stores, with some success (Zimmerman, 1996), although one must not assume that such software is foolproof (Drinkard, 1996).

Interactive Theft Prevention Strategies

Interactive Strategies at the Personal Level. Personal level interactive strategies target ways the organization can assist in the personal and professional development of the individual employee. Given that there may be certain demographic predictors of theft, and that selection tools can be devised to flag certain prospective employees, not all thieves will be detected, and employees may develop a "thief profile" after they have been hired. The goal of the organization, then, should be to keep employees in a professional profile of productivity and personal profile of stability. These may be done through the provision of training and development opportunities that enhance employee personal or skill development or through employee assistance programs that help employees deal with personal problems.

Employee Training and Development. Redner's Warehouse Markets utilizes a variety of employee-oriented approaches and boasts of one of the lowest shrink rates in the industry (Zimmerman, 1996). Skill-enhancing training opportunities demonstrate the organization's commitment to employee development, thus serving four objectives. First: employees receive training that should help improve their productivity—possibly the organization's performance. Second: employees build skills and confidence in their work that might encourage responsibility and professional behavior at work. Third: as the organization shows commitment to the employee, the employee is more likely to demonstrate commitment to the organization (Moorman, Blakely, & Niehoff, 1998). The Jitney Jungle Stores of America have implemented an employee education assistance program to fund employee development. Company officials believe such programs cultivate loyalty and prevent loss due to theft (Zimmerman, 1996). Finally, improving skills may result in higher pay and improved feelings of equity, which should reduce the need to steal.

Employee Assistance Programs (EAPs). EAPs are off-site programs designed to provide a full range of services aimed at improving employee health and well-being and helping employees cope with alcoholism, drug and substance abuse, legal problems, and financial difficulties (DeSimone & Harris, 1998). Employees with personal, financial, or marital problems are referred to the EAP where services are offered that counsel the employee. Since profiles of organizational thieves include these same characteristics (Hollinger & Clark, 1983), EAPs should not only help troubled employees cope with their problems, but should also reduce the probability of theft in the workplace that is often the consequence of such erratic behavior (Fenn, 1995).

Interactive Strategies at the Social Level. Where procedural strategies at the social level attempt to initiate realistic and professional employee expectations, interactive strategies focus on maintaining and upholding psychological contracts with employees. Interactive strategies at the social level involve trust building information exchanges between employees and management. Overall, these strategies begin with communication integrity, but are also enacted through the socialization process and contract monitoring.

Commitment to Communication Integrity. The key to maintaining trust begins with a strong commitment to excellent communication and adherence to promises made to employees. This commitment to integrity in relationships with employees must be guaranteed from the start and backed by actions. Without integrity at their core, psychological contracts will disintegrate into distrust, conflict, and litigation. If employers are committed to communication integrity, their efforts at seeking feedback will be perceived as sincere by employees. When employees perceive such support and commitment from management, a sense of justice is maintained, and employees are more likely to act as "good citizens" (Moorman, Blakely, & Niehoff, 1998). In the case of Cheryl Cwiklinski discussed earlier, she had discovered that her bookkeeper had embezzled over $100,000 from her company. After the bookkeeper was dismissed and arrested, she called a meeting with her remaining employees and explained the situation to them. She explained that an internal audit would be conducted and that procedures would change to include more checks and balances. Her straight talk with the employees led the way to improvements. Her business has not only survived but since that point has excelled (Randle, 1995).

Socialization Process. Employees who are properly socialized into the organization will be more committed to the organization's goals and values and will be more likely to act according to accepted norms. Socialization focuses on ways that new employees change and adapt to the organization (Milkovich & Boudreau, 1997). Either explicit programs such as mentoring or a more implicit process will help employees learn the norms and values of the organization (Van Maanen, 1976). In addition, managers must be consistent in their behavior, whether it is a planned socialization strategy or not. When managers are consistent in their presentation of the organizational values and norms, and demonstrate adherence to those values and norms in their own behaviors and decisions, they provide positive role models for employees to follow. Murphy (1993) pointed out that while most theorists point to the top manager as the chief model for an "honesty culture" in the organization, it is the lower level managers who are more visible to employees. For example, in the military, generals set the overall tone, but it is the sergeants who have the daily contact with the new recruits.

Contract Monitoring. If theft occurs because employees perceive management to have violated implied contracts, it would benefit managers to be able to understand when employees' perceptions of contract violation are developing. Two such processes involve monitoring employee perceptions and monitoring one's own promises and behaviors. In monitoring employee perceptions, managers must develop sensitivity; they must listen to what employees say and understand the meaning of what is said. Employees may couch their doubts about the sincerity of implied contracts in subtle terms. Managers must be able to read employees and address misperceptions before such misperceptions lead to inaccurate assessments of violations. When violations do occur, employees may justify their behavior with a list of broken promises from management. In these cases, managers must be willing to listen to the employees and work toward solving the communication problem rather than applying disciplinary procedures.

This commitment to integrity in relationships with employees must be guaranteed from the start and backed by actions.

To monitor the changing perceptions of employees, managers may seek feedback from employees in a variety of ways. Direct discussions, if relationships are strong and trusting, can provide opportunities to ask probing questions. The use of employee surveys, if anonymous, can be used as a nonthreatening means of testing for any variation between employees' perceived reality and their expectations. Focus groups of six to ten individuals could be convened periodically to engage in an unstructured discussion of various issues (Morgan, 1988).

To monitor one's own behavior, managers should document conversations, meetings, and interactions with employees. When possible, keeping records of memoranda and letters pertaining to any action that affects the implied contract is critical as support material for managers, as well as acting as a record of their behavior. Such documentation would reduce the information overload of the manager. The goal is to maintain some awareness of when an employee could perceive the contract as being violated, as violations can trigger negative responses—including theft.

One critical point here is that the violation of psychological contracts is strictly a perceptual event.

One critical point here is that the violation of psychological contracts is strictly a perceptual event. The manager may perceive no violation, while the employee may be adament in his/her belief that a violation has occurred. The important message is to establish and maintain clear and thorough communication processes. Murphy (1993) noted the importance of ethics discussion programs as a means for promoting honesty in the workplace. Whether informal or structured, such discussions can provide insight into employees' perceptions of workplace issues affecting ethical dilemmas.

Managers should also be aware of situations that create either perceived or real injustice. This awareness requires the manager to conduct a periodic "justice audit" examining all potential points in the work system where "unfairness" perceptions could emerge.

- Do rules and regulations get applied consistently across people?
- Are employees treated equitably by the manager?
- Do they expect equitable or equal treatment?
- Are disciplinary processes applied uniformly across people, time, and situations?
- Are employees involved in the improvement of any disciplinary process?

Care must be taken to assure that procedural and interactional justice are maintained. Skarlicki and Latham (1996) trained managers in how employees form opinions about workplace fairness and found employee attitudes and citizenship behaviors to increase as a result.

Interactive Strategies at the Systemic Level. At the systemic level, interactive strategies are intended to reduce employees' motivation to steal from the organization. Two primary systems that can be altered here are the compensation system and the production process. One goal of these systemic approaches is to gain and enhance employees' commitment to and feelings of responsibility for the organization. They also represent mechanisms to influence the extrinsic and intrinsic rewards for work.

Compensation Policies. To reduce employee motivation to steal, management must examine the compensation policies of the organization. Analyzing internal equity of pay as well as monitoring the competitiveness of the pay scale relative to industry standards are two primary means for locating compensation problems. Financial incentives can also be used as a means for gaining the commitment of the employees. Some forms of profit sharing, employee stock ownership and gain sharing plans are designed to promote a sense of partnership between employees and management. Most of these plans involve employee participation in the decision process, often through productivity committees. A key element in their success is creating a climate of openness to suggestions (Milkovich & Newman, 1996) which is essential to reducing workplace frustration and employee theft.

Production Process. Intrinsic rewards for working can be influenced through job redesign as elements of skill variety, task identity, task significance, autonomy, and feedback are added to the job (Hackman & Oldham, 1979). Redesign can create feelings of responsibility for outcomes among workers, which should reduce the employees' motivation to steal from the organization (Taylor & Prien, 1998). In process reengineering, employees are involved in examining how work is done and devising more streamlined methods for accomplishment (Hammer & Champy, 1993). By involving employees affected by the reengineering effort, management not only empowers the group by giving its members a voice but also adds the specific knowledge of those closest to the work. Employee involvement can enhance productivity and provide better communication in the implementation phase of change. Empowerment gives employees a voice, thus they do not feel ignored, and they contribute to positive change. Both of these outcomes will reduce employee frustration that could lead to theft.

Summary and Conclusion

While it may be impossible to prevent all theft, it can be reduced. It is evident from the taxonomy that a multifaceted approach will be most effective. Table 2 presents ten general guidelines for theft prevention, five each for procedural and interactive forms. Clearly, some organizations will be limited in their ability to implement certain strategies. For example, small organizations may not have the resources to implement strategies such as orientation programs, employee development inititatives, or selection processes; but case studies abound in which a minimal investment has gone a long way toward theft prevention. Based on these guidelines, human resource managers can contribute to theft prevention through alterations in the selection system, orientation process, organizational literature, training and development programs, compensation packages, and employee assistance programs. As a general rule, managers are urged to enact both procedural strategies such as adding security systems in obvious theft-prone situations, as well as such interactive strategies as getting to know employees.

Employee theft has existed for centuries and is not likely to slip quietly into the mist. While part of the responsibility for the problem can be blamed on "bad" people, organizations must still be proactive in their pursuit of strategies that limit or control the incidence of theft. It is hoped that the taxonomy offered in this article gives practitioners a broader view of the problem of employee theft, and that the guidelines provide a clear path for future action. Dealing with employee theft is inherently discomforting to managers. If care is taken to establish and maintain trust in the workplace, honest employees will respect

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TABLE II **Guidelines for Theft Prevention.**

Procedural Guidelines

1. Install security systems and implement internal accounting controls for any process involving money or company assets.
2. Use integrity tests in selection process, but only if you can assure that such tests are valid.
3. Conduct background checks as thoroughly as the laws allow.
4. Review and revise, if necessary, any job or organizational information presented to prospective employees, assuring that all information is accurate and consistent.
5. Conduct orientation programs that discuss the company's code of ethics and formal procedures to be followed in case of problems.

Interactive Guidelines

1. Initiate and model a culture of honesty in the organization, with clear reinforcement for honesty and punishment for dishonesty (including for all levels of management).
2. Provide support or encouragement for employee personal and skill development.
3. Contract with an employee-assistance program for counseling troubled employees.
4. Review compensation and benefit packages for internal and external equity.
5. Get to know employees through effective communication and implement programs that create bonds between employees and the company.

employers' efforts at theft prevention as they realize the value of being able to trust co-workers. Above all, managers must walk the talk. When managers fail to follow established theft prevention procedures, employee recognition of "toothless" policies is quick. Organizational leaders and human resource managers are advised to examine their current theft prevention strategies, determine where gaps exist, and fill the gaps. Given the potential costs of employee theft, we only hope they act soon.

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ENDNOTE

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