Your Bottom Line

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Is there a hand in the till?

Many business owners think of theft only in terms of traditional middle-of-the-night cops and robbers capers. However, another type of thievery can be far more damaging to your company—the quiet, insidious, white-collar theft. In-house pilferage is a growing problem throughout American business.

The danger is twofold. Petty thefts can not only add up to hefty annual losses, but, unchecked, can encourage grand theft of business equipment and goods. For example, many employees consider it acceptable to use the company telephone or postage meter for personal needs. As this becomes commonplace, many think nothing of helping themselves to a healthy supply of pens, pencils, paper, and other stationery items.

Most business owners do not realize how these apparently insignificant losses can mount. If your company works on a 20 percent profit on sales, for every dollar stolen by an employee, the business must take in $5 to replace that loss. Since insurance companies will not cover internal theft unless employees are bonded, you may be better off having your stock lifted by the traditional burglar!

Undetected employee theft can surface when your friendly IRS agent reviews your tax return. If the auditor determines that your business is more profitable than reported, the IRS official may assume that you pocketed the cash, which could result in sizable problems.

Many studio owners are partially responsible for the in-house piracy if they fail to take preventative steps. A definitive statement of the consequences of theft should be prominently published in your employee handbook. Punishment should be impressive—immediate termination and criminal prosecution.

Business owners should implement a theft detection system, otherwise someone may take advantage of the lack of security measures.

If you are unable to install your own inventory and monitoring systems, law enforcement departments may help. Some officers are trained to assist company owners deter light-fingered employees.

Many readers may disagree with this seemingly paranoid attitude, but theft is a serious problem in today's society. When I taught at the local university, I conducted an experiment on one of my classes. I was deliberately lax in attention, which seemed to prompt the students to cheat on an examination. I devised a foolproof detection system. The results: an astonishing 85 percent of the students cheated! More frightening, I later discovered during individual interviews that many felt justified because I had made it easy for them to cheat!

Recent research reveals a startling and sobering statistic. When employees from a wide variety of businesses were asked if it was acceptable to engage in traditional white-collar theft, 80 to 90 percent responded that it was. Employees often justify theft by convincing themselves they deserve the stolen items.

Whether or not your staff will steal depends on three basic factors: how badly employees need to steal, how easily they can avoid detection, and the likelihood and severity of punishment if caught. You can control these factors by paying reasonable salaries, implementing theft deterrent measures, and making punishment certain and severe.

However, studio owners must strike a reasonable balance between trust and suspicion. Employees are familiar with the problems of in-house theft and will accept a reasonable degree of vigilance.

Leaks in your financial system can drain the lifeblood out of your bottom line. If the leak is severe it may result in the death of your company. As a business owner, it is your responsibility to find leaks and administer preventive measures against employee theft.