

INTERNAL DISHONESTY -

A hypothetical case study
By Renata Ringin

Michelle, 21, is an assistant store manager in a growing national retail business.

She started working for the company as a casual when she was still a high school student.

Michelle is well regarded by her senior management, and is in line for a manager's position.

Four months ago, Michelle purchased her first car by taking a bank loan.

Although she is still living with her parents, she is finding it a struggle to maintain her lifestyle with the additional expenses of her car and loan.

One Friday night, Michelle realised that she was \$80 short for her monthly car repayment.

While closing the business for the night, Michelle considers taking \$80 out of the day's takings to use for her repayment. She is trying to work out a way to pay it back before Monday, the day that the weekend's takings are banked.

She quickly takes four \$20 notes from the takings, and puts them into her handbag.

As she closes the store, Michelle is feeling extremely uncomfortable but convinces herself that it will all work out because it's a 'one off' situation.

She deposits the \$80 into her bank account.

On Sunday, Michelle reluctantly asks her boyfriend to loan her \$80, telling him she has to pay off a layby or she will lose her deposit.

On Monday morning Michelle leaves for work 10 minutes early so she can replace the money into the takings before the manager arrives.

When she arrives at work, the manager is already there and is preparing the weekend's takings for banking.

The manager immediately asks Michelle why Friday's takings are \$80 short.

Michelle is put on the spot and knowing that the manager is an understanding person and friend, Michelle tells her the whole story. She then hands her manager \$80.

What should the manager do?

Renata has spent the past 18 years in the areas of Law Enforcement, Loss Prevention, Retail Operations, and training.

As a former Detective in the Criminal Investigation Branch of the Victoria Police, and as a Senior Loss Prevention manager with a multi-national retailer, she gained extensive experience in retail loss prevention and security.

Renata is now the Managing Director of Pro Active Strategies Pty Ltd, an independent loss prevention consultancy which is the resource to ARAV members.



How should internal dishonesty be handled?

Michelle has **stolen** company money. This is not a case of borrowing - it's stealing. Michelle had no authority to take and use \$80 without permission.

If reported, Michelle may face dismissal, and possibly criminal charges, both of which could have a substantial impact on her future employment, reputation, and even travel plans (a criminal conviction can prohibit the acquisition of visas to certain countries).

The store manager is compromised and faced with a decision. If she allows Michelle to replace the money and does not report the incident she could be accused of breaching company policy, as well as supporting a theft by a staff member.

The manager wants to do the right thing, but faces a conflict of loyalty between her company and her colleague.

The manager is concerned about the way the matter will be handled if she does report it, and any repercussions to herself and Michelle.

The business **wants** and **needs** to know that this incident has occurred, so that it can deal with it, learn from it and prevent it from happening in the future.

However, there is more at stake here than \$80.

An investigation is required, and this could result in the business losing a team member in whom there has been a significant investment of training and development, as well as the additional costs of replacement, recruitment and re-training.

The investigation and resulting actions will surely have an impact on morale and changes to systems to both prevent and detect future thefts may be required.

YOUR QUESTIONS ANSWERED.

Business Manager/Owner:

"I can relate to Michelle's situation, however, I trust my staff and have never had an incident of employee dishonesty in my business."

Does that mean it is not happening?

Trust is crucial, and so is control. Not discovering staff dishonesty and not experiencing staff dishonesty are two different things.

When you consider the potential impact of a single incident of staff dishonesty, then the proactive model of implementing detection and loss prevention strategies before a problem arises becomes increasingly valid.



“I have had an incident of employee dishonesty, should I be suspicious of all of my staff?”

Most employees want to do the right thing by their employer. However, it is realistic to expect that if there are “gaps” that present opportunities, a staff member may make the choice to act dishonestly.

“Can I impact on the honesty of the workplace?”

Yes. Through a culture that encourages and motivates staff to act in the best interests of the business, coupled with systems that make it easy to be honest and difficult to be dishonest.

Furthermore, internal controls that reduce ‘gaps’, monitoring compliance, and ensuring that there is a risk of detection, are all steps which can deter staff from making the wrong decision.

“How could I have influenced Michelle when she made the decision to steal?”

Ensure that it is an informed decision.

Document policy and educate staff about what you expect in terms of honest behaviour, the specific behaviours that are unacceptable, and the repercussions of breaching company policy.

“How can I ensure that the store manager will report the incident and not cover it up?”

Provide a reporting mechanism which gives staff options for reporting suspected dishonesty, including an option that is anonymous.

Investigate suspected dishonesty professionally and objectively so that team members have confidence in the way the business will handle the situation (ensure the investigation is carried out by an experienced investigator).

“What do I do if the store manager reports the dishonesty to me?”

The business has the responsibility of dealing with the employment aspects of an internal dishonesty incident, which are quite separate from any criminal issues.

Investigate before deciding on an outcome, and ensure that the investigation process is fair and objective and gives staff the confidence to report future incidents.

Be consistent and fair and seek advice (from the ARAV Human Resources department) regarding employment issues.

“What do I do after it’s all over?”

Learn from the incident and make any changes required to ensure there is minimal motivation and opportunity to steal, a means of detecting dishonesty, and that staff are confident to report any incidents.

“Where should I go for more advice?”

Contact Renata Ringin of Pro Active Strategies Loss Prevention Consulting (the ARAV Authorised referral for ARAV members) on tel (03) 9439 9485, or email renatar@proactivestrategies.com.au

