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REMARKS BY THE HONORABLE JAMES K. STEWART

DIRECTOR OF THE NATIONAL INSTITUTE OF JUSTICE

FOOD MARKETING INSTITUTE'S ANNUAL LOSS PREVENTION CONFERENCE

WEST PALM BEACH, FLORIDA

MARCH 21, 1988

NCJRS

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ACQUISITIONS

~~720 044 0005~~

THANK YOU, [CHUCK MILLER, HEAD OF LOSS PREVENTION AND RISK  
MANAGEMENT FOR FOOD MARKETING INSTITUTE]

OR [RON BLAZOSKI, PROGRAM CHAIRMAN],

[DON'T USE "EASIEST WAY TO STAY AWAKE" LINE -- YOU USED IT  
THE LAST TIME WITH THIS GROUP]

IT'S A PLEASURE TO BE INVITED BACK TO SPEAK TO YOU AGAIN  
THIS YEAR BECAUSE I KNOW WE SHARE SIMILAR OBJECTIVES. OUR  
GOAL AT THE NATIONAL INSTITUTE OF JUSTICE IS TO DEVELOP BETTER  
KNOWLEDGE ABOUT CRIME AND HOW IT CAN BE CONTROLLED. AS LOSS  
PREVENTION AND SECURITY MANAGERS, YOUR ABILITY TO PROTECT THE  
WEALTH OF YOUR COMPANY DEPENDS ON THE SAME KIND OF KNOWLEDGE.

I'D LIKE TO TALK TODAY ABOUT WHAT WE'VE BEEN ABLE TO  
LEARN -- THROUGH NIJ RESEARCH -- ABOUT LOSS PREVENTION. BY THE  
END OF MY REMARKS, I HOPE TO GET YOU THINKING ABOUT WHAT YOUR  
COMPANIES MIGHT DO TO HELP TO EXTEND THAT KNOWLEDGE. I HOPE  
YOU'LL CONSIDER DEVELOPING SOME EXPERIMENTAL RESEARCH PROPOSALS  
THAT NIJ COULD SUPPORT. THE NATIONAL INSTITUTE OF JUSTICE IS  
INTERESTED IN APPLIED RESEARCH THAT CAN BE USEFUL TO YOU IN

PROVIDING GUIDANCE AND INFORMING POLICY.

I'LL RETURN TO THAT THEME LATER. BUT NOW I'D LIKE TO TURN TO WHAT WE'VE LEARNED ABOUT ONE OF THE MOST INSIDIOUS SECURITY PROBLEMS YOU FACE: EMPLOYEE THEFT. IN FOOD RETAILING WHERE YOU HAVE SUCH A NARROW PROFIT MARGIN, EMPLOYEE THEFT MAY BE EVEN MORE DESTRUCTIVE THAN IN OTHER BUSINESSES. BUT THERE ARE STRATEGIES THAT CAN COMBAT THIS CRIME -- AND THE ONES I'M GOING TO DISCUSS CAN BE ADOPTED EVEN IN SMALL SUPERMARKETS. IN FACT, THEY MAY BE EASIER TO ADOPT IN THE SMALLER STORES OR CHAINS.

MY REMARKS TODAY ARE BASED ON A NATIONAL INSTITUTE OF JUSTICE STUDY WHICH LOOKED AT EMPLOYEE THEFT IN THREE INDUSTRY SECTORS, INCLUDING RETAIL CHAINS. EMPLOYEE THEFT INCLUDED TAKING MERCHANDISE, SUPPLIES OR OTHER ITEMS FOR PERSONAL BENEFIT, AS WELL AS IMPROPER USE OF DISCOUNT PRIVILEGES OR "BORROWING" FROM THE CASH REGISTER.

WE LEARNED THAT ONE OUT OF EVERY THREE EMPLOYEES STEALS FROM HIS OR HER EMPLOYER. ONE OUT OF THREE. THIS WAS DISCLOSED BY CONFIDENTIAL SURVEYS ADMINISTERED TO OVER 9,000 EMPLOYEES. IT

MAY WELL BE A CONSERVATIVE ESTIMATE. WE HAVE NO WAY OF FIGURING THE TOTAL COST TO BUSINESS, BUT ESTIMATES RANGE FROM 5 BILLION TO 40 BILLION DOLLARS A YEAR.

EMPLOYEE THEFT IS SO WIDESPREAD THAT IT'S "BUSINESS AS USUAL" IN THIS COUNTRY. AND IT WILL STAY THAT WAY AS LONG AS EMPLOYEES AND EMPLOYERS ACCEPT IT AS A NORMAL COST OF DOING BUSINESS.

BUT IT DOESN'T HAVE TO BE THAT WAY. MY MESSAGE TODAY IS THAT WE NEED TO CHANGE THE ACCEPTANCE OF EMPLOYEE THEFT -- ON THE PART OF EMPLOYEES AND EMPLOYERS.

PEOPLE SAY, "THERE'S NOTHING WE CAN DO ABOUT IT. IT'S A PROBLEM WE HAVE TO LIVE WITH." THAT HAS CERTAINLY BEEN THE PREVAILING VIEW OF ONE KIND OF THEFT IN THE BIGGEST MARKETPLACE OF ALL -- INSIDER TRADING ON WALL STREET. BUT THE PROSECUTION OF MEN LIKE IVAN BOESKY CHANGES ATTITUDES. I'M SURE THAT MANY INVESTORS ARE NOW THINKING TWICE ABOUT BREAKING THE LAW TO EARN A QUICK BUCK -- OR EVEN A QUICK MILLION.

PEOPLE SAY, "THERE'S NO WAY TO STOP EMPLOYEE THEFT BECAUSE

TOO MANY PEOPLE DO IT." THAT'S WHAT THEY USED TO SAY ABOUT AMATEUR ATHLETES WHO USE STEROIDS. BUT NOW, IT'S A RARE ATHLETE WHO CAN GET AWAY WITH IT. DURING THE OLYMPICS IN CALGARY LAST MONTH, A POLISH ICE HOCKEY PLAYER WAS CAUGHT USING STEROIDS. HE WAS PUNISHED AND SO WAS HIS ENTIRE TEAM.

PEOPLE SAY THAT "SETTING ONE OR TWO EXAMPLES WON'T DETER OTHER PEOPLE FROM DOING IT." BUT IF YOUR EMPLOYEES KNOW THAT THE SAME BEHAVIOR WILL LEAD TO THE SAME PENALTY FOR THEM, THEN AN EXAMPLE IS POTENT. [TELL AIRLINE PILOTS EXAMPLE]

SO WHAT AM I DRIVING AT? I'M TRYING TO STRESS THE POINT THAT EMPLOYEE THEFT SHOULD NOT BE TREATED LIGHTLY. THAT ONLY WORSENS THE PROBLEM.

THE SINGLE FACTOR THAT WE HAVE FOUND TO BE MOST PREDICTIVE OF WHETHER AN EMPLOYEE STEALS OR NOT IS THE EMPLOYEE'S PERCEPTION OF THE RISK OF GETTING CAUGHT. THE GREATER THE PERCEIVED RISK, THE LESS THE THEFT. EMPLOYEES ARE ONLY GOING TO PERCEIVE THAT RISK IF IT IS CLEARLY ANNOUNCED, AND IF THEY KNOW YOU'RE AS GOOD AS YOUR WORD.

SO DETECTING AND PROSECUTING EMPLOYEE THEFT IS ESSENTIAL. BUT THERE IS MORE TO IT THAN BEEFING UP STORE SECURITY. I BELIEVE STOPPING EMPLOYEE THEFT IS PRIMARILY AN ETHICAL AND EDUCATIONAL ISSUE. EMPLOYERS NEED TO TAKE AN ETHICAL STAND, AND TO EDUCATE THEIR EMPLOYEES. MAKE THEM BELIEVE THAT HONESTY IS THE BEST POLICY. I DON'T THINK THAT'S ASKING FOR THE MOON. IT DOESN'T ASSUME THAT ALL YOUR EMPLOYEES WILL BE PARAGONS OF HONESTY -- JUST THAT THEY'RE SMART ENOUGH TO BE POLITIC. THE TRULY HONEST ONES DON'T NEED A POLICY TO KEEP THEM FROM STEALING.

YOU PROBABLY HAVE MORE POWER TO INFLUENCE EMPLOYEE BEHAVIOR THAN YOU THINK, BY THE POLICIES YOU ESTABLISH IN YOUR STORES. OUR STUDY FOUND THAT IT IS COMPANY POLICY THAT HAS THE GREATEST POTENTIAL FOR DETERRING EMPLOYEE THEFT. YOUR POLICY NEEDS TO DEFINE CLEARLY WHAT YOU REGARD AS THEFT. IT MUST MAKE CLEAR THAT THE POLICY APPLIES TO EVERYONE, AT ALL LEVELS OF THE ORGANIZATION. AND THE MESSAGE MUST BE DISSEMINATED TO ALL MANAGEMENT AND EMPLOYEES, ON A REGULAR BASIS.

IT'S NOT ENOUGH TO MENTION THE POLICY DURING EMPLOYEE

ORIENTATION. SUPERVISORS MUST SET THE TONE ON A DAY-TO-DAY BASIS -- WHETHER THAT INVOLVES DISPLAYING POSTERS IN EMPLOYEE BREAK ROOMS, OR KEEPING WORKERS AWARE OF THE POLICY DURING CONVERSATIONS AT WORK, OR WHATEVER CREATIVE METHODS YOU CAN DEVISE.

WE FOUND THAT THE FIRMS WITH THE LEAST THEFT WERE THE ONES IN WHICH ALL DEPARTMENTS COMMUNICATED A PERVASIVE AND CONSISTENT MESSAGE THAT THEFT WAS NOT ACCEPTABLE BEHAVIOR. I DON'T KNOW HOW MANY OF YOU OPERATE IN THIS WAY. BUT I WANT TO STRESS THE POINT BECAUSE WE FOUND THAT TYPICALLY, IN THE FIRMS WE STUDIED, THE SOLE RESPONSIBILITY FOR EMPLOYEE THEFT WAS DELEGATED TO SECURITY DEPARTMENTS.

THE CONCERTED EFFORT OF ALL DEPARTMENTS TO COMMUNICATE AN ANTI-THEFT POLICY IS OF PARAMOUNT IMPORTANCE. BUT THERE ARE ALSO OTHER WAYS THAT MANAGEMENT CAN BE CREATIVE IN ENCOURAGING EMPLOYEES TO BE HONEST AND COMMITTED. LET ME EXPLAIN.

OUR STUDY SHOWS THAT A KEY FACTOR BEHIND EMPLOYEE THEFT IS THE EMPLOYEE'S PERCEPTION OF THE MANAGEMENT:



"IS MY EMPLOYER CONCERNED ABOUT ME, AND IS HE COMMITTED TO HELPING ME GET AHEAD? . . . "

"WILL HE CARRY THROUGH ON THREATS TO PROSECUTE IF I STEAL?... OR IS HE JUST TRYING TO INTIMIDATE ME?"

HOW YOUR EMPLOYEE ANSWERS THESE QUESTIONS COULD MAKE THE DIFFERENCE BETWEEN WHETHER HE OR SHE DECIDES TO STEAL ON THE JOB.

I KNOW THAT I DON'T HAVE TO TELL YOU THAT IT'S A GOOD POLICY TO DEMONSTRATE COMMITMENT TO, AND CONCERN FOR, YOUR EMPLOYEES. IT OBVIOUSLY CREATES A BETTER, MORE POSITIVE WORKING ATMOSPHERE. BUT IT'S ALSO A GOOD ANTI-THEFT POLICY. WE FOUND THAT A MAJORITY OF THE EMPLOYEES WHO STEAL ON THE JOB DO SO BECAUSE THEY FEEL CHEATED BY THE MANAGEMENT. THEY FIGURE, "WELL, MY BOSS DOESN'T CARE ABOUT ME. SO, I'LL MAKE UP FOR IT BY TAKING HOME MY OWN FRINGE BENEFITS."

SO, HOW DO YOU PROVE THAT YOU ARE CONCERNED AND COMMITTED TO YOUR EMPLOYEES? WELL, I'M NOT SAYING THAT YOU OUGHT TO MOW THEIR LAWNS ON THE WEEKEND, BUT THERE ARE CREATIVE MEASURES YOU CAN TAKE: PERHAPS SMALL PAY RAISES SOON AFTER HIRING, OR STORE

DISCOUNTS.

BUILDING EMPLOYEE MORALE AND MUTUAL TRUST ALSO MEANS CONSIDERING CERTAIN ACTIONS. ONE THAT MANY OF YOU ARE FACED WITH IS THE QUESTION OF POLYGRAPH TESTING. A BILL BANNING POLYGRAPHS BY EMPLOYERS ON EMPLOYEES EXCEPT WHEN A SPECIFIC CRIME BY A PARTICULAR SUSPECTED EMPLOYEE IS BEING INVESTIGATED, HAS PASSED THE SENATE AND AS OF FRIDAY IS STILL IN HOUSE-SENATE CONFERENCE. [NO ADMINISTRATION POSITION YET.]

THE IMPORTANCE OF MAKING EMPLOYEES FEEL VALUED IS ESPECIALLY GREAT WHEN THEY ARE YOUNG. AS YOU PROBABLY KNOW, YOUNG PEOPLE ACCOUNT FOR MOST IN-HOUSE THEFT. HOWEVER, IT'S NOT AGE ALONE WHICH MATTERS. THERE ARE TWO RELATED ISSUES -- AND BOTH OF THEM CAN BE CONTROLLED BY STORE MANAGEMENT.

FIRST, SINCE YOUNG WORKERS TYPICALLY ARE PART-TIME OR LOW IN SENIORITY, THEY OFTEN FEEL EXPLOITED. THEY MAY IN FACT BE EXCLUDED FROM PROMOTIONAL OPPORTUNITIES. IT'S VITAL TO YOUR ANTI-THEFT POLICY TO MAKE A COMMITMENT TO THOSE YOUNGER EMPLOYEES. IF THAT MEANS GREATER EXPENDITURES, IT PROBABLY ALSO

MEANS FEWER LOSSES. IT MIGHT BE QUITE COST-EFFECTIVE IN REDUCING THEFT, COUNTERPRODUCTIVE BEHAVIOR, AND TURNOVER.

THE SECOND ISSUE IN THE CASE OF YOUNG EMPLOYEES IS THAT DISMISSAL IS USUALLY NO DETERRENT. JOB OPPORTUNITIES AT THEIR LEVEL ARE PLENTIFUL, SO THE LOSS OF A JOB IS USUALLY NOT A MAJOR THREAT. BUT IF THE MANAGEMENT CONVINCES EMPLOYEES THAT THEFT WILL RESULT IN CERTAIN PENALTIES, AND POSSIBLY PROSECUTION, THERE IS A DEFINITE DETERRENT FOR EVERYBODY. THEN YOU'VE GOT TO BACK UP YOUR POLICIES, REGARDLESS OF AN EMPLOYEE'S AGE. IF IT'S YOUR POLICY TO PROSECUTE THOSE WHO STEAL, THEN DO IT. IT IS IMPORTANT TO SHOW THAT THE ESTABLISHED POLICY WILL BE CARRIED OUT.

WE KNOW THAT EMPLOYEES WHO STEAL ALSO TEND TO CHEAT ELSEWHERE ON THE JOB. THEY MAY BE ABUSING DRUGS AND ALCOHOL, FOR EXAMPLE. ONE WAY YOU CAN AVOID HIRING PEOPLE WHO ARE LIKELIER TO STEAL IS BY USING DRUG TESTING AS AN EMPLOYMENT SCREEN. AT NIJ WE HAVE ACCUMULATED AN EXTENSIVE BODY OF RESEARCH AND EXPERIMENTATION DOCUMENTING THE CLOSE CORRELATION BETWEEN AN INDIVIDUAL'S DRUG ABUSE AND CRIME RATE.

AS YOU KNOW, DRUG TESTING IS BECOMING AN INCREASINGLY WIDESPREAD PRACTICE IN THE PRIVATE SECTOR. THE CURRENT METHOD OF URINALYSIS SHOWS WHETHER SOMEONE HAS BEEN USING DRUGS DURING THE PAST 48 HOURS, APPROXIMATELY. AT NIJ WE ARE INVESTIGATING AN APPROACH THAT TESTS FOR DRUG USE OVER A LONGER PERIOD, WHICH MAY BE MORE RELEVANT TO YOUR NEEDS. THAT IS, HAIR ANALYSIS. IF IT PROVES TO WORK, HAIR ANALYSIS COULD TEST FOR DRUG USAGE FOR PERIODS OF UP TO ABOUT FOUR MONTHS, AND POTENTIALLY LONGER.

THINKING ABOUT EMPLOYEE THEFT FORCES US TO CONCENTRATE ON THE BAD GUYS. I'D LIKE TO CORRECT THE BALANCE BY EMPHASIZING THE GOOD THINGS THAT CAN BE SAID ABOUT CONTROLLING EMPLOYEE THEFT.

FIRST, ACCORDING TO OUR SURVEY, TWO OUT THREE EMPLOYEES DON'T STEAL. THOSE WHO SAY EVERYBODY DOES IT ARE WRONG. THE TRUTH IS THAT WE HAVE A STRONG BASE OF ETHICAL, LAW-ABIDING EMPLOYEES TO BUILD ON.

NUMBER TWO, AS MANAGERS THE POWER TO CONTROL THIS PROBLEM LIES IN YOUR HANDS. THE MOST IMPORTANT POLICY IMPLICATION THAT

WE DREW FROM OUR EMPLOYEE THEFT STUDY WAS THAT THEFT IS IN LARGE PART A REFLECTION OF HOW EMPLOYEES VIEW MANAGEMENT.

IF YOU TAKE AN ACTIVE CONCERN IN THE JOB SATISFACTION OF YOUR EMPLOYEES -- ESPECIALLY THE YOUNGER, LESS EXPERIENCED ONES; IF YOU DEVELOP POLICIES WHICH INSTILL A SENSE OF HONESTY AND COMMITMENT IN YOUR EMPLOYEES; IF YOU MAKE THEFT-PREVENTION A PRIORITY IN YOUR STORE; AND IF YOU CARRY THROUGH ON YOUR POLICY TO PENALIZE OR PROSECUTE EMPLOYEES WHO STEAL -- YOU WILL BE WAY AHEAD.

TO RETURN TO WHAT I SAID AT THE BEGINNING OF THESE REMARKS, I'D ALSO LIKE TO ENCOURAGE YOU TO THINK ABOUT WORKING IN PARTNERSHIP WITH NIJ ON LOSS PREVENTION. WE ARE PARTICULARLY INTERESTED IN SEEING PROPOSALS FOR FIELD EXPERIMENTS -- IN OTHER WORDS, RANDOMLY ASSIGNING CERTAIN RESPONSES TO A SITUATION LIKE EMPLOYEE THEFT IN ORDER TO TEST WHICH RESPONSE IS MOST EFFECTIVE. IF YOU'RE INTERESTED IN SUBMITTING A PROPOSAL, WE HAVE A PUBLIC SAFETY AND SECURITY GRANT PROGRAM WHICH WOULD BE AN APPROPRIATE RUBRIC FOR YOUR CONCERNS. [THEY SHOULD GET A COPY OF NIJ RESEARCH

PROGRAM PLAN] (May 13 Deadline)

YOU CAN SEE AN EXAMPLE OF THE KIND OF EXPERIMENT NIJ HAS FUNDED IN THE PAST IN THE SEPTEMBER '87 ISSUE OF SECURITY MANAGEMENT MAGAZINE. THIS WAS A SHOPLIFTING EXPERIMENT DESIGNED TO TEST THE IMPACT OF ARREST ON SHOPLIFTERS AT A MAJOR METROPOLITAN RETAILER. SHOPLIFTERS WHO WERE APPREHENDED WERE RANDOMLY ASSIGNED EITHER TO POLICE ARREST, OR TO RELEASE WITHOUT CHARGE.

- O ARREST DID NOT DETER AVERAGE SHOPLIFTER
- O BUT DID DETER JUVENILES
- O WHEN COMPANY PUT NEW ARREST POLICIES INTO EFFECT BASED ON STUDY, CUT SHOPLIFTING RATE BY OVER 10 PERCENT.

GAINESVILLE FLORIDA IS THE SITE OF ANOTHER EXAMPLE OF HOW RESEARCH HAS HELPED TO REDUCE CRIME. AFTER EXPERIENCING A SERIOUS INCREASE IN CONVENIENCE STORE ROBBERIES, THE CITY ADOPTED AN ORDINANCE BASED ON EARLIER RESEARCH SUPPORTED BY NIJ. IT REQUIRES REMOVAL OF SIGNS POSTED IN WINDOWS SO THAT THE VIEW OF

THE CASH REGISTER AND SALES AREA IS UNOBSTRUCTED; LOCATING THE SALES AREA WHERE THE CLERK AND CUSTOMER ARE FULLY VISIBLE FROM THE STREET; POSTING A CONSPICUOUS SIGN SAYING THAT THE EMPLOYEE HAS A MAXIMUM OF \$50 IN CASH; THE LIGHTING OF PARKING LOTS; THE INSTALLATION OF A SECURITY CAMERA; MANDATORY ROBBERY PREVENTION TRAINING FOR ALL EMPLOYEES; AND THE PRESENCE OF TWO STORE EMPLOYEES ON THE PREMISES IN THE EVENING UNTIL CLOSING. A PRELIMINARY EVALUATION OF THE PROGRAM INDICATED A 65% REDUCTION IN CONVENIENCE STORE ROBBERIES IN THE BRIEF TIME THE ORDINANCE HAD BEEN IN PLACE. FOR NIGHTTIME ROBBERIES, THERE WAS A 75% REDUCTION. OTHER JURISDICTIONS ARE ALSO USING THESE STRATEGIES TO REDUCE AND CONTROL COMMERCIAL CRIME.

ALONG WITH OUR EMPLOYEE THEFT STUDY, THESE ARE JUST A FEW EXAMPLES OF THE BENEFITS RESEARCH CAN BRING TO YOUR STORE OPERATIONS. BY THINKING CREATIVELY AND SUPPORTING RESEARCH, WE CAN HELP EACH OTHER TO SOLVE THE PROBLEMS WE COULD ALL DO WITHOUT. THANK YOU.

[Q AND A OPPORTUNITY]