# Employee theft in restaurants: Perceptions about theft-related activities and reporting behaviors.

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## ABSTRACT

*According to the United States Chamber of Commerce, annual revenue loss due to employee theft ranges from $40 to $400 billion. Based on this statistic, the present research seeks to examine different aspects of employee theft in the foodservice industry. Specifically, this paper looks at different perceptions of employee deviance and the associated level of severity, knowledge of peer theft, and possible reporting behaviors. The research sample will be comprised of front line employees and managers in foodservice establishments. Results will be analyzed using descriptive statistics, correlations, and ANOVA tests. Theoretical and practical implications will be discussed.*

**Keywords:** *Theft, deviance, foodservice, employee behaviors*

## INTRODUCTION

Employee theft has a strong impact on the foodservice industry. According to the United States Chamber of Commerce, annual revenue loss due to employee theft ranges from $40 to $400 billion and contributes to approximately fifty percent of small business failures within the first year (Oliphant & Oliphant, 2001). Costs associated with employee theft in the restaurant industry are estimated at $3 to $6 billion (Garber & Walkup, 2004). Typically, employee theft in foodservice falls into two categories: "shrinkage" the loss of inventory or "larceny" the loss of cash or merchandise. Food and liquor inventory, unpaid food consumption, credit card fraud, stolen tips, unauthorized discounts, and free food given to friends or family are just a few examples of employee theft in the restaurant industry. Moreover, these types of theft may often go undetected for long periods of time because proper internal control procedures are not in place (Garber & Walkup, 2004).

Consistency and accountability at each level of operation can help reduce the opportunity for employee theft. Therefore, a well-designed system of internal controls becomes critical. Such systems may help decrease the opportunities an employee has to steal from their employer (Mohsin, 2006). Additionally, internal controls contribute to the overall success of a restaurant by providing a standard operating procedure for each phase of the business. Separation of duties, limited access to cash or assets, physical protection of assets, and internal and external audits can help restaurant operators increase efficiency and reduce losses due to theft by employees (Mohsin, 2006).

## Purpose of Research

Development of an internal control system that reduces theft is impossible without the understanding of employees' perceptions toward theft and their behavioral inclinations toward cooperation with management. However, very few studies have explored how foodservice employees view theft and what would motivate them to disclose information regarding activities of theft by their peers. Furthermore, previous research on employee theft has requested employees to disclose information about actual actions regarding different types of theft (Ghiselli & Ismail, 1998). However, it is possible that some respondents may not be completely truthful in their answers with regard to themselves. This study attempts to address these gaps in the hospitality theory and examine how employees view acts of theft and how they would behave if exposed to theft-related behavior of peers.

The research questions can be summarized as the following:

- Do employees rate all forms of theft with the same level of severity?
- How much knowledge do employees have about their peers being involved in theft?
- Will employees report theft acts of their peers if a reward system is in place?

## Literature Review

By nature, restaurants provide an environment full of opportunities for which employees can take advantage of stealing business profits. Criminologists have determined three factors that cause employee theft: opportunity, motivation, and rationalization (Fikes, 2009). Research conducted by criminologists show that *motivation* is a key factor in whether or not an employee will steal from their employer. Examples of theft motivation in the restaurant industry may include employees who feel underpaid and overworked, as well as mistreatment by owners or members of management (Krippel, Henderson, Keene, Levi, & Converse, 2008). Social scientists have tested several theories on employee theft and found employees who steal do so for a variety of reasons (Greenberg, 1990). Some employees may steal to ease financial pressures. Younger workers are viewed as having lower moral and ethical standards that might affect theft. Some may view theft as a norm that it is accepted by their employers. It is important to mention that employees' attitudes play a key role in whether or not employee theft takes place. For example, employees who feel unfairly treated by their company tend to be more involved in deviant acts against their employer (Hollinger & Clark, 1983).

Employee theft can be categorized in many different ways. Hollinger, et al. (1992) place different acts of theft into three distinct categories: personal property deviance, altruistic property deviance, and production deviance. *Personal property deviance* is the act of taking cash, merchandise, equipment, or supplies for personal use. *Altruistic property deviance* involves giving away company property or assets to others at no charge or at a discounted rate. *Production deviance* refers to the loss of time and productivity in the workplace. The study also examined the correlation between age, perceived employer unfairness, and length of service with the different types of deviance. Hollinger, et al. (1992) found that employees of all ages with tenure of more than one year, who felt unfairly treated by their company, were more likely to

participate in personal property deviance against their employer. This study also showed no correlation between unfair treatment and altruistic property deviance. However, employees who felt unfairly treated did participate more frequently in production deviance.

Oliphant and Oliphant (2001) reveal a different method of decreasing or eliminating employee theft that may prove useful in the restaurant industry. *Public posting* is a behavior-based method of displaying lost revenue from week to week in an attempt to discourage employees from stealing. If employees are in fact stealing, the researchers believe this method will deter them from participating in further personal property deviance. This study focused on a group of targeted items and tracked the losses for each of these items during the course of a week. The results were posted in the employee break room so everyone could see the progress. Oliphant's study of drug store employees showed an 82.1% drop in the number of targeted items stolen each week.

**Methods**

The target population for this research project will be employees in casual dining restaurants, as most of the foodservice establishments fall into such a category. Both front line employees and managers of restaurants located in the Midwest will comprise the research sample. Several scenarios will be formulated around the different types of employee theft: personal property deviance, altruistic property deviance, and production deviance (Hollinger, Slora, & Terris, 1992). The scenarios will describe three situations of employee theft in a restaurant setting. The same set of questions will be asked after each scenario. Perceptions toward different acts of deviance and behavioral intentions based on the described situations will be measured using a Likert-type scale ranging from 1 "extremely unlikely' to 7 "extremely likely". Demographic information will be collected in the second portion of the survey questionnaire. The research instrument will be pre-tested to ensure validity and reliability. Descriptive statistics, correlation analysis, and ANOVA tests will be used for data analysis.

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