

# The Hidden Cause of Employee Theft and How to Cure It

By **Jeanet Wade**

There are many ways your employees can steal from you. From the “borrowing” of office supplies to overreporting of hours to embezzlement of money, divulging protected information, or selling intellectual property, there’s no one with greater opportunity to help themselves to your company assets.

And those losses, even the minor ones, add up. In fact, an article from CompareCamp that provides an astonishing mash-up of statistics on employee theft states that small thefts add up to 5 percent of revenue while inventory losses are as high as 43 percent of revenue in the US.

That doesn’t even factor in misuse of benefits, over reporting hours worked, or other fraudulent acts, such as sale of data or company information.



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Here's what the author said is the bottom line: "Potential global loss from fraud and employee theft is \$2.9 trillion annually. It is also estimated that 33 percent of corporate bankruptcies in the US are linked to employee theft."

Yes, you read that right. That's *trillion* with a T. Every single year. And about 7,500 bankruptcies (there were 22,780 company bankruptcies reported in 2019) are caused in part or entirely by employees stealing from their employers.

I won't quote that article further because one, you can read it yourself, and two, it gives me a headache just thinking about all the businesses being impacted by employee theft when so much of the loss could have been prevented.

Now, when I say that the loss could have been prevented, your mind probably goes to security measures, both physical and digital, and management oversight. But while those are important, and this article isn't intended to devalue diligence and reasonable security measures, those aren't your first line of defense in reducing loss due to occupational theft.

The first thing you need to consider when evaluating a plan for loss reduction is, believe it or not, the *needs* of the humans who work for your organization.

Before you shake that off as irrelevant, too vague, too undependable, too hard to measure or manage, or just too "touchy-feely" for your company culture, consider the two aspects of any crime—motive and opportunity.

Security and management oversight are focused on reducing opportunity and recovering losses. So, if someone is tempted to defraud the company, these measures may deter them, and if someone attempts a theft or succeeds in their efforts, these measures may result in apprehending the thief and mitigating the damage.

What security and oversight cannot do is address the "motive." Motive, of course, precedes opportunity. Without motive, crimes aren't as likely to be committed, even when opportunity presents itself.

### Addressing Motive

We tend to think of motive in terms of greed, desperation, or just

thoughtless pilfering. But studies show that for many employees who, when surveyed, admit to defrauding their employer, the motivation is discontent, feeling unappreciated, or simply a lack of engagement, loyalty, or connection to the company.

How many of your employees have either committed significant wrongdoing or been aware of a wrongdoing and haven't reported it? KPMG Forensic polled 3,500 US employees for its *Integrity Survey 2013* report. According to that report, 73 percent responded to that survey that in the last twelve months they had either committed or observed a serious offense.

So, what is the motivation for employees to commit crimes against their employer or look the other way when they know the company is being harmed?

In the 1940s, criminologist Donald R. Cressey studied the root causes of company fraud. He found that most of the nearly 200 convicted embezzlers interviewed stole because of financial pressure. However, he also found that there were two other determining factors for whether or not these employees went through with plans to steal from their employers: One, they had to have some belief that they were going to be able to get away with the crime, and two, they had to have a belief that their actions were justifiable.

In his book *Occupational Fraud and Abuse* by Joseph T. Wells, the former FBI agent and white-collar crime expert who founded the Association of Certified Fraud Examiners, published what he called the "crime triangle." The three points in this triangle were opportunity, pressure, and rationalization.

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## Universal Human Needs

Humans are fascinating. One thing that makes them so intriguing is their ability to hide their motives even from themselves and to create narratives to explain subconscious beliefs and emotions.

The thing is that humans have natural needs that are pretty much universal. They need to feel heard and seen, they need to have a sense of belonging, and they need to know their contributions matter. There isn't a human alive who doesn't have those needs. And when those needs aren't met, we feel uncertain, insignificant, threatened, even violated. That's because those needs are wired into our brain settings and DNA as vital to survival.

The interesting thing about this is that most of your employees don't know they have those needs, or they believe they "shouldn't" need these things from their teams and leaders. So they won't tell you that their rationalization for a crime includes, "I didn't feel like I mattered or that I belonged." In fact, they probably don't even realize that it's true.

Albert Pujols, the three-time MVP who left the St. Louis Cardinals for the Angels after three World Series appearances and two World Series wins, was highly criticized for leaving his team and a town that nearly idolized him. It was widely assumed that his motivation was the hefty salary package offered by his new team.

However, years after that decision he gave an interview refuting that common perception and stating that it was the leadership of the Cardinals team that caused him to make the move. It wasn't money, he insisted, he'd had another offer that was

even higher than the Angels, and he didn't take it either. He wanted to go where the team management appreciated him and his contribution, and he felt that was not true in St. Louis.

While this is only one anecdotal story, there are thousands of similar tales and plenty of studies that come to the same conclusion. For many people, having their human needs met is often more of a motivation than any amount of money.

## Feelings and Engagement Influence Behavior

And studies show that our *feelings* have more to do with behavior than temptation. In an article titled "Why Employees Commit Fraud" the *Journal of Accountancy* summarizes one of the studies referenced in the article by saying, "The researchers concluded the most common reason employees committed fraud had little to do with opportunity, but more with motivation—the more dissatisfied the employee, the more likely he or she was to engage in criminal behavior."

When we talk about employee satisfaction and engagement, we usually turn to Gallup's "State of the American Workplace Report." No matter what year's report you happen to reference, their findings are all disheartening. Generally, you can expect to learn that only about one-third of the employees surveyed are considered engaged, about half are disengaged, and the remainder are actively disengaged.

Those actively disengaged or dissatisfied employees can be a real threat to your security and your bottom line. One Gallup report estimates that actively disengaged employees cost US companies between \$450 billion to \$550 billion each

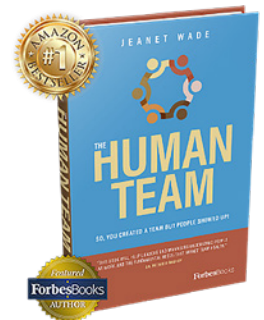
year in lost productivity and goes on to say about those disengaged employees, "They are more likely to steal from their companies, negatively influence their coworkers, miss workdays, and drive customers away."

Typically, when companies make employee satisfaction, retention, productivity, or engagement a focus, they turn to nurturing activities. And they may see a temporary bump in morale, but unless there are systemic changes made in conjunction with these activities, the increase in engagement is likely to be short-lived and may even backfire.

That's because, before we can nurture people to excellence or even engagement, we must meet their natural, universal needs as human beings. *Nature*—our instincts, brain function, and what Kathy Kolbe, theorist and founder behind the Kolbe Conative Assessment tool, calls "MO" or modus operandi—is at the core of our most deeply ingrained beliefs and behavioral patterns. *Nurture*—the activities of coaching, engagement, and motivation—cannot take root until we've accounted for nature.

## 6 Facets of Human Needs

The bridge between nature and nurture is to understand and provide what humans need in order to be fulfilled or "self-actualized" as part of a group dynamic. In my book *The Human Team*, I refer to these as the 6 Facets of Human Needs™. This framework allows business leaders to dependably assess their team health and create processes and structures to meet these human needs and increase employee engagement and satisfaction. The truth is that you actually have three powerful tools to keep people





## SECURITY AND MANAGEMENT

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from even thinking about stealing from you. I call them “Connection, Consideration, and Contribution.” These are just three of the 6 Facets of Human Needs, but we’re going to focus on these, as they are most relevant to preventing the disconnection, dissatisfaction, and malcontent that often leads to occupational theft and fraud.

Remember that I said that all humans need to feel heard and seen, need to have a sense of belonging, and need to know their contributions matter? You probably nodded your head because you probably recognized those needs in yourself and the other humans around you. Well, that’s pretty much what Connection, Consideration, and Contribution are about. Here’s what happens when those needs are met and when they aren’t and some tools for using this framework to meet the needs of your

teams, increase productivity, and decrease risk of employee theft and fraud.

### Connection

As humans, we are basically herd animals, wired for connection and belonging to understand ourselves and to feel safe in the world.

When people feel disconnected, excluded, or alienated in a group setting, they are likely to develop a “me versus them” belief system that can easily degenerate to seeing the company as an adversary. But when they have a sense of connection, they see themselves as part of the company and identify the success of the company with their own level of success.

The effects of connection go far beyond psychology or self-reporting studies. Research on the neurological changes in the brain brought on by connection or by

“othering”—the process of identifying yourself or others as part of the “in group” or the “out group”—show that the areas of the brain activated by feeling “othered” or disconnected are the same as those activated by physical pain.

On the other hand, feeling connected or part of the group resulted in an increase in oxytocin, the love hormone, or “cuddle chemical,” which bonds us to people and promotes human connection.

Meeting your teams’ need for connection is more than building personal bonds. In fact, having individuals who feel connected to some of their teammates but not to the company as a larger idea is likely to result in subgrouping, which can increase feelings of othering and lead to destructive behaviors.

To have a true sense of belonging, the humans on your team need to feel connected at several levels.

Yes, they need to feel connected to each other. They need to have a sense of community and that a win for the company is a win for all the members on the team. In order to connect with each other at that level, they also need to connect to the bigger concept of what the company stands for—the mission, values, and culture—what beliefs and ideals hold you all together.

And finally, they need to connect to the company’s place or space. In human evolution, geographic spaces were critical to belonging to the tribe, and that sense of being connected through sharing physical space is still wired into our DNA.

The truth is that most people don’t harm people or things they feel connected to or a part of. Of course, there are exceptions—desperation or disregard for others are factors that can certainly override



those norms. But you can certainly reduce the number of employees who would be able to rationalize harming the company just by increasing their level of connectedness to the company.

## Contribution

One of the most important things we can do as business leaders, both in terms of creating healthy, productive teams and mitigating risks of employee theft, is to acknowledge the human psyche's need to contribute and reward those contributions.

Have you ever found yourself sitting in a meeting, mind wandering, toes tapping, trying to figure out your purpose for being in the room or on the call? How engaged were you, and how much attention did you give to the proceedings of the meeting?

If we want healthy, engaged, loyal teams, we have to allow them to contribute at the highest level of their capability. Anything less and, as you probably noticed if you reflected on the scenario above, they begin to disengage. And that disengagement isn't confined to the context of that single meeting.

People who feel insignificant or undervalued will either disengage, leading to lack of connection and resentment, or in their desire to be significant and a part of the project or objective will disrupt those who are currently contributing at a higher level. Either outcome leads to business loss and increased risk.

To make sure everyone feels their contributions are meaningful and valued, ask yourself the following questions:

- Is everyone on your team serving at their highest and best?
- When setting expectations,

are you achieving mutual agreement?

- Does each team member have a voice at the table? Do you have the right voices at the table?
- Is each individual continually learning and then applying new knowledge to the team or organization?
- Does the team member feel they are contributing meaningful work? Do they like their job and/or role?
- Have you established guidelines for working as a team?

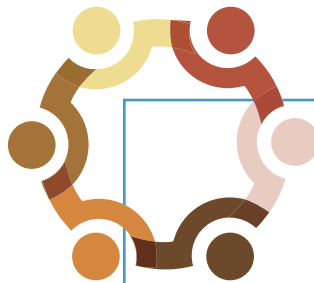
Finally, pay attention to the size of your teams. Smaller teams increase engagement and allow greater contribution from everyone included. Studies show that small-team intimacy triggers oxytocin and increases empathy. It's probably the reason that Amazon founder Jeff Bezos goes by the two-pizza rule. If you can't feed a team with two pizzas, he says, it's too big.

## Consideration

Every human wants to be valued, and we know when we aren't. A person who senses that they are unappreciated, inadequately compensated (and not all compensation is monetary), or treated unfairly in any way is going to be tempted, consciously or not, to balance the books so to speak.

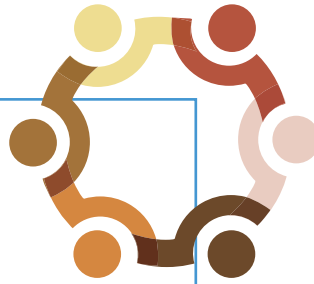
And that's the key to consideration, that we begin by recognizing and respecting the unique human being, that we apply the "Platinum Rule" of treating them the way they want to be treated, and that we reward contributions appropriately, which can range from a high five, a public thank you, a small gift or card, or a monetary reward, such as a raise.

When people aren't having their need for consideration met, they feel like a "non-entity," no more individual or important than a robot or a cog in the wheel. Their self-esteem plummets, and because, historically,



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## ONE GALLUP REPORT

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unimportant members of the tribe weren't as likely to be protected by the tribe, their biological sense of safety is threatened.

And when our significance and survival feel threatened, it's easy to rationalize a preemptive strike or to bond with other discontented people in the “tribe.”

To meet the need for consideration, build a culture where people are seen as unique and valuable human beings before they're categorized for their skills and capabilities. Make sure leaders and managers are getting to know the people whose success they're responsible for. Small gestures like knowing which baseball team someone follows or what college their kids go to will go a long way toward establishing your consideration for them as a human being.

Showing genuine consideration for the people on your teams has actually been shown to be more motivating and to build greater loyalty than even monetary incentive programs. And it's certainly more cost effective than trying to recoup losses from employee theft, fraud, or underperformance.

### The Bottom Line

When you contrast the beliefs and emotions of someone who feels connected to the people they work for, and the mission and values the company represents, to someone who feels disconnected or even excluded from the groups and structures in the workplace, it's obvious that it's easier for the employee with less sense of belonging to rationalize wrongdoing.

The same is true when you think about the employee who knows they are considered to be inherently valuable as a human being as well as an asset to the team versus someone who feels like a “plug and play” robot or a cog in the wheel.

And certainly, it's hard not to understand that someone will be more protective of the success of the company when that success represents their own contributions and those contributions have been validated and valued.

The employee who feels disconnected or excluded, like an unimportant cog in the machine whose contributions are minimal or unappreciated, can easily rationalize looking the other way when they see unethical or even illegal behavior. And they're more likely to rationalize committing those acts themselves.

On the other hand, the person who feels as though they belong and play a vital role in something bigger than themselves, who feels like they are seen, heard, respected, and rewarded for their contributions, actually identifies as a part of the company. They feel any harm done to the business as personal to themselves.

The bottom line is, when you put your focus on team health, risk mitigation is just a welcome byproduct. ●



**Jeanet Wade** is a Certified EOS® Implementer and the founder of the consulting firm, the Business Alchemist. As a facilitator, teacher, and coach,

Wade helps companies implement the Entrepreneurial Operating System (EOS), a set of business concepts, principles, and tools that help business owners and executives run more successful businesses.