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Shedding Light on Employee Theft’s Dark Figure: A Typology of Employee Theft Nonreporting Rationalizations

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ABSTRACT

Employee theft is one of the most harmful crimes a small business can experience. Yet despite the large financial, organizational, and emotional toll employee theft takes, it is one of the most underreported crimes committed against small businesses. Using data obtained from interviews with victimized small business owners, this article develops a typology of employee theft nonreporting rationalizations. Additionally, interview data indicate that nonreporting rationalizations follow a general pattern of use, beginning with an assessment of the theft as trivial or significant, and proceeding to a consideration of personal factors that influence nonreporting, which is followed by a consideration of the effectiveness of previous interactions with the criminal justice system. Understanding how these rationalizations influence reporting behavior may assist scholars and practitioners to help small businesses better deal with their employee theft experiences, and may also help to explain why employee thefts will likely continue to be underreported.

Employee theft is one of the most harmful crimes a business can experience (Association of Certified Fraud Examiners, 2012, 2014; Kennedy, 2014), and small businesses in particular suffer great harms as a result of employee theft, yet the majority of these victimizations are not reported to the criminal justice system. Research has consistently found that businesses of all size underreport their experiences with crime, and in particular employee theft (Fisher & Looye, 2000; Krippel, Henderson, Keene, Levi, & Converse, 2008; Levine & Jackson, 2002; Lonie, Maynard, Ruighaver, & Wei, 2005; Taylor, 2002; Wimbush & Dalton, 1997). Previous research that has addressed the lack of formal reporting by victimized small businesses did not explore the specific reasons why the business chose to remain silent. Using the results of a study of employee theft within small businesses, this article develops a typology of nonreporting rationalizations that account for the lack of employee theft reporting by small businesses.

Exploring the reasons why small businesses choose not to report employee theft victimizations may help scholars understand how small businesses view their victimization experiences, and to understand how best to provide services and support to victimized businesses. While the initial goal of the study from which these data are drawn was not the identification of nonreporting rationalizations, many victimized small business owners described their reasons for not contacting the police during the course of describing their experiences with employee theft. The emergence of these rationalizations occurred early in the data collection process and it became clear that these reasons could be categorized into a useful typology.

This article begins with a brief review of the literature on employee theft, its prevalence, and its impact on businesses, business owners, and other relevant stakeholders. Following this, the study’s methods are discussed, including a review of the qualitative techniques used to collect and analyze the data. The results of this study are then presented, the focus of which are several rationalizations used by small business owners for not reporting victimization to the police. The article concludes with a brief discussion of the implication of the results, directions for future research, and managerial implications.

Theoretical framework

Employee theft is a term used to capture a range of deviant workplace behaviors including theft of cash and theft of items to be sold by the business (Boye & Wasserman, 1996) and even the theft of time (Snider, 2002). However, there is little agreement on the criteria used to identify an act as employee theft (Greenberg &
Barling, 1996). Despite the lack of clear definitional criteria used to distinguish employee theft from other deviant behavior in the workplace, this problem has long been recognized as a serious societal concern (Beckwith, 1807; Clark & Hollinger, 1981; Colquhoun, 1770; Kellogg, 1881; Loch, 1779; Rapalje, 1892), yet it is a concern that has consistently received less attention than other forms of crime. The need for increased attention to be given to this problem is highlighted by recent scholarship that has documented the severe negative financial impact employee theft has upon victimized businesses, as well as on the individuals who run these businesses (Kennedy, 2014).

Employee theft can take a significant financial toll on victimized small businesses and their owners (Appelbaum, Cottin, Paré, & Shapiro, 2006; Chen & Sandino, 2012; Gross-Scheaffer, Trigilio, Negus, & Ro, 2000; Murphy, 1993; Myers, 1999; Rosenbaum, 1976), and the costs of employee theft may be as much as 10 times that of nonemployee theft that occurs within the same business (Taylor & Prien, 1998). In total, employee theft in the United States is estimated to cost victimized businesses and the U.S. economy as much as $400 billion annually (Appelbaum et al., 2006; Murphy, 1993; Myers, 1999; Rosenbaum, 1976). Furthermore, the impacts of employee theft may spill over in ways that affect customers and other stakeholders (Hoar, 2001; McKelvey, 2000). For example, nonoffending employees may be affected by this crime through changes made to the business in the wake of employee theft, which can lead to increased levels of employee turnover and lower levels of interpersonal and organizational trust (Payne & Gainey, 2004).

Additionally, the owners of the victimized business may experience negative affective responses to the theft (Kennedy, 2014), as small business owners tend to have deep emotional connections to the business and employees (Culkin & Smith, 2000). The emotional connections among employees and managers in small businesses is typically more informal and personalized (Astrachan & Jaskiewicz, 2008; Matlay, 1999), and the owners of small businesses are more likely to treat their employees like family members (Matlay, 1999). As a result, an employee’s desire to make sacrifices for the business is likely influenced by that employee’s relationships with business owners (Gadenne, 1998). Yet it is not only at work that the negative affective outcomes of employee theft can be seen, as negative experiences at work can create stress at home (Eby, Maher, & Butts, 2010).

While previous research has attempted to put a solid figure on the losses that result from employee theft, its hidden nature and the underreporting of theft by businesses make it difficult to determine an exact amount of the losses associated with this crime (Association of Certified Fraud Examiners, 2010). Furthermore, certain industries may be at an increased risk for repeat victimization, such as fast food establishments and convenience stores, as these businesses typically have more opportunities for theft and lower levels of organizational commitment among employees (Hollinger, Slora, & Terris, 1992; Wimbush & Dalton, 1997). The underreporting of theft in these high-theft industries significantly impacts official records that report the level of retail and food service shrinkage rates, and suppresses accurate counts of losses due to theft (Krippel et al., 2008; Levine & Jackson, 2002; Wimbush & Dalton, 1997).

Studies of employee theft give an idea of the size of this issue, yet the rates of business-reported and employee-reported thefts vary. For example, in a study of crimes committed against U.S. small businesses, Fisher and Looye (2000) found that 16% of businesses reported experiencing an employee theft. Several other studies (Ash, 1991; Dalton & Metzer, 1993; Sieh, 1987) have found that between 8 and 10% of businesses reported experiencing an employee theft. However, other studies (Jones & Terris, 1985; Krippel et al., 2008; Wimbush & Dalton, 1997) have found that between 60 and 70% of businesses will experience at least one incident of employee theft. Research using self-reported employee deviance suggests that higher estimates of employee theft may be more accurate, as 35 to 70% of surveyed employees have admitted to stealing from their employers (Boye & Slora, 1993; Hollinger et al., 1992; Kope & Brooks, 1991; Slora, 1989).

While the underreporting of employee theft within small businesses has been previously discussed (for examples, see Fisher & Looye, 2000; Taylor, 2002), the reasons behind this underreporting have only been sparsely described. What work has been conducted on the nonreporting of employee theft has often been confounded with work on the nonreporting of other crimes committed against the business, such as burglary, shoplifting, and customer frauds. For example, Taylor’s (2002) work on small business crimes in Australia found that the main reasons for the nonreporting of all crimes committed against businesses included the perception that reporting the crime would not achieve anything, the perception that the police could not do anything about the thefts, and the perception that the offense was not serious enough to report.

These perceptions could lead small business owners to deal with employee theft through personnel policies that emphasize termination and minimize, or altogether avoid, use of the civil or criminal justice system (Krippel et al., 2008).
Methods

Study design

This article describes themes that emerged from the qualitative data that formed one part of a larger mixed-methods study exploring the employee theft experiences of small business owners and managers (hereafter referred to as “owners”) in a Midwestern U.S. city. The qualitative portion of the study consisted of a series of in-person interviews that were used to gather in-depth information about a business’s experiences with employee theft, specific details regarding responses to theft, and details of the personal reactions of business owners. Small businesses were chosen as the focus of this study because they comprise more than 99% of the companies in the United States, and research by the Association of Certified Fraud Examiners (2010, 2012, 2014) indicates they are more likely to be victimized by employee theft, and suffer greater losses from those victimizations, than larger businesses.

Prior to the beginning of data collection, a pilot study was held with several advisory board members of a collaborative university–business community research center. During this 90-minute session, pilot-study participants read through the study materials and gave constructive feedback regarding future revisions they felt should be made to improve the quality and content of the survey and interview questions, as well as the quality of the study materials. Comments and feedback led to improvements in question wording and presentation.

The collection of qualitative data followed the spirit of grounded theory (Charmaz, 2006; Glaser & Strauss, 1967; Miles & Huberman, 1994), as semistructured interviews were used to collect data from a variety of business owners who experienced a range of employee theft victimizations (requisite variety: Marshall & Rosman, 2006; Tracey, 2010), categories were created by coding interview transcripts, continuous comparisons between the data and literature on employee theft were conducted throughout data collection, and data collection ended when no new codes emerged and no new information was added to existing codes (theoretical saturation). Because grounded theory calls for an iterative approach to data collection where early data are analyzed for themes that might affect the direction of later data collection, the questions asked of respondents evolved as the research evolved, which allowed for a progression from concrete data (i.e., data from interviews) to a conceptual understanding of how employee theft affects small businesses and their owners (Ladge, Clair & Greenberg, 2012). The initial interview protocol did not include questions asking participants to discuss whether they had contacted the police after the theft; however, early in the interview process as participants discussed their employee theft victimizations it became clear that this was an important theme to explore in future interviews (Marshall & Rosman, 2006). Accordingly, the following questions were added to the interview protocol: “Did you contact the police after the theft?” and “Why/why not?”

Participant characteristics

Interview participants were individuals who indicated through a response on a mailed survey questionnaire (the quantitative portion of the larger study) that they would be willing to participate in a follow-up in-person interview. Interview participants were selected throughout the data collection process, and initial participants were selected to reflect a broad variety of industries and theft experiences, as detailed in their completed surveys. Later interview participants were chosen based upon reviews of their responses to questions on the mailed survey, and the themes that emerged from previous interviews (theoretical sampling: Glaser & Strauss, 1967).

In total, 30 interviews were conducted, yet only 22 of these business owners had experienced an employee theft. Nonvictimized business owners were interviewed about employee theft in order to ensure proper representation of all facets of the small business community, and these individuals contributed greatly to the overall findings of the larger employee theft study. However, this article focuses upon the 22 business owners who had experienced at least one employee theft, as these individuals have had to make the decision to call, or refrain from calling, the police following the discovery of the theft.

Characteristics of participating businesses can be found in Table 1. All participants but were the business’s owner; the remaining participant was the vice-president of her firm. The businesses had an average of 53 employees, yet ranged in size from 15 employees to 225 employees. There were seven businesses operating in the retail industry, seven operating in the services industry, and another seven operating in the manufacturing industry; the remaining firm operated in the wholesale trade industry. In total, 44 employee thefts were reported by participant businesses, an average of two per business, with 50% (n = 11) reporting only one theft, 22.7% (n = 5) reporting two thefts, 13.6% (n = 3) reporting three thefts, 4.5% (n = 1) reporting one theft, and 9.1% (n = 2) reporting five thefts.
Interview participant characteristics.

<table>
<thead>
<tr>
<th>Position</th>
<th>Gender</th>
<th>Industry</th>
<th>Employees</th>
<th>Thefts</th>
<th>Total losses</th>
</tr>
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<tbody>
<tr>
<td>Owner</td>
<td>Male</td>
<td>Services</td>
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</tr>
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</tr>
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<td>Services</td>
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<td>Unknown</td>
</tr>
<tr>
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<td>Services</td>
<td>15</td>
<td>1</td>
<td>$500.00</td>
</tr>
<tr>
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<td>Services</td>
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<td>5</td>
<td>$30,400.00</td>
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<tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>Services</td>
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<tr>
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<tr>
<td>Owner</td>
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<td>5</td>
<td>$3,400.00</td>
</tr>
<tr>
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<td>Retail trade</td>
<td>172</td>
<td>3</td>
<td>$770.00</td>
</tr>
<tr>
<td>Owner</td>
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<td>1</td>
<td>$600.00</td>
</tr>
<tr>
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<td>Services</td>
<td>25</td>
<td>1</td>
<td>Unknown</td>
</tr>
<tr>
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<td>Retail trade</td>
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<td>3</td>
<td>$70.00</td>
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<tr>
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<tr>
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<tr>
<td>Owner</td>
<td>Male</td>
<td>Manufacturing</td>
<td>35</td>
<td>1</td>
<td>Unknown</td>
</tr>
<tr>
<td>Vice-president</td>
<td>Female</td>
<td>Manufacturing</td>
<td>27</td>
<td>2</td>
<td>$3,500.00</td>
</tr>
</tbody>
</table>

The average loss associated with these thefts was $10,513. However, there was a wide variety of losses given by victimized businesses, as the value of losses ranged from a low of $20 to a high of $130,000; the median loss was $1000, and the value of loss for five reported thefts was unknown. It must be noted that the values reported by victimized business owners are likely approximations of the actual value of the loss associated with the theft; however, there is no reason to suspect that these values are significantly inflated, so the values are reported here as they were given by respondents. Most thefts were ongoing schemes (59.1%, n = 26) committed by employees categorized as general labor (70.5%, n = 31). However, the most costly thefts were committed by employees in management positions (20.5%, n = 9); the remaining thefts were committed by office staff/accounting employee (6.8%, n = 3), and by an unknown employee (2.2%, n = 1).

Data collection

All interviews were conducted by the author, and all but one was voice recorded. Copious notes were taken during the interview that was not voice recorded, and prior to leaving the interview the author verified the accuracy of his notes with the interviewee. All interviews were conducted at the interviewee’s place of business, although interviewees had the option of meeting at a location other than their business. On two occasions, the interviewee and author were joined by a third subject who was in both instances an employee of the business; in one case the business’s human resources (HR) manager participated in the interview, while a co-owner participated in the other case. Interviews lasted an average of 48 minutes, yet the length of each interview was determined by the speed and depth at which the participant responded to questions, and by the occurrence of tangential conversations. The interview was concluded when all questions had been asked, the interviewee had answered each question in as much detail as they wished, and any questions or comments offered by the interviewee were addressed.

Interview recordings were transcribed verbatim into a Microsoft Word document and were supplemented with hand-written notes taken during the interview, which addressed things such as key words or phrases used by the respondent, movements or motions made when discussing their experiences, potential avenues for future questions, and descriptions of items pointed to by the respondent during the interview. Transcription occurred within a few days of each completed interview, and each transcript was immediately reviewed for errors, as well as for question responses needing further clarification.

Data analysis

Data obtained from the in-person interviews (verbatim transcripts and interview notes) were analyzed in the software program NVivo (version 10). Data analysis was a continuous process that began after the completion of the first two interviews and continued throughout data collection as interview data were examined in an iterative fashion (Glaser & Strauss, 1967). Specifically, interview transcripts were reviewed and coded for emergent themes and concepts, which were continually compared across interviews, within each interview transcript, and collectively to the literature. Codes that emerged from the data represent the process of moving beyond concrete statements (i.e., data) to analytic interpretations by categorizing segments or slices of data with a word or phrase that summarized that piece of data (Charmaz, 2006).

While the entire transcript was analyzed for information relevant to the nonreporting of employee theft, the most relevant statements given by business owners were found in response to the questions already described about contacting the police. However, it did occur that discussions about the police, the legal system, and the respondent’s perspective on employees or the business yielded useful information about the respondent’s reporting decision. Accordingly, codes pertaining to the nonreporting of employee theft could be found dispersed throughout the transcripts,
as opposed to being clustered around the questions specific to contacting the police. When a code was identified it was entered into a coding dictionary that was used to assist the coding of later transcripts.

It was during the continual review and coding of interview transcripts that consistency was found in small business owners rationalizations for not reporting employee theft to the police. The codes representing these rationalizations were then grouped into relevant second-order categories capturing similar first-order themes, while groupings of second-order categories formed aggregate theoretical dimensions found in the data. Therefore, this article describes an inductive process whereby portions of the stories of victimization told by small business owners identify conceptual categories that can be used to explain business owners’ rationalizations for the not reporting employee theft.

Results
The majority of employee thefts reported by interview participants (83.6%) went unreported to the police. According to data from National Crime Victimization Surveys (NCVS) conducted between 2006 and 2010 (Bureau of Justice Statistics, 2012), this is a greater percentage of underreporting than is found with motor vehicle thefts (17%), victimizations involving a weapon (31%), household theft (67%), or rape and sexual assault (65%). This article does not argue that employee theft is more serious than these crimes, or that the percentage of underreporting be used in a way to rank these offenses. Rather, it argues that employee theft is a vastly underreported crime that creates significant harm within society, and it is important to understand why it is underreported. There were multiple rationalizations for nonreporting given by small business owners, some of which have already been advanced by the employee theft literature, and others of which have not. This article unpacks much of the nuance inherent to their use, and the results expand understanding of how victims of crime perceive the effectiveness, as well as the usefulness, of the criminal justice system in responding to their victimization experiences.

A typology of nonreporting rationalizations
Analysis of the data gathered from the in-person interviews indicates that victimized small business owners chose not to report employee theft for reasons that varied from an apathetic perspective toward employee theft (theft was too trivial to do anything about), to low perceptions of the efficacy of the legal system. Results of the analyses indicate that when managers perceive the theft to be trivial or insignificant it will not be reported to the police. If the theft was not trivial and was not reported, it was sometimes the case that the owner had some personal reason guiding their decision not to report the theft. However, even when a small business experienced a significant theft and the owner had no personal aversion to reporting the theft, prior negative experiences with the criminal justice system influenced the decision to report the theft victimization.

Perceptions of theft as trivial
Analyses of the interview data suggest that when employee theft occurs, one of the first things small business owners do is assess the seriousness of the theft by determining the financial impact on the business. If the owner perceives the theft to have a small or insignificant impact the owner is not likely to report it to the police; however, this leaves open the question of what “significant” means. It is possible that significance of theft is best determined by assessing the impact to business revenues by, for example, qualifying the loss in terms of its percentage of business revenues in the year in which the theft is discovered. Alternatively, following the logic of previous research, it might be expected that the absolute value of loss is the most important factor in determining significance, with higher losses leading to a higher likelihood of reporting (Bowles, Reyes, & Garoupa, 2009).

This study found that some business owners assessed the seriousness of theft by comparing the absolute value of loss to a specific benchmark unique to the business, while others chose to associate theft severity with the type of theft committed. When seriousness was assessed according to the value of loss, business owners gave a variety of arbitrary benchmarks, such as “$1000,” or, as the owner of a mechanical repair business stated, “I don’t care if it’s $5. That’s theft,” an action that warrants a call to the police. When considering the type of theft in the assessment of offense severity, the distinction between trivial and nontrivial acts depended upon factors specific to the business and the owner’s style of management. For example, the owner of an electrical contracting company stated that they “monitor cell phone bills” for company-issued cell phones, because “if you’re on the phone for 20 minutes that’s not work related, that’s theft.” He tells his employees that such monitoring activities are a good thing and they “should be glad that [they] work for an employer that monitors that [be]cause it gives you a little more certainty that the business you work for is at least marginally well run.” While this business owner considered abuse of a company cell phone theft, he would not contact the
police about the issue because to him it is a trivial theft, and its impact on the business is small.

The owner of a regional contract-cleaning firm stated that employees regularly took cleaning chemicals, paper towel, toilet paper, and other janitorial items home with them, a situation she had no issue with. For this owner, such behavior is “just a perk of the job,” and as long as the items are not taken in large quantities and do not affect the business’s ability to service customers, no harm is done. Conversely, the theft of cash would lead the business owner to contact the police, yet in these cases the value of the loss is less important than the employee’s violation of her trust. Together, these statements highlight the discretion that small business owners used in determining the types of behaviors that constitute a serious employee theft. However, even when an employee theft was considered by a small business owner to be a significant incident, the theft might still have gone unreported.

Influence of religious philosophies
Some small business owners gave reasons as to why they would not contact the police that were more personal and subjective in nature. Some of these reactions reflected the owner’s philosophy regarding “the way [the owner] chooses to handle” theft, while several others were grounded in religious philosophies. For example, the owner of an architectural firm stated that one of his reasons for not calling the police when employee theft occurs is because “my faith says there’s a plan of good, not of evil, so I just move on . . . If you want to go and do that, eventually you’re gonna pay for it.” Similarly, the owner of a legal services firm’s desire to embrace forgiveness was so strong that she struggled with deciding whether to fire an employee who had stolen from her:

Honestly, my first inclination wasn’t to let her go because I loved her, she was my friend, and she paid it back, and it was a mistake and I was ready to just forgive her, but I prayed about it and ... God showed me the problem, and then he showed me the solution (fire the employee). And I haven’t let anybody know. They know she’s gone and I’m sure they put two-and-two together, but I don’t want her reputation to suffer.

While it is unclear whether the business owner just quoted felt the same way about all of her employees (i.e., that she “loved” them), it was clear from her responses that her religion heavily influenced the way in which she handled difficult personal issues, including having to deal with employee theft.

In one instance, the owner of a funeral home had a religious philosophy that influenced his approach to handling employees who had stolen from the business, as well as his perspective on the usefulness of the criminal justice system in dealing with this crime. The co-owner and wife of the owner described her husband’s philosophy toward the reporting of employee theft by stating that he “would chastise [the employee] and spank him on the back of his hand.” She summarized her husband’s actions by describing who he is, as a person, and how his religious life led him into the business:

He would give you the shirt off his back, and he has a heart for people. And that’s one reason, probably the main reason, that he started the business is because he had this heart for people, he had this caring heart that he wanted to help people. And, he would not like to see anyone go to jail, that’s just the type of person that he is, and he felt that it really didn’t warrant people going to jail.

Had this gentleman not had such a “caring heart” his position on dealing with employee thieves might have been drastically different, yet he might also have never been in the position to be victimized, as he likely would not have started his business. The preceding passages also highlight another important theme: The personal and emotional connections that exist between a victimized business owner and the employee thief may be so strong that it ultimately influences the decision not to report the theft police. The influence of personal relationships on the decision to involve law enforcement in addressing employee theft became apparent in other interviews, as some owners saw police involvement as more harmful than helpful. In essence, because of their relationship, a small business owner may sympathize with the employee thief and view the negative outcomes associated with criminal justice system involvement as too harsh or detrimental a punishment.

Emotional connections
The emotional impact of employee theft on small business owners can be significant (Kennedy, 2014), and it stands to reason that in the wake of employee theft emotional connections between the owner and the employee thief can impact the decision to report theft to the police. While the nonreporting of other crimes, particularly intimate partner violence, due to emotional relationships among victims and offenders is a well-established fact (Felson, Messner, Hoskin, & Deane, 2002; Gartner & Macmillan, 1995), the role of relationships in the reporting of crimes against small businesses has not been clearly discussed. The strength of the relationships that exist between business owners and employee thieves can in many cases lead the business owner to experience strong negative emotional reactions to theft. In some instances the quality of the
owner/thief relationship can lead the owner to feel as though they have been personally victimized (Kennedy, 2014).

Many small business owners have very strong emotional connections to their employees, a fact that was made clear in interviews as almost all participants referred to their business as a “family.” These familial connections affect all aspects of the organization, and in many cases begin with the selection of new employees; as the vice-president (VP) of a manufacturing firm stated, “pretty much a family. So, we think long and hard before we bring anybody onboard . . . So, for us to have somebody steal something from us it really goes to the heart.” Once new employees are hired it may not take long for familial connections to develop because, as one business owner put it, “It’s not like you hide a whole lot, you see them every day, it’s almost like family. You talk about kids, you talk about what you did this weekend, you know each other.”

It was common for interviewees to speak of their business as a type of family, with very personal relationships developing among all employees, regardless of their role in the business, a situation that was described by the owner of a small retail establishment:

If you have a small business your employees become your family, you become attached to them because you have relationships with each one of them and then it gets to the point where sometimes it’s difficult to separate friendship from employer/employee relationship.

The difficulty in separating friendly or familial connections from the employer/employee relationship had an influence on some victimized business owners’ willingness to report employee theft to the police. This is best illustrated by the owner of an insurance firm who decided not to report a theft of several hundred thousand dollars because of the emotional connection he had to the employee (a friend for more than 15 years) and to the employee’s family:

I decided not to prosecute [because of] his wife and children, because I knew them so well and it would probably destroy a marriage. I mean, I don’t know if my children would look at me right if I was caught stealing something.

Despite the fact that this small business owner felt “angry” and “ripped apart” when he discovered the theft, the quality of the emotional connection that existed between him and the employee, as well as the employee’s family, prevented him from bringing the theft to the attention of the criminal justice system.

The salience of the emotional relationships that exist between small business owners and their employees is often seen as a positive defining characteristic of the business. Small businesses that are led by owners who maintain close, supportive personal relationships with employees are more likely to see employees mimic these relationships between each other (Matlay, 1999). When these relationships lead to higher levels of employee satisfaction, the business profits from greater productivity and higher financial performance (Harter, Schmidt, & Hayes, 2002). However, when employee theft challenges or severs these relationships, businesses may suffer as owners pull back on their investment in employee relationships and struggle to deal with feelings of victimization and violation of trust (Kennedy, 2014).

**Experiences with the police**

If a theft was determined to be significant, and the owner of a victimized small business had no personal aversion to reporting the employee theft, it was sometimes the case that negative perceptions of the efficacy of the police was the determining factor in the non-reporting of the incident. These perceptions developed either as a result of the owner’s previous experiences with the police regarding an issue within their business (including employee theft), or from their general perception of the ability of the police to address the problem of employee theft. For example, when the owner of a robotics firm was asked why, in her opinion, small businesses do not call the police when employee theft occurs, she stated:

I would say that the police are not responsive to this at all, they could care less. This is not something they are interested in. It’s just like identity theft, the police don’t really care about identity theft. If [identity theft] was easy [to address], they might care, but it is not an easy crime to unravel. But for the most part they just tell you to take care of it. [Employee theft] is very similar to that.

This business owner had experienced minor forms of employee theft (e.g., employees stealing tools and materials), and did not report these issues to the police. However, her comment about the ability of the police to solve cases involving employee theft came within the context of a conversation regarding complex financial thefts: a type of theft she had not experienced. Her perception about the attention given to employee theft by the police was informed by her perceptions of the attention the police give to other types of crimes.

Some victimized business owners were frustrated with the general approach of law enforcement to the handling of employee theft, as well as the lack of procedural justice associated with the outcomes of other business related interactions with the police. The frustrations felt by victimized business owners who had attempted, unsuccessfully,
to work with the police in the past were clear, and can be seen in the following exchange between the owner of a metal plating firm and the author:

Owner: I contacted the police and told them who we thought it was, it was an inside job because we have alarm systems and we thought it was somebody that had access . . . so you get the police involved and they’re like “Well, what did you do about it? Did you talk to the person?” [I responded] “No, I thought I’d let the professional handle the investigation.” I’ve never had luck with the police and dealing with theft. I guess if somebody gets murdered it’s a little more important, and I understand that you have to prioritize, but really the police take no action. So, you know, I pretty much put the guy in their lap and they wouldn’t do anything about it. I don’t know if they even questioned him.

You know, there’s a lot of times that I won’t report things because I know the response. And particularly district four, which is the district I report to. I’ll walk in there . . . have you ever been in district four?

Author: I have not.

Owner: You should just visit and pretend like you’re going to report something; it’s a hellhole. I mean, it’s this concrete façade and you go down into the basement, and you have to speak through the bulletproof glass, and it’s really hard to communicate. You know, they’re like, “Hurry up, fill out your form.” And they’re really rude, and customer service is really poor. It’s the same experience, 5 year span it’s the same experience every time. I just dread, I dread having to go over there.

This small business owner has become so frustrated with his attempts to involve the police in his issues with employee theft, as well as the general process of dealing with the police in his area, that he refuses to contact them when employee theft occurs. While this business owner was clear in stating that the customer service he received from the police was problem free; however, their experiences with the rest of the legal system may have gone so poorly that they are not likely to call the police in future instances of employee theft. Even when justice is achieved and the employee thief receives jail time, other failings in the legal system can lead business owners to turn away

Author: So if another situation happened you wouldn’t hesitate to call them again?

HR: Oh no. I would prefer that we call them.

Author: Other businesses that I have spoken to seem less ready to utilize the police when employee theft occurs. Why do you think this might be the case?

HR: Did the other business owner’s that you’ve spoken with . . . participate with their local business council? Because we have an officer, sometimes several officers, that come to our meetings once a month. They give us a regular police report, they ask all the business owners there [about problems in the area]. We have a really good relationship, as a business, with our district. And maybe that might be the key for getting the kind of service that we get versus some other businesses.

Author: That may very well be true. I have not asked that question, you’re the first business to bring it up.

Owner: Yeah, if you’re just another call, you’re just another problem.

HR: And they have a lot of different calls.

Clearly, perceptions of the effectiveness of the police in handling issues of employee theft influence whether small business owners are willing to report these crimes to the police. Negative experiences or poor relationships with the police have been found to lead not only to nonreporting, but also to a generally negative perception of the police overall (Carcach, 1997; Hinds, 2007; Smith & Hawkins, 1973). The results of this study indicate that the quality of the relationship between the police small businesses is a key factor determining whether employee theft will remain hidden or be reported to law enforcement.

Post-police legal system experiences

The final category of nonreporting rationalizations is similar to the previous ones in that it reflects business owners’ perceptions of a particular aspect of the criminal justice system. This category of nonreporting rationalizations addresses the owner’s frustrations with the justice system once contact with the police has passed. Some victimized small business owners had interactions with the police that were problem free; however, their experiences with the rest of the legal system may have gone so poorly that they are not likely to call the police in future instances of employee theft. Even when justice is achieved and the employee thief receives jail time, other failings in the legal system can lead business owners to turn away
from the criminal justice system as a means to address employee theft. This is because in the eyes of some victimized business owners, employee theft “becomes such a minor issue [to those in the justice system], nobody follows up to make sure that the victims, this time being me or my company, were ever compensated for what was actually lost.” This business owner’s statement, that he and his business are forgotten victims within the legal system, is an apt summary of how several victimized business owner’s felt about the criminal and civil processes of dealing with employee thieves. Their frustration at the legal system’s inability to make them, as victims of a serious crime, whole in some way was a theme found across several interviews.

The following exchange between the author and two owners of a victimized small business highlights the frustration business owners experience when they feel the criminal justice system has let them down:

Author: So what did you do to [the employee thief]?
Owner 1: We discovered it and called the police.
Author: How was that? Did they follow up with it pretty well?
Owner 1: Yeah, they did.
Author: Okay, you prosecuted her and all that?
Owner 1: Yes, yes we did.
Author: Okay. Were you happy with that result, with what came out of it?
Owner 1: Um, well, I would have been happier if they’d have forced her to pay back more of the money. It’s gonna take forever if we ever get it all back.
Owner 2: Is she still making payments now?
Owner 1: Yeah. Yeah.
Owner 2: What happened is she wound up going to court and the judge pretty much called us, gave us the option of “Look, are you willing to settle where she pays back so much per week, and if she doesn’t then she’s gonna go do these 3 years in jail” or 2 years in jail, or whatever it was. She had a small child and so we agreed to [restitution].
Author: And she’s held up on that so far?
Owner 1: Well, it was forced. I mean we had to hire an attorney to garnish her wages to get this done.

If victimized small businesses must incur large costs in an attempt to recoup the funds stolen from them with no guarantee they will receive full restitution, they may opt to cut their losses, avoid the added expense of the criminal or civil justice system, and decline to involve the justice system in future matters of employee theft.

**Conclusion**

Weiss (2011) stated, “It is how victims interpret their experiences … that will determine whether an incident is acknowledged as a crime and reported to the police.” This study found that small business owners and managers interpret their victimization experiences in multiple different ways, all of which affect the decision to report employee theft to the police. First, victimized business owners will consider the severity of the theft by assessing whether the incident was significant or trivial. If the event was deemed trivial or the behavior was not deemed to be theft, it went unreported. However, when the theft was seen as significant and nontrivial, the likelihood of reporting dramatically increased.

Yet the assessment of an employee theft as severe does not automatically mean that reporting will occur, as the victimized owner will consider several personal factors in their decision to report the incident. In particular, small business owners’ decisions to report employee theft to the police were influenced by their personal outlook on the appropriateness of criminal justice system intervention, their religious philosophies regarding retribution and punishment for offenses, and the emotional connections they had with the offender. While positive police-victim interactions can result in the victim feeling high levels of procedural justice, which in turn may increase the likelihood of reporting future victimizations to the police (Elliott, Thomas, & Ogloff, 2014), this study found that negative interactions can have the opposite effect.

Interestingly, none of the business owners interviewed in this study cited the potential for embarrassment as a reason they would not report theft, despite the fact that embarrassment has been found to be a significant factor inhibiting the reporting of crime. Embarrassment has been identified as one of the key reasons that victims of personal crimes refrain from contacting the police, as they may feel they will be blamed for their situation (Fisher, Daigle, & Cullen, 2010; Worrall & Pease, 1986), or because they are concerned with keeping the incident private (Sable, Danis, Mauzy, & Gallagher, 2006). While not technically a personal crime, research suggests that victimized small business owners may be unlikely to report employee theft because they are embarrassed about their victimization, or may fear some resulting negative publicity (ACFE, 2012; Kennedy, 2014). When theft becomes public, business owners are likely to feel embarrassed about their victimization, seeking to close the situation as quickly as possible so that they can put the situation behind them and return to normality (Weiss, 2010).
Research implications

The results of this study suggest that scholars and practitioners need to do a better job of understanding the full impact of employee theft victimization on small business owners. While the author is not attempting to argue that the nonreporting of employee theft is as serious a societal issue as the nonreporting of sexual victimization, intimate partner violence, or other violent personal crimes, it is important to note that employee theft can and does exact a significant emotional toll on many victimized small business owners (Kennedy, 2014). Accordingly, it is necessary to understand how the reporting of employee theft can be improved, as increases in reporting are likely to help direct more scholarly and criminal justice system attention to this issue, which may reduce opportunities for future victimizations. Future research should therefore focus upon identifying how the reporting of employee theft can be increased.

At the same time, the results of this study imply that future research should aim to understand how nonreporting fits into the larger victimization experience. This understanding can come from research that utilizes qualitative techniques to collect in-depth data about the lived experiences of victimized small business owners. The effectiveness of mixed-methods in the study of organizational phenomena is underscored by the emergent themes developed through this study. Accordingly, it is suggested that future studies of the personal and interpersonal experiences of employees in the workplace include qualitative data collection techniques when possible and appropriate.

This study’s results also suggest that efforts to explore victimization experiences can aid victims in processing their victimization and dealing with the emotional and psychological scars that result from experiencing a severe violation of trust. Because of this, researchers seeking to study victimization that occurs within the workplace should be prepared to appropriately address the extent of psychological and emotional issues related to the victimization. In an effort to aid these victims, future research should explore successful postvictimization services in an effort to determine the most effective interventions. Future research should also explore whether traditional methods of reporting crimes to the criminal justice system are the most appropriate strategies for the handling of employee theft.

The results of this study also imply that employee theft will likely continue to be an underreported crime. There is currently little incentive for most victimized business owners to report employee theft when it occurs, and the social harm that is done can appear to be minimal or nonexistent. At the same time, reporting employee theft to law enforcement likely does little to assuage the emotional and psychological impacts of victimization on small business owners. Accordingly, future research should focus on the best ways to make victimized business owners whole, rather than the best ways to get these individuals to complete a process that may have little personal impact.

Managerial implications

It may be the case that there are more alternative paths through the justice system for victimized small business owners, for example, bypassing the police and working with private counsel to bring evidence of employee theft directly to a prosecuting attorney. However, such alternatives may only address one aspect of the nonreporting rationalizations described by small business owners and managers, and the highly personal nature of many reasons for nonreporting suggest that the true extent of employee theft victimization is likely to remain hidden. Business owners should therefore be aware that the emotional and managerial issues that come along with employee theft victimization can take a significant toll. Reporting theft may help victimized business owners to better process their experiences so that the negative effects of victimization can be mitigated.

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