

## Associate Theft Developing A Culture Of Honesty

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**cul-ture** - the set of shared attitudes, values, goals, and practices that characterizes an institution or organization. (Source: Merriam-Webster Dictionary)

Oh, what a wonderful world it would be if everyone was honest; if everyone had their employer's best interests at heart; if everyone put in an honest day's work for an honest day's pay; if everyone just lived by the Golden Rule. Well, we all know that is not, has not been, and never will be, the case. However, we also know that there are successful businesses that seem to have mastered a secret process or modus operandi that manifests itself in a workforce that really does care about the success of that business. Just what is their secret?

The answer is that it is a *culture* that permeates the attitudes and daily work habits of their employees. This culture of honesty not only pays benefits that can be measured by the degree of job satisfaction and demonstrated work ethics of employees (both of which have a direct impact on customer service and sales), but also in reduced inventory shrinkage (theft and error) and enhanced bottom line profits.

Creating this culture not only requires very hard work on the part of the company owner and managers at all levels, but also a buy-in by all employees. Getting associates to genuinely care about the success of the business is the major hurdle. So just how is this accomplished? Well, it is not unlike keeping immediate family members concerned about the family unit and doing their part in keeping the family united and successful. The workforce is, after all, an owner's second family. In fact, it's very possible that a business owner will spend more waking hours with his or her second family than with their immediate family. So why shouldn't the same values be instilled in the workforce? Granted, the members of the workforce have not been raised from birth by the owner, but owners (and managers) do have a major impact on associates' lives since they also spend a great deal of their time on the job. Since owners and managers have no idea how members of their second family have been raised or what values have been instilled in them, everything possible must be done to introduce company values and expectations into their lives while on the job, and to create an operational methodology that supports company goals, as well providing the owner with a means to verify that company values and expectations are being practiced. The associate's "birth" into this second family is the first day they come to work. Where to start?

**Start at the beginning.** Unlike the situation with a business owner's immediate family, the company has absolute control over whether someone becomes a member of the second family, which we'll refer to now as team members. The hiring process gives the company the opportunity to make that choice. And while the interview is vital to this decision, the interviewer's "gut" feeling about the applicant *should not be the only factor* in the hiring decision process. Seeking *factual* information from an independent source that is not affected by the ability of a person to make a good first impression is an equally important step in this process.

First, conduct a **criminal history check**, something that was an option a decade ago, but has become a necessity and has proven over and over again to be cost-effective. Second, if the job involves access to money, it is also practical to conduct a **credit check**. This is not to say that an applicant with bad credit should not be hired, but the employer has the right to know if a person whose job it will be to handle large sums of money on a daily basis has pressing financial issues that *could* cause that person to be tempted to steal. Lastly, considering the ever-increasing drug problem in United States, requiring the applicant to submit to a **drug test** is another prudent action to take prior to offering employment. Taking these pre-employment actions will not guarantee that the applicant, if hired, will not steal or otherwise hurt a business, but the alternative is to blindly hire someone with absolutely nothing but a gut feeling as backup. Retail Loss Prevention has a preferred vendor-partner, **Acxiom Information Security Services** ([http://acxiomriskmitigation.com/aiss/products\\_services.html](http://acxiomriskmitigation.com/aiss/products_services.html)), which provides these services at very favorable rates to Ace retailers.

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- Plan to visit us at the Orlando show!

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Once the new team member is on the payroll, it is important to effectively communicate the company's expectations to that person. The new-hire orientation process should include a concise, plainly-worded **Associate Handbook**. It is recommended that all references to associates in the handbook be phrased as *team members*. This document, in addition to providing information on company benefits, should also contain guidance on what is expected from them. Such things as the dress code, cleanliness & neatness, promptness, a positive attitude and *honesty* must be clearly spelled out, along with an admonition of what actions could or will be taken by management if rules are violated or dishonesty is confirmed. When speaking of honesty, the handbook should also state that it is the company's expectation that if a team member becomes aware of dishonesty by another team member, there is an expectation of the owner being advised, either directly, through a supervisor, or anonymously via the *Ace Hardware Reward Hotline* (provide the 800-888-8862 number in your handbook). Stress that a team member who commits a dishonest act hurts the team and diminishes the overall value of the team. A copy of the handbook should be provided each new team member and signed for with a receipt that includes a confirmation that they will read and abide by the guidelines contained within the handbook and understand that failure to do so may result in administrative action.

*If you do not currently have an associate handbook or would like to revise your handbook, go to "Create an Associate Handbook" in the Human Resources section of The Ace Way of Retailing (AWOR) on ACENET.*

Concurrent with providing new team members with an associate handbook, they should receive a personal welcome from management and be allowed to spend an appropriate amount of time reading and viewing training materials germane to their job. They should also be advised of the store policy regarding shoplifting prevention and, when necessary, the policy as regards detaining persons who are suspected to have shoplifted. This is extremely important, as there are definite risks, both to the team member and to the store anytime someone is stopped for shoplifting. **There must be a plan in place**; do not allow shoplifting detentions to occur spontaneously with no forethought.

This is also the time to talk plainly and matter-of-factly about the company's **expectation of honesty among team members**. Do not presume that a new team member instinctively knows the owner's personal feelings about internal theft. Stress that all cases of theft by a team member will result in both administrative action and referral to law enforcement authorities for arrest and prosecution.

It is also important that **monthly store meetings** be held, during which items of common interest are discussed; team members who have done something noteworthy are recognized; and new or revised policies are presented. Continue to stress the "team" concept and that team members must support one another. In order to reiterate the owner's concern for loss prevention, it is also a good idea to discuss at least one security and one safety related topic during each meeting. Solicit comments/suggestions from team members on topics they feel need to be addressed – encourage them to speak up - you may be surprised – and when a worthy suggestion is made that results in a change in the way something is done, recognize that person by presenting him or her with a "perk" of some sort, ranging from a tangible item of value to actual cash.

Consider publishing a periodic **team newsletter**. The main focus of the newsletter should be keeping your team members informed and recognizing accomplishments. Recognizing someone in writing is a great team building tool. Don't be hesitant to compliment team members.

The single person who has the greatest impact on a team member is that person's immediate supervisor. A business owner can have the best of personal intentions and company policies can be outstanding, but if a supervisor is not practicing what the owner is preaching, the net result will be team members who will quickly lose respect for both the owner and his or her stated policies.

Lastly, there is the **TRUST BUT VERIFY** element within the culture of honesty. This means that best practices must be in place that provide team members with requisite policies, guidelines, paths to follow, limits, etc.; as well as providing the owner a means to be alerted when a team member disregards a policy. This is where internal controls come into play. The importance of **internal controls** is important in any business, but is critical in the retail business. Retail gives team members ready access to both desirable products and cash and, as such, has risks of loss not shared by other types of businesses.

An ideal internal control contains three components. The **first** is physical, mechanical or electronic. It can be something as simple as a padlock or as complex as a security bit in the POS system. The **second** is the human component, and involves that aspect of a control in which a person, normally a supervisor or manager, plays a key role. An example would be the requirement for a supervisor or manager to keep a padlock locked, or to approve a refund and attest to that approval by either entering an ID and password into the POS and/or signing a paper document. If the supervisor fails to lock the padlock, or provides his or

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her ID and password to someone because he/she cannot immediately respond to the team member's call for approval, or waits until a later time to actually sign the approval, then that element of the control has failed. The **third** component of an ideal control is the oversight component. That can be anything from the daily reconciliation of the POS summary report (RDS or DCD) against supporting documentation, to a quick review of digital CCTV records to verify that the back door was not left open. The bottom line is that there *must* be a program of internal controls in place - and they must be enforced.

***The only thing worse than not having an internal control is to have one and not enforce it.*** That sends the message that management just doesn't care.

As can be seen, instituting and maintaining a *Culture of Honesty* is a daunting task that is not easy in the best of circumstances, and is even more difficult in a business that is as fast moving as retail and is frequently challenged by personnel shortages and unexpected events.

*If you are concerned about the adequacy of your internal controls, have retail inventory shrinkage above 2% of sales (or don't know what your shrinkage actually is), or you just have an uneasy feeling about your loss prevention posture, call Retail Loss Prevention and discuss your concerns with one of our staff members. Our only mission is to assist you in the prevention of losses. We and our preferred vendor-partners offer services ranging from a detailed audit of your internal control posture, to the training of owners and senior managers in developing and maintaining an effective loss prevention program, to the training of team members in becoming active participants in your loss prevention program, to the investigation of known or suspected dishonesty within your workforce. We also have vendor-partners who provide a host of additional services and products, all of which are designed to support you in your never-ending battle against losses.*

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