

## ***CAN YOU TRUST YOUR EMPLOYEES?***

You spend about 40 hours a week with your employees and coworkers. You know their families, vacation plans, even what they had for dinner last night. That employee you know so well would never steal from your company, right? Don't be so sure.

Every year, American firms lose over \$400 billion through dishonest acts of their employees. In fact, it is estimated that 95 percent of all businesses experience employee theft. More often than not, it is difficult for a manager to accept the possibility that employees he/she hired, trusts and works with are capable of engaging in such disloyal and dishonest activity. Consequently, it is easy to understand how management embraces misconceptions about the problem. Common misconceptions about employee theft include:

- Management doesn't need to specifically or formally tell employees where it stands on employee theft because they already know.
- Employees who are paid well or at least adequately are less likely to steal.
- Losses from shoplifting are higher than losses from employee theft.
- Newer employees commit employee theft while more senior employees can be trusted.
- Employee theft is detected in its early stages.

### *Trends that contribute to the problem.*

While employee theft is nothing new, the amount of money companies lose each year continues to increase. Several trends may help explain this growing problem:

- Computer technology and advancements in computer networks, both internal and external, have provided new ways to access and steal electronic data from companies.
- Companies that have downsized have a greater reliance on outside contractors who may not be as loyal to the company or as committed to its success.
- Corporate downsizing also may result in disgruntled current and former employees who are willing to engage in employee theft.
- Growth in the global marketplace has increased people's motivation to gain a competitive edge, and for some, theft is a way to get ahead.

*Ways to prevent or reduce exposure to employee fraud:*

- Conduct a survey or audit of your business. Identify any existing theft as well as potential opportunities for theft. Immediately develop a plan to eliminate or reduce your exposure to these risks.
- Educate supervisors and the general employee population as to the impact employee theft has on them and how they, not management, are the key to solving the problem.
- Develop a loss prevention program that ensures an ongoing effort to prevent and detect dishonest activity.
- Give employees a stake in curbing losses. Companies where employees are paid decent wages, given perks and other benefits, like scholarship programs and stock ownership, have lower levels of employee theft.
- Run a complete background check on potential new hires.
- Create a stated policy on dishonesty and make that policy clear to all employees, contractual or otherwise.
- Be consistent on how you enforce your theft policies.
- Safeguard hardware and software.
- Load only necessary information on laptop or desktop computers, thereby limiting the amount of information a thief could access should the equipment be stolen.
- Keep your laptop computer either with you or in a secure place at all times; never check it as luggage when traveling.
- Consider purchasing a commercial crime policy. The coverage will help cover losses resulting from the dishonest or fraudulent acts committed by an employee acting alone or in collusion with others. There are policies available that will cover the loss of property resulting directly from robbery, burglary, misplacement, mysterious disappearance, damage or destruction.

Please call us at (281) 558-6363 if you would like more information on this coverage.

*(Article is an excerpt from Zurich's "horizon" newsletter.)*