



## **EMPLOYEES' THEFT BEHAVIOUR: A STUDY IN LARGE RETAIL ORGANISATIONS IN KUALA LUMPUR**

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### **ABSTRACT**

*Employee theft is one of the major factors of retail shrinkage despite many costly technological and widespread security measures. Employee theft cannot be ignored as it causes significant losses to employers. This study investigates the workplace factors that affect the employee retail theft behaviour. Although identifying theft is difficult, this study will help employers to further understand the retail employees' theft behaviour. This study was conducted in several large retail organisations in Malaysia's capital city, Kuala Lumpur. Data has been collected via questionnaire from 327 retail employees consisting managers, supervisors, retail employees and security personnel. The results showed that Compensation, Organisational Justice, Internal Control Systems and Punishment have a relationship with the Employees' Theft Behaviour. However, the Organisational Ethics did not influence the Theft Behaviour.*

**Keywords:** Employee theft, retail theft, employee theft behaviour, workplace theft, Malaysia.



## **INTRODUCTION**

Employee theft is defined as theft of anything of value from the employer by an employee or his/her accomplice. Methods include stealing merchandise, stealing cash, retaining receipts to show stolen items were paid for, voiding a sale or making a no-sale after a customer has paid and pocketing the cash, overcharging, short-changing, coupon stuffing, credits for non-existent returns and sliding product through the lane without charging (Mishra & Prasad, 2006).

The recent worldwide shrinkage survey named as The Global Retail Theft Barometer, 2011 (GRTB) conducted by the Centre for Retail Research, Nottingham, England for the year 2010-2011 revealed that 43.2% of the retail shrinkage was due to customer theft, 35.0% due to employee theft, 16.2% due to internal error and 5.6% due to suppliers-vendors frauds. As per the survey, total global shrinkage in the 43 countries surveyed costs retailers US\$119.092 billion (US\$119,092 million), equivalent to 1.45% of retail sales.

In The Global Retail Theft Barometer, 2011 survey, 20 Malaysian retailers with a combined sale of US\$2.155 billion also participated. The findings of the survey revealed that as a percentage of total sales, retail shrinkage in Malaysia was 1.62 per cent, higher by 5.9% compared to 2009-2010, with a total shrinkage of US\$271million. In this, the customer theft amounts to 51.2% (US\$138.75 million) followed by employee theft at 23.3 % (US\$63.14 million), administrative errors at 18.9% (US\$51.22 million) and supplier or vendor theft at 6.6% (US\$17.89 million). KPMG Malaysia Fraud Survey Report, 2009 revealed a total loss of RM63.95 million during 2006 to 2008 by the Malaysian companies due to employee fraud.

This study helps the employers to better understand the employees' theft behaviour so that the companies can recognise the intention of employees committing theft and solve the problem effectively.

## **RESEARCH OBJECTIVES**

The research objectives of this study are:

- To determine the factors contributing to employees' theft behaviour in large retail organisations in Malaysia.
- To determine the most significant workplace factor that contributes to employees' theft behaviour in large retail organisations in Malaysia.

## **SIGNIFICATION OF THE STUDY**

There are many empirical studies on theft in retail organisations in other countries. In the past, some studies had been carried out on workplace deviant behaviour in Malaysia, by Ku Ishak (2006); Kulas, McInnerney, Frautschy and Jadwinski (2007); Ahmad and Norhashim (2008); Finklea (2010); Omar, Halim, Zainah, Farhadi, Nasir, and Khairudin (2011); and Peng, Tseng and Lee (2011). The above literatures studied workplace deviant behaviour in total (Hollinger & Clark, 1982) which comprise of fraud and theft, vandalism, lying, spreading malicious rumours, withholding effort, aggressive behaviour, sexual harassment, property deviance, information deviance, and production deviance. Employee theft is only one of the above deviant behaviours; so, these literatures are inadequate to explain the

various factors contributing to workplace theft behaviour of employees in large-scale chain organisations. This study would provide insight on workplace factors that contribute to employees' theft behaviour in large size retail organisations in Malaysia.

### **THEORETICAL SUPPORT**

Many theories have been developed and modified to identify the factors influencing the workplace theft behaviour. The Theory of Planned Behavior (TPB) would be used in this study to identify the factors that drives theft behaviour.

Theory of Reasoned Action (TRA) was developed by Icek Ajzen and Fishbein(1980). Later, their model was extended to Theory of Planned Behavior (TPB) by Icek Ajzen in year 1985. TPB is a theory that links attitudes and behaviours (Ajzen, 1991).

Initially, TRA was developed to examine the relationship between attitude and behaviour of a person. TPB was extended by Ajzen (1985, 1991) by incorporating perceived behavioural control since TRA was criticized that the model is neglecting the social factors that influences an individual's behaviour. Perceived behavioural control refers to a person's perceptions of how easy or difficult it is to engage in the particular behaviour. It addresses both internal control (e.g. persons's abilities) and external constraints (e.g. opportunities) needed to perform the behaviour (Ajzen, 1991).

TPB has been used in various studies to understand a number of different behaviours in which people engage. The theory has been applied by Ajzen and Driver (1992) to predict the relationship between leisure intention and the behaviour among a group of college students. They found evidence that the attitudes, subjective norms, and perceived control were predictive of leisure intentions among this group.

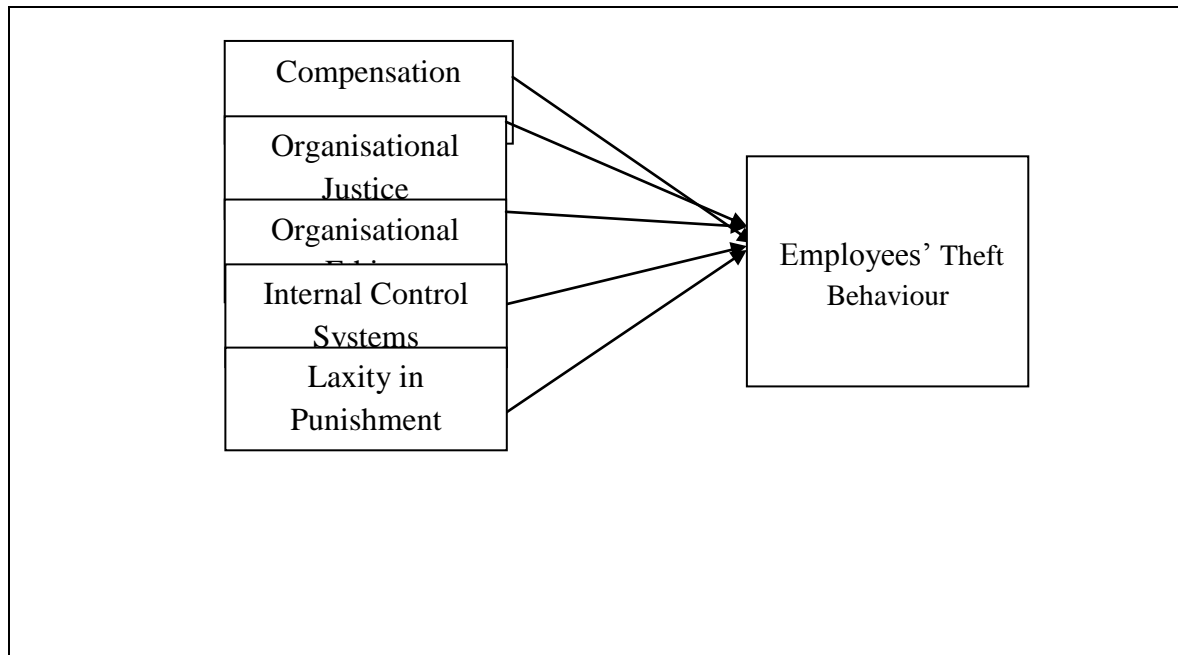
In 1992, Baxter, Manstead, Parker, Stradling, and Reason applied this theory in examining the driver's intention to engage in drinking and driving, speeding, close following and overtaking in risky circumstances. The findings of the model showed that perceived behavioural control can effectively predict the intentions to engage in these behaviours. Also, the model has successfully been applied in explaining such behaviours in employee use of information systems (Santhanam, 2002) and online grocery buying intentions (Hansen, Jensen, & Solgaard, 2004).

TPB theory has been used to assess the retail employee theft by Bailey (2006) and is widely used by the researchers to assess the unethical behaviours and thefts committed by people. Furthermore, TPB is used to explore the shoplifting behaviour by Tonglet (2002). She used this model with the intention to understand shoplifting behaviour and to determine the utility of TPB identification of the factors that led to it. She surveyed regular shoppers and students enrolled in two co-educational upper schools in the United Kingdom. The findings of the survey showed that the shoplifting behaviour is influenced by consumers' attitudes and views, social influence and perception of the risk of apprehension.

Lastly, retail employee theft is regarded as a volitional behaviour and this behaviour is likely to be influenced by people's perception, people's attitudes, normative beliefs and opportunities in engaging in this behaviour. So, TPB is appropriate to be applied in this study

to understand the employees' theft behaviour in large retail organisations in Malaysia. The employers are likely to have better understanding of the behaviour and factors contributing to such a behaviour.

### CONCEPTUAL FRAMEWORK/RESEARCH MODEL



Source: Adapted from Employee Theft, Greenberg and Barling (1996)

Figure 1: The conceptual framework of workplace factors that influence the employee's theft behaviour in large retail organisations in Malaysia

This research aims to explain the relationship between the workplace factors and the employee's theft behaviour. Five hypotheses have been developed describing the relationship between the five workplace factors (compensation, organisational justice, organisational ethics, internal control systems and laxity in punishment) and employees' theft behaviour.

The target population consists of employees of large retail organisations in Kuala Lumpur, Malaysia. Due to the wide geographical coverage of the large retail organisations in Kuala Lumpur and huge number of retail employees, a sample of 325 managers, retail employees, supervisors, and security personnel of large retail organizations are studied.

### RESEARCH INSTRUMENT

#### Questionnaire

The 40 questions questionnaire consisting of 7 parts begins with demographic profile followed by Part A: Compensation (Com), Part B: Organisational Justice (OJ), Part C: organisational Ethics (O E), Part D: Internal Control Systems (ICS), Part E: Laxity in Punishment (LP), lastly Part F: Employee's Theft Behaviour (ETB).

The independent variables are adapted from Greenberg (1990, 1993); Greenberg and Barling (1996); Kamp and Brooks (1991); Drinkard (1996) and Bandura (1986). Ordinal data is used as the scale of measurement for the variables. All items are measured on a five point Likert-scale, ranging from 1, strongly disagree to 5, strongly agree.

### Pilot Test

Prior to the actual survey, a pilot test **has been** conducted with 30 managers, retail section employees, supervisors, and security personnel of large retail organisations in Kuala Lumpur to assess their understanding towards the questions aiming to ensure that there are no unclear items in the questionnaire and to guarantee the content validity of the research.

Table 1: Reliability Statistics for 30 respondents for pilot test

Variables	Cronbach's Alpha	No of items
Compensation	0.947	5
Organisational Justice	0.885	5
Organisational Ethics	0.947	5
Internal Control Systems	0.709	5
Laxity in Punishment	0.825	5
Employee's theft behaviour	0.927	7

Source : Developed for the research

### Data collection procedure

After being satisfied with the pilot study results, 500 questionnaires were distributed to the managers, supervisors, retail section employees and security personnel in large retail organisations in Kuala Lumpur following convenience sampling they were selected because they carry out the daily operations and they are more familiar with the environment of the organisation. Thus, their responses **are** believed to be useful and reliable for this research. Out of 500 questionnaires distributed, 342 questionnaires **have been** received back. After removing the outliers, only 327 questionnaires were used for the analysis.

### Data Analysis

Subsequently after collecting the data, SPSS17.0 was used to analyse the responses obtained. The analysis includes reliability test, normality test, Pearson correlation coefficient and multiple regression analysis. Descriptive statistics describe the main features of a collection of data quantitatively (Mann, 1995). Descriptive analysis is the transformation of raw data into a form that is easily understandable and interpretable. The common method used are calculating averages, frequency distribution and percentage distribution that are used in this research, followed by the Cronbach's alpha reliability coefficient to show how well the set of data are positively correlated to one and another. Next is the Pearson correlation coefficient and Multiple Regression Analysis (MRA) to answer cause-and-effect questions and make predictions. The significant level (*p*) in Pearson's Correlation Coefficient test in this study is 0.05 which means the confidence level is 95%. Hypothesis is rejected if the *p*-value is more

than 0.05 based on the results obtained from MRA as there is enough evidence to reject. While the general form of MRA will use a statistical method that simultaneously builds up a relationship between two or more independent variables with a dependent variable with the formula:  $Y = \alpha + \beta_1x_1 + \beta_2x_2 + \dots + \beta_nx_n + \varepsilon$ .

## Results and Discussion

The results obtained are divided into four sections beginning with the descriptive analysis, whereby the demographic characteristics, central tendencies measurement are presented. Next is the scale measurement analysis showing the outcome of the reliability analysis and normality analysis, followed by the inferential analysis which includes Pearson correlation analysis and Multiple Regression Analysis (MRA)

### Demographic profiles

The majority of the respondents are female (63.4%), and the rest of the respondents are male (36.6%). 36.6% of the respondents are below the age of 20, followed by 25.2% of people in the age group of 21-30, 16.4% in the age group of 31-40, 18.5% in the age group of 41-50 and lastly 3.4% in the age group of 50 and above.

47.1% respondents have a monthly gross income of RM500- RM1000, followed by 27.3% of people with the gross of RM1001- RM1500, 14.3% with gross income of RM1501- RM2000, 9.7% with an income below RM500 and lastly 1.3% above RM2000.

The majority of the respondents are Chinese with 50.1%, followed by 39.8% of Malays and 10.1% of Indians. Most respondents have an educational level of SPM (56.7%), followed by 23.1% below SPM level, 16.8% with a bachelor degree and 3.4% of diploma holders. On the average 56.7% of the respondents period of employment is currently below 1 year, followed by 1-3 years with 26.1%, 3-5 years with 18.1% and lastly 5 years and above with 6.7%. Concluding the demographic profile is the employment type question with two choices part time and full time employment, with 2.7% being part time while full time was 97.3%.

### Reliability test

The research started with testing the reliability of the data to test the consistency and satiability of the data. The Cronbach's alpha of the six variables combined is 0.921, while the individual variables Cronbach's alpha ranges from 0.700-0.947. Thus the internal consistency reliability of the variables used in the study is considerably good according to Sekaran's (2000) rule of thumb.



Table 2: Results of Reliability Analysis for final data

Constructs	Cronbach's Alpha	Number of items
Compensation	0.803	5
Organisational Justice	0.700	5
Organisational Ethics	0.947	5
Internal Control Systems	0.702	5
Laxity in Punishment	0.822	5
Employee Theft Behaviour	0.805	7

Source: Developed for the research

### Normality test

Normality test has been carried out to ensure that there is no outlier in the data since the outliers will distort the normality of the data. There are some outliers appeared from the data collected, hence from the data collected, 15 outliers were removed to ensure the data is free from outliers.

### Pearson correlation

The results showed a positive correlation between Compensation, Organizational Justice, Organisational Ethics, Internal Control Systems, Laxity in Punishment and employee theft behaviour. The highest correlation against the dependant variables is between Laxity in Punishment and Employees' Theft Behaviour (0.783), followed by Internal Control Systems (0.599), Compensation (0.548), Organizational Justice (0.432), and Organisational Ethics (0.358). No multicollinearity of independent variables is noticed.

### Multiple Regression Analysis

Table 3: Results of Regression Analysis

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.496	.165		3.008	.003		
AVGCOM	-.239	.038	-.240	-6.317	.000	.444	2.252
AVGOJ	-.204	.033	-.179	-6.263	.000	.787	1.271
AVGOE	.596	.034	.732	17.568	.072	.370	2.700
AVGICS	-.723	.038	.572	19.194	.000	.725	1.379
AVGPUN	.422	.032	.456	18.123	.012	.540	2.232

a. Dependent Variable: AVGETB  
R Square 0.6521  
F Value 39.7  
P value for the model 0.011

Source: Developed for the research

The results of MLR showed a good model fit with F value 39.7 with overall model fit p value of 0.011. The four independent variables (other than Organisational Ethics which is not significant) jointly influence 65.21% of variation in the dependent variable.

### Summary of statistical analysis

Table 4: Summary of statistical analysis

Hypothesis	Supported	Result
H1: There is a negative relationship between Compensation and employees' theft behaviour	Beta: - 0.239 Sig: 0.000	Supported
H2: There is a negative relationship between Organisational Justice and employees' theft behaviour	Beta: -0.204 Sig: 0.000	Supported
H3: There is a negative relationship between Organisational Ethics and employees' theft behaviour	Beta: - 0.596 Sig: 0.072	Not Supported
H4: There is a negative relationship between strong Internal Control Systems and employee's theft behaviour	Beta: -0.723 Sig:0.000	Supported
H5: There is a positive relationship between laxity in punishment and employees' theft behaviour.	Beta: 0.422 Sig: 0.012	Supported

Source: Developed for the research

The results show that the Internal Control Systems are more significant workplace factor in influencing the Employees' Theft Behaviour.

### Limitations of the study

The sample size is a limitation as it lacks geographical coverage to search a wider range of respondents because of financial constraint and time, therefore this study's sample size is only limited to Kuala Lumpur which lead to the findings of the research inaccurate to be generalized as it is not based on all states in Malaysia.

This research is only based on large retail organisation, but small and medium organisations are also affected by employee theft but not represented.





The individual factors such as need, opportunity and personal characteristics were not considered.

### **Managerial Implications**

The present study of employees' theft behaviour makes several noteworthy contributions towards retail operations in Malaysia. It is a major source of shrinkage for many retailers. Hence this study would help to shed some light to this observable fact that should not be taken lightly. Prior to seeking strategies to overcome the problem, the driver of such behaviours should be determined.

This research proposed variables such as Compensation and Internal Control Systems to show how they significantly influence the employee's retail theft. If these drivers are established, it would help the large retail management team to have a sound pay and compensation policy and a solid internal control system. The management team should also try to give the organisation more fair and justice to all levels of employees and additionally give a severe punishment for the employees who involve in theft. Although these drivers may have an adverse effect, but if with due care could actually work to the advantage of the management.

### **Theoretical Implications**

With a good model fit and by accepting four hypotheses out of five, the study also supported the Theory of Planned Behaviour.

### **Recommendations**

A longitudinal study should be conducted so that the time constraint could be eliminated and a more in depth study could be conducted, as employee theft could take time to be minimized, or better eliminated. Besides that, changes in technology and other variables not included could be tested and taken into account.

Small and medium organisations should also be included for further study as these organisations are also affected with thieving and dishonesty of employees. A study including small and medium retail organizations could really help the managers of those organisations to understand the behaviour and choose a suitable internal control system to help curb the employee's retail thieving problem.

Individual factors should also be included to analyse the employee theft behaviour.

## **CONCLUSION**

Employee's theft has been increasing year after year. It is a significant source of retail shrinkage and needs to be addressed and prevented, as employees are family members to the organisation, having such betrayal, in actual fact shows disloyalty. Furthermore retail establishment is losing an immense amount of money, to the tune of \$266million a year because of theft and 3.9% of it is reported to be from employees. Hence this is an issue which warrants both academics' and practitioners' attention.

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