An empirical study on employees' theft behavior in insurance industry

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Abstract— It is highly deplorable that every year, theft behavior among employees of insurance industry is growing throughout the world. A very significant sources of contraction (despite many costly technological and widespread security measures) which needs to be addressed and prevented. Employee and agent theft cannot be ignored as it causes significant losses to employers. This study investigates the workplace factors that affect the insurance employee and agent theft behavior. Although identifying theft is difficult, this study will help employers to further understand employees' theft behavior. This study was conducted in two service small and medium organizations (two branches of insurance companies) in ALBORZ's capital city, KARAJ. Data has been collected via questionnaire from 30 employees and agents consisting employees and supervisors of branches and agencies. According to the results, it must be acknowledged that compensation, organizational justice, internal control systems, penalties and personal characteristics were associated with employees' theft behavior, it is despite the fact that, no effect could be assumed for organizational ethics and requirement in this case. Nevertheless, poor financial status cannot be considered as the driving factor in pushing employees to steal property as well as increasing their theft behavior. As mentioned earlier, the purpose of this study was to determine the factors contributing to employees' theft (insurance employees and agencies) behavior in insurance organizations in Karaj.

Keywords—Service Theft, Employee Theft Behavior, Work Theft, Insurance Agency, SMEs

I. INTRODUCTION

EMPLOYEE theft is defined as theft of anything of value from the employer by an employee or his/her accomplice. Such practices include stealing goods and cash, retaining receipts to show stolen items were paid for, avoiding 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.

The recent global survey on contraction known as "The Global Retail Theft Barometer, 2011 (GRTB)" Which has been conducted by the Centre for Retail Research, Nottingham, England during 2010 and 2011 revealed that 43.2% of the retail shrinkage was due to customer theft, 35.0% for employee theft, 16.2% for internal error and eventually

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5.6% because of suppliers-vendors frauds. As per the survey, total global shrinkage in the 43 surveyed countries costs retailers US$119.092 billion (US$119,092 million), equivalent to 1.45% of retail sales.

In our survey during 2013 with two participated firms. Our findings revealed that as a percentage of total sales (450 billion Rials), shrinkage was 0.047 percent, in which agent theft behavior reached to 0.021% followed by employee theft at 0.012% and administrative errors at 0.014%. To comply with ethical issues we are excused to mention our participants (sample).

This study helps the employers to better understand the employees' theft behavior so that the companies can recognize the intention of employees in committing theft and solve the problem effectively, as well.

II. SIGNIFICATION OF THE STUDY

Numerous empirical studies on organizational theft have been done in different countries, but as far as we know no studies had been carried out on workplace deviant behavior in Karaj, but studied workplace deviant behavior in total by [1, 2] which comprised of fraud and theft, vandalism, lying, spreading malicious rumors, withholding effort, aggressive behavior, sexual harassment, property deviance, information deviance, and production deviance. It is important that employee theft is only one of the above deviant behaviors; which means literature is inadequate to explain the various factors contributing to workplace theft behavior of employees in large-scale chains or insurance organizations. This study would provide an insight on workplace factors that contribute to employees' theft behavior in service organizations in Karaj.

III. THEORETICAL SUPPORT

Indeed many theories have been developed and modified to identify effective factors on workplace theft behavior among which the Theory of Planned Behavior (TPB) would be used in this study to identify those driving factors on theft behavior.

Theory of Reasoned Action (TRA) was developed by Icek Ajzen and Fishbein in 1980 [3, 4]. Later on, in 1985, Icek Ajzen extended their model to Theory of Planned Behavior (TPB). TPB links attitudes and behaviors [5, 6].

Initially, TRA was developed to examine the relationship between attitude and behavior of an individual. Since TRA was criticized for neglecting the social factors which influence an individual's behavior, Ajzen (1985-1991) extended TPB by incorporating perceived behavioral control. Perceived

behavioral control refers to an individual's perception of how easy or difficult it is to engage in a particular behavior. It addresses both internal control (e.g. individual's abilities) and external constraints (e.g. opportunities) needed to perform a behavior [6].

TPB has been used in various studies to understand a number of different behaviors in which people engage. The theory has been applied by Ajzen and Driver in 1992 to predict the relationship between leisure intention and behavior among a group of college students. They found evidence that attitudes, subjective norms, and perceived control could be considered as predictor of leisure intentions among this group [7, 8].

In 1992, Baxter, Manstead, Parker, Stradling, and Reason applied this theory in examining driver's intention to engage in drinking and driving, speeding, close following and overtaking in risky circumstances. According to their findings perceived behavioral control effectively predict intentions to engage in such behaviors. Meanwhile, this model has been successfully applied in explaining such behaviors in employee use of information systems and online grocery buying intentions [9, 10].

Bailey used TPB to assess retail employee theft in 2006 and similarly, this model has been widely applied by different researchers to evaluate individuals' theft and unethical behavior [11]. Furthermore, TPB is used to explore shoplifting behavior by Tonglet in 2002. She used this model to understand shoplifting behavior and to determine utility of TPB identification in identification of its leading factors. She surveyed regular shoppers and students enrolled in two co-educational upper schools in the United Kingdom. The findings of the survey showed that shoplifting behavior was affected by consumers' attitudes and outlooks, social influence and perceived risk of apprehension. Lastly, retail employee theft was regarded as a volitional behavior which seemed to be likely influenced by individual perceptions and attitudes, normative beliefs and opportunities in engaging in such behavior. Hence, it seems appropriate to apply TPB in this study. To understand the agents and employees' theft behavior in insurance organizations in Karaj they are likely to have better understanding of the behavior and factors contributing to such a behavior. Our extracted algorithm with seven dimensions is illustrated in figure 1.

IV. CONCEPTUAL FRAMEWORK

This research was to explain the relationship between workplace factors and employee's theft behavior. in doing so, seven hypotheses have been developed describing the relationship between those seven workplace factors (i.e. compensation, organizational justice, organizational ethics, internal control systems, laxity in punishment, need, and personal characteristic) and employees' theft behavior.

The target population was consist of employees of insurance companies in Karaj. Due to the wide geographical coverage of organizations, a sample of 30 managers, employees and supervisors has been studied.

Fig. 1 The conceptual framework of workplace factors that influence the employee's theft behavior in insurance organizations in Karaj [12]

A. Research Instrument, Questionnaire

The questionnaire with 30 questions was consisted of 7 parts which started with demographic profile at first, followed by Part A: Compensation (Com), Part B: Organizational Justice (OJ), Part C: organizational Ethics (O E), Part D: Internal Control Systems (ICS), Part E: Laxity in Punishment (LP), Part F: Employee's Theft Behavior (ETB), part G: need (N) and, part H: personal characteristic (pc). The independent variables were adapted from Greenberg and Barling but two measurements namely (N, PC) have been added on the basis of this research [12, 13]. Ordinal data has been used as the scale of measurement for the variables. All items were measured on a five point Likert-scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

B. Data Collection Procedure

30 questionnaires were distributed among managers, supervisors, employees and security personnel of insurance organizations in Karaj following the convenience sampling that they have been selected for carrying out daily operations and having more familiarity with organizational environment. Thus, their responses were believed to be useful and reliable for this research. All the distributed questionnaires had been received back with no outliers, so all of them were used in analysis.

C. Data Analysis

Subsequently after collecting the data, SPSS was used to analyze responses. The analysis included reliability test, normality test, Pearson correlation coefficient and Multiple Regression Analysis. Descriptive statistics described main features of a collection of quantitatively data [14]. 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 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) have been applied as the next step to answer cause-and-effect questions and make predictions. The significant level *(p)* in Pearson's correlation coefficient test in this study was 0.05 which meant the confidence level was 95%. Hypothesis was going to be rejected if the *p*-value was more than 0.05 based on the results from MRA as there was 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 through the (1).

$$Y = \alpha + \beta1X1 + \beta2X2 + ... \beta nXn + \varepsilon \qquad (1)$$

D. Results

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

E. Demographic Profiles

The majority of the respondents were female (51.2%), and the rest were male (48.8%). 18% of the respondents were less than 30, while the rest were above the age of 30.35% respondents had a monthly gross income of 15000000RLS, followed by 30% of people with the gross of 2000000RLS, 20% with gross income of 25000000RLS, 10% with an income below 1000000RLS and lastly 10% above 3000000RLS.

The majority of the respondents (95%) were not originally from Karaj. Most of the respondents had an educational level of 75% with a bachelor degree and 25% of diploma holders. On the average the period of employment for 10% of the respondents was currently below 1 year, followed by 1-3 years with 35%, and lastly 5 years and above with 65%. Concluding the demographic profile is the employment type question with two choices part time and full time employment, with 30% being part time And 70% full time.

F. Reliability Test

This research has been started with testing reliability of obtained data to examine its consistency and stability. The Cronbach's alpha of the eight variables combined was 0.85.875, while the individual variables Cronbach's alpha ranged from 0.800 to 0.920, Thus internal consistency reliability of the variables used in this study was considerably good according to Sekaran's rule of thumb in 2000.

G. Statistical Analysis

Normality test carried out to ensure that there was no outlier. The results from Pearson correlation showed a positive correlation between variables. A summary of statistical analysis is depicted in Table I and Table II.

TABLE I
SUMMARY OF STATISTICAL ANALYSIS (I)

	H1	H2	H3	H4
Hypothesis	There is a negative relationship between Compensation and employees' theft behavior	There is a negative relationship between Organizational justice and employees' theft behavior	There is a negative relationship between Organizational Ethics and employees' theft behavior	There is a negative relationship between Internal control system and employees' theft behavior
Elements	Compensation	Organizational justice	Organizational Ethics	Internal control system
Pearson correlation	0.85	0.55	0.40	0.92
Cronbach's Alpha	0.80	0.82	0.81	0.90
Beta	-0.219	-0.232	0.229	-0.503
Significant	.002	.001	.061	.004
Results	Supported	Supported	Not Supported	Supported

TABLE II
SUMMARY OF STATISTICAL ANALYSIS (II)

	H5	H6	H7	Dependent variable
Hypothesis	There is a negative relationship between Laxity in punishment and employees' theft behavior	There is a negative relationship between Need and employees' theft behavior	There is a negative relationship between Personal characteristics and employees' theft behavior	Employee theft behavior
Elements	Laxity in punishment	Need	Personal characteristics	R Square=0.762 F Value=43.2 P Value=0.002
Pearson correlation	0.91	0.32	0.87	-
Cronbach's Alpha	0.87	0.92	0.91	0.84 / μ=85.875
Beta	-0.301	0.496	-0.312	-
Significant	.000	.0073	.0015	-
Results	Supported	Not Supported	Supported	-

H. Discussion

The highest correlation against the dependent variable was between internal control system and laxity in punishment and the results of regression analysis cleared that a good model fit with F value 43.2 with overall model fit P value of .002. The five independent variables (other than need and organizational ethics which were not significant) jointly influence 0.762% of variation in the dependent variable. Internal control system was more a significant workplace factor in influencing employee theft behavior, meanwhile our study revealed that bad financial status had no effect on this manner. Despite the low income of the sample which was below the level of welfare and basically didn't match their expenses, it should be declare that this is not the reason to be supported by our study for committing theft behavior. With a good model fit and by

accepting four hypotheses out of five, the study also supported the Theory of Planned Behavior.

I. Recommendations

A longitudinal study should be conducted to eliminate time constraint and a more in depth study could be done, as employee theft could take time to be minimized or better eliminated. Besides that, changes in technology and other variables which are not included in this study can be tested and taken into account. More Individual factors such as religion, birth location etc. may also be included to analyze employee's theft behavior.

V. CONCLUSION

Iran as an Islamic oriented country with a depth cultural history cannot be separated from this criterion and despite having a lower rate of employee theft behavior (in our research) regarding other countries, it is still a matter of importance which by no means should not be ignored. Employee's theft has been increasing year after year worldwide. It is a significant source of shrinkage and needs to be addressed and prevented, as facing such betrayal treatment from employees who are members of an organization is highly unaccepted and in actual fact shows their disloyalty. In the work of Greenberg's work [15, 16] 5 criteria were assessed regarding employee theft behavior while we add two more elements, need and personal characteristic, which is the novelty of this study. Both, academics' and practitioners' should focus their attention on this immoral manner to provide elimination methods of this undesirable criterion.

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