Theft in the Restaurant Industry and the Influence of Peers in Worker Misconduct

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Introduction

An extensive study of theft among restaurant workers was conducted recently by three researchers from the Olin Business School at Washington University in St. Louis. The results — based on transaction and theft data from 83,153 servers at 1,049 restaurants from 34 chains across 46 states in the U.S. over seven years, are compelling and should be studied in detail.

Study Findings

Among the findings:

- Restaurant employees who engage in unethical or illegal behavior influence others to participate in similar misconduct. Interestingly, "theft peer effects on new employees are strongest in the first month of employment and disappear after the fifth month."
- Although servers are more likely to steal when working with high-theft peers, as their peers steal more on any given day, the servers tend to reduce theft accordingly to avoid the threat of detection by point-of-sale software designed to alert managers to the risk of theft.
- The "costs of employing unethical workers is higher than the direct cost of those workers' misconduct because their behavior spills over into coworkers' actions and amplifies through reflection effects… An unethical employee may affect many peers simultaneously, who in turn will affect others. It is this contagion or normalization of corruption that can generate astounding levels of misconduct within organizations."

Technology as Prevention Method

Inventory management, POS, scheduling and other software systems have made advances in fraud detection. However, such technology is not enough, because two important factors are not considered when relying solely on software for fraud prevention:

- First, employees who engage in unethical activity can be clever, learning how to avoid detection by trial and error and from their peers. As noted in the Olin Business School study, restaurant workers learn to respond to the increased threat of detection of higher daily restaurant losses and software alerts by reducing theft accordingly on any particular day.

- Second, restaurant managers have a myriad of responsibilities during their shifts and do not have time for real-time monitoring of suspicious activity. Interviews with managers conducted by the Olin researchers showed that "[restaurant managers'] use of and response to the monitoring system varied, a, although most indicated that they intervened when theft was repeated or substantial."

Additional Recommendations

Three basic fraud prevention techniques can be implemented:

- **Review onboarding and training materials**. A strong message about the restaurant's desired culture, including what behaviors will not be tolerated, should be sent by the restaurant company's leadership. A thorough review of this code with all employees — front and back of house — should be conducted by a senior manager or member of the human resources team.

- **Provide employees with a variety of options for reporting** witnessed misconduct or theft as part of the onboarding process. The Code of Ethics and Conduct should make clear that an employee who witnesses theft or misconduct and doesn't report it can also be subject to disciplinary action.

- **Ensure that no issue reported is ignored**. This means that every hotline report, every complaint shared with HR, and any other reports of unethical or illegal behavior, regardless of how they are communicated to restaurant management, must be addressed swiftly and appropriately.