

## Impact of the physical work environment on employee honesty

### 1. Introduction

Although employees are one of an organisation's most valuable assets, it is unfortunately also true that employee dishonesty and disloyalty result in huge financial loss to organisations. Research by PricewaterhouseCoopers (PwC) and the American Association of Certified Fraud Examiners showed that companies lose 6 per cent of their turnover as a result of occupational crime.

### 2. Access and opportunity

White-collar criminals misuse opportunity and access to goods, intelligence, money, etc to defraud or steal from their employers. Employees who are faced with constant temptation at work, combined with opportunity and access, **may become** dishonest. However, companies that implement sound internal controls, with proper supervision and segregation of duties, are far less likely to fall victim to crime than companies that do not have such controls.

### 3. Lack of internal controls

A lack of internal controls resulted in huge losses to companies in a number of recent cases. In the case of the "Gambling sisters of Lichtenburg", two sisters stole more than R8 million from the First National Bank branch where they worked. According to statements taken by the police, both sisters were of the view that the bank should be held responsible for the losses, since it had neglected to put in place proper security measures. One of the criminals even said, "The accountants audited the bank every two years and did not even pick it up. I've already served a heavy sentence. I worked like a dog for them for 30 years. Many hours were worked overtime without any remuneration or even a thank you".

#### 4. Internal and external prompters of honesty

The occurrence of crime, however, is dependent not only on internal controls. Studies have shown that factors such as a culture of crime, emotions and job loyalty, a climate of honesty and ethical leadership influence honesty and integrity at the workplace.

Organisational culture plays a major role – for example, is crime tolerated, and are criminals disciplined?

In a study, the influence of a climate of honesty on high-shrinkage and low-shrinkage retail stores was compared. It became evident that there was a direct correlation between a poor climate of honesty and high levels of shrinkage in specific stores.

It has also been shown that the emotions experienced at work are a strong predictor of employee loyalty. Employees who reported feeling powerful, appreciated, proud and important at work were most likely to remain loyal employees. **In short, because employees liked their work and their boss, they were more likely to stay honest even when faced with temptation.**

Lastly, ethical leadership has proved to be critical. The example set by managers sends a powerful message. For example, managers who demand overtime from employees, but who spend their working time on the golf course, create an atmosphere of unethical (or dishonest) behaviour possibly becoming the norm in the workplace.

#### 5. Conclusion

Employers face a tough task to ensure that they do not fall victim to white-collar crime. Therefore, employers should not only implement sound controls, but ensure that the organisational culture is healthy and that a strong ethical example is set. Employers should also talk to employees and address unhappy emotions. Finally, employers should ensure that there is a climate of honesty in the workplace where integrity is rewarded and dishonesty is not tolerated.

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