

THEFT AND EMBEZZLEMENT – PROBLEMS OF SUCCESSFUL BUSINESS OPERATIONS OF HOSPITALITY FACILITIES

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ABSTRACT: *Hospitality is characterized by businesses in direct contact with money, expensive food and drink, which often causes problems due to theft and embezzlement performed by unsatisfied employees. Research on the topic is a very broad, but under-researched field. The subject of this paper is theft and embezzlement in business operations of hospitality facilities in AP Vojvodina. The objective of this paper is to provide answers regarding the frequency of the problem occurring upon reception of and storing food and beverages, work with the cash register and means of payment, as well as other operations. The aim of this paper is to indicate the necessity of more professional monitoring of business, that is, finding a solution to this problem in hospitality facilities. To acquire more relevant data on the frequency of theft and embezzlement in hospitality facilities serving food and beverages, we conducted a survey of the management in facilities in AP Vojvodina (the northern region of Serbia).*

Keywords: *restaurant, business operations, theft, embezzlement, hospitality*

INTRODUCTION

Caterers and visitors to hospitality facilities often encounter losses, thefts, and manipulations. All these operations contribute to the very unfavourable positioning of a hospitality facility, dissatisfaction of consumers and society regardless of who they are performed by (Oliphant, Oliphant, 2001; Poulston 2008a; Kennedy, 2016; Goh, Kong, 2018). The topic is discussed in the scientific literature but not to an extent to which it can pose a problem (Hawkins, 1984; Shapira et al., 1995; Stevens, 2011). Theft and embezzlement are serious problems encountered by different industries; however, hospitality is particularly affected by this situation because employees are exposed to a large number of money transactions, property, as well as expensive food and beverages (Greenberg, Barlibg, 1996; Mishra, Prasad, 2006; Stanisic, Nikolic, 2009; Kalenjuk, 2018).

Theft can be defined as unauthorized misappropriation or transfer of money or property committed by an employee while performing work (Greenberg, 1990; Goh, Kong, 2018). Goh and Kong (2018) explain it as an unauthorized misappropriation of company assets by employees for their use or sale to others, including, but not limited to taking products, inventories, materials, assets, data, and intellectual property (Goh, Kong,

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2018). The most common causes of theft occur due to extensive fluctuation of employees, insufficient trust among employees that behave unprofessionally, as well as insufficient salaries of employees, which stands out as the main reason for theft (Poulston, 2008a).

Hospitality facilities must recognize these problems they encounter and address them timely. By observing the behaviour of employees, one can determine the cause of the desire to steal and commit other dishonest actions (Walker, 2007). Krippel et al. (2008) cite that the principal motive for theft in hospitality companies are employees who believe that they are underpaid, overburdened, and harassed by the management (Krippel et al., 2008). Methods of their realization and neutralization are different (Shigihara, 2013). Efficient control mechanisms discourage the commitment of thefts and affect better financial results in hospitality facilities (Geller, 1991; Chan et al., 2020).

The subject of this paper is theft and embezzlement as everyday problems in successful business operations of hospitality facilities in AP Vojvodina.

The task of this paper is to answer the following research questions:

- What problems does the management encounter when receiving and storing food and beverages?
- What kinds of embezzlement are frequent in regular cash register operations?
- What problems does the management encounter in regular operations with means of payment?
- What other embezzlements does the management encounter in hospitality?

This paper aims to indicate problems of embezzlement and illegal actions in business encountered by hospitality and the necessity of monitoring more professional business operations to reduce the occurrence of embezzlement in favor of more profitable and competitive business operations.

LITERATURE REVIEW

It is estimated that theft is the principal cause of business failure of a third of hospitality facilities that serve food and beverages (Ghiselli, Ismail, 1998). Theft committed by employees is a significant problem in all social spheres where the hospitality industry stands out due to specific business operations, where employees are exposed to considerable financial transactions, fixed assets, expensive foodstuffs and beverages (Kennedy, 2016). Hospitality as a specific industry is one of the most vulnerable regarding theft and fraud by employees. Poulston (2008) cites that seasonal workers, the young, and employees working at low-paid jobs are the most tolerant in committing embezzlement (Poulston, 2008). The most diverse methods of theft and embezzlement are through the delivery and reception of goods, sale of food and beverages, and their charge (Milunovic et al., 2018), where cash and inventory are the goals.

A satisfied employee is a productive employee; an organization cannot be successful with dissatisfied employees. Job satisfaction is related to the feeling that employees have towards work and its various aspects, how much they like or dislike it, and how they are treated, i.e. the fairness of the employer, cite Holinger et al. (Holinger et al., 2010).

The most common problems in the business of hospitality companies are excessive fluctuations in the workforce, stress, poor conditions, poor training, harassment, insufficient pay of employees, theft, and embezzlement, which de facto affect the profitability of a company (Poulston, 2008b), whereas Walker (2007) states that the most common problems and situations that owners and managers encounter, regarding the inability to achieve profitable business include: vague ownership, lack of a business plan, marketing and sale, location, budget, control, and a team of people (Walker, 2007).

The degree of harmonization between the perceived and expected quality is manifested as an indicator of consumer satisfaction (Cvetkovic, Tesanovic, 2014). Many describe the philosophy of business as enlightened hospitality; therefore, if the staff is satisfied, there is no reason for guests not to be, and thus profitability will be at a satisfactory level.

There are many types of theft in a workplace, such as manipulations of money from the daily turnover, cash, inventory, and equipment, illegal use of the facilities, improper use of employee discounts, false refunds, and unauthorized coupons. In addition, thefts at the workplace are usually tangible, such as giving free food or beverages to friends. The term theft also includes unauthorized discounts, stealing waste and goods. However, people dealing with this topic also reported that thefts by employees also include intangible theft of time, i. e. working hours (late arrivals at work, early departure from work). Next, managers use different verbal expressions, such as shortage, theft, and uncalculated loss, instead of theft to maintain the image of a non-criminal company (Goh, Kong, 2018). Therefore, it is important to mention that this research combines different definitions of theft, tangible and intangible, which workers commit to the detriment of the employer.

Low salaries, unjust awards and recognitions, poor mutual support of employees, stressful work environment, lack of staff, time constraints, overload with work tasks, disrespect of working hours as well as stealing from guests and the company are only some of the elements that affect employee dissatisfaction and represent basic reasons why employees feel 'free' to commit theft and embezzlement (Niehoff, Paul, 2000; Goh Kong, 2018).

To prevent manipulation or theft, one must know methods and places where it can appear. The list for theft and fraud is long, and there is always a new way of how to deceive a caterer, and everything related to this topic refers to a deal between employees and clients who cooperate with the hospitality facility (Walker, 2007). The fluctuation of the workforce is closely related to theft and embezzlement. Research has shown that theft is more likely among employees with a short-term contract with hospitality facilities (Toms et al., 2001).

It is estimated that thefts by employees are 35% in retail, 43% in supermarkets, and as many as 62% in fast food restaurants (Greenberg, Barling, 1996; Mishra, Prasad, 2006). The most common types of theft concern delivery, reception, and inventory lists of goods; cash, credit cards; collected and disbursed invoices; sale of food and beverages; in the bar and during reception of guests (Grab, Walkup, 2004).

For fraud to occur, the following factors that enable it must exist (Stanisic, Nikolic, 2009): the motive that leads to theft, opportunities for such acts, and lack of integrity. It is hard to identify theft and embezzlement (Oliphant, Oliphant, 2001). The method for the adequate overcoming of the problem is the process of conducting control, where the emphasis is on the internal control of a hospitality facility (Mishra, Prasad, 2006) and the human resources sector (surround oneself with honest and loyal people): performing adequate recruitment; education; controlling costs of production and work processes; controlling raw materials of finished and semi-finished products as well as inventories and controlling documents and goods in warehouses (Stanisic, Nikolic, 2009).

METHODOLOGY OF THE RESEARCH

Having consulted the domestic and foreign literature, we conducted the research using a questionnaire among managers in 87 hospitality facilities in AP Vojvodina. First, we started collecting data containing general information about a hospitality facility, then about time determinants of the existence and work of employees and the facilities, and, eventually, we asked questions related to dealing with embezzlement and theft.

The survey was anonymous, and all the obtained data are systematized and statistically processed hence presented in the paper in tables and figures.

RESULTS OF THE RESEARCH AND DISCUSSION

The analysis of socio-demographic characteristics of the respondents

Based on socio-demographic characteristics of the respondents, we may state that in hospitality facilities in Vojvodina at a position of a manager, male employees prevail with a share of 60% of the respondents, whereas women are present with 40%. The largest number of respondents are 18-24 years old with a share of 42.90%, while 31-40-year-old employees are present with a share of 25.70%, employees aged between 25 and 30 are present with 20%, the rest are employees older than 41.

Based on the research, we found that an equal share of respondents, 31%, have completed secondary vocational school and primary or master studies, while employees with a college degree are present with a share of 26%. Employees with a Ph.D. are present with a share of as many as 12% of the respondents.

When it comes to the connection between education and hospitality, the survey showed that 48% of the respondents are educated in the field of hospitality and tourism, while an equal number of respondents, 26%, is partly related or completely unrelated to the hospitality field of education.

The analysis of work experience and engagement of respondents

Observing the results in Table 1, the analysis of work experience and engagement of employees in hospitality facilities in Novi Sad, it was found that a significant number of the respondents, 43%, have been employed in hospitality for over five years, which supports this research. Respondents with work experience of between 1 and 3 years are present with a share of 28%, employees with 3-5 years of work experience hold a share of 23%, and employees with work experience of less than one year have a share of only 6%, which also supports this research.

When we look at the type of hospitality facilities according to the place of work, we may state that the largest share of respondents works in restaurants (48%) and cafes (23%).

Table 1. The analysis of work experience and engagement of respondents (n=87)

Variables		Value n	Share %
Length of work experience in hospitality?	Less than a year	5	6
	Between 1 and 3 years	24	28
	Between 3 and 5 years	20	23
	Over 5 years	38	43
Type of the facility according to the place of work?	Restaurant	42	48
	Cafe	20	23
	Hotel	13	14
	Fast food facilities	7	9
	Tavern/Kafana	0	0
	Other	5	6
Job position of respondents in the present hospitality facility?	Top management	20	23
	Strategic management	31	36
	Operational management	36	41
Length of work of the hospitality facility?	Less than a year	28	31
	Between 1 and 3 years	14	16
	Between 3 and 5 years	28	31
	Over 5 years	17	22

Variables		Value n	Share %
Work experience in the present facility?w	Less than a year	8	9
	Up to a year	35	40
	Between 2 and 5 years	23	27
	Between 5 and 10 years	5	6
	Over 10 years	16	18

In the research, managers at operational management prevailed with a share of 41%, which is significant when this issue is concerned.

The length of work at hospitality facilities and how long a facility exists is significant for obtaining results to compare the fluctuation of people in the examined facilities with the frequency of theft and problems encountered by caterers and owners. The largest number of examined facilities has existed for less than a year, as well as for three to five years, 31% each. Only 22% of facilities have operated for over five years, and only 16% for one to three years. The results indicate the failure of the management to maintain and operate a facility for longer than five years, and the most common cause of the closure of all hospitality facilities is unprofitable and unprofitable business.

The percentage of answers to the question “over ten years of work in the present hospitality facility”, where only 18% of respondents answered positively, can be related to the previous data, where only 22% of respondents answered that the hospitality facility has existed for longer than five years. We can see that employees would stay longer in hospitality facilities if they are still in the market and do business, and from this situation, it is clear that the number of newly opened facilities is increasing.

The analysis of structure of answers related to the problem

The following part of the research concerns problems in different areas of business, which are closely related to the topic. We tried to encompass all possible situations in which caterers can find themselves regarding theft and embezzlement.

Analyzing the structure of answers on the topic of embezzlement upon receiving and storing goods, we reached the following data on the frequency of the problem: the largest number of respondents, i.e. 37%, say that they encountered damages on goods upon reception without adequate marks, manipulations concerning the delivered quantity of goods 17%, charged higher quality and delivered lower quality of goods 14%, also

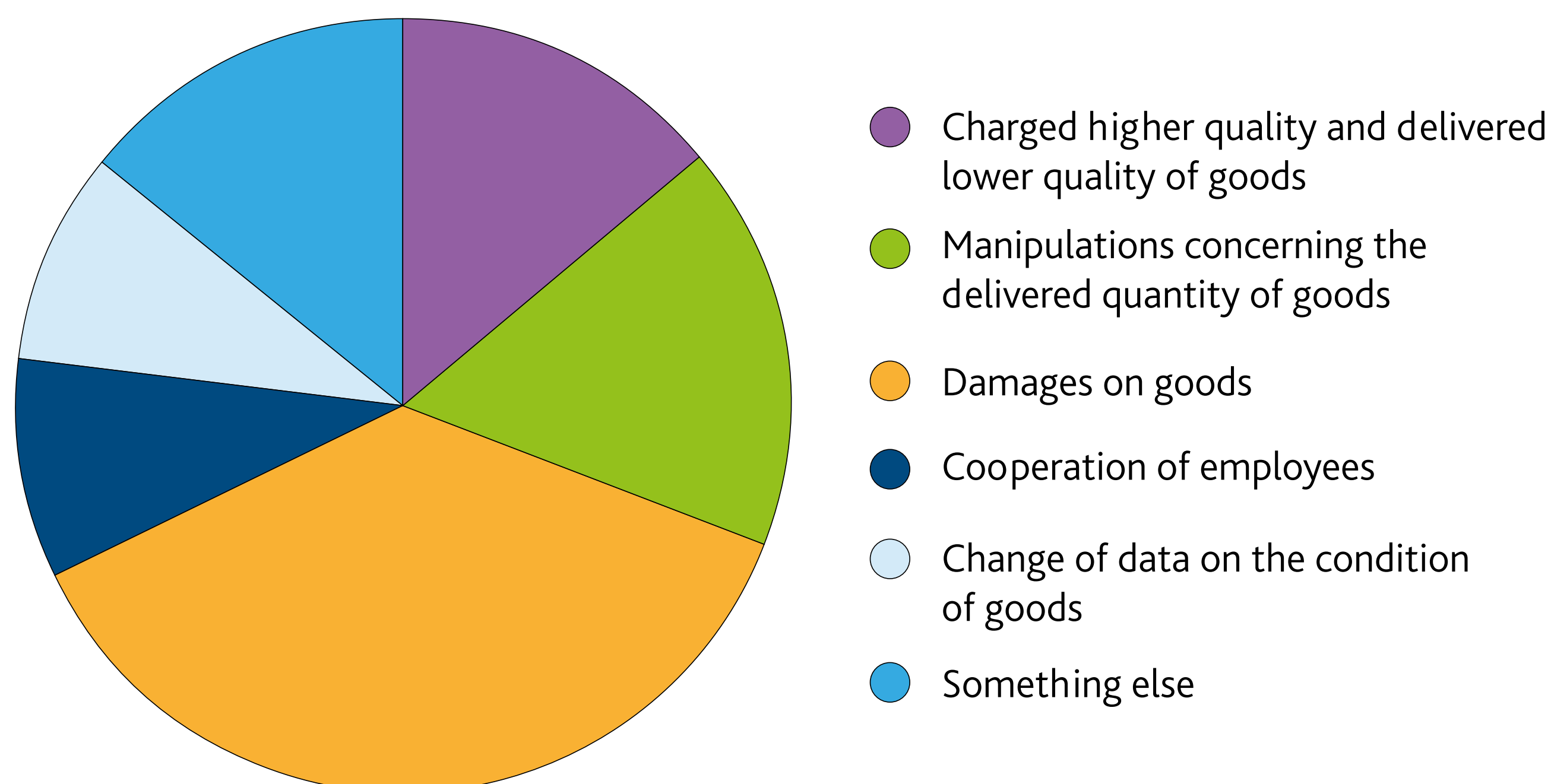


Figure 1. Embezzlement and theft upon receiving and storing goods

14% of managers state other problems as well, while 9% each point out the chance of data regarding the condition of goods and cooperation of employees in committing illegal action (Figure 1).

The next part refers to problems with working with the cash register, where the most common issues were reporting a deficiency in the cash register with 33%, adjusting sale lists 19%, illegal sale 17%, other actions 17% and reporting business costs to cover one's own 14% (Figure 2).

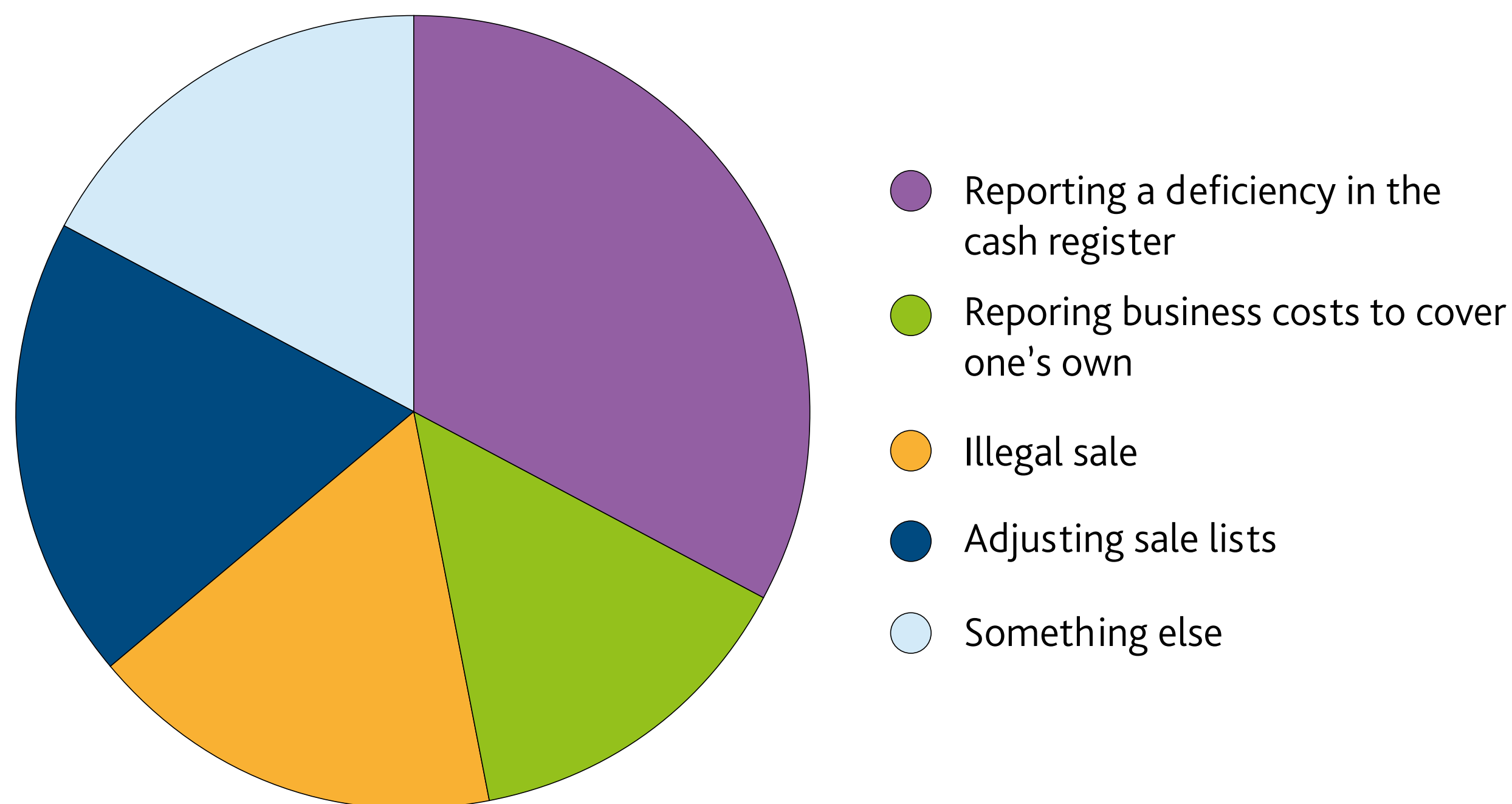


Figure 2. Embezzlement and theft in work with the cash register

The third part refers to embezzlement and theft in work with means of payment, where the reported problems include: fabrication of non-existing issues as many as 53% of respondents, manipulations of means of payment 23%, 15% mentioned other methods, and 9% cited fabrication of a company and entering false amounts into an account on behalf of the company.

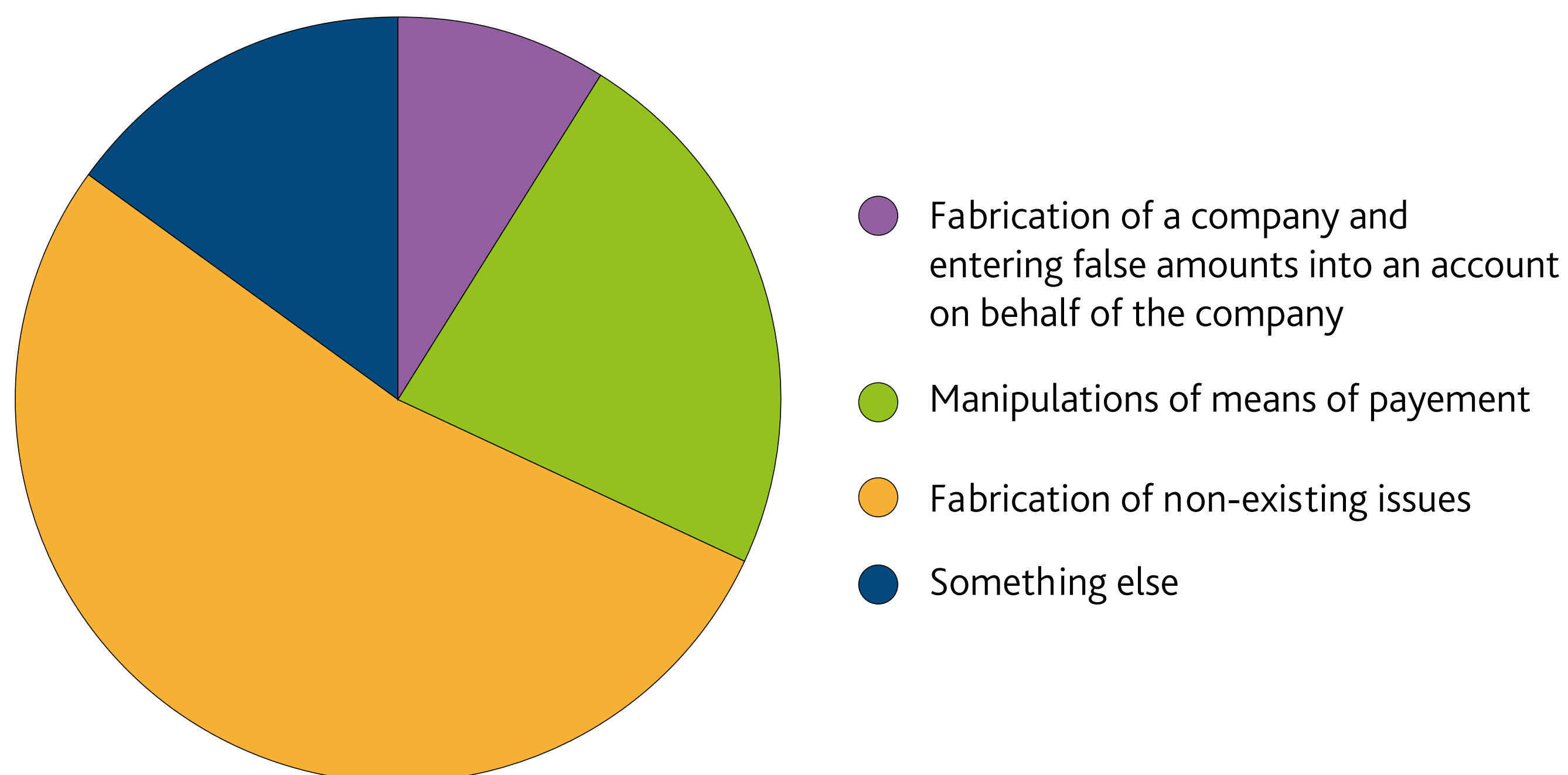


Figure 3. Embezzlement and theft in work with means of payment

In the research of other problems related to theft and embezzlement, the management cites the following: avoiding records of sold drinks, and taking money for themselves for a certain amount of sold drinks 23%, mutual agreements between waiters and chefs, unregistered sale 14%, change of account balance and destruction of an account 14%, selling cheaper drinks at the price of a more expensive one 14%, collected mon-

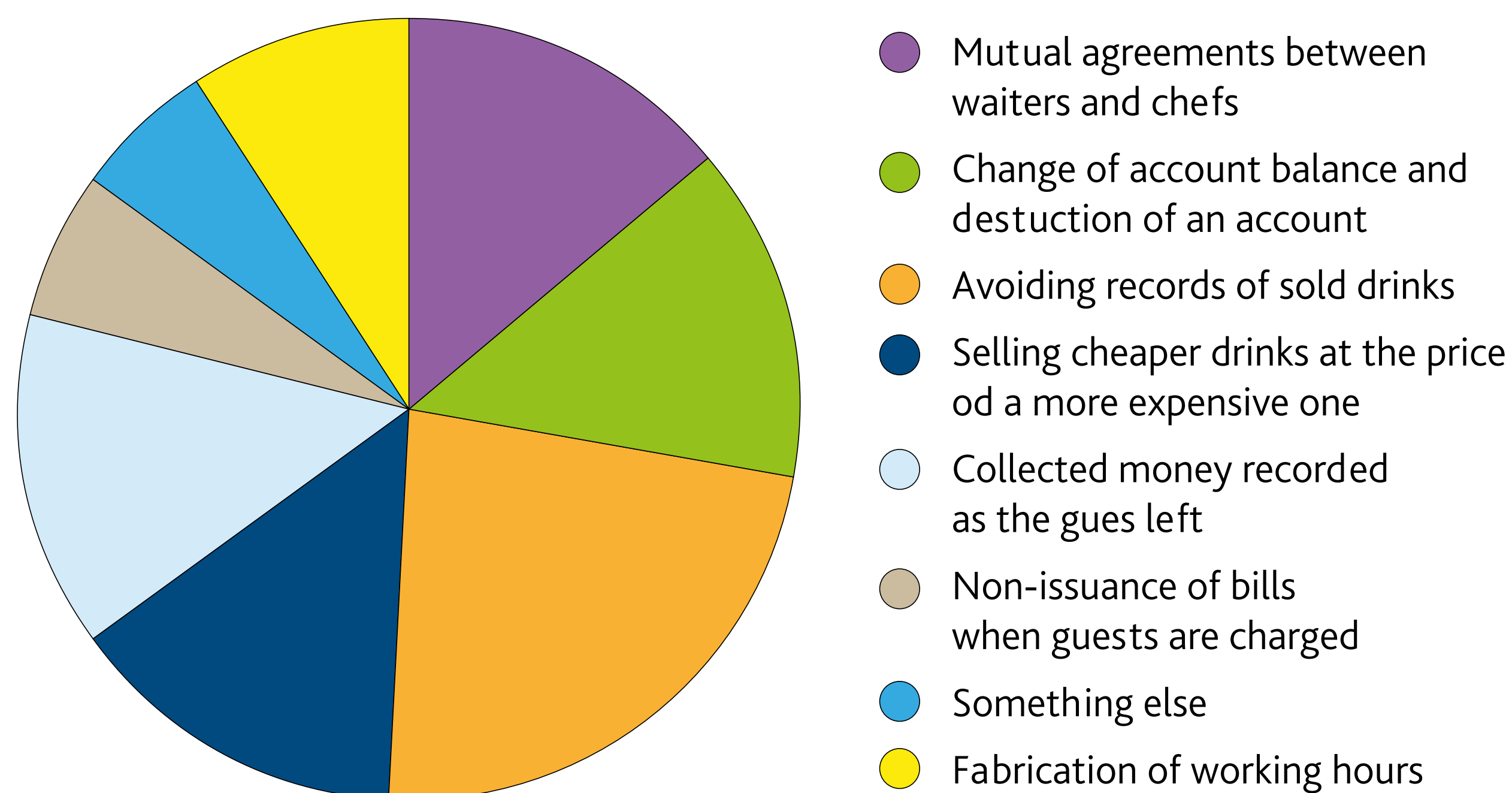


Figure 4. Other problems encountered by the management regarding theft and embezzlement

ey recorded as the guest left 14%, fabrication of working hours 9%, non-issuance of bills when the guests are charged 6%, and other 6% (Figure 4).

CONCLUSION

Based on the conducted research among employees in hospitality facilities in AP Vojvodina as a significant tourist destination, and use of scientific literature, we concluded that the management encounters embezzlement and theft upon receiving and storing food and beverages, in work with the cash register and means of payment, as well as various fabricated issues by employees with 53%. The range of fraud and embezzlement to employers and management is significant and varies according to the types and sizes of hospitality facilities. The causes of such actions are unknown. An assumption and direction for further research would be employee dissatisfaction in hospitality facilities implying embezzlement and theft. To reduce these problems, adequate control should be conducted as well as a more serious approach to the human resources sector. It is of crucial importance to examine the expectations of employees in order to remove demotivating factors and get more satisfied employees, therefore eliminating or at least reducing issues regarding theft and embezzlement in the hospitality business.

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CONFLICTS OF INTEREST The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article. © 2021 by the authors. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>).

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