Employee theft within Small Business in Kinshasa, DR Congo

By Michael Kongo

Introduction

Growing up in a business family where almost everyone was an entrepreneur such as father, mother, uncle, brother in law and even neighbors. What seemed to be family things in one of the small town in the Republic of Congo was in fact, one of the greatest activities in the world. According to some authors (Kuratko &Richard, 2004; Davis and Harveston 1998; Hodgetts, 2004; Lam, 2009), more than 90 percent of all enterprise in the world is family business. In Malaysia, SMEs accounts for 99.2 of all businesses GDP (SME Annual Report 2006- Negara Malaysia).

The involvement of family business and SMEs are enormous in the GDP it contribution in USA is important depending on researcher some said that it contribute to 50 percent of the GDP, in Malaysia SMEs account 47% of Malaysia’s GDP.

Kuratko (2004) even argued that most of the businesses we see are family businesses and these businesses have been noted to account for the largest percentage of the businesses in many nations. More than that when taking the impact of the women entrepreneur by itself, it is demonstrated 40percent of women entrepreneur contribute to over 1.3 trillion of dollars (Olapido, 2006).

Building on these arguments above, no one can deny anymore the contribution of family business in the world. Great is noticed that on the academic level, the publication didn’t stay behind, since the creation of family business review in 1987 many authors have written to further this research (Harms, 2014).

There is a need to mention that there is not a single definition of family business. Harms (2014) has considered 267 reviews of family business and each one of them had its own definition, although we will talk more about it later in the review. For instance, author as to Donnelley 1964 argued that the “Family members 'involvement in the business” is the primordial argument to defined family. On the other hand, Maas (2005) argued that an enterprise is considered as a family business when one of his members has over 50 percent of the share of the company, while some considered that the enterprise must go into the second generation for it to be considered as a family business.

The aimed of this study is not to debate about the definition of family business but rather to present and analysis what limits its expansion and its growth in Kinshasa, Capital of Democratic Republic of Congo. For it is known that it only 30 percent of all family business go into the second generation and more or less 15 percent that sees the third generation (Friedrich, 2011& Davis 1998). Nevertheless, we have to mention the Kongo and Hisho families who have witness their families businesses breathing for over 40 generation (Maas, 2005).

Coming back to Kinshasa, where the focus of our study lies, as mention on top, there are so many families businesses in the Capital as well. However, many have failed over the year. Even though, the aim of this study will not address all the factors that contribute to the failure of these enterprises but this study will focus on the employees theft, which is considered as one major factor that sink an enterprise.

Therefore, the present dissertation focuses on one hand to developing an understanding of how these counterproductive behaviors affect the owners and managers of the families businesses. And how these acts limit the growth/and or success of businesses in Kinshasa, on the other hand, the study is trying to understand why employees steal and how the employers can prevent it.

At lot have been said about the employee’s theft in literature and many similar studies have taken place around the world such as (Kennedy, 2012; Nkonoki, 2010; Gill, 2008; Katsouris and Aaron Sayne, 2013; Hinds, 2005). Each one of them as somehow showed the negative impacts of employee theft within an organization some authors such as Hinds (2005) argued that staffs in any organization are reliable and trustworthy. However, businesses are now beginning to realize and understand the scale of the threat posed by staff that act dishonestly and deceive their employer. Gill (2008) added that employees can be a company’s greatest asset and, unfortunately, its worst enemy at the same time.

Further states that the loss due to employees theft is tremendous in the economy of a nation for example, the UK is one of the worst countries in Europe for stealing by employees, costing employers £1.5 billion in 2004 (Hinds, 2005). According to the American Management Association (1977) it was estimated that employee theft cost American businesses from $ 5 billion to $10 billion in 1975. But then, US federal courts in calendar year 2014 has stated that The typical organization loses 5% of revenue each year to fraud, a potential projected global fraud loss of $3.7 trillion annually according to the ACFE 2014 Report to the Nations study of global fraud. The numbers shows that the employee’s theft is getting stronger each year.

In the National Retail Security Survey Reports (2001) directed by Hollinger and Davis (2001), losses from employee theft reached record levels. The total inventory shrinkage cost to U.S. retailers was $US 32.3 billion, up from $US 29 billion the year before (Dabil, 2005)

Before going any further, we need to talk about DR Congo and its Capital Kinshasa, according to the Bureau of African Affairs (2012) the "Democratic Republic of Congo is located in: Central Africa. Bordering nations-Angola, Burundi, Central African Republic, and Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia."

In his study, Iyenda (2005) discovered that the economy of the DRC has been in decline since 1974, when president Mobutu introduced "the Zairianisation policy" that aimed to take control by force of the different enterprises owned by foreigners and to give them to the local population. The reality was that it was only people close to him who benefited from the policy, and not ordinary people (Lyenda, 2005).

Lyenda (2005) makes a comparison between the economy of the DRC before Zairianisation and after; according to some of his findings the rate of exchange for the Zaire (Z) in 1972 was US$ 1.00 = Z 0.50, in April 1990 it was US$ 1.00 = Z 496.99, and by May 1997, when Mobutu left power, it was US$ 1.00 = Z 180,000. "Not only that many enterprises went bankrupt because of the mismanagement of business owners and people have lost their jobs" (Iyenda 2005).

Nsokimieno, Shouyu and Qin (2010, p. 1) argued that:

> In the context of rapid urbanisation in the Democratic Republic of Congo, overpopulation in Kinshasa increasingly causes chaos, inequalities, poverty, environmental degradation, open spaces loss, socio-economic tension, and spontaneous settlements and sprawl. This rapid urban growth occurs without planning and productive employment compounded by weak government involvement. These crisis situations put to the forefront sustainable urbanisation as a priority issue for urban development with reference to globalisation and technology.

This chaotic situation has encouraged the average citizen to become self-employed and one of means of survival was to become a street vendor. After spending a significant amount of time with 125 street vendors, Iyenda (2005) concluded that only two percent of the street vendors earned 50 $ per day and the majority of them earned 2$ to 5$ per day. The street vendors lived in extreme poverty, unable to provide a decent life for their families and their only hope is for the Government to create sustainable jobs with decent wages.

Building on this argument, it can be said that building a successful business in Kinshasa is challeging but adding the employee's theft on top it can only cause more damages.

In this study, three questions will be asked.

1. How does employees' theft affect the family business in Kinshasa?
2. Why employees steal from their employees?
3. How employers and owners can protect their family business?

Regarding the first question (Kennedy, 2012; Nkonoki, 2010; Gill, 2008; Katsouris and Aaron Sayne, 2013; Hinds, 2005) have demonstrated that the negative impact of employees theft. So, the first hypothesis is.

1. Employees theft is one the main cause that sink the families businesses in Kinshasa

By family business, this study is targeting an enterprises that have less than 50 employees because according to literature there is a link between the number of the employees and the levels of theft, the lessen the number of employees, the highest the level of theft (Hiscox Embezzlement Watchlist, 2015).

As mention, this paper will focus also on why employees steal? Rationalization is one of the three causes, Dr. Donald R. Cressey's theory said that when employees feel that they are underpaid, they tried to do justice for themselves. In other cases, when employees feel like their colleagues in other companies have a higher wages, they tried to compensate what missed.

That argument goes hands to hands with the articles named "can wages buy honesty" (Chen & Sandino, 2011) it is demonstrated that when they employees are well paid in the average market compare to their colleagues of other companies, they tend to preserve their job by not stealing. Even though these theories have been criticized by many authors, nevertheless, in his study Greenberg has demonstrated in a study regarding the cut of salaries of the employees; when employers cut the salaries of his employees without giving them a rational explanation, the employees tend to steal. However, when the employers explains to them why the decision was taken to cut their salaries, they steal lessen.

The theories of Greenberg lead this study to set second hypothesis such as:

2 Employees theft occur in Kinshasa because the employees are underpaid

The literature demonstrated that most Congolese lived with less than dollars per day. And the average paid is about 50 dollars per month. By taking this direction, it can be said that employees steal because of need.

Dr. Donald R. Cressey's theory argued that those employees steal from their companies because of three raisons which are opportunity, rationality, greed or need. Among the three opportunities seem to be the most important factors. Therefore, the business should limit the opportunity to steal by exposing or setting some rules or moral behavior or what behavior is supposed to be taken place in the business (Dabil, 2005).

According to a retail council of Canada report have demonstrated the 10, 10 and 80 rules that said that 10 percent of your employees will never steal from you, the other 10 will always steal from you whenever the circumstances that goes hands to hands to the greedy one. But what is so interesting is that the rest of the 80 will go either that way or mostly depending of the opportunity that has been presented to them.

3 As the work of Dabil in 2005, this study state that employers will limit theft when they These five elements are:
   - Employees' perceived certainty of the risk of being discovered;
   - The certainty of apprehension;
   - The certainty of prosecution;
   - The severity of possible criminal punishment; and
   - Visibility and celerity of punishment.

This paper in progress is relevant in both theory and practice because it will set a foundation for future researcher to go deeper in the area of family business and the employees' theft and in practice it will help manager and entrepreneur to protect their business from thieves inside the organization.

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