

How to Prevent/React to Unethical Employee Behavior

By Katie Morell



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Imagine your worst nightmare: a trusted employee betrays you, possibly compromising the future of your business.

Situations like these are unfortunately common. Unlike at a large company where teams of attorneys deal with such stickiness, a small business is often left to handle things on their own, which can prove especially difficult when an offending employee is also a family member or friend.

“Small business owners often feel blindsided when their trust has been betrayed,” said *Vivian Scott*, author of *Conflict Resolution at Work for Dummies* and a business coach based in Seattle. “The offense feels personal.”

Unethical violations can run the gamut, from tardiness, internet surfing and petty theft to large-scale embezzlement and violence.

How can employers prevent such behavior?

Create an employee manual

“Every business needs an employee manual; it is just like a pre-nup, you have to assume that your relationship will go wrong at some point,” said Beth Schroeder, partner at *Silver & Freedman*, a business law firm in Los Angeles. “This will not only help to give parameters to an employee, but it will help the employer, too.”

“A lot of small business owners fall out of compliance out of ignorance. They may think their company is too small for overtime pay or pregnancy leave, when they are not.”

Business owners without the capital for legal counsel in drafting a manual can turn to local resources, according to *Elizabeth Cohee*, attorney at law at The Law Office of Elizabeth Cohee in Oakland, Calif.

“Look into a local business group of chamber of commerce,” she said. “They often have generic manuals that will teach you what you can and cannot do.”

Meet with employees

“Plan a company gathering at least once a year to go over rules, regulations and consequences,” Cohee advised.

Check and cross train

“Make sure to have checks and balances in place,” Schroeder said. “For example, for every check paid, make sure it has a double signature. No one should have sole ownership for signing all the checks. Cross training is also important. No one person should know only one business function, regardless of how small you are.”

Screen

“Make sure to check references and do background checks,” advised Schroeder. “There are a lot of statistics about people who lie on resumes. Make sure to look into each employee and in some industries, drug testing is important.”

How can employers react to unethical behavior?

Think

“When something has been brought to your attention, first calm down and develop a plan,” said Scott. “In the plan, include what you know and what you don’t know. Also consider who is being impacted by the actions of the said employee. Make sure to think first and have a level head. When emotions are high, reasoning is low.”

Talk

“Ask an employee for their side of the story,” Schoreder said. “If they sue you later, it will be even more important to give them a chance to tell you the story in their own words right off the bat.”

“When you sit down with them, make sure to be as candid as possible with what you know. Being vague just doesn’t work.”

Consider your options

“Decide if the offense is something you can work with or not,” Scott said. “If you keep them, will you lose customers? If you give them a tap on the wrist, will you risk your reputation?”

If not, it may be time to come up with a performance management plan, said Daren Fristoe, president of *The Fristoe Group*, a human resource consultancy based in Kansas City, MO.

“There are employee assistance programs available usually at no cost through healthcare providers,” he said. “If there is a way to keep an employee and develop them through this lone incident, it may be a good idea to help them grow from the experience.

“Employers can also develop action plans with their employees such as telling them if their behavior doesn’t improve in the next 30 days, they will be let go.”

Document everything

“Regardless if whether you can live with the offense or not, make sure to document everything,” advised Scott, adding that proper documentation may help if litigation ensues.

Fire quickly

“If the offense is egregious, such as carrying a weapon into a workplace, call the police, give the employee their final paycheck right there and make sure to over pay them, and walk them out the door,” said Cohee. “Then, follow up by sending them an attorney letter telling them they are no longer welcome in the workplace.”

Call your insurance company

“If you are a victim of embezzlement, call your insurance company -- they may have a general liability commercial policy or an employee dishonesty program,” Schroeder said. “Make sure this coverage is in place because it can help you get your money back, in some cases. This is often more effective than suing an employee. If you take an employee to court, there is a very slim chance you will get your money back.”

Katie Morell is a Chicago-based freelance writer specializing in small business concerns.