Summary

Internal Crime in the Logistics Sector

Reason and Objective of the Research

In January 2004 the National Platform for Crime Control (NPC) launched the 'Plan of Action for Safe Entrepreneurship', with as its main target: reducing crime against business by a minimum of 20% by 2008 (NPC, 2004a). To reach this goal a number of projects have been formulated. One of these comprises tackling of internal crime. Another one implies dealing with crime against the transport sector. As a consequence one of the participants in the NPC, the Ministry of Justice, ordered its Research and Documentation Centre (WODC) to conduct a research on internal crime in the logistics sector. In this study the results of this research are described.
This research implies to give insight into the nature and scope of internal crime in the logistics sector in the Netherlands, in particular the internal crime with which logistic services providers are confronted. Subsequently, this study aims to point out which measures are taken by these companies and in what way they react to actual incidents. In this context the role played by police and judiciary is also reviewed. The results of this research aim support the NPC in realising preventive and repressive measures against this form of crime in the logistics sector.

Research Questions

Summarized, the research questions are as follows:
– What is the nature and scope of internal crime against logistic services providers in the Netherlands?
– Which companies are victimized and which characteristics do offenders of internal crime have?
– What measures are taken by companies in the sector to prevent internal crime and how do companies respond to actual incidents?
– In what way are reports of internal crime handled by police and judiciary?

Definition of Internal Crime

We define internal crime as the deliberate violation of standards of behaviour by employees (possibly in cooperation with others), which is aimed against the company for which these employees work (or worked) and which causes or could cause damage that is considered to be problematic to the company.

Research Design

Data on the nature and scope of internal crime in the logistics sector are unavailable in the Netherlands. In addition police and judicial registration systems fail to recognise internal crime as a separate type of crime. To answer the first three research questions we therefore interviewed 139 logistic services providers in the Netherlands, whose core business is warehousing, possibly combined with value added logistics (VAL). By warehousing we mean that goods are not only stored and transferred, but also somehow processed. When processing adds value to the goods, as in assembly, repairs, and other minor industrial activities, one speaks of VAL. An administrative overview of this selection of companies does not exist. Companies have therefore been selected by means of various membership lists of representative organizations and other logistic services umbrella organizations. This way we found 353 (unique) companies of which 285 satisfied our conditions. Of these, 139 (49%) participated in an interview, generally carried out by the person within the company the most knowledgeable in security matters. As far as we have been able to ascertain the selected companies form a representative sample of the sector

In addition to the companies fifteen experts were also interviewed in order to prepare the questionnaire and to validate and complete the data. The experts were private and police experts on criminal investigation, risk consultants, insurance specialists, clients of logistic services providers, and policy advisors of representative organizations in logistics.

To answer the final research question, we approached all regional police forces in the Netherlands with branches of the participating companies in their districts. We asked them which of the companies had reported cases of crime to the police between January 2002 and December 2004 and, if so, which characteristics these reports of crime had and whether the reported crimes had been solved. Subsequently, the collected data from police were completed with the data provided by the company interviews. At the Central Criminal Records Office in Almelo we investigated whether suspects of these crimes had been convicted, and if so, which sentences had been imposed.

Short Description of the Studied Companies

Almost all interviewed companies were internationally oriented and over half of them were involved with goods which from a theft point of view can be characterized as high-risk. The companies varied in size: over one quarter of the companies had less than fifty employees while the rest of the companies was medium sized or big (which means fifty to two hundred employees or over two hundred employees). Almost two thirds

of the companies were not actively involved in the actual transport of those goods or mainly used subcontractors to take care of the transport for them. The companies under study were geographically concentrated in several regions of the Netherlands like Schiphol, Rotterdam (harbour and agglomeration), Noord-Brabant (mainly Moerdijk, Tilburg, and Eindhoven), and Limburg (mainly Venlo).

Main Findings

Nature and Size of Reported Internal Crime

Companies perceived a bigger problem in external crime than in internal crime. Almost half of the companies (48%) identified internal crime as a problem they encountered every now and then or more regularly, while 18% identified internal crime as a serious problem. Most companies (87%) had been victim of some sort of internal crime at least once between 2002 and 2004. On average, companies reported eleven incidents in the past three years. Half of the victimized companies reported less than five incidents. Most companies (61%) reported victimization of some sort of embezzlement. Embezzlement was also the type of crime the highest number of reported incidents. Generally, this concerned smaller forms of embezzlement like warehouse personnel taking away one commodity or one box of commodities. However, the embezzlement of larger amounts of high value goods was also regularly reported.

Of the companies 34% reported being victim of some sort of burglary with supposed or clear internal involvement. Burglary not only takes the form of warehouse and office building burglary, but often of vehicle burglary (cargo theft). More often than in the cases of embezzlement, this involves large-scale incidents with severe damage to companies. The larger the scale of theft the greater the chance of external involvement.

Of the companies 29% reported being victimized by employees' unprofessional behaviour or negligence. In most cases this misconduct was all about neglecting to follow standardized (safety) procedures resulting in circumstances in which different forms of crime could take place (often burglary or embezzlement of large amounts of goods).

Of the companies 17% reported having dealt with verbal or physical violence between colleagues. A comparable number of companies reported experience with cases of fraud. Fraud can be clearly divided into small-scale and large-scale fraud. Small-scale fraud, mostly reported, concerns fiddling with expense claims, writing too many hours and fiddling with waybills. Large-scale fraud deals mostly with managers or employees in specialist (financial) functions who use their powers and freedom to benefit themselves. On average, of all types of crime fraud shows to bring the highest damage to companies.

Of the companies 11% reported being victim of employees using company assets for private purposes. A comparable number of companies reported sensitive company information to have been leaked to rival companies by employees. Often, this last category involved ex-employees who had left the company with some sort of disagreement and found employment within rival companies.

In addition, we discussed several other forms of crime, which were all reported by less than 10% of the companies. Sabotage of industrial processes (9% reports victimization), vandalism (8%), (internal involvement in) robberies as well as corruption (both 5%), conning, illegal trade, and employees using company assets for personal commercial activities (all 3%).

Most forms of crime are confronted with are somehow transport related. Companies view these forms of crime (robberies, theft of vehicles, and theft from vehicles) as the most important crime problem they encounter in their sector. Of all incidents (external and internal), burglary (including vehicle and cargo theft) was reported most often: 77% of the companies was at least once victim of such crime in the last three years. Of all incidents of burglary which were reported, in only 14% internal involvement was suspected.

Dark number

The above-mentioned findings are based on reports by the companies themselves. We know however, that there are several underreporting effects which lead to not all internal incidents being reported. Internal incidents like fraud and illegal trade can remain hidden within the company because they leave no or little trace. Embezzlement is regularly discovered, for example in case of missing goods, but is sometimes difficult to explain (embezzlement is only one of many possible explanations for missing goods). Furthermore, companies do not always have interest in labelling missing goods as embezzlement, because they risk being held responsible by the owner of the goods or damaging their image. However, some companies are hardly aware of the fact that missing goods may have to do with internal crime. Reported embezzlement therefore forms the tip of the iceberg. Incidents may be uncovered, but companies are not always capable of identifying internal involvement or prepared to judge this as such. This mainly concerns transport related crime (robberies, burglary, and large-scale cargo theft). The identification of internal involvement turns out to be related to security awareness and knowledge: the higher the security-awareness within companies and the more knowledge is available about facts and circumstances surrounding incidents, the more often companies are able to suspect or point out internal involvement. For several reasons respondents might have had limited knowledge of the

actual circumstances surrounding incidents. For example, some may have been in function for only a small period of time, some may only have had information on one or a limited number of branches of the company, or some may only have had knowledge of certain forms of crime. In those cases where respondents did have complete knowledge, they may not always have been willing to talk about it, because of commercial considerations or various personal motives.

Additional research into various forms of transport related crime brought to light that there is serious evidence that internal involvement is much more common than companies believe or want us to believe. According to all interviewed experts, especially in the case of large-scale cargo theft (from or out of vehicles and warehouses) in most cases (some experts say: in all cases) internal knowledge is used in one way or another. This image differs strongly from the one given by the companies. We therefore conclude that in many cases where companies speak of external crime internal knowledge will have been used.

Characteristics of Companies Victimized by Internal Crime

The characteristics of the victimized companies that are most strongly related to the prevalence and frequency of internal crime are the following:
– The *size* of the company (the bigger the more crime);
– Problems related to the *recruitment* of personnel (with prevalence more crime);
– The nature of *business activities* (the more transport related the more crime);
– The presence of high-risk *goods* (if present more crime).

Furthermore, characteristics like the level of security and the presence of external personnel are also related to the level of internal crime. However, these relations disappear when we account for the above-mentioned factors. The link between the level of security and the scope of internal crime is a difficult one as many companies upscale their levels of security following incidents that take place. Instead of a negative correlation, we therefore find a positive correlation: better secured companies report more internal crime. This however does not mean that preventive measures fail to have effect on the reduction of internal crime. Within the framework of this research the precise effect is hard to determine. Striking is furthermore that companies in Rotterdam report significantly less (internal) crime than companies in other regions do. This difference can partly be explained by the fact that the companies under investigation in this region are relatively small and have no transport facilities. However, even when we take this effect into account, companies in Rotterdam seem to report less crime then comparable companies in

other parts of the country. Our research data do not offer any specific leads to explain this difference.

Finally, we have to acknowledge that some forms of (internal) crime are much more sensitive to differences in the above-mentioned company characteristics than others. The level of embezzlement, vandalism or fraud usually varies stronger with these characteristics than, for example, the level of burglary. As far as burglary is concerned, differences between companies are usually much smaller: all companies seem to face the same problems in this respect.

Characteristics of Offenders of Internal Crime

Companies identified various characteristics when it comes to the background of persons that have ever been suspected of some form of internal crime. Respondents mentioned personal problems (monetary as well as social problems like addiction and divorce), demographic characteristics (unskilled young males, sometimes of immigrant origin), personality characteristics (underdeveloped moral standards, living beyond one's means, reckless or kicking behaviour), and a criminal past or people involved in a criminal subculture or network. Also when it comes to the relation these persons have to the company various diverting characteristics were mentioned. Although in this respect temporary workers were often cited, in almost as many cases offenders turned out to have had a long history within the company. In most cases they worked in the warehouse (mainly shop-floor workers, but in some cases also supervising or controlling personnel). Furthermore, specialists as well as managers were cited). Finally, conflicts over various subjects were mentioned to be related to the incidence of committed crimes.

All these characteristics are somehow related to the occurrence of internal crime. This relation may however differ largely for different forms of crime as for example personnel leaking sensitive information to rival companies shows to have more specific characteristics than offenders of embezzlement. Respondents with only limited experience with internal crime often stated that they were very surprised about the offenders (hard workers, loyal to the company, long history with the company, never any troubles, et cetera). Respondents with more experience with internal suspects mentioned not to be able to point out specific standardized characteristics as the backgrounds of these offenders turned out to differ too much. Combining these answers with the fact that the remaining respondents cited various characteristics, we are inclined to conclude that the personal and professional backgrounds of offenders of internal crime are less important than situational factors. This does not imply that some employees (based on their criminal backgrounds) do pose a serious threat. It would however be wrong to think of these employees as the only high-risk group.

Taking Preventive Measures

It is difficult to separate preventive measures against internal crime from those against external crime. In many companies this distinction did not exist. Only a small number of companies was lowly secured. Generally, these companies were small and dealt exclusively with low-risk goods. On average, most companies in the logistics sector take a range of preventive measures to fight (internal) crime. In the large group of moderately secured companies, several preventive measures were taken. These were mainly constructional and technological measures (entry protection with fences, camera surveillance, detection and alarm devices, et cetera). A smaller group of (mainly large) companies was highly secured. In addition to the above-mentioned measures we found these companies to take various forms of monitoring measures like controls on in- and outgoing people and goods through visitation, extensive screening of new personnel, et cetera.

There seems to be an order in the preventive measures that more and less secured companies do take: the least secured companies start with constructional and techno preventive measures, while better secured companies emphasize on (controlling) all kinds of company procedures. However as the attention given to these procedures often weakens in time (and because these procedures may conflict with commercial interests), the best secured companies focus their attention on the use of social control mechanisms (which is imposed more or less automatically in smaller companies). The larger the company, the more it deals with high-risk goods, and the more extensive the processing of these goods, the higher seems to be the level of security.

Within most companies, the emphasis on security lies in preventing theft of commodities. Most companies identified this as their biggest threat. A number of companies also mentioned the vital importance of their information systems. Theft of money is of smaller risk for most companies (except for those working with cash on delivery parcels). Although over half of the companies stated that policies against fraud form an integral part of their management procedures, we did not get the idea that fraud (as in forging/manipulation of documents, et cetera) got any serious attention.

Companies had varying ideas of the effectiveness of the various preventive measures. These depended mainly on the above-mentioned stages of security in which they found themselves: companies which had just placed a fence around their business premises were usually very positive regarding its preventive effects. The same holds for companies which only recently had installed surveillance cameras. In the highly secured companies respondents were usually content with visitation procedures although in some of these companies, respondents already mentioned its shortcomings, while pointing out that additional social

control mechanisms should be used as techno preventive measures and control mechanisms always may be evaded.

With the exception of a number of large, well secured companies, we found that many companies take their preventive measures in response to incidents with which they are confronted. Financial restrictions are important here as many respondents mention financial limitations as an important obstacle in taking preventive measures. Only if all else fails, expensive measures will be taken. Pressure from external groups (clients, insurance companies, et cetera) may play an important role in this respect. Other obstacles which companies experienced follow from legal or organizational grounds. As for legal limitations, this mainly concerns problems around privacy legislation (for example when placing camera surveillance systems or imposing visitation procedures). Furthermore, companies mentioned employee resistance against various forms of control mechanisms. This however, was mainly an issue in smaller companies.

Company Responses to Actual Incidents of Internal Crime

Above, we already mentioned that with the exception of some larger companies, many companies responded to incidents by adjusting their preventive measures or organizational procedures. Furthermore, we found that the responses to actual incidents strongly depended on the sort of incident and its circumstances. In case of embezzlement for example, companies were more likely inclined to conduct internal research than in case of burglary (with internal involvement). In case of 'internal' burglary however, companies were much more likely to report this crime to the police than embezzlement. Fraud was only reported in few occasions. Private investigators were only called in when there was a certain level of damage. On average, we can conclude that the higher the damage of the incident, the more measures are taken.

Company responses to offenders of internal crime were more homogeneous. In almost all cases that involved internal employees, these employees were dismissed or urged to resign 'voluntarily' (while threatening to report the crime to the police). In case of less serious forms of violation of standards of behaviour such as negligence, a warning may be given or a remark may be made in the employee's personal file. Calling in the judiciary (a criminal judge or a civil judge to recover the damage from the offender) was only reported in very few occasions. Especially some larger companies seemed to have this as a standardized policy. Many companies however, had serious complaints about the fact that civil actions usually are very unsuccessful while being very costly as well as time-consuming. A number of companies is pronouncedly frustrated by the procedures of dismissal when confronted with the civil judge as their reasons for dismissal were found to be insufficient (the evidence was

inadmissible or lacking). Even worse, in some cases they were forced to compensate the offender and/or rehire him. This problem restrains many companies from calling in a civil judge. They much rather try to reach a mutual agreement with the offender to compensate the damage that has been done.

Concerning the reporting of crimes to the police, we found that some (usually larger) companies had this as a standardized policy. However, most companies only reported to the police when they were forced to do so (as imposed by the insurance company) or when they had a clear suspect they want to get rid of. When there was no internal or external need to report the crime to the police, by far most companies preferred to deal with the incident internally.

The Handling of Reports of Crime by Police and Judiciary

If we look at the way in which reports of internal crime are handled by police and judiciary, generally we find a confirmation of the view that was given by the companies: those internal crimes that have been solved were almost exclusively those where the companies themselves handed over actual suspects. Without information from the companies, the police is only seldom capable of solving the crime. Furthermore, only in a limited number of cases in which a crime is solved, legal actions are taken. In many occasions cases were dropped, even in those instances where suspects already had a criminal record. When a conviction did follow, in two thirds of the cases the severest sanction consisted of a fine or a task penalty.

Many companies will find these conclusions confirm their view that police and judiciary fail to do their duty in preventing crime against business. However, companies themselves also have to take responsibility when it comes to prosecuting crime. Often companies refrain from reporting crimes to the police or withdraw their report later on because they prefer to deal with the case internally or prefer to call in a civil judge. This further diminishes the possibilities for police and judiciary to trace suspects and bring them to trial.

Final Conclusion

We can state that the logistic services sector is vulnerable to (serious types of) crime, as is evidenced by the nature and scope of the incidents which were reported by the companies. More often than is assumed by companies, internal involvement is found when crime takes place. Experiences from various knowledgeable (criminal investigation) experts point in this direction. The companies themselves, as well as representative organizations, police and judiciary can contribute significantly to reduce this problem to an acceptable level.