

## MarketWise



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### **Reduce the Danger of Fraud in Your Business**

Should you be concerned about possible fraud in your business? Uncovering the many avenues of fraud can be a massive undertaking for many companies.

You may think that because you are “small” that you aren’t susceptible to employee theft and fraud. In my work with agencies, the biggest problem is the lack of owner understanding about financial process and how reports and statements are constructed. If you don’t have a good understanding you are a prime candidate for being bilked out of tens of thousands of dollars.

For smaller businesses especially, the burden of fraud can be very costly. Statistics show that the median loss for a small business is \$190,000. Making fraud prevention a priority will help ensure that you do not become a victim. With a little bit of effort, you can effectively reduce the likelihood of fraud in your business.

I can cite you too many examples of hard working owners being defrauded by very clever thieves. The worst case I was involved in finally landed the bookkeeper who had slipped more than \$400,000 out of the company coffers over a five-year period. He had a wonderful home and all the trimmings, paid for by the agency.

The bad news: local authorities are hardly interested in fraud cases that are not in the millions. It is difficult to prosecute the thief, and he goes on to his next victim.

A friend of mine, who had retired from the FBI, told me that the only way to collect is to report the thief to the IRS for non-payment of back taxes on the money that was stolen. My friend told me that more often than not, the funds are fully recovered.

#### **Do your homework when hiring employees**

Hiring competent and trustworthy employees will make your business less susceptible to fraud. To help minimize your risk down the road, consider drug screening for potential employees. Conduct pre-employment background checks that look into past employment, education, references, and criminal history.

Remember to always get the written consent of candidates before doing any pre-employment research. If you don't have a consent statement built into your employment application form, consider adding one.

#### **Are your internal controls adequate?**

Do you have checks and balances in place? Mitigate the risk of fraudulent activities by taking appropriate measures. As an example, research has shown that the most common small business fraud scheme is check tampering. This frequently occurs when an employee has access to the company checkbook and is also responsible for recording payments and reconciling the bank statements.

In a small marcom company, your greatest exposure may be in allowing many people to “buy” goods and services from suppliers. We have stumbled across several incidents where purchases were made from suppliers that didn’t even exist. Even with a purchase order system and one or two people authorized to spend the company’s money, it is easy to set up a false

supplier, approve the purchase and the purchase amount. When the check is cut and mailed it simply ends up in the employee's bank account. With on-line payments, it's entirely too easy to pay to another account seamlessly. It happens with purchased goods and services all too often.

By looking at critical functions in your business and identifying where fraud could occur, you will be able to implement controls that can help mitigate your risk.

### **Require employees to take vacations**

It may sound odd, but employees that do not take vacations or time off should be a red flag. Why? They may not want anyone else to perform their duties while they are away for fear of uncovering something unusual. Require your employees to take time off. In their absence, make sure that someone is either backing up or performing their job functions.

### **Heighten employee awareness with appropriate fraud training**

If your employees understand the basic red flags of fraud, they can help you identify and uncover potential problems. Research has shown that companies most frequently detect fraud by acting on tips originating from employees.

By educating and heightening the awareness of fraud with your employees, you will establish open lines of communication and increase their ability to identify any issues. ■

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## **Align Core Business Processes to Your Strategic Plan**

With the market pressuring marcom companies to adapt and develop web marketing capabilities you need to take a good look at your current strategic plan. It must change to address what the market needs going forward. This means you'll have to re-define your core business processes to be successful as you move ahead.

**This is the second in a series of articles outlining the following steps to a successful Lean initiative:**

**Step 1: Set the stage with strategic planning**

**Step 2: Align the core processes to support the strategic plan.**

**Step 3: Create and support cultural change.**

**Step 4: Leverage your employees' knowledge and experience.**

**Step 5: Measure the things that drive continuous improvement.**

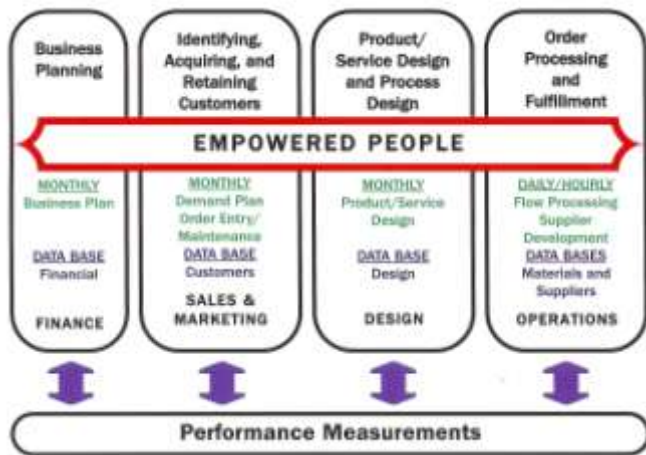
I work with the president of a larger marcom firm with more than 80 employees and three locations throughout the country. She feels strongly that the strategic plan for her business must tie directly to what every employee does every day. So much so, that she regularly tells employees - at all levels - that if they do not see the direct tie-in of the strategic plan to what they are doing, they should stop until they get someone to explain it to them.

For any business to succeed, management must apply limited resources to exactly the right thing at exactly the right time

Sounds like a pretty hard line, doesn't it? Or... is it? Perhaps not, when you consider that the success of all business enterprises is tied directly to their ability to effectively apply limited resources to exactly the right thing at exactly the right time. Overlay the speed at which change affects all of us, and the formula takes on Einstein-like complexity.

One way to simplify this formula is to recognize that your business, no matter how small or large should have a set of core processes that guide the alignment of your resources. As a reminder, the core business processes are typically identified as:

- I. Business planning and budgeting (finance)
- II. Identifying, acquiring, and retaining customers (sales and marketing)
- III. Product and service development (design)
- IV. Customer order processing and fulfillment (operations)



**Limit your efforts to three goals at a time for each process**

I believe a company should develop no more than three goals at a time for each core process. This helps avoid the most common mistake of spreading limited resources too thin and getting a lot started but nothing accomplished. After the business completes these first three initiatives, then you can establish and complete the next three priorities. ■

**The strategic plan must totally support the enterprise**

Your strategic plan must tie directly to each of these core processes by developing goals and implementing plans that support the vision, mission, and direction of your company. For example, if you have decided on a sales growth objective of X%, the sales and marketing plan would typically contain specific objectives and implementation plans for growing existing customer business and adding new customer business.

In the next two MarketWise articles of this series, we will discuss the "people challenges" many companies face when they embark on a Lean journey. The people issues are how to create and support cultural change in an organization, and how to empower people to participate in the cross-functional Lean initiative. In our final installment, we will suggest how to set the measurements needed to track the Lean improvement efforts and drive the organizational behaviors toward continuous improvement. Stay tuned!

**Upcoming AMR Workshops & Network Meetings**

<b>August 7-8</b>	Synergy Agency Network	Vail, Colorado
<b>September 5-6</b>	Strategic Agency Network	St. Louis, Missouri
<b>September 22-23</b>	AE BootCamp 3.0	Baltimore, Maryland
<b>October 8-9</b>	Marketing Resources Agency Network	Muskegon, Michigan
<b>October 16-18</b>	Innisbrook Agency Network	Kennebunkport, Maine
<b>October 31 - November 1</b>	<b>AMR Management Roundtable</b> Building Blocks for Transitioning to an Interactive Agency	Scottsdale, Arizona
<b>November 7-8</b>	Alliance of Marketing Communication	Rapid City, South Dakota
<b>November 13-14</b>	Roundtable of Agency Management Principals	Colorado Springs, Colorado

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