

Business owner beware

Are your head and heart working together? GoFigure's Lisa Martin explains why they should be, for the benefit of your business

Do you think if you had to sit an exam before starting a business or research the Business Bible 101 from front to back that you would think twice about what being in business means? Have you ever gone into business with a partner and not considered the long-term strategy of 'can I work with this person day in day out for the next 30 years?' – like you do when entering a marriage contract? Have you asked yourself lately 'am I really into this?'. Where your head and heart are within your business is key to where you see yourself and where others see you in your business.

And where others see you in your business is VERY important! If you think back to when you were an employee, who were the business owners you respected and who were the ones you joked about like 'yeah today must be the annual take an interest in your business day'. Look around your team – what do you think they see? What do you see? Would you be surprised to learn that 79% of employees steal from their employer? Exhaustive studies over the last decade surveying employees on the issue of employee theft in the workplace turned up some alarming facts.

The results showed that extreme employee loyalty may in fact be a guise to extreme employee dishonesty. Employees that appeared to have the company's best interests in the forefront of their activities were often just using this ploy to steal from the company. Employees readily admitted to stealing office supplies, falsifying expense reports and taking inventory. Almost 87% of those surveyed admitted to falsifying time sheets because they regularly stole time from their employers and were paid for hours they did not work.

The easiest way for an employee to perpetrate the theft is by a show of extreme loyalty. For example, if an employee never takes a holiday, if they appear at work no matter how physically ill they may be, or if they are the only person in the company that can perform their duties, the employer needs to step back and examine his/her internal organisation. These practices do not positively prove that an employee is stealing, but they do, however, set the stage for the theft to occur.

The good news is that 21% will never steal from an employer (honest to the core!); the bad news is that 13% will steal from employer (they believe they have the right to steal!). And the shocking news is that 66% will steal if they see others do so without consequence. If staff see the boss is disinterested in the business, vague on details with little follow-up and generally passing the buck on most business issues the employee can 'give it a nudge'. If nothing happens and they perceive they 'got away with it' or the boss makes comment yet takes no direct action, the seeds germinate. There can be no turning a blind eye or burying of the head in sand here – again you are setting the stage for flourishing theft.

Would you be surprised to know what 'turns' an otherwise loyal and honest individual into a fraudster? The majority, 49%, steal due to greed, 43% steal due to vindictiveness or a need to get even for poor treatment and 8% steal due to need. If an employer makes theft too easy then they are setting themselves up for the crime. If an employer treats their employees with little respect, an employee may go the extra step to perform the crime as payback for the humiliation they may be forced to endure. If an employee has a serious problem, such as financial, gambling, death or illness, within their family and has nowhere to turn for help or guidance, they may be forced to take matters into their own hands to solve the existing problem by pilfering from the company.

The overwhelming theme here is they steal 'because they can'. Recently I read *Infidelity – Exploding the Myth* by Julia Hartley Moore. The book is fantastic and I recommend it wholeheartedly to anyone who has been deceived: marital, business or otherwise. In essence, why do people cheat? Because they can! And because in many instances their partners know and turn a blind eye. The behaviours of a fraudster versus a cheating lover are fairly similar so look for the signs: getting caught in lies, too many details in their 'stories', getting defensive or aggressive, diverting paperwork, diverting attention to other people in the office, changes in behaviour, stupid excuses and many more.

What are the areas of risk you need to consider? Recruitment – inviting the vampire in for a start, so follow vigilant protocol because 92% of potential staff would lie on their job applications. When asked 'have they ever stole from a previous employer' 68%

would not disclose on a job application that they were discharged due to theft. Give extra consideration to those who qualified overseas and have any gaps in their employment history. Check, check and check again – fraudsters are not above falsifying references written or otherwise and we know this because... THEY CAN!

Procurement risk, supplier kick-backs, asset disposal, starting up a business within a business and using your clients as their database, using cash reserves for short-term loans or speculation on the exchange market all seem like extreme cases and considering how tight the economy is, surely you would notice if this kind of thing was happening in your business? If your head and heart are in it – you would! What about other subtle nudges? After all, where does your money go in the business? Can you be sure clients are paying and suppliers are being paid? Can you really be sure who is on the payroll and where the risks in your business are?

As business owners our passion about our business can ebb and flow but not to the extent we miss the signs of total deception in our midst. You spend a huge amount of hours during the day at the workplace and your head and heart should be connected to the lifeblood of the business. You can be proactive and implement controls in your business to reduce risk and create processes to

protect your investment. This is in no way a big shaky finger pointing at you to think the worst of everyone but a positive nudge in the right direction.

As an employer you can't always prevent fraud but you can minimise the chance of such incidents occurring – similar to malaria tablets, they won't stop you getting it, but reduce the symptoms considerably if you do! Get on top of your business, don't bury your head in the sand, watch the cash controls and internal checks and balance system, vigilantly follow through on procedures, lead by example and when you feel that something is not quite right, trust your gut instincts and investigate immediately.

At GoFigure our proven methodology of best practice book-keeping, where checks and balances are tested weekly, gives business owners peace of mind that systems are adhered to and their investment is being reconciled by a third party professional organisation. If you would like to see our systems call us for a confidential presentation. Our focus is to re-connect the head and the heart of your business – the finance area and you!

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“You spend a huge amount of hours during the day at work and your head and heart should be connected to the lifeblood of the business.”



Would I lie to you? Pay attention to the areas of risk in your business, including employee theft.

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