

WHITE PAPER----Dollar Days Website Author: Chuck Vance, President, MaskMail.com

HAVE YOU EVER SAID, “I WISH THAT SOMEONE WOULD HAVE SAID SOMETHING EARLIER, WE COULD HAVE SAVED A LOT OF MONEY”?

DO YOU KNOW IF YOUR EMPLOYEES ARE STEALING FROM YOU; or, if a manager is sexually harassing one of his/her subordinates; or, if you have an employee who is about to “go postal” at your business; or, if you have people using illegal drugs while driving company vehicles?

Most business owners and managers would probably respond: “Of course, I talk to my employees and they talk to me, so I pretty much know what is going on. Besides, we are like family.” Unfortunately, experts and statistics would tell you that that is your perception and not the reality.

Let’s just take one category of what you don’t know, and it is the one that probably everyone thinks of first---- employee theft.

The FBI calls employee theft “the fastest growing crime in America” and adds that this trend is having a devastating effect on small businesses. The U. S. Chamber of Commerce estimates that 75% of employees steal from the workplace and that most do so repeatedly.

The Department of Commerce estimates that employee theft of cash, property, and merchandise may cost American businesses as much as \$50 billion per year. That sounds like a lot, but consider if one of your trusted employees is taking just one pack of cigarettes per day (5 days per week), at your store—you lose, (in revenues), between \$2,000 - \$3,000, per year.

The average annual loss suffered by small businesses (fewer than 100 people) is \$200,000, which is significantly higher than the average loss in any other category, including the largest businesses. Would you be surprised to know that it is estimated that about one third of all corporate bankruptcies are “directly” caused by employee theft? What if you had that \$200,000, (or even part of it), back in the business? Could it have kept you out of bankruptcy?

You may be thinking, “That can’t be true, why would there be greater losses in a smaller business, where you know the people better, than in a larger company?” Let’s look at the factors that make small businesses especially vulnerable to employee theft and fraud.

For one, small businesses generally have more limited resources to devote toward crime detection—they are busy focusing on trying to keep the doors open. When they do spend time and effort on theft deterrence, they think about protecting their company from external theft, not internal theft.

In addition, small companies often include employees with multiple responsibilities (people known in baseball as “utility players”), who are not closely supervised. This provides them a greater opportunity to commit and conceal illegal activities.

Furthermore, the family-like atmosphere of many small businesses may, believe it or not, lead to higher rates of employee theft---because owners of such businesses place too much faith in the belief that familiarity breeds honesty---which is not true.

And remember, thus far we are only talking about employee theft.

How about sexual harassment? Would it surprise you to know that in a recent survey taken of 782 U.S. workers that 31% of the females revealed that they had been sexually harassed at work—43% of those were harassed by a supervisor? The Business Forum estimates that over \$20 billion dollars is spent each year by businesses for litigation---and that does not include settlements or judgments.

There are other issues such as workplace violence, discrimination, alcohol or drugs in the workplace, and many more.

So, if we realize that we probably have problems in our business that we are not aware of, how do we find out about them? Do we meet collectively, or even privately, with our employees and say, “Come on, tell me what you know?” How effective do you think that that would be?

Most people will not step forward with negative information for a number of reasons:

They don’t want to be branded as “snitches”; they don’t want to be ostracized, ridiculed, or perhaps retaliated against by their peers, or even supervisors; they don’t think that their information is important enough to pass along; and, they don’t believe that management truly wants them to report issues---and make waves.

If these are their concerns, how do we assuage them? How can we get them to provide information to you that could, if unreported, harm the company and its bottom line?

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Anonymous Reporting Systems

The proven, most cost effective, method to find out what is going on in your company, is to establish a program, through which your employees can report to you information in a private, anonymous way. A program that you can establish, endorse, and publicize to your employees, vendors, contractors and even customers--- because YOU DO CARE, and, YOU DO WANT TO HEAR FROM THEM!

But should that anonymous e-mail and/or phone line go to someone within the company? If you were reporting that your boss was sexually harassing his secretary; or that your office manager was taking free trips from vendors; would you e-mail or phone a tip to someone within the company and hope that your voice, or e-mail address, wouldn't be recognized? Or, would you be concerned that you would be identified and that overtly, or covertly, you would be punished for reporting?

Far more effective, both from a quantity and quality of reported information, is for businesses to use a professional vendor, with a qualified and trained staff, as a 24/7 conduit between the employees, and them. Having a third party between the reporter and management, (with rapid transmission of the report), gives the reporter the confidence to fully and frankly report without being identified.

Also, businesses can tailor the questions that they would like the vendor to ask a reporter and require that the vendor support many different languages so that reporters will feel comfortable communicating in their native language. In fact, because the communication through the vendor is anonymous, the vendor can facilitate an open dialogue between the reporter and the company, increasing the comfort level of the reporter and the likelihood that an incident will be reported . Business owners and managers can ask follow-up questions through the vendor to gain additional insight and further their investigation.

So, is the anonymous reporting program, with submissions by e-mail or voice mail; monitored and relayed by trained professionals; around the clock; 365 days of the year; in almost any language; expensive? Surprisingly.... no. And such a program is easy to incorporate into your business.

At the program's inception there is a small, one time, start-up fee to get your company set up in the vendor's software. Then your business and your employees are provided with posters (to be placed in strategic areas around the workplace), wallet size cards (giving URL for the reporting website and the toll free number). You, as the boss, designate who you want to receive the reports. After the start-up charge, you have a very reasonable monthly fee (based usually on the number of employees that you have in the company). That rate remains the same through-out the term of the agreement, no matter how many reports and responses you have each month. The start-up charge and monthly fee could easily be recouped by your company just by detecting and correcting one issue (e.g., someone stealing from you). The deterrent effect alone of such a program will probably save you enough money to more than offset the expenditure.

As an added plus, an anonymous reporting system also qualifies as one of the reporting methods mandated by the Sarbanes-Oxley (SOX) Act of 2002. In fact, some insurance companies have given premium discounts to businesses that utilize an anonymous reporting system. So, both the government and insurance companies must believe that such a program is an effective deterrent, and an effective self-policing tool.

Sound easy? That's because it is. You go about doing what you do best for your company. When issues are reported, depending on their nature and seriousness, you resolve them knowing that you probably caught them early, before they became a more expensive and endemic problem.

So, as we've shown, you really can't know everything that is going on in your company, no matter how small or large it might be. Then why not find an excellent vendor and enroll your company in an anonymous reporting program? Companies that have, see positive results. Their employees feel good that they have a way of communicating with management and reporting issues, even making minor suggestions, or voicing complaints---without revealing their identity. Management knows that by having a reliable, effective method to anonymously receive reports, they will probably get an early "heads up" about issues that they would otherwise not see or hear of. Even contractors, vendors, and customers will feel good because they know they are doing business with a company that has an effective tool for dealing with inappropriate behaviors.

So, don't you think that it is time for you to enroll your business in an anonymous reporting program so that you'll never have to say, "I wish that someone would have told us about that!"?