

MANAGEMENT BY HANK BULMASH



PROTECT YOURSELF

The 1930's bank robber Willie Sutton is credited with one of the most famous quotes of all time.

When a journalist asked Sutton why he robbed banks, he answered, "Because that's where the money is." The idea behind this quote has been applied in many fields, including the learned

professions. In his second book, Sutton tells, with pride, how medical schools adopted "Sutton's Law" as a diagnostic tool. This was the idea of looking for the obvious before going further a field.

When he was finally released from jail, Willie became an unusual offbeat celebrity. He wrote books, consulted on bank security and even appeared in television commercials for a Connecticut savings and loan.

Considering he robbed over one hundred banks and spent half his life behind bars, Willie was a surprise to those who met him. He was an intelligent, reflective man who avoided violence. He was also a non-threatening charmer and that enabled him to escape from three prisons. And although he never realized it, Willie was a great instructor. He can still teach us things about theft.

What things? First of all, there is

"Sutton's Law" which reminds us that a thief will strike where you are vulnerable – where the money is.

Secondly, Willie's career is testimony to the fact that the most successful thieves will use your expectations against you. Willie describes in his first book how he discovered a fundamental truth. Disconsolate after a botched safe-cracking job, Willie watched as an armoured truck pulled up to a bank. Uniformed guards climbed out and knocked on the bank window. Moments later, the locked doors were opened and the guards strolled in. After 10 minutes, they exited the bank carrying bags of money.

Willie could not believe what he was seeing. You did not have to tunnel under the floor, use nitro or brandish weapons. If you wore the right uniform, the bank would give you the money. At that moment of enlightenment, Willie Sutton the actor was born.



“Employees can be encouraged to stop theft if they are rewarded for improved loss statistics.”

If your business is robbed, it is likely to be by an actor like Willie: an intelligent, charming person who convinces you that he has an extraordinary work ethic. Often the actor will be a long-time employee who has earned your trust with years of service. This trusted employee is using your expectations against you and is, of course, operating where the money is.

Where are you most vulnerable in your business? There are two areas that are the most likely targets: inventory and bookkeeping. Inventory is a source of cash because an employee can steal it for personal use or resale. Because they control the records, bookkeepers and accounting personnel have various ways of stealing. How can you best deal with the problem of dishonesty?

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MANAGEMENT

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There are three important rules to follow:

1. EMPLOY PEOPLE YOU CAN TRUST

Before hiring, perform a careful background check on job candidates. Discuss the person's honesty with prior employers. Check for a police record. Consider including an honesty test in your hiring process. The whole hiring team should discuss how they feel about the employee. Does something bother them? Does the candidate give off worrisome vibes?

2. MAKE IT HARD TO STEAL

In many cases, the best defence is supervision. Make sure an independent supervisor oversees inventory and bookkeeping tasks. Ensure that one person does not control both assets and the accounting of those assets by separating duties. Perform unscheduled audits of inventory and bookkeeping. Make sure inventory and bookkeeping records are well organized and up to date. Become very sensitive to customers who claim

their payments have not been recorded properly. Be suspicious of employees who avoid taking holidays.

3. HAVE CLEAR POLICIES AND WORK TOGETHER ON THEM

A company should distribute clear written policies on ethical behaviour to be signed and periodically resigned by each employee. This includes the owner. You have to emphasize that there is no acceptable level of crime and that no employee infractions will be tolerated. Be self-aware. Employees know if owners and senior managers are in the habit of exploiting business assets. You cannot expect other people to be honest if they see you breaking the rules. Whether you like it or not, your behaviour sets an example that your employees will follow. Utilize a stick and carrot approach. The stick (or the deterrent): employees are less likely to steal if they believe they are likely to be caught. Let them know that you have ways of ascertaining theft through accounting analysis and division of

duties. Training and awareness programs are useful, especially when you demonstrate the huge impact of employee theft on profits.

The carrot (or the reward): employees can be encouraged to stop theft if they are rewarded for improved loss statistics. It is important to teach your people that theft can injure the company and put their jobs at risk. The habit of minor theft can easily generate losses of five per cent of sales or more and that can push profits below the acceptable level for inexpensive financing. **HPAG**

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