

“Protecting the Family Name”

By Glenn Birrell

Brand has very much become the new bottom line. The wave of corporate scandals has forced even the world's largest companies to focus more on protecting their brand, with many now realising that it is the very thing that made them successful.

A recent survey of Chief Executives and Organisational heads at a World Economic Forum in Davos found that 24% of them believed that corporate reputation was a more important indicator of success compared with just 17% who said profitability.

More importantly 59% of respondents estimated that reputation represented 40% of what a company was worth.

Family businesses start from humble beginnings, the “home office”, and are built on trust and self belief.

There is a natural pre-occupation with growth and little is often done to secure the fruits of the business.

Unfortunately as the business grows the ability to trust diminishes and the need for control increases or it ought to. It is often said that trust is good but control is better.

The lines invariably become blurred as business units or persons in the business see their contribution as more important than another.

A culture develops where there is a pre occupation on financially rewarding those for reaching targets rather than simply acknowledging good work and loyalty.

The underlying culture and ethics become lost. Statistically most frauds are committed by the trusted, long serving employees.

Businesses need to go back to their foundations, the ideals that made them strong and competitive in the first place. It is not enough to simply have a strong code of ethics. It needs to be practiced and enforced. One has only to look at Enron with its 64 page code of ethics and its espoused belief system that stressed respect, integrity and accountability.

Businesses need to put in place strong compliance programs. The line manager escalation system is simply not good enough. Often they are the very person that the employee wants to complain about.

Overseas corporate reforms mandate strong, effective reporting systems that allow employees to blow the whistle on illegal or inappropriate behaviour.

Yet in Australia, while some legislative steps have been taken particularly in the public or government sector, many corporations still have ineffective internal feedback systems that fail to measure up.

KPMG, PwC & Ernst & Young surveys place notification by employees as the most effective means of fraud detection. The challenge of businesses is creating an environment whereby employees will report.

Unless employees feel safe, secure and have the support of the company board and senior executives to report illegal, unethical or inappropriate behavior confidentially and anonymously, the top managers and directors will remain in the dark and the business will be put at risk.

The problem is often exacerbated in family businesses where the employee is often faced with the onerous decision of speaking out against a family member.

The OECD said for business, “to remain competitive in a changing world, corporations must *innovate* and *adapt* their corporate governance practices so that they can meet new demands and grasp new opportunities”.

It is clear that current reporting mechanisms for employees are not working. One of the key findings of the KPMG 2004 Forensic Fraud Survey found that fraud was usually detected by a workplace colleague but 13 months after it starts.

Why is the workplace colleague not detecting and reporting the fraud till 13 months after it starts? Why are the internal controls not working, are they built on too much trust?

We need to create an environment or workplace culture that makes it easier for employees to speak out and provide them with a mechanism that is more in tune with the times. Workers are saying that they do not want to be subjected to a face to face interview or interrogation over the telephone and run the risk of being misunderstood or misquoted. They just want a promise that their information will be received immediately by executive management and investigated.

Your-Call has developed Australia’s first truly web based service for the receipt of information from employees to respond to calls from corporations to have access to a relatively inexpensive and easy to administer external and independent whistleblower system. Employees can at a time and place of their choosing whether it be at home, an internet café or a public library, submit their information on line confidentially and anonymously.

Similar types of this service have been used overseas successfully by corporations and have led to the reduction of internal shrinkage by up to 50%. The presence of the service becomes a self regulating employee behaviour tool. For management it provides three tools in one, deterrence, compliance monitoring and risk mitigation.

Users of the Your-Call service have advised of improvements in not only workplace culture but productivity with employees now working more as a team.

By having an effective employee reporting or whistleblowing service the integrity and the transparency of the whole organisation and the family name, often the most precious asset is protected. Technology is providing the needed immediacy to enable businesses to potentially receive the information before it reaches the media enabling them to act proactively rather than reactively.

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