

The Briefcase



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Quarterly Report

Volume 2 Issue 3

Employee Fraud



Earlier this year CBC's Fifth Estate relayed the story of an 82-year-old man whose winning \$250,000 lottery ticket was claimed (successfully) by a corner store clerk as her own. While the Ontario Lottery and Gaming Corporation (OLG) believed this occurrence to be an isolated incident, the Fifth Estate's investigation revealed that the proportion of retailers who have won major lottery prizes in Ontario in recent years is close to 6 times as high as would be expected, indicating that other lottery customers have also missed out on major lottery prizes that they have won.

This type of fraudulent behaviour is not unique to the lottery and gaming industry, however. According to the Retail Council of Canada, internal theft is the leading cause of retail losses, while the U.S. Chamber of Commerce estimates that an employee is 15 times

more likely than a non-employee to steal from an employer. In fact, a survey conducted by forensic accounting firm Michael G. Kessler & Associates found that 79% of workers admit they have or would consider stealing from their employers – not out of need, but rather because of greed or to get back at their employer. The accounting firm estimates that 21% of employees will never steal, 13% will steal, and the rest (66%) will steal if they see others do so without consequences. In sum, employee theft is a crime of opportunity. This likely explains why smaller companies are much more likely than larger firms to be victims.

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Have you received your piggy-bank?



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Looking Back

MGPS Services

You may have noticed some changes at MGPS recently. We have a new website along with a new logo to reflect the changes. The new look is more than cosmetic: it reflects the improvements and additions to the MGPS services. These changes were developed over the last couple of years based upon our experiences and consultations with clients and key experts in the field.

We have extended our overall system of expense reduction, the MGPS Cost Reduction System™ by developing additional programs that focus on key areas of effective expense management. This includes

refining and improving our main program that focuses on expense reduction, the MGPS Cost Savings Program™.

MGPS, in partnership with a key expert in the field of change management, John Paul Hatala, Ph.D, Assistant Professor of the School of Human Resource Education – Human Resource and Leadership Development at Louisiana State University, developed a separate program focusing specifically on change management, the MGPS Change Management Strategy™.

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Understanding and improving business processes is fundamental to managing profitable growth.



Change is Inevitable

By Eileen Finlay

It is exciting to start over with something new whether it is emigrating to a new country or embarking on a whole new career. Immediately you have a new lease of life. You feel positive and courageous. Your adrenaline begins to pump. You are no longer tired or in a rut.

Starting over is usually reserved for the young. They have their lives in front of them and will take risks. My husband and I were 31 when he left a solid career, and we both left family and a lovely home to emigrate to Canada. We arrived in Toronto, Ontario, with 4 children aged between 6 ½ years and 6 months. We never lost a night's sleep worrying if it would all turn out well. We had our health and our youth. What more did we need?

And it did turn out well. My husband had a job a week after we arrived and we moved to Ottawa. Our decision to emigrate was proved over the years to have been a wise one. But now that I am much older I tremble when I think of how carefree we were. As our children became teenagers I knew I would not move to another city without a firm job offer and somewhere to live, never mind go to another country and leave everything behind.

But which is better? The daring courageous move of trying something completely new without knowing what lies ahead? Or the safe way with its familiarity and routine?

"If we can recognize that change and uncertainty are basic principles, we can greet the future and the transformation we are undergoing with the understanding that we do not know enough to be pessimistic."

Hazel Henderson

Of course sometimes new is thrust upon us. Each generation inevitably sheds new light on music, films, books, activities. And the older generation inevitably rejects the change.

When I was a teenager, Elvis Presley arrived on the scene. Teenagers were wild about him. And about rock'n'roll. My parents' generation was aghast. The younger generation had become dissolute. There were outcries against Elvis and rock'n'roll all over the place.

I noticed that there were no comments from my parents so I asked my Mother what she thought. She said it was the preserve of the older generation to hate the music and dances of the younger. The older generation had been the ones who had introduced the Charleston. A dance that had scandalized decent society. Yet here they were crying scandal themselves!

So what makes us hate change as we get older? Why don't we like finding new ways to do things? Is it safety or pride? When we create a new look, a new sound we invest something of ourselves in it. We know we are being innovative and we like the feeling. When someone else comes along with their new look, new sound, we are threatened because we have somehow lost the edge.

What can we do? Fight it? Reject it? The innovative thing would be to examine it, maybe add to it, and make it our own. Then we feel we are still in the swing of things, still daring and courageous.

"In times of profound change, the learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists."

Eric Hoffer

Did you know...

The most common New Year's resolutions are related to weight loss, exercise and quitting smoking.

The proportion who maintain their resolutions declines as time goes on:

- past the first week: 75%
- past two weeks: 71%
- after one month: 64%
- after 6 months: 46%

Source: *Journal of Clinical Psychology*, Volume 58, Issue 4 (2002).

The Generational Divide

By Karen Chevrier

“Gen Xers had the mac-and-cheese years of struggle where, even after grad school, they still found themselves working up the ladder. Now a 22-year-old kid walks in who can’t shave yet and wants an \$80,000 salary”

- Steven Rothberg, 35, founder and president of Minneapolis-based CollegeRecruiter.com

The new kids are here, replacing Generation Xers as the “IT” generation. With Gen Xers reluctantly admitting that they no longer recognize half of the singers and actors on television, a generational shift has occurred. And just as Baby Boomers had to make adjustments to their work and management style when Gen Xers entered the labour force, Gen Xers are finding themselves faced with a similar situation.

Whereas high school graduates in the past left home and secured housing, got married and had children, the American National Survey of Households and Families reports that 10% of all children over the age of 25 now live with their parents. In fact, one third of all American men between the ages of 22 and 34 still live with their parents, an increase of 100% in the last two decades, according to the U.S. Census Bureau.

Moreover, parents are much more involved today than in the past. Described as “helicopter parents”, (over) involved parenting is seen as a reaction to the “anti-child” phenomenon of the Generation X era, who grew up with time-starved, absentee, permissive parents.

And now that Generation Yers are going to school, so too are their “helicopter parents”, causing institutions such as the University of Vermont to employ “parent bouncers” - students trained to divert parents who try to attend registration. At one parent-student orientation session recently, more parents than students attended, swamping the meeting hall. Richard Mullendore, a University of Georgia professor and former vice president, student affairs, at the universities of Georgia and Mississippi refers to the cell phone as “the world’s longest umbilical cord”. Students have been known to ask the advisor to talk to their parents (via the students’ cell phone) when finding the registration process confusing or frustrating.

“Helicopter parents” are also impacting the workplace. Heather Neely of Rainmaker Thinking, an organization which studies the working lives of young people, advises corporations to define policies for handling parental involvement of legal-age employees. Anecdotal evidence points to parents showing up at job interviews, negotiating stock options and move packages, or calling managers when their child fails to receive a favourable review.

Having said that, Gen Yers can be valuable assets in the labour market. Described as independent, techno-savvy, and entrepreneurial minded, they crave responsibility, demand instant feedback and pursue work that gives them a sense of accomplishment. And just as Generation Xers forced employers to address the work/life balance, Generation Yers are re-defining the standard business schedule and debunking the perceived importance of “face time” at the office. With a deep reliance on technology, Millennials argue that they can work flexibly anytime, anyplace and should be evaluated on work product – not on how, when or where they got it done.

Nonetheless, one thing many of this generation will need to learn is the concept of self-reliance, a skill their well-intentioned - but misguided - parents may have left them sorely lacking.

Well managed expenses lead to greater efficiency.

While there is no consensus, the three primary generations currently in the workforce have been described as follows:

Baby Boomers

- Born from 1946 to about 1960
- Comprise 28% of the population and 40% of the workplace
- Their post-WWII parents raised them to believe that they could be and do anything
- They were pushed to achieve

Generation X

- Born between 1961 and 1981
- Comprise 16% of the population and are dwarfed by the two huge generations before and after it
- Were brought up in times of rapid social change
- Their mothers began working before the current sophisticated child-care system was in place

Generation Y

- Born after 1981
- Comprise 25% of the population
- They have been increasingly protected and supervised by their parents who saw the problems that an unsupervised latch-key environment created
- They are a generation symbolized by "Baby on Board" car stickers, safety seats, air bags, superb medical care, and orthodontics

Managing Hidden Agendas



By JP Hatala, Ph.D

The obvious key to any successful Organization Development and/or Human Resources (OD/HR) initiative is addressing the organizational agenda. Aligning strategic direction with organizational development and learning initiatives is paramount to successfully implementing an intervention that can effect change. However, although this is critical, what many OD/HR practitioners fail to realize is that individual organizational member agendas are just as critical to the success of the intervention. Because there is a natural tension between management and employees, it is critical to uncover both agendas in order to successfully implement your solution.

How do we uncover hidden agendas? The organizational agenda should be transparent, although experience has taught me that this is not always necessarily the case. It is important that the vision, mission, goals and values have been communicated. If not, a communication strategy should be developed to get the word out. Another way to do this is by aligning these elements to OD/HR initiatives. For example, for a training program, it is imperative that the content and desired outcomes be aligned with the direction of the organization. This can be included in the actual training content and reviewed throughout the program. The learning output should be aligned to the organizational direction, therefore increasing the likelihood the new learning will be transferred back to the job.

If you want to make sure that non-management agendas are dealt with, include them in the planning process. My research has shown that by including non-management in the strategic discussions and design elements of the OD/HR initiative increases buy-in for all individuals. The next time a participant is negative in a training situation, their angst will not only be towards the organization but their colleagues as well as they were part of the implementation process. The best thing an OD/HR practitioner can do is leverage the individuals involved in the intervention.

Although this is only one example, the point of alleviating the tension between management and non-management should not be overlooked if OD/HR practitioners are going to be able to demonstrate return on investment. Never forget that there are competing agendas and if not addressed can disable the best interventions.

JP Hatala is Assistant Professor in the Department of Human Resource and Leadership Development at Louisiana State University in Baton Rouge, LA



Change Begins **at the Top**

Question:

We have recently initiated several cost cutting measures targeting overhead and other 'non-quality' expenses but have encountered difficulty implementing the initiatives. How can we turn our plans into action?

Answer:

When implementing any initiative, particularly one that is internally focused, it is essential to manage change. Initiatives can fail for a variety of reasons, but typically, they fail for one basic reason: lack of adoption by the people affected.

The larger the initiative, the more people (internally and, often, externally) are affected. If this is not managed properly, the success of the initiative will be greatly compromised. How this is managed is critical. Organizations routinely make elementary errors when initiating changes. Either those on the front lines, who may well be most affected, are not updated until the last minute, or senior management is not involved (critical in any major initiative).

In addition, how people will be affected is given scant thought, if at all. Getting buy-in, feedback, providing training, etc involves time and effort, which, in the opinion of management, might be better off focused elsewhere while the initiative implements itself smoothly and efficiently. As absurd as it sounds, many organizations operate this way and, unsurprisingly, initiatives fail or they are at best, only partially successful and chaos tends to reign instead of order.

I recommend a two-pronged strategy: a process that focuses on analytical components of the initiative (the 'hard' side) combined with a process that focuses on the people affected (the 'soft' side). Both processes are essential. As with any initiative, leadership is critical. If senior management is not involved in the initiative, the odds of the changes being adopted are lowered significantly, even if a change management strategy is developed. Change is a top-down strategy. Ultimately, change begins at the top.

Philip Moorcroft
Chief Executive Officer
MGPS



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> email it to
questions@mgps.com

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For more information on MGPS, please visit us at: www.mgps.com.

Regards,



Marianne Zilic
Director, Strategic Accounts



The Piggy-Bank represents the savings your corporation can enjoy along with increased attention to expenses.

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Employee Fraud *continued from page 1*

A lack of basic accounting controls and a greater degree of misplaced trust (more common among smaller businesses) are believed to be the key factors that contribute to large losses. As Matt Strilbyckij, C.P.A with Konowitz, Kahn & Co notes, "the more autonomy and authority someone has, the greater the risk of fraud" (i.e. the long-trusted employee who is the firm's one-person accounting department is typically the culprit).

So what can be done to prevent employee fraud?

The Association of Certified Fraud Examiners recommends the following strategies:

- Create a culture of high ethics and honesty, since employees tend to emulate their leaders and abide by company culture;
- Establish a good working environment – i.e. one where management cares about employees, sets reasonable financial targets and is forthright;
- Ensure there is a strong system of internal controls in place – i.e. all financial transactions are authorized, recorded and reported;
- Have a fraud hotline that provides a confidential and anonymous way for employees to report suspicious behavior.

**Pressure + perceived opportunity
+ rationalization = fraud**

- The Dr. Donald R. Cressey "Fraud Triangle"
theory of why employees steal from their employers

MGPS Services *continued from page 1*

In addition, a program focusing on the successful maintenance of an effective cost management system was developed, the MGPS Cost Management Program™. This program enables clients to modify and customize a program to match the changes in the marketplace and within the organization in order to maintain a cost-effective expense management system.

As well, MGPS offers seminars that provide clients with effective cost management and change management tools to better manage expenses. These seminars cover a range of topics and issues facing organizations in the increasingly competitive marketplace.

To find out more please visit us at: www.mgps.com or call us at: (416) 921-9953 to schedule an appointment.

Philip Moorcroft, BA, MBA
Chief Executive Officer
MGPS

Chapter Three. My Canadian Cousin.

“The Way We Were.” - Brian Best 2006

In the farming community in a remote corner of the Province of Northern Ireland, United Kingdom, where I was brought up, life in the forties and fifties was devoid of home entertainment devices like radio. Most of the small farms, unlike the towns and cities, did not have electricity, and as radio sets used vacuum tubes with heated filaments there was no easy way to power the sets for long periods, unlike today's transistor radios. Some homes ran their tube radios from lead acid batteries. It was necessary about once a month to take your radio battery to town and pay for a recharge.

Radio listening was generally limited to 10 minutes of news at 6 p.m. with perhaps a half-hour of BBC comedy such as the McCooeys on a Saturday night. The McCooeys were a fictitious Belfast family who with their neighbours provided homely scenarios, spoken in the Belfast vernacular, which the province's radio audience could laugh at each week.

My parents did not have a radio, and so a Christmas tradition was to go to my aunt's house to listen to the Queen's speech on Christmas afternoon on my aunt's battery powered tube radio.

Apart from the changing seasons, every day was much the same on the farm. So an occasion like the visit of my second cousin Harry* from Canada took on the importance of a Royal Wedding. Harry was in fact a double second cousin, as relatives on my father's and mother's side who had emigrated to Toronto decades earlier had played it safe in matrimony and married each other there, rather than marry strangers.

Harry was in the Royal Canadian Navy. His ship was docked in Belfast for a few days, and he stayed with relatives near my parents' farm, his home from home the relatives said happily. My one memory of Harry from the late forties is of looking at his back as he sat at our simple kitchen table and ate a meal which my mother would have gone to great lengths to prepare specially for a Canadian who was, she assumed, used to better fare than we normally ate. I do though have many memories of the replays of Harry's visit for years and years afterwards. “Do you remember the time Harry came ... such a lovely young man, and so nice in his Canadian Navy uniform...”

In the early seventies I found myself in Toronto, and I visited Harry's parents. Harry was not there, but I spoke to him for a few minutes on their phone. I was struck by the harshness and unhappiness in his voice. Shortly afterwards I moved to Ottawa to live, without having seen Harry.

Some months later I got a message that Harry would be in Ottawa for several days sorting out details of his military pension, and he had expressed

an interest in meeting me and my wife. So I drove to the hotel where he was staying in downtown Ottawa to collect him for supper at our house. I got a shock when I met Harry. Although he was 52 years old then, he looked 72. He asked if I would like a drink. I declined, citing driving and the need to get home for supper. Harry slipped a bottle of vodka into his jacket pocket and I drove him to my house.

When Harry arrived, he pulled out his bottle of vodka and asked if we had ice cubes. We didn't, so he began to drink his vodka straight. When my wife set down his dinner he looked at the plate, and declared flatly he could not eat the contents, on his doctor's orders. My wife desperately suggested different foods he could eat, but no food on her list was suitable for Harry's tender tummy, purportedly according to Harry's doctor. I found myself asking him how anyone could drink straight vodka with his stomach problems. He shrugged, said “I suppose”, and continued to fill and empty his glass.

After some general conversation I mentioned my childhood memory of his visit to Northern Ireland years earlier, and what a nice time he had. I was totally unprepared for his outburst that those days staying with family had been the worst days of his life. He then described the visit from his viewpoint, that of a young sailor on shore leave.

Visiting relatives was the last thing in the world Harry had wanted to do, but Harry's father in Toronto had demanded and insisted. All through his stay with his churchgoing non-drinking Northern Irish Presbyterian relatives, Harry had a desperate craving for something, anything, alcoholic, but he could never get to a pub. He tried going for bicycle rides, with the intention of sneaking into a pub, but his relatives sent their two young children to accompany him on their bicycles every time. “I couldn't get away from them,” he cried to my wife and me, “I couldn't get a drink. And do you know the entertainment they laid on for me? A Presbyterian church social! Can you believe, a sailor on leave, they took me to a church social? The whole time with that family was a nightmare.”

Finally it was time for Harry to return to Belfast and his ship. He had planned to nip into the bar at the railway station, but the relatives stuck to him like glue until he was on the train. There was no bar on the train, and worse still his father had arranged for him to visit another relative in Lisburn, a town just before Belfast. As the train pulled into Lisburn Station, Harry peeked out and saw a lady on the platform dressed in her Sunday best, looking as if she expected a Very Important Visitor. Harry kept his head down until the train was through Lisburn. “For all I know”, he declared, “She's still standing there



My Canadian Cousin *continued from page 7*

on the platform.”, and he smiled. That was the only time I saw Harry smile.

When the train reached Belfast, Harry dived into the nearest pub. His next memory was of waking up on a park bench in front of Belfast City Hall, with his money all gone. His ship for Canada had left without him. Harry contacted the local police, who took him to the nearest British Army barracks. The Army gave him a warrant for boat and train fare to London, and for accommodation there. Harry met one of his naval drinking buddies in London, and they drank the buddy's money until the next ship left London for Canada a week later.

Harry had to appear for a disciplinary hearing to explain why he had missed his ship. He told his story of the agony of spending most of his precious leave with churchgoing non-drinking Northern Irish relatives. Harry had a clean 12 year record in the Canadian Navy, and his superior officer was lenient, stating: “If I had been in your shoes I would probably have missed my ship too!”

Our visit ended with most of the bottle of vodka now inside Harry, and I drove him back to his hotel. His sensitive stomach appeared to be well adapted to vodka, and although he had eaten nothing all evening,

he did not exhibit any marked effects of alcohol. I learned later that tolerance of alcohol is one of the marks of an alcoholic.

We wrote to my parents in Northern Ireland about Harry's visit to our home, saying that we had had an interesting evening, which was true. We kept silent about his ingratitude and resentment towards the family whose guest he had been, and how that family by their kindness had unwittingly caused deep suffering to their alcoholic relative decades earlier.

Harry died several years later, his alcohol consumption funded by his Canadian Navy pension. My wife and I wrote to the folks back home to tell of his death, and again we maintained silence on the real Harry.

So my relatives in Northern Ireland continued to reminisce fondly for many more years, until that generation died out. “Do you remember the time Harry came ... such a lovely young man, and so nice in his Canadian Navy uniform...”

“If ignorance is bliss, 'tis folly to be wise.”

- Shakespeare.

* Name changed to protect Harry's relatives!

Change that results in greater long-term profitability is good for the organization.

Who is MGPS?

Founded in 2002, MGPS is a management consulting firm that specializes in reducing expenses, primarily in non-core areas. Non-core is defined as those expenses that, while essential, are not integral to the organization. That is, non-core areas serve the needs of the employees and the organization as a whole, but are not directly related to the manufacturing and delivery of the organization's products and services.

MGPS has the skills and resources to review these challenging expenses. We are able to root out hidden costs, eliminate unnecessary spending, identify

inflated pricing and reduce overall costs while at the same time improving tracking and control. We provide our clients with the necessary knowledge to effectively manage non-core expenses. Ultimately, MGPS delivers exceptional cost-savings that positively impact cash flow and flow directly to the bottom line.

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About MGPS

MGPS is a management consulting firm with financial, operational and change management expertise. MGPS specializes in reducing non-core expenses. These expenses tend to be indirect, hidden and scattered throughout the organization. MGPS works with the client to identify hidden costs, to develop and implement efficient processes and to drive out unnecessary expenses. In addition, MGPS works with the client to ensure early adoption of any changes to the organization's expense management. The end result is increased cash flow and greater profitability.

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