

KNOWING YOUR WORKFORCE

THE IMPORTANCE OF PSYCHOMETRIC ASSESSMENTS AND WORKFORCE RETENTION IN THE WAKE OF THE GREAT RESIGNATION, AND HOW THIS FUELS COMMERCIAL CRIME RISKS



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INTRODUCTION

Commercial crime is believed to occur in the presence of three factors, namely, perceived opportunities, pressure, and rationalisation. It is the human element that is exploited by criminals in businesses where management has implemented the necessary controls to curb commercial crime within their systems and administrative functions. It is thus important that an organisation understand the mental health of their workforce to engage with workers that will be able to reduce risks by performing at optimal levels, management must take the time to get to know their employees to comprehend employees' job satisfaction. Developing relationships with your workforce can address two of the three factors that result in commercial crime, namely, pressure and rationalisation.

Normal screenings during induction may reduce the risk of appointing undesirable employees, however, it is recommended that employees undergo regular evaluation and assessments to ensure they are satisfied with their work and properly integrated with the organisation's company culture. Management must understand that people can change, their priorities may shift, or that employees just become disillusioned

with the mission under which they were appointed. This is the first step that employees take towards the rationalisation of commercial crime. However, this can be prevented through social outreach programmes (even if it is documented on a limited scale). Management has the unique opportunity to not only help their employees but may address the problems that inhibit their employees from reaching their full potential. Additionally, this management-employee bond will assist the organisation to retain the current skills that were hired without the risk of poaching.

DEFINING THE PURPOSE FOR “*RISK’S SAKE*”

Employers must consider that job satisfaction has a direct impact on the levels of productivity of employees, and that skill retention may sometimes prove difficult if employees are not motivated to stay at their current organisations. This level of job satisfaction has a direct relationship with the risks that an organisation faces and modern business culture has started adapting and changing to accommodate the sensitive matters that deal with Human Resources. This emphasises the importance of having a well-developed and comprehensive Human Resources function within an organisation to manage the mitigation of risk that stems directly from within the workforce.

Growing technology has enabled employees to take part in global trends and a global information hub. These employees can in turn influence the decisions, ethics, and morals of other employees within the organisation. The trend of “The Great Resignation”

which began in 2021, saw many organisations lose employees over wage stagnation amid the increasing cost of living, limited advancement opportunities, hostile work environments, lack of benefits, and low job satisfaction. Whistle-blowers have taken to social media to expose employers



that mistreat their employees in terms of remuneration or even the ill-treatment of workers. By placing more emphasis on Human Resources assessment techniques, a business can identify if an employee is showing signs of deviation from his character and can take remedial action, thus mitigating reputational risks that may prove disastrous. Smaller organisations can download templates for psychometric assessments to do themselves with minimal cost.

THE IMPORTANCE OF CANDIDATE SCREENING

The Female Factor Blog states that recently more and more organisations have started with formal candidate screening before an appointment of the employee. This goes hand in hand with the rise of automated systems, Artificial Intelligence, and the advent of data privacy legislation.

Organisations that have adopted hybrid work models can expand their workforce on a global scale, however, the risks that accompany this decision must be considered. Though the exposure to talents has increased, the risks of dissatisfaction of the employee can go undetected in



such a model. The era of phoning references and taking information at face value has come to an end. If employers allow unvetted employees in the workplace, the likelihood of commercial crime risk occurrence rises significantly. The PESCheck blog has further identified that businesses can fall prey to bad hiring decisions, and this can happen through CV manipulation to close “gaps” between termination dates, or simply through candidates that do not present themselves as they truly are. This stresses that employees must be fully independently assessed before any employment decisions are made, regardless of how well-presented their resume is.

**“Employees must be fully independently assessed
before any employment decisions are made”**

The cost that comes with an adequate recruitment process tends to shy many potential businesses away from it. However, companies can do risk indicators based on an ad hoc basis if an internal function cannot be developed within small and medium businesses. Businesses may seek expert solutions such as the RMG Corporate Insights Verify360 service offering which assists in doing criminal record verifications to identify any illicit activities as well as a combined intelligent credit history. The manipulation of qualifications is a rising threat in South Africa and can result in poor service delivery, production output, or disruptions in operational efficiency.

When considering background verifications and criminal verifications, businesses must be mindful of the legislation that accompanies them. Legislation such as the Protection of Personal Information Act 4 of 2013 (“POPIA”) deals with the storage and collection of information, and businesses are advised to follow the correct procedures during their candidate screening processes to ensure that the POPIA Guidelines are always adhere to. Both PESCheck and HNI blogs recommend that businesses consult with experts if the necessary funding is available. Furthermore, the HNI blog stresses the importance of appointing competent and efficient managerial personnel that will handle the hiring function in the organisation. These personnel must have the relevant training, qualifications, and experience to select candidates that will be able to perform with the least amount of commercial crime risk.

SHIFTING MORALS AND ETHICS IN EMPLOYEES

Humans do not remain the same in terms of their personalities throughout their entire lives. WorkInfo.com States that while most businesses have begun doing screenings of candidates before employment, they do not conduct any further screenings once those employees have been appointed. The Blog further went on to state that during a survey of 21% of all cases where existing employees were involved in commercial crime, there was a noticeable change in their lifestyle that was never investigated or ignored by management. Most businesses would not consider an employee with a longstanding tenure to be a commercial crime risk, however, empirical evidence is overwhelming that serious commercial crime is committed by people in esteemed positions that they have held for an extended period. There are legal issues that come to light as the Labour Relations Act 66 of 1995 makes it illegal to dismiss someone because they have acquired a criminal record unless it is directly specific to the job they hold. To retain balance, the detail of post-employment screening must be applied according to the job level status, as a blue-collar worker will be considered a lesser commercial crime risk than a finance administrator, and this stresses that formalisation and implementation are needed to safeguard the company against internal threats that may bloom.

Businesses must not make the mistake of only employing psychometric testing and assessments during the screening and induction processes but conduct them regularly to “get to know” their employees. Dynamic Talent states that there are numerous applications for psychometric evaluations for employees that can include creating and developing interventions to bring about improvements throughout various levels of business to assist organisational development. However, formal steps, interviews and assessments can be used as a last resort if there are documented semi-informal interviews that review performance and behaviour in terms of employees. Workdove states that employee feedback is an ongoing process, and management must consider the feedback that is provided by the workforce.

Employers must always take note of *red flags* that employees may exhibit that

would be indicative of commercial crime *red flags*, such as living beyond their means, being overly secretive, and disregarding authority and process. Surpassed only in statistics by whistleblowing, direct interviews are currently the most effective method to detect anomalous activities in the workplace. If commercial crime *red flags* are suspected after an initial internal interview, management is encouraged to explore tools such as Verify360 as well as the Layered Voice Analysis (“LVAs”) that will attempt to expose any deception through cognitive analysis, or full psychometric assessments which will assist in the truthfulness for the employee’s version and assist with measuring interests, personality, and aptitude.

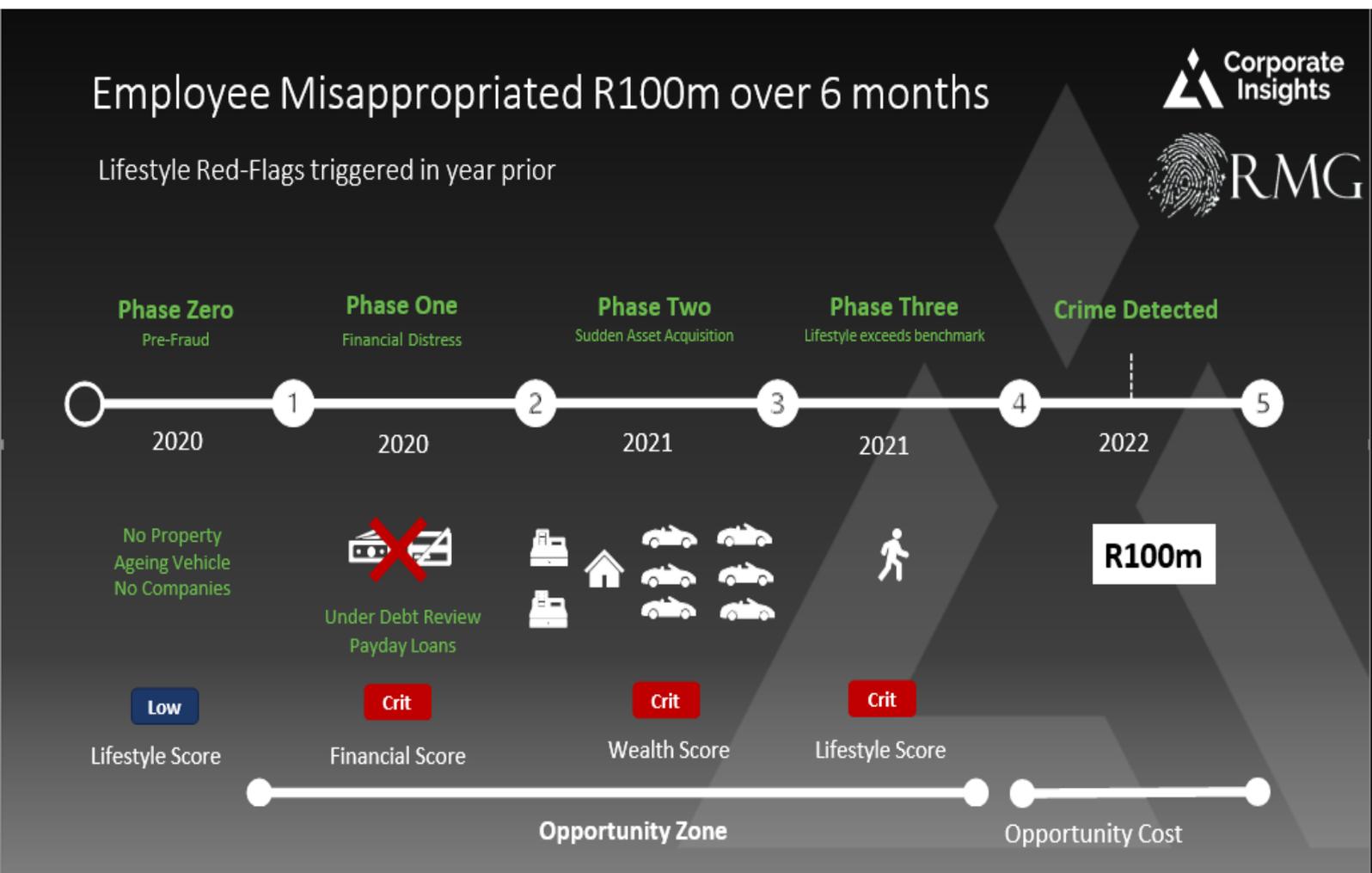
THE IMPACT OF POOR EMPLOYEE ASSESSMENTS

The impact of poor recruitment is visible throughout mainstream political media in South Africa where there were recent probes that were reported by News24 on the validity of the qualifications of appointed officials. The incidents reported had taken place in the Free State and Kwa-Zulu Natal, where the same problem had occurred repeatedly. Mismanagement of public funds and resources led to the probe and revealed that numerous officials had incomplete or falsified qualifications.

Corporate Insights, in association with its risk partners, has identified two *red flag* case studies where *red flags* could be identified that could have prevented these case studies from taking place had the *red flags* been addressed sooner. The foremost case study deals with an employee who had misappropriated R100 Million over 6 months. During 2020 both Phase Zero (pre-fraud) and Phase One (financial distress) were identified. During Phase Zero there was low-risk exposure, however, it was noted that the employee had no property, was in possession of an ageing vehicle and was not affiliated with any company. During Phase One the employee underwent debt review and payday loans, which directly, in 2021, lead to Phase Two (sudden asset acquisition) and Phase Three (Lifestyle Exceeds Benchmark) which were *red flags* that could have allowed the organisation to mitigate the scale of the misappropriated monies. The crime was detected in 2022, two years after the initial *red flags* could have been detected. The period when the employee started experiencing financial distress,

and the subsequent lifestyle changes that followed, is identified as the “opportunity zone,” the period when the crime was detected is identified as the opportunity cost.

The alternate case study provided by Corporate Insights intimated that an employee misappropriated R50 million over a three-year period. During this period the *red flags* indicators could be detected two years before the detection of the crime. During 2014, this employee was affiliated dormant companies which lead to failed business ventures in 2015. However, it is noted that during 2016 and 2017 the employee exhibited sudden asset acquisition and lifestyle changes that exceeded the benchmark of their position, the nature and origin of which was not adequately addressed. The actions of misappropriation were only detected in 2018, which could have been mitigated had management been more vigilant regarding *red flags* that indicated the potential likelihood an employee has towards commercial crime.

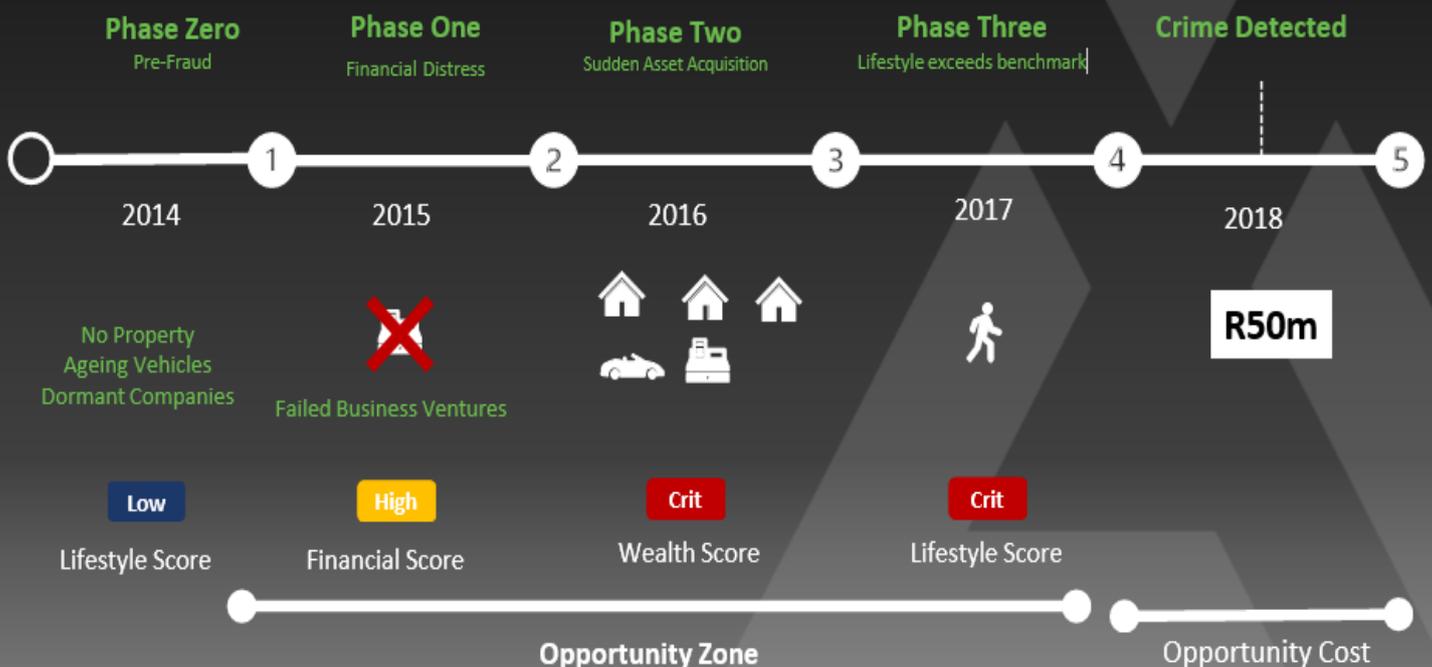


A further example of a serious commercial crime that occurred, that had the possibility of being prevented, is the case of former Steinhoff CEO Markus Jooste. Jooste, who had resigned in 2017, led to the loss of approximately R200 billion in shareholder value as well as a loss for pensioners using the Government Employees Pension Fund. This was uncovered after a yearlong investigation which revealed R106 billion in fictitious transactions had been inserted into the company's finances for over a decade. Journalists report that Markus Jooste has had over a billion rand in assets seized to date. Headtopics noted that during the proceedings of the case, the allegation was made that the National Prosecuting Authority (“NPA”) was “asleep on the job” over the past 5 years, this was said by Paul Hoffman. It was pointed out by Hoffman that: **“It was about time Jooste had his assets frozen and it was made clear that if screenings were done properly this great loss could have been avoided.”**

Employee Misappropriated R50m Over 3 Years

Lifestyle Red-Flags triggered two years before detection

Corporate Insights



Every year businesses have one dedicated period to raise awareness and consider new approaches when it comes to dealing with fraud and other types of commercial crime. During 2022 International Fraud



**INTERNATIONAL
FRAUD
AWARENESS
WEEK**

Awareness Week will take place from November 13th until November 19th.

Fraud is defined as an intentional act of deception, that will secure the fraudster's unlawful or unfair gain. This is an issue that goes hand in hand with several other forms of commercial crime such as financial fraud, corruption, and identity theft. It is stated by the South African

November 13-19, 2022

Government that organisations around the world lose an estimated 5% of their annual revenue streams to fraud, corruption, and commercial crime. During International Fraud Awareness Week, anti-fraud organisations around the world encourage business owners to give training to employees and to raise awareness in their workplaces and communities. This can be shared on social media using the hashtag: #fraudweek.

The best armament to combat commercial crime is readiness and being prepared to handle commercial crime as it occurs with well-documented and comprehensive policies and procedures. During International Fraud Awareness Week businesses have an opportunity to conduct commercial crime prevention validation on their organisation. National Today states that corruption ranks as the second most common type of commercial crime in the world and is most likely to increase as the cost of living continues to increase.

Businesses and employers are encouraged by the ACFE to gain insights into new anti-commercial crime techniques and methods and to implement or strengthen controls which will assist in the mitigation of fraud and other types of commercial crime. SAS points out that to be prepared to deal with fraud and commercial crime, a business must have a comprehensive and up-to-date knowledge of commercial crime schemes that include fraud, cybercrime, and physical asset security.

CONCLUSION

Businesses will always face commercial crime risk, however the resilience, diligence, and continuous efforts that set those who will survive apart from those who won't. It is important to understand that employee behaviour changes and that these changes can have an impact on the organisation. Psychometric testing is an invaluable tool to strengthen the relationships between top management and employees and to gain insight into the factors affecting their work experience, environment and decision making. During International Fraud Awareness Week businesses can remedy their outstanding controls and strengthen the existing ones. Additionally, businesses may use this time as a dedicated period to raise awareness of fraud and commercial crime in the workplace.

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