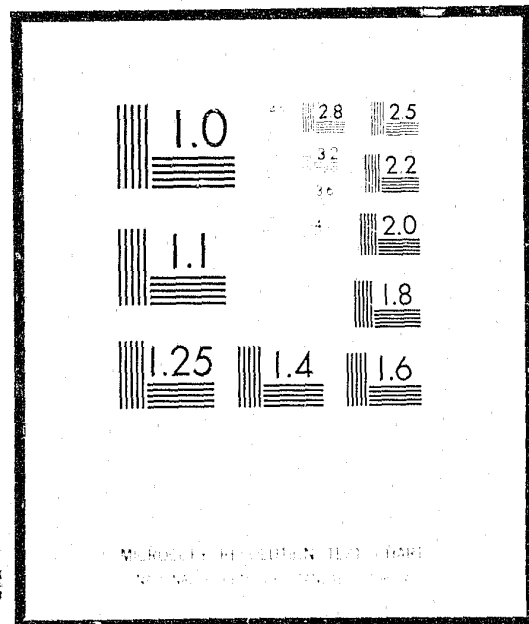


NCJRS

This microfiche was produced from documents received for inclusion in the NCJRS data base. Since NCJRS cannot exercise control over the physical condition of the documents submitted, the individual frame quality will vary. The resolution chart on this frame may be used to evaluate the document quality.



Microfilming procedures used to create this fiche comply with the standards set forth in 41CFR 101-11.504

Points of view or opinions stated in this document are those of the author(s) and do not represent the official position or policies of the U.S. Department of Justice.

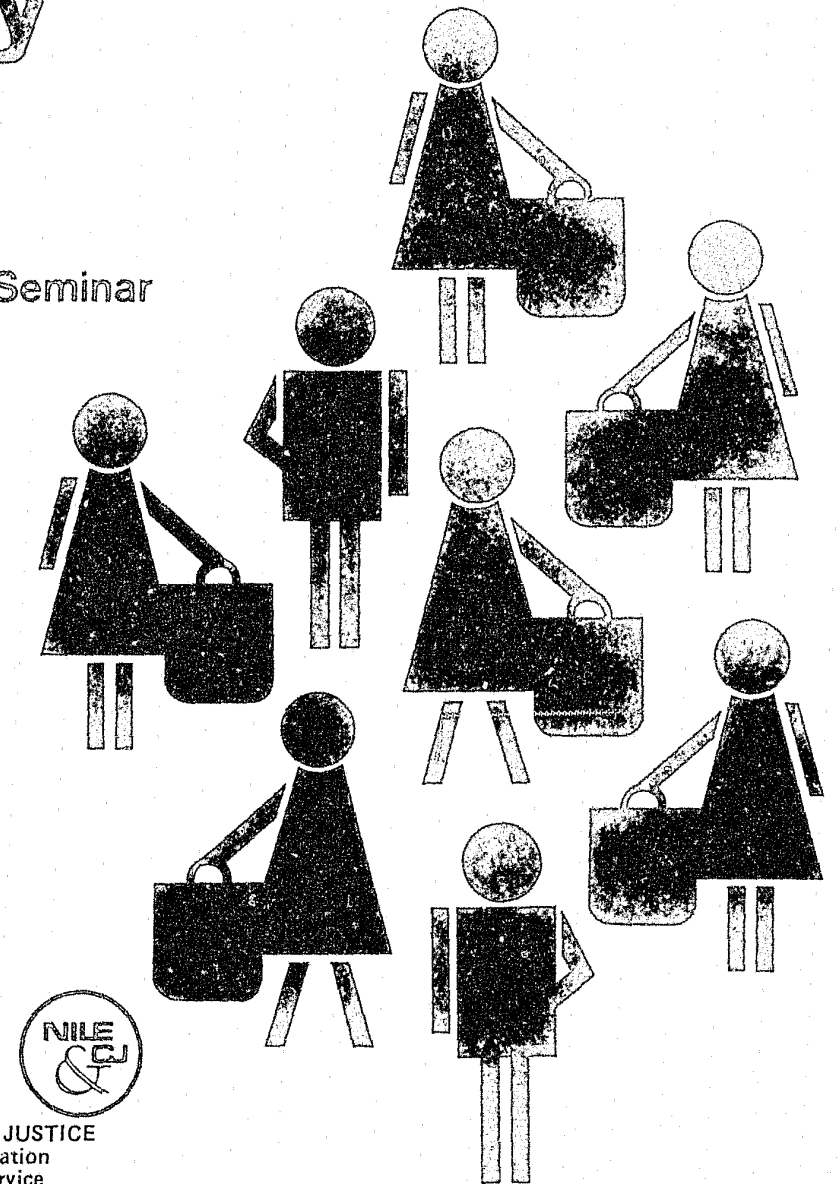
U.S. DEPARTMENT OF JUSTICE
LAW ENFORCEMENT ASSISTANCE ADMINISTRATION
NATIONAL CRIMINAL JUSTICE REFERENCE SERVICE
WASHINGTON, D.C. 20531

9/9/76
Date filmed

Small Business Security

Reprinted from
the proceedings of a
National Institute
of Law Enforcement
and Criminal Justice Seminar
April 12 & 13, 1972

26781



UNITED STATES DEPARTMENT OF JUSTICE
Law Enforcement Assistance Administration
National Criminal Justice Reference Service

SMALL BUSINESS SECURITY

Excerpts from an address by: Verne A. Bunn, Deputy Chief, Procurement and Management Assistance, Region VII, Kansas City, Missouri, Small Business Administration

For those of you who might not be quite familiar with the role played by the Small Business Administration, very briefly, it is to provide financial and management assistance to small firms of all kinds and types.

There has never been anything said in our mandate about crime in business. On the other hand, from our standpoint it represents a matter of business management and we feel (at least I do) a sense of responsibility to try to do something about it. In its simplest terms, my job is to help small businesses managerially..

Although there have never been any statistics developed to authenticate it, there is strong evidence to suggest that many of the causes of business failure are strongly attributable to crime...

I will quote you some figures a little later on that I think will tend to reflect the awesomeness of this problem. We are not only concerned with robbery and burglary, but we are also concerned with the problem of the integrity of employees and with the fact that most businesses—and particularly the marketing kind of enterprise, and retail and service store—are vulnerable to just about every kind of crime against property that you could imagine, many of which are not protectable in the sense that we talked about here.

I am not a research analyst. I am not a criminologist. I am simply an individual who sees a problem that has been growing for years in the small business community without a great deal of effort being applied, no matter what the intent might be, to assist the small businessman somehow, if not by stopping the problem, then by at least giving him some guidelines that he can use.

.....

Within the past three years, I have personally taken part in roughly 62 training programs. I estimate that we have been in contact with something in excess of 5,000 business people. Most of these are owners and managers of small local independent businesses.

We are not trying to sell them a large bill of goods on security techniques. We are simply trying to acquaint the individual with the nature of the problem that he faces and hopefully generate some degree of motivation on his part so that he will take action by himself. I certainly do not have the time to engage in research or much in the way of follow up. All we can do is try to implant the desire in the individual's mind to improve his operation, give him some guidelines to go on, offer anything in the way of additional assistance, tie him in with his local law enforcement department, and hope for the best.

.....

So far this year, beginning in September, I have 14 such programs already scheduled. I have no idea how many more we will be asked to conduct because problems of this type become more common place as we get into the latter part of the selling year. This is especially true in retail businesses.

I suspect over the years I have investigated the premises of several hundred small businesses, retail stores, manufacturing plants, simply from a rather eyeball point of view of what can be done about security.

.....
...four years ago the Small Business Administration, at the request of the Senate was asked to conduct a year's study on the economic impact of crime in business. Because I had been involved in this from a field point of view for a year or two, I was asked to take part in that study of crime...

.....
It was a judgement study. All we could do was to have business people who really did not know the extent of the impact of crime on their operations give at least some indication as to the nature of it.

I will only give just one or two instances of what we found out through that study. It was estimated that for that particular year, the impact of crime on business amounted to something in the nature of \$3 billion, which broke down this way: burglary at about \$958 million, vandalism \$813 million, shoplifting at \$504 million, employee theft at \$381 million, fraudulent checks at \$316 million, and robbery at the very bottom at \$77 million.

I feel now as I felt when the study was published: it was a gross underestimate of the magnitude of the problem.

Number one, most crimes in business go unnoticed and unreported. If we are talking about robbery or burglary, where the law enforcement agency is brought into it, and where records are maintained, then we have some measure of its nature. But most other kinds of crimes—employee pilferage, fraudulent checks, vandalism, shoplifting, crimes of those types—are seldom if ever caught in the process or reported because merchants have a rather unique attitude towards this kind of endeavor.

In the second place most merchants are to a very large extent unwilling to admit to their losses. If, as a researcher, I were to go into a typical retail store and ask them what has been their experience in crimes of certain types, I could not really be sure in my own mind if they are going to give me valuable information. Maybe this is one of the problems of the independent small businessman. He has difficulty in admitting to the internal weakness of his operation.

On the other hand, most businesses are unwilling to take formal legal action anyway. It is a common practice for a retail or other small business, even in dealing with law enforcement people, to want to take the easy way out—they do not want to get

involved in court cases because of the time and the costs. They do not want to get involved period. All they want is their money or their merchandise back with the least amount of effort on their part.

The Senate-SBA study has been widely accepted and widely quoted because at that point at least it was an endeavor to give some dimension to the nature of the crime. The most important part of it was that it did show trends.

It tended to endorse certain things we felt were true, not so much the figures themselves, but the nature of the crimes.

It might be well if I were to identify for you what we call a small business because I think there may be some confusion in people's minds, at least from our agency standpoint, what we are talking about.

Small or large I guess depends on your point of view. For practical purposes, a retail service business which does less than a million dollars a year by our standards is termed a small operation; for wholesale businesses, five million dollars or less. For a manufacturing type of enterprise, we change the denomination and refer to them in terms of employees, 250 employees or less.

Now, by those terms, about 95 percent of all businesses are small, in actual numbers of units. So while their impact perhaps might be less than we might consider, based on their number only, they do represent a rather significant impact on our economy.

This year, the Department of Commerce...decided to do a separate study on their own. It was not original research; it was simply a compilation of work done earlier by us and some others, perhaps in an attempt to refocus attention on the growing problem of crime in industry.

.....
Their report suggests that the total cost of crime in business is \$16 billion. That is roughly five times greater than it was when we did our study. And even if you account for normal increases in crime, certainly it has to be three or four times greater, nevertheless. We broke ours down by type of crime, they break it down by type of industry: retail business, \$4.8 billion; manufacturing, \$1.8 billion; wholesaling, \$1.4 billion; service enterprises, hotels, motels, and educational institutions approximately, \$2 billion.

The transportation industry, generally from dockside to vehicular hijacking lost about \$1.5 billion. Security protection lost about \$3.3 billion and this of course includes all categories, hardware as well as the employment of professional protective service, internally and externally.

And other aspects of industry, about \$1.2 billion was lost which ranges over the entire category from security thefts, embezzlements, and whatever.

I have talked to other people in this field and to police department individuals and others. They have suggested that even these figures are underestimated by probably at least 20 percent.

What I am suggesting to you is that the impact on crime in business, as we define it here, probably runs as high as \$25 billion, if we consider crime and the attempt to protect ourselves against it. It has been suggested that in a certain type of enterprise, the cost of crimes runs as high as 5 percent of the gross revenues of that enterprise. In the retail field, it is suggested that approximately 2 percent of the cost of merchandise consumers buy is attributed to the crime factor alone.

It is suggested that the cost of crimes against property during the ten year period 1960-1970 increased 180 percent, this includes both residential and business because there is no real way to separate them.

I am more concerned of course with the impact of this on the small business community, and there is no doubt that the small businessman suffers to a much greater extent. For one thing he is, in particular, in the retail kind of operation. He is the victim of a much greater variety of crimes.

Let me cite an instance. One of the most important crime factors in retailing is shoplifting. This is something that is common to this kind of enterprise. You do not find it in manufacturing plants. You do not find it appreciably in service institutions. There is some in the wholesaling operation, but shoplifting is a product of the relationship of the general buying public to that institution. And the closer the proximity, of course, the greater the magnitude of the problem. Based on the study done earlier by SBA...its impact on the small businessman is 3.2 times greater.

.....

Perhaps the anomaly of the whole situation is that the cost of crime is the cost of doing business. And are we making quite certain that of other measureable costs in the process of pricing merchandise and realizing a profit, they have equated crime the same way? If the cost of crime is 5 percent, then like it or not, they have to increase their prices by 5 percent to come out with the same general profit margin.

As I oftentimes tell people: "You may not be very strongly motivated as a business person towards this matter, but look at it in terms of the impact that you and I are paying for."

Let me speak just briefly to the ins and outs of problems in trying to control crime in small business. First and foremost is a lack of conviction and motivation. Now, we can talk about the importance of law enforcement agencies, et cetera, in the general public domain. In the private sector, in the business enterprise system, this is a management responsibility.

They may look to their police, of course, in a very proper way at certain times. But it is a management problem.

Another matter, of course, is the lack of the effect of crime on their business. They simply do not know what is going on.

I have over the years investigated the laws in all 50 states on what we commonly refer to as the Merchants Protective Act. You very commonly hear retail stores say that they do not want to do anything about it for fear of the suit for false arrest. Roughly 40 of the 50 states at this point in time have something in the way of a law that provides for the merchant's protection against this type of matter.

The laws vary considerably of course from state to state, but the general intent is there in which it says that you as a businessman or your associates and agents have the authority to detain an individual in a reasonable manner for a reasonable period of time if you have reason to believe that the individual has taken something of value without the intention of paying for it. And you are not subject to false arrest.

Out of the 5,000 people that I have talked to, not more than 1 percent are even aware of the existence of those laws in their states that give them this right. They have never read it, they did not even know it existed.

Another serious problem, and this one we have got into, is that there is little or no information on training for the small businessman. This certainly is not to criticize the law enforcement agencies. Their hands are well filled with other problems.

This is a management responsibility. It is the need of the individual businessman and his employees to know what to do. Unfortunately, he does not know what to do so he does what you expect him to do and this is absolutely nothing. And the problem gets progressively worse.

We try to become a disseminator of information and motivator of individuals; singly and collectively, we need to try to do something about the problems of this type.

Another problem is the spread of these types of crime into the smaller community, whether it is a satellite community, such as would be true in a suburban area, or whether it is simply a modern version of the market center, i.e. say, in a predominantly rural area. Problems of this type are no longer a problem of large cities per se. Crime is an insidious vice that has worked its way down to the smallest enterprise in the smallest community.

The difficulty of course is that security is virtually non-existent in small towns. Now, I spend a lot of time in small communities in the work that I do. I have learned to accept as a basic premise that if I run into anything that represents minimal security, it is a rarity because most of them really do not know what to do.

I would also like to make a special case where the business is located in a high crime area. It is mystifying to me that in our enterprise, the Small Business Administration, that we call the economic opportunity loan program, to engage in a business enterprise where almost invariably that enterprise will be located in an area of extreme high crime incidence.

The individual for all practical purposes is unable to obtain anything in the way of adequate insurance for burglary or robbery. And even there this is not great because most of his problems are theft that do not fall in that category anyhow. They result from employee pilferage and theft from the people in that community.

I have advocated for a long time in our agency that before an individual is considered eligible for a loan, that he must be able to demonstrate minimum security on the premise. So far I have had no takers. Maybe something could be done here to motivate our agency properly in that respect.

I am not talking about sophisticated devices. But the very weaknesses that have been discussed here are almost an absolute fact of existence in most businesses that one goes into. And yet here we are attempting to encourage individuals to go into business in a situation which almost predicts failure. Lord knows a guy has a tough enough time just being a solid business manager, without being confronted by these kinds of problems over which he has little control and very little knowledge. And I think that this is something that needs to be done.

Let me speak just briefly to the inadequacy of the law enforcement agencies to cope with the problem. Let me also say this is not intended to be a criticism.

Surely when there are thousands and thousands of small businesses in every major metropolitan area, and with the awesome weight of responsibility placed on the Metropolitan Police Department for all kinds of situations, it hardly seems fair to criticize the law enforcement agency for inadequate protection, if you will. For one thing it is not their problem—it is the businessman's problem. This is as true in urban areas as it is in suburban areas and rural areas.

I have already mentioned some of the reasons of course why this is true. The small businessman generally is unwilling to press formal charges. He wants the police department to do it for him or the prosecuting attorney.

He is unwilling to take bad check cases to court. All he wants is for the prosecuting attorney's office to be a collection agency for him.

The same thing is true with merchandise that has been stolen and recovered. Yet the demands placed on the law enforcement agencies and prosecuting attorney offices is totally unreasonable in most cases. The guy just simply does not do what he is supposed to, and looks to others as a means of protection.

For all practical purposes, a law enforcement agency can not get involved anyway, until such times as a formal request is made or complaint is signed.

It used to be, in the smaller community, that the cop on the street went around at night with a flashlight and shook every door. It might have been a good idea in times past. But we are beyond that now—especially in the major metropolitan areas.

We might look at other devices perhaps. But as far as a law enforcement agency is concerned this is not their responsibility. But it is their job to assist. They should be there to consult and advise. This is their kind of responsibility. But they are not to determine what must be done, on a business-by-business basis.

The inadequacy of records and systems of records in business is another major problem. Most businesses, even if they are burglarized, do not really know what is missing. Most of them can not ascertain what kind of shortage has taken place no matter what their nature. They know their merchandise but they do not know what is missing.

I have no idea in how many cases individuals have come to me and said: "I don't understand it. I'm selling more merchandise but making less profits. And yet my costs don't seem to be out of line." And I can, almost by intuition, suggest that the fellow probably is losing merchandise through theft. But he really does not know it. This is not only true for retail businesses and service institutions, but also for the manufacturing plant, the wholesaler, whoever.

Most small businesses use little, if any security—professional security particularly. For another, he may have a few security hardware items such as, anti-theft mirrors, for example, or a fake television camera that is quickly spotted and known by good thieves anyway. They read the trade journals just as well as anybody else I assure you.

Small businesses do not generally have an internal security system. Large businesses employ their own people. They have a director of security and have trained individuals permanently employed to deal with matters of this type.

The small firm cannot and does not have these resources. He has to depend on incidental means. He turns, of course, to physical items as much as possible. And most of these are inadequately used.

Most anti-theft mirrors that I have looked at in operation are not placed right and do not do an adequate job. The small business has a false sense of security in terms of their actual use because they are ineffective.

This is our task—to create a sense of public involvement, to get business people to singly and collectively try to do something with the problem. We do it through publications. I've listed about six or seven of the standard publications that SBA makes available. We give those out by the tens of thousands.

We offer training sessions to individuals and to companies. If a large enterprise wants a hundred or two hundred or five hundred of this publication, we will make it available.

We have a series of films that have been developed by the Small Business Administration that zero in on certain types of crimes. We do this of course primarily through our training and education, to create a sense of awareness, to bring people together, to give them the chance to ask questions if they will, but invariably they will not, unfortunately.

This is our endeavor. That is an edict on the part of the Small Business Administration—self-induced—to try to get into the mainstream of the small business economy and cause something to happen.

I can only respond to it in the sense that we are asked continuously to conduct programs of this type. I sometimes have the feeling, however, that people come to us out of curiosity as much as a sense of urgency—especially in some of the smaller communities—but that is all right.

If out of 50 people that attend one of our programs, five of them find a way of tightening up their security, those are five that did not have it before we came into that town. And if the rest of them got a little enjoyment out of it, that is great because at least they have been made aware of the fact that we are concerned and trying to do something about it.

But certainly we are not alone in it—merchants' associations, trade groups, and chambers of commerce contribute through their collective efforts.

.....

We have conducted dozens and dozens of seminars, talk sessions, in high schools, before groups of boy scouts and girl scouts, through churches, through merchants' institutions and so forth—to at least try to make the young people aware of their responsibility. I do not know how much good it does. I have never seen any research done on it.

But this again is a matter of total public involvement. The businessmen have to subscribe to this. They have to agree to make it available through their own resources. It is a means to an end. And that is all I am really concerned with here.

Others of course do get involved in it: police departments; private security businesses, certainly, with their own special type of interest; educational institutions, either with their own students or most of the work that we do in our training program, done in co-sponsorship with educational institutions.

Some suggestions on our part as to what we think might be done to improve the level of security.

Number one on my list is the establishment of security building codes.

Number two, the availability of some effective low cost alarm systems.

Then there is the availability of security consultants in police departments. If I were a small businessman I would want someone to come in and investigate my premises from a security standpoint—not just perimeter security, but internal layout security as well.

We need technical help. So does everyone else who is trying to assist the small businessman in the sense that I have defined it here, to try to somehow or other stem this problem.

Any suggestions you have, believe me, we will take back and try to see if we can use them in our operation.

END