

# Managing Fraud Risks

The downside of the get-rich-quick social revolution.  
Or how good ethics management can make an impact  
on your bottom line

By Peter Humphrey

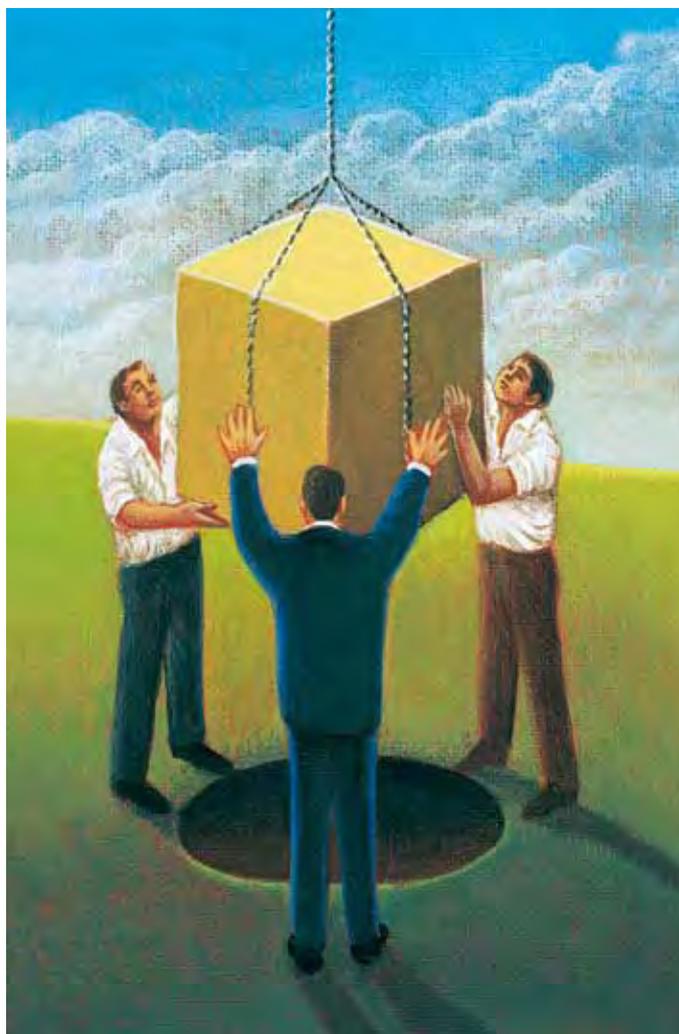
I have spent the last ten years investigating cases of fraud and corruption in multinational operations in China and elsewhere in Asia, and I see a clear and ever present danger facing companies who do not take adequate preventive measures.

One such case involved a fast moving packaged consumer goods manufacturer where staff in almost every department colluded with a counterfeit syndicate to produce fake products and inject them back into the firm's distribution channels alongside genuine product. People in procurement, packaging, sales and distribution, in the warehouses and in trucking, and even in the R&D department, were in on the act. They even had a business plan with annual production and sales targets. The entire racket was masterminded by the firm's former HR manager. This explosive mix of faking, supplier-purchaser scams, distribution fraud, and technology theft forced the firm, at great cost, to restructure its China business, terminate agreements with bent suppliers, staff, and distributors and end numerous partnerships. Needless to say, it was a painful episode.

## Collected kickbacks

Another case involved a well-known warehouse supermarket chain. One of its senior buyers, who we shall codename Anita in this article, pocketed the equivalent of 30% of all the buying transactions that she handled. She controlled a valuable chunk of the buying operation in dry foods and alcoholic drinks. She collected kickbacks, gifts and allowances from vendors; she favoured companies that she had set up in the names of her mother and her boyfriend as her employer's suppliers, companies without any physical existence. She ran scams with rebated goods; she manipulated the electronic price system. In the end she was caught and fired because her boyfriend's wife blew the whistle on her!

In yet another fiasco, a multinational auto accessories maker hired a handsome and bright young man (let's call him Bill) to be its lead sales manager in China. Immediately, Bill secretly started a company run by his brother Fred, and Bill then transferred product know-how to this family firm. As Bill's company grew, Bill also transferred management know-how. After about seven years, Bill persuaded his employer to form a joint venture with his family firm, while still not disclosing his interest in it. Thus he continued secretly to feed and grow his family business. He set up subsidiaries and inserted them into the



chain as suppliers of his employer. He copied the multinational's products, and targeted their customers for OEM work. After 10 years, Bill's firm had grown into a serious competitor. Bill then quit the multinational and began openly to run his own firm. His firm had achieved vertical integration of coating, components and finished goods

It formed a holding company and prepared to list on China's stock market. Bill's products compete head-on with his former employer in the marketplace with considerable cost advantages. For a decade, though, his employers did not know.

## Head offices are often blind

In all these cases the victims had neglected basic business controls and measures to reduce the risk of this type of disaster occurring, and they had been slow to react when the first signs of the problem became obvious. The high incidence of fraud in China, roughly four times as high as the US, occurs against the background of a get-rich-quick social revolution and economic development phase that has spawned a high incidence of graft in both the public and private sectors. Not only that, due to the culture gap between many multinationals and their China operations, it is often hard to detect and respond to the challenges of white-collar crime.

That gap is one of the single most important factors. No foreign culture and language can be more remote and more difficult to grasp for western multinationals than the Chinese culture. Multinational head offices and their representatives are often blind to what is happening inside their own China operations. This blindness creates opportunity and temptation for unscrupulous individuals to commit fraud, thinking, often correctly, that they will go undetected. Very few multinationals bridge this gap well.

## Missing hands-on posture

Very often head office or a senior expatriate manager fail to show an adequately hands-on posture, they do not show that they actually care about their operation, they are unable to reach out to all levels of employees, and they over-depend on a single point of reporting – usually a local hire with good English – to provide them with information about the operation. This person gathers too much unchecked power and controls the whole business: language, connections to government, internal network, external social network, direct contact with suppliers, direct contact with distributors, and loyalty from other staff within the company. Conversely, junior employees wishing to express ethical complaints often have no channel to communicate with head office or with the senior expatriate managers even if they want to report problems. This creates fertile ground for deception and fraud. Companies must tackle this risk through a healthy and balanced approach towards the local vs. expat ratio, HR management, screening, training, checks and balances, and internal controls.

## China: fraud equal to 16% of GDP

Add to this "gap" problem the mentality that has seized many people in this society in recent times and the tremendous social pressure felt by many people here – especially the young. Money brings prestige, and many people are prepared to take shortcuts to own houses, cars and luxury goods. Scholars at Beijing's prestigious Tsinghua University have estimated that the equivalent of 16% of China's GDP is lost to fraud and corruption each year, compared with an estimated 4% fraud rate in the United States.

Faced by such challenges, more companies have recently been adopting broad-based ethics control programs to pre-screen employees, vendors, distributors and prospective JV partners or acquisition targets. We have also seen a significant rise in compliance audits. In short, due diligence, background vetting, robust responses to violations of internal controls or to unethical conduct, and the provision of early warning

mechanisms to detect or avert fraud, are being embraced in a more integrated way.

## Outlaw unethical behaviour

Greater efforts are visible among many companies to introduce or strengthen a Code of Conduct or Code of Ethics by tying it into employment contracts as well as contracts with suppliers and distributors, to outlaw unethical behaviour, especially collusive activity between staff and business counterparties. The more advanced companies are drilling the code of ethics into their workforce and associated firms through ethical awareness and compliance training.

Whistle-blowing hotlines, usually established by big firms on a global basis, have been found inadequate to deal with operations in China due to cultural and language differences. A global ombudsman sitting half way round the world fails to understand the special traits of China. But there needs to be a reliable channel for staff, suppliers, dealers, partners, customers and other stakeholders to report ethics concerns to appropriate people in the organisation. Some firms are now therefore setting up special hotlines to exclusively handle China complaints. All these are welcome developments.

## Key Measures to Prevent Fraud

- Background screening of staff, vendors, distributors, resellers etc
- Due diligence beyond the balance sheet – check the people
- Strengthen internal controls & monitoring
- Check compliance with internal procedures
- Educate your staff in local and international laws, ensure compliance
- Conduct internal audits, fraud risk assessments, process reviews
- Impose a Code of Ethics (COE) and bind it into all contractual relationships
- Hold ethics awareness training to drill the COE into staff and partners
- Use a whistle-blowing hotline and treat ethics complaints seriously
- Introduce checks and balances to prevent cross-departmental collusion
- Show a hands-on management style
- Use clear and visible deterrents, punish the violators
- Be on guard against alternative loyalties centering on cliques
- Cultural differences must be well managed, avoid "them and us" syndrome

## About author



**Peter Humphrey** is the founder and Managing Director of ChinaWhys, an advisory firm promoting business ethics and transparency. He is also President of the China chapter of the Association of Certified Fraud Examiners (ACFE). He is fluent in Chinese and has dealt with China and other Communist countries for more than 30 years. [www.chinawhys.com](http://www.chinawhys.com)

# 跨国企业在华业务运营的 欺诈风险管理

## 道德管理如何影响公司财务 / “迅速致富” 社会变革的负面影响

作者: Peter Humphrey

**在**过去的十年里，我一直在调查研究跨国公司在亚洲以及亚洲其它地区运营中出现的欺诈与腐败案例。我发现对于那些缺乏足够预防措施的公司来说，风险显而易见并且始终存在。

其中有一起案例涉及一家快速发展的包装消费品生产商。在该厂商内部，几乎所有部门的员工都涉嫌与造假集团相勾结，进行假冒商品的生产，并同时将这些赝品与真品掺杂在一起，投入到公司的分销渠道。采购、包装、销售、分销、仓储、货运，甚至研发部门的员工都参与其中。他们甚至为此还制定了业务计划，包括年生产目标和销售目标。整个欺诈活动由该公司前任人力资源部经理一手策划。包括供应方与购买方联合欺诈、分销欺诈以及技术盗窃在内的一系列爆炸性事件迫使该公司以极大的代价重新建立在华业务，并中止与欺诈供应方、员工以及分销商的协议，同时与多家公司中止合作伙伴关系。毫无疑问，这是一个惨痛的教训。

### 收受回扣

另外一起案例涉及一家知名仓储连锁超市。该超市的一位高级采购员（在本文我们称其为Anita）收受了相当于经手交易额百分之三十的回扣。该采购员负责为超市采购数量巨大的干货食品与酒精饮料。在此过程中，她从销售方获得包括回扣、礼品以及补助在内的一系列好处，同时通过将自己所成立的公司（以其母亲与男友名义）作为超市供应商这一手段来谋取利益。然而实际上，这些公司并非实体存在的。该采购员通过购买带有回扣的商品来实现欺诈，同时还人为篡改电子报价系统。最终因为男友妻子的检举，超市发现了该采购员的欺诈行为并将其开除。

还有一起案例涉及一家跨国汽车配件生产商。该生产商雇佣了一位相貌俊朗、脑筋灵活的年轻人（我们称其为Bill）作为其中国区销售总经理。然而，Bill秘密成立了一家公司（由其兄弟Fred经营）并将所在公司的产品生产技术转让到自己的家族公司。随着家族公司的不断发展，Bill同时又将其所在公司的管理技术转移过来。大约七年之后，Bill又说服雇主与其家族公司合作成立合资企业，却同时向雇主隐瞒自己的相关利益。因此，通过这一系列手段Bill不断地秘密发展和壮大自己公司的业务。他先后成立了数家子公司，并将其纳入所在公司的产品供应链中。同时，Bill的家族公司还仿造了该跨国公司的产品，并计划成为该

跨国公司客户的另一原始设备制造商。十年之内，Bill的公司成为该跨国公司的一个有力竞争对手。此时，Bill辞去了跨国公司的工作并开始公开经营自己的公司，最终公司实现了涂料、配件与成品的垂直整合。

Bill成立了控股公司并准备在中国股票市场上市。其公司产品与该跨国公司产品进行市场直接竞争时，具有巨大的成本优势。然而，他的前任雇主十年内对此竟一无所知。

### 总部往往一无所知

在以上案例中，受害公司无一例外忽略了基本的业务控制，同时缺乏降低灾难发生机率的必要手段；另外，对于问题的明显征兆反应过于迟缓。中国的欺诈事件发生率大约是美国的四倍；这些事件几乎都发生在这样一个背景下：“迅速致富”的社会变革以及经济的发展致使私营部门与公有部门孳生出了高几率的贿赂腐败行为。不仅如此，考虑到众多跨国公司与其在华分公司间的文化差异，白领犯罪通常很难被发现并及时做出回应。

这一差异是众多的最重要因素之一。对于西方跨国公司来说，没有什么外国文化能像中国文化那样让人觉得如此遥远和难以理解。跨国公司总部以及地区代表往往对于他们中国分公司的内部运营一无所知。这种一无所知的状况客观上就为那些企图实行欺诈的无道德个人创造了机会，形成诱惑，因为他们认为自己的欺诈行为不会被发现。事实也的确如此，几乎很少有跨国企业能成功跨越这一差异障碍。

### 缺乏亲身接触

通常公司总部或者驻外高级经理对在华分公司缺乏亲身接触，对其运营表现得不够关心且无法做到与各级员工保持联系；他们过于依赖报告（通常来自于一位当地英语较好的雇员）上的一两点来了解公司的运营状况。该雇员往往集数权于一身并且不受制约地控制公司的整个业务；语言、与地方政府的联系、内部网络、外部社会网络、与供应商和分销商的直接接触，以及公司内部其他员工的效忠。与此相反，那些希望表达道德上不满的高级员工往往没有渠道与总部或是驻华外籍高级经理进行沟通，哪怕是他们要汇报问题。这一切为欺骗与欺诈培育了肥沃的土壤。意欲消除或降低这类风险的跨国公司必须采取稳健平衡的措施，这类措施涉及中国籍员工与驻华外籍员工的比率、人力资源管

理、检查、培训、相互制衡与内部控制。

### 中国：欺诈涉及金额占国内生产总值的16%

与“差异”问题息息相关的是当今社会许多人的心理状态以及巨大的社会压力——尤其是年轻人。金钱能带来声望，因此许多人期望通过捷径拥有房屋、汽车以及奢侈品。北京知名大学清华大学学者估计，每年中国国内生产总值的16%都是被欺诈与腐败行为所挥霍，而美国的相应值仅为4%。

面对如此挑战，近来越来越多的公司采取了普遍的道德准则管理，对雇员、卖方、分销方以及潜在的合资伙伴或是收购对象实行事前检查。同时我们发现合规性审计越来越多地被采用。简言之，这些公司采用了更加综合的方式，包括尽职调查、背景审查、对内部控制妨害行为或者不道德行为的积极反应，以及提供欺诈甄别或转移预警机制。

### 使不道德行为非法化

可以看到众多公司致力于行为准则或道德准则的引入或加强。他们在雇佣合同或供应商与分销商合同中加入这些准则条款，以使不道德行为非法化（尤其针对公司员工与业务竞争对手的秘密勾结）。较为先进的公司通过加强道德意识与进行合规培训使其员工以及合作伙伴履行道德准则。

我们发现，通常具有全球影响力的大型企业建立的检举热线，因为文化以及语言的差异，在中国并不能有效处理公司运营中遇到的问题。与中国相隔半个地球的全球巡视官根本无法了解中国分公司的运营特点。然而有必要建立一条可靠的渠道以使员工、供应商、经销商、合作伙伴、客户以及其他利益相关方能够向机构相关人员报告自己所关注的道德问题。因此一些公司现在正建立特别热线，专门用于处理中国发生的投诉问题。所有这些

都值得发展。

### 预防欺诈的主要措施：

- 对员工、卖方、分销商以及转卖方等相关方的背景审查
- 不局限于资产负债表的尽职调查——对个人权力的约束
- 加强内部控制和监督
- 内部程序合规性检查
- 对公司员工进行地方法与国际法教育并确保其遵守
- 执行内部审计、欺诈风险评估与过程评价
- 采用道德准则（COE）并使合约签订相关方受其约束
- 进行道德意识培训使员工以及合作伙伴履行道德准则
- 采用检举热线并且认真对待道德问题的申诉
- 引入制衡机制以防跨部门的勾结行为
- 采用亲自管理方式
- 采取清晰明白的威慑行为，严惩违犯者
- 警惕面向“帮派”内部的另类忠诚
- 较好地管理文化差异，避免拉帮结派现象

### 关于作者



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