

## “I FOUND IT, I CHECKED IT, IT’S GONE”

Stock losses are one of the biggest headaches for any business that carries stock. In this edition I want to share with you one of the easiest tricks to get stock out of the system.

Most business owners get to a point where they are comfortable to delegate tasks to employees. The problem is that people can only withstand temptation up to a point. Willpower is like a muscle, it gets tired. We sometimes place temptation in front of our employees, without realizing it.

In supporting sites we have found that many Fuel Retailers let the merchandiser, cashier, cleaner or back office manager count stock. That is not a bad idea, but only if there is a segregation of duties.

Let me explain by telling you a story:

- Joe is the merchandiser and Sue is the back office manager. Sue is responsible for stock counts, but also has other work to do. Stock counts are done every day and Sue frequently asks Joe to help her.
- Joe is very good at counting stock, but unfortunately he is not very honest. Now and again, when he is counting he deliberately writes up less than what he really counted. For example he would write up 148 cans of Coke 330ml when there are really 154.
- Sue captures all the stock count figures and normally has to capture 5-8 stock count sheets per day. Sometimes they use the handheld terminal for stock counting which is quicker.

- As she reviews the stock variances she often spots some losses and some gains. When this happens she will call Joe and ask him to recount. Sometimes he finds the stock, sometimes he doesn't.
- Joe, on the other hand, is not bad at math. In fact he counts very accurately. So why does he make “mistakes”? Well, if Sue accepts the 148 cans of Coke 330ml count as accurate and reports the loss as “acceptable”, “not such a big amount”, or any of a 100 other reasons, then Joe is happy. Happy, because those 6 cans are now out of the system.
- If there are repercussions, Joe can always “find” those 6 cans again. But, now that they are out of the system he can do with them what he wants. He can try to get them out of the store and off the property without fear of it showing up on the system, or he can just drink them on site, or perhaps sell them to another employee.

This whole issue can be managed by segregating duties. The person who counts should not be the person who captures and should not be the person who re-checks.

Ideally, Sue should be capturing invoices, Joe should be counting, and Sue should be re-checking counts that show losses or gains. If you have the people and the capacity it would be even better if a 3<sup>rd</sup> person handled one of the steps.

I am not saying that employees are dishonest. But, you must realize that sometimes good, honest people give in to temptation. Avoid it by removing temptation as best you can.

### BEST PRACTICES:

- DO** ensure that stock count reports are placed on your desk every day, not filed away to be reviewed later
- DON'T** allow your management team to see losses and gains as “acceptable”, everything must be re-checked
- DO** keep talking to your employees about losses, as Peter Drucker said: “what gets measured gets managed”
- DON'T** let stock counts become just another routine task, mix it up, do spot checks and ask questions

### QUICK WINS:

Very few employees feel comfortable being called into the office. Call your employees in often and make sure they understand that stock control is critical. Don't accept explanations that are without evidence. The key is not to try and find a final answer for every occurrence or to argue with and shout at your employees. Make it known that you will ask questions, you want them to investigate and you want the losses to be reduced. If you don't care about the details, neither will they.

And, in the case of Joe, hopefully the discomfort and fear of being found out when he's called to the office will keep him from giving in to temptation.

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