



**ÆGIS** e-journal

***Addressing threats that affect your bottom line***

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## 1. Due Diligence — Faith and fraud

According to some, in olden times there was more direct contact with the gods, so religion was less a matter of faith and more a matter of direct experience than it is today. Greek, Norse, and Roman gods – to take those most familiar to us in the West – supposedly tended to mingle with mortals with some frequency. Most people, therefore, had some direct contact not only with their own gods, but also with the gods of others. (We ignore here the theory that those who were identified as gods were actually people from other places – who are now often identified with UFO sightings.)

Monotheism changed all that, requiring people to choose one god and put the others aside. As contact with the gods – particularly other gods – became more distant, religion moved from being experience-based belief to faith-based belief. This was an important change in thought process. People were becoming accustomed to faith and the concept of faith, which by definition, must exist absent proof.

The down side of the move to faith-based belief, from a business perspective, is that it can often be difficult for one to turn off the faith-based thought process, which can leave people vulnerable to fraudsters. In fact, we have **never** encountered a high-yield fraud where there was not an active element of faith. It is more common than not for business meetings run by fraudsters to begin with prayer, and for the fraudsters to *pretend* to be persons of faith, using this as a shield to cover the act of theft. This element of faith is required for the investors to be able to suspend reality and mentally buy into the fraud schemes, some of which have been so outlandish that they would not even have been fit for a soap opera script.

Faith is wonderful and important, and without faith we would not be able to accept the gift of the mysteries that have been given to us through revelation. However, when the mechanism that allows you to know and accept God is misused to convince you that you will have the miracle of a return on investment of 20 percent, or even 40 percent, above prime rate, you should start to be at least a little suspicious. Suspend faith for a few moments and ask fact- and proof-based questions, and demand fact-based answers. Being fobbed of with platitudes and insults by the investment professional is a good clue you found the wrong person to whom to give your money. Because, that is what you are doing: You are giving your money away.

As Ronald Regan said, “Trust, but verify.” If it sounds too good to be true, it probably isn’t true.

## **2. OPSEC, Economic Espionage, and Competitive Intelligence — Competitive Intelligence for the small business**

Large companies have deep product lines and a lot of diversification. They can afford to take risks, and to write off losses. As an example, with the introduction of OS/2, IBM quickly captured 30 percent of the desktop operating system market, and had a high probability of dominating the desktop operating system market. However, it is rumored that IBM made a business decision that the projected support costs for such a consumer product simply weren't warranted for a market as small as the desktop market. Their reasoning: Instead of having a single field engineer supporting an enterprise, they had to staff a help line explaining to twelve-year-olds why Yahtzee wasn't running. They simply walked away from it, and wrote off the costs.

Small businesses lack the deep pockets and diversification of the big companies. More often than not – over 80 percent of the time – small businesses are a one-product and one-location company. Small businesses are therefore keenly and highly sensitive to competition and threats of competition, and one slip of information can be fatal. Because of this, they need business intelligence as much as – or even more than – the large enterprise.

### ***The cost of bad business intelligence***

Señor Taco was a very good one-store location for the Mexican mood. The restaurant had a good reputation and regular customers. The owner, Carlos, decided he would open a new store on another side of town. He spent a lot of time looking at different locations and settled on a location on the southeast corner of a major intersection. This location had it all. It had high traffic counts, good visibility, several other (but different) restaurants, two large apartment complexes nearby, and several large employment centers within blocks. He signed the lease and, at what was to him great cost, opened.

As it turned out, he opened concurrently with a Taco Bell one mile away, and a Rubio's Baja Grill and a Baja Fresh on the other two corners of the intersection. All four opened within weeks of one another. Carlos' Señor Taco closed in three months. Had Carlos looked at applications for business licenses and food permits filed in the area, or paid attention to what possible competitors were doing (rather than concentrating on location, location, location), he would have saved himself a lot of heartache and a lot of money.

## ***The reward of good business intelligence***

A bar owner was looking to do something different with his location. As part of his decision-making process he visited a number of his competitors. He had overheard two conversations that were important, one in a bar that had live music, and the other in a bar that had pool tables.

The bar with the music was keen to sign a new local band. It was a band all of the younger kids seemed to like, and they usually drew a good crowd. The owner of the bar couldn't get the new band to come and play. It was not that the band had any other commitments, it was that the bar owner just could not seem to connect with the band's leader.

The bar owner hatched a plan. He had his daughter speak with the band's leader. She told the band leader that she really like the band's music – which, in fact, she did – and wondered if they would like a place to play, where they could collect and keep the cover charge. She also asked what other local music groups the band thought worthwhile. The bandleader could not stop talking about all the good bands he knew, and how he would like to help others, and how some bar owners just didn't get it...

The bar with the pool tables always had a good crowd on weeknights for tournament play but it was slow Friday and Saturday nights after about 10 o'clock. The tournament organizer at the bar complained that the bar was taking too much of the rake on the tournament fees.

Our bar owner approached the pool tournament organizer and offered his bar for pool tournaments. The organizer could keep all of the fees and entry money, but the players had to pay \$1.00 per game to the owner of the bar. The tournament organizer and the bar would split the table revenue 50-50 after the end of each tournament.

The pool tournaments moved to the new bar almost immediately. The bar now opens at 11:30 a.m. and pool tournaments are held through out the week, except lunchtime, Thursday, Friday, Saturday, and Sunday, and not after 10 o'clock on Friday and Saturday evening.

The lunch times and evenings reserved are for music. The bar owner, working with his daughter as a translator between generations, had the new local hot band playing Saturday and Sunday evenings. The band leader was given the opportunity to invite other bands to open for his band on week ends, and to schedule other bands for the lunch time music so new bands could get some experience, all without actually competing with his time slot.

In three months, the bar went from slow to packed, 12 to 14 hours a day. The pool tournament had a new, lively, and more profitable home. The hot band had a place to play, make money and become the leader in the community by helping to give new talent some experience.

The bar owner's gross grew five-fold and his net tripled. By using business intelligence to find weak points in other locations, and to co-opt those who could drive business to his location, he sold a lot of food and booze.

### **3. Executive Protection — Robbery and assault as a side effect of real estate development**

As property in Manhattan has grown more expensive, development has moved to the outer boroughs, a pattern that we see wherever population densities increase. A side effect of this population expansion can be a temporary increase in robbery and assault.

This was brought to our attention recently when large developers moved into a residential area in Brooklyn, turning single-family homes into apartment buildings. Someone with relatives living there remarked that they had lived through a similar expansion in California, and had seen that there was, in fact, an increase in assaults and robberies. It was an interesting thought. And, once we checked into it, we discovered that it appeared to be a fairly common pattern.

We don't think that this increase in assault and robbery was a deliberate tool used by unscrupulous real estate developers. We think it is merely a natural side effect, with bad people gravitating to an area in transition. However, on a practical level we don't really care whether it is deliberate or not. We merely want to make sure that whatever the cause, the effect is minimized.

It is clear that if you live in a neighborhood that is going through a transition from single-family residences to multi-family residences, there is a potential for increased violent crime. Independent of the cause, it is a problem of which you must be aware, and with which you must deal.

You must start by making the mental adjustment from the suburban view of safety (even within a large city you can have a suburban view) to a more urban view. If you do not normally lock your doors, then you should start. If you don't have an alarm system, then you should consider it during the transition period. (You may not need it later.) You should speak with your local police department to see if they have noted an increase in crime. If there has been an increase in reported crime, you should find out what, if

anything, they are doing about it, and what their recommendations are. Then follow those recommendations.

Keep in mind that the increase in crime is generally temporary, and is likely to drop again as the neighborhood re-stabilizes. It is rare that the crime levels become extreme as a neighborhood enlarges. But if you are the victim of a crime, that is about as extreme as you need. And it is certain that the long-term economic benefits will do good things for your property value. All you have to do is last through the transition.

#### **4. Technical Issues — Children and self-defense**

At the beginning of February 2004, television viewers in the United States were horrified by the surveillance-camera video of 11-year-old-Carlie Brucia being kidnapped in Florida, and the subsequent discovery of her body. After the event – one of roughly 100 kidnappings and murders of children that take place in the United States each year – several people called us wanting advice on how to teach children self-defense.

Wanting to teach children self-defense – as well as general parental terror – is a natural reaction after such a tragic event. It is telling, however, that the most authoritative source on missing children, the *National Center for Missing and Exploited Children* (see Section 6 below), emphasizes a large number of measures for dealing with this issue, none involving self-defense. We feel this makes sense for a wide variety of reasons.

For a start, most children who go missing are runaways, so the issue of self-defense does not come up. In the next largest group, family abductions, self-defense by a child in a custodial battle is probably not be the most appropriate response. It is only in the case of acquaintance kidnapping (don't confuse acquaintance with friend) and stranger kidnapping – particularly retrospectively to that 100 that end with homicide – that self defense might play a valid part. The question then becomes whether, for an event that is extremely rare, you want to change the quality of your child's life by instilling a fear of being kidnapped while teaching her self-defense. On the other hand, adding preventive measures to the child's repertoire might further reduce the probability of abduction, without terrorizing the child. As authors of the leading book for civilians on dealing with violence (*The Seven Steps to Personal Safety*, available for download, free as an Acrobat file at <http://www.lubrinco.com/>), we believe that adding preventive measures is the most appropriate approach.

There is also the issue that self-defense may well involve the injury or death of the attacker. Frankly, we are not sure that we want to empower or encourage children to injure or kill others. Nor are we convinced that it is necessary since there are, even in abductions, some alternatives available.

The non-self-defense options are largely based on the fact that for the child, as the victim, being taken from a public place to a more secluded place is not in her best interest. This is particularly true in those hundred cases a year where the kidnapped child will be murdered, as there is, on average in three out of four cases, a scant three-hour window between time of abduction and the time of death.

Because of this, it is important for the child to try not to go with the abductor. This is true even for a juvenile, where the abductor has a gun and is threatening to use it if the victim doesn't go with the perpetrator. As with an adult, the chances of harm are so high in this case that it is safer to risk being shot in public than to get into the car.

What can be done to deter the abductor? Two things. The first is to increase risk for the abductor, which is generally done by making a lot of noise. To passers-by, the image of a child quietly getting into a car is very different than if the child is screaming "Help me, help me!" as someone attempts to force her into a car. The issue here is that if you do not train to make a lot of noise you simply won't make a lot of noise. We have learned from long experience that you must train to yell and scream under stress.

The second thing that can be done is to make it difficult to be taken. There are three possible versions of this. One is to simply go limp, while yelling and screaming. Depending on the size of the child (and this author knows some eleven-year-olds who are good sized!) this will make it virtually impossible to be dragged away, especially with nobody noticing. The second variation is to thrash about while yelling and screaming, which can work for a smaller child. Finally, if it is possible to break away for a moment, rolling under a parked car while yelling and screaming can make it extremely difficult for someone to do an un-noticed abduction.

We would hope that every concerned parent would look at the material on the *National Center for Missing and Exploited Children*, in Section 6, below, and take the time to learn about the problem and ways to keep their children safe. By taking appropriate precautions, you can greatly reduce the already-slim likelihood of your child being abducted.

## 5. Real Stories from the Field — Lost in cyberspace

Literature is filled with stories of letters that go astray, and the ensuing consequences. And Barbra Streisand sings a lovely song by Rupert Holmes called *Letters that Cross in the Mail*. Lest you think that this doesn't happen with e-mail, let us assure you that it does. There are lots of reasons for this. Some are shrouded in mystery (this is when you start talking about not-quite-ready-for-prime-time technology) and some are not.

One increasing problem is an unfortunate side effect of the fact that everyone is inundated with junk e-mail. We editors get something over 9,000 pieces of junk e-mail every month, and it doesn't look as if the situation will get much better anytime soon. Internet Service Providers (ISPs), like individuals, are trying to do their part. Some identify e-mail as likely being junk. Some allow you to stick this in a folder on the server where you will never see it, and don't have to waste resources by downloading it. Others allow you to mark the junk e-mail so that you can deal with it after you download it. Some identify the most egregious cyber-clutterers and block them from their own server. This can be a problem if you expect legitimate mail from that particular server.

This means that if our ISP cuts off a server that is sending out tens of thousands of pieces of spam, we might not receive mail we really want, which is a problem.

The problem is exacerbated by the fact that you have no clue as to what has been blocked or unblocked at any given instant, and might well reasonably believe that someone to whom you have written is simply ignoring you.

How can you deal with this? Well, it is a good idea to remember that you have other ways of communicating with people. Thus, if you expect to hear from someone via email and don't, you might wish to restrain the impulse to get crankier and crankier. Instead, consider other options, like sending them a fax, sending them a letter, or even picking up the phone and calling the person.

When you actually speak to the person, you are quite likely to find that they have been as frustrated with you as you were with them, and you can both save each other a lot of grief. Robert McNamara seemed to intimate in his writings, in the view of one angry Vietnam Marine Gunnery Sergeant, that the Vietnam war was largely a communications problem based on missed meetings.

We can do better than that by picking up the phone when it seems that e-mail might have gone astray. And, in fact, we have had two recent incidents that at least partly show that this approach can work at least some of the time.

In the first, we were sending e-mail to a client and getting no response. The client, of course, was sending e-mail back to us, but our ISP's spam filter was filtering out their e-mail. A telephone call straightened this out.

In the second case, Sherri Begin, a reporter with Crains Detroit Business had put out a ProfNet query involving, among other things, protection from data theft. Since LUBRINCO is the leader in private sector OPSEC, we e-mailed her some information. The e-mail – and subsequent notes – was bounced by Crain's spam filter. In this case, picking up the phone didn't help, as she didn't return our calls. We assume this meant Ms Begin dropped the stories when, because of Crains' spam filtering, she got no responses to her query.

## **6. Book and Product Reviews**

*National Center for Missing and Exploited Children*

<http://www.missingkids.com/> 1-703-274-3900

May 25<sup>th</sup> is National Missing Children's day in both the U.S and Canada. While for many this day will pass un-noticed, for others it will mark the most critical event of their lives. It is a day – and an issue – of which we should all be aware.

If you are concerned about a child that might be abused, or if you have a child and are concerned for their safety from abduction, this is the web site for you. Everything anyone – parent, cop, attorney, or reporter – would want to know about this subject is to be found here.

If you are a parent you are likely to want to read *Personal Safety for Children: A Guide for Parents* at

[http://www.missingkids.com/en\\_US/publications/NC122.pdf](http://www.missingkids.com/en_US/publications/NC122.pdf), or to download a copy of *Know the Rules...Abduction and Kidnapping Prevention Tips for Parents* at [http://www.missingkids.com/en\\_US/publications/NC94.pdf](http://www.missingkids.com/en_US/publications/NC94.pdf).

If you are interested in the state of the art in analyzing the problem you will probably want to read the NISMART-2 National Estimates of Missing Children of October 2002, which can be found on the FAQ page ([http://www.missingkids.com/missingkids/servlet/PageServlet?LanguageCountry=en\\_US&PageId=242#0](http://www.missingkids.com/missingkids/servlet/PageServlet?LanguageCountry=en_US&PageId=242#0)).

This site is a must-read if you want to inform yourself on this subject, get the best ideas on how best to protect your children from these rare threats, or if you need to deal with it professionally.

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