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INSIDE:

CRITIQUES & OPINIONS

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BUSINESS ADVICE

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PROTECTING A CRUCIAL BUSINESS ASSET

The asset I'm referring to is your self-confidence. It's crucial because the success of any creative firm, whether single- or multi-person, requires the boss to constantly make innovative artistic and business decisions. Poor self-confidence leads to fewer good ones and less success.

Yet, for all its importance, maintaining self-confidence can be difficult for the creative entrepreneur. It's easy to make a bad business decision, not all creative work is praised by our peers, and heroic efforts to meet clients' needs often go unappreciated.

The psychological challenges posed by our position go well beyond CB's expertise. A couple decades of business experience does, however, point out several ways in which self-confidence can easily degenerate into self-doubt.

Three are on the pages that follow.

The first, in the article beginning on page 1, has to do with the common practice of asking others for opinions about our work. I doubt that there's any reader who hasn't done this at one time or other.

Too often, though, what's a subconscious attempt to boost self-confidence through others' input, works out in exactly the opposite fashion. It results in many good concepts and ideas being badly modified or destroyed.

As the article points out, the solution is not abandoning the practice. Rather, it is learning to structure it in a way that provides constructive criticism while also building self-confidence.

The second article, beginning on page 4, concerns client feedback. It is one level up from asking for peer feedback. Here the concern isn't so much that the input could whack one's self-confidence. In fact, it often has the opposite effect: a lack of critical comments that leads to complacency. That is, the possibility of self-confidence that might be unsupported by clients' real feelings.

Why even bother, then? Because the real benefit of soliciting client feedback comes not from constructive criticism or boosting self-confidence, but from simply asking.

The third article in this issue, beginning on page 7, is related because it is an example of what can happen when the principle of a multi-person firm lets self-confidence obscure the need for sound business practices. In this case, that she or he is such a good judge of character that fraud is not a concern. Truth is, business fraud is common. Further, nothing will destroy a firm's future and its principal's self-confidence faster than becoming a victim.

Finally, well-deserved self-confidence is built over time by making good business decisions. To help, this issue has three pages of advice along with a management benchmark beginning on page 10.

And, as always, I am available to provide advice on business issues you might not have dealt with before. Don't let your self confidence take a potential hit by making a decision on something that might be unfamiliar to you. Ask for advice first.

The address for asking is mail@creativebusiness.com. Please allow up to 36 hours for a response.

Cam Foote

Creative BUSINESS™

IN THIS ISSUE:

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PRODUCING BETTER WORK:

WHEN CRITIQUING IS GOOD AND WHEN IT'S NOT SO GOOD

Here's a situation every creative experiences. She or he has an idea, a draft, or a layout, but is not sure just how good it really is. So friends or colleagues are asked: "What do you think?"

It seems like a reasonable approach to producing better work. Objectively evaluating one's own work is tricky. We get emotionally attached to what we're doing, which can easily get in the way of sound judgment.

Then, too, what we produce will be subjectively evaluated, often by diverse client individuals. So getting a few opinions beforehand, particularly when there's still time to make changes, also makes sense.

But opinions on something as personal as creativity—both soliciting and giving—can also be very misleading. Unless handled right, the damage caused can easily outweigh the advantage gained.

SOLICITING CONCERNS

The more one works in isolation, the greater the perceived need to solicit the viewpoints of others. Also, the greater the risk of being misled by them. That's because there is little or none of the interaction with colleagues that provides balance. And opinions are more likely to be from those less knowledgeable, such as friends and family.

But creatives working alongside colleagues can also feel the need for others' opinions. And here, too, the attempt to overcome insecurity and build a better creative product can easily backfire, leading to confusion.

Whether working alone or with colleagues, there's no sure way to avoid the risks that can come from soliciting others' opinions. But remembering the following can help.

The timing dilemma. Sharing something in early stages of development can make it difficult for others to appreciate. Yet, sharing after full development can make any subsequent changes time-consuming and expensive.

The trick is choosing the right time for input: far enough along, but not yet too far.

The obligation dilemma. Individuals solicited for opinions feel obligated, even when they don't have any. More problematic, they're also likely to feel obligated to offer something critical, or "constructive."

A critical comment is often forthcoming, whether warranted or not.

The wrong demographic dilemma. Most creative work is intended to appeal to a specific type of individual or group.

Chances are a friend, relative or colleague doesn't fall into this category. So asking their opinion is usually irrelevant.

The critiques that count are from individuals similar to the targeted audience.

The constraints dilemma. Few, if any, projects have free-rein. Nearly all are done under such constraints as time, budget, objectives, and client preferences.

Unless a critiquing individual is privy to project constraints, any suggestions can easily be unrealistic, irritating, and counter-productive.

GETTING THE BENEFITS WITHOUT THE DOWNSIDES

Keeping the above in mind, now let's look at ways to get the benefits of others' viewpoints without the negatives.

Cooling off. The need for an outside opinion is usually lack of objectivity, or being too close to the work for too long. The simple solution is to set it aside, let a little time pass, then go over again its objectives and the rationale behind your creative approach. Doing so will probably be more effective than getting input from outsiders.

The right question is: "which one will work best?" Not "which one do you like?"

The wrong question dilemma. Because projects should always be developed to meet specific client objectives, the question put to others should never be "do you like this?" What they like is immaterial.

The only valid query is "do you believe this will do what it is supposed to do?"

The group dilemma. Unless done under controlled circumstances by professionals (a focus group), asking a group for opinions will kill, not refine, an idea or concept. Group dynamics will take over. One criticism will build upon another until there is nothing but a mishmash of criticisms and suggestions.

Avoid asking more than one individual at a time for an opinion or critique.

The confidence dilemma. Not always, but soliciting a critique often stems from one's creative insecurity. If so, it is treating the symptoms rather than the malady. Listening to others criticize your work usually makes any personal insecurities worse.

Whatever your gut tells you will be right ninety percent of the time.

Whenever feasible, build enough time into a schedule to put creative work aside for a few days, then look at it later with fresh eyes and a clear mind.

Teaming up. When two individuals of difference disciplines, such as copy and art, work together, getting outside opinions should be largely unnecessary. One teammate's ideas are constantly being challenged by the other. Unfortunately, teaming often happens in name only, with one firm or individual developing a concept to which another later contributes.

In true teaming situations, creative development is done together, each member acting as a critic of the other's ideas. The result is objective, well-vetted work.

OPINING CONCERNS

Not all critiquing is asking for someone else's opinion. At least as often it is someone else asking you, especially if you are a principal or creative director.

Commenting on another's creative efforts is a potential minefield. It can anger or disillusion a colleague, or demoralize an employee. Here are a few suggestions to help make any comments and critiques more beneficial than harmful.

Be a good listener. A valid opinion or critique first requires understanding what the other party is attempting to accomplish. Then, what constraints she or he had to work under. (Also, see "The constraints dilemma" in the first column.)

Without understanding another's objectives and constraints, any opinion or critique is not only invalid, it will likely be rejected and create resentment.

What's asked for may not be what's wanted. Anyone asking for comments or a critique might only be seeking affirmation, especially if she or he is an employee. Be tactful and diplomatic in all situations. When a response is not required, it is often better to simply dodge the request:

"I'm afraid that my comments wouldn't be much help. I don't have the benefit of the background you had in developing this, and my tastes are different from those of the intended audience anyway."

Take your time. A quick gut reaction is okay in casual conversations and brainstorming sessions. But anything visual or more developed deserves a serious, contemplated response.

A hastily-given positive critique will make it less meaningful. When a hastily-given critique is negative, it will demean an honest effort, and probably demoralize the creator.

Acknowledge differences in taste and style. Asking whether you like something is the wrong question; the right one is whether you think it works. (Also, see "The wrong question dilemma" in the first column.) When asked to comment on something not to your taste, say this:

"Actually it doesn't reflect my personal taste, but that's unimportant. What's important is that apparently it meets all the objectives the client laid out for it."

Comment privately. Whenever several people are together, comments and critiques take on greater significance. This is especially true in boss-employee relationships. Positive comments can take on unintended meanings; negative comments can be unintentionally demoralizing.

Comments and critiques, both positive and negative, should be delivered one-on-one.

Suggest an alternative. A critical comment without an accompanying positive suggestion is never constructive, it is just a criticism.

Don't be critical about another's work unless you can also offer something positive for improvement.

GOING BEYOND A CRITIQUE

Most multi-person firms have a procedure by which work is reviewed before being shown to clients. In some, this is a formal creative review, in others an informal approval by a principal or creative director.

Although sometimes resisted by employees, a good review should be nothing more than management exercising its responsibility for the quality of the firm's products. Employees who can't readily accept this are usually not worth the effort it takes to keep them happy. (Some larger organizations do have much maligned "creative review committees," a different animal that's not the subject here.)

A creative review should not be confused with soliciting opinions or critiquing work. That activity is largely voluntary, comes earlier in the process, and the result is subjective. By contrast, a review is often mandatory (CB's recommendation), is objective, and usually comes when something is ready to show outside.

Simply, a creative review makes sure a firm's standards are consistently met, and that strategic mistakes are less likely to slip through. A side benefit is that knowing that her or his work must ultimately pass a review sharpens any employee's attention to details.

Anything more intensive than a quick review would be over-direction, and would likely result in inhibiting future creativity, reducing morale, and delaying the project. Any need for creative direction should come separately.

A formal review using a checklist works best for all but the smallest firms because it minimizes subjectivity. Normally, it takes place before scheduling a client presentation, but when complex projects are involved it can also be helpful to have an earlier, preliminary review.

In preliminary situations where multiple concepts are being developed, we suggest using one form for each. Doing so can help the decision-making process by pointing out which concepts are stronger and which are weaker.

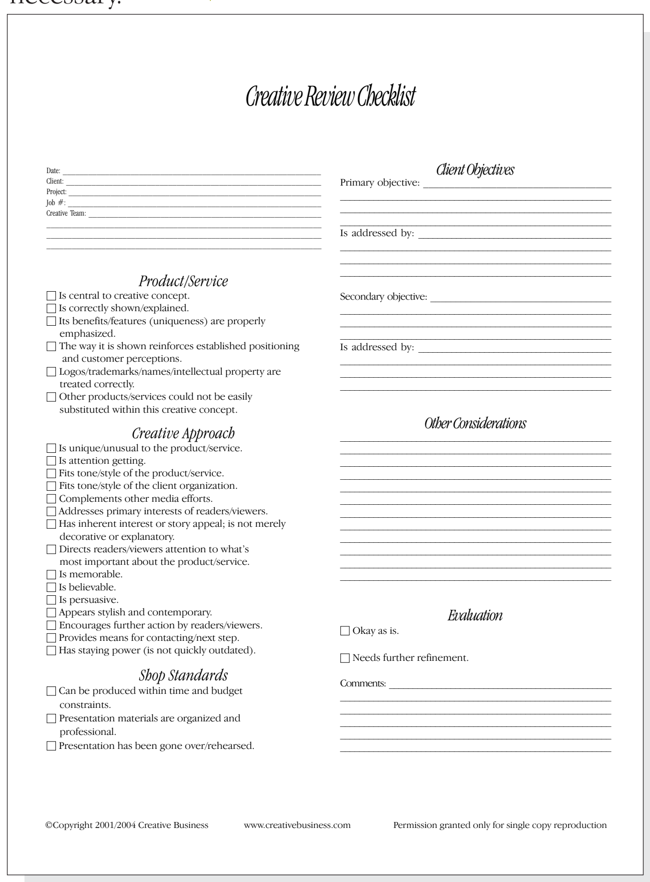
Whether done just once or more often, a review shouldn't take much time. An hour or so is all that's normally necessary. When thought of as something akin to proofing, it should be possible to fit a review into even the tightest of schedules at the busiest of times.

CB's Creative Review Checklist, shown here, can be downloaded and used as is, as a model for one specific to the particular needs of a firm, or as an idea starter for a different approach.

It is quick to use and addresses the issues that nearly every project must cover. There's space to write in the client's objectives and how they have been addressed as well as to record other project considerations and an overall creative evaluation.

In addition, the checklist can serve as a summary of key points that should probably be covered when presenting the work to the client. And, although intended primarily for internal use, when shared with clients a creative review checklist can be an impressive confirmation of the thoroughness with which a firm handles each project.

A creative review checklist should become part of each project's permanent record. Copies can also be made and put in employee records for future performance evaluations where warranted. **CB**



Creative Review Checklist

Date: ______
Client: ______
Project: ______
Job #: ______
Creative Team: ______

Product/Service
☐ Is central to creative concept.
☐ Is correctly shown/explained.
☐ Its benefits/features (uniqueness) are properly emphasized.
☐ The way it is shown reinforces established positioning and customer perceptions.
☐ Logos/trademarks/names/intellectual property are treated correctly.
☐ Other products/services could not be easily substituted within this creative concept.

Creative Approach
☐ Is unique/unusual to the product/service.
☐ Is attention getting.
☐ Fits tone/style of the product/service.
☐ Fits tone/style of the client organization.
☐ Complements other media efforts.
☐ Addresses primary interests of readers/viewers.
☐ Has inherent interest or story appeal; is not merely decorative or explanatory.
☐ Directs readers/viewers attention to what's most important about the product/service.
☐ Is memorable.
☐ Is believable.
☐ Is persuasive.
☐ Appears stylish and contemporary.
☐ Encourages further action by readers/viewers.
☐ Provides means for contacting/next step.
☐ Has staying power (is not quickly outdated).

Shop Standards
☐ Can be produced within time and budget constraints.
☐ Presentation materials are organized and professional.
☐ Presentation has been gone over/rehearsed.

Client Objectives
Primary objective: ______
Is addressed by: ______
Secondary objective: ______
Is addressed by: ______

Other Considerations
______

Evaluation
☐ Okay as is.
☐ Needs further refinement.
Comments: ______

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RELATIONSHIP MANAGEMENT:

THE WHYS & HOWS OF ASKING FOR CLIENT FEEDBACK

How much do you care about your clients? Before answering, also ask yourself this: how much do you think they think you care?

As important as your first answer might be, even more important will be your second.

Service businesses have a concern that those selling products don't: getting a read on customer satisfaction. Businesses that sell products quickly see from receipts just how well they've met expectations. Sales soar for well-liked products; they sag for less-liked ones.

The relationship between a sale and customer expectations is less direct in service businesses. Except where there's major dissatisfaction, a sale takes place on schedule. What may not happen, though, is a repeat sale, or the opportunity to be considered for something bigger or better in the future.

HOW IMPORTANT?

Principals working directly with senior client personnel usually have a good feel for satisfaction. Where there's a close, one-on-one relationship, and client personnel also have decision-making authority, there's little direct benefit to soliciting feedback. Any formal process for asking might appear to be overkill.

Much more often, however, especially among larger clients, is that mid-level personnel have project responsibility. Or a firm's staff, not a principal, is mostly involved. Any inquiry into client satisfaction can be informative and appreciated.

The bigger both organizations are, the more important soliciting feedback becomes. Put another way, the farther removed project responsibility is from both client and creative firm management, the more fruitful it is to ask. There's little worse than not knowing what's really going on, or any client feeling taken for granted.

FEEDBACK BENEFITS

Perhaps the most misleading belief about feedback is that client dissatisfaction will be apparent. While true in major instances, it usually isn't otherwise. Or it is, and we're not sensitive enough to pick up on it.

Fact is, many clients and projects are lost because of dissatisfactions clients won't volunteer. Or future working relationships become strained because of unmentioned and often imagined offenses.

And soliciting feedback is not only for correcting problems or warding off threats to future business. Usually, more important is using it to shore up the positive aspects of a relationship.

It says "you're important." It is easy to forget that every client wants to feel they are important, regardless of how large they are and how small you are. While this can, and should, be addressed in numerous ways day-to-day, nothing conveys it with quite the same impact as soliciting feedback on their satisfaction.

It reinforces "partnering." If "partnering" with clients to further their success is to be anything more than just an empty word, it has to be backed up. Talking the talk is not the same as walking the walk. Feedback on what needs to be done better in the future is a crucial element in true partnering.

It encourages referrals. They are an essential source of new business for many firms. Soliciting feedback encourages a client to provide them because it helps recall good experiences. Conversely, a willingness to hear, and by implication address, dissatisfaction can forestall unhappy clients from discussing it with others.

It inspires loyalty. Soliciting feedback makes clients feel appreciated, and appreciated ones are more likely to stick around. Loyal clients not only reduce business acquisition (marketing) costs, but the costs of working with them average 10% to 15% less. Lower costs increase profitability.

It differentiates a firm. If not exactly rare, formally soliciting client feedback is nonetheless unusual. In a time of ever-increasing competition, surveying first time clients can be very effective in setting a firm apart from others. Occasionally surveying long-time clients reinforces its uniqueness and helps keep established relationships from going stale.

It provides testimonials. Complimentary comments from previous clients, particularly well-known ones, are among the most powerful ways to impress prospects. They are especially effective for individuals and small firms competing against larger, better-known organizations.

A note of caution, though: any testimonial that will be used publicly must get separate approval. Individuals who are effusive in casual remarks are often hesitant to commit to having the same words appear publicly. Or their employer might have a policy against use of the organization's name for promotional purposes.

It improves products and services. While the aforementioned benefits are mostly external, the most important benefit of all is actually internal. It is listening to clients about their satisfaction with the quality of a firm's products and services. Then, taking those comments to heart and using them to improve its future performance.

WAYS OF GETTING FEEDBACK

How it should be solicited depends on client relationships, and what one hopes to learn. Inquiries about the general satisfaction of ongoing clients are usually best handled in one-on-one reviews; those regarding occasional clients usually best handled impersonally through surveys.

One-on-one reviews. It is easy to keep abreast of day-to-day and job-to-job satisfaction for clients who provide a continuous stream of work. But maintaining strong relationships over time usually requires something more. It usually also requires a means of staying sensitive to *overall* satisfaction. Not to keep tabs on it is to risk being blindsided by concerns that might ultimately lead to sudden client departure.

The key to maintaining sensitivity to issues that are not readily apparent is to have an annual (or more often if warranted) review of the firm's performance by the client. The objective is to reinforce the idea that the client is special, and that their concerns warrant special consideration.

We suggest doing this at an occasional one-on-one lunch: a firm's principle(s) hosting the key client individual(s) in surroundings conducive to discussion and befitting the meeting's importance. Doing it on the "boss-to-boss" level helps keep the focus on the big picture, not details, while the social environment helps keep everything productively informal and cordial.

Informal should not mean unprepared, however. Have a loose agenda in mind—areas of potential improvement… things that might make working together more efficient… capabilities the client may not be aware of… possible opportunities of mutual benefit. As a way of prepping the client and making the meeting more significant, outline talking points in a letter similar to the one below.

Whatever the agenda, keep it simple enough to discuss easily in a couple hours. Let the client direct pacing and adjust content. And keep in mind that just having such occasional "summit meetings" is as important as what is obtained. (The medium is also the message.)

Mail surveys. They are typically the most efficient means of getting a read on the satisfaction of occasional clients. They are also impressive to clients because the sense created is not just that a firm cares, but that caring is *routine.* It is, in other words, not unique to the client or a particular project, but rather is representative of a way of doing business.

Once or twice a year, mail a survey form to contact individuals at selected clients. Skip around. Try to cover every client at least once, but only mail to any given client once every two years or so. (A new client should be covered in the next mailing.)

Even though it might be easy to identity those who respond, treat a survey as an anonymous client polling.

The questions asked should, of course, be specific to a firm and its interests. There are nonetheless a few general rules that will make each survey more impressive and add to its usefulness: it should come from a creative firm principle, not an account person… it should go to the contact person at the client, not his or her boss (to provide a sense of empowerment)… it shouldn't be longer than two pages… questions should focus on how well expectations and *business* objectives were met… questions should be short, direct, and mostly answerable with a pen stroke (little writing needed)… when a firm specializes, questions should be industry-specific… a postpaid envelope should be provided for return.

A style example, cover letter and survey form, is provided overleaf.

Other survey methods. While mail surveys are the most common and usually best, they aren't the only means. Surveys can also be conducted by telephone, fax, or e-mail.

Telephone surveys are impressive, but need to be conducted

(print on letterhead)

(date)

Mr. B. G. Shot
Vice President of Marketing
Hillside Vineyards
1234 Any Street
Hillside, XY 00000

Dear B. G.:

This will confirm our meeting at noon on June 15 at the Millennium Club. The purpose is the semi-annual review of our firm's overall level of performance in meeting the marketing needs of Hillside Vineyards.

As conversation starters, and picking up on our previous conversations, I thought we might want to discuss the following:

- How well you feel our new creative team handled the introduction of the Muscadet varietals.
- Any concerns you have regarding our staff's activity in the two-liter project.
- Whether you feel we have the capability and resources to be more directly involved in POP activity.

In addition, of course, I would be most receptive to any other issues you might want to discuss that impact the ability of Smart Creative to serve Hillside's needs.

As I believe you know, I feel strongly that one of the things that has made the relationship between our two firms so productive is the two of us sitting down twice a year to talk about "big picture" issues that so often get overlooked in the pressures of everyday activity.

I am looking forward to another fruitful and pleasant lunch on the 15th.

Sincerely,

I. M. Smart
Principle
Smart Creative Limited

A .PDF of this and the two forms on page 6 can be downloaded free from www.creativebusiness.com/forms.lasso.

by professional researchers. This makes them expensive, and typically suitable only for larger firms with an extensive client list. Fax surveys are unprofessional and offer little in the way of advantages anyway. Web surveys (e-mail) don't convey the same significance as mail surveys, at least not at this time.

Surveys of client happiness with a firm's competitors—i.e., surveys whose aim is soliciting new business—are different in nature and shouldn't be confused with surveys of a firm's own clients.

WHAT TO EXPECT FROM CLIENT FEEDBACK

Not a lot. But, then, don't let this be the criterion. Again, it is the act, not necessarily the result, that's most important. The very process of asking forces one to think about priorities—what's important to clients and by extension the health of a service business.

The response to most surveys is poor. Feel lucky if one in five is returned. Clients with business-killing gripes don't wait for a survey to voice them. And when there's a history of small problems many feel more comfortable avoiding discussion and simply moving their business to someone else.

Because of this, any critical comments received should be taken very seriously. By and large they come from clients who are, in varying degrees, disappointed but wish to continue working with the firm. They are, in other words, the very clients a firm should cultivate. In addition, there's also a strong probability that every problem they identify will have troubled several other clients who have decided to let it pass.

The other side of survey feedback is to downplay most positive responses. They can easily lull a firm into complacency. Also, they are seldom representative of a firm's client universe. Satisfied clients are more apt to respond than dissatisfied ones. And even those that might see need for improvement often succumb to a tendency of avoiding being critical when a firm's efforts are well intentioned.

Feedback from one-on-one review meetings is typically more detailed. But not necessarily more forthcoming. The friendly, informal nature of such meetings can make it difficult for clients to be totally honest. They might be reluctant to mention small issues. Or feel they can't adequately articulate major gripes. Or want to keep their feelings private.

Indeed, it is not unheard of for a client to dump a firm shortly after a review meeting when all signals were positive. Office politics, business changes, and personal feelings can upset a relationship in a heartbeat.

Bottom line: treat any feedback seriously, particularly when it is critical. But think of most benefits of feedback solicitation as coming out of the process itself. Consider any actionable specifics to be an unexpected bonus. CB

(print on letterhead)

HOW WELL DID WE MEET YOUR NEEDS?

Dear Client:

Occasionally we poll our clients regarding the quality of our services. Client selection is random. And because we mail to several clients simultaneously, answering can be anonymous if preferred.

We do this because we recognize that our clients have a choice of suppliers, many of whom offer services of similar quality. What has always set us apart, and where our surveys come in, is our unusual ability to listen and adjust to our clients' needs, and by doing so provide the best value in the (city) area.

To help keep us on our toes, we need to know how successful, or not, our recent work for you was. And we need to know if things went as you expected, or didn't. Of course, you can always tell us directly, face-to-face. But sometimes it takes a while before you know. Or you would prefer to report anonymously. Our surveys provide this opportunity.

So I would like to ask you to take a moment, check off the appropriate answers, then mail the survey back to me. A postpaid envelope is supplied—not only to make things easier, but also if you wish to keep your comments anonymous. (If anonymity is not a concern, feel free to provide your name along with any specific comments.)

Thank you again for working with us in the past. I hope we will have the opportunity to serve you again in the future. If I can be of any specific service, don't hesitate to call me directly.

Sincerely,

I. M. Smart
Principal

SMART CREATIVE
CLIENT SATISFACTION SURVEY

1. How well have we presented all our capabilities and services to you?
☐ Very ☐ Moderately ☐ Not well ☐ Poorly

2. How important has our experience been in deciding to work with us?
☐ Very ☐ Moderately ☐ Little ☐ Not important

3. How important has our style/creativity been in deciding to work with us?
☐ Very ☐ Moderately ☐ Little ☐ Not important

4. How knowledgeable and professional have you found our staff?
☐ Very ☐ Moderately ☐ Not very ☐ Poor

5. How well have we helped you define the objectives of your project(s)?
☐ Very ☐ Moderately ☐ Not well ☐ Poorly

6. How well have we meet the objectives you set for what we've handled?
☐ Very ☐ Moderately ☐ Not well ☐ Poorly

7. How efficiently did we handle scheduling and production?
☐ Very ☐ Moderately ☐ Not well ☐ Poorly

8. How have you found the value (price÷results) of our services?
☐ Very ☐ Average ☐ Acceptable ☐ Poor

9. Overall, how do we rate compared to your experience with similar firms?
☐ N/A ☐ High ☐ Acceptable ☐ Low

Any comments? ____

Your name and company (optional): ______________________________

SAFEGUARDING YOUR INVESTMENT:

LOSING THE NAIVETE & GUARDING AGAINST FRAUD

Don't take offense, but if you're like most creative firm principals you're a little naive when it comes to theft. You probably worry about your credit card numbers being stolen and how good your office alarm system is. But chances are you ignore the possibility of internal fraud. You're likely to think of it as something that happens only in larger organizations.

In actuality, you are a prime target. Smaller, less structured firms seldom have either the systems or sensitivity to the problem that can protect larger organizations.

IDENTIFYING THE PERPS

Let's start by losing a stereotype. Chances are whoever is going to steal from your firm will not be a normal crook. Most likely he or she will be a trusted colleague or good employee and an otherwise upstanding citizen.

Typically, business fraud is committed by those who would not steal under other circumstances, but find themselves where it is tempting, there's little risk of detection, and the offense can be rationalized away.

The motivation for major fraud is occasionally simple greed. More often, though, it is driven by personal difficulties that distort the moral compasses of previously honest individuals. For instance, "borrowing" from the firm until financial affairs get back in order, which they never do. Or skimming a little here and there to supplement his or her salary and enhance a lifestyle.

And in petty instances—making off with software, padding expenses, doing personal work during the firm's time, etc.—there's sometimes even a sense of entitlement.

Whoever does it and whatever the level, fraud almost always grows. And it is usually aided in doing so by trusting principals. They mistakingly believe that their insight into the character of others will keep it from happening in their firm. Truth is, unless they happen to be trained psychologists (and even they make mistakes) they're fooling themselves. There's no way one can accurately prejudge the character of others, particularly when they find themselves in financially stressful situations.

So smart principals recognize their limits in judging character. Also, the power of temptation, especially when abetted by strongly-felt financial needs. They don't let trust stand in the way of good business practice.

THE CULTURAL FACTOR

Small business fraud prevention can't be addressed without first understanding the influence of a firm's culture. There are two elements, one imported, one home-grown.

The imported element is the personal ethics employees bring with them. For some, taking bogus sick days, pilfering office supplies, and copying software is not only normal and acceptable, it is rationalized away as a hidden employment benefit.

Although such beliefs seldom escalate to major fraud, ignoring evidence of them sets a bad precedent. They can be somewhat remedied by better employee screening, but not totally. (See the previous comments about character judging.) More effective is having a firm's ethical expectations clearly laid out in its employee guidelines ("policies and procedures") and constantly emphasizing them.

More relevant to fraud prevention, though, is the home-grown culture stemming from a firm's business practices. It sets its ethical climate. When, for instance, a firm is less than completely honest and straightforward in dealing with clients it is more than a tad hypocritical to expect high ethical standards from employees. Any business culture that tolerates taking advantage of customers sows the seeds of internal fraud. Or in the words of an old Chinese proverb, "A fish rots from the head down."

Here, too, business practices alone are seldom enough. They should be institutionalized and celebrated in a company creed or "mission statement." (A sample of the latter can be downloaded free from www.creativebusiness.com/forms.lasso.)

THE MAJOR RISKS

Any individual who is involved with a firm's finances has the potential for major fraud, or embezzlement. This includes principals and bookkeepers, and occasionally others as well.

It is reported that some ten percent of small businesses experience embezzlement at some point. In firms with more than several dozen employees, generally accepted accounting practices (GAAP), a professional comptroller, and routine audits usually offer good protection.

For small- to mid-size firms, particularly those big enough to have a bookkeeper and handle several projects simultaneously, protection has to come from principals' diligence. Although there are limitless ways to embezzle, three, with creative variations, are most common.

Bogus invoices. An individual with check writing authority sets up a fictitious company that invoices on its letterhead. He or she then issues a check to pay it, using either one recorded as having been voided or an unnumbered "bank" check. He or she signs it if authorized; if not, uses a signature stamp, or forges a principal's signature (banks seldom validate check signatures*). The money, deposited in the fictuous company's account is later withdrawn by the fraudster.

The invoice will be destroyed, and the sheet showing photocopies of cancelled checks, sent along with the monthly bank statement, will be destroyed. To balance the books, the amount of the bogus check (its debit) will be divided up and added to the bookkeeping entries for several legitimately issued checks.

A variation is any employee setting up a bogus company that sends seemingly legitimate invoices that he or she has the authority to approve.

Unauthorized credit cards. The fraudster returns a credit card solicitation or applies for one in the company's name with him or herself as the authorized user. The bill, paid with a company check to the credit card issuer, will appear legitimate.

Monthly statements itemizing card charges can be intercepted or be mailed to "another company address," the fraudster's home. Since each individual charge will typically be allocated to a different budget account, it will not be readily apparent what the charges were for.

Unauthorized use of credit cards. The fraudster obtains an additional company card in his or her name or that of the legitimate cardholder. If the card is not in the fraudster's name, he or she signs the cardholder's name on charge slips. (Signature verification is rare.) Personal charges at business vendors (Staples, MacMall, etc.) will appear legitimate, as will many travel and entertainment expenses. (Also, see "Monitoring electronically" below.)

*When signatures are forged banks are liable, but not otherwise.

THE MAJOR REMEDIES

No firm should ever be complacent about the possibility of embezzlement. But a little due diligence will minimize many of the opportunities.

Vetting bookkeepers. 99.9% of all bookkeepers are scrupulously honest. But occasionally one isn't, and no employee has greater opportunity to do financial damage. Which means that not only should anyone involved with a firm's books be carefully vetted, their activities should have continual management oversight. This is particularly important in small firms where handling finances is part of an office manager's responsibilities.

Whether part or full time, professionally trained or not, employees responsible for handling any significant portion of a firm's finances should provide three solid references. Each should be checked, too.

Requiring numbered purchase orders. Don't allow employees to make a commitment for more than a hundred dollars without a numbered purchase order approved by one of a few designated senior employees (e.g., creative director) or a principal. Limit approval to no more than a few thousand dollars without a principal consigning.

Payment to outside vendors should be made only when invoices and purchase orders match closely. Require a principal's override when there are significant discrepancies.

Separating responsibilities. Excepting a single principal, one individual should not be responsible for both approving invoices and issuing checks. Invoice approval should normally be a production function (e. g., a project manager), the matching up with a purchase order and check writing a financial function (e. g the bookkeeper).

Where there are two principals or more, only one at any given time should have responsibility for the firm's finances, including check signing. Rotate this responsibility at yearly intervals. (Also, see below.)

Consigning checks. Excepting large firms, a principal should sign all checks. In multi-principal firms where the amount is greater than 0.5% of AGI (income after all pass-through costs are subtracted), two principals' signatures should be required (one replacing the bookkeeper's signature).

Keeping voided checks. A check entered in a ledger as voided might be used for illicit payments. To avoid this possibility insist that all voided checks be retained and filed with the printout of cancelled checks returned with the monthly bank statement. This way, any missing ones will be accounted for. (Also, see "Bogus invoices" in column one.)

Monitoring electronically. Principals should have instant online access to a firm's current bank account status and charge card activity, along with a recently updated ledger sheet on their computers. Having every bookkeeping entry, charge record, and cashed check available for scrutiny 24/7 is a very powerful fraud deterrent.

But electronics is not all positive. It can also make some fraud easier. To protect against it, do not allow online payments except for a few routine bills not subject to fraud, such as utilities. Particularly dangerous is paying monthly charge account bills on online. For reasons given previously, doing so can obscure the legitimacy of charges. (Also, see "Unauthorized credit cards" in column one.)

Sending statements home. In a time of up-to-the-minute, online bank statements and credit card records this could be overkill—but only when principals are known to occasionally monitor them. In any event, it doesn't hurt to have statements sent to the home address of the principal, preferably the one with financial responsibility.

Reconciling regularly. Balancing accounts at least monthly not only increases the chance of detecting fraud, but firms that don't discover discrepancies until months have passed might be liable for losses.

Guarding financial information. Enforce a clean desk policy regarding financial information. Keep checks, deposit slips and other banking documents locked up. Some fraud happens months after an employee who stole financial data or material has long since left the firm.

Making vacations mandatory. It will deter embezzlers by removing the guarantee that they will be around to keep covering their tracks.

Doing random audits. The possibility that the books are subject to an occasional, unannounced audit can be a deterrent in larger firms. Arrange to have the firm's accountant come in to look things over once a year at different times.

Addressing the easily overlooked. Some protection is so common-sensical it is easily neglected. For instance: stamping all incoming checks "for deposit only"… never signing a blank check… avoiding the use of a signature stamp for check signing… remembering to cancel charge cards, check signing authorizations, and passwords when an employee or principal leaves.

PLUGGING THE LEAKS

Firms hemorrhage money when embezzled. They bleed by a thousand cuts with petty fraud (rip offs). The remedy here is not so much diligence as setting guidelines and enforcing them.

Illicitly copying software. It is perhaps the most common pretty fraud, and not without potential consequences. (It might result in software licenses being invalidated.) Make it clear in employee guidelines ("policies and procedures") that it will be considered a dismissable offense. (Also, see "Personnel Repercussions" below.)

Padding expense accounts. Although this is common enough that some should probably be expected, it can be kept within reasonable limits by monitoring and occasionally questioning expenses.

Using time, equipment, and materials for personal work. Assuming there's no conflict of interest or burnout, there's nothing wrong with employees freelancing, But it needs to be stated clearly in employee guidelines that using company time, equipment, or material without permission is not permitted.

Stealing clients. If not technically theft, employees walking away with clients can be even more devastating. Requiring every employee to sign a non-compete agreement puts individuals on notice that the firm will fight to prevent it.

Accepting favors, gifts, and kickbacks. Suppliers who provide them to an account person, even a principal, may not cost the company directly, but it affects its reputation, ability to negotiate, and ethical climate. Be suspicious of strong loyalty to a particular supplier and consistently high prices. Make it known that accepting kickbacks or large, unreported favors or gifts are dismissable offenses.

> Some ten percent of small businesses experience major fraud at some point.

FRAUD INSURANCE

The theft of physical property (larceny) is covered by standard business owner's policies (BOPs). The theft of financial assets (embezzlement) is *not* normally covered.

Coverage for embezzlement can be obtained either separately or through a BOP rider. (In each instance referred to as a "fidelity bond.") Premiums depend on the extent of the insurance provided (the bond) and the individuals covered (bonded) and their responsibilities. It usually runs a few hundred dollars yearly. Claims will require proof, typically prosecuting the fraudster.

Creative Business strongly advises that all employees handling significant sums be covered (bonded) along with all principals of multi-owner firms. Check with your insurance agent to arrange.

PERSONNEL REPERCUSSIONS

Strong, not obsessive, fraud protection won't negatively affect employee relations or morale. No one is going to admit embezzlement plans. And principals refusing to acquiesce to petty fraud will enhance employees' sense of working for a fair, well-managed organization.

Without first getting legal counsel, disciplining employees guilty of petty fraud should never go beyond admonishment, making up time, repayment, or return of a stolen item. Anything more, including termination, could prompt a trumped-up retaliatory lawsuit.

As for embezzlement, legal counsel is crucial before confronting a suspect. Don't lash out or call the cops. Only a lawyer can advise you on what evidence will be needed for prosecution, the alternatives to it, and how to proceed in a manner that will offer at least some chance of recouping the lost funds.

CB

Advice

ENTITLEMENT PAY?... COMP TIME... JUSTIFYING PRICE... DROP OFFS... SITE SECURITY... PROMO PERMISSION?... RAISING RATES... FIRM NAMES... SMALL TEAMS... LOSING A CLIENT

I have an employee whose husband works for the state. Naturally, she has elected not to use our health insurance plan, as the state plan is far superior. Since we contribute 60 percent of our employee's health coverage, she feels she is entitled to receive what we don't pay for her. Is she correct?

T. D., Lexington, KY

There is no entitlement. Health insurance coverage is an employee benefit provided by your firm at its discretion. It should not be confused with compensation for labor. Benefits are discretionary and not covered by federal or state labor laws. So, bottom line, it is your decision whether to.

This said, we can only give you our feeling on what is appropriate. We know of no firms that do this, but we have heard of some.

If you do decide to do this, you will have to treat whatever you provide (the monthly value of her health insurance premium) as increased salary. This means she will get less than she expects because it will be subject to withholding taxes. It will also somewhat increase your employer payroll taxes and inflate her base when considering raises.

Keep in mind that whenever you deal with benefits what's provided to one employee should be made available to all.

So, personally, we would say no. It complicates bookkeeping and sets a bad precedent by confusing what someone earns through her or his skill with employer generosity.

We suggest, however, you run this by your accountant for his or her input. It might be worthwhile to spend a hundred or so to get an attorney's viewpoint as well.

All *Creative Business* subscriptions include free business advice. Anytime you want another opinion, send an e-mail to: mail@creativebusiness.com. Or if you prefer, you can call us weekdays from 9 to 3 Eastern Time at 1-617-451-0041. We attempt to answer all e-mails within 36 hours and return all calls as soon as possible.

We have a full time production manager who has been attending increasingly more overnight press runs. She has requested some comp time for this. We were wondering if there were any industry standards on this issue that you were aware of.

H. C., Pittsburgh, PA

First, just as a precaution, you should know that comp time is not legal for "non-exempt" employees. (Usually a junior person in a non-professional job being paid hourly.) They must be provided with overtime pay, meals, etc. in accordance with state labor laws and the federal Fair Labor Standards Act. (If employees haven't been classified in formal job descriptions, they should be.)

Now, assuming this is a professional, "exempt" (from labor laws) employee we recommend an hour and a half for every hour worked, normally rounding it up to the next half day. You might also want to offer to "bank" up to a week of comp time if overtime occurs regularly. If so, ask him or her to take it when workload slacks off, and within six months.

I have a new client who doesn't understand why I charge what I do. For example, she wonders why I am estimating $1,800 to develop a mailer, because someone once told her "post cards should only cost $500 to produce."

She is a very nice person who is new to marketing. So I think education is the answer. Do you have anything I can use to help explain to her the value of what I produce?

B. R., Tempe, AZ

We don't have anything that would address this specifically. A discussion of value is always problematic, though, because it is very subjective; everyone has their own way of looking at it. So we would stay from the value justification.

The right approach in our thinking is to focus instead on what is involved to produce what works best for her. That is, to come at value from the other direction, the most cost-effective approach.

Whatever the project, to do it well will take a certain amount of your time. And your time is priced at so much an hour to cover all your business costs—labor, rent, overhead, profit, etc. Time multiplied by hourly costs equals the price you've estimated—honest and fair.

What any (usually misinformed) customer thinks something should cost is immaterial. The prices a business charges must be determined by its costs plus a reasonable profit. Otherwise, customers will lead it down the path to bankruptcy.

I have trouble getting in to show my portfolio to new prospects. Everyone keeps telling me to send in or drop off samples, and they'll get back to me. I have picked up a couple clients this way, but I know I would do lots better if I could show my whole portfolio. Suggestions?
M. U., Bakersfield, CA

How would you react if you were a prospect? Would you be willing to risk wasting your time on listening to a pitch by someone you've never heard of?

Probably not. So the best solution is to become better known. It will take time, but a campaign of regular mailings (snail or electronic) to prospects showing samples of your work will ultimately cure the anonymity factor.

Another solution, particularly effective when you are better known, is to push back tactfully. Say that while you are proud of the creativity shown by your samples, they are only half the picture. At least as important are how you helped clients define their needs, why you took the approaches you did in addressing them, and how well your solutions worked. This, and answering any questions the samples might raise, takes being there in person.

Finally, promise to show your portfolio and be gone in a half hour or so. And offer to meet at a time most convenient for the prospect, such as first thing in the morning or immediately following normal working hours.

Do you have any verbiage that can be used in web proposals that would limit my liability if someone hacks into a client's website and steals private information? Is there a standard language used by web designers?
S. B., Fort Lee, NJ

What you are describing is adding an indemnification clause. We don't know of a standard one for this purpose, but the following should suffice, assuming the client signs the proposal.

Indemnification
We agree to undertake due diligence and make every reasonable, best faith effort to ensure the accuracy and originality of material we produce, and to take normal measures to ensure the site's security.

You agree that we shall not be held liable as the result of any defaults of suppliers of materials and services, actions of persons who are not our employees, or illegal acts such as hacking or thefts of information.

As with any contractual "boilerplate," it would be wise to review this with an attorney.

We have a line in our proposals that reads: "(firm name) may use all concepts, designs, and illustrations for promotional purposes."

As a rule, our clients accept this and have no objections to us publishing work we've done for them in our brochure, on our web site, etc. (Sometimes we do add wording to the effect that we'll get their prior permission for each occasion.)

Recently, several high-profile clients have totally rejected this. We did not want to turn away their work, so we accepted terms that prohibited us from using the work to promote ourselves.

Do you have any suggestion for tweaking our wording to improve the chance of getting clients' acceptance?
C. J., Chicago, IL

We don't have any suggestions for tweaking. You can try variations on your wording, but we doubt it will help.

Most likely you will find the problem to be that many larger clients have policies that forbid endorsing the products or activities of other companies. Allowing you to show and promote the work you did for them is, in legal thinking, an implied endorsement. Thus, they forbid you from doing it.

Another possibility is that, for whatever reason, they don't want to acknowledge that outsiders produce their material.

If you are on friendly terms with your client contact person you might want to express that the prohibition is unusual, and try to find out what reasoning is behind it.

Your article on billing rates in the September/October issue encouraged me to do something that's long overdue. I am now planning on raising mine from $75 to $100, a 33% increase. Our small city has a number of notable design firms and ad agencies, so I know the market can easily sustain it. I also know others with less talent are charging more.

My idea is to jump straight into it. I figure that if I show a new client a brochure from my portfolio

CREATIVE BUSINESS MANAGEMENT TIP

MORE EXPOSURE TO FEWER PROSPECTS INCREASES PROMOTIONAL RESPONSE.

Keeping a firm's name and capabilities in front of prospective clients is the key to promotional success. Yet given communications clutter and the pace of business, client awareness erodes quickly after each contact. Thus, it is far more cost effective to spend a given amount of promotional money on a many-exposure campaign to fewer prospects, than on a campaign that targets more prospects but fewer times. Likewise, doing more promotions that are less elaborate usually outperforms doing fewer promotions that involve elaborately-produced items or ads.

they don't need to know that the previous client paid less than the price I will give them.

The problem is my current clients. I have several I count on and like working with. I don't feel comfortable jacking my rates up 33% with them.

How much can I safely raise my rates with current clients? Or should I grandfather them in at the old, or only slightly higher rate until I have enough new clients that I can drop them if necessary?

R. C., Portland, ME

You are right about the new clients. There's no need to tell them that previous clients got a bargain.

You are also wise to be concerned about raising prices too much at once to current clients. Generally, 15% is about all that can be easily justified by inflation, a firm's rising costs, increased demand, etc. Clients who like the quality of what they've been getting probably won't leave over a 15% increase when it's explained as necessary. Beyond this, there's a good chance of losing them.

So it is probably better not to have a larger than 15% increase for current clients until you have sufficient new business. At some point, though, the work for all clients should, for ethical and practical reasons, be estimated on the same hourly rate basis.

What is your opinion on what term to use to describe my business? I don't want to label myself a freelance copywriter. I have heard others refer to their business as a "boutique agency," which seems a little grandiose to me. And I'm not sure of the difference between an agency and a regular business.

Also, in your article on budgeting, you suggest helping a client decide what they can afford by discussing three hypothetical approaches: an economical (good), a moderate (better), and a quality (best) solution." Would you suggest this as a strategy for copywriters as well as graphic designers?

R. S., Berkeley, CA

We would be careful about calling yourself a "boutique agency." "Agency" has both a legal definition and a connotation that could be difficult to live up to. Better in our opinion is to use your name and add to it "Associates," or "& Company," or "Inc" or "LLC"(if registered). These forms are well accepted for service businesses and don't necessarily connote smallness. A tag line incorporating "editorial services" or "business writing services" would be a good way to describe what you offer.

As for the good, better, or best approach with copy, it is possible, but not normally necessary. There's usually much less difference than with design where "best" might be several times as expensive as "good."

My two-year old company has one part-time, freelance employee. On the strength of my work, I have been asked to bid on a good size project. Problem is, the client wants to meet the team who will work on it, and my competition is all larger firms with several employees. I plan on hiring a freelance copywriter and an art director I know who will do a knockout job. But I'm not sure how to introduce them

J. S., Tempe, AZ

Position your firm as a small, modular organization that has only the two key staff members. Rather than carrying more in-house staff with limited talents and resulting high overhead, you rely instead upon a network you've developed of highly-specialized and talented outside individuals. When you get an assignment, you select those who are the best creative fit and bring them together in a team working under your supervision.

It is this structure—so different from that of your competitors—that has allowed you to produce all that award-winning work at prices that are extremely competitive.

Bring each of the individuals to the meeting with the client. When introducing each, emphasize the specific talents and experiences that make her or him ideal for this project. Ask each to talk briefly about similar assignments/challenges they've had in the past. (Caution them to describe previous experiences as team, not individual, efforts.)

Include in the job proposal, and also pass out at the meeting, a sheet labeled, for example: "Smith Communications Creative Team for Acme Industries (project)." On it give a three or four-paragraph summary of each team member: creative director (you), project coordinator (your in-house person), art director (the outside freelance), and copywriter (the other freelance).

I've had a great relationship with one client for over five years. She now tells me she wants to try someone new. Do you have any suggestions on what I can do to keep her?

G. L., Durham, NC

As much as losing any client hurts, we wouldn't try hard. Because every creative supplier has a distinctive style and approach, it is natural for clients to want to change occasionally. It is often in their best interests to get a "new look," or fresh approach in their work.

Then, too, some clients use the threat of leaving as a strategy to get lower prices, better service, etc.

Trying to dissuade a client can be frustrating at best, costly at worst. Working with new clients —variety—is also good for a firm's business in the long-run.

So our suggestion is to wish her well, ramp up efforts to more than replace her business, and stay in touch in case she wants to return. **CB**

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- Creative review checklist
- REFERENCED IN THIS ISSUE
- Emergency planning form
- Employee performance evaluation
- Employee productivity record
- Employee salary adjustment
- Estimating worksheet
- Illustration questionnaire
- Job application
- Job offer letter
- Marketing plan worksheet
- REFERENCED IN THIS ISSUE
- Mission statement
- Model release
- Non-compete and non-disclosure agreements
- Press release
- Project budget
- Proofing authorization
- Referral letter
- SWOT analysis form
- Time sheet
- Trend tracking
- Value proposition worksheet
- Work-for-hire agreement

Rationales (free)

- How we work
- Measuring the true cost of creativity
- Professional copy/design/illus rationales
- Should I have a minimum fee?
- Ten keys to client loyalty
- Ten presentation tips
- Why we don't do spec work

Management articles (charge)

- A better way to structure your firm?
- A legal primer: what you should know
- Business planning: the exasperating made simple
- Buying in and selling out of creative companies
- Cashing out considerations
- Choosing and registering your company's name
- Costs and benefits of self employment
- Creative burnout. Are you a candidate?
- Eight case studies: what do they say to your business?
- Employee bonuses: what makes sense?
- Evaluations & raises: doing them the right way
- Expand with virtual or contract employees?
- Growing through merger or acquisition
- Hiring your first employee
- How much is your business really worth?
- How well matched are you and the business?
- Job descriptions (includes templates)
- Legal problem? How about arbitration/mediation?
- Location and digs, how important?
- Moving to a new office or studio
- Non-compete/non-disclosure agreements
- Overtime and work breaks: what are required?
- Protecting from the unexpected (insurance)
- Profitability. How does yours stack up?
- Size. What's right for a creative company?

Marketing articles (charge)

- A creative person's short course in marketing
- Awards: how important to business?
- Client loyalty. Procedures for enhancing
- Cold calling. Overcoming your reluctance
- Competing in the Inter(tra)net market
- Conflict of interest. What is and what isn't
- Coping with incompetent clients
- Creative briefs: what, when, and how
- Dealing with opinionated clients
- Dealing with unwanted client contributions
- Doing a communications audit for clients
- Exorcising the fear of rejection
- Guidelines for using samples and testimonials
- Graphic standards. Providing to clients
- Handling a naming assignment
- Helping clients set a literature budget
- Improving your presentation closing ratio
- Making the concept presentation
- Making the portfolio presentation
- Making the process presentation
- Preparing simple marketing plans for clients
- Presentation hostility. Overcoming
- Pro bono work: when does it make sense?
- Promoting your business. What works best
- Proofs & sign off standards
- Prospecting and mining for clients
- Referrals what is wrong and right about them
- Resigning projects and clients with dignity
- Responding to the ROI question
- Sales & marketing: when, who, and how much?
- Sales help. When it is affordable, and isn't
- Samples & testimonials: guidelines for using
- Selling your ideas without selling your soul
- Selling your own products, a practical primer
- Should you or should you not sell printing?
- Specializing. Is it better to?
- Strategies for a "graying" business
- Strategies for working indirectly (freelancing for others)
- Tactics for facing increased competition
- Talent reps. What you need to know to find one
- Understanding and pricing not-for-profit projects
- What is it that makes a creative firm an "agency?"
- When is a concept original, derivative, or a copy?

Pricing articles (charge)

- Billing rates. Is one or several best?
- Change orders: a practical solution?
- Charge for a second concept?
- Comparing a client's in-house prices to yours
- Conducting a billable efficiency check
- Contract, estimate, letter of agreement, or proposal?
- Determining a client's budget
- Five problem-pricing alternatives
- Handling up-front pricing inquiries
- How much would you charge? (pricing examples)
- How to answer, "I'd like the computer files."
- Job cancelled: how much to charge?
- Pricing logos, marks, and corporate identities
- Progress payments rationale
- Raising prices without raising a flap
- Reconsidering and readjusting pricing
- Retainers. The where, when, and how of working on
- Understanding client payment procedures
- Value pricing. Is it possible?

Booklets (charge)

- Pricing and billing standards
- Fifty business standards
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