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Due Diligence – Examples in Ibiza
By L Burke Files, CDDP, President, Financial Examinations & Evaluations, Inc (01/08/2013)

So what does a financial investigator do when on a short holiday in Ibiza? Well, he gets bored on the beach after about an hour. He also gets annoyed, as every three to four minutes, yes I timed it, a Senegalese hawkker walks by my head and asks if I want to buy sunglasses or a hat? I am wearing sunglasses and a hat, as I am one very pink boy on a sunny island. I also get annoyed as 80 per cent of the people on the beach are half my age and absolutely ‘potted’, aka drunk. The kids have no idea on how to pace themselves, but they too are miffed at the Senegalese hawkkers. “Hey man the playa is supposed to be tranquil - tranquil, not stupid heads constantly saying sun glasses - sun glasses.” (This is the cleanest edited version of the remarks I dare to pass by the esteemed editors.)

So when a guy is trying to sell me sunglasses and hats and I have both - I figure there is something else afloat. So I put on my investigator’s hat and start mixing it up and trying to talk to the hawkkers of the playa to find the rest of the story.

I found one hawkker who was not selling much but speaks good English, I might add, very good English. I offered him €5 and a nice meal if he would sit and talk to me for a bit. He looked at me and was very suspicious, but then asked if he could tell his manager what he was doing. I said sure and invite him if he wants to come. In 10 minutes I had two hungry gents as guests for lunch.

It was a sight to behold when the two hawkkers and I sat down for a bit of lunch at a club along the beach in Sant Antoni, Ibiza. At first the management tried to block them from entering - but I insisted that I was buying them a hearty lunch. Management was not pleased - but they were also not full of drunken beach-goers at that time. The first hurdle of accepting the invitation was accomplished; the second of getting them in to a place to eat was accomplished - now to get them to really talk. To get the third step required a promise not to mention their names or use their photos and €10 each. I agreed. (The answers are selective and representative - not exact - I have condensed and cleaned up

the answers - the hawkkers had picked up many of the drunken beach goers’ idioms.)

So how did they get to Spain from Senegal?

They arrived several years ago on different boats from Senegal to the Canary Islands. The boats were single motorboats built for 20 holding 50 to 70 souls for seven to nine days. The cost of the voyage for one was €500 and for the more recent arrival it was €650 Euros. On both voyages they told me of deaths. Deaths occurred by dehydration and deaths from the madness of the journey. Several chose, after days of the stressors of crowding, filth and raw fear to jump overboard and drown rather than to continue. Once in Canary Islands they were



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overboard and down faster than to continue. Once in Canary Islands they were held for a period of time by the authorities, several weeks, and then shipped to the mainland of Spain. They cannot get work until they get formal papers, so they have to make do with what they can, and they have to do this without work permits or business licenses. What was and is open to them is to sell stuff to tourists, as the locals will have nothing to do with them. These are the “stupid head” hawkers that were breaking the “tranquil-tranquil.”

I noticed that there are only so many people per beach, how do you organise this?

“We don’t really organise this formally, we just know how many can work a beach and make ten sales per day. If there are too many people at the beach, we find more places to be and to sell.”

Who decides what to sell?

“Our boss man buys imitation sunglasses from someplace. We buy them from him for €4 each and we sell them for €10. They come in big boxes; I think he gets them from China or the Middle East. He also buys hats; bracelets and other items the tourists might buy. We choose what to sell but we have to buy from him first. We have six guys to an apartment and as long as we are good buyers we can stay in the apartment he has rented for guys like us.”

How many languages do you speak?

“We each speak six languages, English, Spanish, Italian, German, French, and Senegalese (Wolof). You need to speak many languages to be able to talk to the tourists and sell them things. English is actually the best language as everyone now speaks a little English.”

So you say you are not organised, but you have a boss, communal living under the boss’ graces and you only sell what the boss man wants you to sell. How can this be accurate?

“He has a roof for us, so we sell his stuff. We also sell other stuff. Sometimes we sell cold colas, beers, wines and water. But they are heavy and there is not so much profit. Some bad guys sell other stuff - late at night by the egg roundabout. You can buy weed and coke and other stuff - but don’t go there. They, the bad guys, make it all harder on us and what they are selling is bad, bad for the buyer and bad for us. All the locals think we are the Mafia or something because we don’t talk to anybody else. Honestly, the longest talk I ever had in the last two years with a white man was with the policemen who busted me for selling without a license. This is the longest talk we ever had with a white man - ever, policemen included.”

So what do you do with the extra money?

“What extra money? We cannot work here but it is ok to use Western Union and send home €100 or €200 per month. We do not have extra money. What we earn and can save is not much as we are all sending money back home. This is the only money many of our families back home get.”

So who are the people with the feathers in their hat? The women?

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“Ah, they braid hair.”

No they don't - I have watched them all day. They talk; they shift positions and change the feathers in their hats and nature of their shawls over their clothing.

“Ah – they're signaling for stuff - like cops and stuff.”

What stuff?

“The gypsies and the cops, both are a problem. Cops arrest us but the gypsies beat us. They accuse us of stealing - but we're not the thieves, they are. They take items from the tourists, we sell items to the tourists! They also accuse us of telling the police when they [the gypsies] are going to make a run at the beach and cafes to get wallets and cell phones. We don't, but we do signal our people to stay away from an area the gypsies are going to work so we do not get beat. But the police figured this out too. The police know that if we are not working a beach, the gypsies are working the beach.”

Any questions for me?

“Ya, can we have a bit more to eat and can you get us to Mexico so we can walk to the US?”

Yes and no.

So why this exercise? Why go down and talk to the Senegalese hawkers? Did I mention I got bored?

Really, this is a three-fold example for all due diligence experts and some business planners.

1) I spend too much time at a desk and sifting records - I miss the street and the people of investigations.

2) I did this as fun for me but also an example that in real due diligence you have to get up off your butt and talk to people. You have to ask them questions. You have to leave your comfort zone way behind - and do it, not just talk about it. So, I got up and did what I do in a very unconventional place with zero computers or databases. It is easy for many to write about what is and is not due diligence. Their words and recommendations are hollow academic crud if they cannot also get up off their butts and go into the field and get real empirical data. Due diligence is not grown in a boardroom or a cubical. You must have real answers, to real questions - proffered by and answered by real people, this is the essence of real due diligence.

3) The black market, underground businesses, the shadow economy, System D - it all works - it has always worked, and designs itself to work without plans. It is an organic process that does not stop for meetings. It is not something engineered by a committee, or a department or a bureaucracy, but it is pure Smithian and Hayekian economics at work. It is so very interesting to see how it lives and functions, how the needs and threats are dealt with - absent any SWOT analysis or business plans, or 'conservative projections' from cubical credentialed professionals. In short, you need to get up from behind your desk

I dare say any good salesperson that can speak six languages and has a college degree will go very far. I doubt however that any business planner would project the six language requirement to sell sunglasses and hats to tourists on the beach in Ibiza. These hawkers are active participants in their markets. They are doing their due diligence on what to sell, the skills necessary to sell, what beaches to work, when to leave a beach and how to deal with risks. Not in a cubical - but active in life and commerce and seeking the real answers to the very real questions they face. We need to do the same.

The epilogue was a night later while waiting for the sunset. We, my wife and I, were on the Sant Antoni boardwalk looking at the yachts and the setting sun. A few hawkers

walked by and one actually looked up, looked me in the eye and said "Hello Mr. Thanks for hearing us." Followed shortly by my wife who said, "You know the image on the television for an international investigator is very different. We are drinking €2 beers, looking at the yachts and the sunset from the shore and you are a hit with the local Senegalese hawkers. If this were television we would be on one of those yachts looking at the sunset - not on the boardwalk discussing illegal beach businesses." We had a great laugh and a toasted to each other with €2 beers at a place with free Wi-Fi from where this column was filed.

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