

WINTER 2012

Leading EDGE

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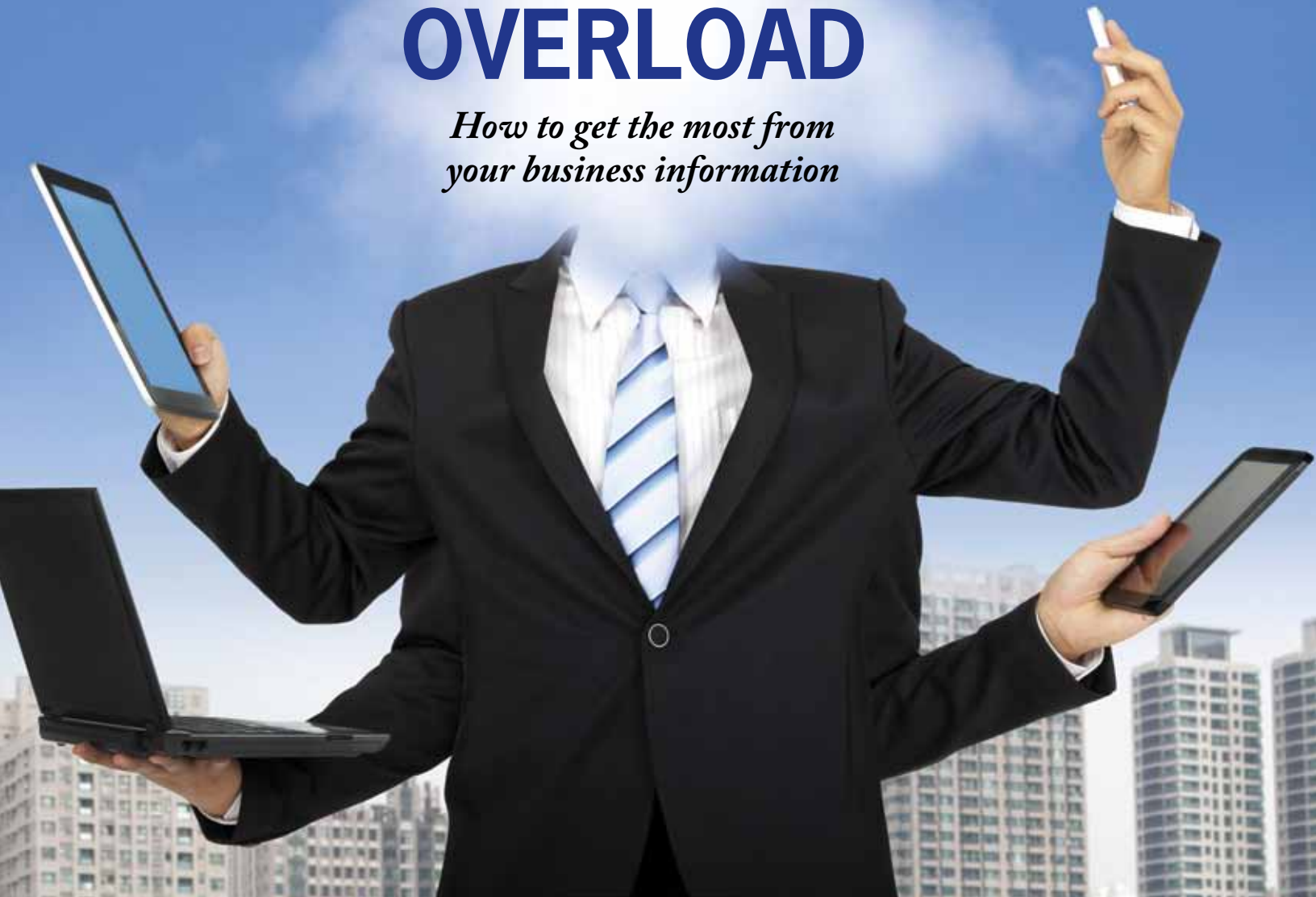
- THE 2012 ELECTION YEAR: HOW WILL IT IMPACT YOUR BUSINESS?
- HOUSTON EXPORTS TO COUNTRIES WITH NEW FTAS OFFER NUMEROUS BUSINESS BENEFITS

ADVICE & INFORMATION TO HELP YOU MANAGE YOUR BUSINESS

PUBLISHED BY PANNELL KERR FORSTER OF TEXAS, P.C.

INFORMATION OVERLOAD

*How to get the most from
your business information*



Dear Friends and Colleagues:

Welcome to our first issue of *Leading Edge* for 2012. Our flagship publication, *Leading Edge*, is designed to inform, educate and inspire you on the latest issues affecting the greater-Houston business community.

Now that it's 2012, many of our clients and their own customers are thinking about the impact of this year's presidential election, and although the election itself is quite a few months away, many of us are beginning to think about its impact *now*. Gary Voth certainly is; he offers his thoughts in "The 2012 election year: How will it impact your business?" This article also serves as the first in a series of stories we'll present throughout the year on how the election is likely to impact our economy.

As regular readers of our magazine know, PKF Texas' participation in international tax and business is a strong service offering for greater Houston. Two of our strongest advocates for doing business outside our borders are Eddie Goldsberry and Keith Miceli. In "Houston exports to countries with new FTAs offer numerous business benefits," Eddie and Keith discuss the incentives and benefits of exporting product to South Korea, Panama and Columbia. It may be quite surprising to learn how the local Houston economy stands to benefit—and how you might, too.

As we start 2012, companies are beginning to think about tax year 2011, and one of the most popular topics of concern is healthcare insurance reporting on W-2s. Annabella Green and Tina Winograd address this in an invaluable set of FAQs.

Our Cubesters® are at it again; they examine how the activities we enjoy in our personal lives transfer to the workplace. Erin Phillips, Radhika Shah and Sarah Wells offer a set of profiles that reinforce this philosophy in "How Baseball Helps Me Make Tax Entries."

Finally, I am pleased to announce the promotions of Rafael Carsalade, CPA, Alison Muecke, CPA, and Mark Scimemi, JD, to Tax Director. Rafael, Alison and Mark are all significant contributors to the success we have enjoyed at PKF Texas. We also welcome G. Scott Soles, CPA, CFF, a new Director in our Audit practice. His wealth of talent aligns with our presence in the international and energy sectors in Houston.

As always, our doors are open for your feedback and comments. Tell us how we're doing ... and how we can improve our relationships with you and your organizations.



Kenneth J. Guidry, CPA
President

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Leading Edge
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INFORMATION *overload*

How to get the most from your business data

BY DANIELLE TOTH

Data keeps piling up at your business—client names, emails, purchase information, industry research, etc. They fill up seldom-used spreadsheets, stuff filing cabinets and sit on servers in cold, dark rooms with nary a query. “There is a big accumulation of data that’s taken place over the last decade that has accelerated over the last few years because of the development and implementation of inexpensive data storage,” says Larry Miller, CEO of Activate Networks, a Massachusetts-based social network analytics company. “Ten terabytes of data was a big deal 10 years ago, whereas now it’s not a big deal at all. The sheer pervasiveness of data is astounding.”

While amassing data is cheaper, tapping into that data is where the true value for your organization comes. Chances are your data isn’t living up to its full potential and wasting time and resources. Turn data collection into a data strategy for innumerable benefits.

Step 1: Evaluate existing data.

To use data effectively, it first needs to be organized and managed correctly, says Daniel Teachey, senior director of marketing at DataFlux, a North Carolina-based data management company.

“Companies collect data on just about everything,” Teachey says. “They’ve generated literally gigabytes and terabytes of information, but that information needs to be categorized and managed in a uniform way so companies can then use it properly.”



“Information systems should be used more to develop business strategy rather than just housing data.”

– Kendra Von Achen,
president, DB Pros

To organize its data, a company should first remove invalid data. Take phone numbers as an example. If your database has numbers in the “phone” field with fewer than 10 digits, remove or update the invalid number, Teachey advises.

He says validation is also based on common sense. For example, a health care provider most likely keeps patient records that include both the patient’s gender and health conditions. A female patient cannot have a prostate condition, and a male patient cannot be pregnant. If the data review indicates incongruent information, it should be removed or reviewed, he says.

Cleaning up and organizing data translates to a more immediate ROI. As an example, Teachey says, clean data reduces the spoilage rate in a direct mail marketing campaign. A company that sends a catalog to 15,000 customers could reduce its spoil rate to less than 1 percent, thus saving on needless postage, printing and related costs for catalogs that no one receives. That translates to a better return on investment.

“When you reduce costs, you increase your profit,” Teachey explains. “A smart

company will measure itself from a beginning baseline and monitor their data improvement program to see how it has improved the company, both in time and revenue. The company can then continue to make adjustments and improvements to increase its efficiency.”

Step 2: Make data easily accessible.

No matter how good the information is, access to the information is a must for success. A standard information-retrieval system can vary based on a company’s and possibly departments’ needs, says Kendra Von Achen, president of DB Pros, a New Jersey-based data consulting firm for entrepreneurs and small businesses.

While a new information system can be costly, the ROI is substantial, she explains. Implementing a more effective system can save the company money in terms of number of personnel and improved time management, including reducing the amount of hours needed to manually enter, re-enter or retrieve information.

One of the biggest benefits is improved marketing capabilities, Von Achen explains.

An interdepartmental database of customers can help management keep track of which customers have made purchases or contact with the company and which haven’t, giving the company a better idea of whom it should target in its marketing campaigns, she says.

With better access to better data, the company is spending its money in a smarter, more efficient way, Von Achen says.

She says companies can decide whether to start anew or import old data (from a specific date, not all the data ever collected) into the new information system.

Data Flux’s Teachey says the system itself isn’t as important as the need to standardize a business’ practices so data is entered in the same way throughout the company for easy organization and retrieval.

Customer data, which is typically the most frequently collected and used information, should be entered following a standard format for items such as addresses (write the full word or abbreviate street names?) and names (last name or first name first?)

Standardizing information about products and materials is a little more complex, Teachey admits. “If you go to the store and buy a package of 20 hex nuts, that purchase can be represented many ways in a database,” he explains. “For example, you can use 20 count, ct or cnt. Or you can identify the item by an item code. Generally we recommend identifying items by an item code because they are normally standard throughout the industry.”

Information system evaluation also should take into account security access measures because not everyone in the company may be privy to the data, although DB Pros’ Von Achen recommends against privatizing too much. “Information systems should be used more to develop business strategy rather than just housing data,” she says. “Having an open database is an important value for the company.”

Step 3: Use data to the maximum.

Don’t overlook non-traditional uses for your data. Customer data, for example, can be used in more ways than checking to see if an order was delivered or finding addresses for a key mailing. The information can identify customer

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MANAGE THE OVERLOAD

We are constantly bombarded with an alarming amount of information every minute of every day—some we request, some we don't. Whether it's beeping email notification messages, constant TV advertisements or millions of Google search results, you cannot escape data.

"Information overload is a very big topic, and the impact is universal," says Jonathan Spira, chief analyst at research firm Basex and author of the new book *Overload! How Too Much Information is Hazardous to Your Organization*. "In fact, our research demonstrates knowledge workers lose 20 to 25 percent of the day due to information overload. It's staggering."

Spira says information was limited a few hundred years ago in part because many more people couldn't read and few books were published. However, as information democratized, everyone regardless of social class could understand and access a wealth of information.

"Whether you're a university professor, a member of Congress or a day laborer, if you go to Google and type in the same search information, you're going to get the same results," Spira says.

To dial down information overload and gain valuable lost time, he offers a few strategies:

Manage your email. For every interruption, it takes the mind 10 to 20 times the length of the interruption to get back to the task, Spira says. So a 30-second interruption requires at least five minutes to recover. To save on interruption time, Spira recommends copying recipients on emails only when they absolutely need to see the information.

He also advises to quickly reread your words before hitting "send" to make sure all the necessary information and attachments are incorporated to minimize or eliminate replies with additional questions.

Don't mix topics in one email because it can become confusing and harder to remember. Also, most people won't read the entire email if it has too much information. If you do need to send a long email, summarize what the email is about in the first sentence so your readers know what it covers.

Optimize search engines. Most people don't know how to construct search arguments using Boolean logic, Spira says. Even simple terms such as AND, OR and NEAR can tremendously narrow down a search (ex: Java NOT coffee for information on the island). Don't forget to use quote marks around phrases to narrow down the results. Many search engines also offer an advanced search option that allows you to search by file format, website, date, etc.

Delete old or obsolete information. Saving all data forever is not the best course of action. Identify a record-keeping policy so employees know when they can delete—and then remind them to delete information they no longer need from their inbox and their file drawers.

"Information overload can be controlled with some basic tweaks that have a dramatic impact," Spira says. "But the worst thing a company can do is bury its head in the sand and say it has bigger fish to fry. The problem will only come back to haunt them later."

demographic makeup, so you better understand who your customers are and how to better meet their needs, Von Achen says.

“By looking at your customer data, you can learn who your top 10 clients are,” she explains. “This is invaluable because of the 80/20 rule: 80 percent of a company’s business comes from 20 percent of its clients. If you know who these top clients are, you can better understand what they want and how to give it to them.”

Information from Twitter and Facebook pages may not be considered business data but it should be. “If companies can match a Twitter handle to a customer’s account, they could capture a whole new understanding of their customer base,” Von Achen says.

Consider what other data your company collects. Finance files can be a great wealth of information that may not be linked together to gain the biggest advantages. For example, what if your company did more than pay its account payables and update corresponding budgets to reflect year-to-date actual? By reviewing the compensation to all vendors in a particular category, the business could identify potential for savings through aggregation. Or

perhaps the company would realize the need to identify a back-up vendor because it relies on a single provider for a critical service.

Businesses can access significant information from publicly available databases, but many don’t because they aren’t aware of the potential. A nonprofit, with which Teachey worked, used U.S. Census information to determine areas of the community that were underserved by commercial services. The nonprofit used that free, professionally collected information to reach out to sought-after retailers to locate in the underserved neighborhood.

Similar data could be used to determine a company’s new office locations and areas in which the company’s key demographics live or work, enabling concentrated marketing campaigns and deeper customer understanding.

Companies also can turn information created for one-time use or purpose into multiple outlets. Social network analytics company Activate Networks uses data to map social networks—but not just the online kind. It goes deeper to map out all sorts of relationships based on virtual and real-world data.

For example, Activate Networks turns health insurance claims into a network map. Pharmaceutical companies and health care plan administrators can see how patients move through the system, how they are treated and what they are prescribed. The information can be segregated based on region, therapeutic area or specialty.

“Understanding who is connected to whom opens up a whole variety of business possibilities,” Miller explains.

In the corporate world, Activate Networks has evaluated email traffic to map employee relationships. Employees who email each other every day and respond quickly to each other’s messages most likely have a strong relationship, Miller explains. On the other hand, employees who only email each other once a quarter have a weak connection. This data can help companies view the flow of information in their workplace and improve their corporate communication structure.

“We hope to help people realize they should take more inventory in the data they have for whatever reason and understand the value that might be in it,” Miller says. **LE**

“Understanding who is connected to whom opens up a whole variety of business possibilities.”

– Larry Miller, CEO,
Activate Networks



Houston exports to countries with new FTAs offer numerous business benefits

By Eddie Goldsberry, CPA, and Keith Miceli

President Obama signed into law free trade agreements (FTAs) with Colombia, South Korea and Panama on Oct. 21, 2011. Houston companies will find the FTAs offer new opportunities to expand exports to, and investments in, these three countries.

Similar to the way the North American Free Trade Agreement (NAFTA) made it easier to do business with Canada and Mexico, these new FTAs will go a long way to expand Houston business with these three countries. The FTAs will eliminate tariffs and other barriers to U.S. goods and services, expand trade between the United States and each of the signatory countries, and create jobs in the Houston region. The new agreements will also aid the nation in reaching the stated goals of the “National Export Initiative,” including doubling of U.S. exports over the five-year period ending in 2015.

While bilateral negotiations with each of the countries had been completed a couple of years ago, ratification of the three FTAs was stalled in the U.S. Congress. Realizing the FTAs will benefit Houston business interests, in June 2011, the Greater Houston Partnership’s board of directors passed a unanimous resolution urging the Houston congressional delegation to vote in favor of ratification.

Exports from Texas, actually, are very substantial. According to data released in early 2011 by the U.S. Department of Commerce,

Texas was ranked the top exporting U.S. state in 2010 for the ninth year in a row. Texas’ exports in 2010 totaled more than \$206.6 billion, up 26.7 percent from \$162.9 billion in 2009.

The top export recipients of Texas-manufactured goods were—and there should be no surprise here—Mexico with \$72.3 billion and Canada at \$18.6 billion. These are followed by China at \$10.2 billion, Brazil with \$7.1 billion and South Korea at \$6.4 billion. What is being exported? Texas’ top exporting industries in 2010 were computers and electronics, chemicals, petroleum and coal, machinery, and transportation equipment.

Based on numbers from the U.S. Census Bureau’s Foreign Trade Division, Colombia is the fourth largest destination of exports from Houston; South Korea follows at number 13 and Panama ranks number 21. According to the Houston Chronicle, exports from Houston and Galveston increased to \$95 billion last year, up from \$75 billion in 2009, and that’s higher than the \$90 billion exported from the region in 2008. Oil led the exports, bolstered by stable, relatively high prices.

With U.S. tariffs on imports from those countries practically “zero,” the agreements will level the playing field. About 80 percent of the tariffs on the U.S. exports are eliminated immediately and the rest over the next couple of years.

Based on the new FTAs, top exports from Houston include mineral fuel, bitumen substances and mineral wax, industrial



machinery, and organic chemicals. In a recent Houston Business Journal (HBJ) article, Patrick Jankowski, vice president of research at the Greater Houston Partnership, said he expects the number of certain exports to increase as a result of the new agreements. “Even a small amount of increase, like 10 percent, would be significant because it would be close to \$1 billion,” he said.

HBJ-reported numbers in terms of U.S. economic impact are huge:

- Panama: Nearly \$10 million in infrastructure projects, in addition to the \$5.2 billion Panama Canal expansion.
- Colombia: Exports of U.S. goods will increase by more than \$1.1 billion with an estimated increase of gross domestic product by \$2.5 billion.
- South Korea: Exports of U.S. goods increase from \$10 billion to \$11 billion and as many as 70,000 American jobs may be added to support the increased exports.

We expect that the Houston business landscape will continue to change, including continuing to become increasingly more international. The new FTAs will significantly contribute to that change. Houston companies should look to international trade as a prime source of growth in activity and revenue. For some time, PKF Texas has seen substantial increases in many of the export industries already mentioned—and we know this activity will only continue to increase.

Bottom line: Make yourself familiar with business opportunities in foreign countries as a way to strengthen not only your own company, but as a way of helping everyone in Houston prosper for the long term. **LE**

Eddie Goldsberry, CPA, is director of Tax, and Keith Miceli is an international business advisor, with PKF Texas. Contact them at (713) 860-1400, or egoldsberry@pkftexas.com or kmiceli@pkftexas.com.



Cubester® Chat:

How baseball helps me make tax entries

By Erin Phillips, CPA, Radhika Shah and Sarah Wells

Curious? Good. NO, we are not going to teach you how to make tax entries (phew!) or play fantasy baseball.

YES, we will definitely tell you about what the connection is between the two.

We all have passions in life and activities outside of work that fulfill us on a personal level. Many of these activities require skills and qualities that are transferable to our professional lives. We talked to five individuals about their passions and how they are successfully able to leverage these skills to their professional environments.

Jerome Weber

Occupation: Vice President at Community First Bank

Passions: Painting landscapes and playing golf

Q: How long have you had your passions?

A: Golfing has been with me for the last 30 years and I started painting three years ago.

Q: How do these passions outside of work benefit you?

A: I can leverage both activities into networking opportunities and meeting new people. Many of my customers know that I've played golf for a long time and am very passionate about it. They will ask me to give them lessons or join in for a leisurely round. Many times, the customers will strike up conversations about banking and what's new in the industry. They will ask my opinion and assistance on financial matters, loans and other matters, and I endeavor to see how I can help them and their businesses.



My passion for art has been recent. I've been taking art lessons and have entered my work into various art shows. My artwork not only satisfies me on a personal level, but also opens up new avenues of conversations with my customers who have seen my work. The art also acts as an icebreaker. I strongly feel that my extracurricular activities have positively influenced my abilities in networking and sales throughout my 30-year banking career.

Matt Rackar

Occupation: Senior Tax Associate at PKF Texas

Passion: Fantasy baseball

Q: What are the key characteristics of fantasy baseball?

A: Fantasy baseball is a game where participants manage an imaginary roster of real Major League Baseball players online. The different participants of the game compete against each other using those players' real-life statistics to score points. On a regular basis, I analyze players, teams and leagues on different levels. I review career stats to project what players might accomplish over the remainder of their career, then I use the

seasonal stats to analyze their performance. Interpreting these stats on a daily to weekly basis helps me decide what players to bench or switch. The game is also very time-sensitive and has deadlines.

Q: How do these skills apply to your work?

A: Accounting and tax employ the same concept of analysis. Tax accountants make use of multiple levels of analysis, including history-to-date financials, year-to-date financials, bank statements and journal entries. This review and analysis helps me assess the client's unaudited financials, as well as determine if there are any current tax issues that need to be adjusted or tax entries that need to be made. I also determine possible future impact. I believe this continuous use of analytical skills in a personal forum significantly improve my ability to better serve my clients and has contributed greatly to my success in the workplace.

Courtney McDonald

Occupation: Paralegal at Fulbright & Jaworski LLP

Passion: Passionate about legal and political theories and the concept of "justice."

Q: Please describe your passion.

A: I have long held a passion for investigating the concept of justice and, particularly, its relationship with the world's political, social and legal theories. Throughout my high school and college years, I spent countless hours reading the philosophical essays and treatises of theorists, such as Rawls and Kant, in an attempt to understand what exactly defines justice and why

this concept finds itself in the heart of so many arguments. The idea of "equal justice under law" is central to America's judicial system and interests me deeply and has led to my love for political and legal theory.

Q: How does your passion integrate with your work as a paralegal?

A: These pursuits help me better my commitment to justice and help ensure that every single client experiences a level playing field in the courtroom. It also helps me assist clients injured by the misconduct and negligence of another to the best of my ability.

Kari Hartman

Occupation: Senior Audit Manager at PKF Texas

Passion: Helping others and serving as a readily available source for those around her.

Q: How do you fulfill your passion?

A: I currently hold memberships with several organizations in both my personal and professional life. For example, I sit on the Council for Alcohol and Drugs and am also a member of the Greater Houston Partnership Emerging Women leaders. I participate in these organizations and their activities, and try to help those in need or who may be struggling to reach their own goals.

Q: How do you apply these to your profession?

A: These organizations create excellent networking opportunities for myself and the firm, as well as offer me the opportunity to fulfill my personal desires to actively contribute my talents to these groups. I apply these talents to my



professional career through my role on the Staff Advisory Committee at PKF Texas, as well as through my contribution in providing in-house training for our audit staff.

Annabella Green

Occupation: Director, Human Capital and Administration at PKF Texas

Passion: Outdoor fitness

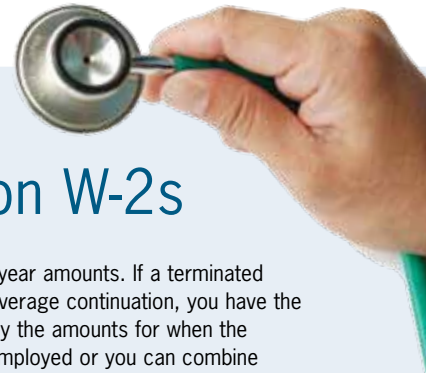
Q: What kind of outdoor activities do you pursue?

A: I love all outdoor activities that help me feel the “wind in my face” (laughs). I love running and bicycling, and doing triathlons each year. Horseback riding, kayaking and hiking are other activities I enjoy. These activities inspire and challenge me. My love for outdoor activities began as a young child in order to outshine my eight siblings (grins) and achieve other small goals.

Q: How do you apply these to your professional life?

A: Because my clients are the employees of the firm, my need to be compassionate on an everyday basis is easily transferable over from a struggling runner in a competitive environment. I transfer discipline and focus to my work. I also transfer healthy eating habits that are key for a sound mind and body. As a director of the firm, I understand the nature of the employees and the underlying firm environment. **LE**

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FAQs on deciphering health insurance reporting on W-2s

By Annabella Green, SPHR, and Tina Winograd

Q: What’s going on with reporting health amounts on W-2s?

A: The purpose of putting health amounts on W-2s is to inform employees of their health care coverage cost. The taxability doesn’t change.

Q: Do all companies have to comply?

A: If you file fewer than 250 W-2s for tax year 2011 (processed in 2012), you’re off the hook, for now. No reporting is required until further IRS guidance. Self-insured plans not subject to COBRA, ERISA, PHSA or the Federal Employees Health Benefits Program don’t report, and reporting does not apply to Indian tribal governments or coverage for military and their families.

Q: We file more than 250 W-2s and aren’t self-insured, now what?

A: You need to discern the plans that apply in terms of the coverage levels under a group health plan. You also have to discern the plans that *don’t* apply. These include long-term care, dental and vision (if separate of health plan), Archer MSA, HSA, disability/accident/liability, and supplemental insurances not integrated with health insurance.

Q: We have levels for employee only, employee plus one, and family. How do we calculate the cost?

A: There are several methods and processes to consider:

- **Reportable cost** is the *calendar* year amount of combined employer and employee contributions, including taxable amounts.
- With the **premium charge method**, you use the premium charged by insurer for the coverage level.
- With the **COBRA applicable premium method**, you use the applicable COBRA premium (no fees included).
- In the **modified COBRA premium method**, for employers who subsidize COBRA, use the full COBRA amounts or use last year’s COBRA amounts. No fees are included.
- Be consistent with whichever method used.
- Self-insured plans generally calculate using actuarial method or past-cost method.

Q: What if premiums change during the year, or an employee switches levels or quits?

A: The total yearly cost must reflect the increase/

decrease or partial-year amounts. If a terminated employee elects coverage continuation, you have the choice to report only the amounts for when the person is actively employed or you can combine employed and continuation amounts. Be sure to be consistent with whichever method used.

Q: What about our Flexible Spending Account (FSA)?

A: To calculate reportable costs for an FSA, compare the employee’s yearly salary reduction for all qualified insurances (plus applied employer flex credits) to the yearly FSA amount. If the salary reduction equals or exceeds the FSA amount, then there is no reporting. If the FSA exceeds the salary reduction, then the overage must be reported.

Example 1: Employer maintains an FSA through a 125 cafeteria plan, which offers the employer flex credits of \$1,000. The employee takes a \$2,000 salary reduction for several qualified benefits, including an FSA for \$1,500. The cost for the year is \$3,000. However, the salary reduction (\$2,000) equals or exceeds the FSA (\$1,500). Thus, none of the FSA amount is reportable.

Example 2: Employer maintains an FSA through a 125 cafeteria plan, which offers flex credits as a match of employee’s salary reduction. The employee takes a \$1,500 FSA salary reduction and the employer provides a match of \$1,500. The amount for the year is \$3,000. Since the FSA amount (\$3,000) exceeds the salary reduction (\$1,500), the employer must include \$1,500 (\$3,000 FSA minus \$1,500 salary reduction) in cost on the W-2.

Q: Where is this amount reported?

A : On Form W-2, box 12, using code DD.

Q: We don’t issue W-2s to certain individuals who have applicable insurance. Do we still report?

A: No; an employer isn’t required to issue a W-2 just for reporting health costs.

Q: Where do I find more information on reporting?

A: Of course, you can consult the professionals at PKF Texas or you can visit www.irs.gov; search for Notice 2011-28 or Bulletin 2011-16. **LE**

Annabella Green, SPHR, is director of Human Capital & Firm Administration for PKF Texas; Tina Winograd is the firm’s payroll specialist. Contact them at (713) 860-1400 or agreen@pkftexas.com and twinograd@pkftexas.com.



The 2012 election year: How will it impact your business?

By Gary J. Voth, CPA, JD

The 2012 presidential election campaign is well underway, and while there currently is no clear favorite among the GOP candidates, there is also no clear favorite between President Obama and any of the potential GOP candidates. Regardless of who the winner is, it's clear that President Obama either *will* or *won't* be re-elected.

Are you preparing your business for either outcome?

Although every election involves a level of uncertainty, the 2012 elections will also be viewed by the winner as either an endorsement of the current economic policies or a referendum for change. The uncertainty of the election, along with concerns in other parts of the world, has the business community in a general state of anxiety. The psychological impact of these uncertainties cannot be overlooked when you are responsible for leading your business and making decisions.

During periods of uncertainty, businesses tend to hoard cash, maintain lower inventory levels and reduce workforces. Will this be your strategy? Do you have a strategy? Do you know the business strategy for 2012 of your key customers and suppliers?

On a lighter note, have you considered how the election process will impact your employees? At what level does a water cooler conversation become a distraction? Have you considered your human capital policies in this regard?

There are many domestic and foreign policies at stake in the 2012 election; however, most, if not all of them, impact our business climate. Consider the following as just a few:

Tax policy

The "extended Bush tax cuts" expire at the end of 2012. If President Obama is re-elected, how likely is it these tax policies will be extended again? Will individual rates increase along with estate and gift tax rates? If a new administration is elected, will there be a strong push for major tax reform? Have you considered how a flat tax or a consumption tax would impact your business and spending abilities?

How will the uncertainty in future tax policy impact your capital expenditures? Will you delay purchases until 2013? Will your customers delay orders for goods or services? Will your suppliers be capable of meeting your demand?

Deficit reduction

Unless further legislation is passed, the lack of agreement for a plan on deficit reduction by the congressional supercommittee will invoke sharp spending cuts over the next 10 years, primarily in the areas of defense, education and healthcare. If the current stalemate between Congress and the White House continues, these industries may experience significant hardships; however, the trickle-down effect will impact everyone.

In addition to the impact on your business, have you considered how these budget cuts may impact your personal financial position? As baby boomers continue to age and enter retirement, will these budget cuts impact their ability to pay for medical needs if significant cuts to Medicare are made? Do you need to re-examine your retirement savings or even your parents' savings?

This may all sound like doom and gloom; but it depends on your view of economics and perhaps, your station in life. To our younger generation just entering the workforce, getting a handle on our country's budget deficit is a positive for their long-term economic outlook. A balanced budget will lead to a stronger economy in the long run.

Foreign policy and volatility of the capital markets

Even without 2012 being an election year, the volatility of the capital markets leaves me feeling like I'm watching a vertical tennis match. The European debt crisis, the Mideast unrest and even the recent Occupy Wall Street movement are causing unpredictable trading frenzies on a daily basis. How much impact do you think the White House has on the economics occurring overseas? What impact will the makeup of Congress have? Are you keeping an eye on your portfolio mix to protect yourself against excessive risks? Do you have hedging transactions in place to offset the volatility in fuel costs or interest costs?

Interest rates are at an all-time low. Is your business in a position to tap these markets? Banks are consistently looking for sound opportunities to loan money, but covenants and other financial metrics have been tightened. Don't miss an opportunity to expand your business by failing to have your affairs in order.

Taking care of your employees

Although less impactful than the macroeconomics involved with an election year, don't ignore the impact of the election on the workplace. Just as the business community suffers from the anxiety of uncertainty, so do your employees. Remember, they *are* people. Elections are full of negativity. Keep a pulse on the morale of your employees to maintain their efficiency. What message are you, as a leader or manager, sending to your employees regarding your ability to maintain a successful business in a challenging environment?

As a leader of your organization, it is important to remember that not every employee will share the same political views. Are you creating an environment where different political views are respected? Do employees feel safe in having a view different from the owners or top management? No one should be made to feel stupid for their beliefs. Any conversation within the workplace must be maintained at a level that shows courtesy to one another. Despite the polarizing views of the "extremes" within the parties, there are many areas to which people can agree, and that even if your favored candidate does not win an election, showing respect for our elected officials is the right thing to do.

Finally, take the opportunity provided by the election process to educate yourself and grow. Insulating ourselves from contrarian points of view only stagnate our personal growth. Learn from the ideas that others have and the foundation for their ideas. If nothing else, this reinforces the foundation of your own beliefs and ideals. **LE**

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bits & pieces

REVISIT MARKETING 101

Whether your company is just rolling out a marketing plan or reviving an old one, simpler is better, according to The Maids. The residential cleaning company offers several low-cost, low-maintenance ideas for getting the word out about your company:

Network—Not only should you join local business groups and expand your contacts, but remember you are a face of your company. Talking passionately about what you do is one of the best ways to market your business. Accept and pursue offers to speak at community meetings to get your face and name out there.

Word of mouth—An extension of networking and speaking passionately about the organization is leveraging others to do the legwork for you. Offer discounts or other incentives to customers and/or employees for referrals to individuals as well as groups to which they belong.

Experiment—Every campaign does not work for every business. But if you want to try something, go for it. Test your idea with an inexpensive campaign then take the feedback and analyze to determine if it will work on a large scale and what adjustments may be necessary.

Communicate—Send periodic print or email newsletters to customers. Post on LinkedIn groups, Facebook and Twitter. They are a great way to introduce new products, special pricing or other offers and news.



BUSINESS TRAVELERS TALK

More than 3,000 business travelers talked the best and worst in a recent survey by Vitesse Worldwide, a land and air executive travel company.

Worst experiences included:

- Herd-like, impersonal treatment by travel and lodging staff
- Overly intrusive security systems
- Frequent flight cancellations and delays

Best experiences included:

- A concierge service with knowledge of their personal preferences
- Well-coordinated scheduling for all facets of their trip
- A security detail when traveling in dangerous parts of the world

“What comes through loud and clear is that an executive traveler isn’t asking for high-priced services as much as high-touch,” says Shawn Abaspour, CEO of Vitesse Worldwide.



POOR SKILLS SPELL FAILURE FOR NEW HIRES

Thirty-six percent of chief financial officers say the top reason new hires don’t work out, aside from performance issues, is a poor skills match, according to a survey by Robert Half International. The survey is based on interviews with more than 1,400 CFOs of U.S. companies.

Other factors that contribute to a failed hire include unclear performance expectations (30 percent), personality conflicts (17 percent), failure to fit into corporate culture (14 percent) and don’t know (3 percent).

“Companies can’t afford hiring mistakes, which are costly and can erode staff morale,” says Max Messmer, chairman and CEO of Robert Half International. “Finding the right match requires time and attention, and it’s something even busy managers need to make time for.”

Robert Half offers these tips for better hires:

Know what you want. Don’t recycle the job description you used last time because it has most likely changed. Take a fresh look at your needs and desired skills.

Look for the intangibles. Inquire about and evaluate a potential employee’s soft skills, such as leadership and communication to determine if he or she will fit into your corporate culture.

Sell your company. People in high-demand specialties commonly have multiple job offers. Show them why they should choose your organization by communicating its benefits and offering a compensation package comparable to or above market rates.

SBA loans set record in 2011: What's next?



The U.S. Small Business Administration loaned more than \$30 billion in fiscal year 2011—\$7.8 billion more than the previous year and \$1.9 billion better than the previous record set in 2007.

A major reason for the growth is that the loan maximum rose from \$2 million to \$5 million in 2011, says Dawn DeRidder, national SBA/government lending sales manager at M&I Bank, now part of BMO Financial Group.

“This opened the door for bigger projects many companies were looking to do, whether it was purchasing equipment, capital improvements or anything, really,” DeRidder explains.

She adds, “In bad economic times, like the recession we’re coming out of, companies’

Want an SBA loan in 2012? What small businesses need to know

SBA loans are bank-financed but government-backed. The backing depends on the specific government loan program. On the standard 7(a) loans, for example, the SBA provides an 85-percent guarantee on loans \$150,000 and less, and a 75-percent guarantee for loans more than \$150,000, explains Dawn DeRidder of BMO Financial Group. In addition, the SBA-backed loans can have lower interest rates and longer terms.

SBA loans also come with eligibility requirements that differ from traditional loans. Loan applicants must meet the definition of a for-profit, small business based on either number of employees or revenue levels depending on the industry, DeRidder says.

As consultant Helena Hauk explains, “Businesses shouldn’t underestimate the SBA; there are different loan programs to meet different needs. They should take the time to pick up the phone and talk to an

expert. There are SBA district offices all across the country designed to help these businesses, and they should take advantage of it.”

Researching basic information through www.sba.gov is a first step, Hauk says. The site is filled with the latest information and updates, including forms and guidelines a business might need.

The next step is to find an expert to help guide the business through the process. Through the SBA website, businesses can search for a local SBA office by ZIP code—the offices serve as resources to answer questions and provide additional information.

Prep before meeting

Existing businesses should prepare and/or update business plans, and bring previous tax returns when meeting with the banker. New businesses should prepare a business feasibility study. (Unsure about preparing these documents? Local SBA offices have counseling, training and business

development specialists who can help.) Applying businesses also should understand its credit report as well as identify any hiccups and resolution plans, Hauk advises.

All the documentation is important, but the critical component to any application is that the applicant truly understands the nature of the business, DeRidder says.

“I can’t tell you how many times I’ve talked to a client who wants to start a business, and when I ask them about their business plan, potential projects or competition, they have no idea and the process stops,” she says. “Businesses need to be prepared when going to a lender because from a lender’s perspective, if the person sitting in front of their desk doesn’t have a plan of action, the lender is naturally going to gravitate to and approve a business that is more prepared.”

Know it takes time

Rosemary McLaughlin, who obtained an SBA loan in 2011 to open an Elements

balance sheets are stressed and liquidity is not where it needs to be. Businesses rely more on loans to meet their needs.”

Rosemary McLaughlin left her job as a health care executive in August and used an SBA loan to open an Elements Therapeutic Massage franchise with plans to open two more in the next two years. She says she sought an SBA loan because of the favorable loan terms—6.25 percent for seven years—that will help cash flow in the initial operating phase.

“I tell every small business owner or potential small business owner I meet about my success obtaining this loan,” McLaughlin says.

Many of the companies with whom consultant Helena Hauk worked in 2011

sought SBA loans to help cash flow, particularly through refinancing. She expects a similar pattern in 2012.

“I think the overall tone is cautious optimism,” says Hauk, founder of 5th Gear Consulting, a consulting firm that specializes in commercial real estate lending through SBA loan programs.

DeRidder says don’t expect 2012 to set a new SBA loan record. “This is attributed to a general lack of ‘consumer confidence’ in the economy,” she explains. “As such, companies are not looking to borrow now. While banks want to lend money, the demand just isn’t there.

“As much as we would like to see the economy turning around quickly, the majority of predictions indicate that a solid recovery

won’t be seen until potentially 2014,” she says.

\$2 billion for early stage

In 2012, the SBA is moving forward with the recently launched billion-dollar Early Stage Innovation Fund, which will provide matching capital to small business investment companies that target early-stage small businesses seeking private institutional capital.

In conjunction, the Startup America Partnership, a new nonprofit alliance of entrepreneurs, major corporations and service providers, announced another \$1 billion-plus in commitments from more than 50 private-sector entities, which will provide everything from free software to free consulting and legal services, to 100,000 startups over the next three years. **LE**

Therapeutic Massage franchise, says the SBA loan process is easy, although borrowers should be aware the loan’s timing depends on the actual closing date.

“Schedules, information requests and some detailed requirements can add time to the process,” she says. “The loan did require time, but starting a new business requires time. And the SBA website is helpful during the application process.

“Only four forms are required to start an SBA loan application, so fill those out and bring to the bank. It shows you take initiative and are serious,” McLaughlin says.

She also recommends finding a bank and or bank officer that specializes or understands the applicant’s business type. She worked with a bank officer who understood franchises and startups. “Once I found a bank that was familiar with the business model, I was able to have conversations about Elements Therapeutic Massage that were easily understood,” McLaughlin says.

Different lender types

DeRidder says SBA loans come with the misperception that the paperwork is overwhelming compared to a conventional loan. While the amount of paperwork depends on the type of loan, preferred lenders can fill out 99 percent of the paperwork.

“There are three different types of SBA lenders—infrequent participant, certified and preferred,” she explains. “Infrequent participant lenders need to send the SBA all their paperwork for independent analysis, which can take some time. Certified lenders review the loans and send them to the SBA, which then has three days to review the documents. Preferred lenders have the final say on loans. So the process will be quicker and simpler if a business chooses a preferred lender.”

Check out the SBA’s website, www.SBA.gov, to search for your local office, which can provide the certified and preferred lender list for your area.

You have an SBA loan—now what?

Managing an SBA is no different than managing a conventional loan, says Helena Hauk, founder of 5th Gear Consulting, a consulting firm that specializes in commercial real estate lending through SBA loan programs.

The borrower makes monthly payments and is required to provide the lender with at least an annual, but sometimes a quarterly or monthly, financial statement. The borrower also must notify the lender of any changes to the company, as is the case with a conventional loan, she says.

Top 6 things

to know about doing business in **Brazil**

BY GERD FOERSTER, CPA, CONFIDOR



1 What should a businessperson know about Brazil?

First of all, Brazil is a country that has an area of more than 3 million square miles situated in South America and represents approximately 50 percent of the continent's land. It borders almost all countries in South America, except Ecuador and Chile. The national language is Portuguese, and the population is about 194 million people, about 40 percent of whom are children. About 83 percent of the population lives in the cities.

Since 1994, the national currency has been the Real (BRL). Brazil has lacked the capital to supply the needs of the country and its population. Consequently, foreign investments (if not for short-term applications) typically receive tax incentives from the government. In general, foreign investments do not require prior approval of the government unless the company is interested in obtaining an incentive. However, there are some exceptions, so it is a good idea to consult advisors familiar with Brazilian law and customs before conducting business in the country.



2 What are the biggest differences compared to operating in the United States?

The biggest differences are the many bureaucratic requirements demanded by the tax and legal authorities in Brazil. In the Brazilian tax system, products are taxed throughout the chain of production. In the United States, the end consumer pays sales taxes once the sale is finalized. In Brazil, however, each person involved in the process, including the producer, wholesale dealer, retailer, etc., pays sales taxes, resulting in a higher level of tax burden. Also black markets operate in Brazil, so U.S. businesses should be aware of their effects.

3 What should business know about setting up a company in Brazil?

In 1994, the federal government implemented the "Plano Real," an economic reform plan that reduced inflation rates based on the strength of the federal government's foreign currency reserves coupled with credit restrictions that raised interest rates. Initially, income was redistributed to the lower class, generating a consumption boom. To control the resulting inflation in the following year, interest rates increased and credit was restricted. As a consequence, the economy has grown slowly since then.



During the last nine years of socialist government, social policies were adopted and minimum governmental aid boosted (bolsa-família) to help the poorest class, stimulating internal consumption. However, the government has not reduced the public deficit, which compromises the effectiveness of the economical targets and increases the risk of inflation.

Internationally, trade with other countries in South America has increased significantly in the past few years with the creation of a common market among Argentina, Paraguay and Uruguay (Mercosul) in 1991. However, all the countries involved still make protectionist decisions, making the effectiveness of the market a nightmare.

As a consequence of the improvement in the distribution of income to the poorest classes, the Brazilian public debt has increased during the last year. As a result, the Brazilian government has adopted the policy to increase the tax burden, which varies between 40 to 45 percent of the Brazilian GDP. Furthermore, there is a lack of high-level investments in public areas such as health, education, transport, social welfare, etc., which represent great business opportunities because Brazilian public services do not act or act in a very

limited manner to provide the desired products and services.

What about employment in Brazil?

With more than 190 million citizens, the country has a significant labor force, composed of many semi-skilled or unskilled workers. There is a shortage of management, supervisory and technical staff at disposal for Brazilian or foreign companies. One of the biggest challenges, for example, is to find qualified labor in the high-technology area.

What type of work permit is necessary for non-Brazilians?

Considering the force and influence that the labor unions represent and generate in the companies and in the Brazilian government, there are many limitations for the contract of foreign labor. Brazilian companies are not allowed to hire foreign citizens who do not hold the proper visas and work permits. The type of visa depends upon how long the employee will work in Brazil. To receive the authorization for non-Brazilian workers, at least two-thirds of the company's employees must be from Brazil and at least two-thirds of total payroll must be paid to Brazilians.

Temporary visas are granted to foreign workers for two years. A foreign company that wishes to hire a foreign executive with a permanent employment visa must have a minimum investment in Brazil equivalent to \$200,000.

What else should someone know about doing business in Brazil?

Despite all the internal problems in some key public areas, such as health, education and transport, Brazil represents a secure shore in which to invest compared with other countries because of the strong political situation and the fact that the country does not have any important enemies or market barriers with other countries. There are a lot of opportunities in the chemical, real estate, transportation and food areas. Also several major international events will happen in 2014 (Soccer World Cup) and in 2016 (Olympics). For this reason, Brazil has a large, positive and prospective market to present. **LE**

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on the bookshelf

BUSINESS RESOLUTION TIME

It's time again—to set new goals or at least revisit previously set goals and long-term plans to see what's been happening and where your company needs to go. This edition of “On the Bookshelf” offers some reading suggestions to help identify what you need to do, where you need to go and how to get there.

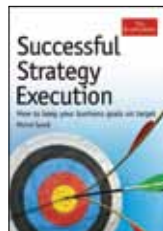
The B2B Executive Playbook: The Ultimate Weapon for Achieving Sustainable, Predictable and Profitable Growth
Sean Geehan
Clerisy Press



192 pages
The B2B marketplace operates significantly different than the B2C marketplace. Yet, Geehan found the more publicly discussed case studies and anecdotes shared with businesses were primarily B2C (Coke, Apple, etc.) He writes about the unique challenges of B2B—in particular how a business in this marketplace tends to rely on few individuals, thus key relationships are essential to sustaining growth. Geehan explores the need for B2B companies to make engaging with customers their top goal and how that goal should drive the company's internal alignment and operations. As one reviewer on Amazon.com states, “The lessons learned here can serve as a competitive weapon for those who take the time to thoughtfully apply them to their own circumstances.”

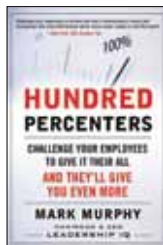
Do you have a suggestion for a book we should feature? Email Editor Ann Gynn at agynn@sbnonline.com with the title and author, and include why the book would be helpful or interesting to your peers.

Successful Strategy Execution: How to Keep Your Business Goals on Target
Michel Syrett
The Economist;
Bloomberg Press
164 pages



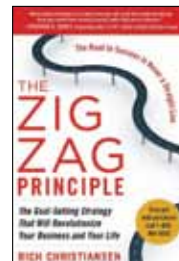
Tracking performance is one thing. Tying it to long-term plans is another. Too many companies are lost in translation, failing to compare actuals to projections and adjust their plans accordingly. Syrett explores how to implement practical strategy execution and shares real-life stories of companies implementing strategies to keep their goals on target.

Hundred Percenters: Challenge Your Employees to Give it Their All & They'll Give You Even More
Mark Murphy
McGraw Hill
240 pages



Most leaders don't believe employees are giving 100 percent and they're right, according to what employees report. Doing fine, getting by and meeting expectations are sufficient. But what if a growing segment of your employees thought “let's push the envelope, let's be great, let's do what nobody thought could be done?” Murphy, chairman and CEO of Leadership IQ, says a key to reaching that goal is for leaders to care enough to push “Hundred Percenters” to new heights. Murphy offers practical insight into setting clear expectations, dealing swiftly with toxic employees, eliminating “de-motivators” and focusing employees on value-added work.

The Zigzag Principle: The Goal Setting Strategy That Will Revolutionize Your Business and Your Life
Rich Christiansen
McGraw Hill
256 pages



Following a straight line is never the best route—thus the zigzag principle created by Christiansen. As a leader of well-established and start-up businesses, he brings a unique mantra—don't bulldoze to reach your objectives; zigzag to achieve them. Well-known author Stephen Covey writes of *The Zigzag Principle*, “Rock-solid principles so simple that you will read this book wondering how you could have missed seeing truths that are so obvious.” As Christiansen explains, readers can assess their resources, use them to the fullest and keep the team motivated.

The Now Revolution: 7 Shifts to Make Your Business Faster, Smarter and More Social
Jay Baer & Amber Naslund
Wiley
224 pages



Customers expect a level of attention and responsiveness that most companies can't live up to. Can you? That's the question posed by the authors who then offer insight to help your business live up to what your customers expect in today's instantaneous world. They offer a seven-part plan to harness the power of the social web for your business including, stripping away silos, empowering a new type of employee, and redesigning success metrics for the instantaneous business world. **LE**



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