



May 2006 Newsletter

Will special. Will special what?



Book of the month

That's the good news from the budget. If we've got to get Tax Returns filed by the end of November (starting in 2008), then we won't have to spend all Christmas fighting with them. Summer holidays will have to go instead. I guess we've got another 2 seasons to get more efficient.

I've always been extremely reluctant to file Returns early as this just gives the Revenue longer to look at them. They are due to remove this impediment by setting the enquiry window for 12 months after the filing date. I'm not convinced about this, but we can't realistically second guess the Revenue's workflow patterns.

I'll think about the trust changes next month. New wills all round?

Fastco hits ten

The US business magazine "Fast Company" was the inspiration that started me off writing this newsletter. FastCo is now 10 years old and the anniversary addition is well worth a look

www.fastcompany.com/magazine/103/

Most worryingly, not only are the predictions for the next 10 years (particularly in the realm of gene therapy) the stuff of science fiction, they are also linked to US big business. In other words, like it or not, the changes are coming.

Goodbye Roger Dickins

I was appalled to read that my first ever senior partner, Roger Dickins, died recently at the age of 58. He was a proper cigar smoking, camel coat wearing, Jaguar driving ball of aggressiveness. I think I only ever actually spoke to him once and then I trembled for days afterwards. He's been given a posthumous award for services to accountancy? I assume he leaves a very, very wealthy widow. Was it worth it?

Manage me

I'm always going on about management styles and the need to manage your boss, so I was pleased to find the following definition of the problem:

Some bosses need to impose order through systems and processes, schedules and plans on everything and everybody. Others exist at the other end of the spectrum; being so laissez-faire as to seem undisciplined, disorganised and wilful at times.

So, what sort of manager are you/do you have? Remember, self-delusion is all.

Manageme@chrisduckett.co.uk

Persistence pays

To all those in charge of selling:

- 75% of professional service buyers say no up to 5 times before buying
- Most sellers stop at first refusal
- 8% of dogged sellers win 73% of sales
- Another set of unhelpful statistics?

More money laundering

Everybody seems to think I'm over-reacting when I go on about the prospect of (my) imprisonment for VAT errors in client records. To be fair (so far) accountants have only been arrested when they have been

involved in fraud. A recent report saw an accountant who fell over a huge VAT fraud being kidnapped by the criminals. However, this was in Glasgow, so he was probably used to this sort of thing.

Closer to home, one of our dentist clients has been locked up for over 2 years for claiming for dentures for dead people. The going rate appears to be one year at Her Majesty's pleasure per £100k stolen.

Marketing ideas

Accountants are deemed to lack imagination where marketing is concerned. The following mailshot ideas are the best that the profession has come up with:

- Feather duster – now you can “dust-up” your tax affairs
- Love hearts (sweets) – why not start a relationship with us
- Chocolate egg – are you looking after your nest egg?

[No live doves, you'll note.]

This is serious stuff

<http://www.insiderbusinessclub.com/insiderbusinessclub/login>

Allegedly, the way forward is a web seminar (“webinar”) => guest speakers, powerpoint presentations, audience feedback, instant surveys and question & answer sessions. Live or as a recording. If it doesn't grab attention, then it doesn't grab business. Amen.

7 deadly sins

We don't tend to get involved in start-ups, but the list of sins works pretty well for existing businesses that aren't performing as well as their owners would wish:

- Not enough market research (customers get what you want to sell)
- Overspending on advertising (eg full colour pages in trade mags, but nothing else)
- Making yourself indispensable
- Not charging enough (or demonstrating the value of what you sell)
- Not making the best use of technology
- Not setting goals
- Thinking lots about doing something, but never actually doing it

<http://www.timesonline.co.uk/article/0,,2095-2157634.html>

Fee protection insurance

Every year, I have a debate with various clients about whether or not to take our insurance against the costs of professional fees in defending a tax investigation. As always with insurance, it's a question of your

perception of the risks involved: there is no right answer. The problem, at least as I see it, is that the insurance only covers in-depth enquiries, when aspect enquiries are actually more likely (as the Inspector gets more points). We looked at the cost of insuring against aspect enquiries, but the premiums/excesses are too high. The insurance offered by the FSB and the NFU cover lots of other things (like employment disputes), but the investigations are actually handled by selected firms (ie not us). Pay your money; take your choice.

Team working and replacements

I was recently asked why, in all-male teams, the existing team members do very little to help a newcomer. I suspect that there are lots of possible answers to this and it is up to management to change the culture.

However, this problem was a big issue in the US Army during the Second World War and largely caused by the way that new recruits were handled. For various reasons, new recruits were taken straight from school, given irrelevant training (marching & saluting) and sent to the front line as individuals, routed through replacement hubs, to join existing units. In other words, recruits were actually dangerous when they arrived in action (particularly to themselves) and it took a week of trial and error before they became useful. Error was usually fatal, and casualties were far higher than they should have been due to lack of initiation/orientation. Most businesses have some form of induction procedure for new people, but it's usually not much more than showing them where the photocopier hides. Given the huge amount spent on recruitment, it's got to be worth reducing your casualty rate.

Wills & trusts

It now takes months to be able to understand the Budget speech (the small print) and the Chancellor seems to have surpassed himself with the changes to the rules on Trusts. As usual, it is also impossible to tell what he actually meant to do and what got caught by accident. My advice on wills doesn't go much further than recommending that you have one (and an EPA). Inheritance Tax (IHT) planning has been getting progressively harder (as house prices have risen) and there is huge uncertainty as to what the rules

actually mean (thereby breaching one of the central requirements of any tax system). However, out of uncertainty comes opportunity and one of our professional associates (Nick Honeyman-Brown) has launched a Will Reading Service to advise whether or not your existing will needs re-writing. Nick comes at the job from a financial services perspective and also worries about Long Term Care issues. Our other favourite is Steve Meredith at Gabbs in Abergavenny who has a tax driven outlook. Above all else, make sure you've got a will and everybody knows where to find it. And check your adviser's PI cover.

Nigel Mansell was here

Somebody has done some research into Formula One teams and come up with a good story. In 1991, Nigel Mansell was winning the Driver's Championship, but everything hung on the final race. During this race, he came into the pits for a routine tyre change and was accelerating away when one of his wheels fell off. He lost the race and the championship that year. A subsequent enquiry found that the car had left the pits before the wheel nuts had been done up. This had happened because each mechanic raised his hand to show when he had finished. The guy holding the car had to manage 25 individual hand raises – hence the mistake. So, without finding fault, Williams reorganised their procedures so that only 4 hand-raises were needed and they were colour coded. The following year, Williams/Mansell did indeed win the championship.

The researchers also looked carefully at

Ferrari's current dominance of the F1 scene.

They found that Ferrari had always

concentrated on having superior engines,

whilst Williams focussed on chassis and

bought their engines from elsewhere. The

Ferrari strategy was simply to bring good

chassis people etc into the team and

concentrate on integrating performance.

Remarkably simple. Why can't the other

teams do the same?

Unshackle the human spirit?

The Newsletter has been a long time fan of US Guru Gary Innovation Hamel, even if he was a bit over-zealous in his praise of Enron Before The Fall. Anyway, it was good to see him back to his enthusiastic best with an article entitled "The why, what and how of management innovation". His basic view is that getting ahead of the competition is all about doing things differently: and that includes management. So, we need a story: Whole Foods Market is a US company that has grown from 1 to 161 stores over the last 25 years and now has turnover of \$3.8b. Despite competition from big players such as Wal-Mart, the company has the highest profit per square foot in the industry. Part of the success of the company is because its basic operational unit is the department team (eg fresh produce) rather than the store. Any autonomy is pretty unusual in retail, but teams decide what to stock and who to hire, with bonuses payable at team level and easy access to financial data (including salary levels of co-workers). Most interestingly, particularly in the US, executive salaries are capped at 14 times the company average. 100:1 differentials are not uncommon elsewhere. None of the competitors seems to be able to duplicate the combined business model and management system. Let's hope it doesn't all go horribly wrong. As usual, there's a "tool" to help you deconstruct your own management orthodoxies on www.hamelfe606.hbr.org. Incidentally, I still think Hamel's "Unpacking the Business Model" checklist is the best prompt for strategy reviews. Available from strategy@chrisduckett.co.uk and in all good chemists.



RFID technology

This is the new version of barcoding. The plan is to put an individual silicon chip into every item sold or moved, thereby giving big business/government(?) total knowledge of what you buy and where it goes. The chips work on radio waves, so they don't need to be visible and are only half a millimetre in size anyway. So far, the positive aspects of the technology are being promoted ("an opportunity for business efficiency"), but the 1984 ramifications are endless. Ominously, the Revenue are getting very excited about the technology.

Disclaimer

Life is pain. Anybody who says otherwise is selling something.



Chris Duckett Limited

Network House , Thorn
Office Centre
Rotherwas
Hereford
HR2 6JT



Telephone 01432 370 572

Email: clients@chrisduckett.co.uk

Website www.chrisduckett.co.uk