



August 2011 Newsletter

Summer holiday special. Nobody left at work to read it?



Book of the month

For reading on the beach? If you consider Gibbon's "The rise and fall of international accounting standards" a little too racy, then "Bounce" by Matthew Syed really hits the spot. You may remember that I got quite excited by Malcolm Gladwell's book, which outlined the idea that to get really good at something you need to do it for 10 years. Matthew Syed takes this idea and runs with it. Talent is not born in people: it is the result of working at the particular skill over a prolonged period of time. There really is no substitute for (intelligent) application and motivation. Which also explains why you should check the CV of a prospective surgeon before you let him lose.

Be careful what you wish for

Incentive schemes and targets seem like a great idea to drive a business towards its goals. Unfortunately, the law of unintended consequences usually gets in the way. People will generally bend an incentive scheme to benefit themselves rather than the company. Three good examples on this link

<http://bhorowitz.com/2011/07/20/when-employees-misinterpret-managers/>

In principal, the right KPIs will stop this happening, but you need a doctorate in psychology to get it right first time.

However beautiful the strategy, you should occasionally look at the results.

Bradley Wiggins quotes Churchill before he crashes out of the Tour de France with a broken collarbone.

Ex inspectors cross over

Whiplash and I recently had the chance to have lunch with a couple of (newly) ex-Inspectors of Tax. Whilst we weren't quite sure they had truly crossed over, they did have some useful things to say about the current initiatives:

- Books & records check – this isn't about hitting people with fines for poor record keeping, it's actually about using unqualified staff to sift through large numbers of Taxpayers to identify those where a proper Inspector can be wheeled in to run amok. The fines are merely icing on the cake.
- Lunn case – this is the firm of unqualified accountants in the southeast with 3,000 clients in the entertainment industry. It seems that the standards of accounting by the firm were woefully poor. However, HMRC has used the case to push through the regulation of agents. The intention will be to throw firms out of the club if they don't do as they are told by HMRC.

“Toolkits” are part of the same thinking.

- Single compliance process – after complaints that businesses are regularly hit by one tax investigation after another (e.g. PAYE=>VAT=>CT), HMRC have decided to “help” by rolling the 3 separate investigation into one. So now you can have a 3-year investigation instead of 3 x one-year investigations.

Online reviews flawed

Trip Advisor generally has hotel owners over a barrel – poor reviews lead to a drop in trade. However, online reviews are written by a relatively small segment of a business’s customers – often young, price sensitive IT geeks who don’t understand value and are not therefore the customer type you really want to encourage. A good article in June’s Harvard Business Review – ask Bob for more details if required.



Business growth

The rule of thumb is that business growth in excess of 15% pa is unsustainable. Sales outstrip the businesses systems resulting in quality control problems. A bit of time to consolidate allows the systems to catch up.

I was recently talking to The Sage of Bishopswood about this very problem and he came up with a very tidy model to help understand the point:

Entrepreneur – m/c – excellence

Castle House gets extra room

I am pleased to be able to advise that the Castle House’s new annex (No. 25 Castle St) is now up and running. I did finally get to go

and have a proper look (I’m particularly impressed with the lower ground floor suite) and the website has some excellent photos.

www.castlehousehotel.co.uk

Orchard Trust busy building

I’m a trustee of the Orchard Trust and can therefore promote their activities with a clear conscience. The Trust looks after people with profound & multiple learning disabilities and is based in the Forest. When I came to Ross in 1995, it had just finished building a state of the art facility called Offa’s Dyke. In the intervening 16 years, care standards have changed dramatically and the building has proved rather hard to live with. The net result is that we’ve now knocked (some of) it down and started to erect a user-friendly equivalent. Needless to say, this is costing a small fortune. If you feel inclined to donate, then please do so. [Free copy of the accounts if you want them.] www.theorchardtrust.org

Nanobots and memory

A recent article in the Sunday papers on prosthetic limbs ended with the throwaway remark that by 2030 it should be possible to use nanobots to ensure that we can remember everything. The human brain is capable of storing huge amounts of data. The problem is finding the relevant bit (and this only gets worse with age). [The same problem exists in our paperless filing system, but that may be more to do with operator error than design flaws.] Anyway, the knock on effect of perfect memory is that we could give up writing file notes. Unfortunately, you would also lose the strategic ability to selectively forget things – like wedding anniversaries? Good job I’ll be retired by 2030 (but hopefully not divorced).

Auto replies

Don’t forget to set your auto reply before you leave the office:

- I am currently out of the office at a job interview and will reply to you if I fail to get the position. Please be prepared for my mood.

- You are receiving this automatic notification because I am out of the office. If I was in, chances are you wouldn’t have received anything at all.
- I will be unable to delete all the emails you send me until I return from vacation. Please be patient, and your mail will be deleted in the order it was received.



Four ways to respond

There are four styles of responding when somebody tells you something: active constructive (authentic, enthusiastic support), passive constructive (laconic support), passive destructive (ignoring the event), and active destructive (pointing out negative aspects of the event). Here’s an (army) example: Private Johnson tells Private Gonzales, “Hey, I just got a promotion.”

Active Constructive
 “That’s great. What are your new duties? When do you start? What did the captain say about why you deserved it?”

Passive Constructive
 “That’s nice”

Passive Destructive
 “I got a funny e-mail from my son. Listen to this...”

Active Destructive
 “You know there’s no extra pay, and it will eat up a lot of your R&R time”.

I would suggest that accountants struggle with active constructive whilst lawyers delight in active destructive?

Disclaimer

All watched over by taxmen of loving grace.



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