



DUCKETTS
TRUSTED ADVISORS

March 2004
Newsletter

Budget Special. I feel I should use my “The end of the world is NI” joke again.

(Fun) Book of the month

“The Transparency Edge: How credibility can make or break you in business” by Barbara and Elizabeth Pagano. There are 9 key behaviour patterns that successful leaders use to “gain a transparency edge”:

- Be overwhelmingly honest about every business situation
- Make others want to share important information with you
- Compose yourself in stressful situations
- Match your words to your actions
- Enhance your reputation even when you make mistakes
- Deliver bad news well
- More of the above (that still only makes 7?)

But, best of all, there’s a “transparency test” on the website at

www.transparenciedge.com. Of course, I couldn’t resist taking the test which duly told me I am more opaque than I should be.



Ace Alibi

For no apparent reason, we’ve received a magazine called Bulletpoint (www.bulletpoint.com) which seems to be focused at the large company end of the market. However, buried within this publication was an article on the growth of a business which organises alibis for dirty weekends. Not only will the company mail an invitation to a fictitious business event, but it will also pretend to be the conference organiser and phone your spouse to confirm details of that event. Demand for deception is apparently strong. I think this is a US phenomenon at present, so the UK market is still up for grabs. Beware mobile phones.

Jail for Revenue’s Fiddler

A Revenue officer in Bootle named John Fiddler has recently been sent down for stealing £250k of tax refunds, mostly in £250 and £500 tranches. Fiddler had worked for the Revenue for over 20 years.

Chinese health & safety

With the rise in trade with China, more people are getting to fly with the internal Chinese airline. One of our more observant clients noticed that, on such flights, there are no safety briefings. So, he asked the captain why this was the case. The reply was:

“We crash. You die.” The very model of transparency?

Less tax for London?

There is an economists’ view that national income tax is unfair because the buying power of a given salary varies dramatically by region. In other words, the personal allowance should be higher in London as you need to be a higher rate taxpayer in order to

be able to afford to live there. As a counter argument, I would suggest that more of the tax actually gets spent in London, so why should they get higher allowances? Can you imagine how difficult this would be to administer?

(Much harder) Book of the month

"Follow this path" by Curt Coffman & Gabriel Gonzalez-Molina.

The Gallup Organisation has spent a lot of time and effort trying to link corporate performance to employee happiness. The first book on the subject "First, Break all the Rules" introduced the 12 questions that you can use to determine how engaged your employees are. For this second book, they collected lots more data in support of the original idea and fleshed it out in certain areas. The fundamental point is that people have particular strengths and you should make sure that their job uses these strengths and not try to fix weaknesses. Square peg in round hole thinking. The extension of this is that people see promotion as success, but it's all too easy to promote people away from what they are good at. A good salesman does not necessarily make a good manager of a sales team, for example. With all this statistical data, Gallup have decided that there are 3 types of employee:

- Engaged – 17% - enjoy their work
- Not-engaged – 63% - do their work
- Actively disengaged – 20% - cause problems

If value is created by the engaged and destroyed by the disengaged, changing the ratios should be a good way to make more profit. Simple really. I thought the international comparisons were quite fun. Bizarrely, in Chile, only 13% are actively disengaged, whereas France hits 28%.

Statistical analysis by the Revenue

Both the Inland Revenue and Customs & Excise have long been using statistical methods to try to extort more tax from businesses. The worst case scenario used to

be that they would take your purchases, apply the margin they thought you should achieve and calculate a sales figure. The difference between their calculated figure and your figure was obviously understated sales. Tax and penalties, please. Inefficiency and waste didn't enter into it.

However, as most people now use some form of computerised accounting system, it's much easier to ask for the backup disk and interrogate the data. There was a particularly hard article in Accountancy magazine indicating that the Revenue are now using complex statistical tests (eg Chi Squared Test?) to analyse data, but of course, they are not using the tests correctly, thereby getting wrong answers. More arguments to look forward to?

Interest rate rise

The economists seem to have decided that the recession is over (what recession?) with the US economy expected to grow at up to 5% in 2004. Maybe 9% for China. We usually get pulled along behind the Americans, so the MPC will start fussing about inflation. The expectation is therefore for bank base rate to reach 4.75-5.0% by the end of the year. Time will tell.

Alan Price

It's quite difficult to see Tax Inspectors as ordinary human beings, but when I first arrived in the Ross area in 1995, one of the Hereford inspectors, Alan Price, rang to welcome me. He subsequently proved that he knew far more about the use of losses than I did and was generally the font of all wisdom where technical issues were concerned. He then suffered a heart attack and I thought that was the last we'd see of him. However, he did go back to work as a Corporation Tax Inspector and has continued to give us grief on a routine basis. We discovered that he is due to retire at the end of April, so Sparkle rang to wish him a happy retirement and make sure that he wasn't going to change his mind. I certainly hope his replacement is nothing like as sharp.

IT issues

After last month's article about "bluejacking", it seems that "bluesnarfing" is the real risk. If you have the bluetooth function turned on (on your mobile), then somebody can download all your data, without leaving any trace that they've done it. I'm not sure what possible use somebody could make of the numbers in my mobile, but you never know. [Mind you, there was that dodgy text message I sent to Ms Whiplash. I hope that doesn't come up at Tribunal.]

In a similar (paranoid) vein, "phishing" is the new term for electronic identity theft. An example of this might be a fake e.mail from your credit card company asking you to confirm account details. The e-mails often direct you to websites that are in fact copies of bona fida sites. Worse still, phishing e-mails can contain "keyloggers" which capture passwords and other account details and transmit them back to the sender. On a somewhat brighter note, Philips has just announced the development of roll-up computer screens (which will also work without wires). This presumably brings the concept of electronic newspapers even closer. What else could you use roll-up screens for?

Love bytes?

Just as it looked as though the above Bluetooth/jacking/snarfing was a complete waste of time, it seems that researchers in the States have managed to store personal profiles on mobile phones, including specification for your ideal mate. Then, if, across a crowded room, your phone gets near a suitable mate (via Bluetooth?), it beeps to alert you to make your move. Presumably GPS is engaged to find the phone owner (in case of too much smoke?) and a text message will appear to advise you of the appropriate chat-up line. "Does your phone come here often?" I assume.

Allegedly, nearly 90% of affairs in Italy are conducted by mobile phone. Guidance has been issued to prevent people being discovered by electronic accident, such as failing to remove your hands-free earpiece when the action hots-up.

Unauditable

Whilst we've got quite excited at the raising of the audit limit, the big firms have been trying to bring in a cap on auditors' liability when things go wrong, particularly as they can't get sufficient insurance cover. Typically, it's the insurance companies who are making the most noise about leaving things as they are. If they're not careful, the auditors will simply refuse to work for them, as has already happened with the animal testing company.

Barking useless

In 1999, Sony introduced the robotic dog. This may not have seemed very exciting (who needs a dog robot?), but it was in fact a very clever bit of positional marketing. The problem Sony had was that their robot technology was nothing like as sophisticated as that found on film. Had they bought out something that looked like R2D2 (or was it C3PO? – the tall thin one), then everybody would have expected it to be as good, and been disappointed accordingly. Robodog appeared to have a willful personality – it only obeyed commands some of the time – just like a real dog. This was, of course, because its speech recognition software wasn't that good and half the time it didn't actually capture the command at all. However, this allowed Sony to make sure it was in poll position in robot development, at least as far as the (US) general public was concerned. The next offering, a more humanoid robot, gained acceptance much more quickly. This compares to the strategy employed by Honda, who have spent a fortune on their robot offering, but without ever releasing anything because it doesn't work well enough.

I'm not quite sure how relevant this is to Hereford businesses, but I've no doubt that bluetooth enabled droids will shortly be cruising the town checking their phones for love.

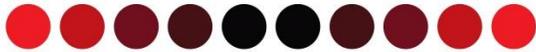
e.mail out

We had an inexplicable loss of service on the usual address. If you absolutely, positively have to e.mail me, chris@duckett.wyenet.co.uk is still there, subject to Ross disappearing into a black hole. And we've got broadband.

Disclaimer

Does your business continuity plan take into account attack by zombies? If not, you need the Zombie Alert System by Onko. This carries a guaranteed \$1m payout if the device fails to operate during a documented zombie attack.





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