



April 2010 Newsletter

Budget Special, of course. Roll on the next one.



Book of the month

"Dealing with Darwin: How great companies innovate at every phase of their evolution"
by Geoffrey A Moore.

This is hard, but rigorous. Put simply, you can either add value or get sucked into the cost driven world. Innovation (doing things differently/doing different things) is the only way to avoid the vortex. Different techniques work at different stages of the business cycle. Mix them up at your peril. Can old dogs learn new tricks? See below.

<http://www.dealingwithdarwin.com/>

Gangster Business

I recently took a call from the States from somebody trying to sell me software. This guy was unusually well prepared and asked me about my "Gangster Business" article on our website. I had to confess that I couldn't actually remember anything about the article. Suitably flattered, he got his second appointment. I therefore checked the article and was moderately amused (I know you're not supposed to laugh at your own jokes.) Worth a look?

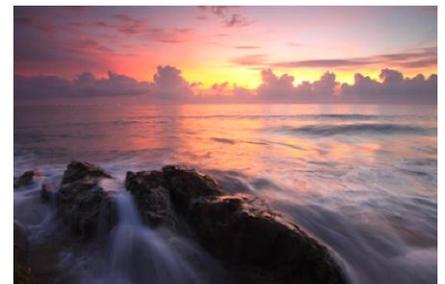
<http://www.chrisduckett.co.uk/gangsterbusiness.html>

The Commons

My Dad became a Freeman of the City of Coventry some 40 years ago and thereby acquired the medieval right to keep his cow on Hearsall Common. Given the traffic levels in that particular area, the cow's chances of survival are not great. The equivalent 21st Century concept is all about Intellectual Property: the accumulated wisdom of mankind. And can anybody own it? At the moment, clearly they can (otherwise patents would not work), but (as Tim Kidson will tell you) the value of explicit knowledge is going down as it becomes easier to access. It's

what you do with the knowledge that counts. For instance, whilst the code for Linux (the operating system) is free, companies like Red Hat make sensible profits adapting this free software to individual customer use. Compare to Microsoft which makes extraordinary profits out of proprietary code. Maybe Wikipedia is the shape of the future: the past (or facts in general) is routinely distorted by the opinions of interested parties.

<http://www.flickr.com/commons/usage/>



Budget changes

Much to everybody's surprise, there were a couple of useful things in the budget:

- Entrepreneurs' Relief (ER) went from £1m to £2m. So, you can now sell/liquidate your (whole) business and pay CGT at 10% on the first £2m of gain. Normal 18% thereafter.
- The limit for 100% relief on capital allowances on kit went from £50k to £100k, but any amount over this gets 20% not 40% relief. So, don't spend more than £100k in any one year. And watch out for 10% integral allowances.

Small print applies. They probably haven't written it yet.

Don't forget, the new 50% rate of income tax has now kicked in and CGT is the favourite to increase in the next budget.

Time to pay

The Budget confirmed the concept that HMRC should continue to give businesses that are struggling with cash flow the time to pay their tax bills

(PAYE/VAT/income/corporation tax).

However, the reality is that the struggle has been going on since mid-2008 and HMRC now regard anybody who has already asked for time to pay as a potential defaulter (and the answer is therefore "no").

Statistics from the insolvency sector indicate that 43% of company winding up petitions are HMRC driven. Expect no mercy (from HMRC or the banks).

Just to make matters worse, the new PAYE penalty regime is also now in play. The details of this were spelt out in the Tax Tips diatribe. For those who weren't paying attention, you get a fine if your monthly PAYE is late. The more deadlines you miss, the higher the penalty. What we've only just discovered is that the fines will be accumulated during the year and issued in one fell swoop in April 2011. Given the way in which payments are allocated, it is entirely possible that the first payment of the year is allocated into last year and all 12 payments are deemed to be late. Stand by for a 4% penalty. That should keep us all busy next April.

On a related point, you should all have received requests to join our tax investigation fee insurance scheme (wef 1.5.10). At risk of being accused of selling insurance, this is now an essential cost of being in business and I recommend that everybody has it.

<http://www.chrisduckett.co.uk/taxtips2010.html>



Record keeping

This is hardly an interesting subject, but the tax laws say that you must keep your accounting records for (effectively) 7 years. You can now store everything electronically, but keep it you must. If asked, I frequently suggest actively destroying records after 7 years so that they can't be used against you. HMRC's keeping of your records is, of course, completely haphazard. The exception to this rule relates to insurance certificates. We recently had a panic phone call from a builder client asking us if we could tell from our working papers who his insurers have been for the last 20 years. One of his long-term employees had recently died of asbestosis and the estate was suing our client. The current insurers would cover the period that they had been in place for, but he needed to identify the previous insurers. We've found the information: we'll see what happens. I suspect that the moral of the story is not to change your insurers (or your accountants) more often than you need to.

To Windows 7 or not

Windows XP has been the default option for years (Vista was an aberration): it works and the techies know how it works. However, support for XP ceases in April 2014, so Gartner says you need to move to W7 by the end of 2012. Furthermore, there is no upgrade from XP to W7. Well, I've got a programme of rolling upgrades running (to cope with Office 2007 and the paperless requirement) and I see no strong argument for moving to W7 just yet. Mind you, if I could, I'd have stuck with Office 1897 – the last time Excel was actually improved.

Electronic money

Cash has been around for an awfully long time, but despite credit/debit cards, there has been no real alternative, at least for low value transactions (below £10). [HMRC catches plenty of tax frauds because it understands this point. You can only buy so many wide screen TVs with undeclared cash.] Apparently, this is set to change with the arrival of contactless smart cards. Such cards use radio frequencies to communicate with tills and therefore no swipe is needed.

But, a card does require a supporting bank account and this is thought to be a stumbling point in developing economies. However, somebody has calculated that whilst there are 1.6bn bank accounts in the world there are actually 4bn (and rising) mobile phones. So, if you can use your phone to pay for things, the problem goes away. So far, in this country, mobile phones have only been used to pay for parking, but this is set to change rapidly. Apparently, Arriva buses have a system where you can show the ticket on the phone display to the driver. I guess this beats fumbling with a purse, but it'll never catch on(?). The Boy Scout favours imbedding a chip in his forearm. At least he can't lose it.



Selling skills

I came across this article in Rain Today. Nothing new, but a good summary. The 7 skills/roles are

http://www.raintoday.com/pages/5824_sales_evolution_7_roles_and_7_skills_you_must_master.cfm

Business Advisor: Your objective is to find the best answer for the client's issue, even if your service isn't part of the solution. Study the client's current business and future objectives, stay on top of developments in the client's industry, and work to become a valued client resource instead of just a seller.

Idea Merchant: Selling professional services always begins with ideas clients can use. You must go far beyond the traditional advice such as sending relevant articles to clients. Dig below the surface to explore the relevance of ideas for your clients. Then, find innovative ways to get those ideas in front of your clients.

Strategist: You can never lose track of the big picture: foremost for the client, but also for your own business. As you envision a solution, focus on results for the client, assess whether the opportunity makes sense for your business, and decide how you will both win. A services sale is a project in itself, with its own objective, scope, timing, staffing, and budget. Buyers rightly view the sales process as a dress rehearsal for how you will operate if you win the work. So manage the sales process with a vision, communicate widely, and manage tasks to meet your objectives.

Change Leader: Your ability to guide clients through change is as important to the sale as the quality of your service. In the past, too many clients watched the erosion of promised value when a seller's implementation approach resulted in delays or worse, project failures. Now, they're not just asking questions about what will change; they want to know what you will do to bring about that change and minimise disruption to their operations.

Relationship Manager: None of the seller's roles is more important than the others, but without the ability to build strong client relationships, you'll

struggle to stay in the game. The other roles you play provide the necessary foundation for relating to clients. And those who master those other roles are usually also the best relationship managers.

Communicator: The seller's primary responsibility is to negotiate the sale with favourable terms, and that requires highly tuned communication skills. Each of the roles above offers ways to strengthen client relationships and manage the sales process, but those roles only facilitate the sale. To take a prospective sale from a lead to closure demands expertise in persuasiveness, building trust, and, at just the right time, asking for the sale."

And what do you do?

Do you remember the game we had to play at parties in the Dotcom Days? How to make your chosen profession sound remotely interesting compared to some devious new internet driven business model involving losing large amounts of money. The Boy Scout made me practice claiming to help people make more money, but I'd admit to being an accountant if pressed. That always stopped the conversation and I could get back to staring at my shoes. Mind you, I know of one tax inspector who claimed to be an international porn star. Nobody looked at her shoes after that.

A variant on the party game was the "Elevator Pitch". You had to be able to get across your sales message in the time it took to take the lift ("lift pitch" doesn't work) from the ground floor to the pitcher's floor on the basis that you wouldn't be allowed into their office anyway. Happy days.



'What Works' by Hamish McRae

He's the business editor at The Independent

<http://www.independent.co.uk/news/business/analysis-and-features/what-works-ndash-and-why-hamish-mcrae-on-the-science-of-success-1863727.html>

McRae's 10 Laws :

1. Optimism – balanced by realism: Pessimism paralyzes
2. Excellence – tempered by decency: If you neglect your wider responsibilities, you're liable to end up in trouble when you meet headwinds
3. Community works – If it is allowed to: Look at things from the ground level up and mobilise community
4. Government works too: Compare like with like
5. Become a true magnet for talent: Put out the welcome mat
6. Be honest about failure: Keep learning, keep making mistakes
7. The need for humility: Be as sensitive to success as you are to failure
8. Be nimble: Make sure you are quick to adapt
9. Listen to the market: Remember, it's about more than money
10. Have a sense of mission: Keep the long game in view and do right by those who share your objectives

And what do you know?

Research from the States shows that success changes the pattern of neurones in the brain (plasticity) whereas failure does not. This is probably the physiology behind the Strengths Movement. The difficulty arises when the things that have worked in the past are no longer effective. This may be the point to retire, or perhaps evaluate your strengths (as distinct from your experience). It probably also explains Churchill's view that "success is the ability to go from one failure to the next without loss of enthusiasm".



What makes a happy workforce?

Progress. Not success as such, but making progress. Getting things done. Not getting bogged down and embroiled in back stabbing and blame. It's the boss's job to make sure that the right things are getting done (at the right price for the right customers – of course). If he's not doing this job, find a new boss.

The new man

I reported in the last newsletter that the Boyscout had a new assistant called John. John used to work for Nat West, but we don't think it was his fault. 3 months on and we've now figured out what he can do. Apart from the short straw with company secretarial work, he's having a lovely time looking at funding proposals with a view to getting them past the credit control noddies who are still there. Have wheelbarrow: will travel?

CIS penalties

The last set of "new" penalties were to enforce compliance with the Construction Industry Scheme (CIS) [monthly payments like PAYE]. To cut a long story short, if you failed to register when you should have done, cumulative penalties are now of the order of £70k, no matter how little tax is due. This is clearly a nonsense and a case has now gone to Tribunal, albeit over relatively minor penalties. When the judiciary understands the full scope of the legislation, HMRC is expected to get "a rough ride and the entire new late filing penalty regime could suddenly be swept away". This is probably a bit optimistic, but who knows?

Vision

Given the chronic uncertainty brought on by the political situation, now is the time to work on your vision of the future. That is, please get one:

<http://www.strengthsacademy.com/3-tips-for-clarifying-the-actual-words-you-want-to-hear-people-saying-in-the-future>

Cloud darkens

Proper cloud computing involves multiple storage of your data, so that in theory it can't actually be lost. If one storage solution dies, there is always a backup (or two) to ensure

seamless access by you, the client. However, if you're unlucky enough to have bought a gizmo called a Sidekick (unlikely unless you live in the US), you'll have discovered that the practice doesn't match the theory. Every time you turn this device off, you lose all your data. Just imagine how frustrating that must have been for the people who discovered the problem.

Too cold for Newsletters

If you're wondering why you haven't had a Newsletter since last year, it's because I've been playing in the snow

<http://www.petzl.com/en/outdoor/petzl-tv/videos/ice-climbing>

Disclaimer

Simply receiving this newsletter will improve your "Cool Quotient" and make you more attractive to the opposite sex.



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