



October 2011 Newsletter

Doom and gloom special. Stop watching the news and reading the paper. It can't be as bad as the media would have us believe.



Book of the month

It's rumoured that Jim Collins is bringing out a new book shortly. This is a cause for some excitement in business consulting circles – we might get some new buzz concepts to go alongside “getting the right people on the bus”, the “hedgehog concept” etc. Jim's last 3 books are classics of the genre (and much featured in this newsletter):

- Good to Great
- Built to Last
- How the Mighty Fall (if you forget the lessons of the first 2 book)

Good to Great is the standout book – simply because it tells you what you need to do (over an extended period of time) in order to be deemed to be successful

www.jimcollins.com



Willpower

Forty years ago, the rat torturers at Stanford University came up with the Marshmallow Test. Sit a 4 year old at a table (in a room on their own) and tell them that they are allowed to eat the marshmallow in front of them immediately, but they could have 2 if they don't eat that one for 15 minutes. Most (grown ups included) fail the test, proving just how hard deferred gratification is for people. More recent research suggests that people suffer from decision making fatigue, which is vaguely coupled with a blood sugar level crash in the late afternoon. So, make your hard decisions as early as possible in the morning (whilst you're still paying attention) and consider eating something with a high glycaemic index (not cake) in mid-afternoon.

Honey Money

Somebody has dusted down the theory that beautiful (symmetrical?) people get promoted faster and re-launched it as “Erotic Capital”. Given that most business owners that I deal with are middle aged blokes, it can't be much of a surprise to anybody that recruitment policies verge on the Neanderthal. At least The Guardian has something to be outraged about.

<http://www.guardian.co.uk/books/2011/aug/19/honey-money-catherine-hakim-review>

Miserable solicitors

There was a great article recently in the Law Gazette (no, I don't read it) about being a successful lawyer and also being happy. Apparently, Martin Seligman (the happiness guru) wrote an article on the subject 9 years ago whereby he accused lawyers of (more or

less) being a miserable bunch. In typical legal fashion, the profession has just got round to rebutting Seligman's arguments and a lawsuit will no doubt follow shortly.

The three principal causes of demoralisation among lawyers:

- Pessimism- lawyers are naturally miserable (or miserable people become lawyers). This manifests itself as professional prudence.
- Low decision latitude - having responsibility for a task without the authority
- Zero-sum games - litigation involves beating the opposition and is inherently confrontational

I'm with Seligman

<http://www.authentic happiness.org>

Do these descriptions apply to your work?:

- a freely chosen, fluid, life-enhancing activity;
- a fulfilment of personal growth and self-expression; or
- a form of leisure, and inherently enjoyable

Not a description of accountancy that I recognise.



The Old Coastguard

I am pleased to be able to announce that hotelier clients Charles & Edmund Inkin have opened a new hotel in Cornwall to compliment their other units in Brecon (The Griffin) and Cornwall (The Gurnard's Head). As ever, Edmund was anxious about getting everything right before any announcement, but I have no doubts about their ability to get it right. In accordance with standard auditing procedures, the Boyscout and I will need to go check it out soon (despite the fact that the Boyscout wouldn't know an audit procedure if it bit him).

<http://www.oldcoastguardhotel.co.uk/>

David Maister

Arguably, the most successful management consultant of all time. He rather amusingly suggests that all vision statements are identical. Everybody claims to want to be the best in the world at:

- shareholder return
- looking after employees
- delivering exceptional customer service

Who can argue with that? He also illustrates the value of management consultants with his smoking fat man story (Strategy and the Fat Smoker). In order to live longer and more healthily, all the smoking fat man has to do is give up smoking and eat less. Conceptually, it couldn't be much simpler. However, most folk need some help (simple is not easy). It's exactly the same story with companies trying to deliver on their vision statements.

<http://www.thestrengthsfoundation.org/the-strengths-companion-m-is-for-david-maister>

The man himself <http://davidmaister.com/>



Passwords on mobile phones

It hadn't occurred to me that you would want to password protect your mobile phone, but the IT geeks are now advising that this is a good idea as the data on your phone is part of your digital identity. Apparently, smart phones can be wiped remotely and a password gives you time to organise this (assuming you can find the appropriate phone number). Everything you could possibly want to know on the subject is available as a toolkit on

<http://tinyurl.com/3hsqd18>

Open data

The Government keeps an enormous amount of data (on everybody and everything) and this is periodically made available to the world at large, presumably in the interests of transparency. The data can then be re-analysed by anybody who wants to do so.

The best example of this to date is <http://wheredoesmymoneygo.org>

which analyses how taxes are distributed between government departments. I've yet to understand the commercial significance of all this, but not only is Big Brother watching, he's also releasing data.



DOOH

A new acronym on me – digital out of home. It appears to mean the practice of putting advertising on screens in public places, rather as envisaged in the early Eighties sci-fi classic, Bladerunner (http://www.rottentatoes.com/m/blade_runner/.)

Thirty years from conception to reality bears out the theory that bright (and positively dim) ideas take longer to become accepted than you might think. Curse of the Futurists.

Law of unintended consequences

In the interests of marital harmony, I've recently had to spend some time in a hot

country, albeit one with functioning aircon, and the result is that I've caught up on my reading of Harvard Business Review. One particularly good story (from an article on complexity in September) shows just how careful you need to be when it comes to interpreting cause and effect.

Anyway, this story concerns a multinational hotel group where occupancy rates and average rates per room night were falling. Management immediately blamed receptionists (who else?) on the basis that most receptionists were young and staff turnover was high (lack of commitment due to instant gratification culture). There were even rumblings about receptionists turning people away in order to keep their workload down. A bonus system was therefore put in place to reward improved occupancy and training was given on customer handling. The situation got worse.

Eventually, somebody went from head office to observe what was going on. What they found was that housekeeping and maintenance were doing a poor job and reception was spending it's time dealing with the resulting customer service complaints. Receptionists were using their initiative to try to resolve problems (such as rushing round to find a TV remote), but often ended up making matters worse. They got frustrated and demoralised and soon quit. The additional training meant that reception was now happy giving discounts/refunds to people who complained, thereby forcing down the average rate per room night. Furthermore, they frequently held rooms back so that unhappy customers could be upgraded, thereby undermining occupancy rates.

The solution to the problem was to give reception a big say in who got promoted in housekeeping and maintenance. There was then a big incentive for these 2 departments to resolve problems rather than pass them on to reception. As a result, the company's gross margin improved by 20% points in 18 months.

In a complex system, beware who you blame.



Clear contracting

Staff appraisals are a big problem for any manager/employer. They are a matter of course in many industries (such as accountancy), but a new concept in other (such as farming). Nobody goes to work wanting to do a bad job, but both manager and worker need to understand what has to be achieved in terms of outcomes rather than just tasks completed. Get it wrong and you end up with the scenario in the Law of Unintended Consequence piece above. If a worker persists in believing that their interpretation of what's important trumps yours, then you've either got a communication problem or the wrong worker (or both).

<http://www.thestrengthsfoundation.org/3-tips-for-making-a-contract-with-yourself-before-making-contracts-with-other-people-2>



Books and records checks

This is the initiative whereby the Revenue send out junior staff on a fishing trip to see if it is worth sending in a proper inspector. Having announced that they were going to do 50,000 a year, the target has now been reduced to 20,000 and more resources (ie staff) have been co-opted. So, it's not as easy as they thought.

However, we have seen more joined up thinking on the transfer of "discoveries"

between types of tax. In other words, a VAT visit is more likely to lead directly to a CT/IT visit. Penalties remain the issue and HMRC still has no concept of materiality, despite all the talk about following accounting standards

Disguised employees?

Whiplash and I made our annual pilgrimage to the Accountax lecture. These guys are the specialists in arguing with the Revenue about whether somebody is an employee or self-employed ("status" in the lingo). The big recent case is known as "Autocleanz" and involves employees taking their employer to tribunal. The facts of the case were such that nobody (except the company) would argue that the workers were anything but employees. As usual, the judge said something along the way that gives the Revenue hope that they might win a few status cases. In reality, it is worthwhile reviewing any Contracts for Services that are in place and ensuring that what the contract says is what happens in practice. Nothing new there.

Bribery Act

This came out a while ago, but nobody knew how it was to be interpreted. Arguably, they still don't, but the lawyers are doing a good job in winding up the anxiety levels.

Allegedly, those in power are looking for some high profile examples (big and small) with which to beat the law abiding majority.

Disclaimer

Dip me in chocolate and throw me to the auditors.



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