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Corporate Governance Health and Safety

Directors can affect the organisation like no other position can, not only through making business decisions but through their influence on corporate governance and culture.

The duties of directors are well known by the business community. They are legally defined in legislation and include owing the company a fiduciary duty, the duty to act in the best interest of the company. They are also defined through corporate governance principles which, while non-binding, are important as they are considered by the community as best practice. The importance of these principles should not be dismissed just because they are non-binding. It is easy to imagine that there would be negative consequences for a company if a director is not observing and fostering high ethical standards or not managing potential and relevant risks.

In an effort to emphasise the importance of the position of directors and re-enforcing the broader range of responsibilities that are expected, regulating authorities are proposing changes in the Health and Safety in Employment Act 1992 ("the Act"). Namely, the proposed key changes include adding that the key duty holder to the health and safety programme of a company is a person conducting a business or undertaking. The key duty holders here are those in governance roles; in other words, the directors themselves. The regulating authorities believe that influential intervention by directors could have avoided catastrophic events such as the recent Pike River tragedy.

By becoming the key duty holders to the health and safety programme of a company, the directors will have a duty defined in legislation to do just that; actively participate in setting and implementing health and safety standards and procedures in their company along with due diligence duties. This role would no longer be delegated to management while directors claim that things were under control unless they personally are informed by someone about a problem. They will have to make sure that the company has taken all practical steps to ensuring the safety of everyone involved in their operations or face legal consequences. Importantly, the cost of a safety measure becomes a secondary consideration in determining whether a safety precaution is reasonably practicable.

The goal of this change is to influence the emphasis on health and safety in companies from the top to the rest of the company. It also serves to remind us just how influential directors can be and that it is unacceptable for a director to not be fully involved in the company they are supposed to be running. By introducing consequences, directors would not be able to defend themselves claiming that they did not know if a problem occurs. This will hopefully have a large impact on directors who are merely "pro-forma" directors.

The legislation makes it clear that it wants all directors fulfilling their duties and it wants them to do this even before the proposed changes become part of legislation. In order to avoid fines, or possibly imprisonment, it is best for directors to either immediately establish and actively enforce effective health and safety practices in their companies or cease being directors at all. With the proposed changes set to come into force on 1st April 2015, those in governance roles have plenty of time to act.

Source: RSM Prince

Taking stock for own use

Stock taken for own use by sole traders and partners in a partnership, has been valued at cost. IRD now considers this is wrong. They say stock taken for own use is to be valued at selling price at the time of disposal. Where the stock is raw materials to be used for manufacture, selling price is the same as cost.

The power of connection
in gaining recommendation

Many people value referrals (or recommendations if the word 'referral' scares you) but feel it is a one off event. It is anything but this.

Here are three simple things to help clients recognise this value and know that we want those recommendations.

1 Keep Filling up the Emotional Bank Account

Deposits in the emotional bank account is recognition by a client for the help and assistance you provide. It isn't something you do once and then assume that things are in place from then on, it is something that you continue to work on every chance you can.

Also remember, because their reputation is linked to yours once they have made the recommendation, it is important to keep making sure that you touch base with them emotionally on an ongoing basis and continue to add value. This is another deposit in our emotional bank account with those clients.

Once the level in this emotional bank account has been built up, then the withdrawals you gain are in the form of referrals and recommendations. But there is no credit balance in this bank account – we have to put investments in before we can take that withdrawal out.

2 Remind Them of the Value You Have Given

As New Zealander's we are not very good at blowing our own trumpet. It is necessary to remind clients that we have given them great value and continually refresh the idea that we are worth having around and worth recommending. Even though this goes against the grain for many of us, if we don't promote ourselves then who will?

It doesn't have to be obvious or a billboard sized sign but it does have to involve us checking in with the clients to remind them where we have added value and keep it fresh in their minds.

3 Sow the Seeds Often

This is the ability to touch base in a low key way with our clients to remind them that we are always open to helping their friends.

It could be that it is included with newsletters or keeping your ears open for moments when we could say "I can help them if you'd like me to" and many other small seeds that we can sow along the way to remind clients that we are always there and ready to provide value.

When we touch base with our clients it is not always about asking for a referral. Perhaps four out of five times it is likely just to remind them that we are there for them. These simple actions will certainly make sure that you have more referrals.

Source: Bill James ***www.inspiredlearning.co.nz***

IRD up in arms about 'donations'

IRD is getting upset about "donations" which are really in the nature of fees for services. In Revenue Alert 14/01 it lists the criteria for a donation. When you analyse the list it amounts to:

- The gift is made voluntarily.
- Nothing is received back in return for the gift either by the giver or anyone else.
- The charity doesn't have to give anything away in return for receiving the gift.

The department is investigating arrangements where private education and child care centres charge nominal fees and then get parents to make substantial donations, for which they issue a donations receipt. They say these are payments, which would not ordinarily be donations, and are fees for services. The purported donations are used to meet running costs, which would otherwise have had to have been charged to parents.

GST is also an issue. These "donations" are really being paid for services. Therefore the education centre must charge GST. The department says penalties and interest may be applied if it catches anyone transgressing. What can you do? If this announcement affects you and you have been used to claiming these donations, you may need to forgo these claims, which is, of course, exactly what the IRD wants to achieve.

Preparing your business

The state that your business is in when you begin marketing it for sale can greatly affect the price you get for it. You should start preparing to sell your business as soon as possible – some advisors recommend you start this when you first start or buy your business – in the event this should occur no later than between 2 and 3 years before you wish to have it sold. Selling a business is a complex procedure. Whether it's your first time, or you're an experienced seller, it's very easy to forget things and to feel overwhelmed. The sale of your business should be a team effort involving you, your lawyer, accountant and an experienced business broker.

Key Issues & Themes

- Be serious about the sale – treat it as a project and put enough time aside for it.
- The overriding goal should be to make the transaction as easy as possible for a buyer.
- Identify any issues as soon as possible and address them – have explanations prepared and keep them consistent – there is nothing that frightens buyers away faster than surprises and inconsistent explanations.
- Identify value drivers in your business and secure them – buyers are looking for sustainable value.
- It is always good to leave some (identified) opportunities for a buyer to exploit.

Financial

- Remove all non-business assets & liabilities from business and business books.
- Clean up fixed asset schedule and write-off or scrap all obsolete and missing assets.
- Clean up stockholding by disposing of obsolete stock.
- Clean up Accounts Receivable by writing off bad debts and keeping all accounts as current as possible.
- Ensure all sales are processed through the business's books.
- Remove all non-essential business expenditure from business's books.

Premises & Operations

- Spring clean premises and keep in a neat & tidy condition.
- Ensure lease is documented, up-to-date & transferrable.
- Keep operation work-flow neat & tidy.
- Document operation where possible (manuals).

Employees & Contractors

- Ensure all agreements are up-to-date, signed and on file.
- Employee files all up-to-date (leave register, reviews, etc).
- Optimise staffing levels and secure key employees (e.g. incentives).
- Decrease reliance on yourself (e.g. train staff, employ a general manager, etc).
- Encourage staff to keep leave due current by taking overdue leave entitlements.

Customers & Suppliers

- Update all agreements and consider reducing any other arrangements to writing.
- Where possible ensure agreements are transferrable to a buyer.
- Reduce concentration/reliance on only one/few customers/suppliers where possible.

Pre-Sale Review

- Review your business through the eyes of a buyer.

Source: Michael Gale, Barker Business Brokerage Ltd REAA 2008
www.barkerbusiness.co.nz

Are you a bad boss?

How to identify it and how to fix it

Most people have had their share of “bad bosses.” According to research by Gallup, it’s a leading factor as to why so many people are actively disengaged at work. In fact almost 70% in the USA alone are disengaged because they have a bad manager.

Sure you will have your bosses from hell a la “The Devil Wears Prada,” but not everyone has intentions of creating a horrible work environment for their employees. It’s quite obvious that not everyone has what it takes to be a good manager, though so many have assumed that “bad boss” position. So how do you know if you’re a bad boss? Below are some things to consider.

Your staff avoids you. No one stops by your office, desk or “skypes” you to check-in. This is a probable sign that your employees are afraid of you or have simply lost confidence in your leadership.

Inability to make decisions without your input. Your staff constantly asks you for advice on the smallest details. It’s likely you haven’t empowered your employees, or they’re just too afraid of potential consequences if they don’t approach you on everything.

A high turnover. Look at how many people you’ve directly or indirectly managed and have resigned within 1-2 years. Leaving for more money is likely not the initial motivator. People typically leave their boss not the company (unless you have a terrible company culture). Quite obvious, but few fail to face this reality.

Former employees disappear, forever. Nothing says it more than anything if your ex-employees don’t keep in touch or you don’t get recommendation requests. Good bosses typically become mentors or role models for ex-employees.

Lack of feedback. You fail to communicate with your team and may not have set expectations, goals or timelines. Bad bosses often change their mind frequently leaving their team feeling off balance. You’re also not available to receive feedback about yourself. Most people like to see progress and to progress in their careers. It’s important that you provide timely feedback. Positive feedback is typically best and constructive feedback is important if something needs to be improved or corrected.

If any of the above is true, here are 4 simple tips you can use to engage your team and help you get out of that bad boss category:

Create transparency. Don’t keep your team in the dark. Share your company’s performance, track and communicate progress. It will help your team understand that the things they work on directly impact the company’s success and ultimately their own.

Make work meaningful. Reinforce the importance of everyone’s role. Provide clarity and direction by defining both team and individual goals. Avoid ambiguity at all costs. This will help foster ownership and will help get things done.

People-Focused Culture. Promote the sharing of ideas, suggestions and improvements. Recognise people for their achievements. Live your company core values and have your team nominate colleagues who meet different core values.

Nurture employees and create a path for growth and opportunity. Create opportunities for career development and progression. Talk to your employees about their career plan. Does their current role make full use of their strengths and abilities? Provide feedback (both the good and constructive) sooner than later.

Take the time to think about the points above and keep in mind that highly engaged employees are 26% more productive and on average their company’s earned 13% greater returns. Creating a more engaged workforce benefits the company, your team, and yourself.

Please share some techniques you think help make better managers.

Source: Joseph Coles – Results

Use email signature as a marketing tool

An email signature can be a useful marketing tool. A signature can automatically go on the end of every email you send. It should at the very least include your contact details, company name and your designation (i.e. sales manager).

It can also include the company logo and, if relevant, your website and social media addresses (Facebook, Twitter, LinkedIn) and a link to your profile.

However, you can use the signature to market yourself, your company and/or a product/service by adding special offers (make sure you change it or delete it once the offer expires), to publicise any awards won (Plumber of the Year etc), a testimonial or even a recommendation for a partner business.

There’s plenty of information on the internet about how to set up a signature in Outlook or in Mac Mail if you don’t have one already. You can even set up different signatures for different recipients (i.e. sales or general).

Take care with bank discussions

Anything you say to a bank can be written down and used in evidence against you. Not by the bank so much as the Tax Department.

It is not confidential from the IRD. Always imagine an officer of the department is listening to your every word. You have no control over the notes your bank manager makes of your meeting. Just in case he/she makes a mistake and writes a note of something he/she imagines was said, make a detailed diary note yourself immediately following the meeting. For example, if you were to buy a property for renting and were to tell the bank there is a good capital gain to be made, this could be interpreted by the IRD as being a purchase made to get a capital gain. Consequence: taxable income.

If you have the intention to make a profit and a reasonable prospect of success, the eventual gain on any transaction you are engaged in is probably taxable. So, if you buy a rental property but have in mind selling it for a profit some time in the future, the profit on the sale is taxable. On the other hand, if you buy the same rental property as a long-term investment to provide income in future years, you are not taxed on the profit you make on the eventual sale.

We all know property prices rise over time. So the person who buys to rent is aware there’s likely to be a capital gain on the sale of the property. The issue is you must buy for the income, not the capital gain. The same applies to the sharemarket. Buy shares like Xero for fat dividends once they make profits and your sale of Xero shares for a gain is not taxable. Buy Genesis shares and sell them soon after issue “to take a profit” as sharebrokers say, and the gain is probably taxable.

Do you have the right process to ensure you get the right person for the job?

We have all heard many times over that the most important factor in any business is its people. That involves having the best people from the front desk and phone answering right through to the CEO and owner.

But how many firms give enough attention to the selection process?

Good candidate selection involves a number of steps, each is fundamental to ensuring the right person is selected. These steps can be broadly defined as.

1 Need for a role to be filled. This is usually quite obvious e.g. replacing a staff member who has just given notice or the need for a new position due to growth.

2 Review the Job Description. Rewrite if necessary. The job may have altered as the business has grown or if it is a new role write up a new Job Description.

3 Notify an Employment Agency or elect to manage the selection process in house. An agency is geared to handle the process and for most businesses is recommended. Some very large businesses may have an in house HR department that is capable of following best practice in selection.

4 Advertise the position. The brief given to the Agency must spell out the type of business and in a few words its reason for existence as well as giving a precise statement as to the requirements of the position. This will tie in with the Job Description.

5 Today most applications come in via the internet either directly to a business web site or directly by email.

6 An agency will interview a number of applications that meet all or part of the criteria set with the objective of culling the applicants down to 3 or 4 who best meet your brief. They should do some checks around claims made in curricula vitae (C.V.'s). It is important once this is done to become involved in the final selection for interviewing.

7 Interview the short listed candidates. CVs or Resumes in most cases need to be qualified. A trained HR person will look for the gaps e.g. years worked do not tie up, a year is missing. A CV is a history of what the candidate has achieved, his or her work history and qualifications achieved it is important not to take at face value.

8 A Personality Profile (often referred to as a psychometric test) and possibly an Aptitude test should be required for the top 3 applicants. The Personal Profile will tell you if a candidate is suitable for the role advertised by measuring their interest and attitude. An Aptitude test on the other hand will give you an indication as to whether they have the mental capacity to do that type of job. Saville Consulting have arguably the best sets of Personality Profiling and Aptitude Tests available.

9 At least 3 Referee checks should be done on the final candidates. A previous employer should be one of those checked out. Claims made in the CV regarding achievements and positions held together with skills should be checked.

10 Before the position is offered to a candidate ensure that a number of senior people in the business have met up with him or her and they have asked questions and had satisfactory answers. The candidate should be seen as one who will easily slip into the culture of the business (assumption is the business culture does not need to be changed).

11 It is vital that the selection process be followed. Advertise the position in the most cost effective way. The advertisement should spell out the businesses special marketing attributes and that the role fits the Job Description. Applicants should feel a desire to work for such an organisation.

12 A person's CV is of great importance but must be qualified. The fit to the job and the ability to rank one finalist against another often comes down to their Personal Profile and Aptitude. The tests will more often than not confirm the impression built up of the candidate. Often they will highlight possible strengths and weaknesses that can be further explored when interviewing the candidate.

Source: Paul Brosnahan ***www.savilleconsulting.com***

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