

Inventory Counts

Thinking of expanding overseas?

Some tax considerations

- Language barriers
- Unfamiliarity with local customs, business practices and etiquette
- Unfamiliarity with local laws and politics
- Difficulty in identifying a trustworthy business partner

On the other hand, 95 percent of the world's consumers live outside the United States according to the Office of the U.S. Trade Representative. More than a few may be potential customers.

It is a good bet that your competitors are offering – or thinking about offering – their products or services in overseas markets. A competitor from overseas may already be calling on your customers.

Doing business in cyberspace can be relatively simple. But before your business actually sets foot on foreign soil, you need to



Could my business benefit from going global?

Are you tired of reading about large U.S. corporations that “game” the tax system to lower or eliminate their U.S. tax bills by shifting income to so-called “tax havens” in places that sound more like vacation destinations than business opportunities?

Have you wondered aloud whether you could lower your taxes with overseas operations?

If so, you are asking the wrong question. The right question is: “Could my business benefit from going global?”

With Internet connectivity, almost any business can be a global business. At some point, every entrepreneur will face the same trepidation Columbus faced: If I take my business across the ocean, will I find gold or fall off the edge?

For those looking for validation that it is better to keep their business local, there is no shortage of valid concerns. Examples include:

get the lay of the land. In other words, you need a business plan.

Laws vary in every country, and labor laws are a prime example.

U.S. employers enjoy a relatively free hand when it comes to hiring and firing employees. In other countries, you could find it quite difficult and/or expensive to terminate employees, shut down a facility or even discontinue a product line. Be sure to consult an attorney familiar with local labor laws before you begin a search for foreign employees.

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A financial and management bulletin to manufacturers from:



Gregory, Sharer & Stuart

Certified Public Accountants and Business Consultants

100 Second Avenue South, Suite 600, St. Petersburg, Florida 33701 | (727) 821-6161 | www.gsscpa.com

Tips for recruiting *the next generation of managers*



With the unemployment rate still running high, now is a good time to recruit top talent for your next generation of managers.

While there are fewer job openings, colleges are putting out just as many graduates. Hence, you have a larger talent pool to choose from.

Here are some tips for securing the best candidates.

Define your recruiting strategy. Your company is not like every other company, nor should your recruiting strategy be.

Think about what sets you apart and develop a strategy based on that. Will you hire for personality and then provide mentoring for lack of experience?

Are you looking primarily for creative people who “think outside the box”? When you have an answer, put it in writing for your recruitment team.

Hire for potential, and train for skills. One principle when hiring young, first-time managers should be to hire people with high ability, which is something that can’t be taught.

Don’t worry so much about skills and knowledge, which can be taught.

Rebuild the “Careers” portal on your website. Young, talented job hunters are likely to visit your website, and that is where they will form their first impression of your company. Devote as many resources as you can afford toward making it stand out visually and functionally.

Gear it toward the type of employee you are seeking. Update job descriptions to ensure they are accurate, exciting and compelling.

Use multiple means of assessment. The résumé, interview, and references are a start, but don’t stop there. Create some more spontaneous, unscripted moments in which to observe employees’ skills and personalities.

One example is to hold a dinner reception for a group of candidates the night before their interviews and tours of the company. Watch how the candidates mingle, socialize and interact. Look for poise, comfort level, conversational skills and other traits you deem important to your company.

Another method, while you have them on site, is to give them 30 minutes and ask them to write on a topic of your choice. The object is to see how well they conceptualize and communicate, of course, but it also taps creativity, staying cool under pressure, problem-solving under tight time constraints, and so forth.

If you use these techniques for one interviewee, be sure to use them for all of them.

The quality of your next generation of managers will have a lot to do with the long-term success of your company. It is worth the effort to recruit with care. – *Jeff Van Pelt, Ed.D., SPHR*

How to develop a fair bonus program

Incentive compensation is a frequent topic for business owners. It seems so logical – pay people for what they accomplish, not just for showing up.

That may seem logical, but it isn’t as easy to practice as you might hope. Here are a few things to consider when trying to develop a fair bonus program.

First, think about the behaviors you are trying to encourage. Make sure the bonus program rewards those behaviors without compromising other behaviors you want in place. For instance, if you give rewards based on individual performance alone, but you still want employees to help one another in a pinch, you may be sending mixed signals.

The employee may think, “If I stop my work to help Joe, my bonus will go down.” If the measurement and reward systems don’t account for these activities, they won’t likely happen.

Second, think about control. Offering bonuses for outcomes the employee does not sufficiently control is a disincentive. For instance, if the employee is rewarded for how many widgets he packages in a day, but the assembly line stops and starts frequently, leaving him with nothing to package, he’ll be de-motivated by the reward system.

Every job has some uncontrollable factors. Just be sure the incentive program recognizes and accounts for those issues.

The measurement systems may need to be multilayered to be fair.

Third, when setting targets, it is important to make them ambitious but reasonable. How can you know how many widgets one person should be able to produce in a certain time period? Your production records can offer some guidance, as can industry statistics. Think about the “bell curve” that most groups fall into.

You’ll have a few very aggressive performers, a few who significantly underperform and the majority falling somewhere in the middle. If you set the target too high, most workers won’t be able to make it, and they will be unmotivated. If you set the target too low, you lose many of the benefits of incentive compensation. Getting it just right takes some study and deliberation.

Finally, it is important to understand that not everyone responds to incentives the same way.

Some people are motivated by knowing exactly what is expected and what they will be paid for doing it. They like the security and simplicity of the hourly wage or salary. Others get a thrill from trying to beat the clock. Think about your work force as you evaluate how an incentive bonus system might work for your company. ■

Using social media to bolster your business

In these challenging economic times, every company is looking for ways to gain market share and increase sales. But connecting with new customers requires more than a glossy brochure.

One way is to leverage the power of social media – a new marketplace available for those organizations able to capitalize on the opportunity.

Social media is an unstoppable revolution in the way people connect, communicate and build communities online. But how can you take advantage of social media to build real world revenue?

Here are a few social media marketing tips to consider.

Facebook – It seems like everyone is on Facebook these days. Indeed, research shows that nearly 1.2 billion people visit Facebook each month. Starting a Facebook page is free and easy, so it makes sense to become part of the growing excitement.

Here you can demonstrate what your company does, communicate what makes you different and build a following of “fans” that will in turn spread the word to their friends.

Facebook also allows you to target online advertising by running ads that attract specific groups of users based on what information they include in their profiles.

Twitter – While a relative newcomer to the scene, Twitter has become the fastest growing social media vehicle and has over 54 million hits each month.

Users post short messages, known as “tweets,” and interact in an environment akin to a global party line. Use Twitter to send out daily tips on using your products, informational links to related Web pages or targeted promotional offers to all of your followers. One company recently asked customers to tweet a “password” to receive free products and the company drew more than 17,000 followers as a result.

Flickr – Bolster the profile of your business by offering a peek behind the scenes. Post photos of new products, services or features on Flickr and invite comments from customers and visitors.

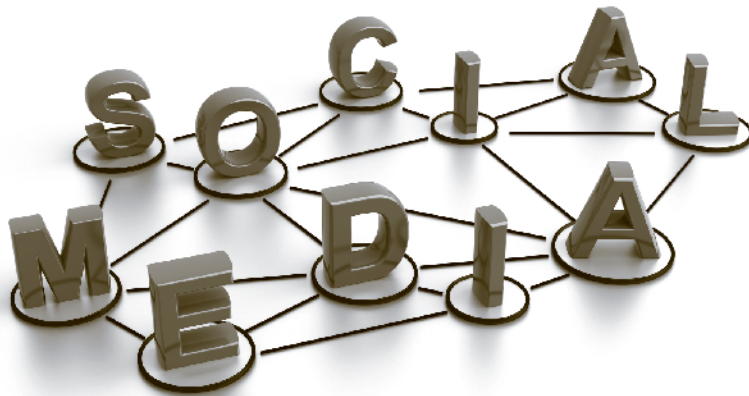
Offering a sneak preview online can help build demand among potential customers and provide you with critical feedback to help strengthen the launch of new products and services.

LinkedIn – If Facebook is like a backyard BBQ, and Twitter is like a soapbox, then LinkedIn represents the proverbial office water cooler. Here you can find and connect with influential people in your industry and reach out to professionals, customers and consumer groups.

For service providers, establishing yourself as an expert in the field can bring in a steady stream of business. LinkedIn’s “Answers” feature enables business owners to do just that.

Digg – You’ve spent money and time to put up a company website, now it’s time to put your website’s content to work. Digg is a social news website made for people to discover and share content from anywhere on the Internet and an effective tool to draw more traffic to your website. Its cornerstone function consists of letting visitors vote on submissions (e.g., “thumbs up” or “thumbs down”). By submitting links, blog posts and other Web content, you encourage visitors to share and promote the information they enjoy or find interesting.

The rise of social media has given birth to an entirely new forum in which to promote your business. It gives you an avenue to run promotions



Social media is an unstoppable revolution in the way people connect, communicate and build communities online.

YouTube – If a picture is worth a thousand words, then video can be priceless.

YouTube is another free and easy-to-use social media site that has grown to rival traditional broadcast and cable TV in popularity. Here you can post video clips of your products in action, upload content featuring your in-house experts or tell the story of happy customers. Your videos don’t need to be expensive productions, and don’t be afraid to be creative. If your clip “goes viral,” a simple camcorder can go a long way toward boosting your brand.

more frequently than when using coupons or direct mail advertising. And by its very nature you are free to devise more whimsical and engaging campaigns. Best of all, you don’t need to have a degree in computer science to use these social media techniques. Other than some relatively painless time and effort, the cost is essentially “free.” As a result, social media marketing is an attractive alternative to other traditional outlets.

Use social media to bolster your brand and promote your products and services to a worldwide customer base. – *Kevin Craine*

Overseas expansion *continued from front*

Your U.S. patents will be difficult, if not impossible, to enforce in foreign jurisdictions. As soon as you begin to distribute your product in some markets, copycats will appear offering knock-offs. Be prepared to spend some cash on knowledgeable patent attorneys to protect your franchise.

If you are going to do business with suppliers and customers in other countries, you will encounter foreign currency questions. The best solution is to conduct all business transactions in U.S. dollars. Foreign currency transactions introduce a new element of risk into your business – exchange rate fluctuations.

Your banker can help you manage exchange rate risk but at an additional cost to your business. If at all possible, avoid transactions in foreign currencies.

Finally, there is the tax law. You should never enter into an overseas business expansion for the sole purpose of saving taxes.

But if overseas expansion makes good business sense, then you will want to take advantage of all available tax-savings opportunities.

Every country has its own tax laws, and some are quite different from those you are familiar with in the United States. Many countries rely heavily on a value-added tax, or VAT, in addition to a business income tax. Think of a VAT as a sales tax imposed at every step in the business process, not just at the point of final sale to the consumer.

The U.S. government will tax your worldwide business income. If you are taxed on that same income in another country, the U.S. allows a credit against your tax bill for all or part of the foreign income taxes you pay.

If you establish a separate business entity in another country, profits earned by that entity may escape U.S. taxation, unless and until the profits are repatriated to the United States in the form of a dividend or otherwise.

Large multinational businesses often set up special-purpose entities in low-tax countries – the so-called tax havens – in an attempt to allocate profits to these jurisdictions. Suffice it to say that aggressive multinational tax planning can be quite expensive. It is best left to those who can afford it. – *Michael Redemske, CPA*

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The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation. Please be advised that, based on current IRS rules and standards, the information contained herein is not intended to be used, nor can it be used, for the avoidance of any tax penalty assessed by the IRS.

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Gregory, Sharer & Stuart

Certified Public Accountants and Business Consultants

100 Second Avenue South, Suite 600, St. Petersburg, Florida 33701

www.gsscpa.com | gss@gsscpa.com

(727) 821-6161

If we may answer any of your questions on the information contained in this publication, please contact us.