

WINTER 2012

Leading EDGE

PUBLISHED BY

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ADVICE & INFORMATION TO HELP YOU MANAGE YOUR BUSINESS

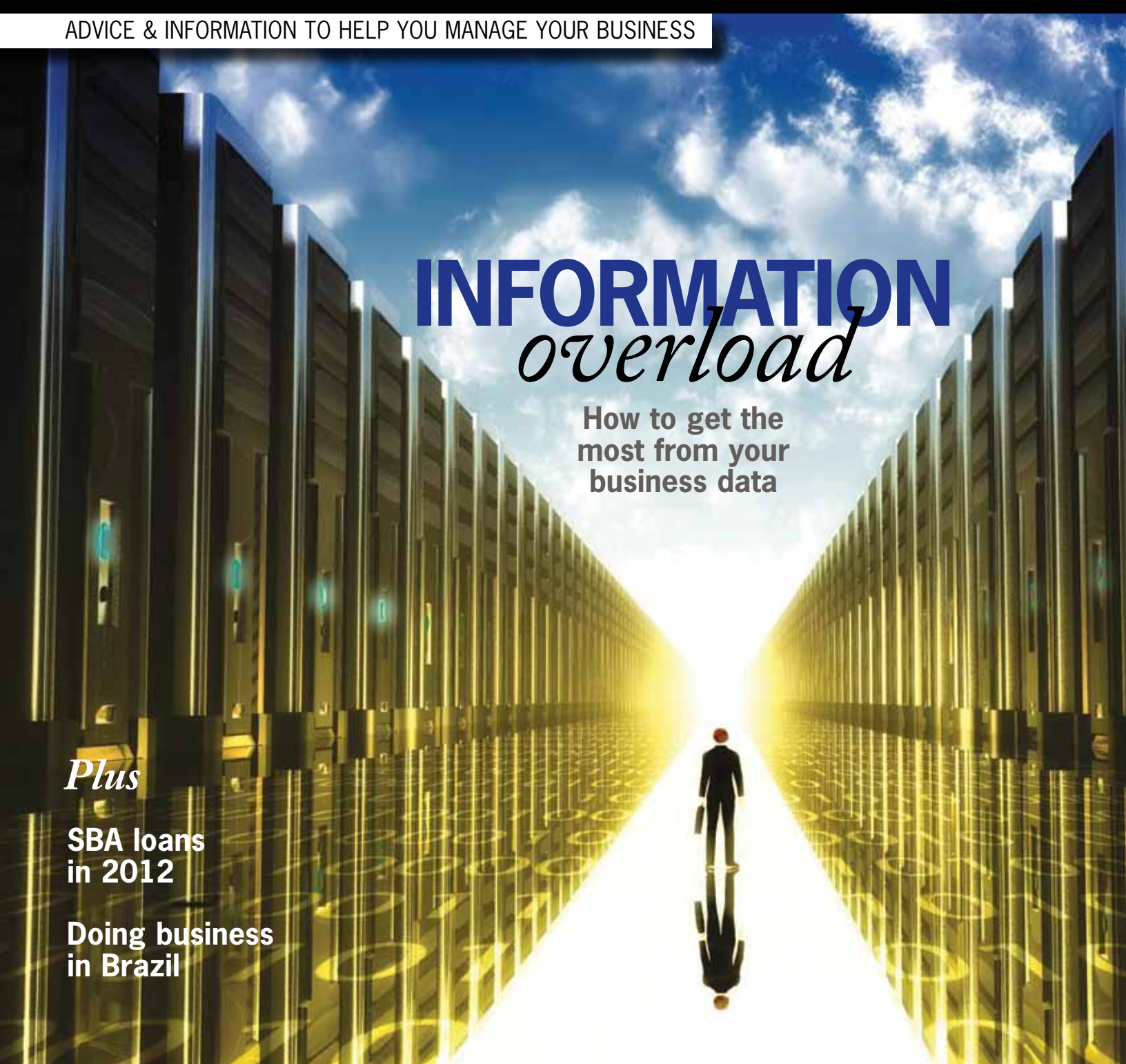
INFORMATION *overload*

How to get the
most from your
business data

Plus

SBA loans
in 2012

Doing business
in Brazil



Dear Clients and Friends:



Welcome to the winter issue of *Leading Edge* magazine. It seems that no matter where you turn these days, you are bombarded with information—it's inescapable. How do you handle the information overload in your organization? Our cover feature on that topic explores how to evaluate your business data—client names, emails, purchase information, industry research, etc.—to ensure you are getting the maximum value from it.

Also in this issue, the Kreischer Miller team examines:

- The two most important factors associated with effective leadership
- Ways to analyze your customers and products to drive profitability
- The four essential qualities of a top-notch CFO
- Tax options for victims of fraudulent schemes

We also discuss the record-breaking year for SBA loans and what you need to be prepared for in 2012, as well as the top six things to know about doing business in Brazil. In addition, our "On the Bookshelf" feature takes a look at a few books that you may find helpful in your goal-setting and planning process.

As you consider what is best for you and your business, please know we are here to help.

Kreischer Miller is committed to providing you with valuable information to assist you and your business. Please share any suggestions, comments and ideas for future articles with me at (215) 441-4600 or schristian@kmco.com. We appreciate your continued confidence in us and welcome any feedback on how we can better meet your needs.

Stephen W. Christian

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Smart Business Content Marketing
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Leading Edge is published four times per year by Smart Business Content Marketing, 835 Sharon Drive, Suite 200, Cleveland, OH 44145. (440) 250-7000, (800) 988-4726, FAX (440) 250-7001, www.sbsonline.com. Periodicals postage paid at Cleveland, Ohio.

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INFORMATION *overload*

How to get the most from your business data

BY DANIELLE TOTH

Data keeps piling up at your business—client names, emails, purchase information, industry research, etc. They fill up seldom-used spreadsheets, stuff filing cabinets and sit on servers in cold, dark rooms with nary a query. “There is a big accumulation of data that’s taken place over the last decade that has accelerated over the last few years because of the development and implementation of inexpensive data storage,” says Larry Miller, CEO of Activate Networks, a Massachusetts-based social network analytics company. “Ten terabytes of data was a big deal 10 years ago, whereas now it’s not a big deal at all. The sheer pervasiveness of data is astounding.”

While amassing data is cheaper, tapping into that data is where the true value for your organization comes. Chances are your data isn’t living up to its full potential and wasting time and resources. Turn data collection into a data strategy for innumerable benefits.

Step 1: Evaluate existing data.

To use data effectively, it first needs to be organized and managed correctly, says Daniel Teachey, senior director of marketing at DataFlux, a North Carolina-based data management company.

“Companies collect data on just about everything,” Teachey says. “They’ve generated literally gigabytes and terabytes of information, but that information needs to be categorized and managed in a uniform way so companies can then use it properly.”



“Information systems should be used more to develop business strategy rather than just housing data.”

– Kendra Von Achen,
president, DB Pros

To organize its data, a company should first remove invalid data. Take phone numbers as an example. If your database has numbers in the “phone” field with fewer than 10 digits, remove or update the invalid number, Teachey advises.

He says validation is also based on common sense. For example, a health care provider most likely keeps patient records that include both the patient’s gender and health conditions. A female patient cannot have a prostate condition, and a male patient cannot be pregnant. If the data review indicates incongruent information, it should be removed or reviewed, he says.

Cleaning up and organizing data translates to a more immediate ROI. As an example, Teachey says, clean data reduces the spoilage rate in a direct mail marketing campaign. A company that sends a catalog to 15,000 customers could reduce its spoil rate to less than 1 percent, thus saving on needless postage, printing and related costs for catalogs that no one receives. That translates to a better return on investment.

“When you reduce costs, you increase your profit,” Teachey explains. “A smart

company will measure itself from a beginning baseline and monitor their data improvement program to see how it has improved the company, both in time and revenue. The company can then continue to make adjustments and improvements to increase its efficiency.”

Step 2: Make data easily accessible.

No matter how good the information is, access to the information is a must for success. A standard information-retrieval system can vary based on a company’s and possibly departments’ needs, says Kendra Von Achen, president of DB Pros, a New Jersey-based data consulting firm for entrepreneurs and small businesses.

While a new information system can be costly, the ROI is substantial, she explains. Implementing a more effective system can save the company money in terms of number of personnel and improved time management, including reducing the amount of hours needed to manually enter, re-enter or retrieve information.

One of the biggest benefits is improved marketing capabilities, Von Achen explains.

An interdepartmental database of customers can help management keep track of which customers have made purchases or contact with the company and which haven’t, giving the company a better idea of whom it should target in its marketing campaigns, she says.

With better access to better data, the company is spending its money in a smarter, more efficient way, Von Achen says.

She says companies can decide whether to start anew or import old data (from a specific date, not all the data ever collected) into the new information system.

Data Flux’s Teachey says the system itself isn’t as important as the need to standardize a business’ practices so data is entered in the same way throughout the company for easy organization and retrieval.

Customer data, which is typically the most frequently collected and used information, should be entered following a standard format for items such as addresses (write the full word or abbreviate street names?) and names (last name or first name first?)

Standardizing information about products and materials is a little more complex, Teachey admits. “If you go to the store and buy a package of 20 hex nuts, that purchase can be represented many ways in a database,” he explains. “For example, you can use 20 count, ct or cnt. Or you can identify the item by an item code. Generally we recommend identifying items by an item code because they are normally standard throughout the industry.”

Information system evaluation also should take into account security access measures because not everyone in the company may be privy to the data, although DB Pros’ Von Achen recommends against privatizing too much. “Information systems should be used more to develop business strategy rather than just housing data,” she says. “Having an open database is an important value for the company.”

Step 3: Use data to the maximum.

Don’t overlook non-traditional uses for your data. Customer data, for example, can be used in more ways than checking to see if an order was delivered or finding addresses for a key mailing. The information can identify customer

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MANAGE THE OVERLOAD

We are constantly bombarded with an alarming amount of information every minute of every day—some we request, some we don't. Whether it's beeping email notification messages, constant TV advertisements or millions of Google search results, you cannot escape data.

"Information overload is a very big topic, and the impact is universal," says Jonathan Spira, chief analyst at research firm Basex and author of the new book *Overload! How Too Much Information is Hazardous to Your Organization*. "In fact, our research demonstrates knowledge workers lose 20 to 25 percent of the day due to information overload. It's staggering."

Spira says information was limited a few hundred years ago in part because many more people couldn't read and few books were published. However, as information democratized, everyone regardless of social class could understand and access a wealth of information.

"Whether you're a university professor, a member of Congress or a day laborer, if you go to Google and type in the same search information, you're going to get the same results," Spira says.

To dial down information overload and gain valuable lost time, he offers a few strategies:

Manage your email. For every interruption, it takes the mind 10 to 20 times the length of the interruption to get back to the task, Spira says. So a 30-second interruption requires at least five minutes to recover. To save on interruption time, Spira recommends copying recipients on emails only when they absolutely need to see the information.

He also advises to quickly reread your words before hitting "send" to make sure all the necessary information and attachments are incorporated to minimize or eliminate replies with additional questions.

Don't mix topics in one email because it can become confusing and harder to remember. Also, most people won't read the entire email if it has too much information. If you do need to send a long email, summarize what the email is about in the first sentence so your readers know what it covers.

Optimize search engines. Most people don't know how to construct search arguments using Boolean logic, Spira says. Even simple terms such as AND, OR and NEAR can tremendously narrow down a search (ex: Java NOT coffee for information on the island). Don't forget to use quote marks around phrases to narrow down the results. Many search engines also offer an advanced search option that allows you to search by file format, website, date, etc.

Delete old or obsolete information. Saving all data forever is not the best course of action. Identify a record-keeping policy so employees know when they can delete—and then remind them to delete information they no longer need from their inbox and their file drawers.

"Information overload can be controlled with some basic tweaks that have a dramatic impact," Spira says. "But the worst thing a company can do is bury its head in the sand and say it has bigger fish to fry. The problem will only come back to haunt them later."

demographic makeup, so you better understand who your customers are and how to better meet their needs, Von Achen says.

“By looking at your customer data, you can learn who your top 10 clients are,” she explains. “This is invaluable because of the 80/20 rule: 80 percent of a company’s business comes from 20 percent of its clients. If you know who these top clients are, you can better understand what they want and how to give it to them.”

Information from Twitter and Facebook pages may not be considered business data but it should be. “If companies can match a Twitter handle to a customer’s account, they could capture a whole new understanding of their customer base,” Von Achen says.

Consider what other data your company collects. Finance files can be a great wealth of information that may not be linked together to gain the biggest advantages. For example, what if your company did more than pay its account payables and update corresponding budgets to reflect year-to-date actual? By reviewing the compensation to all vendors in a particular category, the business could identify potential for savings through aggregation. Or

perhaps the company would realize the need to identify a back-up vendor because it relies on a single provider for a critical service.

Businesses can access significant information from publicly available databases, but many don’t because they aren’t aware of the potential. A nonprofit, with which Teachey worked, used U.S. Census information to determine areas of the community that were underserved by commercial services. The nonprofit used that free, professionally collected information to reach out to sought-after retailers to locate in the underserved neighborhood.

Similar data could be used to determine a company’s new office locations and areas in which the company’s key demographics live or work, enabling concentrated marketing campaigns and deeper customer understanding.

Companies also can turn information created for one-time use or purpose into multiple outlets. Social network analytics company Activate Networks uses data to map social networks—but not just the online kind. It goes deeper to map out all sorts of relationships based on virtual and real-world data.

For example, Activate Networks turns health insurance claims into a network map. Pharmaceutical companies and health care plan administrators can see how patients move through the system, how they are treated and what they are prescribed. The information can be segregated based on region, therapeutic area or specialty.

“Understanding who is connected to whom opens up a whole variety of business possibilities,” Miller explains.

In the corporate world, Activate Networks has evaluated email traffic to map employee relationships. Employees who email each other every day and respond quickly to each other’s messages most likely have a strong relationship, Miller explains. On the other hand, employees who only email each other once a quarter have a weak connection. This data can help companies view the flow of information in their workplace and improve their corporate communication structure.

“We hope to help people realize they should take more inventory in the data they have for whatever reason and understand the value that might be in it,” Miller says. **LE**

“Understanding who is connected to whom opens up a whole variety of business possibilities.”

– Larry Miller, CEO,
Activate Networks



INSIDE:

- The bottom line: Analyzing your customers and products to drive profitability
- 4 essential qualities of a top-notch CFO
- Tax options for victims of fraudulent investment schemes

The 2 most important factors associated with effective leadership



By Mary Ellen Harris, Director of Human Resources, Kreischer Miller

There are literally thousands of leadership books available on the market today and many of them are wonderfully written and provide great insight. In my personal quest for lifelong learning, I've read a countless number of them from a wide variety of experts in the field of leadership. Along this journey, two common themes have emerged from the literature specific to effective leadership: self awareness and relationship-building skills.

Self awareness is commonly associated with the concept of emotional intelligence that was brought forward to the leadership narrative by author Daniel Goleman. According to Goleman, self awareness is the foundation of emotional intelligence and is absolutely essential for effective leadership. Self awareness involves knowing yourself, being honest with yourself and having a deep understanding of your emotions, strengths and weaknesses.

Most of us think we know ourselves well and believe that we understand our strengths and weaknesses. However, if you've ever been through a 360-degree feedback process you know that the opposite is often true. Leaders are generally not as self aware as they perceive themselves to be. We've all witnessed the leader who perceives themselves one way, while the people who work

for him/her have a completely different perception of them.

If we can tap into the truth about our behavior, we will have a true edge and a greater chance at becoming effective leaders. The best way to become more self aware is by finding someone who will tell you the truth; the real truth, not the "truth" they think you want to hear nor the "truth" they believe will allow them to keep their jobs. Find someone who will "tell the emperor that he is not wearing any clothes;" perhaps a trusted colleague or a spouse or a friend. Humility is our best friend when it comes to being self aware.

The second theme that emerges from all of the leadership literature is the value of relationship-building skills. This is a concept often taken for granted by those in leadership positions. Similar to self awareness, relationship building is a skill that most people believe they do effectively. However, again, if you were to read a 360-degree evaluation or even an employee satisfaction survey, you may draw a different conclusion.

Admittedly, it is much more challenging to build effective relationships with employees the higher up in the organizational structure a leader moves. However, it is the leader who is able to remain open, approachable and in touch with all levels of employees who will achieve the most success. We need our employees just as much as they need us to lead them. When we



start to believe that employees are replaceable and that we are irreplaceable it is the time when we have set ourselves up to fail. The trite business language of "our employees are our most important assets" sounds lovely on a brochure or website, but if we as leaders don't truly make an effort to build strong and effective relationships with our employees, we may find ourselves all alone.

Effective relationship building can be as simple as knowing your employees' names, their spouse's names and their children's names. It is also helpful to know other things about the people who work for you, such as their hobbies or personal interests. And of course there is the golden rule: "Do unto others as you would have them do unto you." Employees long to be treated as though they matter, to feel that you value them and that they are important.

Effective leaders are able to parlay strong relationship-building skills into trusting

relationships with their employees. The late basketball coach John Wooden said it best: "Without trust between a team and leader, there really is no team at all—just a collection of individuals who don't amount to much." Let us take our inspiration from Wooden. He was one of the most effective leaders, able to build mutually respectful relationships with his players. The results of the cohesive relationships he created won him and his team incredible success both on the basketball court and off.

We all know intellectually that self awareness and relationship-building skills are essential to effective leadership. However, I challenge everyone to deeply reflect on these common sense factors and look inward to determine the truth about ourselves and how well we are performing in these areas. If our business results are not where we wish them to be, that may be our first clue as to how well we really are doing in these areas. **LE**

The bottom line: Analyzing your customers and products to drive profitability



By Robert S. Olszewski, Director, Audit & Accounting, Kreischer Miller

Product and customer

profitability analysis is frequently cited as a tool that can help a company enhance its profits by identifying and correcting specific areas for improvement. Interestingly, in many companies, profitability analysis is viewed exclusively as a customer relationship management tool discussed within the sales function. However, companies that employ a more holistic approach to their product and customer profitability analysis by seeking the input of various departments, such as accounting, often produce the most effective bottom line results.

By involving the accounting department in your process to analyze product and customer profitability, your organization can recognize several key benefits:

Better use of your financial reporting system's data

Product and customer profitability analysis requires dis-aggregation of key financial information. In most instances, the financial reporting system provides an opportunity to identify revenues and the cost of materials by stock-keeping unit (SKU) or customer identification number. The dis-aggregation and analysis of the raw data will provide an initial assessment of the gross profit by product line or customer without allocating certain direct and indirect

costs. The continuation of the analysis on a specific identification method is often difficult as a result of numerous costs that add to the investment in the specific product. The application of a standard overhead allocation rate to a specific product is often cost beneficial.

A more thoughtful growth strategy

Creating a growth strategy is an essential element of the business process. The level of risk that a company is willing to bear should be a key component in determining its strategy because the challenges can vary widely depending on the targeted sources of growth, such as market penetration or new product development. The least risky growth strategy for any business is to simply sell more of its current product to existing customers. By contrast, product development for existing and new customers is often deemed risky because success is almost

entirely dependent upon the product actually being produced and marketable. Plus, the investment in product development is often significant. However, new product development can provide the ability to tap new markets or increase share of wallet among existing customers. There may also be opportunities for research and development tax credits, which can be significant. Conducting a profitability analysis helps an organization size up the pros and cons of each option to determine which strategy makes the most sense for the business.

Enhanced internal synergies

As companies cut operating costs and reduced overhead over the last several years, many integrated departments and operating philosophies. As a result, they experienced enhanced relationships among cross-functional disciplines, mitigating the risks associated with various departments

working toward, at times, opposing goals. Taking a more holistic approach to profitability analysis builds on these synergies. For example, it was not unusual in the past for the sales department to try to keep customers satisfied by committing that the company's products would always be in stock. However, this approach could be at odds with the accounting department's discipline to keep inventory as lean as possible to maximize cash-flow requirements. By working together, departments can better understand how to meet their individual objectives (satisfied customers, better cash flow) while continuing to work toward the company's overall profitability goals.

Companies that utilize a more holistic approach in performing a product and customer profitability analysis are better equipped to answer those critical "why" questions that can help drive toward a better bottom line. Why has our gross profit changed in a period? Why are we selling more but making less? Why are we in a specific product line? Why can we not afford to offer discounts to a specific customer? If you aren't currently able to answer these types of questions, now is the time to utilize a more holistic approach and involve your accounting department in analyzing the data that is available in your financial reporting package. **LE**



4 essential qualities of a top-notch CFO

By **Cindy Warkow**, Executive Recruiter, Kreischer Miller

Having a strong CFO within your organization is critical to your company's success. But what defines a truly great CFO? While a few variables can differ by industry and by company, in general there are four key attributes that are considered essential:

1. Strategic vision
Is your CFO a contributing member of the senior management team, helping to develop future plans for your company? Does your CFO understand the challenges within your industry and your organization, add new ideas and develop a plan to grow the company? An essential quality of a strong CFO is someone with a strategic vision who is also able to communicate that vision. The CFO must not only track the financial situation for the company by looking at the “rear-view mirror” but he or she must also look ahead and anticipate what will happen. The ability to formulate a number of strategic plans to help the company move ahead is critical. The CFO should not just be a scorekeeper of financial information but should also serve as a strategic leader, helping to develop long-range plans.

2. Leadership
The CFO is in a leadership position within an organization and therefore, must know how to develop the financial team. Does your CFO work well with the team to develop its skills so its members add more value to the organization? Is your CFO able to work with your board of directors and senior management team? Is the CFO seen as a team leader who is open to the ideas of others, able to express an opinion and obtain team “buy-in,” and skilled in instilling passion in others about the company? There should be some healthy tension between finance/CFO, sales/marketing, and operations to facilitate an exchange of ideas and ensure every objective is being met by the company in these challenging times. Leadership skills are an essential quality of a good CFO as they must be someone who works well with all levels of management and can bring out the best in their financial team.

3. Deep knowledge of all areas of the company
A CFO interacts with all areas of the company and must have an understanding of how all the elements of a company fit together. Developing rapport with people in different areas within the company and understanding their needs is a key attribute of a good CFO. A CFO should be able to communicate financial matters to non-financial people and explain how they fit within the framework of the



A CFO interacts with all areas of the company and must have an understanding of how all the elements of a company fit together.

company's plans. The CFO must also anticipate challenges and recommend solutions. Companies need a CFO who communicates well with people outside the company and maintains good relationships with bankers, the audit firm, insurance agents, legal counsel and especially the company's top clients. Good CFOs are able to wear many hats and see how all the pieces fit together to gain positive results.

4. Strong financial acumen
A strong CFO manages both the cash and the growth of the company. Does your CFO allocate cash properly to help ensure your company's growth? Is the CFO conservative or a calculated risk-taker? Does the CFO's management of cash fit with the company's vision? The CFO must manage risk, be able to take your company to the next level, understand the pitfalls associated with rapid growth and be prepared for whatever develops along the way. Having intimate knowledge of all financial matters is an essential attribute of a good CFO.

A CFO must be a jack of all trades: a gatekeeper of financial matters, a cheerleader for the finance team, a good communicator both inside and outside the company and a strategic visionary. The strongest CFO is a leader who can help keep your company moving forward and position it for long-term success. **LE**

Tax options for victims of fraudulent investment schemes



By Michael R. Viens,
Director, Tax Strategies,
Kreischer Miller

2008 was a watershed year for disclosures of Ponzi schemes, with Bernard Madoff's being the most notable. However, fraudulent investment schemes continue and claiming tax losses resulting from these schemes can be quite complex.

For example, consider the following hypothetical scenario. In 2005, Jim Smith invests \$50,000 in a fund. Over the next two years, he receives annual tax reporting documents reflecting \$15,000 in earnings. He decides to invest an additional \$50,000. During the following four years, the earnings increase to a rate of \$50,000. In 2011, Jim's fund balance is now \$330,000. Jim has never elected to take any distributions from the fund.

In the summer 2011, Jim learns the fund sponsor admitted the fund was a scam. He is able to secure \$30,000 from insurance, but is left with a \$300,000 loss representing his original and subsequent investments and cumulative reported phantom taxable earnings. Jim concludes his chances of further recovery are remote.

Ponzi schemes present difficult tax issues. Jim is able to confirm his investment was lost in 2011 and he would like to recover the taxes paid. If he were to amend his earlier returns, the resulting tax refunds could draw interest, whereas a deduction claimed in 2011 will not.

Refund claims of the earlier years may be barred by the statute of limitations. If amended returns are filed, the IRS may

challenge them, asserting that Jim has a burden of proof to establish the legitimate amount of earnings in each amended return year as well as an inability to recover some or all of his investment had he closed his account or requested a distribution during the year. Jim would like to avoid a controversy with the IRS.

In response to Madoff's Ponzi scheme, the IRS issued Revenue Ruling 2009-9 in which it laid out the general tax law provisions applicable to theft losses and, in particular, to Ponzi schemes. In Revenue Procedure 2009-20 safe-harbor approaches were provided relative to reporting tax deductions for losses arising from "qualified Ponzi schemes." Under the safe-harbor provisions, taxpayers may deduct a material portion, but not all, of a loss resulting from a qualified loss in the year that the loss is discovered. To qualify, Jim must be able to

establish that he did not have actual knowledge of the fraudulent nature of the scheme prior to it becoming public. The promoter must have been charged by indictment or similar circumstances with the commission of fraud, embezzlement or etc., constituting a theft loss for tax purposes. Or, the promoter must have been the subject of a state or federal criminal complaint alleging fraud, embezzlement or etc., with a receiver or trustee appointed or the assets frozen.

Jim has a qualified loss and may elect safe harbor treatment for 2011, the year in which the loss is discovered, and be assured that the IRS will not challenge whether the loss is a deductible theft loss. If Jim has decided by the end of 2011 that he will not pursue any claims for recovery (other than possible insurance and Securities Investor Protector Corporation recoveries or actual or potential claims against the

Ponzi schemes present difficult tax issues.

sponsor group) he will be entitled to a loss deduction of \$285,000 (under the safe-harbor provisions, this is 95 percent of his net \$300,000 unrecovered loss). If Jim were still pursuing recovery claims outside of the above exceptions at the end of 2011, his deduction would be limited to \$225,000 (75 percent of the unrecovered loss). Jim may be required to report income in a future year should additional recoveries exceed the 5 or 25 percent thresholds applied in determining the 2011 deduction. Alternatively, Jim may be entitled to an additional future deduction should his ultimate future recoveries fall short of such levels. In order to take advantage of the safe-harbor provisions, Jim must agree to not file amended returns for pre-discovery years (years prior to 2011).

The prospect of taking a 5 or 25 percent "haircut" and giving up the right to file amended returns for pre-discovery years in return for a level of certainty for deductions and avoiding potential controversy with the IRS may be appealing to many taxpayers. The safe-harbor provisions are, however, elective and some taxpayers may choose to take their chances with amended returns. Individuals who find themselves in this situation should carefully consider the relevant facts and circumstances. **LE**



bits & pieces

REVISIT MARKETING 101

Whether your company is just rolling out a marketing plan or reviving an old one, simpler is better, according to The Maids. The residential cleaning company offers several low-cost, low-maintenance ideas for getting the word out about your company:

Network—Not only should you join local business groups and expand your contacts, but remember you are a face of your company. Talking passionately about what you do is one of the best ways to market your business. Accept and pursue offers to speak at community meetings to get your face and name out there.

Word of mouth—An extension of networking and speaking passionately about the organization is leveraging others to do the legwork for you. Offer discounts or other incentives to customers and/or employees for referrals to individuals as well as groups to which they belong.

Experiment—Every campaign does not work for every business. But if you want to try something, go for it. Test your idea with an inexpensive campaign then take the feedback and analyze to determine if it will work on a large scale and what adjustments may be necessary.

Communicate—Send periodic print or email newsletters to customers. Post on LinkedIn groups, Facebook and Twitter. They are a great way to introduce new products, special pricing or other offers and news.



BUSINESS TRAVELERS TALK

More than 3,000 business travelers talked the best and worst in a recent survey by Vitesse Worldwide, a land and air executive travel company.

Worst experiences included:

- Herd-like, impersonal treatment by travel and lodging staff
- Overly intrusive security systems
- Frequent flight cancellations and delays

Best experiences included:

- A concierge service with knowledge of their personal preferences
- Well-coordinated scheduling for all facets of their trip
- A security detail when traveling in dangerous parts of the world

“What comes through loud and clear is that an executive traveler isn’t asking for high-priced services as much as high-touch,” says Shawn Abaspour, CEO of Vitesse Worldwide.



POOR SKILLS SPELL FAILURE FOR NEW HIRES

Thirty-six percent of chief financial officers say the top reason new hires don’t work out, aside from performance issues, is a poor skills match, according to a survey by Robert Half International. The survey is based on interviews with more than 1,400 CFOs of U.S. companies.

Other factors that contribute to a failed hire include unclear performance expectations (30 percent), personality conflicts (17 percent), failure to fit into corporate culture (14 percent) and don’t know (3 percent).

“Companies can’t afford hiring mistakes, which are costly and can erode staff morale,” says Max Messmer, chairman and CEO of Robert Half International. “Finding the right match requires time and attention, and it’s something even busy managers need to make time for.”

Robert Half offers these tips for better hires:

Know what you want. Don’t recycle the job description you used last time because it has most likely changed. Take a fresh look at your needs and desired skills.

Look for the intangibles. Inquire about and evaluate a potential employee’s soft skills, such as leadership and communication to determine if he or she will fit into your corporate culture.

Sell your company. People in high-demand specialties commonly have multiple job offers. Show them why they should choose your organization by communicating its benefits and offering a compensation package comparable to or above market rates.

SBA loans set record in 2011: What's next?



The U.S. Small Business Administration loaned more than \$30 billion in fiscal year 2011—\$7.8 billion more than the previous year and \$1.9 billion better than the previous record set in 2007.

A major reason for the growth is that the loan maximum rose from \$2 million to \$5 million in 2011, says Dawn DeRidder, national SBA/government lending sales manager at M&I Bank, now part of BMO Financial Group.

“This opened the door for bigger projects many companies were looking to do, whether it was purchasing equipment, capital improvements or anything, really,” DeRidder explains.

She adds, “In bad economic times, like the recession we’re coming out of, companies’

Want an SBA loan in 2012? What small businesses need to know

SBA loans are bank-financed but government-backed. The backing depends on the specific government loan program. On the standard 7(a) loans, for example, the SBA provides an 85-percent guarantee on loans \$150,000 and less, and a 75-percent guarantee for loans more than \$150,000, explains Dawn DeRidder of BMO Financial Group. In addition, the SBA-backed loans can have lower interest rates and longer terms.

SBA loans also come with eligibility requirements that differ from traditional loans. Loan applicants must meet the definition of a for-profit, small business based on either number of employees or revenue levels depending on the industry, DeRidder says.

As consultant Helena Hauk explains, “Businesses shouldn’t underestimate the SBA; there are different loan programs to meet different needs. They should take the time to pick up the phone and talk to an

expert. There are SBA district offices all across the country designed to help these businesses, and they should take advantage of it.”

Researching basic information through www.sba.gov is a first step, Hauk says. The site is filled with the latest information and updates, including forms and guidelines a business might need.

The next step is to find an expert to help guide the business through the process. Through the SBA website, businesses can search for a local SBA office by ZIP code—the offices serve as resources to answer questions and provide additional information.

Prep before meeting

Existing businesses should prepare and/or update business plans, and bring previous tax returns when meeting with the banker. New businesses should prepare a business feasibility study. (Unsure about preparing these documents? Local SBA offices have counseling, training and business

development specialists who can help.) Applying businesses also should understand its credit report as well as identify any hiccups and resolution plans, Hauk advises.

All the documentation is important, but the critical component to any application is that the applicant truly understands the nature of the business, DeRidder says.

“I can’t tell you how many times I’ve talked to a client who wants to start a business, and when I ask them about their business plan, potential projects or competition, they have no idea and the process stops,” she says. “Businesses need to be prepared when going to a lender because from a lender’s perspective, if the person sitting in front of their desk doesn’t have a plan of action, the lender is naturally going to gravitate to and approve a business that is more prepared.”

Know it takes time

Rosemary McLaughlin, who obtained an SBA loan in 2011 to open an Elements

balance sheets are stressed and liquidity is not where it needs to be. Businesses rely more on loans to meet their needs.”

Rosemary McLaughlin left her job as a health care executive in August and used an SBA loan to open an Elements Therapeutic Massage franchise with plans to open two more in the next two years. She says she sought an SBA loan because of the favorable loan terms—6.25 percent for seven years—that will help cash flow in the initial operating phase.

“I tell every small business owner or potential small business owner I meet about my success obtaining this loan,” McLaughlin says.

Many of the companies with whom consultant Helena Hauk worked in 2011

sought SBA loans to help cash flow, particularly through refinancing. She expects a similar pattern in 2012.

“I think the overall tone is cautious optimism,” says Hauk, founder of 5th Gear Consulting, a consulting firm that specializes in commercial real estate lending through SBA loan programs.

DeRidder says don't expect 2012 to set a new SBA loan record. “This is attributed to a general lack of ‘consumer confidence’ in the economy,” she explains. “As such, companies are not looking to borrow now. While banks want to lend money, the demand just isn't there.

“As much as we would like to see the economy turning around quickly, the majority of predictions indicate that a solid recovery

won't be seen until potentially 2014,” she says.

\$2 billion for early stage

In 2012, the SBA is moving forward with the recently launched billion-dollar Early Stage Innovation Fund, which will provide matching capital to small business investment companies that target early-stage small businesses seeking private institutional capital.

In conjunction, the Startup America Partnership, a new nonprofit alliance of entrepreneurs, major corporations and service providers, announced another \$1 billion-plus in commitments from more than 50 private-sector entities, which will provide everything from free software to free consulting and legal services, to 100,000 startups over the next three years. **LE**

Therapeutic Massage franchise, says the SBA loan process is easy, although borrowers should be aware the loan's timing depends on the actual closing date.

“Schedules, information requests and some detailed requirements can add time to the process,” she says. “The loan did require time, but starting a new business requires time. And the SBA website is helpful during the application process.

“Only four forms are required to start an SBA loan application, so fill those out and bring to the bank. It shows you take initiative and are serious,” McLaughlin says.

She also recommends finding a bank and or bank officer that specializes or understands the applicant's business type. She worked with a bank officer who understood franchises and startups. “Once I found a bank that was familiar with the business model, I was able to have conversations about Elements Therapeutic Massage that were easily understood,” McLaughlin says.

Different lender types

DeRidder says SBA loans come with the misperception that the paperwork is overwhelming compared to a conventional loan. While the amount of paperwork depends on the type of loan, preferred lenders can fill out 99 percent of the paperwork.

“There are three different types of SBA lenders—infrequent participant, certified and preferred,” she explains. “Infrequent participant lenders need to send the SBA all their paperwork for independent analysis, which can take some time. Certified lenders review the loans and send them to the SBA, which then has three days to review the documents. Preferred lenders have the final say on loans. So the process will be quicker and simpler if a business chooses a preferred lender.”

Check out the SBA's website, www.SBA.gov, to search for your local office, which can provide the certified and preferred lender list for your area.

You have an SBA loan—now what?

Managing an SBA is no different than managing a conventional loan, says Helena Hauk, founder of 5th Gear Consulting, a consulting firm that specializes in commercial real estate lending through SBA loan programs.

The borrower makes monthly payments and is required to provide the lender with at least an annual, but sometimes a quarterly or monthly, financial statement. The borrower also must notify the lender of any changes to the company, as is the case with a conventional loan, she says.

Top 6 things

to know about doing business in **Brazil**

BY GERD FOERSTER, CPA, CONFIDOR



1 What should a businessperson know about Brazil?

First of all, Brazil is a country that has an area of more than 3 million square miles situated in South America and represents approximately 50 percent of the continent's land. It borders almost all countries in South America, except Ecuador and Chile. The national language is Portuguese, and the population is about 194 million people, about 40 percent of whom are children. About 83 percent of the population lives in the cities.

Since 1994, the national currency has been the Real (BRL). Brazil has lacked the capital to supply the needs of the country and its population. Consequently, foreign investments (if not for short-term applications) typically receive tax incentives from the government. In general, foreign investments do not require prior approval of the government unless the company is interested in obtaining an incentive. However, there are some exceptions, so it is a good idea to consult advisors familiar with Brazilian law and customs before conducting business in the country.



2 What are the biggest differences compared to operating in the United States?

The biggest differences are the many bureaucratic requirements demanded by the tax and legal authorities in Brazil. In the Brazilian tax system, products are taxed throughout the chain of production. In the United States, the end consumer pays sales taxes once the sale is finalized. In Brazil, however, each person involved in the process, including the producer, wholesale dealer, retailer, etc., pays sales taxes, resulting in a higher level of tax burden. Also black markets operate in Brazil, so U.S. businesses should be aware of their effects.

3 What should business know about setting up a company in Brazil?

In 1994, the federal government implemented the "Plano Real," an economic reform plan that reduced inflation rates based on the strength of the federal government's foreign currency reserves coupled with credit restrictions that raised interest rates. Initially, income was redistributed to the lower class, generating a consumption boom. To control the resulting inflation in the following year, interest rates increased and credit was restricted. As a consequence, the economy has grown slowly since then.



During the last nine years of socialist government, social policies were adopted and minimum governmental aid boosted (bolsa-família) to help the poorest class, stimulating internal consumption. However, the government has not reduced the public deficit, which compromises the effectiveness of the economical targets and increases the risk of inflation.

Internationally, trade with other countries in South America has increased significantly in the past few years with the creation of a common market among Argentina, Paraguay and Uruguay (Mercosul) in 1991. However, all the countries involved still make protectionist decisions, making the effectiveness of the market a nightmare.

As a consequence of the improvement in the distribution of income to the poorest classes, the Brazilian public debt has increased during the last year. As a result, the Brazilian government has adopted the policy to increase the tax burden, which varies between 40 to 45 percent of the Brazilian GDP. Furthermore, there is a lack of high-level investments in public areas such as health, education, transport, social welfare, etc., which represent great business opportunities because Brazilian public services do not act or act in a very

limited manner to provide the desired products and services.

What about employment in Brazil?

With more than 190 million citizens, the country has a significant labor force, composed of many semi-skilled or unskilled workers. There is a shortage of management, supervisory and technical staff at disposal for Brazilian or foreign companies. One of the biggest challenges, for example, is to find qualified labor in the high-technology area.

What type of work permit is necessary for non-Brazilians?

Considering the force and influence that the labor unions represent and generate in the companies and in the Brazilian government, there are many limitations for the contract of foreign labor. Brazilian companies are not allowed to hire foreign citizens who do not hold the proper visas and work permits. The type of visa depends upon how long the employee will work in Brazil. To receive the authorization for non-Brazilian workers, at least two-thirds of the company's employees must be from Brazil and at least two-thirds of total payroll must be paid to Brazilians.

Temporary visas are granted to foreign workers for two years. A foreign company that wishes to hire a foreign executive with a permanent employment visa must have a minimum investment in Brazil equivalent to \$200,000.

What else should someone know about doing business in Brazil?

Despite all the internal problems in some key public areas, such as health, education and transport, Brazil represents a secure shore in which to invest compared with other countries because of the strong political situation and the fact that the country does not have any important enemies or market barriers with other countries. There are a lot of opportunities in the chemical, real estate, transportation and food areas. Also several major international events will happen in 2014 (Soccer World Cup) and in 2016 (Olympics). For this reason, Brazil has a large, positive and prospective market to present. **LE**

Author and CPA Gerd Foerster is a member of Brazil-based Confidor, a Leading Edge Alliance firm. If you would like more information, contact Foerster at gfoerster@confidor.pro or (+55) 51 3222 8933.



on the bookshelf

BUSINESS RESOLUTION TIME

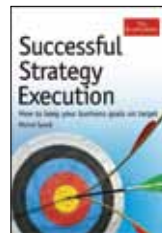
It's time again—to set new goals or at least revisit previously set goals and long-term plans to see what's been happening and where your company needs to go. This edition of “On the Bookshelf” offers some reading suggestions to help identify what you need to do, where you need to go and how to get there.

The B2B Executive Playbook: The Ultimate Weapon for Achieving Sustainable, Predictable and Profitable Growth
Sean Geehan
Clerisy Press



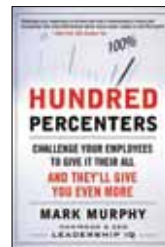
192 pages
The B2B marketplace operates significantly different than the B2C marketplace. Yet, Geehan found the more publicly discussed case studies and anecdotes shared with businesses were primarily B2C (Coke, Apple, etc.) He writes about the unique challenges of B2B—in particular how a business in this marketplace tends to rely on few individuals, thus key relationships are essential to sustaining growth. Geehan explores the need for B2B companies to make engaging with customers their top goal and how that goal should drive the company's internal alignment and operations. As one reviewer on Amazon.com states, “The lessons learned here can serve as a competitive weapon for those who take the time to thoughtfully apply them to their own circumstances.”

Successful Strategy Execution: How to Keep Your Business Goals on Target
Michel Syrett
The Economist;
Bloomberg Press
164 pages



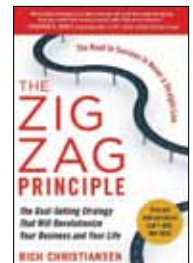
Tracking performance is one thing. Tying it to long-term plans is another. Too many companies are lost in translation, failing to compare actuals to projections and adjust their plans accordingly. Syrett explores how to implement practical strategy execution and shares real-life stories of companies implementing strategies to keep their goals on target.

Hundred Percenters: Challenge Your Employees to Give it Their All & They'll Give You Even More
Mark Murphy
McGraw Hill
240 pages



Most leaders don't believe employees are giving 100 percent and they're right, according to what employees report. Doing fine, getting by and meeting expectations are sufficient. But what if a growing segment of your employees thought “let's push the envelope, let's be great, let's do what nobody thought could be done?” Murphy, chairman and CEO of Leadership IQ, says a key to reaching that goal is for leaders to care enough to push “Hundred Percenters” to new heights. Murphy offers practical insight into setting clear expectations, dealing swiftly with toxic employees, eliminating “de-motivators” and focusing employees on value-added work.

The Zigzag Principle: The Goal Setting Strategy That Will Revolutionize Your Business and Your Life
Rich Christiansen
McGraw Hill
256 pages



Following a straight line is never the best route—thus the zigzag principle created by Christiansen. As a leader of well-established and start-up businesses, he brings a unique mantra—don't bulldoze to reach your objectives; zigzag to achieve them. Well-known author Stephen Covey writes of *The Zigzag Principle*, “Rock-solid principles so simple that you will read this book wondering how you could have missed seeing truths that are so obvious.” As Christiansen explains, readers can assess their resources, use them to the fullest and keep the team motivated.

The Now Revolution: 7 Shifts to Make Your Business Faster, Smarter and More Social
Jay Baer & Amber Naslund
Wiley
224 pages



Customers expect a level of attention and responsiveness that most companies can't live up to. Can you? That's the question posed by the authors who then offer insight to help your business live up to what your customers expect in today's instantaneous world. They offer a seven-part plan to harness the power of the social web for your business including, stripping away silos, empowering a new type of employee, and redesigning success metrics for the instantaneous business world. **LE**

Do you have a suggestion for a book we should feature? Email Editor Ann Gynn at agynn@sbnonline.com with the title and author, and include why the book would be helpful or interesting to your peers.



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