the LEADING edge

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*Advice and information to help you manage your business*

# In times of crisis: COMMUNICATE WITH CLOSEST STAKEHOLDERS

VOLUME 11 • ISSUE 1
FALL 2010

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2010



## Dear Clients and Friends:

**"Wherever we are, it is but a stage on the way to somewhere else, and whatever we do, however well we do it, it is only a preparation to do something else that will be different."** — Robert Louis Stevenson

As comfortable as we all get in life—change is inevitable. We are certainly getting our dose of it in today's world! As difficult as the process is, new opportunities arise when change is forced upon us. Do you need to reengineer and reinvent? Are you prepared to do so?

As we move into the later stages of 2010 and start to focus on our priorities for 2011, management needs to rethink strategies to deal with the "new normal" business world. It is a dramatically different world than it was a few years ago. Those in leadership roles need to be prepared to respond to the shifting requirements of today's employees, customers and vendors. Effective leaders will recognize and deal with the choices that are necessary for success. As you consider what is best for you and your business, please know we are here to help.

In that regard, we hope you find this edition of *The Leading Edge* helpful in navigating some of the many issues facing you. This edition highlights, among other topics, the importance of a well-thought out and documented communication plan in times of crisis to deal with the needs of your varied stakeholders—employees, customers and suppliers. The concept and benefits of cloud computing are also explored. Also in this issue:

- John Helmuth, a member of our Auditing and Accounting group, shares his insights into the current banking environment and its impact on borrowers.
- Sassan Hejazi, a member of our Technology Solutions group, explains the importance of information security in your organization.
- Allison Shoemaker, a member of our Tax Strategies group, provides assistance in dealing with various tax ramifications on corporations during the coming year
- Tyler Ridgeway, a member of our Human Capital resources group, delves into the importance of the new role of the CFO and how to retain yours.

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
Managing Director

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## KM CARES!

**COUNTRYSIDE BASH**

On September 25th, several KM team members participated in the Willistown Conservation Trust's Run-A-Muck & Countryside Bash. Participants in the event had the opportunity to be a "Runner" and compete on a cross-country trail or a "Mucker" and ramble through the countryside. The afternoon was topped off with awards, prizes and a country supper.

**LUPUS LOOP**

On Sunday, October 31, our team members will be participating in the Philadelphia Tri-State Annual Lupus Loop Event. This event is a 5k run and / or 2 mile walk to support the local tri-state lupus research and education efforts.

**"GET STEPPIN" WALK to FIGHT DIABETES**

In early October, several KM team members, friends and family members walked together to raise funds to help the American Diabetes Association. They created a team webpage and "stepped out" to support ADA's community-based education programs, protect the rights of people with diabetes , and fund critical research for a cure.

**LEE NATIONAL DENIM DAY**

On October 8th KM once again dons our denim in support of breast cancer research. For a donation of $5 or more, team members are permitted to wear jeans to the office on this day. It is our most popular community service activity!

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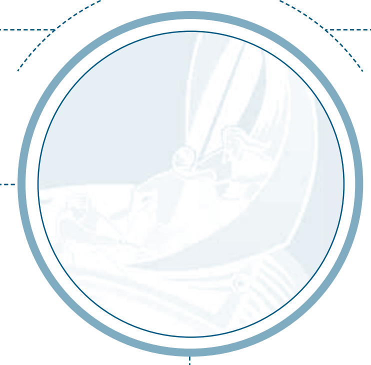

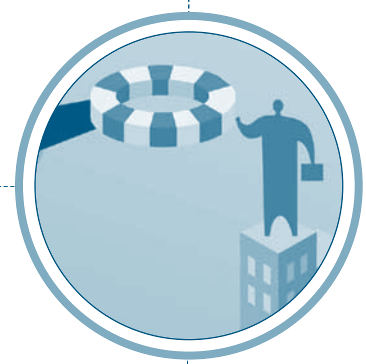

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# In times of crisis: COMMUNICATE WITH CLOSEST STAKEHOLDERS

By Dennis Seeds

Too often when a crisis happens company executives first think about how to manage communication to the mainstream news media to minimize reputation damage or financial loss.

In today's world where everybody can communicate instantly with the masses, a leader's first communication thought should involve the closest stakeholders—the employees, partners, clients and vendors.

David E. Johnson, CEO of Strategic Vision, adds that failure to have an internal communications plan can affect company morale and often leads to negative stories coming from within an organization.

"Shareholders, vendors and employees begin to panic and worry when they are not aware of a company's crisis and how they are handling it," Johnson says. "This often leads to a feeding frenzy as panic feeds upon itself."

After all, it's usually not the crisis itself but the response to the crisis that determines the severity of the harm and the timeliness of the response. A thorough crisis communication plan arms the organization's closest stakeholders with information allowing them to be "volunteer diplomats" to help defuse potential flames.

### Media not first worry

"We often get called in because companies are worried about a potential media story," says Barbara Paynter, partner of Hennes Paynter Communications. "We always ask them to take a step back and think about their internal audiences first; that is, those with whom they have spent years or even decades building relationships."

The goal is to preserve those critical relationships so that, long after the media loses interest, the company will have retained employees and still have the confidence of their customers, vendors, stakeholders and the communities in which they operate, she explains.

"Often, employees and customers are willing to help defend the company's reputation," Paynter says. "They have a long relationship and can be public ambassadors if they are armed with accurate information."

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Andrew Gilman, president of CommCore Consulting Group, says, "If your employees are reading information on the outside, they ought to get some version of the information from the inside.

"Therefore, it's critical to tell them. Similarly, you should be doing things like using as many multimedia as possible—a video, an e-mail to employees and town hall meetings."

"Managers need to manage the internal reputation," Gilman adds. "Often, associates have different perceptions of the facts than does the external world. Medium to large companies that are trying to proactively manage reputation often do external and internal polling to make sure the messages resonate."

Shel Horowitz, a marketing communications consultant and co-author of *Guerrilla Marketing Goes Green: Winning Strategies to Improve Your Profits and Your Planet*, advises his clients to pay attention to:

- Employees (and unions)
- Neighbors
- Advocacy groups
- Relevant charities
- Vendors
- Partners

"You want these people to be informed, to be on your side, to know you're aware of the situation and taking appropriate steps," he advises. "You need to project confidence and that you have nothing to hide. BP was absolutely horrible with this.

"It amazes me how often and badly [BP CEO] Tony Hayward stumbled; you'd think a CEO would get some basic training in messaging, crisis communication and empathy before they let him anywhere near a camera and microphone."

Michael Hammer, who is a participant of CircleID, an Internet infrastructure news site, notes this about BP: "If the external communications appear this way, consider what the internal communications must look like.

"Engineers, line managers, brand managers, HR, lawyers, consultants, finance, risk management, compliance, public relations and others are just some of the people trying to work through the myriad of issues that need resolution.

"In a security incident, who in your organization might get involved? How well will internal communications be handled," Hammer asks.

## Plan now

A crisis communication plan is essential—planning your possible responses in advance will go far to mitigate damage because crises are highly emotional events and very demanding, Paynter says.

As she explains, the emotion during a crisis can make it difficult to think of all the details when scrambling to respond to the demands of reporters. The risk is that very important stakeholders may be overlooked.

"We've run crisis drills in which we play out a scenario and, at the end, we'll go through the list of critical stakeholders," Paynter says. "Did anyone remember to call the mayor? How long into the crisis did they inform the regulatory agencies? It can be a real eye opener if they haven't made a list of those audiences in advance and delegated responsibility."

Johnson recommends that companies have an internal communications plan ready to be put into effect when a crisis begins.

"Stakeholders should be addressed with what the crisis is, what validity there is to the crisis, how the organization is dealing with the crisis, and what negative stories are anticipated," he advises. "Meetings with employees, shareholders, and vendors or conference calls should be held as well as having these stakeholders ask questions and voice concerns. They should be kept up-to-date with any changes in message or the crisis throughout the process. Two-way communication is the best thing."

### Expect the unexpected

Bill Rosenthal, CEO of Communispond, stresses that every communications plan must include a part that deals with unexpected problems.

"Every organization should anticipate the possibility that it will have to announce bad news," he says. "Misdeeds of any kind today are more likely to be exposed than they might have been when there wasn't a 24-hour news cycle and an agglomeration of bloggers."

Patty Briguglio, president of MMI Public Relations, advises companies to expect the unexpected and look at things that could happen, such as civil disturbance, armed robbery, assault, accidents, natural disasters, an IT meltdown, employee misconduct, an industry problem or a situational risk.

"Use your crisis plan to prepare for anticipated scenarios as well as the ones people think will never come to light," she says. A crisis response plan should provide everything from scripts to use with reporters to the logistics of how to communicate in the event of a natural disaster.

"In today's world, that also means developing a social media crisis plan," Briguglio notes.

"THE MOST IMPORTANT ADVICE WE GIVE CLIENTS IN THE MIDST OF A CRISIS IS TO TELL THE TRUTH, TELL IT ALL AND TELL IT FIRST."

"Consider the recent attack on Nestle's Facebook Fan page, in which Greenpeace supporters were upset over Nestle's use of palm oil," Briguglio notes. "Greenpeace supporters altered their Facebook profile photos to anti-Nestle slogans incorporating one or more of Nestle's logos and posted these images on the Nestle Facebook page."

When the Nestle Facebook page administrator responded in a sarcastic, hostile way, the situation spiraled out of control into a full-blown PR crisis for the Nestle brand, she says. Social media users whose comments had been deleted by the administrator were upset and a barrage of negative comments subsequently pummeled the company.

Nestle soon conceded to Greenpeace on its palm oil sourcing policies by pledging it would end a contract with a specific company.

All too often, crisis communication is reactive, says Kenneth Kracmer, managing partner of HCK2 Partners.

"For example, a high-profile, damaging lawsuit shows up at the company's front door at 5 p.m. on Friday or an in-house legal team does not alert you to a potentially damaging case until the issue appears on the local 6 p.m. news," he says.

"To address these combustible legal issues, companies must have a crisis communications plan in place that addresses various levels of potential situations with an offensive strategy."

Kracmer says based on years of experience and countless case studies, the sooner effective communications experts are brought in, the better the outcome for a company's reputation.

### Get to the point

T.J. Walker, public speaking author and crisis communications expert, declared BP the worst in crisis communications and even made a video, "BP gets an F- for crisis communications," that he posted to YouTube.

"(Companies) need to communicate quickly before any stakeholders hear from the media," he recommends. "The messages need to be boiled down to the top three and they need to be clear and easy to understand."

Strategic Vision's Johnson says timeliness counts.

"Organizations should communicate with their stakeholders immediately," he says. "So often a company just develops the external crisis communication plan for the general public and they forget their most important audience—their stakeholders."

Bill Rosenthal, CEO of Communispond, says organizations must communicate with their stakeholders during crises because no one else will tell their story. Lack of communications may signal to stakeholders that the criticism of the organization is valid—or, worse yet, that the company is in such disarray that it's unable to communicate.

### Start right away

Walker recommends a company take a three-part approach in all crisis communications:

1. Define what the problem/crisis is and what we are doing to stop it.
2. Explain what we are doing to help those who may be hurt.
3. Identify what we are doing to make sure no one will be hurt in the future.

He stresses that there is no margin of error in crisis communications. For instance, BP's credibility was hurt when it underreported the severity of the oil well leak in the beginning and even in updates as the leak continued.

Making lists is an important part of the initial response, Paynter says.

"The most important advice we give clients in the midst of a crisis is to tell the truth, tell it all and tell it first. We begin by making a list of critical audiences and prioritizing, starting with those who will be most impacted by the news," she explains. "For example, if a company is eliminating jobs, they must first tell those who will lose their jobs, their coworkers and employees at other locations.

Paynter says her company puts together a chart with all the affected audiences, the method used to reach them, timing and the person responsible.

"We try to tell those who are directly impacted in person, if at all possible," she notes.

She recommends placing phone calls to local elected officials and major donors when it's a non-profit or regulatory agency, and then following up with written materials so they will have the complete story in case they are asked

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## Announce bad news in simple way

By Bill Rosenthal, CEO of Communispond

If your problem arises to a level like it did at Toyota earlier this year with its massive recall, consider professional public relations crisis consulting. But for lesser crises, here are some tips you can use to announce bad news:

1. **Announce quickly.** If you are releasing news that your employees don't want to hear—a staff cutback, for example, it's best to make the announcement quickly so you head off rumors that might grossly misrepresent the change. Never announce bad news by e-mail, though. Do it personally.

2. **Speak from the heart.** Rehearse your announcement so well that you won't need written comments. Tell the employees about how hard it was to make the decision without apologizing for it. But don't talk at length about how bad you feel because you'll seem less concerned about those affected.

3. **Assure employees that the future is bright** because management has a strategy for overcoming hard times and ask for support. Be optimistic—but don't infer that there won't be future layoffs.

4. **Describe how "crisis" can lead to improvements.** If layoffs are part of an organizational improvements, explain those improvements, otherwise employees might feel they're being blamed for the company's bad times and only they are being penalized. Apart from concerns about their job security, employees also will worry about taking on the responsibilities of those who were laid off.

5. **Break the news early in the day.** This gives the employees time to digest it and ask questions.

6. **Anticipate questions.** Be ready to tell everybody what their role will be and assure them that they'll have a voice in future planning. As you answer questions, keep showing your humanity. Maybe the question is intended to rattle you; maintain your equanimity and handle it with respect because you may have misunderstood the employee's intention, especially when you expected to be confronted.

7. **Tell the employees everything that can be told.** If you don't know the full extent of the impending change, say so. Promise to keep everyone informed. If there's no new news to announce, say so.

8. **Begin the presentation by describing why crisis/critical change was needed**—but do it quickly. Too much background up front can make you sound evasive or insecure about how to present the news. If you participated in decisions that led to the problem, admit it.

Answering tough questions and delivering bad news constitute two of the biggest challenges managers face. By handling these challenges well, you'll demonstrate to senior management how well you can lead in tough times. **e**

*Bill Rosenthal is chief executive officer of Communispond Inc., which has taught more than 600,000 managers how to communicate effectively. He can be reached through www.communispond.com.*

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about the situation.

"This is particularly important for those on whom the news will have a negative impact because they may not hear everything you say to them if they are upset by the news," Paynter adds.

"As we work our way down the list, other stakeholders are informed by e-mail, letters or even a text message or social media with a link to the company's statement on the website."

### Don't forget the media

Although the mainstream media may not be the top worry, always be proactive with the media, e-mailing a statement and having a spokesperson available for interviews, Paynter recommends. All stakeholder communications should be consistent with the media statement because these communications are likely to be forwarded to the media.

Rosenthal suggests a statement should be made by the chief executive officer in most cases. Some organizations appoint an executive from a legal unit to be a spokesperson.

"The question must be asked about whether or not an attorney is the most effective person for this role," he notes. "Attorneys typically are more used to presenting the facts than they are in appealing to the emotions as well as the intellect. It's necessary to do both.

"The spokesperson must be prepared to answer tough questions," Rosenthal says, adding that the person should have had coaching or training in communications before a problem erupts.

"Avoid making any statement that's unsupportable because it will be examined closely and may require the issuance of clarification; this will further damage credibility," he recommends.

"Disclosures of wrongdoing often are handled badly. The statement might be defensive or evasive, and use platitudes and euphemisms, making the message appear like spin."

### All about trust

Author and public relations consultant Leslie Levine says crisis communication with the closest stakeholders often boils down to trust.

"(Stakeholders) trust a company to reach out with important news whether it's directly or indirectly connected with the business at hand," she says. "By communicating on a regular basis, those stakeholders implicitly understand that they, too, can reciprocate." **e**

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# State of the banking environment

## What is the impact on borrowers?

By John J. Helmuth, Jr.,
Director, Audit & Accounting

With the distressed economic climate during the last two years, the banking environment has faced many challenges. Increased regulation and the recent mortgage crisis have elevated the overall risk profiles of financial institutions. Many banks in the industry have experienced significant credit losses, particularly those with a concentration in real estate loans. While the overall economy continues its recovery at a slow pace, the banking industry remains in a difficult state.

Past financial results of banks were negatively impacted as a result of reserves and write-downs of problem loans. Recently, a more conservative approach on these loans, coupled with more strict credit approval processes, has resulted in profits for some banks during 2010. The concern has now shifted to the deterioration of collateral values, including real estate and capital equipment. Lenders are requiring more frequent appraisals of property and collateral audits.

Real estate values have continued to decline during 2010. Historically, banks have earned substantial fees from real estate loan transactions, and some banks hold large portfolios of real estate loans and securities. The concentration of these loans and the overall decline in the real estate market could signal more foreclosures in the future.

Financial institutions are experiencing a movement toward tighter regulatory controls. Many lenders do not have an appetite for certain loan facilities with existing or new customers because of stricter regulations. This has resulted in a critical challenge to many borrowers and business owners.

What should borrowers expect in the current environment? It may be more difficult to obtain financing at the levels needed by business owners. Loan covenant requirements are becoming more strict. Therefore, we may see more breaches of financial ratio requirements. Waivers of covenant violations may not be easily obtained and lenders may charge substantial fees for these. Additionally, lenders may consider resetting interest rates with higher spreads and floors at renewal or upon default.

How do borrowers navigate these changes? Communication between borrowers and lenders is the key to a successful banking relationship. Bankers do not like surprises. As a borrower, be proactive and provide financial information that is both timely and accurate. Prepare and deliver on financial forecasts and projected financial covenant ratios. These add to a borrower's credibility and offer opportunities to negotiate during the loan renewal process. Additionally, business owners should stay focused on their core business and have a solid business plan with contingencies in place. It would not be wise to experiment in different lines of business that could be risky in such a tight credit market. Lastly, borrowers should utilize their key advisors (CPA firm, attorneys, or other financial advisors) throughout the process.

Going forward, the banking environment will continue to experience the impact of increased regulation. During recent months, banks have focused on steadily building capital in preparation for the recovery. This is expected to create capital for borrowers in the short-term and strengthen the banking system in the long-term. However, the loan approval process is more difficult than it has been in the past. As a result, banks are positioning themselves with less risky loan portfolios compared to the recent past.

Given the slow economic recovery that we are experiencing, the banking industry recovery will be slower, as it tends to lag behind the overall economy. There are no signs of interest rate increases in the next several months as the economy climbs out of the recession. In conclusion, we can expect a tight market during the next 24 months in the banking environment. **e**

# Information Security 101: Comprehensive approach starts with a plan

By Sassan S. Hejazi, Director, Technology Solutions

Recent IT security breaches have increased corporate management's awareness of the need for a comprehensive approach toward information management security practices. Organizations without an effective IT security plan as part of their overall enterprise information strategy run the risk of:

- Increased system support costs due to cyberhackers.
- Reduced revenues as a result of system downtime.
- Decreases in employee productivity levels.
- Opportunity costs associated with lost business revenue.
- Lost market share and brand erosion due to negative PR.
- Potential exposure to litigation by various stakeholders such as clients.

A recent poll of more than 500 computer security professionals conducted by the Computer Security Institute (CSI) indicated that 90 percent of respondents had encountered computer breaches during the past 12 months. More than 60 percent of respondents had also suffered combined financial losses in excess of $300 million as a result of hackers breaking into their systems.


### Basic elements of information security

Every organization utilizing information technologies should ensure the following key elements are part of an effective information security management plan:

- Updated documentation of various IT components ranging from hardware and software to IT and data management policies and procedures.— An updated systems document will not only enable better security management but will also result in reduced overall risk exposure for the organization.

- Properly implemented and monitored network security infrastructure.— Most managers do not realize the extent of devices used in enabling today's computer communications. Given the wide range of routers, switches, and bridges used, it is imperative to have an ongoing equipment assessment and monitoring regimen in place.

- Latest version of enterprise virus protection software installed on all machines.— With the increasing number of cyberthreats, it is very important to have a solution in place that is capable of responding to the latest viruses and threats in a short time period.

- Disk and e-mail encryption technologies utilized on all devices to reduce information piracy. —Corporate data is a valuable digital asset which is being stored everywhere and, as such, is easy to lose or be stolen.

- Updated and routinely validated Disaster Recovery (DR) and Business Continuity (BC) plans.—DR is the IT component of a BCP plan and, like any plan, DR and BC need to be updated, validated, and tested at least once a year.

- Protected passwords, scripts, and any other system access information.— Regimented password policies are unpopular, but this practice drastically reduces unauthorized system access risks.

- User accounts of employees no longer affiliated with the organization promptly disabled.— It is just a good business practice.

- All devices protected by tools such as key locks for theft prevention.— IT equipment really does walk when it is not secured.

- Use of access control software restricting the use of devices to authorized and authenticated users. —There have been many recent and exciting developments in this arena.

- Frequent monitoring of all network traffic activities to detect non-work related employee activities.— Policies are important but monitoring is needed to ensure compliance.

- Ongoing education of employees on IT security policies and procedures. —Continuous employee education has proven to provide the highest ROI for IT risk reduction.

With the proliferation of emerging technologies such as the Web, wireless, and social computing, your organization must be disciplined in its information security practices. Many organizations have even designated a chief security officer (CSO) who stays updated with latest industry practices and acts as an advocate for such practices throughout the organization.

In summary, all organizations will experience an increase in IT risks as their reliance on information technologies grows and as IT systems are becoming more interconnected. There is not a single approach that will fit the bill for all organizations; an effective approach depends on each organization's unique needs, capabilities, and priorities. Lack of a systematic approach to this issue can result in substantial branding, financial, and productivity losses. The good news is that such scenarios can be easily avoided through proper implementation of widely available and proven solutions. **e**

# Tax planning best practices in a challenging year

By Allison Shoemaker, Manager, Tax Strategies

Many people are beginning to seek tax advice for the upcoming year, even though Congress may enact new tax laws for 2011. It is difficult to predict if there will be an increase in tax rates in 2011 and/or if several popular credits and deductions will be extended through the end of 2010.

This challenge is made more difficult since many fiscal year 2009 flow-through entities resulting in individuals being taxed in 2010 must file under the current law. As a result, it may be necessary to amend the tax returns if there are extensions of certain provisions that expired at the end of 2009. The inaction by Congress on the extension of provisions will cause taxpayers additional costs if the tax returns must be amended to reflect extension provisions or new laws that will impact previously filed returns.

As it now stands, the Bush administration's tax rate schedules will return to the pre-2001 tax brackets for all taxpayers by year-end 2010. There is talk in Congress to reduce the rate for middle income taxpayers, but to allow the upper bracket rates to increase to the pre-2001 rates. Rates for dividends are also scheduled to return to the highest pre-2001 brackets (ordinary tax rates) as well. Many taxpayers are concerned that Congress may do nothing and allow these rates to lapse. The uneasiness of taxpayers arises from the lapse of the estate and generation-skipping tax. This certainly supports the inaction of Congress in changing the law for 2010 or future years.

The question for many taxpayers is whether they should accelerate income into the current year. For taxpayers being taxed at the upper bracket rate, the acceleration of income would mean paying tax in the current year at a lower rate than the rate proposed for 2011. The rate for dividends could possibly increase from the present 15 percent to a maximum of 39.6 percent for taxpayers in the highest bracket.

Allowing the tax cuts to lapse would also change the long-term capital gain rate from 15 percent to 20 percent. Taxpayers may want to review their portfolios and consider selling highly appreciated assets to take advantage of the lower tax rate.

Taxpayers should also look at S corporations that were previously C corporations to determine if they should elect to make distributions of C corporation earnings and profits and recognize the dividend income in the current year at a 15 percent federal rate versus a higher anticipated rate in subsequent years. For closely-held C corporations, a review should be conducted to determine if they could benefit from converting to an S corporation and removing the double taxation. Also, consideration may even be given to possibly paying the taxes in 2010 and converting the C corporation into a partnership via a liquidation of the corporation.

Taxpayers should also review planning opportunities regarding Roth IRAs. For those taxpayers who have nondeductible IRAs with little or no appreciation, a rollover of these assets into a Roth IRA could result in little tax cost and protect future appreciation and income build-up from being taxed.

There are also questions for 2010 as to whether many of the credits that expired in 2009 will be extended. These credits include the research and development credit and new energy-efficient home credit. In addition, certain charitable deductions are scheduled to expire which include the enhanced deduction for entities that have food and reading book inventories given to charity. Estimate payments should be reviewed to determine if these items are being used to compute the quarterly estimates, to prevent potential underpayment penalties if these items are not extended.

It is a challenge for taxpayers to make decisions in such an uncertain environment. It is best for the taxpayers to look at their overall plan and not necessarily allow taxes to be the sole determining factor in making decisions. Taxpayers should work carefully with their advisors to make the best overall decisions for their future. **e**

# New economic normal changes CFO role and possibilities

## How can you retain your CFO?

By Tyler A. Ridgeway, Director, Human Capital Resources

The early 2000s saw a new role for the CFO in many companies. Gone were the technicians, proficient in accounting but not having to worry about operations, sales, human resources, and technology. They made way for the well-rounded CFO, ready to attack Sarbanes-Oxley. Internal controls became the top subject as CFOs rallied to become their companies' top fraud officers, holding everyone and every internal process accountable.

No sooner had the SOX dust settled when our economic environment began to crumble. CFOs were challenged like never before. The heightened economic conditions made way for CFOs to roll up their sleeves and protect the company franchise. In many companies, the CFO became solely responsible for keeping everyone on track of the corporate mission of "survive, advance, manage cash and make profits."

The CFO role was focused upon survival, teaching all employees how to control corporate cost and managing working capital. The CFO naturally became much more visible to the organization. In larger companies, CFOs were forced to "think outside the box," becoming technology gurus in educating their large employee base. CFOs were seen navigating ideas on Twitter and coordinating webinars. These tactics were essential as the economic credit crisis mandated that the CFO educate the entire management team and employee base on economic concepts such as return on capital and the critical nature of cash, as opposed simply to earnings.

### How did the new normal affect CFO turnover?

It is truly amazing that even though the CFO became so essential to a company's survival, CFO turnover dropped over the past year. This is mainly because many risk-adverse CFOs decided to stay at their current company. Many CEOs and business owners were very afraid to replace their top finance executive and resort to hiring an unknown.

### What does lack of CFO turnover mean moving forward?

First, by staying put and focusing on the task at hand, many CFOs with be in a much better position for their next opportunity. They know what it takes to survive the "hot seat." In many cases, they have become their organization's savior. They understand what it means to be flexible and supportive. They know firsthand how important it is to be a leader-by-doing.

In addition, if the CFO helped the company through the economic crisis, more than likely he or she built a strong finance team to help achieve the CFO's goals. Accordingly, when you combine these learned traits with the fact that the CFO built, led, and managed a top team, the next company to hire that CFO will benefit tremendously.

According to an informal survey of a large number of corporate CFOs over the past few months, 50 percent have stated that they are currently cautiously pursuing growth and another 25 percent state that they are aggressively pursuing growth. In addition, CFOs are most concerned about the following areas for the next year: maintaining profit margins, managing working capital, forecasting solid results, enhancing company morale, and managing health care costs. The result: CFOs are becoming the top operational tacticians and strategists in the company!

### According to *CFO Magazine*, 25 percent of CFOs will look elsewhere when the market turns. What can you do to retain them?

This is a scary proposition, especially when you consider that companies are not in a hurry to restore bonus levels or compensation levels, or contribute more to health care plans.

Companies *must* think of creative ways to incentivize their CFOs if they want to retain them. It is essential to fully understand what motivates your CFO. If it is compensation, think about a better bonus for 2010 or phantom stock or earn-out potential if the company is ultimately sold. Owners and CEOs are strongly encouraged to research and determine what the average compensation is for a CFO in a similar company and industry. If you determine that your current compensation is below the average, you should seriously contemplate giving your current CFO a raise.

Think creatively! Give your CFO a vacation or consider contributing more to medical benefits. On the non-benefit side, think about engaging your CFO much more deeply in the company's long-term strategic planning. **e**

# Cloud computing: Why you should care—or not

By Dennis Seeds

Yours is a typical business and you are mindful of expenses. It's time to draw up next year's budget and you've heard about cloud computing, that it can bring efficiencies.

What exactly is cloud computing? Should you budget for it?

In a nutshell, think of the "cloud" as just the network to which you connect your computer. Then think of Gmail or Hotmail as "cloud computing"—using applications built and administered by others on that network.

With cloud computing, your business avoids investing in and operating its own servers with switches, hubs, routers, back-up power and dedicated HVAC systems.

Also, with cloud computing and SaaS (software as a service), you'll have the power of the latest version of software for areas such as project management, word processing, spreadsheet, image editing and CAD/CAM without owning them yourself.

### Take the plunge?

Flexibility, efficiencies and current versions of powerful software are often cited as benefits of cloud computing.

"When deciding if cloud computing is relevant to your business, forget all the fancy terminology and realize that the decision boils down to a classic make-versus-buy scenario," says Patrick Gray, president of Prevoyance Group. "Using a cloud application is basically tasking another company with maintaining the application but also trusting them to secure your data, and stay in business past the next quarter.

"When you couch the cloud in these terms, it becomes much easier to compare the costs of building and hosting an application yourself versus looking 'to the clouds.'"

Cloud computing means personnel to staff a server room aren't needed.

"Cloud service providers hire them and the business rents their services," says John Kogan, CEO of Proformative.

Because everything is done in volume and by specialized technicians, an average business can reap great economies of scale and reduce capital expenditures and IT operating costs, Kogan notes.

He adds that SaaS (software as a service) can level the playing field for smaller firms in terms of access to best-in-class technology because SaaS-based applications in the cloud do not require the huge up-front capital expenditure often required for traditional business applications.

Another important consideration is that the paradigm of the global economy can change in a matter of weeks—and that the ability to effectively react to and embrace change can determine the success and long-term viability of a company, Kogan says.

Companies that are quick to adapt to the cloud model have greater flexibility and speed to adjust to market opportunities, says Robert J. Scott, managing partner of Scott & Scott LLP.

"Average businesses with cloud infrastructure are poised to become above-average business successes," he says. "Greater speed and flexibility coupled with the immediate, tangible IT cost savings are two reasons why average businesses should not disregard the 'cloud' as hype."

### Disadvantages? Risks?

Cloud computing as a business model is relatively new and presents some risks.

Because the cloud is generally accessed via the Internet, when there is an Internet outage, the business can be crippled, Scott says. A hybrid cloud deployment can help prevent problems in this case because it mixes a local, synchronized copy of the software with the Internet software.

"For many IT executives, trusting any third party with the responsibility of delivering the resources necessary to run business-critical applications is a scary thought," warns Andy Feit, vice president at Sentrigo.

There are legal risks as well, Scott adds. These include intellectual property ownership as well as procedures to comply with legal requirements.

"Cloud-computing customers need to ensure that its company-owned data remains the company's and that it does not give up any rights to data use or dissemination," he says.

Regulatory compliance is perhaps the biggest issue facing the cloud computing industry. From the FTC Red Flags Rule to HIPAA, state and federal legislatures are tackling the issue of data privacy in myriad ways.

Scott noted that there was no clear path to resolve these issues.

"In any case, before entering into a cloud computing agreement, a business has to first understand how it is affected by data privacy and security regulations before it can ensure that compliance with those regulations is satisfactorily addressed in the contract," he explains.


Data loss is another major concern.

"Businesses are hesitant to move into the cloud because they fear the loss of data security in a cloud environment," Kogan says. "Also, companies may believe the technology will be difficult to integrate within an existing IT structure, and they fear the loss of data ownership and provider divorce."

Kogan notes that entering the cloud and implementing SaaS-based applications won't be for every company.

"But every company needs to take the time to do the investigation," he notes. "The potential benefits are just too compelling to ignore." **e**

# Time to plan strategy for 'sunsetting' tax cuts

By Dennis Seeds

It's being called the largest tax increase in American history by some critics, and it's posed to hit all taxpayers on Jan. 1, 2011 unless Congress takes action. It's the sunset of the President Bush tax cuts of 2001 and 2003.

Many tax breaks were afforded by the legislation, including reductions in federal income tax rates, dividend tax rates and the capital gains tax. Cuts were made in estate and gift taxes and the earned income tax credit was expanded. In short, when the cuts expire, sweeping changes are expected.

"Even the most seasoned tax professionals are likely challenged to maneuver through the myriad of provisions scheduled to sunset as of Dec. 31," says David Shuman, managing director, Kahn, Litwin, Renza & Co. Ltd., a Leading Edge Alliance firm.

## Here's the focal point

Drawing high concern are tax rates on income, long-term capital gains and gifts.

"The centerpiece of the Bush tax cuts, still being enjoyed by taxpayers, were reductions in marginal tax rates on ordinary income and a maximum preferential tax rate of 15 percent on long-term capital gains and so-called qualified dividends," Shuman notes.

If the tax cuts are allowed to expire, the maximum tax rate on ordinary income will return to 39.6 percent from 35. The maximum rate on capital gains would increase to 20 percent from 15 (with an 18 percent rate for capital assets held more than five years). Most all other tax brackets would see an increase of 3 to 4.6 percent.

"A real sleeper is the treatment of qualified dividends that will no longer be taxed at the top rate of 15 percent," says Dennis O'Brien, partner in charge of tax services at Sikich LLP, a Leading Edge Alliance firm. "A high bracket taxpayer with significant qualified dividend income will see a very significant increase in overall income tax."

O'Brien gives this example: Imagine a retiree who largely lives off stock or mutual fund investments and earns $100,000 per year in qualified dividends. Assume that this taxpayer is in the 25 percent bracket. The taxpayer would pay an additional $10,000 in federal income tax ($100,000 x (0.25-0.15)) on the dividends alone—substantially more than the 3.4 to 4.6 percent rate increases mentioned above.

For wealthy clients, the scheduled upward momentum in the marginal rates is the top concern, Shuman says.

"Besides tax rate increases, the phase-out of itemized deductions for high income taxpayers returns to 3 percent of adjusted gross income—up from 0 percent in 2010," says Douglas D. Mueller, partner at Anders Minkler & Diehl, a Leading Edge Alliance firm.

This will effectively increase taxpayers' federal liability by as much as 1.19 percent, he explains.

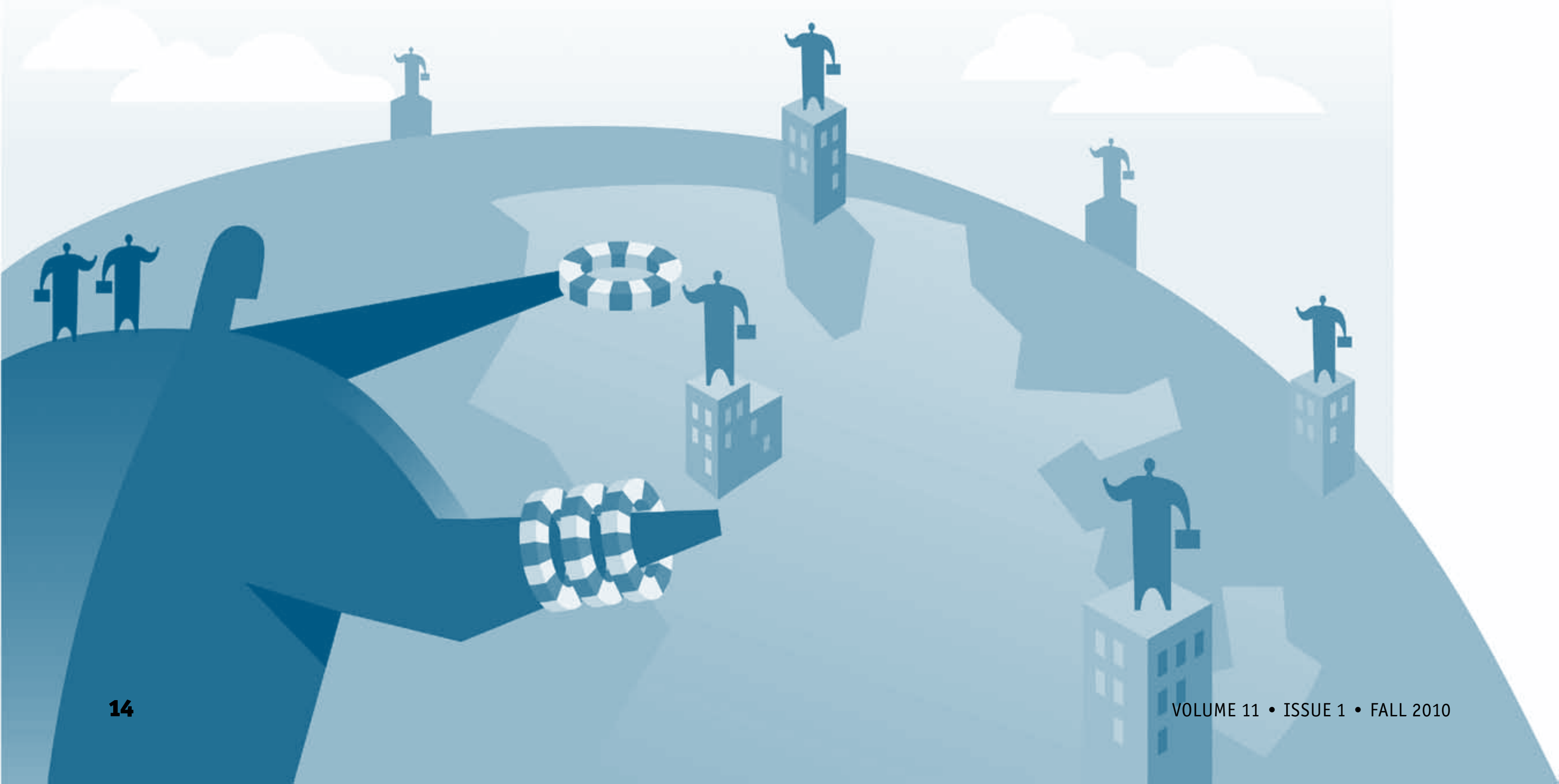
"Other items to note include the return of the 'marriage penalty' at the lower end of the tax brackets, the end of the 10 percent tax bracket and the continued annual guessing game for the alternative minimum tax (AMT) exemptions," Mueller adds.

## Silver lining

Accountants point out that several measures can be taken to contend with the changes.

Proper planning should be done to determine if acceleration of capital gains into 2010 is a good idea, O'Brien says.

"On the surface, most taxpayers would save 5 percent on capital gains by accelerating the gains into 2010," he explains. "However, Alternative Minimum Tax, various phase-outs, anticipated changes in income or deductions, time value of money factors and other circumstances should all be considered."



Leading Edge Alliance firm Ehrhardt, Keefe, Steiner & Hottman's R.J. McArthur says, "The combination of low interest rates, depressed valuations and a potential increase in income and gift tax rates provides tax planning opportunities for countless taxpayers.

"Those who are focused on this combination or have advisors that are focused on this are in a position to find the silver lining in the tax increase cloud."

McArthur recommends clients review the holding strategy of their assets to see if it makes sense to sell.

"If you sold an asset today, paid the tax at a 15 percent capital gains rate, re-invested the difference, held the asset for six years and then sold it again, you would have the same amount of money as if you did not sell the asset today, sold it in six years and paid the tax at the higher rate then," he notes.

In other words, assuming an 8 percent growth rate, if you intend to hold the asset for less than six years, it is better to sell it today and reinvest the funds, he recommends.

As the growth rate goes higher, the length of time shortens. This example does not contemplate the additional 3 percent related to the phase-out of deductions or the additional 3.8 percent health-care tax, McArthur says.

What about the 15 percent tax rate on capital gains scheduled to increase to 20 percent?

"It's very low based on historical standards," Shuman says. "Some clients may want to take advantage of that low rate by selling appreciated securities (or other assets) before the end of 2010."

## Good time for gifts

McArthur says his firm is discussing the reduced gift tax and the low-interest-rate environment with clients.

"In addition to encouraging additional gifting, we are modeling out intra-family loans or the practice of making loans or selling assets to children and grandchildren and locking-in the current low lending rate environment and low valuations," he says.

"If previous loans have been made, we are analyzing the impact of cancelling the loans on a net gift basis—effectively treating a net gift arrangement as a discounted pay-off of the debt."

Mueller says 2010 is a great year to gift assets considering the low asset values in both securities and real estate.

"We are encouraging some of our higher net worth clients to make significant taxable gifts this year to take advantage of the 35 percent gift tax rate before it goes up in 2011," he explains.

"The future appreciation of these assets would no longer be included in the taxpayer's estate and the gift recipients will enjoy the benefits of the appreciated assets.

"Gifting income earning assets may also help 'shift' income to those in lower tax brackets."

O'Brien notes that some of the tax and social implications can be startling.

"For 2010 the federal estate tax is repealed. In 2011 the federal estate tax will return to its 2000 levels," he explains. "Generally, the federal estate tax exemption will return to $1 million and the top tax rate will return to 55 percent. Congress may still deal with this issue, but it appears unlikely at this point."

No generation skipping transfer tax (GSTT) in 2010 means it may be a good idea to make gifts directly to grandchildren, Mueller suggests. The gifts should not be made in trust for them this year. Because the assets would go directly to the grandchildren, there are many non-tax issues to consider before making these gifts.

"It is important to keep in mind that there could be legislation to retroactively implement gift, estate and GSTT for 2010," Mueller notes. "We suggest planning now and delaying implementation until late December to be able to modify your strategy due to congressional action."

## Dividend taxes will rise

Not to be overlooked, the expected changes in dividend taxes have accountants reaching for solutions as well.

"Taxpayers in the highest tax bracket, with large amounts of dividend income could, without congressional action, experience a tax increase on those dividends of 264 percent, from a tax rate of 15 percent to 39.6 percent," Shuman says.

These taxpayers may consider shifting their investment portfolio from dividend paying securities to growth stocks or to mutual funds with a growth strategy, he suggests.

Clients living off dividend income through 2010 have realized incredible income tax savings under the Bush tax cuts," Shuman notes.

He gives the example of a client, without the qualified dividend benefit, having $1 million of dividends. The client could be taxed at up to 35 percent, or $350,000.

"With the qualified dividend benefit, that same $1 million of dividends is subject to only a 15 percent tax, or $150,000, a savings of $200,000," he notes. "To take full advantage of the preferential rate on qualified dividend income, shareholders of closely held C corporations may want to cause those corporations with accumulated earnings to make dividend distributions before the end of 2010."

For clients with modest estates of up to $10 million, it is a bit of a wait-and-see game in terms of where the estate exemption will end up, Shuman notes.

"But for wealthier clients, this very low interest rate environment (the Section 7520 rates) makes it an extremely attractive time to execute certain leveraged planning transactions to remove future appreciation from estates (with little up-front gift tax cost)."

For the wealthy client, the Roth IRA conversion must be analyzed before the end of 2010, Shuman says.

"The Roth conversion is not for everyone but for wealthy clients in the highest tax brackets (with the expectation of always being in the highest brackets), a Roth conversion is likely less expensive than normal accumulation and deferral with a regular IRA," he explains.

In 2010, there is no income limitation on the ability to convert a traditional IRA into a Roth IRA.

"This allows individuals to take advantage of today's lower tax rates and convert future taxable income into future tax-fee income," O'Brien notes. "Although income tax must be paid on the converted amount, there could be significant tax savings."

There are many other tax planning steps that can be done this year due to the pending tax changes and extraordinary gift and estate tax situation.

"However, I always want to remind my clients to think first of the non-tax issues and ramifications and then proceed with the best tax planning we can do in light of those objectives," Mueller says. **e**

# Top 10 misconceptions about doing business in ...Egypt

By Ayman Kamel, Fathy Kamel & Co.

## 1 There are no tax exemptions after the new tax law in 2005.

The new tax law has revoked the articles of the investment law that exempted certain industrial and commercial activities for five, 10 and 20 years. Under the new tax law, the exemptions do not exist.

The good news is that the new law still provides tax exemptions on:

- profit from land reclamation or cultivation establishments for 10 years,
- profit from establishments of poultry production, bee breeding, cattle breeding, fattening pens, fisheries and trawlers projects for 10 years,
- profits from securities investment listed in the Egyptian Stock Exchange,
- interest on all kinds of debt and finance bonds listed in the Egyptian Stock Exchange,
- dividends of the shares of the capital of the joint stock, limited liability companies and partnerships limited by shares obtained by individuals; returns from deposits, savings accounts, etc., in Egyptian banks,
- profits realized from new projects established by finance from the Social Fund for Development for five years,
- interest on securities issued by the Central Bank of Egypt,
- revenue from writing and translating religious, scientific, cultural and literary books and articles,
- revenue earned by members of teaching staff in the universities, institutes and others as realized from their books and compilations,
- revenue earned by members of the artists association from production of works of photography, sculpture and carving arts,
- revenue earned by volunteer professionals who are registered as active members of professional syndicates in their field of specialization for three years.

On the other hand, the new tax law reduced the tax rate for companies from 20 to 40 percent and made the maximum tax rate for individuals 20 percent instead of 40 percent.

## 2 Tax rates are high.

Companies pay 20 percent tax on their profits. Oil companies are taxed on their profits at 40.55 percent. The Suez Canal Co., Egyptian General Petroleum Co. and Central Bank of Egypt are subject to tax on their profits at a rate of 40 percent. The tax on individuals is between 10 and 20 percent based on income in excess of LE 5,000 ($877 USD) per year, with the top rate payable on income in excess of LE 40,000 ($7,016 USD).

The new tax law reduced the tax rate for private companies (except oil companies) from 40 percent (in the previous law) to 20 percent and made the maximum tax rate for individuals 20 percent instead of 40 percent.

## 3 Establishing a company takes a long time and is complicated.

A company can be established within 15 days from the day of its notification when the company is compliant with Egyptian procedures. For example, the company's objectives shouldn't contradict with laws or public order.

Law 8 of 1997 also establishes that a one-stop shop for investors be located at the General Authority for Investment and Free Zones (GAFI) to facilitate and simplify approval, registration, licensing and certification for new projects instead of requiring investors to go to 25 separate ministries. Some projects still require prior approval from relevant ministries in addition to GAFI, including investments in Sinai; all military products and related industries; and tobacco and tobacco products. Law 15 of 1963 prohibits foreign ownership of areas designated as agricultural lands, except for desert reclamation projects.

## 4 Non-Egyptians cannot own 100 percent of an Egyptian company.

Investment Incentives and Guarantees Law 8 of 1997 allows 100 percent foreign ownership of Egyptian companies. These companies enjoy guarantee against confiscation, sequestration and nationalization; they also enjoy the right to own land, maintain foreign currency bank accounts and repatriate capital and profits. They also can hire Egyptian staff, do not have price controls or restrictions, and receive equal treatment regardless of nationality.

Also, Law 3 of 1998 amending Law 159 of 1981 (concerning companies which are not exercising the same activities mentioned in the investment law) removes the restriction that part of the shareholders must be Egyptian.

## 5 Egyptian companies owned by 100 percent foreigners cannot be managed by a fully foreign nationality.

A joint stock company (shareholder company) is managed by a board of directors with at least three members. The board members, including the chairman, can be 100 percent of foreign nationalities. The management of a limited liability company may be assigned to one or more managers. At least one manager must be of Egyptian nationality.

## 6 Non-Egyptians can participate in all kinds of business activities.

Importation for trading purposes and commercial agency activity are both restricted to Egyptians or business firms wholly owned by Egyptians. Foreigners are not allowed to participate in these kinds of businesses. Foreigners can import raw materials only for the purpose of manufacturing.

## 7 The dividends of the foreign shareholder cannot be repatriated abroad.

The dividends of the foreign shareholder can be repatriated abroad through one of the

accredited banks in Egypt without any restrictions, and free of any taxes or duties. If a foreign partner wishes to repatriate his capital out of Egypt, he has to sell his shares or quotas or liquidate the company (if he actually owns all or most of it), deposit the proceeds of sale or liquidation in an account at one of the accredited banks in Egypt, and the bank will realize the required repatriation of the funds, free of any taxes or duties.

## 8 The ownership of land by foreigners is prohibited.

On July 14, Law 230 of 1996 was issued. The new law allows non-Egyptians to own real estate whether built or vacant with the following conditions:

- Ownership limited to only two real estate properties throughout Egypt for accommodation purposes of the person and family (family meaning spouses and minors), in addition to the right to own real estate,
- Needed for activities licensed by the Egyptian government,
- Not in excess of 4,000 square meters,
- Not an historical site.

The prime minister Declaration 350 of 2007 for land ownership for Egyptians and foreigners mentioned:

- All foundations and companies can own land and properties essential for performing their activities whatever the nationality, residence or the percentage in capital and shares of the partners and shareholders. Land and properties cannot be owned in strategic areas that have military importance, western, southern and eastern border lands, Red Sea and Mediterranean Sea, islands and shores, natural reserve places, historical places, and all the roads and interval lands.
- All foundations and companies are prohibited from owning lands or properties in Sinai, Suez, Port Said or Ismailia.
- Except for the stated lands and properties in the previous two points, foundations and companies can use lands and properties in Sinai through making usage right contract for one to 99 years with the right for renewal, on condition of taking all the necessary official approvals.

## 9 Egypt doesn't protect intellectual property rights.

The main source of intellectual property right laws is Law 82 for the Year 2002 (Law 82/2002). It replaced a collection of laws dating back to 1939 with a comprehensive intellectual property code as part of an effort to bring Egypt into compliance with its obligations under different international agreements. The four "books" of the new code address patents, integrated circuit designs, undisclosed information, trademarks, geographical indications, trade statements, industrial designs, copyright and related rights, and plant variety protection. Law 82/2002 generally attempts to mirror the provisions of the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPR).

## 10 Egypt is not considered an attractive country in which to do business.

"Egypt Advances 10 Ranks in Doing Business Report," a report released by International Finance Corp. and World Bank, maintains Egypt's position for the fourth time in the 10 largest reformers in world classification as of September 2009. Egypt, for the fourth time in five years, managed to find a place among the 10 largest reform-adopting countries in the world. It maintained its place among the countries improving and streamlining the business environment ... a package of radical reforms has been enforced in investment-related procedures from starting a business, dealing with construction permits and employing workers to registering property, getting credit, protecting the investors, paying taxes, trading across borders and enforcing contracts. Agriculture projects have been attracting more and more investors to Egypt over the past couple of years, especially in the shade of the current global food crisis and the soaring food prices which are driving investors to pump more capital in agricultural projects (total land = 384,345 square miles; cultivated land = 13,438 square miles; ratio of cultivated land to the total area = 3.5 percent).

Tourism projects also have been attracting investors. Egypt boasts 1,522 miles of stunning white sandy beaches, coral reefs and desert landscapes. Red Sea coastal resorts are firm favorites among visitors and property investors in Egypt today. They offer magnificent conditions for international diving and snorkeling enthusiasts, as well as other water sports such as windsurfing and kite surfing.**e**

*Ayman Kamel is the managing partner of Fathy Kamel & Co ., a member of the Leading Edge Alliance, and can be reached at ayman@fathykamelco.com or +202 25746476.*

# bits & pieces

## TECH USE INCREASES, RISKS BEING NEGLECTED

A recent IDG Research Services survey of nearly 400 security and IT decision makers reveals a rise in the adoption of consumer technologies and uncovers the growing role end users are playing in accelerating this trend. The research also underscores how unprepared many organizations are to manage the risks associated with this new reality.

Key findings include the following:

- 76 percent of security and IT leaders believe users have increasing influence on the purchase of devices and applications within the enterprise.
- Just over one-quarter of the respondents report their companies currently allow employees to use their own personal computers or mobile devices for work purposes.
- Though most companies have policies to prevent or limit connection of personal devices to the corporate network, nearly 60 percent of respondents said that unauthorized connections to the corporate network still occur. Some 23 percent of the largest organizations surveyed have experienced a serious breach or incident because of a personal device on the corporate network.
- More than 80 percent of companies now allow some form of access to social networking sites. Of those companies, 62 percent are already using it as a vehicle for external communication with customers and partners.
- The trend to enable users more access to consumer technologies is viewed in a positive light by most respondents. As many as 63 percent believe that using devices such as netbooks, tablets, smart phones and social media would increase productivity.
- Many companies are not fully prepared to confront this trend from a security standpoint. Only 11 percent say they feel very confident that they have the right level of security in place to accommodate increased access to consumer devices and applications.
- Just 22 percent of companies surveyed thoroughly calculate the risks associated with consumer technologies and applications before users begin using them for business purposes, 38 percent assess the risks in some cases, but have gaps in their strategies and up to 40 percent of those surveyed don't calculate the risks at all. **e**

## FINANCIAL EXECS MORE CONFIDENT

Financial executives are more optimistic today than they were this time last year, reports an annual study. The majority (83 percent) of financial leaders surveyed worldwide are at least somewhat confident in their companies' growth prospects, with 30 percent who are very confident.

The Robert Half Global Financial Employment Monitor analysis also found that companies were facing challenges locating skilled professionals for certain jobs.

But while a healthier business environment and rising recruiting difficulties suggest the job market in accounting and finance may be improving, companies today seem less concerned about keeping top performers than they were one year ago.

Forty-five percent of those surveyed said they are at least somewhat worried about their ability to retain staff in the coming year, down from 53 percent in 2009.

The survey is based on surveys conducted by independent research firms. It includes responses from more than 6,300 financial leaders across 19 countries. **e**

## TABLETS' DISPLAY TO GET BETTER

Researchers are pursuing an alternative approach to e-reader and tablet displays—with a potential for higher resolution and faster image display.

Several e-reader products on the market today use electrophoretic displays, in which each pixel consists of microscopic capsules that contain black and white particles moving in opposite directions under the influence of an electric field.

A serious drawback to this technology is that the screen image is closer to black-on-gray than black-on-white. Also, the slow switching speed (about 1 second) due to the limited velocity of the particles prevents integration of other highly desirable features such as touch commands, animation and video.

Researchers at the University of Cincinnati Nanoelectronics Laboratory are actively pursuing an alternative approach for low-power displays. Their assessment of the future of display technologies appears in the American Institute of Physics' Applied Physics Letters.

"Our approach is based on the concept of vertically stacking electrowetting devices," explains professor Andrew J. Steckl, director of the NanoLab at UC's Department of Electrical and Computer Engineering.

What does all of this mean for the consumer? Essentially, tablets and e-readers are about to become capable of even more and look even better doing it. Compared to other technologies, electrowetting reflective display screens boast many advantages. The electrowetting displays are very thin, have a switching speed capable of video display, a wide viewing angle and, just as important, Steckl says, they aren't power hogs. **e**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