



BUSINESS OWNER'S PERSPECTIVES

BUSINESS GROWTH:

What to Consider Before Expanding Overseas

According to the U.S. Commercial Service, 95 percent of the world's consumers live outside the U.S. Given this reality, more American-based companies are testing the waters of foreign markets. Is expanding overseas the right move for your business?

If this question is on your mind, your first call should be to your CPA. He or she has access to invaluable professional contacts that can help you make the right decision. Here are some things to consider before you go abroad:

What are the market possibilities? This is a big question, but many resources are available to help you determine the answer. For example, the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce's International Trade Administration, has trade professionals in more than 100 U.S. cities and 75 countries to help companies get started in exporting.

The U.S. Government's export trade portal (<http://export.gov>) is another excellent source of information on trade, including trade shows and webinars related to exporting. Companies can also become members of the World Trade Centers located in major cities. These organizations typically provide international trade counseling, market research, networking events and trade missions, all designed to foster international business.

Industry trade associations may also have some helpful resources in terms of research and connections.

How do you want to reach these markets? You have several options for selling your products overseas. A distributor relationship is often the simplest and least risky way to ease into exporting. Distributors know their local markets and they may be willing to start with a small order.

Other alternatives are an overseas office or a subsidiary. If you want your own people to service your foreign customers, this may be the way to go. Whether you set up a branch of your company or open a foreign subsidiary is something to discuss with your legal and tax advisors.

Will you have employment issues? Do your homework before you send employees overseas to work

for you. Their compensation may include some benefits not afforded your U.S.-based employees, such as international schools for their children. These benefits, plus moving costs and other expenses, can make setting up U.S. employees overseas expensive.

Prevailing foreign labor laws will govern your employees overseas, so look into local laws before making a move. For example, some countries make it very difficult to fire employees. Visas and work permits can be tricky as well.

If you choose to hire locally, be aware of local laws related to employment contracts, non-compete agreements and similar issues.

Are there tax implications and/or export restrictions? Talk to your CPA about repatriating foreign income, currency restrictions and payment issues. For example, you'll need to address fluctuations in foreign currency and lag time in getting paid. Both of these issues can affect your financing needs.

In terms of export restrictions and tariffs, you'll want to familiarize yourself with the various tax treaties that impact your overseas expansion plans.

In addition, it's important to understand the Foreign Corrupt Practices Act. Actions which may be acceptable overseas — paying foreign government officials for expedited permits or approvals, for example — can get U.S. companies in big trouble with the Securities and Exchange Commission.

Expanding overseas takes a lot of forethought. Your CPA can be an enormous help, especially when it comes to providing international expertise. The PKF network includes access to accounting and legal professionals in more than 125 countries around the world through PKF International.

Don't be disheartened by all the research and planning required. Going abroad may be an excellent growth path for your company.

If you're considering an export operation, give us a call. PKF International can be an invaluable resource for your business.

WORD TO THE WISE

Hiring Right: Look Inward at Your Company First

Few business owners reach success on their own. It usually takes an accomplished team to make a company outstanding.

Author Jim Collins captured this idea in his book, *Good to Great*. Collins said that good business leaders start by “getting the right people on the bus, the wrong people off the bus, and the right people in the right seats.”

The Link Between Employee and Customer Satisfaction

A group of business experts writing in the *Harvard Business Review* explained the importance of hiring the right employees and keeping them happy. In their article, “Putting the Service-Profit Chain to Work,” the authors started with the obvious: that highly satisfied customers drive growth and profitability.

They then linked customer satisfaction to employee satisfaction by noting that employee satisfaction fuels loyalty, which raises overall productivity. This elevated productivity produces greater external service value for customers, which in turn enhances customer satisfaction and loyalty.

According to these experts, a 5 percent jump in customer loyalty can boost profits between 25 percent and 85 percent. And it all starts with hiring the right employees.

Before you can even look for the right people to put on your bus, you need to examine your business and make sure you have the elements in place to promote employee satisfaction. Consider these three steps.

1. Define your values. Who are you as a company? What do you believe? How do you want customers, vendors and employees to see you? As an owner and leader, you can create the picture you desire relative to quality, service, citizenship, environmental stewardship, integrity and other values.

Everyone at your company should be able to talk about the organization’s values — and everyone you hire should be aware that the company embraces and promotes these qualities.

2. Define your culture. Facebook attracts talent with a fun environment, which includes graffiti-like murals and a cool urban feel. Whole Foods is all about “open books, open doors and open people.” And UPS is known for its long-term commitment to employees and a “roll-up-your-sleeves” customer-centric attitude.

What’s it like to work at your company? Are there particular adjectives that describe your culture? One way to determine this is to simply ask your employees. It’s likely that they can quickly tell you what defines your business.

Remember, potential employees will be looking for a good fit — a place where they feel comfortable. Your company culture is what makes the right people loyal to you.

3. Define your expectations. Make sure your human resources team and line managers are on the same page about the people and skills you’re looking to hire.

When you find the right people for the right seats, give them the training they need to do their jobs well. Let them switch seats when they outgrow their original jobs to help keep them motivated and challenged. Be open to change, and use a mentoring program to foster employee development.

Your Greatest Asset?

Business owners often say their employees are their greatest asset. If this is true at your company, make sure you’re ready to bring in the right people — and put them in the seats where they are most likely to succeed.

We can help you define and refine your company so that it attracts the right employees. Call us if you’d like to discuss this further.

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MANAGEMENT TACTICS: How to Create a Board of Advisors

You know who they are — the colleagues you admire, whose opinions you trust and input you value. Have you considered asking them to “formalize” their relationship with you by serving on your company’s board of advisors?

A board of advisors can help business owners brainstorm, plan and make decisions. Advisors can weigh in on everything from personnel issues to product lines, depending on what type of advice you need. Here are some board of advisor basics:

What? A board of advisors is not a board of directors or a family council. Advisors have no fiduciary or governing responsibility and no legal authority — they simply guide owners and executives as needed.

By creating a board of advisors, you’re indicating that you’re serious about asking for the advice and wisdom of others, and that you’re interested in learning from those who know things you don’t. For many entrepreneurs and business owners accustomed to making big decisions solo, a board of advisors helps them see a bigger picture.

Who? This is your chance to handpick the people you want around you — those who will tell you the truth without sparing your feelings and who are willing to disagree with you without flinching.

It’s likely that you already have an informal group of people who serve as a sounding board. You may want to start with this group and add to it.

Make sure you have diversity of thought, discipline and experience. If your company is facing a specific challenge, include an advisor or two familiar with that area, whether it’s marketing, human resources, sales or another area of expertise.

Also be sensitive to competitive issues and conflicts of interest. You want your advisors to feel comfortable offering their thoughts freely.

How? Most advisory boards meet between two and four times per year. Meetings may be over a meal to

foster camaraderie and networking, or they may be via conference call if advisors are in different locations.

To get the most from your advisors, share your agenda before each meeting so they can be prepared to discuss your most pressing business issues.

When? Some owners prefer having a board of advisors in place right from the start, while others are inspired to create a board of advisors before a big decision or expansion. Whatever your motivation, there’s no time like the present to consider the benefits of tapping into the wisdom of a trusted group of business associates who are willing to share their thoughts with you.

After you have settled on how you want your board of advisors to work in terms of meeting frequency, participation and preparation, call or meet with each potential advisor and explain what you’re looking for.

Of course, one of the best things about creating an advisory board is that the details are completely up to you!

We can help you think through the details of forming an advisory board. Contact us today to discuss next steps.

Beware of Data Security Pitfalls

Ten out of 10 business owners will tell you that data security is important. So why are many so lax about their data?

Sometimes it's a question of resources. During the recession, company cash was often used for priorities other than IT. But more often, it comes down to a lack of awareness about the data that is being collected and stored, and how it should be protected.

Assess your risks. Exactly what kind of information are you collecting and storing? Is it attractive to hackers?

Obviously, customer payment information must be guarded. But your intellectual property, process documentation and employee files also deserve attention. Gather your IT team and brainstorm about your data risks and security needs.

Make employees aware. A coworker leaves a laptop on an airplane or loses a smartphone. Every time this happens — and it happens often — your company or client data could be at risk.

Keep data security top of mind with employees through regular lunch-and-learns or information

and training sessions. Make them aware of email “phishing” and other types of schemes, as well as social media risks.

Manage mobile devices. How many phones and flash drives end up at the dry cleaners? The problem goes way beyond inconvenience: If a device contains sensitive company data, this can create a serious security breach. Make sure all mobile devices are locked and PIN-encrypted.

Document your policies. Depending on the types of data you store, your state may require certain data security measures. If all you can say is that you have network passwords, you're not likely to impress the attorney general.

Create data security policies that are both workable and firm, and then document them and keep them updated to accommodate evolving technology.

We can help you find a data security resource to implement appropriate controls. Call us to learn more.

Mueller Prost PC is a team of CPAs and business advisors headquartered in St. Louis. From humble beginnings on a ping-pong table in 1983, the corporation has grown into one of the leading CPA and business advisory firms in the area, operating out of two locations with more than 90 staff members. By **Advising with Vision**[®], we offer clients new and unique ways to look at their businesses. Our forward-thinking CPAs and advisors stand ready to provide depth of expertise, strategies and resources required to help clients set and achieve their goals at every stage of the business lifecycle. As a member of PKF North America (an association of independent CPA firms), our team has the ability to leverage national resources when needed to benefit client engagements.

The firm offers a full range of professional tax, audit, accounting and management advisory services and works with many closely-held, family-owned businesses.

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