

# Business

# Insights

## *Inside this issue*

► Tax ► Finance ► Technology ► Growth

### **Human Resources**

*Educating Your Employees  
about Their 401(k) Plan*

### **Profitability**

*A Return Policy That  
Satisfies Customers While  
Protecting Your Bottom Line*

### **Management**

*Get the Job Done with Virtual Teams*

*Developing Leadership  
Potential among Your Employees*

### **Marketing**

*Answering the Call to  
Diversity through Marketing*

*Promote Your Practice by  
Increasing Your Professional Visibility*

### **Washington Alert**

*Bailout Bill Features Business Incentives*

*The IRS Raises Standard Mileage Rates*



## Educating Your Employees about Their 401(k) Plan

A 401(k) plan offers employees an excellent means to save for retirement. However, workers often pass up the opportunity to participate in their company plan because the information presented may seem difficult to understand. To engage the interest of your employees and to educate them about the potential benefits of your plan, the information sessions should be prepared carefully. With a little effort, you can increase the effectiveness of these presentations and boost participation in your company's 401(k) plan:

- **Prepare employees *before* the presentation.** Assume your employees have little money management experience. Treat them as you would prospective customers. When announcing the information session, explain *what* they will learn and *why* the information is important to them. Emphasize how they will benefit from attending the session.
- **Keep the tone light.** A little humor goes a long way in holding an audience's attention. Encourage presenters to use clear, simple language—avoiding “legalese,” jargon, and complicated charts and graphs. Money management tips and worksheets can be helpful. Remember to leave plenty of time for questions and answers.
- **Sit in on the session.** Doing so will allow you to be sure the information presented is fair, accurate, and understandable. It also demonstrates to your employees the value you place on the retirement plan.
- **Gear the material to the audience.** Avoid the “one size fits all” presentation. Gear the material to the audience's level of knowledge. Novice 401(k) participants may be overwhelmed with too much information, while experienced contributors might become bored if too much time is spent on the basics. If your workforce includes both

new and experienced participants, consider offering *two* information sessions and allowing your employees to choose the one that is most appropriate for their needs.

- **Demonstrate how a 401(k) plan can make it easy to save for retirement.** Many employees who are concerned about stretching their paychecks from week to week may fear they do not have the excess income to contribute to a retirement plan. A skilled presenter can address this concern by emphasizing the potential tax benefits of a 401(k) plan. With a few simple calculations, your employees will see that, once tax savings are considered, their contributions may not take as large a chunk out of their paychecks as they might have thought.
- **Support your employees in keeping their contributions at a comfortable level.** Avoid overemphasizing contributing the *maximum* amount allowable if that exceeds an employee's financial ability. Point out that even a small contribution is better than none, especially if the company is *matching* all, or a portion, of it. Emphasize that it is far better for employees to start small now and increase their contributions later when they can afford to do so.

A well-crafted 401(k) plan presentation can go a long way toward boosting participation rates in your company's retirement plan. By targeting the information session to your employees' needs, you can help them make the most of their retirement plan option. And, it's important to bear in mind that this needn't be a “one-time only” event. Get in the habit of scheduling a company-wide 401(k) presentation at least once a year. More frequently scheduled information sessions can help make the plan accessible to new employees who join the company during the year, as well as encourage existing 401(k) participants, who may be thinking of raising their contributions. ■



## Inside this issue

Educating Your Employees about Their 401(k) Plan ▶ 1

A Return Policy That Satisfies Customers While Protecting Your Bottom Line ▶ 2

Get the Job Done with Virtual Teams ▶ 3

Developing Leadership Potential among Your Employees ▶ 4

Answering the Call to Diversity through Marketing ▶ 6

Promote Your Practice by Increasing Your Professional Visibility ▶ 7

Bailout Bill Features Business Incentives ▶ 8

The IRS Raises Standard Mileage Rates ▶ 8

## A Return Policy That Satisfies Customers While Protecting Your Bottom Line



Regardless of where most of your sales are transacted (online, by mail, or in shop), customers will occasionally wish to return or exchange items they have purchased. To avoid unnecessary conflict or expense, it is important to have a return policy that clearly outlines to your employees and customers how the returns process works and under what conditions returns and exchanges will be permitted.

Companies both large and small need a written return and exchange policy. The issues you may wish to consider when formulating your policy include:

- What time limits will your business impose on returns?
- Will you grant partial refunds for merchandise returned after the time limit?
- Will customers be required to produce a receipt or online purchase number when requesting cash back for returned merchandise?
- How will you respond to customers who appear to have damaged the items they are seeking to return?
- Will you offer to refund the money of dissatisfied customers, or give them a credit to make other purchases from your business?
- Are there circumstances in which the customer is only permitted to exchange the returned purchase for the same item, or a similar item of equal value?
- Will customers be permitted to return deeply discounted or sale items?
- If the returned merchandise must be shipped, who is responsible for the delivery costs?
- Will you levy a restocking fee for certain types of returns?

Clearly, the specific guidelines you establish will depend in large part upon your business model. Few retailers can remain competitive if they have a flat “all sales are final” policy. But if your business has thin profit margins, sells relatively low-cost items, and draws its sales from a large pool of customers, a generous return and exchange policy may be too costly and is likely unnecessary. If, on the other hand, you depend

on a smaller pool of loyal customers, enjoy comfortable profit margins, and sell more expensive items, your business may benefit from adopting a more flexible return and exchange policy.

Researching the policies of your competitors can provide you with some ideas about common practices in your industry and help you to determine whether your policy is in line with those of comparable businesses. Before finalizing your policy, be sure that it does not violate any state or local consumer protection laws.

Once you have established your return and exchange policy, communicate it clearly to customers. Post your policy both on your website and in your place of business. You may also consider printing the policy on all estimates, receipts, and sales materials and correspondence. The written policy should include clear instructions to customers on how to return merchandise, including an address and other contact information.

When merchandise is being returned, ask each customer or the sales clerk to fill out a brief form explaining the reason for the return. This will help your business identify and track any recurring problems with certain lines of merchandise.

Sales personnel and other staff members who deal with returns and exchanges may sometimes find it difficult to cope with irate customers. Whenever possible, encourage staff to remain friendly and cordial to customers. Instruct employees to follow the guidelines as laid out in the policy and to refer any problematic cases to a manager. If you find that certain customers appear to be abusing the return policy, set a limit on the number of times a customer is permitted to make returns.

In certain types of businesses, fraudulent returns are becoming increasingly widespread. For example, fraud may occur when a “customer” attempts to return goods that were stolen or purchased with stolen credit cards, or return merchandise that has been used or resold. You can minimize the risk of fraud by implementing a coding system or other security solution that allows you to verify that the items returned were indeed purchased from your business. ■

## Get the Job Done with Virtual Teams

As more companies rely on the participation of employees and partners in geographically distant locations, organizations are increasingly building “virtual teams” of individuals who meet online to work on projects or engage in business activities. To keep these virtual teams connected and on course, companies need to implement the right networking and collaborative technology solutions, as well as develop innovative ways to encourage cooperation among workers who seldom see each other in person.

There are many reasons why companies may choose to create virtual teams. Sometimes, the people who are best qualified to perform certain types of work or contribute to a specific project are located in other parts of the country or the world. Companies with multiple locations may need employees in different offices to cooperate and communicate with one another. Employees seeking a better work-life balance or looking to save on commuting costs may ask to work from home full or part time. Sales representatives may travel frequently as part of their job responsibilities, but also need to remain connected to their co-workers while on the road.

In a 2008 survey of employers conducted by the Institute for Corporate Productivity, 42% of respondents predicted that their organization’s reliance on virtual teams will continue to grow over the next three years. When asked to identify the benefits of using virtual teams, more than three-quarters of respondents said teams facilitate information-sharing to a high or very high extent. In addition, 70% agreed that virtual teams encourage diverse thinking, and 62% said virtual teams result in higher productivity and facilitate cross-training.

The findings also indicated, however, that relying on virtual teams can pose challenges for companies. More than one-third (35%) of the companies surveyed told researchers that virtual teams can be too difficult to manage, 31% said that coordinating schedules can be problematic, and a similar percentage expressed concerns that their company’s technology is inadequate for virtual team meetings.

The first step in ensuring that virtual teams function well is to provide managers and employees in remote locations with the technology

they need to communicate. Team members may require reliable phone and Internet connections, including cell phones, laptops, and personal digital assistants (PDAs) if they travel frequently. Employees working away from the main office should be encouraged to use e-mail and instant messaging to stay in touch with co-workers and managers, and to respond to any messages promptly. Team members may be asked to maintain an online calendar that can help their co-workers keep track of their activities and availability.

Document sharing and project management software programs can make it easier for team members to collaborate effectively. These collaborative tools enable users to view in real time any contributions or changes made, and to add their own contributions.

While much of the work conducted by virtual teams can be done on a flexible basis, it is important to schedule meetings via teleconferencing, preferably with video. This provides team members with the opportunity to engage in a discussion as a group, airing any concerns they may have and connecting with one another on a more personal level. Team leaders may also organize interactive “webinars,” in which group members are invited to view an online presentation and ask follow-up questions by phone or instant messaging.

Managers assigned the task of supervising virtual team members should think about how they will maintain contact with these employees and assess their performance on an ongoing basis. Rather than monitoring the amount of time each employee spends working, many companies now measure productivity by the results produced. This approach to management involves establishing clear objectives and requires employees to demonstrate that they are following schedules and meeting the goals the organization has set for them. Equally, managers should realize that even self-directed employees may need occasional guidance and advice.

If it is feasible to do so, virtual teams should meet face-to-face at least once or twice a year. Especially if a pleasant social event, such as dinner or a party, is included, these get-togethers can build trust and facilitate communication between team members, as well as cultivate a sense of company culture and loyalty to the organization. ■

---

*Managers assigned the task of supervising virtual team members should think about how they will maintain contact with these employees and assess their performance on an ongoing basis.*

---

## Developing Leadership Potential among Your Employees

**G**rowing businesses need effective leadership. While you and your partners may have been able to provide that leadership in the early stages of your business, it may become necessary to delegate some management and decision-making functions to others as the company expands. Finding and developing the right people to fill those roles can help your business thrive, while enabling you and your current management team to focus more of your time and energy on other strategic issues.

### Promoting from Within

Business owners who decide to hire a manager or executive to take charge of the organization or to oversee certain functions may tend to overlook employees who already work for the company. Instead, they may choose to hire a candidate from outside. This approach may bring in new talent, but it also has potential pitfalls. Even recruits with extensive management and leadership experience in a similar business or organization will not have detailed knowledge of how your company operates; they are also unlikely to be acquainted with your customer base and key suppliers. Moreover, they will not know your employees or be integrated into the culture of your organization.

This lack of familiarity with the company means that any new manager or executive is likely to face a steep learning curve and will be required to earn the trust of the people he or she will be supervising. By contrast, an employee promoted from within the company is much more likely to be able to hit the ground running from the first day on the job.

Occasionally, the need to hire a manager or executive arises unexpectedly, often due to illness or a sudden resignation. In these cases, it may be necessary to promote an employee without warning and simply hope that the employee is up to handling his or her new responsibilities. While abrupt transitions of this kind sometimes work out, they are seldom smooth or easy for the newly promoted manager or the organization as a whole.

If you anticipate growth within your organization or retirement among senior managers, it makes sense to plan for these transitions by preparing lower-level employees to adopt managerial or executive roles in the future. Having a plan

in place for nurturing talent helps to ensure that qualified people are available to take on critical roles in your organization. Such planning is also valuable in recruiting candidates to entry-level and mid-level positions. Demonstrating opportunities for advancement within your organization can also prove instrumental in persuading jobseekers to accept an offer of employment.

### Implementing a Talent Development Strategy

Depending on the size and needs of your business, your talent development strategy may be implemented as a structured program, or it could take a less defined form. If you anticipate the need to fill a number of senior level positions over the coming years, consider establishing a program that provides a framework for employees to follow as they receive the training and mentoring necessary to prepare them for upper-level positions.

To ensure that employees targeted for leadership roles have the expertise necessary to perform well, companies often encourage management trainees to attend educational courses or seminars, or they may offer to support them while earning a degree or certification. In exchange for a commitment of service, employers sometimes provide tuition assistance to employees pursuing degrees or professional certification. Encouraging talented employees to pursue their educational goals can enhance the skills and knowledge they bring to the workplace and help your organization retain ambitious and hard-working people.

Sometimes the best training an employee can receive happens on the job. Participants in talent development programs may, for example, be paired with senior managers or executives who already have the experience and understanding of the business the trainees are expected to acquire. These managers may invite the trainees to observe or take part in some of their daily activities; they may also serve as mentors who offer regular advice and guidance to managers-in-training.

To ensure that these pairings are effective, the managers who are being asked to act as mentors should be told in advance what their role will be and the areas in which they will be expected to instruct the trainees. In some cases, senior managers may benefit from additional training in coaching and mentoring before assisting junior employees.



## Developing Leadership Potential among Your Employees . . . continued



If managers are reluctant to become mentors, remind them of the strategic importance to the business of training the next generation of leaders.

Providing promising employees with challenging tasks can help them improve their skills and gain confidence in their abilities. Consider assigning employees to projects that demand they stretch beyond their current roles. If possible, these projects should be of real strategic importance to the business and provide trainees with the opportunity to make a genuine contribution to the bottom line. An employer may, for example, ask trainees to develop ideas for improving efficiency and test those ideas by implementing them on a trial basis. The trainees may then be asked to demonstrate the value of the changes they have made. Employees who have been particularly successful may be rewarded with a bonus and formal recognition.

### Selecting the Best Candidate

Of course, it is unrealistic to expect that employees in training will always succeed. When trainees make mistakes, their mentors or managers should talk to them about what happened and discuss how similar problems can be averted in the future. A trainee's reaction to a mistake or setback can also be a good indicator of his or her maturity and ability to cope under pressure. To offer a fresh perspective, you may want to bring in an executive coach who can help both trainees and senior managers identify their areas of weakness and develop strategies for improving their leadership abilities.

When considering which of your current employees or new recruits should be placed on the management path, avoid assuming that the best leaders are the self-promoting "go-getters." Sometimes, the extroverted fast-talkers who display the greatest interest in moving up in the organization are not the best choice for upper-level positions. While these employees may be ambitious, they may not be particularly loyal to your company, and their leadership style may not be suited to your organization.

Rather than choosing to develop those employees with the most obvious desire for advancement, consider the leadership requirements of your organization. Are you looking to recruit an executive to represent your company to customers

and investors, or do you need a manager with the ability to direct employees and oversee operations? Different personality traits and skill sets will be called for in different types of leadership roles.

---

*Providing promising employees with challenging tasks can help them improve their skills and gain confidence in their abilities.*

---

If you are uncertain about which of your current employees are most suitable for promotion, listen closely to what others are saying. Through casual conversation or by posing direct questions, you can find out from staff and customers which employees are considered reliable and competent, and who is most appreciated and valued for his or her contributions. Even very able employees are unlikely to be effective as leaders if they are not liked and respected by their co-workers.

Keep in mind also that not all employees who perform well in their current roles will necessarily excel as managers or executives. If you are in doubt about whether a particular employee should be encouraged to move up to a managerial role, set up an interview with the employee to discuss his or her professional goals and interests. For additional help in assessing an individual's potential for leadership, consider using psychometric tests designed to identify whether the candidate's personality traits match the demands of the position in question.

When crafting a talent development strategy, it is important to remember that some leaders with the greatest potential may start out as diamonds in the rough, requiring some encouragement and polishing before they are ready to accept a more responsible position. But, when properly prepared, a long-serving and experienced employee who rises through the ranks can prove to be a great asset to your company as it moves into the future. ■

## Answering the Call to Diversity through Marketing

America has long been known as the great melting pot. In the past, immigrants were encouraged to assimilate into one homogenous culture; this was further promoted by the nation's motto, *E Pluribus Unum*, or "From Many, One." Today, however, more immigrant groups are retaining the identities of their homelands and are celebrating their diversity within mainstream America.

According to estimates by the U.S. Census Bureau, by 2050, Hispanics and Asians will account for more than 30% of the U.S. population. In fact, out of the 12.5 million Asians and Pacific Islanders in the U.S., each of the following nationalities number over one million: Chinese, Filipino, Asian Indian, Vietnamese, and Korean. Because of these ever-growing and changing numbers, companies that prepare to serve the needs of a diverse population will be best positioned in the years to come.

One way to attract a diverse market is through cross-cultural marketing, but marketing to specific cultural groups entails more than just language. Building a cross-cultural marketing strategy requires an understanding of the target cultures. Unique cultural traditions and values need to be understood and respected, or embarrassing cross-cultural errors can occur. One mistake many marketers make is thinking that the inherent values of one culture can be transferred to another.

Consider the following techniques to create a successful cross-cultural marketing campaign:

**Enlist the help of cultural insiders.**

Whether the company seeks counsel from one who is native to the culture or a well-educated anthropologist, it will be crucial to understand what is and is not acceptable within the culture, and realize that concepts and ideas do not necessarily translate from one culture to another. Cultural insiders can also offer insight into the passions of the target market and help to create winning concepts.

**Strategize and follow through.** Determine which products and services your target market will value, create a plan, and stick to it. Avoid jumping on the bandwagon because an idea or market is trendy. By carefully selecting your target audience, you will be in a position to refine your strategy and even reach untapped markets.

**Incorporate the "Concept of 360."** Cultural groups within the United States often live 360 degree lives. A Hispanic woman, for example, may begin her day speaking and reading Spanish at home with her family. At work, however, she likely speaks English and discusses American pop culture with her co-workers. In the evening, she may return home and watch news and television shows in Spanish. Throughout any given day, there are an infinite number of opportunities to reach target markets.

**Create an integrated approach.** A plan that encompasses all facets of marketing will likely yield the best results. Businesses may combine internal corporate initiatives with print and online media. In addition, companies may want to hire bilingual customer service representatives to fulfill customers' needs.

---

*Building a cross-cultural marketing strategy requires an understanding of the target cultures.*

---

**Form a partnership.** Creating an alliance with companies whose brands complement yours can be a great way to access a new market. If your company is relatively unknown, consider joining forces with a company that is already well respected within your target market. Pairings that combine the old with the new or the staid with the trendy can be very successful.

**Embrace the culture.** Certain cultural groups have passions for music, art, or sports. Consider creating a campaign that revolves around these passions. A campaign that demonstrates respect for cultural values is usually well received.

While marketing is often a reflection of culture, it also has the ability to make its own impact and redefine current culture. Campaigns that speak to the passions and values of specific markets may be the most successful. America has always been a country of change, and as diversity in America continues to grow, companies that strive to serve the needs of all Americans will be well ahead of the game. ■



## Promote Your Practice by Increasing Your Professional Visibility

Reaching out and developing relationships with potential customers should not be left to just a few designated “rainmakers” within a company. You can market your business to a broader range of potential customers by increasing your visibility as a professional and enhancing your own public profile.

All business owners are aware of the need to network in order to develop the business. Aside from joining the usual associations and attending the same industry events, how can you make new contacts and build your client base? Here are some suggestions:

**Seek out and accept speaking engagements.** There may be opportunities to present at local seminars, conferences, meetings, and other events. Lecturing on an industry-specific topic can increase your visibility among colleagues and the community, bringing attention to your business and its services, as well. If you lack confidence as a public speaker, enroll in a class that can help you improve your skills. Using PowerPoint slides during your presentation can provide informative and entertaining visuals, while helping you stay on track without resorting to reading notes. Rather than making a direct sales pitch for your business, address subject matter of general interest that is relevant to your potential customers. After your presentation, spend some time talking informally to members of the audience, answering questions and exchanging business cards.

**Host seminars.** Once you have become comfortable speaking before an audience, consider hosting a seminar for current and potential clients. Those who attend will likely have a strong interest in your services, making these seminars a great way to reach out to new prospects. While organizing even an afternoon seminar can entail considerable work, you may be able to recruit other professionals who share your target audience to participate and/or co-sponsor the event. A variety of presenters

from different businesses can make the event more interesting for attendees, lend greater credibility to the messages delivered, and help to delegate the organizational responsibilities among a larger number of people.

**Optimize your web presence.** Many businesses fail to fully utilize one of the least expensive, but most effective, marketing channels available: the Internet. As more Americans of all demographic groups spend increasing amounts of time online, boosting your company’s profile on the web is an excellent way to develop new business. If your company has not done so already, put some effort into “optimizing” your website. With the assistance of a web design consultant, you may be able to improve the chances that search engines will find your website, as well as make it more attractive to prospects once they arrive. Posting informational articles on subjects of interest to potential clients may also draw traffic to your website and lead to new business.

**Consider blogging.** Writing a blog may seem time-consuming and even risky, but, if it is maintained in a disciplined manner and does not become a forum for unfiltered opinions, a blog can be an excellent tool for marketing your business. Less formal and more personal than a marketing brochure, a blog allows you to enter a virtual conversation with prospective customers, giving them insight into your areas of professional expertise and personal style. Consider the characteristics of the customers your firm would like to attract and create postings designed to appeal to this target audience. You may even wish to post comments on subjects outside of your industry, provided they are not likely to provoke controversy and alienate prospects. Remember that you do not have to post on a daily basis for a blog to be effective, but it should be updated on a regular and predictable basis. To lighten the workload, you may want to appoint a member of staff to manage and edit the blog and share the blog with owners of other businesses, who may be able to enrich the content by providing their perspectives.

Increasing your professional visibility can go a long way in marketing your business and its services. Consider the outlined suggestions to help get you started. ■



## Bailout Bill Features Business Incentives

**O**n October 3, 2008, President Bush signed into law a \$700 billion financial rescue package that also featured \$150 billion in tax breaks aimed at individuals and businesses, including an alternative minimum tax (AMT) patch, energy incentives, and extensions of mortgage debt relief, the higher education tuition deduction, the child tax credit, and the state and local sales tax deduction.

The Emergency Economic Stabilization Act of 2008 is primarily intended to ease the credit crunch threatening to bankrupt U.S. financial institutions by allowing the government to direct purchases of troubled assets or to acquire them through auctions. Tax incentives were added to make the bill more appealing to lawmakers who were reluctant to vote in favor of a measure that bails out Wall Street bankers, without helping ordinary Americans facing recession on Main Street.

Among the provisions aimed at helping businesses is an enhancement of the research

and development credit. By taking advantage of the research and development credit, businesses can lower the cost of developing and improving their products or processes. Previously, businesses claiming the alternative simplified research credit were permitted to claim 12% of qualified research expenses that exceed 50% of the average qualified research expenses for the three preceding tax years. The new law increases the amount that may be claimed to 14% of research expenses and extends the tax break through December 31, 2009.

The new law also extends through December 31, 2009 the New Markets Tax Credit, deductions for certain charitable contributions by businesses, and deductions for qualifying restaurant and leasehold improvements. Under the new legislation, the deduction for energy efficient commercial buildings is extended through the end of 2013.

For more information on how the Emergency Economic Stabilization Act of 2008 may affect your business, consult your tax professional. ■

## The IRS Raises Standard Mileage Rates

**T**o help ease the impact of gas prices on Americans who drive for business, the Internal Revenue Service (IRS) announced in June that it is raising the optional standard mileage rates used to calculate deductible costs of operating a car for business purposes by eight cents for the final six months of 2008.

For all business miles driven from July 1 through December 31, 2008, the rate is increased to 58.5 cents a mile. The 50.5 cent standard mileage rate remains in effect for the first six months of 2008. While the IRS normally updates mileage rates only once a year, the agency made this special adjustment in response to the recent jump in gas prices.

The standard mileage deduction may only be claimed by businesses using four or fewer vehicles. Companies with five or more vehicles that do not qualify for the deduction generally use the IRS rate as a benchmark when setting reimbursement rates for employee driving expenses.

When filing for a deduction on their federal income tax return, individual taxpayers also have the option of calculating the actual costs of using their vehicle, rather than using the standard mileage rates. To use the actual expense method, drivers must estimate the actual costs of operating the car for business purposes, including the amounts attributable to business miles driven spent on gas, oil, repairs and maintenance, cleaning, tires and other supplies, insurance, registration fees, and licenses. Depreciation may also be included.

The IRS further announced an increase in the rate used to calculate deductible medical or moving expenses by eight cents to 27 cents a mile for the final six months of 2008, up from 19 cents for the first six months of the year. However, because the rate for providing services for charitable organizations is set by Congress, not by the IRS, this rate remains unchanged at 14 cents a mile. ■



*Be advised that this publication was not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties, or for promoting, marketing, or recommending to another party any tax-related matters addressed herein. This publication is intended to provide accurate and authoritative information on the subject matter covered. It is distributed with the understanding that the publishers and distributors are not rendering legal, accounting, or other professional advice and assume no liability whatsoever in connection with its use. © 2008*