

# Business

# Insights

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## Tips for Getting Paid Promptly

Customers who do not pay their bills on time are a problem for most businesses. But, there are steps you can take to improve your chances of receiving payments on schedule, while still meeting the needs of your clients. Here are some tips for facilitating the payment process:

**Establish a payment schedule.** Establishing a payment schedule can help to eliminate uncertainty for both the business and the customer. Requesting smaller payments, rather than a single large check, may be more manageable for the customer, while providing a steady income to the company. The payment schedule can be arranged according to certain dates or specified milestones in the delivery of services.

**Draft solid contracts.** Regardless of what type of payment schedule you agree upon with the client, make sure the terms of the arrangement are clearly specified in a written contract that has been signed by both parties. The contract should include details about the work you have agreed to perform, as well as the terms of payment, including billing procedures and penalties incurred for failure to pay on time, such as late fees.

**Implement invoicing processes.** To simplify the invoicing process, consider using a software program that automatically drafts and delivers invoices and reminders. Whenever possible, mail invoices well in advance of the payment due date. For longer-term projects, send out monthly statements summarizing the invoices paid to date and the payments outstanding.

**Expand the types of payment you accept.** Increasingly, Americans are paying their bills with plastic, rather than cash or check. While there are some costs associated with accepting payment by debit and credit cards, taking payment in these forms improves the chances of timely payment and may attract a wider range of customers.

**Keep the customer satisfied.** A customer who sees that you are making concerted efforts to satisfy their needs may be more willing to pay for the work. Take the time to discuss options with your customers, and give them a chance to express any issues they may wish to see resolved. If you are encountering problems that may interfere with customer satisfaction, clear and honest communication will be essential.

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**Remain flexible.** While it is useful to have certain billing policies in place, customer payment preferences will vary. Be open to customers who suggest alternative arrangements, provided they are reasonable and meet your needs. Consider offering a number of payment plan options, thereby offering customers choice and flexibility.

**Issue friendly reminders.** If a client fails to pay on time, try to give the benefit of the doubt. To avoid conflict, remind the client in a professional manner that payment is due, and that payment is needed to meet your own commitments and operate your business. Asking for the customer's cooperation—rather than threatening to take him or her to court—may produce better results and could help you retain a valuable client.

Every business must contend with the ways in which payment is received for goods provided or services rendered. Establish clear and flexible payment policies, with the needs of your clientele in mind, to improve your chances of receiving payments on schedule. ■



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## Rewarding a Sales Force in Tough Economic Times

In an economic downturn, attracting new business and maintaining existing clients become more important for companies. But as consumers become increasingly reluctant to open their wallets, sales representatives may become discouraged. While it may not be possible to continue to reward your sales force in the same way you did during better economic times, you can design a compensation structure that can help to ensure that sales representatives will remain motivated to continue to generate business, even under challenging conditions.

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If the economic downturn has made an abrupt dent in your sales revenues, the first step may be to reevaluate your company's sales targets. Business owners may choose to sit down with their sales team to review projections, discussing whether current sales goals are still realistic given the change in climate. For the company to remain viable, it may be necessary to reconfigure the entire compensation package, in some cases to include less base pay and more commission. Allow sales reps to have as much input as possible when setting new sales targets and creating new compensation formulas. Once pay packages have been altered, make sure all affected staff members understand the changes and how they will affect personal sales quotas and take-home pay.

While many salespeople will be understandably reluctant to accept a cut in base pay, honest communication about the financial state of the company and sincere efforts to continue to meet

the needs of staff may be important to maintaining employee motivation. Business owners may also wish to consider offering sales reps some form of equity in the company in lieu of base pay, possibly at a discounted rate. Enhanced commission rates or a new system of bonuses can also help to offset salary reductions, while creating new incentives to close sales.

Some individual sales reps may wish to ride out the downturn by reducing their workweek or taking time off. Generally, however, it is preferable for salespeople to remain on the job, continuing to forge relationships with new prospects and maintain relationships with existing clients—many of whom may have become less willing to make large or frequent purchases. Remind sales reps of the need to remain in friendly contact with customers who may have temporarily suspended or reduced their orders.

Given the market conditions, there may be little business owners can do to prevent income losses among their salespeople. Whenever possible, however, strive to maintain benefit packages at current levels and allow sales reps to keep company cars or other perks. You may wish to encourage sales staff and other employees to make the most of the lighter workload by establishing a tuition reimbursement program, which can help cover the cost of continuing education.

Even when money is tight, employers must not overlook the value of small gestures in motivating employees. Consider taking sales reps out to lunch, either individually or in small groups, to discuss the future of the company in a more informal setting. Encourage salespeople to attend training sessions where they can learn new sales techniques, as well as more about the industry and the products and services provided by your company. While sales reps tend to be highly competitive, remind them that teamwork can be especially important during tough economic times.

As market conditions can change quickly, remain in close contact with sales reps, meeting with them regularly to share information about the overall health of the company, review sales figures, and adjust targets, as necessary. Above all, make a point of recognizing hard work and celebrating even small successes. ■

## Employee Depression Can Lead to Productivity Losses

**M**ajor depression can lead to prolonged periods of disability and to a loss of productivity in the workplace. While depression is often triggered by personal problems, such as a breakup or financial difficulties, it can also occur in conjunction with other illnesses or for no obvious reason. But employers can minimize the costs associated with depression by promoting a corporate culture that encourages the identification and treatment of symptoms in the early stages.

A 2009 study conducted by Integrated Benefits Institute (IBI), a nonprofit supplier of health and productivity research, investigated the impact of depression on workers and their employers. The analysis showed that around 10% of all employees surveyed had been treated for depression over the three-year period. Results also indicated that employees who had experienced depression had short-term disability (STD) durations that were 44% longer than those workers with no depression, and that the longer durations of around 30% occur even when depression is not cited as the cause of disability, but as a secondary symptom.

A review of the costs associated with depression revealed that lost time was the largest component of lost productivity. Lost time and wage-loss payments combined were found to amount to two and a half times the costs of medical and pharmaceutical expenditures for depression. A full 81% of lost productivity for employees with treated and untreated depression was found to be caused by sick leave and *presenteeism*, a condition in which employees continue to come to work but are unable to function fully due to ill health. Researchers estimated that nearly two-thirds of depression-related productivity losses are due to presenteeism.

Meanwhile, treatment costs for unrelated conditions were shown to be three times higher than those associated with treating depression when employees have made depression STD claims. The findings further showed that depression that does not arise until after the STD claim has been made leads to more costly medical treatment and extended lost time. At the same time, however, the findings indicated that, while 28% of employees participating in the survey claimed to be depressed, just 30% of those received treatment for depression.

Thomas Parry, president of IBI, observed that the results of the study “show that depression is a case in point for employers wanting to improve the health of their workforce while improving business results: a huge potential for lost productivity, yet not on employers’ radar screens from the paid-cost standpoint.”

Parry added, “A short-sighted focus on paid benefits causes employers to underestimate the true impact of depression on the workforce and fail to make appropriate investments in improving workforce mental health. Such an investment, reflecting the full costs of workforce depression, would benefit employers and their employees alike.”

While the onset of depression may be unavoidable, employers can take action to reduce the costs associated with depression. Whenever possible, employers should encourage employees with depression to receive treatment early, thereby minimizing absenteeism and presenteeism.

Researchers recommend that employers educate managers and staff about the warning signs of depression. These may include frequent tardiness or prolonged absences without clear signs of physical illness. The behavioral patterns of employees with depression may also change, leading to disruptive behavior or a decline in work performance. Those with depression may, for example, become uncharacteristically irritable or hostile, or they may cry for no reason. They may become forgetful, make more mistakes, and even cause accidents.

Most important is the creation of a culture in which depression is not viewed as a personal weakness, but as a health problem that can be addressed through appropriate treatment. In discussing depression with employees, managers must emphasize confidentiality, but insist that the employee seek treatment from a physician, who may recommend medication or other types of therapies. In some cases, it may be helpful to make temporary changes to the employee’s workload or working environment. With early intervention, employees with depression may continue to manage their job responsibilities, eventually returning to their previous levels of health and productivity. ■



## Monitoring and Managing Business Credit Reports

While large public companies have teams of people dedicated to reporting any changes in the organization to the business community and credit rating agencies, smaller private companies must make more of an effort to ensure that the information in their credit reports accurately reflects the current state of the business and does not include any errors or omissions that could damage the firm's reputation or hinder access to loans or other forms of credit.

Just as individuals are often advised to regularly request and review their credit reports from the major agencies, businesses should carefully monitor their credit profiles. Like a personal credit rating, a business credit rating provides potential creditors or business partners with a summary of the company's transaction history. This history is used to determine the level of financial risk the firm represents to the bank or vendor, as well as the likelihood that the business will default on a loan or fail to pay its bills on time.

A good credit rating becomes especially important when a business is seeking to increase its line of credit, attract new investors, partner with another organization, or sell the company. A strong rating is also useful when the business is making growth-related investments, such as purchasing new equipment, establishing a relationship with a supplier, building its inventory, or hosting a promotional event. A credit score influences not only whether a bank approves a loan or a partnership is formed, but also whether the interest rate and terms of the agreement are favorable to the business.

The information contained in a credit report may be drawn from all the organizations with which the company has had financial transactions, including suppliers and creditors. The report will reflect whether the company pays its bills on time or is frequently late in meeting its obligations. The report will show the firm's financial structure, including a history of all secured and unsecured loans, working capital, cash flow, sales volumes, and overall debt-to-asset ratio. Any liens, collections, or legal judgments against the

company will also be included in the report. In addition, a credit reporting agency's profile of a company may also include information about the size of the company, employee numbers, major shareholders, business structure, location, history, and reputation.

Business owners who wish to maintain or improve their company's credit rating should start by ensuring that the firm and all its employees follow responsible payment procedures. To the greatest extent possible, businesses should seek to minimize or effectively manage debt, while increasing assets. All information relevant to the business profile, such as ownership or address changes, should be reported regularly to the major credit agencies, and companies may check the reports regularly for any errors or omissions. If mistakes or other problems are found, the firm should contact the credit agency to request a correction.

However, business owners should realize that all information provided to the credit rating agencies immediately becomes publicly available, even to competitors. In some cases, private companies may wish to withhold from the credit rating agencies more sensitive data, revealing the information only on a need-to-know basis to prospective lenders or business associates.

As the company expands, entrepreneurs who have not already done so should seek to separate their personal credit from their business credit. Business owners may, for example, wish to move from a sole proprietorship or partnership structure to a limited liability company (LLC). Besides enabling owners to separate their business and personal liability, an LLC can also provide certain tax benefits.

Business owners cannot ignore the health of their personal credit histories, as lenders will often consider the credit scores of all major shareholders in a company during the loan application process. Thus, business owners should strive to maintain strong personal credit profiles, reviewing them regularly and requesting corrections, when necessary. In addition, management should ensure that other forms of information that may be required by potential lenders, including financial statements and trade references, reflect positively on the financial health and integrity of the company. ■



## Driving Business to Your Website with Pay-per-Click Advertising

These days, when people are looking to buy a product or use a service, they often begin their search not by visiting a store or opening the Yellow Pages, but by logging on to Google, Yahoo, MSN, or another online search engine. Increasingly, businesses hoping to attract potential customers are paying to have their ads listed at the top of search results. But instead of paying a set fee for placing a single advertisement, as is the case in print advertising, businesses pay only when customers click on their ads or take some other action that may lead to a sale.

This type of advertising is often called “pay-per-click” or “cost-per-click,” though there are variations on this model, such as “cost-per-call” or “cost-per-action” advertising. Like the Yellow Pages, this form of marketing offers a distinct advantage over more general forms of advertising, like newspaper or radio ads. Only people who are likely to have a strong interest in making a purchase will see the ads, and an even smaller subset of motivated buyers will click the ads for more information.

Complex strategies for maximizing returns on pay-per-click (PPC) ads have been developed, but getting started is no more difficult than creating and placing other types of advertisements. PPC advertising is, simply, the placement of a brief ad on the search results page for a specific keyword or set of keywords, in return for a payment to the search engine each time a visitor clicks on the ad. While a business pays nothing when its ad appears on the results page, the business will pay an agreed-upon amount when a potential customer clicks on the ad and is directed to the company’s website.

You may choose to advertise with smaller search engines that charge less or larger ones that have broad market coverage but higher rates. Once you have selected a search engine, log on to the search engine platform to create a PPC account. Most search engine platforms offer various options for funding your account. You may, for example, wish to commit to spending a set amount per day or per month, after which no further advertising appears for that time period. Read the agreement carefully to ensure that there will be no unexpected charges to your account.

After setting up an account, you will be instructed to write a short promotional headline and ad designed to attract the attention of potential customers. Then you will be asked to enter keywords that describe your products or services, as well as other relevant information, such as location. There are online tools available to help you select the keywords and phrases most appropriate to your business.

The next—and potentially most confusing—step involves bidding for keywords. When registering your chosen keywords with the search engine, you will be asked to specify the maximum amount you are willing to bid for each word. Depending on the popularity of the word and the coverage of the search engine, a keyword can cost anywhere from one penny to one dollar or more. Advertisers who agree to pay the highest price per keyword are generally awarded higher spots on search results pages, though some search engines also use quality scores when determining which websites make it to the top. The bidding process is often automated, but you may want to monitor where you are in relation to competitors to ensure your advertisement does not slip too far down in the search results.

Some companies are also using other types of online advertising, such as the “cost-per-lead” model, in which you only pay if a visitor actually purchases something or provides their information on your website. The “cost-per-action” model allows you to specify what actions performed by the visitor—such as registering on the site or clicking past the homepage—you are willing to pay for. In the “cost-per-call” model, you are charged when visitors click on your ad and are connected to your business phone.

The ultimate goal of PPC and other types of online advertising is not to maximize traffic to your website, but to turn visitors into customers. You may have to experiment with various forms and cost structures for online campaigns before finding the right mix for your business. If you and your employees lack the time to monitor and manage your PPC campaign, you may wish to work with a marketing consultancy that can advise you on how best to achieve the results you want, while staying within your budget. ■





## Protecting Your Business against Break-Ins and Robberies

**B**usiness owners are generally alert to the threat of financial crime, such as fraud, identity theft, or theft by customers or employees. But owners of companies located outside of high-crime areas may be less vigilant about the potential danger of a break-in or robbery. While the possibility may seem remote, the level of damage and disruption even a single robbery or act of vandalism could inflict on your business may motivate you to take steps to protect your employees and facilities from criminal attacks.

### Securing Your Facilities

With the exception of retail spaces, doors to business facilities may be secured with locks and buzzers. Visitors may gain entry after identifying themselves over an intercom, while employees can be required to use keys, access codes, or identity cards when entering the building. If a buzzer system is too costly or impractical, instruct employees to keep back doors, side entrances, and windows locked at all times. Choose metal and burglar-resistant glass for entrances and windows of the building, and secure them with deadbolt locks. For added security, metal grates or bars may be placed over windows.

In areas where street lighting is dim, bright exterior lights installed above each entrance and window vulnerable to break-ins and programmed to switch on at dusk may help ward off criminal activity. To protect employees and customers, all company parking lots should be well-illuminated. In addition to protecting your facilities from break-ins, good lighting can help to deter would-be vandals.

For added security, business facilities may be protected by alarm systems that are activated every evening when the last employee has left the building. Managers can monitor who has keys to the building, as well as who will open and close the facility each day. Instruct all employees responsible for securing the building at closing time to follow a specific procedure for locking up and setting the alarm system. To prevent unauthorized copying of keys, engrave all keys with “do not duplicate.” Ideally, have employees work in pairs when opening and closing the business facilities, and when transporting cash and other valuables.

### Other Protective Measures

Employees who leave the building with company cash to deposit in the bank should do so during the daytime, using the main entrance only. If it is practical to do so, encourage employees to vary the times of day when they transport cash to the bank for deposit and change their routes regularly. If there are safes on the premises, change the combinations frequently and closely guard them. Whenever possible, avoid storing large amounts of cash, very valuable equipment, or highly sensitive data on the premises. In areas where cash transactions occur, install surveillance cameras.

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Awareness of the dangers of a robbery can go a long way toward preventing crime. Instruct employees to notify managers of any suspicious activity, such as strangers loitering outside the building or people asking about issues related to company security, such as when the building is locked and who has access to cash or safe combinations. Even small acts of vandalism should always be reported to the police, as minor crimes can often lead to more serious incidents.

In the event of a break-in or burglary, instruct employees to cooperate with robbers who threaten them with guns or knives, meeting their demands for cash or merchandise and waiting until the intruders leave the premises before notifying the police. Law enforcement officials can provide additional instructions about protecting your business against break-ins and robberies. ■

## Public Health Risks Highlight Need for Employer Preparation

In response to potential public health risks, such as the recent outbreak of swine flu (H1N1 virus), a number of government agencies, including the Centers for Disease Control (CDC), the Department of Health and Human Services (HHS), and the Occupational Safety and Health Administration (OSHA), have created [PandemicFlu.gov](http://PandemicFlu.gov). The site provides one-stop access to U.S. government information about pandemic influenza and avian influenza for the general public, health and emergency preparedness professionals, policy makers, government and business leaders, and local communities.

Business owners and employers are advised to review and update their disaster contingency plans to ensure that their business and their employees are protected in the event of a pandemic. If such an outbreak should occur, the health of employees is critical to continued operations. If business operations require close contact with other employees and the public, there are a number of protective measures that can be implemented to prevent the spread of infectious disease in the workplace.

First, employers must prepare for the possibility that large numbers of workers could become ill or have to remain at home due to possible exposure to a pandemic illness. Therefore, it is important for businesses to establish in advance a business continuity contingency plan that enables the organization to continue to function despite significant absenteeism.

Flexible work arrangements, such as telecommuting or modified scheduling, can reduce the number of workers who must be at the workplace at one time or in one specific location. Employers may also implement a cross-training program so that employees will have the ability to step in and fulfill responsibilities that are critical to the business, as needed. To facilitate automation and remote communication, information technology systems may be enhanced or upgraded, as needed. Business owners must also consider their inventory. If the business usually operates on a “just in time” inventory model, accumulating some reserves may help prepare for possible disruptions in distributions and deliveries.

Second, employers are encouraged to develop contingency practices to minimize face-to-face

contact between employees in the event of a pandemic. Such practices may include minimizing group meetings and increasing the use of teleconferencing and e-mail. Depending on the type of business, other measures may include distributing and promoting the use of hand sanitizers, tissues, and disinfectants.

When pandemic risk is acute, advise employees to minimize physical contact and proximity with coworkers and clients. In some cases, workers may be required to wear protective equipment. To further minimize contact, barriers, such as transparent plastic or glass walls or windows, may be installed.

Third, employers and business owners must clearly communicate their leave policies in case of a pandemic situation. Employees who may have been exposed must be encouraged to stay at home, without fear of reprisal, to minimize the spread of a potentially dangerous virus. Any employee who has flu-like symptoms should see a health care provider immediately for testing. An employer can legally require an employee who may be infected with a pandemic illness to stay at home, or require a medical note or medical examination before returning to work. However, employers must be fair when imposing mandatory testing and leave policies to avoid discrimination. Protecting the privacy rights of individual employees is another important consideration. Finally, employers are advised to communicate any immediate changes to workplace policies, such as hygiene-related procedures or sick leave entitlement, as well as any emergency measures that might be implemented in the event of increased risk.

“Influenza pandemics, whether severe or comparatively mild, are recurring phenomena,” wrote Former HHS Secretary Mike Leavitt and Former Secretary of Homeland Security Michael Chertoff in a January 2009 report to the U.S. Department of Homeland Security. “The prevailing uncertainty, therefore, is not whether the world will experience another influenza pandemic but rather when the next one will occur and how severe it will be. And, considering that a catastrophic pandemic could be among the possibilities, thorough preparedness is imperative.” ■





## Economy Causes Slight Decline in Employee Benefits

While many employers continue to provide generous employee benefit packages, some companies have had to trim or maintain their current benefit offerings in response to the economic downturn, according to an annual survey conducted by the Society for Human Resource Management (SHRM).

While 94% of the 522 HR professionals who participated in the 2009 survey reported that their organizations are feeling the effects of the economy, only 60% said it has caused their companies to cut employee benefits. Despite financial pressures, overall commitment to employee benefits remains high: Organizations spent an average of 20% of an employee's annual salary on mandatory benefits, 19% on voluntary benefits, and 11% on paid time off in 2009.

Nearly all HR professionals (98%) indicated that their organizations provide health care benefits to employees. The types most frequently offered are preferred provider organization (PPO) plans (81%), followed by health maintenance organization (HMO) plans (35%), point of

service (POS) plans (26%), and consumer-directed health plans (CDHPs) (12%). A further 32% offer employees a health savings account (HSA). In addition, 96% offer dental insurance, and 80% provide mental health coverage.

Almost all (92%) said their organizations sponsor at least one retirement plan. According to plan type, 90% said their companies sponsor a defined contribution retirement plan; 29%, a defined benefit plan; 24%, a Roth 401(k) plan; 8%, a supplemental executive retirement plan (SERP); and 6%, a cash balance pension plan.

The most substantial year-on-year declines in benefit offerings were in categories considered less essential to employee well-being and performance. For example, fewer respondents reported in 2009 that their companies offer non-cash companywide performance awards, community volunteer program benefits, and discount ticket services. In addition, many respondents reported plans to reduce or eliminate holiday parties, company picnics, and company-purchased tickets to events. ■

## Employee Access to Wellness Programs Varies



While many American workers welcome employer programs that encourage a healthy lifestyle, a significant number continue to have no access to these programs, according to a report by the John J. Heldrich Center for Workforce Development at Rutgers University.

"Healthy at Work? Unequal Access to Employer Wellness Programs" is based on a national survey of 583 full-time workers. The authors noted that, with U.S. health care spending expected to reach \$2.5 trillion in 2009 (representing 17.6% of GDP), policymakers and businesses are looking to wellness programs to promote healthy behaviors and help stabilize these escalating costs.

Nearly one in four (38%) of the workers surveyed have access to some kind of employer-

sponsored wellness program. Of those who have access to a wellness program at work, their employer offers exercise programs or gym discounts (75%), nutrition programs (70%), stress management programs (66%), and smoking cessation and drug and alcohol rehabilitation services (61%). Other employers offer weight or obesity control programs (58%), incentives for regular medical check-ups (55%), and disease management programs for chronic conditions, such as diabetes and asthma (46%).

When those with access to wellness programs at work were asked for their views on the potential impact of the initiatives, 30% said the programs had a major impact on the health of the people in the workplace, 54% called the impact minor, and 10% said there was no impact at all. ■

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