

# Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



**dfkoswin griffiths**  
CHARTERED ACCOUNTANTS  
Business Solutions International Connections

## Hidden cost of conflict

**C**onflict is a part of life. Within the family, friendship group or in a business, conflict can be unavoidable but useful.

Conflicts are stressful, however realise that they offer a significant chance to grow and improve both as an individual and a business owner.

Conflict within a business can be with a customer, employee, supplier, or partner. Disagreements, no matter how large or small, are disrupting. The more the issue escalates, the more damaging it may become.

Although it can be difficult, do not let the issue become personal. A common mistake when managing a dispute is allowing it to become a personal attack on the other party.

As soon as this happens discussions invariably break down. In many cases the initial issue takes second place to a battle of egos.

The reason the conflict came about in the first place may be due to one or more parties not listening to each other.

Do not make this mistake during the dispute. Once either side has had the opportunity to explain their position, without interruption, often the resolution is clear.

In many cases, the other party simply wants to

be heard and have their opinion validated.

Here are a few points to remember during a business related conflict:

- Every business relies on others. These may be employees, suppliers or customers. A dispute can affect how other parties see you. Sometimes a tough win can upset important business relationships.
- Financial disputes often lead to a solution being found through the courts. Even if you win a court battle, it will leave you out of pocket for lost time and productivity. Avoid going to court if possible.
- Even though the other party is upsetting you, try and listen to what they say - they may not be entirely wrong. Do not allow small issues to build up or be ignored.
- Focus on the issue, not on the other person. Do not lose sight of why the conflict arose in the first place.

Try to avoid conflicts in the first place and remember to keep a level head when managing conflict. It is easy to get drawn into personal insults, but this will not help you find a resolution.

### INSIDE THIS ISSUE - 2nd QUARTER 2012

- Conflict management
- Signs of a business heading to insolvency
- How long will interest rates stay down?
- Changing face of KiwiSaver
- Staff potholes for small businesses
- Plus more

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ACCOUNTANTS



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# How long will interest rates stay down?

Interest rates are at an all time low, great news for SME owners, but how long will it last?

Interest rates around the developed world are almost at zero, in New Zealand rates have not been this low since the 1960s.

Here and many other economies, the steady decline in interest rates means investors and SME owners can borrow larger sums of money for business interests and mortgages.

The banks are more than willing to provide these funds, even relaxing the tougher borrowing conditions of the past few years.

These rates may not last; many experts believe the downward trend in interest rates is coming to an end.

Before rates begin to rise again, SMEs should capitalise on the low rates.

Start with debt, putting as much money into your existing large loans will potentially save thousands.

If a business' loans come from various sources, look into consolidating them into one low rate account. This will help organise debt as well as keep track of it.

Next look at the company credit cards, if the current supplier is not dropping their rates; shop around for a more flexible competitor.

Property is lower than average and securing a property to run your business from can help cement its long term future.



## Staff potholes for small businesses

Each year, a huge amount of small businesses start up and ultimately fail.

While there are many factors in a business becoming insolvent, hiring good staff is essential to the development of any business. Finding a person with the right skills, who is also a good fit into the workplace can prove very difficult.

When business owners are not experienced in hiring or managing staff, the fear of getting it wrong and the ensuing consequences can be paralysing.

Small businesses usually hire technicians (people who do the actual work of delivering or creating the product or service) and maybe an admin person or two.

When growth kicks in, the business owner becomes the bottle-neck. To sustain growth, the company owner needs to start delegating various tasks. That may mean

employing specialists, for example sales reps, marketing and advertising gurus or people who specialise in the business area.

This stage is scary because these specialists often have more experience than the owner, especially when it comes to employment law.

Being inexperienced with this sort of thing can be incredibly stressful, but like everything, practice makes perfect. Interviewing can give many indications to the sort of employee the interviewee will become once they are comfortable at work.

Look for overly aggressive tendencies or 'know it all' attitudes. People with these traits often make for difficult employees.

Similarly, overly shy people can also be difficult to manage. They can be oversensitive to criticism and are not likely to speak up when there is an issue, and as every owner knows, communication is crucial.

The best way to manage this is to have a strict probationary period in the contract with a review of the employee after probation.

Make sure the employee understands this review will either confirm or terminate their employment with the company.

Small business owners want to be good employers and put a lot of effort into the success of their business.

Prospective employees deserve the chance to prove their skills and loyalty to a business.

### Notes on probation periods

- A probation period is ninety days
- Trial periods must be entered into by mutual agreement, no one should not be forced into being employed on a trial period
- Trial periods must be in writing
- Employment agreements need to state that during the trial period the employer may dismiss the employee, and they will not be able to take a personal grievance on the ground of unjustified dismissal
- An employee may still pursue a personal grievance on other grounds in the Employment Relations Act 2000, such as sexual or racial harassment, or if the employer does something that unjustifiably disadvantages them



# Signs of a business heading to insolvency



**D**ealing with insolvency is a daunting and time consuming, but manageable task.

On top of the financial strain, business owners can find insolvency to be emotionally taxing.

There are also considerable legal risks involved. A company director may have to hold creditor meetings or be summoned to appear for a public examination. A director may also be disqualified from managing another corporation for up to five years if two or more businesses have become insolvent under their management.

Watching out for signs that the business is struggling may help prevent insolvency.

Ignoring early warning signs can lead to greater problems later on. However, liquidation isn't the only option.

There are several solutions available to SME owners, such as voluntary administration or even receivership.

As well as researching those solutions, owners should be prepared to make some hard decisions regarding products, clients, processes and staff, including senior management and long-term staff.

All SME owners should understand that insolvency is the inability to pay debts when they are due. Detecting signs of impending insolvency can be difficult.

Bottom line fundamentals such as declining profit margins, outgoings versus incoming cash are the usual indicators.

However, non-financial factors can also provide strong pointers to looming trouble.

Key signs of insolvency:

- Loss of a major customer (worth 30% or more of revenue) with no foreseeable replacement
- Falling behind on lodging financial statements
- Constantly paying tax obligations late
- The personal finances of the owner are pushed to the limit to keep the business
- Persistent late payment to creditors
- Insufficient revenue to make interest repayments
- Failure to meet any financial obligations or using limited credit to "juggle" creditors without being able to make any progress on total debt levels
- Falling behind or being unable to pay staff wages for a number of months
- Unable to afford rent increases of premises

For businesses at risk of insolvency, meeting with an accountant as soon as possible is vital and may save time and money later on.

## Changing face of KiwiSaver

**W**hen the KiwiSaver scheme was introduced in 2008, most Superfund members were middle aged men.

Now women and young people make up the majority of members and the Government attributes this to the accessibility of the scheme.

The major incentive has been the ease of setting up these accounts for employers and SME owners.

Employers are seeing more interest in Kiwisaver that employees are making more enquiries about their investments than ever before.

More than 75,000 members have made lump sum contributions in the past twelve months and industry analysts expect that figure to grow this financial year.

As an employer there are a few key points to remember about KiwiSaver:

Employers must subsidise an employee's savings if the employee is 18 or older and under their KiwiSaver retirement age (currently age 65 subject to a minimum of 5 years' membership). The minimum rate

is 2 per cent which increases to 3 per cent from 1 April 2013.

An employer can voluntarily contribute at higher levels.

If an employee has not completed five years' KiwiSaver membership by age 65 and chooses to continue saving, the employer's contributions must also continue.

All employer contributions are subject to Employer Superannuation Contribution Tax (ESCT) and only the net contribution goes to the KiwiSaver account.

If an employee is between 60 and 64 years old at the time of joining Kiwisaver, no funds can be withdrawn for 5 years.

The KiwiSaver was introduced to encourage New Zealanders to fund their retirement and accumulate assets.

Despite the Global Financial Crisis, the average KiwiSaver fund seen a small amount of growth in the past few years.

We can help you understand KiwiSaver and how it could work within your business, for more information make an appointment.



# Referrals play vital role

**W**ord of mouth referrals are the greatest form of PR for a business.

The best way to get your name on the tip of everyone's tongues is to run a terrific business for many years. Great, but what do you do in the meantime if you are a new business?

Here are a few things you can do to help increase the number of people who will remember your business the next time someone asks them for a referral.

Remind customers you exist. Keep your name and number in front of past customers so they won't forget about you. Maintain a mailing list database and keep in touch regularly through email or post.

Send postcards when you have special offers, write a newsletter, drop a note or send holiday greetings.

It is more cost effective to send emails or SMS. Contact past customers no less than twice a year and no more than every other month or once a quarter.

From professional organisations to community groups, getting involved in different activities within the community will give you new contacts and boost your business reputation.

Tell customers that you appreciate when they give referrals, and then surprise them with a gift or a "Thank You" card if they make the effort to do so.

You could also offer a discount or bonus points scheme for referrals brought in by existing customers.

Use testimonials from past customers in your marketing materials, on your web site or in advertising material.

The fact that other customers let you use their name adds credibility and trust and serves as another kind of "referral."

Gather feedback from customers and clients regularly and implement the feedback.

Soliciting suggestions and responding to them lets customers know you really care about them and want to meet their needs.

This can help to establish and grow a relationship with your customers.

Above all do exceptional work. When you do something that not only satisfies a customer but delights and surprises them, they will remember it, and this will become part of your "word-of-mouth" advertising campaign.

## A great read

**Random Walk Down Wall Street: The Time-Tested Strategy For Successful Investing (Revised Edition)**

By **Burton Malkiel**

Published by **W.W. Norton & Company Inc.**

The million-copy best-seller has been revised and ready for post-dot-com investors. Using the dot-com crash as a clear lesson on how not to manage your portfolio, this best seller offers gimmick-free, irreverent, vastly informative advice to navigating the market and managing investments with confidence.

The revised edition includes a new chapter that draws on behavioural finance - the field that studies the psychology of investment decisions.

Malkiel evaluates the full range of investment opportunities from stocks, bonds, and money markets to real estate investment trusts, home ownership, and tangible assets such as gold and collectibles.

This edition includes new strategies for rearranging your portfolio for retirement along with the book's classic life-cycle guide to investing, which matches the needs of investors in any age bracket.

Whether you want to familiarise yourself in the ways of the market before talking to a broker or follow Malkiel's easy steps to managing your own portfolio, this revised classic remains the best investing guide money can buy.

## WEB WATCH

### ESSENTIAL SITES FOR BUSINESS OWNERS

[www.greenbiz.com](http://www.greenbiz.com)

Green Biz is a leading online news and information resource on how to align environmental responsibility with business success.

[www.searchenginewatch.com](http://www.searchenginewatch.com)

Search Engine watch provides tips and information about searching the web, analysis of the search engine industry and help for website owners trying to improve their ability to be found in search engines.



## REMINDERS FOR YOUR DIARY

August		30	Student Loan - 1st repayment instalment due for borrowers who are overseas
6	Employer monthly schedule (IR 348) due for large employers		
20	Employer monthly schedule (IR 348) due for small employers	October	
28	Return and payment due for period ended 31 July	22	Employer monthly schedule (IR 348) due for small employers
September			RWT return and payment due for interest payments made between 1 April and 30 September where deductions do not exceed \$500 per month
20	Employer monthly schedule (IR 348) due for small employers	29	GST Return and payment are due for the period ended 30 September
	RWT Return and payment due for deductions from dividends and deductions of \$500 or more		

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

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