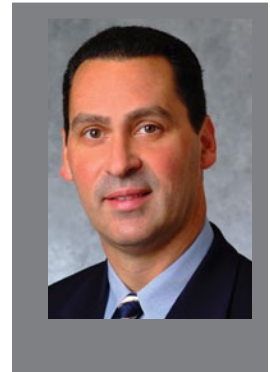


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## Partner's Perspective One Source of Business Capital: Foreign Direct Investment

By James M. Bowen, CPA, MT,  
Tax Partner



If there's one thing that no small business can have too much of, it's capital. In fact, undercapitalization is one of the primary causes of small business failure. Companies with great products, services or ideas often fail due to a lack of cash.

Not surprisingly, owners spend lots of time trying to raise more capital for their companies — whether to meet everyday operating expenses, pay accounts receivable or take advantage of new business opportunities. Banks, venture capitalists, angel investors and even the public markets are the most common sources of business capital.

There is another source of capital, however, that is largely overlooked by most small business owners: foreign direct investment (FDI). Many investors and large companies overseas are looking for attractive opportunities to invest in U.S. businesses with strong financial and management track records, unique ideas and patents and/or cutting-edge technology. If this describes your company, you may be able to attract foreign investment capital.

**FDI in the U.S.A.** In the midst of a worldwide financial crisis, the United States is one of the world's most attractive destinations for FDI, according to a report issued by The Economist Intelligence Unit titled "World Investment Projects to 2010: Boom or Backlash?" The report notes



Partner's Perspective

# One Source of Business Capital: Foreign Direct Investment

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that the United States is the world's largest host of FDI in absolute terms. The country's wealth of market opportunities plus its investor-friendly, entrepreneurial culture underpin a bullish forecast for FDI in the U.S. over the next couple of years as we begin to emerge from the economic downturn, the report concludes.

The U.S. has always provided a stable and welcoming market for foreign investors, with its predictable and transparent legal system, low taxes, outstanding infrastructure and access to the world's most lucrative consumer market. With a GDP of more than \$14 trillion — which is greater than the world's next four largest economies combined — the enormous size of the U.S. market is an obvious attraction for foreign investors. The falling value of the dollar in recent years also makes investing in U.S. businesses more attractive to those overseas.

In addition, the United States' business environment score ranks fifth in the world, and it remains a global leader in technology and productivity. "Foreign companies increasingly view having operations in the U.S. as a way of gaining access to the technology and processes that have made its productivity growth possible, and subsequently applying them to other operations around the world," states the report.

**Sources of Assistance** Here are a few sources that may be able to help you locate overseas FDI partners interested in investing in your company:

- **The International Trade Administration (ITA):** This branch of the U.S. Department of Commerce promotes international trade and investment for domestic companies by helping businesses navigate foreign markets. Its Invest in America initiative is focused on outreach to foreign

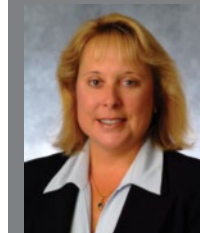
governments and investors and support for state governments' investment promotion efforts. The ITA helps address business climate concerns for the international investment community. Find it online at <http://trade.gov>.

- **State Departments of Economic Development:** Most states' Economic Development Departments take an active role in helping promote FDI among companies in the state. For details, visit your state's Economic Development Department online and enter "FDI" in the keyword search.
- **Bi-National Chambers of Commerce:** Usually organized at the state level, these help businesses develop potential investment contacts overseas and foster, promote and develop commercial relations and exchanges between the state and specific foreign countries. In California, for example, there are 109 bi-national chambers of commerce currently active in the state's international business community.
- **Business and Trade Missions:** These initiatives — which can be organized at the county, state or federal level — introduce businesses and investors in other countries to their counterparts in the U.S. They often consist of overseas trips and in-country briefings where American business owners can meet potential foreign investors face to face.

Our firm can help you learn more about attracting FDI for your company. Please call or email me at [jbowen@bobermarkey.com](mailto:jbowen@bobermarkey.com) to discuss this further. ■



## Flexible Work Arrangements: Building a Business Case for Workplace Flexibility



By Cindy S. Johnson,  
CPA, CIT, Partner

One of the biggest business trends of the 21st century has been the growing acceptance of flexible work arrangements among many employers. These range from flextime and telecommuting to job sharing and cross training.

The economic downturn has forced many companies that might not have normally considered such arrangements to take a closer look at how they can help their employees work more efficiently and save the company money. In the process, they are discovering that the benefits often go well beyond dollars and cents.

The fact is, many employees today expect their companies to offer flexible work arrangements, especially younger Generation X and Generation Y employees who place a high value on maintaining a comfortable work-life balance. Business owners and managers who don't offer flexible arrangements may be at a competitive disadvantage when it comes to attracting and retaining high-caliber young employees.

The primary types of flexible work arrangements offered by companies today include:

**Flextime** This is often the easiest and least expensive option. It simply involves letting employees set their own work schedules, as long as they don't interrupt the workflow or adversely impact customer service.

At many companies, there's no legitimate business reason to require that employees be at their desks by 8:30 a.m., or out to lunch between noon and 1 p.m. Everyone's biorhythms are different: Some people function well early in the morning and start to run down later in the day, while others are the opposite.



Therefore, it often makes sense to let employees set their schedules so that they're working during the times when they can be most productive. Flextime may also help employees better juggle home and family responsibilities, whether arranging for child or elder care, or simply allowing them to attend their children's soccer games or school recitals.

**Cross training and job sharing** Also referred to as multi-skill training, cross training allows employees to "trade" jobs with each other temporarily. It tends to be most common in manufacturing environments, where it may be easier for workers to learn new skills that will enable them to perform tasks other than those required to do their normal job. Job sharing, in which two or more part-time employees share one job, tends to be most common in office environments.

These can both be win-wins: employees usually welcome the opportunity to broaden their skills and thus make themselves more marketable, while employers benefit by having a more flexible workforce.

**Telecommuting** Working from home has grown from a novelty 10 years ago to a fairly common and accepted work arrangement. It's estimated that 2.5 million employees now consider home to be their primary place of work, and another 17 million work from home occasionally.

Setting up a successful telecommuting program is a bit more involved than giving your employees flextime, but depending on your company and the composition of your

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## Flexible Work Arrangements CONTINUED FROM PAGE 3

workforce, the benefits may far outweigh the effort and cost involved. These benefits include:

- **Lower facility costs:** With some employees working from home, you may need less office space, thus reducing your occupancy costs (rent, mortgage, utilities, etc.).
- **An expanded talent pool:** Physical location is no longer a barrier to hiring the best employees when they are able to work from home.
- **Greater employee retention:** Similarly, if top employees are forced to move out of your city, you don't necessarily have to say goodbye to them.
- **Higher employee productivity:** Employees who work from home do not face the kinds of interruptions that their coworkers in the office usually do — everything from meetings to water cooler chit-chat. They may also be able to work during the times of day (or night) when they are most productive.
- **Higher employee morale and loyalty:** Most employees who telecommute consider it to be a valuable benefit and are willing to work even harder to keep it.

Of course, there can be a flip side to each of these benefits. For example, while you may enjoy lower facility costs, these will likely be offset somewhat by the costs of maintaining employees' home offices (e.g., business phone lines, Internet access, virtual meeting software), as well as travel to and from your office for out-of-town employees.

The productivity benefits of community are based on one very important assumption: that your remote employees are self-disciplined and responsible enough to manage themselves and not be sidetracked by the many potential distractions in their home — whether young children, the television or Internet, or simply chores or projects that they work on while they're supposed to be working for you.

For this reason, be very careful in deciding which employees may work from home. Some companies require employees who request telecommuting literally to interview for a new job and prove that they are responsible and disciplined enough to handle it.

It may be smart to begin any telework arrangement with a trial run of 90 or 120 days. This is usually long enough for both you and the employee to gauge whether it's going to work or not. If not, the employee can probably be brought back into the office with minimal disruption — thus saving his or her job, and saving you a valued employee.

If I can help you assess whether this might make sense, please don't hesitate either to call me or to email me at [cjohnson@bobermarkey.com](mailto:cjohnson@bobermarkey.com). ■

## Doing It Right

A mid-sized company in Texas provides an excellent case study in how to implement flexible work arrangements successfully. This three-time recipient of the Alfred P. Sloan Award for Business Excellence in Workplace Flexibility has adopted what it calls a "people first" flexible workplace strategy to grow the business without overburdening its employees or compromising client service.

"This strategy has proven to be beneficial as we make adjustments to our business in response to challenges posed by the economy," says the company's president.

Employees choose their own schedules, fill out a proposal and submit it to their supervisor for approval. Flexible work arrangements have been critical in helping the company retain talent. In addition to flextime, the firm also allows employees to work from home, either full-time or on an as-needed basis. This arrangement allowed them to retain a key employee who recently had to relocate.

The company is very careful in selecting which employees are allowed to work from home. "It's not for everybody, because not everyone can self-manage," says the president. "Also, isolation can be a side effect, so it's important for remote employees to come into the office for 'face time' periodically."

Telework arrangements are monitored very closely for the first 90 days to gauge whether they're working. "It needs to work for our clients, for the business and for the employee," says the president. "Our employees realize that it's a privilege that must be earned." ■

## Management Strategies: Talkin' 'Bout My Generation



By Dale A. Ruther, CPA, CIT,  
Partner and Vanessa M. Anton,  
CPA, Manager

Add one more item to the list of tasks today's business owner needs to master: managing a multi-generational workforce.

With retirement portfolios diminished, many Baby Boomers are delaying retirement to stay in their jobs. Meanwhile, young high school and college graduates continue to flood the workplace. As a result, today's workforce includes an incredibly diverse range of employees.

Managing this generationally diverse workforce can be challenging. Here are a few pointers to keep in mind:

**Don't make assumptions.** You might assume that employees in other generations think like you do. Here's a newsflash: they don't.

For example, employees in different generations often have different ideas of loyalty. Younger employees tend to be more loyal to principles and people than to organizations, and may not hesitate to follow a coworker or manager who leaves for another company. Meanwhile, middle-aged and older employees are often more company-loyal, having spent their entire careers with just one or two employers.

**Consider value differences.** Many workplace conflicts between generations arise from value differences rather than actual age differences. For example, Gen Y and younger Gen X employees tend to place a greater value on maintaining a comfortable work-life balance. However, many older Gen Xers, Baby Boomers and Mature employees bring a "whatever it takes" attitude to their jobs and may be more willing to work long hours.

Expectations of feedback and rewards also vary widely among the generations. Boomers and Mature employees often require less of each — they take more personal satisfaction from a job well done — while Gen X and Gen Y employees tend to be more motivated by public praise and tokens of appreciation.



**Maximize each generation's strengths.** Many young Gen Y employees bring strong teamwork, technical and computer skills to the workplace, while older Boomers and Matures bring invaluable experience, wisdom and insights. Manage your workforce in a way that maximizes these strengths for your business and your employees.

For example, create teams with a good mix of employees from different generations and encourage open and honest communication among team members to maximize results and enable cross-generational learning. Keep in mind, however, that employees from different generations often view teams differently. Baby Boomers may become competitive and political in team environments, while younger Gen X and Gen Y employees tend to be more constructive and cooperative.

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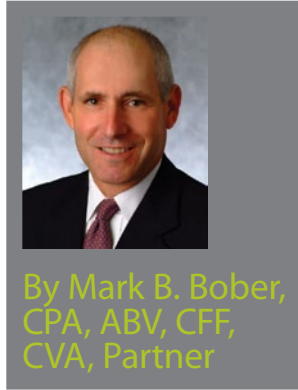
## Business Acquisitions: On the Rise

Mergers and acquisitions have become critical instruments for companies of all sizes as they seek to acquire new capabilities and enter new markets. We have observed an increase in inquiries with respect to acquisitions as companies look to expand in the shadows of last year's recession, and in particular look to take advantage of more reasonable valuations that they expect to see in the marketplace. As a result, they often require the use of resources outside the normal flow of operations. The critical need to focus a high degree of technical proficiency across business, tax and accounting disciplines, and to do so within a prompt response timeframe, is a challenge under the best of circumstances.

BMF has the resources and experience to manage or provide support throughout the acquisition process with the available resources to provide essential pre-acquisition planning support, perform a full range of financial and tax due diligence procedures, and maximize the value of the acquired business by participating in the planning and implementation of the integration plan for the target company. We have assisted clients in merger and acquisition planning, implementation and post-transaction transition activities, including:

- Acquisition strategy development
- Pre-acquisition due diligence
- Quality of earnings assessments
- Target valuation
- Deal structuring
- Transition management
- Post-acquisition integration
- Post-acquisition tax services
- Outsourcing of internal accounting and finance functions

If you are considering an acquisition in the near term, please call me or email me at [mbober@bobermarkey.com](mailto:mbober@bobermarkey.com) to discuss how we can help you ensure that what you are buying is what you expect. ■



## A Case Study: Small Business Fraud

For a real-life look at how internal fraud can impact a company, consider the case of an optometrist who found out that his business lost \$48,000 over 14 months when one of his employees was given too much control over cash receipts. Unfortunately, this story is common.

In this case, the employee received payments from customers, recorded them in the ledger, prepared the bank deposit, and took the deposit to the bank. The optometrist-owner provided little to no oversight because he trusted her.

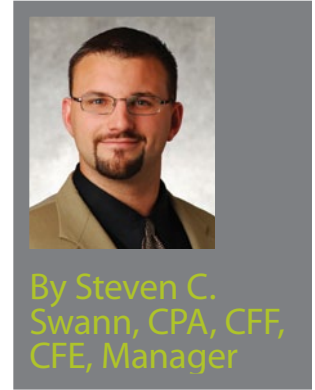
“What about the bank reconciliations?” you might ask. “Who was doing them?” As it turns out, no one was. It was all too simple. The employee deposited all the checks into the bank account and put all the cash in her pocket — every day. She did some fancy accounting in the general ledger to cover it up, but with no oversight, even that wasn't necessary.

She only got caught because one day someone noticed the cash was still in the drawer after she returned from the bank. She had forgotten to put it in her pocketbook — oops. Simple slip-ups like this are how most business frauds are discovered. The employee ended up pleading guilty to felony cash larceny.

It's easy to think this was possible because the business was small and unsophisticated. However, most frauds are amazingly simple, making the size of the business irrelevant.

A lack of basic internal controls creates the opportunity for fraudsters to get away with their crime. The biggest deterrent to someone who might want to commit fraud is simply knowing that someone is looking over their shoulder.

The sooner you safeguard your company, the better. Let us help you prevent costly fraud. Please call me or email me at [sswann@bobermarkey.com](mailto:sswann@bobermarkey.com) or contact your engagement partner. ■



## Talkin' 'Bout My Generation

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### Adapt your management style.

Simply put, you cannot manage a Baby Boomer in the same way you manage a Gen Y employee. For example, assume you have a Gen Y employee who finishes his work every day at 5:00 P.M. and is out the door five minutes later and a Baby Boomer who rarely leaves the office before 6:00 P.M.

If the younger employee is finishing his work satisfactorily, don't chastise him for leaving work on time or compare him unfavorably with the Boomer who works longer hours. Instead, perhaps you should see if the Boomer is overworked and needs help, or maybe he is just staying late every night to try to impress you.

## Who's Who?

The four workplace generations are roughly defined as follows:

- Generation Y (Millennials): Those born between 1979 and 1988.
- Generation X: Those born between 1965 and 1978.
- Baby Boomers: Those between 1946 and 1964. Sometimes broken into Early Boomers ('46-'55) and Late Boomers ('56-'64).
- Matures: Those born before 1946.

### Be open to new technology and trends.

Social media is a good example of this. The younger generation is driving the trend toward using social media in business — a trend that Boomer and Mature owners aren't always eager to embrace.

While it may be easy to discount younger employees' infatuation with Facebook, Twitter and the like as distractions to your company's bottom line, try to keep an open mind. The fields of social media and business are becoming more intertwined every day. ■

## profiles

*In this feature of InfoLetter, each quarter we provide a profile of one of our professionals available to work with our clients and friends.*

Heading up the firm's individual tax compliance and planning practice area, Julianne Buynak focuses on working with clients to achieve their wealth transfer goals through the use of estate, gift and charitable planning. She also works extensively with retirement planning and benefit plan compliance. She joined Bober Markey Fedorovich in January 2004.

### Specializations

- Estate planning
- Gift planning
- Wealth preservation
- Individual tax planning

### Education

- Bachelor of Science, Walsh University, magna cum laude
- Master of Taxation, The University of Akron
- Juris Doctorate, The University of Akron, cum laude

### Professional and Civic Memberships and Activities

- American Institute of Certified Public Accountants
- Ohio Society of Certified Public Accountants
- American Bar Association
- Walsh University Planned Giving Advisory Board
- Volunteer, Wills for Heroes
- Former member, AmeriCorps NCCC
- Board member, First Friday Club



Julianne B. Buynak,  
CPA, M. Tax, JD  
Tax Manager

*"These difficult economic times have really shown me why Bober Markey Fedorovich is so special. The firm has expended great effort not only to help our clients through the challenges presented by the credit crisis and recession, but has also been very sensitive to, and caring about, the needs and concerns of the firm's employees, whereas so many other companies have had significant layoffs. Our firm culture is all about caring for our people, and it really shows."*

– Julianne Buynak

# bmf services

## ASSURANCE & ADVISORY

Audits, reviews and compilations  
Bookkeeping services  
Financial projections  
Internal control reviews  
Cash management and forecasting  
Financial planning

## TAX SERVICES

Corporate and individual tax return preparation  
Business, estate and personal tax planning  
Employee benefit planning and administration  
Non-qualified deferred compensation planning  
Executive incentive compensation planning  
Multi-state tax planning  
Foreign tax minimization  
IRS representation  
Employee stock ownership plans (ESOPs)

## CONSULTING SERVICES

Business valuation  
Litigation support  
ESOP valuations  
Buy-sell agreements  
Executive search  
Cost accounting  
Mergers and acquisitions  
Due diligence transaction support  
Preservation of family wealth planning  
Ownership succession planning  
Strategic planning  
Financial management, re-engineering and restructuring  
Profit enhancement studies  
Fraud investigation  
Lender collateral audits

*Unless expressly stated otherwise, any U.S. tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.*

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# about our staff

**Danielle Kimmell** has been elected to the board of the Akron Roundtable.

In order to support the continued growth of our practice, the partners of Bober Markey Fedorovich are pleased to announce the following addition to our professional staff:

- **Karen Costantini** joined as a senior manager in the tax department. Karen has more than 12 years of experience working for a regional CPA firm in Cleveland and has significant experience working with both publicly and privately held companies in a variety of industries, including manufacturing and distribution, service, real estate and investments. She is a summa cum laude graduate of Baldwin-Wallace College.

In February 2010, *Smart Business Cleveland* published "Reasons to be green," featuring **Alex Bagne** and his specialized tax services pursuant to the Energy Efficient Commercial Building Deduction.

Tax advice from **Cindy Mitchell** was featured in "Want to cut Uncle Sam a smaller slice of your income pie? Read about these tax law changes" in the February 19 issue of the *Cleveland Plain Dealer* and "We can answer your tax questions" in the February 27 issue of the *Akron Beacon Journal*. She also presented "Individual Tax Planning (Out with the Old – In with the New)" to the Financial Planning Association of northeast Ohio on February 19. Further, she and **Mike**

**Hydell** were quoted in "Accountants field a variety of tax queries" in the February 23 issue of the *Akron Beacon Journal*.

**Rick Fedorovich** is slated to receive the Distinguished Community Service Award from the Boy Scouts of America and the Rotary Club of Fairlawn on April 17.

**Andrew Zinger** has earned the prestigious Accredited in Business Valuation (ABV) credential from the American Institute of CPAs.

**Jim Merklin** presented "International Financial Reporting Standards (IFRS)" to the Akron/Canton Chapter of the Institute of Management Accountants on February 17. Jim also presented "Designated Partners Update" and "Fraud Risks in Employee Benefit Plans" as a panel member on nationwide webinars for the American Institute of CPAs on January 13 and February 17 respectively.

On March 12, "Repay loan from 401(k) to avoid penalty, tax: Ask the Expert" by **Dale Ruther** was published in the *Cleveland Plain Dealer*.

Weaver Industries announced that **Andrea Gauding** was elected treasurer of its board of directors in January 2010.

On March 8, **Mark Bober** served as a guest lecturer at The University of Akron joint Law School/MBA program class on transaction due diligence and purchase price accounting. ■

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