

# Call in for a Coffee Christmas Edition

Edition No. 23

RSM Nelson Wheeler, Thailand

December 2004

## Introduction

Welcome to RSM's Christmas edition of "Call in for a Coffee," and we wish you the very best for the festive season. This edition focuses on the difficulties that companies may have been faced with in 2004 with respect to hiring and retaining top quality employees and the second article of a three part series on Keyman insurance.

## Human Resources Update - By Gary Woollacott, Kapient Thailand

Much has been published recently on the difficulties of recruiting qualified and effective staff. This has become a problem in many sectors and seems unlikely to improve in the short term. Too many companies are chasing too few talented human resources and, as a direct consequence, the price of that talent has been rising. Thailand's economy has been growing consistently over the past few years and it seems that this growth is set to continue for the medium term, at least.

*What can companies do to ensure that they attract the best talent in the market?*

An obvious answer is to plan carefully their HR needs, ensuring that line managers involve the HR function as their business plans evolve, and setting up a rigorous selection process. That's in an ideal world; the reality is that many companies have a knee-jerk reaction to staffing requirements and only seek talent when their own people leave. This is, of course, on the assumption that an internal promotion is neither appropriate nor possible.

### *Talent Pipelines*

Some of the more forward-thinking companies have set up talent pipelines, whereby they identify suitable individuals – and may even approach, interview and assess them – in order to understand the shape of the market before they actually need to move on a recruitment project. This may be done either in-house, or with the help of an HR specialist. It involves an investment in both time and money (real outlay, or opportunity cost) and the pay-off is not seen immediately. However, when a resignation happens, the company is poised to act quickly, drawing on its knowledge of external talent and may be able to make an appointment within a shorter period of time than usual. Due to the costs involved, those companies that make use of this strategy often tend to do so for only the most senior or key positions.

In a very tight labour market, as we are seeing now, building a talent pipeline may not always work. Candidates have many options in a rising market and it simply may not be enough to approach them with an offer and expect them to accept.

Even using a recruitment agency or a headhunter may not bring the desired results if the grass is thought to be greener elsewhere. At the same time, it can be a mistake to dither over an appointment in a market like this; if a hiring manager sees someone who is both highly suited to the position and very interested in it, chances are that other organisations may also be talking to him or her with similar ideas in mind. Delaying a decision in times like this may well result in a lost candidate.

### *Employee Scruples*

Another issue that is, sadly, not uncommon at all levels of management is that too many candidates think it is acceptable behaviour to accept a position and then continue shopping around for another with the full intention of accepting a better offer. Hiring managers should abhor this type of behaviour and might bear it in mind when interviewing candidates who have accepted an offer elsewhere, working out their notice. If the candidate is willing to do it to another company, then he or she may have no hesitation in doing it again.

### *Good Communication and Honesty*

Having attracted talented people, companies sometimes forget that post-recruitment dialogue is just as important as the pre-recruitment seduction. Employees who feel that they are treated just as another resource to be exploited may react badly to that, particularly if they were promised something else before joining the company. Misleading statements during the recruitment process or broken promises after can only lead to dissatisfied employees and, in a worst case scenario, an early and unexpected departure. The management of human resources is a time-consuming and expensive process and events like this come at great cost. Few employers actually know how much it costs to recruit, train and retain talent: for those that do know, the exercise is illuminating.

### *Employee Retention*

The constant companions of retention are training, development, promotion and rewards. Surprisingly, some companies do not use any of these tools to try to retain their staff: the work alone is supposed to provide the satisfaction levels necessary. These are sometimes the same companies that complain about high levels of staff turnover. More enlightened companies recognise that the use of differing combinations of retention tools is necessary for different candidates. It is definitely the case that one size does not fit all, and line managers will need to pay increasingly more careful attention to the methods by which they hope to retain their staff.

### *Thai Labour Law Favours Employees*

Finally, a few words on those employees that organisations choose, for whatever reason, not to retain. The Labour Court provides an excellent source of recourse for employees who have been genuinely wronged by their employers.

**RSM! Nelson Wheeler (Thailand) Limited**

No responsibility can be taken by the publisher or the contributors for action taken as a result of information provided or opinions expressed in this publication. Readers are strongly recommended to take expert advice on particular situations.

When the court rules on the side of the employee, it requires the employer to compensate the employee as specified under the law. The court also usually tries, in the early stages of a case, to mediate a solution by urging both parties to reach a compromise. However, the spirit of the court and the law is sometimes hijacked by unscrupulous individuals purely in the pursuit of personal gain. It costs little to bring a lawsuit against a company and, for some, the temptation is impossible to resist. Fighting a suit in the Labour Court is not a good place to be and, however objectionable it may be to one's principles, some careful analysis beforehand should be carried out when deciding whether to simply settle, or to see it through. Too many companies have fought the good fight, only to realise later that it would have been better to have given in gracefully. Obviously, this is not ideal but merely a reflection of the realities that companies must face.

The subject of human resources in Thailand is best approached with care and forethought. The gamut of issues facing companies and hiring managers differs from those a few years ago, and will differ again when Thailand moves along its economic cycle. As such, organisations would be well advised to plan carefully for the future, taking into account not only their business goals, but also making it clear how human resources management is the essential factor in that equation.

**This article originally appeared in the November 2004 issue of *Advance*, published by the Australian-Thai Chamber of Commerce. It is reprinted here with kind permission. Gary Woollacott may be contacted on +66 2 636 2323 or [gary@kapiant.co.th](mailto:gary@kapiant.co.th)**

## Keyman Insurance – Part II – Gain tax relief at 30% on Key Man policies and benefit by up to 2,000% personally in cash terms

Every company has at least one key person whose death or disability would have a serious effect on the company's future profits. A business owner or sales director may have valuable contacts that, together with the business they provide, could be lost in the event of his or her death. A controlling director may have personally guaranteed a bank loan. A key technical person such as a research scientist may be vital to the development of a new product. These are just some of the possible examples.

Companies who suffer the loss of a Key person will also incur the cost of finding and training a successor. Loss of business may seriously affect cash flow, as the company's overheads and salaries still need to be paid. When all these facts are considered, the case for insuring key personnel becomes crystal clear.

Traditionally Key person insurance has been widely taken up by companies in the USA and UK with businesses throughout the rest of the world reluctant to see the advantages, thus leaving themselves at considerable risk.

**If there was a way to insure Key personnel thus protecting the company, gaining 30% tax relief on the company contributions with key personnel substantially benefiting in cash terms, would this make a difference?**

## The answer is that ALL these benefits can be gained by using a split benefit Key person policy.

This short article is not able to go into the details, as these are likely to vary with every case, however here is an example:

Male director aged 40 – Key person cover required US\$ 1,000,000

Cost to the company US\$ 12,515 per annum, less tax relief at 30% = US\$ 8,760

Cost to the key person US\$ 1,180 per annum

**Key person cover for the company in the event of death prior to retirement US\$ 1,000,000**

**Cost to Key person over 20 years US\$ 23,600**

**Cash benefit to the Key person on survival to age 60, US\$ 402,055 - return on personal investment 1,603%**

**Cost to Key person over 25 years US\$ 29,500**

**Cash benefit to the Key person on survival to age 65, US\$ 606,412 - return on personal investment 1,955%**

If you own a business or are a Key person this **must** be of interest to you so please contact **Barry Scaife** and **Christopher Coleridge Cole** for details.

## RSM News

The only real news affecting the RSM Nelson Wheeler Group this month is that of the retirement of Mr. David Kennedy the founder of the RSM Bangkok Office. David will return to Brisbane to pursue other business interests and we all wish him the very best with his future endeavours.

## Upcoming RSM Sponsored Events

<u>Date</u>	<u>Event</u>	<u>Contact Details</u>
12.01.05	Lighthouse Club Gathering Bull's Head, Sukhumvit 33/1	sunisa.makotpate@rsmnw.com

## Free Consultation

If your company has any issues requiring clarification with respect to legal, financial, taxation, accounting, auditing, wealth management or other problems, please contact the **RSM Team** and "**Call In For A Coffee**" for a free consultation.

Translation of business ideas into realistic projects requires expert advice. **RSM** can assist you in formulating practical solutions to obstacles which may be encountered while undertaking business in Thailand.

## Contact Details

We are located at:  
26<sup>th</sup> Floor, Sathorn City Tower,  
175 South Sathorn Road,  
Bangkok 10120, Thailand

**Telephone:** 66 (0) 2670-9002

**Facsimile:** 66 (0) 2670-9027-28

**Website:** [www.rsmnw.com](http://www.rsmnw.com)

**Email Address:** [askus.bangkok@rsmnw.com](mailto:askus.bangkok@rsmnw.com)